

EDUCATION, SCIENCE AND TRAINING

SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2003-2004 SUPPLEMENTARY BUDGET ESTIMATES HEARING

Outcome: 2

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

DEST Question No. E458_04

Senator Carr asked on 6 November 2003

Question:

Refers to DEST Question No. E076_04

- (a) What would be the saving to the Commonwealth of reversing the provision that means that HECS debts are written off when a borrower dies?
- (b) Can you provide a figure?
- (c) What assumptions are built into this figure?
- (d) When would such a saving show up in the books?
- (e) Where does the HECS write-down now appear as a loss? Is it on-budget or off-budget?
- (f)
 - (i) When does a written-off HECS debt appear in the Budget?
 - (ii) Is that only when the debtor dies?
- (g) Will this change under the new arrangements in Dr Nelson's package? How?

Answer:

HECS write downs

- (a) The saving to the Commonwealth would be a reduction in the net write down expense for the HECS financial statement.
- (b) The amount of HECS debt variation where debtors had died in the 2002-03 financial year was \$5,548,000.
- (c) The figure is an actual amount as recorded by the Australian Taxation Office (ATO).
- (d) A write down amount would appear each financial year.
- (e) The write-down appears as an expense in the "Statement of financial performance for the Australian Government general government sector" in the final Budget Outcome. The expense is included in the Budget.
- (f)
 - (i) The actual amount appears in the financial statements after the end of the financial year.
 - (ii) The debt write-down categories for HECS accounting purposes are:
 - Amount of HECS debt variation where debtor has died
 - Amounts remitted under section 106L of the *Higher Education Funding Act 1988*
 - Amount of HECS debt variation due to bankruptcy

- Amount of HECS debt deemed irrecoverable at law
 - Amount of HECS debt deemed uneconomical to pursue
 - Waiver of HECS debt by the Department of Finance and Administration under section 34 of *the Financial Management and Accountability Act 1997*
 - Estimated amount of HECS debt unlikely to be recovered
- (g) The debt write-down categories will remain the same for the accounting purposes of the proposed HECS-Higher Education Loan Programme (HELP).