



## Higher Education Support Amendment (2008 Budget Measures) Bill 2008

Coral Dow  
Social Policy Section

### Contents

Purpose . . . . .	2
Background . . . . .	3
Basis of policy commitment . . . . .	3
Financial implications . . . . .	4
Main provisions . . . . .	4
Schedule 1 . . . . .	4
Schedule 2–Other amendments . . . . .	5
Phasing out domestic undergraduate full-fee paying places . . . . .	5
Concluding comments . . . . .	9

## Higher Education Support Amendment (2008 Budget Measures) Bill 2008

**Date introduced:** 29 May 2008

**House:** Representatives

**Portfolio:** Education

**Commencement:** Royal Assent

**Links:** The [relevant links](#) to the Bill, Explanatory Memorandum and second reading speech can be accessed via BillsNet, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

### Purpose

The Bill will amend the *Higher Education Support Act 2003* (the HESA) to provide additional funding for the following 2008–2009 Budget measures:

- additional Commonwealth supported places in early childhood education and nursing;
- to compensate higher education providers for a reduction in the student contribution amount for mathematics, statistics and science;
- additional Commonwealth supported places and transitional assistance for the phasing out of full fee paying domestic undergraduate places;
- the doubling of the number of undergraduate Commonwealth scholarships by 2012;
- the doubling of the total number of Australian Postgraduate Award (APA) holders by 2012;
- for capital infrastructure and additional Commonwealth supported places at the James Cook University Dental School; and
- capital infrastructure and additional Commonwealth supported places in medicine, nursing and education at the University of Notre Dame Australia.

The Bill will also amend the HESA to provide for a reduction in Higher Education Loan Program (HELP) repayments and in certain cases a reduction in HELP debt for eligible persons in the form of a new HECS-HELP benefit.

**Warning:**

*This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.*

*This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.*

## Background

The Commonwealth provides assistance for higher education through the provisions of the *Higher Education Support Act 2003* (the HESA).

Part 2-2 of the HESA sets out the conditions for the Commonwealth Grant Scheme (CGS), which provides grants to higher education providers on the basis of the number of Commonwealth supported places they have been allocated in specified funding clusters.

Parts 4-1 and 4-2 of the HESA deal with how debts accumulated under the student loans scheme, the Higher Education Loan Program (HELP), are worked out and discharged.

Section 238-10 of the HESA allows the Minister to make guidelines and for the guidelines to be disallowable legislative instruments.

### Basis of policy commitment

In Opposition, the Australian Labor Party claimed that ‘no policy is more important than Australia’s investment in human capital – the education, skills and training of our workforce and our people’.<sup>1</sup> This emphasis on investing in education as the basis for productivity growth, overcoming individual disadvantage and social inclusion continues in government.<sup>2</sup> The higher education budget measures fulfil election promises to phase out domestic undergraduate full-fee paying places, reduce the student contribution fees in mathematics and science, reduce the HELP debt of mathematics, science and early childhood graduates, increase the number of places in dentistry, medicine, nursing, early childhood teaching and double the number of Commonwealth scholarships and Australian Postgraduate Awards. Broadly the focus is on measures to overcome skills shortages and to a lesser degree address equity issues.

More wide ranging reforms of university funding and possible changes in policy direction might be expected after the Education Minister receives the final report of the Review of Australian Higher Education (the ‘Bradley review’), by the end of 2008. We might expect, as a result, more significant measures in the 2009–2010 Budget.<sup>3</sup>

- 
1. Kevin Rudd and Stephen Smith, [\*The Australian economy needs an education revolution: New directions paper on the critical link between long term prosperity, productivity growth and human capital investment\*](#), ALP, Canberra, January 2007, p. 5.
  2. Julia Gillard, *Budget: Education Revolution 2008-09*, Commonwealth of Australia, Canberra, 13 May 2008.
  3. The review will ‘examine and report on the future direction of the higher education sector, its fitness for purpose in meeting the needs of the Australian community and economy, and the options for ongoing reform. It will inform the preparation of the Government’s policy agenda for the decade ahead’. See DEEWR website, Review of Australian Higher

**Warning:**

*This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.*

*This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.*

## Financial implications

Provisions in **Schedule 2** increase the overall appropriation by \$2,259,982,000 for the period 1 January 2008 to 31 December 2012 (excluding the Higher Education Loan Programme).

In relation to the Higher Education Loan Programme the Explanatory Memorandum states the estimated financial impact ‘over the forward estimates period (2008-09 to 2011-12) is -\$26.050 million on the fiscal balance, resourcing amounts to \$4.198 million and underlying cash is -\$33.252 million’.<sup>4</sup>

## Main provisions

Schedule 1 deals with a new HECS-HELP benefit.

**Items 1 to 12** provide for a reduction in compulsory HELP repayments and in certain cases a reduction in HELP debt in the form of a new HECS-HELP benefit.

**Item 13** provides for a new division dealing with eligibility, amounts and determinations regarding the HECS-HELP benefit.

The details of the HECS-HELP benefit will be specified in HECS-HELP Benefit Guidelines which are made by the Minister under Section 238-10 of the HESA. The amendments and the Guidelines for HELP debt ‘remissions’ will implement an election promise to ‘halve the HECS repayments of maths and science graduates if they take up work in a relevant maths/science occupation, particularly teaching’.<sup>5</sup> The measure will apply to graduates from second semester in 2008 and the benefit will be claimable for a total of five years from the 2008-09 income year and cost ‘around \$63.6 million over four years’.<sup>6</sup> Halving the HECS repayments of science and mathematics graduates who work

Education:

[http://www.dest.gov.au/sectors/higher\\_education/policy\\_issues\\_reviews/reviews/highered\\_review/](http://www.dest.gov.au/sectors/higher_education/policy_issues_reviews/reviews/highered_review/) See also J. Gillard (Minister for Education, Employment and Workplace Relations and Social Inclusion), ‘*A Higher Education Revolution: Creating a Productive Prosperous Modern Australia*’, speech to the Australian Financial Review’s Higher Education Conference, media release, 13 March 2008.

4. [Explanatory Memorandum](#), p. 5.
5. K. Rudd and S. Smith ‘*Encouraging Young Australians to Study and Teach Maths and Science - Labor’s Education Revolution*’, media statement, 31 January 2007.
6. Julia Gillard, (Minister for Education, Employment and Workplace Relations and Social Inclusion) ‘Second Reading Speech: Higher Education Support Amendment (2008 Budget Measures) Bill 2008’, House of Representatives, *Debates*, 29 May 2008, p.58; J. Gillard,

**Warning:**

*This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.*

*This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.*

as teachers for five years is welcomed by a number of stakeholders including the Federation of Australian Scientific and Technological Societies (FASTS) because it ‘not only addresses the absurd inequity of new science teachers having higher debts than their colleagues, but may also improve the quality of school teaching by encouraging suitably qualified people’.<sup>7</sup>

Schedule 2–Other amendments deals with payments under the Commonwealth Grants Scheme.

**Item 1** increases the maximum grants for the years 2008 to 2012 under the Commonwealth Grants Scheme to fund additional Commonwealth supported places and compensate higher education providers for a reduction in student contributions in mathematics and science and the phasing out of domestic full fee paying places.

**Items 2 to 5** provide for a new transitional loading to compensate higher education providers for the reduction in student contributions in mathematics and science and the phasing out of domestic full fee paying places.

**Item 7** deals with the phasing out of domestic full-fee paying places. Public universities will not be allowed to enrol full-fee paying students (other than overseas students or post graduate students) beyond 1 January 2009. Provisions will allow full-fee paying students already enrolled, or deferred, to complete their courses.

Phasing out domestic undergraduate full-fee paying places

Since 1998, universities have been able to offer full-fee paying places to domestic undergraduate students. Although the uptake of these places was initially small, it has increased since the introduction of income contingent FEE-HELP loans to full-fee students in 2005. Along with this increased uptake has been an increase in the proportion of university income from domestic student fees. The Australian Labor Party has opposed domestic full-fee places on the grounds that university access should be determined by merit rather than wealth, and has promised at every election since 1998 to phase them out.

Estimates of the required commensurate increase in Commonwealth funding to universities to compensate for the loss of full-fee paying students have varied widely from \$200

---

(Minister for Education, Employment and Workplace Relations and Social Inclusion) ‘Higher Education Revolution’, media release, 13 May 2008. In opposition the government estimated this would cost \$30.8 million over four years.

7. K. Baldwin, ‘[Brief comment on budget 2008 for The Australian Higher Education Supplement, Tuesday 13th of May, 2008](#)’, Federation of Australian Scientific and Technological Societies, Canberra; see also K. Lambeck, President of the Australian Academy of Science, ‘[Budget 2008/09 response](#)’, Australian Academy of Science, Canberra, 14 May 2008.

**Warning:**

*This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.*

*This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.*

million to \$700 million. In opposition the Labor Party estimated that universities would forgo \$325 million in revenue in the years 2009–2011 and promised \$355 million to provide an additional 11 000 Commonwealth Supported Places (previously called HECS places) to replace the full-fee paying places.<sup>8</sup> The government, whilst still providing up to 11 000 new Commonwealth supported places by 2011, has revised the cost of this measure down to \$249 million.

During the election the Labor Party expected the replacement Commonwealth supported places would be in target areas of national priority and skills shortage such as teaching, mathematics, science and engineering.<sup>9</sup> The government has not provided details of the places to be offered and how they will be allocated except to state that the compensation and replacement places will be negotiated with each university.<sup>10</sup> Media coverage reports that most universities expect the Commonwealth supported places will not adequately cover the revenue previously generated from full-fee places.<sup>11</sup> However there will be extra revenue generated from the student contributions component (previously HECS fees) of the Commonwealth supported places.<sup>12</sup> Whether the combined government and student contribution revenue from the new places will be sufficient to replace revenue from the full fee places in disciplines such as law, commerce and medicine is unclear but some universities with a large number of full-fee paying students may need to find alternative revenue means, possibly through an increased intake of overseas and domestic postgraduate coursework fee paying students.

The provisions in **Items 2 to 5** for a new transitional loading may address some of universities' concerns. The Minister's second reading speech states:

If universities demonstrate that assistance is required to ensure the delivery of replacement Commonwealth supported places, the government may provide additional funding, over and above that for the places, through the new transitional funding that is being introduced through this bill.<sup>13</sup>

- 
8. S. Smith (Shadow Minister for Education and Training), [‘Better access, a fairer system: Labor’s full fee degree phase out’](#), media release, 22 November 2007.
  9. S. Smith (Shadow Minister for Education and Training), [‘Better access, a fairer system: Labor’s full fee degree phase out’](#), media release, 22 November 2007
  10. [‘Full fee figures’](#) *Campus Review*, 20 May 2008, p. 8; G. Healey, [‘Local fees offer row’](#) *Australian*, 21 May 2008, p.22.
  11. See for example: G. Healey, ‘Local fees offer row’ *Australian*, 21 May 2008, p.22; J. Ross, [‘Full fee places: Labor refocuses its priorities’](#), *Campus Review* 13 May 2008.
  12. Media coverage has suggested that this additional revenue may be \$226 million. J. Mather, [‘Unis brace for full-fee deficit’](#), *Australian Financial Review*, 19 May 2008.
  13. Julia Gillard, (Minister for Education, Employment and Workplace Relations and Social Inclusion) ‘Second Reading Speech: Higher Education Support Amendment (2008 Budget Measures) Bill 2008’, House of Representatives, *Debates*, 29 May 2008, p.58.

**Warning:**

*This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.*

*This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.*

The details of the loading and how it will be applied are unclear. A departmental document circulated to universities and reported in the media stated ‘the transitional funding will only be available in 2009, pending the outcomes of the higher education review and the negotiation of funding compacts, and will be restricted to specific purposes relating to the delivery of these [Commonwealth supported] places’.<sup>14</sup>

**Items 11 and 12** provides for reduced maximum student contributions for mathematics, science and statistics units. Section 93-10 of the HESA sets out the maximum student contributions grouped in seven funding clusters. Funding cluster three includes mathematics and statistics. From 1 January 2009 contributions for these units will be reduced from \$7260 to the lowest level of \$4,077 equivalent to the national priority places of education and nursing.<sup>15</sup> Funding cluster six includes engineering, science and surveying. Science contributions will also be reduced to the lowest level of \$4,077. This measure aims to encourage more students into the mathematics and science disciplines and delivers on an election commitment.

Although universities will receive additional funding of \$562 million through the transitional loading provided for in **Items 2 to 5** to make up for the reduction in student contributions in mathematics and science, the total funding per student place will not increase. This policy to reduce HELP fees for mathematics and science goes against research that suggests HECS–HELP charges in general do not deter students and that changes, either increases or decreases in particular discipline costs, have insignificant impacts on demand for those courses. For example, Macquarie University experienced no increased demand in science when it reduced student contributions in science in 2005.<sup>16</sup> Furthermore the Australian Academy of Science’s 2006 review of mathematics and statistics recommended that the relative funding of mathematical sciences departments in universities is inadequate and the emphasis should be on increasing the Commonwealth grant per place rather than reducing the student contribution.<sup>17</sup>

**Item 9** inserts a new table in subsection 41-45(1) to vary the maximum payments for Other Grants for the years 2008–2012. The maximum grants will increase to fund the

---

14. op. cit J. Ross.

15. Maximum student contributions are based on a full-time load of study per year.

16. Department of Education, Employment and Workplace Relations, [Review of Australian Higher Education: Discussion Paper](#), Canberra, 2008, pp. 31-32.

17. Australian Academy of Science, [Mathematics and Statistics: Critical Skills for Australia’s Future](#) Canberra, December 2006; see also [Science, Engineering and Technology Skills Audit](#), DEST, 2006. The [summary of submissions working paper](#) noted views on the need to improve university enrolments in Science, Engineering and Technology. Most submissions concentrated on the need to attract more students to enabling subjects at school, quality of school teachers and the image of Science, Engineering and Technology careers. None discussed the student contribution rates as being a deterrent.

**Warning:**

*This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.*

*This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.*

establishment of the James Cook University Dental School (\$49.5 million) and infrastructure at the University of Notre Dame's Sydney and Fremantle campuses (\$7.5 million). Both these measures, along with extra funding for Commonwealth supported places in dentistry at James Cook University and teaching, nursing and medicine at Notre Dame, funded under **Schedule 2 Item 1**, deliver on election commitments.<sup>18</sup>

**Item 10** increases the maximum payments for Commonwealth Scholarships.

In 2003, the Coalition Government introduced an equity based Commonwealth Scholarships Programme to assist students from low socio-economic backgrounds, especially those from regional and remote areas and Indigenous students, with costs associated with higher education. As an election commitment, under the *Scholarships for a Competitive Future* initiative, the Labor Party promised to double the number of Commonwealth Scholarships by 2012 from 44 000 to 88 000.<sup>19</sup> The Budget provides \$238.5 million to meet this commitment. Two new categories of Commonwealth Scholarship will be introduced from 2009: National Priority Scholarships and National Accommodation Scholarships. Twenty nine thousand National Priority Scholarships will target undergraduate students enrolling in priority disciplines such as nursing, teaching, medicine, dentistry, allied health, maths, science and engineering. Fifteen thousand National Accommodation Scholarships will be available for students relocating from interstate to study a specialist course not available near their home.<sup>20</sup>

As part of the *Scholarships for a Competitive Future* initiative an election commitment to double from 4 800 to 9 600 the number of postgraduate students receiving an Australian Postgraduate Award (APA) for their PhD or Masters by Research is also met in the Bill. \$209.0 million over four years is provided to meet this promise.<sup>21</sup> Stakeholders, including the Council of Australia Postgraduate Associations (CAPA) and Universities Australia whilst welcoming the increased numbers of APAs have called for an increase in the APA stipend and a change in the way the APA is treated in assessing income for taxation and

- 
18. N. Roxon, S. Smith and J. Turnour, '[Federal Labor Supports James Cook University Dental School In Cairns](#)', media release, 11 November 2007; S. Smith, '[Federal Labor's University Compacts: Investing In Our Universities' Strengths And Promoting National Interest Priorities](#)', media statement, 24 August 2007.
  19. K. Rudd, '[Scholarships for A Competitive Future - Federal Labor's Plan For Improved And Expanded Commonwealth Scholarships](#)', media release, 14 November 2007.
  20. J. Gillard, *Budget: Education Revolution 2008-09*, Commonwealth of Australia, Canberra, 13 May 2008, p. 50. See also the discussion paper [Scholarships for a Competitive Future](#) released as part of the government's consultation process on the implementation of the initiative.
  21. Budget measure within the Innovation, Industry, Science and Research portfolio, see: Australian Government, Budget Paper No. 2: Budget Measures 2008–09, Commonwealth of Australia, Canberra, 2008, p. 272.

**Warning:**

*This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.*

*This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.*



income support purposes.<sup>22</sup> According to CAPA, by the end of 2008 the Australian Postgraduate Award (APA) stipend will drop below the poverty line.

## Concluding comments

The Bill fulfils a number of election commitments. It provides for increased funding for measures aimed at overcoming skills shortages in mathematics, science, nursing, medicine, teaching and early childhood education. To a lesser degree measures such as funding to double the number of Commonwealth scholarships and to provide 11 000 Commonwealth supported places in lieu of domestic full fee places address equity issues in the higher education sector.

However stakeholders look to the next budget to address what they see as the critical issue of adequate funding per university place. Universities Australia concludes that 'while places, incentives and scholarships are important to encourage growth in the sector the Government must still address the immediate need for better funding per university place to maintain quality of teaching'.<sup>23</sup> Similarly the Federation of Australian Scientific and Technological Societies has called for more 'funding per science and technology student place' and 'a new funding model for universities that encourages knowledge transfer'.<sup>24</sup>

- 
22. Council of Australia Postgraduate Associations, '[APAs to break poverty line](#)', media release, 30 April 2008; Universities Australia, '[Financial support for research students now on the innovation agenda](#)', media release, 30 April 2008.
  23. Universities Australia, '[Budget commitments to universities commended](#)', media release, 13 May 2008.
  24. K. Baldwin, '[Brief comment on budget 2008 for The Australian Higher Education Supplement, Tuesday 13th of May, 2008](#)', Federation of Australian Scientific and Technological Societies, Canberra;

**Warning:**

*This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.*

*This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.*

---

© Copyright Commonwealth of Australia

This work is copyright. Except to the extent of uses permitted by the *Copyright Act 1968*, no person may reproduce or transmit any part of this work by any process without the prior written consent of the Parliamentary Librarian. This requirement does not apply to members of the Parliament of Australia acting in the course of their official duties.

This work has been prepared to support the work of the Australian Parliament using information available at the time of production. The views expressed do not reflect an official position of the Parliamentary Library, nor do they constitute professional legal opinion.

Feedback is welcome and may be provided to: [web.library@aph.gov.au](mailto:web.library@aph.gov.au). Any concerns or complaints should be directed to the Parliamentary Librarian. Parliamentary Library staff are available to discuss the contents of publications with Senators and Members and their staff. To access this service, clients may contact the author or the Library's Central Entry Point for referral.

---

Members, Senators and Parliamentary staff can obtain further information from the Parliamentary Library on (02) 6277 2709.

**Warning:**

*This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.*

*This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.*