

Australian Catholic University

**Submission to the Senate Education and
Employment Legislation Committee**

**Inquiry into the Higher Education Support
Amendment (Job-ready Graduates and
Supporting Regional and Remote
Students) Bill 2020**

September 2020

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EXECUTIVE SUMMARY

Australian Catholic University (ACU) welcomes the opportunity to make a submission to the Senate Education and Employment Legislation Committee in relation to its inquiry into the Higher Education Support Amendment (Job-Ready Graduates and Supporting Regional and Remote Students) Bill 2020 (hereafter “the Bill”).

The Bill proposes to give legislative effect to elements of the Federal Government’s Job-Ready Graduates Package reforms. Fundamentally, these reforms seek to deliver more “job-ready graduates” in the most needed disciplines and regions, and to help drive Australia’s economic recovery from the impacts of the coronavirus pandemic.

ACU supports the Bill, recognising, in particular, its overarching aim of meeting increasing demand for Commonwealth Supported Places from domestic students in a constrained budgetary environment. The increased demand arises from:

- (a) the legacy of the ‘Costello baby boom’, reflected by a surge in the number of Australians now reaching university age;
- (b) more Australians looking to study or to ‘reskill’ during the current recession and at a time of rising unemployment; and
- (c) the social and economic imperative to increase higher education participation among presently under-represented groups.

ACU’s support for the Bill is contingent, however, on each university being guaranteed its existing level of base funding – i.e. their 2020 “maximum basic grant amount” (MGBA) – over the next three years (to the end of 2023). This is crucial to provide universities with the capacity to adjust to the new funding model, which reduces the average amount of funding per student. ACU understands that this will require an adjustment in terminology in view of the planned shift away from “designated” and “non-designated” places to broader funding envelopes.

ACU welcomes the Government’s assurances that formal arrangements for this funding guarantee will be set out in forthcoming legislation but notes that it is not wholly set out in the current Bill. ACU would take comfort from seeing the funding guarantee legislated alongside the changes to the existing funding model.

The importance of this guarantee stems from ACU’s concerns that some ‘elite’ universities may seek to temporarily replace lost revenue from international students by significantly expanding enrolments from the domestic student market, particularly in courses (such as Business and Law) that attract little Commonwealth funding but large student contributions. Such predatory action would be to the great detriment of mid-tier and regional universities – and to the stability of the system as a whole – in the short and medium term.

The three-year funding guarantee is a crucial measure to ensure mid-tier and regional universities are able to withstand such raids until international students return to Australian universities.

ACU recommends the Senate **pass the Bill with amendments**, as outlined in this submission.

COMMENTS AND RECOMMENDATIONS

ACU makes the following comments and recommendations on specific provisions contained in the Bill.

Transition Fund and Funding Guarantee

ACU understands that the Transition Fund set out in the Bill is designed to offset a drop in universities' revenue caused by the proposed changes to the higher education funding clusters and bands and the associated grandfathering of lower student contributions. The Bill makes provision for a "Transition Fund loading" but leaves the details of the loading amounts for stipulation in the Commonwealth Grant Scheme Guidelines. This makes these amounts vulnerable to ministerial discretion.

Recommendation

1. ACU endorses the acknowledgement in the Explanatory Memorandum to the Bill that the policy intent of the Transition Fund Loading is to "ensure that Table A providers can maintain their revenue over the grant years 2021 to 2023, whilst the Job-Ready Graduates Package is being implemented".
2. ACU recommends that a transparent formula setting out the amounts payable to universities under the Transition Fund should be enshrined in the legislation.

Maximum Basic Grant Amount (MBGA)

The Bill provides that:

- a university's MBGA for higher education courses must not be less than what is stipulated in the Commonwealth Grant Scheme (CGS) Guidelines for the period 2021-24;
- a university's MBGA for higher education courses must not be less than its MBGA for the preceding year (under a university's funding agreement) in the period from 2025; and
- the CGS Guidelines may "specify different amounts for different years" and "different amounts for different Table A providers" over 2021-24.

ACU notes that provisions for a three-year funding guarantee – effectively setting a university's guaranteed MBGA floor at its 2020 levels for the period 2021-23 – are not contained in the Bill. This guarantee would essentially replicate the guarantee the Government provided in 2020 to underwrite 2019 levels of funding in respect of domestic enrolments. ACU is anxious to see provisions giving effect to this pledge set out in legislation.

Recommendation

3. ACU supports the change to the exposure draft of the Bill that restored the MBGA floor – from 2025 – that is a feature of the *Higher Education Support Act 2003* in its present form.
4. For the period from 2021, ACU calls on the Government to introduce legislation that gives effect to its promise to provide a three-year guarantee of universities' existing base funding levels (in respect of domestic students) regardless of enrolment numbers.

Introduction of a more flexible funding envelope for Table A providers

ACU welcomes the Bill's provision of greater flexibility for universities to determine how they use the bulk of their CGS funding to meet student, industry and community demand. This includes amendments to introduce a funding envelope for universities, combining funding for Commonwealth Supported Places (CSPs) across more levels of higher education and creation of the new "higher education courses" category.

Recommendation

5. ACU recommends the Senate support the Bill's provisions to introduce a more flexible funding envelope for Table A providers.

National Priorities and Industry Linkage Fund (NPILF) and Indigenous, Regional and Low Socioeconomic Status Attainment Fund (IRLSAF)

The Bill provides legislative authority to establish and implement:

- (i) the National Priorities and Industry Linkage Fund (NPILF) to provide grants to Table A providers to incentivise engagement with industry and thereby deliver teaching that will produce job-ready graduates; and
- (ii) the Indigenous, Regional and Low Socio-Economic Status Attainment Fund (IRLSAF) to provide grants to providers to incentivise enrolment of Indigenous, regional and remote, and low socioeconomic status students.

In principle, ACU supports the establishment of these funds, subject to further details on the mechanics of the funds. This reservation includes the preconditions or eligibility criteria for providers to receive funding under these measures.

It is also important that, to the extent that the funds will support participation in higher education amongst equity groups and facilitate teaching and learning that is responsive to the needs of the economy, it is not at the expense of existing effective mechanisms to achieve these goals.

Recommendation

6. ACU supports in principle the Bill's provisions to enable establishment of the NPILF and IRLSAF, subject to clarification of the functional and operational details of these programs.

Redesign of CGS funding clusters and bands

The Bill proposes to redesign the CGS funding clusters, and amend the Commonwealth contribution amounts and student contribution amounts for students in CSPs from 2021.

ACU largely supports these reforms, recognising the underlying intent of seeking to make more CSPs available to Australian students and acknowledging the extremely difficult budgetary environment facing the Commonwealth.

The rising demand for CSPs from domestic students is due to:

- (a) the legacy of the 'Costello baby boom' – a surge in the number of Australians now reaching university age;
- (b) more Australians looking to study or to 'reskill' during the current recession, a time of high unemployment; and
- (c) the social and economic imperative to increase higher education participation among presently under-represented groups.

Recommendation

7. ACU recommends the Senate support the proposed redesign of the CGS funding clusters and bands, recognising the pressing need to increase the number of CSPs available to students in a constrained budgetary environment.

Grandfathering of students currently enrolled in a CSP

The Bill overhauls student contribution bands, increasing the contribution amounts students must pay for some courses and reducing others. Where existing students would be required to pay more, the Bill grandfathers the current student contribution bands to shield them from these changes.

Since existing students enrolled in their courses on an understanding of the student contributions that would be required of them, ACU supports the grandfathering arrangements in the interests of fairness.

At the same time, ACU notes that existing students' fees will *not* be grandfathered where the Bill reduces the contributions for the courses in which they are enrolled. Rather, these students will get the windfall benefit of reduced student contributions in these circumstances.

ACU does not express a view on this policy decision except to note that a central argument in favour of reducing student contributions in certain courses – i.e. to incentivise students to enrol in these courses – does not apply to students who are already enrolled in these courses.

Recommendation

8. ACU recommends the Senate support the provisions in the Bill that grandfather the contributions of students currently enrolled in courses whose fees would rise under the Bill.

Introduction of demand driven CSPs for regional and remote Indigenous persons

ACU supports the Bill's provisions to introduce demand driven bachelor-level CSPs for Indigenous persons from regional and remote areas. ACU has long been a strong supporter and advocate for demand driven higher education funding in the interests of greater access to, and equity in, higher education.

Recommendation

9. ACU recommends the Senate support the provisions to introduce demand driven CSPs for Indigenous persons from regional and remote areas.

Make certain Work Experience in Industry (WEI) units eligible for CGS funding

The Bill removes the broad exclusion of “Work Experience in Industry” (WEI) units of study with respect to CGS funding eligibility. Instead, only WEI units where the student does not pay a Student Contribution Amount for the WEI will be excluded.

ACU supports this amendment and the policy intent to remove barriers to facilitating WEI learning experiences in higher education, and thereby encourage more students to gain relevant work experience during their studies.

Recommendation

10. ACU recommends the Senate support the changes to make certain Work Experience in Industry units eligible for CGS funding.

Reduce the FEE-HELP loan fee for undergraduate students from 25 per cent to 20 per cent

The Bill proposes to reduce the loan fee for students obtaining a FEE-HELP loan for an undergraduate course of study at a non-Table B provider, from 25 per cent to 20 per cent.

ACU supports this provision, as it will reduce some of the financial burden on students and the total time taken to repay a HELP debt.

Recommendation

11. ACU recommends the Senate support the provisions to reduce, from 25 to 20 per cent, the FEE-HELP loan fee for undergraduate students at non-Table B providers.

Change the eligibility threshold for students to receive Fares Allowance under the Social Security Act 1991

The Bill proposes to reduce the number of months, from six to three, a student must be receiving eligible student support payments before being deemed eligible, under the *Social Security Act 1991*, to receive a Fares Allowance for a return journey home during the study year. ACU supports this reform.

Recommendation

12. ACU recommends the Senate support the Bill's provisions to reduce the period, from six to three months, a student must be receiving eligible student support payments to be eligible for the Fares Allowance under the *Social Security Act 1994*.

Extend and strengthen student protection and provider integrity measures, and other compliance measures, to all higher education providers

The Bill proposes to introduce and/or extend a range of student protection, provider integrity, and other compliance measures.

These provisions did not form part of the Job-Ready Graduates Package and have been tacked onto the Bill without considered consultation.

As such, ACU opposes these provisions as there is no clear imperative for them and they appear to represent regulatory overreach. ACU notes that TEQSA already provides appropriate, risk-based regulatory oversight of the sector.

Recommendation

13. ACU recommends the Senate reject the proposed extension of student protection measures and other compliance measures, which did not form part of the Job-Ready Graduates Package and require considered consultation.