

MEMBER BRIEF | 2025-26 federal budget

25 March 2025

The Albanese government handed down the 2025-26 federal budget on 25 March 2025, its fourth and final budget in this election cycle.

It's the budget the government wanted to avoid, having originally planned to call the election three weeks ago. Cyclone Alfred forced the Prime Minister to abandon those plans, pushing the election to May and leaving him with no option other than to hand down a pre-election budget, as scheduled.

After two federal budget surpluses in 2022-23 (\$22.1 billion) and 2023-24 (\$15.8 billion), the government is on track to record a **\$27.6 billion deficit** in 2024-25 (one per cent of GDP).

The government has framed the budget as being one for the times, addressing five major priorities:

- supporting the recovery and rebuilding from Cyclone Alfred
- helping with the cost of living
- strengthening Medicare and funding more urgent care clinics
- investing in every stage of education, and
- making the economy more competitive, dynamic and productive.

The government has announced a number of headline measures, including:

- new personal income tax cuts for all Australian taxpayers
- supporting Australians to buy homes with lower deposits and smaller mortgages
- increased spending on infrastructure, and
- boosting funding for Australia's defence capability.

The government's pre-budget announcements were geared at the cost-of-living crisis. These included:

- \$150 in energy bill relief, extending the rebates announced in last year's budget
- making medicine cheaper with scripts costing no more than \$25 under the PBS
- expanding bulk billing under Medicare, and
- wage increases for early childhood workers and aged care nurses.

The budget is light on funding for higher education, in line with our pre-budget expectations. The government pointed to its significant spending on universities in last year's budget as well as in the December budget update to justify minimal spending in 2025-26. While direct funding for universities is almost non-existent, students and graduates will benefit from various cost-of-living relief measures, including tax cuts, energy bill rebates and cheaper medicines.

Inevitable funding cuts have been made to support the government's spending agenda, with this year's budget including \$2.1 billion in savings and spending reprioritisations.

The following brief, prepared for our members, captures key measures relevant to the sector.

For further information:

Antony Perry
Director, Government Relations and Public Affairs
a.perry@uniaus.edu.au



Economic summary

The predicted \$27.6 billion deficit for 2024-25 is slightly worse than Treasury forecast (\$26.9 billion) in the December mid-year economic and fiscal outlook (MYEFO). The longer-term forecasts aren't a picture of health either, with the budget expected to be in the red for the next decade.

Over the forward estimates, Treasury is forecasting a \$42.1 billion deficit in 2025-26, the first year of the next election cycle, before falling to a \$35.7 billion deficit in 2026-27 and remaining relatively steady at deficits of \$37.2 billion in 2027-28 and \$36.9 billion in 2028-29.

This is not unexpected. The government flagged in last year's budget that it would abandon future surpluses as it navigates unavoidable spending on top budget demands: defence, the National Disability Insurance Scheme, aged care and health and interest payments on debt, to name some.

The budget papers show growth picking up in the Australian economy at the end of last year, supported by a recovery in private demand. The recovery is expected to continue with the economy forecast to grow by 1½ per cent in 2024-25, 2¼ per cent in 2025-26 and 2½ per cent in 2026-27.

In good news, inflation is moderating and is now expected to be 2½ per cent through 2024-25, ¼ of a percentage point lower than the MYEFO forecast. Excluding the temporary impact of energy rebates and fuel, inflation is expected to sustainably return to the Reserve Bank of Australia's (RBA) target band around the middle of this year, around six months earlier than expected at MYEFO.

The labour market has also outperformed expectations. Since MYEFO, employment growth has been upgraded, the participation rate is expected to remain higher for longer and the unemployment rate is now expected to peak at 4¼ per cent and remain there over the forward estimates.

Migration

The budget papers show net overseas migration above expectations at 435,000 in 2023-24 (originally forecast to be 395,000) and remaining higher than expected in 2024-25 at 335,000 (above 260,000).

This means the government has fallen short of returning Australia's net migration to pre-pandemic levels, which is now not expected to happen until 2025-26 (260,000) before dropping further to 225,000 in 2027-28. The drop is expected to be fuelled by higher departures as more people who arrived after the pandemic near the expiry of their visa.

These figures leave the government wide open to attack from the Coalition, which has criticised Labor over its migration policy and pledged to cut the migration intake even further than the government. Both sides have singled out international students as contributing to high migration levels.

The Coalition will likely seize on these updated numbers to justify any cuts it makes to overseas enrolments between now and the election, which it has promised to do.

The politics

Labor returned the budget to surplus for the past two years, but today confirms it is back in the red and will be for a decade, and that the size of the deficits are worse than forecast a year ago. A decade of deficits is not a popular political message to sell to the electorate in an election campaign, hence the Prime Minister's original intention to avoid handing down a budget.



The government can't afford to spend what it probably feels like it needs to to bolster its re-election prospects. It will tout the \$2.1 billion of savings and reprioritisations in the budget, but that figure is well below the new spending Labor has announced – again, money it feels like it must spend to help Australians.

Cost-of-living is again the centrepiece of that spending. Labor has extended its energy bill rebates for six months, dishing out \$150 for every household at a cost of \$1.8 billion, and making medicines cheaper with a \$689 investment in the budget.

The government insists its pre-election spending won't add to inflation – a claim contested by many economists. The Coalition has previously weaponised Labor's spending agenda as fuelling inflation, but it cannot credibly make this call anymore, having matched most of what Labor has announced.

The mentality in an election year is that money buys votes, and this year is no exception.

Despite the sea of red in the budget papers, Labor will head to the election claiming to be the superior economic manager. The Treasurer is boasting that debt and deficit are lower now than the Treasury forecasts released during the 2022 election campaign, and that the government has turned two big Coalition deficits into two Labor surpluses, shrunk this year's deficit, and reduced debt by \$177 billion.

Labor's economic scorecard has also been improved with inflation falling back into the Reserve Bank of Australia's target band (2-3 per cent), prompting a cash rate cut in February, and the economy gathering momentum at the tail end of last year (GDP expanded by 0.6 per cent in the December quarter, the fastest pace in two years, to end Australia's longest per capita recession).

The Coalition, meanwhile, will point to the rise in cost of living occurring on Labor's watch as proof that the government has failed to manage an economy and make peoples' lives easier. All this aside, there's no doubt Australians are struggling, and they'll be looking closely at both major parties for an economic lifeline come polling day. It may well be a case of who spends more, wins.

Cost of living

The government's plan to help with the cost of living includes:

- A new tax cut for every taxpayer from 1 July 2026.
- More energy bill relief – \$1.8 billion to extend energy bill relief to the end of the year for every household and small businesses.
- Growing wages – \$2.6 billion for a well-deserved wage increase for aged care nurses and stopping unfair non-compete clauses that are holding back Australian workers from switching to better, higher-paying jobs.
- Even cheaper medicines – Reducing the maximum price of PBS medicines to \$25 and \$1.8 billion to list more life-changing medicines on the PBS.
- Cutting student debt – wiping 20 per cent off all student debts and lifting the repayment threshold for graduates.
- Strengthening Medicare – \$8.5 billion to make more GP visits bulk billed for all Australians and train more doctors and nurses, as well as \$657.9 million to open another 50 Medicare Urgent Care Clinics and expand existing services.



- Making it easier to buy and rent a home – lifting the income and property price caps for Help to Buy to help more Australians into a home with a lower deposit and smaller mortgage, supporting innovative construction to build more homes sooner and delivering financial incentives to apprentices in the housing construction sector.
- Permanent Free TAFE – making 100,000 Free TAFE places available across Australia every year.
- A fair go for families and farmers – getting people a better deal at the checkout by strengthening the ACCC's powers, fighting shrinkflation and helping suppliers stand up to the big supermarkets.
- Delivering more affordable and accessible child care – establishing the 3 Day Guarantee so families are eligible for at least three days of subsidised early education and care, and building more child care centres across Australia.

Education portfolio – savings

The government will achieve savings of \$3.0 million over two years from 2024–25 by reallocating funding from the International Education Support program. The savings from this measure will be redirected to other government policy priorities in the education portfolio.

Higher education

The budget highlights the government's commitment to cutting student debt by a further 20 per cent for three million Australians and making the HELP repayment system fairer, if re-elected.

The only new money for higher education is:

- \$48.2 million over four years to deliver medical training opportunities including:
 - 100 new medical places each year from 2026, increasing to 150 CSPs from 2028, with a focus on primary care.
 - demand-driven medical places for First Nations students from 2026.

Establishment of additional university study hubs

The government will provide funding to establish additional University Study Hubs above the previously committed 20 Regional University Study Hubs and 14 Suburban University Study Hubs.

The government will also continue to maintain the MicroCred Seeker website until the end of 2025 to provide continuity of service to students and education providers.

The cost of this measure will be met from within the existing resourcing of the Department of Education.

VET / TAFE

- \$4.7 million in 2025-26 in additional temporary resourcing to the Australian Skills Quality Authority (ASQA) for urgent enforcement activity to counter fraud in the Vocational Education and Training (VET) sector. This surge resourcing will support ASQA to undertake necessary



compliance actions to address serious integrity issues which pose a risk to the community and to the reputation of Australia's VET sector.

Apprentices

The government will provide \$722.8 million over four years from 2025–26 to deliver increased support for apprentices. Funding includes:

- \$626.9 million over four years from 2025–26 to reframe the New Energy Apprenticeships Program as the Key Apprenticeship Program and expand it to capture critical residential construction occupations
- \$77.8 million over four years from 2025–26 to extend the current interim
- Australian Apprenticeship Incentive System program settings for a further six months from 1 July 2025 to 31 December 2025
- \$11.0 million over four years from 2025–26 to increase the Disability Australian Apprentice Wage Support subsidy
- \$7.0 million over four years from 2025–26 to increase the Living Away From
- Home Allowance.

The government has increased the number of TAFE Centres of Excellence under the National Skills Agreement that are eligible to receive additional funding to fast-track their establishment. The government has already provided funding for this measure.

Schools

Fully funding Australian public schools

The government is putting all public schools in Australia on a path to full and fair funding. The 10-year Better and Fairer Schools Agreement will see the Commonwealth increase its contribution to the Schooling Resource Standard to put every public school on a path to receive full funding.

The government will provide \$407.5 million over four years from 2025–26 (and \$7.2 billion from 2029–30 to 2035–36) to jurisdictions that have already signed updated Better and Fairer Schools Agreement (Full and Fair Funding 2025 – 2034) bilateral agreements.

Boosting STEM programs

The government will invest \$7.01 million to expand successful science, technology, engineering and mathematics (STEM) initiatives, including:

- \$1.15 million for the CSIRO STEM Professionals in Schools Program.
- \$1.46 million for Let's Count, an early education maths program.
- \$0.65 million for Little Scientists, a training program for early learning educators.
- \$0.7 million for Curious Minds Program, a STEM summer camp and mentoring program for female students.
- \$0.9 million for the National Lending Library, which provides digital technology equipment and lesson plans for schools.



- \$2.15 million for three Australian Academy of Science programs (Primary Connections; Science by Doing; and reSolve).

Closing the Gap Programs for First Nations students

The government is continuing to invest in programs that support First Nations students, with a further \$35.1 million for two key initiatives:

- \$33.6 million for the Clontarf Foundation to support up to 12,500 First Nations boys and young men at school.
- \$1.5 million for the MultiLit phonics-based program in 42 regional and remote primary schools until the end of 2026.

Health workforce

The government will provide \$662.6 million over five years from 2024-25 (and \$230.9 million per year ongoing) to continue to strengthen and support Australia's health workforce. Funding includes:

- \$606.3 million over four years from 2025–26 (and \$226.3 million per year ongoing) to deliver more Australian doctors and nurses. Funding includes:
 - \$265.4 million over four years from 2025–26 (and \$94.8 million per year ongoing) to expand general practitioner (GP) training through the Australian General Practice Training Program and the Remote Vocational Training Scheme to deliver 200 new general practitioner training places each year from 2026, increasing to 400 from 2028.
 - \$248.7 million over four years from 2025–26 (and \$83.6 million per year ongoing) for salary incentives for junior doctors to specialise in general practice, and to provide paid parental leave and study leave for trainee GPs.
 - \$45.0 million over four years from 2025–26 (and \$29.9 million per year ongoing) for 100 new medical Commonwealth Supported Places per year from 2026, increasing to 150 per year from 2028.
 - \$44.0 million over four years from 2025–26 (and \$16.0 million per year ongoing) for 200 new junior doctor/internship rotations in primary care per year from 2026 increasing to 400 per year from 2028.
 - \$3.2 million over four years from 2025–26 (and \$2.0 million per year ongoing) to uncap the number of medical Commonwealth Supported Places for First Nations students from 2026.
- \$28.0 million over three years from 2025–26 to support the construction of the Nursing and Midwifery Academy in Victoria, to be operated by the Epworth Medical Foundation.
- \$16.5 million over five years from 2024–25 (and \$4.6 million per year ongoing) for the costs associated with updates to the Modified Monash Model and Distribution Priority Area classification systems to reflect the latest Australian Bureau of Statistics Census data, and workforce data from the Department of Health and Aged Care.
- \$10.5 million over two years from 2025–26 to expand the Primary Care Nursing and Midwifery Scholarship Program to deliver an additional 100 graduate certificate/diploma scholarships



and 100 masters scholarships per year to support nurses and midwives to undertake post-graduate study.

- \$1.3 million over two years from 2024–25 to extend the Obstetrics and Gynaecology Education and Training Program by 12 months to provide training for a range of medical professionals who assist in the provision of maternity or maternity-related services.

Science and research

The government will provide \$158.6 million over five years from 2024–25 to support research and translate medical research to clinical practice, including:

- \$150.3 million over five years from 2024–25 to extend and expand the Zero Childhood Cancer Precision Oncology Medicine Program (ZERO), and to extend the Precision Oncology Screening Platform Enabling Clinical Trials (ProSPeCT) program and the Australian Rare Cancers Portal (ARC Portal).
- \$7.8 million in 2024–25 for increased operational costs for the National Health and Medical Research Council.
- \$0.6 million in 2025–26 to the Commonwealth Scientific and Industrial Research Organisation to maintain the infrastructure and storage facilities for the Australian Health Biobank.
- funding to support an intergovernmental agreement for the cooperative governance and development of the National One Stop Shop for Clinical Trials and Human Research.

The government will provide funding to boost Australia's capability and capacity in science, including:

- \$55.0 million over four years from 2025–26 to maintain the research capability of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and to conduct research, including through partnership with other research institutions, into gene technologies to address the impact of invasive species on threatened wildlife in Australia.
- \$47.9 million in 2025–26 as Australia's contribution to address funding shortfalls for the Square Kilometre Array (SKA) project.
- \$34.0 million in 2025–26 for the National Measurement Institute to address critical remediation works and sustain operations.

International

- \$4.0 million to extend the Maitri Grants Program to support exchange and collaboration between Australian and Indian cultural, education, research and business communities.

Defence

- \$1.9 million in 2025–26 for the Department of Employment and Workplace Relations to support the delivery of skills and training initiatives for the nuclear-powered submarine program.



Closing the Gap

- \$24.7 million over four years from 2025–26 to improve access to culturally safe and qualified mental health support including scholarships for up to 150 First Nations psychology students to boost the First Nations health care workforce.

Social cohesion

The government will provide \$178.4 million over five years from 2024–25 (and \$1.2 million per year ongoing) to support social cohesion in Australia. Funding includes:

- \$44.8 million over five years from 2024–25 for projects under the Critical Support for Multicultural Communities Grant Program, including:
 - \$15.0 million over three years from 2025–26 to the Aspire Performance Centre for a centralised sports and education hub.
 - \$10.0 million in 2025–26 to support independent multicultural media outlets to fast track their transition to sustainable news media.
- \$31.4 million over four years from 2024–25 for the restoration of the Adass Israel Synagogue and community centre in Ripponlea, Victoria, the restoration of Torah Scrolls and security upgrades following the December 2024 firebombing.
- \$20.0 million over four years from 2025–26 to support projects that meet African-Australian community needs and build the capacity of organisations that support and advocate for that community.
- \$7.7 million in 2025–26 to extend the Economic Pathways to Refugee Integration program to boost refugee employment.
- \$4.0 million in 2024–25 for the Project Rozana Foundation to address critical gaps in rehabilitation services and foster capacity-building in the health sector in the Occupied Palestinian Territories.
- \$3.5 million over three years from 2026–27 (and \$1.2 million per year ongoing) to embed the Community Refugee Integration and Settlement program following conclusion of a pilot providing post-arrival supports to refugees.
- \$2.5 million over three years from 2024–25 to support community organisations to deliver multicultural amenities, celebrations and achieve social and intercultural connections.
- \$2.2 million in 2025–26 for redevelopment of the Museum of Chinese Australian History in Melbourne and Golden Dragon Museum in Bendigo.
- \$2.0 million in 2025–26 for upgrades to the education centre of the Holocaust Institute of Western Australia in Yokine, Western Australia.