



# **COMMONWEALTH GRANTS COMMISSION**

**DRAFT ASSESSMENT PAPER CGC 2003/26**

## **HIGHER EDUCATION**

Prepared for the Commission's 2003 Conferences on Draft Assessments

**AUGUST 2003**

## NOTE

**Included in this paper are the results of preliminary calculations based on the methods proposed throughout the paper and using the data currently available. Those results are indicative only and should be seen as work in progress. Ongoing changes are being made to standards and factor calculations as new data come to hand. Moreover, the calculations have been done using a prototype assessment system and are subject to ongoing revision as checking processes proceed.**

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## INTRODUCTION

1. This paper presents the draft assessment for the Higher Education category for the 2004 Review. Higher Education was a 'no-change' category and a discussion paper was not circulated to States previously. This paper takes account of State comments in State main and rejoinder submissions.

## 1999 REVIEW ASSESSMENT

### *Scope of the category*

2. In the 1999 Review, the Higher Education category comprised expenditure by State governments on administration, inspection, support and operation of educational programs leading to a university first degree, post-graduate degree or other higher education including research programs. State contributions to higher education superannuation and costs associated with the subsidy of transport of university students were excluded.

3. Under the method adopted in the 1999 Review, Commonwealth payments<sup>1</sup> relating to this category were excluded from the equalisation budget, because they were considered to be a Commonwealth responsibility.

4. Table 1 shows the standard expenses for 1996-97 to 2001-02. In 2001-02, this category represented 0.03 per cent of total gross standard expenses.

**Table 1** HIGHER EDUCATION — STANDARD EXPENSES

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
Standard expenses (\$pc)	1.96	1.01	1.27	1.33	1.79	1.59
% of total standard expenses	0.05	0.03	0.03	0.03	0.04	0.03

### *Structure of the 1999 Review assessment*

5. Under the method adopted in the 1999 Review, gross expenses were assessed by the equal per capita (EPC) method. The reason for excluding Commonwealth payments and adopting an EPC method of assessment was that the Commission considered that higher

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<sup>1</sup> These payments used to be Specific Purpose Payments (SPPs) to the States, but are now Commonwealth Own Purpose Outlays (COPOs).

education was a Commonwealth responsibility and that differences in actual expenditure reflect State policy choices.

## **PROPOSED CATEGORY DEFINITION AND METHOD OF ASSESSMENT**

### ***State views***

6. Tasmania and the Northern Territory were the only States to comment on this category in either their main or rejoinder submissions. Tasmania supported the continuation of the EPC assessment. The Northern Territory argued for an EPC assessment for all States except itself. The Northern Territory said its standardised expenses should be equal to its actual per capita expenses. It said that in 2000-01 the Territory spent \$31.05 per capita on higher education compared to a standard of \$0.96.

7. The Northern Territory said that without this level of subsidy, the Northern Territory University could not operate. It said that the Territory's role was informally recognised by the Commonwealth in that there was an expectation that the Territory would maintain its funding levels. In effect, the Commonwealth assumed a wider role for the Territory compared with other States in the funding of higher education. The Territory said that this was a disability that should be recognised by the Commission.

### ***Commission decisions***

8. The Commonwealth has accepted the major funding role for higher education — higher education is thus a Commonwealth responsibility. Except for the Northern Territory, State expenses relating to higher education are relatively small and are driven by State policies relating to particular issues that they wish to support. Standard expenses were \$1.59 per capita in 2001-02.

9. In the context where State expenses are very small and interstate variations in expenses are due to State policies, an EPC assessment is conceptually the most appropriate approach for all States.

10. The Northern Territory's argument that the Commonwealth has a higher expectation of it than other States is not one for equalisation. This would seem an issue that is more appropriately taken up through bilateral discussions between the Northern Territory and the Commonwealth.

11. The Commission's proposals for the 2004 Review draft assessment of Higher Education are summarised in Table 2.

**Table 2** COMMISSION DECISIONS – CATEGORY DEFINITION AND THE ASSESSMENT STRUCTURE

Proposals	Reason
<b>Definition.</b> Unchanged from 1999 Review.	Higher education is a Commonwealth responsibility. State expenses supplement the Commonwealth funds.
<b>Commonwealth payments.</b> Continue to treat all Commonwealth payments by exclusion.	Function is a Commonwealth responsibility.
<b>Method of Assessment.</b> Continue the EPC approach..	Interstate differences in State funding reflect policy differences.

### SUMMARY OF RESULTS - EXPENSES

12. Table 3 compares the category factors for the 2003 Update and the 2004 Review draft assessments. Because an EPC assessment has been adopted these category factors are 1.0 for all States.

**Table 3** COMPARISON OF CATEGORY FACTORS, 2003 UPDATE AND THE DRAFT ASSESSMENT FOR THE 2004 REVIEW

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
2003 Update	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
<b>Draft Assessment - 2004 Review</b>	<b>1.0000</b>	<b>1.0000</b>	<b>1.0000</b>	<b>1.0000</b>	<b>1.0000</b>	<b>1.0000</b>	<b>1.0000</b>	<b>1.0000</b>

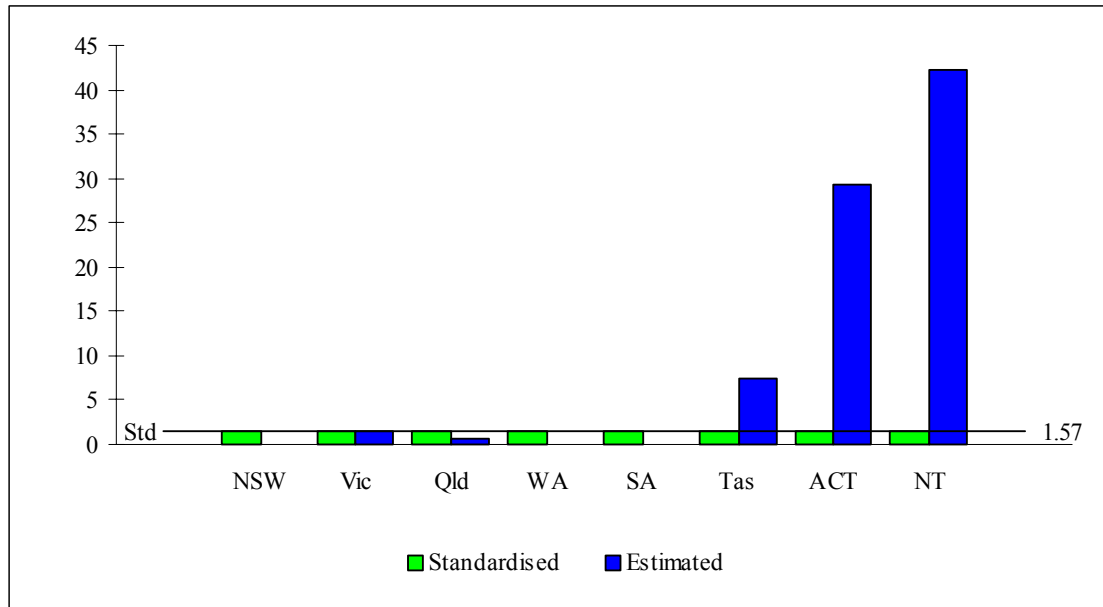
13. Table 4 shows the standardised expenses assessed for this category for 2001-02 in the draft assessment. These results are the same as those used in the 2003 Update.

**Table 4** ESTIMATED, STANDARD AND STANDARDISED EXPENSES, 2001-02

	Standard	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>2003 Update</b>									
Estimated expenses									
\$m		0.000	6.127	2.570	0.000	0.000	3.815	9.434	9.174
\$ per capita		0.00	1.26	0.70	0.00	0.00	8.06	29.24	45.88
Standardised expenses									
\$m		10.545	7.709	5.828	3.046	2.411	0.751	0.512	0.317
\$ per capita	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
<b>2004 Review</b>									
Estimated expenses									
\$m		0.000	6.722	2.552	0.000	0.123	3.496	9.434	8.434
\$ per capita		0.00	1.38	0.70	0.00	0.08	7.39	29.24	42.18
Standardised expenses									
\$m		10.423	7.620	5.761	3.011	2.383	0.743	0.506	0.314
\$ per capita	1.57	1.57	1.57	1.57	1.57	1.57	1.57	1.57	1.57

14. Figure 1 shows the gross expenses per capita for 2001-02 for the 2004 Review in terms of standardised, estimated and standard expenses.

**Figure 1** HIGHER EDUCATION – GROSS EXPENSES PER CAPITA – STANDARDISED, ESTIMATED AND STANDARD, 2001-02



*Effect of assessment on grants*

15. Higher Education is an EPC assessment and therefore it has no redistribution effects on grant shares.