



Briefing Note: Fees-free tertiary education and fee scholarships in 2018

To:	Minister of Education, Hon Chris Hipkins Associate Minister of Education, Hon Tracey Martin		
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Purpose

- This briefing responds to media, student and provider comments, and questions from the Minister of Education's office on fees scholarships under fees-free tertiary education. It provides information on fees scholarships under fees-free tertiary education, including the implications of the policy settings agreed by Cabinet, implications for student allowances or other living cost support, and communications and engagement activity.
- We seek to discuss this with you at your 7 December meeting on fees-free tertiary education.

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6/12/17

Background to the issue

Policy settings for fees-free

1. Under fees-free tertiary education, fees for a first year of study are fully funded by the Crown. The policy settings reflect a principle that fees-free is for the first year of study: therefore students cannot hold over fees-free funding to a second year of study. This implies that any scholarships awarded for first-year study should adapt to fees-free.
2. These settings respond to TEO feedback that fees-free should be kept as simple and straightforward as possible. Providers told us that exceptions or exemptions for scholarships would add to their administrative workload and potentially confuse students, and asked for the design to avoid creating exceptions for scholarships.

Implications for fee scholarships awarded for 2018 study

3. All eligible first-time students will benefit from fees-free. No student in receipt of a scholarship will be worse off as a result of the policy: however some may not benefit as much as they hoped or expected. We expect that only a small number of students will not benefit as they expected, where scholarship bodies cannot adjust their scholarships awarded for 2018. Some students or parents have contacted agencies or Ministers aiming to ensure that they receive cash value from scholarships in addition to fees-free.
4. Our guidance to students and scholarship providers is to refer students to the body that awarded their scholarship, as scholarships are private arrangements between a scholarship body and recipient. Scholarships are awarded by a wide range of bodies, including tertiary education providers but also community and energy trusts, gaming and licensing bodies, and private philanthropic organisations. There is no authoritative data on the number of fees-only scholarships available.
5. We have suggested that scholarship bodies and students consider converting 2018 scholarships to cash, deferring scholarships to a second year of study, or using the funds to pay other study-related costs.
6. Implementation timeframes for fees-free from 1 January mean that not all scholarship bodies can adapt the scholarships they have awarded for 2018. Some bodies will be bound by conditions of scholarship funds, perhaps set in trust deeds or law, due process in administering funding rounds, or other factors that delay changes. Others will be able to make changes.
7. For TEO scholarships, any changes to existing scholarships for 2018 or future years will need to stay within TEC funding conditions that limit inducements for enrolment. These long-standing funding conditions exist to avoid TEOs engaging in unproductive competition that diverts their resources from educational purposes. The funding conditions do allow TEOs to award scholarships for merit or need-based purposes, study in specific fields, philanthropic purposes, or for other clear and focussed rationales.

Implications for student allowance if fee scholarships are converted to cash, or living costs

8. If scholarships are paid directly to students receiving fees-free, this may affect other living support for lower-income students receiving either student allowance or income support from Work and Income. Receiving a scholarship is likely to reduce the need for students to work to fund living costs while they study, recognises their efforts, and supports them to maintain a focus on study.
9. Payments will only affect student allowances if they meet the definition of personal income for student allowance, and if the student earns more than \$214.30 gross per week in total (or \$428.60 for a couple), including the scholarship and any other income. Scholarship income would be pro-rated over their period of study.

10. For student allowance purposes, income includes any money received by a student that is intended to be used for general living purposes. This is broadly equivalent to definitions for benefits. Payments intended to support a student's living costs are likely to be treated as income, but those which are intended and used to meet the costs of study (for example, equipment, materials, or travel related to study) may not be. StudyLink considers whether or not a payment is income on a case-by-case basis.
11. A scholarship of under \$6,429 (for a single student in a full year, 30-week course) will not reduce the amount of allowance a single student would be eligible for even if it is treated as income, unless the student has other forms of income. As our previous analysis shows that over half of students pay fees below this level, many student allowance recipients would not have their student allowance abated.
12. For students receiving income above these levels, a dollar reduction for every extra dollar earned will apply (except for certain couple rates, where the student allowance reduces to zero as soon as they earn above \$892.72 per week). At this point, a single student aged under 24 with no children and living away from home would be earning a maximum of \$467.96 gross per week (made up of student allowance plus the 1 January increase and scholarship or earned income).

Communications and engagement to date, and next steps

13. To date we have:
 - a. Worked with TEO scholarship providers to understand their response to the policy. Officials have met with university and polytechnic planning managers, and understand that many TEOs are already making changes in response to fees-free. Universities New Zealand has restated that universities are taking this approach, and asked that TEC ensure that any further guidance avoids being overly prescriptive.
 - b. Sent signals about expected responses, by providing Q&A on TEC and Education websites to advise scholarship recipients and granting bodies of the policy, and suggest that scholarships adapt in response, as much as is possible. This sets an expectation that scholarship bodies adapt, rather than seek new funds or compensation from government.
 - c. Invited students or scholarship bodies to contact feesfree@tec.govt.nz if they have questions or concerns. This provides a channel to gather information about the size and scope of issues with scholarships, which could inform further work for 2018 and 2019. It also enables agencies to work with scholarship providers to make changes for future years.
14. Our proposed next steps are to:
 - a. Gather information from queries to the fees free email address, which TEC is monitoring and analysing for themes and issues.
 - b. Work with scholarship bodies who seek support to make changes, which will provide information for further work: about the scale and nature of scholarships, and the constraints on scholarship bodies.
 - c. Provide information and restate our offer of advice to scholarship bodies outside TEOs, through peak bodies. We intend to provide this information through Philanthropy New Zealand, the funding information site Generosity New Zealand, government agencies responsible for regulated charities and gaming machine societies, and peak bodies for regulated trusts. We will also work with students' associations to get the word out to prospective students.
15. We will keep an ongoing overview of this issue, and will report progress to Ministers in January 2018. At that point, we will be better placed to identify a response if needed for students whose 2018 scholarships cannot be changed.