The Good, the Bad and the Not So Bad

The 2007 budget continues the Government's determined efforts to change the way in which universities are funded in Australia.

The headline decision was to create the Higher Education Endowment Fund. As a number commentators have said the Fund at first look seems no more than a glorified capital development pool. The rationale from the Minister and Treasurer is that setting up a fund locks it in for the future. A Government can always disband the Fund but it will be harder to do than to reduce or abolish an annual capital pool.

The significance of the Fund lies much more in its role as a stalking horse for philanthropic investment in universities. Australian universities have little in the way of endowments. Despite many pious words and arguments about tax breaks this seems to tie to assumptions that Governments and students between them should meet the cost. Certainly the illustrious institution that helped shape me has sensibly yet to deign to write me a begging letter. This Government wants to counter this outlook, albeit investing $5 billion as an expensive start to creating a culture of private giving - and private dependence.

The changes to the Commonwealth Grant Scheme look to redress the conflict created by Brendan Nelson between arguing for a more flexible, responsive set of universities yet formally requiring each to provide 12 specific sets of students each year. At a time of low unmet demand the Government can afford to risk some universities heading towards 105% of load, especially as the excess will tend to be in lower cost areas. If demand edges up a little then universities will have the capacity to meet it and the financial incentives to do so.

Building in a minimum payment of 95% of the expected annual funding provides protection for those universities which struggle to fill load against the risk of losing further students to better regarded universities. Presumably any university that consistently hits 95% will see its load reduced in future years. The change encourages a degree of competition for students and is not unlike the AVOC proposal developed by Ian Chubb in 2001 for each university to have a load band which was adjusted up or down each year depending on actual enrolments. This is not voucher funding but has a similar effect.

The most interesting change is to move business, accounting and finance units into the highest student contribution band. Up front, this change simply helps fund the increase to the Government contribution to the other funding clusters. In itself that is consistent with the Government's desire to ensure students pay a considerable portion of the cost of universities. But it also hints of a way ahead for student contributions.

The current bands have little logic. The Government would probably like to raise the limit on student contributions but does not like the politics. At present the high student contribution band is paid by few students - lawyers, doctors, dentists, vets: high profile but fewer than 10% of all load. Adding accounting, commerce and business load to that group will more than double it, perhaps to 21%. It will no longer be the rare band kept for high achieving students. Instead students will be spread more evenly across the four bands.

The potential for other subject groups to be pushed up the charges scale in the future band is strong - after all to use the Government's argument we know university graduates earn good money, so they can pay. Certainly the case for commerce students paying more than many other students is very weak. What better way to address it than to create one single band - at the highest level.

The removal of the limit on fee paying domestic undergraduates was made possible by the CGS. The Government can rightly say that universities do not just have to provide their overall funded load before enrolling fee paying students but they also have to meet the individual discipline targets. Hence a university cannot make law courses fully fee paying and fill up its arts course with funded places. The lack of reaction to the announcement perhaps hints of a recognition that the places actually matter little while sufficient Government funded places are available and a certain weariness in the argument.

Equally what the Government did not do also indicates its preferences. Despite the pressure student income support remains essentially unchanged. It has extended the number of scholarships but these remain tightly targeted. Scholarships are again a concept that sits more happily than an outright entitlement with the air of earning your payment they bring. Those looking to improve options for students will have to argue for a more
broadly based scholarship disentangled from the youth support system - a hard argument but the only one that might gain traction.

Universities do not choose the Government they have to work with - their students, staff and communities do. Hence universities have to work with the framework they are given. In that context 2007 is a good budget outcome and one that at least one ex AVCC hack was not expecting so soon.

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