

# Post-secondary education

## Overview

- 1 The post-secondary education assessment covers state and territory (state) expenses on vocational education, training and other higher education. The majority of expenses relate to vocational education and training, including apprenticeships and traineeships (93%), with a small proportion of spending on universities (7%). State spending is mainly comprised of subsidies for courses provided by public technical and further education institutes, but it also includes subsidies for courses provided by other public and private registered training organisations.
- 2 The assessment recognises that post-secondary expense needs are influenced by the following.
  - Socio-economic status — states with more socio-economically disadvantaged populations, who have higher service use rates, have higher spending needs.
  - Indigenous status — states with larger First Nations populations have higher spending needs, as First Nations populations have higher service use rates and higher service delivery costs.
  - Remoteness — states face increased costs if they have greater concentrations of people in remote areas due to higher service use rates and service delivery costs in these areas.
  - Cross-border service use — some New South Wales residents use the ACT's post-secondary education services which increases the ACT's expenses and reduces the expenses of New South Wales.
  - Wage costs — states facing greater wage cost pressures have higher spending needs.

## Actual state expenses

- 3 The first step in calculating assessed expenses is identifying actual state expenses.<sup>1</sup> States collectively spent 2.5% of their total recurrent expenses on post-secondary education in 2022–23. Table 1 outlines actual expenses by state in 2022–23.<sup>2</sup>

**Table 1 Post-secondary education expenses by state, 2022–23**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Post-secondary education (\$m)	2,123	2,726	1,132	723	374	142	204	230	7,654
Post-secondary education (\$pc)	257	406	210	255	204	248	442	916	291
<b>Proportion of total expenses (%)</b>	<b>2.1</b>	<b>3.5</b>	<b>1.9</b>	<b>2.1</b>	<b>2.0</b>	<b>2.0</b>	<b>3.2</b>	<b>3.8</b>	<b>2.5</b>

<sup>1</sup> Adjusted budget calculations use ABS Government Financial Statistics data to determine actual state expenses. For further detail see the adjusted budget chapter of the *Commission's Assessment Methodology*.

<sup>2</sup> Tables in this chapter, unless otherwise stated, use 2022–23 data.

## Structure of assessment

4 Table 2 outlines the drivers that influence spending in the assessment.

**Table 2 Structure of the post-secondary education assessment**

Component	Driver	Influence measured by driver
Post-secondary education	Socio-demographic composition	Indigenous status, remoteness and socio-economic status of the working age population (15–64) influence the use and cost of services.
	Cross-border	The ACT incurs additional costs in providing services to residents of NSW.
	Wage costs	Differences in wage costs between states affect costs.

## Data

5 The data used in the assessment are outlined in Table 3.

**Table 3 Data used in the post-secondary education assessment**

Source	Data	Updated
National Centre for Vocational Education Research	Contact hours of persons aged 15–64 by Indigenous status and postcode of client	Annually
	Contact hours of persons aged 15–64 by state of residence and of provider	Annually
States	Regional cost weights	5-yearly
	First Nations cost weights	5-yearly

Note: Data for the wage costs adjustment are also included in this assessment. The adjusted budget data sources are outlined in the adjusted budget chapter of the *Commission's Assessment Methodology*.

## Assessment method

### Use of services

- 6 The assessment recognises that the socio-demographic composition of the population with respect to Indigenous status, socio-economic status, and remoteness affects the use of post-secondary education services in each state.
- 7 The number of contact hours per capita is calculated from National Centre for Vocational Educational Research and ABS population estimates for the population aged 15–64, disaggregated by:
- Indigenous status
  - remote and non-remote areas.
  - socio-economic status in non-remote areas<sup>3</sup>

<sup>3</sup> This is calculated separately for the First Nations population (using the Indigenous Relative Socioeconomic Outcomes index) and the non-Indigenous population (using the Non-Indigenous Socio-Economic Index for Areas) in non-remote areas, dividing each population into the most disadvantaged 20%, the middle 60%, and the least disadvantaged 20%.

## Cost weights

- 8 The regional cost gradient accounts for different costs per contact hour in different regions. The Commission calculates the national average regional cost weights in each ABS remoteness area using state data on cost loadings provided to vocational education institutions. This is combined in proportion to the total contact hours in each region from 2020 to 2022.
- 9 To calculate the First Nations cost weight, the Commission uses state-provided data on:
  - amounts spent on First Nations student loadings included in state funding models
  - funding on supplementary programs for First Nations students
  - other funding on First Nations student concessions and exemptions.
- 10 The expenses listed above are netted off from post-secondary education category expenses to estimate the expenses which are spent on all students in proportion to their contact hours. This amount is divided by total contact hours to obtain the base cost per hour. Similarly, the targeted funding amounts are divided by First Nations student contact hours to obtain the additional hourly cost of servicing First Nations students.
- 11 The Commission calculates the higher cost per hour of educating First Nations students. The additional hourly cost of servicing First Nations students as a percentage of the base hourly cost represents the First Nations cost weight. Data from 2020 to 2022 are averaged to estimate the final cost weight at 23%, which will remain fixed for the 2025 Review period.

## Assessed expenses

- 12 Cost-adjusted use rates are applied to their corresponding population groups to produce assessed cost-weighted hours for each group. These are scaled proportionally so total assessed spending is equal to total actual spending.

## Cross-border adjustment

- 13 The Commission uses data from the National Centre for Vocational Education Research on the hours of training provided by ACT institutes for New South Wales residents and vice versa. There is a bilateral agreement covering the cost of some of these hours (those funded within the Smart and Skilled program). The Commission nets off the hours funded by New South Wales to ensure its cross-border adjustment reflects the provision of training that is not covered by the agreement. It uses ACT and New South Wales data to do this.

## Applying wage costs

- 14 Wage costs are a significant share of the total cost of providing post-secondary education services. Differences in wage costs between states have a differential effect on the cost of providing post-secondary education. The post-secondary education assessment uses the Commission's general method for measuring the influence of wage costs. Details on how this is calculated are in the wage costs chapter of the *Commission's Assessment Methodology*.

## GST distribution in the 2025 Review

- 15 Table 4 shows the GST impact of the assessment in the 2025 Review.

**Table 4** GST impact of the post-secondary education assessment, 2025–26

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Post-secondary education	-63	-77	49	25	-8	22	-1	55	150
<b>Total (\$m)</b>	<b>-63</b>	<b>-77</b>	<b>49</b>	<b>25</b>	<b>-8</b>	<b>22</b>	<b>-1</b>	<b>55</b>	<b>150</b>
<b>Total (\$pc)</b>	<b>-7</b>	<b>-11</b>	<b>8</b>	<b>8</b>	<b>-4</b>	<b>39</b>	<b>-3</b>	<b>213</b>	<b>5</b>

Note: Magnitude and direction of GST impact can change from year to year.