

Draft 2023 VSL, HELP and Up-front Domestic TPS Levies

May 2023

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Tuition Protection Service Director



Outline

- Purpose and function of the Tuition Protection Service (TPS)
- TPS Director, TPS Operations team and the TPS Advisory Board
- TPS Domestic Levies – guiding principles and levy framework
- Levy components and calculations
- Levy development and collection timeline

Purpose of the Tuition Protection Service (TPS)

- Australian Government initiative supported by federal Department of Education
- Student tuition protection scheme that safeguards Australia's reputation as an education destination
- Developed for international student fee protection and expanded to specified domestic students
- Manages levy collections from registered education providers
- Supports registered education providers to understand and meet obligations to students
- Supports students with refunds and Government loan re-credits, and facilitates alternative course placements



Legislative Authority

VET Student Loans (VSL Tuition Protection Levy) Act 2020

<https://www.legislation.gov.au/Series/C2020A00005>

Higher Education Support (HELP Tuition Protection Levy) Act 2020

<https://www.legislation.gov.au/Series/C2020A00004>

Higher Education (Up-front Payments Tuition Protection Levy) Act 2020

<https://www.legislation.gov.au/Series/C2020A00102>



Tuition Protection Service Director

- Melinda Hatton, TPS Director
- **Statutory office holder** appointed by the federal Minister for Education
- **Operational oversight** over the daily activities of the TPS
- Responsible for the **annual collection of TPS levies** from CRICOS and eligible domestic education providers
- Responsible under law for **managing the levy funds**



TPS Operations Team



- Led by TPS Director
- Small team of around 16
- Located in Canberra



TPS Advisory Board

1. Ms Helen Zimmerman (Chair)
2. Dr Kevin Donnelly AM (Deputy Chair)
3. Ms Jenny Lambert
4. The Hon Phil Honeywood
5. Ms Karen Sandercock, Australian Government Department of Education
6. Mr Matthew Hardy, Australian Government Department of Employment and Workplace Relations (DEWR)
7. Mr Guy Thorburn, Australian Government Actuary
8. Mr Peter Kohlhagen, Australian Prudential Regulation Authority
9. Mr Daniel Frewer, Australian Government Department of Finance (acting)
10. Ms Alison Garrod, Australian Government Department of Home Affairs (acting)

View Board
member profiles at
www.tps.gov.au



TPS Domestic Levies

- **Three annual sector-based tuition protection levies** collected from **domestic** education providers
- Levies fund the student placement and refund activities of the TPS following an education provider closure as well as TPS operational costs
- Levy calculation based on an education provider's size and risk of closure
- Domestic levies paid into two quarantined accounts managed by the TPS Director:
 - VSL Levy → VSL Tuition Protection Fund
 - HELP Levy → Higher Education Tuition Protection Fund
 - Up-front Payments Levy → Higher Education Tuition Protection Fund
- All TPS domestic levies were waived in 2020 and 2021 as part of the Commonwealth Government COVID-19 pandemic relief package



Guiding Principles for levy settings

- The TPS Advisory Board's levy setting advice is guided by the following principles:
 - Advice should **reflect the overall risk environment** and ensure that revenue sustains the relevant fund, while also being sustainable for the industry
 - The model for each levy should **reflect gradual change** and assist the industry with business planning by providing a stable regulatory environment
 - The model should be as **simple and transparent** as possible, preferably based on a small number of risk factors
 - Risk premiums should provide **incentives for education providers to adopt positive behaviours**
 - **Additional imposts on industry, such as data collection, should be minimised** as far as possible, consistent with the ability to set sound risk-based levies



TPS Levy Framework

- TPS Levy Framework developed by the Australian Government Actuary (AGA)
- AGA provides advice on the levies to ensure the arrangements are financially sound
- Annual domestic TPS levies are set through two legislative instruments:
 1. one for the Administrative Fee component (set by the relevant Minister), and
 2. one for the Risk Rated Premium component and Special Tuition Protection component (set by the TPS Director)
- Education providers operating across multiple education sectors pay separate levies for each sector, which may be collected at different times during the year



Domestic TPS Levy Components

Component	Key elements	Purpose and authority
Administrative fee	Sum of a 'per provider' and 'per student' charge	<ul style="list-style-type: none">• Designed to cover administrative costs• Set by relevant Minister
Risk-rated premium	Considers 3 risk factors : <ol style="list-style-type: none">1. Financial strength2. Completion rate3. Non-compliance history and registration renewal	<ul style="list-style-type: none">• Intended to reflect risk of provider default• Financial reward for positive provider behaviour and risk management practices• Set by the TPS Director
Special tuition protection	Percentage multiplied by total loan amounts or up-front payments received	<ul style="list-style-type: none">• Intended to assist building the funds when below target range or to repay seed funding• Set by the TPS Director



Administrative Fee Component

- Sector contribution to the ongoing costs of the TPS
- Sum of a specified 'per provider' amount and a 'per student' amount
- Determined by the responsible Minister
- If the responsible Minister decides **not** to determine the administrative fee component amounts, a CPI indexation will apply (see Section 10 of the VSL, HELP and Up-front Payments Levy Acts)
- If a provider is a new provider for a year, the provider's administrative fee component will be the 'per provider' amount only



Risk Rated Premium Component

- Determined annually by TPS Director in collaboration with the TPS Advisory Board, AGA and feedback from stakeholders
- Considers a provider's student enrolment numbers, income (loan amounts or up-front payments) and risk factor values
- Risk factor value based on an individual provider's risk score against three risk factors
- TPS risk factor calculations designed to reflect the risk of a provider default
 - Not equivalent to the risk assessments conducted by the regulators



Risk Factors

Risk Factor 1: Financial Strength

- Based on analysis of an education provider's most recent financial data
- Assessed on the net profit ratio, return on assets, and debt to equity

Risk Factor 2: Completion Rate

- Based on students' course/unit of study completion rates

Risk Factor 3: Non-Compliance History and Registration Renewal

- Late payment history of annual registration provider charges and TPS levies, and provider registration renewals for a shorter period than the maximum allowed



Completion Rate

- Domestic levies waived in 2020 and 2021 as a COVID-19 relief measure
- 2022 completion rate loadings reduced as COVID-19 support measure
- Proposal to increase loadings in 2023, but still lower than 2020 level

Completion rate percentage	2020 loadings	2022 loadings	Proposed 2023 loadings
85% or higher	0	0	0
60% to <85%	0	0	1
35% to <60%	3.5	1.7	2.5
0% to <35%	5.5	2.7	3.5

Passed EFTSL x 100

Completion rate percentage formula = $\frac{\text{Passed EFTSL} \times 100}{\text{Passed} + \text{Failed} + \text{Withdrawn} + \text{Ongoing} + \text{Data Missing EFTSL}}$



Risk Rated Premium Component

- Risk rated premium component formula differs slightly across the levies

$$= \left\{ \left(\begin{array}{c} \text{total students} \\ \text{for the year} \\ \times \\ \text{amount determined} \\ \text{by the TPS Director} \end{array} \right) + \left(\begin{array}{c} \text{total loan amounts /} \\ \text{up-front payments} \\ \text{for previous year} \\ \times \\ \text{percentage determined} \\ \text{by the TPS Director} \end{array} \right) \right\} \times \{(\text{sum of risk factor values}) + 1\}$$

- If a provider is a new provider for a year, the risk rated premium component for the year will be 0



Special Tuition Protection Component

- Determined annually by the TPS Director with AGA and TPS Advisory Board guidance
- To be charged in the initial years when the funds are below their target size to build fund reserves and meet Commonwealth seed capital repayments
- Calculated as a percentage of a provider's income (loan amounts or up-front payments)
- Proposed special tuition protection component percentage for 2023:
 - **VSL:** 0.10%
 - **HELP:** 0.10%
 - **Up-front:** 0.10%
- If a provider is a new provider for a year, the special tuition protection component for the year will be 0



Draft 2023 domestic TPS levy settings

Levy	Administrative fee*	Risk rated premium	Special tuition protection
VSL	\$111 per provider + \$9.33 per VSL student	\$6 per VSL student + 0.17% x total 2022 loan amounts	0.10% x total 2022 VSL loan amounts
HELP	\$111 per provider + \$9.33 per HELP student	\$6 per HELP student + 0.06% x total 2022 loan amounts	0.10% x total 2022 HELP loan amounts
Up-front Payments	\$111 per provider + \$9.33 per up-front student	\$2 per up-front fee-paying student + 0.04% x total 2022 up-front payments	0.10% x total 2022 up-front payments

*Administrative fee figures quoted are for 2022 and will be indexed to CPI for 2023

N.B. All student figures are based on 2022 enrolments

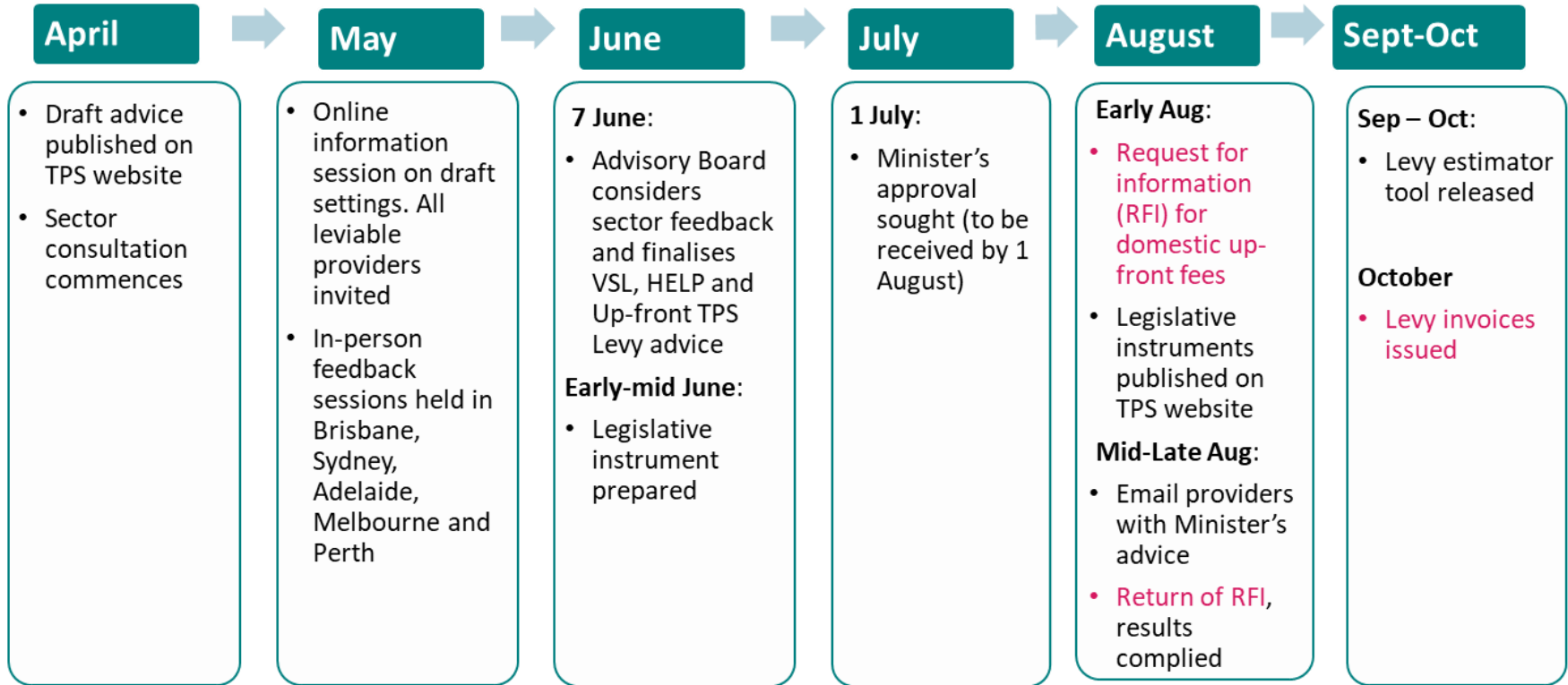


Key Takeaways

- Domestic levies collected annually in October
- Levy Notices will be sent to contacts provided in the HELP IT System (HITS)
 - *Please ensure contacts identified as CEO/VC, CFO, SAO, PCH or PVH are up to date in HITS*
- **One proposed change** from 2022 domestic levy settings: Increased completion rate risk factor loadings
- Feedback on 2023 draft levy settings from this session will be provided to the TPS Advisory Board at its June meeting



2023 Domestic TPS Levies Timeline





www.tps.gov.au



operations@tps.gov.au

