

## The Higher Education reforms: Recovering the lost Government subsidy from students

The Department has released the proposed clusters and funding rates from 2016, which simplify the clusters into five groups but also achieve a 20% reduction overall in funding.

The proposed clusters are based on a 0.6:2:3:4:6 relative distribution across disciplines as shown in Table One. This will finally remove the remnants of the 1990s relative funding model.

The reduction in the funding available per students of 20% is significant, spreading Government support over a large number of students at lower rates. IRU does not support the reduction but foresaw it as a probable Government savings measures and an inevitable consequence of any move to remove controls over student fees. Those who advocated for removing controls over fees can hardly be surprised, albeit some are.

For universities to recover the reduction through increases to student charges requires an overall increase of 25% to 30% across all students at an average fee per student of around \$10,500.

Comment to date has focused on how to preserve total revenue at the level of each particular discipline. This is clinging to the existing clusters, whose failings the Lomax-Smith report well documented. As the starting point for future planning each university need to determine a simple set of charges that will raise total revenue from student and Government equal to the current revenue. They could use these charges in 2016 knowing that revenue per student would be stable or use them as the basis to set fees that raise additional or lesser revenue.

Table Two shows how universities could offset the lost Government revenue, with options for:

- a single common charge;
- increases to the current three bands; and
- a four band system to match the proposed five clusters, with the same charge for clusters 1 and 5 similar to the current arrangements.

These are calculated at the national level based in 2012 load data. Replacing the national figures by university level figures will allow charges relevant to each university to be estimated.

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**Table 1: New Commonwealth Contribution Clusters**

<b>Cluster</b>	<b>Disciplines</b>	<b>\$ / EFTSL</b>	<b>Relativity</b>
Cluster 1	Law, Accounting, Administration, Economics, Commerce	\$1,805	0.6
Cluster 2	Humanities, Social Studies, Communications (excluding Audio-Visual)	\$6,021	2
Cluster 3	Computing, Behavioural Science, Welfare Studies, Education, Visual And Performing Arts, Built Environment, Other Health	\$9,033	3
Cluster 4	Mathematics, Clinical Psychology, Allied Health, Nursing, Engineering, Science, Surveying, Environmental Studies, Foreign Languages	\$12,045	4
Cluster 5	Dentistry, Medicine, Veterinary Science, Agriculture	\$18,067	6

**Table 2: Student Revenue Break Even Scenarios**

Discipline bands	Base Load 2012 (note 1)	Current student charge (2016 indexed)	Break Even Student Charge 2016 (note 2)	Total Student Revenue - Break Even Scenarios			
				Common Charge All Bands (note 3)	Student Charges Increased by Common % (note 4)	Student Charges Increased by Common \$ Amount (note 5)	New Band Structure (note 6)
Law, Accounting, Administration, Economics, Commerce	101,572	\$10,523	\$10,729	\$10,362	\$13,300	\$12,686	\$12,474
Humanities	17,829	\$6,307	\$5,870	\$10,362	\$7,971	\$8,470	\$7,796
Social Studies	42,881	\$6,307	\$10,164	\$10,362	\$7,971	\$8,470	\$7,796
Communications (excluding Audio-Visual)	21,150	\$6,307	\$12,434	\$10,362	\$7,971	\$8,470	\$7,796
Computing, Built Environment, Other Health	46,751	\$8,987	\$9,833	\$10,362	\$11,358	\$11,150	\$9,356
Behavioural Science, Welfare Studies	20,569	\$6,307	\$7,152	\$10,362	\$7,971	\$8,470	\$9,356
Education	44,767	\$6,307	\$7,551	\$10,362	\$7,971	\$8,470	\$9,356
Visual And Performing Arts	28,727	\$6,307	\$9,422	\$10,362	\$7,971	\$8,470	\$9,356
Mathematics	17,664	\$8,987	\$6,821	\$10,362	\$11,358	\$11,150	\$10,915
Clinical Psychology	5,760	\$6,307	\$6,410	\$10,362	\$7,971	\$8,470	\$10,915
Allied Health	12,543	\$8,987	\$9,091	\$10,362	\$11,358	\$11,150	\$10,915
Nursing	28,778	\$6,307	\$7,825	\$10,362	\$7,971	\$8,470	\$10,915
Engineering, Science, Surveying	90,135	\$8,987	\$14,214	\$10,362	\$11,358	\$11,150	\$10,915
Foreign Languages	11,060	\$6,307	\$6,410	\$10,362	\$7,971	\$8,470	\$10,915
Environmental Studies	4,197	\$8,987	\$18,863	\$10,362	\$11,358	\$11,150	\$10,915
Dentistry, Medicine, Veterinary Science	19,714	\$10,523	\$14,377	\$10,362	\$13,300	\$12,686	\$12,474
Agriculture	2,822	\$8,987	\$12,841	\$10,362	\$11,358	\$11,150	\$10,915
<b>Total Student Base Load 2012</b>	<b>516,919</b>						
<b>Total Student Contribution Revenue</b>				<b>\$5,356,318,803</b>	<b>\$5,356,318,803</b>	<b>\$5,356,318,803</b>	<b>\$5,356,318,803</b>

Note 1: Banding for 2012 load are estimates based on Students 2012 - All Student Load, Table 4.5: Actual Student Load (EFTSL) for All Domestic Students by Narrow Discipline Group and Broad Level of Course, Full Year 2012

Note 2: The break even student charge for 2016 is calculated by combining the variance between the current (indexed to 2016) and new Commonwealth contribution and the current student charge (indexed to 2016).

Note 3: Here, students are all charged the same fee regardless of course of study

Note 4: This increases the current student charges by a common percentage amount (in this case 26.4%) to achieve break even revenue

Note 5: This increases the current student charges by a common dollar amount (in this case \$2,163) to achieve break even revenue

Note 6: This creates four new bands for student charges in line with relative levels of Commonwealth support, with two changes. 1. Business and law subjects where the Commonwealth contribution is very low is set at the same rate as medicine and dentistry subjects, consistent with current arrangements. 2 Agriculture is tied back to other science disciplines and professions.