

NUS Research Briefs

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Universities, Students and the Federal Budget 2015-16

The giant sleeping elephant in this budget is that the government is not backing down on its radical tuition fee deregulation agenda. While the government has retreated on many of its unpopular social policies and cuts due the community backlash and bad polling the attack on students continues unabated.

Issues of student poverty from the low rate of student allowances and scarcity of affordable rental accommodation remain unaddressed. Also young jobseekers will now have to wait four weeks before getting income support.

There are some higher education related changes in this budget. The government will now start chasing up HELP debts from graduates who move overseas. There are some new funding measures in this budget but they are funded by sneaky, mean cuts elsewhere.

Implications For Fee Deregulation

The Federal Budget maintains the core elements of the government's plans announced in last year's budget to deregulate tuition fees, lower the level of commonwealth funding per student (for Commonwealth Supported Places) by an average of 20% and to allow non-university private providers to have CSP funding for an unregulated number of enrolments. According to the *Department of Education Budget Statement 2015-16*:

From January 2016, universities will be able to offer Commonwealth supported places on a demand-driven basis to students enrolling in any accredited undergraduate qualification. For the first time ever, the Australian Government will provide tuition subsidies for undergraduate students studying at any registered higher education provider for any accredited course....

From January 2016 there will also be changes to the amounts the Australian Government provides under the Commonwealth Grant Scheme. These changes, combined with changes to the Higher Education Loan Programme (HELP), will help ensure the sustainability of the higher education system into the future.

These reforms will ensure that there is a fair sharing of the costs for higher education between public funding and the students who benefit from this education. The removal of the maximum student contributions for all Commonwealth supported students will for the first time enable competition based on quality and innovation in the higher education system.

The government is still sticking to its 1st January 2016 deadline despite the Senate blocking the *Higher Education and Research Reform Amendment Bill* twice.

The Government dropped the plans to apply bond market rates of interest to HELP debts in the MYFEO budget adjustments in November. There was speculation that as Minister Pyne gears up for his third attempt to get the legislation through the Senate that there may be some further concessions to

garner cross-bench Senate votes (ie the Phillips-Chapman proposal to financially penalise universities for excessive tuition fee rises). The budget contained no such concessions.

NUS's principle objections to the HERRA remain:

- Australian students already make amongst the highest contributions in the OECD to the cost of their education, yet have the amongst the lowest rates of private return;
- The experience in the USA (which has a fully mature deregulated higher education market) where average tuition fees have been spiralling at three times the inflation rate for decades;
- The impact on the economic choices of graduates saddled with such large debts for much of their lifetime;
- The debt aversion impact on students from disadvantaged communities;
- Fundamental design flaws in the proposed Commonwealth Scholarship Scheme;
- Possible poor education outcomes for students at many of the new higher education providers.

The Department's projection in the budget papers is that the number of Commonwealth Supported Places (HECS-liable) will increase from 497,000 in 2014-15 to 621,000 by 2017-18. The number of FEE-HELP (full fee) places will increase from 87,000 to 137,000 over the same time frame. Such rapid increases in the number HELP loan debtors (combined with the higher fees) raises doubts over the long term financial sustainability of the deregulated tertiary education system.

Postgraduate research student fees and the cuts to Research Training Scheme funding remain unchanged from the previous budget.

Chasing Overseas Graduate HELP Debts

Australia currently has no arrangements for chasing up unpaid HELP debts from graduates and students who move overseas. Any repayments that occur at the moment are voluntary. While many expatriates do return home and eventually repay the debt about 20% never return. In the revenue measures announced in this budget the government is including HELP debts recovered from overseas debtors from January 2016. There will be a one year period for debtors to register. The repayments will become compulsory in July 2017 and will be based on their 2016-17 income.

There no other details yet on how compliance will be enforced. Countries with similar student loans systems such as the UK and New Zealand have repayment arrangements. For example in New Zealand students/graduates with unpaid student loans debts can be arrested at the airport if they have not made repayment arrangements with the tax office. To lessen the administrative costs the NZ model charges a flat levy based on the amount of debt owed. However, this does remove the progressive income contingent aspect of the loans system.

Under the UK model overseas graduates are required to send regular documentary evidence of their income to the student loan office. The design of the repayment scheme may be an area of concern.

The measure is forecast to raise a modest \$140 million over 10 years.

Sustainable Research Excellence Funding Cuts

Last year Minister Pyne held the National Collaborative Research Infrastructure Strategy (NCRIS) funding hostage by making its continued funding dependent on the Senate passing the tuition fee deregulation legislation. Eventually Pyne backed down. In this budget the government revealed that it will provide \$300 million to fund another two years of the continued NCRIS funding by cutting the Sustainable Research Excellence programme (SRE) by \$263 million and the Co-operative Research Centres programme by \$28 million. Essentially it's a pea and thimble trick with the NCRIS getting a reprieve by cutting other university research programmes.

HEPPP Funding Cut

The Higher Education Participation and Partnerships Program (HEPPP) was introduced by the previous government to improve access, participation and retention rates for low SES students. The program was cut by \$51 million last year (over the forecast period) and will be cut by another \$5 million this budget. This cut seems to be to fund the \$5 million going to the Australian Institute of Aboriginal and Torres Strait Islander Studies to digitally preserve its collections.

Waiting Time For Youth Income Support

In the last budget the government said that it would impose a six month waiting period where job seekers under 30 would be without income support but would be required to actively seek work. This was alarming for all young people, including many students nearing the end of their degree and trying to make the transition to work. Massive community opposition led the government to abandon the measure.

It is back in a scaled down version in this budget. All new claimants of Newstart, Youth Allowance (Other) and Special Benefit under 25 years of age and without significant barriers to work will be subject to a 4 week waiting period. The measure is meant to save \$1.85 billion over five years.

This measure will create a lot of financial hardship and stress for young people for no purpose other than a budget saving. For example those switching from study-related income support to job search activity related income support will suddenly have no income for rent, food and bills for a month. There seems to be

an unreasonable assumption that parents will in all cases step in cover the financial gap.

What Is Missing: Student Poverty and Affordable Accommodation

NUS made a submission to the Treasury budget process earlier this year that the unfinished post-Bradley business for student income support reform is that the basic student allowances are too low and are continuing to decline relative to Henderson Poverty line. In 2014 a single student living in a share house on maximum Youth Allowance and maximum rent assistance is 45.6% below the poverty line, in 2008 the figure was 38.2%. The low levels of allowances force students into excessive amounts of paid, casual work (over 20 hours a week) that negatively impacts on study.

Also the previous budget discontinued new projects under the National Rental Affordability Scheme that had included projects to increase the stock of affordable student accommodation associated with universities. This budget has provided no initiatives for affordable student accommodation.

Abolition of Aboriginal and Torres Strait Islander Higher Education Advisory Committee

The Aboriginal and Torres Strait Islander Higher Education Advisory Committee which was primarily overseeing the implementation of the 2012 Review of Higher Education Access and Outcomes for Aboriginal and Torres Strait Islander People Report will be abolished. The review was essentially the Indigenous component of the far-sweeping Bradley Review reform process. The committee's functions will be taken over by the Prime Minister's Indigenous Advisory Council. There are concerns that this may reflect a diminution of independent Indigenous advice.

Office of Learning and Teaching

The Office of Learning and Teaching (OLT) provides grants for projects to enhance university teaching and scholarship. Since the previous Australian Universities Quality Agency was replaced with TEQSA the OLT has been the sole national body working on enhancing the quality of education (TEQSA is solely a regulatory and accreditation body). The budget replaces the OLT with a competitively tendered institute located on a university. Once again this may lead to the loss of independent expertise in this area. Universities Australia warns the shift "will leave these programmes worse off".