



Higher Education Legislation Amendment (2007 Budget Measures) Bill 2007

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Social Policy Section

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Higher Education Legislation Amendment (2007 Budget Measures) Bill 2007

Date introduced: 24 May 2007

House: House of Representatives

Portfolio: Education, Science and Training

Commencement: Sections 1-3, Schedules 1, 3 parts 1, 6 and 9 commence on Royal Assent. All other Schedules commence on 1 January 2008.

Purpose

The Bill will amend the *Higher Education Support Act 2003* (HESA) to:

- revise maximum funding amounts in sections 30-5, 41-45 and 46-40
- provide for a new Diversity and Structural Adjustment Fund
- revise the Commonwealth Grant Scheme (CGS) funding clusters and Commonwealth contribution amounts
- set the maximum student contribution amount for accounting, administration, economics and commerce at the same amount as law, dentistry, medicine and veterinary science
- provide for a transitional fund to compensate higher education providers for the change in funding for students in accounting, administration, economics and commerce
- provide for three year funding agreements
- provide for new CGS adjustment mechanisms from the 2009 grant year
- remove restrictions on the proportion of domestic undergraduate fee-paying places
- enable the expansion of the Commonwealth Scholarships programme, and
- provide an additional grant to higher education providers who deliver courses in teacher education.

The Bill also amends the *Australian Research Council Act 2001* to update annual caps on funding and add the financial years 2009-2010 and 2010-2011.

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Background

In April 2002 the Minister for Education, Science and Training, the Hon. Dr. Brendan Nelson, announced that a review of higher education policy would be undertaken over the remainder of the year. The review culminated in the higher education policy package, *Backing Australia's Future*, which was announced as part of the 2003-04 Budget. The Government's reform package was introduced with the passage of the *Higher Education Support Act 2003* (HESA). The legislation introduced major funding changes in 2005, including the Commonwealth Grants Scheme (CGS).¹ Some of those changes are amended by the 2007-2008 Budget measures for which the Bill provides.

Financial implications

The Explanatory Memorandum states that in relation to the *Higher Education Support Act 2003*, the Bill:

- increases the overall appropriation by \$7,172.219 million for the period 1 January 2008 to 31 December 2011 (excluding Higher Education Loan Programme).

The estimated financial impact of these measures on the Higher Education Loan Programme (HELP) over the forward estimates period (2007-08 to 2010-11) is \$5.989 million on the fiscal balance, expenses amount to \$55.238 million and headline cash is - \$204.068 million.

In relation to the *Australian Research Council Act 2001*, the Bill:

- increases the overall appropriation by \$1,174.6 million for the period 1 July 2007 to 30 June 2011.

Main provisions

Schedule 1 – Amounts relating to grants

Item 1 amends the level of maximum grants under the Commonwealth Grants Scheme (CGS) for the years 2008-2010.

As listed in the Explanatory Memorandum the increased funding will

- Provide universities with full funding for over-enrolments from the current one per cent of over-enrolments to five per cent.
- Provide for increased funding for Commonwealth supported places in certain disciplines.

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- Provide \$6.6 million for 60 additional dentistry and oral health places for the new Charles Sturt University Dental School.²
- Provide for 500 additional engineering places.
- Reflect changed funding for medical places at the University of Notre Dame Australia due to a delay in the commencement of its Sydney medical school.

Item 2 amends the maximum payments for Other Grants for the years 2008-2010.

The 2007-08 Budget measures funded under Item 2 will

- Increase the funding of Australia's Learned Academies by \$8 million over four years.³
- Provide \$208.6 million over four years, of which \$67 million is new funding, for a new Diversity and Structural Adjustment Fund to assist universities, particularly regional and smaller metropolitan universities, to specialise and provide for local labour market needs.⁴
- Provide a transfer of funds to the new National Disability Coordination Officer Programme.
- Provide transitional funding to compensate higher education providers for the lower accounting cluster student contribution amount for pre-2008 students.
- Provide an additional \$77 million over four years to supplement costs of providing the practical teaching component in teacher education courses.

Item 3 amends the maximum payments for Commonwealth Scholarships for the years 2008-2010.

The increased funding will

- Provide \$91.4 million over four years to increase the number of Commonwealth Scholarships from around 8,500 to 12,000 per year.
- Provide \$27.7 million annually for up to 1,000 new Indigenous Access Scholarships which will enable Indigenous students, particularly those moving from rural and remote areas, to receive a one-off payment of \$4,000 to take up a university or an approved enabling course.
- Provide an additional year of funding for 700 Commonwealth Education Costs Scholarships and 210 Commonwealth Accommodation Scholarships for Indigenous students undertaking an approved higher education enabling course.⁵

Schedule 2 – Funding clusters

University student places are funded through the Commonwealth Grants Scheme (CGS). Under the CGS the Government funds each higher education provider for an agreed

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number of Commonwealth supported places (previously called HECS places) in particular disciplines. The disciplines are currently grouped in twelve funding clusters with both the Commonwealth and the student contribution amounts varying across the clusters.

Items 1 and 2 reduces the number of funding clusters from 12 to 7 and increases the funding for mathematics and statistics by \$2729 per place, allied health by \$1889, engineering, science and surveying by \$684, clinical psychology by \$2729, education by \$109, nursing by \$109, behavioural science and social studies by \$840, and medicine, dentistry, and veterinary science by \$1081.⁶ The significant increase in funding for mathematics and statistics meets the findings of the [National Strategic Review of Mathematical Sciences Research](#).⁷ Accounting, administration, economics and commerce disciplines will be moved to the law cluster and their CGS funding reduced by \$1029 per place. Changes to the funding clusters and the reduced Commonwealth funding for accounting, administration, economics and commerce require amendments to the maximum student contribution amounts which are dealt with in Schedule 7. For this reason Schedule 7 is to follow to assist the reader.

Schedule 7 – Maximum student contribution amounts

Schedule 7 sets the maximum student contribution amounts (previously HECS fees) for places in a unit of study. **Item 2** substitutes a **new table** in section 93-10 to reflect the reduction of funding clusters from twelve to seven. **Item 2** also sets the new maximum student contribution in accounting, administration, economics and commerce disciplines to align them with the law discipline. This will bring them into the highest level alongside dentistry, medicine and veterinary science where the maximum student contribution will be \$8,499. Student contribution rates are based on graduates' potential earnings, and the Government's decision is based on the higher salaries and competitive nature of the labour market for the business disciplines.⁸

The increased student contributions for accounting, administration, economics and commerce will bring approximately thirteen per cent of HECS-HELP liable places into the top contribution band.⁹ The Minister has stated that universities do not have to increase the student contribution for these disciplines, but considering that all universities, except the University of Tasmania, took the opportunity of increasing HECS by the maximum twenty-five per cent in 2005 it could be expected that commencing students in accounting, administration, economics and commerce will have an increased HELP (previously HECS) debt.¹⁰ As students studying prior to 2008 'will be able to continue under the existing arrangements until the end of 2012. There will be a transition fund to compensate universities for students who continue under the existing arrangements'.¹¹

Schedule 3 – Term of funding agreements

Schedule 3 provides for three year CGS funding agreements which will be introduced from January 2009. Item 11 of Part 2 repeals subsection 30-25(1) and substitutes a new

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subsection to enable the Minister to enter into such agreements. The Government states that such agreements ‘will reduce administrative costs, provide greater scope for universities to plan ahead and contain improved requirements for university governance, financial accountability, quality and data reporting’.¹² However there will be scope for higher education providers to ‘renegotiate Commonwealth supported places on an annual basis’.¹³

Schedule 4 – Adjustment of basic grant amounts

Amendments in **Schedule 4** allow more flexibility for universities in enrolling students in Commonwealth supported places. Universities will now be able to over-enrol Commonwealth supported places by five per cent (previously one per cent) and receive CGS funding for the over-enrolments. Further, the amendments will remove the penalties for over-enrolments above the five per cent and will allow universities to receive the full amount of student contributions from all Commonwealth supported students they enrol. In 2005 the Government agreed to fund 409,393 Commonwealth supported places, thus the amendment will provide for about 20,000 fully funded over-enrolments and help further reduce the unmet demand for university places which has declined from a peak of 36,100 in 2004 to 13,200 in 2007.¹⁴

Current arrangements on under-enrolments will continue with funding reduced for under-enrolments beyond the first one per cent of funding. However there will be no CGS funding reductions for under-enrolments beyond five per cent of funding.¹⁵

Schedule 5 – Removal of restriction on number of fee-paying places

Item 1 repeals section 36-35 thus removing the cap on the number of domestic full-fee places universities can offer, which until now has been capped at 35 per cent of course enrolments (and 25 per cent for medicine).¹⁶ This amendment in conjunction with those in **Schedule 4** which relax penalties on over-enrolments allows universities greater flexibility in meeting student demand. While universities will be required to deliver specified Commonwealth supported places in nursing, teaching, medicine and engineering they will now be allowed ‘to adjust student numbers and course mixes to meet student demands and employer needs.’¹⁷ Included in this mix will be the ability to offer an uncapped proportion of domestic full-fee places. The Minister’s press release states universities ‘will still be required to offer their Commonwealth funded places before offering full-fee places.’¹⁸ However such a requirement will apply to the agreed number of Commonwealth supported places within a cluster. This would allow for example a university to offer all the Commonwealth funded places in the law cluster to accounting, administration, economics and commerce and create a full-fee only law course.¹⁹

The effect of both removing the cap on full-fee places and creating greater flexibility in the course mix has the potential for universities with high demand courses to ask for fewer Commonwealth-supported places and replace them with full-fee places, particularly in

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courses where revenue from full-fee places is higher than that from Commonwealth grants.²⁰ The Department of Education, Science and Training (DEST) estimates that this measure may increase the number of full-fee places by twenty per cent.²¹ However the University of Technology Sydney's Vice-Chancellor, Ross Milbourne, predicts the number of domestic full-fee places might actually fall due to the 'expansion in commonwealth-supported offers and the fact universities can move commonwealth-supported places to high-demand areas.'²²

Schedule 6 – Grants to assist with the costs of changes to maximum student contribution amounts

Item 1 amends the table in subsection 41-10(1) to add a **new table item 12** to provide grants from the proposed transition fund. The fund of \$83 million will provide grants to compensate higher education providers for the estimated 40,500 accounting, administration, economics and commerce students enrolled before 2008 who will continue under the existing HECS arrangements until 2012.²³

Schedule 8 – Commonwealth scholarships

Schedule 8 deals with the proposed new scholarships which will enable recipients to receive direct payments of certain Commonwealth scholarships such as the new Indigenous Access Scholarships for an approved enabling course.

Schedule 9 amends the *Australian Research Council Act 2001* to update annual caps on funding and add the financial years 2009-2010 and 2010-2011.

Schedules 10 and 11 deal with 'Other Grants' under Part 2-3 of the HESA. The proposed new section 41-10 (1) inserts new table items 8A, allowing grants to assist with cost of providing the practical component of teacher education, and 9A providing grants to support diversity and structural reform.

Concluding comments

Since the 2003 higher education reforms which introduced the Commonwealth Grants Scheme, the Government has encouraged the sector to move from a 'one-size-fits-all' model through policies aimed at greater diversity and flexibility. In 2005 the then Minister for Education, Science and Training stressed 'the need for a diverse range of higher education institutions servicing different communities and varied requirements'.²⁴ Similarly the current Minister in a wide-ranging speech on the need for diversity called for 'the development of a diversified higher education sector, made up of universities which differ from each other in terms of mission, discipline mix, course offerings, modes of delivery, management and in academic structure.'²⁵ The 2007-2008 Budget which increases funding by \$1.7 billion over four years to the higher education sector is strategically directed to implement such change. Critics of the measures have interpreted

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moves to diversity and specialisation as pushing the sector to a more privatised, stratified and less equitable one.²⁶

The proposed changes to the CGS and the removal of the cap on domestic full-fee places will encourage competition for students and an associated development of different course offerings. There is a perceived benefit to universities such as those in the Group of Eight whose courses are in high demand and which attract the majority of full-fee paying students at public universities although the uptake in full-fee places will be constrained at some universities by the a lack of facilities and a shortfall in infrastructure funding.²⁷ The 'one size fits all' model will be further eroded by the increased student contribution rates for accounting, administration, economics and commerce that are predicted to soften the demand for those disciplines at regional universities and attract students to full-fee places at 'market leading institutions'.²⁸ Regional universities will need to devise course mixes that are both attractive to students and meet regional needs. Provisions in the Bill to fund the Charles Sturt University Dental School will further assist that university meet local needs. Other regional universities will need to access the proposed Diversity and Structural Adjustment Fund to assist with implementing changes and avoiding under enrolment of their agreed Commonwealth supported places.²⁹

Endnotes

1. For further background see Kim Jackson, 'Higher Education Support Bill 2003', *Bills Digest*, no. 56, Department of the Parliamentary Library, Canberra, 2003-04.
2. This budget measure complements a 2007- 2008 Health and Ageing Budget measure. See: T. Abbott, *Supporting Rural and Regional Australians*, media release, 8 May 2007, http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=pressrel&Criteria=CITATION_ID:W25N6%3B accessed 28 May 2007.
3. J. Bishop (Minister for Education, Science and Training), *Major funding boost for Learned Academies*, media release, 8 May 2007.
4. See J. Bishop (Minister for Education, Science and Training), *New diversity and structural adjustment fund for universities*, media release, http://www.dest.gov.au/ministers/bishop/budget07/bud09_07.htm, accessed on 17 May 2007.
5. J. Bishop (Minister for Education, Science and Training), *Expanding education support for Indigenous young people*, media release, 8 May 2007.
6. For a comparison of the new and old funding rates and clusters see: J. Bishop (Minister for Education, Science and Training), *Increased funding and flexibility for universities*, media release, http://www.dest.gov.au/ministers/bishop/budget07/bud05_07.htm, accessed on 17 May 2007. This decision partly pre-empted the findings of the Review of the *Higher Education Support Act 2003* which is reviewing funding cluster arrangements.

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http://www.dest.gov.au/sectors/higher_education/policy_issues_reviews/reviews/HESA_review/default.htm, accessed 17 May 2007.

7. In the final report of the review, *Mathematics and Statistics: Critical Skills for Australia's Future*, the authors claimed that the 'relative funding of mathematical sciences departments in universities is inadequate and does not reflect either their crucial importance or the cost of delivering quality training of students.'
8. J. Bishop (Minister for Education, Science and Training), *Increased funding and flexibility for universities*, media release, http://www.dest.gov.au/ministers/bishop/budget07/bud05_07.htm, accessed on 17 May 2007.
9. Calculated from 2005 liability status data for, *Students 2005: Selected higher education statistics*, DEST 2007, Table 3.5.3.
10. Media reports suggest that most universities would increase student contribution amounts in accounting administration, economics and commerce. See: Catherine Armitage, 'Cash welcome but it's no bonanza', *The Australian*, 16 May 2007 and Catherine Armitage, 'Business faculties brace for pain', *The Australian*, 30 May 2007.
11. J. Bishop (Minister for Education, Science and Training), *Increased funding and flexibility for universities*, media release, http://www.dest.gov.au/ministers/bishop/budget07/bud05_07.htm, accessed on 17 May 2007.
12. *Realising our potential – allowing more responsive universities* Budget Measures 2007-2008, Budget Paper no. 2, p. 116.
13. DEST departmental officer, pers. comm. 28 May 2007.
14. AVCC, *Report on applications for undergraduate university courses*, April 2007.
15. J. Bishop (Minister for Education, Science and Training), *Greater flexibility for universities*, media release, 8 May 2007.
16. The policy to permit universities to charge fees for domestic undergraduate students was introduced in the 1996–97 Budget and implemented in 1998 when 829 undergraduate students accepted fee paying places. Senator the Hon. Amanda Vanstone (Minister for Education, Training and Youth Affairs), *Higher Education Budget Statement*, 9 August 1996.
17. J. Bishop (Minister for Education, Science and Training) *Greater flexibility for universities* http://www.dest.gov.au/ministers/bishop/budget07/bud04_07.htm, accessed 17 May 2007.
18. J. Bishop (Minister for Education, Science and Training) *Greater flexibility for universities* http://www.dest.gov.au/ministers/bishop/budget07/bud04_07.htm, accessed 17 May 2007.
19. See discussion in Senate, Senate Standing Committee on Employment, Workplace Relations and Education, *Estimates Hearings*, 31 May 2007.
20. See, for example, Andrew Norton '[Some perestroika in higher education](http://andrewnorton.info/blog/2007/05/08/some-perestroika-in-higher-education/#more-206)', 8 May 2007, <http://andrewnorton.info/blog/2007/05/08/some-perestroika-in-higher-education/#more-206> accessed 17 May 2007.

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- 21 Senate, Senate Standing Committee on Employment, Workplace Relations and Education, *Estimates Hearings*, 31 May 2007. In 2005 approximately three per cent of domestic undergraduate students were full-fee paying students.
- 22 R. Lebihan and S. Morris, 'Inequity fears unfounded', *Australian Financial Review*, 11 May 2005, http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=pressclp&Criteria=CITATION_ID:J61N6%3B accessed 17 May 2007.
- 23 Senate, Senate Standing Committee on Employment, Workplace Relations and Education, *Estimates Hearings*, 31 May 2007.
24. [*Building University Diversity: Future approval and accreditation processes for Australian higher education .Issues Paper*](#), DEST, March 2005, p. i.
- 25 J. Bishop (Minister for Education, Science and Training), Speech Curtin Institute Public Policy Forum 24 July 2006, <http://www.dest.gov.au/Ministers/Media/Bishop/2006/07/B0010240706.asp> accessed 17 May 2007.
- 26 *Universities benefit from election budget bonanza*, NTEU, media release, 9 May 2007; L. MacNamara, 'Pressure on to take paying students' *The Australian*, 11 May 2007, http://parlinfoweb.aph.gov.au/piweb/TranslateWIPILink.aspx?Folder=pressclp&Criteria=CITATION_ID:S71N6%3B accessed 17 May 2007.
- 27 L. Macnamara, 'Go8 looks to home front for fee kick', *The Australian*, 30 May 2007.
- 28 J. Mather, 'Business schools still reeling over budget bombshell', *Campus Review* 22 May 2007; C. Armitage, 'Business faculties brace for pain', *The Australian*, 30 May 2007.
- 29 In 2005 Central Queensland University and Charles Darwin University had more than five per cent of their Commonwealth supported places unfilled. Senate, Senate Standing Committee on Employment, Workplace Relations and Education, *Estimates Hearings*, 31 May 2007. See also: L. Macnamara and C. Armitage, 'Regional campuses need more cash', *The Australian*, 30 May 2007.

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