

Department of Education and Training

**QUESTIONS ON NOTICE
Committee Inquiries 2017 - 2018**

**Senate Education and Employment Legislation Committee
Higher Education Support Legislation Amendment (Student Loan Sustainability)
Bill 2018 [provisions]**

**Public Hearing
5 March 2018**

Department of Education and Training Question No. SQ18-000024

Questions from: Senator Jacinta Collins

Question 1

What modelling, tables or other information does the Department have in relation to how HELP repayment thresholds intersect with Australia's social security and taxation systems?

Answer

The Department of Social Services has provided the department with analysis on the intersection between the Higher Education Loan Program (HELP) and Australia's social security and taxation systems based on the HELP repayment arrangements proposed in the 2017-18 Budget. Questions on this analysis should be directed to the Department of Social Services.

Question 2

What modelling or other information does the Department have about the impact changes to HELP will have on women?

Answer

The proposed new minimum Higher Education Loan Program (HELP) repayment threshold of \$45,000 under the Higher Education Support Legislation Amendment (Student Loan Sustainability) Bill 2018 (the Bill) remains above the minimum wage (currently around \$36,100 for a full-time worker as at 1 July 2017) with repayment obligations that start from only around \$9 per week (one per cent).

As is the case now, women, individuals in part time work, or individuals in low paid professions, will not face any limitations on their right to access a HELP loan, and therefore higher education courses, as a result of the changed thresholds. Women represent a majority of university students and comprise around 60 per cent of domestic higher education completions.

Protections for low income earners are maintained by the retention of Medicare levy protections in HELP repayment arrangements. A person is not liable to make repayments if they qualify for a reduced amount of Medicare levy, or if no Medicare levy is payable by that person on the person's taxable income for that year. This protection expands along with the number of dependent children a person has.

Under the Bill, borrowers whose income falls between \$57,730 and \$93,046 will pay no more, or slightly less, than under current arrangements. This occurs because of the smaller and more numerous increments contained in the proposed new thresholds. Each successive threshold is set six per cent higher than the preceding one, with repayment rates increasing at 0.5 per cent increments.

This measure also introduces additional repayment thresholds for higher income earners, requiring them to repay their debts faster, at rates of up to 10 per cent of repayment income.

Question 3

How many courses eligible for FEE-HELP have fees that exceed the current FEE-HELP cap?

Answer

The department does not routinely collect and retain this information.

However, below are some examples of FEE-HELP eligible courses that have fees for domestic students exceeding the 2018 FEE-HELP limit, which the department has gathered from public sources:

Higher education provider	Course of study	Cost of FEE-HELP eligible courses (\$)
Bond University	Medical Program (comprised of two sequential degrees, the Bachelor of Medical Studies and the Doctor of Medicine, both of which must be completed for eligibility for registration as a medical practitioner)	\$378,154
Bond University	Bachelor of Biomedical Science/Bachelor of Laws	\$203,856
Bond University	Bachelor of Laws	\$143,296
Bond University	Bachelor of Architecture	\$107,472
Monash University	Juris Doctor	\$122,700
University of Melbourne	Doctor of Medicine	\$282,606
University of Melbourne	Doctor of Dental Surgery	\$279,848
University of Melbourne	Master of Architecture	\$123,939
University of New South Wales	Juris Doctor	\$121,680
University of Sydney	Juris Doctor	\$120,000
University of Technology, Sydney	Juris Doctor	\$118,656

Source: all course fees are based on 2018 indicative course fees published on universities' websites

Question 4

What advice does the Department give to students who exceed the FEE-HELP limit?

Answer

Under the *Higher Education Support Act 2003* (HESA), the FEE-HELP limit cannot be exceeded. There are no provisions that allow the Minister for Education and Training, or their delegates, discretion to extend or remove the FEE-HELP limit, regardless of a person's circumstances.

The department's Higher Education Information Management System (HEIMS) automatically calculates students' entitlements as their data is reported to the department by higher education providers. If a student has reached their FEE-HELP limit any further FEE-HELP assistance requested by the student is invalidated by the system. See also QON 15 for information on restrictions on exceeding the FEE-HELP loan limit.

It is a matter between the student and their higher education provider if the student's course fees exceed their FEE-HELP limit. The Government does not pay the additional tuition fees in these circumstances.

Subsequently, if the student seeks further advice, the department will remind the student that the FEE-HELP limit is a lifetime limit and that there is no scope to extend or remove the FEE-HELP limit.

Question 5

Has the Department sought information from the Treasury or the banking sector on the availability of commercial loans for Australian students to cover fee gaps?

Answer

The department has not sought information from the Treasury or the banking sector on the availability of commercial loans for Australian students to cover fee gaps. However, the department is aware that there are commercial lenders of study loans entering the market.

The department is also aware that providers have payment plans, scholarships and other alternatives to commercial loans.

Question 6

What is the Department's assessment of increased domestic demand for postgraduate courses over (a) the next four years, and (b) the next ten years?

Answer

The allocation of postgraduate courses for Commonwealth supported places is capped. Most universities have historically under-enrolled their postgraduate places, over many years.

For the purposes of Budget estimates, the department applies growth assumptions in domestic full fee paying students undertaking postgraduate courses who defer their payment through FEE-HELP are as follows, based on historical experience:

- Table A providers (public universities): four per cent growth in 2018 then growth in line with population growth of people aged 15 to 35 (around one per cent annually) over the next nine years;
- Table B providers: zero growth; and
- Private higher education providers: three per cent growth in 2018 then growth in line with population growth of people aged 15 to 35 over the next nine years.

Question 7

Can the Department provide further information about how the \$150,000 limit was chosen for medical (and similar) courses?

Answer

The \$150,000 limit was chosen in recognition of the fact that medicine, dentistry and veterinary science courses leading to initial registration in those three professions generally take longer and are therefore more expensive at the maximum student contribution rate.

The department recognises that tuition fees for some courses already exceed the fee level implied by the loan cap, but it is not the purpose of the loan scheme to support any level of tuition fees set by particular institutions. The new limit was chosen so that more of these students could be covered by the loan cap than is currently the case.

Question 8

Is a graduate law program an 'expensive to teach' program, as some providers have claimed?

Answer

The department understands that graduate programs typically feature smaller class sizes and therefore may have slightly higher per student costs. This is borne out by the Deloitte analysis of data for courses in the Other Society and Culture category (which includes law) showing the average cost for all universities was \$17,600 at the postgraduate level in 2015, compared with \$12,400 at the undergraduate level. Other Society and Culture contains a mix of disciplines such as social work, history, economics, political science, philosophy and sociology.

Question 9

In the Deloitte report commissioned to examine the costs of delivering higher education in 2017, was there any information about the difference between costs of delivering programs at graduate rather than undergraduate level?

Answer

The analysis by Deloitte on the cost of delivery found that, on average, the cost of postgraduate education was higher at \$20,050 in 2015, compared with \$16,025 at the undergraduate level.

Note that this relates to all postgraduate education, not only Masters degrees that substitute for Bachelors degrees.

Question 10

Does the Department monitor the setting domestic full-fees? If so, does it ever require providers to justify high fees?

Answer

The department does not actively monitor the tuition fees set by higher education providers for domestic full fee-paying courses. Higher education providers are best placed to determine the appropriate level of tuition fees to charge their fee paying students in a competitive market where student choice is supported by the FEE-HELP scheme which means that students do not need to pay upfront for their study. The Government is continuing to provide better information to students to support their choices when selecting courses and providers, with the QILT website providing more data in a consistent format about student experience and outcomes. Proposed performance measures from 2020 will increase transparency and accountability.

Question 11

How does the Department intend to ensure that the lifetime borrowing cap will cover the costs of education over time?

Answer

The lifetime loan limit will be indexed annually according to the Consumer Price Index, helping to ensure that the limit keeps pace with increases in the cost of living. Maximum student contribution amounts are indexed in a similar way, and as such changes in amounts borrowed should remain relatively consistent over time.

The new loan limits are generous, equating to almost nine years of Commonwealth subsidised full-time study on average.

Higher Education data shows that, of Commonwealth supported students who commenced in 2006, 98.9 per cent consumed seven or fewer years Equivalent Full Time Student Load (EFTSL).

Question 12

The Department said that around 14,000 students currently have a HELP debt of more than \$100,000. How many more students are expected to have a debt of more than \$100,000 in the next ten years?

Answer

According to the Australian Taxation Office (ATO) as at 30 June 2017, around 0.5 per cent of all Higher Education Loan Program (HELP) debtors had a debt greater than \$100,000.

The department and the ATO do not undertake analysis on the projections of HELP debtor data. Actuarial analysis of HELP data and debtor population is undertaken by the Australian Government Actuary.

Question 13

What is the average difference between full-fee domestic and international fees at Australian universities? Can the Department provide examples of where these vary significantly?

Answer

The department does not collect a schedule of course fees set for full-fee paying domestic students and international students from Australian universities. Therefore, the department does not know the average difference between full-fee domestic and international fees at Australian universities. However, the department is aware there are some Australian university courses which vary significantly between full-fee domestic and international fees, in line with the different markets in which these students participate.

Question 14

Senator O'NEILL: Could I ask about the implementation cost that you mentioned, that was going to two items? Is there anything else? What are the two items, again? What is the cost of each one? And is there anything else that's a cost?

Mr English: The cost of implementing the loan limit—as I said, there will be some system changes required for us in the management of the loans—IT systems, the way we record the fact that we now need to introduce a capacity to have that limit accounted for as students consume it—

Senator O'NEILL: How much is that cost to manage their debt?

Mr English: To break down that costing further I'd need to take it on notice. I don't have the details of the costings that underpin that measure here. There are a range of changes to systems that will be required to make this work. They are fully reflected in that \$10 million costing in underlying cash terms, but how each element of our action to implement this measure is reflected I would need to take on notice.

Senator O'NEILL: To help me understand: is \$10.3 million the rough cost of the IT and the real-time disclosure to students of their debt?

Mr English: No. I said that the total cost of the measure is 10.3. I would need to deconstruct it, on notice, to give you the elements that you're asking for. That's a level of detail that I do not have with me today.

Senator O'NEILL: I'm happy for you to give me that on notice, but you did mention the IT and the real-time disclosure. I'm sure you've got some rough numbers that you could provide for me today around that.

Answer

The departmental costs to implement the combined loan limit over the four years from 2017-18 is \$10.1 million. This includes:

- \$2.9 million capital expenditure for establishing a new IT system to manage the limit prior to the student being able to defer their tuition fee through a loan.
- \$7.2 million in call centre expenses, Short Message Service (SMS) and additional departmental staff.

Please note this corrects evidence provided by Mr Coburn to the Committee on 5 March 2018 regarding the expected use of the funds for this measure.

Question 15

Senator O'NEILL: There was quite a bit of data in there. How many errors have there been in this system over the past 10 years? For example, how many students have borrowed more than they're entitled to borrow?

Mr English: I would have to take that on notice. I certainly don't have data with me now on students, for example, who've exceeded their VET FEE-HELP loan cap or the FEE-HELP loan cap.

...

Senator JACINTA COLLINS: We're still, on notice, interested in the extent to which there has been an error rate in the existing lifetime limit. Have we had people who have had loans higher than the current limits, and, if so, in how many cases?

Mr English: I'd have to take that on notice.

Answer

Only FEE-HELP, VET FEE-HELP or VET Student Loans are included in the FEE-HELP loan limit. Under the *Higher Education Support Act 2003* (HESA), the FEE-HELP loan limit cannot be exceeded. The student will only receive FEE-HELP assistance equal to their remaining FEE-HELP balance.

The department's Higher Education Information Management System (HEIMS) system automatically calculates students' entitlements as their data is reported to the department by higher education providers. If a student has reached their FEE-HELP limit any additional requests for FEE-HELP assistance will be rejected by the system. The Government can only pay the higher education provider FEE-HELP up to the amount of the student's FEE-HELP balance. Providers are responsible for recovering any outstanding tuition fees from students.

There have been approximately 1,970 students since 2005 (less than 0.15 per cent of students who have accessed FEE-HELP and VET FEE-HELP) who have exceeded their entitlement limit. On these rare occasions, the request for FEE-HELP assistance is automatically rejected by the HEIMS system.

Question 16

Senator O'NEILL: I want to just go to the evidence we've had from the Grattan Institute. They said that only 10,000 students have debts of more than \$100,000. Yet last year there were reports of many students having huge debt. On 12 September 2017 the *Herald Sun* said that there was a person owing \$374,000 to the Commonwealth. My question is: how on earth did this happen?

Mr Coburn: Our number for 30 June 2017 is about 14,000 students with debts over \$100,000. But, as Mr English pointed out, these are students who have had HECS-HELP debts, which is not under the cap. So those over-\$100,000 debts are not a consequence of errors in the system; they are a consequence of there being for those kinds of loans.

Senator O'NEILL: Do you have any more detailed information that you can provide us about the debts of individual students? Is there a spreadsheet that gives us an indication?

...

Mr English: We certainly can —Mr Coburn can have a look. We think it would be in the distribution of number of debtors over a certain number. A hundred thousand, or some other value in that range might give you a perspective of the number of students that have debts above that amount on the HECS scheme.

Senator O'NEILL: A bit of an indication of at what level those debts are would be good. For example, is there one person with a \$300,000 debt?

Answer

The range of outstanding Higher Education Loan Program (HELP) debt by the number of HELP debtors, as at 30 June 2017, is as follows:

Range of outstanding HELP debt	Number of HELP debtors
\$1,000 and under	92,500
\$1,000.01 to \$2,000	77,431
\$2,000.01 to \$4,000	177,743
\$4,000.01 to \$6,000	168,312
\$6,000.01 to \$8,000	197,896
\$8,000.01 to \$10,000	179,692
\$10,000.01 to \$12,000	139,944
\$12,000.01 to \$14,000	141,177
\$14,000.01 to \$16,000	129,834
\$16,000.01 to \$18,000	124,045
\$18,000.01 to \$20,000	144,259
\$20,000.01 to \$30,000	509,360
\$30,000.01 to \$40,000	281,594
\$40,000.01 to \$50,000	135,795
\$50,000.01 to \$60,000	70,265
\$60,000.01 to \$70,000	37,363
\$70,000.01 to \$80,000	19,996
\$80,000.01 to \$90,000	10,809
\$90,000.01 to \$100,000	6,996
Over \$100,000	14,046
Total	2,659,057

Notes:

- i) Includes individuals with an outstanding balance greater than zero as at 30 June 2017
- ii) Outstanding debt includes debts incurred in 1989 onwards

Source: Australian Taxation Office

Data provided by the Australian Taxation Office as at 30 June 2017 shows that the top ten HELP debtors have debts ranging from \$225,000 to \$462,000. The majority of these debts were incurred under HECS-HELP for which there is no loan limit to date (annual student contribution amounts are capped). In many cases these debts were incurred over a long period of time and have been subjected to long periods of indexation.

The table above shows that 94 per cent of HELP debtors have a debt between the range of \leq \$1,000 to \$50,000.

Only 0.5 per cent of individuals have a debt above \$100,000.

Question 17

Senator O'NEILL: My question goes to consultation. It's clear from your evidence that you've have had considerable conversations with Mr Norton from the Grattan Institute. You indicated that there was one other participant in some discussions around modelling?

Mr English: I meant that I think there's only one concrete proposition that's been put to us that's not the model we've put on the table, and that was Mr Norton's. I don't know that anybody else has put a developed model like that before us, but I will check.

Answer

Aside from the proposition put to the department by Mr Norton from the Grattan Institute, the department did not engage in discussion with any other participant in regards to modelling.