



Free TAFE and University	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>This proposal would eliminate the costs of university and Technical and Further Education (TAFE) institute qualifications for Australian citizens and permanent residents in public universities and TAFE institutions, and increase funding for public universities. The proposal comprises the following components.</p> <ul style="list-style-type: none">• Component 1: The Australian Government would pay the full student contribution amount for all undergraduate and postgraduate students studying at public universities.<ul style="list-style-type: none">– The government would provide grants to cover all fees for university students in Commonwealth Supported Places (CSPs) previously financed by the Higher Education Loan Program (HELP), including CSPs at public universities financed by HECS-HELP, and the Student Services and Amenities Fee (SSAF) for all HELP students financed by SA-HELP.– The government would also provide grants to cover fees for university students in full fee university places previously financed by FEE-HELP, for students studying at public universities and Open Universities Australia.• Component 2: The Australian Government would provide grants to cover fees for students studying TAFE qualifications, previously borne by domestic students through up-front payments and students loans.• Component 3: The Australian Government would provide ongoing base funding to public universities at rates 10% higher than before the Job Ready Graduates reforms, while retaining the National Priorities Industry Linkage Fund and the Indigenous, Regional, Low Socio-Economic Status Attainment Fund. <p>The proposal would commence from 1 January 2023 and be ongoing.</p>	

Costing overview

The proposal would be expected to decrease the fiscal balance by around \$40,400 million, decrease the underlying cash balance by around \$44,200 million and decrease the headline cash balance by around \$17,400 million over the 2022-23 Budget forward estimates period.

The proposal would have an impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2032-33 is provided at Attachment A.

The financial implications of this proposal are very uncertain and sensitive to assumptions about course enrolments and fees, degree or certification length, course completion patterns, and behavioural responses by students and educational providers. Inherent uncertainties in the baseline estimates for the relevant student loan programs, and limited information regarding loan repayment profiles add to the uncertainty of the estimated financial implications of this proposal.

Consistent with *Parliamentary Budget Office (PBO) Guidance 02/2015*, PDI expense impacts have been included in this costing because the concessional loans affected under this proposal involve financial asset transactions.

The fiscal, underlying cash and headline cash balance impacts differ in the treatment of interest, and the flow of loan principal amounts. In particular, only the fiscal balance reflects the concessional loan discount expense, associated unwinding income, and loan write-downs, and only the headline cash balance includes transactions related to loan principal amounts. The impact on net debt will be broadly consistent with movements in the headline cash balance. A note on the accounting treatment of concessional loans is included at Attachment B.

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

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	-5,248.3	-11,028.9	-11,708.5	-12,398.7	-40,384.4
Underlying cash balance	-5,870.5	-12,230.5	-12,791.6	-13,337.2	-44,229.8
Headline cash balance	-2,122.5	-4,641.1	-5,078.2	-5,539.3	-17,381.1

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

Key assumptions

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

- Available courses, course fees, tuition amounts, and graduation rates would be broadly consistent with existing patterns.
- Component 1 of this proposal would result in a 1% increase in projected university enrolments.
- Component 2 of this proposal would result in a 5% increase in projected TAFE enrolments. There would also be some substitution (15%) from non-TAFE vocational education and training providers to TAFE providers to take advantage of the free tuition.
- Available courses, course enrolments, course fees, tuition amounts, and graduation rates would be broadly consistent with existing patterns.
- The funding contribution shares of all state and territory governments under the proposal would remain unchanged, in line with actual funding shares observed over recent years.
- There would be no impact on departmental resourcing requirements for the Department of Education, Skills and Employment, as any increased workload arising from grant administration activities would be offset by corresponding reductions in other activities.

Methodology

The financial implications of Components 1 and 2 are the combined impact of providing grants for the costs of eligible university and TAFE courses, and the impact from students no longer contributing to the costs of these courses through repayment of concessional loans.

- The value of grants was calculated by multiplying the average per student costs relevant to the grant by the estimated number of affected students measured as the equivalent full-time study load (EFTSL).

- The financial implications of no longer providing concessional loans to affected students were calculated using the Department of Education, Skills, and Employment's Higher Education Loan Program model.

The financial implications of Component 3 are estimated by multiplying the cluster-weighted average funding difference per EFTSL between the baseline and under the proposal, by the EFTSL projected by the Department of Education, Skills, and Employment.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.¹

Data sources

The Department of Finance and the Treasury provided economic parameters and population estimates as at the *Budget 2022-23*.

The Department of Education, Skills and Employment provided the Higher Education Loan Program modelling and enrolment projections as at the *Budget 2022-23*.

Information on student numbers and full-year training equivalents (FYTEs) for TAFE and other Vocational Education and Training courses was taken from research published by the National Centre for Vocational Education and Research, [Total VET students and courses 2020](#), accessed 02 May 2022.

Information on loans and fees for TAFE and other Vocational Education and Training courses from January to June 2020 was taken from research published by the Department of Education, Skills and Employment, [VET Student Loans Statistics; Addendum - VSL Six Monthly Report January to June 2021](#)-Table 2, accessed 02 May 2022.

Information on loans and fees for TAFE and other Vocational Education and Training courses from July to December 2020 was taken from research published by the Department of Education, Skills and Employment, [VET Student Loans Statistics; Addendum - VSL Six Monthly Report July to December 2020](#) – Table 2, accessed 02 May 2022.

Information on course completion rates and patterns was taken from analysis published by the Department of Education, Skills, and Employment, [Completion rates of higher education students: Cohort analysis, 2005-2014](#), accessed 02 May 2022.

¹ https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Attachment A – Free TAFE and University – financial implications

Table A1: Free TAFE and University – Fiscal balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Revenue													
Administered non-tax													
<i>Component 1 loan impact – Indexation on loans</i>	-	-80.0	-250.0	-430.0	-610.0	-800.0	-1,000.0	-1,200.0	-1,420.0	-1,660.0	-1,900.0	-760.0	-9,350.0
<i>Component 1 loan impact – Unwinding concessional loan discount</i>	-	-	-	-	-	-	-7.0	-22.0	-45.0	-80.0	-130.0	-	-284.0
<i>Component 1 loan impact – Student loan fees</i>	-1.4	-5.8	-5.8	-6.0	-6.5	-9.0	-14.6	-20.5	-24.9	-28.3	-18.9	-19.0	-141.7
<i>Component 2 loan impact – Indexation on loans</i>	-	-2.4	-7.1	-12.0	-17.2	-22.6	-28.2	-34.2	-40.5	-47.2	-54.2	-21.5	-265.6
<i>Component 2 loan impact – Unwinding concessional loan discount</i>	-	-	-	-	-	-	-0.2	-0.7	-1.4	-2.5	-4.0	-	-8.8
<i>Component 2 loan impact – Student loan fees</i>	-11.4	-23.2	-24.1	-25.1	-26.1	-27.1	-28.2	-29.3	-30.5	-31.4	-32.0	-83.8	-288.4
Total – administered non-tax	-12.8	-111.4	-287.0	-473.1	-659.8	-858.7	-1,078.2	-1,306.7	-1,562.3	-1,849.4	-2,139.1	-884.3	-10,338.5
Total – revenue	-12.8	-111.4	-287.0	-473.1	-659.8	-858.7	-1,078.2	-1,306.7	-1,562.3	-1,849.4	-2,139.1	-884.3	-10,338.5
Expenses													
Administered													
<i>Component 1 loan impact – Personal benefits</i>	19.5	39.7	41.0	42.2	43.4	44.5	45.7	46.9	48.2	49.5	50.8	142.4	471.4
<i>Component 1 loan impact – Remissions</i>	-	0.8	2.4	4.1	5.9	7.8	9.8	11.9	14.1	16.5	19.0	7.3	92.3
<i>Component 1 – Concessional loan discount</i>	-	-	-	-	-	90.0	201.0	320.0	472.0	700.0	883.0	-	2,666.0
<i>Component 1 loan impact – Other loan financing</i>	600.0	1,250.0	1,300.0	1,340.0	1,390.0	1,430.0	1,480.0	1,530.0	1,580.0	1,630.0	1,670.0	4,490.0	15,200.0

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<i>Component 1 – Grant for student contribution of university fees</i>	-3,900.0	-8,100.0	-8,400.0	-8,700.0	-9,000.0	-9,300.0	-9,600.0	-9,900.0	-10,200.0	-10,500.0	-10,800.0	-29,100.0	-98,400.0
<i>Component 2 loan impact – Remissions</i>	-	..	0.1	0.1	0.2	0.3	0.3	0.4	0.5	0.6	0.6	0.2	3.1
<i>Component 2 – Concessional loan discount</i>	-	-	-	-	-	2.8	6.2	9.9	14.6	21.7	27.5	-	82.7
<i>Component 2 loan impact – Other loan financing</i>	35.0	72.0	75.0	78.0	81.0	84.0	87.0	91.0	94.0	98.0	100.0	260.0	895.0
<i>Component 2 – Grant for student contribution of TAFE fees</i>	-1,500.0	-3,130.0	-3,250.0	-3,380.0	-3,520.0	-3,650.0	-3,790.0	-3,940.0	-4,090.0	-4,240.0	-4,410.0	-11,260.0	-38,900.0
<i>Component 3 – Grant to increase base funding for universities</i>	-470.0	-950.0	-980.0	-980.0	-980.0	-990.0	-990.0	-990.0	-1,000.0	-1,000.0	-1,000.0	-3,380.0	-10,330.0
Total – administered	-5,215.5	-10,817.5	-11,211.5	-11,595.6	-11,979.5	-12,280.6	-12,550.0	-12,819.9	-13,066.6	-13,223.7	-13,459.1	-38,840.1	-128,219.5
Total – expenses	-5,215.5	-10,817.5	-11,211.5	-11,595.6	-11,979.5	-12,280.6	-12,550.0	-12,819.9	-13,066.6	-13,223.7	-13,459.1	-38,840.1	-128,219.5
Total (excluding PDI)	-5,228.3	-10,928.9	-11,498.5	-12,068.7	-12,639.3	-13,139.3	-13,628.2	-14,126.6	-14,628.9	-15,073.1	-15,598.2	-39,724.4	-138,558.0
PDI impacts	-20.0	-100.0	-210.0	-330.0	-460.0	-630.0	-820.0	-1,050.0	-1,320.0	-1,640.0	-2,020.0	-660.0	-8,600.0
Total (including PDI)	-5,248.3	-11,028.9	-11,708.5	-12,398.7	-13,099.3	-13,769.3	-14,448.2	-15,176.6	-15,948.9	-16,713.1	-17,618.2	-40,384.4	-147,158.0

(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.

.. Not zero but rounded to zero.

- Indicates nil.

Table A2: Free TAFE and University – Underlying cash balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Receipts													
Administered non-tax													
<i>Component 1 loan impact – Interest receipts</i>	-	..	-2.0	-8.0	-19.0	-38.0	-64.0	-100.0	-148.0	-151.0	-152.0	-10.0	-682.0
<i>Component 2 loan impact – Interest receipts</i>	-	-0.2	-0.6	-1.4	-2.4	-3.8	-5.6	-7.9	-10.8	-11.1	-11.1	-2.2	-54.9
Total – administered non-tax	-	-0.2	-2.6	-9.4	-21.4	-41.8	-69.6	-107.9	-158.8	-162.1	-163.1	-12.2	-736.9
Total – receipts	-	-0.2	-2.6	-9.4	-21.4	-41.8	-69.6	-107.9	-158.8	-162.1	-163.1	-12.2	-736.9
Payments													
Administered													
<i>Component 1 loan impact – Personal benefits</i>	19.5	39.7	41.0	42.2	43.4	44.5	45.7	46.9	48.2	49.5	50.8	142.4	471.4
<i>Component 1 – Grant for student contribution of university fees</i>	-3,900.0	-8,100.0	-8,400.0	-8,700.0	-9,000.0	-9,300.0	-9,600.0	-9,900.0	-10,200.0	-10,500.0	-10,800.0	-29,100.0	-98,400.0
<i>Component 2 – Grant for student contribution of TAFE fees</i>	-1,500.0	-3,130.0	-3,250.0	-3,380.0	-3,520.0	-3,650.0	-3,790.0	-3,940.0	-4,090.0	-4,240.0	-4,410.0	-11,260.0	-38,900.0
<i>Component 3 – Grant to increase base funding for universities</i>	-470.0	-950.0	-980.0	-980.0	-980.0	-990.0	-990.0	-990.0	-1,000.0	-1,000.0	-1,000.0	-3,380.0	-10,330.0
Total – administered	-5,850.5	-12,140.3	-12,589.0	-13,017.8	-13,456.6	-13,895.5	-14,334.3	-14,783.1	-15,241.8	-15,690.5	-16,159.2	-43,597.6	-147,158.6
Total – payments	-5,850.5	-12,140.3	-12,589.0	-13,017.8	-13,456.6	-13,895.5	-14,334.3	-14,783.1	-15,241.8	-15,690.5	-16,159.2	-43,597.6	-147,158.6
Total (excluding PDI)	-5,850.5	-12,140.5	-12,591.6	-13,027.2	-13,478.0	-13,937.3	-14,403.9	-14,891.0	-15,400.6	-15,852.6	-16,322.3	-43,609.8	-147,895.5
PDI impacts	-20.0	-90.0	-200.0	-310.0	-450.0	-610.0	-800.0	-1,020.0	-1,280.0	-1,600.0	-1,980.0	-620.0	-8,360.0
Total (including PDI)	-5,870.5	-12,230.5	-12,791.6	-13,337.2	-13,928.0	-14,547.3	-15,203.9	-15,911.0	-16,680.6	-17,452.6	-18,302.3	-44,229.8	-156,255.5

(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.

.. Not zero but rounded to zero.

- Indicates nil.

Table A3: Free TAFE and University – Headline cash balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Receipts													
Administered non-tax													
<i>Component 1 loan impact – Interest receipts</i>	-	..	-2.0	-8.0	-19.0	-38.0	-64.0	-100.0	-148.0	-151.0	-152.0	-10.0	-682.0
<i>Component 1 loan impact – Loan principal repayments</i>	-	-50.0	-190.0	-370.0	-590.0	-850.0	-1,180.0	-1,580.0	-2,030.0	-2,510.0	-3,000.0	-610.0	-12,350.0
<i>Component 2 loan impact – Interest receipts</i>	-	-0.2	-0.6	-1.4	-2.4	-3.8	-5.6	-7.9	-10.8	-11.1	-11.1	-2.2	-54.9
<i>Component 2 loan impact – Loan principal repayments</i>	-	-1.6	-5.6	-11.1	-17.6	-25.4	-35.3	-47.4	-61.1	-75.7	-90.8	-18.3	-371.6
Total - administered non-tax	-	-51.8	-198.2	-390.5	-629.0	-917.2	-1,284.9	-1,735.3	-2,249.9	-2,747.8	-3,253.9	-640.5	-13,458.5
Total – receipts	-	-51.8	-198.2	-390.5	-629.0	-917.2	-1,284.9	-1,735.3	-2,249.9	-2,747.8	-3,253.9	-640.5	-13,458.5
Payments													
Administered													
<i>Component 1 loan impact – Personal benefits</i>	19.5	39.7	41.0	42.2	43.4	44.5	45.7	46.9	48.2	49.5	50.8	142.4	471.4
<i>Component 1 loan impact – Total loans</i>	3,640.0	7,420.0	7,680.0	7,940.0	8,190.0	8,460.0	8,750.0	9,040.0	9,350.0	9,650.0	9,910.0	26,680.0	90,030.0
<i>Component 1 – Grant for student contribution of university fees</i>	-3,900.0	-8,100.0	-8,400.0	-8,700.0	-9,000.0	-9,300.0	-9,600.0	-9,900.0	-10,200.0	-10,500.0	-10,800.0	-29,100.0	-98,400.0
<i>Component 2 loan impact – Total loans</i>	108.0	221.0	229.0	239.0	248.0	258.0	268.0	279.0	290.0	300.0	308.0	797.0	2,748.0
<i>Component 2 – Grant for student contribution of TAFE fees</i>	-1,500.0	-3,130.0	-3,250.0	-3,380.0	-3,520.0	-3,650.0	-3,790.0	-3,940.0	-4,090.0	-4,240.0	-4,410.0	-11,260.0	-38,900.0

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<i>Component 3 – Grant to increase base funding for universities</i>	-470.0	-950.0	-980.0	-980.0	-980.0	-990.0	-990.0	-990.0	-1,000.0	-1,000.0	-1,000.0	-3,380.0	-10,330.0
Total – administered	-2,102.5	-4,499.3	-4,680.0	-4,838.8	-5,018.6	-5,177.5	-5,316.3	-5,464.1	-5,601.8	-5,740.5	-5,941.2	-16,120.6	-54,380.6
Total – payments	-2,102.5	-4,499.3	-4,680.0	-4,838.8	-5,018.6	-5,177.5	-5,316.3	-5,464.1	-5,601.8	-5,740.5	-5,941.2	-16,120.6	-54,380.6
Total (excluding PDI)	-2,102.5	-4,551.1	-4,878.2	-5,229.3	-5,647.6	-6,094.7	-6,601.2	-7,199.4	-7,851.7	-8,488.3	-9,195.1	-16,761.1	-67,839.1
PDI impacts	-20.0	-90.0	-200.0	-310.0	-450.0	-610.0	-800.0	-1,020.0	-1,280.0	-1,600.0	-1,980.0	-620.0	-8,360.0
Total (including PDI)	-2,122.5	-4,641.1	-5,078.2	-5,539.3	-6,097.6	-6,704.7	-7,401.2	-8,219.4	-9,131.7	-10,088.3	-11,175.1	-17,381.1	-76,199.1

(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.

.. Not zero but rounded to zero.

- Indicates nil.

Attachment B – 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 impact²

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.³ Table B1 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 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 B1: 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.

² The PBO's treatment of these loans is consistent with the Department of Finance costing guidelines.

³ 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.