Higher Education Legislation Amendment (2006 Budget and Other Measures) Bill 2006

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Higher Education Legislation Amendment (2006 Budget and Other Measures) Bill 2006

Date introduced: 6 September 2006

House: House of Representatives

Portfolio: Education, Science and Training

Purpose

The Bill will amend the Higher Education Support Act 2003 (HESA) to revise maximum funding amounts to:

- increase Commonwealth supported places in health workforce courses
- fund new places at a centre of excellence in Islamic Studies
- increase Capital Development Pool (CDP) funding
- fund the Commercialisation Training Scheme (CTS)
- provide funding for the Federation of Australian Scientific and Technological Societies
- provide funding for the Council for the Humanities, Arts and Social Sciences
- increase maximum payments for Commonwealth Scholarships and
- reflect indexation increases for the years 2007 to 2009 and to add a new funding year 2010.

The Bill will also amend the HESA to:

- revise the FEE-HELP limit
- extend summer schools provisions to winter schools
- replace student cohort provisions to allow providers further flexibility in setting student contributions and tuition fees
- provide for the rounding in the calculation of accumulated HELP debts

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• provide additional requirements in the Administration Guidelines to clarify the arrangements for electronic communications between providers and students; and

• allow the Commonwealth to regulate higher education and prescribe fees in the external territories.

The Bill will also amend the *Higher Education Funding Act 1988* (HEFA) to:

• reflect indexation increases for transition funding for 2007, and

• remove the HECS account.

The Bill will also amend the *Australian Research Council Act 2001* to:

• Reflect updated annual caps on funding.

**Background**

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 culminated in the higher education policy package, *Backing Australia’s Future*, which was announced as part of the 2003-04 Budget. The Government’s reform package was introduced with the passage of the *Higher Education Support Act 2003* (HESA). The legislation introduced major funding changes in 2005.¹

Under the new Commonwealth Grant Scheme, Commonwealth operating grants for universities are now calculated on a funding formula based on student numbers and discipline mix. Funds per student place were increased by 2.5 per cent in 2005, 5.0 per cent in 2006 and 7.5 per cent in 2007. These increases were conditional on institutions complying with the Commonwealth’s model for institutional governance (‘National Governance Protocols’) and workplace relations policies. From 2004 the Government incorporated a regional loading with students attending regional campuses attracting additional payments for the institution depending upon the location and size of the campus. From 2005, institutions in receipt of Commonwealth supported places determine their own student contribution level for each course they offer within ranges set by the Commonwealth.

The reforms also introduced the HECS-HELP scheme to replace HECS. This new scheme applied to all higher education students enrolling in 2005 and later years. Students who were already enrolled will continue to be liable for the old HECS rates of payment until the end of 2008. In addition, the Government introduced 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).
Financial implications

The bill increases the overall appropriation under the *Higher Education Support Act 2003*, by $6,230.381 million for the period 1 July 2006 to 31 December 2010. The increased appropriation will

- vary the maximum grants under the Commonwealth Grants Scheme by $4,055.801 million to fund increased Commonwealth funded places
- vary the maximum payments for Other Grants by $1,941.573 million, to increase Capital Development Pool (CDP) funding, fund the Commercialisation Training Scheme and provide funding for the Federation of Australian Scientific and Technological Societies the Council for the Humanities, Arts and Social Sciences and
- vary the maximum payments for Commonwealth Scholarships by $233.007 million.

The Explanatory Memorandum states the estimated financial impact of increasing the FEE-HELP limit over the four years 2006-07 to 2009-2010 is $18.293 million on the fiscal balance, expenses amount to $20.759 million and headline cash is -$78.458 million. In the 2006-07 Budget the Minister estimated the cost would be $78.5 million.²

The Explanatory Memorandum states the estimated financial impact of introducing a winter schools provision under HESA over the forward estimates period (2006-07 to 2009-10) is $0.294 million on the fiscal balance, expenses amount to $0.340 million and headline cash is -$1.290 million.

The Explanatory Memorandum states the estimated financial impact of introducing a rounding in the calculation of HELP debts over the forward estimates period (2006-07 to 2009-10) is -$0.001 million on the fiscal balance, expenses amount to $0.001 million.

The Bill increases the overall appropriation by $0.154 million under the *Higher Education Funding Act 1988* for the period 1 January 2007 to 31 December 2007 to reflect indexation increases for transition funding in 2007.

The Bill increases the overall appropriation by $29.239 million under the *Australian Research Council Act 2001*, for the period 1 July 2006 to 30 June 2009 to update annual caps on funding.

Main provisions

Schedule 1

Schedule 1 deals with amounts relating to grants, including the application of the Government’s indexation formula, for increased Commonwealth supported places (formerly called HECS places) funded by the Commonwealth Grant Scheme.
The Bill funds:

- 1036 additional nursing places commencing in 2007. The places will increase to 2,735 additional nursing places by 2010
- 200 additional new commencing medical places in 2007. These will increase to 405 by 2009
- 431 additional new places in undergraduate nursing courses with a mental health major commencing in 2007. This will increase to at least 1,148 places by 2010
- 210 additional Commonwealth supported postgraduate clinical psychology places commencing in 2007. This will increase to 400 places by 2008
- An increased Commonwealth contribution amount for nursing units of study to $10,189 in 2007 (formerly $9,316);
- 40 new places at a proposed National Centre for Islamic Studies.

Health workforce places

In January 2006, the Productivity Commission reported that shortages persisted across a number of Australia’s health professions and that factors such as development in technology, growing community expectations of what the health system can deliver and population ageing, would increase future demand for health services. The Commission concluded that while part of the solution to the problem was improving the retention rate for existing workers, encouraging workers to re-enter the workforce and improving workforce distribution, essentially Australia needed to train more health workers to meet the projected needs of the population.

In February 2006 the Council of Australian Governments (COAG) meeting recognised the urgency of addressing the national health workforce shortage. On 5 April 2006, the Prime Minister announced 420 additional mental health nursing places and 200 clinical psychology places as part of the Commonwealth’s contribution to the COAG mental health package. On 8 April 2006 the Government announced an additional $250 million to provide 400 new medical school places and over 1,000 new higher education nursing places. Following the July Council of Australian Governments (COAG) meeting, it agreed to fund a further 205 medical school places.

National Centre for Islamic Studies Places

Government funding of $8 million for a National Centre for Islamic Studies was announced in a Joint Media Release by the Minister for Education, Science and Training, the Hon. Julie Bishop and the Parliamentary Secretary to the Minister for Immigration and Multicultural Affairs, the Hon. Andrew Robb on 16 July 2006. Classes are expected to begin in 2007 with 300 students. The Department of Education, Science and Training
(DEST) has called for expressions of interests from universities to host the proposed National Centre. The bill increases funding to provide for 40 new places at the centre.

Schedule 1

Item 6 inserts new table items in subsection 41-45(1) to vary maximum payments to increase Capital Development Pool (CDP) funding; fund the Commercialisation Training Scheme (CTS); provide funding of $1.5 million over four years for the Federation of Australian Scientific and Technological Societies and the Council for the Humanities, Arts and Social Sciences.

Capital Development Pool (CDP)

The CDP was established in 1994 to provide special assistance to new campuses and those undergoing expansion. Extra funding of $95.5 million over four years for the CDP was announced in the 2006-07 Budget. This funding is separate from the $25.5 million of capital funding in the Bill to support new medical places at James Cook University, the University of New England and the University of Queensland. Universities are asked to bid for the extra CDP funding for infrastructure projects to commence in 2007.

Commercialisation Training Scheme (CTS)

As part of Backing Australia’s Ability – Building our Future through Science and Innovation, the Government announced that around 250 new postgraduate research scholarships would be created to provide high quality research commercialisation training for the next generation of Australian researchers as a means of equipping them with the skills, knowledge and experience necessary to bring research-based ideas, inventions and innovations to market. These scholarships will be delivered through a new programme called the Commercialisation Training Scheme (CTS). DEST estimated allocations of approximately $5 million under the CTS each year.

Schedule 2

Schedule 2 deals with FEE-HELP limit.

Item 2 repeals section 104-20 and substitutes a new section to increase the general FEE-HELP limit to $80,000 and the FEE-HELP limit for students in medicine, dentistry or veterinary science courses to $100,000.

FEE-HELP

Since 2005 full-fee paying domestic students are eligible for an income contingent loan scheme called FEE-HELP. After the COAG meeting on 10 February 2006 the Prime Minister announced that the upper limit on FEE-HELP for medical students would rise from $50,000 to $80,000. However in the 2006-07 Budget the Minister announced the
general FEE-HELP loan limit would be increased from $50,950 to $80,000 and for medicine, dentistry and veterinary science students, the FEE-HELP loan limit will be increased to $100,000. The Minister estimated that additional FEE-HELP loans of $78.5 million would be made over four years.\(^\text{14}\)

The increased loan limit applying to medicine, dentistry and veterinary science reflects the costs of the courses. As the Australian Medical Association point out ‘Medicine now tops the list of the most expensive full-fee paying courses at university - with a University of NSW combined Medicine/Arts degree now costing $237,000’.\(^\text{15}\) The AMA estimates that 300 full-fee paying medical students enrol each year and predicts this figure to rise to around 700 students a year. The AMA opposed the increased cap in full-fee medical places, announced by the Minister in February 2006, and would prefer to see all medical school places being Commonwealth supported places.\(^\text{16}\)

**Schedule 3**

Schedule 3 deals with student contribution amounts and tuition fees.

Sections 19-85 to 19-105 of HESA require higher education providers to determine the same student contribution amounts (previously HECS fees) and tuition fees for all students in the same courses. **Part 1** makes amendments that allow providers to set different contribution amounts and tuition fees for students in the same units. Possible factors in determining differential amounts are: mode of course delivery (distance education, on-line or on campus), campus (metropolitan or regional) and year of commencement (rather than current student cohort provisions). The Bill allows the Minister to specify in the Higher Education Provider Guidelines matters that providers may not consider when setting more than one contribution or fee. The details of such prescribed factors are not yet available. **Item 5** amends section 19-95 requiring providers to publish information about contributions and fees that will allow students to determine which contribution amount or tuition fee applies to them.

**Part 2** deals with saving provisions ensuring that any determination on student contributions and tuition fees made before the amendments take effect will be saved and apply to those students who enrolled under the determination.

These amendments further extend the flexibility given to providers under the changes implemented in 2005 allowing institutions in receipt of Commonwealth supported places to determine their own student contribution level for each course they offer within ranges set by the Commonwealth. The former three HECS bands, each with a fixed rate of student contribution, were replaced by ranges. The top of these ranges was 25 per cent higher than the level of HECS under the former arrangements. The bottom of each range is $0 and institutions are able to set the student contribution at any point within these ranges. Under the amendments student contributions will remain subject to the maximum amounts for Commonwealth supported students specified in the Act and tuition fees can not be set below the tuition fee minimums for fee-paying students.
Schedule 4

Schedule 4 deals with technical amendments related to the calculation of HELP debts.

Schedule 5

**Items 1 and 2** repeal the Higher Education (HECS) Account.

Until the commencement of HESA in 2005 Higher Education Contribution Scheme (HECS) payments to higher education institutions were made under the provisions of Part 4.3 of the *Higher Education Funding Act 1988* (HEFA) which established the Higher Education (HECS) Special Account. Amounts, such as HECS debt repayments, were still credited to the Account until 1 June 2006. The Bill will repeal the HECS Account and any amounts in the Account will go to consolidated revenue.

Schedule 6

Schedule 6 extends the full-fee summer schools provisions to winter schools. Under the summer school provisions students in Commonwealth supported places can choose to pay fees and complete units during summer schools. These provisions will now also apply to winter schools. Such provisions allow students more flexibility, for example to complete their courses in a shorter time, or to repeat a unit without waiting for the unit to be offered in the usual semester.

Schedule 7

Schedule 7 deals with provisions for the Administration Guidelines. The Guidelines will allow, but not compel, students and higher education providers to use electronic communications.

Schedule 8

Schedule 8 makes technical amendments to permit the Government to regulate higher education in external territories.

Schedule 9

**Items 1, 2 and 3** amend section 49 of the *Australian Research Council Act 2001* to increase funding caps to reflect revised forward estimates.

**Concluding comments**

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The most significant features of the Bill relate to the funding for increased health workforce places and the provisions to increase the FEE-HELP limit. State Governments welcomed the outcomes of the February COAG meeting but Premier Beattie later expressed concern at the shortfall in the number of medical and nursing places in Queensland.\textsuperscript{17} States that had initially missed out on places were more pleased with the final outcomes of the July COAG meeting.\textsuperscript{18} The Australian Nursing Federation welcomed the increase in funding but, concerned with the shortage of nurses, resolved to lobby the Federal Government to allocate more places and the states and territories to increase their allocation of training places for enrolled nurses.\textsuperscript{19} The Australian Vice-Chancellors’ Committee (AVCC) considers the increase to the Commonwealth contribution for nursing places to $10,189 insufficient for the cost of course provision that will include clinical practical costs.\textsuperscript{20}

The Australian Medical Association (AMA) is concerned that full-fee paying students will not be guaranteed clinical training places and has called on the Government to make all medical places Commonwealth funded places. The AMA argues that ‘higher number of full-fee places will do nothing to get young doctors to where they are needed most, especially regional Australia. In fact, it will probably have the opposite effect. The AMA calls on all levels of Government to do ‘their bit’ and, as a matter of urgency, cut the number of full-fee paying places and increase the clinical training capacity in our teaching hospitals’.\textsuperscript{21} The Government’s decision to change the cap on full-fee places in medicine and the provisions of the Bill to increase the FEE-HELP limit are likely, however, to encourage an uptake of full-fee places.

The policy to permit universities to charge fees for domestic undergraduate students was introduced in 1996 and implemented in 1998 when 829 undergraduate students accepted fee paying places.\textsuperscript{22} By 2004 there were 13,959 domestic full-fee paying undergraduate students (or 2.65 per cent of domestic undergraduate students) and 964 were in ‘Health’ courses which include Medicine and Dentistry.

FEE-HELP, the income contingent loan scheme commenced in 2005 It replaced the Postgraduate Education Loans Scheme (PELS) and extended loans to full-fee paying undergraduate domestic students at both public and private higher education institutions. The policy has been described as ‘the most important piece of university policy since the abolition of fees in 1974’ and ‘innovative and good’.\textsuperscript{23} Its effect is not yet fully evident but is likely to increase the uptake of full-fee places and to further increase competition for those students between providers.

Professor Bruce Chapman predicts that by 2008, one in ten domestic students will be full-fee paying students, partly as a result of FEE-HELP and partly due to other factors such as a small growth in HECS liable places and a reduced differential between full-fees and HECS. He argues that such a trend ‘will diminish the access of relatively poor prospective students’.\textsuperscript{24} Some universities support this view and remain opposed to offering places that cannot be attained on merit.\textsuperscript{25} But the majority of universities do offer full-fee places
and FEE-HELP can be seen as a way of improving access to those students without the resources to pay upfront fees.

FEE-HELP will also have an economic impact on the higher education sector. Critics such as Simon Marginson argue that: ‘FEE-HELP makes the full-fee market viable. It also makes viable a large American-style private sector, with small specialist institutions and elite Ivy League Private Universities subject to government approval.’ Others welcome such developments arguing that the policy will ‘help empower universities as entrepreneurs and students as consumers’. Enrolment data is not yet available but media reports suggest the demand for places at the ‘Group of Eight’ universities, attractive in terms of location and reputation, has increased and that there has been significant uptake in places at private education institutions. However there is also evidence that some courses at regional and younger universities, such as commerce at Deakin University, are also attracting more fee paying students. FEE-HELP is likely to contribute to diversity in the higher education sector but as some regional universities have found, if they cannot fill their Commonwealth supported places quota they are not able to take advantage of any increased demand that FEE-HELP might offer.

By increasing the FEE-HELP limit the Bill responds to criticism from a range of education academics, policy advisers and administrators that the FEE-HELP limit is too low, that there is a likelihood of students running out of funds and not completing their course, that it deters poorer students and that it does not cater for the range of courses and fees that are offered. Other commentators go further, arguing the limit should be raised higher than the proposed limit, the cap abolished completely or that the HECS-HELP and FEE-HELP should merge into a single flexible system.

Endnotes

1. For further background see Kim Jackson, ‘Higher Education Support Bill 2003’, Bills Digest, no. 56, Department of the Parliamentary Library, Canberra, 2003-04.
3. Funding of $268.8 million over four years for these extra places was announced by the Minister, in the 2006-07 Budget. J. Bishop (Minister for Education, Science and Training), ‘2020 new higher education places to boost the health workforce’, media release, 9 May 2006.
4. Section 33-5 describes how the contribution amount and the number of Commonwealth supported places is used to calculate basic grant amount for a higher education provider.

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9. J. Bishop (Minister for Education, Science and Training) and A. Robb (Parliamentary Secretary to the Minister for Immigration and Multicultural Affairs), $8m for Centre of Excellence for Islamic Education National Action Plan, joint media release, 16 July 2006. See also: A. Robb (Parliamentary Secretary to the Minister for Immigration and Multicultural Affairs), ‘Key Initiatives Action Plan’, media release, 16 July 2006. The joint press release states that Muslim communities in Australia will be consulted during the establishment of the institute and it is expected that the successful university would have the benefit of a Muslim advisory group. Press coverage has interpreted the centre as a place for training Muslim religious leaders, but DEST envisions the centre would provide Islamic studies (similar to tertiary level theology) and that the qualification or recognition to practice as a religious leader would be the responsibility of the Muslim community not the centre.

10. J. Bishop (Minister for Education, Science and Training), ‘Growing our universities’ media release, 9 May 2006. The CDP funding does not include the special one-off capital grants to the John Curtin School of Medical Research at the Australian National University, the medical school at Bond University, and the Centre for Transnational Crime Prevention at the University of Wollongong also announced in the budget press release.


12. Commercialisation Training Scheme on the DEST website has relevant documents on the outcomes of consultations and the administrative arrangements for the scheme.


16. The percentage of Commonwealth supported places (formerly HECS places) for a course of study in medicine is determined under section 36-35 (1)(b) of the Act. After the February COAG meeting the Minister declared that the percentage of Commonwealth supported places for a course in medicine is 75%. (Federal Register of Legislative Instruments F2006L00631) The effect of this declaration is to increase the cap on the number of full-fee paying medical places for Australian students from 10 to 25 per cent. ‘AMA Federal Council Calls on Government to Dump Policy on Full Fee Paying Medical Places’, media release, 23 August 2006. See also AMA ‘Debt and Doubt for Full Fee Students’, media release, 25 July 2006.


19. Australian Nursing Federation, ‘Positive first steps to address the nursing shortage’, media release, 8 April 2006.


27. Andrew Norton, op. cit.


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