

2017-18 Australian Federal Budget Overview, Media Commentary and Sector Response

This document contains the following sections:

- *2017-18 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 and Sector Response*: 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.
- *Higher Education Support Legislation Amendment (A More Sustainable, Responsive and Transparent Higher Education System) Bill 2017*: Current state of the Bill and forecasted voting.

[2017-18 Federal Budget](#) (link to full Budget papers)

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

- The majority of the higher education items that have not been legislated since the 2014 budget have been scrapped.
- With Simon Birmingham's higher education reform package announced on Monday 1st May, there was little to be announced on Budget night for the sector.
- There were no cuts to research funding. However, there was also no funding allocated for research infrastructure and the implementation of the *National Research Infrastructure Roadmap*.
- The measures outlined in the package provide a total saving of \$2.8 billion in underlying cash terms over 2017–18 to 2020–21.
- The higher education reform package bill - [*Higher Education Support Legislation Amendment \(A More Sustainable, Responsive and Transparent Higher Education System\) Bill 2017*](#) – was introduced into Parliament on Thursday 11 May. The Bill was referred to the Senate Education and Employment Legislation Committee; Report due 09/08/2017. Labor and the Greens have confirmed that they are opposed to the package. The key crossbench Nick Xenophon and Pauline Hanson blocs have both expressed openness to working with the government on its higher education changes.

What's in the new university funding plan?

- 2.5 per cent efficiency dividend in 2018 and 2019 - on payments for teaching only. However, whilst it's a cut in 2018 and 2019, this is effectively a permanent reduction in baseline funding.
- Efficiency dividend will cut about \$2.8 billion - less than four per cent of university revenues from taxpayers and student fees.
- Phased increases in course fees, starting with 1.8 per cent in 2018 up to 7.5 per cent in 2021. However, this extra revenue will not be going to the universities. Budget papers show that for every extra dollar raised from higher tuition fees, one will be cut from commonwealth grants to institutions.
- Student proportion of fees increases from 42 per cent to 46 per cent on average. Increase over four years will range between \$2000 and \$3600. Maximum a student will pay over four-year degree is \$50,000. Most expensive course - six-year medical degree - will cost at most \$75,000 (taxpayers will contribute \$137,300). The [Higher Education Reforms Package](#) provides the following example of how the changes in fee increase and government contribution will impact an Arts (Humanities) student (p.11):

An Arts (Humanities) student who commences a 3-year course in 2018:

- Fees will increase by \$700, from \$19,700 to \$20,400
- The Government will provide \$16,400 in subsidies through the CGS

The Bill introduced into Parliament provides some more guidance (pp.4-7, 9-10):

The Commonwealth contribution amount, for a place in a funding cluster for 2018, 2019, 2020 and 2021.

Item	Funding Cluster	2018	2019	2020	2021
1	Law, Accounting, Administration, Economics, Commerce	\$1,741	\$1,365	\$1,164	\$959
2	Humanities	\$5,604	\$5,316	\$5,196	\$5,074
3	Mathematics, Statistics, Behavioural Science, Social Studies, Computing, Built Environment, Other Health	\$10,030	\$9,635	\$9,490	\$9,343
4	Education	\$10,492	\$10,136	\$10,017	\$9,896
5	Clinical Psychology, Allied Health, Foreign Languages, Visual and Performing Arts	\$12,418	\$12,015	\$11,885	\$11,752
6	Nursing	\$13,911	\$13,508	\$13,390	\$13,269
7	Engineering, Science, Surveying	\$17,682	\$17,136	\$16,966	\$16,795
8	Dentistry, Medicine, Veterinary Science, Agriculture	\$22,486	\$21,835	\$21,645	\$21,452

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- (3) A Commonwealth contribution amount under this item, for a place in a funding cluster for 2019 and 2020, is indexed under Part 5-6 of the *Higher Education Support Act 2003* as if that Commonwealth contribution amount were an amount referred to in the table in section 198-5 of that Act.

Note 1: The amounts specified for 2018 in the table are not indexed.

Note 2: The amount specified for 2020 is indexed under Part 5-6 of the *Higher Education Support Act 2003* in 2019 and 2020.

Note 3: The Commonwealth contribution amount that is actually payable in 2021 and later years is the amount specified in the table as indexed under Part 5-6.

4 Subsection 93-10(1)

- (1) The **maximum student contribution amount for a place** in a unit of study (except a unit of study that is part of an * enabling course) for 2018 is the amount specified in the following table in relation to the * funding cluster in which the unit is included.

Maximum student contribution amounts for places (except places in enabling courses) for 2018		
Item	Column 1	Column 2
	For a place in a unit in this funding cluster:	The maximum student contribution is:
1	Law, Accounting, Administration, Economics, Commerce	\$10,951.
2	Humanities	\$6,561.
3	Mathematics, Statistics, Behavioural Science, Social Studies, Computing, Built Environment, Other Health	(a) for a place in a unit in Mathematics, Statistics, Computing, Built Environment or Other Health—\$9,353; or (b) for a place in a unit in Behavioural Science or Social Studies—\$6,561.
4	Education	\$6,561.
5	Clinical Psychology, Allied Health, Foreign Languages, Visual and Performing Arts	(a) for a place in a unit in Clinical Psychology, Foreign Languages or Visual and Performing Arts—\$6,561; or (b) for a place in a unit in Allied Health—\$9,353.
6	Nursing	\$6,561.
7	Engineering, Science, Surveying	\$9,353.
8	Dentistry, Medicine, Veterinary Science, Agriculture	(a) for a place in a unit in Dentistry, Medicine or Veterinary Science—\$10,951; or (b) for a place in a unit in Agriculture—\$9,353.

Note: Commonwealth Grant Scheme Guidelines made for the purposes of section 33-35 and this section deal with the funding clusters in which particular units of study are included and whether particular units are units in a particular part of a funding cluster.

Maximum student contribution amount for a place for 2019 and later years

(4) The **maximum student contribution amount for a place** in a unit of study (except a unit of study that is part of an *enabling course) for 2019, 2020 and 2021 is worked out using the following formula:

$$\frac{\text{The *relevant maximum student contribution amount for a place in the unit for the previous year as indexed under Part 5-6}}{\times 1.01824}$$

- Increase to funding for dentistry and veterinary courses in recognition of high costs of clinical training (brought into line with medicine courses).
- Drop repayment threshold for HECS-HELP loans to \$42,000 from July 2018 (now about \$55,000).
- Index minimum repayment threshold for loans to inflation rather than average weekly earnings.
- 7.5 per cent of university funding will be linked to performance measures - initially transparency of enrolment process from 2018, then student retention and success from 2019.
- If funding is withheld from a university that doesn't meet these measures, it will go to other institutions not back into the budget.
- \$3 million extra funding to quality watchdog TEQSA
- \$15 million for eight regional study hubs to offer students technology and support to study in their home town. Starting with Geraldton, Cooma and the Pilbara.
- The Higher Education Participation and Partnerships Program (HEPPP) will be reformed to deliver two components—an Access and Participation Fund that involves a loading for each eligible low SES student, with performance funding for improvements in success rates of low SES and Indigenous students, and a National Priorities Pool.
- Funding from the Access and Participation Fund will be provided in two streams:
 - a legislated loading of \$985 (indexed) per low SES student will be introduced to provide funding that is certain, calibrated to university need and will facilitate longer term planning and projects, and
 - performance funding (\$13.3 million per year indexed) for universities that improve their average success rates for low SES or Indigenous students.
- The National Priorities Pool will have an allocation of \$9.5 million per year (indexed) and will have a greater focus on rigorous evaluative research and encourage outreach collaboration between universities.
- Apart from the disadvantaged student loading and funding for the regional study hubs, there is very little in the Budget or Higher Education reforms to support regional higher education.

- \$37 million a year from January 2019 for postgraduate scholarships that students can use at institutions of their choice.
- The demand driven funding system will be expanded to include Commonwealth Supported Places (CSPs) in approved sub-bachelor level diploma, advanced diploma and associate degree courses at public universities from 1 January 2018. This may create opportunities for arts and humanities subjects in terms of new markets or widening access.

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

- \$48.5 million over three years in funding for our National Cultural Institutions will assist them to protect their cultural collections and provide strategic support and capital works through the Public Service Modernisation Fund.
- This includes an additional \$8.2 million to support the delivery of core services and programs at the National Gallery of Australia, the National Museum of Australia, the National Portrait Gallery, the Australian National Maritime Museum, National Film and Sound Archive and the Museum of Australian Democracy at Old Parliament House.
- The National Museum of Australia will receive \$8.9 million to establish a Cultural and Corporate Shared Services Centre to provide shared corporate and business services functions to other collecting institutions.
- However, total spending on arts and cultural heritage will decrease by 2.6 per cent in real terms from 2016-17 to 2017-18, and by 12.0 per cent in real terms over the period 2017-18 to 2020-21.
- \$6 million to support Australian film and television content.
- The Catalyst money has been returned to the Australia Council.

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

Perhaps due to the announcement of the higher education reforms the week before, but there was very little mention of higher education or research in the Budget speech. What was mentioned was really lip service – referring to the increase in student contributions and the efficiency dividend being applied to all universities for the next two years. The only references to research were in regard to an increase in health research funding over the next four years, and additional funding for mental health, which includes increase in mental health research funding. There was no mention of the arts or culture.

Given the Government's previous focus on innovation and the central role of innovation and science to the "idea's boom", it's interesting to note that "innovation" was only used once in this year's speech, compared to five instances in the 2016 Budget speech.

Media Releases from the Departments

Like with the actual Budget announcement, the majority of the media surrounding higher education was in the week beforehand following the reform package announcement. Simon Birmingham's [media release from 1 May](#) highlighted key elements from the reforms. The release did not really offer any greater insight into some of the measures announced in the reforms, and it did touch further on some of the key performance benchmarks that the proposed 7.5% of each university's CGS funding will be contingent on:

In 2018 this funding will be dependent on participation in admissions transparency reform and cost of education and research transparency initiatives. From 2019, this funding will be dependent on performance metrics such as student outcomes and satisfaction, transparency and financial management with a formula to be developed in consultation with universities. Legislation will require that any funds withheld be reinvested into well performing universities, new equity measures or additional research funding.

The Minister stressed again the importance of the international education to the Australian economy, stating "We must nurture and grow our reputation for providing quality education to Australians and to the world. We must continue to be a beacon for the best and brightest from around the globe - whether they are PhDs, post docs, academic staff or undergraduate students. We welcome and want to partner with the best in the world". With the 457 visa changes, replacing subsidies with loans for most permanent residents and New Zealand citizens and the proposed visa levy on employers of foreign workers to fund skilled apprenticeships, how true this is remains to be seen.

The Department of Communications and Arts' [media release](#) focused on the additional support for Australia's cultural institutions enabling them to "continue to preserve Australia's valuable cultural heritage and deliver world class programs and services for all Australians".

Media Coverage and Sector Response

Higher Education

While pleased that the unlegislated proposed reforms from the 2014 Budget have been scrapped, the response to the higher education reforms has, in general, been one of concern and confusion. There are some elements of the reforms that have backing from the sector – largely, the legislation of the Higher Education Participation and Partnerships Program (HEPPP) and the expansion of the demand driven system to associate degrees. However, the increase in student contributions and the cut to university funding has been met with widespread opposition.

At the 16 May meeting of Vice-Chancellors, they [stated their unanimous opposition to these proposals](#) calling them a “double whammy on students”, and furthermore expressed concern at the proposed “mov[e] to a voucher system for allocating postgraduate places and withholding ‘performance’ funding at Ministerial discretion, without any clarity about the ‘problem’ to be solved”. There is also concern about the efficiency dividend. Though it was sold as being only a 2.5 per cent cut in 2018 and 2019, this cut is bigger than it looks and its effect is permanent: from 2019 onwards, Government funding for university places would be 4.8 per cent lower than current levels. However, not all VCs were prepared to call on crossbench senators to reject them. UA says “an overwhelming majority of Vice-Chancellors agreed they could not recommend that the Senate crossbench pass the legislative package.”

The [IRU endorsed the opposition](#), stating: “We will be disappointed to lose the positive elements in the Package, notably the expansion of sub-bachelor places and an indexed Higher Education Participation and Partnerships Program (HEPPP) rate for each low SES student. But these and the other useful changes do not outweigh the impact of reduced funding per student”. The [Go8](#) has also welcomed Labor’s opposition to the funding cuts.

However, the ATN has been more circumspect. Although they have [welcomed Labor’s commitment to higher education funding](#), their [stance](#) has been more to focus on their support of the proposed reform measures aligned to the delivery of sustainability and long-term growth of the sector, while also highlighting the “detrimental pressure” the proposed cuts will put on universities.

What has received universal support is the need for clarity for a number of the measures announced.

Scholarship system for postgraduate coursework places

The in-all-but-name “voucher system” for postgraduate places and how this will be implemented ([Julie Hare](#), *The Australian*, 3 May; [Darragh O’Keeffe](#), *The Australian*, 17 May; [Richard James](#), *The Australian*, 18 May).

There was also concern about how this proposal would affect Melbourne and UWA and the “appropriate transition arrangements” that are to be negotiated given their current funding agreements support the broad bachelor and professional masters models adopted by these universities. The sector has now heard from the Minister that [the Melbourne and UWA US-style curriculum model would not be scrapped completely](#), guaranteeing each university a set number of postgraduate places. However, details still need to be worked out of how this would fit in with the proposed “voucher system”.

Performance contingent funding for universities

The department has assured universities the 7.5 per cent contingent funding will work like a compact, focusing on improvements in their performance measures, such as attrition and graduate employment rates. However, VCs have expressed widely held concerns about how the fund will pan out and affect their operations, and whether it will add to the burden of red tape. ([High Wired](#), *The Australian*, 4 May; [Julie Hare](#), *The Australian*, 10 May)

Foreign Worker Levy

As large employers of foreign workers, clarification is needed on the proposed levy and its indications for the higher education sector.

Research

Research and research funding was ignored in this budget. The government announced it would develop a plan based on last year's research infrastructure roadmap consultations. Although the [National Research Infrastructure Roadmap](#) was released on 12 May (three days after the Budget), no funding was earmarked in the Budget to implement this plan. Likewise, none of the recommendations have been acted on from the [report](#) setting out how to revamp the Research and Development Tax Incentive. Instead, the R&D tax incentive rolls on at \$2bn a year across the forward estimates.

One positive is that there were no funding cuts to the research agencies.

The lowering of the repayment threshold for HECS-HELP loans to \$42,000 from its current level of \$55,000 is also cause for contention; however, the rate of collection of the debt will be cut as well, from 4% to 1% of income. This will mean that the effect on the majority of debtors will be small. The graduates it will affect though are likely a number of our graduates: part-timers and women, particularly those in low-paying but socially important fields, such as social work and childcare, as well as those in the creative arts.

The new minimum repayment threshold will be 20% above the full-time minimum wage. However, in an economy with dismal wage growth, increasing living costs and a property market that is almost impossible to get into, this measure could have an adverse effect on student interest in pursuing higher education, particularly for low SES students ([Greg Jericho](#), *The Guardian*, 4 May; [Alex McKinnon](#), *The Guardian*, 10 May; [Emma Clark Gratton](#), *ArtsHub*, 15 May; [Sharon Bell](#), *The Australian*, 17 May).

The Arts

There was barely a mention of the arts in any coverage or discussion of the 2017 Budget. Triple J's [Hack](#) has produced a quick summary of what was in the budget for music and the arts. However, it was only [news.com.au](#) from the mainstream media that listed the arts as being one of the losers of the Budget (10 May) based on the overall cuts to the arts and cultural institutions, reflecting the implementation of efficiencies and arts-related savings measures from 2014-15 and 2015-16.

A number of arts-focused outlets ([Daily Review](#), [SpeakerTV](#), [The Conversation](#) and [ArtsHub](#)) covered the Budget, with their main focus on the return of the Catalyst funds to the Australia Council, which was announced back in March. Most reported that although this move was welcome, it was the case of “too little too late” for a number of small to medium performing arts companies who bore the brunt of the arts cuts under the leadership of George Brandis. They also lamented the fact that the return of the funds is actually a \$10 million contribution (over two years) coming from the Australia Council’s own reserves. This effectively means less money was returned to arts funding body than was taken.

Budget Replies

In the lead up to Bill Shorten’s Budget Reply speech, Labor [touted](#) that they would “put higher education at the centre of its response to this year's budget by announcing it will oppose all the government's major university changes, including the proposed rise in fees and slashing of the HECS repayment threshold”. And they came through. In his [reply](#), Bill Shorten confirmed Labor’s belief that “Australia’s future lies in human capital: in skills, education and training. Fundamentally, our future prosperity depends on investing in education and training”. He also confirmed that they would oppose: “The Liberals’ cuts to universities; The increase in student fees; And the change in the repayment threshold that hits women, Indigenous Australians and low-income earners the hardest”.

There was nothing in the [Green’s Budget Reply speech](#) apart from stating that they want a “future-focused budget” and for this reason they will fight the university cuts.

[Higher Education Support Legislation Amendment \(A More Sustainable, Responsive and Transparent Higher Education System\) Bill 2017](#)

The Senate Education and Employment Legislation Committee put out a call for stakeholder comments on the proposed bill, with the Committee accepting submissions until Thursday 8 June. As discussed above, VCs unanimously oppose the Bill, and Labor and the Greens have stated they will oppose the legislation. Jacqui Lambie has also indicated that she will oppose the Bill.

Once again, the future of the higher education sector is likely to rest in the hands of the Senate crossbenchers. As of the 19th May, it is unsure how this will play out. With support needed from 39 Senators to pass, the government currently has their 29 votes and in all likelihood, votes from Cory Bernardi and David Leyonhjelm. This leaves Pauline Hanson's One Nation with their four votes, Nick Xenophon Team with three, Derryn Hinch and Lucy Gichuhi. Pauline Hanson and Nick Xenophon have indicated that they are willing to work with the government on their reforms.

[Campus Morning Mail](#) from 15 May grouped One Nation with the yes votes, though that still leaves the government one vote shy of the 39 needed. If Senator Xenophon and colleagues go with the nays the legislation is lost. For the government to win it needs Ms Hanson's supporters, the Xenophon Team and either or both Senator Hinch and Senator Gichuhi.

[The Australian](#) published the latest number crunching on 22 May. According to their intel, the Government only have definite support from Bernardi and Leyonhjelm. The Nick Xenophon team and Hinch remain undecided and Lambie is still a no. Gichuhi has not stated her position and has refused to answer questions from the media, while the One Nation Party are not supporting the Bill because they think the HECS-HELP changes do not go far enough. They are proposing dropping the repayment threshold to \$22,000 and increasing the 1 per cent repayment level to 2 per cent as outlined her Pauline Hanson's Budget reply speech.