

EDUCATION, SCIENCE AND TRAINING

SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2004-2005 BUDGET ESTIMATES HEARING

Outcome: 2

Output Group: 2.5 – Assistance for post school students including those with special needs.

DEST Question No. E080_05

Senator Carr provided in writing.

Question:

The Budget includes \$89.4 million in additional revenue as a result of the Government's decision to impose a 20 per cent surcharge at the time that an undergraduate takes out a FEE-HELP loan.

What is the total additional revenue received for each year of the forward estimates from undergraduate FEE-HELP loans (ie the \$89.4 million in the Budget plus any additional revenue already factored into the Budget from last year)?

Assuming these are accrual figures, what would the total impact (ie the additional revenue announced this year in addition to that already in the Budget) be in cash terms for each year of the forward estimates?

(NB Ms Fernandez provided this cash figure in the same hearings 12 months ago and indicated that it was \$14.9 million.)

Answer:

Additional Revenue from FEE-HELP Loans

The total additional revenue as of 2004-05 budget received for each year of the forward estimates from undergraduate FEE-HELP is presented in the table below:

2004/05	2005/06	2006/07	2007/08	TOTAL
6.607	15.561	20.398	23.547	66.112

The cash figure provided at the 2003-04 Budget Estimates hearing was in relation to FEE-HELP loans consistent with the policy at the time. At that time it was necessary to separately identify estimated FEE-HELP outstanding debt and estimated FEE-HELP repayments from the whole of HELP to calculate the interest to be applied on the outstanding debt. This meant that FEE-HELP and OS-HELP debts were treated separately to HECS-HELP debts.

Government policy has since changed to apply a 20% loan fee instead of an interest rate. Outstanding FEE-HELP debt, in-line with the policy change is now accumulated at an aggregate level along with the rest of HELP (HECS-HELP, OS-HELP, FEE-HELP) and the applicable indexation is applied. That is, there is only one debt and it is treated at the aggregate level.

DEST estimates of repayments received for the whole of HELP are based on ATO actual repayment data. It is consequently not possible to derive the proportion of estimated future

repayments that will be related to FEE-HELP from the rest of HELP and therefore the impact on underlying cash cannot be derived for FEE-HELP.

Notes:

- The \$89.4 million represents the net impact on revenue arrangements for FEE-HELP and OS-HELP of moving to a loan fee instead of an interest rate.
- The \$14.9 million referred to was the total underlying cash amount for HELP as a whole (HECS-HELP, FEE-HELP, OS-HELP).
- According to the Hansard, Ms Fernandez provided a figure of \$1.44 million in regards to underlying cash for FEE-HELP, which at the time was correct but can no longer be derived due to policy changes and the consequential costing methodology.