



Federal Budget Report 2002 - 2003

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A. Overview

Over the next four years the Federal Government will spend \$2 Billion on ‘upgrading domestic security’ and ‘protecting Australia’s borders’.

Other key initiatives involve cuts:

\$1.1B cut to PBS through increased patient payments

\$356.5m cut to disability pensions through changed eligibility criteria

\$64.7m cut to unemployment services.

More compliance measures aimed at benefit recipients.

There was \$370 m to Australians earning more than \$85,000 by cutting the superannuation surcharge from 15% to 10.5% over 3 years.

From an education perspective, the first Brendan Nelson Budget was a disappointment for its lack of content. Whilst continuing the increasing bias to private schools, there is little in this budget that marks the stamp of a new Minister. The lack of initiatives in the area of Indigenous education (other than a small amount re-cycled from last year) was particularly noticeable and lamentable. It would appear that his caring rhetoric in speeches is not matched by any desire or capacity to secure resources in Cabinet.

Prior to the Budget, Nelson has announced that funding for the National Asian Languages and Studies in Australian Schools (NALSAS) would not continue to receive funding (\$30 m p a).

It should also be noted that in 2003-04 Commonwealth expenditure on private schools will for the first time exceed that on universities.

B. New Measures (Education) (Budget Paper 2, Education & Training – Page 83)

Programs	\$m Over 4 Yrs	2002- 2003	2003- 2004	2004- 2005	2005- 2006
Expanding School Based Apprenticeships ((\$750 to employers per student at school, \$750 if employed after school)	31.7	4.2	9.1	9.2	9.2
ESL – Humanitarian & refugee temporary visa holders (750 students p.a. into a minimum of 6 months)	14.3	3.2	3.5	3.7	3.9
Quality Teacher Program Extended 3 years as already in Forward Estimates					
Rationalisation of funding for State/Territory ITABS	-15.4	-5.1	-2.5	-5.3	-2.5
Reprioritisation of Portfolio Resourcing		-8.2	-	-	-
New Innovation New Apprenticeship Scheme ((\$1,100 to employers for New Apprentices in Information Technology etc)	22.3	2.5	6.6	6.6	6.6
Improving Technology Skills for older workers (in skilling up Australia) (11,500 vouchers p.a. of \$500 for training in basic I.T.)	23.2	5.8	5.8	5.8	5.8
New School Students, Increased Migration (Page 129)	67.2	7.2	13.3	19.7	27.1
Recognising & Improving the work capacity of people with a disability (Page 100)	35.7	-	14.4	10.4	10.9
AMEP Special Initiatives (Extended program, partially offset by increases in Visa charges (Page 9)	13.5	-	4.5	4.5	4.5

C. Schools' Budget

C1 Indigenous Funding (See Indigenous Affairs Statement, page 7.)

From 1/7/2002 – 1,600 Indigenous Secondary School students to stay on to Year 12 or further education and training, or paid employment.

2,300 Secondary school students (presumably Indigenous) gain access to Vocational Learning opportunities.

Note: This funding of \$3.5m this year comes from Working Together for Indigenous Youth/Australians Working Together from last Budget. Not new money.

Indigenous Education Professional Development Package (unfunded).

C2 Forward Estimates (Budget Paper 1, 6-18)

	2001-02	2002-03	2003-04	2004-05	2005-06
Private	3710	4021	4420	4740	5091
Public	2089	2145	2280	2409	2545
Total	5799	6166	6700	7149	7636

Private School increase of \$1.381 billion (37.2%) over the 5 years.

Public Schools \$0.456 billion (21.82%)

NOTE: Nelson's Media Release claims 5.7% for Public schools this year over last. I get 2.6% and Privates at 8.38%. Schools expenditure increase a nominal 7.4% p.a. made up entirely of SES increases and indexation.

C3 Forward Estimates (Budget Paper 3, Pages 42, 43)

\$000	2001-02	2002-03	2003-04	2004-05	2005-06
Recurrent – GS	1379557	1465442	1559653	1663686	1771381
- NGS	3383969	3696143	4083778	4391451	4729463
Targeted - GS	323977	324105	344889	363681	383366
- NGS	168514	170638	174668	184224	194354
IESIP - GS	143193	114247	119007	121219	123306
- NGS	56415	52663	54535	54756	55002
Capital - GS	232103	230847	245062	248896	255123
- NGS	91247	90755	96340	97847	100295
VET	971226	1032527	1108011	1131625	1156904

(For Calculations based on these please see Appendix 1)

D. IESIP - (Budget Paper 3 page 42/43)

IESIP funding for public schools declines by \$28,942,000 (20%) this year over last and private school IESIP declines \$3,752,000 (66%). However, it is explained in PBS that this is because of money carried forward from the previous year into 2001-2002 year.

E. TAFE/VET Budget

The modest new initiatives were flagged in the federal election platform, Skilling Up Australia.

- **Innovation New Apprenticeship Incentive**

An extra incentive of \$1100 to employers who take on New Apprentices in Information Technology and innovation industries. \$2.5m in 2002-03 and 22.3m over 4 years.

- **IT Skills for Older Australians**

It was called a 'skills voucher' in the platform although the term voucher does not appear in the budget. Up to 11,500 mature age people each year will be provided with accredited training to attain basic skills in computer and IT. For mature age workers in the labour force, who are welfare dependent and have no post-school qualifications in IT, to enable them to operate at a basic level in the workforce. \$5.8m per year, \$23.2m over four years.

- **Employer incentives for school based apprentices**

Employers who take on a New Apprentice while they are at school get \$750. A further \$750 if they continue to employ a young person as a New Apprentice 'within six months of them completing year 12'. \$4.2m in 2002-03, and \$31.7m per year.

- **Phased abolition of Commonwealth funding for state/territory ITABS**

Funding will be reduced by \$5.1m in 2002-03 and will cease in 2003-04.

They want to 'encourage rationalisation of the high number of boards'.

- **Restructure of Disability Support Pension** accompanied by additional funding for employment services, rehabilitation, education and training etc. Within the overall provision of 73,000 program places over the next three years, there will be an additional \$33m to the states and territories for mainstream vocational education and training places. It is unclear how this links to the announcement last year under Australians Working Together to provide funding for 2002-03 for educational assistance: 5200 new places in VET, additional support for over 1500 students with disabilities in Higher Education and 15 new Disability Coordinators. (\$7.3m in 2002-03 and \$37m over three years).

F. Federal State Relations (Budget Paper 3)

GST Revenue is growing more quickly than predicted. IN 2001-02 it is up by \$50 m over estimates, and the 2002-03 estimates have been revised upwards by \$520 m (p.37).

Initially, this goes to the Commonwealth through reductions in the Budget Balancing Assistance (BBA), but will also speed up the point at which State/Territories gain increased revenue as a result of the GST.

It is estimated that this BBA will be \$3856.8 m this financial year and fall to \$1741.2 m in 2002-03. Some states and territories are getting close to not needing the BBA, and individual Branches and Associated Bodies should consider this. (See GST tables pages 14-15. for current state or territory position.)

GST revenue for 2000-01 has been adjusted to account for a \$578.1m overpayment to the states, reflecting the affect of higher than anticipated GST cash refunds. There was no net impact on the states, since the GST shortfall was in effect reallocated via an increased payment under the Budget Balancing Assistance commitment, under which states are guaranteed that there financial position is no worse off as a result of the taxation reforms.

The overall guaranteed minimum amount to be provided to the states in 2002-03 increases from \$30.7B to \$31.1B. This includes both GST revenue and the Budget Balancing Assistance.

G. Intergenerational Report (Budget Paper 5 – pages 46-48)

The separate Intergenerational Report (BP%) includes a section on Education. It predicts that there will be a decline in % of GDP spent on education in line with slowed growth, then declining enrolments.

The AEU should consider the issues in this report and the related debate on an ongoing basis.

H. General Forecasts etc.

Inflation	2.75%
Growth	3.75%
Unemployment	6% by June quarter 2003
Surplus	\$1.2 billion, rising to 2.1 billion next year

Surplus 2001-02 was negative \$1.2 billion.

I. “Regional Australia (Blue book).

The Separate Report “Regional Australia” pp. 66-68 outlines a number of educational programs the Government considers relevant to regional Australia.

Appendix 1 – Per Cent Increases and Share

FORWARD ESTIMATES (Budget Paper 1, 6-18)

	2001-02	2002-03	2003-04	2004-05	2005-06	Increases %				5 years
						01/2-02/3	02/3-03/4	03/4-04/5	04/5-05/6	
Private	3710	4021	4420	4740	5091	8.38%	9.92%	7.24%	7.41%	37.22%
Public	2089	2145	2280	2409	2545	2.68%	6.29%	5.66%	5.65%	21.83%
Total	5799	6166	6700	7149	7636					
% Share to Private	63.97%	65.21%	65.97%	66.30%	66.67%					

FORWARD ESTIMATE (Budget Paper 3, Pages 43, 43)

	2001-02	2002-03	2003-04	2004-05	2005-06	Increases %				5 years
						01/2-02/3	02/3-03/4	03/4-04/5	04/5-05/6	
\$000										
Recurrent - GS	1379557	1465442	1559653	1663686	1771381	6.23%	6.43%	6.67%	6.47%	28.40%
Recurrent - NGS	3383969	3696143	4083778	4391451	4729463	9.23%	10.49%	7.53%	7.70%	39.76%
% to GS	28.96%	28.39%	27.64%	27.48%	27.25%					
Targeted - GS	323977	324105	344889	363681	383366	0.04%	6.41%	5.45%	5.41%	18.33%
Targeted - NGS	168514	170638	174668	184224	194354	1.26%	2.36%	5.47%	5.50%	15.33%
% to GS	65.78%	65.51%	66.38%	66.38%	66.36%					
IESIP - GS	143193	114247	119007	121219	123306	20.21%	4.17%	1.86%	1.72%	13.89%
IESIP - NGS	56415	52663	54535	54756	55002	-6.65%	3.55%	0.41%	0.45%	-2.50%
% to GS	71.74%	68.45%	68.58%	68.88%	69.15%					
Capital - GS	232103	230847	245062	248896	255123	-0.54%	6.16%	1.56%	2.50%	9.92%
Capital - NGS	91247	90755	96340	97847	100295	-0.54%	6.15%	1.56%	2.50%	9.92%
% to GS	71.78%	71.78%	71.78%	71.78%	71.78%					
VET	971226	1032527	1108011	1131625	1156904	6.31%	7.31%	2.13%	2.23%	19.12%

Note; IESIP funding is anomalous because of money carried forward from the previous year into 2001-2002 year.