

Senate Education and Employment Legislation Committee
Inquiry into the Higher Education and Research Reform Amendment Bill 2014

Department of Education
QUESTIONS ON NOTICE

Department of Education Questions Nos 1 and 2.

Regulation Impact Statement (RIS) involvement by Ernst & Young

Question 1 - Senator Carr

- a) What was the cost of Ernst & Young's input to the RIS?
- b) What were the dates on which the work by Ernst & Young was undertaken?

Answer 1

- a) \$71,925, excluding GST (\$79,117.50 including GST).
- b) The contract covered the period 22 July 2014 to 1 October 2014.

Question 2 - Senator Rhiannon

How much of the RIS impact assessment was written by Ernst & Young?

Answer 2

Ernst & Young provided additional analytical expertise for the development of the RIS.

The department takes full responsibility for the entire RIS and any analysis or opinions contained within it.

Department of Education Question No. 3

Senator McKenzie – Regulation Impact Statements (RIS) for earlier reforms

Question

- a) Can you confirm that the previous government did not produce a regulation impact statement for the carbon tax, the mining tax or the NBN?
- b) Can you confirm that a RIS for the former government's school funding reforms was found to be compliant but not best practice?

Answer

a) The Department of Education has consulted with the Office of Best Practice Regulation (OBPR) who advised the 2009 decision to establish the National Broadband Network (NBN) was granted an exemption from the RIS requirements on the basis of exceptional circumstances by the then Prime Minister. Exceptional circumstances exemptions were granted for several decisions related to the rollout of the NBN. However, RISs were prepared for some decisions relating to implementation, including, for example, the decision to mandate the rollout of fibre in greenfield developments.

The then Prime Minister granted exceptional circumstances from the RIS requirements for the decision to introduce the Minerals Resource Rent Tax. A post implementation review of this decision was required within one to two years of the tax's introduction.

In relation to the introduction of the carbon tax, immediately following the election in 2007, the then Prime Minister granted an exceptional circumstances RIS exemption for the initial decision to set an aspirational emissions reduction target of 60 per cent on 2000 levels by 2050 and to establish an emissions trading scheme. A RIS was subsequently prepared to support consideration of the detailed design of the Carbon Pollution Reduction Scheme (CPRS) and associated Bill, which was tabled in 2009. RIS requirements were also met for consideration of fixed carbon pricing (carbon tax) in the subsequent 2011 *Australia's Plan for a Clean Energy Future*. The current government has complied with RIS requirements in relation to legislation to abolish the carbon tax.

b) A RIS for the *Australian Education Regulation 2013* was not completed and assessed as adequate by OBPR prior to the deadline for lodging of the regulations and accompanying documentation for the relevant Executive Council meeting. Accordingly, a post-implementation review is to be undertaken within one to two years from the date of implementation of the measures.

Department of Education Question No. 4

Senator Rhiannon – Council of Australian Postgraduate Associations consultation

Question

If the Council of Australian Postgraduate Associations (CAPA) is considered to be in the range of organisations that could have been consulted on the Research Training Scheme budget measure, why didn't you meet with them?

Answer

The development of the higher education reforms was informed by policy debates that have taken place in the higher education sector in recent years.

In the lead up to the 2014–15 Budget two significant consultation processes were undertaken — the Review of the Demand Driven Funding System ('the Review') and the National Commission of Audit (NCOA). While open to the Council of Australian Postgraduate Associations (CAPA) to make submissions, CAPA did not to make a submission to either of these processes.

Following announcement of the Budget measure the Department corresponded with Meghan Hopper, National President of CAPA, to clarify details of the measure. The Minister for Education, the Hon Christopher Pyne MP, also wrote to Ms Hopper in response to correspondence concerning changes to the RTS.

Department of Education Question No. 5

Senator Lee Rhiannon – Staff assuring HELP payments

Question

How much departmental staff time is spent on assuring HELP payments to providers?

How much departmental time do you estimate will be spent on assuring payments to NUHEPs and private universities?

Answer

The department uses a case management approach to manage approved HELP providers. Case managers assure payments and undertake other related tasks in relation to the providers they manage. The equivalent of 17 full-time staff are currently assuring payments to all HELP providers. The activities of approximately 9 of these staff also include assurance of payments to NUHEPs and private universities.

Department of Education Question No. 6

Senator Lee Rhiannon – Assurance of data and reconciliation processes

Question

How many 'spot' visits are performed that assure data received during HELP reconciliation processes?

Answer

The Department undertakes a number of compliance visits of approved FEE HELP and VET FEE HELP providers as part of its program assurance work for the administration of HELP. These visits are informed by a risk assessment of providers.

Department of Education Question No. 7

Senator Rhiannon – Estimated growth of student loans

Question

What is the estimated growth of student loans (or of students) as a result of the reforms?

Answer

HELP loans will be \$2.3 billion higher in 2017-18.

Department of Education Question No. 8

Senator Carr – Number of additional places

Question

How many additional places are estimated in the system, given that there is an estimate of 80 000 additional subsidised students? Precisely what is in the 80 000 additional students figure?

Answer

The 80,000 additional subsidised students is equivalent to 59,100 additional Commonwealth supported places.

The 80,000 additional subsidised students includes 35,500 additional bachelor level students and 48,100 additional sub-bachelor students.

Department of Education Question No. 9

Senator Carr – Number of additional places

Question

Can you confirm the number of higher education places in 2013?

Answer

The actual number of places funded under the Commonwealth Grant Scheme for 2013 was 576,273.

Department of Education Question No. 10

Senator Carr – Fee deregulation - modelling

Question

What is the basis of assumptions regarding fees in the calculation of estimated HELP debt level?

Answer

In the 2014-15 Budget, the Department estimated the effect of deregulated student contributions on the forward estimates of expenditure for the Higher Education Loan Programme (HELP). This modelling was not intended to be a prediction of any specific level of student contribution for a course or a particular institution in the deregulated market.

Department of Education Question No.11

Senator Carr – Geographical areas needing greater participation

Question

In which geographical areas would the department wish to see greater levels of participation in higher education?

NOTE: The question goes to the department's view that there is a level of *unsatisfied expectation* rather than any remaining *unmet demand*.

Answer

According to the 2011 Census, 36.1 per cent of 25 to 34 year olds from metropolitan areas have attained a bachelor degree or above, compared with 17.4 per cent for those from regional areas and 15.4 per cent for those from remote areas.

The Government's reforms to higher education will provide opportunities for regional universities and the regional communities they serve. By uncapping sub-bachelor places, the Government will allow an additional 80,000 students to access Commonwealth subsidies by 2018. This includes more people from disadvantaged backgrounds, from rural and regional communities and those who need extra assistance to complete their studies. The new Commonwealth Scholarships scheme will allow universities to offer scholarships to students from regional and remote areas.

Department of Education Question No. 12

Senator Bridget McKenzie – Recovery of overseas-held HELP debt

Question

Could you review evidence yesterday on innovative ways to recover HELP loans from overseas residents and comment?

Answer

In their evidence to the inquiry Professor Bruce Chapman and Dr Tim Higgins argued that the Government should place a legal obligation on people with HELP debts who go overseas for six months or more to pay a standard minimum amount towards their HELP debt – say \$2,000.

We will examine this proposal.

Department of Education Question No. 13

Senator Bridget McKenzie – Amount of overseas-held HELP debt

Question

How much HELP debt is sitting with overseas residents?

Answer

Australia does not have detailed data on the amount of HELP debt that is owed by people who are overseas. Neither the Department of Education nor the Australian Taxation Office maintains records of this nature, since there is no obligation on people departing Australia to report their student loan status or to make repayments while overseas unless they are an Australian taxpayer. HELP loan repayments are based on taxable income earned in Australia.

There are estimates available of the value of HELP debt foregone due to people moving overseas permanently. For example, in a 2013 paper Professor Bruce Chapman and Dr Tim Higgins estimated that the amount of revenue forgone due to people moving overseas since the scheme commenced in 1989 was at least \$400 million and could be as high as \$800 million. This amount of revenue forgone would represent around 10 per cent of total HELP debt not expected to be repaid.

For each new graduate cohort each year, Chapman and Higgins estimated that there is additional lost revenue of \$20-30 million. This is less than one per cent of the total value of loans made each year but it is significant.

Department of Education Question No. 14

Senator Carr – Budget offsets for education initiatives

Question

How much of the previous Labor government's higher education savings measures were used as budget offsets for other education initiatives?

Answer

The following table sets out the previous Government's announced savings measures to higher education grants and student support, totalling \$6.66 billion from 2011-12 to 2016-17. The savings impacts are for the period 2011-12 to 2016-17 (for measures commencing prior to 2013-14, savings in the table therefore exceed the 4 year impact included in the relevant portfolio budget or additional estimates statement).

	Measure	Saving (\$m)
2013-14 Budget	Efficiency dividend of two per cent in 2014 and 1.25 per cent in 2015 applying to most grants to universities	902.7
	Removal of the 10 per cent HECS HELP upfront discount and the five per cent HELP repayment bonus from 1 January 2014	276.7
	Conversion of Student Start-up Scholarships to student loans	1,182.5
	Cap on tax deductibility of self-education expenses (which did not proceed)	520
2012-13 MYEFO	General interest charge on student income support debt	7.5
	Student start up scholarships (pause indexation)	103.6
	Sustainable research excellence – sustainable growth (changes to the rate of funding for the Sustainable Research Excellence program)	563.7
	Delay by a further three years the extension of student income support to all coursework Masters program students	199.9
	Cessation of Facilitation funding (conditional funding to encourage universities to agree to the inclusion of performance targets in their mission-based compacts)	384.6
2012-13 Budget	Removal of eligibility to CSPs and HELP for overseas students	41.9
	Increased student contributions for maths and science students	324.9
	Participation component of Higher Education Participation and Partnerships Program (HEPPP) lowered	26.5
2011-12 MYEFO	Reinstate Band 2 student contributions for mathematics, statistics and science units	1,030.9
	Reduction in reward funding	487.8
2011-12 Budget	Reduction in HECS-HELP discount and voluntary repayment bonus	607.7

Budget Paper 2 for 2013-14 indicates that savings from efficiency dividend, removal of the HECS-HELP upfront discount and HELP voluntary repayment bonus, the conversion of the Student Start-up Scholarships to loans and reforms to self-education expenses (worth \$2.8 billion over 2013-14 to 2016-17) were to be re-directed to the *Better Schools – A National Plan for School Improvement* (Gonski) package (pages 217, 216, 221, 31 refer).

However, in the 2013 Pre-election Economic and Fiscal Outlook (PEFO), the previous Government reduced its funding for the Gonski education reforms by \$1.2 billion and this money was taken as a saving.

The 2011-12 MYEFO measure to reinstate Band 2 student contributions for mathematics, statistics and science units indicated that the measure would be “redirected to support other Government priorities, including the additional investment the Government has made in supporting the demand driven funding system from 2012 to ensure that more Australian students have the opportunity to attend university”.

Department of Education Question No 15

Senator Carr – Real growth of university funding during Labor Government

Question

What was the growth in total expenditure on universities in real terms under Labor from 2007 to the end of the forward estimates for the last Labor budget?

Answer

As at the Budget 2013-14, higher education funding (as provided through the *Higher Education Support Act 2003* and Annual Appropriations administered by the Department of Education and the Australian Research Council) was estimated to increase in real terms from 2007 to 2016, as shown in the table overleaf.

It should be noted that a substantial factor in the growth of funding for teaching and learning (excluding capital) is the increase in the number of student places due to the introduction of the demand driven funding system.

The department requested information on income support expenditure provided to higher education students from the Department of Social Services. The Department of Social Services advised that expenditure data is not captured or reported at the sector level.

Higher education funding 2007 – 2016 (as at 2013-14 Federal Budget)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Teaching and Learning (Excl capital)	7,77 5.42	8,456. 35	8,856. 54	9,755. 95	9,926. 12	11,11 7.51	11,89 5.25	12,52 8.72	13,03 2.54	13,61 8.56
Research (Excl capital)	1,43 4.75	1,420. 09	1,445. 78	1,625. 99	1,650. 01	1,727. 07	1,748. 43	1,721. 14	1,725. 67	1,830. 74
Capital	310. 58	902.7 3	938.5 3	913.6 3	785.2 2	814.3 0	363.4 3	335.9 0	140.0 0	177.5 8
Total	9,52 0.75	10,77 9.18	11,24 0.85	12,29 5.57	12,36 1.35	13,65 8.88	14,00 7.12	14,58 5.75	14,89 8.21	15,62 6.87

Difference 2007 to 2016	\$m	%
Teaching and Learning (Excl capital)	5,843.14	75%
Research (Excl capital)	395.99	28%
Capital	- 133.00	-43%
Total Difference 2007 to 2016	6,106.12	64%

All funding figures are in 2013 dollars.

Note that a substantial factor in the growth of funding for teaching and learning (excl capital) is the increase in the number of student places due to the introduction of the demand driven funding system.

Department of Education Question No. 16

Senator Carr – Higher education funding efficiency dividend

Question

How much of the higher education funding efficiency dividend announced in the 2013-14 Budget has been realised?

How much of any other higher education savings intended to offset the cost of the Gonski reforms have been realised?

Answer

Of the \$902.7m in savings expected from the efficiency dividend over the four years from 2013-14, the government is able to realise \$209.4m without changes to legislation or legislative guidelines. Of this amount, around \$40m relates to 2014 grants.

No other savings announced in the 2013-14 Budget as being intended to offset the *Better Schools — National Plan for School Improvement* package have been realised.

Department of Education Question No. 17

Senator Carr – Fee levels

Question

- 1) What modelling or analysis has the Department undertaken to support its prediction (submission p.7) that fees at some institutions will go down in a deregulated system?
- 2) What evidence can the Department provide that fees at some public universities will fall?
- 3) How does this evidence compare to the analysis that predicted some student contribution rates would fall when these were partially deregulated in 2005?

Answer

- 1) The Department's submission refers to institutions that will receive CGS funding for the first time and may choose to lower their student fees in response. This is supported by the submission of the Council of Private Higher Education, which notes: "member institutions...have indicated that whatever they receive in Commonwealth support for students will be passed on to students through reduced tuition..." (p. 3).
- 2) The level of student contributions in a deregulated system will be a matter for individual institutions, and the Department is unable to comment on what fees these institutions will charge.
- 3) The implementation of maximum student contributions in 2005 is not comparable with the current reforms. Fees remained capped, and the system did not allow for demand-driven enrolments, so that the access of institutions to Commonwealth Grant Scheme subsidies was limited.

Department of Education Question No. 18

Senator Carr – Doubtful debt

Question

Has the Department received advice from Treasury or any other agency or consultant about the impact on doubtful debt under the HELP scheme if fees were to be deregulated? What is that advice?

If no advice has been sought or received about the impact of fee deregulation on doubtful HELP debt levels, why not?

Answer

The Department has received advice from the Australian Government Actuary (AGA) on the impact on the proportion of debt not expected to be repaid (DNER) of the Government's 2014-15 Budget measures (including fee deregulation and changes to HELP). Based on assumptions provided by the department on the level of fees that will be charged, the AGA has estimated that over the forward estimates, DNER will increase from 20% at 30 June 2015 to around 23% at 30 June 2018.

Department of Education Question No. 19

Senator Kim Carr – 70 per cent funding rate for NUHEPs

Question

1. Can the Department provide a rationale for striking a rate for non-university higher education providers (NUHEPs) of 70 per cent of university Commonwealth supported place (CSP) funding? On what is that based?
2. For TAFE providers that currently receive 100 per cent of university funding for their higher education students, what measures will be put in place to ensure that their real funding is maintained?

Answer

1. The government accepted the recommendation of the Legislation and Finance Working Group (the Working Group) that NUHEPs receive a concessional rate of 70 per cent of the CSP subsidy paid to universities for both bachelor and sub-bachelor places because research activities and the provision of community services are critical to the mission of all universities, and that these activities are partially supported through Commonwealth Grant Scheme funding.

The Working Group determined that a rate of 70 per cent struck an appropriate balance, offering a subsidy level that would be attractive to new entrants, consistent with principles of market competition, while recognising and preserving the public good of university research and community service obligations.

2. Currently, all institutions delivering CSPs receive the same rate of subsidy. Some non-university higher education providers, including two TAFE institutes, have been allocated a limited number of CSPs for areas of national priority.

These institutions will be able to increase their revenue from government by converting existing fee paying places to CSPs, growing their Commonwealth supported student load, and determining their own fee levels for Commonwealth supported students.

Department of Education Question No. 20

Senator Carr – *Commonwealth Scholarship Scheme*

Question

Given the fact that the Department intends to release guidelines for the Commonwealth Scholarship Scheme does the department believe that providers will have time, by January 2016, to develop and implement a compliant scheme for their institutions?

Answer

Yes, the administrative guidelines for the Commonwealth Scholarship Scheme are being developed and will be ready for consultation with the sector by the end of the year. This will allow sufficient time for higher education providers to develop and implement the Scheme within their institutions.

Department of Education Question No. 21

Senator Carr – *Cluster funding matrix*

Question

1. What is the department's policy rationale for cutting funding for Science and Engineering courses by more than the average 20% under its proposed new cluster model?
2. What analysis was undertaken in developing the revised five clusters and what were the criteria used in determining the allocation of disciplines to clusters?

Answer

1. Funding rate for science and engineering

The Government based its decision on the funding rate for science and engineering on a proposal in the *Higher Education Base Funding Review* (BFR). The BFR suggested that science and engineering be funded at two-thirds of the rate for medicine.

2. Development of new funding clusters

The new funding clusters were developed based on the following principles:

- Simplifying the system to reflect only major differences between disciplines.
- Grouping disciplines based on average relative cost of delivery.
- Private benefits for graduates.

Disciplines were allocated to a particular cluster based on the standard teaching method and infrastructure required to deliver the course as well as the private benefits for graduates, drawing on the work of the BFR. The BFR suggested five discipline groups as an appropriate framework for the Commonwealth Grant Scheme, arguing that the current model "would be improved by reducing the number of funding clusters" (BFR, p. 54).

The new five clusters resolve anomalies with the current eight funding clusters and reduce the complexity of the Commonwealth Grant Scheme.

Anomalies with the current eight funding clusters include:

- In some cases there are small differences in funding which are inexplicable (e.g. Government funding for education and information technology differs by \$389 per place in 2015).
- Currently some fields of education have very different Government funding rates when there is no clear evidence for a difference in cost of delivery. For example:
 - funding per EFTSL for history is \$5,447 compared with \$9,637 for political science, in 2015
 - funding per EFTSL for first aid is \$9,637 compared with \$11,852 for paramedical studies, in 2015.
- There are disciplines in the same cluster which have significantly different delivery costs (e.g. environmental science and agriculture).

Under the new five clusters some important disciplines have a lower funding reduction than the average 20 per cent reduction. These include: teaching, health (including nursing), foreign languages, veterinary science and agriculture.

The changes to funding clusters will affect each institution differently depending on its discipline profile. Institutions with high proportions of students enrolled in teaching and nursing, such as some regional universities, have lower than average reductions in per student funding.

Department of Education Question No. 22

Senator Carr – 50:50 funding share

Question

Given the likelihood that providers will raise their fees by more than the minimum needed to restore per-place funding after the CGS cut, does the department expect that the Commonwealth will be paying a 50—50 share of the cost of a CSP place for new students from 2016?

Answer

The department estimates that under the Commonwealth Grant Scheme and the Higher Education Loan Programme, government and student contributions across all Commonwealth supported places (CSP) will be roughly equal in 2016.

Department of Education Question No. 23

Senator Carr – RTS funding cuts

Question

Has the Department undertaken any modelling or analysis of the impact of a fee on higher degree research students? Has the Department done any analysis of the potential disincentive effect of real interest charges on HDR students' bachelor degree fees? If so, please provide the analysis?

In what OECD countries do higher degree research students pay tuition fees? At what level are such fees charged?

Answer

The Department has not undertaken any specific modelling on either the effect of a student contribution for Research Training Scheme students or the impact on higher degree by research (HDR) students from a real interest rate on HELP loans.

The OECD Secretariat has not prepared a table of comparative HDR student fees. However, the department has sourced data on the PhD fees that would apply to Australians studying at select institutions in other OECD countries. The department obtained this data from publicly available records but has not compiled a comprehensive list due to the significant workload that would be entailed in this task. The table below contains some examples.

Table: OECD PhD tuition fees for select institutions – October 2014

University	Country	Reference Period	Fees Annual (AUD) #	Notes
University of California - Los Angeles*	USA	2014-15	28,106	Tuition fees only
University of Oxford	UK	2014-15	35,552 β	Tuition fees only
University of Cambridge	UK	2013-14	41,318	Tuition fees only
University of Edinburgh	UK	2013-14	28,625	Tuition fees only
University of Toronto	CAN	2014-15	18,246	Tuition fees only

*Fees apply to all University of California campuses – fees at other USA universities may vary

β Includes compulsory college fees of GBP 2,765 and tuition fees of GBP 17,690.

Fees are those that apply to "All students", or where differential fees are charged, "Science" was the classification used for broad fields of study and "Physics" for narrow fields of study.