



Childcare – Restoring the activity test	
Party:	The Coalition
<p>Summary of proposal:</p> <p>The proposal would reinstate the Child Care Subsidy (CCS) activity test for parents by reversing the Early Childhood Education and Care (Three-Day Guarantee) component of the 2024-25 Mid-Year Economic and Fiscal Outlook (MYEFO) measure <i>Building Australia's Future – Early Childhood Education and Care Reforms</i>¹ (the MYEFO measure).</p> <p>The proposal would start on 1 January 2026.</p>	

Costing overview

The proposal would be expected to increase the fiscal and underlying cash balances by \$422.9 million and \$419.9 million respectively over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects a decrease in administered and departmental expenses.

The reduction in CCS expenses would occur from the start date, as most CCS is paid directly to childcare providers at the time the childcare expenses are incurred. Impacts on the fiscal and underlying cash balances are slightly different as 5% of CCS entitlements are withheld by Services Australia and paid in the following year.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

Table 1: Childcare – Restoring the activity test – Financial implications (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	52.5	119.0	122.4	129.0	422.9
Underlying cash balance	50.5	117.0	123.4	129.0	419.9

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

¹ The 2024-25 MYEFO measure *Building Australia's Future – Early Childhood Education and Care Reforms* provided \$839.9 million over 4 years from 2024-25 (and \$130.0 million per year ongoing) in addition to \$500 million provisions in the Contingency Reserve for future financial investments, to improve access to Early Childhood Education and Care. [2024-25 MYEFO, page 239](#).

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- Beyond the budget forward estimates period, CCS expenses would grow in line with the population of children under 5 years of age and the consumer price index.
- There are no departmental expenses associated with the MYEFO measure from 2028-29.

Methodology

Financial impacts over the budget forward estimates period were based estimates for the 2024-25 MYEFO measure, provided by the Department of Finance. Financial implications over the medium term were estimated as outlined in *Key Assumptions*.

Financial implications were rounded consistent with the PBO's rounding rules.² This may result in small differences when compared to the published MYEFO measure.

Data sources

The Department of Finance provided the funding profile for the CCS activity test changes contained within the 2024-25 MYEFO measure, *Building Australia's Future – Early Childhood Education and Care Reforms* as at 13 January 2025.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025*, Commonwealth of Australia.

² <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

Attachment A – Childcare – Restoring the activity test – Financial implications

Table A1: Childcare – Restoring the activity test – Fiscal balance (\$m)^(a)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Expenses													
Administered													
<i>Child Care Subsidy</i>	50.0	119.0	122.0	129.0	135.0	142.0	149.0	156.0	162.0	169.0	176.0	420.0	1,509.0
Total – administered	50.0	119.0	122.0	129.0	135.0	142.0	149.0	156.0	162.0	169.0	176.0	420.0	1,509.0
Departmental													
<i>Department of Education</i>	2.5	-	0.4	-	-	-	-	-	-	-	-	2.9	2.9
Total – departmental	2.5	-	0.4	-	-	-	-	-	-	-	-	2.9	2.9
Total – expenses	52.5	119.0	122.4	129.0	135.0	142.0	149.0	156.0	162.0	169.0	176.0	422.9	1,511.9
Total (excluding PDI)	52.5	119.0	122.4	129.0	135.0	142.0	149.0	156.0	162.0	169.0	176.0	422.9	1,511.9

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

- Indicates nil.

Table A2: Childcare – Restoring the activity test – Underlying cash balance (\$m)^(a)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Expenses													
Administered													
<i>Child Care Subsidy</i>	48.0	117.0	123.0	129.0	135.0	142.0	149.0	155.0	162.0	169.0	175.0	417.0	1,504.0
Total – administered	48.0	117.0	123.0	129.0	135.0	142.0	149.0	155.0	162.0	169.0	175.0	417.0	1,504.0
Departmental													
<i>Department of Education</i>	2.5	-	0.4	-	-	-	-	-	-	-	-	2.9	2.9
Total – departmental	2.5	-	0.4	-	-	-	-	-	-	-	-	2.9	2.9
Total – payments	50.5	117.0	123.4	129.0	135.0	142.0	149.0	155.0	162.0	169.0	175.0	419.9	1,506.9
Total (excluding PDI)	50.5	117.0	123.4	129.0	135.0	142.0	149.0	155.0	162.0	169.0	175.0	419.9	1,506.9

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A3: Childcare – Restoring the activity test – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Fiscal balance	1.1	4.9	10.4	16.5	23.1	30.3	38.1	46.7	56.0	66.0	76.9	32.9	370.0
Underlying cash balance	0.8	3.9	9.0	15.0	21.4	28.5	36.2	44.5	53.7	63.5	74.2	28.7	350.7

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary³.

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

³ [Online budget glossary – Parliamentary Budget Office \(pbo.gov.au\)](https://pbo.gov.au/online-budget-glossary)