



Parliament of Australia
Parliamentary Budget Office

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Parliamentary Budget Officer

Senator Christine Milne
Leader of the Australian Greens
Parliament House
CANBERRA ACT 2600

Dear Senator Milne

Please find attached a response to your costing request titled *Investing in Universities* (letter of 14 August 2013).

The response to this request will be released on the PBO website (<http://aph.gov.au/pbo>).

If you have any queries about this costing, please do not hesitate to contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

15 August 2013



COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	Investing in Universities
Summary of proposal:	The proposal would reverse the \$2.3 billion in higher education budget cuts made in the 2013-14 Budget and provide a 10 per cent increase in base funding for universities, phased in from 1 January 2014 to 1 January 2017. The aim of the proposal is to boost higher education funding.
Person/party requesting costing:	Senator Christine Milne, Australian Greens Party
Date costing request received:	14 August 2013
Date costing completed:	15 August 2013
Date of public release of policy	9 July 2013
Additional information requested (including date):	15 August 2013 – The PBO sought clarification as to what base the 10 per cent increase should be applied.
Additional information received (including date):	15 August 2013 – Senator Milne’s Office advised that the 10 per cent increase should be applied to the pre-2013-14 Budget cut funding base.
Agencies from which information was obtained:	Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education (DIICCSRTE) Department of Finance and Deregulation (Finance)

Costing overview

This proposal is expected to decrease both the underlying cash balance and fiscal balance by \$3.8 billion over the 2013-14 Budget forward estimates period. This is entirely due to an increase to expenses. This proposal will have an ongoing impact that extends beyond the forward estimates period.

The costing includes departmental and administered estimates.

This costing is considered to be of high reliability because it is based on 2013-14 Budget estimates provided by DIICCSRTE, 2013-14 Budget estimates data provided by Finance and a limited number of assumptions.

POLICY COSTING – ELECTION CARETAKER PERIOD

Table 1: Financial implications (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-231.8	-792.4	-1,256.9	-1,546.4
Fiscal balance (\$m)	-230.4	-788.7	-1,258.3	-1,563.4

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

Key assumptions

In costing this proposal the PBO has assumed that:

- as per the additional information received, the 10 per cent increase is applied to pre-2013-14 Budget cut funding levels, and
- no additional departmental funding is required to manage the 10 per cent increase in funding to existing programs.

Methodology

The costs were derived by adding the following costs:

- reversing the three 2013-14 Budget measures related to higher education budget cuts (see [Attachment A](#) Tables 1 to 3 for costs by measure), and
- applying a 10 per cent increase to the base funding estimates prior to cuts to higher education funding in the 2013-14 Budget. The 10 per cent increase was applied to the estimates in a phased approach at a rate of 2.5 per cent per calendar year from 1 January 2014 increasing to 10 per cent by 1 January 2017 (see [Attachment 1](#) Tables 4 for costs).

Data sources

The measures used for base funding are consistent with the measures used in the *Review of Australian Higher Education – Final report*, December 2008, and include:

- Commonwealth Grant Scheme
- Indigenous Support Program
- Higher Education Disability Support Program, and
- National Institutes program.

Program estimates prior to cuts to higher education funding in the 2013-14 Budget obtained from DIICCSRTE.

Estimates for the 2013-14 Budget cuts obtained from Finance.

POLICY COSTING – ELECTION CARETAKER PERIOD

ATTACHMENT A:

Higher Education Support Act 2003 – efficiency dividend: 2013-14 Budget Paper 2 (page 217)

Table 1: Financial implications (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-84.9	-227.6	-290.4	-299.8
Fiscal balance (\$m)	-84.9	-227.6	-290.4	-299.8

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

Student Start-up Scholarships – conversion to Income Contingent Loans: 2013-14 Budget Paper 2 (page 220)

Table 2: Financial implications (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-35.2	-242.1	-442.5	-502.4
Fiscal balance (\$m)	-33.2	-233.2	-428.4	-492.5

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

HECS-HELP Discount and Voluntary HELP Repayment Bonus – ending discounting: 2013-14 Budget Paper 2 (page 216)

Table 3: Financial implications (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-29.6	-62.3	-65.8	-70.6
Fiscal balance (\$m)	-30.2	-67.5	-81.3	-97.6

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

POLICY COSTING – ELECTION CARETAKER PERIOD

Application of 10 per cent increase to base funding prior to the 2013-14 Budget cuts

Table 4: Financial implications (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-82.0	-260.4	-458.1	-673.5
Fiscal balance (\$m)	-82.0	-260.4	-458.1	-673.5

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

(b) Due to the calendar year application of the 10 per cent increase, the additional cost for this component would plateau in 2017-18, at an estimated additional expense of \$811 million.