13 April 2013

Today the Government announced savings in the higher education portfolio that will contribute to the funding of school education reforms designed to ensure that all Australian school children get a flying start in life.

Prime Minister Gillard has committed to making every school a great school, consistent with the fundamental Labor philosophy of ensuring no-one is left behind.

Under the Labor Government, Commonwealth funding for university places has increased by 50 per cent. And as a result of uncapping university places, around 146,000 extra student places have been made available this year.

Taking account of the $2.3 billion in savings, Commonwealth funding for higher education will continue to rise sharply (see Chart 1). Further, the number of higher education places will continue its steep increase (see Chart 2).

The measures are:

- An efficiency dividend for university funding, of 2% in 2014 and 1.25% in 2015;
- Removal of the 10% discount on paying university fees upfront and the 5% bonus received for voluntary repayment of HELP debts; and
- Conversion of student start-up scholarships into a loan, repayable along with students’ university fees after students are earning a specified level of income.

The efficiency dividend will average $300 million per annum.

The Government will retain the demand-driven system that is enabling more young people to go to university and large numbers of the first children in families to be able to walk through university gates. It is also committed to the Higher Education Grants indexation system.

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FACTSHEET ON HIGHER EDUCATION FUNDING

- Commonwealth funding for university places increased by more than 50 per cent between 2007 and 2012.

- As a result of uncapping university places, an estimated 146,000 extra Commonwealth-supported university student places have been made available in 2013 compared with 2007 – a 34 per cent increase.

- The Government's record investment in the higher education sector will continue while our national school improvement program is rolled out.

- But to have the best universities we have to have the best school classrooms, which is why the Government is announcing savings measures today to ensure these vital school reforms can be funded.

Changes to university funding arrangements in 2014 and 2015

- This measure applies an efficiency dividend of 2 per cent in 2014 and 1.25 per cent in 2015 to all grants under the Higher Education Support Act 2003, excluding Australian Postgraduate Awards.

Changes to HECS-HELP upfront discount and voluntary HELP repayment bonus

- From 1 January 2014, this measure will: remove the upfront discount of 10 per cent offered to students enrolled in Commonwealth-supported places who pay their student contribution upfront; and remove the voluntary HELP repayment bonus of 5 per cent.

- This measure will not affect students who choose to fund their university studies through HECS-HELP deferred loan (currently around 84 per cent of total students).

Changes to Student Start-up Scholarships

- The measure replaces the Student Start-up Scholarships (SSS) with equivalent income contingent loans for new recipients of student payments undertaking higher education from 1 January 2014.

- Recipients who receive a SSS prior to 1 January 2014 will continue to be eligible for the SSS until coming off student payments.

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Chart 1: Higher Education Expenditure
Chart 2: Commonwealth funded higher education places (2005 to 2017)