s 22

From: s 22
Sent: Friday, 11 November 2022 3:43 PM
To: s 22
Cc: Education - Media; s 22 ; s 22 ; s 22 ; s 22 ; s 22
Subject: ABC inquiry about HELP indexation [SEC=OFFICIAL]

Hi s 22

Please find below the dept's proposed response to Evan Young. You get a million emails so I will gently remind you this response initially was sent to you so I'll leave for you to reply unless you instruct me otherwise!

ABC Special Investigations (Evan Young) writes, "We are working on a story about how inflation is impacting people's HELP debts and would like to pose the following questions to you. This year's indexation was the highest for some time. Former students are struggling to borrow for mortgages and are worried about what could happen next year/in the future. They want to see the government step in. Would the government consider freezing HELP indexation? Some people say HELP debts shouldn't affect people for as long as it's starting to, post-graduation. Is the government happy with how the HELP system is working? Would it consider revisiting how it works/alternative repayment structures? Many current students are also struggling with inflation and working several low-paid jobs in casualised industries just to help them get through their degrees. Would the government consider giving students in this position, perhaps through Centrelink, so they can focus on their studies and get into higher-paid jobs faster? Is there anything else you'd like to add?
Proposed response: Indexation is applied to student's' outstanding HELP debts when they are more than 11 months old. Indexation is applied to ensure that the debt stays in line with the real value of money, and is much less than commercial interest rates. The indexation is prescribed in the Higher Education Support Act 2003 and there are currently no amendments to indexation under consideration. The Australian Universities Accord process will consider issues of affordability. The average time taken to repay HELP debts is 9.5 years, based on the total number who have completely repaid their debts to date. HELP reduces the upfront barriers to education allowing people to find better employment and increased wages. The HELP scheme is characterised by the income contingent nature that does not require a person to make a repayment until they are earning above the minimum repayment threshold. Not all people with a HELP debt are expected to reach that minimum threshold, or fully repay their debts. There is no penalty for non-payment of HELP debt.
Background (for MO): The journalist has been advised to contact DSS about the sentence highlighted in yellow

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Communication Branch | People, Parliamentary and Corporate
Australian Government Department of Education
Phone s 22
www.education.gov.au

HELP LOANS AND INDEXATION

RESPONSE:

HELP repayments are a set percentage based on your income.

They don't go up unless your salary does.

The remaining HELP debt is indexed to CPI.

Repayment thresholds are also indexed to CPI.

If a person is experiencing hardship then I encourage them to apply to the Australian Tax Office for a deferral of their compulsory repayment.

Will the government cancel all student debt?

HELP loans allow people whose parents aren't rich to go to university.

I had what was then known as a HECS loan.

It was how I got to university. We sure couldn't afford to pay for it upfront.

It's the same for lots of students at university today.

If we cancelled all HELP debt it would cost the budget in excess of $70 billion over the forward estimates.

As Members know we have inherited a trillion dollars' worth of debt from the Opposition.

This is not a measure the budget can afford.

s 22

From: s 47E(d)
Sent: Monday, 21 November 2022 9:35 AM
To: s 22
Cc: s 47E(d) ; s 22 ; s 47E(d)
Subject: Request for info - student debt, indexation
Attachments: 31. HERI - QB22-000252 001 - 27 October 2022 - Student Debt.docx; 18. HERI - QB22-000252 001 Student Debt.docx

Hi s 22

The MO has asked for a quick one pager on freezing student debt, in particular:

- The abolition of indexation; and
- Raising of the minimum

I have attached the relevant QTBs for your ease of reference, but grateful if an updated note could be provided to the MO by 10:15.

Thank you

Kind regards

s 22

STUDENT DEBT

RESPONSE:

Mr Speaker

The figures are these.

Last year the indexation rate was 0.6 per cent.

This year it is 3.9 per cent.

Mr Speaker

These rates need to be considered in relation to the cost of living.

It is important to remember here that HELP payments are a set percentage of your income.

In other words, they don’t go up unless your salary does.

Mr Speaker

The issue of affordability is one that will be looked at as part of the Universities Accord.

It’s important to remember this.

s 22

Shortly I will appoint a group of eminent Australians to develop the Universities Accord.

It will look at how to improve access for the sort of people I’ve just spoken about.

It will also look at transparency, regulation, employment conditions and also how universities and TAFEs work together.

It will also look at the issue of broader affordability and the sorts of concerns you've raised in your question today.

STUDENT DEBT

RESPONSE:

The answer is no.

This proposal would cost the budget in excess of $70 billion.

The Member should be well aware of what something like this would mean to the budget.

Mr Speaker

I’d also refer the member to the answer I gave to the question from the Member for Clark a few weeks ago.

HECS or HELP as it is now known has allowed more Australians to get a university degree in a sustainable way.

When HECS was introduced in 1989 7.9 per cent of Australian adults had a university degree.

Now it’s almost 33 percent.

The Universities Accord process will also consider the issue of broader affordability.

s 22

From: s 22
Sent: Thursday, 1 December 2022 12:32 PM
To: s 22
Cc: s 47E(d) ; s 22 ; s 22 ; s 22 ; s 47E(d) ; s 47E(d)
Subject: RE: Greens higher ed indexation and thresholds bill [SEC=OFFICIAL]

s 22

s 47C

s 22

From: s 22
Sent: Thursday, 1 December 2022 12:12 PM
To: s 22
Cc: s 47E(d) s 22 s 47E(d)
Subject: RE: Greens higher ed indexation and thresholds bill [SEC=OFFICIAL]

Hi

I've written below

Can you check the figure? Just want to make sure I got the language around it right?

STUDENT DEBT – Freezing debt

RESPONSE:

Mr Speaker

I understand that Senator Faruqi has introduced a bill to do this in the Senate.

It is not something we support.

I asked my department to do a rough estimate of what it could cost.

We're looking at more than $2 billion just over the next five years in cash terms.

The bill that the Greens presented doesn't identify where this $2 billion comes from.

Which education program do they want to cut?

What current or future students would miss out?
I want more people from poor families, Australians from rural and remote areas and Indigenous Australians to go to university.

That's why I allocated 20,000 university places to people from these backgrounds.

It undermines the sustainability of the HECS/HELP system that has seen more Australians go to university.

When HECS was introduced in 1989 7.9 per cent of Australian adults had a university degree. Now it's almost 33 percent.

It's built on a basic principle – people pay what they can afford. You don't pay more until you earn more.

If a person is suffering hardship, then payments can be deferred by the ATO.

The Universities Accord team will look at the issue of also consider the issue of broader affordability.

From: s 22
Sent: Thursday, 1 December 2022 11:29 AM
To: s 22
Cc: s 47E(d) s 22 s 47E(d)

Subject: Greens higher ed indexation and thresholds bill [SEC=OFFICIAL]

Hi s 22

You asked for some points on the Greens' Education and Other Legislation Amendment (Abolishing and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022 (the Bill) introduced by Senator Faruqi into the Senate yesterday.

[Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022 – Parliament of Australia (aph.gov.au)]

Objects

The Bill proposes to do two things:

- cease indexation for all student loan schemes going forward
- peg the minimum repayment threshold to median AWE from time to time and recalibrate the higher thresholds against the median.

The reason it is so long is that it needs to amend a number of Acts for several schemes (some of which I think are closed) across Education, DEWR and Social Security in relation to indexation. The schemes are:

- HELP
- student start-up loans
- the student financial supplement scheme
- ABSTUDY student start up loans
- ABSTUDY financial supplement for tertiary students
- trade support loans
- VET student loans

Aside from the policy intent of abolishing indexation on all student loan arrangements, it would be quite complex legislatively and administratively to pick out only certain schemes for non-indexation.

s 47C

Indexation

The operation of the Bill in relation to indexation is conceptually simple: it deletes or amends every place in relevant legislation where indexation is mentioned. As already noted, the Bill is long because there are numerous occurrences across four different Acts. In the HESA for example sections need to be addressed in relation to total HELP debts, the Very Remote Teachers measure, and residual VET FEE-HELP.

Aside from cost, a policy concern of abolishing indexation is that it will create disincentives for some debtors to earn more – they are going to be better off putting off payments and allowing their debts to shrink in real terms.

s 47C

The best way to pay later is not take higher-paying and/or more work. Historical evidence also suggests that debtors are sensitive to the fact that going a little way over an income threshold can result in a net loss of disposable income after HELP repayments. This is exacerbated by the Bill's proposed construction of thresholds – see below.

s 47C

The indexation issue is also connected with the size of individual debts which goes to JRG prices, where CSPs are and aren't available, and the overall proportion of Commonwealth to student contributions. These of course are broader issues.

Minimum Threshold

When HECS commenced in 1989 it was pegged to the median wage on the broad logic of 'those who go to university are likely to earn more; if they do earn more, they should contribute'. That pegging of the minimum threshold lasted roughly to 2019 when it was reduced due to increasing concerns about non-repayment of debts.

The Bill proposed to return to AWE by making the minimum threshold for each income year equal to 52 times the all-persons weekly median earnings as published by the ABS for the preceding August. For the 2022-23 year that would make the threshold $62,400 (exactly) compared with the current threshold of $48,361.

The all-persons median wage includes part-time earnings and so is lower than the full-time median wage. It is also lower than average weekly earnings.

A feature of the proposed new thresholds is that they prescribe a fixed amount between each threshold, thus:

Applicable percentages

Item If the person's repayment income is: The percentage applicable is:

1 $3,000 or less above the *median wage 1%

2 More than $3,000, but less than or equal to $6,000, above the *median wage. 2%

3 More than $6,000, but less than or equal to $9,000, above the *median wage. 2.5%

…

14 More than $62,000, but less than or equal to $70,000, above the *median wage. 8%

15 More than $70,000 above the *median wage. 10%

The current provisions index the thresholds which mean that, in real terms the gaps remain constant. In fact, in the current situation where indexation is less than wage growth, some debtors will be falling out of higher thresholds into lower ones or even right out of repaying. By setting fixed nominal differences between thresholds over time the gaps will become smaller in real terms (measured against either inflation or wage growth) and debtors will tend to creep into higher thresholds any time their incomes increase in nominal terms, even if not in real terms.

Regards

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Issue:	**DB | HELP Key Facts**
PBS Pg No.	October PBS 2022–23 pgs 57, 65 2021–22 PBS pgs 48, 58 2020–21 PBS pgs 14-15, 47, 51, 54-56, 83
PAES Pg No.	2021–22 PAES pgs 2020–21 PAES pgs 14, 17, 31, 36
MYEFO Pg No.	2021–22 MYEFO pgs 124-125, 251
Contact:	s 22 s 22 , HELP and Provider Integrity

Key Points

- The Higher Education Loan Program (HELP) is an income contingent loan scheme designed to remove up front cost barriers to tertiary education, thereby promoting access and equity.
- There is a limit to the amount of HELP a student can access, which is renewable when they make repayments against their outstanding HELP or VET Student Loans debt.
- The HELP loan limit is $113,028 for most students in 2023, and $162,336 for students undertaking medicine, dentistry, or veterinary science leading to initial registration, or specific aviation courses.
- The income contingent design means that a proportion of HELP loans will not be repaid. This is a beneficial feature of the program.
- HELP debtors are required to repay their loans if and when they reach the threshold income.
- The fair value[1] of higher education HELP debt was estimated at $47.2 billion[2] at 30 June 2022.
- The nominal value of higher education HELP debt as at 30 June 2022 was $67.7 billion[3].
- The nominal value of the HELP debt, including vocational student debt, as at 30 June 2022 was $74.4 billion[4]. This does not include VSL debt of $796.7 million, which has been reported separately from 1 July 2019.
- The level of debt not expected to be repaid (DNER) as a percentage of <u>new loans</u> is 11.82 per cent in 2021–2022, down from 15.07 per cent in 2020–2021.

[1] Fair value of the HELP asset is the total value of loans minus the amount not expected to be repaid
[2] Department of Education, Skills and Employment Annual report
[3] AGA Final VET Separation Results 2022
[4] ATO HELP certificates

- The modelled face value of debt not expected to be repaid is $16.9 billion, and the deferral adjustment is $3.6 billion.
- The major impact on the likely improvement of DNER on new debts has been the recent increase in voluntary repayments (perhaps impacted by COVID or the expected increase in indexation) and improved graduate earnings relative to previous expectations.
- There were 3,002,984 HELP debtors as at 30 June 2022.[5]
- The average individual outstanding HELP debt was $24,771.[6]
- At the end of June 2022 the average time taken to repay HELP debts for those who have fully repaid was 9.5 years.[7]

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[5] data.gov.au – HELP Statistics 2021-22
[6] SQ22-000322
[7] The repayment term of a HELP debt can only be determined for people who have fully repaid their debt.

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Indexation (further detail in Background)

- HELP debts are indexed by a legislated CPI-based formula on 1 June each year when they are more than 11 months old to maintain the real value by adjusting it in line with changes in the cost of living.
- Indexation applied on 1 June 2022 was 3.9 per cent, which was higher than the previous 10 years (2013–2022), which averaged 2.0 per cent.[8]

Scheme Sustainability

- Since 2016, the Government has made a range of changes to HELP that have reduced the costs of the scheme, improving sustainability.
- The policy changes have included:

[8] SQ22-000322

- introduction of a new, reduced schedule of HELP repayment thresholds from 1 July 2019
- introducing a combined HELP loan limit and renewable HELP balance from 2020
- indexing the HELP repayment threshold at the CPI rather than Average Weekly Earnings (AWE) from 1 July 2020
- introducing an application fee for providers seeking approval to offer FEE-HELP, and an annual charge on higher education providers whose students are entitled to HECS-HELP and FEE-HELP assistance from 1 January 2020 (the commencement of the annual charge was postponed until 1 January 2022 as a COVID relief measure)
- strengthening regulatory controls and student protections in the higher education sector
- ending the HECS-HELP 10 per cent up-front discount from 1 January 2023.

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BACKGROUND/SENSITIVE INFORMATION

Questions on Notice – Budget Estimates 2022-23

- SQ22-000225 – student loan indexation

s 22

Fair Value

- The Fair Value of the HELP asset is the total value of loans minus the amount not expected to be repaid.
- The fair value of higher education HELP debt at 30 June 2022 was estimated at $47.2 billion ($49.8 billion at 30 June 2021).
- The reduction in the estimated fair value of HELP takes into account:
  - a net movement of $1.3 billion of new loans and repayments made,
  - unwinding of the discount of $869.8 million,
  - negative movement in the yield curve of $8.3 billion, and
  - methodological and actuarial adjustments of $3.4 billion.
- In 2020–21, the increase of $3.5 billion in the estimated fair value of HELP took into account a net movement of $2.9 billion of new loans and repayments made, unwinding of the discount of $611 million and a methodology adjustment in relation to COVID-19 assumptions of $3.1 billion.

Nominal Value

- The nominal value of the HELP debt is the total value of outstanding debt held at the Australian Taxation Office.
- The nominal value of the total HELP debt, including vocational student debt, as at 30 June 2022 is $74.4 billion.
- The Australian Government Actuary determined the nominal value of the higher education portion at 30 June 2022 is $67.7 billion.

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Debt Not Expected to be Repaid (DNER)

- DNER is the amount of debt that not expected to be repaid by individuals due to the assumption that not all persons incurring debt will meet the repayment thresholds or repay their debt in full in their lifetime.

- DNER is a key performance indicator (KPI) in the department's annual report and is used as a proxy for the success of the program as it indicates the employability of graduates, the level of salary they receive and therefore the likelihood they will repay the loan.

s 22

- The separate proportions of DNER on new debt by VET and non–VET are in the table below (based on the AGA HELP receivable report for 2021–2, table 14):

	s 22	**Non-VET**	s 22
Proportion of new debt not expected to be repaid		11.82%	

s 22

- The DNER percentages for total outstanding debt are a function of several things including the relative mix of higher education and vocational education and training debt, the relative volumes of debt progressing through the system over time and the progression of post completion incomes. As such, it is difficult to make definitive statements around changes to this value as a result of any particular policy or environmental change (such as HELP debt indexation rates).

Indexation

- Debts incurred under each of the HELP schemes are pooled into one combined HELP debt and indexation is then applied to this total outstanding HELP debt. Therefore, there is no data available on indexation amounts applied specifically to HECS-HELP debts. The average amount of indexation applied to individual HELP debts on 1 June 2022 was $843.
- The rate of indexation has fluctuated between 0.6 per cent (2021) to 3.9 per cent (2009 and 2022) over the last 15 years, with a 15-year average of 2.3 per cent from 2007–2022.

Year	**Indexation rate (%)**
2007	3.4
2008	2.8
2009	3.9
2010	1.9
2011	3.0
2012	2.9
2013	2.0
2014	2.6
2015	2.1
2016	1.5
2017	1.5
2018	1.9
2019	1.8
2020	1.8
2021	0.6
2022	3.9

Level of estimated outstanding HELP debt

Year	HELP Debt (Nominal Value) ($b)[9]	Fair Value (Carrying Value) ($b) [10]	% of Fair Value in HELP Debt[11]
2012–13	30.1	21.7	72%
2013–14	33.8	25.2	75%
2014–15[12]	44.1	30.4	69%
2015–16	50.4	36.8	73%
2016–17	55.4	35.9	65%
2017–18	60.0	39.9	67%
2018–19[13]	63.3	50.0	79%
2019–20[14]	58.6	46.3	79%
2020–21	62.2	49.8	80%
2021–22	67.7	47.2	70%
Estimates[15]			
2022–23	N/A	51.8	N/A
2023–24	N/A	54.1	N/A
2024–25	N/A	56.8	N/A
2025–26	N/A	59.5	N/A

Notes: The fair value is different from the nominal value in that it does not include DNER. The fair value is also discounted to take account of deferral costs.

Performance Reporting – as at 2021–22 Annual Report (pg 57)

Measure	The proportion of HELP debt not expected to be repaid
Target	Equal to or lower than the previous year (15.07%)[16]
Result	**Achieved**
Result value	**11.82%**
Analysis	The Higher Education Loan Program (HELP) 'debt not expected to be repaid' (DNER) is an indicator of the affordability of higher education compared to earnings of those with these debts. Policy changes that increase employment opportunities, accelerate repayments and decrease incurred HELP debts will reduce DNER on new debt and DNER on outstanding debt over time.

[9] Department of Education (or equivalent) Annual Reports.
[10] Department of Education (or equivalent) Annual Reports.
[11] Calculation is fair value as a proportion of nominal value.
[12] The nominal value is for 2014–15 sourced from the Australian Government Actuary *Reporting of HELP Receivable for 2014–15* letter to the department. The nominal value for 2014–15 published in the 2015–16 Annual Report was incorrectly stated (i.e. the face value was stated as the nominal value).
[13] The fair value figures for 2018–19 exclude VSL as at the relevant date.
[14] The nominal and fair value figures for 2019–20 onwards exclude VSL and historical VFH as at the relevant date
[15] Figures in the table are based on HELP model version 2022-23 v16 but are not publicly available. HELP model figures are based on outstanding debts including HELP, VET FEE-HELP and VET Student Loans.
[16] The target published in the 2021–22 Corporate Plan was 'Equal to or lower than 2019-20 (14.69%)', this has been corrected to 'Equal to or lower than previous year' which is equivalent to 2020-21 where the final result was 15.07%.

	Changes to the methodology, including an extra 2 years of income data in the modelling, have produced increases in expected repayments and a corresponding reduction in DNER. The department's financial statements include reporting of all HELP debt (page 152 of this annual report). The full Australian Government Actuary report 'Reporting of the HELP receivable' is available via http://www.education.gov.au/higher-education-publications/
Methodology	DNER is the estimated 'debt not expected to be repaid' of new HELP debt incurred in the current year[17]. The actuarial determined DNER and the expected repayment value of HELP debt is based on modelling of longitudinal data including loan recipient age, sex, repayment, and default history. One significant change and several refinements to the income modelling methodology have been made since the previous year. For the first time thew Australian Government Actuary has used the latest income data (i.e., the 2020-21 incomes) for income projection purposes. This means that, compared with last year's model, 2 additional years of income data have been used to update income projections. The impact of the more optimistic economic assumptions and the inclusion of an extra 2 years of income data in the modelling approach are the dominant causes of the increase in repayments from one year to the next.
Source	Australian Taxation Office, Annual HELP Data Report, Reporting of the HELP Receivable
Contributing Program	2.4 Higher Education Loan Program
Key activity(s)	Support students' access to higher education and transition to employment

Notes:
The DNER figure is not determined by the Department of Education, nor are there many factors influenced by the Department that contribute to this performance measure in the short term.

Number of Debtors

- The numbers of debtors, and individuals obtaining new debt, from 2005–06 are in the table below. Total debtor values are net of individuals who have paid off their debt, or for whom it has been written-off, plus new debtors.
- New debtors are individuals who do not have outstanding debt and have incurred debt in that year.
- The significantly lower number of new debtors in 2019–20 is due to the COVID-19 pandemic Higher Education Relief Package providing a delay to reporting from May to August 2020 for higher education providers.
- 2019–20 is also lower than expected due to the number of VET FEE-HELP loans that were written off in that period and in the following periods as part of the Redress Scheme
- Note that there is a reporting timing issue for 2021 student loan data due to the introduction of the Tertiary Collection of Student Information (TCSI) system. Providers were onboarded in a staged approach with some providers still having integration issues between their student management software and TCSI.

[17] The methodology published in the 2021–22 DESE Corporate Plan did not state that is this measure was reporting on new debt. This was an omission to the Corporate Plan rather than a change to the measure, which has historically reported on new debt.

	Total No. of debtors	New debtors
2005–06	1,188,337	
2006–07	1,248,637	121,384
2007–08	1,314,370	129,052
2008–09	1,371,914	130,115
2009–10	1,461,772	141,865
2010–11	1,567,100	178,184
2011–12	1,680,700	187,835
2012–13	1,823,288	210,741
2013–14	1,997,973	242,289
2014–15	2,223,041	294,262
2015–16	2,468,939	324,141
2016–17	2,659,057	240,442
2017–18	2,872,603	319,564
2018–19	2,972,032	197,795
2019– 20	2,851,725	47,273
2020– 21	2,901,607	195,481
2021– 22	3,002,984	246,780

HELP Debts Written Off[18]

- In 2021–22, $59.8 million of HELP debt was written off for death and all other reasons, and 713 debts were written off due to death.
- As at 30 June 2022,19,307 debts, for a total of $227,504,659, were written off due to death since 2005–06. The average amount per individual written off over that period was $11,784. (This info provided in QON SQ22-000226)
- Debts are written off in the following instances in order, by magnitude: death (~99.9 per cent), uneconomical to pursue, irrecoverable at law, written off by the Department of Finance and bankruptcy (also provided in QON).
- Cumulative data of the total value and number of debts written off due to death is presented in the table below. There is no publicly available data on the total number of debts written off (for death and other reasons).

Year	Value of debts written off ($)	Debts written off due to death (no.)
2021 - 22	227,504,659	19,307
2020 - 21	167,630,700	18,594
2019 - 20	159,810,005	17,875
2018 - 19	138,701,424	16,218
2017 - 18	102,097,662	13,387
2016 - 17	95,497,814	12,859
2015 - 16	95,364,906	12,852
2014 - 15	95,283,709	12,849
2013 - 14	83,542,818	11,767
2012 - 13	79,126,088	11,241
2011 - 12	58,405,139	9,581
2010 - 11	58,405,139	9,581
2009 - 10	58,969,004	9,518
2008 - 09	54,842,974	9,174
2007 - 08	47,885,789	8,402

[18] SQ22-000322

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Combined HELP loan limits and renewable HELP balances

- From 1 January 2020, the FEE-HELP limit became a new, combined limit, and included new HECS-HELP loans. An individual's FEE-HELP balance became their HELP balance.
- From the 2019–20 income year onward, individuals who have made repayments towards their HELP debt (as reported by the Commissioner of Taxation to the Secretary of the Department of Education) are able to re-borrow those funds up to the HELP loan limit, enabling them to pursue further study.
- The combined HELP loan limit for 2020 is the 2019 FEE-HELP limit indexed by CPI, with indexation occurring each year going forward.
- The combined HELP loan limit is reasonable and sufficient to cover almost nine years of full-time study as a Commonwealth supported student — even in the most expensive courses.

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HELP repayment thresholds and indexation

- The new HELP repayment thresholds commenced on 1 July 2019, with a new minimum repayment threshold of $45,881, at one per cent of total income. The previous threshold was $51,957 with two per cent repayment.
- According to departmental estimates based on Australian Taxation Office data, through this measure at least 132,000 additional HELP debtors (between the $45,881 and $51,957 income thresholds) made repayments in 2019–20.
- Repayment thresholds are indexed annually based on CPI and in 2022–23 the minimum repayment threshold starts at $48,361, at one per cent of total income.

There are a further 17 higher increments with increasing repayment rates rising to a top increment starting at $141,848, at ten per cent of total income.

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Australian Government
Department of Education

To	**Minister for Education**
Subject	**Department of Education Submission to the Senate Committee Report on the Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022**
Action date	**Please action by 9 March 2023**. The reason is to meet the extended Senate Committee deadline for submissions of 10 March 2023

Recommendation - That you:

1) **note** the joint submission by the Department of Education and the Department of Employment and Workplace Relations — **noted / please discuss**

Signature:

______________________________ ___/___2023

Comments (for MO use only)

Executive summary

1. On 30 November 2022, Senator Mehreen Faruqi of the Australian Greens introduced a private bill, the Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022. The bill is currently before the Senate Standing Committees on Education and Employment, which invited submissions from interested parties until 24 February 2023. The Committee agreed to an extension of time request from the department until 10 March 2023.
2. A joint submission from the department and the Department of Employment and Workplace Relations (DEWR), has been provided for your information at Attachment A. A copy of the bill and the explanatory memorandum are at Attachments B and C respectively.
3. The submission also incorporates factual input from the Department of Social Services (DSS).
4. The submission sets out the impact of the removal of indexation and increase in minimum repayment thresholds for student loans proposed in the bill, such as the cost to the budget. While action may be required to address the negative impacts of high indexation on student loans and cost of living, this should take place as part of a holistic approach through the Universities Accord and the National Skills Reform processes, rather than through the proposed bill.

Key points

1. The bill proposes the complete removal of indexation of Higher Education Loan Program (HELP) loans, ABSTUDY Student Startup Loans, Trade Support Loans and VET Student Loans (VSL). While these loans do not accrue interest, they are currently indexed annually in line with the Consumer Price Index (CPI) to ensure they maintain their real value over time.
2. The bill also significantly increases the minimum repayment thresholds for these programs. The minimum repayment threshold is the income level at which individuals are required to make repayments towards their debt through the tax system, beginning at one per cent of income per year.

3. The bill proposes raising the threshold from the current level of $48,361 to $65,000 (based on August 2022 median weekly earnings source: [Employee earnings, August 2022 | Australian Bureau of Statistics (abs.gov.au)]).
4. These measures are intended as a response to current cost-of-living and inflationary pressures, which led to a significantly higher than average indexation rate applied to student loans in 2021-22, after a decade of very low increases.
5. DEWR and the department recognise that increased cost-of-living has caused financial hardship for many individuals, however increased indexation on student loans does not have an immediate impact on cost-of-living pressures. Increased indexation may prolong the time for repayment of these income contingent loans, which may have other impacts, for example on a person's borrowing capacity if a bank takes the size of the loan into account.
6. As set out in the attached submission, the department does not believe that the proposed measures are the best way to respond to this situation, and has concerns about the financial consequences for the Budget of these changes. While the department has not had the chance to formally cost the proposed changes, the financial impact is likely to be significant and an estimate is provided in the submission.
7. The removal of indexation will mean that debts will lose their real value over time. The removal of indexation could create perverse incentives for individuals to delay repayments, leading to an increase in unpaid debts and debt not expected to be repaid (DNER).
8. The proposed changes will significantly shift how higher education costs are paid for, increasing the proportion paid by general taxpayers and decreasing the proportion paid by individual beneficiaries (many of whom will earn more over time than the taxpayers supporting them). The department believes these changes would be more appropriately considered as part of the Universities Accord process, which will allow for a more holistic consideration of the entire higher education system.
9. Indexation in June 2023 is likely to be more than 7 per cent, much higher than at any point since 2007, the highest being 3.9 per cent in 2009 and 2022. While there is no immediate hardship because repayment is based on income, persistently high indexation could lead to high debt levels that do not reflect the cost to the taxpayer. s 47C

Government policy issues and impact on other portfolios

10. The bill does not align with the Government's approach to higher education reform, as it proposes an ad-hoc and one-off solution that may create significant unintended financial consequences for the sustainability of HELP and other income contingent loan schemes in future years.

Key risks and mitigation

11. As noted above, the department is concerned about the financial implications of the bill. It is important that the Senate Committee is made aware of the costs involved while considering the bill.

Budget impact, financial considerations

12. There is no budgetary impact from the joint submission. Should the bill be passed, the financial implications will be significant, but have not yet been formally costed.

Communications and media strategy

13. N/A

Stakeholder consultation

14. DEWR will progress a noting brief, in parallel, on the joint submission for the Minister for Skills and Training, the Hon Brendan O'Connor MP.

15. DSS provided input towards the submission, as the bill also proposes to amend the *Social Security Act 1991* and *Student Assistance Act 1974* and are supportive of the departments' position.
16. The National Indigenous Australians Agency has also been consulted in the preparation of this submission and is supportive of the departments' position.

Attachments

Attachment A	Department of Education and Department of Employment and Workplace Relations submission
Attachment B	Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022
Attachment C	Explanatory Memorandum

Clearance

Primary Contact Officer: s 22 s 22
HELP and Provider Integrity s 22
| HERI | s 22 s 22
Clearance Officer: s 22 s 22
HELP and Provider Integrity s 22
| HERI | s 22

Minister for Education

~~HELP Loans and Indexation~~

Student debt (including HELP loan indexation)

SUGGESTED RESPONSE

It's important to remember that HELP loans are not required to be repaid until a person reaches the income repayment threshold.

HELP repayments are a set percentage based on your income.

They don't go up unless your salary does.

Indexation applied on 1 June 2022 was 3.9 per cent, still below the current Consumer Price Index (CPI), but higher than the previous 10 years (2013–2022), which averaged 2.0 per cent.

If a person is experiencing hardship then I encourage them to apply to the Australian Tax Office for a deferral of their compulsory repayment.

Indexation to be applied in June 2022 on HELP debt has not been determined (this may result in indexation of 7 per cent or more).

Indexation of HELP debt is calculated each year after the March quarter CPI is released, based on data over the previous two years.

HELP debts are not indexed until they are 11 months old; that is, HELP loans with census dates between 1 July 2020 and 1 June 2021 are not indexed until the following year, 2022.

The issue of affordability is one that will be looked at as part of the Australian Universities Accord.

s 22

Minister for Education

s 22

If asked: Why were 2023 Commonwealth Contributions and Maximum Student Contributions indexed differently to student debts?

Different indexation rates apply to student contribution amounts and student debts, because of different reference periods in the legislation.

The 2023 Commonwealth contributions and maximum student contribution amounts have been indexed by 3.5 per cent based on changes in CPI for the December quarter from 2020 to 2021.

Indexation of HELP debt is calculated each year after the March quarter CPI is released, based on data over the previous two years.

Indexation applied on 1 June 2022 to HELP was 3.9 per cent

To Minister for Education

Subject Department of Education Submission to the Senate Committee Report on the Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022

Action date **Please action by 9 March 2023**. The reason is to meet the extended Senate Committee deadline for submissions of 10 March 2023

Recommendation - That you:

1) **note** the joint submission by the Department of Education and the Department of Employment and Workplace Relations — **noted / please discuss**

Signature: ______________________ 14/3/2023

Comments (for MO use only)

Executive summary

1. On 30 November 2022, Senator Mehreen Faruqi of the Australian Greens introduced a private bill, the Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022. The bill is currently before the Senate Standing Committees on Education and Employment, which invited submissions from interested parties until 24 February 2023. The Committee agreed to an extension of time request from the department until 10 March 2023.
2. A joint submission from the department and the Department of Employment and Workplace Relations (DEWR), has been provided for your information at Attachment A. A copy of the bill and the explanatory memorandum are at Attachments B and C respectively.
3. The submission also incorporates factual input from the Department of Social Services (DSS).
4. The submission sets out the impact of the removal of indexation and increase in minimum repayment thresholds for student loans proposed in the bill, such as the cost to the budget. While action may be required to address the negative impacts of high indexation on student loans and cost of living, this should take place as part of a holistic approach through the Universities Accord and the National Skills Reform processes, rather than through the proposed bill.

Key points

1. The bill proposes the complete removal of indexation of Higher Education Loan Program (HELP) loans, ABSTUDY Student Startup Loans, Trade Support Loans and VET Student Loans (VSL). While these loans do not accrue interest, they are currently indexed annually in line with the Consumer Price Index (CPI) to ensure they maintain their real value over time.
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3. The bill proposes raising the threshold from the current level of $48,361 to $65,000 (based on August 2022 median weekly earnings source: [Employee earnings, August 2022 | Australian Bureau of Statistics (abs.gov.au)]).
4. These measures are intended as a response to current cost-of-living and inflationary pressures, which led to a significantly higher than average indexation rate applied to student loans in 2021-22, after a decade of very low increases.
5. DEWR and the department recognise that increased cost-of-living has caused financial hardship for many individuals, however increased indexation on student loans does not have an immediate impact on cost-of-living pressures. Increased indexation may prolong the time for repayment of these income contingent loans, which may have other impacts, for example on a person's borrowing capacity if a bank takes the size of the loan into account.
6. As set out in the attached submission, the department does not believe that the proposed measures are the best way to respond to this situation, and has concerns about the financial consequences for the Budget of these changes. While the department has not had the chance to formally cost the proposed changes, the financial impact is likely to be significant and an estimate is provided in the submission.
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10. The bill does not align with the Government's approach to higher education reform, as it proposes an ad-hoc and one-off solution that may create significant unintended financial consequences for the sustainability of HELP and other income contingent loan schemes in future years.

Key risks and mitigation

11. As noted above, the department is concerned about the financial implications of the bill. It is important that the Senate Committee is made aware of the costs involved while considering the bill.

Budget impact, financial considerations

12. There is no budgetary impact from the joint submission. Should the bill be passed, the financial implications will be significant, but have not yet been formally costed.

Communications and media strategy

13. N/A

Stakeholder consultation

14. DEWR will progress a noting brief, in parallel, on the joint submission for the Minister for Skills and Training, the Hon Brendan O'Connor MP.

15. DSS provided input towards the submission, as the bill also proposes to amend the *Social Security Act 1991* and *Student Assistance Act 1974* and are supportive of the departments' position.
16. The National Indigenous Australians Agency has also been consulted in the preparation of this submission and is supportive of the departments' position.

Attachments

Attachment A	Department of Education and Department of Employment and Workplace Relations submission
Attachment B	Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022
Attachment C	Explanatory Memorandum

Clearance

Primary Contact Officer: s 22 s 22
HELP and Provider Integrity
| HERI | s 22

Clearance Officer: s 22 s 22
HELP and Provider Integrity
| HERI | s 22

s 22

From: s 22
Sent: Thursday, 16 March 2023 5:56 PM
To: s 22
Cc: s 22
Subject: Greens bill inquiry submissions highlights

Hi s 22 and s 22

As discussed with s 22 we have done a high-level overview of the published submissions to the Senate inquiry into the Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022.

This for s 22 for tomorrow and I so it is just intended to highlight the range of issues that might come up and lines of response where appropriate – ie it's not a policy analysis. In particular, as there is a consistent theme of hardship caused by the size of loans and indexation, those focus is on ideas in submissions that are different to or go beyond those arguments.

Some submissions go to matters outside the scope of the inquiry:

- student association submissions tend to focus on income support while studying
- ITECA and IHEA submissions are mostly concerned about what they perceive as intersectoral inequities in funding arrangements ie public vs private, and HE vs VET for ITECA
- NTEU and PUA are mostly concerned with inadequate funding and what they see as the adverse effects of JRG on university resourcing.

A number of the individual ('name withheld') submissions (21, 32, 34, 35, and 38) also raise in particular the Student Financial Supplement Scheme (SFSS) loans that operated from the late 90s to about 2003.

- This was for living expenses and was delivered through the Commonwealth bank, providing an increase to income support by trading Austudy entitlements for a larger amount via a loan.
- The general theme of submisisons is that the full consequences of the scheme were not clear to young people taking out loans and that these debts should be wiped. Note that SFSS is administered by Services Australia.
- Since 2019 SFSS debts administratively have been treated as part of total HELP debt, albeit behind HELP and VSL ie repayments count first towards HE HELP, then VSL, and SFSS last.

Turning to individual submissions: [Submissions – Parliament of Australia (aph.gov.au)]

Where we may have a response

- Sub 7 National Association for Visual Arts – cites Andrew Norton as saying that university finances are under pressure because they are fixed in funding agreements
  s 47C

- Sub 9 Think forward
  - Propose freezing indexation for twelve months while government settles a way forward
  - Indexation is intergenerationally unfair because it mainly affects younger people and prevents them from developing wealth, and locks them into a lifetime of debt
    s 47C

- Sub 10 Centre for New Industry (Per Capita) – education is no longer an indicator of better wage outcomes so basis for student loans is undermined

s 47C

- Sub 14 Youth Affairs Council of SA – cites published US evidence that student debt may adversely affect home ownership and financial wellbeing more generally

s 47C

- Sub 18 Emeritus Professor James Guthrie et al – charging interest on loans is appropriate for making investments for future revenue, but government should not be in the practice of investing for profit

s 47C

Other points:

- Sub 1 Southern Cross University Postgraduate Students Association – the 2019 threshold changes were unfair to existing debtors because they affected people who already had debts, and so were retrospective

- Sub 4 Sydney University Postgraduate Representative Association – with rising cost of living, prospect of HELP debts is a disincentive to higher education

- Sub 6 Suicide Prevention Australia – suicide is statistically linked to debt

- Sub 8 NTEU – HELP indexation is higher than mortgage interest rates

- Sub 12 National Aboriginal and Torres Strait Islander Postgraduate Association, and the Council of Australian Postgraduate Associations:
  - quotes Bruce Chapman (the designer of the 1989 HECS arrangements): "… the income-contingent variety serves to protect low-income earners and those who generally do not benefit financially from the investment undertaken" in support of the bill, on the basis that repayments are not longer 'protected' from making repayments
  - recommends that if indexation has to remain, it should be at WPI not CPI

- Sub 13 National Union of Students and Foundation for Young Australians – freeze indexation for two years while CPI is high, and permanently reduce indexation at the RBA cash rate while government considers abolishing indexation

- Sub 16 Australian Vetinary Association – as well as supporting the bill, propose rural bonded HELP arrangements such as those under the very remote teachers program, the regional doctors and practice nurses program. Under these arrangements individuals who work in a defined geographical area in the relevant profession receive indexation relief and ultimately a reduction in HELP debts.

Regards
s 22

The Department of Education, Skills and Employment acknowledges the traditional owners and custodians of country throughout Australia and their continuing connection to lar
community. We pay our respects to them and their cultures, and Elders past, present and emerging.

s 22

From: s 22
Sent: Friday, 17 March 2023 5:16 PM
To: s 22
Cc: s 22
Subject: FW: HECS and indexation - Treasurer's press conference [SEC=OFFICIAL]
Attachments: 076A1009.PDF

Your not in the trail below and might find interesting

From: s 22
Sent: Friday, 17 March 2023 4:48 PM
To: s 22
Subject: FW: HECS and indexation - Treasurer's press conference [SEC=OFFICIAL]

FYI

From: s 22
Sent: Friday, 17 March 2023 4:46 PM
To: s 22
Cc: s 22
Education - Media <media@education.gov.au>; s 22 s 22
Subject: HECS and indexation - Treasurer's press conference [SEC=OFFICIAL]

Hi s 22

You probably saw this earlier today, but Treasurer made some comments on HECS and indexation earlier. Last Q&A of the attached, FYI…

> JOURNALIST: Student debt is set to soar by $4.5 billion this year [inaudible]? Will your Government consider pausing or freezing HECS repayments?
>
> CHALMERS: It's not something that we've been considering. This indexation that happens around the middle of the year every year happens regardless of who's in office or all the other circumstances, and like a lot of other government programs, including payments, it's indexed. And the important thing to remember about student debt is that the repayments go up when your wages go up, when your salary goes up. That's what determines how much you pay back. And so I understand and obviously, listen respectfully when the student unions and others raise their concerns about this, but this is an ordinary indexation, and in terms of repayments and pressure on people, the repayments go up when your salary goes up, that's how the system works.

s 22
s 22 , Communication Branch

Australian Government Department of Education
Phone s 22 | Mobile s 22

Website | Twitter | LinkedIn | Facebook | Newsroom

The Department of Education acknowledges the traditional owners and custodians of country throughout Australia and their continuing connection to land, waters and commun
respects to them and their cultures, and Elders past, present and emerging.

s 22

From: s 22
Sent: Friday, 17 March 2023 4:31 PM
To: s 22
Cc: s 22
Subject: QTB - HELP debt profit [SEC=UNOFFICIAL]

Hi s 22

Questions were generally quite straightforward – even though we didn't have all the data on hand and we and ATO took some QONS related to links and data we didn't have on hand (due 31 March)

s 47C

I basically pointed out the Government has asked the Accord to look at these issues holistically – and indexation on debt does not impact individual repayments.

Few questions on modelling – I'm genuinely not aware of the particular scenarios on HELP thresholds are being modelled for the Accord– most of the advice is coming from external experts anyway – but we are helping Bruce Chapman out, so he may have done stuff.

We took some questions on notice about providing links to info on the JRG changes in student contribution rates and a few similar things where we didn't have the detail to hand.

Regards

s 22

From: s 22
Sent: Friday, 17 March 2023 2:19 PM
To: s 22
Cc: s 22
Subject: RE: FOR FACT CHECK PLEASE BY COB - QTB - HELP debt profit [SEC=UNOFFICIAL]

s 47C

From: s 22
Sent: Friday, 17 March 2023 2:12 PM
To: s 22
Cc: s 22
Subject: RE: FOR FACT CHECK PLEASE BY COB - QTB - HELP debt profit [SEC=UNOFFICIAL]

s 47C

From: s 22
Sent: Friday, 17 March 2023 2:01 PM
To: s 22
Cc: s 22
Subject: RE: FOR FACT CHECK PLEASE BY COB - QTB - HELP debt profit [SEC=UNOFFICIAL]

s 47C

From: s 22
Sent: Friday, 17 March 2023 1:54 PM
To: s 22
Cc: s 22
Subject: RE: FOR FACT CHECK PLEASE BY COB - QTB - HELP debt profit [SEC=UNOFFICIAL]

s 47C

Kind regards

s 22

s 22

Office of the Hon Jason Clare MP
Minister for Education | Federal Member for Blaxland
Parliament House, Canberra ACT 2600
Email: s 22

From: s 22
Sent: Friday, 17 March 2023 1:49 PM
To: s 22
Cc: s 22
Subject: RE: FOR FACT CHECK PLEASE BY COB - QTB - HELP debt profit [SEC=UNOFFICIAL]

s 47C

From: s 22
Sent: Friday, 17 March 2023 1:30 PM
To: s 22
Cc: s 22
Subject: RE: FOR FACT CHECK PLEASE BY COB - QTB - HELP debt profit [SEC=UNOFFICIAL]

s 22

Factually correct as far as it goes. s 47C

s 22

From: s 22
Sent: Friday, 17 March 2023 1:12 PM
To: s 22
Subject: FW: FOR FACT CHECK PLEASE BY COB - QTB - HELP debt profit [SEC=UNOFFICIAL]

Might have been one for you s 22

From: s 22
Sent: Friday, 17 March 2023 1:11 PM
To: s 22
Cc: s 22 ; s 47E(d)
Subject: FOR FACT CHECK PLEASE BY COB - QTB - HELP debt profit [SEC=UNOFFICIAL]

GOVERNMENT MAKING A PROFIT:

Mr Speaker

As the Member knows – money loses value over time.

The real value of a dollar at the start of HELP loan is less than the real value over the life of the loan.

That's why the debt is indexed – to protect taxpayers' investment so that they don't lose money on HELP loans due to inflation. There is still the need to cover the costs of borrowing while loans remain unpaid, so there is still a net cost of HELP to the taxpayer.

It’s not like a loan for a house or car - payments don’t go up with interest rates.

Your payments only increase when your salary does. In other words, you only pay what you can afford.

s 47C

s 22

From: s 22
Sent: Friday, 11 November 2022 4:02 PM
To: s 22
Subject: Media Inquiry - HELP Indexation [SEC=UNOFFICIAL]

Hi s 22

s 47C

s 22

Media Inquiry
Evan Young
ABC Special Investigations

ABC Special Investigations (Evan Young) writes

“We are working on a story about how inflation is impacting people's HELP debts and would like to pose the following questions to you.

This year’s indexation was the highest for some time. Former students are struggling to borrow for mortgages and are worried about what could happen next year/in the future. They want to see the government step in.

Would the government consider freezing HELP indexation?

Some people say HELP debts shouldn’t affect people for as long as it’s starting to, post-graduation. Is the government happy with how the HELP system is working? Would it consider revisiting how it works/alternative repayment structures? Many current students are also struggling with inflation and working several low-paid jobs in casualised industries just to help them get through their degrees.

Would the government consider giving students in this position, perhaps through Centrelink, so they can focus on their studies and get into higher-paid jobs faster? [DSS to answer]

Proposed response: Via Department.

Indexation is applied to students’ outstanding HELP debts when the debts are more than 11 months old.

Indexation is applied to ensure that the debt stays in line with the real value of money and is much less than commercial interest rates.

The indexation is prescribed in the Higher Education Support Act 2003 and there are currently no amendments to indexation under consideration.

The Australian Universities Accord process will consider issues of affordability.

The average time taken to repay HELP debts is 9.5 years, based on the total number who have completely repaid their debts to date. HELP reduces the upfront barriers to education allowing people to find better employment and increased wages.

The HELP scheme is characterised by the income contingent nature that does not require a person to make a repayment until they are earning above the minimum repayment threshold. Not all people with a HELP debt are expected to reach that minimum threshold, or fully repay their debts. There is no penalty for non-payment of HELP debt.

s 22

From: s 22
Sent: Tuesday, 6 December 2022 3:24 PM
To: s 22
Subject: RE: BRENDAN O'CONNOR - MEDIA RELEASE - PUTTING STUDENTS FIRST – EXTENSION OF REDRESS AND WAIVER OF INDEXATION - WEDNESDAY, 9 NOVEMBER 2022 [SEC=OFFICIAL]

Hi s
Thanks for he reply.
Great minds think alike!

s 47C

Thanks.

Regards
s

s 22
Office of The Hon Linda Burney MP
Minister for Indigenous Australians
Federal Member for Barton
Level 2, 203/13A Montgomery St, Kogarah NSW 2217
p: s 22 | e: s 22

We acknowledge Aboriginal and Torres Strait Islander people as the traditional custodians of Country and pay our respects to their Elders past, present and emerging.

From: s 22
Sent: Tuesday, 6 December 2022 2:51 PM
To: s 22
Subject: RE: BRENDAN O'CONNOR - MEDIA RELEASE - PUTTING STUDENTS FIRST – EXTENSION OF REDRESS AND WAIVER OF INDEXATION - WEDNESDAY, 9 NOVEMBER 2022 [SEC=OFFICIAL]

Hi s 22

Please see advice below to assist with queries relating to indexation:

The Government supports domestic students to undertake higher education by funding Commonwealth Supported Places (CSPs), which are subsidised enrolments at universities, and by providing access to the Higher Education Loan Program (HELP) for eligible students to defer their up-front tuition fees. HELP or HECs has allowed more Australians to get a university degree in a sustainable way. When HECs was introduced in 1989 only 7.9 per cent of Australians had a university degree, now it is almost 33 per cent.

The Government acknowledges student concerns regarding the increased cost of living and difficulties in relation to HELP debt repayments. However, HELP continues to be an important part of the Australian higher education funding system to reduce the initial barriers to education by offering students the ability to defer up-front tuition fees. The income-contingent nature of the HELP repayment system ensures that repayments are only required at a rate consistent with an individual's income, not the size of the debt.

In relation to indexation, under the Higher Education Support Act 2003 (HESA), indexation is applied to HELP debts in line with the Consumer Price Index to maintain the real value of the debt so that a person repays the same amount, in real terms, regardless of how long they take to repay their loan. Indexation is calculated annually based on the Australian Bureau of Statistics figures and reflects changes in cost of living. Although the 2021–22 application of indexation was more than in recent years, the process of indexation being applied to HELP debts remains the same as it has since the introduction of the original HECS scheme in 1989. All loan obligations, including indexation of debts, are set out in the loan documents that students complete and agree to when requesting a HELP loan.

It should be noted that the indexation waiver you refer to is for a very small cohort of vocational education and training (VET) FEE-HELP (VFH) students, and is only to be applied in very specific circumstances, where historical student loans appeared on students' Australian Taxation Office (ATO) records in early August 2022 due to an IT system update.

In circumstances where an individual has reached the income threshold to begin repaying their loan and they believe that making repayments would cause serious hardship, or there are other special reasons that make it fair and reasonable to defer making compulsory repayment, they can apply for a deferral to the ATO by completing the deferral form, including justification of hardship at www.ato.gov.au/forms/deferring-your-compulsory-repayment-or-overseas-levy.

It may also be of interest to know that the Government is committed to delivering an Australian Universities Accord (Accord) as a 12-month review of Australia's higher education system, led by a panel of eminent Australians. The Minister for Education, the Hon Jason Clare MP, recently announced the members of the Panel and its Terms of Reference. The Accord will consider a range of issues such as accessibility, affordability, equity, sustainability, and Australian Government and student contribution rates. Further information is available at www.education.gov.au/australian-universities-accord.

Regards

s 22

From: s 22
Sent: Friday, 18 November 2022 3:27 PM
To: s 22
Subject: RE: BRENDAN O'CONNOR - MEDIA RELEASE - PUTTING STUDENTS FIRST – EXTENSION OF REDRESS AND WAIVER OF INDEXATION - WEDNESDAY, 9 NOVEMBER 2022 [SEC=OFFICIAL]

Thanks s 22

Regards
s 22

From: s 22
Sent: Monday, 14 November 2022 6:04 PM
To: s 22
Subject: RE: BRENDAN O'CONNOR - MEDIA RELEASE - PUTTING STUDENTS FIRST – EXTENSION OF REDRESS AND WAIVER OF INDEXATION - WEDNESDAY, 9 NOVEMBER 2022 [SEC=OFFICIAL]

Hi s 22

I have sought advice on this one. I'll get back to you as soon as I receive a response.

Regards

s 22

From: s 22
Sent: Wednesday, 9 November 2022 3:40 PM
To: s 22
Subject: FW: BRENDAN O'CONNOR - MEDIA RELEASE - PUTTING STUDENTS FIRST – EXTENSION OF REDRESS AND WAIVER OF INDEXATION - WEDNESDAY, 9 NOVEMBER 2022 [SEC=OFFICIAL]

Hi s 22
It was lovely meeting you during Budget week.

s 47C

Can you please advise soon?

Thank you.

Regards
s 22

s 22
Office of The Hon Linda Burney MP
Minister for Indigenous Australians
Federal Member for Barton
Level 2, 203/13A Montgomery St, Kogarah NSW 2217
t: s 22 | e: s 22

We acknowledge Aboriginal and Torres Strait Islander people as the traditional custodians of Country and pay our respects to their Elders past, present and emerging.

s 22

s 22

From: s 22
Sent: Wednesday, 18 January 2023 12:47 PM
To: s 22
Subject: FW: Remote teachers [SEC=UNOFFICIAL]

From: s 22
Sent: Wednesday, 18 January 2023 12:21 PM
To: s 22
Subject: Remote teachers [SEC=UNOFFICIAL]

<u>Reduction of HELP debts for teachers in very remote areas</u>

- Applications are now available for teachers, including early childhood teachers, working in very remote Australia to receive a reduction of their HELP debt.
- The Australian Government introduced the Very Remote Teachers program for teachers in very remote areas in February 2019, to incentivise teachers to take up continued employment in very remote schools in order to improve student outcomes in those areas.
- Performance outcomes for students on a range of indicators worsen with remoteness.
- Eligibility commenced from January 2019, and the program is expected to encourage up to 436 eligible teachers per year, to teach in a very remote area.
- The measures apply to teachers at schools providing primary or secondary education, preschools, and centre-based day care services that are located in an area classified as very remote Australia under the Australian Statistical Geography Standard (ASGS) Remoteness Structure (Vol 5).
- Eligible teachers will have their HELP debt reduced by either the amount of debt incurred for their initial teacher education qualification (up to a maximum of five years of tuition costs) or the amount of outstanding HELP debt at the commencement of their teaching position in an eligible location, whichever amount is less.
- The measure also allows for a waiver of indexation on eligible teachers HELP debts while they are completing eligible work in a very remote area.
- Debt reductions will be processed once an eligible teacher has completed four years teaching full time, or the pro-rated part time equivalent in a six-year period in a very remote area.

- The program is designed to attract and retain a high-quality teacher workforce, providing critical educational continuity and support for students in very remote areas, such as this one.

s 22

From: s 22
Sent: Monday, 6 February 2023 10:08 AM
To: s 22
Subject: FW: Greens higher ed indexation and thresholds bill [SEC=OFFICIAL]

s 22

As discussed.

s 22

From: s 22
Sent: Thursday, 1 December 2022 1:00 PM
To: s 22
Subject: FW: Greens higher ed indexation and thresholds bill [SEC=OFFICIAL]

Email chain below should give you a good start

From: s 22
Sent: Thursday, 1 December 2022 12:32 PM
To: s 22
Cc: s 47E(d) s 22 s 47E(d)

Subject: RE: Greens higher ed indexation and thresholds bill [SEC=OFFICIAL]

s 22

s 47C

s 22

From: s 22
Sent: Thursday, 1 December 2022 12:12 PM
To: s 22
Cc: s 47E(d) s 22 s 47E(d)

Subject: RE: Greens higher ed indexation and thresholds bill [SEC=OFFICIAL]

Hi

I've written below

Can you check the figure? Just want to make sure I got the language around it right?

STUDENT DEBT – Freezing debt

RESPONSE:

Mr Speaker

I understand that Senator Faruqi has introduced a bill to do this in the Senate.

It is not something we support.

I asked my department to do a rough estimate of what it could cost.

We're looking at more than $2 billion just over the next five years in cash terms.

The bill that the Greens presented doesn't identify where this $2 billion comes from.

Which education program do they want to cut?

What current or future students would miss out?

I want more people from poor families, Australians from rural and remote areas and Indigenous Australians to go to university.

That’s why I allocated 20,000 university places to people from these backgrounds.

It undermines the sustainability of the HECS/HELP system that has seen more Australians go to university.

When HECS was introduced in 1989 7.9 per cent of Australian adults had a university degree. Now it’s almost 33 percent.

It’s built on a basic principle – people pay what they can afford. You don’t pay more until you earn more.

If a person is suffering hardship, then payments can be deferred by the ATO.

The Universities Accord team will look at the issue of also consider the issue of broader affordability.

From: s 22
Sent: Thursday, 1 December 2022 11:29 AM
To: s 22
Cc: s 47E(d) s 22
s 47E(d)
Subject: Greens higher ed indexation and thresholds bill [SEC=OFFICIAL]

Hi s 22

You asked for some points on the Greens’ Education and Other Legislation Amendment (Abolishing and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022 (the Bill) introduced by Senator Faruqi into the Senate yesterday.

[Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022 – Parliament of Australia (aph.gov.au)]

Objects

The Bill proposes to do two things:

- cease indexation for all student loan schemes going forward
- peg the minimum repayment threshold to median AWE from time to time and recalibrate the higher thresholds against the median.

The reason it is so long is that it needs to amend a number of Acts for several schemes (some of which I think are closed) across Education, DEWR and Social Security in relation to indexation. The schemes are:

- HELP
- student start-up loans
- the student financial supplement scheme
- ABSTUDY student start up loans
- ABSTUDY financial supplement for tertiary students
- trade support loans
- VET student loans

Aside from the policy intent of abolishing indexation on all student loan arrangements, it would be quite complex legislatively and administratively to pick out only certain schemes for non-indexation.

s 47C

Indexation

The operation of the Bill in relation to indexation is conceptually simple: it deletes or amends every place in relevant legislation where indexation is mentioned. As already noted, the Bill is long because there are numerous occurrences across four different Acts. In the HESA for example sections need to be addressed in relation to total HELP debts, the Very Remote Teachers measure, and residual VET FEE-HELP.

Aside from cost, a policy concern of abolishing indexation is that it will create disincentives for some debtors to earn more – they are going to be better off putting off payments and allowing their debts to shrink in real terms.

s 47C

The best way to pay later is not take higher-paying and/or more work. Historical evidence also suggests that debtors are sensitive to the fact that going a little way over an income threshold can result in a net loss of disposable income after HELP repayments. This is exacerbated by the Bill's proposed construction of thresholds – see below.

s 47C

The indexation issue is also connected with the size of individual debts which goes to JRG prices, where CSPs are and aren't available, and the overall proportion of Commonwealth to student contributions. These of course are broader issues.

Minimum Threshold

When HECS commenced in 1989 it was pegged to the median wage on the broad logic of 'those who go to university are likely to earn more; if they do earn more, they should contribute'. That pegging of the minimum threshold lasted roughly to 2019 when it was reduced due to increasing concerns about non-repayment of debts.

The Bill proposed to return to AWE by making the minimum threshold for each income year equal to 52 times the all-persons weekly median earnings as published by the ABS for the preceding August. For the 2022-23 year that would make the threshold $62,400 (exactly) compared with the current threshold of $48,361.

The all-persons median wage includes part-time earnings and so is lower than the full-time median wage. It is also lower than average weekly earnings.

A feature of the proposed new thresholds is that they prescribe a fixed amount between each threshold, thus:

Applicable percentages

Item If the person's repayment income is: The percentage applicable is:

1 $3,000 or less above the *median wage 1%

2 More than $3,000, but less than or equal to $6,000, above the *median wage. 2%

3 More than $6,000, but less than or equal to $9,000, above the *median wage. 2.5%

…

14 More than $62,000, but less than or equal to $70,000, above the *median wage. 8%

15 More than $70,000 above the *median wage. 10%

The current provisions index the thresholds which mean that, in real terms the gaps remain constant. In fact, in the current situation where indexation is less than wage growth, some debtors will be falling out of higher thresholds into lower ones or even right out of repaying. By setting fixed nominal differences between thresholds over time the gaps will become smaller in real terms (measured against either inflation or wage growth) and debtors will tend to creep into higher thresholds any time their incomes increase in nominal terms, even if not in real terms.

Regards

s 22

s 22

From: s 22
Sent: Friday, 17 March 2023 4:50 PM
To: s 22
Subject: Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022

Hi s 22 and s 22

Please see below a quick note from s 22 on the line of questioning at the Hearing today re. Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans.

Department did a good job – no surprises came out from what I heard. There took a couple of QoNs on data which will be due back to the committee by 31 March.

Kind regards
s 22

From: s 22
Sent: Friday, 17 March 2023 4:31 PM
To: s 22
Cc: s 22
Subject: QTB - HELP debt profit [SEC=OFFICIAL]

Hi s 22

Questions were generally quite straightforward – even though we didn't have all the data on hand and we and ATO took some QONS related to links and data we didn't have on hand (due 31 March)

s 47C

I basically pointed out the Government has asked the Accord to look at these issues holistically – and indexation on debt does not impact individual repayments.

Few questions on modelling – I'm genuinely not aware of the particular scenarios on HELP thresholds are being modelled for the Accord– most of the advice is coming from external experts anyway – but we are helping Bruce Chapman out, so he may have done stuff.

We took some questions on notice about providing links to info on the JRG changes in student contribution rates and a few similar things where we didn't have the detail to hand.

Regards

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s 22

From: s 22
Sent: Friday, 17 March 2023 11:21 AM
To: s 22
Subject: FW: Greens bill inquiry submissions highlights [SEC=OFFICIAL]

fyi

From: s 22
Sent: Thursday, 16 March 2023 5:56 PM
To: s 22
Cc: s 22
Subject: Greens bill inquiry submissions highlights [SEC=OFFICIAL]

Hi s 22 and s 22

As discussed with s 22 we have done a high-level overview of the published submissions to the Senate inquiry into the Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022.

This for s 22 for tomorrow and I so it is just intended to highlight the range of issues that might come up and lines of response where appropriate – ie it's not a policy analysis. In particular, as there is a consistent theme of hardship caused by the size of loans and indexation, those focus is on ideas in submissions that are different to or go beyond those arguments.

Some submissions go to matters outside the scope of the inquiry:
- student association submissions tend to focus on income support while studying
- ITECA and IHEA submissions are mostly concerned about what they perceive as intersectoral inequities in funding arrangements ie public vs private, and HE vs VET for ITECA
- NTEU and PUA are mostly concerned with inadequate funding and what they see as the adverse effects of JRG on university resourcing.

A number of the individual ('name withheld') submissions (21, 32, 34, 35, and 38) also raise in particular the Student Financial Supplement Scheme (SFSS) loans that operated from the late 90s to about 2003.
- This was for living expenses and was delivered through the Commonwealth bank, providing an increase to income support by trading Austudy entitlements for a larger amount via a loan.
- The general theme of submisisons is that the full consequences of the scheme were not clear to young people taking out loans and that these debts should be wiped. Note that SFSS is administered by Services Australia.
- Since 2019 SFSS debts administratively have been treated as part of total HELP debt, albeit behind HELP and VSL ie repayments count first towards HE HELP, then VSL, and SFSS last.

Turning to individual submissions: [Submissions – Parliament of Australia (aph.gov.au)]

Where we may have a response

- Sub 7 National Association for Visual Arts – cites Andrew Norton as saying that university finances are under pressure because they are fixed in funding agreements

s 47C

- Sub 9 Think forward
    - Propose freezing indexation for twelve months while government settles a way forward
    - Indexation is intergenerationally unfair because it mainly affects younger people and prevents them from developing wealth, and locks them into a lifetime of debt

s 47C

- Sub 10 Centre for New Industry (Per Capita) – education is no longer an indicator of better wage outcomes so basis for student loans is undermined

s 47C

- Sub 14 Youth Affairs Council of SA – cites published US evidence that student debt may adversely affect home ownership and financial wellbeing more generally

s 47C

- Sub 18 Emeritus Professor James Guthrie et al – charging interest on loans is appropriate for making investments for future revenue, but government should not be in the practice of investing for profit

s 47C

Other points:

- Sub 1 Southern Cross University Postgraduate Students Association – the 2019 threshold changes were unfair to existing debtors because they affected people who already had debts, and so were retrospective

- Sub 4 Sydney University Postgraduate Representative Association – with rising cost of living, prospect of HELP debts is a disincentive to higher education

- Sub 6 Suicide Prevention Australia – suicide is statistically linked to debt

- Sub 8 NTEU – HELP indexation is higher than mortgage interest rates

- Sub 12 National Aboriginal and Torres Strait Islander Postgraduate Association, and the Council of Australian Postgraduate Associations:
    - quotes Bruce Chapman (the designer of the 1989 HECS arrangements): "… the income-contingent variety serves to protect low-income earners and those who generally do not benefit financially from the investment undertaken" in support of the bill, on the basis that repayments are not longer 'protected' from making repayments
    - recommends that if indexation has to remain, it should be at WPI not CPI

- Sub 13 National Union of Students and Foundation for Young Australians – freeze indexation for two years while CPI is high, and permanently reduce indexation at the RBA cash rate while government considers abolishing indexation

- Sub 16 Australian Vetinary Association – as well as supporting the bill, propose rural bonded HELP arrangements such as those under the very remote teachers program, the regional doctors and practice nurses program. Under these arrangements individuals who work in a defined geographical area in the relevant profession receive indexation relief and ultimately a reduction in HELP debts.

Regards
s 22

The Department of Education, Skills and Employment acknowledges the traditional owners and custodians of country throughout Australia and their continuing connection to lar community. We pay our respects to them and their cultures, and Elders past, present and emerging.