

1997

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

HIGHER EDUCATION FUNDING AMENDMENT BILL (No.1) 1997

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Employment, Education, Training and Youth
Affairs, Senator the Hon Amanda Vanstone)

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HIGHER EDUCATION FUNDING AMENDMENT BILL (No.1) 1997

OUTLINE

The Higher Education Funding Act 1988

The *Higher Education Funding Act 1988* (the Act) makes provision for grants of financial assistance to higher education institutions and other bodies for higher education purposes, establishes the Higher Education Contribution Scheme (HECS) and the Open Learning Deferred Payment Scheme (OLDPS) and makes provision for the repayment of monies lent by the Commonwealth to students under those Schemes.

The Higher Education Funding Amendment Bill (No.1) 1997

The Higher Education Funding Amendment Bill (No.1) 1997 amends the Act to:

- vary the maximum aggregate amount of financial assistance which may be granted to higher education institutions for superannuation expenditure for the 1998 funding year;
- vary the maximum aggregate amount of financial assistance which may be granted to open learning organisations for the 1998 funding year;
- vary the limit on total funds available to higher education institutions for certain grants under the Act in respect of the 1998 funding year;
- vary the maximum aggregate amount of financial assistance which may be granted to higher education institutions in respect of their teaching hospitals for the 1998 funding year;
- vary the maximum aggregate amount which may be granted to higher education institutions for approved special capital projects for the 1998 funding year;
- introduce the Rationalisation and Restructuring Programme to allow the Minister to provide grants to higher education institutions to assist with the rationalisation and restructuring activities of the institution;
- introduce a 25 per cent discount for partial up-front payments of \$500 or more under the HECS; and
- streamline the arrangements for students applying for remission of HECS debts.

FINANCIAL IMPACT

The Bill provides an increase of \$9.658m in 1998 on the current legislated amounts.

NOTES ON CLAUSES

Clause 1 - Short Title

Clause 1 sets out the short title of the proposed Act.

Clause 2 - Commencement

Clause 2 provides for the commencement of the proposed Act on the day it receives the Royal Assent.

Clause 3 - Schedule(s)

Clause 3 amends the *Higher Education Funding Act 1988* in accordance with the items in the Schedules to the Bill.

SCHEDULE 1 - AMENDMENT OF THE HIGHER EDUCATION FUNDING ACT 1988

Part 1 - Amendments relating to grants to institutions

Higher Education Funding Act 1988

The *Higher Education Funding Act 1988* provides for the funding of certain institutions of higher education and associated bodies, and for related purposes.

Item 1 - Paragraph 20(3)(j)

Section 20 provides for grants to higher education institutions for superannuation expenses for staff whose salaries are funded from grants provided under the Act. **Item 1** amends the maximum aggregate grant amount for 1998. The variation is required to reflect supplementation for price movements.

Item 2 - Paragraph 22A(5)(f)

Paragraph 22A(5) of the Act provides for the total amounts which may be approved as expenditure by way of grants to open learning organisations. **Item 2** amends subsection 22A(5) to vary the amount for 1998 to reflect supplementation for price movements.

Item 3 - Paragraph 23C(2)(e)

Subsection 23C(2) of the Act provides for a limit on total funds available for certain grants for specified years. **Item 3** amends subsection 23C(2) to vary the amount for 1998 to reflect supplementation for price movements.

Item 4 - Paragraphs 24(3)(j)

Section 24 of the Act provides for grants in respect of teaching hospitals. **Item 4** amends the maximum aggregate amount which may be granted to institutions for 1998 to reflect supplementation for price movements.

Item 5 - Paragraphs 27A(6)(e)

Section 27A of the Act provides for grants for special capital projects. **Item 5** amends subsection 27A(6) to vary the maximum aggregate amount which may be granted to institutions for 1998 to reflect supplementation for price movements.

Part 2 - Amendments relating to restructuring and rationalisation programmes

Item 6 - After section 18

Item 6 inserts a provision to give effect to the Restructuring and Rationalisation Programme. This provision will enable the Minister to make special grants to higher education institutions for rationalisation and restructuring activities. The item will allow conditions to be applied to grants under the Programme and requires grants to be made in accordance with guidelines issued by the Minister. The guidelines will set out the criteria and procedures to be used in assessing which rationalisation and restructuring activities at institutions should be supported.

Item 7 - Paragraph 110(c)

Item 7 has the effect of providing for the guidelines for the Restructuring and Rationalisation Programme issued by the Minister to be disallowable instruments.

Part 3 - Amendments to extend the circumstances in which students receive a 25% discount on course contributions

Item 8 - Subparagraph 18(1)(c)(ii)

Item 8 is a consequential amendment required as a result of introducing a measure to provide students with a 25% discount for partial up-front payments of their Higher Education Contribution Scheme (HECS) contribution, if the payment made is \$500 or more, as outlined in **Item 12**.

Item 9 - Subparagraph 41(1)(b)(i)

Item 9 is a consequential amendment required as a result of **Item 12**.

Item 10 - Subparagraph 41(1)(b)(i)

Item 10 is a consequential amendment required as a result of **Item 12**.

Item 11 - After paragraph 41(1)(b)

Item 11 is a consequential amendment required as a result of **Item 12**.

Item 12 - After subsection 41(1)

Item 12 adds a new subsection 41(1A) to provide students with a 25% discount for partial up-front payment of their HECS contribution, if the payment made is \$500 or more. The item extends the present circumstances in which students will receive a 25% discount on their HECS contribution. Presently, students receive a 25% discount if they choose to pay their *full* HECS contribution for a semester before the census date (an up-front payment). Currently students may make partial up-front payments, but do not receive a discount for doing so.

Section 41 sets out the requirements for a student enrolling for or undertaking a course. **Item 12** provides that a student, who chooses to make a partial up-front payment and to receive the 25% discount, must make the payment to the institution prior to the census date for a semester. It also requires the student to request that the Commonwealth lend that amount of the deferred payment to the institution on the student's behalf, making the student liable to make repayments on the outstanding amount of the student's HECS liability.

The item also sets out the formula to be used in calculating the 25% discount for partial up-front HECS payments, and has the effect of providing that any resulting cents shall be rounded to the nearest dollar.

Item 13 - Paragraph 41A(1)(a)

Item 13 is a consequential amendment required as a result of **Item 12**.

Item 14 - Paragraph 41B(1)(a)

Item 14 is a consequential amendment required as a result of **Item 12**.

Item 15 - Subparagraph 54(1)(d)(ii)

Item 15 is a consequential amendment required as a result of **Item 12**.

Item 16 - Section 56

Item 16 is a consequential amendment required as a result of **Item 12**.

Item 17 - At the end of Division 2 of Part 4.2

Item 17 inserts new sections 56A and 56B to ensure that an institution will refund to the student any up-front partial HECS payment made, if the student's enrolment is subsequently cancelled as a result of failure to provide the institution with a tax file number or failure to obtain a tax file number.

Item 18 - After subsection 57(3)

Item 18 inserts a new subsection setting out the obligation on the Commonwealth to discharge a student's liability to pay a contribution to an institution in respect of a semester (their HECS liability), after a student makes a partial up-front payment as described in **Item 12**. This item has the effect of providing that the Commonwealth must lend to the student the remaining component of the student's HECS liability and to pay an amount to the institution in discharge of that liability as well as the amount of the discount provided to the student. This item sets out the formula for calculating the amount that shall be paid to the institution on the student's behalf, and has the effect of providing that any cents shall be rounded to the nearest dollar.

Item 19 - Application

Item 19 specifies that the 25% discount for partial up-front HECS payments shall apply to payments made for a course of study in a semester that commences on or after 1 January 1998.

Part 4 - Amendments relating to remission of student debt

Item 20 - Subsections 106L(1), (2) and (3)

Item 20 sets out streamlined arrangements applying to remission of a student debt under the HECS or the Open Learning Deferred Payment Scheme (OLDPS). The item removes the current two-tier application process and includes special circumstances in which the Secretary to the Department may remit a student's debt. A person with a student debt will now have a set twelve month period from the date of withdrawal from studies in which to apply for remission.

New subsection 106L(3A) allows the Secretary to the Department to issue guidelines in relation to the Secretary's discretion to remit either a HEC semester debt or an OL study period debt (a student debt) and where such guidelines are issued, provides that the Secretary's decision must be made in accordance with those guidelines.

New subsection 106L(3B) specifies that a person's withdrawal day can be either the date of withdrawal from a HECS semester or OLDPS study period, or the last day of the semester or study period for a person who did not withdraw.

Item 21 - Paragraph 110(c)

Item 21 has the effect of providing for the guidelines made by the Secretary to the Department under subsection 106L(3A) to be disallowable instruments.

Item 22 - Application

Item 22 has the effect of providing that the new, streamlined arrangements for remission of debts under HECS or OLDPS will apply to units of study commenced on or after 1 January 1998.