



Higher Education Support Amendment (2010 Budget Measures) Bill 2010

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Higher Education Support Amendment (2010 Budget Measures) Bill 2010

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Commencement: Sections 1 to 3 will commence on Royal Assent. Schedule 1 will commence on whichever is the later date of 1 December 2010 or Royal Assent.

Links: The links to the [Bill, its Explanatory Memorandum and second reading speech](#) can be found on the Bills home page, or through <http://www.aph.gov.au/bills/>. When bills have been passed they can be found at the ComLaw website, which is at <http://www.comlaw.gov.au/>.

Purpose

The Higher Education Support Amendment (2010 Budget Measures) Bill 2010 (the Bill) proposes to amend the *Higher Education Support Act 2003* to:

- increase funding to eligible providers for the Commonwealth Grants Scheme (CGS) in 2010 and 2011
- increase funding to eligible providers for Other Grants for the years 2010 to 2013 and appropriate funding for these grants for 2014 and
- increase the maximum payments for Commonwealth scholarships for the years 2010 to 2013 and appropriate funding for these scholarships for 2014.

The proposed funding increases are mainly the result of indexation. However, the Bill's measures also continue the implementation of the Government's reforms of the higher education sector as the result of the Bradley Review of Australian Higher Education. The appropriation for the CGS also reflects the Government's decision to lift the cap on over-enrolments from 5 per cent to 10 per cent in anticipation of the introduction of an uncapped student demand-driven system in 2012. The proposed funding schedule for Other Grants also contains funding reductions; namely, a 20 per cent reduction in funding for the Australian Learning and Teaching Council and the cessation of the Graduate Skills Assessment Program.

Background

The *Higher Education Support Act 2003* (the Act) is the legislative basis for Australian Government funding of higher education. It sets out the eligibility of higher education providers for public funding and the details of Australian Government funding which is provided largely through:

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- the Commonwealth Grant Scheme which provides for a specified number of Commonwealth supported places at public universities each year
- the Higher Education Loan Programme (HELP)—previously called the Higher Education Contributions Scheme (HECS)—arrangements providing financial assistance to students
- Commonwealth scholarships and
- a range of other grants for specific purposes, including quality, learning and teaching, research and research training programs.

Basis of policy commitment

The Government's 2008 Review of Australian Higher Education, chaired by Professor Denise Bradley, heralded significant reforms of the sector; and the 2009–10 Budget delivered the Government's response, accompanied by significant structural change and policy initiatives. The initial phase of the Government's response was enacted by the *Higher Education Support Amendment (2009 Budget Measures) Act 2009* and the *Higher Education Support Amendment (Indexation) Act 2010*.¹ The Bill in part continues the implementation of the Government's reform of the higher education sector as flagged in its response to the Bradley Review.

Indexation arrangements

The Bill's proposed increased appropriations for indexation are a routine process. However, new indexation arrangements were authorised by the *Higher Education Support Amendment (Indexation) Act 2010*. The new indexation formula uses the Professional, Scientific and Technical Services (PSTS) labour price index (discounted by 10 per cent). It replaces the Safety Net Adjustment (SNA) and will constitute 75 per cent of the index. The Consumer Price Index will continue to make up the remaining 25 per cent of the index.²

The Government is implementing the new indexation arrangements in two stages. The new indexation arrangements will apply to student contributions from 2011 and for the CGS from 2012. In lieu of the new indexation arrangements for the CGS applying in 2011, provision was made for 'facilitation funding' of \$94 million. These arrangements were implemented by the *Higher Education Support Amendment (2009 Budget Measures) Act 2009*.

Similar to the CGS, the indexation arrangements for Other Grants and Commonwealth scholarships will not change until 2012.

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1. For detailed background, see Coral Dow, *Higher Education Support Amendment (2009 Budget Measures) Bill 2009*, Bills digest, no. 175, 2008–09, Parliamentary Library, Canberra, 2009, viewed 26 October 2010, <http://www.aph.gov.au/library/pubs/bd/2008-09/09bd175.pdf> and Coral Dow, *Higher Education Support Amendment (Indexation) Bill 2010*, Bills digest, no. 162, 2009–10, Parliamentary Library, Canberra, 2010, viewed 26 October 2010, <http://www.aph.gov.au/library/pubs/bd/2009-10/10bd162.pdf>
 2. Coral Dow, *Higher Education Support Amendment (Indexation) Bill 2010*, Bills digest, no. 162, 2009–10, op. cit., pp. 3–4.

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Commonwealth Grants Scheme

From 2012 an uncapped student demand-driven system (sometimes called a voucher system) will be introduced. It will replace the current system, which allocates and funds Commonwealth supported student places through agreements with universities on a set or capped number of places. These agreements also contain penalties for over-enrolments. In anticipation of the new uncapped system, the *Higher Education Support Amendment (2009 Budget Measures) Act 2009* made provision for the lifting of the cap on over-enrolments from 5 per cent to 10 per cent in 2010 and 2011. The introduction of the uncapped student demand-driven system in 2012 is the reason why the Bill does not set maximum funding limits beyond 2011.

Other Grants

The Act provides for Other Grants that fund a range of programs, including capital projects, research and teaching. The grants are provided to promote productivity, quality, equality of opportunity, collaborative reform and structural reform.³ The Bill proposes to implement two 2010–11 budget measures that impact on the funding for Other Grants; namely, funding for the Graduate Skills Assessment program and the Australian Learning and Teaching Council.

Graduate Skills Assessment

One of the two budget measures the Bill proposes to implement is the cessation of funding for the Graduate Skills Assessment (GSA) program from 30 June 2010, which will generate savings of \$2.4 million over four years.⁴ According to information in the 2010–11 Budget, these funds will be 'redirected to support other Government priorities' and the *My University* website will incorporate the program, although it is not explained how this will happen.⁵ The GSA was a voluntary test, introduced in 2000, and was designed to assess the generic skills of university graduates, both at point of entry to, and exit from, university. According to the Minister's second reading speech, there has been diminishing student interest in the GSA.⁶

3. For a list of these grants and their purpose, see Department of Education, Employment and Workplace Relations (DEEWR), 'Other Grants guidelines', DEEWR website, viewed 26 October 2010, <http://www.deewr.gov.au/highereducation/resources/hesupportact2003guidelines/pages/othergrantsguidelines.aspx>

4. Australian Government, *Budget measures: budget paper no. 2: 2010–11*, Commonwealth of Australia, Canberra, 2010, p. 137.

5. Ibid.

6. P Garrett, 'Second reading speech: Higher Education Support Amendment (2010 Budget Measures) Bill 2010', House of Representatives, *Debates*, 20 October 2010, viewed 26 October 2010, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22chamber%2Fhansardr%2F2010-10-20%2F0021%22>

Australian Learning and Teaching Council

The other Budget measure which the Bill proposes to implement is a 20 per cent reduction in funding of \$18.4 million over three years from 2011–12 for the Australian Learning and Teaching Council (ALTC). The ALTC receives approximately \$27 million annually to support a range of programs designed to enhance and support the quality of teaching in Australian universities.⁷

This measure is a consequence of the establishment of the Tertiary Education Quality and Standards Agency (TEQSA). However, as the Minister explains in his second reading speech, the ALTC will receive funding from TEQSA.⁸

Tertiary Education Quality and Standards Agency

The legislation to establish TEQSA is expected to be introduced before the end of the current session of Parliament.⁹ Its role will be to 'register higher education providers, evaluate their performance, protect the quality of international education and streamline current regulatory arrangements' by replacing nine other regulatory agencies (that is, the eight state and territory agencies and the Australian Universities Quality Agency).¹⁰

The establishment of TEQSA is the result of a Bradley Review recommendation that an independent national regulatory body be responsible for regulating all types of tertiary education. State and territory education ministers subsequently agreed to TEQSA's establishment in November 2009¹¹ and Professor Denise Bradley, who chaired the Government's Review of Australian Higher Education, was appointed its Interim Chair in July 2010.¹²

Commonwealth scholarships

Although the Bill proposes to increase overall funding for Commonwealth scholarships, it should be noted that funding for Commonwealth scholarships has decreased since 2009 when the *Higher Education Support Amendment (2009 Budget Measures) Act 2009* redirected Commonwealth scholarships funding to support student income reform measures. The proposed appropriations in

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7. For further information, see DEEWR, 'The Australian Learning and Teaching Council', DEEWR website, viewed 26 October 2010, <http://www.deewr.gov.au/highereducation/programs/quality/pages/altc.aspx>
 8. P Garrett, op. cit.
 9. Senate Education, Employment and Workplace Relations Legislation Committee, 'Supplementary budget estimates', *Hansard*, 21 October 2010, p. 93, viewed 27 October 2010, <http://www.aph.gov.au/hansard/senate/commtee/S13312.pdf>
 10. For further information, see DEEWR, 'Tertiary Education Quality and Standards Agency', DEEWR website, viewed 27 October 2010, <http://www.deewr.gov.au/HigherEducation/Policy/teqsa/Pages/default.aspx>
 11. Ministerial Council for Tertiary Education and Employment (MCTEE), *Communique*, Meeting, 20 November 2009, viewed 27 October 2010, http://www.deewr.gov.au/Skills/Overview/Governance/Pages/Ministerial_Council.aspx
 12. S Crean (Minister for Education), *Improving the quality of higher education and VET sectors*, media release, 6 July 2010, http://www.deewr.gov.au/Ministers/Crean/Media/Releases/Pages/Article_100706_154627.aspx

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the Bill will enable existing scholarship holders to complete their studies and will fund Indigenous scholarships.

Position of major interest groups

The Government's response to support a majority of the Bradley Review's recommendations, as dealt with in the 2009–10 Budget and earlier legislation¹³, was widely welcomed by universities. Although universities were disappointed the Government rejected a 10 per cent increase in the base funding rate of student places recommended by the Bradley Review and by the delayed start of the full funding increases to 2012, the sector welcomed the improved indexation formula.¹⁴

Given that the implementation of most of the Government's higher education reforms were the major focus of the 2009–10 Budget, higher education was not a particular feature of the 2010–11 Budget.¹⁵ The two budget measures dealt with in the Bill are relatively minor and have not aroused significant response from the major interest groups. Rather, the focus has been on related policy.

The proposed establishment of TEQSA, which will be the subject of future legislation, generated initial concerns that it may create an onerous bureaucratic burden and Vice-Chancellors were also concerned for their autonomy.¹⁶ The Coalition expressed similar concerns and suggested the Group of Eight (Go8) universities¹⁷ be exempted from regulation by TEQSA.¹⁸ More recent reports suggest that some of these initial concerns may have been allayed,¹⁹ although the Go8 continues to caution that there are basic flaws in TEQSA's design and its role should be 'to verify that different higher education providers are achieving the standards they set for themselves rather than prescribe a common set of standards for all'.²⁰

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13. That is, the *Higher Education Support Amendment (2009 Budget Measures) Act 2009* and the *Higher Education Support Amendment (Indexation) Act 2010*.
 14. C Dow, *Higher Education Support Amendment (Indexation) Bill 2010*, Bills digest, no. 162, 2009–10, op. cit., p.4.
 15. For further information about the 2010–11 Budget, see M Harrington and C Dow, 'Budget 2010–11: Education and skills: overview', *Budget review 2010–11*, Research paper, no. 17, 2009–10, Parliamentary Library, Canberra, 2010, p. 152, viewed 27 October 2010, <http://www.aph.gov.au/library/pubs/rp/2009-10/10rp17.pdf>
 16. A Trounson, 'VCs voice unease over regulatory burden', *The Australian*, 10 March 2010, p. 21, viewed 27 October 2010, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressclp%2FT34W6%22>
 17. The Group of Eight universities comprise the Australian National University, Monash University, and the Universities of Adelaide, Melbourne, New South Wales, Queensland, Sydney and Western Australia.
 18. J Ferrari and A Trounson, 'Coalition proposes standards exemption for Go8', *The Australian*, 9 June 2010, p. 39, viewed 27 October 2010, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressclp%2FXNYW6%22>
 19. B Lane, 'Tertiary regulator stands alone: TEQSA poised to adopt a commission model', *The Australian*, 22 September 2010, p. 25, viewed 27 October 2010, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressclp%2F228811%22>
 20. Group of Eight, 'Higher education standards and quality', *Go8 Backgrounder*, no. 13, October 2010, p. 2, viewed 27 October 2010, http://www.go8.edu.au/storage/go8statements/2010/go8backgrounder13_Standards.pdf

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The higher education reforms stemming from the Bradley Review remain contentious. The Executive Director of Go8 has warned that the sector will struggle to maintain quality while absorbing the increased numbers of students created by the introduction of the uncapped student demand-driven system in 2012. The Go8 has called for the Government to substantially increase funding or enable universities to increase fees to cover funding shortfalls.²¹

The results of an Access Economics analysis of funding for university teaching and research activities, commissioned by Universities Australia, support the Go8's concerns.²² The analysis found that overall university funding levels are inadequate—costs and funding do not match, there is a lack of start-up funds for new programs, Commonwealth contribution rates for student places 'appear to bear little relation to the actual cost of teaching or to any clear notion of public benefit', and the range of maximum student contributions appears to have 'no solid empirical or policy foundation'.²³

Financial implications

In total, the Bill proposes to increase appropriations under the Act by up to \$3.3 billion. The Bill will:

- increase the appropriation for the CGS by \$681.4 million for the years 2010 and 2011
- increase the appropriation for Other Grants by \$164.3 million for the years 2010, 2011, 2012 and 2013
- appropriate funding, to a maximum of \$2163.5 million, for Other Grants for 2014
- increase the appropriation for Commonwealth scholarships by \$10.7 million for the years 2010, 2011, 2012 and 2013 and
- appropriate funding, to a maximum of \$278.8 million, for Commonwealth scholarships for 2014.

The statement in the Bill's Explanatory Memorandum that the overall appropriation under section 46-40 (that is, for Commonwealth scholarships) will decrease appears to be a typographical error.

Key provisions

Schedule 1 of the Bill proposes amendments to the Act that would increase appropriations for Commonwealth Grants, Other Grants and Commonwealth scholarships.

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21. J Hare, 'Top unis warn on loss of quality', *The Australian*, 25 October 2010, p. 1, viewed 27 October 2010, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressclp%2F310994%22>
 22. Access Economics, *Study of relative funding levels for university teaching and research activities*, report for Universities Australia, Access Economics, Canberra, 2010, viewed 27 October 2010, <http://www.universitiesaustralia.edu.au/resources/351/Relative%20funding%20study.pdf>
 23. Ibid, p. (i).

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Commonwealth Grants Scheme

Subsection 30-5(1) of the Act defines the maximum annual amounts payable to higher education providers for the Commonwealth Grants Scheme (CGS). The CGS provides funding for undergraduate and some non-research postgraduate higher education places according to the funding cluster in which a unit of study is classified.

Item 1 proposes repealing paragraphs 30-5(1)(f) and (g) of the Act and substituting **new paragraphs (f) and (g)** for the years 2010 and 2011. The new maximum amounts appropriate an additional \$681.4 million for the CGS. The increased funding is the result of indexation and the Government's decision to lift the cap on over-enrolments from 5 per cent to 10 per cent.

Other Grants

Subsection 41-45(1) of the Act specifies the maximum annual payments for Other Grants to support and enhance a range of higher education functions, including capital projects, research and teaching. Grants are provided to promote productivity, quality, equality of opportunity, collaborative reform and structural reform.

Item 2 proposes amendments to the table of payments under subsection 41-45(1) of the Act to increase the maximum payments for Other Grants by \$164.3 million for 2010 to 2013 and to appropriate \$2163.5 million for 2014. While there is an overall increase in funding to account for indexation, the proposed new table of funding contains a reduction in funding for the Australian Learning and Teaching Council, as the result of the establishment of the Tertiary Education Quality and Standards Agency, and the cessation of the Graduate Skills Assessment Program.

Commonwealth scholarships

Subsection 46-40 of the Act specifies the maximum annual payments for Commonwealth scholarships.

Item 3 proposes amendments to the table of payments under subsection 46-40 of the Act to increase funding for Commonwealth scholarships by \$10.7 million for the years 2010 to 2013. The increased funding is the result of indexation. Funding of \$278.8 million for 2014 will also be appropriated.

Concluding comments

The Bill's provisions are not controversial. The Government's major reforms resulting from the Bradley Review have already been legislated. The Bill continues the implementation of these reforms by appropriating funds for indexation and proposing to implement two minor 2010–11 budget measures.

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However, the Government's higher education reforms, and the implementation of those reforms, remain contentious. A major concern is the future adequacy of funding for the sector in the lead-up to the introduction of the student demand-driven system in 2012, with various claims made about the new system's impact on student numbers and thus the adequacy of university resources.

Although the Government rejected the Bradley Review's recommendation for a 10 per cent increase in the base funding rate of student places, it did commit to a review of base funding for universities. The Government has now announced the panel and terms of reference for the Higher Education Base Funding Review.²⁴ The Review is due to report by October 2011, only months before the scheduled implementation of major reforms in 2012.

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24. See: DEEWR, 'Base Funding Review', DEEWR website, viewed 27 October 2010, <http://www.deewr.gov.au/HigherEducation/Policy/Pages/BaseFundingReview.aspx>