UWA Student Guild

Response to

Commonwealth Budget 2007-08

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UWA Student Guild Media Release

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Introduction


The Budget was delivered at an interesting time in the political cycle.

- In early 2007, the opposition released its “Education Revolution” policy justifying a focus on education in Commonwealth government spending by linking “investment” in higher education to national productivity and global competitiveness.

- In March 2007, the Australian Vice Chancellor’s Committee released a report on Student Finance that indicated that university students were struggling financially, and were allowing work to affect their studies, to pay the bills.

- Significant trends in the sector, brought about by the release in 2003 of the Backing Australia’s Future package, include diversity initiatives and a broad focus on de-regulating student contributions to course fees.

- Internationally, the Bologna Process has been a significant influence on the sector and nationally, the University of Melbourne rolled out its US liberal arts-style “Melbourne Model” in April 2007.

2007 is a federal election year, and consequently there was great expectation that the Budget would include significant personal income tax cuts and electoral ‘sweeteners’. These sweeteners were all the more likely to be added because the opposition were significantly ahead in all major polls.

Prior to the formal release of the Budget there were a variety of leaks and pre-release statements. Most of these appeared to cover areas in which the Budget was expected to be weak, with the exception of health and education.

Media in advance of release including blanket coverage of the advance release of the Budget papers to the Australian Greens, who raised concerns about security and about the limited funding available for initiatives to tackle climate change.

After a series of nine prior budget surpluses and with the passage of four years since the launch of the last major higher education the time was ripe for a focus on higher education. Such a focus was not expected, and the Budget documents contained a number of surprises – some positive, and some negative.

This response outlines the key issues and initiatives of the Commonwealth Budget 2007-08 that will have a significant impact on students in the coming 12 months. These are summarised in the attached scoresheets and highlighted in the attached media releases.
Issues and initiatives

The Commonwealth Budget 2007-08 will have a significant financial impact on many university students. While the Budget promises to deliver an underlying cash surplus of $10.6 billion and although education has been given significant focus, a number of issues - notably student income support – remain unaddressed.

Additionally, while the Commonwealth announced a range of new initiatives to coincide with the Budget, detail of these initiatives and their implications is still lacking.

Personal income tax reform

While there are substantial tax cuts for different groups in the Commonwealth Budget 2007-08, university students are not major recipients of these cuts. Given the discussion earlier in 2007 led by the Australian Vice-Chancellor’s Committee’s Report on Student Finance, this was a disappointing outcome.

Low Income Tax Offset

The increase in the “Low Income Tax Offset” from $600 to $750 per annum will deliver only minimal benefit to students. Once distributed on a weekly basis, students will receive only $3 per week as a result of the increase.

Income taxation thresholds

The increase in the second income tax threshold (15%) from $25 000 to $30 000 will deliver tax relief to very few students, because very few students earn above $15 000 per annum - let alone $25 000 to $30 000. Accordingly, most students will continue to pay the lowest marginal tax rate of 15%.

Pre-filled taxation return forms

It is unclear whether the provision of pre-filled income taxation return forms will provide much assistance to students.

• Students frequently work for a range of employers in any financial year, and accordingly often have multiple group certificates and employer details to submit. Unless the system is administratively excellent, students will spend more of their time correcting errors caused by the automation than it would take to enter the information themselves.

• Students’ bank balances often fluctuate significantly on a fortnightly basis, making it very difficult to accurately calculate the small (if not negligible) accrual of interest on limited bank balances.

• Students often struggle to afford private health insurance, and having their fund details completed for them provides no more functionality than the existing eTax system.

It is disappointing to see no substantial income tax relief for students given their significant contribution to the labour market through casual work and a significant contribution to the economy through their expenditure on essential items, which attract goods and services taxation.
While students continue to make significant contributions to the Commonwealth though taxation, none of the measures in the Commonwealth Budget 2007-08 provide students with the financial relief that they have been requesting.

Realising our potential - Higher education
The “Realising Our Potential” package ushers in a range of positive and negative changes for students.

Flexibility (CGS, DUFF and enrolments)
- The removal of all caps on the number of domestic undergraduate full fee (DUFF) places that universities can offer is of significant concern to many students. With no restrictions on the ratio of DUFF places to Commonwealth Grant Scheme (CGS) places, students are concerned that these places may be used to increase university revenue from students in areas where demand for university places exceeds their allocated CGS places. The retention of the requirement that universities fill CGS places before offering DUFF places is vital to minimise the risks associated with the offering of DUFF places.
- The increase in flexibility for universities to enrol CGS students above their CGS allocation by 1% to 5% is positive, but needs to be monitored to ensure that the quality of the student learning experience is maintained.
- Removal of funding reductions for breaching allocated CGS places is potentially a concern. Some universities may be tempted to over-enrol students to gain access to funding, but not have funds sufficient to manage the increased resource demands.

Changes to funding clusters
The increases to CGS funding clusters are positive developments, as universities have long indicated that Commonwealth funding on a per student basis has been inadequate. However, there are three significant issues associated with the changes.
- The alteration to decrease the per student Commonwealth contribution to the Accounting, Administration, Economics and Commerce cluster, and increase the level of student contribution is a concern.
- The high level of student contributions by law students in comparison to the low level of per student Commonwealth contribution continues to be concerning.
- It is concerning to note that per student Commonwealth contributions for the Humanities cluster remain comparatively low.

While it is pleasing to note an increase in per student Commonwealth funding to universities, some 150 000 students nationally will be adversely affected by this initiative.

Three-year funding model
There are a range of concerns related to this initiative to extend the Commonwealth funding model for Universities to a three-year funding system.
- With no indexation of Commonwealth grants to universities, funding will fall behind further more quickly than under the current annual funding model
- With a three-year funding model, Universities will need to either predict student demand and enrolments in advance, or operate by accepting students into CGS places without confirmation that Commonwealth funding will be forthcoming.
The shift to a three-year funding model for University CGS funding is not a positive initiative that could have significant consequences for many universities, and will likely increase their reliance on Commonwealth grants.

**Higher Education Endowment Fund**

The establishment of the $5 billion Higher Education Endowment Fund (HEEF) could be a useful initiative for students. It is concerning to note that the Fund will essentially be in competition with individual Universities for bequests, donations and endowments from graduates and alumni by offering tax-deductions for donations. In recent years, Universities have put a lot of time and effort into trying to diversify their income streams so as to reduce their reliance on federal government funding. This initiative will not assist Universities to support themselves, and will in all likelihood increase their reliance on the Commonwealth for funding. It is disappointing to note that the Commonwealth has taken this step at this late stage, but the HEEF should provide the sector with a much-needed injection of funds for capital works and research.

Ultimately, HEEF structures are not a sustainable way in which to fund higher education.

**Structural Adjustment Fund**

The allocation of $209 million over four years to encourage diversity and specialisation within the higher education sector is an interesting initiative. Until further information is available about the implications of a diversification and specialisation of the higher education sector, it is difficult to comment.

**Extension of Rent Assistance to Austudy recipients**

It is pleasing to note that this initiative has been taken to increase the level of financial support for mature-age students.

**Extension of eligibility for Youth Allowance and Austudy**

The extension of Youth Allowance and Austudy to postgraduate coursework students (in selected courses) is a welcome development. It is however concerning to note that only direct professional qualifications are included in the selected courses list. Ultimately, there are a range of postgraduate coursework students for whom access to student income support is essential to enable them to study.

**Commonwealth Learning Scholarships**

The increase in the number of available Commonwealth Learning Scholarships from 8 500 to 10 000 is a positive initiative. Additionally, the proposal to alter the timing at which the scholarship recipients are informed to coincide with the distribution of University offers is a welcome development.

**Red Tape and Referral of Powers**

Students are not particularly concerned with who is funding and providing the administrative framework for higher education in Australia.

**ABSTUDY**

The addition of a $4 000 up-front payment to assist indigenous students who move to study at universities is welcomed. However, it needs to be noted that support structures at a campus level provide more assistance to students than one-off financial contributions.
Child Care Benefit
The 10% increase in Child Care Benefit (in addition to indexation) will provide student parents with some relief. Given the Baby Bonus incentives offered in previous Budgets, this is a welcome measure. It is positive to note the indexation of the Child Care Benefit.

Superannuation Co-contribution Scheme
As low-income earners, students are eligible for the superannuation co-contribution scheme. Accordingly, many students who made contributions in 2005-06 will benefit from the doubling of the co-contribution. However, as the scheme is only a one-year, backdated doubling of the co-contribution students will not be able to maximise the benefit.

Additionally, given the current state of student income support, students are not in usually in a sufficiently strong position to make significant contributions to their superannuation funds. Instead, students often need to take their incomes up-front to meet weekly living expenses. To encourage greater student investment in superannuation requires government to provide relief on the broader issue of student finance.

Health and Medical
The increase in rural clinical placements for dental students is a positive initiative that will provide Dentistry students with valuable work and living experience. In addition, it may encourage more graduates to practice in rural and regional areas where health and medical service levels are not positive.
Conclusion

The Commonwealth Budget 2007-08 is very much a reflection of its political context, and its riches are distributed accordingly.

- Income taxation cuts have been provided in the middle-income brackets, the likely battleground in the upcoming federal election
- Education has been fast-tracked as a government policy priority, partly in response to the opposition’s bold policy statements, and also in an attempt to consolidate many of the changes begun with the Backing Australia’s Future package, before a potentially difficult federal election campaign
- The Commonwealth government has been incumbent for 12 years and needs to continue to be seen as a responsive, listening government. Accordingly, the Budget is focused on silencing a series of small, but persistent critics.

Given the comparatively small level of political power wielded by youth and student voters, it is unsurprising that there was little response to the issues raised since the last Commonwealth budget.

Overall, it is pleasing to see that Higher Education has become a “key plank” of the Commonwealth’s planning and budgeting. However, concerns exist about the direction in which higher education is being driven – specifically a focus on user-pays, market-driven tertiary education.
Students realise that Commonwealth Budget 2007-08 fails to live up to its potential

While last night’s Commonwealth Budget 2007-08 provided universities with plenty of food for thought, the Budget failed to address the critical issue of student finance.

The Australian Vice-Chancellor’s Committee Report on Student Finance, released in March 2007, indicated that inadequate financial support for students was negatively affecting their studies.

“This was the Commonwealth government’s opportunity to help a lot of struggling students” commented UWA Student Guild President, David de Hoog. “Unfortunately, the Commonwealth Budget 2007-08 provides at most $3 / week in financial relief for most UWA students.”

As most students earn less than $25 000 per annum, only the increase in the Low Income Tax Offset provides any financial relief to students.

“It’s pleasing to see that some existing student income support mechanisms are being made more available – but there are still some fundamental problems with the current systems” said Mr de Hoog.

Information gathered by the UWA Student Guild indicates that:

- The threshold to demonstrate independence and qualify for Youth Allowance is too high for many students
- The level of Rent Assistance is inadequate in the current rental market
- The current Income Bank system penalises students who work extra hours to support themselves

Mr de Hoog said that he’s most encouraged that higher education is in the spotlight in a federal election year, because it’s so important.

“What the Commonwealth Budget shows is that potential can’t be realised unless it has financial support.”

“The Minister for Science, Education and Training, The Hon. Julie Bishop MP needs to realise that students need a bit of financial backing to unlock their potential.”

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Buy now, pay later: Commonwealth Budget 2007-08 continues to shift the cost of higher education

Students are set to carry even more of the cost of their education after last night’s Commonwealth Budget 2007-08.

The relaxation of all caps on Domestic Undergraduate Full-fee Fee (DUFF) places and the increase in student contributions to Business, Administration, Economics and Commerce tuition fees will both have a significant impact on students.

“Students are already carrying debts from their student living expenses. Once you add on deferred course fees (through HECS-HELP) students are beginning their professional careers with a big debt behind them” said David de Hoog, UWA Student Guild President.

DUFF place students can defer the cost of education on the FEE-HELP scheme, but fees are considerably higher (up to $80 000 per year, as opposed to $8250 per year).

Students are concerned that their high debt levels will make it difficult to get loans to purchase cars, houses and to support their families.

“Would you loan someone $200 000 for a mortgage if you know they already owe $100 000, and the Commonwealth government has first access to their income?”

Students are concerned that the focus of the Commonwealth Budget 2007-08 is the movement of responsibility for investing in education is being shifted to students.

“Ultimately, the Commonwealth can afford to provide $5 billion in capital and a raft of tax cuts because they’re not adequately resourcing higher education.”

The lump capital sum contribution to the Higher Education Endowment Fund (HEEF) is another concern.

“The HEEF indicates that the Commonwealth government wants to get away from providing direct funding to higher education, and instead to leave funding nest-eggs that will never earn enough interest to adequately support Australian higher education.”

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