New Managed Growth Funding: Implementation Consultation

University of Tasmania Submission

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Executive Summary

The University of Tasmania supports the proposed approach to implementing a new Managed Growth Funding System for Australian universities. We welcome a new funding system to maintain sustainable sector growth and increase opportunities for people from underrepresented backgrounds, to achieve the intended outcomes of the Australian Universities Accord review.

If implemented effectively, this new approach to funding and growth in higher education participation for people from underrepresented backgrounds will be transformative for places like Tasmania.

Tasmania has a disproportionately high number of people facing disadvantage in all forms – including those living in rural and remote areas, First Nations people, and people living with disability. Our state has a low proportion of people with a university degree at 21.9%, compared to 26.3% nationally – and for some regional areas in Tasmania this drops to below 10%[1].

As the only university based in Tasmania, providing a good education to as many Tasmanians as possible is at the heart of everything we do. Given the unique challenges in education attainment and access that Tasmania faces, this means our university attracts high numbers of these underrepresented students.

For example, 44% of the Tasmania population are the from low SES regions, the highest of all states and territories. As such, the University of Tasmania teaches a relatively high proportion of low SES students, with 34% of Tasmanians studying at the University coming from low SES areas. This compares to nationally where 23% of the population are from low SES regions and 15% of domestic university students are low SES.

Our whole student cohort includes regional and remote students (61%), low SES students (28%), and adult learners (~70% of our total student cohort, compared to a national average of 50%). These are the types of students who require additional supports to prepare, access and succeed in study, and who will benefit from improved access to education and educational support services.

We are supportive of the proposed approach to university funding reforms through the Managed Growth Funding alongside the Needs-Based Funding proposal and consider this a strong framework from which we can support more Tasmanians to participate in higher education.

The transition to any new system requires careful consideration and we welcome the opportunity to contribute to the development of a new higher education funding system for Australian universities.

[1] Australian Bureau of Statistics Census Data (2021), www.abs.gov.au

We consider three key aspects critical in managing this transition period:

1. As a university that is currently below our Higher Education Continuity Guarantee (CGS cap) it is important that the transition to the new managed growth funding is gradual, allowing time to close this gap. Improving education access and participation in Tasmania requires consistent engagement within schools and our communities, particularly in Tasmania's regional settings. A rapid reduction in funding would impact our ability to continue this important engagement and increase our enrolments over time in line with the Accord targets whilst meeting the skills gap for Tasmania. We support the funding floor being a permanent feature of the funding policy and having it reduce marginally each year for universities that are below their funding floor.

2. We propose that the initial Managed Growth Targets be set at the EFTSL equivalents allowed under the current CGS cap. One of the fundamental issues with the current system is the ability of universities to go above their cap and continue to collect the SCA. This has contributed to a drain of prepared students and skills from the regions to the metropolitan areas.

3. It is important that for the Needs-Based Funding proposal to replace existing grant-based funding including Regional Loading, Higher Education Participation and Partnerships Program (HEPPP) and Disability Support Program (DSP), that the current levels of funding are maintained. Currently a portion of these grant funds are used for engaging with prospective and future students via early access and support programs which could be jeopardised if moving to a funding per EFTSL mechanism. These programs are critical for engaging underrepresented groups in higher education opportunities. We also propose an independent funding floor be set at the existing funding level for the equity funding programs that will be replaced by Needs-Based Funding in the new model.

System-wide pool and Managed Growth Targets

Consultation Paper Proposal: System-Wide Pool
"The Government will determine a maximum system-wide pool of Commonwealth supported places to support the long-term growth in enrolments to reach the Government's attainment targets. Eligible institutions will negotiate a Managed Growth Target (MGT, expressed in numbers of students enrolled) from the system-wide pool of student places."

Consultation Paper Proposal: Managed Growth Targets
"It is proposed that Managed Growth Targets (MGT) will be introduced for each Table A and the six non-Table A providers currently delivering Commonwealth supported places from 1 January 2026. *The MGT will set the maximum number of Commonwealth supported places – specified in equivalent full-time student load (EFTSL) – that will be funded based on the cluster rates and student contributions amount.* *The MGT would represent a hard cap on CSPs at that institution, with providers not eligible for CGS funding and not permitted to retain student contribution amounts (SCAs) for enrolments above their MGT."*

The University of Tasmania supports the combined approach of a system-wide pool alongside Managed Growth Targets (MGTs) for providers. Consideration must be given to how MGTs are calculated with place-based considerations, to align with national and state level skills needs across Australia. The success of this approach will be significantly influenced by the approach to both the initial MGT allocation and the anticipated growth in the MGT over time, and careful consideration of the calculation for these targets will be required.

As the only university based in Tasmania, we train much of the state's future workforce, and we provide a diverse curriculum to meet the skills and workforce needs of the state. To continue meeting the State's skills needs and address workforce shortages in critical industries, particularly in regional locations, it will be important for the number of Commonwealth supported places to align with local need.

The success of implementing the system-wide pool and MGT for each provider will be significantly influenced by the approach to both the initial MGT allocation and the anticipated growth in the MGT over time. Setting the initial system-wide pool too low risks jeopardising the individual MGT allocation being below the required level of funding each provider needs to attract and retain the skills needed to educate and support the students in their region whilst being financially sustainable. It would also likely create an excessive administrative burden for the proposed Australian Tertiary Education Commission (ATEC) as most of the 44 providers would commence individual negotiations to increase their MGT for that reason.

Our proposal is that the initial MGT allocation should be calculated as the maximum EFTSL allowed under the Higher Education Continuity Guarantee (CGS cap), calculated by dividing the total CGS guaranteed amount by the average CGS earned per EFTSL. Adopting such an approach will provide a degree of certainty for each provider that they will at least be funded at their current level of CGS funding.

For providers that are currently below their CGS cap, financial stability is required through the transition period to enable growth to meet the cap. This is particularly needed for universities with higher numbers of underrepresented student cohorts. We suggest for these providers, the initial funding floor should be set at the current guaranteed CGS cap (discussed below in section 4.2), thus avoiding the need to make radical changes to current resourcing and strategic plans.

For the University of Tasmania, this will mean we would be enabled to continue focusing on our mission to improve access to higher education across Tasmania, and delivering engagement and support programs to grow participation from underrepresented student groups which is central to meeting the Accord targets. To deliver those outcomes requires significant investment in appropriately skilled employees and regional campus infrastructure to provide local communities with improved access to education. Insufficient availability of funding risks an inability deliver the services that have a direct impact on the education participation and attainment outcomes in our regions.

As well as not limiting the growth of higher education in our region, maintaining current funding will also enable the time and effort required from both ATEC and the universities to undertake MGT negotiations in the first year to be significantly reduced.

The effect of this approach is that the initial system-wide pool would be an aggregation of the individual MGT allocations calculated above. In other words, it would be a bottom-up calculation rather than top-down for its initial establishment. If the total, system-wide pool is too high for ATEC or the Government to accept, we suggest the formula for providers above their CGS cap is adjusted accordingly, with an orderly transition.

After the first year, we expect the system-wide pool should increase in line with the attainment targets outlined in the Accord. We propose that the increase could be allocated via the MGT negotiation process and focussed in the regions where the skills gaps are greatest and where the growth in higher education participation needs the most attention.

If the opposite approach is taken and growth in the cap is allocated to metropolitan universities that are already over their cap then this is likely to contribute to the creation of “super universities”, a select few providers who would continue to grow at the expense of other providers. These larger providers are currently drawing many students away from regional and non-metropolitan regions, which has a negative impact on numbers of future graduates and skilled workers in the regions. In these circumstances, ATEC could limit the MGT allocation to those super universities to temporarily slow their growth and allow a rebalancing of the system to allocate the education and skills in the regions where the growth is needed.

This is one of the flaws in the current system, allowing larger universities to attract students to the detriment of regional universities. This is evidenced by some large universities lowering ATAR entry standards to attract students above their cap. They collect the student contribution, which can be over 90% of the revenue, and forgo the Commonwealth funded portion. Imposing a hard cap on student numbers would disincentivise this behaviour and see the system rebalance resulting in these students attending other universities, most likely in the regions where the skill needs are most pronounced.

The current proposal suggests that a provider could negotiate with ATEC to obtain an increase in their MGT by taking away unused demand elsewhere in the system. In our view, this approach would only accelerate the growth of “super universities”. Therefore, we propose that a provider’s MGT should never fall by adopting a “high-watermark” approach. This will provide a stable target for providers that are below their MGT to continue to implement strategies and allocate resourcing to produce the desired educational outcomes to drive growth and achieve that target. A target that could move both upwards and downwards (particularly on an annual basis) would increase complexity in strategic and resource planning.

It is our view that such an approach will allow a fair distribution of the system-wide pool across all providers by distributing any annual increases in the pool to the providers who are at or near their MGT cap and experiencing high demand in the first instance. Similarly, whilst preserving growth targets for providers that are below their MGT cap and are needing to invest to stimulate demand.

Rates of attrition and enrolment patterns vary from year to year and any significant improvement in attrition or uplift in semester 1 enrolments could quickly result in an MGT being exhausted early in the year. This will create the obvious drawback that may see new students unable to enrol and returning students not attracting funding once a provider has filled their MGT. Providers experiencing high demand would need to balance their enrolments between both commencing and continuing students, particularly if there is significant change in student retention via attrition rates, switching between full time and part time or changes in enrolment patterns. By setting and maintaining MGTs at a higher amount allows providers flexibility in managing these risks.

From a student perspective, they would need to apply as soon as applications open to ensure the best chance of acceptance at their chosen provider and course as limited space under the MGT would result in a ‘first-come-first-serve’ basis for enrolments. Students who are later in applying would likely miss out on a preferred place even though they may meet all the relevant requirements. Our proposed solution is that regional providers are effectively uncapped to avoid situations where a regional provider had to turn away a local student because they were at their cap. There is unlikely to be a mass exodus of students from the major capital cities to the regions in any scenario, but there will be sufficient choice in those cities for the MGT caps to remain workable.

Managed demand-driven funding for equity students

<u>Consultation Paper Proposal: Managed demand-driven funding for equity students</u>

"It is proposed that managed demand-driven funding for equity students will be established within the MGT for Table A provider. Students from equity backgrounds wishing to study a non-medical bachelor level course at a Table A providers will be guaranteed a fully-funded CSP if they gain admission, but not guaranteed a place at their chosen university.

MGTs of providers will be able to be adjusted to meet equity demand.

The managed demand-driven funding will apply for students from a low-SES, regional or remote background, or students with disability."

The proposed introduction of managed demand-driven funding for equity students is a commendable initiative aimed at ensuring that students from disadvantaged backgrounds have access to a fully funded Commonwealth Supported Place (CSP) if they gain university admission. However, there are several implementation issues and considerations that need to be addressed to ensure the success and fairness of this initiative.

While the aim is to increase access for equity students, it is essential to maintain academic standards. Providers should not be permitted to lower entry requirements, such as ATAR scores, solely to attract more equity students and associated funding. To uphold the quality of education and to maintain the competitiveness of smaller regional providers, policies must be put in place to prevent such practices. This will ensure that the funding model promotes genuine efforts to support equity students without compromising educational standards.

Whilst maintaining academic standards, we envisage a significant portion of new students necessary to meet the Accord's attainment targets (many of whom will be equity students) will need to complete a pathways program to prepare them for their chosen course. Additionally, many of these students would be disincentivised to enrol in their chosen course following completion of a pathways program if they were required to attend another provider because their chosen provider had reached their MGT cap.

To address this, we propose any EFTSL enrolled in a FEE-FREE Uni-Ready course be excluded from the MGT caps. This would allow space under the cap for those pathway students to articulate into their chosen course at their preferred provider and provides a system for providers to improve retention of those students. The current proposal states that all equity students will be guaranteed a fully funded place, though not at their chosen provider. However, the shifting of a potential student to a non-preferred provider may disincentivise a student from enrolling. Therefore, excluding the FEE-FREE Uni-Ready EFTSL from the MGT cap should reduce one disincentive for an equity student by increasing the likelihood of a place being available at their preferred provider. Where a provider is below the funding floor, these FEE-FREE places will count towards achieving that floor, to reduce any funding floor top-up payments required.

Another issue is defining the eligibility of equity students. For instance, determining a student's disability status poses a significant challenge. Providers would need clear guidelines on whether to accept information disclosed on application forms or require additional verification. Guidance would also be required regarding any change of circumstances for the student (e.g. acquired or newly diagnosed with disability).

Our recommendation is for a self-certification by the student to simply elect to disclose any disability as part of an application process, or via an update to their personal records at a later date. To require certification through verification of a disability status would significantly increase the time and cost to process enrolments of these students. In our experience, many students are already reluctant to disclose a disability which has an impact on how they study, their success, and our ability to ensure the best outcomes.

Finally, defining and determining local catchment areas for providers presents several challenges, particularly for smaller regional providers and their reliance on online students to support the cost of regional delivery for small cohorts.

We are concerned that the concept of a local catchment area may diminish the ability of smaller providers from recruiting from a national market. If students are directed to enrol at a provider within their own local catchment area, regional providers may face difficulties in sourcing enough students to maintain viable enrolment levels. This could undermine the growth and sustainability of these institutions, which often rely on attracting a diverse student body from various geographical locations due to a limited local population. For example, around 55% of the total CSP EFTSL at the University of Tasmania is studying a unit online in 2024. Of the online EFTSL, around 63% originate from outside Tasmania. Clarity around how online EFSTL will be treated in relation to regional funding is required, if an online student's regionality is determined by where the unit is administered from it will be attractive for universities with a regional presence to link these courses to the regional campus.

We would support a higher funding per student and online students be excluded from the regional funding or their regionality be based from where they are living.

Transition and institutional sustainability

<u>Consultation Paper Proposal: Funding Floors</u>

"It is proposed that a funding floor will be introduced for each Table A provider as part of the transition to the new Managed Growth Funding System.

The funding floor would be a level of funding which a Table A provider is guaranteed to receive each year, irrespective of actual enrolments. The funding floor will be set at a level lower than the previous year's CGS funding."

The introduction of a funding floor in the new Managed Growth Funding System is commendable as it provides stability and predictability during the transition period to a new funding system for universities. We welcome the proposed approach which supports providers with a level of guaranteed funding via a funding floor.

To support the transition to this new funding model, we propose for consideration:

1. The initial funding floor should be set based on the 2025 CGS Cap, adjusting for any indexation from CPI.
2. The annual funding floor decline, from 2027, should be set at a maximum 1.5% of the prior year CGS payments, after adjusting for CPI indexation, only if the funding floor amount is not achieved.
3. Adding either a separate floor or incorporated into the base floor, the current grant-based funding programs which enable delivery of early engagement and student support programs, such as Higher Education Participation and Partnerships Program (HEPPP), Regional Loading and Higher Education Disability Support Program (DSP), as none of this funding is currently part of the CGS cap.

While we support the introduction of a funding floor, we also strongly advocate for making this funding floor permanent.

Ensuring a permanent funding floor is crucial for several reasons. Providers operate on long-term strategic plans that span several years and involve significant investments in infrastructure, research and student support to deliver their academic mission. Without a permanent funding floor these longer-term plans would be disrupted during periods of unexpected downturns in student enrolments, potentially leading to inefficiencies and missed opportunities.

By ensuring permanence, providers can confidently allocate resources and plan for the future without the looming uncertainty of significant funding cuts, particularly in retention of academic employees to deliver the curriculum to meet the skills gaps or a provider's region.

We propose that there should be no restriction on the number of consecutive years a provider is allowed to access the funding floor. Investment in a new program or facility to drive future student demand can take many years to implement and gain traction. Turning around demand in a region takes time, and providers need sustained funding to build momentum, attract students, and establish themselves as educational hubs. This is particularly important in underserved areas where consistent efforts are required to enhance educational access and quality to overcome generations of educational disadvantage. A provider that is currently relying on the funding floor to make those investments may not be able to follow through if there is a risk the funding was to be significantly cut at any time.

For the first year of implementation, we propose that the funding floor be set in-line with the current CGS cap (i.e. as if the HECG was continued for an extra year) to avoid any sudden funding shock. Many providers currently operate on tight budgets, and staff salaries, infrastructure maintenance, and student services rely on consistent funding. Therefore, any proposal to apply a reduction to the funding floor should apply after the first year of implementation.

We propose that the floor should be set to reduce by a maximum 1.5% of the previous year's CGS payments, where providers are below the floor, after adjusting for CPI indexation that would ordinarily apply as indicated in the following formula:

$$\begin{aligned} &New\ Funding\ Floor \\ &\qquad = Prior\ Year\ CGS\ Payments\ \times (1 + (Prior\ Year\ CPI\ \%\ adjustment - 1.5\%)) \end{aligned}$$

A 1.5% real annual reduction in funding does not sound significant, however for a University such as ours that has historically run on narrow margins, any reduction beyond 1.5% would further strain resources, affecting teaching quality, research output, and student experience. For example, a 1.5% reduction from the current CGS cap for the University of Tasmania, would equate to an equivalent of 30 employees that could no longer be funded. Downturns commonly take a few years to turn around so we would likely see a multiple years of staff reductions.

While staff losses can be managed to a certain degree, there are limits before the ability to deliver the Accord objectives would be compromised significantly.

We operate a very lean workforce, with many areas already at minimum efficient scale to educate and support our students over the breadth of courses we need to offer across Tasmania. Any decrease beyond 1.5% threatens our ability to deliver on our educational goals and maintain a student experience necessary to attract the new cohort of students required to meet the objectives of the Accord. To put this into perspective, important schools educating Tasmanians for Tasmania such as Humanities (38 FTE), Engineering (32 FTE), Architecture (18 FTE) and Music (18 FTE) would have their future put at risk.

Inflationary pressures further exacerbate this issue, as inflation erodes purchasing power (particularly in high inflation environments experienced in recent times). If the funding floor decreases significantly, providers may struggle to keep up with rising costs, compromising the quality of education and research.

Additionally, funding reductions impact not only existing programs but also potential opportunities. Providers need resources to innovate, collaborate, and adapt to changing educational landscapes. A reduction of 1.5% after CPI does allow for a true adjustment to purchasing power and efficiency over time without sacrificing essential functions, maintaining the delicate balance required for sustainable growth and development, especially when you consider that any new access programs typically take three years to gain traction and see student numbers increase.

If a university was unable to reverse a downturn then we would expect the ATEC to have a more profound strategic discussion about scope and scale of a university's offering.

The Needs-based funding proposal for equity students is currently structured to be fully demand-driven on a per EFTSL basis. However, much of the current funding such as HEPPP and Regional Loading, as prescribed in the current funding agreements, and the DSP are largely block grant based and not demand-driven. If those elements of funding are to become wholly demand-driven, we propose that such funding also be subject to a funding floor to assist with the transition. For example, the combined funding for those 3 programs for the University of Tasmania exceeds $22 million for 2024 and is a significant component of the total government funding received. Any variation in the total funding received due to the mix and potential funding per EFTSL for each equity group could be smoothed over time through a funding floor mechanism.

It is suggested that such a funding floor be considered in isolation from the broader funding floor considered as part of the MGT proposal. However, we are open to the floor combining the two funding types together for administrative ease. In such a case, the initial funding floor would need to increase to include both CGS cap plus HEPPP, Regional Loading and DSP.

In response to the requirement for providers to develop a prescribed 'action plan' detailing their initiatives to improve enrolments to meet their future year MGTs, we believe it should be developed and governed by the provider's own practices rather than complying with a format prescribed by the Education Department. Each provider has unique strengths, challenges, and community dynamics. Allowing them to develop their own plans ensures that these plans are relevant, effective, and aligned with their specific contexts. Prescribing a one-size-fits-all format could disrupt established processes, create unnecessary bureaucracy, and undermine the institution's autonomy and capacity to innovate.

By empowering providers to craft their own action plans (if deemed to be required), they can leverage existing governance structures, policies, and practices to ensure alignment with institutional goals. This approach promotes a more efficient and tailored response to the challenges of meeting MGTs while minimising administrative burdens and enhancing the institution's overall agility and responsiveness.