

## Request for Costing an Election Commitment

<b>Name of proposal:</b>	Free and universal early education
Person requesting costing:	Shane Rattenbury
Date of request:	10 October 2024
Summary of proposal:	<p>To increase access to free and universal early education the ACT Greens will:</p> <ul style="list-style-type: none"> <li>• Provide 18 hours a week of free, universal education to every three and four year-old in Canberra by 2028, working towards a target of 30 hours a week of free early childhood education and care by 2034</li> <li>• Create new scholarships to help train more educators in the early childhood education sector</li> <li>• Boost support for educators to build skills and complete masters degrees.</li> </ul>
Issue the proposal will address:	Early childhood education and care (ECEC) costs in Australia have been skyrocketing. This is holding kids back by denying them essential early learning opportunities. It limits choices for women, who often give up study and career opportunities to take on caring responsibilities.
Proposal's public announcement details (media release or policy statement published on a party website) <sup>1</sup> :	<a href="https://greens.org.au/act/policies/education#earlyeducation">https://greens.org.au/act/policies/education#earlyeducation</a>

### What are the key assumptions that have been made in the proposal?

**Note:** The costing will be developed on the basis of information and assumptions provided in the costing request. The professional judgment of the Under Treasurer will determine whether these assumptions are adopted in the costing of the proposal.

The initiative estimates an additional \$88M investment is required up to 2028 to raise the number of free education hours provided to three and four year olds per week to 18 and to provide supporting scholarships. Currently the ACT Government provides four-year olds with 15 free hours, and three-year olds with 6 hours. The current ACT Government "Set up for Success" early education plan aims to have 15 hours of universal preschool for 3-year-olds in place by 2029.

The following assumptions have been made to estimate this cost:

- The initiative recognises that the increase will need to be introduced gradually to allow for an increase in capacity (i.e. new staff and additional hours). The increase is proposed to be introduced over the next 4 years in 25% increments (25% of the additional places in year

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<sup>1</sup> As per Part 2, section 5 of the *Election Commitments Costing Act 2012*

one, then 50%, then 75%, then 100% [18 hours] by July 2028).

- The current cost of providing 6 hours per week universal access to preschool for three-year olds is \$50m over four years (from the 2023-2027 budget outlook). Based on this, an increase to 18 hours for three-year olds is estimated to cost an additional \$100m over 4 years. As above, this figure is then reduced based on the graduated introduction (totalling **\$62.5M** over the 4 years).
- The current cost of providing 15 hours of ECEC to four-year-olds is \$10,465 per student (or \$174M for 4169 students over 4 years). Based on this, an increase to 18 hours is estimated to cost \$34.8M. This figure is then reduced based on the graduated introduction - totalling **\$21.75M** over the 4 years).
- Also factored in are additional scholarships:
  - o 72 scholarships of 25K each, over 4 years, to support the ECEC workforce – totalling **\$1.8M**.
  - o 80 new scholarships of 25K each, for preschool educators undertaking a masters in the ECEC or an ECEC adjacent field, and 200K for administration costs – totalling **\$2.2m**
- Funding for three year olds’ care will be provided to the market to pay providers to allow for the required spaces. Funding for four year olds’ care will be provided to Government preschools to fund extra carers and extra hours.
- \*The cost estimates were calculated based on the above; an estimate has not been made of how many additional FTE are needed.

What are the estimated revenue and operating costs each year (if available) and what are the capital requirements for this proposal and estimated costs each year (if available)?

	2024-25	2025-26	2026-27	2027-28	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue <sup>(a)</sup>					
Expenses <sup>(a)</sup>	-8,780	-17,560	-26,340	-35,130	-87,810
Capital <sup>(a)</sup>					
Depreciation <sup>(a)</sup>					
Offset - Expenses <sup>(a)</sup>					
Offset - Capital <sup>(a)</sup>					
Full-time equivalent employees	*(see note above)				

(a) A negative number indicates a decrease in revenue or an increase in expenses, depreciation or capital outflows. A positive number indicates an increase in revenue or decrease in expenses, depreciation or capital inflows. The expenses row is not to include depreciation costs.

Has any specific information or data been utilised in generating the proposal? Please provide links or attach information/data sources referenced.

No

Where relevant, is funding for the proposal to be demand driven or a capped amount?
Demand driven. The funding is intended to provide additional care hours to all three and four year olds in the ACT.
Will third parties, for instance the Commonwealth or other State/Territories, have a role in funding or delivering the proposal? Does the proposal provide additional funding to, or redirect, any existing Commonwealth/State or Territory funding arrangements?
We would seek funding from the Commonwealth, given their responsibilities in this policy space, although there is no commitment or guarantee it would be received.
Will funding/the cost require indexation?
Yes
Who will administer the proposal?
ACT Education directorate
How will the proposal be administered?
For three year old care, providers would allow for additional places/hours and be remunerated by the Government.  For four-year-olds, the funding would pay for additional carers/hours in public preschools.  Scholarships administered by the Education directorate.
Is the proposal part of a broader package? If so, please identify the other elements of the package.
No
Has an allowance been made for expenses necessary to support the implementation of this proposal?  – If no, will the government agency be expected to absorb expenses associated with this proposal? – If yes, please specify the key assumptions.
Yes, see above
Will the proposal generate savings or offsets? If so, please quantify any savings or offsets.
The proposal is expected to generate savings, although these are hard to quantify. In the 2023 estimates, the ACT Education Directorate stated that studies show that every \$1 invested in early childcare saves \$7 in the long run. More broadly, a report commissioned by the Front Project found that in Australia, every \$1 invested in ECEC yields \$2 in long-term benefits to the children themselves, to their families, to the government and to service providers.  Areas of long term savings include:  - reduced student supports throughout their education  - benefits of students getting an earlier education results in outcomes such as “higher employment rates, higher earnings, better health, more stable familial status, and reduced criminality.” (Economic Aspects of ECEC in Australia, The Australia Institute).  - A positive impact on how many women enter the workforce (ibid).  - Take up of the initiative – i.e. families accessing free education and care - would provide assistance to struggling families during the cost of living crisis.

Has the proposal been previously costed by an external (third) party? If so, will a copy of this material, including any assumptions, be made available to Treasury?
No
What are the community impacts associated with the proposal? Who and how many people will be affected?
All families with 3 or 4 year old children will benefit from this proposal. Parents will save money on childcare and/or be freed up to work, study or do other activities. Children will benefit from improved learning outcomes.
Are there any transitional considerations associated with implementation of the proposal? If so, how will they be managed?
See above regarding the graduated introduction of additional places.
What is the intended implementation date of the proposal?
See timing explanation above - starting from 2024-25, implementation by July 2028.
Will the proposal cease, and if so, when?
No
Is there any additional information relevant to this proposal?
No