



THE UNIVERSITY OF
SYDNEY

National Disability Insurance Scheme: Commonwealth Financial Arrangements Up To 2019-20

Policy Bulletin 5, November 2015

Richard Madden

ISSN: 2201-7488



**Centre for Disability
Research and Policy**

Abstract

The financial arrangements for the National Disability Insurance Scheme (NDIS) are crucial to the successful implementation of the Scheme. The NDIS is jointly funded by the Commonwealth and the States and Territories. The DisabilityCare Australia (DCA) levy (0.5% of income) was introduced on 1 July 2014, when the NDIS itself was only being introduced at trial sites. Consequently, most of the levy is being accumulated in the early years of the NDIS to meet future commitments of the Commonwealth and the States and Territories. How long will the accumulated balances of the levy survive if they are used to fund NDIS expenses as they increase? This paper attempts to answer this key question for the Commonwealth Government portion of the NDIS' finances.

Information sources are patchy, but the Commonwealth Budget Papers for various years provide base information. The estimates are complicated by impacts on a range of existing Commonwealth programs to support State and Territory disability support services and also services supported by the Commonwealth itself. Assumptions are unavoidable, and are fully set out with the rationale; the accuracy of the estimates depends on the assumptions. But the assumptions do not affect the overall picture that emerges.

The estimates show that the Commonwealth will have no net financing requirement in the years up to and including 2018-19. In these years, the balances from the Commonwealth's share of the DCA levy will be substantial, reaching an estimated \$6,568 million in 2016-17.

It is estimated that the Commonwealth will have a net financing requirement in 2019-20, the first year in which the NDIS will be fully rolled out. In that year, the requirement is estimated to be \$2,023 million, and the Commonwealth share of the DCA Fund will be exhausted. In later years, based on annual overall NDIS expenses of \$22 billion, the net Commonwealth financing requirement is estimated at \$4,073 million, which represents 37% of the Commonwealth's share of total NDIS expenses.

There has been discussion in the media about whether the expenses may exceed the estimates now being used. Rather than reacting to such possibilities long before there is any hard evidence during the rollout, it would be best to focus on effective planning to provide NDIS participants the reasonable and necessary supports they need as efficiently as possible, and provide full information on emerging costs as the experience is gathered. There is a substantial window to learn during the rollout, and to adjust policy and administrative settings in the interim.

Introduction

The National Disability Insurance Scheme (NDIS) was passed into law in early 2013 and pilot projects commenced on 1 July 2013, with full rollout to begin on 1 July 2016. The arrangements for financing the NDIS are complex and have not been brought together in the 2015-16 Commonwealth Budget papers (1) or those of earlier years.

This Bulletin collects and connects available information on the Commonwealth Government's NDIS financing arrangements up to and including the 2015-16 Budget, and the September 2015 Bilateral Agreements between the Commonwealth and NSW and Victoria. It builds on and updates information contained in an earlier paper (2).

Financing Mechanisms for the NDIS and Data Sources

Substantial financial information is contained in two series of agreements between the Commonwealth and the States and Territories (hereafter collectively referred to as 'the States') covering the introduction of the NDIS in a range of trial sites across Australia. These are the Heads of Agreement on the NDIS (3) and the Bilateral Agreements covering the NDIS launch and trial sites (4). Further agreements (5) to roll out the NDIS have been concluded with NSW and Victoria in September 2015, and are imminent in other States.

The Commonwealth provides appropriation to meet the bulk of NDIS expenses. In 2014-15, these expenses were low, given the NDIS was being progressively rolled out only at trial sites. These expenses increase in 2015-16, and over following years (Table 1). The States have agreed to make payments to the Commonwealth to meet a proportion of each year's expenses, rising from 39% in 2014-15 to 53% in 2017-18. State and Commonwealth shares of the NDIS expenses are shown at Table 2A.

To provide a source of revenue for the NDIS, the Commonwealth has introduced the DisabilityCare (DCA) Australia levy from 1 July 2014. This is set at 0.5% of taxable income, and is administratively combined with the long established Medicare levy. A share of the levy is reserved for the States, starting at 23% in 2014-15 and declining to 22% in 2018-19 (Table 3). This State share is not paid immediately to the States, but held by the Commonwealth for later release, subject to conditions (Table 8).

DisabilityCare Australia levy income far exceeds expenditure from the levy for several years, resulting in a build-up of surpluses to meet future expenses (Table 7 shows the Commonwealth share of surpluses, Table 8 the States' share). These surpluses are held by the Commonwealth and are invested by the Future Fund Board, with investment income added to the surpluses.

Other Commonwealth/State financial arrangements are progressively impacted as the NDIS is rolled out. People who have received assistance funded by other programs (including existing disability services partially financed under the National Disability Agreement) will be supported by the NDIS once they become NDIS participants. The 2015 Commonwealth/State Bilateral agreements for Victoria and NSW include information on a range of offset payments in 2016-17 and 2017-18 (and 2018-19 for Victoria), resulting in payments from the States to the NDIA. The relevant appropriations are to cease once the NDIS is fully rolled out, so offset payments are only transitional arrangements.

Some Commonwealth programs also will progressively wind down as the NDIS is rolled out.

Overall, the analysis shows the significant surpluses that arise up to and including 2017-18. The paper charts the reduction in the Commonwealth share of the DCA fund in 2018-19, and its exhaustion in 2019-20. The net financial impact on the Commonwealth Budget in 2019-20 and later years is then estimated.

Results: 2014-15 to 2017-18

Appropriation for the NDIS

The Commonwealth appropriates funding for NDIS expenses, but its net share is reduced by State payments to the Commonwealth each year. Table 1 provides the information available from the 2015 Budget papers showing estimated total expenses for the NDIS from 2014-15 to 2018-19.

TABLE 1: 2015 Budget: NDIS Expenses

	NDIS expenses \$M	States' share \$M	Cwlth share \$M
2014-15	629		
2015-16	1,079		
2016-17	4,331		
2017-18	11,785		
2018-19	19,202		
Sum	37,026		

Source: 2015-16 Budget Paper No 1, Statement No 5, Table 9.2, P5-29

The 2015 Budget papers show only total NDIS expenses whereas the 2014 Budget papers also include the respective State and Commonwealth shares. Table 2 uses the State share figures up to 2017-18 from the 2014 Budget. The Commonwealth shares up to 2017-18 were then obtained by difference.

TABLE 2: NDIS Expenses: State and Commonwealth shares

	NDIS expenses \$M	States' share \$M	Cwlth share \$M
2014-15	629	265	364
2015-16	1,079	491	588
2016-17	4,331	2,096	2,235
2017-18	11,785	5,961	5,824
2018-19	19,202		

Notes: 1) From Table 1

2) 2014-15 to 2017-18: 2014-15 Budget Paper No 1, Statement No 6, P6-27

3) 2014-15 to 2017-18: Total expenses – States' share

State and Commonwealth shares for 2018-19 have to be estimated. The 2015 Budget states 'Of the total \$37.0 billion in expenses over the forward estimates, the Commonwealth is contributing funding of \$18.9 billion' (2015 Budget Paper No.1, P5-29). Referring back to Table 1, \$37.026 billion is the sum of the figures given for Total Expenses for the five years 2014-15 to 2018-19, not the four years of the Forward Estimates. The five year total is assumed to be correct; the \$37,026 million figure has been used as the five year Total Expenses figure for subsequent calculations.

The sum of the estimated Commonwealth shares up to 2017-18 (\$9,011 million) has been subtracted from the total up to 2018-19 quoted above (\$18,900 million) to give the estimated Commonwealth share for 2018-19 (\$9,889 million). The State share for 2018-19 (\$9,313 million) has been estimated by subtracting the Commonwealth share from the NDIS Expenses figure (Table 1).

Table 2A shows the overall estimates for NDIS expenses and State and Commonwealth shares from 2014-15 to 2018-19.

TABLE 2A: NDIS Expenses: State and Commonwealth shares

	NDIS expenses \$M	States' share \$M	Cwlth share \$M
2014-15	629	265	364
2015-16	1,079	491	588
2016-17	4,331	2,096	2,235
2017-18	11,785	5,961	5,824
2018-19	19,202	9,313	9,889
2014-15 to 2018-19	37,026	18,126	18,900

The DisabilityCare Australia (DCA) levy (0.5% of taxable income) came into force on 1 July 2014. Table 3 shows the estimated receipts from the DCA levy from 2014-15 to 2018-19, as well as the fixed amount of the levy receipts that are reserved for the States and Territories and the remainder that is available to the Commonwealth to offset its NDIS expenses.

TABLE 3: DisabilityCare Australia (DCA) levy

	DCA levy Income ⁽¹⁾ \$M	States' share ⁽²⁾ \$M	Commonwealth share \$M
2014-15	3,512	825	2,687
2015-16	3,718	854	2,864
2016-17	3,892	884	3,008
2017-18	4,073	915	3,158
2018-19	4,275	947	3,328

Source: (1) 2015-16 Budget Paper No 1, Statement 4, Table 7, P4-16 (25% of Medicare and DisabilityCare Australia Levy receipts)

(2) 2014-15 Budget Paper No 3, P 52 and 2015-16 Budget Paper No 3, P 44

Intergovernmental payments up to 2017-18

For 2014-15 and 2015-16, the Commonwealth/State agreements for initiating the NDIS provide for the States to repay a portion of their Specific Purpose Payments (SPPs) received from the Commonwealth in respect of disability, as the NDIS progressively reduces the proportion of services for people with a disability that are financed through the existing arrangements. Amounts for 2014-15 and 2015-16 are contained in the Bilateral Agreements for the NDIS Launch.

As these arrangements were in place at the time of the 2015-16 Budget, it is assumed that they have been netted off the amount of expenses appropriated, and that the NDIA will have had / will have the appropriation plus the intergovernmental payments available to it.

For 2016-17 and 2017-18, the NSW and Victorian Bilateral Agreements specify that 'The parties agree that the intergovernmental payments currently provided by the Commonwealth to NSW / Victoria for the purpose of providing disability services to individuals (who have become NDIS participants) should be paid to the NDIA on behalf of the Commonwealth by NSW / Victoria.'

The 2015 Bilateral Agreements for NSW and Victoria specify amounts for each state for 2016-17 and 2017-18 (and for Victoria in 2018-19), as shown in Table 4.

TABLE 4: Payment of intergovernmental payments by NSW and Victoria to NDIA

	2016-17 \$M	2017-18 \$M	2018-19 \$M
NSW	277.2	499.2	NA
Victoria	119.4	210.3	378.0
Total	396.6	709.5	

Source: 2015 Bilateral Agreements NSW & Vic, Schedule B, Table 6

The timing in the initial bilateral agreement (4) in South Australia was similar to that in NSW, and it has been assumed that this State will also complete rollout in 2017-18. The ACT will also complete rollout by 2017-18. It is assumed that intergovernmental payments for these two jurisdictions will be similar per capita to those in NSW for 2016-17 and 2017-18. NSW represents 32% of the Australian population, SA 7.2% and ACT 1.6% (6).

Other States are assumed to complete rollout in 2018-19, with intergovernmental payments assumed to be at the same level per capita as for Victoria. Based on the Victorian population representing 25% of Australia, other jurisdictions (Queensland, WA, Tasmania and NT) represent 34.2% of Australia (6).

National estimates of intergovernmental payments for 2016-17 and 2017-18 are calculated by adding the estimates for NSW, SA and ACT to those for the other jurisdictions.

The NSW and Victorian Bilateral Agreements were concluded in September 2015, after the 2015-16 Commonwealth Budget was in place. It is therefore assumed that the appropriation covered the estimated requirements for the NDIS as known in May 2015. The later Intergovernmental Agreements will act to reduce these appropriated amounts, and so the net impact on the Commonwealth.

Table 5 shows the resulting Australian estimates for the years up to 2017-18

TABLE 5: Payment of intergovernmental payments by States to NDIA

Year	Repayments \$M
2014-15	21 ⁽¹⁾
2015-16	61 ⁽¹⁾
2016-17	684 ⁽²⁾
2017-18	1,219 ⁽²⁾

Source: (1) *Bilateral agreements for NDIS Launch*
 (2) *NSW, SA and ACT estimates added to those of other jurisdictions*

Table 6 shows the net Commonwealth financing requirement, after allowing for the impact of Intergovernmental payments in 2016-17 and 2017-18.

TABLE 6: Net Commonwealth financing requirement after intergovernmental payments by States to NDIA

Year	NDIS Expenses Commonwealth share ⁽¹⁾ \$M	Intergovernmental payments ⁽²⁾ \$M	Net Commonwealth financing requirement \$M
2016-17	2,235	684	1,551
2017-18	5,824	1,219	4,605

Notes: (1) From Table 2A
 (2) From Table 5

Table 7 shows the build-up of surpluses in the DCA Fund that arise from the Commonwealth's portion of the DCA levy receipts less the net Commonwealth financing requirement for NDIS expenses each year, plus the Commonwealth share of the earnings on the accumulated balances in the DCA Fund (accumulated balances are held by the Commonwealth and invested by the Future Fund Board; investment earnings are assumed to be 5% per annum).

TABLE 7: DCA Fund: Commonwealth share

	DCA levy Cwlth share ⁽¹⁾ \$M	Net Cwlth financing requiremnt ⁽²⁾ \$M	DCA Fund Earnings ⁽³⁾ \$M	DCA Fund Cwlth accum balance \$M
2014-15	2,687	364	58	2,381
2015-16	2,864	588	176	4,833
2016-17	3,008	1,551	278	6,568
2017-18	3,158	4,605	293	5,414

Notes: (1) From Table 3

(2) From Table 2A for 2014-15 and 2015-16, Table 6 for 2016-17 and 2018-19

(3) DisabilityCare Australia Fund earnings assumed at 5% pa; 6 months earnings assumed in year of collection on levy minus net financing requirement

Table 8 shows the build-up of surpluses in the DCA Fund that arise from the States' share of the DCA levy less the payments made to the States from the DCA Fund, plus the States' share of the earnings on the accumulated balances in the DCA Fund. The surplus is held by the Commonwealth.

TABLE 8: DCA Fund: States' share

	DCA levy States' share ⁽¹⁾ \$M	Payments to States ⁽²⁾ \$M	DCA Fund Earnings ⁽³⁾ \$M	DCA Fund States' accum balance ⁽⁴⁾ \$M
2014-15	825	0	21	846
2015-16	854	68	62	1,694
2016-17	884	186	102	2,494
2017-18	915	321	140	3,228
2018-19	947	1,813	140	2,502

Notes: (1) From Table 3

(2) 2015-16 Budget Paper No 3, Table 2.7, P 39

(3) DisabilityCare Australia Fund earnings assumed at 5% pa; 6 months earnings in year of collection

(4) Notional States' share, but held by Commonwealth

NDIS related reductions in other appropriations up to 2017-18

The Australian Government Actuary's report (7) lists the following existing Commonwealth appropriations that would be impacted by the NDIS:

- HACC
- Residential aged care
- Community aged care
- Autism early intervention
- Psychiatric disability
- Australian Disability Enterprises

The intergovernmental payment arrangements described above cover the first three of these.

The others are not readily identifiable in the 2015-16 Budget Papers. The items within the Assistance to People with Disabilities sub-function are different in each of 2013-14, 2014-15 and 2015-16. Table 9.3 in 2013-14 and Table 9.2 in 2014-15 and 2015-16 Budget Paper No 1 are the relevant tables.

In 2013-14, the following relevant headings are included:

- Disability employment services
- Services and support for people with a disability
- Other

Total estimate for all three items for 2015-16 is \$1,720 million.

In 2014-15, these are changed to

- Disability and Carers
- Other

Disability and Carers is footnoted as follows: 'The Services and Support for People with a Disability and Disability Employment Services programmes are now being reported under the Disability and Carers programme'.

Total estimate for the two items for 2015-16 is \$1,504 million.

In 2015-16, the only relevant item is

- Disability and Carers

The estimate for this item for 2015-16 is \$1,152 million.

However, a new item is included in 2015-16

- National Disability Insurance Scheme Transition Programme

The estimate for this item for 2015-16 is \$590 million.

A base figure for appropriations that will be progressively reduced as the NDIS is implemented is therefore not directly available. Given the relative clarity in 2014-15, and the fact that some reduction would be applicable in 2015-16 given the start-up of the NDIS, the 2014-15 figure of \$1,504 million has been used as a base.

The roll-out dates vary in NSW and Victoria and a likely pattern in other jurisdictions has been explained above. For NSW, a reduction in appropriation of 30% in 2016-17 and 80% in 2017-18 has been assumed (having regard to the within year timing set out in the Bilateral

Agreement). For Victoria, a reduction of 15% in 2016-17, 50% in 2016-17 and 80% in 2018-19 has been assumed.

The estimated reductions in Commonwealth appropriations have been estimated by applying the NSW percentage reductions to NSW, SA and ACT (40.8% of Australia), and the Victorian reductions to Victoria and the remaining jurisdictions (59.2% of Australia).

Table 9 shows the estimated reduction in Commonwealth appropriations for the direct provision of services.

TABLE 9: Reduction in appropriation for direct service provision in 2016-17 and 2017-18

Year Base year (2014-15)	Reduction factor	Reduction in appropriation \$M
2016-17	0.3 NSW, 0.15 Vic	318
2017-18	0.8 NSW, 0.5 Vic	936

These savings to the Commonwealth are available to offset the appropriation required for the NDIS in 2016-17 and 2017-18. However, as shown in Table 7, there is no net requirement on the Commonwealth in those years. Budget neutrality would therefore suggest that the appropriation reductions be held in reserve to meet Commonwealth expenses in future years. As there has been no Commonwealth Government announcement that this will be the case, no carry forward assumption has been made.

RESULTS: 2018-19

Appropriation for the NDIS

Using the 2015 Budget Forward Estimates, Table 2A shows that the Commonwealth share of total NDIS expenses is estimated to be \$9,889 million.

DCA levy

The Commonwealth will have available its share of the DCA levy in 2018-19 (\$3,328 million, Table 3), the accumulated balance of its share of the DCA Fund at the beginning of 2018-19 (\$5,414 million, Table 7) and DCA Fund earnings in 2018-19.

Intergovernmental payments

The two Bilateral Agreements so far in place have different provisions for 2018-19. The NSW Agreement provides for the existing intergovernmental adjustments to cease at the end of 2017-18, by which time transfer of people currently supported by NSW disability services is to be completed (NSW Bilateral Agreement, Schedule B, para 18). A reduction in appropriation to NSW will apply in 2018-19 (see next section).

The Victorian Agreement provides for intergovernmental adjustments in 2018-19, ceasing at the end of that year (when transfer of people currently supported by Victorian disability services is to be completed, Victorian Bilateral Agreement, Schedule B, para 20).

The Victorian intergovernmental payment in 2018-19 is specified as \$378.0 million (Table 4).

As discussed earlier, the Victorian population represents 25% of Australia and the other jurisdictions assumed to also be included in rollout in 2018-19 (Queensland, WA, Tasmania and NT) represent 34.2% of Australia (6). Based on the same per capita figure applying in these jurisdictions as in Victoria, intergovernmental payments in those jurisdictions would be \$517 million, giving an Australian total of \$895 million.

NDIS related reductions in other appropriations

The NSW Bilateral Agreement provides for the existing intergovernmental adjustments to cease at the end of 2017-18, by which time transfer of people currently supported by NSW disability services is to be completed (NSW Bilateral Agreement, Schedule B, para 18). It is assumed that this will also be the case for SA and ACT.

When intergovernmental payments cease, it is assumed that the principle of budget neutrality will apply. In other words, the appropriation reduction in payments to the States will equal the intergovernmental payments which would have applied. In 2017-18, the intergovernmental payment to NSW is specified as \$499.2 million (Table 4). Based on the 80% roll-out assumption for NSW in 2017-18 set out above (see Table 9), this amount will increase in 2018-19, due to the full year effect of NDIS entrants in 2017-18, to an estimated \$624 million. Adding SA and the ACT (assuming pro rata arrangements across the three jurisdictions) gives a total reduction in payments to the three jurisdictions of \$796 million.

The reduction in Commonwealth appropriations for direct service provision in earlier years has been estimated above (Table 9). Rollout will be complete in NSW (and assumed also in SA and ACT) but some appropriation will remain as rollout will not be complete in Victoria and several other jurisdictions; as discussed above, 80% complete rollout is assumed in those jurisdictions in 2018-19. Table 10 shows the estimated reduction in Commonwealth appropriations for direct service provision.

TABLE 10: Reduction in appropriation for direct service provision in 2018-19

Year Base year (2014-15)	Reduction factor	Reduction in appropriation \$M
2018-19	1.0 NSW, 0.8 Vic	1,326

Adding the two sources of appropriation reductions gives a total reduction of \$2,122 million.

2018-19 Summary

Table 11 brings together all the estimates for 2018-19.

TABLE 11: Commonwealth Financial Position, 2018-19

	\$M
Estimated Commonwealth expenses	9,889
<i>less</i> Intergovernmental payments	895
Reductions in other appropriations	2,122
Net Commonwealth expenses	6,872
<i>financed by</i>	
DCA levy income 2018-19	3,328
DCA Fund earnings (Commonwealth share) ⁽¹⁾	180
Reduction in DCA Fund Commonwealth share	3,364
Sub-total	6,872
DCA Fund Commonwealth share, end 2018-19	2,050⁽²⁾

Note: (1) Assumes full year income on DCA Fund surplus at beginning of 2018-19 less 6 months earnings on net Commonwealth expenses minus levy income
 (2) Balance at beginning of year (Table 7) minus reduction during 2018-19

RESULTS: 2019-20

2019-20 is beyond the 2015 Budget Forward estimates four year period. But the general position of the Commonwealth can be broadly described.

First, the DCA Fund Commonwealth share will have an estimated balance of \$2,050 million at the beginning of 2019-20.

Fully rolled out, the NDIS has been frequently described as a \$22 billion project (8). Further it is a shared Commonwealth / State initiative, giving an estimated Commonwealth requirement of \$11 billion.

The fully rolled out cost has not been formally updated. Most recently, the Treasurer commented on the cost to the Commonwealth of the NDIS (9), but he did not update the estimates of total NDIS expenses.

The Commonwealth will have two sources of income: its share of the DCA levy and reductions in other appropriations (intergovernmental payments are assumed to be fully replaced by appropriation reduction in 2019-20).

DCA levy

Table 3 shows that the Commonwealth share of the DCA levy is projected to increase by 5.4% between 2017-18 and 2018-19. The same growth is assumed from 2018-19 to 2019-20. This gives a Commonwealth DCA levy share of \$3,508 million.

Other appropriation reductions

The reduction in appropriations in 2018-19 to NSW, SA and ACT of \$796 million will apply again in 2019-20.

The full year impact of the NDIS will apply in 2019-20 in all the remaining jurisdictions. In 2018-19, as set out above, an 80% reduction in client support funded under the previous Commonwealth/ State arrangements is estimated for Victoria, Queensland, WA, Tasmania and NT. Intergovernmental payments in these jurisdictions in 2018-19 were estimated above to be \$895 million. Therefore it is estimated that the reduction in appropriation to these five jurisdictions in 2019-20 will be \$1,119 million.

The result is an estimated total reduction in appropriations to the States and Territories of \$1,915 million.

The appropriation for direct Commonwealth programs will cease once the NDIS is rolled out, so the base figure of \$1,504 million will not be appropriated.

Therefore the total reduction in other Commonwealth appropriations to the States and Territories, and for its own programs, is estimated to total \$3,419 million.

Table 12 shows the resulting estimate of the net Commonwealth financing requirement.

TABLE 12: Commonwealth Financial Position, 2019-20

	\$M
NDIS cost Commonwealth share	11,000
financed by	
DCA Levy Commonwealth share	3,508
Reduction in other appropriations	3,419
Net Commonwealth financing requirement before DCA fund contribution	4,073
DCA Fund Commonwealth share, beginning 2019-20	2,050
Net Commonwealth financing requirement	2,023

RESULTS: 2020-21 AND LATER YEARS

With the exhaustion of the Commonwealth share of the DCA Fund in 2019-20, the net Commonwealth financing requirement in 2020-21 and later years will be of the same order (in 2019-20 dollars) as in 2019-20, estimated at \$4,073 million, assuming NDIS expenses and levy income grow at approximately the same rate.

Discussion

Information on the financial arrangements for the NDIS is spread across the 2015 Commonwealth Budget papers, those of earlier years and the various agreements between the Commonwealth and the States and Territories, including the Bilateral Agreements between the Commonwealth and NSW / Victoria signed in September 2015. Assembling the available data is complex and requires a range of assumptions.

The overall impact of the NDIS expenditure arrangements (including the DisabilityCare Australia levy and the financial arrangements with the States and Territories) is a surplus to the Commonwealth in 2015-16 and 2016-17 (Table 7).

Further, the combined impact of these accumulated surpluses and the intergovernmental payments set out in the NSW and Victorian Bilateral Agreements is that the net Commonwealth expenses are fully covered by accumulated balance of the Commonwealth share of the CDA Fund, with a remaining balance in the Fund of \$2,050 million at the end of 2018-19.

In the first year of full rollout in 2019-20, the net Commonwealth financing requirement is estimated to be \$2,023 million out of the total Commonwealth share of \$11,000 million. In that year the Commonwealth share of the DCA Fund will be exhausted.

In 2020-21 and later years, the net Commonwealth requirement is estimated at \$4,073 million in 2019-20 dollars, assuming NDIS expenditure and levy income grow at approximately the same rate.

There is a period of three years after full rollout commences before there is a net impact on the Commonwealth Budget. In the fourth year, 2019-20, there is a net financing requirement for the Commonwealth, but this is substantially reduced by the remaining DCA Fund Commonwealth share balance. The impact after 2020-21 is significantly reduced by the DCA levy and reductions in other Commonwealth appropriations, including payments to the States and in its own direct payments.

Given the Commonwealth has up to 2019-20 to plan for a net financial impact, and that the estimated full year impact (from 2020-21) at \$4,073 million represents 37% of the Commonwealth's share of total NDIS expenses, it can be seen that a major social reform is being introduced to Australia at relatively modest cost. Further offsetting the cost, people with disabilities and their carers will be facilitated to join the labour force in greater numbers than at present, with a positive effect on economic activity and budget revenues.

Will the expenses exceed the estimates now being used? There has been discussion in the media that the NDIA has raised this possibility with the Commonwealth Government (10), and the Commonwealth is responsible for any cost overruns. Rather than reacting to such possibilities long before there is any hard evidence during the rollout, it would be best to focus on effective planning of supports to meet NDIS participants reasonable and necessary supports as efficiently as possible, and provide full information on emerging costs as the

experience is gathered. There is a substantial window to learn during the rollout, and to adjust policy and administrative settings in the interim.

The Commonwealth may wish to give consideration to slowing the drawdown of its share of the DCA fund. This would lessen the impact of the NDIS on the Commonwealth Budget in any particular year.

The NDIS has been designed in line with actuarial principles, and the NDIA has a substantial skilled actuarial staff. They have designed a data system to monitor lifelong costs of packages agreed for NDIS participants. The limited and fragmented information being released to date is unfortunate as the community, and particularly potential NDIS participants and their families and carers, are not being provided the opportunity for full and informed discussion on NDIS costs as they emerge.

It is important for all stakeholders to work together to ensure that the Commonwealth Government's Forward Estimates in future Budgets properly reflect, and make clear, the expected overall impact on the Commonwealth Budget. Forward Estimates for 2019-20 will be part of the 2016 Budget.

The Commonwealth should include in the Budget papers from 2016 onwards a comprehensive report on the financing of the NDIS, including up to date figures estimated total NDIS expenses, and all the various sources of revenue and expenditure offsets, including estimated DCA levy income, payments by the States and Territories to the Commonwealth, payments from the DisabilityCare Australia levy to the States and Territories, and offsets from reduced expenditure on other Commonwealth programs.

References

1. 2015 Budget Papers, Commonwealth of Australia, 2015
2. National Disability Insurance Scheme: Impact on the Commonwealth Budget to 2019-20, CDRP Policy Paper No 3 2014, University of Sydney, <http://sydney.edu.au/health-sciences/cdrp//Policy-Bulletin3-2014-NDIS-%20Impact-on-Commonwealth-Budget-final.pdf>
3. Heads of Agreement between the Commonwealth and the various State and Territory Governments on the National Disability Insurance Scheme, 2013, 2014 (<http://www.ndis.gov.au/>, accessed 20 May 2014)
4. Bilateral Agreement for NDIS Launch between the Commonwealth and various State and Territory Governments, 2013, 2014 (<http://www.ndis.gov.au/>, accessed 20 May 2014)
5. Bilateral Agreements between the Commonwealth and NSW and Victoria: Transition to a National Disability Insurance Scheme, 2015
6. Australian Bureau of Statistics, 3101.0, Australian Demographic Statistics, Mar 2015, Cat 3101.0, ABS Canberra
7. NDIS Costings – Review by the Australian Government Actuary, Commonwealth Treasury, April 2012
8. Assistant Minister for Social Services, Australian, 29 November 2014
9. Commonwealth Treasurer, Guardian Australia, 19 November 2015
10. ABC News, 11 November 2015