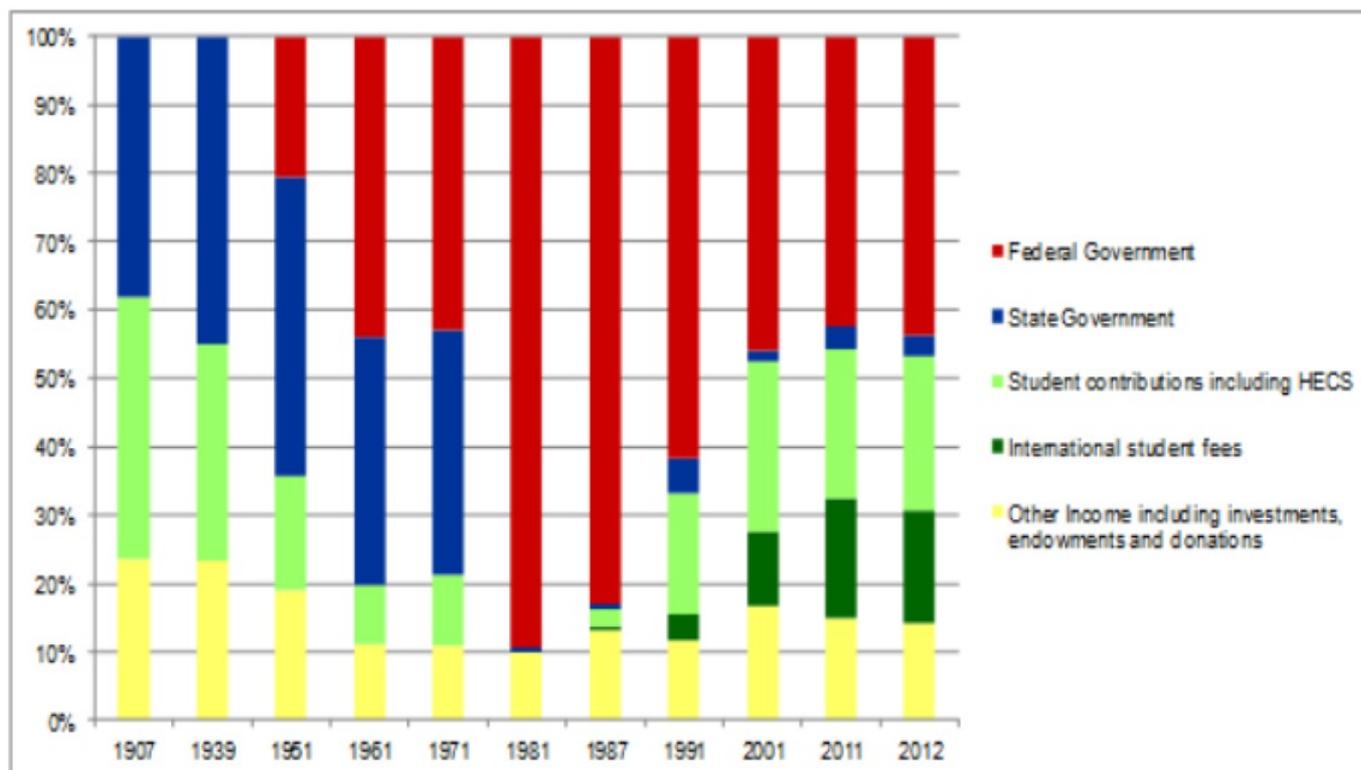


# Higher Education Financing & Student Financing Models

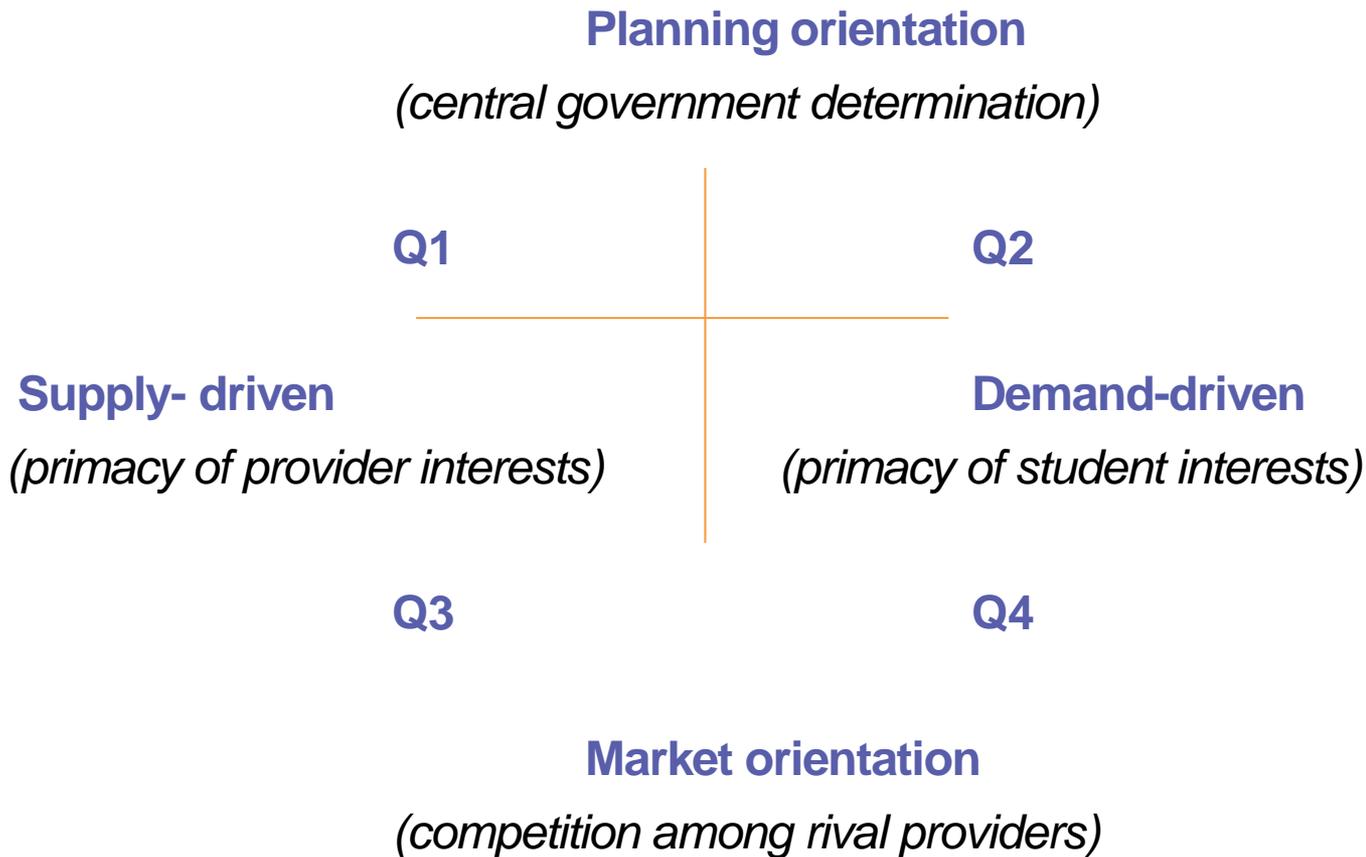
# Higher Education Revenue by Source, Australia, 1907- 2012



# Ten periods in Australian Higher Education

1. **Formation (1848-1938)**
2. **Nation Building (1939-1963)**
3. **Expansion & Differentiation (1964-1972)**
4. **Aberration (1973-1986)**
5. **Expansion & Unification (1987-1995)**
6. **Containment (1996- 2002)**
7. **Privatisation I (2003-2007)**
8. **Nationalisation (2008-2010)**
9. **Drift (2010-2013)**
10. **Privatisation II (2014 and beyond)**

# Higher Education Policy & Financing Models



# Supply-side financing approaches (i)

Allocation basis		Normative		Negotiated		Competitive	
Funding Basis		Historically set	Performance-based	Cost-related	Mission oriented	Restricted	Open
	Input						
	Activity						
	Output						

# Supply-side financing approaches (ii)

Allocation type	Funding type	General Purpose	Specific Purpose
	Conditional		
	Unconditional		
	Matched		
	Unmatched		

# Student financing options

Form of aid	Grant	Loan	Tax Concession
<b><u>Allowable usage</u></b> Tuition costs Living expenses Other costs			
<b><u>Basis of allocation</u></b> Universal entitlement Merit-based Means-tested			
<b><u>Condition of allocation</u></b> Unlimited Limited by study length Limited by funds			
<b><u>Repayment basis</u></b> Bonded Unbonded		<ul style="list-style-type: none"> <li>▪ Subsidised interest rate</li> <li>▪ Inflation indexed</li> <li>▪ “Mortgage” style</li> <li>▪ “Income contingent”</li> </ul>	

# Graduate earnings

- Graduates earn on average \$1.2 million more over their lifetimes than non-graduates.
- Graduates enjoy above average income growth over the course of their careers. Average graduate incomes grew in real terms at a rate of 5.7% per annum over the first five years of employment and 2.0% thereafter. Economy wide, real wages grow by around 1.0% per annum.
- In 2011, the top 20% of full time workers were earning at least \$93,739. Graduates were over represented in this category, with more than 28% earning above this amount. After 20 years, 42% of graduates are in the top 20% of earners. Less than 12% of workers without any post-secondary qualifications earn this amount.
- By age 35, the average full-time employed graduate is \$500 a week ahead of the average full-time employee without post-school qualifications.
- Over the life of a HELP loan, average weekly repayments are below \$100 for graduates of all fields except Medicine and Dentistry

# The available evidence suggests that students are not deterred by fees

- There was no change in low SES enrolment shares over the 1990s, and the move to differential HECS in 1997 did not adversely affect low SES participation in any field of study (Andrews, 1999; Aungles et al, 2002)
- Low SES students are more concerned about the “perceived relevance of higher education” than the cost of participation, and they are more concerned about costs of living while studying than tuition fees (James, 2002).
- “there is a considerable body of research suggesting that there have been no discernible effects on university enrolments of relatively poor students from either the introduction of or changes to HECS” (Beer & Chapman, 2005)
- There is no evidence that the size of a HELP debt affects decisions about leaving home, getting married or buying a house (Marks, 2008).
- From a study of nine countries, “(The) available data suggest that changes in fees (i) have no effect with respect to the gender composition of the student body), (ii) have little to no effect on the proportion of students drawn from lower socio-economic backgrounds, and (iii) have little to no effect on the ethnic composition of the student body” (Usher, 2014).

# Some facts about US higher education

- For a 2-year Associate Degree annual tuition fees at public community colleges averaged \$3,080 in 2012-13
- For a 4-year undergraduate degree annual tuition costs in 2012-13 ranged from an average of \$8,005 in public (in-state institutions), \$14,914 in private for-profit institutions, to \$29,115 in private non-profit institutions).
- Average Bachelor degree graduate debt in 2011-12 was \$25,640 for 4-year public institutions, \$32,308 for private non-profit, and \$40,038 for private for-profit institutions.
- In 2011-12, only 1 in 200 US graduates had a debt in excess of \$100,000, primarily graduates of private universities with postgraduate qualifications in fields like Medicine and Pharmacy.
- Around 40% of the reported trillion \$ of graduate debt related to postgraduate not undergraduate studies.