



Startup Year	
Party:	Australian Labor Party
Summary of proposal: This proposal would extend the current Higher Education Loan Program (HELP) to support students undertaking postgraduate studies in accelerators or entrepreneurship education facilities run by successful entrepreneurs linked to universities. This proposal would provide up to 2,000 additional places per year. The student contribution for these studies would be capped at the Band 3 student contribution cap. The studies would not be eligible for funding under the Commonwealth Grants Scheme. The proposal would commence from 1 January 2023 and would be ongoing.	

## Costing overview

This proposal would be expected to decrease the fiscal balance by around \$25.6 million, the underlying cash balance by around \$14.6 million, and the headline cash balance by around \$89.9 million over the 2022-23 Budget forward estimates period.

The proposal would not be expected to result in additional departmental expenditure, as the administration of HELP, Austudy and Youth Allowance would remain largely unchanged.

This proposal would be expected to have an ongoing impact that extends beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications over the period to 2032-33 is provided in Attachment A.

Consistent with the *Parliamentary Budget Office (PBO) Guidance 02/2015*, public debt interest expense impacts have been included in this costing because the concessional loans provided under this proposal involve financial asset transactions.

The fiscal, underlying cash and headline cash balance impacts differ due to how they treat the concessional interest rate, the flow of loan principal and interest repayment amounts. Only the fiscal balance includes an estimate of the change in the value of the concessional loan being provided. Only the headline cash balance includes changes in the value of loans issued and principal repayments. The impact of net debt will be broadly consistent with movements in the headline cash balance.

A note explaining the accounting treatment of income contingent loans, such as those provided under HELP, is included in Attachment B.

Inherent uncertainties in the baseline estimates for HELP and limited information regarding loan repayment profiles contribute to uncertainty of the estimated financial implications of this proposal.

The estimated financial implications are based on relevant higher education and income support payment estimates and economic parameters as at the *2022-23 Budget*.

**Table 1: Startup Year – Financial implications (\$m)<sup>(a)</sup>**

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	-3.5	-7.1	-7.3	-7.7	<b>-25.6</b>
Underlying cash balance	-1.7	-3.6	-4.3	-5.0	<b>-14.6</b>
Headline cash balance	-12.4	-25.0	-25.9	-26.6	<b>-89.9</b>

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

## Key assumptions

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

- Universities would offer the eligible studies at the capped amount of the Band 3 student contribution level.
- All students would undertake the entrepreneurship studies on a full-time basis over a calendar year.
- Based on the experience of current university students, approximately 10% of the students would pay their fees upfront.
- Approximately 10% of the students undertaking these entrepreneurship studies would also access Austudy or Youth Allowance (Student) for the duration of their study.<sup>1</sup>
- There would be full uptake of the 2,000 places per year from the first calendar year of the policy implementation.
  - This is informed by the number of students enrolled in Masters by coursework and graduate diplomas in areas of commerce, information technology and management, who are likely to be eligible for the proposed loans. In 2019, more than 50,000 domestic students were enrolled in these courses.

## Methodology

The financial implications of this proposal are the combined effect of providing additional HELP loans and the increased number of expected recipients accessing Austudy or Youth Allowance (Student).

The value of additional HELP loans was estimated by multiplying the number of additional students by the Band 3 student contribution cap, adjusted for the 10% of students that would pay their fees upfront.

- This is modelled based on the HELP estimates model provided by the Department of Education, Skills and Employment as at the *2022-23 Budget*, adjusted for the repayment profile of new HECS-HELP loans from the Australian Taxation Office.

The value of the additional income support payments was estimated by multiplying:

- the proportion of students in postgraduate studies who are assumed to access Austudy or Youth Allowance (Student)

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<sup>1</sup> The proportion was derived from the allowance recipients microdata provided by the Department of Social Services and higher education statistics provided by the Department of Education, Skills and Employment.

- the number of students undertaking eligible studies
- the average rate of Austudy and Youth Allowance (Student).

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.<sup>2</sup>

## Data sources

The Department of Education, Skills and Employment provided the HELP estimates model as at the *2022-23 Budget*.

The Department of Social Services provided estimates of Austudy and Youth Allowance payment rates and recipients as at the *2022-23 Budget*.

Department of Education, Skills and Employment (DESE), ["uCube" student data series](#), DESE, Australian Government, 2019, accessed 12 April 2022.

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<sup>2</sup> [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Budget\\_Office/Costings\\_and\\_budget\\_information](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information)

## Attachment A – Startup Year – financial implications

**Table A1: Startup Year – Fiscal balance (\$m)<sup>(a)</sup>**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<b>Revenue</b>													
<i>Administered non-tax</i>													
<i>Indexation on loans</i>	-	0.2	0.7	1.2	1.8	2.3	2.9	3.4	4.0	4.7	5.4	2.1	26.6
<i>Unwinding concessional loan discount</i>	-	-	-	-	-	-	..	0.1	0.1	0.2	0.3	-	0.7
<b>Total – revenue</b>	-	<b>0.2</b>	<b>0.7</b>	<b>1.2</b>	<b>1.8</b>	<b>2.3</b>	<b>2.9</b>	<b>3.5</b>	<b>4.1</b>	<b>4.9</b>	<b>5.7</b>	<b>2.1</b>	<b>27.3</b>
<b>Expenses</b>													
<i>Administered</i>													
<i>Personal benefits</i>	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.5	-1.9
<i>Remissions</i>	-	..	..	..	..	..	..	..	..	..	-0.1	..	-0.1
<i>Concessional loan discount</i>	-	-	-	-	-	-0.2	-0.5	-0.7	-1.1	-1.6	-2.0	-	-6.1
<i>Other loan financing</i>	-1.8	-3.6	-3.7	-3.8	-3.9	-4.0	-4.1	-4.2	-4.3	-4.4	-4.5	-12.9	-42.3
<i>Student payment impact</i>	-1.5	-3.0	-3.1	-3.2	-3.3	-3.3	-3.4	-3.5	-3.6	-3.7	-3.8	-10.8	-35.4
<b>Total – expenses</b>	<b>-3.4</b>	<b>-6.7</b>	<b>-6.9</b>	<b>-7.2</b>	<b>-7.4</b>	<b>-7.7</b>	<b>-8.2</b>	<b>-8.6</b>	<b>-9.2</b>	<b>-9.9</b>	<b>-10.6</b>	<b>-24.2</b>	<b>-85.8</b>
<b>Total (excluding PDI)</b>	<b>-3.4</b>	<b>-6.5</b>	<b>-6.2</b>	<b>-6.0</b>	<b>-5.6</b>	<b>-5.4</b>	<b>-5.3</b>	<b>-5.1</b>	<b>-5.1</b>	<b>-5.0</b>	<b>-4.9</b>	<b>-22.1</b>	<b>-58.5</b>
<b>PDI impacts</b>	<b>-0.1</b>	<b>-0.6</b>	<b>-1.1</b>	<b>-1.7</b>	<b>-2.4</b>	<b>-3.0</b>	<b>-3.8</b>	<b>-4.6</b>	<b>-5.5</b>	<b>-6.5</b>	<b>-7.6</b>	<b>-3.5</b>	<b>-36.9</b>
<b>Total (including PDI)</b>	<b>-3.5</b>	<b>-7.1</b>	<b>-7.3</b>	<b>-7.7</b>	<b>-8.0</b>	<b>-8.4</b>	<b>-9.1</b>	<b>-9.7</b>	<b>-10.6</b>	<b>-11.5</b>	<b>-12.5</b>	<b>-25.6</b>	<b>-95.4</b>

(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.

.. Not zero but rounded to zero.

- Indicates nil.

**Table A2: Startup Year – Underlying cash balance (\$m)<sup>(a)</sup>**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<b>Receipts</b>													
<i>Administered non-tax</i>													
<i>Interest receipts</i>	-	-	..	..	0.1	0.1	0.2	0.3	0.4	0.4	0.4	..	1.9
<b>Total – receipts</b>	-	-	..	..	0.1	0.1	0.2	0.3	0.4	0.4	0.4	..	1.9
<b>Payments</b>													
<i>Administered</i>													
<i>Personal benefits</i>	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.5	-1.9
<i>Student payment impact</i>	-1.5	-3.0	-3.1	-3.2	-3.3	-3.3	-3.4	-3.5	-3.6	-3.7	-3.8	-10.8	-35.4
<b>Total – payments</b>	-1.6	-3.1	-3.2	-3.4	-3.5	-3.5	-3.6	-3.7	-3.8	-3.9	-4.0	-11.3	-37.3
<b>Total (excluding PDI)</b>	-1.6	-3.1	-3.2	-3.4	-3.4	-3.4	-3.4	-3.4	-3.4	-3.5	-3.6	-11.3	-35.4
<i>PDI impacts</i>	-0.1	-0.5	-1.1	-1.6	-2.3	-3.0	-3.7	-4.5	-5.4	-6.4	-7.4	-3.3	-36.0
<b>Total (including PDI)</b>	-1.7	-3.6	-4.3	-5.0	-5.7	-6.4	-7.1	-7.9	-8.8	-9.9	-11.0	-14.6	-71.4

(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.

.. Not zero but rounded to zero.

- Indicates nil.

**Table A3: Startup Year – Headline cash balance (\$m)<sup>(a)</sup>**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<b>Receipts</b>													
<i>Administered non-tax</i>													
<i>Interest receipts</i>	-	-	..	..	0.1	0.1	0.2	0.3	0.4	0.4	0.4	..	1.9
<i>Loan principal repayments</i>	-	0.2	0.5	1.1	1.7	2.4	3.4	4.5	5.8	7.1	8.5	1.8	35.2
<b>Total – receipts</b>	-	<b>0.2</b>	<b>0.5</b>	<b>1.1</b>	<b>1.8</b>	<b>2.5</b>	<b>3.6</b>	<b>4.8</b>	<b>6.2</b>	<b>7.5</b>	<b>8.9</b>	<b>1.8</b>	<b>37.1</b>
<b>Payments</b>													
<i>Administered</i>													
<i>Personal benefits</i>	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.5	-1.9
<i>Total loans</i>	-10.7	-21.6	-22.1	-22.7	-23.2	-23.8	-24.4	-24.9	-25.5	-26.2	-26.8	-77.1	-251.9
<i>Student payment impact</i>	-1.5	-3.0	-3.1	-3.2	-3.3	-3.3	-3.4	-3.5	-3.6	-3.7	-3.8	-10.8	-35.4
<b>Total – payments</b>	<b>-12.3</b>	<b>-24.7</b>	<b>-25.3</b>	<b>-26.1</b>	<b>-26.7</b>	<b>-27.3</b>	<b>-28.0</b>	<b>-28.6</b>	<b>-29.3</b>	<b>-30.1</b>	<b>-30.8</b>	<b>-88.4</b>	<b>-289.2</b>
<b>Total (excluding PDI)</b>	<b>-12.3</b>	<b>-24.5</b>	<b>-24.8</b>	<b>-25.0</b>	<b>-24.9</b>	<b>-24.8</b>	<b>-24.4</b>	<b>-23.8</b>	<b>-23.1</b>	<b>-22.6</b>	<b>-21.9</b>	<b>-86.6</b>	<b>-252.1</b>
<i>PDI impacts</i>	-0.1	-0.5	-1.1	-1.6	-2.3	-3.0	-3.7	-4.5	-5.4	-6.4	-7.4	-3.3	-36.0
<b>Total (including PDI)</b>	<b>-12.4</b>	<b>-25.0</b>	<b>-25.9</b>	<b>-26.6</b>	<b>-27.2</b>	<b>-27.8</b>	<b>-28.1</b>	<b>-28.3</b>	<b>-28.5</b>	<b>-29.0</b>	<b>-29.3</b>	<b>-89.9</b>	<b>-288.1</b>

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

.. Not zero but rounded to zero.

- Indicates nil.

## Attachment B – Accounting treatment of concessional loans

A concessional loan is a loan provided on more favourable terms than the borrower could obtain in the financial market. The most common concession is a below-market interest rate, but concessions can also include favourable repayment conditions. The income contingent loans available through the Higher Education Loan Program are an example of concessional loans offered by the Commonwealth.

### Budget impact<sup>4</sup>

The accounting treatment of concessional loans differs across each budget aggregate. The underlying cash balance only captures actual flows of interest related to the loans. The headline cash balance captures actual flows of principal as well as interest. The fiscal balance captures accrued interest, the value of the concession and any write-offs related to the loans. The interest cost of financing these loans is captured in all budget aggregates, and is separately identified by the PBO.<sup>5</sup> Table B1 provides information about the detail provided in a costing. The provision of concessional loans decreases the Commonwealth Government's net worth if the liabilities issued (the value of Commonwealth Government Securities issued to finance the loans) are greater than the assets created (measured at their 'fair value' or price at which the loans could be sold).

### Treatment of debt not expected to be repaid

All budget aggregates take into account estimates of the share of loans not expected to be repaid when calculating interest flows and estimating the value of the concession that is being provided. None of the measures capture the direct impact on net worth of the loans not expected to be repaid. If a portion of loans are not expected to be repaid, estimates of the 'fair value' of the loans outstanding will be reduced. Such reductions, both when loans are issued and if loans are subsequently re-valued, are recorded in the budget under 'other economic flows' which are reflected in net worth but not in the budget aggregates.

**Table B1: Components of concessional loan financial impacts in costing proposals**

Budget item	Appears in	Comments
Interest accrued or received	All budget aggregates	Captures the interest accrued or expected to be received on the fair value of the debt. (The budget cannot include interest income on a debt that is not expected to be repaid.)
Concessional loan discount expense and unwinding revenue	Fiscal balance	The net present value of the concession (based on the difference between the market and concessional interest rates) is captured as an expense in the fiscal balance. As loans are repaid, the remaining value of the concession reduces, so this expense is 'unwound' with a positive impact on the fiscal balance. The concessional discount and its unwinding are not recognised in cash balances as there is no cash inflow or outflow.
Write-offs	Fiscal balance	Debt forgiveness, also known as mutually agreed write-downs (for example in the case of the death of the borrower of a HELP loan) are expensed when they occur, reducing the fiscal balance. These transactions do not affect the cash balances as no cash flows occur.
Initial loan; principal repayments	Headline cash balance	Higher estimates of loans not expected to be repaid lowers principal repayments. These transactions are not included in the fiscal balance or underlying cash balance as they involve the exchange of one financial asset (loan) for another (cash).
Public debt interest (PDI)	All budget aggregates	The PDI impact is the cost of the change in the government's borrowing requirements to fund the loans. The net headline cash balance impact excluding PDI is used to estimate the proposal's impact on PDI payments.

<sup>4</sup> The PBO's treatment of these loans is consistent with the Department of Finance costing guidelines.

<sup>5</sup> This is in accordance with *PBO Guidance 02/2015* and the Charter of Budget Honesty Policy Costing Guidelines which specify that costings of proposals that 'involve transactions of financial assets' need to take into account the impact on PDI payments.