Higher Education Funding Bill 1988

Date Introduced: 3 November 1988
House: House of Representatives

Digest of Bill

Purpose
To require higher education students to contribute towards the cost of their higher education when their taxable income exceeds the threshold level, and to provide aggregate grants to the States and Northern Territory for higher education.

Background
The decision to require students to contribute towards part of the cost of their higher education has a quite recent history. While a discussion paper dealing with higher education was released in December 1987, this was concerned principally with proposing a unified national system of higher education, its aims and relationship with industry, and removing some of the rigidity of the present system. (The paper also defines higher education, i.e. courses with two years full-time study following completion of year 12. This definition is that adopted by the Australian Council on Tertiary Awards.)

Regarding finance, the paper's major finding concerned the funding requirements if the number of higher education graduates was increased to 125 000 in 2001, compared with approximately 78 000 course completions in 1986. Depending on the assumptions used (which mainly varied on the percentage that would graduate from TAFEs), it was estimated that an additional $900 to $1200 million would be required in 1991 on top of the forward estimates. The paper also explored some possible additional sources for funds, including increased State and industry contributions. The following policy statement issued in July 1988 also concentrated on the national system and the more efficient allocation of resources.

In the meantime, a Review of Higher Education Funding, chaired by Mr Neville Wran, was established. The review team proposed a contribution scheme that forms the basis of the proposed scheme contained in this Bill, including such features as the contributions being collected through the tax system, no contributions being payable until income has reached a certain level, and only a part of the total cost of the course being recovered.

There have been a number of arguments both for and against the contribution charge. The Minister's main proposition in favour of the charge is the need for
additional funds to enable the expansion of higher education opportunities. For the 1989–91 Triennium, the government proposes to create an additional 40 000 higher education places, and an estimated $483 million will be added to real funding levels.³ It may also be argued that as the contribution will only be payable when income has reached a level near average weekly earnings, it reflects a fair contribution to additional earning power gained through the education.

Arguments against the scheme are based on the view that education should be freely available to all, as well as on specific effects of the charge. It is argued that the requirement to pay a charge will reduce the incentive to acquire further education, particularly for part–time mature students. The argument runs that the extra income that these people are likely to achieve through higher education will not offset the cost of the education, particularly in the short–term, and so such people will not attend higher education. A further argument is that as the charge will increase the cost of attending higher education (including the wages forgone for a number of years) and so make higher education less attractive for young people considering entering the workforce or attending further education.

The Bill also deals with grants to the States and Northern Territory for higher education in the years 1989–91. The grants are for recurrent and capital purposes, and overall funding will increase by $141 million in 1989. Unlike previous grants Bills for higher education, this Bill does not provide an Institute by Institute breakdown of funding. In the second reading speech, the Minister predicts that the detailed funding arrangements will be available by the time the Bill reaches the Senate.

Outline
Briefly, the proposed charge will operate as follows. At the beginning of each semester, institutions are to require students to pay the relevant contribution. If student pay the contribution up front at the beginning of the semester they will receive a 15% discount on the total amount payable (i.e. the Commonwealth will pay this amount to the institution.) If the student does not take this option, the full charge will, on request, be paid by the Commonwealth to the Institution and will be collectable from the student. Collection will occur when the students taxable income exceeds the prescribed amount, with the rate of deductions varying from 1% to 3% depending on taxable income. (For example, a person on $22 000 p.a. will have weekly repayments of $4.23, one on $32 000 will pay $12.31 per week, and those on $40 000 will pay $23.08 per week.) The amount due to the Commonwealth will be indexed. The Bill provides for the amount of charge to be varied on the proportion of a full–years workload that the student undertakes. The Bill also provides for incentives to ensure that higher education institutions collect the charge. Funds raised will go to the Higher Education Trust Fund.
Main Provisions

The Higher Education Contribution Scheme will be established by Chapter 4 of the Bill (clauses 34 to 99).

Exempt students are defined to be post graduate scholarship students and those paying the overseas student charge (clause 35). Student workload is not to include periods spent in work experience (clause 36).

It will be a condition on the payments of grants to the States that they ensure that the Institutions comply with the requirements of the charge (clause 38).

The charge will be imposed by clause 39. For each semester, Institutions are to require students to contribute to the cost of their education. Each institution is to determine what comprises a full-year workload in a year for each course in accordance with the guidelines issued by the Minister. The amount that each student will be required to pay will be calculated by multiplying the annual course contribution by the proportion of the full-time course that the person is undertaking. For example, if a person is undertaking two units when the full-time workload for that course is six units, the person will have to contribute one third of the annual course contribution. The annual course contribution will be $1800 for 1989 and this amount will be indexed for later years (clause 40).

Clause 41 provides that institutions are not to accept enrollments unless either of two courses of action is adopted. First, the student may pay 85% of their contribution to the Institution and request the Commonwealth, by giving the Institution an approved form, to pay the remaining 15% of the contribution (see clause 58 below). Secondly, if the student does not pay the 85%, they may request that the Commonwealth lend them the full amount of the contribution to pay to the Institution. Such a request will admit liability to repay the amount in accordance with Part 4.4, and people making such requests are to provide their tax file number or an application for a file number. (This is perhaps the first expansion of the use of the tax file number). Clauses 42 to 53 deal with matters associated with the use of the tax file number, such as the issue and alteration of the number, and will also make it an offence to request that the number be provided except in accordance with this Bill. It will also be an offence to record a tax file number unless so authorised.

Institutions will be required to furnish students with notices setting out various information, such as their workload as a proportion of a full year and any amount that is payable (clause 54).

Clause 58 deals with the Commonwealth’s duty to discharge certain liabilities. Where a student has paid the 85% contribution up front, the Commonwealth will be obliged to contribute the additional 15% to the
Institution. Where the student has made a request for a loan of the contribution amount, the Commonwealth is to lend that amount to the student and is to pay that amount to the Institution to discharge the student's liability.

Proposed Part 4.3 deals with the Higher Education Trust Fund (the Fund). The Fund will be established by clause 60. The primary sources of finance for the Fund will be contribution repayments and Commonwealth advances to meet requests for contributions (clause 61). The Fund is principally to be used, if the Minister so directs, for payments to the States (clause 62).

The repayment of loans is dealt with in proposed Part 4.4. Where the Commonwealth has made a loan to a person to meet the contribution charge, that person will have incurred a higher education charge debt (HECD) (clause 63). The Secretary may remit the whole or part of a HECD if satisfied that there are special circumstances (clause 64) and this decision may be reviewed by the Administrative Appeals Tribunal (clause 65). Clause 66 provides for the accumulation of HECDs and its indexation.

A person may repay HECDs at any time (clause 68).

Clause 69 deals with the compulsory repayment of HECDs. People will be required to contribute towards the repayment of HECDs when their taxable income exceeds the minimum prescribed amount. The rate of repayment will depend on the level of income. For the year ending 30 June 1989, transitional rates will apply. Thus, if taxable income exceeds $21,999 in 1988–89, repayments will be 0.5% of taxable income (1% in a full year); if income exceeds $24,999 the rate will be 1% (2% in a full year); and if taxable income exceeds $34,999, the rate will be 1.5% (3% in a full year). For the years after 1988–89, the income levels mentioned above will be indexed.

People with HECDs will be required to mention this on their tax returns (clause 71) and the Commissioner may assess any amount due under clause 69 (clause 72).

Clause 79 will require officers to keep secret information regarding the scheme obtained through their employment.

Any amount payable under this Bill will not be tax deductible as a self-education expense (clause 82 which will amend section 82A of the *Income Tax Assessment Act 1936* (ITAA)). However, where the higher education is provided as a fringe benefit and that expenditure is not deductible, the taxable value of the benefit will be reduced by the amount expended to provide the benefit (i.e. the taxable value of the benefit will be reduced by the contribution charge) (clause 88 which will insert a new section 64A into the ITAA).

The existing Higher Education Administration Charge will not be imposed in 1989 and latter years (Part 4.5). Part 5.2 provides for the reimposition of this charge, but that Part will not come into effect except by Proclamation. The remainder will come into force on the day the Bill receives the Royal Assent.
Grants to the States for higher education are dealt with in Chapters 2 and 3 of the Bill. Chapter 2 provides for the following maximum grants for recurrent expenditure: 1989 - $2195 million; 1990 - $2229 million; and 1991 - $2288 million (clause 17). The maximum grants in respect of Aboriginal participation projects will be: 1989 - $11.47 million; 1990 - $12.769 million; and 1991 - $13.31 million (clause 19). The Bill also lists the amounts available for various other special projects, such as superannuation contributions, special research assistance and alcohol and drug education programs. The maximum amount available for capital grants are listed in clause 26. An equal amount, $81.684 million, will be made available in each of the next three years (also see clause 31 below). The Part also contains provisions relating to the imposition of conditions of grants, and provides for the adjustment of 1988 grants where estimated student numbers differed from the actual amount.

Chapter 3 provides for additional grants. Clause 29 details the extra grants available for Aboriginal participation programs. The amounts that may be made available are: 1989 - $1.669 million; 1990 - $4.589 million; and 1991 - $8.448 million. Additional grants are also available for the promotion of equal opportunities (clause 30).

Additional capital grants are detailed in clause 31. The maximum amounts that may be made available under this provision are: 1989 - $30.316 million; 1990 - $69.524 million; and 1991 - $102.596 million. Clause 32 provides for additional grants in respect of renovation projects. The maximum that may be spent on renovations in 1989 (the only year specified) is $19.760 million.


References
2. Ibid., p. 76.
4. Ibid., p. 21.

For further information, if required, contact the Education and Welfare Group.

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