

Department of Education, Science and Training

Submission to the Senate Employment, Workplace Relations and Education Legislation Committee Inquiry into the *Higher Education Funding Amendment Bill 2002*

Main purposes of the Bill

The Bill amends the *Higher Education Funding Act 1988* (HEFA) and the *Australian Research Council Act 2001* (ARCA) in order to:

- extend access to the Postgraduate Education Loans Scheme to the students of Bond University, Melbourne College of Divinity, Christian Heritage College and Tabor College as announced in the 2002-03 Budget;
- provide additional funding for the establishment of a Graduate Diploma in Environment and Planning at the University of Tasmania and six associated scholarships as announced in the 2002-03 Budget;
- vary the funding amounts in HEFA and ARCA in 2002, 2003, 2004 and 2005 (where application) for various technical and programme management purposes (see below for details);
- insert an new funding cap in the ARCA for 2006 to reflect the current Budget forward estimates; and
- correct a minor drafting error in subsection 23(1C) of HEFA.

Financial impact of the Bill

To understand the financial impact of the Bill in relation to the current appropriations provided for under HEFA and ARCA it is necessary to consider the Bill cognately with the *Higher Education Legislation Amendment Bill (No.2) 2002* which is also before the Parliament.

The net impact of the two Bills is as follows:

	2001 (\$)	2002 (\$)	2003 (\$)	2004 (\$)	2005 (\$)	2006 (\$)
HEFA	2,701,000	(19,372,000)	98,591,000	4,184,345,000	-	-
ARCA	-	2,047,000	16,880,000	403,604,000	461,050,000	524,090,000

The funding variations include some policy related amendments as follows:

- the transfer of some operating grant funding for the Australian National University (s.17 of HEFA) to special research funding (s.23C of HEFA) to allow the Institute of Advanced Studies to participate in the Institutional Grants Scheme and the Research Training Scheme. There is no net loss of funding from HEFA;
- the transfer of some operating grant funding for the Australian National University (s.17 of HEFA) to the *Australian Research Council Act 2001* and the appropriations for the Health and Aged Care portfolio to allow the Institute of Advanced Studies to participate in ARC and NHMRC schemes. This involves a transfer of funds from HEFA but no net loss of funding to the sector;
- additional funds in s. 23C for the Diploma of Environmental Planning at the University of Tasmania as per an election and Budget commitment; and

- provision of funding caps for further years under paragraph 49 of ARCA, consistent with the current budget forward estimates to enable the Minister to approve proposals for ARC research funding for period up to four years.

The funding variations contains some technical amendments as follows:

- additional funding to provide supplementation in accordance with indexation arrangements;
- adjustments to s.17 to reflect revised estimates of HECS liabilities and to s.20(3) to reflect revised estimates of the Commonwealth superannuation liability. An explanation of HECS estimates is provided at [Attachment B](#);
- an advance, and subsequent repayment of operating grant, to the University of Adelaide;
- additional funds for Comcover payments for the Australian Maritime College; and
- additional funds for over-enrolment payments.

A summary of the new funding levels and amendments (covering both the *Higher Education Funding Amendment Bill 2002* and *Higher Education Legislation Amendment Bill (No.2) 2002* is provided at [Attachment A](#).

Policy related funding amendments

Graduate Diploma in Environment and Planning

The new Graduate Diploma in Environment and Planning at the University of Tasmania will advance the cause of environmental sustainability by helping to address the growing demand for professionals versed in the complexities of integrated social, economic and environmental planning. The course will also allow Tasmanians interested in local environmental planning issue to stay in Tasmania rather than having to relocate to the mainland.

IAS access to Commonwealth research funding

Giving the Institute of Advanced Studies access to Australian Research Council and National Health and Medical Research Council grants is an important step in the Government's plans to create an excellent and more focussed and responsive research system. The measure has been negotiated and mutually agreed by all parties.

The Bills provide for internal transfer of funding amounts between sections of the HEFA that will enable the Institute of Advanced Studies of the Australian National University to participate in the Government's performance based block research funding schemes. This is also an important step in building a more integrated and competitive higher education research system.

Four year grant approvals for the ARC

The provision of funding caps for further years to allow the Minister to approve Australian Research Council projects for up to four years is intended to reduce administrative work and to give grant recipients greater certainty in relation to their funding.

Postgraduate Education Loans Scheme (PELS)

The major new policy measure in the Bill is the extension of the Postgraduate Education Loans Scheme (PELS) to four new institutions.

The Government announced that it would establish PELS as part of the *Backing Australia's Ability* initiatives in 2001. The Scheme, which commenced in 2002, encourages extended participation in education and helps Australians update and acquire new skills. It is also an important equity measure ensuring that no prospective postgraduate coursework student is prevented from studying by an inability to pay upfront fees.

PELS is an interest-free loans facility with income contingent repayment arrangements for eligible students enrolled in fee-paying postgraduate non-research courses. The loan repayment arrangements are similar to those in place for the Higher Education Contribution Scheme (HECS). That is, students are not required to repay their loan until their income reaches the minimum threshold for compulsory repayment.

Guidelines and procedures are already in place for the administration of PELS in the publicly funded institutions. These guidelines and procedures ensured that the implementation of PELS in 2002 was smooth. The guidelines will also be applicable to the new institutions.

2002-03 Budget measure

As part of the 2002-03 Budget, the Government announced the extension of the Postgraduate Education Loans Scheme (PELS) to four institutions: Bond University; Christian Heritage College (CHC); Melbourne College of Divinity (MCD); and Tabor College (South Australia).

This extension of PELS will ensure that more Australians are given the opportunity to upgrade their learning and acquire new skills. This measure will help to increase student choice and access to higher education, and provide assistance in further addressing barriers to investment in education, training and skills development. These additional educational opportunities and choices would not otherwise be available to students.

Rationale for the measure

The amendment addresses existing anomalies in the higher education system. MCD and Bond University are self-accrediting institutions and compete with universities for fee-paying postgraduate students. This amendment will place all self-accrediting higher education institutions on an equivalent footing when competing for fee-paying postgraduate students.

CHC and Tabor College (South Australia) are the primary providers of Christian (non-Catholic) teacher training in their respective States and are committed to a sector that has no other provider.

The issue of access to loans for higher education students enrolled in other private higher education institutions will be considered as part of the Government's current higher education review. This will ensure that the issue is considered in a broader policy and funding framework.

The Government also made an election commitment to a set of principles stating, in essence, that access to grants and subsidies should be on the basis that a higher education provider:

- is established by statute and included on the Australian Qualifications Framework register as a self-accrediting higher education institution; or
- has been rigorously assessed as being capable of delivering educational outcomes of a prescribed standard, and
- assures the Government of the probity of their governance arrangements and their continuing financial health.

The Government's policy review will address the question of how those principles are most appropriately put into effect.

Costing of the measure

It is estimated that the extension of PELS to these four institutions will result in loans of around \$18.7m over four years being made to some 2200 students. The basic assumptions the Department made in costing this measure included:

- a 20% increase in 2003 in the fee-paying postgraduate population at these institutions. This equates to a fee-paying postgraduate population of around 3,600 students (in equivalent full-time student units (EFTSU)) from 2003 to 2006.

- 60% of eligible students taking out a PELS loan, equating to some 2,200 students (in EFTSU) over 2003-06; and
- the average loan rate being based on the weighted average fee for postgraduate students at publicly funded institutions. This amounts to around \$9,400 in 2003.

Under accepted accounting practice, the actual amount loaned to students is treated as a financial asset and therefore does not impact on Commonwealth expenses. The overall impact on the fiscal balance is positive and in the order of \$1 million over four years. The institutions will maintain their fee-paying students, consequently undue pressure will not be placed on Commonwealth funding.

Details of the measure

The proposed amendment places the four institutions on a new table within Chapter 4A of the *Higher Education Funding Act 1988* (HEFA). This has the effect of allowing these institutions access to PELS but no other government funding.

The amendments include provisions to ensure the robustness of courses, assessment and accreditation of the four institutions. Firstly, the drafting of the legislation has specifically taken into account probity requirements and ensures the institutions must report to the Minister as required. The legislation also allows the Minister to revoke access to PELS where an institution does not meet the probity requirements.

Further, the Australian Universities Quality Agency's (AUQA) constitution provides for it to audit self-accrediting institutions and state higher education accreditation authorities. As such, AUQA will audit Bond University and MCD (as both are self-accrediting institutions). Although AUQA will not audit CHC or Tabor College (South Australia), as these are not self-accrediting institutions, it will audit the Queensland Office of Higher Education, which accredits CHC, and the South Australian Accreditation and Registration Council, Department of Education, Training and Employment, which accredits Tabor College (South Australia).

Concerns regarding discriminatory admissions policy

In the context of the June 2002 Budget Estimates Hearing, Senators raised the issue of whether the institutions were compliant with Commonwealth anti-discrimination legislation in their admissions policy.

Regardless of the introduction of this measure, these institutions are required to comply with applicable Commonwealth legislation. However, compliance with Commonwealth legislation will be one of the specific probity requirements that institutions must meet.

DEST has sought advice from the Queensland and South Australian accreditation authorities in relation to CHC and Tabor College (South Australia) on the issue of possible discriminatory admissions policy. They advise that this issue has not arisen in relation to either institution.

Correction of a drafting error

Items 22 and 23 of Schedule 1 to the Bill amend paragraph 23(1C)(b) of HEFA to replace an erroneous reference to a non-existent "paragraph (1E)(a)" with a reference to "subsection (1E)" and validate any declaration made under existing paragraph 23(1C)(b).

Explanation of HECS estimate variations

Base operating grants are determined on a rolling triennium basis for a specified number of places in the context of an agreed profile. Base operating grants are composed of:

- the HECS liability of current students; and
- an appropriation under s.17 of HEFA.

The Minister determines an institution's base operating grant. The institution is guaranteed this amount regardless of the level of contribution made of students.

In order to determine the s.17 appropriation, the HECS liability for the current and forward years is estimated. From time to time, these HECS liabilities estimates are revised as better information regarding numbers of HECS-liable students and the numbers deferring and in each repayment band becomes available.

Variations to s.17 HEFA to reflect revised HECS estimates are therefore a 'balancing' item. They have no affect on payments to universities. The final 'balancing' variation is made when the actual HECS liability for a year is known (thus in 2002 we are making a final adjustment to the s.17 2001 amount).