



Education Report: Student support – Options for future work

To:	Hon Chris Hipkins, Minister of Education		
Date:	19 October 2018	Priority:	High
Security Level:	Budget Sensitive	METIS No:	1158645
Drafter:	§ 9(2)(a)	DDI:	§ 9(2)(a)
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Messaging seen by Communications team:	N/A	Round Robin:	Yes

Purpose of report

This paper discusses the financial implications, timing and options for further development of potential student support policy initiatives. We recommend deferring any student support budget initiatives to future budgets, with no initiatives in Budget 2019.

To help direct future work, we recommend that you discuss your priorities for student support policy changes with Student Loan Ministers and officials at the Student Loan Ministers' 1 November meeting.

Summary

Student Loan Ministers are meeting next on 1 November. We recommend you discuss your priorities for student support policy at that meeting. In this paper, we discuss how current student support policy work can support your goals, and the required next steps on four potential initiatives.

At your 15 October meeting with Ministry of Education officials, you decided not to include an initiative to [redacted] on a shortlist of education initiatives for consideration in Budget 2019.

Although no student support initiative is included for consideration in your Budget 2019 package, learners will benefit from other proposed tertiary education initiatives in the package we will submit to the Treasury on 23 October [METIS 1157855 refers]. In particular, some will benefit from the additional funding proposed to ensure a broad range of tuition and training options for learners by institutes of technology and polytechnics (ITPs) across New Zealand, and learner-centred funding for foundation education. Learner-centred funding would help to better meet individual learner needs, and support access and achievement for learners with the greatest needs.

We recommend that any further changes to student support are considered in light of other significant policy changes in the tertiary education and training system currently in development. For example, there are trade-offs and connections between student support policy and other options to achieve related objectives, including, the Review of the Vocational Education and Training system (VET), expansion of the fees-free policy, and changes to funding and fees policy as part of broader tertiary system reforms.

Recommended actions

The Ministry of Education recommends you:

- a. **discuss** your priorities for student support policy changes with Student Loan Ministers and officials at the joint Student Loan Ministers meeting on 1 November
- b. **note** that no student support initiative is included in the indicative Budget 2019 education package to be submitted to Treasury on 23 October
- c. **agree** to defer any further student support policy changes targeting learners during study to future Budgets, to allow consideration in light of significant policy changes in the wider tertiary education and training system

Agree / Disagree

- d. **discuss** the following potential options for changes to Student Loan policy with Student Loan Ministers, and direct officials to progress further work on:
 - [REDACTED]
 - reducing financial hardship for overseas-based borrowers with exceptional circumstance
 - [REDACTED]
- e. **forward** this report to the Minister of Revenue and the Minister of Social Development for discussion at the Student Loan Ministers meeting on 1 November
- f. **proactively release** the contents of this paper once related Budget decisions have been made publicly available.

Release / Not release


Claire Douglas
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Graduate Achievement,
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19/10/2018

Hon Chris Hipkins
Minister of Education

___/___/___

Background

- 1 In the week beginning 5 November, Cabinet Committees are expected to consider the range of proposed Budget 2019 initiatives. The Ministry of Education (the Ministry) has provided you with a report seeking confirmation of initiatives to be submitted to Treasury on 23 October [METIS 1157855]. You can develop further initiatives after these dates, to include in your Budget 2019 package to be submitted to the Minister of Finance by 14 December. After that date, the Minister of Finance must approve submission of any new initiative proposal for Budget 2019.
- 2 To reflect Government's priorities, we are expecting significant changes in the tertiary education system, in particular, in foundation education, vocational education (for example, through the Review of the Vocational Education and Training system), and rebalancing public and private investment (including through fees-free). These changes will have implications for existing student support policy settings.
- 3 To support affordable tertiary education, major initiatives to improve the affordability of tertiary education were launched for 1 January 2018 and reflected in the 2018 Budget. The fees-free tertiary education policy was introduced, alongside a \$50 per week increase to maximum student loans and allowances rates. Budget 2018 also included extending the lifetime borrowing limit for students in long programmes, from 7 equivalent full-time students (EFTS) to a maximum of 10 EFTS.^{1,2}

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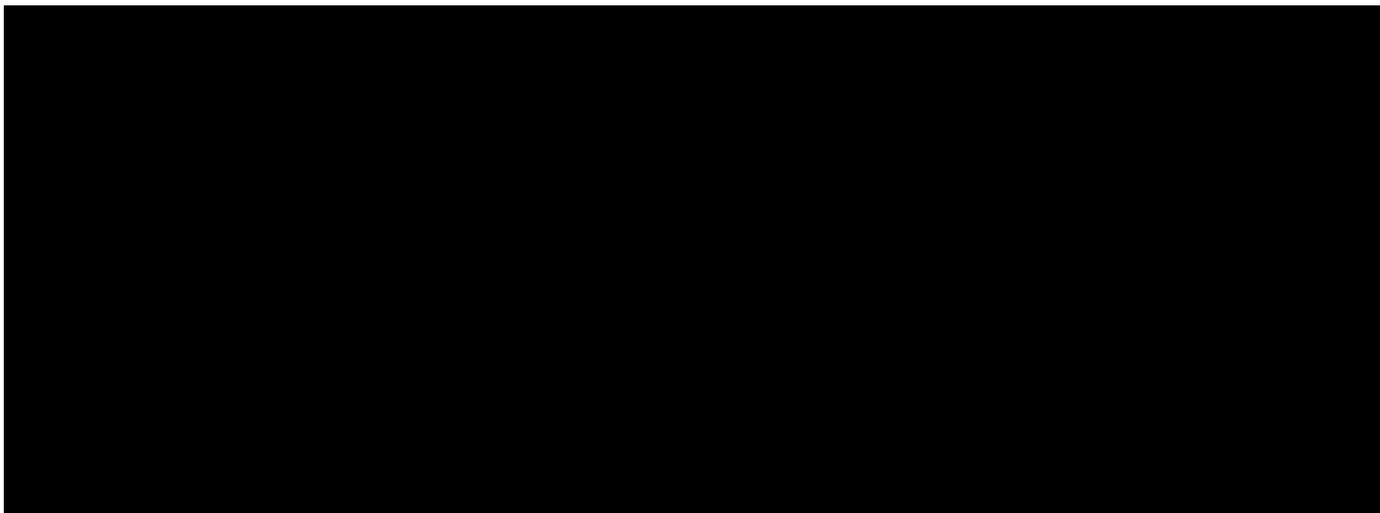
No student support initiatives are currently proposed for Budget 2019

- 5 As agreed by Cabinet, Government's wider priorities for expenditure in Budget 2019 will be focused on: creating opportunities to transition to a sustainable and low emission economy; supporting innovation, social and economic opportunities; lifting Māori and Pacific incomes, skills, and opportunities; reducing child poverty; and improving mental health [CAB-18-MIN-0428 refers].
- 6 Following your discussion with Ministry officials on Monday 15 October [METIS 1159716 refers], there is currently no student support initiative included in the Budget 2019 package to be submitted to Treasury on 23 October.
- 7 However, some learners will benefit from the additional funding proposed to ensure a broad range of tuition and training options for learners by institutes of technology and polytechnics (ITPs) across New Zealand, and [REDACTED]. [REDACTED] Learner-centred funding is intended to improve its quality and so it better meets individual learner needs, and supports access and achievement for learners with the greatest needs. This will help those with low skills to gain formal qualifications and the skills and capabilities they need to progress into higher-level study, training and sustainable employment.
- 8 Given priorities for expenditure in Budget 2019 and the fiscal constraints posed by wider priorities for your education portfolio and cost pressures arising in the ITP sector and for learning support, in particular, we recommend deferring further student support changes to future Budgets. However, you may wish to consider minor changes to student support policy as part of Budget 2019 where these are not significantly related

¹ Long programmes refer to medicine, dentistry, optometry and veterinary science. This policy change will apply from 1 January 2019. However, some students' course work for the 2019 academic year begins in late 2018. These students will also be eligible.

² This change was agreed to by Cabinet in June. Cabinet agreed to use funding from Vote Tertiary Education baselines to fund an extension of the lifetime borrowing limit for students in long programmes, from 7 EFTS to a maximum of 10 EFTS.

to broader strategic policy changes. Should you wish, we can provide you with further advice on these options.



Comment

10 In Budget 2012, the previous Government removed postgraduate students' (excluding Honours) eligibility for student allowances. This was to focus student allowances on the initial years of study.

11 In March 2018, the New Zealand Union of Students' Association (NZUSA) wrote to you on inequities in the student support system, calling for action in Budget 2018 to restore postgraduate student allowances. In May, NZUSA presented its petition on restoring postgraduate student allowances, with 2,159 signatures, to Green MP Chlöe Swarbrick.

12 Restoring postgraduate student allowances would improve the affordability of postgraduate study by reducing the size of loans that postgraduate students leave tertiary education with.³

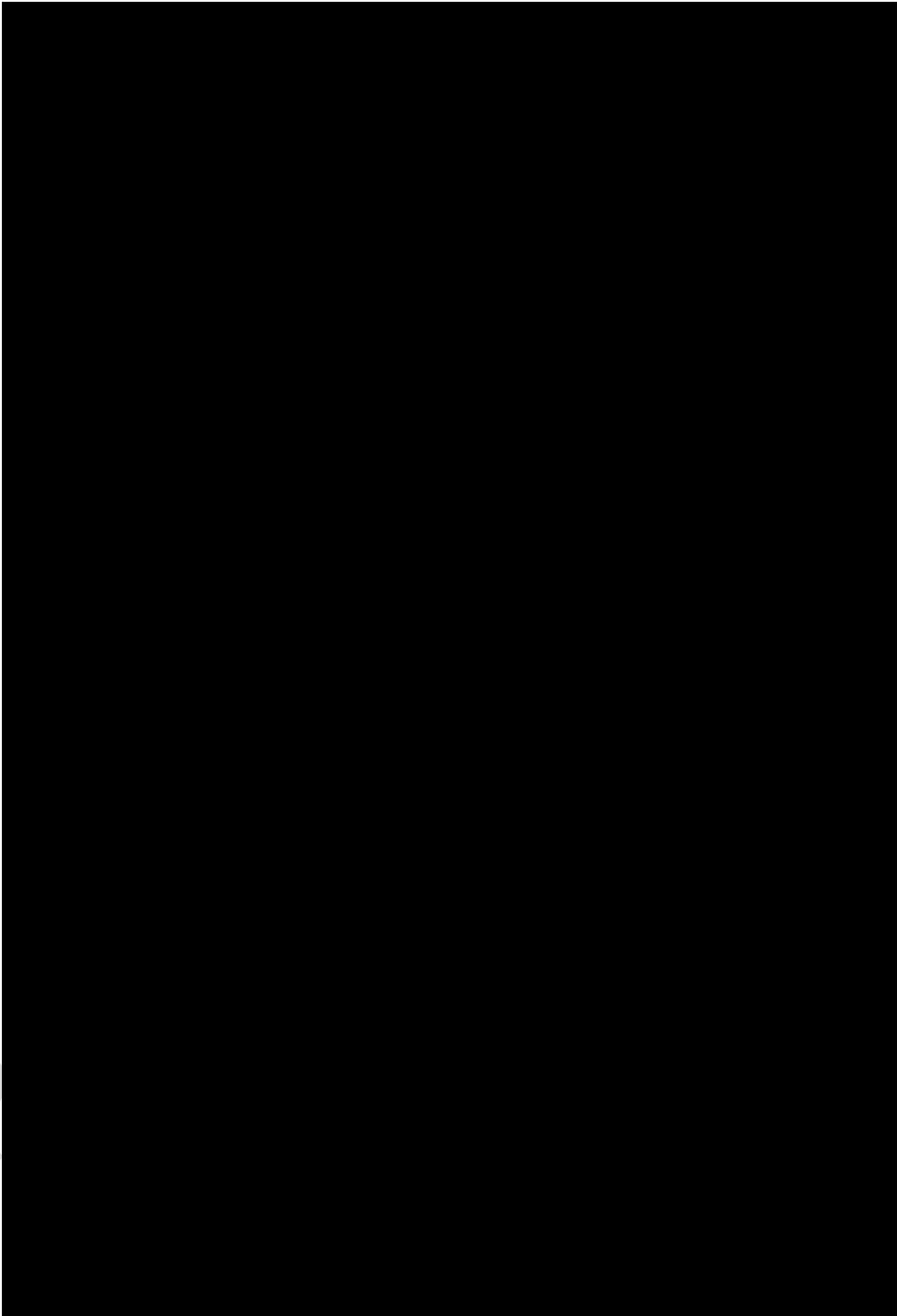
13 It is not clear that access to student allowances would improve participation in postgraduate study for learners from a range of backgrounds, socioeconomic or otherwise. For example, prior educational attainment and unsuccessfully completing their first year are significant barrier for many learners entering, and progressing to higher levels of, tertiary study.

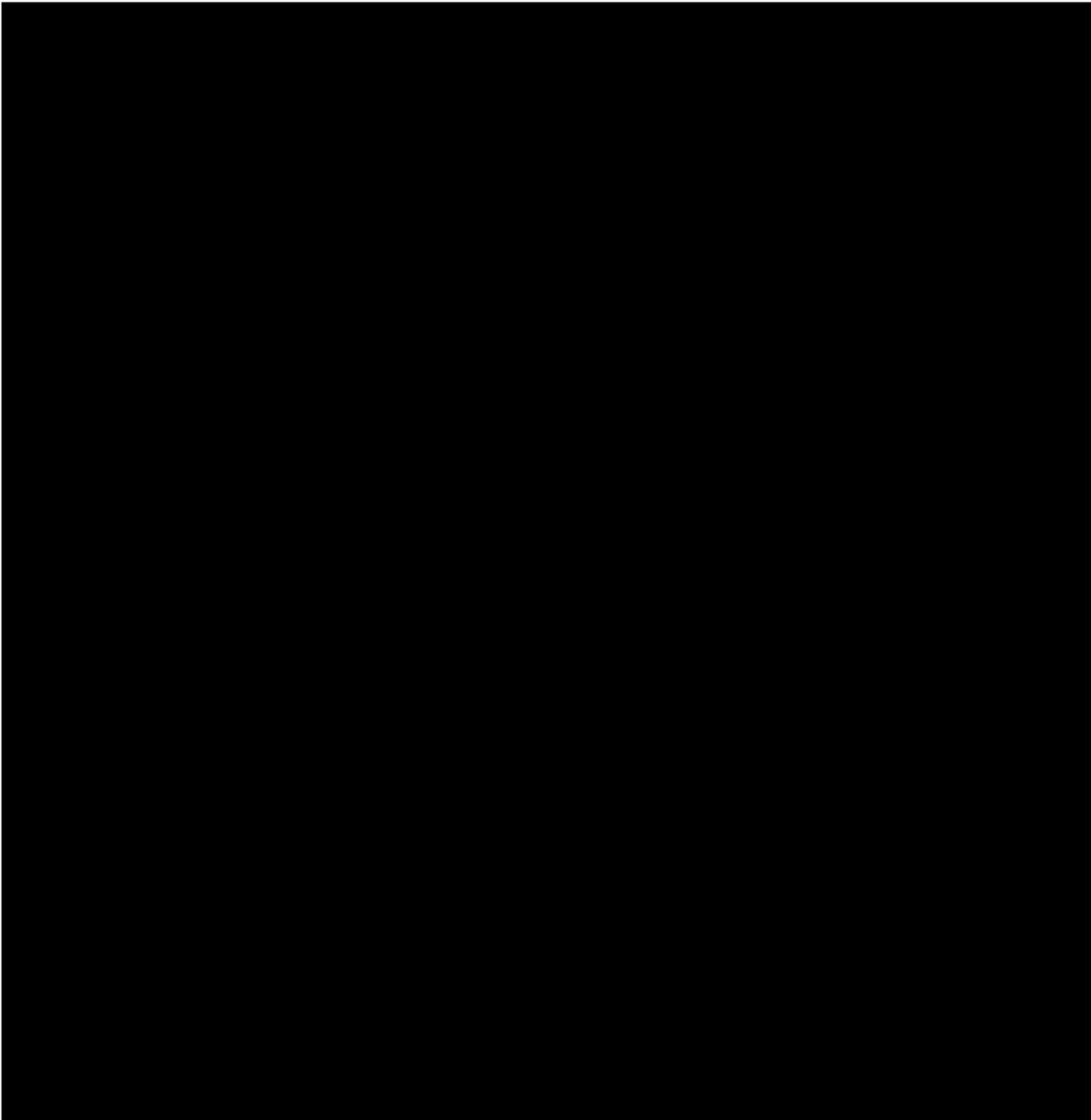
14 Total domestic postgraduate enrolments continued to increase each year between 2012 and 2016. In 2013 and 2014, there was some decrease in the number of Māori students in postgraduate study, but rates increased from 2015. However, we do not know how many people chose not to undertake postgraduate study because access to student allowances was removed. Participation in tertiary education, more broadly, has been decreasing.⁴

15 [Redacted]

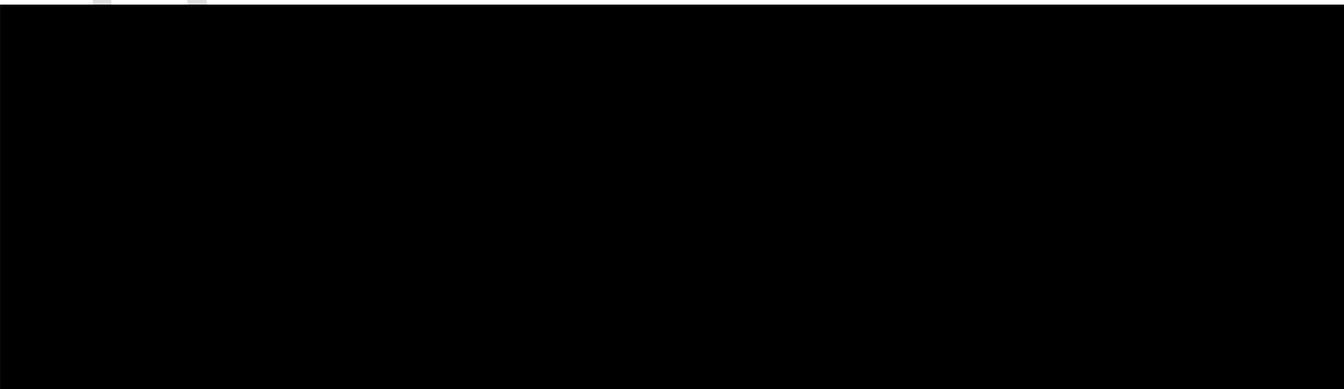
16 s 9(2)(f)(iv) [Redacted]

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]





Reducing hardship for those with exceptional circumstances



Comment

- 33 Allowing OBBs who suffer from a medical condition or serious illness to have income-contingent repayment obligations and interest free loans would likely have minimal costs as it would not apply to many borrowers.
- 34 [REDACTED]
- 35 Further work is needed to develop these options, including eligibility criteria implementation details and costings.

Student support and wider changes to tertiary education

- 36 Government's goal to move towards a tertiary system with more emphasis on guided and supported learner pathways, connections to the changing world of work, connected and collaborative networks, and reduced financial barriers will mean significant change in tertiary education policy.
- 37 In particular, this will mean changes in foundation studies, to student entitlements (for example fees-free), and in vocational education (for example the VET Review), and will have implications for current student loans and allowances policy settings.
- 38 Fees-free tertiary education will improve the affordability of tertiary education for many learners and reduce the size of their loans.
- 39 Changes through the VET Review may lead to more people being eligible for student loans for course fees and increased demand and uptake of student loans. It may also lead to fewer people being eligible for student allowances.
- 40 We may need to assess student support policy settings to see how well they support learners, and align with goals for the wider tertiary education system.

Student support can help Government achieve its goals for the tertiary system

- 41 Government currently supports affordable tertiary education by regulating tertiary education fees, and providing information at key transition points for learners, and by providing tuition subsidies (that contribute to around 71% of the cost of tuition) and first-year fees-free tertiary education direct to providers.
- 42 Government funds learners directly through student support in the form of interest free student loans for course-fees, course-related costs and living costs, and student allowances.

Student support is tiered, with some broadly available and some more targeted

- 43 More support is available for, or emphasis is placed on (see Annex one):
- a. Full-time over part-time study
 - b. Younger learners
 - c. First qualification
 - d. Equity.
- 44 The Accommodation Benefit is additional funding available for learners eligible for student allowances who are living away from home.

We can explore opportunities for student support to help with Government's goals

- 45 The need for more flexible and responsive education, and to address inequities in our education system means that there is an opportunity for us to assess how well our student support system enables Government's goals for the wider tertiary education system, and to improve access and affordability of tertiary education through the student support system.

Next steps

- 46 We recommend that you discuss the contents of this paper and advice provided to the Student Loan Ministers at your next meeting on 1 November.

Proactive release

- 47 We recommend that this Education Report be proactively released once related Budget decisions have been made publicly available. Final decisions are still to be made on the wider piece of work. Any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.

Annex

Annex one: Government support by learner eligibility, from targeted to broad

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