

Improving the rates: Government funding and student charges

The Job Ready Graduates package seeks to reverse the steady decline in the value of university funding and provide a mechanism for growth in the future that will meet likely demand. To pay for those benefits the Package reworks the Government funding rates and student charging bands.

The IRU has analysed the capacity for the growth to cover future demand in [Will the growth places be enough?](#) and shown how the proposed changes to student contributions continue a long history of continued raising of charges in [More paying More](#).

In this brief the IRU addresses the weaknesses in the proposed funding and charging rates, presenting two IRU Options we have developed to improve the Job Ready Graduate package.

The proposed JRG changes simplify the distinct disciplines revenue streams from 11 to seven. They change overall revenue and the impact for many disciplines in ways that will harm student outcomes:

- the spread of student charges widens from less than double between lowest and highest (\$6804 to \$11,355) to a fourfold range (\$3700 to \$14500);
- the funding for disciplines alters. This reduces total revenue for several disciplines the Government wishes to grow such as engineering and nursing, and increases revenue in other disciplines the Government considers less important such as law, business and humanities;
- revenue for universities would reduce by roughly 6% against the current student enrolments, with government saving 15% of its funding and students paying 7% more.

It is possible to rework the rates chosen to reduce the negative impact of the revamped discipline cluster model while retaining the gain in simplicity and the grouping of disciplines the government proposes.

1. IRU One retains the overall fiscal outcome for students, universities and Government proposed in the Package.
 - It moderates the range of student charges, keeping the current highest rate rounded up at \$11,400, and maintaining a reduction in charge for disciplines in the lower two groups. This removes the new high \$14,500 charge.
 - It then adjusts Government funding so that the sciences lose less than JRG proposes, with the large increase in revenue for law, business and the humanities much reduced.
 - It does not change the overall result for universities of a 6% reduction per student EFTSL.
2. IRU Two maintains the total revenue per student (EFTSL) to universities.
 - It combines the student changes in Option 1 with more significant improvements to the Government rates to ensure a better alignment of incentives for students and university.
 - This will not mean no loss for every university given the different discipline combinations of each.

The IRU Options are indicative ways to improve the matrix to redress the weaknesses in the Government proposal for the Parliament to consider.

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Options to avoid the negative aspects of the proposed JRG changes

1. Adjust Government and student rates to improve outcomes for students and disciplines, while retaining the proposed JRG total level of Government and student payments

Option One alters the matrix of funding and charges to be:

Disciplines	Government	Student	University
Management & Commerce, Arts, Humanities (excl. languages), Law, Economics & Communications	\$ 2,200	\$ 11,400	\$ 13,600
Teaching, Postgraduate Clinical Psychology, Maths & English	\$12,700	\$ 6,600	\$ 19,300
Nursing, Languages	\$ 13,700	\$ 6,600	\$ 20,300
Health, Architecture, Information Technology, Creative Arts	\$ 12,700	\$ 9,100	\$ 21,800
Engineering, Environmental Studies & Science	\$ 17,000	\$ 9,100	\$ 26,100
Agriculture	\$ 26,700	\$ 6,600	\$ 33,300
Medical, Dental & Veterinary Science	\$ 26,700	\$ 11,300	\$ 38,000

The seven revenue groups of discipline remain as the government proposes, through a mix of five funding rates and four student contribution bands.

The intent is to avoid the increase to the top student charge band (which is rounded up to \$11,400), offset by raising the proposed rates for the lower two bands, but so they remain slightly less than the current lower two bands.

The adjustments to the Government rates are small, most notable is to restore the lowest cluster rate to \$2200, maintaining revenue for the business law set of units where the rise in the student charge no longer occurs. The lack of revenue gain for those units is balanced with reduced losses for nursing, languages and many sciences.

The small cluster of the naturally aligned languages and nursing disciplines requires a distinct government funding rate. The object is to combine the lowest student charge with a mid level Government payment that keeps university revenue for these disciplines similar to that JRG proposes.

2. Maintain the revenue per student for universities through lower saving to government funding, combined with revamp of student charges

Option Two alters the matrix of funding and charges to be:

Disciplines	Government	Student	University
Management & Commerce, Arts, Humanities (excl. languages), Law, Economics & Communications	\$ 2,400	\$ 11,400	\$ 13,800
Teaching, Postgraduate Clinical Psychology, Maths & English	\$14,000	\$ 6,600	\$ 20,600
Nursing, Languages	\$ 15,900	\$ 6,600	\$ 22,600
Health, Architecture, Information Technology, Creative Arts	\$ 14,000	\$ 9,100	\$ 23,100
Engineering, Environmental Studies & Science	\$ 20,000	\$ 9,100	\$ 29,100
Agriculture	\$ 27,000	\$ 6,600	\$ 33,600
Medical, Dental & Veterinary Science	\$ 27,000	\$ 11,300	\$ 38,300

This takes the Option One revamp of student charges and makes more substantial changes to the Government funding rates.

- Science and engineering would be neutral compared with current funding, with increases in most other areas the government targets for growth.
- Compared with Option One it maintains more of the gain of revenue JRG proposes for the business-humanities cluster.

Comparison of JRG proposal with IRU Options

The Table below shows that the JRG proposal is set to save government \$1.2 billion a year based on students enrolled in 2018. Students would pay an additional \$401 million for a total reduction in university revenue to education those students of \$753 million.

IRU Option One intentionally produces an outcome that is essentially the same. IRU Option Two reduces the government saving to just under \$400 million.

	JRG proposed			Option One			Option Two		
	Difference all EFTSL			Difference all EFTSL			Difference all EFTSL		
	CGS	Student	Total	CGS	Student	Total	CGS	Student	Total
JRG	-\$1,154 m	\$401 m	-\$753 m	-\$1,154 m	\$401 m	-\$753 m	-\$1,154 m	\$401 m	-\$753 m
IRU									
Option				-\$1,155 m	\$397 m	-\$758 m	-\$396 m	\$397 m	\$0 m
Difference				-\$1 m	\$4 m	-\$5 m	\$758 m	\$4 m	\$753 m

Figure One shows the impact in funding per student EFTSL for each discipline for JRG and the IRU Options. It shows the large reduction for many of the sciences on under JRG and for professions such as nursing and agriculture, and the moderation of these that the IRU Options achieve.

Figure One: the change on university revenue, JRG and the IRU Options

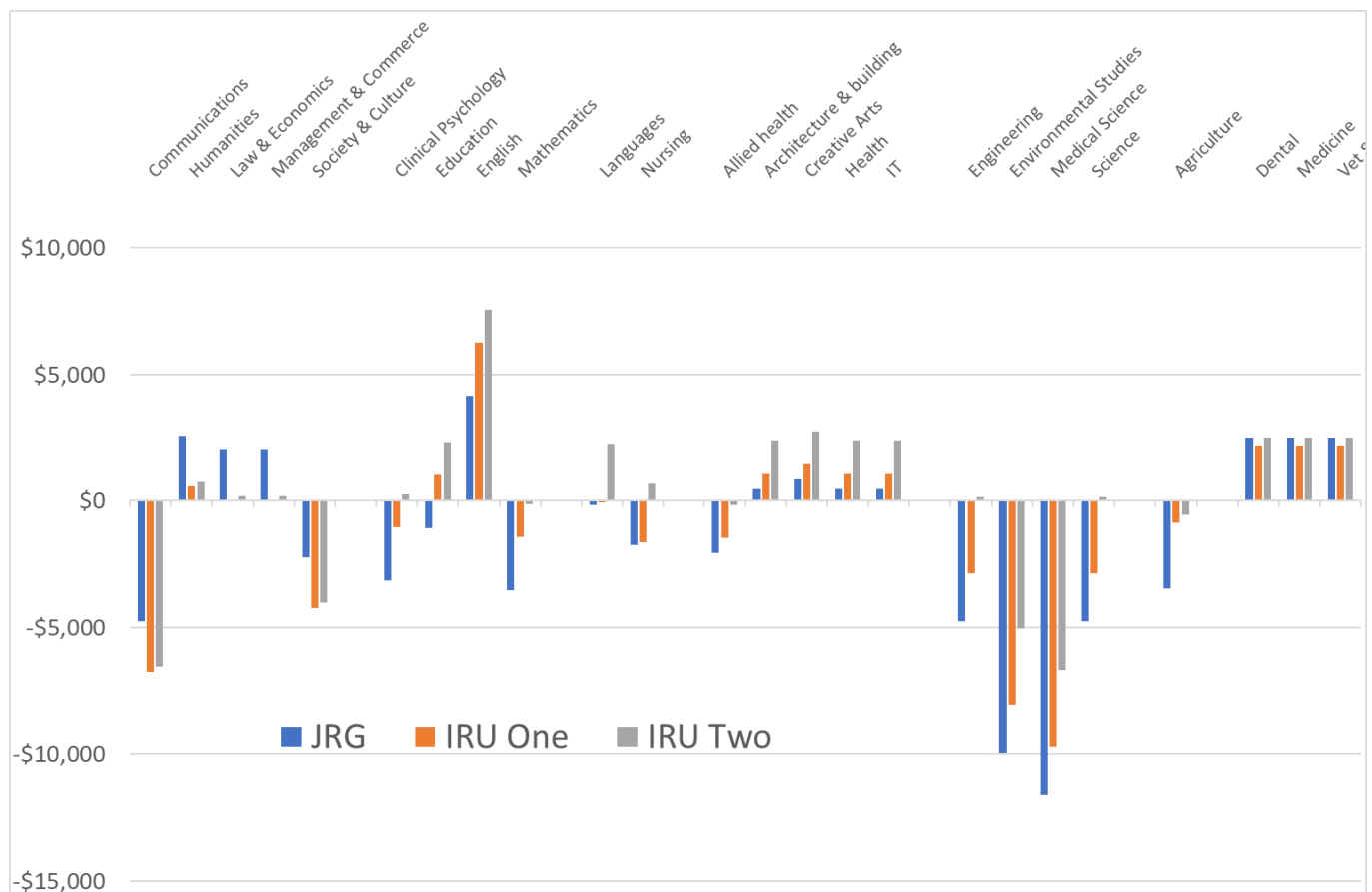
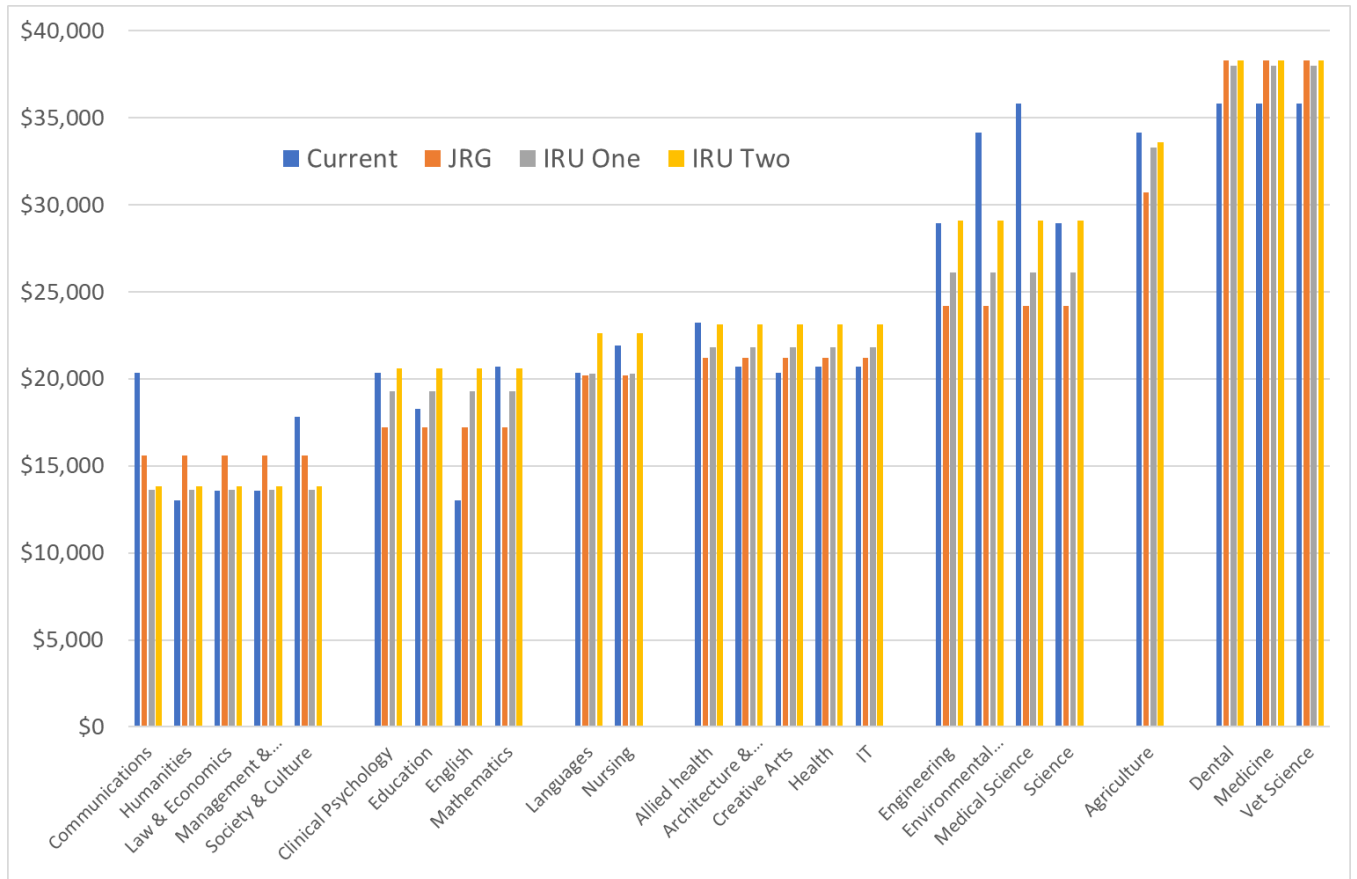


Figure Two shows the revenue for each discipline under current system and for JRG and the IRU Options.

Figure Two: University revenue by discipline, current, JRG and IRU Options



The support sheet contains a summary of the current system, the JRG proposal and IRU Options One and Two, showing the rates for each, and the comparison by discipline with the current system.

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University revenue: Current, JRG and IRU Options - rates for Government and student payments

Field	EFTSL (2018)	Current system			JRG proposed			Option One			Option Two		
		CGS	Student	Total	CGS	Student	Total	CGS	Student	Total	CGS	Student	Total
Communications	25,715	\$13,547	\$6,804	\$20,351	\$1,100	\$14,500	\$15,600	\$2,200	\$11,400	\$13,600	\$2,400	\$11,400	\$13,800
Food & Hospitality	34	\$2,237	\$11,355	\$13,592	\$1,100	\$14,500	\$15,600	\$2,200	\$11,400	\$13,600	\$2,400	\$11,400	\$13,800
Humanities	17,967	\$6,226	\$6,804	\$13,030	\$1,100	\$14,500	\$15,600	\$2,200	\$11,400	\$13,600	\$2,400	\$11,400	\$13,800
Law & Economics	44,590	\$2,237	\$11,355	\$13,592	\$1,100	\$14,500	\$15,600	\$2,200	\$11,400	\$13,600	\$2,400	\$11,400	\$13,800
Management &	67,339	\$2,237	\$11,355	\$13,592	\$1,100	\$14,500	\$15,600	\$2,200	\$11,400	\$13,600	\$2,400	\$11,400	\$13,800
Mixed Fields	2,498	\$2,237	\$11,355	\$13,592	\$1,100	\$14,500	\$15,600	\$2,200	\$11,400	\$13,600	\$2,400	\$11,400	\$13,800
Society & Culture	79,329	\$11,015	\$6,804	\$17,819	\$1,100	\$14,500	\$15,600	\$2,200	\$11,400	\$13,600	\$2,400	\$11,400	\$13,800
Clinical Psychology	962	\$13,547	\$6,804	\$20,351	\$13,500	\$3,700	\$17,200	\$12,700	\$6,600	\$19,300	\$14,000	\$6,600	\$20,600
Education	59,987	\$11,462	\$6,804	\$18,266	\$13,500	\$3,700	\$17,200	\$12,700	\$6,600	\$19,300	\$14,000	\$6,600	\$20,600
English	7,584	\$6,226	\$6,804	\$13,030	\$13,500	\$3,700	\$17,200	\$12,700	\$6,600	\$19,300	\$14,000	\$6,600	\$20,600
Mathematics	22,694	\$11,015	\$9,698	\$20,713	\$13,500	\$3,700	\$17,200	\$12,700	\$6,600	\$19,300	\$14,000	\$6,600	\$20,600
Languages	7,114	\$13,547	\$6,804	\$20,351	\$16,500	\$3,700	\$20,200	\$13,700	\$6,600	\$20,300	\$15,900	\$6,600	\$22,500
Nursing	45,878	\$15,125	\$6,804	\$21,929	\$16,500	\$3,700	\$20,200	\$13,700	\$6,600	\$20,300	\$15,900	\$6,600	\$22,500
Allied health	26,789	\$13,547	\$9,698	\$23,245	\$13,500	\$7,700	\$21,200	\$12,700	\$9,100	\$21,800	\$14,000	\$9,100	\$23,100
Architecture & building	14,376	\$11,015	\$9,698	\$20,713	\$13,500	\$7,700	\$21,200	\$12,700	\$9,100	\$21,800	\$14,000	\$9,100	\$23,100
Creative Arts	24,132	\$13,547	\$6,804	\$20,351	\$13,500	\$7,700	\$21,200	\$12,700	\$9,100	\$21,800	\$14,000	\$9,100	\$23,100
Health	20,413	\$11,015	\$9,698	\$20,713	\$13,500	\$7,700	\$21,200	\$12,700	\$9,100	\$21,800	\$14,000	\$9,100	\$23,100
IT	23,397	\$11,015	\$9,698	\$20,713	\$13,500	\$7,700	\$21,200	\$12,700	\$9,100	\$21,800	\$14,000	\$9,100	\$23,100
Engineering	36,159	\$19,260	\$9,698	\$28,958	\$16,500	\$7,700	\$24,200	\$17,000	\$9,100	\$26,100	\$20,000	\$9,100	\$29,100
Environmental Studies	4,615	\$24,446	\$9,698	\$34,144	\$16,500	\$7,700	\$24,200	\$17,000	\$9,100	\$26,100	\$20,000	\$9,100	\$29,100
Medical Science	4,869	\$24,446	\$11,355	\$35,801	\$16,500	\$7,700	\$24,200	\$17,000	\$9,100	\$26,100	\$20,000	\$9,100	\$29,100
Science	63,127	\$19,260	\$9,698	\$28,958	\$16,500	\$7,700	\$24,200	\$17,000	\$9,100	\$26,100	\$20,000	\$9,100	\$29,100
Agriculture	2,921	\$24,446	\$9,698	\$34,144	\$27,000	\$3,700	\$30,700	\$26,700	\$6,600	\$33,300	\$27,000	\$6,600	\$33,600
Dental	2,345	\$24,446	\$11,355	\$35,801	\$27,000	\$11,300	\$38,300	\$26,700	\$11,300	\$38,000	\$27,000	\$11,300	\$38,300
Medicine	17,106	\$24,446	\$11,355	\$35,801	\$27,000	\$11,300	\$38,300	\$26,700	\$11,300	\$38,000	\$27,000	\$11,300	\$38,300
Vet Science	2,763	\$24,446	\$11,355	\$35,801	\$27,000	\$11,300	\$38,300	\$26,700	\$11,300	\$38,000	\$27,000	\$11,300	\$38,300

Difference by student EFTSL between current funding and JRG and IRU Options

Field	JRG proposed			Option One			Option Two		
	Difference per EFTSL			Difference per EFTSL			Difference per EFTSL		
	CGS	Student	Total	CGS	Student	Total	CGS	Student	Total
Communications	-\$12,447	\$7,696	-\$4,751	-\$11,347	\$4,596	-\$6,751	-\$11,147	\$4,596	-\$6,551
Food & Hospitality	-\$1,137	\$3,145	\$2,008	-\$37	\$45	\$8	\$163	\$45	\$208
Humanities	-\$5,126	\$7,696	\$2,570	-\$4,026	\$4,596	\$570	-\$3,826	\$4,596	\$770
Law & Economics	-\$1,137	\$3,145	\$2,008	-\$37	\$45	\$8	\$163	\$45	\$208
Management &	-\$1,137	\$3,145	\$2,008	-\$37	\$45	\$8	\$163	\$45	\$208
Mixed Fields	-\$1,137	\$3,145	\$2,008	-\$37	\$45	\$8	\$163	\$45	\$208
Society & Culture	-\$9,915	\$7,696	-\$2,219	-\$8,815	\$4,596	-\$4,219	-\$8,615	\$4,596	-\$4,019
Clinical Psychology	-\$47	-\$3,104	-\$3,151	-\$847	-\$204	-\$1,051	\$453	-\$204	\$249
Education	\$2,038	-\$3,104	-\$1,066	\$1,238	-\$204	\$1,034	\$2,538	-\$204	\$2,334
English	\$7,274	-\$3,104	\$4,170	\$6,474	-\$204	\$6,270	\$7,774	-\$204	\$7,570
Mathematics	\$2,485	-\$5,998	-\$3,513	\$1,685	-\$3,098	-\$1,413	\$2,985	-\$3,098	-\$113
Languages	\$2,953	-\$3,104	-\$151	\$153	-\$204	-\$51	\$2,353	-\$204	\$2,149
Nursing	\$1,375	-\$3,104	-\$1,729	-\$1,425	-\$204	-\$1,629	\$775	-\$204	\$571
Allied health	-\$47	-\$1,998	-\$2,045	-\$847	-\$598	-\$1,445	\$453	-\$598	-\$145
Architecture & building	\$2,485	-\$1,998	\$487	\$1,685	-\$598	\$1,087	\$2,985	-\$598	\$2,387
Creative Arts	-\$47	\$896	\$849	-\$847	\$2,296	\$1,449	\$453	\$2,296	\$2,749
Health	\$2,485	-\$1,998	\$487	\$1,685	-\$598	\$1,087	\$2,985	-\$598	\$2,387
IT	\$2,485	-\$1,998	\$487	\$1,685	-\$598	\$1,087	\$2,985	-\$598	\$2,387
Engineering	-\$2,760	-\$1,998	-\$4,758	-\$2,260	-\$598	-\$2,858	\$740	-\$598	\$142
Environmental Studies	-\$7,946	-\$1,998	-\$9,944	-\$7,446	-\$598	-\$8,044	-\$4,446	-\$598	-\$5,044
Medical Science	-\$7,946	-\$3,655	-\$11,601	-\$7,446	-\$2,255	-\$9,701	-\$4,446	-\$2,255	-\$6,701
Science	-\$2,760	-\$1,998	-\$4,758	-\$2,260	-\$598	-\$2,858	\$740	-\$598	\$142
Agriculture	\$2,554	-\$5,998	-\$3,444	\$2,254	-\$3,098	-\$844	\$2,554	-\$3,098	-\$544
Dental	\$2,554	-\$55	\$2,499	\$2,254	-\$55	\$2,199	\$2,554	-\$55	\$2,499
Medicine	\$2,554	-\$55	\$2,499	\$2,254	-\$55	\$2,199	\$2,554	-\$55	\$2,499
Vet Science	\$2,554	-\$55	\$2,499	\$2,254	-\$55	\$2,199	\$2,554	-\$55	\$2,499