



The New Managed Growth Funding System

Department of Education



The policy problem and preferred policy approach

Australia’s current higher education funding system cannot deliver the growth (particularly from equity students) needed to meet the Government’s target of 80% tertiary attainment by 2050. This target would require Commonwealth supported students to more than double, from around 860,000 in 2022 to about 1.2 million by 2035, and 1.8 million by 2050. There are three key problems:

- **Growth is misaligned to demand** — funding growth is currently based on campus location, not demand, causing marginally funded over-enrolment in metropolitan universities and under-enrolment in regional ones.
- **Equity students remain under-represented** — the low-SES share of undergraduates has barely shifted since 2008 (16.1% to 16.6% in 2024); First Nations, regional, remote and disability cohorts also lag.
- **A 2026 funding cliff looms** — with the Higher Education Continuity Guarantee ending in 2025, three (mostly regional) universities face a projected fall in teaching funding of around 20% and six more around 10% falls.

Preferred approach — Option 3 (Domestic Student Profile): A new Managed Growth Funding System stewarded by the Australian Tertiary Education Commission (ATEC), with a transition year in 2026 and full rollout in 2027 is the preferred approach. The ATEC will allocate each eligible provider a Domestic Student Profile for Commonwealth supported places, capping fully funded places, eased by an over-enrolment buffer and glidepath. Equity places are effectively uncapped system-wide, allowing for participation to grow for low-SES, regional/remote and Indigenous. A temporary funding floor will protect Table A providers during the transition until the end of 2031.



Impact Analysis

Impacts

Informed by two years of consultation (the Accord Review’s ~2,000 submissions and an Implementation Advisory Committee), the impact of Option 3 vs the status quo includes:

- **Government expenditure** — short-term fiscal costs are fully offset by ceasing Job-ready Graduates campus-based growth funding. Funding-floor payments to under-enrolled (mostly regional) universities are projected to fall from ~\$253m (2026) to ~\$8m (2029), with none expected by 2031.
- **Benefits to students and workers** — modelling estimates ~\$190bn (2023 dollars) in extra worker earnings to 2050 from reaching 55% attainment (\$240bn for broader tertiary targets); higher attainment lifts lifetime earnings 60–90%.
- **More places where they are needed** — an estimated 25,000 more fully funded places than the status quo in 2029 and 82,000 in 2035.
- **Regulatory burden** — a 10-year average regulatory costs of ~\$1.82m/year, below Option 2 (\$1.91m); a multi-criteria analysis ranks Option 3 highest overall.

Who is impacted

Individuals

No direct regulatory impact. More fully funded places let more people access and complete higher education. Equity students gain most with the system ensuring there are sufficient fully funded places for them across the system.

Businesses

No direct impact. Over time, businesses benefit from an improved supply of suitably qualified employees as national attainment rises and skills shortages ease.

Community organisations

Universities (Table A providers) bear the main impact: annual ATEC allocation and mission-based compact negotiations (~\$1.82m/year). Under-enrolled, mostly regional, universities are shielded by the temporary funding floor.



Other considerations and implementation

- **Option 1 (Status Quo) — not preferred:** insufficient growth, no progress on equity under-representation, and a 2026 funding cliff for some universities.
- **Option 2 (Managed Growth Targets with catchments and hard caps) — not preferred:** higher regulatory cost (\$1.91m/year); geographic catchments limit student choice; and a hard cap on enrolments could destabilise over-enrolled universities.
- **Implementation:** a 2026 transition year (rebased MBGAs, a 100% transitional funding floor, transition loading and a \$50m structural adjustment fund) precedes full implementation from 2027, tracked against SMART targets with a departmental review commencing by end-2030.