

Draft 2024 International TPS Levy

August/September 2023

Melinda Hatton

Tuition Protection Service Director



Outline

- Purpose and function of the Tuition Protection Service
- TPS Director, Operations team and Advisory Board
- International TPS Levy – guiding principles, framework and legislative authority
- International TPS Levy collection overview
- Draft 2024 International TPS Levy settings
- 2024 International Levy timeline and key takeaways

Purpose and function of the Tuition Protection Service



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 tuition fee protection and expanded to specified domestic student cohorts
- 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



TPS Director, Operations Team and Advisory Board



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 tuition protection 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 Sharon Robertson**
6. **Ms Karen Sandercock**, Australian Government Department of Education
7. **Mr Matthew Hardy**, Australian Government Department of Employment and Workplace Relations
8. **Mr Guy Thorburn**, Australian Government Actuary
9. **Ms Gloria Yu**, Australian Prudential Regulation Authority
10. **Mr Daniel Frewer**, Australian Government Department of Finance
11. **Ms Alison Garrod**, Australian Government Department of Home Affairs (acting)

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



International TPS Levy

Guiding principles, framework and legislative authority



International TPS Levy

- **An annual tuition protection levy** collected from **international** education providers
- Funds the student placement and refund activities of the TPS following an international education provider closure as well as TPS operational costs
- Levy calculation based on an education provider's size and risk of closure
- Paid into the Overseas Students Tuition Fund (OSTF) – a quarantined account managed by the TPS Director
- 2022 International levy waived as a COVID-19 pandemic relief measure
- TPS Advisory Board provides advice and makes recommendations to the TPS Director on the levy settings



TPS Advisory Board's Levy Setting Advice

- When formulating its advice, the Board considers a range of factors including:
 - The strategic risk environment
 - Advice from the Australian Government Actuary (AGA)
 - Views of the sector regulators and industry peak bodies
 - Continuing impacts of the COVID-19 pandemic
 - The balance of the OSTF and the quantum of funds required for its long-term sustainability



Guiding Principles for Levy Settings

- 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

- Developed by the Australian Government Actuary (AGA)
- AGA provides advice on levy settings to ensure the arrangements are financially sound
- Annual international levy settings are set through two legislative instruments:
 1. one for the **Administrative Fee component** and **Base Fee component** (made by the Minister for Education)
 2. one for the **Risk Rated Premium component** and **Special Tuition Protection component** (made by the TPS Director)



Legislative Authority

- *Education Services for Overseas Students Act 2000*
<https://www.legislation.gov.au/Series/C2004A00757>



International TPS Levy Collection Overview



www.tps.gov.au

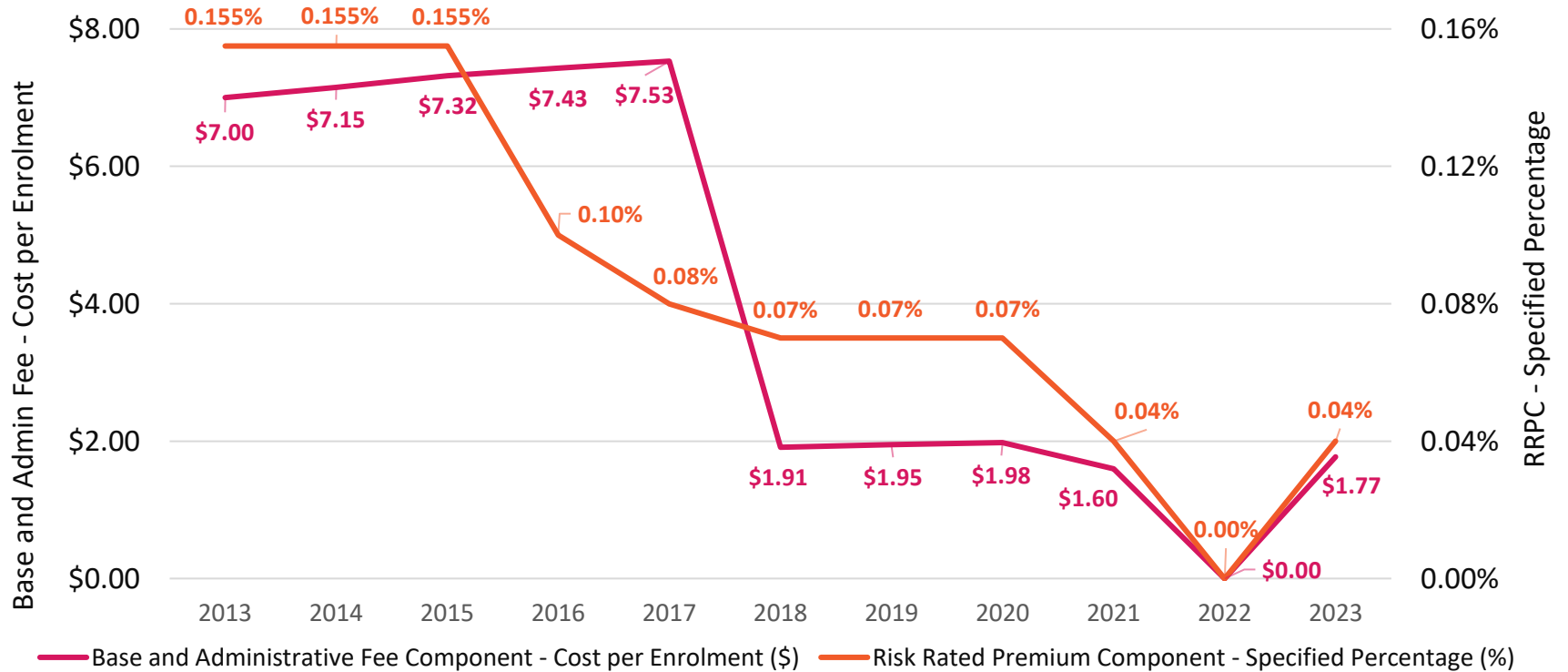


Overseas Students Tuition Fund (OSTF)

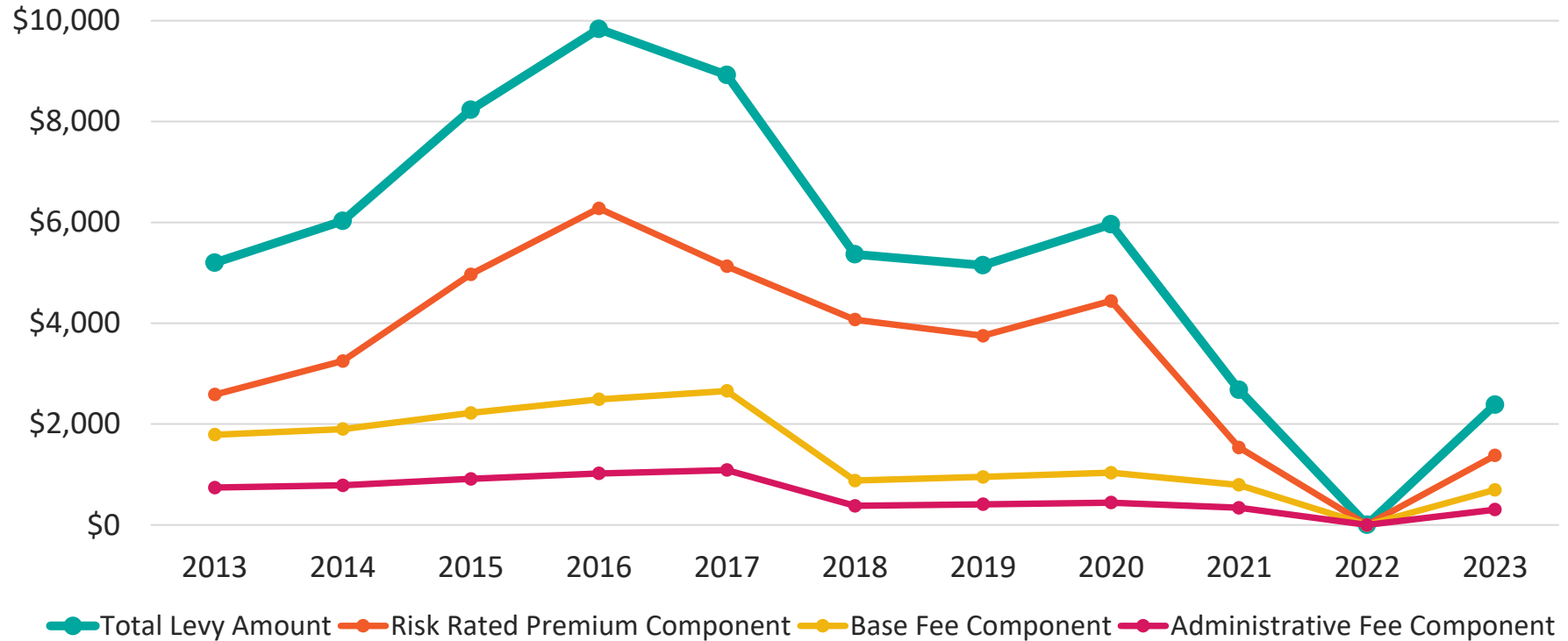
- International TPS Levy paid into the OSTF
- Australian Government Actuary (AGA) recommends a target Fund range
 - **Target range:** \$35-60 million
 - **OSTF Mid-point:** \$47.5 million
- **Balance** as at 30 June 2023: \$45.8 million



International Levy – Comparison of Components 2013-2023



International Levy – Average Payment per Provider 2013-2023



Draft 2024 International TPS Levy Settings



International TPS Levy Components

Component	Key elements	Purpose and authority
Administrative fee	Sum of a 'per provider' and 'per student' charge	Covers ongoing administrative costs Set by Minister for Education
Base fee	Sum of a 'per provider' and 'per student' charge	Maintains the Fund at a sustainable level Set by Minister for Education
Risk rated premium	Considers 5 risk factors and overseas student tuition fees for previous year	Reflects risk of provider closure Set by TPS Director with Board advice
Special tuition protection	Percentage multiplied by overseas student tuition fees for previous year	Charged when the Fund is below its target size Set by TPS Director with Board advice



Risk Rated Premium Component: Risk Factors

Risk Factor 1 – Base risk factor

- Base risk factor of 1 applied for all providers

Risk Factor 2 – Length of operation

- Providers with a shorter length of operation present a higher risk of closure

Risk Factor 3 – Volatility in overseas student enrolments

- Providers with extreme volatility in overseas student enrolments present a higher risk of closure

Risk Factor 4 – Maximum overseas source country concentration

- Providers with diversified source countries of overseas students present a lesser risk of closure

Risk Factor 5 – Non-compliance and registration renewal

- Penalises providers for late payment of the levy, having sanctions imposed for non-compliance, and having registration renewed for a period less than the maximum allowable



Draft 2024 International Levy Settings

Administrative fee*	Base fee*	Risk rated premium	Special tuition protection
\$99.00 per provider + \$0.51 per 2023 international student enrolment	\$199.00 per provider + \$1.26 per 2023 international student enrolment	[0.05% x increase factor for each risk factor] x total 2023 overseas student tuition fees	0% x total 2023 overseas student tuition fees

*Administrative and Base fee figures quoted were applied for the 2023 levy and will be indexed to CPI for the 2024 levy if the Minister decides not to make a legislative instrument



Risk Rated Premium Component

- The following formula is calculated for each of the risk factors, then added together to form the risk rated premium component

$$\left(\begin{array}{l} \text{Specified percentage} \\ \text{for the year} \end{array} \times \begin{array}{l} \text{Increase factor for the} \\ \text{risk factor for the year} \end{array} \right) \times \begin{array}{l} \text{Provider's overseas student tuition} \\ \text{fees for the previous year} \end{array}$$

- Specified percentage for 2024: **0.05%**
- 'Increase factors' are decimal amounts determined by where a provider sits in a given data set for each risk factor



Risk Rated Premium Component Specified Percentage

Year	Specified Percentage	Year	Specified Percentage
2013	0.155%	2019	0.07%
2014	0.155%	2020	0.07%
2015	0.155%	2021	0.04%
2016	0.10%	2022	0% (waived)
2017	0.08%	2023	0.04%
2018	0.07%	2024	0.05%



Risk Rated Premium Component: Key Points

1. **Specified percentage increased** from 0.04% to 0.05%
2. **Maintaining the positive volatility increase factor waiver** for the *volatility in overseas student enrolments* risk factor
 - First applied for 2023 levy
 - Recognition of the continued return of international students post-COVID-19
 - The Board will decide whether to reinstate the positive volatility increase factor for the 2025 levy



Risk Rated Premium Component: Key Points

3. **Considering new filter** for providers whose ratio of international students constitute less than 20% of its total student population
 - To be applied to the *volatility in overseas student enrolments* and *maximum overseas source country concentration* risk factors
 - Eligible providers' increase factors will be set to 0% for these risk factors
 - Already have filters for these risk factors, which only apply to providers that had either or both of the following apply in the previous year:
 - Had at least 20 overseas student enrolments
 - Received \$400,000 or more in overseas student tuition fees
 - Providers with small proportions of international students are at less risk of closure and requiring support from TPS



Special Tuition Protection Component

- Charged when the Fund is below its target size
- Calculated as follows:

$$\begin{array}{l} \text{Specified percentage} \\ \text{for the year} \end{array} \times \begin{array}{l} \text{Provider's overseas student tuition} \\ \text{fees for the previous year} \end{array}$$

- Specified percentage for 2024: **0%**



Legislative Instruments

- See the legislative instruments for the 2023 international levy for further information on levy components and calculations:
 - Education Services for Overseas Students (TPS Levies) (Risk Rated Premium and Special Tuition Protection Components) Instrument 2022
<https://www.legislation.gov.au/Details/F2022L01724>
 - Education Services for Overseas Students (TPS Levies) (Administrative and Base Fees) Determination 2022
<https://www.legislation.gov.au/Details/F2022L01674>
- Instruments must be made by 1 January each year
- Instruments published on the Federal Register of Legislation



2024 International Levy Timeline and Key Takeaways



2024 International Levy Timeline

August 2023

4 August

- Draft advice on 2024 international levy confirmed at TPS Advisory Board meeting

Mid-August

- Draft advice letter published on TPS website
- Meetings with peak bodies
- Online information session for all providers

Late August

- Information sessions in Melbourne
- Meetings with providers and other stakeholders in TAS

September 2023

September

- Information sessions in Perth, Brisbane, Sydney and Adelaide
- Meetings with stakeholders in each state around information sessions

Mid-September

- Meetings with providers and other stakeholders in NT

October 2023

Early October

- Online feedback session for all providers

18 October

- Final advice on 2024 international levy confirmed at TPS Advisory Board meeting

November 2023

Early November

- Final advice letter published on TPS website

Mid-November

- Legislative instrument drafted and sent to Treasurer with a noting brief sent to Minister for Education
- Department of Education briefing for Administrative and Base Fee Components sent to Minister for Education

December 2023

31 December

- Legislative instrument must be signed off by Treasurer

Feb – May 2024

February

- Non-exempt providers receive a Request for Information to declare their 2023 overseas students tuition fee income

March

- International providers receive levy estimate

April

- International levy invoices sent to providers

May

- International levy collected



Key Takeaways

- *Please ensure all contacts and student enrolment data are up to date in PRISMS*
- Timeline estimates levy will be collected in May 2024
- Key features of the Board's draft advice on 2024 levy settings:
 1. Specified percentage of the risk rated premium component increased to 0.05%
 2. Temporary waiver of the positive volatility increase factor maintained for the *volatility in overseas student enrolments* risk factor
 3. Consideration of new filter applied to the *volatility in overseas student enrolments* and *maximum overseas source country concentration* risk factors for providers whose international students constitute less than 20% of its total student population
- Feedback on draft 2024 levy settings will be presented to the Board





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