Parliamentary
Budget Office

20,000 More University Places	
Party:	Australian Labor Party
Summary of proposal: The proposal would fund Commonwealth Supported Places (CSPs) for an additional 20,000 undergraduates commencing enrolments, with 10,000 in 2022-23 and 10,000 in 2023-24. Places, cross-band funding distributions and indexation arrangements would be consistent with those for the 2020-21 Budget measure *JobMaker Plan — higher education — additional support for students and education providers,* with additional Commonwealth Grants Scheme (CGS) funding for commencing enrolments being provided for four years after commencement. The proposal would commence on 1 July 2022.	

Costing overview

The proposal would be expected to decrease the fiscal balance by around $570 million, the underlying cash balance by around $524 million, and the headline cash balance by around $850 million over the 2022-23 Budget forward estimates period.

The proposal would have an impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications over the period to 2032-33 is provided at Attachment A.

The financial implications of this proposal are uncertain and highly sensitive to assumptions around the demand for CSPs, and inherent uncertainties in the baseline estimates for the relevant student loan programs, including uncertainties around existing estimates of debts not expected to be repaid and limited information regarding loan repayment profiles.

Consistent with the *Parliamentary Budget Office (PBO) Guidance 02/2015*, public debt interest expense impacts have been included in this costing because the concessional loans affected by this proposal involve financial asset transactions.

The fiscal, underlying cash and headline cash balance impacts differ in the treatment of interest payments and the flow of loan principal. In particular, only the fiscal balance reflects the concessional loan discount expense, associated unwinding income, and loan waivers, and only the headline cash balance includes transactions related to loan principal amounts. The impact on net debt will be broadly consistent with movements in the headline cash balance. A note on the accounting treatment of concessional loans is included at Attachment B.

Table 1: Financial implications ($m)[(a)]

	2022-23	2023-24	2024-25	2025-26	**Total to 2025-26**
Fiscal balance	-106.7	-172.7	-166.8	-123.2	**-569.5**
Underlying cash balance	-96.1	-156.7	-153.8	-117.2	**-523.8**
Headline cash balance	-161.8	-259.4	-248.4	-180.2	**-849.8**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- There would be sufficient capacity and demand for the additional CSPs.
- The rate of debts not expected to be repaid across the Higher Education Loan Program would remain unchanged under this proposal.
- The ratio of students expected to make up-front payments towards their student contributions across the Higher Education Loan Program would remain unchanged under this proposal.
- Deferral of enrolments would be marginal and has not been factored into this costing.

Methodology

The financial implications of this proposal were calculated using the Department of Education, Skills and Employment's Higher Education Loan Program and CGS models.

The distribution of additional CSPs across course bands was matched up with the 2020-21 Budget measure *JobMaker Plan — higher education — additional support for students and education providers*, as specified by the requestor.

- These numbers were then multiplied by the applicable funding amount under the CGS, per the financial and indexation arrangements specified.

The Higher Education Loan Program model used the estimated number of additional CSPs to derive the impact on student loans.

Additional departmental resource requirements for the Department of Education, Skills and Employment were estimated according to the ratio of administered to departmental expenses under the Outcome 2 estimates published in its *Portfolio Budget Statement 2022-23*.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.[1]

Data sources

The Department of Education, Skills and Employment provided the:

- Higher Education Loan Program and CGS modelling as at the 2022-23 Budget

[1] https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

- Modelling for the 2020-21 Budget Measure *JobMaker Plan — higher education — additional support for students and education providers.*

Department of Education, Skills and Employment, 2022. *Portfolio Budget Statements 2022–23, Budget Related Paper No. 1.4, Education, Skills and Employment Portfolio,* Australian Government, Canberra.

Attachment A – 20,000 More University Places – financial implications

Table A1: 20,000 More University Places – Fiscal balance ($m)[(a)]

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Revenue													
Administered non-tax													
Indexation on loans	*0.4*	*1.9*	*4.3*	*6.5*	*8.2*	*9.1*	*9.5*	*9.8*	*10.0*	*10.4*	*10.7*	***13.1***	***80.8***
Unwinding concessional loan discount	-	-	-	-	-	-	*0.01*	*0.01*	*0.01*	*0.01*	*0.01*	**-**	***0.05***
Total – revenue	**0.4**	**1.9**	**4.3**	**6.5**	**8.2**	**9.1**	**9.5**	**9.8**	**10.1**	**10.4**	**10.7**	**13.1**	**80.9**
Expenses													
Administered													
Personal benefits	*-0.5*	*-0.7*	*-0.7*	*-0.5*	*-0.2*	*-0.1*	-	-	-	-	-	***-2.3***	***-2.6***
Remissions	..	..	..	*-0.1*	*-0.1*	*-0.1*	*-0.1*	*-0.1*	*-0.1*	*-0.1*	*-0.1*	***-0.1***	***-0.8***
Concessional loan discount	-	-	-	-	-	*-0.1*	-	-	-	-	-	**-**	***-0.1***
Other loan financing	*-10.8*	*-17.4*	*-16.6*	*-11.7*	*-5.8*	*-1.3*	-	-	-	-	-	***-56.5***	***-63.6***
Additional CGS funding	*-94.0*	*-149.0*	*-140.0*	*-99.0*	*-50.0*	*-12.0*	-	-	-	-	-	***-482.0***	***-544.0***
Total – administered	***-105.2***	***-167.1***	***-157.3***	***-111.3***	***-56.1***	***-13.6***	***-0.1***	***-0.1***	***-0.1***	***-0.1***	***-0.1***	***-540.9***	***-611.1***
Departmental													
Departmental costs	*-0.1*	*-1.0*	*-1.5*	*-1.4*	*-1.0*	*-0.5*	*-0.1*	..	..	..	..	***-4.0***	***-5.6***
Total – departmental	***-0.1***	***-1.0***	***-1.5***	***-1.4***	***-1.0***	***-0.5***	***-0.1***	**..**	**..**	**..**	**..**	***-4.0***	***-5.6***
Total – expenses	**-105.3**	**-168.1**	**-158.8**	**-112.7**	**-57.1**	**-14.1**	**-0.2**	**-0.1**	**-0.1**	**-0.1**	**-0.1**	**-544.9**	**-616.7**
Total (excluding PDI)	**-104.9**	**-166.2**	**-154.5**	**-106.1**	**-49.0**	**-5.0**	**9.3**	**9.7**	**10.0**	**10.3**	**10.6**	**-531.8**	**-535.9**
PDI impacts	***-1.8***	***-6.5***	***-12.3***	***-17.1***	***-20.3***	***-21.9***	***-22.5***	***-22.7***	***-22.8***	***-22.9***	***-24.1***	***-37.7***	***-194.9***
Total (including PDI)	**-106.7**	**-172.7**	**-166.8**	**-123.2**	**-69.3**	**-26.9**	**-13.2**	**-13.0**	**-12.8**	**-12.6**	**-13.5**	**-569.5**	**-730.8**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

.. Not zero but rounded to zero.

\- Indicates nil.

Table A2: 20,000 More University Places – Underlying cash balance ($m)[(a)]

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	**Total to 2025-26**	**Total to 2032-33**
Receipts													
Administered non-tax													
Interest receipts	-	..	..	*0.2*	*0.3*	*0.6*	*0.9*	*1.3*	*1.8*	*1.8*	*1.9*	***0.2***	***8.8***
Total – receipts	**-**	**..**	**..**	**0.2**	**0.3**	**0.6**	**0.9**	**1.3**	**1.8**	**1.8**	**1.9**	**0.2**	**8.8**
Payments													
Administered													
Personal benefits	*-0.4*	*-0.7*	*-0.7*	*-0.5*	*-0.2*	*-0.1*	-	-	-	-	-	***-2.3***	***-2.6***
Additional CGS funding	*-94.0*	*-149.0*	*-140.0*	*-99.0*	*-50.0*	*-12.0*	-	-	-	-	-	***-482.0***	***-544.0***
Total – administered	***-94.4***	***-149.7***	***-140.7***	***-99.5***	***-50.2***	***-12.1***	**-**	**-**	**-**	**-**	**-**	***-484.3***	***-546.6***
Departmental													
Departmental costs	*-0.1*	*-1.0*	*-1.5*	*-1.4*	*-1.0*	*-0.5*	*-0.1*	..	..	..	..	***-4.0***	***-5.6***
Total – departmental	***-0.1***	***-1.0***	***-1.5***	***-1.4***	***-1.0***	***-0.5***	***-0.1***	**..**	**..**	**..**	**..**	***-4.0***	***-5.6***
Total – payments	**-94.5**	**-150.7**	**-142.2**	**-100.9**	**-51.2**	**-12.6**	**-0.1**	**..**	**..**	**..**	**..**	**-488.3**	**-552.2**
Total (excluding PDI)	**-94.5**	**-150.7**	**-142.2**	**-100.7**	**-50.9**	**-12.0**	**0.8**	**1.3**	**1.8**	**1.8**	**1.9**	**-488.1**	**-543.4**
PDI impacts	***-1.6***	***-6.0***	***-11.6***	***-16.5***	***-19.9***	***-21.7***	***-22.4***	***-22.7***	***-22.8***	***-22.9***	***-23.9***	***-35.7***	***-192.0***
Total (including PDI)	**-96.1**	**-156.7**	**-153.8**	**-117.2**	**-70.8**	**-33.7**	**-21.6**	**-21.4**	**-21.0**	**-21.1**	**-22.0**	**-523.8**	**-735.4**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

.. Not zero but rounded to zero.

\- Indicates nil.

Table A3: 20,000 More University Places – Headline cash balance ($m)[(a)]

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Receipts													
Administered non-tax													
Interest receipts	*-*	*..*	*..*	*0.2*	*0.3*	*0.6*	*0.9*	*1.3*	*1.8*	*1.8*	*1.9*	***0.2***	***8.8***
Loan principal repayments	*0.3*	*1.3*	*3.4*	*6.0*	*8.5*	*10.9*	*13.3*	*15.9*	*18.4*	*20.4*	*21.5*	***11.0***	***119.9***
Total – receipts	**0.3**	**1.3**	**3.4**	**6.2**	**8.8**	**11.5**	**14.2**	**17.2**	**20.2**	**22.2**	**23.4**	**11.2**	**128.7**
Payments													
Administered													
Personal benefits	*-0.4*	*-0.7*	*-0.7*	*-0.5*	*-0.2*	*-0.1*	*-*	*-*	*-*	*-*	*-*	***-2.3***	***-2.6***
Total loans	*-66.0*	*-104.0*	*-98.0*	*-69.0*	*-35.0*	*-8.0*	*-*	*-*	*-*	*-*	*-*	***-337.0***	***-380.0***
Additional CGS funding	*-94.0*	*-149.0*	*-140.0*	*-99.0*	*-50.0*	*-12.0*	*-*	*-*	*-*	*-*	*-*	***-482.0***	***-544.0***
Total – administered	***-160.4***	***-253.7***	***-238.7***	***-168.5***	***-85.2***	***-20.1***	***-***	***-***	***-***	***-***	***-***	***-821.3***	***-926.6***
Departmental													
Departmental costs	*-0.1*	*-1.0*	*-1.5*	*-1.4*	*-1.0*	*-0.5*	*-0.1*	*..*	*..*	*..*	*..*	***-4.0***	***-5.6***
Total – departmental	***-0.1***	***-1.0***	***-1.5***	***-1.4***	***-1.0***	***-0.5***	***-0.1***	***..***	***..***	***..***	***..***	***-4.0***	***-5.6***
Total – payments	**-160.5**	**-254.7**	**-240.2**	**-169.9**	**-86.2**	**-20.6**	**-0.1**	**..**	**..**	**..**	**..**	**-825.3**	**-932.2**
Total (excluding PDI)	**-160.2**	**-253.4**	**-236.8**	**-163.7**	**-77.4**	**-9.1**	**14.1**	**17.2**	**20.2**	**22.2**	**23.4**	**-814.1**	**-803.5**
PDI impacts	***-1.6***	***-6.0***	***-11.6***	***-16.5***	***-19.9***	***-21.7***	***-22.4***	***-22.7***	***-22.8***	***-22.9***	***-23.9***	***-35.7***	***-192.0***
Total (including PDI)	**-161.8**	**-259.4**	**-248.4**	**-180.2**	**-97.3**	**-30.8**	**-8.3**	**-5.5**	**-2.6**	**-0.7**	**-0.5**	**-849.8**	**-995.5**

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

.. Not zero but rounded to zero.

\- Indicates nil.

Attachment B – Accounting treatment of concessional loans

A concessional loan is a loan provided on more favourable terms than the borrower could obtain in the financial market. The most common concession is a below-market interest rate, but concessions can also include favourable repayment conditions. The income contingent loans available through the Higher Education Loan Program are an example of concessional loans offered by the Australian Government.

Budget impact[2]

The accounting treatment of concessional loans differs across each budget aggregate. The underlying cash balance only captures actual flows of interest related to the loans. The headline cash balance captures actual flows of principal as well as interest. The fiscal balance captures accrued interest, the value of the concession and any write-offs related to the loans. The interest cost of financing these loans is captured in all budget aggregates, and is separately identified by the PBO.[3] Table B1 provides information about the detail provided in a costing. The provision of concessional loans decreases the Australian Government's net worth if the liabilities issued (the value of Australian Government Securities issued to finance the loans) are greater than the assets created (measured at their 'fair value' or price at which the loans could be sold).

Treatment of debt not expected to be repaid

All budget aggregates take into account estimates of the share of loans not expected to be repaid when calculating interest flows and estimating the value of the concession that is being provided. None of the measures capture the direct impact on net worth of the loans not expected to be repaid. If a portion of loans are not expected to be repaid, estimates of the 'fair value' of the loans outstanding will be reduced. Such reductions, both when loans are issued and if loans are subsequently re-valued, are recorded in the budget under 'other economic flows' which are reflected in net worth but not in the budget aggregates.

Table B1: Components of concessional loan financial impacts in costing proposals

Budget item	Appears in	Comments
Interest accrued or received	All budget aggregates	Captures the interest accrued or expected to be received on the fair value of the debt. (The budget cannot include interest income on a debt that is not expected to be repaid.)
Concessional loan discount expense and unwinding revenue	Fiscal balance	The net present value of the concession (based on the difference between the market and concessional interest rates) is captured as an expense in the fiscal balance. As loans are repaid, the remaining value of the concession reduces, so this expense is 'unwound' with a positive impact on the fiscal balance. The concessional discount and its unwinding are not recognised in cash balances as there is no cash inflow or outflow.
Write-offs	Fiscal balance	Debt forgiveness, also known as mutually agreed write-downs (for example in the case of the death of the borrower of a HELP loan) are expensed when they occur, reducing the fiscal balance. These transactions do not affect the cash balances as no cash flows occur.
Initial loan; principal repayments	Headline cash balance	Higher estimates of loans not expected to be repaid lowers principal repayments. These transactions are not included in the fiscal balance or underlying cash balance as they involve the exchange of one financial asset (loan) for another (cash).
Public debt interest (PDI)	All budget aggregates	The PDI impact is the cost of the change in the government's borrowing requirements to fund the loans. The net headline cash balance impact excluding PDI is used to estimate the proposal's impact on PDI payments.

[2] The PBO's treatment of these loans is consistent with the Department of Finance costing guidelines.

[3] This is in accordance with *PBO Guidance 02/2015* and the Charter of Budget Honesty Policy Costing Guidelines which specify that costings of proposals that 'involve transactions of financial assets' need to take into account the impact on PDI payments.