



Policy costing

Tuition-free TAFE and university, boost university funding, and related measures

Party:	Australian Greens
Summary of proposal:	
<p>This proposal consists of five components. It would be announced immediately following the 2019 general election and would have effect from 1 July 2019.</p> <ul style="list-style-type: none">Component 1: University tuition fees <p>Tuition for Australian citizens commencing undergraduate studies at public universities would be funded by the Commonwealth Government without requiring payments by students. Students who have held a Commonwealth-supported place within the two years prior to 1 July 2019 would still be required to pay for their tuition.</p> <ul style="list-style-type: none">Students would still be responsible for payment of the student services and amenity fee and the costs of overseas placements. This part of the proposal would not apply to Study Assist Higher Education Loan Program (SA-HELP) loans, and Overseas Study Higher Education Loan Program (OS-HELP) loans will be retained to assist with these costs. <p>The Commonwealth Grant Scheme (CGS) funding calculation for undergraduate places would be amended to remove the aggregate CGS funding cap so that each additional student results in additional CGS funding for the university. Medical undergraduate places would remain allocated.</p> <p>Funding per student provided to universities would also increase by 10 per cent under the proposal. This increase is in relation to both the CGS contribution and the portion of funding that, under current policy settings, would be provided as contributions from students.</p> <ul style="list-style-type: none">Component 2: Loan repayment thresholds <p>The Higher Education Loan Program (HELP), vocational education and training (VET) student loan, Student Start-Up Loan (SSL), ABSTUDY SSL and Trade Support Loan (TSL) repayment thresholds would be increased as specified at Attachment A. These thresholds and the Student Financial Supplement Scheme (SFSS) thresholds would be indexed annually by growth in the median wage.</p> <ul style="list-style-type: none">Component 3: TAFE grants <p>Grants would be provided to states and territories to cover the costs of tuition at TAFE institutions for courses at the Certificate Level 1 or above, up to a per-hour tuition cost cap. The cap would be set based on the average operating cost per delivery hour for state and territory government VET providers in 2017, indexed by the consumer price index (CPI) to the policy start date, and indexed annually by the CPI thereafter.</p> <p>The Commonwealth Government would reduce its financial contributions under the National Agreement for Skills and Workforce Development (the National Agreement) by an amount equal to these annual tuition grants (or to zero if tuition grants exceed National Agreement payments).</p> <p>Grants would be available to all Australian citizens and permanent residents who have not been enrolled in a VET course through a TAFE or any other provider within the two years prior to the proposal's start date.</p>	

VET student loans for students enrolled at eligible courses and institutions outside of the TAFE system would remain unchanged.

- Component 4: TAFE state grants program

Fifty per cent of the funding currently committed to the states and territories under the National Agreement would be redirected to states and territories such that:

- states and territories would continue to receive 40 per cent of the current value of their National Agreement payments
- 10 per cent of the National Agreement payments would be allocated based on the formula specified at Attachment B.

- Component 5: Student support payments

For the following Commonwealth Government student support payments, the maximum single payment rate would increase by \$75 a week and the indexation arrangements changed to those used to index the age pension:

- Youth Allowance (Student and Apprentice)
- Austudy
- ABSTUDY (Tertiary).

The personal income test thresholds for single rate recipients of the above payments would also increase by \$100 a week.

This component would also extend existing Austudy payments at the new higher rate to all single full time postgraduate students taking any courses without changing the current eligibility criteria.

This component is intended to operate in conjunction with a proposal to increase payment rates for single recipients of other Commonwealth Government transfer payments. Consequently, the proposal is not intended to induce any switching between benefits.

Costing overview

The proposal would be expected to decrease the fiscal balance by \$34,840 million, the underlying cash balance by \$35,740 million, and decrease the headline cash balance by \$29,340 million over the 2019-20 Budget forward estimates period.

The proposal would be expected to have a significant ongoing impact beyond the 2019-20 Budget forward estimates period. The disaggregated impacts of the proposal over the period to 2029-30 are provided at Attachment C. The payments made to the states and territories as a result of Component 4 of the proposal (TAFE state grants program) over the period from 2019-20 to 2029-30 are provided at Attachment D.

All components of the proposal interact, except for Component 4. Under Component 1, undergraduate courses in public universities would be free for Australian citizens commencing studies from 1 July 2019, so those students would no longer accumulate a HELP debt and hence would not be required to make loan repayments. This significantly reduces the cost of increasing the repayment thresholds under Component 2. Similarly, under Component 3, VET courses in TAFEs would be free or near free for Australian citizens and permanent residents commencing studies from 1 July 2019, so those students would no longer accumulate a VET student loan and hence would not be required to make loan repayments. Components 1 to 3 are estimated to result in an ongoing increase in the student population of approximately one per cent. This would result in a small and insignificant increase in student support payments over the costing period (Component 5).

Consistent with Parliamentary Budget Office (PBO) Guidance 02/2015, as the proposal involves changes in the value of financial assets, the public debt interest (PDI) impact of the proposal has been included in the estimates.

The fiscal, underlying cash and headline cash balance impacts differ due to how they treat the concessional interest rate, and the flow of loan principal and interest repayment amounts. Only the fiscal balance includes an estimate of the value of the concession being provided. Only the headline cash balance includes changes in the value of loans issued and principal repayments. A note explaining the accounting treatment of income contingent loans, such as those provided under HELP, is included at Attachment E.

Departmental costs for the Department of Education and Training and the Department of Human Services to administer the proposal have been included in the costing. These estimates have been based on similar-sized programs.

The estimated financial implications of Components 1, 2 and 3 are subject to a high degree of uncertainty related to a number of factors, particularly the responses of students, educational institutions, and state and territory governments to the change from either upfront or deferred income-contingent tuition fees to free tuition. Inherent uncertainties in the baseline estimates for the HELP programs and limited information regarding loan repayment profiles add to the uncertainty of the estimated financial implications of this proposal.

The estimated financial implications of Component 5 are based on reliable de-identified Department of Human Services administrative transfer payment data. The estimates are sensitive to uncertainty associated with the indexation and population growth factors used to project the payment data across the costing period.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-4,740	-7,690	-10,160	-12,310	-34,840
Underlying cash balance	-4,980	-7,930	-10,390	-12,490	-35,740
Headline cash balance	-4,980	-6,770	-8,170	-9,450	-29,340

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

The PBO has made the following assumptions in costing the proposal.

General

- Any enabling legislation would be passed before the commencement of the proposal.
- Given that the proposal makes tuition free for undergraduates and free or close to free for TAFE students, students are not expected to substitute from one type of higher education to another based on tuition fees.

Component 1: University tuition fees

- The funding provided to universities on behalf of students would be classified as a grant.
 - The value of eligible loans converted to grants is equivalent to the average eligible loan multiplied by the projected number of students eligible for the proposal (on an equivalent full-time student load basis).
- The proposal would result in a small (one per cent) increase in projected student numbers (measured in equivalent full-time student load) in response to the fee-free undergraduate tuition. This equates to roughly an additional 6,000 students per year over the costing period (on an equivalent full-time student basis, rounded to the nearest 1,000 students).
 - At an aggregate level, the introduction of the Higher Education Contribution Scheme (HECS, now HELP) does not appear to have deterred participation in higher education, so it is expected that removing HELP would have only a marginal impact on participation. Australian and international research indicates that certain cohorts such as mature-aged students, part-time students, high school leavers with low Australian Tertiary Admission Rankings, and low socio-economic status students may be more sensitive to changes in tuition fees.
 - In addition, at the time HECS was introduced, the supply of undergraduate places was insufficient to meet the available demand. Thus, while the introduction of income contingent loans may well have deterred some participants, the price demand impact could not be reasonably analysed using enrolment data.
- Students would not choose to defer their studies from the first semester to the second semester in 2019 in response to the proposal, as there is no financial incentive to do so. The announcement date of the proposal falls after the HELP census date for the majority of affected students (31 March 2019) and students would have already incurred a HELP debt for that semester and would be required to pay tuition fees for the remainder of their course.

Component 2: Loan repayment thresholds

- The rate of debt not expected to be repaid under the proposal would increase by a small amount relative to the baseline, reflecting the fact that fewer people would reach the lowest repayment threshold.
- The difference between annual growth in average wages and annual growth in median wages would remain constant over the period from 2019-20 to 2029-30.
- The amount of voluntary repayments would not be affected by this proposal.

Component 3: TAFE grants

- Total projected delivery hours in relevant TAFE courses in the absence of any policy change would be held constant at the average of 2016 and 2017 levels (the latest years for which National Centre for Vocational Education Research data is available).
 - Delivery hours have been fairly flat between 2015 and 2017. While there have been considerable fluctuations in delivery hours over the past decade, there has been no clear discernible trend.
- The proposal would result in a small (5 per cent) increase in projected student numbers (measured in equivalent full-time student load).

- Given the diversity of course options at TAFEs (and, in particular, the option to undertake shorter duration or less-intensive courses) the estimated behavioural response is larger for Component 3 than Component 1.
- In addition, under the proposal, a number of courses which are currently not eligible for VET student loans would be covered by Commonwealth TAFE grants, so some students deterred by up-front costs under the baseline may undertake study.
- There would be some substitution (15 per cent) away from VET courses delivered in non-TAFE settings to TAFEs to take advantage of the free or low-cost tuition.
 - Aside from this substitution effect, there would be no change in projected student numbers or value of VET student loans from non-TAFE VET providers.
- While a small proportion of students may defer the commencement of their study to 1 July 2019 during the two-month period between the announcement and implementation of the proposal as there is a financial incentive to defer under the proposal, this would not be expected to have a material impact on the costing.
- Any responses by state and territory governments to the proposal are unlikely to affect the financial implications of this proposal to the Commonwealth Government.

Component 4: TAFE state grants program

- The state and territory share of delivery hours would be held constant at the average of 2016 and 2017 levels.

Component 5: Student support payments

- Student support payment recipients would not alter their earned income or marital status in response to the proposal.
- As specified in the request, the proposal is not intended to induce any switching between benefits.
- The proportion of full-time postgraduate students would remain at estimated 2017-18 levels, except for the first year of the proposal.

Methodology

Component 1: University tuition fees

The financial implications of ceasing student contributions were calculated by removing HELP loans for students affected by the proposal and increasing grant funding by an amount equal to those HELP loans, plus the student contributions paid upfront under the baseline. This funding is then increased by 10 per cent as per the proposal specification.

The number of affected students (on an equivalent full-time basis) in each year was estimated using historical information provided by the Department of Education and Training on the proportion of commencing versus continuing undergraduates.

The financial implications of increasing CGS funding by 10 per cent was calculated by multiplying the funding rates by the projected full-time student load and subtracting the baseline level of funding as at the 2019 Pre-election Economic and Fiscal Outlook.

Component 2: Loan repayment thresholds

The financial implications were estimated based on the difference between the existing policy and a simulation of loan repayments by borrowers, taking into account the proposed repayment thresholds, borrowers' incomes and existing debts. Repayment thresholds under the policy were indexed by projected median wages, calculated as outlined above.

Component 3: TAFE grants

The financial implications were calculated by removing HELP loans for students affected by the proposal, calculating the value of grants provided to the states and territories for TAFE tuition, and identifying the savings to the Commonwealth Government by ceasing payments under the National Agreement (as the cost of the TAFE grants exceeds the expenditure under the National Agreement for each year of the proposal).

The value of payments under the National Agreement was projected beyond the 2019-20 Budget forward estimates period using the method outlined in Budget Paper No. 3 (the total amount of payment under the National Agreement is indexed annually by a composite of Wage Cost Index 1 (85 per cent) and Wage Cost Index 6 (15 per cent)).

The value of TAFE grants was estimated using National Centre for Vocational Education Research data on TAFE total delivery hours, adjusted to apply only to courses at the Certificate I level and above, and for the assumptions outlined above. A grandfathering adjustment was then applied, given that students who have been enrolled in a VET course through a TAFE or any other provider within the two years prior to the proposal's start date are not eligible for this proposal.

Total applicable delivery hours were then multiplied by the capped hourly price. The 2017 hourly capped price of the grant was calculated by dividing total operating expenditures by total VET delivery hours for state and territory government-funded VET providers (both sourced from National Centre for Vocational Education Research data). 'Commercial trading' and 'other' services were removed from the operating expenditures in deriving the cost of VET delivery. The 2017 hourly capped price was indexed annually by the CPI. The capped price in 2019-20 (the first year of the proposal) was \$20.50 per delivery hour.

Component 4: TAFE state grants program

The financial implications of this component are equal to half the projected payments under the National Agreement as per the specification. The payments made to each state and territory government ([Attachment D](#)) were calculated by multiplying each state's and territory government's payment by 40 per cent and redistributing 10 per cent of the payments according to the specified formula ([Attachment B](#)).

Component 5: Student support payments

Administered expenditure estimates for Department of Social Services payment receipts (except ABSTUDY) affected by changes in payment rates, indexation and income thresholds were calculated using the Policy and Evaluation Model (PoEM). PoEM is a microsimulation model of administered transfer payments projected over the 2019-20 Budget forward estimates period. The PBO has adjusted PoEM to reflect 2019 Pre-election Economic and Fiscal Outlook parameters and extended PoEM over the period to 2029-30.

Administered expenditure estimates for ABSTUDY recipients were calculated by multiplying the projected number of eligible recipients of these payments by the proposed payment increase, and applying the appropriate indexation factors.

Administered expenditure estimates for extending existing Austudy payments to all full-time postgraduate students were calculated by multiplying the estimated additional Austudy recipients by the average payment rate.

The ongoing departmental impact was calculated by multiplying the number of additional recipients for each transfer payment by the cost of administering payments to each new recipient.

All components

All estimates have been rounded to the nearest \$10 million, except for the estimates of payments to the states and territories (Component 4) which have been rounded to the nearest \$1 million.

Data sources

The Australian Taxation Office provided the 2014-15 unit record tax data.

The Department of Education and Training provided:

- the 2019 Pre-election Economic and Fiscal Outlook CGS forward estimates model
- the 2017-18 Mid-Year Economic and Fiscal Outlook measure *Higher Education Reforms – revised implementation*
- the 2019 Pre-election Economic and Fiscal Outlook HELP forward estimates model.

The Department of Finance provided indexation and efficiency dividend parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Human Services provided annual unit payment administration costs as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Social Services provided:

- expenditure and population forecasts for income support recipients as at the 2019 Pre-election Economic and Fiscal Outlook.
- the Policy and Evaluation Model.

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Attachment A – Tuition-free TAFE and university, boost university funding, and related measures – Repayment rates and thresholds

Table A1: Tuition-free TAFE and university, boost university funding, and related measures – repayment rates and thresholds

Existing 2019-20 repayment threshold ^(a)	Existing 2019-20 repayment rate ^(a)	Proposed repayment threshold	Proposed repayment rate
\$45,880 and below	Nil	\$52,988 and below	Nil
\$45,880 to less than \$52,974	1.0%	\$52,988 to less than \$60,162	1.0%
\$52,974 to less than \$56,152	2.0%	\$60,162 to less than \$63,340	2.0%
\$56,152 to less than \$59,522	2.5%	\$63,340 to less than \$66,710	2.5%
\$59,522 to less than \$63,093	3.0%	\$66,710 to less than \$70,281	3.0%
\$63,093 to less than \$66,878	3.5%	\$70,281 to less than \$74,066	3.5%
\$66,878 to less than \$70,891	4.0%	\$74,066 to less than \$78,079	4.0%
\$70,891 to less than \$75,145	4.5%	\$78,079 to less than \$82,333	4.5%
\$75,145 to less than \$79,653	5.0%	\$82,333 to less than \$86,841	5.0%
\$79,653 to less than \$84,433	5.5%	\$86,841 to less than \$91,621	5.5%
\$84,433 to less than \$89,499	6.0%	\$91,621 to less than \$96,687	6.0%
\$89,499 to less than \$94,869	6.5%	\$96,687 to less than \$102,057	6.5%
\$94,869 to less than \$100,561	7.0%	\$102,057 to less than \$107,749	7.0%
\$100,561 to less than \$106,594	7.5%	\$107,749 to less than \$113,782	7.5%
\$106,594 to less than \$112,990	8.0%	\$113,782 to less than \$120,178	8.0%
\$112,990 to less than \$119,770	8.5%	\$120,178 to less than \$126,958	8.5%
\$119,770 to less than \$126,956	9.0%	\$126,958 to less than \$134,144	9.0%
\$126,956 to less than \$134,573	9.5%	\$134,144 to less than \$141,761	9.5%
\$134,573 and above	10.0%	\$141,761 and above	10.0%

(a) As outlined in the *Higher Education Support Legislation Amendment (Student Loan Sustainability) Act 2018*.

Attachment B – Tuition-free TAFE and university, boost university funding, and related measures – Component 4 (TAFE state grants program) – formula for payment calculation

For each year of the proposal, state/territory i will receive a payment equal to:

$$(0.4 \times \text{NASWD}_i) + (0.1 \times \text{NASWD}_{Total}) \times \frac{\sqrt{\text{Hours}_i}}{\sum_i \sqrt{\text{Hours}_i}}$$

where:

- NASWD_i is the National Agreement for Skills and Workforce Development payment that would have been received by state/territory i in that year in the absence of the proposal
- NASWD_{Total} is the National Agreement for Skills and Workforce Development payments that would have been received by all states and territories that year in the absence of the proposal
- Hours_i is the average number of TAFE delivery hours for state/territory i in 2016 and 2017.

Attachment C – Tuition-free TAFE and university, boost university funding, and related measures – financial implications

Table C1: Tuition-free TAFE and university, boost university funding, and related measures – Fiscal balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Revenue													
Income from unwinding concessional loan discount	-	..	-10	-20	-30	-50	-80	-100	-120	-140	-160	-20	-700
Interest accrued on loans	..	-10	-40	-100	-170	-260	-360	-470	-590	-730	-870	-140	-3,590
Loan fee revenue	-10	-20	-20	-20	-30	-30	-30	-30	-30	-30	-30	-70	-280
State contributions to deferral costs for VET student loans	..	..	..	..	..	..	..	..	..	..	..	20	50
Student transfer payments (personal income tax)	50	50	50	40	50	50	60	70	70	80	90	190	670
Total – revenue	40	20	-20	-100	-180	-290	-410	-530	-670	-820	-970	-20	-3,850
Expenses													
<i>Administered</i>													
Replace undergraduate student contribution with direct grant to universities (increase by 10 per cent)	-1,350	-2,670	-3,960	-4,990	-5,740	-6,300	-6,870	-7,130	-7,410	-7,690	-7,980	-12,970	-62,100
Grants to state and territory governments for TAFEs	-2,010	-2,890	-3,630	-4,190	-4,870	-5,000	-5,120	-5,250	-5,380	-5,510	-5,650	-12,720	-49,510
National Agreement for Skills and Workforce Development – removal	1,540	1,560	1,590	1,620	1,640	1,670	1,700	1,720	1,750	1,780	1,810	6,310	18,380
TAFE state grants program	-770	-780	-790	-810	-820	-830	-850	-860	-880	-890	-900	-3,150	-9,190
Remove cap on total Commonwealth Grant Scheme funding (increase by 10 per cent)	-500	-1,100	-1,290	-1,470	-1,660	-1,890	-2,120	-2,360	-2,610	-2,880	-3,150	-4,350	-21,030
Concessional loan discount	40	90	140	170	190	210	230	240	250	260	270	430	2,080
Loan write downs	-	..	..	..	..	..	..	..	..	..	..	..	20
Student transfer payments	-1,640	-1,690	-1,780	-1,880	-1,990	-2,120	-2,270	-2,430	-2,600	-2,770	-2,940	-6,990	-24,110
Total – administered	-4,690	-7,480	-9,720	-11,550	-13,250	-14,260	-15,300	-16,070	-16,880	-17,700	-18,540	-33,440	-145,460
<i>Departmental</i>													
Department of Education and Training	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-30	-90
Department of Social Services	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-70	-210
Total – departmental	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-100	-300
Total – expenses	-4,720	-7,510	-9,750	-11,580	-13,280	-14,290	-15,330	-16,100	-16,910	-17,730	-18,570	-33,540	-145,760
Total (excluding PDI)	-4,680	-7,490	-9,770	-11,680	-13,460	-14,580	-15,740	-16,630	-17,580	-18,550	-19,540	-33,560	-149,610
PDI impacts	-60	-200	-390	-630	-970	-1,390	-1,890	-2,470	-3,130	-3,880	-4,840	-1,280	-19,850
Total (including PDI)	-4,740	-7,690	-10,160	-12,310	-14,430	-15,970	-17,630	-19,100	-20,710	-22,430	-24,380	-34,840	-169,460

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

- Indicates nil.

Table C2: Tuition-free TAFE and university, boost university funding, and related measures – Underlying cash balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Receipts													
<i>Interest received on loans</i>	-210	-190	-180	-170	-160	-170	-170	-190	-220	-260	-310	-750	-2,250
<i>State contributions to deferral costs for VET student loans</i>	..	..	..	..	..	..	..	..	..	..	..	20	50
<i>Student transfer payments (personal income tax)</i>	50	50	50	40	50	50	60	70	70	80	90	190	670
Total – receipts	-160	-140	-130	-130	-110	-120	-110	-120	-150	-180	-220	-540	-1,530
Payments													
<i>Administered</i>													
<i>Replace undergraduate student contribution with direct grant to universities (increase by 10 per cent)</i>	-1,350	-2,670	-3,960	-4,990	-5,740	-6,300	-6,870	-7,130	-7,410	-7,690	-7,980	-12,970	-62,100
<i>Grants to state and territory governments for TAFEs</i>	-2,010	-2,890	-3,630	-4,190	-4,870	-5,000	-5,120	-5,250	-5,380	-5,510	-5,650	-12,720	-49,510
<i>National Agreement for Skills and Workforce Development – removal</i>	1,540	1,560	1,590	1,620	1,640	1,670	1,700	1,720	1,750	1,780	1,810	6,310	18,380
<i>TAFE state grants program</i>	-770	-780	-790	-810	-820	-830	-850	-860	-880	-890	-900	-3,150	-9,190
<i>Remove cap on total Commonwealth Grant Scheme funding (increase by 10 per cent)</i>	-500	-1,100	-1,290	-1,470	-1,660	-1,890	-2,120	-2,360	-2,610	-2,880	-3,150	-4,350	-21,030
<i>Student transfer payments</i>	-1,640	-1,690	-1,780	-1,880	-1,990	-2,120	-2,270	-2,430	-2,600	-2,770	-2,940	-6,990	-24,110
Total – administered	-4,730	-7,570	-9,860	-11,720	-13,440	-14,470	-15,530	-16,310	-17,130	-17,960	-18,810	-33,870	-147,560
<i>Departmental</i>													
<i>Department of Education and Training</i>	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-30	-90
<i>Department of Social Services</i>	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-70	-210
Total – departmental	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-100	-300
Total – payments	-4,760	-7,600	-9,890	-11,750	-13,470	-14,500	-15,560	-16,340	-17,160	-17,990	-18,840	-33,970	-147,860
Total (excluding PDI)	-4,920	-7,740	-10,020	-11,880	-13,580	-14,620	-15,670	-16,460	-17,310	-18,170	-19,060	-34,510	-149,390
PDI impacts	-60	-190	-370	-610	-940	-1,360	-1,860	-2,430	-3,090	-3,830	-4,770	-1,230	-19,510
Total (including PDI)	-4,980	-7,930	-10,390	-12,490	-14,520	-15,980	-17,530	-18,890	-20,400	-22,000	-23,830	-35,740	-168,900

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.

A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

- Indicates nil.

Table C3: Tuition-free TAFE and university, boost university funding, and related measures – Headline cash balance (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Receipts													
Interest payments	-210	-190	-180	-170	-160	-170	-170	-190	-220	-260	-310	-750	-2,250
Principal repayments	-1,300	-1,160	-1,100	-1,070	-1,030	-1,060	-1,060	-1,150	-1,270	-1,430	-1,660	-4,640	-13,320
State contributions to deferral costs for VET student loans	..	..	..	..	..	..	..	..	..	..	..	20	50
Student transfer payments (personal income tax)	50	50	50	40	50	50	60	70	70	80	90	190	670
Total – receipts	-1,460	-1,300	-1,230	-1,200	-1,140	-1,180	-1,170	-1,270	-1,420	-1,610	-1,880	-5,180	-14,850
Payments													
<i>Administered</i>													
Replace undergraduate student contribution with direct grant to universities (increase by 10 per cent)	-1,350	-2,670	-3,960	-4,990	-5,740	-6,300	-6,870	-7,130	-7,410	-7,690	-7,980	-12,970	-62,100
Grants to state and territory governments for TAFEs	-2,010	-2,890	-3,630	-4,190	-4,870	-5,000	-5,120	-5,250	-5,380	-5,510	-5,650	-12,720	-49,510
National Agreement for Skills and Workforce Development – removal	1,540	1,560	1,590	1,620	1,640	1,670	1,700	1,720	1,750	1,780	1,810	6,310	18,380
TAFE state grants program	-770	-780	-790	-810	-820	-830	-850	-860	-880	-890	-900	-3,150	-9,190
Remove cap on total Commonwealth Grant Scheme funding (increase by 10 per cent)	-500	-1,100	-1,290	-1,470	-1,660	-1,890	-2,120	-2,360	-2,610	-2,880	-3,150	-4,350	-21,030
Loans issued	1,300	2,320	3,320	4,110	4,680	5,090	5,510	5,700	5,900	6,110	6,320	11,040	50,360
Student transfer payments	-1,640	-1,690	-1,780	-1,880	-1,990	-2,120	-2,270	-2,430	-2,600	-2,770	-2,940	-6,990	-24,110
Total – administered	-3,430	-5,250	-6,540	-7,610	-8,760	-9,380	-10,020	-10,610	-11,230	-11,850	-12,490	-22,830	-97,200
<i>Departmental</i>													
Department of Education and Training	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-30	-90
Department of Social Services	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-20	-70
Total – departmental	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-30	-100	-300
Total – payments	-3,460	-5,280	-6,570	-7,640	-8,790	-9,410	-10,050	-10,640	-11,260	-11,880	-12,520	-22,930	-97,500
Total (excluding PDI)	-4,920	-6,580	-7,800	-8,840	-9,930	-10,590	-11,220	-11,910	-12,680	-13,490	-14,400	-28,110	-112,350
PDI impacts	-60	-190	-370	-610	-940	-1,360	-1,860	-2,430	-3,090	-3,830	-4,770	-1,230	-19,510
Total (including PDI)	-4,980	-6,770	-8,170	-9,450	-10,870	-11,950	-13,080	-14,340	-15,770	-17,320	-19,170	-29,340	-131,860

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

(b) Figures may not sum to totals due to rounding.

.. Not zero but rounded to zero.

- Indicates nil.

Attachment D – Tuition-free TAFE and university, boost university funding, and related measures – Component 4 (TAFE state grants program) – payments to states and territories

Table D1: Tuition-free TAFE and university, boost university funding, and related measures – Component 4 (TAFE state grants program) – payments to states and territories (\$m)^(a)

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
New South Wales	230	234	237	241	245	249	253	257	262	266	270	942	2,745
Victoria	197	201	206	210	214	217	221	224	228	232	235	814	2,385
Queensland	150	153	155	158	160	163	166	168	171	174	177	616	1,795
Western Australia	83	84	85	86	87	89	90	92	93	95	96	339	981
South Australia	56	56	57	57	58	59	60	61	62	63	64	227	656
Tasmania	22	22	22	22	23	23	24	24	24	25	25	88	255
Australian Capital Territory	18	18	18	19	19	19	20	20	20	21	21	73	213
Northern Territory	13	13	14	14	14	14	15	15	15	15	15	54	158
Total	-770	-780	-790	-810	-820	-830	-850	-860	-880	-890	-900	-3,150	-9,190

(a) Figures may not sum to totals due to rounding.

Attachment E – Accounting treatment of concessional loans

A concessional loan is a loan provided on more favourable terms than the borrower could obtain in the financial market. The most common concession is a below-market interest rate, but concessions can also include favourable repayment conditions. The income contingent loans available through the Higher Education Loan Program are an example of concessional loans offered by the Commonwealth.

Budget impact¹

The accounting treatment of concessional loans differs across each budget aggregate. The underlying cash balance only captures actual flows of interest related to the loans. The headline cash balance captures actual flows of principal as well as interest. The fiscal balance captures accrued interest, the value of the concession and any write-offs related to the loans. The interest cost of financing these loans is captured in all budget aggregates, and is separately identified by the PBO.² (Table E1 provides information about the detail provided in a costing.) The provision of concessional loans decreases the Commonwealth Government's net worth if the liabilities issued (the value of Commonwealth Government Securities (CGS) issued to finance the loans) are greater than the assets created (measured at their 'fair value' or price at which the loans could be sold).

Treatment of debt not expected to be repaid

All budget aggregates take into account estimates of the share of loans not expected to be repaid when calculating interest flows and estimating the value of the concession that is being provided. None of the measures capture the direct impact on net worth of the loans not expected to be repaid. If a portion of loans are not expected to be repaid, estimates of the 'fair value' of the loans outstanding will be reduced. Such reductions, both when loans are issued and if loans are subsequently re-valued, are recorded in the budget under 'Other economic flows' which are reflected in net worth but not in the budget aggregates.

Table E1: Components of concessional loan financial impacts in costing proposals

Budget item	Appears in	Comments
Interest accrued or received	All budget aggregates	Captures the interest accrued or expected to be received on the fair value of the debt. (The budget cannot include interest income on a debt that is not expected to be repaid.)
Concessional loan discount expense and unwinding revenue	Fiscal balance	The net present value of the concession (based on the difference between the market and concessional interest rates) is captured as an expense in the fiscal balance. As loans are repaid, the remaining value of the concession reduces, so this expense is 'unwound' with a positive impact on the fiscal balance. The concessional discount and its unwinding are not recognised in cash balances as there is no cash inflow or outflow.
Write-offs	Fiscal balance	Debt forgiveness, also known as mutually agreed write-downs (for example in the case of the death of the borrower of a HELP loan) are expensed when they occur, reducing the fiscal balance. These transactions do not affect the cash balances as no cash flows occur.
Initial loan; principal repayments	Headline cash balance	Higher estimates of loans not expected to be repaid lowers principal repayments. These transactions are not included in the fiscal balance or underlying cash balance as they involve the exchange of one financial asset (loan) for another (cash).
Public debt interest (PDI)	All budget aggregates	The PDI impact is the cost of the change in the government's borrowing requirements to fund the loans. The net headline cash balance impact excluding PDI is used to estimate the proposal's impact on PDI payments.

¹ The PBO's treatment of these loans is consistent with the Department of Finance costing guidelines.

² This is in accordance with PBO Guidance 02/2015 and the Charter of Budget Honesty Policy Costing Guidelines which specify that costings of proposals that 'involve transactions of financial assets' need to take into account the impact on PDI payments.