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Higher Education Funding Amendment Bill 2002

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I N F O R M A T I O N A N D R E S E A R C H S E R V I C E S

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Higher Education Funding Amendment Bill 2002

Kim Jackson
Social Policy Group
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Higher Education Funding Amendment Bill 2002

Date Introduced: 5 June 2002

House: House of Representatives

Portfolio: Education, Science and Training

Commencement: Generally, on Royal Assent. If this Bill is assented to prior to the commencement of the Higher Education Legislation Amendment Act (No.2) 2002 (HELA) then the amendments to insert new levels of financial assistance for universities and the Australian Research Council will commence immediately after the HELA Act receives Royal Assent.

Purpose

This Bill amends the *Higher Education Funding Act 1988* and the *Australian Research Council Act 2001* to:

- permit students at a number of non-government higher education institutions to access the Post-graduate Education Loans Scheme (PELS)
- vary funding levels to permit the Institute of Advanced Studies at the Australian National University to access Australian Research Council (ARC) grants
- provide additional funding relating to a new Graduate Diploma in Environment and Planning at the University of Tasmania, and
- supplement grants for cost increases.

Background¹

The major sources of Commonwealth funds for higher education are Part 2.2 of the *Higher Education Funding Act 1988* (the HEFA), which provides grants for universities, and the *Australian Research Council Act 2001* (the ARCA), which funds the research grant schemes administered by the Australian Research Council. The HEFA provides maximum global amounts for broad categories of expenditure on a calendar year basis. The categories include operating grants (section 17), superannuation expenses (section 20), research and other special purposes (section 23), and capital projects (section 27A).

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Allocations for individual institutions are the subject of determinations by the Minister, which are disallowable by Parliament. Both Acts are amended annually to adjust grants for movements in prices and to add a year to the triennial funding provisions.

The Government's higher education programs are described in annual reports, the most recent being the *Higher Education Report for the 2002 to 2004 Triennium*.² Details of the Australian Research Council's programs can be obtained from their Internet site.³

Commonwealth Higher Education Programs and Non-Government Institutions

The Commonwealth has provided assistance for non-government tertiary education institutions since 1974, when it assumed full financial responsibility for higher education. At that time there were thirteen non-government teachers colleges, eleven of which were operated by the Catholic Church. Avondale College (an institution operated by the Seventh Day Adventist Church at Cooranbong, NSW) began receiving assistance in 1978.

The introduction of the Unified National System (UNS) in 1989 brought major changes to funding arrangements for these institutions. Membership of the system (and access to full triennial funding) was only available for institutions that had at least 2000 equivalent full-time students. The remaining Catholic teachers colleges merged to become the Australian Catholic University, which qualified as a full member of the system and has since received Commonwealth grants on the same basis as the State universities. Avondale College and the Marcus Oldham Farm Management College (a small institution near Geelong) did not qualify as UNS members, but continued to receive grants on the basis of annual contracts for teaching purposes only. Students undertaking Commonwealth funded courses at these institutions were also eligible for the Higher Education Contribution Scheme (HECS).

From 1999 the Commonwealth began funding places at the Broome campus of the University of Notre Dame on the same basis as public universities, although funding arrangements for Avondale and Marcus Oldham remained unchanged. The rationale for the funding of Notre Dame was the remoteness of the campus, the lack of alternative providers, and the particular needs that the campus serves (ie. the Aboriginal student population).⁴ From 2000 Commonwealth triennial funding (and HECS access) was extended to student places for teacher education at the Fremantle campus of Notre Dame. This was justified on the basis that the university was providing teachers for the Catholic school system in WA, a role performed the Australian Catholic University in the eastern states.⁵ This created an apparent policy inconsistency because Avondale College, which produces teachers for the Seventh Day Adventist school system, remained subject to annual contractual funding. Of course, the accredited teacher education qualifications provided by any of these institutions can be utilised, like those from the public universities, in either government or non-government school systems. The rationale for Notre Dame's special status is thus somewhat unclear.

The Postgraduate Education Loans Scheme (PELS) is essentially a modified version of the Higher Education Contribution Scheme (HECS): the Commonwealth pays the tuition fee

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for the student, who then repays the amount through the tax system when their income reaches certain levels. Once a PELS debt is incurred, it is treated in the same way as a HECS debt: repayment rates and income thresholds are the same and no interest is payable on the debt, although it is indexed on the basis of the Consumer Price Index. The major differences between the PELS and HECS are:

- the fees payable will not be set by the Commonwealth, as they are with HECS, so institutions can set their own postgraduate fee levels. The loans are only available for postgraduate non-research course tuition fees, and
- there is no discount for up-front payments (students who pay their own HECS contribution on enrolment receive a 25 per cent discount).

The PELS is currently available to students attending appropriate courses at all institutions listed in section 4 of the HEFA. This list includes the public higher education institutions, together with the University of Notre Dame, Avondale and Marcus Oldham Colleges. The Bill will extend the PELS to Bond University, the Christian Heritage College, Melbourne College of Divinity and Tabor College (South Australia). According to the Ministers' Second Reading Speech, this measure will level the playing field for competition in fee-paying postgraduate coursework degrees.⁶ If the intent of the legislation is to treat all non-government higher education providers equally, then it should be asked why these institutions have been singled out, as there are other non-government bodies that provide equivalent courses. A more logical approach would be to make the PELS available for all postgraduate coursework degrees that are provided by self-accrediting institutions (ie. universities or their equivalent), or that are accredited by the appropriate State and Territory accreditation agencies. Such an extension would have no impact on Budget expenses because the Department treats loans under PELS as an asset (see below).

Funding Impact

According to the Explanatory Memorandum (the EM), the Bill will:

- increase HEFA grants by \$7.0 million for 2001, decrease them by \$5.178 million in 2002, and increase them by \$74.128 million in 2003 and \$74.998 million in 2004; and
- increase the funding cap under the ARCA by \$16.446 million for 2003, \$17.453 million for 2004, \$18.670 million for 2005 and establish a new funding cap of \$524.090 million for 2006.⁷

Note that these figures relate to the variations between this Bill and the funding amounts contained in the Higher Education Legislation Amendment Bill (No.2) 2002 that is still before Parliament. The EM provides no breakdown of these changes. However, the 2003-04 Budget Papers do provide some indication of the cost of the some of the measures:

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- the introduction of a Graduate Diploma in Environment and Planning at the University of Tasmania will cost a total of \$360 000 over three financial years (2002-03 to 2004-05), and
- the extension of the PELS will not impact on expenses because the amount loaned is treated as an asset. It is estimated that some \$18.7 million will be lent to students at the four institutions over four years.

Main Provisions

Section 2 provides for the commencement of the legislation. These provisions are more complicated than usual because of the Higher Education Legislation Amendment Bill (No.2) 2002 that is still before Parliament.⁸ The funding provisions (**Schedule 1, Part 1** and **Schedule 2**) will not commence until the commencement of the other legislation (or Royal Assent, if that is later).

Schedule 1 Part 1 substitutes new funding levels in the HEFA.

Schedule 1 Part 2 (Items 8-16) amends section 98A of the HEFA to enable the extension of the PELS to four non-government educational institutions. **Item 10** amends the definition of 'eligible post-graduate course of study' to include courses at the Christian Heritage College and Tabor College (South Australia) which have been accredited by the appropriate State or Territory accreditation agencies. Note that Bond University and the Melbourne College of Divinity are not included in this provision because they are already self-accrediting institutions under the terms of the Australian Qualifications Framework Register of Authorities.

Item 17 inserts a **new section 98AA** which creates a new category of institution ('eligible unfunded institutions') which comprises the four institutions. The Minister may amend this section by declaration (a disallowable instrument), but is not permitted to add to the list of eligible unfunded institutions. This power is to enable the Minister to remove institutions from the list if they have breached the requirements of the Act or for some other reason that the Minister considers relevant.

Schedule 2 substitutes new funding levels in the ARCA.

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Endnotes

- 1 Further background on higher education funding policies can be obtained from the Parliamentary Library brief at: <http://www.aph.gov.au/library/intguide/SP/HEfunding.htm>
- 2 This report is available at:
http://www.detya.gov.au/highered/he_report/2002_2004/html/default.htm
- 3 See: <http://www.arc.gov.au>
- 4 *Higher Education Report for the 1999 to 2001 Triennium* (March 1999), p. 92
- 5 *Higher Education Report for the 2000 to 2002 Triennium* (March 2000), p. 101
- 6 The Hon. Brendan Nelson MP, 'Second Reading Speech', Higher Education Funding Amendment Bill 2002, House of Representatives, *Hansard*, 5 June 2002, p. 2791.
- 7 p. 2.
- 8 A Bills Digest on this legislation is available at:
<http://www.aph.gov.au/library/pubs/bd/2001-02/02bd110.htm>

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