



8 May 2007

BRIEFING PAPER

Subject: 2007 Federal Budget Report
Action: For information
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Welcome to our 2007 Federal Budget Summary.

This summary presents you with my brief reaction to the Budget and an overview of key initiatives contained within this year's budget.

To best describe tonight's budget - "Much ado about nothing" is a phrase that comes to mind.

Tonight's Budget was billed as a big spending budget, reaping the benefits of 10 years of fiscal discipline. The Treasurer indicated in the opening of his budget speech that this budget would lay out a vision for the next 10 years, building on the strong foundation laid by the last 10 years of government discipline.

On the details that we have to date, that "vision" leaves our most disadvantaged citizens still struggling to make ends meet, and certainly does little to raise their share of the nations unprecedented wealth.

From the viewpoint of social infrastructure, the vision for education is the centre piece of the budget. There is huge investment in educational capital infrastructure (eg: universities) and some investment school education and tutoring for those who are struggling to meet literacy standards.

Adjustment to the low income tax offset and tax rates for low income earners will deliver some tax relief to low income earners, but will do so at the same time as substantial tax breaks are delivered to middle and high income earners. Apart from some one-off bonuses for carers and others, those on pensions and benefits will see no substantial initiatives in this budget to bolster their incomes.

Much discussed dental health initiatives will assist only those who are sick enough to need related care. Poor dental health is not enough on its own to warrant appropriate dental care, your dental health has to be bad enough that you require medical care!

Neither DEWR nor FACSIA held budget briefings for the community sector this year, so we are left to trawl through mountains of budget papers and press releases to determine changes to programs that may affect the work of our network. It will only be over the next days and weeks that we can untangle what is new money and what is “smoke and mirrors”. As you will see from what’s attached, there are some real initiatives but no real surprises. Certainly there are no initiatives that could be described as visionary for those who will be attending your services tomorrow.

In the past, this government has invested substantially in the “Future Fund” to meet future liabilities for Commonwealth Superannuation. Tonight the Government made a welcome investment in a similar fund for educational infrastructure. This is a laudable way to build future capacity and educational standards as the economy requires workers with higher and higher skills.

It is hard not to ask, however, how many more budgets will pass before we see a government willing to make a similar long term investment to address social disadvantage? Our economic prosperity is such that we could currently afford such an investment. Imagine it, a multi-billion dollar fund, paid for from surpluses, locked away to meet the future needs of those with limited means to share in society’s wealth. A fund able to invest in long term strategies to address the needs identified in the recent “Dropping off the Edge” report.

We know what is needed. We know what works. What is missing is vision and political will. It seems we must do more to advance the day when a budget that addresses social disadvantage also attracts votes.

Thanks again the National Office staff who have worked so hard tonight to get tonight’s brief together for you. I hope you find it of use. Thanks too to ACOSS and its members who have shared some intelligence on issues detailed below.

Should you require additional information, www.budget.gov.au is a useful resource.

A handwritten signature in black ink, appearing to read 'Frank Quinlan', with a stylized, cursive script.

Frank Quinlan
Executive Director

Economic forecasting and Tax Cuts – an overview

Fiscal Outlook

- The 2000-08 Budget provides for an underlying cash surplus of \$10.6 billion, the Government's tenth surplus.
- Australian Government now debt free in net terms.

Economic Outlook

- Prospects for the Australian economy remain sound with economic growth forecast to be 3 3/4 per cent in 2007-08.

Tax cuts

- Personal Income Tax Cuts - \$31.5 billion over 4 years. Tax cuts to be staged over 2 years.
 - The 30 per cent threshold will be increased to \$30,000 (from \$25,000).
 - Low Income Offset increase from \$600 to \$750 pa with phase out from \$30,000 (up from \$25,000). Cuts out at \$48,750.
 - Eligible will not pay tax till income exceeds \$11,000 (up from \$10,000)
 - Equivalent to extra \$19.16 per week.
 - In 2008
 - 40% threshold will increase to \$80,000 (from \$75,000)
 - 45% threshold will increase to \$180,000 (from \$150,000).
- Senior Australians who are eligible for the senior Australians tax offset will now pay no tax on their annual income up to \$25,867 for singles and up to \$43,360 for couples.

Summary by subject headings:

1. Aged and Community Care
2. Child Care
3. Defence and National Security
4. Disability
5. Education
6. Environment
7. Family Support and FRSP/FRC's
8. Health
9. Indigenous Initiatives
10. Migration
11. Overseas Aid
12. Transport
13. Vocational Services
14. Superannuation

1. AGED AND COMMUNITY CARE

AGED AND COMMUNITY CARE

- Budget papers referred to a community care package, announced in February 2007, which included:
 - Additional 7,200 community care places over the next four years.
 - Additional 100,000 days of respite care over next four years to support carers of older people: benefiting about 1,000 in first year and 4,000 in fourth year (\$26.5 million over five years).
 - Up to 6,000 extra training places for community care workers in accredited aged care certificates, including up to 2,000 culturally and linguistically diverse and Aboriginal and Torres Strait Islander workers (\$32.1 million over four years, which also covers 400-odd post-graduate nursing scholarships).
 - Additional support for people in remote areas and with special needs, and for their aged care providers (\$42.6 over first five years).
- Additional measures announced in Budget include:
 - Enhancing access to aged care services for people from wide range of cultural backgrounds (\$13.2 million over five years from 2006-07).
 - More money to provide further respite for carers (\$41.2 million).
- Increased capital funding for residential care; and a transitional accommodation subsidy to offset reduced revenue to providers as new accommodation subsidies are phased in.
- Introduction of the “Aged Care Funding Instrument” from 20 March 2008 – to deliver more money for those with highest care needs (maximum care subsidy to increase from \$123 per day to over \$160 by 2011).
- Increase availability and use of “assistive technology” by (i) establishing an industry body, and using combined buying negotiate discounts on assistive technology; and (ii) from 2008-09, a grants program. Measure said to benefit “up to 4,000 community care service providers across Australia? (\$21.4 million over four years).
- Demonstration sites for day respite in residential aged care facilities, providing an additional 62,400 days of respite and enabling evaluation of various models of respite care, with residential aged care facilities to be offered funding through a competitive program under the National Respite for Carers Program (\$41.2 million over next four years; initiative to conclude in 2010-2011).
- Increased support for the Assistance for Care and Housing for the Aged program, which helps to link homeless older people and those in insecure housing to care and accommodation (\$5.7 million over four years):
 - Will provide existing providers with further funding, and also fund new providers to expand ACHA into new regions.

2. CHILD CARE

- Rate of Child Care Benefit (CCB) will increase by 10% + indexation, from 1 July 2007.
- Child Care Tax Rebate – assurance of more timely payment of rebate. Some families with rebates owing from 2005-06 and 2006-7 will be eligible to receive two rebates in 2007-08.
- Additional funds over four years for child care in regional and remote areas, and outside of school hours care
- Increased funding for child care for children with high support needs - \$73 million over five years
- \$10.7 million over five years to integrate aspects of the Child Care Quality Assurance system and to enable Indigenous Child Care and In-home care services to participate in the system. This will allow QA spot checks to ensure the performance of accredited child care services remain consistent with QA requirements.
- Childcare *JET* - \$15.4 million over 4 years for JET Child Care Fee Assistance programme (note that this measure introduces new restrictions for the amount of assistance a person can get for the same activity in consecutive 12 month periods.

3. DEFENCE AND NATIONAL SECURITY

- \$702 million to improve anti-terrorism capabilities
- \$1 billion over 11 years to improve ADF recruitment and retention
- \$6.6 billion over 13 years to purchase aircraft (Super Hornets).
- \$4 billion for equipment support.
- \$1.1 billion over four years for continued support to Iraq and Afghanistan.

4. DISABILITY

- A new conditional \$3.3 billion has been offered to the States (over five years) as part of a new Commonwealth State and Territory Disability Agreement. Under this agreement the Federal Government's responsibility is for disability employment services while the State and Territories are responsible for accommodation support, community support services and respite care.

5. EDUCATION

Schools, University and Vocational Education:

- \$5 billion to establish a perpetual Higher Education Endowment Fund to fund capital works and research.
- \$3.5 billion to improve literacy and numeracy in schools.
 - For Years 3, 5 and 6 - children failing to meet L & N standards for that grade will be eligible for a \$700.00 voucher for extra tuition outside school.
 - From 2008, bonus of up to \$50,000 will be paid to schools showing marked improvement in the school's L & N.

- For teachers attending summer schools providing professional development in L & N, Australian History, maths, science and English – teachers will be eligible for \$5,000 bonus for attending.
- An additional \$549 million over four years to apprentices in skill shortage trades
 - Apprentices aged under 30 years will receive \$1,000 a year wage top-up for 1st and 2nd years of apprenticeship;
 - \$500 a year towards course fees for 1st and 2nd year apprentices irrespective of age;
 - Three new Australian Technical Colleges in Brisbane, Sydney and Perth;
 - \$59m over 4 years to Registered Training Organisations to partner with industry and local employers to fast-track time-based progression of apprentices.

6. ENVIRONMENT

- Government to spend \$741 over five years to reduce emissions and to prepare Australia for the consequences of climate change
- \$2.2 billion over 6 years to conserve Australia's natural resources namely, Natural Heritage Trust; Landcare Programme, Environmental Stewardship Programme.
- \$10 billion Nation Plan for Water Security (includes \$201 million over 6 years to support the installation of water tanks and other water saving devices by schools and community organisations).

7. FAMILY SUPPORT AND FRSP/FRCS

- Lump sum payment of \$1,000 to carers (receiving carer payments) in recognition of their contribution of caring for people with a disability or the frail aged. Recipients of carers allowance will receive \$600 for each eligible person in their care.
- Continuation of respite support for carers of young people with severe and profound disabilities plus an expansion of 1000 short term respite places.
- Continuation of the Men and Family Relationships Services and Family Relationship Education Funding for the next four years.
- \$6.1 M over five years to provide four new family law magistrates to deal with increased family law workloads of the FMS. Any additional new magistrates will be paid for by the FCA as new judges will not be appointed to fill recent vacancies.
- \$55.6M over four years to develop two new counselling services. \$36.9 M will be used to establish two initiatives in regional Australia.
 - Program 1 will enable 11,000 children from separating families to participate in decisions that impact on them and help them to deal with other issues arising for the breakdown of their parent's relationship.
 - Program 2 is an education program in 28 locations that will assist separating parents whose inability to communicate without conflict is affecting contact with their children. This will be built upon "Building Connections" piloted in NSW 2005-06 by Interrelate.
 - The remaining \$15M will go to the Family Court of Australia and the Federal Magistrates Service to improve services in de facto property disputes; employ additional Family Consultants \$2.9M and provide training for child-inclusive approaches in the courts.

- \$19.7 M over four years to supplement the commitment to legal aid. Part of this money will support the recent changes to child support arrangements, and improved legal service in regional and remote areas by the employment of young lawyers.

8. HEALTH

Dental

- \$455.2M over four years primarily focused on patients with chronic and complex medical conditions that are exacerbated by poor oral health (\$377.6M over four years). The payment per assessment for this group will be increased to \$125 (from \$77.95) and subsequent treatment provided to a value of \$2,000 per year.

Mental health

- The following two measures involve NO new funding, but will be met from within the existing resourcing of the Department of Health and Ageing:
 - Increased mental health services for drought-affected communities. \$20.6 million over four years will be provided to up to 114 additional allied health and/or mental health nursing professionals in drought-affected areas through the existing "Mental Health Services in Rural and Remote Areas" initiative (which was announced in 2006-2007 Budget).
 - A new measure called the "Mental Health Support for Drought-affected Communities" initiative will provide crisis counseling services, as well as education/training for clinicians and community leaders. "Funding will be provided to up to 39 individual Divisions of General Practice covering a wide range of drought-affected rural and remote communities throughout Australia." (\$10.1 million over two years from 2007-08.)

Substance abuse

- Combating Illicit Drugs – strengthening the Non-Government Organisation Treatment Grants Program to increase the number of treatment places under this program (\$79.5 million over four years). "Further information can be found in the press release of 22 April 2007 issued by the Prime Minister".

"Healthy Active Australia"

- Grants for physical activity programs in the community (\$11.7 million over four years).

9. INDIGENOUS INITIATIVES

- \$748.3M over five years – *A Better Future for Indigenous Australians* – initiatives over eight departments. The majority of this funding (66%) will be taken up by initiatives to move from CDEP to alternative labour market programs in strong labour markets. Two other areas of spending are education initiatives (24%) and housing and infrastructure. Note that the latter has a focus on housing repairs and also promoting home ownership (little detail is available on this initiative).

There are a number of initiatives regarding Community Development Employment Projects:

- \$97.2m over 4 years to convert CDEP positions into normalised employment arrangements for participants delivering government services in education, childcare, environment and heritage protection, Indigenous community policing and home and community care in urban and regional areas;
- \$21.4m over 4 years to increase the effectiveness of Work Skills Vouchers;

- \$32.8m over 4 years to create greater employment pathways for Indigenous young people through Indigenous Access Scholarships and ABSTUDY;
- \$496.9m over 5 years to further reduce welfare dependency among Indigenous Australians by replacing CDEP in strong labour markets with Structured Training and Employment Projects. This is not additional funding but rather a shift from CDEP to STEP;
- \$50.7m over 4 years to maintain 1,000 CDEP places in remote communities to support projects that seek to prevent and address family violence and substance misuse.
- \$23.2m over 5 years to strengthen the compliance framework of the CDEP programme.
- \$23.0m over 5 years to accelerate the removal of remote area exemptions for income support recipients living in remote communities.
- \$13.8m over 4 years to expand playgroup services for Indigenous families.

10. MIGRATION

- Skilled Migration program to increase by 5,000 in 2007-08
- Humanitarian Programme to remain at 13,000 places. Additional investment for societal integration services (\$209 million) and English classes (\$128 million)
- Government to implement a Citizenship Test at a cost of \$124 million over five years
- \$85 million to combat people smuggling.
- \$6.4 million over four years to extend the crisis payment to newly arrived humanitarian entrants on arrival in Australia

11. OVERSEAS AID

- \$2.6 billion to overseas aid.

12. TRANSPORT

- \$22.3 billion over 5 years, 2009/10 - 2013/14, for AusLink2 – road and rail infrastructure investment

13. VOCATIONAL SERVICES

Appropriation for Outcome 1 (Efficient and effective labour market assistance) decreased marginally from \$3478bn in 2006-07 to \$3.465bn in 2007-08. Only very minor initiatives:

- **Job Capacity Assessments:** Additional \$3.5m over 4 years to clarify and reinforce the role of Job Capacity Assessors (mainly for IT and legal purposes);
- **Personal Support Program:** Additional 2,000 places over 4 years costing \$15.8m;
- **Relocation Assistance Pilot:** Additional \$0.5m to expand the pilot in 2007-08;

- **Vocational Rehabilitation Services and Disability Employment Network:**
Additional capped places for VRS (1,480 extra) and DEN (987 extra) costing \$39.8m; and an additional 150 places for pre-release prisoners in VRS and DEN costing \$1.3m;
- **Work for the Dole:** extra \$11.4m over 4 years for a new \$500 incentive for Community Work Coordinators to encourage use of training credits by Work for the Dole participants.

14. SUPERANNUATION

- Retrospective benefit being paid to those who have already taken advantage of the co-contribution superannuation scheme for low to middle income earners. Government will match superannuation payments in this scheme \$3.00 for every \$1.00. To be eligible – must have made a superannuation contribution in 2005-06 within this scheme.



2007 BUDGET LACKS VISION FOR LONG TERM INVESTMENT

Catholic Social Services Australia's Executive Director, Frank Quinlan, said some of tonight's Budget measures will make life a bit easier for some families and lower income Australians in the short term.

But, Mr Quinlan said, the Treasurer's budget speech, which laid out challenges for the next ten years, failed to detail how Australia's most disadvantaged people would participate in the long term prosperity of the country.

Education

"Low income earners will only share in the substantial investment in education if that investment is matched by similar long term initiatives in health care, affordable housing and early intervention," Mr Quinlan said.

Dental Health

"It's a sad reflection on society when poor dental health alone is not enough to justify access to dental care. The dental health initiatives will only assist those who have become so sick that they need medical care for related conditions.

Tax Cuts

"A tax cut of \$16 a week for average income earners, while welcome, will help pay the grocery bill but does little to secure long term access to affordable housing. Tax cuts do nothing to ease the burden of those receiving benefits or pensions who currently live in poverty and struggle every day just to make ends meet.

"While initiatives aimed at relieving hardship through education are welcome, the Government has missed an opportunity in these good times to invest significantly in social infrastructure in areas such as health and housing for the long term benefit of the country, particularly in areas of high disadvantage," Mr Quinlan said.

Catholic Social Services will provide an analysis of the budget measures not addressed in the Treasurer's speech as details become available.

Catholic Social Services Australia provides services to over a million Australians each year.

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CONTACT Judith Tokley 02 6285 1366 / 0408 824 306