



Family Assistance Legislation Amendment (Child Care Budget Measures) Bill 2010

This is a later edition of a Bills Digest previously prepared for the 42nd Parliament

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Family Assistance Legislation Amendment (Child Care Budget Measures) Bill 2010

Date introduced: 29 September 2010

House: House of Representatives

Portfolio: Employment Participation and Childcare

Commencement: The day of Royal Assent.

Links: The links to the [Bill, its Explanatory Memorandum and second reading speech](#) can be found on the Bills page, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

This Bill lapsed on the proroguing of Parliament in July 2010. It has been re-introduced without any significant changes.

Purpose

To set the maximum per child amount of Child Care Rebate to \$7500 per annum and suspend indexation until July 2014.

Background

The 2010–11 Budget provides \$273.7 million to support the introduction of the National Quality Framework (NQF) for early childhood education and child care.¹ The NQF will involve, amongst other matters, the progressive phase-in of improved carer-to-child ratios and higher qualification requirements for carers from January 2012.² From July 2010 a transition phase commences where services will begin to undergo assessment against the NQF's National Quality Standard. The NQF will increase the costs faced by child care services which will then, it is anticipated, pass those increased costs on to families using child care.³

Claims about the extent of fee increases vary from the Government's view (supported by the new operators of ABC Learning) that they will be small, to claims from some industry groups that they

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1. Council of Australian Governments (COAG), *National Partnership Agreement on the National Quality Agenda for Early Childhood Education and Care*, COAG, 2009, viewed 17 May 2010, http://www.coag.gov.au/coag_meeting_outcomes/2009-12-07/docs/nap_national_quality_agenda_early_childhood_education_care.pdf
 2. For further information, see Department of Education, Employment and Workplace Relations (DEEWR), 'National Quality Framework for Early Childhood Education and Care', DEEWR website, viewed 18 May 2010, http://www.deewr.gov.au/EarlyChildhood/Policy_Agenda/Quality/Pages/home.aspx
 3. Council of Australian Governments (COAG), *Regulation Impact Statement for Early Childhood Education and Care Quality Reforms*, COAG, 2009, viewed 17 May 2010, http://www.coag.gov.au/coag_meeting_outcomes/2009-12-07/docs/ris_early_childhood_education_care_quality_reforms.pdf

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may be as high as \$12 to \$22 per day.⁴ These conflicting views are not new, but have been given renewed attention in light of the Government's decision to return the cap on the amount of Child Care Rebate (CCR) that can be claimed for each child in care to the 2008–09 level of \$7500 per annum. Indexation had taken this cap to \$7778 in 2009–2010. This measure will take effect from July 2010 and indexation will be suspended until July 2014. Savings of \$86.3 million over four years are expected.

The Government views this measure as a savings measure to offset some of the \$273.7 million to be spent implementing the NQF for early childhood education and child care. Deputy Prime Minister Gillard points out that the change will only affect three per cent of families receiving the rebate in 2010–11.⁵ That means that about 20 700 families will be affected, losing up to about \$9 a week (taking account of the indexation of the cap that was due in July 2010). As the indexation freeze progresses, the impact will grow due to increases in child care fees over that time. This is reflected in the growth in the estimated savings from \$5.7 million in 2010–11 to \$42 million in 2013–14. If the worst case fee increases projected by some in the child care industry come to pass then that would substantially increase the impact of this change.

The Government does expect expenditure on the CCR to increase as the NQF rolls out. Increased expenditure on CCR over the period 2010–11 to 2013–14, as a result of the improved child care standards, is identified in *Budget Measures: Budget Paper No. 2: 2010–11* under the heading 'National Quality Agenda for Early Childhood Education and Care – national partnership implementation'. Expected CCR outlays climb from \$9.1 million in 2010–11 to \$64 million in 2013–14.⁶

However the impact of the change in dollar terms pans out, it is clearly going to fall mainly on those families who use a lot of the most expensive child care (usually located in expensive accommodation in central business district locations). It follows that these families are unlikely to be low income families.

The Greens are reported to be opposed to the CCR changes.⁷ The Coalition response was also critical.⁸

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4. Ibid. See also A Horin, 'New ABC childcare chief calls for calm on ratio change', *Sydney Morning Herald*, 15 May 2010, p. 12, viewed 17 May 2010, http://parlinfo.parlinfo/download/media/pressclp/JNPW6/upload_binary/inpw60.pdf;fileType=application/pdf#search=%22horin%22; and J Massola and P Jean, 'Care changes to hit thousands of parents', *Canberra Times*, 13 May 2010, p. 6, viewed 14 May 2010, http://parlinfo.parlinfo/download/media/pressclp/3QOW6/upload_binary/3qow60.pdf;fileType=application/pdf#search=%22child%20care%22
 5. J Gillard (Minister for Education, Employment and Workplace Relations) and K Ellis (Minister for Early Childhood Education, Child Care and Youth), *\$273.7 million to boost the quality of child care and early childhood education for Australian children*, media release, 11 May 2010, viewed 14 May 2010, http://www.deewr.gov.au/Ministers/Gillard/Media/Releases/Pages/Article_100511_174044.aspx
 6. Australian Government, *Budget measures: budget paper no. 2: 2010–11*, Commonwealth of Australia, Canberra, 2010, p. 143.
 7. Massola and Jean, 'Care changes to hit thousands of parents', op. cit.
 8. S Stone (Shadow Minister for Early Childhood Education and Childcare), *Budget Child Care Rebate cut: Rudd Labor treats working families with contempt*, media release, 14 May 2010, viewed 31 May 2010, http://parlinfo.parlinfo/download/media/pressrel/HUQW6/upload_binary/huqw60.pdf;fileType=application/pdf#search=%22child%20care%20rebate%22

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Financial implications

The measures in the bill are expected to result in savings of \$86.3 million over the four years from 2010-11 to 2013-14.

Main provisions

Item 2 adds **new paragraphs 84F(1)(d) to (f)** to the *Family Assistance Act 1999*. They fix the amount of the annual child care rebate (CCR) limit for each child for years 2010-11 to 2013-14 at \$7500. Indexation under schedule 4 will recommence in July 2014.

Item 4 inserts **new subclause 3(6A)** into Schedule 4. This subclause specifies that the CCR limit will not be indexed in the years 2010 to 2013.

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