



Funding reforms for a better, fairer higher education system

A key target the Australian Government adopted from the Australian Universities Accord Final Report, was for 80 per cent of working aged Australians to have a tertiary qualification by 2050.

Reforms to core higher education funding for teaching and learning will be important if Australia is to meet this target.

Building on commitments from the 2024-25 Budget, the Government will invest an additional \$2.5 billion over the medium-term (from 2024-25 to 2034-35) to introduce a new Managed Growth Funding system for Commonwealth supported places and demand-driven Needs-based Funding and other measures to support students from underrepresented backgrounds.

The introduction of these reforms will be managed by the Australian Tertiary Education Commission (ATEC), which will commence interim operation from 1 July 2025, and permanently from 1 January 2026, subject to the passage of legislation.

From 1 January 2025, the Higher Education Disability Support fund will be increased by approximately \$40 million per year (indexed), quadrupling current funding levels.

This will help universities deliver more programs and services that assist students with disability to access, participate and succeed in their university study.

How will this work?

Managed growth funding for universities

The new funding system for Commonwealth supported places (CSPs) will be introduced through a staged approach with a transition year in 2026 and full implementation from 1 January 2027, with details and implementation arrangements to be developed through further consultation with the sector.

From 2027, the Government will allocate the ATEC with a total number of places for the sector. The ATEC will then allocate these places to each institution as a Domestic Student Profile, which sets a cap on the number of fully-funded CSPs.

As the system steward, the ATEC will have a role in providing advice to Government on the size of the Total Allocation Pool when there are insufficient places to satisfy demand from eligible

students from under-represented backgrounds looking to enrol in a non-medical bachelor level courses at a publicly funded university. As part of this advice, the ATEC would consider factors such as demand from students from under-represented backgrounds, institutional performance against equity indicators, institutional sustainability and market dynamics.

Domestic Student Profiles will be allocated through an enhanced mission-based compacts process. The new compacts will be negotiated between the ATEC and each provider and will set Domestic Student Profiles, which will include a base level of enrolments and an additional growth allocation, to support universities to grow participation, broaden access and improve skills supply in line with long-term Government targets. Providers will also receive an over-enrolment buffer that allows them to receive student contributions for a small proportion of students above their Domestic Student Profile.

The new system will provide for long-term growth in CSP funding arrangements for universities, allowing them to plan for the future, meet Australia's skills needs, prioritise resources and provide a better educational experience for more students.

To ensure financial sustainability, the Government will provide a temporary funding floor guarantee for publicly funded universities, from 2026 to the end of 2031.

Demand-driven Needs-based Funding

From 1 January 2026, Needs-based Funding will support students from underrepresented backgrounds in CSPs to progress their studies and complete their degrees.

The new system will provide universities with additional per-student funding contributions as a core component of their funding, to better support students from underrepresented backgrounds (including students from low socio-economic status (SES) backgrounds and First Nations students). Universities will use Needs-based Funding contributions to provide the academic and wrap-around supports students need to succeed at university.

Per-student funding contributions will also be provided to support students studying at regional campuses, recognising the higher cost of delivery in regional Australia, to ensure that regional communities have access to higher education delivered in regional Australia.

The ATEC will support the implementation of Needs-based Funding for higher education providers from 1 January 2026.

Why is this important?

To achieve the 80 per cent tertiary attainment target by 2050, Australia needs to significantly boost the number of students from underrepresented backgrounds who can access, participate, and succeed in tertiary education.

This includes students from low SES backgrounds, students with disability, students from regional and rural communities and First Nations students. Universities will need to become more inclusive and better meet the needs of all students for this attainment objective to be achieved.

The new Managed Growth Funding system will better support student demand, maintain sustainable growth, and provide more opportunities for Australians from underrepresented backgrounds to go to university or other higher education institutions.

Universities will also be required to meet agreed performance outcomes that form part of their Mission-based Compacts, including improvements in enrolments from students from historically underrepresented backgrounds and improvements in their outcomes.

The Accord Final Report also recommended a Needs-based Funding model that includes a per-student amount for underrepresented students and a specific component based on the location of delivery in regional and remote Australia.

Demand-driven Needs-based Funding will deliver both; including more funding to address the higher costs providers face to deliver higher education courses in regional Australia.

Who will benefit?

The new system of managed growth funding is expected to deliver an additional 82,000 fully-funded Commonwealth supported places compared to current settings in 2035.

A small number of new commencing places (365 places) will be available for TAFE and other higher education providers every year from 2026 to increase diversity of higher education provision, with ATEC continuing this task from 2027.

Adopting a demand-driven, needs-based approach to university funding will help ensure those students who need additional support, receive it.

From 1 January 2026, a new Needs-based Funding system for higher education will support around 140,000 First Nations students and students from low SES backgrounds in its first year. Right now, these cohorts are less likely to go to university and have lower success rates than the national average when they do – with success rates 10 and 4 percentage points lower, respectively for students from low-SES backgrounds and First Nations Students.

Regional contributions will support the continued sustainability of regional campuses, benefitting an estimated 150,000 students. Regional campuses will also benefit from the additional support to low SES and First Nations students.

How much will it cost?

In the 2024-25 MYEFO, the Government has committed an additional \$2.5 billion over the medium term to the Managed Growth Funding system, and Needs-based Funding and other measures to support students from underrepresented backgrounds.