

Critical challenges in Australia's university sector: securing a sustainable future

2025 edition



Contents

Introduction	3
1. Eight years of financial turbulence	4
2. The decline in universities' financial circumstances	4
3. Domestic student revenue is falling	5
4. International student revenue growth set to slow	8
5. Research spending outpaces funding	11
6. Staffing now exceeds its 2019 peak, with fewer casuals	13
7. Capital expenditure remains low as surpluses are down	14
Glossary	15



Introduction

Universities need greater certainty if they are to meet Australia's long-term needs.

Australia expects its universities to deliver on many fronts essential to national prosperity. Yet the operating environment of the past decade has made this increasingly difficult.

A combination of policy decisions, economic conditions and the pandemic has placed sustained financial pressure on universities at the same time they are being asked to expand their contribution to education, research and innovation. While reform is underway — changes to domestic student funding and new rules governing international education, and new national research priorities — a clear, stable operating framework has not yet emerged.

Planning beyond a one-year horizon remains challenging. University finances deteriorated through the past decade, were hit hard by COVID-19 and are now showing only slight signs of improvement. The stronger 2024 results were largely driven by one-off or temporary factors such as buoyant investment markets, delayed indexation of Government payments linked to the 2022 inflation spike and the return of international student fee revenue to roughly its 2019 real value.

Nearly two-thirds of university revenue depends on domestic and international student enrolments

— both now subject to significant uncertainty.

Since 2017, real average funding per Commonwealth supported place (CSP) has fallen by 6 per cent, even as CSP numbers grew by 2 per cent. The Job-ready Graduates (JRG) package, combined with earlier funding freezes, created a substantial misalignment between where student places are delivered and where funding is provided. Managed Growth Funding will begin to address this but planned government spending on domestic students remains tight.

International education, which has historically enabled universities to subsidise research and build capital reserves, is also facing new constraints. The strong post-pandemic rebound was uneven across institutions, and the sector is now adapting to tighter visa settings and a soft cap through New Overseas Student Commencement (NOSC) planning limits. The scope for universities to rely on international revenue growth is narrowing.

At the same time, universities continue to invest heavily in research. For years they have contributed more of their own funds than they receive through research income, and their ability to do so is weakening. Government priorities have shifted toward more direct allocation of research funds, but expectations on universities to meet both indirect and some direct research costs remain unchanged.

Staffing patterns are also shifting. While total staffing has now exceeded 2019 levels, this recovery has been concentrated in fixed term and permanent positions.

Capital spending remains low, with universities lacking the surpluses they once used to maintain and expand infrastructure, especially following the discontinuation of most direct government capital funding, namely the abolition of the Education Investment Fund (EIF) in 2019.

Across all of these areas, the message is clear — universities face ongoing financial constraint and uncertainty. A realistic understanding of these pressures is essential if the sector is to emerge from this turbulent period and continue to deliver for the nation and the growth ambitions of the Universities Accord.



1. Eight years of financial turbulence

Universities have navigated a highly unstable operating environment for almost a decade. Multiple attempts to reduce the cost of higher education for government began in 2014, culminating in the 2018 freeze on CSP funding — which provided no indexation for inflation or enrolment growth and left many student places underfunded.

The JRG package further reduced per-place funding, eroding university CSP revenue by about 6 per cent. The Higher Education Continuity Guarantee (HECG) stabilised some institutions during the downturn after 2021 but also entrenched a misalignment between funded and delivered CSPs. As a result, some universities are now significantly underfunded for the students they teach, while others are significantly overfunded.

COVID-19 forced universities into rapid financial recalibration. Staff cuts, paused capital projects, and a shift to online delivery helped stabilise finances as international student revenue collapsed. Post-pandemic, government efforts to boost skilled migration created surging international demand, but rising housing costs turned migration into a political flashpoint. The result has been tighter visa policies, higher charges and restrictions on student work rights.

Meanwhile, research block funding has grown only modestly in real terms over the past decade, around 15 per cent from 2014 to 2025, with universities expected to shoulder a large share of both indirect and direct costs. Rising expenses — salaries, equipment, capital and essential services — continue to outpace revenue growth.

2. The decline in universities' financial circumstances

In 2024, the sector posted a 4.7 per cent operating surplus, with 13 universities in deficit — an improvement on 2022 (3.6 per cent deficit) and 2023 (0.2 per cent surplus) but still far from the more stable conditions of the 2010s. For example, between 2014 and 2019, the sector consistently reported a surplus ranging from 4 to 7 per cent.

Table 1 shows the number of universities in deficit each year since 2017.

Table 1: Number of universities in deficit for 2017 to 2024

Results for the 39 members of Universities Australia which are the 36 public universities, ACU, University of Notre Dame Australia and Bond University.	2017	7
	2018	5
	2019	3
	2020	15
	2021	2
	2022	26
	2023	25
2024	13	

The 2024 result was boosted by volatile and non-recurring factors:

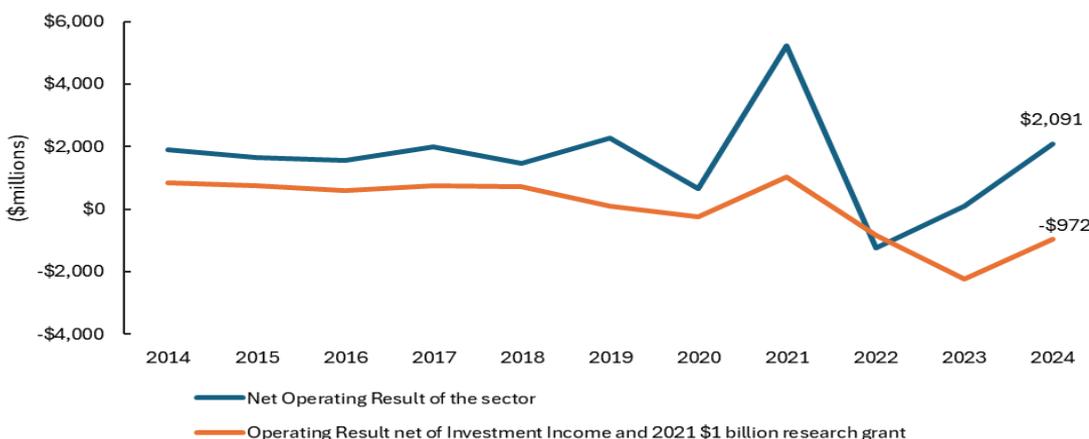
- unusually strong investment returns, up by around \$0.7 billion (31 per cent) on 2023
- a \$2.2 billion rise in international student fees (up 22 per cent on 2023), and
- an around \$1.7 billion increase in government payments (almost 9 per cent) from 2023 — there is a lag in the indexation of most of these payments and in 2024, they were increased by 7.8 per cent due to the high level of inflation in 2022.

In 2025, indexation dropped to 4.1 per cent and in 2026 will be 2.4 per cent.

Total expenses continued to rise in 2024 — up \$3.2 billion (8 per cent). Salaries and related costs continue to rise faster than inflation — up \$1.8 billion (8 per cent) in 2024, following an increase of \$2.1 billion (11 per cent) in 2023.

Across the sector, universities have been taking actions to control their expenditure and these actions are contributing to improvements in financial results. These efforts are necessary to ensure universities return the surpluses needed for future investment in educational and research infrastructure.

Chart 1: Net operating result for 39 UA member universities shows a significant structural decline in financial circumstances



Source: Department of Education, Finance publications and university annual reports for 2024.



Table 2: Indicators of financial health of universities for 2024 year

Liquidity: No. of universities in which <i>current ratio</i> is less than 1 (Current ratio = current assets/current liabilities)	22
External debt: No. of universities with repayment of borrowings (from cash flow statement) exceeding 5 per cent of total revenues	3
Capital expenditure: No. of universities with payments for property, plant and equipment (from cash flow statement) below 5 per cent of total revenues	11
Salary expenditure: No. of universities in which salaries and on-costs exceed 2/3 of	
(a) total revenues	1
(b) revenue from Aust Govt grants and student fees and charges	19

Sector-wide figures, however, mask large differences between institutions. Many universities face tight liquidity, reduced capital spending and high salary-to-revenue ratios. Nearly two-thirds of revenue relies on attracting domestic and international students yet demand patterns across universities have been unpredictable since 2019.

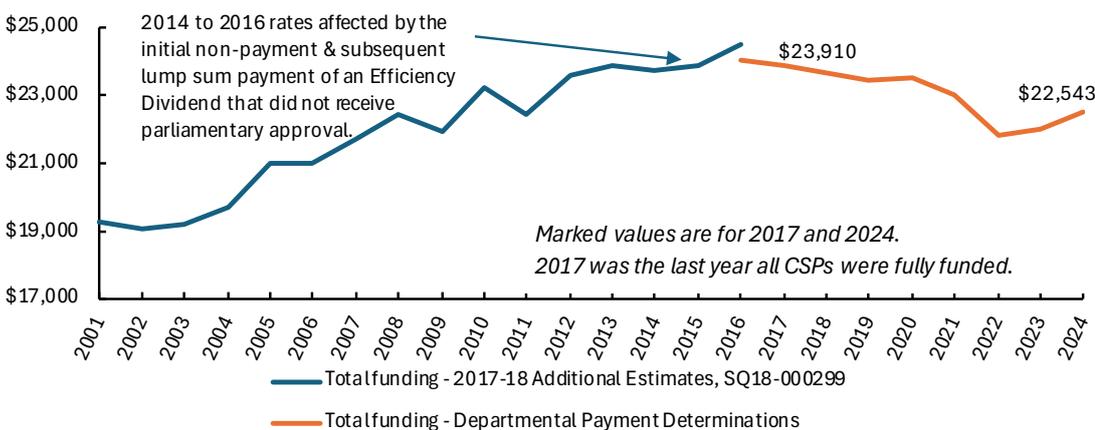
Overall, the sector faces:

- constrained capacity to invest in teaching and research infrastructure
- greater difficulty securing external financing on favourable terms
- elevated risk of further job cuts, and
- intensifying pressure to meet government and community expectations with shrinking discretionary resources.

3. Domestic student revenue is falling

Teaching Commonwealth-supported students remains the largest revenue source for universities, at around one-third of total income. Yet average CSP funding has fallen by **6 per cent in real terms since 2017** while the number of CSPs has increased by 2 per cent.

Chart 2: Real average total funding per CSP (\$2024) – December CPI



Sources: Department of Education response to Senate Estimates question SQ18-000299 (2017-18 Additional Estimates); From 2017, Department of Education, Payment Determinations and Higher Education Student Data collection.

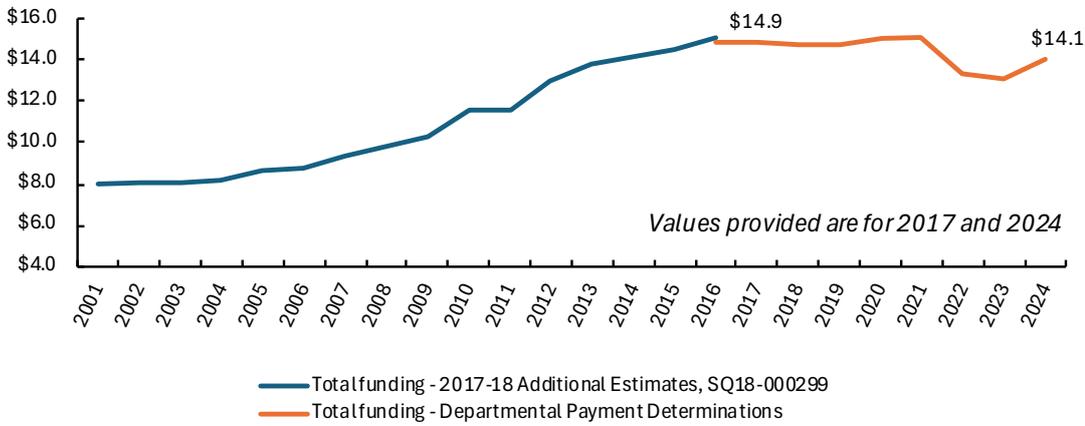
Note: Real values derived using CPI indexation for December of the relevant year.

The growth in 2023 and 2024 is due to lagged CPI indexation arrangements under Part 5-6 of the Higher Education Support Act 2003.



Charts 3 and 4 show the data used to generate average CSP funding rates.

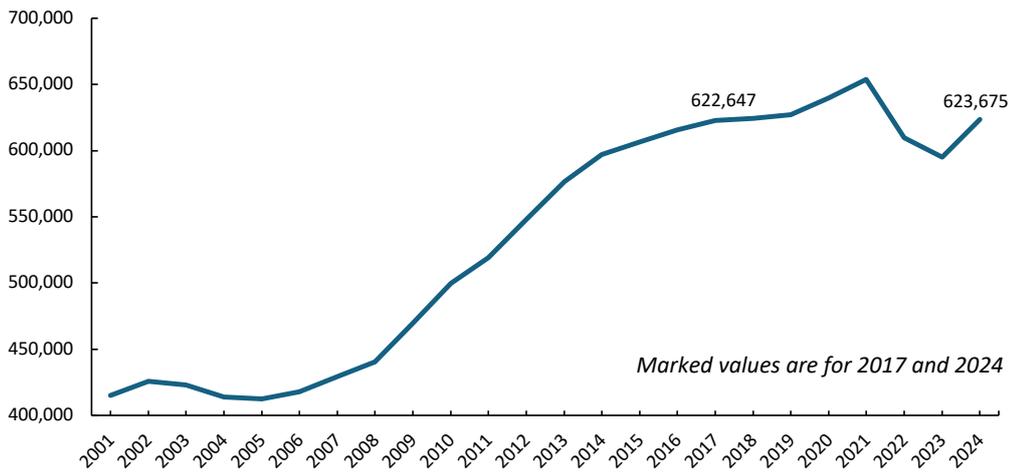
Chart 3: Real total funding for all CSPs (\$2024 – bn)



Sources: Departmental response Senate Estimates question SQ18-000299 (2017-18 Additional Estimates); From 2017, Department of Education, Payment Determinations.

Note: Real values derived using CPI indexation for December of the relevant year.

Chart 4: Commonwealth supported student places



Source: Department of Education, Higher Education Student Data collection.



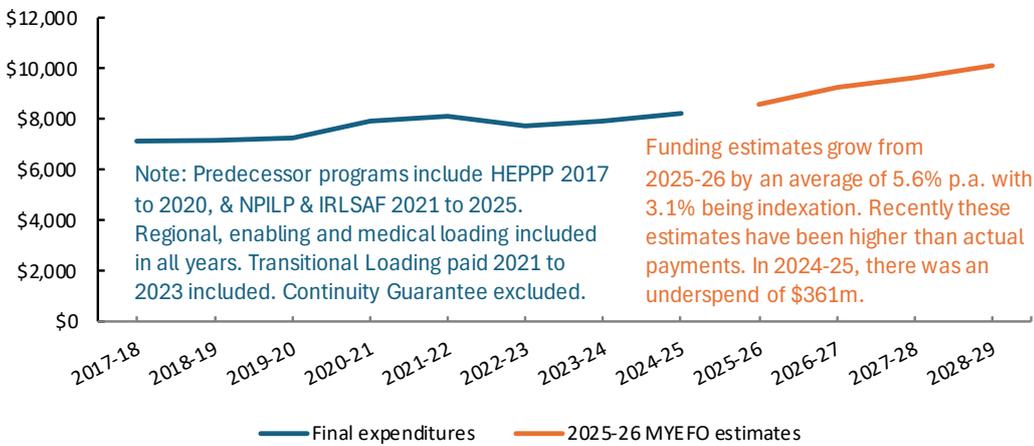
Government policy changes since 2017, combined with changes in student demand have produced significant misalignment between funding and actual student load. We estimate for the 2024 academic year:

- around 16,000 CSPs at roughly 14 universities receive no Commonwealth subsidy, and are marginally funded (student contributions only), and
- funding for at least 17,000 CSPs is being paid to between 17 and 24 universities for load they are not delivering, largely due to temporary guarantee arrangements ending after 2026.

Under Managed Growth Funding, this misalignment will be reduced over time. Funding for under-enrolled universities will be wound back gradually, while some over-enrolled universities will be required to reduce commencing students. Both shifts will have material financial implications for universities and consequences for higher education attainment.

Direct government spending (i.e. excluding student loan programs) to support the education of Commonwealth-supported students is shown in Chart 5. Actual spending from 2017–18 to 2024–25 grew little, despite strong increases in student load up to 2021. Funding estimates for future years allow for only modest growth in nominal spending, with most of that absorbed by inflation.

Chart 5: Final expenditures and forward estimates for CGS, Needs-based Funding, Outreach Fund, IRLSAF & their predecessor programs (\$m)

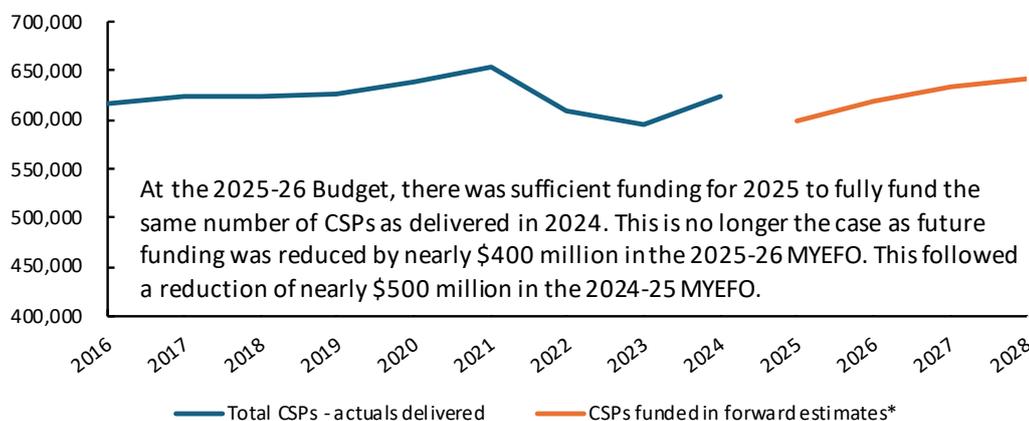


Source: Department of Education, Annual Reports (various years) and 2025–26 Portfolio Budget Statements.

The number of Commonwealth supported student places (CSPs) grew strongly for around 15 years until 2021 but then fell dramatically. By 2024, it had returned to just above its 2017 level. Even by 2028, the number of student places that will be fully funded based on the Government's estimates of future expenditure will be less than in 2021 (Chart 6).

The Government has claimed that its Managed Growth Funding arrangements will provide an additional 18,000 fully funded student places in 2028, compared to previous funding arrangements. This claim is hard to reconcile with the estimates in Chart 6, which show that less than 650,000 student places are likely to be fully funded in 2028. Job Ready Graduates was to fund over 680,000 student places in that year.

Chart 6: Actual CSPs delivered and estimate of future funded CSPs



Source: Department of Education, Annual Reports (various years) and 2025–26 Portfolio Budget Statement.

Current policy will require universities to make further financial adjustments and to manage student load more tightly, particularly those most affected by the rebalancing of funding between universities.



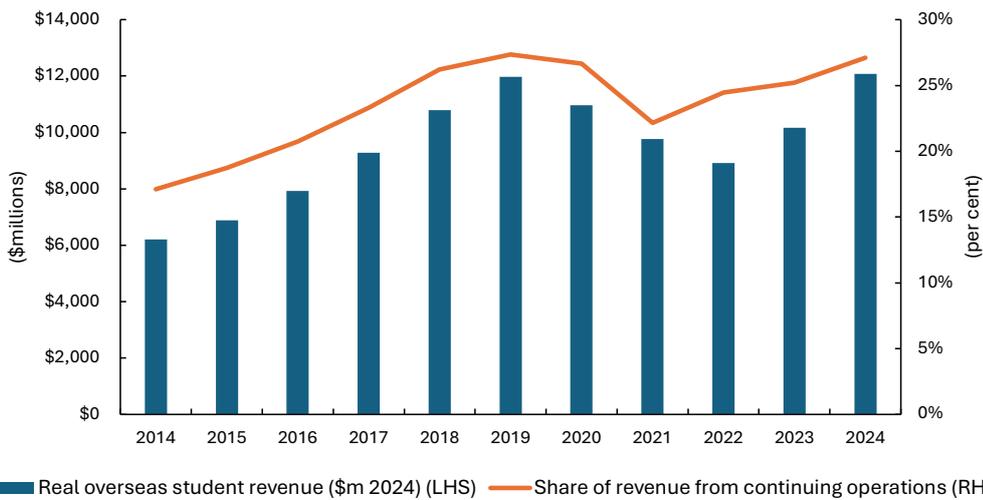
4. International student revenue growth set to slow

International student fees — just over a quarter of total university revenue — are central to sustaining research and unfunded activities, especially capital investment. International education more broadly has been one of Australia's largest exports.

In 2024, international students contributed \$51.5 billion to the economy across all sectors, including \$22 billion in fees. Higher education accounted for \$36.5 billion, or 71 per cent of this.

Chart 7 shows that fees from international students grew strongly in the late 2010s, pushing their share of university revenue to above 25 per cent. Annual growth exceeded 10 per cent for four years before COVID 19. The pandemic then drove a sharp decline, with 2022 revenue about 16 per cent below 2019 in real terms. It was not until 2024 that revenues returned to their 2019 real value.

Chart 7: Real overseas student revenue and its share of total revenue from continuing operations

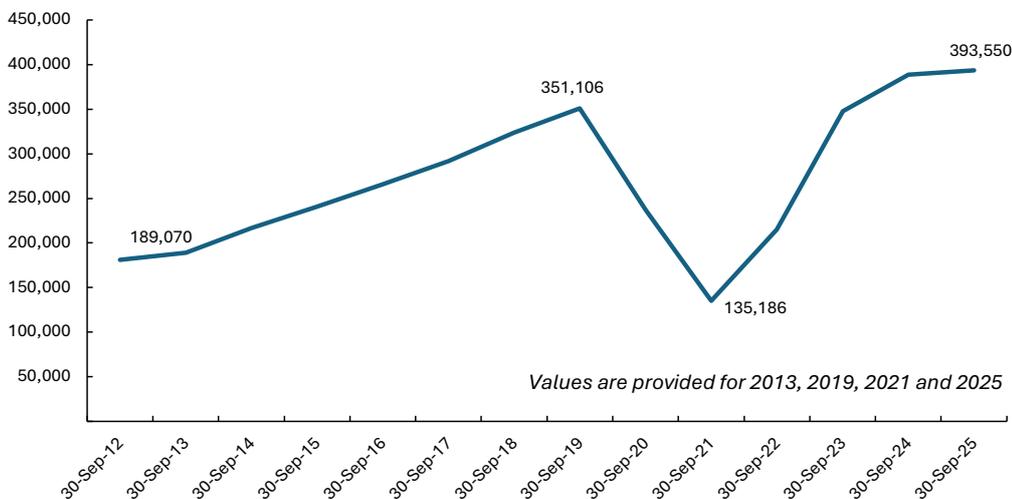


Source: Department of Education, Finance publications and university Annual Reports for 2024.

Note: Real values derived using CPI indexation for December of the relevant year. Data is for 38 UA members, excluding Bond University.

The fall in revenue was less severe than the collapse in onshore student numbers. Chart 8 shows the number of higher education student visa holders in Australia fell by more than 60 per cent between September 2019 and September 2021, recovering by 2023 and now sitting 12 per cent above 2019 levels.

Chart 8: Primary higher education student visa holders in Australia, September quarter



Source: Visa statistics (@ Data.gov), BP0019 Number of Temporary Visa Holders in Australia (Sept 2025).



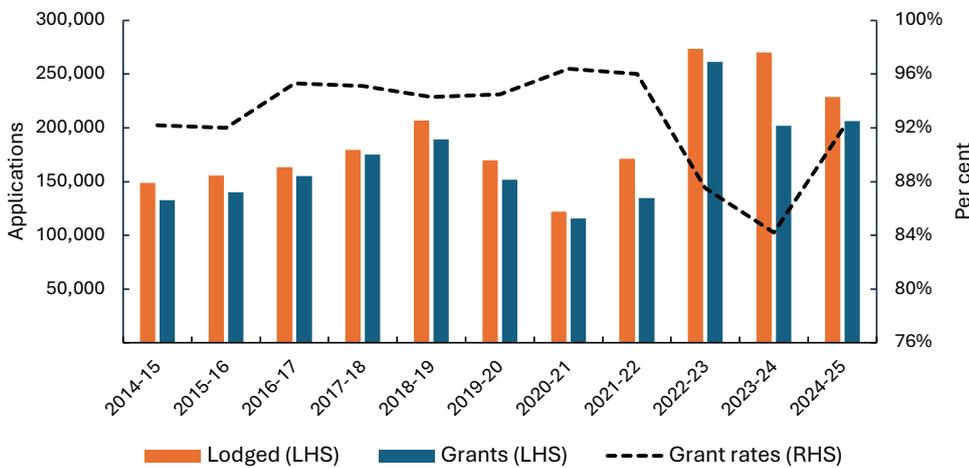
Universities mitigated revenue losses by retaining students, expanding offshore study options and transnational education. Offshore enrolments rose from 22 per cent of all international enrolments in 2019 to 40 per cent in 2022.

Coming out of the pandemic, international student policy shifted several times:

- from early 2022 to mid-2023, policy focused on reopening borders, attracting students back and easing work and visa conditions – this included a period of application charge refund, removing limits on working hours, extending post-study work rights and reducing visa processing backlogs
- from mid-2023, concerns about visa integrity, migration levels and housing affordability prompted a much tougher policy response to manage international student numbers, for the first time
- Ministerial Direction 107 reshaped visa processing priorities in December 2023, followed by Ministerial Direction 111 in December 2024, which effectively introduced a soft cap, with visa processing priority reducing once universities reach 80 per cent of their NOSC allocation, and
- visa fees and savings requirements have risen, and work and post-study rights have been tightened.

These shifts are visible in patterns of student visa applications, grants and grant rates (Chart 9).

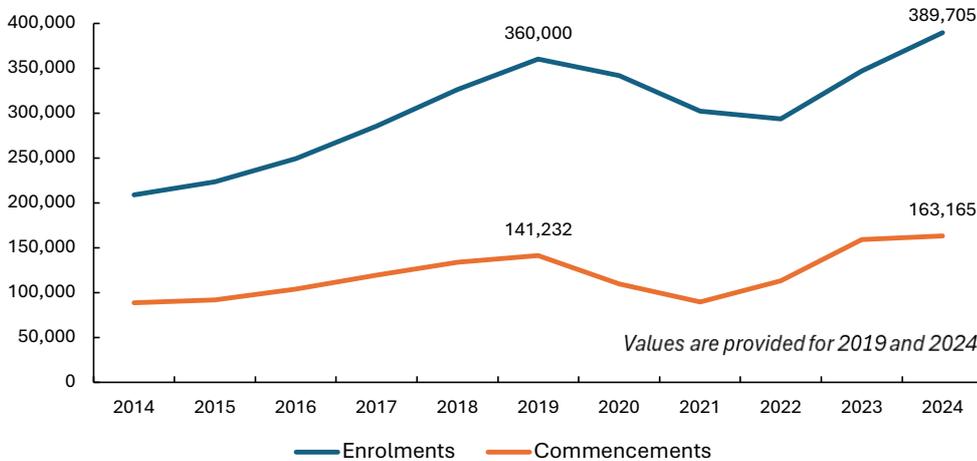
Chart 9: Applications lodged, grants and grant rates for primary higher education student visas



Source: Student visa statistics (@ Data.gov).

Enrolments and commencements at public higher education providers show that onshore student numbers have now rebounded beyond 2019 levels (Chart 10).

Chart 10: Enrolments and commencements of international students at public higher education providers



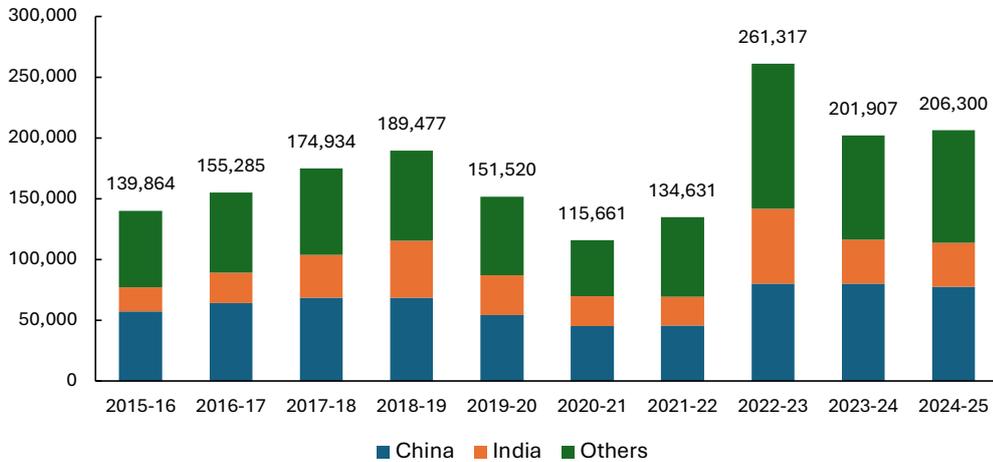
Source: Department of Education, International student data for YTD Dec 2024.

Note: Chart from Dec 2024 pivot table. The Oct 25 pivot table has 383,912 enrolments and 157,860 commencements in Dec 2024.



However, the source-country profile remains highly concentrated (Chart 11). Despite longstanding concerns, reliance on a small number of countries has persisted.

Chart 11: Citizenship of primary higher education student visa grants – 10 years to 2024-25



Source: Student visa statistics (@ Data.gov).

The NOSC planning level in 2025 was 270,000 new commencements across higher education and VET, with 176,000 for higher education. In 2026, this rises to 295,000, with 196,750 for higher education.

Public universities were allocated 145,300 places in 2025 and, based on current performance (Table 3), are likely to remain within this allocation. Each university was guaranteed its 2025 allocation for 2026 and many have received an increase, with the total allocation rising to 161,725 places.

Table 3: Indicative NOSC allocation and performance as at 31 October 2025

Provider type	Indicative allocation	Performance
Public universities	145,300	Commenced study and provider approved = 139,300 Commenced, provider approved and has active visa = 136,700 Commenced study only = 135,600
Other higher education providers	31,000	Commenced study and provider approved = 55,400 Commenced, provider approved and has active visa = 46,600 Commenced study only = 48,800
Vocational Education and Training	93,000	Commenced study and provider approved = 88,400 Commenced, provider approved and has active visa = 58,200 Commenced study only = 80,500

Aggregate international student data hides substantial institutional variation. Some universities have rebounded rapidly; others have not. What is clear is that for the past three decades, growth in international enrolments has supported unfunded and underfunded expenses including research, digital and physical infrastructure, less in demand discipline teaching and compliance costs.

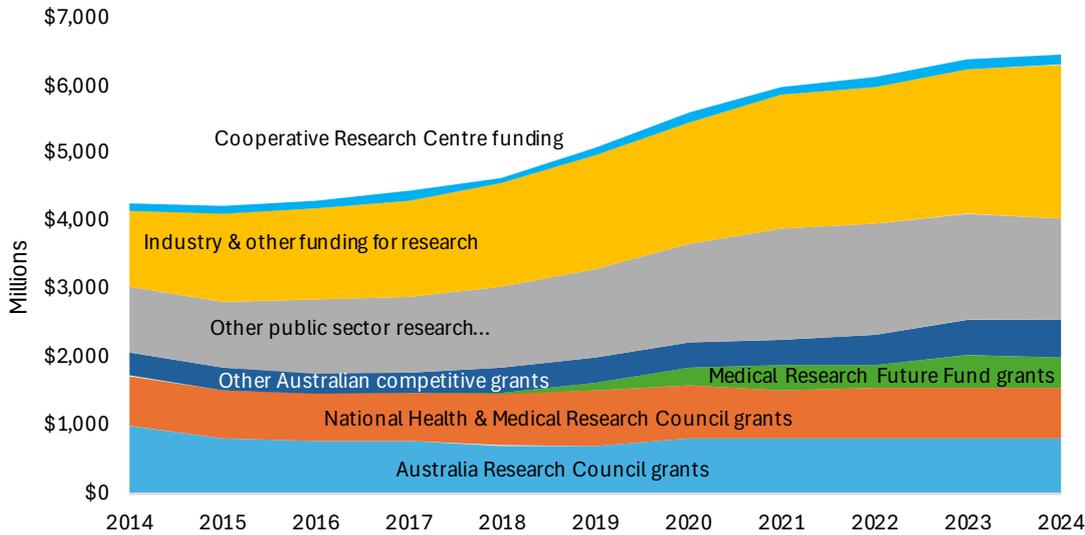


5. Research spending outpaces funding

Research is universities' third-largest revenue source, accounting for nearly 20 per cent of income. Yet research activity consistently costs more than the funding available.

Data from the Higher Education Research Data Collection (HERDC) shows real growth in income over the past decade, with important shifts in its composition (Chart 12).

Chart 12: Real university research & development income (\$2024) (excluding research block grants)



Source: Department of Education, HERDC; ABS, Australian System of National Accounts (5204.0), Table 4. Expenditure on Gross Domestic Product (GDP), Implicit price deflators, (Private; Gross fixed capital formation – Intellectual property products – Research and development, series A3347070K).

Since 2014, Category 1 competitive income has grown 24 per cent in real terms, but there have been big shifts between programs within that category (Table 4).

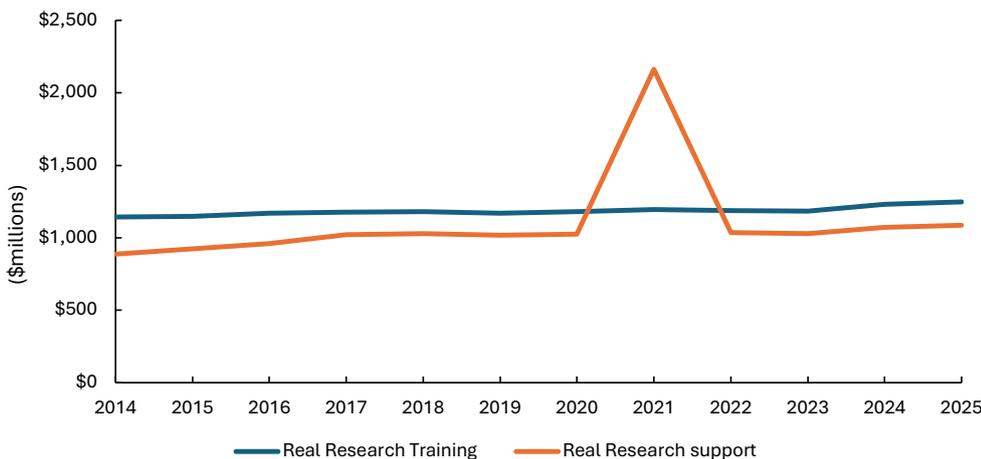
Table 4: Changes within Category 1 competitive income from 2014 to 2024, in real terms

Category 1 competitive grants program	Change in funding
Australian Research Council (ARC)	down by 18 per cent
National Health and Medical Research Council (NHMRC)	grown by 3 per cent
National Health and Medical Research Council (NHMRC) combined with Medical Research Future Fund (MRFF)	grown by over 65 per cent

Category 2 (other public sector) income is up 51 per cent in real terms. Category 3 (industry and other) income has more than doubled, reflecting stronger industry engagement and some success in attracting private research funding.

Research block grants have grown modestly over the decade, with a temporary spike in 2021 due to a one-off \$1 billion investment in the Research Support Program, as part of the 2020 Budget (Chart 13).

Chart 13: Real research block grant funding (\$m 2025)

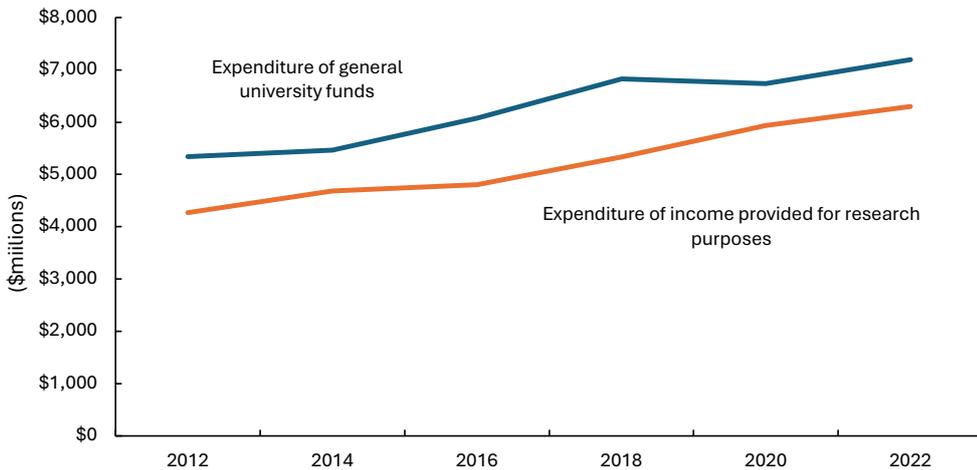


Source: Department of Education, Research block grant (RBG) time series (2001–2025); ABS, Australian System of National Accounts (5204.0), Table 4. Expenditure on Gross Domestic Product (GDP), Implicit price deflators, (Private; Gross fixed capital formation – Intellectual property products – Research and development, series A3347070K).



Universities have long spent more on research than they receive in research income (Chart 14). From 2014 to 2018, spending from general funds on research rose sharply, likely driven by booming international student revenue. In 2020, this research spending fell below 2018 levels due to pandemic-related financial pressures, before resuming slower growth to 2022.

Chart 14: Sources of higher education R&D expenditure (\$m)

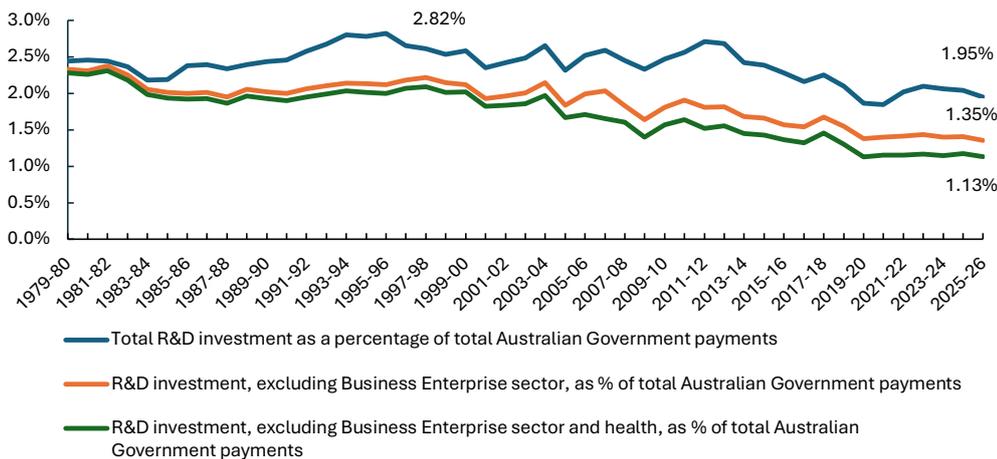


Source: ABS, Research and Experimental Development, Higher Education Organisations, Australia, 2022.

In 2018 universities spent \$1.28 of general funds for every dollar of research income; by 2022, this had fallen to \$1.06, reflecting reduced capacity to subsidise research from general revenue.

Government investment in R&D as a share of its own spending has been declining for decades (Chart 15), with less than 2 per cent of government expenditure now going to R&D, much of it (16 per cent) directed to business and health.

Chart 15: Australian Govt investment in R&D as percentage of total government payments



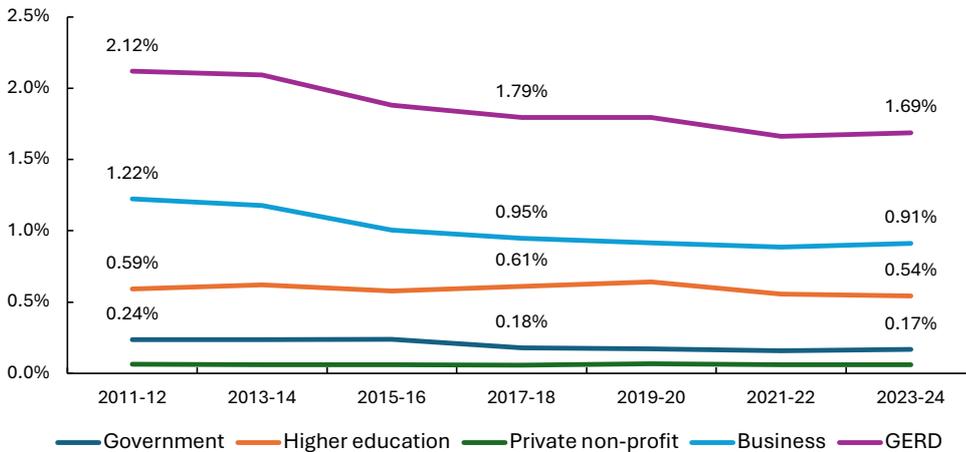
Source: Department of Industry Science and Resources, 2025-26 Science, Research and Innovation (SRI) Budget Tables.

Overall R&D investment in Australia is at a 20-year low of 1.7 per cent of GDP. A small uptick in 2023-24 was driven almost entirely by a modest increase in business R&D, which reached a low of 0.88 per cent of GDP in 2021-22 (Chart 16).

As revenues from both domestic and international students tighten, universities' ability to sustain Australia's research effort from general funds is likely to diminish further.



Chart 16: Gross expenditure on research and development as a percentage of GDP

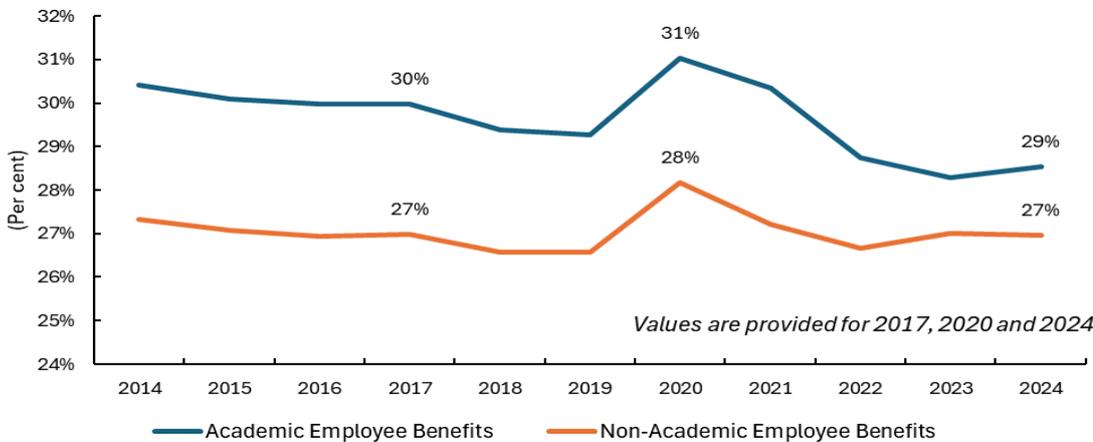


Source: ABS, Research and Experimental Development, Businesses, Australia (various releases).

6. Staffing now exceeds its 2019 peak, with fewer casuals

Salaries remain the largest expense for universities, though their share has fallen over the past decade. Academic salaries and on-costs declined from just under 31 per cent to around 29 per cent of total ongoing expenses (Chart 17), while professional staff salaries fluctuated around 27 per cent.

Chart 17: Academic and non-academic salaries and on-costs as a share of total expenses from continuing operations



Source: Department of Education, Finance publications.

Note: Employee benefits include salaries and on-costs; Non-Academic employees represent professional staff. Data is for 39 UA members, as at 2024.

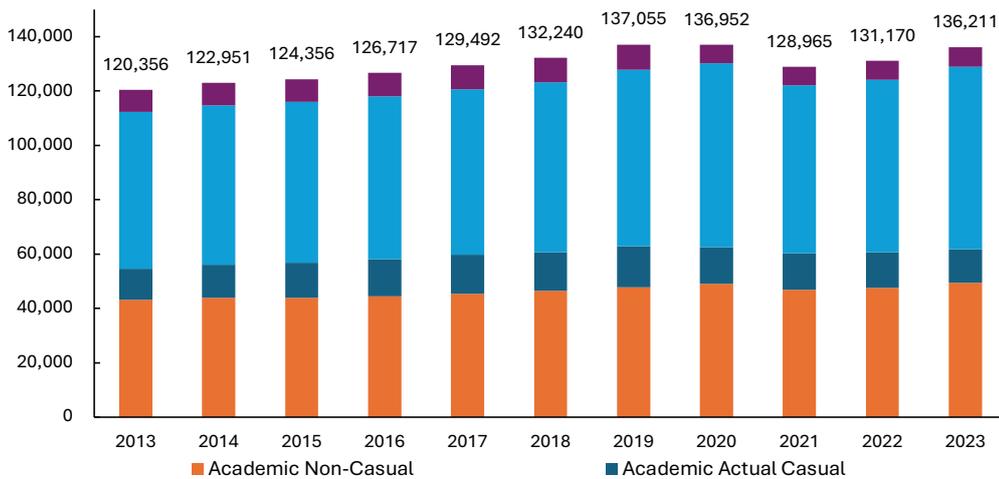
From 2014 to 2019, total full-time equivalent (FTE) staff grew steadily, reaching just over 137,000 – a 14 per cent increase, slightly below the 17 per cent growth in equivalent full-time student load. This growth in student load was driven primarily by international fee-paying students, up by about 137,000 (53 per cent), while domestic students grew by just 30,000 EFTSL (4 per cent).

The pandemic prompted substantial staffing reductions (Chart 18). Between 2019 and 2021:

- total FTE fell by more than 8,000 (nearly 6 per cent)
- total continuing and fixed term FTE fell by 3,800 (3.4 per cent), and
- casual FTE fell by 4,300 (17.5 per cent).



Chart 18: University staff FTE, 2013 to 2023 (including actual casual staff)



Source: Department of Education, Staff data collection.

Note: Non-Casual represents fixed term and continuing staff.

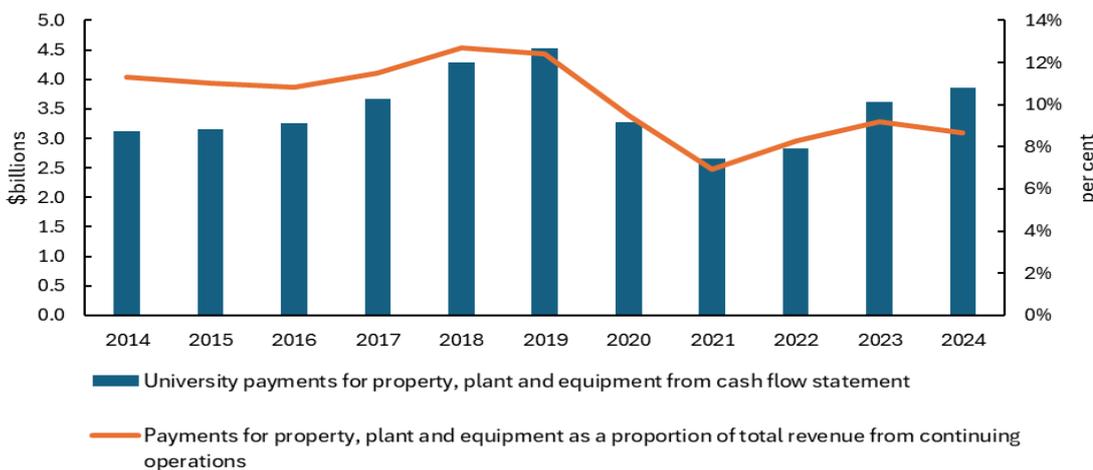
As international students returned, staffing recovered, particularly in continuing and fixed term roles – these grew by nearly 2,200 FTE in 2022, 5,500 in 2023 and 6,000 in 2024, resulting in more than 12 per cent growth since 2021. Total FTE in 2024 is estimated to be around 4 per cent above 2019.

Casual academic employment fell by over 940 FTE (7.1 per cent) in the two years to 2023, while casual professional staff employment grew by around 450 FTE (6.5 per cent). Post-pandemic growth among continuing and fixed term professional staff has been roughly double that of academic staff.

7. Capital expenditure remains low as surpluses are down

Capital spending is more volatile than salaries but remains subdued. It rose steadily to 2019, reaching around \$4.5 billion, then dropped sharply during the pandemic before partially recovering to about \$3.9 billion in 2024 (Chart 19).

Chart 19: University capital expenditures from Govt (\$m)



Source: Department of Education, Finance publications. Note: Data is for 38 UA members excluding Bond University.

Despite this nominal recovery, capital expenditure remains below 10 per cent of total expenses and below pre-pandemic levels. The Higher Education Endowment Fund, created in 2007 and later converted to the Education Investment Fund, had provided dedicated infrastructure funding for universities and TAFE, until it ended in 2014 with nearly \$4 billion of undistributed funds. With little direct government funding for infrastructure since 2014, universities have relied heavily on operating surpluses to fund buildings, laboratories, digital infrastructure and student accommodation.

The 2016 Higher Education Infrastructure Working Group Report found that even when dedicated capital funds were available (2011–2013), government grants covered less than 20 per cent of total capital investment; universities funded the rest. Today, weaker surpluses and greater financial uncertainty make it harder to sustain this investment model.

One thing is clear: generating the surpluses needed for future infrastructure will be increasingly difficult under current policy and revenue settings.



Glossary

This glossary of key terms and acronyms has been developed to accompany the UA 2025 Critical Challenges report.

Australian Tertiary Education Commission (ATEC)

This is a new national body proposed in the Australian Universities Accord Final Report to provide independent, system-wide oversight and planning for Australia's tertiary education system. At the time of publication (February 2026), legislation to create the ATEC is before Parliament and interim arrangements are in place within the Department of Education.

Capital Expenditure (CapEx)

Investment in long-lived physical and digital infrastructure including buildings, labs, IT systems, and equipment. CapEx is essential to maintain competitive teaching and research environments.

Category 1 Research Income

Highly competitive, peer-reviewed government research grants from schemes such as the Australian Research Council and the National Health and Medical Research Council. These grants emphasise research excellence and national priorities.

Category 2 Research Income

Funding from Australian government departments, state governments, and public agencies outside of competitive grant programs. This category often relates to applied or policy-driven research.

Category 3 Research Income

Funding from industry, philanthropy, international partners, and other non-government sources. This funding stream reflects the extent of university collaboration with industry and community stakeholders.

Commonwealth Grant Scheme (CGS)

The primary federal funding program for domestic higher education students. CGS payments are the government's contribution to the cost of teaching Commonwealth supported students. The value of the subsidy paid for each Commonwealth supported student place varies across disciplines and some student places may attract additional amounts (referred to as a loading).

Commonwealth supported student

A Commonwealth supported student is a domestic student who has been advised by their university that they are 'Commonwealth supported'. The *Higher Education Support Act 2003* (see Subdivisions 36-B and 36-C) sets rules for universities about which students can and cannot receive this advice.

A student who receives this advice may only be charged a 'student contribution' towards the cost of their course. Most domestic students can defer payment of this contribution under the HELP loan system. In addition to the student contribution, the university receives a CGS subsidy to help fund the student's course.

A Commonwealth supported student cannot be charged the full cost of their course. A student who is not advised that they are Commonwealth supported can be charged the full cost of their course and may be able to defer payment under the HELP loan system.

Commonwealth Supported Place (CSP)

A subsidised university place for domestic students in which the Australian Government covers a portion of the cost of study. The government contribution varies by discipline, and students pay a 'student contribution'. By definition, a Commonwealth supported place is equivalent to one EFTSL (see EFTSL glossary item).

Direct Research Costs

These are costs attributable to a specific research project such as researcher salaries, specialised equipment, consumables and fieldwork. Most, but not all, of these costs are met by research grants. This depends on the particular research program (see also Indirect Research Costs).

Enrolments vs Commencements

Enrolments count all students actively studying in a period, while commencements count only new students beginning to study in a course in that period. A commencement usually results in an enrolment lasting several years depending on course length. Commencements are a significant determinant of future revenue and accommodation demand.

Equivalent Full-Time Student Load (EFTSL)

A standardised measure of student enrolment that converts different patterns of study to a full-time equivalent basis. For example, two students studying half time are equivalent to one student studying full time. EFTSL is a common metric for funding, reporting, and workforce planning.



General Funds/General University Funds

University resources — sourced from international student revenue or other surpluses — that are used to support research activities which are not fully funded by government grants made specifically for research purposes. Such cross-subsidies have historically sustained much of Australia's university research effort.

Gross Expenditure on R&D (GERD)

This data collection is maintained by the Australian Bureau of Statistics. It collects data on Australia's investment in research across business, higher education, government, and other nonprofit organisations.

GERD as a percentage of GDP is used as an indicator of a country's innovation capacity and potential future competitiveness.

Higher Education Continuity Guarantee (HECG)

The HECG provided universities with a guarantee about funding during the Job-ready Graduates 2021–2023 transition period (see Job-ready Graduates glossary item). It allowed universities to keep funding for most Commonwealth supported student places even if the university was not filling those student places. It did not cover all Commonwealth supported student places and it did not protect universities from JRG's reduction in discipline funding rates.

The HECG worked by unconditionally granting universities the amount that was not spent on student places and which would otherwise need to be repaid to the Government.

Originally, no conditions were attached to the HECG but this changed when it was extended to the 2024 and 2025 years. For those years, universities were required to spend the HECG on initiatives to support equity cohorts within a specified period.

The HECG followed the Higher Education Relief Program (HERP) which was a one-year COVID-related funding mechanism that operated similarly.

Higher Education Endowment Fund (HEEF)/ Education Investment Fund (EIF)

Major historical Commonwealth funding sources that formerly provided large-scale, dedicated capital funding for university infrastructure. The HEEF was created in 2007 and absorbed into the EIF in 2009. The EIF was effectively discontinued in 2014. Their absence has constrained universities' ability to invest in infrastructure.

Higher Education Research Data Collection (HERDC)

This data collection is maintained by the Federal Department of Education. Universities submit verified data on research income which is used to determine university allocations under the Government's research block grant programs — the Research Training Program (RTP) and Research Support Program (RSP).

RTP and RSP funding to universities is not included in the HERDC.

HERDC categorises research income into competitive grants (Cat 1), other public sector (Cat 2), industry and other funding for research (Cat 3) and Cooperative Research Centre funding (Cat 4).

Implicit Price Deflator (R&D)

An index constructed by the Australian Bureau of Statistics to measure changes in price over time. It is an alternative to the Consumer Price Index (CPI) which tracks changes in the price of a weighted basket of goods and services consumed by households.

The implicit price index used in this report enables more accurate comparison of the purchasing power of research income across years for research inputs — equipment, labour and technology.

Indexation

An annual adjustment made to the value of government payments, student contributions, student loan balances and other amounts specified in higher education funding arrangements. It is based on the Consumer Price Index (CPI) but there is a delay in its application (e.g. 2026 grant amounts are increased for the inflation that occurred in the 12 months to December 2024). Details regarding indexation arrangements can be found in Part 5–6 of the *Higher Education Support Act 2003*.

Indirect Research Costs

These are costs of research projects that are not attributable to a specific research project. They include items such as buildings, utilities, legal and administrative compliance, ethics processes and clearances, IT systems, payroll arrangements and staff support. These costs are general not covered by research programs grants. The Research Support Program (one of the Government's research block grant programs) contributes to meeting some of these costs.

Investment Returns

Income generated from financial assets such as equities, bonds, and managed funds. Universities rely on investment income to stabilise budgets, but returns can fluctuate significantly with market conditions. Some financial assets, particularly bequests and philanthropic donations, may have restrictions applying to the use of the asset and its returns.

Job-Ready Graduates (JRG)

A package of major changes to funding arrangements for Commonwealth supported student places that were phased in over the period 2021 to 2023 (the JRG transition period). Among the changes was an adjustment to the levels of government subsidy and student contribution for a student place across all educational disciplines. They sought to change the courses of study chosen by students and how student places were distributed between universities. The impact of these changes continues to reverberate throughout the sector.

Liquidity (Current Ratio)

A financial health indicator related to a university's ability to meet its immediate financial obligations. It is the ratio of current assets to current liabilities. In general terms, a current asset is one that can be converted to cash within next 12 months and a current liability is a debt that must be paid within the 12 months. A current ratio of less than 1 suggests a university may not have enough accessible cash to meet immediate obligations, such as payroll, loan repayments or supplier invoices (even though this may not be the case).



Managed Growth Funding (MGF)

A new framework being introduced to change the funding arrangements for Commonwealth supported places. The Government's stated purpose for the new arrangements is to increase opportunity for students from underrepresented backgrounds and create a more diverse and flexible system of higher education.

The interim legislative arrangements for MGF are available in the Higher Education Support Legislation Amendment (Managed Growth Funding System) Instrument 2025 Amendments to the *Higher Education Support Act 2003* are expected to be introduced in 2026 to give effect to final MGF arrangements from 2027. Universities currently receiving funding for student places which are not being utilised are to have their funding reduced. Those universities providing places which are not currently funded may be required to lower their commencing student intake and some may receive additional funding.

Ministerial Directions under the Migration Act 1958

These are legislative directions under the *Migration Act 1958* about how functions and powers under that Act are to be performed or exercised. Since December 2023, these have been used to moderate and manage the number of overseas (international) students studying in Australia, most recently by setting priorities for the Department of Home Affairs' assessment of visa applications.

The main directions doing this have been Ministerial Direction 107 which was made in December 2023. It was replaced by Ministerial Direction 111 in December 2024 and Ministerial Direction 115 in December 2025. The most recent directions effectively introduced a soft cap (referred to as a NOSC allocation – see NOSC glossary item), with visa processing priority reducing once universities reach 80 per cent of this soft cap.

Needs-based Funding (NBF)

This is a new approach to the provision of funding to universities to better support students from underrepresented backgrounds (including students from low SES backgrounds and First Nations students) to complete their studies. The program also provides more funding to help address the higher costs that regional higher education providers face to deliver courses in regional Australia.

The interim legislative arrangements for NBF are available in the *Higher Education Support (Other Grants) Guidelines 2022*.¹ Amendments to the *Higher Education Support Act 2003* are expected to be introduced in 2026 to give effect to final NBF arrangements from 2027. Most of the initial funding is sourced from existing programs that have objectives aligned to those of the NBF. These include the Higher Education Participation and Partnerships Program (HEPPP), the National Priorities and Industry Linkage Fund (NPILF) and the Regional Loading Program (RLP).

New Overseas Student Commencement (NOSC) Planning Levels/Soft Cap

Under current arrangements, the Government specifies a national planning level (effectively a target) for the number of new commencing overseas students it wishes to allow into Australia to undertake tertiary study. This allocation is then split among tertiary providers.

Each university ends up with an indicative allocation of new overseas student commencements for a calendar year, recorded in the Provider Registration and International Student Management System (PRISMS). PRISMS is an IT system used by providers and government to support administrative processes associated with overseas students. Visa processing priority decreases once institutions reach around 80 per cent of their allocation, effectively acting as a 'soft cap' to limit unplanned growth.

Nominal Dollars

These are funding amounts that have not been adjusted for the impact of inflation over time. They contrast with real dollars (see Real Funding Amount/Real Terms glossary item).

Operating Surplus/Deficit

The difference between a university's annual revenue and expenses. Public universities are required to pursue the objectives of the university laid out in its enabling legislation. They are not-for-profit organisations and funds surplus in a particular year are generally retained for use by the university in a subsequent year.

The Government's funding arrangements require universities to achieve surpluses in some years so that they have sufficient resources available in other years for expenditure on items that are not funded by Government. Typically, surpluses enable investment in infrastructure and research.

Sustained deficits are an indicator that a university will encounter considerable financial difficulties in future years.

Primary Higher Education Student Visa Holder

Under Australia's migration laws, there are two types of applicants – primary applicants and secondary applicants.

A primary higher education student visa holder is an international student who holds a valid Australian student visa (currently a subclass 500 visa) enabling them to study onshore at a higher education provider.

Secondary student visa holders are typically dependents of a primary student visa holder.

Real Funding Amount/Real Terms

These are funding amounts that are adjusted for the impact of inflation over time. Time series of real funding amounts provide for better comparison across years of the amounts of funding being provided as they take account of changes in how much those funds can purchase. The adjustment converts the amount for each year into constant dollars. That is, the value it would have in a particular year (for example \$2024, or 2024 constant dollars). It is used to show whether universities' purchasing power is rising or falling. Unadjusted amounts are referred to as nominal dollars.

¹ Higher Education Support (Other Grants) Amendment (Needs-based Funding Program) Guidelines 2025 (F2025L01617), compiled 20–23 December 2025.



Research Block Grants (RBGs)

This is a reference to the two of the 'core' research funding programs of the Australian Government. The Research Support Program (RSP) contributes to meeting the indirect costs of research. The Research Training Program (RTP) supports the training of future researchers, most of whom are undertaking study for a doctoral level qualification.

Salary On-Costs

Additional employment expenses paid by universities in addition to direct salary costs, for example contributions to superannuation, payroll tax, workers compensation and long service and annual leave expenses. These typically add 33 per cent to the base salary cost.

Transnational Education (TNE)

Education delivered to students located outside Australia. It may be delivered at offshore campuses, partner universities, or online. TNE has grown as universities diversify away from reliance on onshore revenue.

Visa Grant Rate

The proportion of visa applications that are approved. It is the number of visas granted divided by the sum of visas granted and refused in a period. In the current financial year, the student visa grant rate is calculated for visa subclass 500 and subclasses 570 to 576.

Universities expend resources to attract international students and do a considerable amount of administrative work associated with potential students' visa applications. A low grant rate indicates greater difficulty in recruiting and planning educational activity, and in sourcing international student revenue.



Universities Australia
1 Geils Court, Deakin ACT 2600

P +61 2 6285 8100

E contact@universitiesaustralia.edu.au
universitiesaustralia.edu.au