

2016-17 Australian Federal Budget Overview and Media Commentary

This document contains the following sections:

- *Budget Savings (Omnibus) Bill 2016*: link to the Bill and associated papers, summary of the cost-cutting measures put in place in the Higher education sector.
- *2016-17 Federal Budget*: links to Budget papers, summary of the key proposals in Higher Education and the Arts, and the Treasurer's, the Hon. Scott Morrison, Budget speech.
- *Press releases from the Departments*: Commentary on the Budget press releases from the Department of Education and Training and the Department of Communications and the Arts.
- *Media Coverage*: Commentary on the media coverage of the Budget separated into higher education coverage and the arts coverage.
- *Budget Replies*: Commentary on the Budget replies from Labor and the Greens.

Budget Savings (Omnibus) Bill 2016 – Passed by both Houses on 15 September 2016, Assented 16 September 2016

Following the result of the Federal election in July, the Turnbull government introduced the *Budget Savings (Omnibus) Bill* into parliament to give effect to \$6 billion in Budget savings. The Bill comprised of 24 individual savings measures, among them were new measures affecting the repayment of graduates HELP debt, students who receive a government grant or assistance, and low income students who receive “start up” scholarships to pay for textbooks and course equipment.

Minimum repayment income for HELP debts

The minimum repayment for HELP debts will now kick in when a person's income reaches \$51,957 at a repayment rate of 2% in the 2018-19 income year. This threshold has dropped from \$54,868 at a repayment rate of 4% in the 2016-17 income year.

Indexation of higher education support amounts

The index for amounts that are indexed annually under the *Higher Education Support Act 2003*, moves from the Higher Education Grants Index (HEGI) to the Consumer Price Index (CPI), with effect from 1 January 2018. This results in their support diminishing in real terms over time.

Removal of HECS-HELP benefit

The HECS-HELP benefit for early childhood education graduates (around \$1,800 a year) and for other occupations of identified need, including mathematics, science related occupations, teaching and nursing (around \$1,700 a year) will be discontinued from 1 July 2017.

Student start-up scholarships

The Bill repeals the income-contingent student start-up scholarship payment, from 1 July 2017, or the first 1 January or 1 July after Royal Assent after this date. The earliest this Schedule can commence is 1 July 2017. This scholarship was introduced in 2010 to assist students with the upfront costs of study, including text books and course equipment.

Due to the nature of the current scholarship qualification provisions, it is expected that many current recipients would no longer be eligible for the scholarship at the commencement of this Schedule as they would have completed their study and no longer be receiving student payments. It is expected that approximately 80,000 existing student start-up scholarship recipients will be affected by this measure as at 1 July 2017. The number of existing recipients affected is expected to decrease significantly over a short period of time, as students complete their courses and no longer require the support of student payments.

Current recipients of the student start-up scholarship payment may be qualified for a student start-up loan or ABSTUDY start-up loan after the commencement of this Schedule. The amount of the loan is the same as the amount of the scholarship and it is paid at the same time as the scholarship.

Unlike the Start-Up Scholarship, the Start-Up Loan needs to be repaid.

[2016-17 Federal Budget](#) (link to full Budget papers)

[Higher Education](#) (link to the Education Portfolio papers)

- In essence, we are back to where we were going into the 2014-15 Federal Budget. What had the potential to be a highly contested election issue around higher education reform, the value of research and the contribution the sector could make to the Government's innovation agenda, has turned into a non-issue.
- 0.9% increase in funding for higher education up to \$12.3 billion.
- Over the next four years, the Coalition will invest \$49.4 billion in Australian higher education and research.
- Higher education reforms are delayed for a year and full fee deregulation will not be going ahead. Instead, an options paper on alternatives has been released - [Driving Innovation, Fairness and Excellence in Australian Higher Education](#). The Government is seeking feedback on the paper, due 25 July with the implementation of the reforms to come in 1 January 2018. DASSH will be providing feedback on the proposed alternatives and welcomes comments from the membership. More information on this will follow, but feel free to let me know if you would be interested in contributing to this.
- The introduction of the proposed 20% cut to university funding has also been delayed until 1 January 2018.
- The \$1.2 billion efficiency dividend on legislated programs has been dropped.
- Australian international education will receive an additional \$12 million over four years to support the [National Strategy for International Education](#), which was released on Saturday 30 April.

- The Office for Learning and Teaching (OLT) has been abolished with some funding redirected to TEQSA and QILT. The Teaching and Learning awards remain with 180 learning and teaching citations and awards provided to higher education providers by the Promotion of Excellence in Learning and Teaching in Higher Education Program.
- \$152 million cut from the Higher Education Participation and Partnerships Programme (HEPP).
- There is a modest increase to research funding to help universities adjust to changes to block grant funding. However, as various ARC Future Fellowships come to an end and the number awarded has been reduced, the ARC will have a small cut of over \$5.3 million over the next four years.
- \$1.5 billion worth of annual indexed funding over ten years from 2017-18 for the National Collaborative Research Infrastructure Strategy.
- An additional \$180.2 million of new Research Support and Research Training Programmes.

[Arts](#) (link to the Communications and the Arts Portfolio papers)

- While the Arts have not been hit as they have in the past two Federal Budgets, they have been largely ignored in this Budget.
- National institutions have borne the brunt of the Arts cuts, as had been previously leaked, with a funding cut of \$36 million. It is estimated that there will be skilled professional staff cuts of 28 at the National Library, 20 at the National Gallery, 12 at the Film and Sound Archive and 4 at the National Portrait Gallery. The contemporary art space at the National Gallery has already closed and the future of Trove is threatened, as the National Library can no longer afford to add new content.

[Honourable Scott Morrison MP's Budget Speech](#)

There was no reference to higher education or the arts in the Budget Speech. The only reference to research was in regard to the Government's backing co-investment in new spin-offs and starts-ups created by Australia's research institutions, through the CSIRO.

Press Releases from the Departments

Neither the Department of Education and Training nor the Department of Communications and the Arts had particularly noteworthy press releases off the back of the Budget. The [Department of Education and Training](#) was more generic, outlining that their focus for 2016-17 is on "improving student outcomes in literacy, numeracy and STEM subjects; teacher quality reforms; delivering more support for students with disability; improving our attractiveness as an education destination for international students; and assuring the quality, reputation and affordability of our higher education system". In contrast, Senator Fifield and the Department of Communications and the Arts have been very quiet with their sole [press release](#) focusing only on public broadcasting. There was no comment on arts funding, arts research or Australia's cultural institutions.

In regard to the Coalition backflip on university fee deregulation, the press release announced that their paper, “Driving innovation, fairness and excellence in Australian higher education”, will ensure there is a reasoned and evidence-driven discussion on higher education reform, without full university fee deregulation. To allow for finalisation of reform details and further input from the sector, experts and students, higher education reforms will not commence until 1 January 2018”.

Much has been made by the Coalition that university fee deregulation is off the table (see media commentary below). However, the qualifier that they are looking at achieving reforms without “full university fee deregulation” hints that fee deregulation is not a dead and buried policy and will be brought in under a Coalition Government in some form or another.

Media Coverage

Higher Education

Unsurprisingly, due to the fact that there was little of substance in the Budget or the Budget Response for our sector, there was little media coverage apart from reporting that the Government had delayed the higher education reforms a year, had released a discussion paper and that full fee deregulation was now off the table. What this effectively means is that we are going into an election without a set higher education policy from the Coalition, a fact that a number in the media have commented on ([Matthew Knott & Henrietta Cook](#), *Canberra Times*, 4 May; [Gavin Moodie](#), *The Conversation*, 4 May).

Instead a lot of the higher education media coverage has surrounded the discussion paper, particularly the proposal to ditch full fee deregulation and create a new tier of "flagship courses" with deregulated fees (see Knott & Cook; Moodie; [Julie Hare](#), *The Australia*, 4 May; [Conor King](#), *The Conversation*, 3 May). This would allow universities to enrol up to 20 per cent of their total student cohort in these courses - a move aimed at tackling the much-criticised "one size fits all" nature of Australia's higher education system. University of Sydney vice-chancellor Michael Spence supports greater specialisation, but was concerned that big fee increases could deter low-income students from studying some courses. This was echoed by La Trobe university vice-chancellor John Dewar and Swinburne University vice-chancellor Linda Kristjanson (see Knott & Cook).

Education Minister Simon Birmingham stressed he wanted to encourage universities to offer innovative or specialist courses - not just to jack up the cost of a standard law or medicine degree. "As the reform paper says, excellence and innovation are standards that I would expect to be central to the design of any flagship course structure," [he said](#).

The “flagship courses” proposal is taken from the [2011 higher education base funding review](#). However, it has been altered from that review’s recommendation. As Moodie outlines, that review recommended that funding for flagship programs be increased by up to 50%, with the additional funding “met through a matched increase in both government and student contributions”. In contrast, the consultation paper proposes that government funding for flagship programs be cut and that fees be uncapped and monitored by the Australian Competition and

Consumer Commission, or be approved by an independent body. Moodie cautions that should this proposal get up, “there should be a simple but strong mechanism for returning fees to their caps should the experiment go as badly wrong as many fear”.

With full fee deregulation ruled out, the higher education consultation paper has several proposals to reduce the cost to government of the Higher Education Loan Program (HELP). These include:

- introduce a loan fee for all HELP loans;
- lower the repayment threshold from \$54,126 to around \$40,000–45,000;
- introduce a higher contribution rate for high-income earners;
- index repayment thresholds to a lower index;
- introduce a household income test for HELP repayments;
- restrict the availability of HELP loans or Commonwealth subsidies to those who have left the workforce permanently;
- recover outstanding loan amounts from deceased estates; and
- remove the HECS-HELP benefit, which reduces HELP repayments for education, nursing and other graduates working in a related occupation.

Of these proposals, tying loan repayments to family rather than individual income has received a bit of coverage. This proposal would require graduates with wealthy partners to repay their debts if they are in part-time jobs or not working at all - a shift that would affect mostly women with children. Grattan Institute higher education program director Andrew Norton believes that it would be too difficult to implement (Knott & Cook).

Arts

If coverage of higher education news from the Budget was limited, response to the Arts basically garnered a sentence or two if that in any story. This was largely due to the fact that there was little in the Budget for the Arts sector, having already been hit the past two years. The measure that will have the biggest impact on the sector is the general Australian Public Service “efficiency dividend” and that is what has mainly been covered in the media (Joanna Mendelssohn, Julian Meyrick, Peter Tregear, [The Conversation](#), 4 May).

The efficiency dividend has resulted in a number of job losses at national arts institutions. This is concerning as these institutions make up the “labs” of the HASS sector and the loss of a resource, such as Trove, would be detrimental to the sector.

A Budget proposal that might indirectly provide support for the arts sector is the Government’s “young jobless” internship scheme. As Mendelssohn writes, “Probably the best thing arts organisations can do is to line up to give internships for “young jobless” as for the first time in living memory young job seekers are not being harassed but subsidised for their first chance of work. So while there are no regular jobs, it might be possible for embattled arts organisations to give a break to a school leaver”. However, when that is the only positive the sector can take away from the Budget, it is obvious the value the Government places on the role of the arts in Australian society and the fact that the sector is going to have look increasingly towards corporate and private philanthropy to fund its efforts.

Budget Replies

Unlike Scott Morrison's speech, higher education did feature in [Bill Shorten's Budget Reply speech](#), though there was not anything new that Labor has not previously released. They came out again against university fee deregulation, recommitted to investing in education at all stages and that Australia's future prosperity begins here. They also reaffirmed their support for encouraging and lifting Australian students take up of STEM subjects and skills.

Although Simon Birmingham and the Coalition have attempted to make fee deregulation a non-issue in the election and refer to their discussion paper as a way around committing to a higher education policy, from the [press releases](#) coming out of Kim Carr's office since Budget night, it appears that Labor will be trying to get it back on the agenda. The Greens also seem to attempting something similar based on Richard Di Natale's [Budget reply](#), where he states "The Government keeps saying that deregulation is off the table but that's not true – it's not dead yet, it's simply in hibernation until after the next election".