Parliamentary
Budget Office

Policy costing

HECS debt burden	
Person/party requesting the costing:	Senator David Pocock, Senator for the Australian Capital Territory
Date costing completed:	16 December 2024
Expiry date of the costing:	Release of the next economic and fiscal outlook report
Status at time of request:	Submitted outside the caretaker period ☒ ~~Confidential~~ *Authorised for public release on 23 April 2025* ☐ Not confidential

Summary of proposal:

This proposal consists of 3 separate options to change HELP loan settings.

- Option 1: Apply indexation after compulsory repayments have been deducted from the balance.
- Option 2: Provide debt forgiveness for all indexation amounts accrued on student debt since 1 January 2021, as at the policy start date.
  - Those who have already paid their debt in full would be refunded the indexation amount directly.
- Option 3: Change the indexation rate to 1%.

All options start from 1 January 2025.

Additional analysis

The request also sought the following items of additional analysis:

- Item 1: Impact to forecast indexation under Option 1 (applying indexation after repayments).
- Item 2: Change to the balance of debt since 1 January 2021 when the Job Ready Graduate Scheme commenced.
- Item 3: Impact on the balance of debt and time taken to repay the debt from changing the current repayment system to one based on marginal repayments, as per below:

Income threshold	**Marginal rate of repayment**
Below $67,000	Nil
Income between $67,000 and $124,999	15c for each dollar over $67,000
Income above $125,000	$8,700 plus 17c for each dollar over $125,000

Overview

The proposal would be expected to decrease the fiscal balance by between $681 million and $9 billion, the underlying cash balance by between $704 million and $6 billion, and the headline cash balance by between $26 million and $5 billion over the 2024-25 Budget forward estimates period (see Table 1).

The proposal would be expected to have an impact beyond the 2024-25 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2034-35 is provided at Attachment A.

The requested additional analysis for Item 1, Item 2 and the total debt portion of Item 3 have been provided at Attachment B. The portion of Item 3 related to the repayment timeframe has been provided at Attachment C.

Consistent with PBO Guidance 02/2015, public debt interest (PDI) expense impacts have been included in this costing because the concessional loans impacted under this proposal involve financial asset transactions. The impact on net debt will be broadly consistent with movements in the headline cash balance. The fiscal balance, underlying cash balance, and headline cash balance impacts differ in the treatment of interest payments, and the flow of loan principal amounts which is described further in Table D1. A note on the accounting treatment of concessional loans is included at Attachment D, and a flowchart outlining the calculation of the fair value of HELP receivable is at Attachment E.

Table 1: HECS debt burden – Financial implications ($m)(a)(b)

	2024-25	2025-26	2026-27	2027-28	**Total to 2027-28**
Option 1: Apply indexation after compulsory repayments					
Fiscal balance	-150.0	-162.2	-176.4	-192.8	**-681.4**
Underlying cash balance	-177.0	-171.1	-174.3	-181.7	**-704.1**
Headline cash balance	-2.0	-4.1	-7.3	-12.7	**-26.1**
Option 2: Provide debt forgiveness for indexation accrued since 1 January 2021					
Fiscal balance	-7,918.3	-353.2	-365.5	-379.8	**-9,016.8**
Underlying cash balance	-2,314.0	-1,175.0	-1,212.0	-1,262.0	**-5,963.0**
Headline cash balance	-2,176.0	-992.0	-962.0	-937.0	**-5,067.0**
Option 3: Change indexation rate to 1%					
Fiscal balance	-598.2	-644.8	-699.8	-764.6	**-2,707.4**
Underlying cash balance	-0.2	-160.6	-321.6	-493.2	**-975.6**
Headline cash balance	-7.2	-17.6	-33.6	-55.2	**-113.6**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) PDI impacts are not included in the totals.
\- Indicates nil.

Uncertainties

Option 1 (apply indexation after compulsory repayments) is highly uncertain regarding how it would be implemented by the Australian Tax Office (ATO). Depending on the implementation of this policy the financial impacts could be significantly different.

Under the current system, the value of compulsory payments is dependent on an individual's repayment income[1]. This is calculated when an individual lodges their tax return. To deduct repayments before the current indexation date of 1 June and hence before an individual has lodged a tax return would require the ATO to estimate repayments amount throughout the year. While this may be able to be approximated by Single Touch Payroll (STP) data, it is unclear how cases would be handled when an individual's final tax outcome results in lower compulsory repayments than what had already been taken out during the year.

The Parliamentary Budget Office (PBO) makes no consideration of these implementation details by assuming that the aggregate value of compulsory repayments deducted during the year will be equal to the true value of aggregate compulsory repayments after the tax year is finalised.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- There will be no pro-rata impacts in the first year due to the 1 January start date.
  - Indexation (which affects each option) is not applied until 1 June each year, as such, any changes will occur slightly before or at that date.

Option 1: Apply indexation after compulsory repayments

- The value of compulsory repayments deducted during the year is equal to the actual value of compulsory repayments owed after tax returns have been finalised.

Option 2: Provide debt forgiveness for indexation accrued since 1 January 2021

- The rate of voluntary repayments would be unaffected by the policy change.

Methodology

All options in this costing use the Higher Education Loan Program (HELP) model provided by the Department of Education. The HELP model used is based on the policy settings and parameters as at the 2024-25 Budget.

After estimating the impact on inputs such as repayments or indexation (as described below), the HELP model was used to estimate the broader policy impacts. This includes the impacts on the estimated change in debt not expected to be repaid (DNER), the concessional loan discount (CLD) and associated unwinding of the CLD.

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[1] Repayment income is taxable income plus any total net investment loss (which includes net rental losses), total reportable fringe benefits amounts, reportable super contributions and exempt foreign employment income. See [When you must repay your loan | Australian Taxation Office]

Option 1: Apply indexation after compulsory repayments

The reduction in debt indexation was estimated by lowering the effective rate of indexation applied to balances by the proportional decrease between pre-repayment and post-repayment balances. This reflects repayments being deducted from balances before indexation is calculated.

Option 2: Provide debt forgiveness for indexation accrued since 1 January 2021

The value of debt forgiveness was estimated using the value of indexation applied to the stock of debt based on its fair value over the relevant period. Any indexation associated with DNER does not have any financial implications for the budget.

The proportion of debt forgiveness associated with people who already paid off their debt in full was estimated based on the proportion of the loan stock that rolls over to new debtors each year. This was estimated using the value of new loans as a proportion to the debt stock each year. Refunds for debts already repaid are expensed through the personal benefits line item, rather than remissions, and do not have subsequent impacts on indexation or repayments.

The impact on repayments was estimated by taking the value of debt remitted as a proportion of total debt for the cohorts as of 1 January 2025 and reducing their repayments by this fraction. This leads to a significant decrease in interest repayments (labelled as interest receipts in UCB and HCB) while principal repayments increase due to a larger fraction of repayments going towards the principal amount.

Option 3: Change indexation rate to 1%

Indexation was set equal to 1% in the HELP model. Flow-on impacts to repayments and hence impacts on the concessional loan discount, the unwinding of the concessional loan discount and the split between principal and interest repayments are taken into account with the HELP model.

Financial implications for all options were rounded consistent with the PBO's rounding rules.[2]

Data sources

Commonwealth of Australia, 2024. *2024-25 Budget,* Canberra: Commonwealth of Australia.

The Australian Taxation Office provided personal income tax data for the 2019-20 income year.

The Department of Education provided the Higher Education Loan Program model as at the 2024-25 Budget.

[2] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

Attachment A – HECS debt burden – Financial implications

Table A1: HECS debt burden – Option 1: Apply indexation after compulsory repayments Fiscal balance ($m)[(a)]

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	**Total to 2027-28**	**Total to 2034-35**
Revenue													
Administered non-tax													
Indexation on loans	*-196.0*	*-178.0*	*-169.0*	*-168.0*	*-177.0*	*-187.0*	*-198.0*	*-210.0*	*-216.0*	*-228.0*	*-242.0*	***-711.0***	***-2,169.0***
Unwinding concessional loan discount	*196.0*	*171.0*	*155.0*	*147.0*	*148.0*	*149.0*	*151.0*	*153.0*	*149.0*	*152.0*	*156.0*	***669.0***	***1,727.0***
Total – revenue	**-**	**-7.0**	**-14.0**	**-21.0**	**-29.0**	**-38.0**	**-47.0**	**-57.0**	**-67.0**	**-76.0**	**-86.0**	**-42.0**	**-442.0**
Expenses													
Administered													
Concessional loan discount	*-150.0*	*-155.0*	*-162.0*	*-171.0*	*-180.0*	*-189.0*	*-199.0*	*-210.0*	*-221.0*	*-232.0*	*-245.0*	***-638.0***	***-2,114.0***
Total (excluding PDI)	**-150.0**	**-162.0**	**-176.0**	**-192.0**	**-209.0**	**-227.0**	**-246.0**	**-267.0**	**-288.0**	**-308.0**	**-331.0**	**-680.0**	**-2,556.0**
PDI impacts	***-***	***-0.2***	***-0.4***	***-0.8***	***-1.6***	***-2.7***	***-4.4***	***-6.7***	***-9.8***	***-13.6***	***-18.3***	***-1.4***	***-58.5***
Total (including PDI)	**-150.0**	**-162.2**	**-176.4**	**-192.8**	**-210.6**	**-229.7**	**-250.4**	**-273.7**	**-297.8**	**-321.6**	**-349.3**	**-681.4**	**-2,614.5**

(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.

\- Indicates nil.

Table A2: HECS debt burden – Option 1: Apply indexation after compulsory repayments Underlying cash balance ($m)[(a)]

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
Receipts													
Administered non-tax													
Interest receipts	*-177.0*	*-171.0*	*-174.0*	*-181.0*	*-193.0*	*-204.0*	*-217.0*	*-230.0*	*-235.0*	*-249.0*	*-264.0*	***-703.0***	***-2,295.0***
Total (excluding PDI)	**-177.0**	**-171.0**	**-174.0**	**-181.0**	**-193.0**	**-204.0**	**-217.0**	**-230.0**	**-235.0**	**-249.0**	**-264.0**	**-703.0**	**-2,295.0**
PDI impacts	**-**	***-0.1***	***-0.3***	***-0.7***	***-1.4***	***-2.4***	***-4.0***	***-6.2***	***-9.1***	***-12.7***	***-17.2***	***-1.1***	***-54.1***
Total (including PDI)	**-177.0**	**-171.1**	**-174.3**	**-181.7**	**-194.4**	**-206.4**	**-221.0**	**-236.2**	**-244.1**	**-261.7**	**-281.2**	**-704.1**	**-2,349.1**

(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.

\- Indicates nil.

Table A3: HECS debt burden – Option 1: Apply indexation after compulsory repayments Headline cash balance ($m)[(a)]

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
Receipts													
Administered non-tax													
Interest receipts	*-177.0*	*-171.0*	*-174.0*	*-181.0*	*-193.0*	*-204.0*	*-217.0*	*-230.0*	*-235.0*	*-249.0*	*-264.0*	***-703.0***	***-2,295.0***
Loan principal repayments	*175.0*	*167.0*	*167.0*	*169.0*	*172.0*	*174.0*	*174.0*	*174.0*	*166.0*	*166.0*	*165.0*	***678.0***	***1,869.0***
Total – receipts	**-2.0**	**-4.0**	**-7.0**	**-12.0**	**-21.0**	**-30.0**	**-43.0**	**-56.0**	**-69.0**	**-83.0**	**-99.0**	**-25.0**	**-426.0**
Total (excluding PDI)	**-2.0**	**-4.0**	**-7.0**	**-12.0**	**-21.0**	**-30.0**	**-43.0**	**-56.0**	**-69.0**	**-83.0**	**-99.0**	**-25.0**	**-426.0**
PDI impacts	**-**	***-0.1***	***-0.3***	***-0.7***	***-1.4***	***-2.4***	***-4.0***	***-6.2***	***-9.1***	***-12.7***	***-17.2***	***-1.1***	***-54.1***
Total (including PDI)	**-2.0**	**-4.1**	**-7.3**	**-12.7**	**-22.4**	**-32.4**	**-47.0**	**-62.2**	**-78.1**	**-95.7**	**-116.2**	**-26.1**	**-480.1**

(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.

\- Indicates nil.

Table A4: HECS debt burden – Option 2: Provide debt forgiveness for indexation accrued since 1 January 2021 Fiscal balance ($m)[(a)]

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	**Total to 2027-28**	**Total to 2034-35**
Revenue													
Administered non-tax													
Indexation on loans	*-179.0*	*-148.0*	*-121.0*	*-102.0*	*-89.0*	*-76.0*	*-64.0*	*-53.0*	*-43.0*	*-35.0*	*-27.0*	***-550.0***	***-937.0***
Unwinding concessional loan discount	*-94.3*	*-94.2*	*-92.5*	*-85.8*	*-74.9*	*-64.6*	*-54.8*	*-45.8*	*-37.6*	*-30.4*	*-23.6*	***-366.8***	***-698.5***
Total – revenue	**-273.3**	**-242.2**	**-213.5**	**-187.8**	**-163.9**	**-140.6**	**-118.8**	**-98.8**	**-80.6**	**-65.4**	**-50.6**	**-916.8**	**-1,635.5**
Expenses													
Administered													
Remissions	*-6,460.0*	-	-	-	-	-	-	-	-	-	-	***-6,460.0***	***-6,460.0***
Personal benefit refunds	*-1,140.0*	-	-	-	-	-	-	-	-	-	-	***-1,140.0***	***-1,140.0***
Total – expenses	**-7,600.0**	-	-	-	-	-	-	-	-	-	-	**-7,600.0**	**-7,600.0**
Total (excluding PDI)	**-7,873.3**	**-242.2**	**-213.5**	**-187.8**	**-163.9**	**-140.6**	**-118.8**	**-98.8**	**-80.6**	**-65.4**	**-50.6**	**-8,516.8**	**-9,235.5**
PDI impacts	***-45.0***	***-111.0***	***-152.0***	***-192.0***	***-231.0***	***-270.0***	***-308.0***	***-346.0***	***-383.0***	***-418.0***	***-457.0***	***-500.0***	***-2,913.0***
Total (including PDI)	**-7,918.3**	**-353.2**	**-365.5**	**-379.8**	**-394.9**	**-410.6**	**-426.8**	**-444.8**	**-463.6**	**-483.4**	**-507.6**	**-9,016.8**	**-12,148.5**

(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.

\- Indicates nil.

Table A5: HECS debt burden – Option 2: Provide debt forgiveness for indexation accrued since 1 January 2021 Underlying cash balance ($m)[(a)]

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	**Total to 2027-28**	**Total to 2034-35**
Receipts													
Administered non-tax													
Interest receipts	*-1,140.0*	*-1,080.0*	*-1,070.0*	*-1,080.0*	*-1,110.0*	*-1,150.0*	*-1,180.0*	*-1,010.0*	*-780.0*	*-560.0*	*-330.0*	***-4,370.0***	***-10,490.0***
Payments													
Administered													
Personal benefit refunds	*-1,140.0*	-	-	-	-	-	-	-	-	-	-	***-1,140.0***	***-1,140.0***
Total (excluding PDI)	**-2,280.0**	**-1,080.0**	**-1,070.0**	**-1,080.0**	**-1,110.0**	**-1,150.0**	**-1,180.0**	**-1,010.0**	**-780.0**	**-560.0**	**-330.0**	-5,510.0	-11,630.0
PDI impacts	***-34.0***	***-95.0***	***-142.0***	***-182.0***	***-222.0***	***-261.0***	***-299.0***	***-337.0***	***-374.0***	***-410.0***	***-448.0***	*-453.0*	*-2,804.0*
Total (including PDI)	**-2,314.0**	**-1,175.0**	**-1,212.0**	**-1,262.0**	**-1,332.0**	**-1,411.0**	**-1,479.0**	**-1,347.0**	**-1,154.0**	**-970.0**	**-778.0**	-5,963.0	-14,434.0

(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.

\- Indicates nil.

Table A6: HECS debt burden – Option 2: Provide debt forgiveness for indexation accrued since 1 January 2021 Headline cash balance ($m)[(a)]

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	**Total to 2027-28**	**Total to 2034-35**
Receipts													
Administered non-tax													
Interest receipts	*-1,140.0*	*-1,080.0*	*-1,070.0*	*-1,080.0*	*-1,110.0*	*-1,150.0*	*-1,180.0*	*-1,010.0*	*-780.0*	*-560.0*	*-330.0*	***-4,370.0***	***-10,490.0***
Loan principal repayments	*138.0*	*183.0*	*250.0*	*325.0*	*409.0*	*500.0*	*597.0*	*480.0*	*325.0*	*165.0*	*-24.0*	***896.0***	***3,348.0***
Total – receipts	**-1,002.0**	**-897.0**	**-820.0**	**-755.0**	**-701.0**	**-650.0**	**-583.0**	**-530.0**	**-455.0**	**-395.0**	**-354.0**	**-3,474.0**	**-7,142.0**
Payments													
Administered													
Personal benefit refunds	*-1,140.0*	-	-	-	-	-	-	-	-	-	-	***-1,140.0***	***-1,140.0***
Total (excluding PDI)	**-2,142.0**	**-897.0**	**-820.0**	**-755.0**	**-701.0**	**-650.0**	**-583.0**	**-530.0**	**-455.0**	**-395.0**	**-354.0**	**-4,614.0**	**-8,282.0**
PDI impacts	***-34.0***	***-95.0***	***-142.0***	***-182.0***	***-222.0***	***-261.0***	***-299.0***	***-337.0***	***-374.0***	***-410.0***	***-448.0***	**-453.0**	**-2,804.0**
Total (including PDI)	**-2,176.0**	**-992.0**	**-962.0**	**-937.0**	**-923.0**	**-911.0**	**-882.0**	**-867.0**	**-829.0**	**-805.0**	**-802.0**	**-5,067.0**	**-11,086.0**

(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.

\- Indicates nil.

Table A7: HECS debt burden – Option 3: Change indexation rate to 1% Fiscal balance ($m)[(a)]

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
Revenue													
Administered non-tax													
Indexation on loans	*-845.0*	*-776.0*	*-712.0*	*-695.0*	*-724.0*	*-755.0*	*-790.0*	*-827.0*	*-869.0*	*-916.0*	*-967.0*	***-3,028.0***	***-8,876.0***
Unwinding concessional loan discount	*846.0*	*749.0*	*657.0*	*610.0*	*606.0*	*604.0*	*604.0*	*605.0*	*610.0*	*619.0*	*631.0*	***2,862.0***	***7,141.0***
Total – revenue	**1.0**	**-27.0**	**-55.0**	**-85.0**	**-118.0**	**-151.0**	**-186.0**	**-222.0**	**-259.0**	**-297.0**	**-336.0**	**-166.0**	**-1,735.0**
Expenses													
Administered													
Concessional loan discount	*-599.0*	*-617.0*	*-643.0*	*-676.0*	*-711.0*	*-749.0*	*-789.0*	*-831.0*	*-874.0*	*-919.0*	*-969.0*	***-2,535.0***	***-8,377.0***
Total (excluding PDI)	**-598.0**	**-644.0**	**-698.0**	**-761.0**	**-829.0**	**-900.0**	**-975.0**	**-1,053.0**	**-1,133.0**	**-1,216.0**	**-1,305.0**	**-2,701.0**	**-10,112.0**
PDI impacts	***-0.2***	***-0.8***	***-1.8***	***-3.6***	***-6.7***	***-11.5***	***-18.6***	***-28.4***	***-41.1***	***-57.0***	***-76.4***	***-6.4***	***-246.1***
Total (including PDI)	**-598.2**	**-644.8**	**-699.8**	**-764.6**	**-835.7**	**-911.5**	**-993.6**	**-1,081.4**	**-1,174.1**	**-1,273.0**	**-1,381.4**	**-2,707.4**	**-10,358.1**

(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.

\- Indicates nil.

Table A8: HECS debt burden – Option 3: Change indexation rate to 1% Underlying cash balance ($m)[(a)]

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
Receipts													
Administered non-tax													
Interest receipts	-	*-160.0*	*-320.0*	*-490.0*	*-680.0*	*-890.0*	*-940.0*	*-990.0*	*-1,000.0*	*-1,060.0*	*-1,110.0*	***-970.0***	***-7,640.0***
Total (excluding PDI)	-	**-160.0**	**-320.0**	**-490.0**	**-680.0**	**-890.0**	**-940.0**	**-990.0**	**-1,000.0**	**-1,060.0**	**-1,110.0**	**-970.0**	**-7,640.0**
PDI impacts	***-0.2***	***-0.6***	***-1.6***	***-3.2***	***-6.0***	***-10.4***	***-16.9***	***-26.0***	***-38.1***	***-53.2***	***-71.7***	***-5.6***	***-227.9***
Total (including PDI)	**-0.2**	**-160.6**	**-321.6**	**-493.2**	**-686.0**	**-900.4**	**-956.9**	**-1,016.0**	**-1,038.1**	**-1,113.2**	**-1,181.7**	**-975.6**	**-7,867.9**

(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.

\- Indicates nil.

Table A9: HECS debt burden – Option 3: Change indexation rate to 1% Headline cash balance ($m)[(a)]

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
Receipts													
Administered non-tax													
Interest receipts	-	*-160.0*	*-320.0*	*-490.0*	*-680.0*	*-890.0*	*-940.0*	*-990.0*	*-1,000.0*	*-1,060.0*	*-1,110.0*	***-970.0***	***-7,640.0***
Loan principal repayments	*-7.0*	*143.0*	*288.0*	*438.0*	*600.0*	*768.0*	*764.0*	*755.0*	*717.0*	*712.0*	*706.0*	***862.0***	***5,884.0***
Total – receipts	**-7.0**	**-17.0**	**-32.0**	**-52.0**	**-80.0**	**-122.0**	**-176.0**	**-235.0**	**-283.0**	**-348.0**	**-404.0**	**-108.0**	**-1,756.0**
Total (excluding PDI)	**-7.0**	**-17.0**	**-32.0**	**-52.0**	**-80.0**	**-122.0**	**-176.0**	**-235.0**	**-283.0**	**-348.0**	**-404.0**	**-108.0**	**-1,756.0**
PDI impacts	***-0.2***	***-0.6***	***-1.6***	***-3.2***	***-6.0***	***-10.4***	***-16.9***	***-26.0***	***-38.1***	***-53.2***	***-71.7***	***-5.6***	***-227.9***
Total (including PDI)	**-7.2**	**-17.6**	**-33.6**	**-55.2**	**-86.0**	**-132.4**	**-192.9**	**-261.0**	**-321.1**	**-401.2**	**-475.7**	**-113.6**	**-1,983.9**

(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.

\- Indicates nil.

Attachment B – HECS debt burden – Additional analysis

All figures below are estimates based on PBO analysis and the HELP model provided by the Department of Education as at 2024-25 Budget.

Table B1: HECS debt burden – Additional analysis – Item 1: Change to indexation on total debt

Indexation on total debt value ($m)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Baseline	1,727	1,661	1,605	1,614	1,693	1,777	1,869	1,968	2,078	2,202	2,335
Proposed	1,727	1,418	1,371	1,378	1,439	1,505	1,578	1,656	1,754	1,855	1,963
Change in indexation	**-**	**-243**	**-234**	**-237**	**-254**	**-272**	**-292**	**-313**	**-325**	**-348**	**-372**

- Indicates nil

Table B2: HECS debt burden – Additional analysis – Item 1: Change to indexation on fair value of debt

Indexation on fair value of debt ($m)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Baseline	1,263	1,193	1,133	1,122	1,159	1,200	1,245	1,294	1,352	1,417	1,488
Proposed	1,263	1,018	968	958	985	1,016	1,051	1,089	1,140	1,194	1,251
Change in indexation	**-**	**-174**	**-165**	**-165**	**-174**	**-184**	**-194**	**-205**	**-211**	**-224**	**-237**

- Indicates nil.

Table B3: HECS debt burden – Additional analysis – Item 2: Balance of debt increase since 1 January 2021

Student debt since 1 Jan 2021 ($m)	2021-22	2022-23	2023-24	2024-25	Total increase to 2024-25
Total debt	71,663	73,473	78,110	81,927	**10,264**
Fair value of debt	49,887	49,666	45,604	45,912	**-3,975**

Table B4: HECS debt burden – Additional analysis – Item 3: Change to total debt

Total value of debt ($m)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Baseline	85,087	88,978	93,248	97,889	102,893	108,300	114,115	120,351	127,319	134,750	142,667
Proposed	86,090	92,081	98,557	105,516	112,954	120,885	129,369	138,449	148,317	158,814	170,003
Change in debt accrued	**1,003**	**3,103**	**5,309**	**7,627**	**10,061**	**12,585**	**15,253**	**18,097**	**20,998**	**24,065**	**27,336**

Attachment C – Analysis of repayment times under altered repayment thresholds

A repayment profile of an example debtor was modelled under both the PBO forecast baseline repayment arrangements and the requested altered arrangements, with scenarios representing the different income trajectories for a given student.

The following assumptions apply to our estimated student across all scenarios:

- The student starts their studies in 2026 and will complete their studies over 3 years.
- During study, the student will make no repayments toward their debt.
- Their debt on completion will be approximately equal to the trimmed mean debt reported in the Universities Australia *Student Finance Survey* Report, adjusted by Consumer Price Index (CPI).[3]
- The student will jump to some portion of the average graduate full-time income after completion of their degree, informed by the Quality Indicators for Learning and Teaching *Graduate Outcome Survey* National Report, adjusted for wage growth.[4] The portion of the average salary is set by the scenarios below.
- Income growth set at Wage Price Index (WPI), plus an additional income growth bonus for the first 4 years of employment of approximately 10%. This 10% was chosen as it enables the Scenario 1 example debtor to repay their loan in exactly 10 years.
- The student will work full-time for 40 years.

All figures and tables below are sourced from PBO analysis, based on the above assumptions.

[3] Universities Australia (2017) Student Finance Survey Report, accessed 10 December 2024.

[4] Quality Indicators for Learning and Teaching (2020) Graduate Outcome Survey National Report, accessed 10 December 2024.

Scenario 1 – Example debtor

Scenario 1 illustrates a debtor who would repay their debt over 10 years under the baseline thresholds (the average completion time for debtors who do pay off their debt, per the 2023-24 HELP statistics published by the ATO).

This debtor is assumed to have 100% of the average graduate income upon completion of their degree.

For this debtor, the impact of the repayment changes is relatively small, and will increase the time to repay the loan by approximately 1 year.

Figure C1 – Example debtor under baseline and proposed repayments system

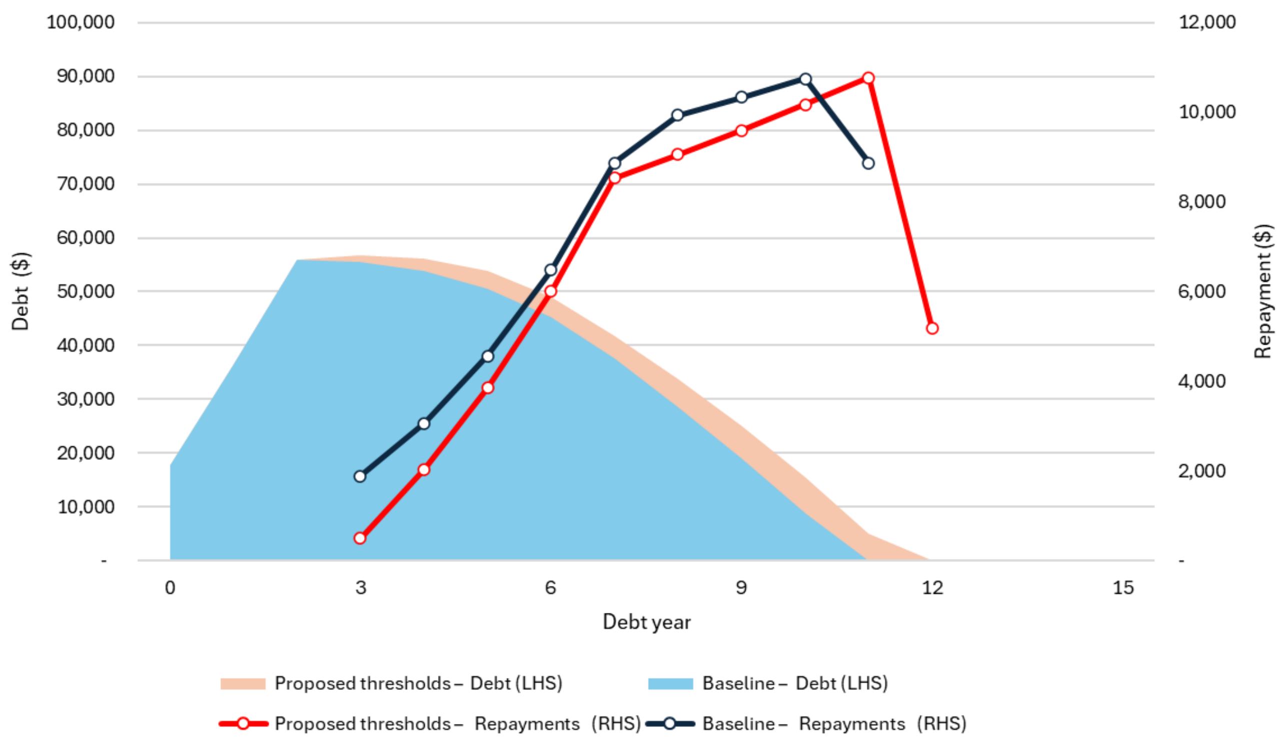


Table C1 – Example debtor under baseline and proposed repayments system

$	Baseline	Proposed	Change
Nominal			
Total indexation	11,549	12,506	957
Total repayments	64,772	65,729	957
Present value			
Total repayments	53,213	53,213	-
Debt repaid	100%	100%	

- Indicates nil.

Scenario 2 – 50% starting income

Scenario 2 is an edge case to illustrate differentiation between the baseline and proposed marginal system for lower income debtors, where our assumed debtor can still pay of their debt entirely under both repayment settings, by changing only starting income.

This debtor is assumed to start with approximately 50% of the average graduate income upon completion of their degree.

As a result, this debtor falls below the minimum repayment threshold under the proposed repayments settings for longer, pushing back the time to repay by approximately 8 years.

Figure C2 – Example debtor with 50% reduction in starting income under baseline and proposed repayments system

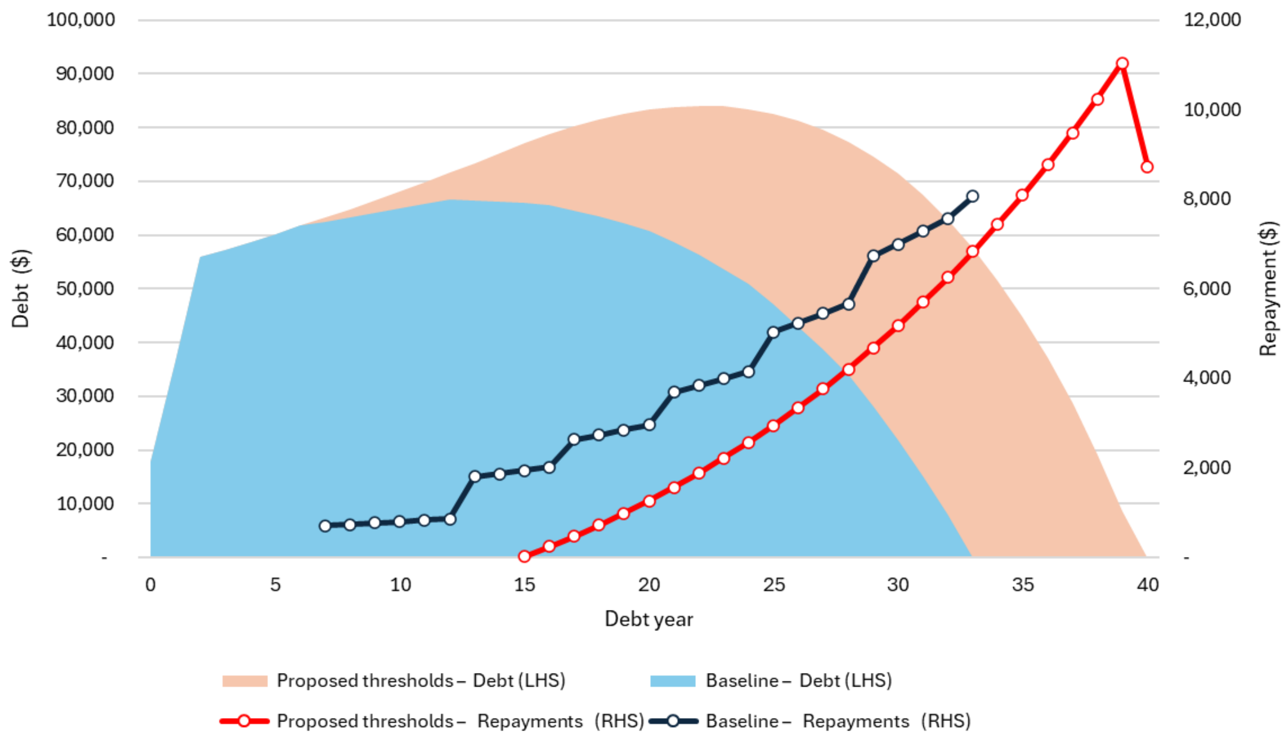


Table C2 – Example debtor with 50% reduction in starting income under baseline and proposed repayments system

$	Baseline	Proposed	Change
Nominal			
Total indexation	43,972	65,439	21,467
Total repayments	97,195	118,662	21,467
Present value			
Total repayments	53,213	53,213	-
Debt repaid	100%	100%	

- Indicates nil.

Scenario 3 – Stagnant wages

Scenario 3 is another edge case to illustrate the impact on the debt profile of low-income debtors under the proposed repayments changes, where the debtor is near the raised repayments floor.

This debtor is assumed to start with approximately 100% of the average graduate income upon completion of their degree, but experience no wage growth in real terms, with their wages only keeping up with inflation.

As a result, this debtor has a reduction in their mandatory repayments throughout their working life compared to baseline, and only repays around one third of their loan (in present value terms) before retirement, with the remaining debt treated as debt not expected to be repaid.

Figure C3 – Example debtor with no real wage growth under baseline and proposed repayments system

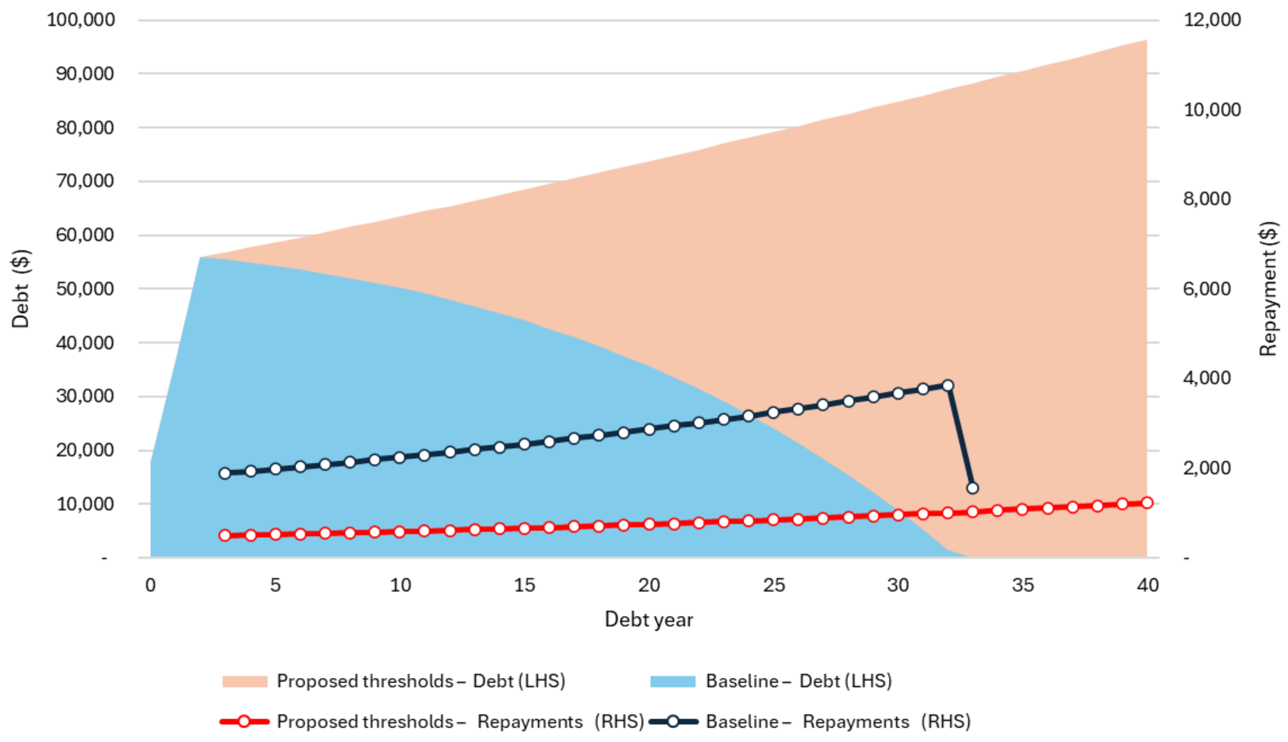


Figure C3 – Example debtor with no real wage growth under baseline and proposed repayments system

$	Baseline	Proposed	Change
Nominal			
Total indexation	31,106	73,704	42,598
Total repayments	84,329	30,527	-53,802
Present value			
Total repayments	53,213	17,311	-35,902
Debt repaid	100%	33%	-66%

Attachment D – 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 (HELP) are an example of concessional loans offered by the Commonwealth.

Budget impact[5]

The accounting treatment of concessional loans differs across each budget aggregate (See figures D1, D2 and D3). The underlying cash balance only captures actual flows of interest related to the loans (which include fees). 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.[6] Table D1 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 Commonwealth 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 (DNER)

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. The fiscal balance captures change in loans not expected to be repaid through 'Other loan financing'. 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 also reflected in net worth.

Table D1: 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	Debts forgiven, also known as mutually agreed write-downs, 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.

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

[6] 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.

The following figures and the respective definitions of each line item summarise the components of the different budget aggregates, and highlight which components are impacted under the proposed policy.

Figure D1: HECS debt burden – Fiscal balance

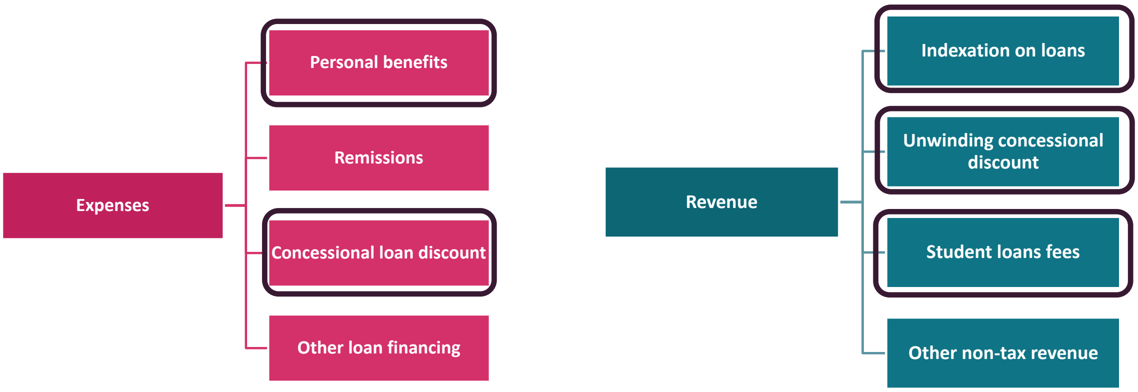
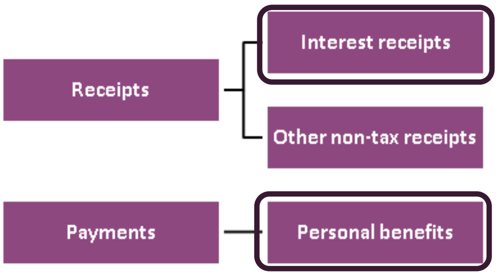


Table D2: HECS debt burden – Descriptions of Fiscal balance items

Fiscal balance item	Description
Personal benefits	The personal benefits line item is the direct benefit to students who under the proposed policy would receive refunds as a result of fully paying off their loans. This line item also previously included those who paid their fees up-front and received a discount, which is no longer applicable as of December 2022.
Remissions	Remissions occur when both parties agree to write-off an amount owed to the Australian Government. This item is mainly policy driven and consists of the mutually agreed write-downs of non-DNER debt for existing loans, such as policy measures related to debt waivers. For this reason, it is not affected by changes to debt write-offs due to death. Changes to debt write-offs due to death are captured in Other loan financing.
Concessional loan discount	The concessional component of a HELP loan represents the opportunity cost of providing the loan at a discounted rate and is referred to as the “loan discount”, which is recognised as an expense. The expense is the difference between the loan's nominal value at the concessional rate and fair value at the market rate.
Other loan financing	This item reports the proportion of debt that is not expected to be repaid (DNER) at the time of initial recognition. Other loan financing is primarily comprised of DNER due to death.
Indexation on loans	The fair value of HELP loans outstanding is subject to indexation which is recognised as interest income in the financial statements. The fair value of the HELP opening balance is based on actuarial assessment performed by the Australian Government Actuary (AGA).
Unwinding concessional discount	The concessional loan discount is initially recognised when new loans are advanced, and then subsequently written back over the lifetime of the loan as revenue, referred to as unwinding of the discount. The unwinding is calculated as the difference between potential interest income at market rates and actual interest accrued at the concessional rate.
Student loan fees	When enrolled in a full fee-paying university place, there is a 20 per cent FEE-HELP loan fee applied to some undergraduate study, which is captured in this line item.
Other non-tax revenue	Other non-taxation revenue that is not reported elsewhere, calculated as the proportion of state contributions for DNER and deferral costs for state subsidised VET Student Loans (VSL) consisting of the upfront fees charged on new VSL loans. States and territories contribute 50% of loan expenses, which includes DNER and the concessional loan discount, generated by state-subsidised students using the VSL scheme or grandfathered VET FEE HELP.

Figure D2: HECS debt burden – Underlying cash balance[a]

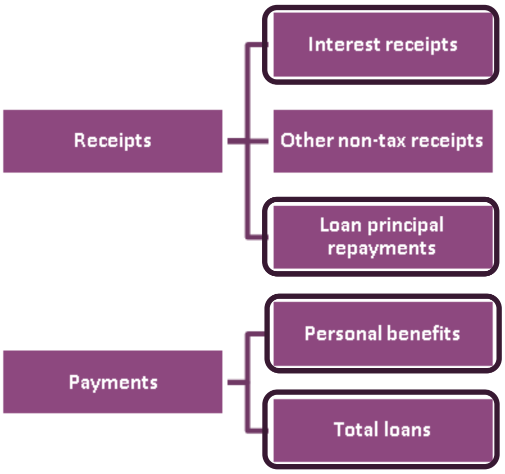


(a) Interest receipts include repayment classified as interest.

Table D3: HECS debt burden – Descriptions of Underlying cash balance (UCB) items

UCB item	Description
Interest receipts	The proportion of HELP repayments that are classified as interest repayments.
Other non-tax receipts	The cash equivalent of other non-tax revenue – this includes the proportion of state contributions for DNER and deferral costs for state subsidised VET Student Loans (VSL) consisting of the upfront fees charged on new VSL loans.
Personal benefits	The personal benefits line item is the direct benefit to students who under the proposed policy would receive refunds as a result of fully paying off their loans. This line item also previously included those who paid their fees up-front and received a discount, which is no longer applicable as of December 2022.

Figure D3: HECS debt burden – Headline Cash Balance[a]



(a) Interest receipts include repayment classified as interest.

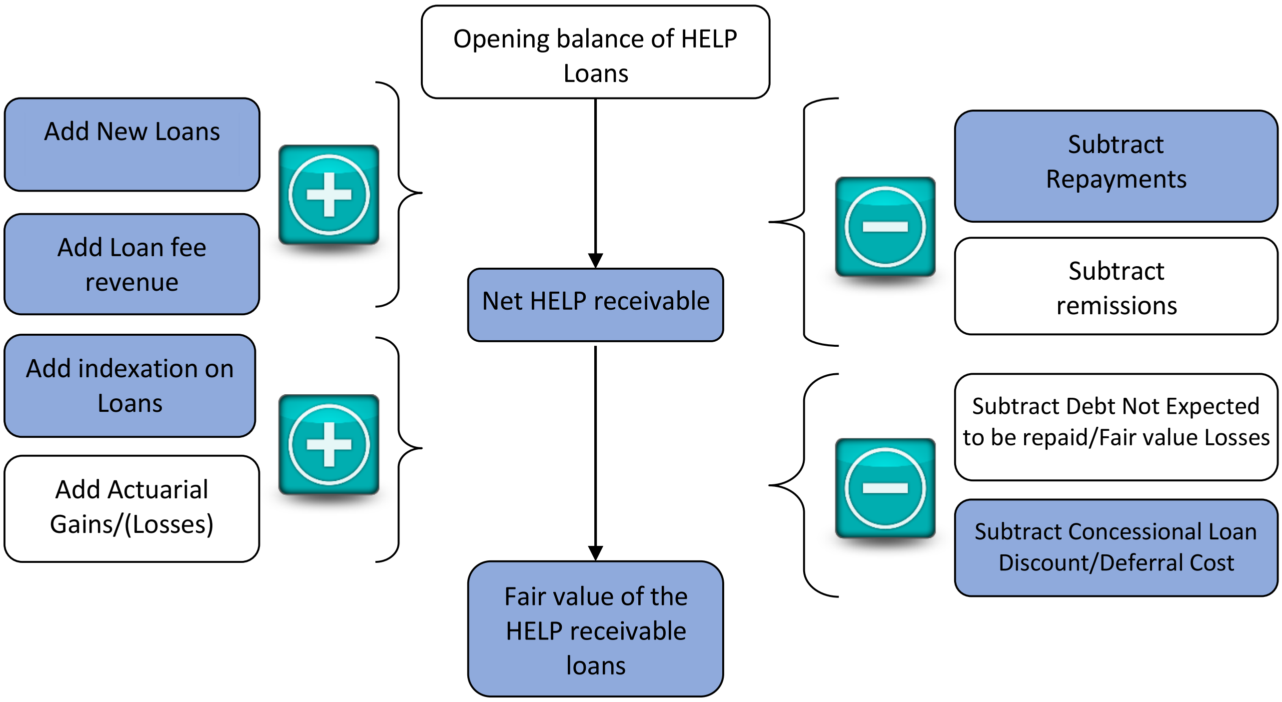
Table D4: HECS debt burden – Descriptions of Headline cash balance (HCB) items

HCB item	Description
Interest receipts	The proportion of HELP repayments that are classified as interest repayments.
Other non-tax receipts	The cash equivalent of other non-tax revenue – this includes the proportion of state contributions for DNER and deferral costs for state subsidised VET Student Loans (VSL) consisting of the upfront fees charged on new VSL loans.
Loan principal repayments	This line item captures only the principal component of repayments.
Personal benefits	The personal benefits line item is the direct benefit to students who under the proposed policy would receive refunds as a result of fully paying off their loans. This line item also previously included those who paid their fees up-front and received a discount, which is no longer applicable as of December 2022.
Total loans	This item captures the total new loans issued each year across all HELP types.

Attachment E – HELP Debt Fair Value Calculation Flowchart

HELP Debt fair value is the total value of HELP loans after adjusting for all changes including new loans, indexation, repayments, and debt not expected to be repaid. Figure E1 outlines the flow of these components with cells shaded in blue impacted under the options of this policy.

Figure E1: HELP Fair Value Calculation Flowchart[a]



(a) Boxes shaded blue indicate items impacted under the options of this policy proposal