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No. 56 2003–04

Higher Education Support Bill 2003

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Higher Education Support Bill 2003

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10 November 2003

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Higher Education Support Bill 2003

Date Introduced: 17 September 2003

House: House of Representatives

Portfolio: Education, Science and Training

Commencement: Other than formal provisions, which commence on Royal Assent, the later of 1 January 2004 and the date of Royal Assent.

Purpose

The major purpose of this Bill is to introduce new funding arrangements for the higher education sector, as announced in the 2003-04 Budget. The Bill will also provide for the approval of higher education providers and the regulation of higher education in Australia's external territories.

Background¹

Commonwealth funding for higher education, including the operation of the Higher Education Contribution Scheme (HECS), is currently provided under the terms of the *Higher Education Funding Act 1988* (the HEFA). This Bill is part of a package designed to replace this Act and establish the new funding system that was announced in the 2003-04 Budget. The other bills in the package are the Higher Education Support (Transitional Provisions and Consequential Amendments) Bill 2003 and the Higher Education Support Amendment (Abolition of Compulsory Up-front Student Union Fees) Bill 2003.

On 26 June 2003 the Senate Employment, Workplace Relations and Education References Committee received a reference for an inquiry into the policy implicit in the forthcoming higher education bills. The terms of reference direct the committee to investigate the likely financial effect of budgetary measures on universities and students, including such matters as fee deregulation and the likely effects of the expansion of full fee places; the implications for research and institutional governance and autonomy; the effect on rural universities; on industrial relations and other matters.²

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Backing Australia's Future

In April 2002 the Minister for Education, Science and Training, the Hon. Dr. Brendan Nelson, announced that a review of higher education policy would be undertaken over the remainder of the year. The review carried out 49 forums in all capital cities between 13 August and 25 September 2002. Seven issues papers were published and a total of 728 submissions were received.³ The total cost of the review was \$506 866.⁴ The review culminated in the higher education policy package, *Backing Australia's Future* (BAF), which was announced as part of the 2003-04 Budget. The major elements of the package that are the subject of this Bill are as follows.

A New Commonwealth Grants Scheme for Universities

From 2005 Commonwealth operating grants for universities will be based on a new funding formula based on student numbers and discipline mix. Funds per student place will be increased by 2.5 per cent in 2005, 5.0 per cent in 2006 and 7.5 per cent in 2007. These increases will be conditional on institutions complying with the Commonwealth's model for institutional governance ('National Governance Protocols') and workplace relations policies. Around 25 000 marginally funded places will be converted to fully funded places in the three years to 2006-07. An additional 1400 places will be provided in 2007. The total additional cost of these measures will be \$139 million in 2004-05, \$252 million in 2005-06 and \$384 million in 2006-07.

From 2005, institutions in receipt of Commonwealth supported places will determine their own student contribution level for each course they offer within ranges set by the Commonwealth.

From 2004 the Government will provide \$122.6 million over four years to incorporate a regional loading into the Commonwealth Grant Scheme (CGS). Students attending regional campuses will attract additional payments for the institution depending upon the location and size of the campus.

Major Changes to HECS and New Loan Schemes

Currently there are three HECS bands, each with a fixed rate of student contribution. From 2005 these fixed rates will be replaced by ranges. The top of these ranges will be 30 per cent higher than the projected level of HECS for each band for 2005 under current arrangements. The bottom of each range will be \$0. Institutions will be able to set the student contribution at any point within these ranges. In addition, a fourth band will be established called 'National Priorities', which will consist of education and nursing courses. The range for this band will be from \$0 to the current level of HECS for Band 1 (\$3854).

The minimum repayment threshold for HECS will be raised to \$30 000 by removing the two bottom repayment bands. This means that those with a HECS debt will start paying 4 per cent of their income when they reach \$30 000, whereas they now pay 3 per cent when

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their income reaches \$24 365. In addition, the maximum rate of repayment will be raised to 8 per cent where income exceeds \$60 000 (the top rate is currently 6 per cent where incomes exceeds \$43 859). The Government will also reduce the discounts for upfront payments (from 25 to 20 per cent) and voluntary repayments (from 15 to 10 per cent).

The new arrangements will be called HECS-HELP. In addition, the Government will introduce income contingent loan schemes for students paying full-fees (FEE-HELP) and for those who wish to study abroad for one or two semesters (OS-HELP). These loans will be indexed to the CPI plus 3.5 per cent each year. The maximum loans will be \$50 000 (FEE-HELP) and \$5000 per semester (OS-HELP).

New Scholarships

Two new scholarships will be introduced from 2004. The Commonwealth Education Costs Scholarships (CECS) will provide \$2000 pa for up to four years to socio-economically disadvantaged and indigenous students undertaking full-time university studies. There will be 2500 scholarships in 2004, rising to 5075 in 2007. It will cost \$84.4 million over four years. The Commonwealth Accommodation Scholarships (CAS) will provide \$4000 pa for up to four years to students from rural and regional areas who have to move to undertake higher education. There will be 1 500 scholarships in 2004, rising to 2 030 in 2007. The cost will be \$75.8 million over four years. Both CECS and CAS will be merit-based. The scholarships will be distributed to universities on the basis of their proportion of full-time low income students, taking into account their ability to increase the number of such students. The Commonwealth will provide guidelines, but individual institutions will be responsible for selection and allocation processes.

Learning Entitlement

From 1 January 2005, all eligible Australian citizens, New Zealand citizens and holders of Australian permanent visas will receive a Learning Entitlement, giving them access to five years equivalent full-time study in a Commonwealth supported place (ie. a HECS place as opposed to a full-fee place).

The Funding Debate

While there is broad agreement that the higher education sector is in need of additional resources, there has been much debate about the source of these funds. The major sources of university revenue are the Commonwealth Government and students (through HECS and fees). In 2002 total university revenue was \$11 614 million, with \$4 656 million coming from Commonwealth financial assistance, \$1 834 million from HECS, and \$2 462 million from fees and charges.⁵

The debate about the relative contributions of the Commonwealth and students tends to focus on a number of issues: the possible deterrent effect of increased HECS/fees on participation (particularly for those from disadvantaged backgrounds), the costs and

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benefits of higher education for the individual and society, the financial circumstances of students, and the Australian situation as compared to that overseas.

HECS, Participation and Equity

Since the introduction of HECS in 1989 there have been a number of studies to determine if the scheme has had a deterrent effect on participation in higher education. The studies were summarised in the paper by Les Andrews, *Does HECS Deter? Factors affecting university participation by low SES groups* (August 1999).⁶ The paper concluded that “HECS does not appear to have substantially affected the level of applications or enrolments of students in general although little can be said concerning students from low SES backgrounds”.⁷ It considered that the main determinants of university participation were values and attitudes towards higher education rather than financial considerations. However, these conclusions were predominantly derived from an examination of the literature before 1998, and thus could not assess any longer term impact of the 1997 increases to HECS.

Chapman and Ryan, *Income Contingent Financing of Student Charges for Higher Education: Assessing the Australian Innovation* (May 2002)⁸ surveyed more recent studies and analysed data from the Youth in Transition Survey. They also concluded that the introduction of HECS did not adversely effect participation. In particular, it did not result in decreases in participation by prospective students from relatively poor families.

In August 2003 DEST released a paper on factors affecting access to higher education, including the effect of HECS.⁹ It concluded that the 1996 changes to HECS had the effect of reducing demand for higher education among school leaver applicants by around 9000 students per year, and among 'mature age' applicants by around 17 000 persons per year. The paper concluded that HECS had not discouraged overall participation in higher education among persons from a low SES background, although the share of males from a low SES background in HECS Band 3 (the most expensive) courses declined by 38 per cent following the introduction of the differential HECS charges.

The following table shows commencing non-overseas student load (EFTSU) for Bachelor Degrees in Band 3 HECS courses since 1994. It indicates a substantial fall in enrolments in law and veterinary science following the increases in 1997.

Discipline Group	1994	1995	1996	1997	1998	1999	2000	2001	2002
Medicine	750	668	731	966	931	1047	1052	965	1125
Dentistry	98	92	108	89	127	131	113	140	199
Law	5126	5414	5389	3788	4278	4194	4383	4823	4642
Veterinary Science	166	184	227	93	109	125	117	137	138
Total	6140	6357	6455	4936	5445	5497	5665	6065	6104

Source: DEST, *Selected Higher Education Statistics* (annual).

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Statistics on participation in higher education by persons with socio-economically disadvantaged backgrounds are published annually by DEST.¹⁰ The following table indicates the trends in the proportion of higher education students from low socio-economic backgrounds since 1992. The figures refer to non-overseas students. Low SES is defined as those whose postcodes of permanent home address falls within the lowest 25 per cent of the population as determined by the ABS Index of Education and Occupation. The table indicates that while the absolute number of low SES students has increased as the system has grown, they have remained substantially underrepresented in relative terms.

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Commencing low SES students	28867	29265	31474	34207	35785	36150	36117	36926	37061	37913
Commencing low SES as % of commencing total	14.8	14.6	15.3	15.4	15.3	15.5	15.7	16.0	16.0	15.9
All low SES students	76813	77611	80359	83399	86932	90155	91557	92779	93012	94181
All low SES as % of total students	14.6	14.4	14.7	14.9	15.0	15.1	15.3	15.4	15.5	15.3

Source: DEST, *Selected Higher Education Statistics* (annual).

Another recent DEST report, *Expansion in higher education during the 1990s: effects on access and student quality*¹¹ found that:

- for the period 1989 to 1997, the number of domestic students grew rapidly, but has subsequently levelled off;
- access to university in terms of the proportion of a cohort going to university peaked in 1996;
- there has been a significant increase in the duration of study over the decade; and
- the evidence that the academic quality of students has declined over the decade is very weak.

Despite the growth in the system over the last fifteen years, participation in higher education is restricted to a relatively small part of the population. In 2001 only 6.4 per cent of persons aged 15 to 64 were studying for a bachelor or higher degree. For 20-24 year old persons, the figure was 22.3 per cent (23.7 per cent for females, 20.8 per cent for males).

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In terms of educational attainment, in 2001 17.1 per cent of the population aged 15-64 had a bachelor or higher degree (17.7 per cent for females, 16.4 per cent for males). The level of attainment declines with age: 22.1 per cent for 25-34 year olds, 20.6 per cent for 35-54 years, and 12.8 per cent for 55-64 years.¹²

Benefits of Higher Education

One of the justifications for increasing the cost of higher education for students is that they obtain substantial lifetime benefits from such education. Others argue that the social benefits of higher education are sufficient reason for a greater public contribution. There have been a number of attempts to quantify the returns to investment in higher education in the Australian context. The recent work by J. Borland, P. Dawkins, D. Johnson and R. Williams, *Returns to Investment in Higher Education* (Melbourne Institute of Applied Economic and Social Research, 2000), surveyed this literature and calculated rates of return using 1997 data. Its conclusions were as follows:

- On average, the total gain in earnings over a working lifetime that a graduate can expect is estimated to be \$300 000.
- Earlier studies using 1976 data indicated that the private rate of return was 21.1 per cent and the social rate was 16.3 per cent (i.e. individuals were gaining more from the investment than society).
- Using 1997 data, the private rate was 15.0 per cent and the social rate 16.5 per cent. This suggests that the introduction of HECS has reduced the private rate of return so that it is now less than the social rate.
- A balance sheet approach to government expenditure on higher education (i.e. comparing how much the government spends with how much it gets back in the form of higher taxes from the higher earnings of graduates) indicates that \$5.3 billion spent on university teaching in 1997-98 (excluding research) would ultimately generate about \$8 billion in additional receipts from the taxes paid by graduates.
- The average rate of return to government from their investment in higher education is estimated at 11 per cent.

Borland has recently produced new estimates of the private rate of return for an Australian university degree: 14.5 per cent, with a lifetime gain in earnings of around \$380 000.

The benefits of higher education for the individual in terms of employment and income are also evident from the surveys of the Australian Bureau of Statistics (ABS). The unemployment rate for bachelor degree graduates is 2.7 per cent, compared to 9.1 per cent for those without non-school qualifications. The ABS also publishes earnings figures for higher education graduates and persons with other educational qualifications¹³: in 2001 the average weekly earnings of a bachelor degree graduate were \$1 108 (full time) and \$555

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(part time). The figures for a person who only completed Year 12 were \$737 (f/t) and \$277 (p/t). The average weekly earnings for all persons were \$854 (f/t) and \$342 (p/t).

Student Costs and Finances

In September 2001 the Australian Vice-Chancellors' Committee (AVCC) published M. Long and M. Hayden, *Paying Their Way: A survey of Australian Undergraduate University Student Finances, 2000*. The survey had 34 752 respondents from twenty universities. According to the authors, the survey provides strong evidence to support concerns that students' financial circumstances are preventing them from gaining optimum value from their studies. HECS received considerable support among students as an alternative to the payment of upfront fees, even though it could result in levels of debt that many students considered worrying. The students who were most likely to make use of the deferred HECS option were those with relatively disadvantaged financial circumstances.

Financial circumstances had influenced the choice of:

- *course* for 11.1 per cent of students
- *university* for 17.4 per cent of students, and
- *mode of study* for 23.3 per cent of students.

According to the survey, more than 7 in every 10 full-time students were employed during the semester in 2000, working an average of 14.4 hours a week. This was nearly three times the hours worked by students in 1984. The increase in paid work appears to have taken its toll on studies. Nearly 1 in every 10 students who are employed 'frequently' miss classes because of that work and nearly 2 in every 10 students in paid employment say that the work adversely affects their study 'a great deal'.

A survey by Richard James, *Socioeconomic Background and Higher Education Participation: an analysis of school students' aspirations and expectations* (April 2002)¹⁴ has indicated that concerns about costs may adversely effect participation by the socio-economically disadvantaged. The study surveyed a targeted sample of Year 10-12 students from three states (Victoria, NSW and Western Australia) in 1999. The survey asked these young Australians about their personal objectives and intentions with regard to post-secondary education. Over 7000 responses to the survey were examined. The study concluded:

A significant proportion of students in the study indicated the anticipated cost of higher education is a genuine concern for them. Students from lower socioeconomic backgrounds were the most likely to report concerns about costs. They were more likely to believe the cost of university fees may stop them attending university and that their families probably could not afford the costs of supporting them at university. Well over one-third of lower socioeconomic background students indicated they would have to support themselves financially if they went to university.¹⁵

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The survey indicates that almost four in every ten senior high school students from lower SES backgrounds considers that the cost of fees may prevent them from attending university. The study also noted that the deterrent effect of cost was considerably heightened for students living in rural areas.

International Comparisons

In December 2002 the Productivity Commission released its research report, *University Resourcing: Australia in an International Context*.¹⁶ The report was requested by the Government as an input into the Review of Higher Education. It compared eleven Australian universities with 26 universities from nine other countries. Its major conclusions were as follows:

- Graduation rates for Australian medium-duration first degree courses in 1999 were in the middle of the range among the OECD countries examined.
- The ratio of students to teaching staff was higher in Australia in 1999 than in Canada and the United States, the only other countries for which there were comparable data.
- Salaries for Australian academics in 2001 — measured on a Purchasing Power Parity basis — were comparable to those in a number of other countries, although lower than in Singapore and the United States.
- The total expenditure (public and private) on tertiary education in Australia was around 1.5 per cent of Gross Domestic Product in 1999. This was lower than in the United States, New Zealand, Sweden and Canada, but higher than in the United Kingdom and some other European countries.
- University tuition fees in *public* universities are regulated in all countries except New Zealand. However, public university students in Sweden do not pay tuition fees, and first-time undergraduates do not pay tuition fees in Ireland.
- Demand (through student places) is regulated in all countries except New Zealand and some States of the United States.
- The Australian universities studied generally received the largest share of their revenue from government. For over a third of the overseas universities studied, revenue from other sources — including gifts, donations, investments and commercial activities — accounted for a greater proportion of revenue than from either government or students.
- The Australian universities studied typically received a greater share of their revenue from students than did universities in other countries.

The International Comparative Higher Education Finance and Accessibility Project is a three year, Ford Foundation-financed project to study the worldwide shift in higher education costs from taxpayers to students.¹⁷ As part of its work, the Project compares the

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tuition and other fees required of students in three broad bands of courses in public universities (high cost, moderate cost and low cost). In Australia, these three bands correspond to the three current levels of HECS. The following table presents this data for selected countries. Amounts are in \$US to facilitate comparisons. The table indicates that Australian tuition fees for high cost courses are relatively low when compared to the US, NZ and Singapore. Fees for moderate cost courses are closer to the norm, while those for low cost courses are higher than other countries (except for NZ).

Country	Public High US \$	Public Moderate US \$	Public Low US \$
US	6000	3500	1600
Aust	3760	2941	2210
NZ	6777	2907	2645
UK	1565	782	0
Singapore	8858	3193	1080

Source: The International Comparative Higher Education Finance and Accessibility Project.

Main Provisions

Division 16 of **Part 2-1** defines higher education providers and establishes a procedure whereby the Minister may approve a body corporate as a higher education provider. There are two listed types of providers: those in Table A (**s.16-15**) and those listed in Table B (**s.16-20**). Table A providers can receive grants through the Commonwealth Grant Scheme as provided for by **Part 2-2**. Table B providers can only receive such grants if they relate to national priorities (**s.30-1**). National priorities are defined as those specified in the Commonwealth Grant Scheme Guidelines (**s.30-20**). **Division 22** establishes procedures to enable the Minister to revoke the approval of a body as a higher education provider.

Comment: the HEFA does not contain any procedures for the Ministerial approval of higher education providers. Institutions that can be funded under that Act are listed in tables and these lists can be amended by Ministerial declaration. However, such declarations are disallowable instruments. Under this Bill, ministerial approval of a higher education provider is not subject to Parliamentary oversight, although a ministerial notice of revocation of approval is a disallowable instrument (**s.22-35**).

Division 19 sets out the requirements for providers with regard to quality, accountability, student contributions and tuition fees.

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Comment: under current arrangements institutions are free to choose whether they charge tuition fees for places in particular courses. **Section 19-85** of the Bill will require them to charge tuition fees for all courses.

Part 2-2 provides for the making of payments to providers under the Commonwealth Grant Scheme. **Section 30-5** contains the funding caps for grants payable under the Part for the years 2005, 2006 and 2007. **Division 30** provides that the Minister may allocate a specified number of places and their distribution between funding clusters for a provider for a year. This allocation may also specify the number of places that will have a regional or medical student loading. **Section 30-25** provides that the Commonwealth may enter funding agreements with providers. Such agreements may specify the minimum and maximum number of Commonwealth supported places that the provider will provide in particular courses in the grant year, and any other conditions to which the grant may be subject. **Division 33** provides that a provider will receive a basic grant that is calculated by multiplying the number of allocated places in each funding cluster by the Commonwealth contribution amount for that cluster (with allowances for regional and medical student loadings). The Commonwealth contribution amounts for each funding cluster are set out in **s.33-10**. They are to be indexed annually under the provisions of **Part 5-6**. Under **s.33-15** providers who satisfy the Minister that they have met the National Governance Protocols and the Government's workplace relations policies will have their basic grant increased by 2.5 per cent in 2005, 5 per cent in 2006 and 7.5 per cent in later years. These requirements are to be set out in the Commonwealth Grant Scheme Guidelines.

Comment: These funding arrangements are more transparent than those currently applying, although it might be argued that they also represent a reduction in parliamentary accountability. The HEFA provides a single figure for operating grants each year. The Minister can then distribute these funds between institutions at his discretion. He is not required to explain or justify allocations, which are presented to Parliament as determinations that cannot be amended, but only disallowed as a whole. Institutional allocations are the product of confidential negotiations between the Department and universities. Under section 119 of the HEFA, the Minister is required to present a report to Parliament setting out particulars of the funding determinations each year. However, no such reports have been presented since that for 1998. The only detailed source of information on higher education funding programs, the triennial funding reports, are not a statutory requirement, but are provided at the Minister's discretion. These arrangements have remained essentially unchanged for the last fifteen years. The Bill's approach to parliamentary accountability for the Commonwealth Grant Scheme is even more minimal. It contains no provisions for parliamentary approval of the grants made to providers each year. Nor is there any requirement for an annual reporting of such grants, including the Minister's decisions with regard to the National Governance Protocols and workplace relations. There is also no requirement for the funding agreements with providers to be presented to Parliament or published. However, the Commonwealth Grant Scheme Guidelines are disallowable under **s.238-10**.

Division 36 sets out the conditions of receiving a grant for providers. These ensure that:

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- Commonwealth supported students are Australian citizens (or New Zealand citizens or permanent visa holders who are resident in Australia) with a Student Learning Entitlement (s.36-10);
- only students who qualify as Commonwealth supported students are enrolled in Commonwealth supported places (s.36-10);
- providers fill Commonwealth supported places before accepting other enrolments (s.36-30);
- at least 50 per cent of the places in an undergraduate course (or in a course of study in medicine that leads to registration as a medical practitioner) are Commonwealth supported places (s.36-35);
- providers do not charge more than the appropriate student contribution amount for Commonwealth supported students (s.36-45);
- Commonwealth supported students who pay up-front pay only 80 per cent of the contribution amount (s.36-50);
- tuition fees for unsupported students are not less than the student contribution amount or any other amount that is specified in the Guidelines (s.36-55);
- providers meet the quality and accountability requirements (s.36-60);
- providers comply with their funding agreements and the Commonwealth Grant Scheme Guidelines (ss.36-65, 36-70).

Part 2-3 enables the Minister to approve other grants for higher education providers and other eligible bodies. **Section 41-10** lists the types of grants available and the bodies that are eligible to receive them. **Section 41-45** contains the funding caps for 2005, 2006 and 2007 for all grants payable under Part 2-3.

Comment: The HEFA has individual funding caps for each type of grant rather than one global cap. The HEFA is also more prescriptive with regard to grant recipients, with only listed institutions being eligible. Under s.41-10 of this Bill, non-listed bodies corporate that are to be specified in the Other Grants Guidelines are eligible for three categories of grants. Under the HEFA some of these grants are made under Ministerial determinations which are disallowable instruments. There are no provisions for Parliamentary oversight of grants made by the Minister under **Part 2-3**, although the Other Grant Guidelines are disallowable under s.238-10.

Part 2-4 provides for grants to be made to higher education providers for Commonwealth scholarships, including postgraduate research scholarships. Details of the kinds of scholarships that are to be made available, eligibility and conditions, and the provision of grants to providers, are to be specified in the Commonwealth Scholarship Guidelines,

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which are disallowable instruments under **s.238-10**. **Section 46-40** sets out the total payments to be made in respect of this Part for the years 2004, 2005, 2006 and 2007.

Division 73 provides that Australian and New Zealand citizens and permanent visa holders have a Student Learning Entitlement (SLE) equivalent to five years full-time study. **Section 73-20** provides that a person may obtain additional SLE if they are enrolled in courses which are specified in the Student Learning Entitlement Guidelines, which are disallowable under **s.238-10**. Under **Division 76** a person's SLE is reduced by the equivalent full-time value of the courses they undertake.

Comment: Higher education providers cannot receive a grant under the Commonwealth Grant Scheme in respect of a place unless that place is covered by a student's SLE (ie. a Commonwealth supported student must have sufficient SLE for the courses in which they enrol). Similarly, a student cannot obtain assistance under HECS-HELP unless their course is covered by their SLE. The SLE is, in effect, a quota on the amount of study that a person may undertake with direct Commonwealth support. Under the HEFA, there is no defined limit on the amount of study that a person may undertake with Commonwealth support.

Part 3-2 provides that eligible students may receive HECS-HELP assistance to pay the student contribution amounts charged for their courses. Providers are prohibited from charging more than the maximum student contribution amounts set out in **s.93-10**.

Comment: Under the terms of **s.93-10** maximum student contribution amounts can be varied through the Commonwealth Grant Scheme Guidelines. In contrast, the HEFA must be amended in order to change the base rates for HECS student contributions. There is also a significant change in policy with regard to eligibility. Current eligibility for HECS includes holders of Australian permanent visas, but eligibility for HECS-HELP will be restricted to Australian citizens and holders of permanent humanitarian visas under **s.90-5**. In 2002 four per cent of domestic students were permanent residents who were not Australian citizens (27 193 of 684 975).

Under **Division 96** the Commonwealth is required to lend a student an amount of HECS-HELP assistance, which is then paid to a provider to discharge the student's liability to pay the student contribution amount. A student is entitled to HECS-HELP assistance equivalent to the student contribution amount, less any up-front payments (**s.93-1**). Student who make partial up-front payments of \$500 or more are entitled to a discount of 25 per cent (**s.96-5**). Students who make up-front payments of 80 per cent of the student contribution amount have the remainder paid by the Commonwealth. This payment does not result in a HECS-HELP debt (**s.96-10**).

Part 3-3 provides that eligible students may receive FEE-HELP assistance to pay tuition fees up to a limit of \$50 000.

Part 3-4 provides that eligible students may receive OS-HELP assistance for overseas study. The maximum OS-HELP amount, for a period of six months, is \$5 000.

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Chapter 4 provides for the repayment of debts incurred under HECS-HELP, FEE-HELP and OS-HELP (called HELP debts). All HELP debts are discharged upon death (**s.137-20**). **Division 140** describes how HECS-HELP debts are calculated, including the method of indexation. **Division 143** describes how FEE-HELP and OS-HELP debts are calculated. **Section 143-10** provides that these debts are to be indexed on the same basis as HECS-HELP, plus 3.5 per cent p.a. The later factor is only applied for the first ten years after the FEE-HELP or OS-HELP debt is incurred. **Division 151** provides for a 10 per cent repayment bonus for voluntary repayments of HECS-HELP debts, if the payment exceeds \$500 or is sufficient to pay off the total debt. **Division 154** provides for the compulsory repayment of HELP debts when a person's minimum repayment income exceeds \$30 000. Minimum repayment income is defined as taxable income plus rental property losses, reportable fringe benefits and exempt foreign income. The percentage of income payable at various income levels is set out in **s.154-20**. These income levels are indexed on the basis of movements in Average Weekly Earnings (**s.154-25**).

Comment: The repayment provisions of the Bill are very similar to those in the HEFA relating to HECS, with the exception of the repayment levels and the 3.5 per cent increment that applies to FEE-HELP and OS-HELP debts. One other significant difference is the omission of any provisions establishing a Special Reserve for the receipt and application of HECS monies, such as that provided for by Part 4.3 of the HEFA. This Special Reserve was included in the HEFA to ensure that HECS revenue was used for higher education purposes and not treated like ordinary taxation revenue.

Chapter 5 deals with administrative matters, including the administrative requirements that are imposed on providers. **Section 169-15** requires providers to charge domestic students either a student contribution amount (if they are Commonwealth supported students) or a tuition fee. **Section 169-20** provides that certain students may be exempted from the contribution amount and tuition fees. **Division 198** deals with the indexation procedures that are to apply to Commonwealth contribution amounts, maximum student contribution amounts, the FEE-HELP limit and the maximum OS-HELP amount.

Chapter 6 provides for the accreditation of higher education in Australia's external territories.

Section 238-10 provides that the Minister may make Guidelines for various matters. These are disallowable instruments.

Concluding Comments

It might be argued that the Bill is deficient in terms of the opportunities it provides for parliamentary oversight. As it stands, the Bill empowers the Minister to dispense over \$4 billion each year without any requirement to report on who received grants, and on what basis. Under the HEFA, the major categories of grants are the subject of Ministerial

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determinations which are disallowable instruments. There is also a requirement for an annual report detailing all such determinations.

The funding agreements provision in the Bill (s.30-25) will give the Secretary of the Department an unprecedented degree of influence over the academic affairs of universities, including the types of undergraduate and postgraduate courses offered, and any other conditions which he sees fit to attach to grants. Yet there is no requirement for these agreements to be monitored by Parliament, or even published. There is a similar lack of accountability regarding the Minister's decisions with regard to the National Governance Protocols and workplace relations policies (s.33-15).

Much of the detail relating to the new funding system is not in the Bill, but is to be included in the various Guidelines authorised under s.238-10. While these Guidelines are disallowable by Parliament, this is a poor substitute for the Parliament's power to consider and amend legislation.

Endnotes

- 1 Detailed background on higher education funding policy and HECS can be obtained from the Parliamentary Library briefs at <http://www.aph.gov.au/library/intguide/SP/hefunding.htm> and <http://www.aph.gov.au/library/intguide/SP/hecs.htm> respectively.
- 2 Submissions and other information relating to the inquiry can be obtained from http://www.aph.gov.au/Senate/committee/eet_ctte/highed2003/index.htm.
- 3 The Issues Papers and other documents relating to the review can be obtained from the DEST Internet site at <http://www.backingaustraliasfuture.gov.au/review.htm>.
- 4 Education, Science and Training Senate Legislation Committee – Questions on Notice. 2002-03. Additional Estimates Hearing. DEST Question No.E664_03.
- 5 DEST, *Finance 2002 Selected Higher Education Statistics* (August 2003), p. 15.
- 6 Available from <http://www.detya.gov.au/archive/highered/occpaper/99F/does.pdf>.
- 7 Les Andrews, *Does HECS Deter? Factors affecting university participation by low SES groups* (August 1999), p. 25.
- 8 Available from <http://econrssh.anu.edu.au/pdf/DP449.pdf>.
- 9 Aungles, Buchanan, Karmel and MacLachlan, *HECS and opportunities in higher education: a paper investigating the impact of the Higher Education Contributions Scheme (HECS) on the higher education system* (2003).
- 10 The annual student statistics are at <http://www.detya.gov.au/highered/statpubs.htm#studpubs>.
- 11 Available from <http://www.dest.gov.au/directory/media/reports/expansion.htm>.
- 12 ABS, *Education and Training Experience 2001* (May 2002).

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- 13 ABS, *Education and Training Indicators Australia 2002* (December 2002).
- 14 Available from http://www.dest.gov.au/highered/eippubs/eip02_5/default.htm
- 15 Richard James, *Socioeconomic Background and Higher Education Participation: an analysis of school students' aspirations and expectations* (April 2002), p. 50.
- 16 Available from <http://www.pc.gov.au/research/studies/highered/finalreport/highered.pdf>.
- 17 The project is directed by D. Bruce Johnstone at the State University of New York. See <http://www.gse.buffalo.edu/org/IntHigherEdFinance/index.html>.

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