Higher Education Support Amendment (Savings and Other Measures) Bill 2013

OUTLINE

The purpose of schedules 1 to 3 is to amend the Higher Education Support Act 2003 (HESA) to give effect to measures to moderate the growth of higher education expenditure. The Bill includes savings measures that were announced on 13 April 2013 by the then Minister and included in the 2013–14 Budget. HESA provides for funding of education providers and the legislative authority for the Government’s income contingent loan programs including HECS-HELP, FEE-HELP, OS-HELP, SA-HELP and VET-FEE HELP.

Schedule 1 amends HESA to remove the HECS-HELP up-front payment discount. Currently, a 10 per cent discount is applied to up-front student contribution payments of $500 or more. The amount of the discount is paid by the Government to the student’s higher education provider. The application provision in Schedule 1 provides that a person will not receive the HECS-HELP up-front payment discount for a payment made in relation to a unit of study with a census date on or after 1 January 2014 (even if the payment is made before that date).

Schedule 2 amends HESA to remove the HELP voluntary repayment bonus. The voluntary repayment bonus currently reduces a person’s HELP debt by an additional 5 per cent of the payment amount when the person makes a voluntary repayment of $500 or more. The application provision in Schedule 2 provides that a person will not receive the HELP voluntary repayment bonus for voluntary payments made on or after 1 January 2014, regardless of whether the repayment relates to a debt incurred before or after this date.

Schedule 3 amends HESA to apply an efficiency dividend of 2 per cent in 2014 and 1.25 per cent in 2015 to Commonwealth contribution amounts under the Commonwealth Grant Scheme. The efficiency dividend is applied prior to indexation using the Higher Education Grants Index.

Schedule 4 makes a minor amendment to HESA to reflect the change of the name of the University of Ballarat to the Federation University Australia. The Victorian Parliament has passed the University of Ballarat Amendment (Federation University Australia) Act 2013 to change the name of the University with effect from 1 January 2014.

FINANCIAL IMPACT

The Bill includes savings measures that were included in the 2013–14 Budget.

Schedule 1 and 2 amendments are estimated to provide combined savings of $276.7 million over four years (2013–14 to 2016–17).
Schedule 3 amendments will contribute to estimated savings of $902.7 million over four years (2013–14 to 2016–17) from the efficiency dividend measure.

Schedule 4 amendments are minor in nature and not anticipated to have a financial impact.
Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

HIGHER EDUCATION SUPPORT AMENDMENT (SAVINGS AND OTHER MEASURES) BILL 2013

This Bill is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the Human Rights (Parliamentary Scrutiny) Act 2011.

Overview of the Bill

The purpose of schedules 1 to 3 is to amend the Higher Education Support Act 2003 (HESA) to make savings in higher education expenditure. HESA provides for funding of education providers and the legislative authority for the Government’s income contingent loan programs including HECS-HELP, FEE-HELP, OS-HELP, SA-HELP and VET-FEE HELP.

Schedule 1 of the Bill amends HESA to remove the HECS-HELP up-front payment discount for units of study with a census date (the date on which a student’s HECS-HELP liability is calculated) on or after 1 January 2014.

Schedule 2 of the Bill amends HESA to remove the bonus for voluntary repayment of debt incurred under the Higher Education Loan Program (HELP) for repayments made on or after 1 January 2014.

Schedule 3 of the Bill amends HESA to apply an efficiency dividend of 2 per cent in 2014 and 1.25 per cent in 2015 to Commonwealth contribution amounts under the Commonwealth Grant Scheme. The efficiency dividend is applied prior to indexation using the Higher Education Grants Index. The efficiency dividend will also be applied to other grants under HESA by amending relevant guidelines.

Schedule 4 of the Bill makes a minor amendment to HESA to reflect the change of the name of the University of Ballarat to the Federation University Australia. The Victorian Parliament has passed the University of Ballarat Amendment (Federation University Australia) Act 2013 to change the name of the University with effect from 1 January 2014.

Human rights implications

Schedule 4 amendments are minor in nature and do not engage any human rights.

Right to education
Schedules 1 to 3 engage the right to education. In particular, article 13(2)(c) of the *International Covenant on Economic, Social and Cultural Rights* (ICESCR) states that higher education shall be made equally accessible to all, on the basis of capacity, by every appropriate means, and in particular by the progressive introduction of free education.

*Schedules 1 and 2*

Schedules 1 and 2 contain amendments that remove financial incentives for up-front payment of student contribution amounts and voluntary repayment of HELP debts. Currently, a 10 per cent discount is applied to up-front student contribution payments of $500 or more. The amount of the discount is paid by the Government to the student’s higher education provider. The voluntary repayment bonus currently reduces a person’s HELP debt by 5 per cent of the payment amount when the person makes a voluntary repayment of $500 or more. Removing the up-front discount and voluntary repayment bonus is estimated to provide $276.7 million in savings over four years (2013–14 to 2016–17).

Student contribution amounts and tuition fees may still be deferred under HELP.

The upfront discount offers little incentive to students to pay their fees upfront, rather than through a HECS-HELP loan. It was reduced from 20 per cent to 10 per cent on 1 January 2012 and this has had only had a minor effect on the proportion of student contributions that have been deferred.

*Schedule 3*

Schedule 3 contains amendments that reduce funding that the Government provides to universities through subsidies for Commonwealth supported students. The efficiency dividend is estimated to provide savings of $902.7 million over four years (2013–14 to 2016–17) from all affected grant programs.

The efficiency dividend will not apply to student contribution amounts or other amounts paid by students for which HELP loans are available.

**Conclusion**

The Bill is compatible with human rights.
NOTES ON CLAUSES

Clause 1 - Short title

Provides for the Act to be cited as the Higher Education Support Amendment (Savings and Other Measures) Bill 2013.

Clause 2 - Commencement

Subclause 2(1) inserts a three column table setting out commencement information for various provisions in the Bill. Each provision of the Bill specified in column 1 of the table commences (or is taken to have commenced) in accordance with column 2 of the table and any other statement in column 2 has effect according to its terms.

The table has the effect of providing for:

- sections 1 to 3 and anything in this Bill not elsewhere covered by this table to commence on Royal Assent
- Schedule 1 to commence the day after Royal Assent
- Schedule 2 to commence on 1 January 2014
- Schedule 3 to commence the day after Royal Assent
- Schedule 4 to commence on 1 January 2014

Subclause 2(2) provides that column 3 of the table is for additional information which may be added to or edited in any published version of the Bill but that information is not part of the Bill.

Clause 3 - schedule(s)

Provides that each Act that is specified in a schedule is amended or repealed as set out in the applicable items in the schedule and that any other item in a schedule has effect according to its terms.

List of abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>HESA</td>
<td>Higher Education Support Act 2003</td>
</tr>
<tr>
<td>HELP</td>
<td>Higher Education Loan Program</td>
</tr>
</tbody>
</table>
**Schedule 1  Removal of up-front payment discount**

**Summary**

Currently students can make a full up-front payment by paying 90 per cent of the student contribution amount for all of their units in a course of study with the same census date and receive a 10 per cent discount for that payment. Students may also pay part of their student contribution up-front and receive a 10 per cent discount for any payments totalling $500 or more for units in a course of study with the same census date. The amount of the discount is paid by the Government to the student’s higher education provider.

Schedule 1 would implement a savings measure included in the 2013–14 Budget. Schedule 1 will provide savings by amending HESA to create a single set of payment arrangements for HECS-HELP that do not allow for an up-front payment discount.

The removal of the HECS-HELP up-front payment discount would take effect from 1 January 2014.

**Detailed explanation**

**Items 1, 2, 4 and 5** will respectively repeal section 36-50, paragraph 90-1(f), subsection 93-15(3) and sections 96-1, 96-5 and 96-10 and insert a new paragraph 90-1(f) and a new section 96-1. The collective effect of these provisions is to remove the upfront discount of 10 per cent for students enrolled in Commonwealth-supported places who pay their student contributions upfront to a higher education provider.

**Item 10** is an application provision which makes clear the circumstances in which the amendments made by Schedule 1 apply. The amendments in respect of an up-front payment only apply in relation to a unit of study that has a census date on or after 1 January 2014.

Item 10 is intended to clarify that a person making an up-front payment for his or her student contribution amount for a unit of study with a census date before 1 January 2014 would still be entitled to the 10 per cent discount, regardless of when the payment is made.

However, if a person were to make an up-front payment on or before 31 December 2013 for a unit of study to be undertaken in the 2014 academic year (ie the unit’s census date would occur on or after 1 January 2014), the person would not be eligible for the up-front payment discount.
**Items 3, 6, 7, 8 and 9** make technical amendments for the purposes of Items 1, 2, 4 and 5.
**Schedule 2  Removal of voluntary repayment bonus**

**Summary**

People may make a voluntary repayment towards their HELP debt to the Australian Taxation Office at any time. Voluntary repayments of $500 or more currently attract a 5 per cent bonus on the payment amount. This means a person’s account is credited with an additional 5 per cent of their payment amount.

Schedule 2 would implement a savings measure included in the 2013–14 Budget. Schedule 2 will provide savings by amending HESA to remove the voluntary repayment bonus.

The removal of the voluntary repayment bonus for HELP debtors would take effect from 1 January 2014.

**Detailed explanation**

**Items 2, 3, 4 and 5** will update the example set out in subsection 140-5(1) of HESA to ensure it is relevant and current.

**Item 7** will repeal section 151-5 of HESA. The effect of this provision is to remove the voluntary repayment bonus of 5 per cent for HELP debtors who make a voluntary payment towards their accumulated HELP debt.

**Item 8** is an application provision which makes clear the circumstances in which the amendments made by Schedule 2 will apply. The amendments in respect of a voluntary repayment will only apply to a repayment made on or after 1 January 2014, regardless of whether the repayment relates to a debt incurred before or after this date. If a person wants to make a voluntary repayment any time up to and including 31 December 2013, he or she would still be eligible for the voluntary repayment bonus (eg for a degree completed three years ago). However, a payment made on the following day (1 January 2014) would not attract the bonus.

**Items 1 and 6** make technical amendments for the purpose of **Item 7**.
Schedule 3  Efficiency dividend

Summary

Schedule 3 would implement a savings measure included in the 2013–14 Budget. Schedule 3 will provide savings by amending HESA to apply an efficiency dividend to Commonwealth contribution amounts in section 33-10. It will reduce these amounts by 2 per cent for 2014 and 1.25 per cent for 2015 prior to application of the Higher Education Grants Index for the relevant year.

Detailed explanation

Item 1 inserts new section 198-7 after section 198-5.

New section 198-7 sets out the method for calculating the Commonwealth contribution amounts in respect of 2014 and 2015 after the application of an efficiency dividend.

Subsection (1) makes clear that, in respect of 2014, a Commonwealth contribution amount is not to be indexed until after it has been reduced by the 2 per cent efficiency dividend. In this case, the relevant amount is first to be multiplied by 0.98, and then indexed by the relevant indexation factor.

Subsection (2) provides that, for 2015, a Commonwealth Contribution amount is not to be indexed until after it has been reduced by the 1.25 per cent efficiency dividend. In this case, the relevant amount is first to be multiplied by 0.9875.

Subsection (3) provides that, if the 2015 indexation factor is 1 or less, the Commonwealth contribution amount for 2015 will be the amount calculated by application of the 1.25 per cent efficiency dividend only – in this case, the 2015 amount will not be indexed. This amendment is intended to ensure that if the 2015 amount is not indexed then the efficiency dividend will still apply.
Schedule 4 University name change

Summary

The Victorian Parliament has passed the *University of Ballarat Amendment (Federation University Australia) Act 2013* (VIC). The main purpose of this legislation is to amend the *University of Ballarat Act 2010* (VIC) to update the name of the University of Ballarat to Federation University Australia with effect from 1 January 2014.

Detailed explanation

*Items 1 and 2* will amend the list of ‘Table A providers’ in section 16-15 of HESA to reflect the change of name of the University of Ballarat to Federation University Australia.