Australian Government
Department of Education

New Managed Growth Funding

Implementation consultation

The policy rationale for a new funding model

The Government has committed to introduce a new Managed Growth Funding system for Commonwealth supported places (CSPs), intended to commence from 1 January 2026. It is intended the new funding system will support the Government's vision for a Future Made in Australia, better meet student demand, maintain sustainable growth and increase opportunity for people from underrepresented backgrounds.

The new system will provide a policy framework that encourage growth in the number of CSPs consistent with the Government's tertiary attainment target of 80% of working age people and meet Australia's future skills needs. The Universities Accord Final Report found that the current funding system:

- does not provide sufficient fully funded growth in domestic student enrolments to meet Australia's skills needs with growth occurring in unplanned and unmanaged ways
- is overly complex, fragmented and difficult to comprehend and needs to be simplified
- allows universities to enrol students over the funding cap and receive only marginal funding for additional students, which creates adverse flow-on impacts for the whole system

The proposed new Managed Growth Funding System is designed in response to Universities Accord recommendations 40, 41 and 46.

The implementation of the new Managed Growth Funding System will be developed in consultation with the sector. This paper outlines key proposed elements of the new funding system and key policy implementation issues for further consultation.

Key proposed elements of the new Managed Growth Funding System

The key proposed elements of the new Managed Growth Funding system include:

- **System-wide pool** of Commonwealth supported places for the sector as a whole to be set by the Government
- **Managed Growth Targets (MGTs)** for allocating places to Table A and non-Table A providers
- **Managed demand-driven funding for equity students** from under-represented backgrounds for Table A providers
- **Transition arrangements** to smooth the impact of the end of the Higher Education Continuity Guarantee (HECG) from 1 January 2026 to support institutional sustainability.

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.

Under the proposed new Managed Growth Funding System, the Government will set a whole-of-system allocation of the number of enrolments in Commonwealth supported places (CSPs). In determining the size of this whole-of-system CSP enrolment cap, the Government will consider long-term growth in enrolments to ensure Australia's higher education system is on track to deliver the agreed attainment targets and meet community expectations and industry skills needs.

In the first instance, higher education providers with a current allocation of CSPs will receive an allocation of the system-wide places through MGTs. Over time it is anticipated that additional providers will receive an MGT as the system-wide pool grows.

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 allocation of CSPs to higher education providers will be through the negotiation of **Managed Growth Targets** (MGT). The MGT will be a maximum level of enrolments in EFTSL. This is in contrast to the current system, where each higher education provider is provided a Maximum Basic Grant Amount (a maximum level of Commonwealth Grant Scheme (CGS) funding).

This funding system will represent a new way of determining funding growth across institutions. Currently, annual growth in CGS funding is based on fixed growth rates depending on the location of university campuses. Rather than determining growth through these fixed rates, which have been shown to not reflect student demand, the new system will more responsively allocate growth to align with student demand.

The setting of institutional MGTs would be informed by national objectives set by the Government, for example, to promote a productive economy and society and equitable opportunity for all Australians. Other factors that would be taken into account when negotiating MGTs with individual institutions would include student demand, institutional goals and missions, and institutional and sector sustainability.

Each provider will be provided with an MGT for the next year with estimates for the following two years. This will give higher education providers a clear expectation of their contribution to overall system growth and an incentive to grow sustainably and deliver on performance expectations. MGTs would be adjusted over time in response to student demand dynamics, provider performance, and other market structure issues (e.g. the need to establish sustainable scale for a new provider). This means MGTs can be lower than the year before. For example, if a provider is not able to enrol up to its MGT, its MGT could be adjusted to a lower level in following year, ensuring the allocation of places reflects student demand.

Universities will not be permitted to enrol above their MGTs (unless they are enrolling First Nations students in demand-driven higher education courses) and would not be eligible for any Commonwealth Grant Scheme (CGS) funding and not permitted to retain student contribution amounts for any enrolments above their MGT.

For Table A providers, the MGT will include CSPs in higher education courses as defined under Schedule 1 of HESA, from sub-bachelor (including new FEE-FREE Uni Ready courses) to postgraduate coursework. While different courses and levels would be transparent to Government, Table A providers would be able to move places between courses and levels to meet the demand from students and industry. For example, this will allow Table A providers to build the pipeline of students by increasing the number of FEE-FREE Uni Ready courses they offer and therefore increasing the articulation of these students to other higher education award courses. However, this flexibility provided under the MGT would be monitored through negotiation to manage significant shifts in courses that do not align with national priorities and university missions.

While Table A universities enrol almost all Commonwealth supported students, there are currently six other higher education providers (including two TAFEs) with ongoing allocations of CSP funding (see Attachment A). These providers are only able to offer CSPs in areas of national priority – education and nursing courses. It is intended that the new funding system will also apply to these providers.

For these six non-Table A providers, their MGT will reflect the number of CSPs currently allocated to these providers by fields of study and by course level. Consistent with the treatment of Table A providers, these providers will not receive the CGS or student contribution for enrolments above these allocations.

It is intended that the Australian Tertiary Education Commission (ATEC) will consider and provide advice on expanding the allocation of CSPs to TAFEs offering higher education qualifications and other publicly funded non-Table A higher education providers.

Implementation issues for consideration

- What are the key implementation issues that need to be considered as the sector transitions from the current system based on total funding cap (i.e. MBGA) to the new system based on a cap on EFTSL (i.e. MGT)?
- How can the system be designed so that it is responsive while also providing more funding certainty to providers?
- What are the key operating rules and procedures required for negotiating and setting the MGTs with providers? For example:
    - What are the key performance indicators that should be considered when adjusting a provider's MGT?
    - What indicators of potential student demand (for example economic conditions) should be considered when adjusting a providers' MGT?

Managed demand-driven funding for equity students

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.

First Nations students in non-medical bachelor level courses studying at Table A universities will continue to have full access to demand driven funding (as introduced in 2024). Enrolments from these students will not be subject to any limits and funding will be managed separately to MGTs.

Students from equity backgrounds wishing to study a non-medical bachelor level course at a Table A university will be guaranteed a fully-funded CSP if they gain admission, but not guaranteed a place at their chosen university.

If their preferred university is already fully enrolled, they will be offered a similar place at another university within a student catchment area that has unused places, contingent on them meeting the entry requirements for the course at that university. In the first instance, this process will follow student course/university preferences (as per existing processes), but should such a student's preferences be exhausted, they will be offered places in other similar courses, ensuring they have the best possible chance of attending university.

In instances where all universities in a student catchment area have exhausted their MGTs but there is unmet demand from prospective equity students, the ATEC could increase MGTs for catchment area universities, redirecting unused supply from elsewhere in the system or through an increase in the total number of places available in the system should all places be filled.

Implementation issues for consideration

- Are there any implementation issues associated with defining eligibility of equity students subject to managed demand driven funding?
- How should the managed demand-driven funding system be implemented to ensure equity students are not disincentivised to study if they do not receive an offer from the university or course of their choice?
- How will the admissions process, including the applications, offers and acceptance, need to work for equity students through the state-based tertiary admission centres (TACs)?
- Are there any unintended consequences associated with the managed demand-driven for equity students?
- What considerations need to be included when defining and determining local catchment areas, including for universities with multiple campuses; for geographic locations with limited numbers of universities; or for students wishing to study online?

Transition and institutional sustainability

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 ceasing of the Higher Education Continuity Guarantee (HECG) at the end of 2025 has the potential to reduce funding for some universities. As part of the transition to the new Managed Growth Funding system, Government is considering how to reduce the impact of this reduction and to ensure that under-enrolled institutions are supported to increase their enrolments over time.

One option would be to introduce a funding floor as a transitional arrangement when the funding system moves to the new Managed Growth Funding system. Such a transitional arrangement could be time-limited (e.g. until the end of 2029) or could exist for each individual university until the point at which it was no longer required (i.e. the university’s funding matches its enrolments). Alternatively, the funding floor could be introduced as a longer term or ongoing feature of the higher education funding system, existing as a ‘safety net’ for universities and protecting them from unexpected and significant falls in student demand.

Irrespective of whether the funding floor is introduced as a transitional arrangement or a permanent feature of the system, it would be a level of funding which a Table A provider is guaranteed to receive each year, irrespective of actual enrolments. However, unlike the current Higher Education Continuity Guarantee (HECG), the funding floor would not be set at the level of funding equivalent to a provider's MGT. Instead, the funding floor could be set at X% decline from the CGS funding the university received in the previous year. For example, for an under-enrolled university that had accessed its funding floor in the previous year and continued to enrol below its MGT, its funding floor for this year could be set at X% decline from the CGS funding it received in the previous year (including funding associated with the funding floor). This means for universities that continue to enrol below its MGT, its funding floor amount will decline by X% year-on-year in nominal terms.

A funding floor would replace the HECG in providing under-enrolled universities with funding for places they are unable to fill with enrolments. This would support transition to the new funding system and provide a safety net for universities (if introduced as a permanent feature of the system). However, it would also potentially reduce the number of enrolments across the sector as the unfilled places and associated funding at universities accessing the funding floor could otherwise have been filled at universities with strong student demand.

The move to a hard cap, where universities do not receive CGS funding or student contributions for enrolments above their cap, will also require transitional arrangements for universities that are enrolled above their MBGAs. It is proposed that a transitional arrangement will be in place for four years until 31 December 2029 for students enrolled prior to 1 January 2026. During this transition period, providers that have over-enrolled on their MBGA and are currently permitted to charge student contributions for marginal places, will be allowed to keep the student contributions for these existing students (i.e. those enrolled before 1 January 2026) to avoid a sudden decline in nominal revenue when their ability to commence new enrolments above the MGT is removed.

Table A providers will not be able to receive a student contribution for any new student enrolled after 1 January 2026 above their MGT.

Implementation issues for consideration

- How long should transitional arrangements be put in place? Should longer term or ongoing arrangements be considered? Why?
- Should there be a limit on how many consecutive years a university can access the funding floor?
- At what level should the funding floor be set? For example, should it be set at 2.5% reduction from the previous year's CGS payment or 10% reduction?
- For universities that access the funding floor, should these universities be required to develop an 'action plan' detailing their initiatives to improve their enrolments to meet their future year MGTs?
- If providers are not able to receive any funding (i.e. both government and student contributions) for enrolments above their MGT, what transition arrangements are needed to support those universities that are currently enrolled at levels above their funding cap?
- Are there any other important implementation issues that should be considered as part of the transitional arrangement to the new funding system?

Attachment A: Non-Table A higher education providers with an ongoing allocation of Commonwealth supported places (CSPs)

The following non-university higher education providers currently receive an ongoing allocation of Commonwealth supported places (CSPs) in courses of national priority (i.e. nursing and teaching):

- Avondale University
- Christian Heritage College
- Eastern College Australia
- Holmesglen Institute of TAFE
- Melbourne Polytechnic
- Tabor College