

Senate Standing Committee on Education and Employment - Education

**QUESTIONS ON NOTICE
Budget Estimates 2014-2015**

Outcome 3 - Higher Education, Research & International

Department of Education Question No. ED0036_15

Senator Carr provided in writing.

Question

Cost of HECS-HELP

The Department has defined the cost of HECS-HELP to the taxpayer as “the difference between the [10-year Government] bond rate and the CPI rate”. Does the Government actually borrow to pay students’ university fees through the HECS-HELP scheme? Is that difference in rates (referred to by the Department) a real cost to Government and the taxpayer, or a notional cost?

Answer

Advice received from the Department of Treasury is that in a budget deficit environment, the Government will borrow to fund the shortfall between receipts and payments. There is therefore a real cost to the Government if the interest received from the student loans is less than the interest costs on borrowings required to fund the provision of the loans. The Government does not borrow for particular programmes, but as part of the overall budget management the general point stands.