Higher Education Support Amendment (Student Contribution Amounts and Other Measures) Bill 2012

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Contents

Purpose .................................................................................................................................................... 2
Background .............................................................................................................................................. 2
   Student contribution amount for mathematics, statistics and science units ........................................... 2
   Basis of policy commitment– Student contribution amount for mathematics, statistics and science units ..............................................................................................................4
   Position of major interest groups ........................................................................................................ 5
   Basis of policy commitment– Citizenship or residency requirements ............................................... 6
Financial implications ............................................................................................................................... 6
Key provisions .......................................................................................................................................... 7
   Schedule 1–Student contribution amounts ........................................................................................ 7
   Schedule 2-Citizenship or residency requirements ............................................................................ 7
Concluding comments ............................................................................................................................. 7
Higher Education Support Amendment (Student Contribution Amounts and Other Measures) Bill 2012

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House: House of Representatives

Portfolio: Industry, Innovation, Science, Research and Tertiary Education

Commencement: Schedule 1, on Royal Assent; Schedule 2, on 1 January 2013

Links: The links to the Bill, its Explanatory Memorandum and second reading speech can be found on the Bill's home page, or through http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation. When Bills have been passed and have received Royal Assent, they become Acts, which can be found at the ComLaw website at http://www.comlaw.gov.au/.

Purpose

The Bill will amend the Higher Education Support Act 2003 (the HESA) to:

- increase the maximum student contribution amount for mathematics, statistics and science units for all students from 1 January 2013
- remove eligibility for Commonwealth supported places (CSPs) and income contingent loans for Australian citizens who are not resident in Australia during their course.

Background

Most Australian Government funding for higher education is administered under the provisions of the HESA. Each Commonwealth supported place is funded by a mix of government contribution and student contribution. The maximum student contribution amounts for units of study in each discipline are set by the Australian Government under section 93-10 of the HESA. Domestic students are eligible for an income contingent loan (sometimes called a Higher Education Contribution Scheme (HECS) loan) to meet the student contribution amounts of their courses. These loans are provided by the government through the Higher Education Loan Program (HELP).

Student contribution amount for mathematics, statistics and science units

During the latter years of the Howard Government, concern was expressed by various stakeholders at falling enrolments in science and mathematics at university level; at the lack of qualified science and mathematics school teachers; and at the falling demand for science and mathematics in senior high school years.
Despite many studies that concluded that HECS (later HELP) costs did not deter students, including studies following the introduction of differential HECS rates in 1999, the Australian Labor Party promised at the 2007 election to lower the student contribution amounts to encourage students to enrol in science and mathematics.1 In the 2008-2009 Budget the Rudd Government honoured the election commitment and the measure was implemented with passage of the Higher Education Support Amendment (2008 Budget Measures) Act 2008. From 1 January 2009 contributions for mathematics, statistics and science were reduced from $7260 per unit to the lowest level of $4077, equivalent to the national priority places of education and nursing. To meet the consequent shortfall in funding of each place the Australian Government increased its contribution through Transition Loading payments.2

The effect on was immediate. In 2009 undergraduate applications for Natural and Physical Sciences increased by 17.1 per cent on 2008 and increased again in 2010 by 13.1 per cent. The Department of Education, Employment and Workplace Relations (DEEWR) noted that ‘the two years’ growth more than reversed the declines in demand for this field between 2004 and 2008. This growth follows a suite of measures introduced in the 2008-09 Budget to encourage enrolments in Mathematics and Science’.3 The then Minister for Education, Julia Gillard, welcomed the increased applications in 2009, stating that the 17 per cent increase was ‘reversing declining interest and falling applications since 2004’.4

Increases in applications carried over to increasing enrolments. In 2009 commencing domestic student numbers in the broad discipline of Natural and Physical Sciences increased 13.6 per cent on 2008, compared to the overall increase in commencing domestic students of 9.6 per cent. In 2010 the increase continued with Natural and Physical Sciences enrolments recording the highest increase of any broad discipline: 12.6 per cent on 2009. In comparison, overall commencing domestic students increased by 6.5 per cent.

In 2012, applications were again strong with Natural and Physical Sciences recording the largest increase (10.9 per cent) of broad disciplines.5

Basis of policy commitment—Student contribution amount for mathematics, statistics and science units

Despite this statistical evidence to support the Rudd Government’s 2008 decision, the Government announced in the *Mid-Year Economic and Fiscal Outlook 2011-12* (MYEFO) that student contributions for mathematics, statistics and science units would return to the Band 2 amount, estimated to be $8353 in 2013. The Minister for Tertiary Education, Skills, Jobs and Workplace Relations, Senator Chris Evans, stated: ‘The reduction in student contributions for mathematics, statistics and science units since 2009 has not been effective in substantially increasing the number of students undertaking maths and science at university. Students are predominantly motivated not by price but by their interests, abilities and career preferences when selecting courses.’

In the MYEFO announcement, the increased contribution was only to apply to new students, but in the 2012–13 Budget the Government announced the increased amount would also apply to continuing students and provide an additional $314.9 million in savings over four years.

The Minister, Senator Chris Evans, did not elaborate on what the Government would regard as a substantial increase in enrolments for the 2008 measure to be successful. Research undertaken for the Chief Scientist has provided a more detailed analysis of the enrolment data, which suggests the state of university science and mathematics enrolments is complex. One report concludes that despite healthy application and commencement data at the broad discipline level:

> ... higher proportions of students discontinue their study of enabling sciences after first year. In other words, students are less likely to complete majors in chemistry, mathematics and physics than they are in biology and other narrow disciplines within the Natural and Physical Sciences.

The Chief Scientist continues to express concern at the state of science and mathematics education and the effects on productivity. The Government has responded with a $54 million budget measure for ‘Mathematics and science—increasing participation in schools and universities’.

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The policy to increase student contributions should be viewed in the broader budget context of savings and the aim of achieving a budget surplus. Savings measures are limited in the higher education sector at this time when the student demand driven system of funding places is being fully implemented.

Curtailing the costs associated with the HELP system and increasing student contribution amounts is an avenue for achieving substantial savings: an estimated saving of $1 billion over four years will be achieved from this measure. This will be achieved by withdrawing the Government’s transitional loading funding that was given to universities in 2008 when the student contribution rate was halved. The increased student contribution will maintain funding for each university place.

**Position of major interest groups**

On a political level, Kevin Rudd cited the decision to increase the student contribution as poor decision-making by the Gillard government and expressed deep disappointment with ‘the Government’s decision to axe a scheme which I introduced’. The Australian Greens have also expressed concern at various decisions that they see as contributing to the poor state of science education and enrolments.

However most of the discussion, as was the case with the 2008 decision to reduce contributions, has been from academics. Ian Dobson, who reported to the Chief Scientist on the state of enrolments, was reported as saying:

> The Rudd government’s discount on the HECS scheme for maths and science students had been starting to generate more undergraduate domestic enrolments in the subjects ... the decision in November by Ms Gillard to abolish the discount for new students from 2013 was a mistake. These things take time - it takes a generation - but you just can't do it in the political timeframe, [Politicians will] never admit this, but basically they're just thinking of the next election and the next budget.

Professor Bruce Chapman, instrumental in designing the income contingent loan scheme, believes the impact HECS discounts may have on enrolment figures is a complex issue: ‘I would expect these changes in prices to have very little effect on enrolment behaviour ...People don’t respond much to changes in HECS prices.’

13. Ibid.
have been offered, the change again highlights the problems caused by the instability of higher education policy, with constant introductions and withdrawals of incentive policies’.14

**Basis of policy commitment— Citizenship or residency requirements**

The basis of this policy is to ‘ensure that Government funding is targeted towards students who are more likely to remain in Australia and contribute to Australia’s workforce and economy following graduation’.15 There are savings in restricting the loans but also in preventing the possibility of unpaid debt due to graduates moving overseas. HECS-HELP debt is recovered by the Australian Taxation Office in tax returns and if graduates move overseas they are not generally required to lodge Australian tax returns. This ‘overseas’ debt is now substantial. Academics Bruce Chapman and Tim Higgins estimate the amount of foregone revenue as a result of HECS debtors going overseas is $400-500 million and could soon exceed $1 billion.16

**Financial implications**

The Explanatory Memorandum states the amendments provide savings of $1 billion over the four financial years 2011–2012 to 2015–2016. These savings are the result of three decisions by the Government:

- the announcement in the MYEFO that it was reinstating increased student contributions for science and mathematics students who commenced from 1 January 2013. The MYEFO announcement estimated savings of $696.0 million
- the 2012-13 Budget decision to apply the increased student contributions to all science and mathematics students from 1 January 2013 (not just those commencing their course after this date). This budget measure estimated savings of $314.9 million over four years and
- removing eligibility for CSPs and HELP loans for students not resident in Australia, which was estimated to result in savings of $25.1 million over four years.17

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15.  Ibid.

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Key provisions

Schedule 1–Student contribution amounts

Items in Schedule 1 of the Bill amend section 93-10 of the HESA, which deals with maximum student contribution amounts. From 1 January 2013 mathematics, statistics and science units will have the same maximum contribution rates as computing, built environment, other health, engineering and science: estimated to be $8361 in 2013.

Schedule 2-Citizenship or residency requirements

Items in Schedule 2 of the Bill amend the provisions relating to HELP in order to restrict access to Commonwealth supported places and HELP to students completing their study predominately in Australia. Australian citizens enrolled at a domestic campus and who undertake a significant proportion of their higher education course while not residing in Australia will no longer be able to access HELP.18

Concluding comments

The Government has taken action to curtail the costs of providing student loans, which builds on measures in the past twelve months. Since the 2011–12 Budget it has amended the HESA to reduce the HELP upfront payment discount; reduce the HELP voluntary repayment discount; and clarified that Australian students enrolled at an offshore campus of an Australian university are not eligible for loans, and that students in dentistry and veterinary science may only access loans for qualifications that lead to the initial registration in their profession. The provisions in the Bill further extend savings and attempt to curtail costs. The Government has not forecast the effect on enrolments in mathematics and science, but the question has received some analysis from academics. The effect, if any, may not be known until university application data is released in 2013.

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

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