

The Treasury

Firearms Buyback Scheme Information Release

October 2019

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- [3] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
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Treasury Report: Funding options for a gun buy-back

Date:	20 March 2019	Report No:	T2019/837
		File Number:	CM-1-3-1-2-3

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	Note that our recommended option for funding a gun buy-back scheme is to increase the Budget 19 operating allowance.	N/A

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
[1]			✓

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Treasury Report: Funding options for a gun buy-back

Executive Summary

On 20 March you will be receiving a copy of advice from MBIE on the ability of ACC to fund and carry out a gun buy-back. We agree with this advice, and share the concerns raised about the risks regarding the use of ACC funding.

We have attached an A3 which provides high level advice on different options for funding a buy-back program. The options do not assume ACC will be implementing the gun buy-back, and simply describe possible sources of funding.

Our recommended option is to increase the operating allowance in Budget 2019 to fund the costs of any buy-back scheme. This option maintains transparency, follows fiscal management principles, and is the default option for funding new initiatives. Treasury's fiscal strategy advice that you have received today (refer to TR2019/628) recommends increasing the allowance relative to what was announced in the Budget Policy Statement. The estimated costs of this scheme (\$100 - \$200 million) will not be a significant further increase.

Given the relatively small cost, and the disadvantages of the other options identified, we also do not recommend a combination of the options presented.

Recommended Action

We recommend that you:

- a **note** the advice from MBIE on options for ACC to fund and implement a gun buy-back, and the risks associated with these options

Noted.

- b **note** the funding options and high level pros and cons presented in the attached A3, and

Noted.

- c **note** that our recommended option for funding a gun buy-back scheme is to increase the Budget 19 operating allowance.

Noted.

[1]

Hon Grant Robertson
Minister of Finance

Option	Pros	Cons
Fund from ACC's non-earners' account	<ul style="list-style-type: none"> Will not immediately impact OBEGAL or net debt 	<ul style="list-style-type: none"> These funds will need to be topped up in the future, and will eventually hit OBEGAL and net debt Lost investment returns on ACC investment assets It would further reduce the solvency of the account from 69.9% (the current target is 88%) Issues for the ACC Board regarding legal duty of care
Change the law to allow taking ACC levy funds	<ul style="list-style-type: none"> Three of four levy accounts are above their funding target Will not impact OBEGAL or net debt 	<ul style="list-style-type: none"> Requires legislation change This goes against the purpose of having a fully funded, save as you go scheme It will compromise ACC's ability to manage and smooth scheme fluctuations Sets a new precedent to divert funds from the scheme (and others like it) for short term responses It will result in ACC levy increases being brought forward Potential issues for the ACC Board regarding legal duty of care
Change the law to enable directing the ACC Board to undertake the gun buy-back (without also providing extra funding for it)	<ul style="list-style-type: none"> Three of the five ACC accounts are above their funding target 	<ul style="list-style-type: none"> Requires legislation change (will need to seek legal advice due to complexity) Sets a new precedent to divert funds from the scheme (and others like it) for short term responses It will compromise ACC's ability to manage and smooth scheme fluctuations May impact OBEGAL and net debt if funding is taken from the non-earners' account (economically insignificant impact) Potential issues for the ACC Board regarding legal duty of care
Increase operating allowance in Budget 2019 to cover cost (preferred option)	<ul style="list-style-type: none"> Maintains transparency, fiscal management principles Default option is to fund initiatives through allowances and there is no particular reason not to in this case Our current advice is that the operating allowance is insufficient and already needs to increase Not a large sum to include (~\$100m-\$200m) 	<ul style="list-style-type: none"> Will impact OBEGAL and net debt (economically insignificant impact)
Have an amnesty only program (no buy-back) (next preferred option)	<ul style="list-style-type: none"> Saves cost of buy-back Smaller administration costs than other options Guns are being handed in now Current public sentiment would support arms being returned Lack of evidence that gun buy-back will avoid future gun related death and injury, so this option may achieve some of the benefits without associated costs 	<ul style="list-style-type: none"> Likely to result in less firearms being handed back than if compensation is provided, however, it is difficult to quantify the difference compensation will make
Fund from within current operating allowance	<ul style="list-style-type: none"> Will not impact OBEGAL or net debt 	<ul style="list-style-type: none"> Unpalatable trade-offs from reducing planned spending on current initiatives Our current advice outside this issue is that the operating allowance is insufficient and already needs to increase
Fund at Budget but outside the operating allowance		<ul style="list-style-type: none"> Undermines purpose of operating allowance Sets precedent – there are always one off initiatives Will still impact OBEGAL and net debt (economically insignificant impact)
One off tax/duty (from Budget 18: 1% increase in top tax rate will increase revenue by ~\$325m)	<ul style="list-style-type: none"> Putting aside timing issues, no long term impact on net debt 	<ul style="list-style-type: none"> Significant efficiency issues: better to fund from debt and smooth the impact over a number of years One off shock will increase uncertainty of future costs for taxpayers May be regressive if fixed rate is used Will have to be careful about justification if targeted to a specific group – e.g. don't want responsible gun owners paying for those who are not (e.g. with levy on gun sales, gun licenses, or gun imports) Timing issues with revenue not accumulating for some time Will have increased administration costs May not align with Government response to Tax Working Group recommendations
Fund from baseline savings	<ul style="list-style-type: none"> Will not impact OBEGAL or net debt 	<ul style="list-style-type: none"> Already existing reprioritisation process in Budget 2019, therefore limited likelihood of raising additional savings