

The background is a dark blue gradient with a subtle starry pattern. On the left side, there are several overlapping circular elements. A prominent feature is a large circular scale with tick marks and numerical labels (140, 150, 160, 170, 180, 190, 200, 210, 220, 230, 240, 250, 260) arranged in a semi-circle. Other circles include dashed lines, solid lines, and arrows, suggesting a technical or scientific theme.

CASSELLS REPORT

OPTION ONE - A PREDOMINANTLY STATE-FUNDED SYSTEM

- State would increase its core grant to institutions
- Existing student fees would be abolished
- Student income supports would be enhanced.
- Higher education would be free at the point of entry for all first-time EU students, including part-time learners.

OPTION 2 - INCREASED STATE FUNDING WITH CONTINUING STUDENT FEES

- Continue paying a fee at close to the existing level
- Requires state to invest €1 billion
- Students from lower income backgrounds would continue to receive fee waivers under the student grant scheme

OPTION 3 - INCREASED STATE-FUNDING WITH DEFERRED PAYMENT OF FEES THROUGH INCOME CONTINGENT LOANS - ICL

- Undergraduate students would be charged fees.
- Facility would be introduced to allow the payment of these fees to be deferred until after graduation.
- €16,000-€20,000 initial fee
- Potential to follow UK Model where fees are now reaching 11,000 per year

Table 4: Funding Option III

| Millions Euro | 2015 Existing | 2030 Option I | 2030 Option II | 2030 Option III A (ICL - 4k) | 2030 Option III B (ICL - 5k) |
|---|---------------|---------------|----------------|------------------------------|------------------------------|
| | | | | | |
| Funding of Higher Education Institutions | 1,831 | 2,875 | 2,875 | 2,875 | 2,875 |
| | | | | | |
| Direct state grants | 923 | 2,255 | 1,765 | 1,557 | 1,370 |
| Student / Family and Other Fees | 908 | 470 | 960 | 1,168 | 1,355 |
| Employer | 0 | 150 | 150 | 150 | 150 |
| | | | | | |
| Funding for Student Support | | | | | |
| Fees/ ICL cost | 180 | 0 | 227 | 149 | 188 |
| Living Costs | 187 | 295 | 295 | 295 | 295 |
| | | | | | |
| Total Cost to the State | 1290 | 2,550 | 2,287 | 2,001 | 1,853 |
| Additional State Investment | | 1,260 | 997 | 711 | 563 |
| | | | | | |
| Total Funding for Higher Education | 2,018 | 3,170 | 3,170 | 3,319 | 3,358 |
| | | | | | |
| State Proportion | 64% | 80% | 72% | 60% | 55% |

Box 1: Income-Contingent Loans: An Overview

Income contingent loans are a type of student loan in which repayments are fixed at a percentage of a graduate's subsequent earnings. They differ in a number of significant ways from standard mortgage-type loans in which a fixed amount must be repaid each year until the loan is fully repaid.

First, income contingent loans (ICL) are generally provided by the state (or state entity) rather than private financial enterprises, such as banks. Second, repayments are contingent on the income of graduates. Thus, they take into account adverse circumstances such as unemployment, illness or low pay. In the event that a graduate is unable to repay the loan, the state covers the default associated with inability to pay. Indeed, this is not seen as a loan default, so much as a design feature of an income contingent loan system. For this reason, individuals have a higher incentive to make an investment in their own higher education using an income contingent loan than they would have with a mortgage-type loan.

There are a number of key parameters to be set in designing an income contingent loans scheme:

- defining whether the loans cover tuition fees, maintenance costs, or both;
- the income threshold below which loans are not repaid;
- the interest rate, if any, to be charged to graduates;
- the percentage of disposable income to be repaid in any given year.

The level of monthly repayment increases with income which means that the more a graduate earns the less time he or she takes to repay.

The cost of an income contingent loan system to the state depends on the cost of public borrowing, the interest rate charged to graduates, the share of those who do not repay their loans, and the discount rate used in public accounting. The latter could be influenced by the level of graduate emigration and the extent to which repayments can be recovered from those who emigrate.

In outlining the international spectrum of funding models, this chapter provides an overview of income contingent loans in four countries: Scotland, The Netherlands, England and Australia. Further explanation of income contingent loans, and analysis of its possible application in Ireland, can be found in Chapter 5 and in Appendix 3.