

Barton Deakin Brief: Education Measures in Budget

15 May 2014

The 2014-15 Commonwealth Budget contained a number of education-related reforms. This Barton Deakin Brief outlines the key reforms in higher education and provides details of other expense measures contained in the Budget.

Savings in the education portfolio will be used to repair the Budget and fund policy priorities.

Higher education and research

Expansion of demand driven funding system

The Government will expand the demand driven funding system for higher education courses from 1 January 2016, estimated to save \$1.1 billion over 3 years from 2015-16.

Fee deregulation

The Government will remove caps on student contributions charged by higher education providers from 1 January 2016 for students who accept an offer from 14 May 2014. Student contributions will remain capped until 31 December 2020 for students who commenced or deferred before 14 May 2014.

The current borrowing limits on FEE-HELP and VET-FEE HELP loans will be removed.

Extension of funding to sub-bachelor courses and non-university providers

Access to subsidies through the Commonwealth Grant Scheme (**CGS**) will be extended to diplomas, advanced diplomas, associate degrees and bachelor degrees where the provider is registered with the Tertiary Education Quality and Standards Agency and the course is accredited.

The funding arrangements under the CGS will be simplified by replacing the current 8 funding clusters with 5 funding tiers. The level of subsidy for courses at non-university providers and sub-bachelor courses will be lower by the subsidy for bachelor and postgraduate courses.

Final arrangements will be determined following a review by the Minister for Education.

Changes to HELP loans

The Government will continue to make available Higher Education Loan Programme (**HELP**) loans, but will make the following changes:

- The HECS-HELP benefit which provided incentives for graduates of particular courses to take up related occupations or work in specified locations will end from 2015-16, achieving savings of \$87.1 million over 3 years.



- The income threshold for repayment of HELP debts will be reduced to 90% of the current rate, commencing in 2016-17. A new repayment rate of 2% of the repayment income will be applied to incomes exceeding the threshold. The indexation of HELP debts from 1 June 2016 from the Consumer Price Index will be adjusted to a rate equivalent to the yields on 10 year bonds issued by the Australian Government, capped at 6% per annum. This will save \$3.2 billion over 4 years from 2014-15.
- Removing the 25% loan fee applied to FEE-HELP loans for fee-paying undergraduate courses and 20% loan fee applied to VET FEE-HELP loans for full fee-paying students in higher level vocational education and training courses. This will reduce revenue by \$723.2 million and increase expenses by \$22.4 million over 3 years.

Other savings measures

Measure	Saving
Applying a one-off 3.25% efficiency dividend from 2015-16 to the Australian Research Council's administered funding	\$74.9 million over three years
Ceasing funding for the HC Coombs Policy Forum	\$6.4 million over 4 years from 2014-15
Ceasing Higher Education Reward Funding from 2014	\$121.1 million over 5 years
Reducing Research Training Scheme funding from 1 January 2016 and allowing higher education providers to introduce student contributions up to a maximum of \$3900 for high cost courses and \$1700 for low cost courses per student for students undertaking higher degrees by research	\$173.7 million over 3 years from 2015-16
Discontinuing the development of the Australian Baccalaureate	\$9.6 million over 4 years
Consolidating the Participation and Partnerships components of the Higher Education Participation and Partnerships Programme into a single Access and Participation Fund	\$51.3 billion over 4 years
Revising the indexation arrangements for all programmes under the <i>Australian Research Council Act 2001</i> and the <i>Higher Education Support Act 2003</i> , excluding superannuation grants, from 1 January 2016. The programmes will be indexed by the Consumer Price Index instead of the Higher Education Grants Index.	\$202.8 million over 3 years from 2015-16
Reducing funding for Teach for Australia	\$400,000 over 3 years from 2015-16
Reducing funding for the Tertiary Education Quality and Standards Agency	\$31.1 million over 4 years from 2014-15
Reducing uncommitted funding for various grant programmes across the education portfolio	\$59.7 million over 5 years from 2013-14

Other spending measures

Measure	Cost
Resuming payments under the Higher Education Superannuation Programme to eligible universities in NSW to meet the Commonwealth's share of certain superannuation expenses	Undisclosed
Funding for the Antarctic Gateway Partnership	\$24 million over 3 years from 2014-15 to be met from the Australian Research Council's existing funding
Funding through the Australian Research Council for the Australian Institute of Tropical Health and Medicine	\$42 million over 4 years from 2013-14
Continue the digitisation of materials held by the Australian Institute of Aboriginal and Torres Strait Islander Studies	\$3.3 million in 2014-15
Continue the Future Fellowships scheme, but limited to Australian researchers	\$139.5 million over 4 years from 2014-15



Continue the National Collaborative Research Infrastructure Strategy	\$150 million in 2015-16
Engage an independent organisation through a competitive tender process to administer three National Higher Education Surveys	Undisclosed
Continue to support higher education providers to improve access from low socio-economic backgrounds	\$582.7 million over 4 years from 2014-15
Retain the National Priorities Pool and fund projects that support access and success in higher education by people from low socio-economic backgrounds	\$9.5 million per year from 2014-15
Enhance and expand the Higher Education Information Management System	\$3.8 million over 4 years

Schools and youth

Savings measures

Measure	Saving
Increasing efficiency in the operations of the Australian Curriculum, Assessment and Reporting Authority	\$2.6 million per year from 2017-18
Refocusing on core priorities in the operations of the Australian Institute for Teaching and School Leadership	\$19.9 million over 5 years from 2013-14
Not proceeding with funding for the Centre for Quality Teaching and Learning	\$21 million over 5 years from 2013-14
Not proceeding with funding for the Improving Educational Outcomes measure	\$29.8 million over 4 years from 2013-14
Ceasing the Online Diagnostic Tools Programme	\$38.4 million over 5 years from 2013-14

Spending measures

Measure	Cost
Continue the Australian Government Quality Teacher Programme	\$4.9 million over 2 years from 2013-14
Maintain real Commonwealth school funding beyond 2017. From 2018 onwards, total school funding will be indexed by the Consumer Price Index.	\$54.1 million in 2017-18
Continue the National School Chaplaincy Programme until December 2018	Additional \$245.3 million over 5 years
Maintain Primary Connections and Science by Doing, science education programmes	\$5 million over 4 years from 2014-15
Provide funds to specific non-government schools for costs associated with boarding Indigenous students from remote communities	\$6.8 million in 2014-15
Conduct a one year trial to determine the effectiveness of early childhood language education through online programmes	\$9.8 million over 2 years from 2014-15
Fund the Australian Curriculum, Assessment and Reporting Authority to revive teaching of languages in schools	\$1.8 million over 2 years from 2014-15
Funds for the Australian Research Alliance for Children and Youth	\$1 million per year from 2014-15
Support Australia's hosting of the Youth 20 Summit in July 2014	\$900,000 over 2 years from 2013-14



Early childhood education and care

In line with election commitments, the Government will provide around \$28.5 billion in child care assistance over 4 years. Spending measures include:

- Reinstatement of contribution to states and territories towards the cost of delivering occasional care, costing \$12.6 million over 4 years.
- Providing an additional \$168.5 million over 2 years from 2013-14 to the Community Support Programme to meet existing commitments.

Savings and reform measures include:

- Amending the eligibility criteria for the Community Support Programme to address overruns and ensure consistency of access for all child care service providers from 1 April 2014 for new providers and 1 July 2015 for existing providers.
- Introducing reforms to the Jobs, Education and Training Child Care Fee Assistance Programme, including setting an \$8 per-child funding cap and 36 hours per child limit on hours that can be claimed, saving \$22.8 million over 2 years from 2015-16.
- Redirecting \$39.3 million over 5 years from the following programs to the Community Support Program and Jobs, Education and Training Child Care Fee Assistance:
 - \$14.7 million over 4 years from 2014-15 through efficiencies from Child Care Early Learning Projects;
 - \$12 million over 2 years from 2016-17 by streamlining delivery of the Inclusion and Professional Support Programme;
 - \$3.7 million over 3 years from 2015-16 by suspending funding for professional development of staff in the Budget Based Funded child care services;
 - \$3.6 million over 2 years from 2014-15 by terminating the Child Care Accessibility Fund;
 - \$3.1 million over 4 years from 2014-15 through a reduction in funding for the Stronger Quality Element of the Child Care Services Support Programme;
 - \$1.2 million over 2 years from 2013-14 through efficiencies in the National Career Development Programme; and
 - \$1 million in 2014-15 by restricting access to the Recognition of Prior Learning Programme to non-long day care child care staff in that year.

Barton Deakin's analysis of the Commission of Audit recommendations into education is available [here](#).

Details of education measures in the Budget can be found in the budget papers [here](#).

The Education Portfolio Budget Statements can be found [here](#).

For more information, please contact [Grahame Morris](#) on +61 411 222 680, [David Alexander](#) on +61 457 400 524 or [Melanie Brown](#) on +61 424 558 340.