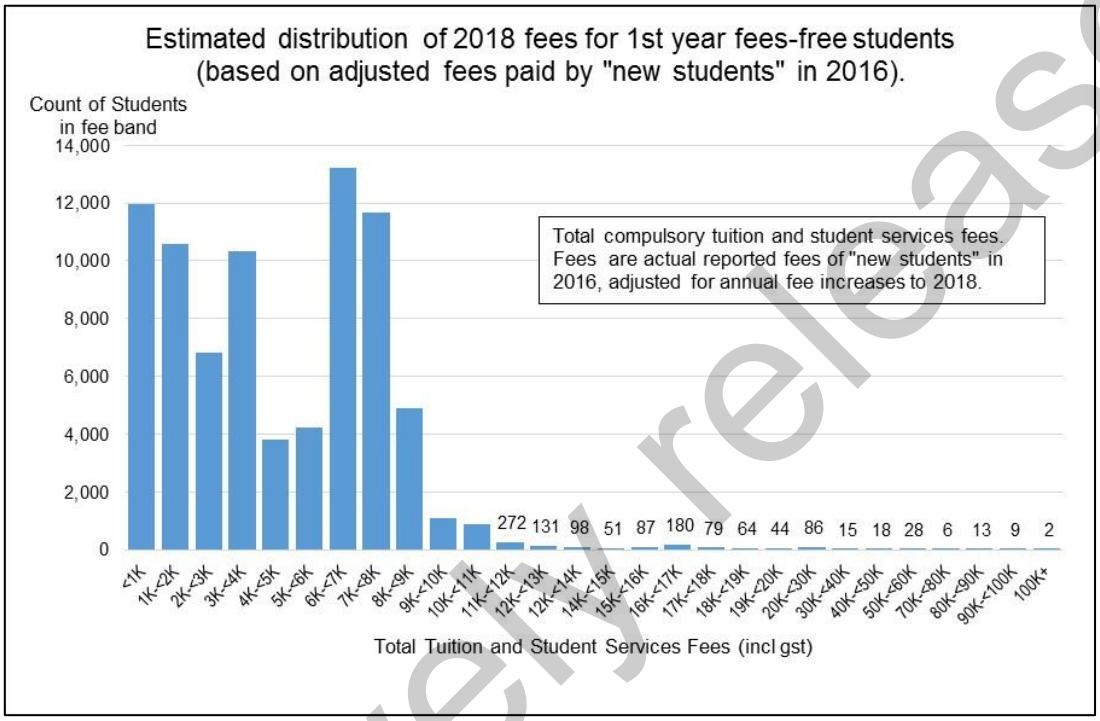
How many students may be affected by a fees-free $ value cap?

Ministers asked for information on the amount first-year students pay in fees. This will inform decisions on appropriate settings of a maximum dollar value for a cap on fees-free eligibility.

The chart below and table 2 overleaf show the distribution of estimated 2018 fees for students who enrolled in 2016 at Level 3+, having previously recorded no more than 0.5 EFTS of study at Level 3+ since 2003.

- A fee cap of $10,000 would affect 2.5% of these students – approximately 2,050 people
- A fee cap of $12,000 would affect 1% of these students – approximately 900 people
- A fee cap of $15,000 would affect 0.75% of these students – approximately 600 people



The reference group of just over 80,000 “new students” includes people ineligible for “fees free” due to prior study - overseas, or in NZ before 2003. This is an upper bound on the number of students potentially eligible for fees free, had this policy applied in 2016. *Our costings, which assume all “new students” would claim fees-free, are biased upwards by this assumption.* We are working to refine costings by estimating the number of “new students” likely ineligible due to previous study in NZ before 2003, or overseas.

Table 1: Implications for setting a cap on the value of fees free entitlements for 2018

Fees-free cap (incl gst)	Number of students affected	% of students affected	Fees over cap payable by students *
$10,000	2,052	2.54%	$10.831m
$11,000	1,183	1.47%	$9.213m
$12,000	911	1.13%	$8.166m
$13,000	780	0.97%	$7.321m
$14,000	682	0.85%	$6.590m
$15,000	631	0.78%	$5.933m
$16,000	544	0.67%	$5.346m
$17,000	364	0.45%	$4.892m
$18,000	285	0.35%	$4.567m
$19,000	221	0.27%	$4.314m
$20,000	177	0.22%	$4.115m

Students paying fees over a cap can draw student loans to fund this, offsetting any fiscal savings.

A borrowing limit of $35,000 per EFTS applies only to aviation students.

The main benefit of a lower cap is to control the potential for undesirable behavioural responses by students or providers seeking to exploit the fees free policy.

Table 2: Distribution of estimated 2018 fees for "new students" in 2016 who would have been potentially eligible for the fees-free policy.

Fee $	Potentially eligible students studying 0 < EFTS <= 2.0	Cumulative count of students	Cumulative percentage
0k-<10k	78,623	78,623	97.46%
10k-<11k	869	79,492	98.53%
11k-<12k	272	79,764	98.87%
12k-<13k	131	79,895	99.03%
12k-<14k	98	79,993	99.15%
14k-<15k	51	80,044	99.22%
15k-<16k	87	80,131	99.33%
16k-<17k	180	80,311	99.55%
17k-<18k	79	80,390	99.65%
18k-<19k	64	80,454	99.73%
19k-<20k	44	80,498	99.78%
20k-<30k	86	80,584	99.89%
30k-<40k	15	80,599	99.91%
40k-<50k	18	80,617	99.93%
50k-<60k	28	80,645	99.96%
60k-<70k	-	80,645	99.96%
70k-<80k	6	80,651	99.97%
80k-<90k	13	80,664	99.99%
90k-<100k	9	80,673	100.00%
100k+	2	80,675	100.00%
Total	**80,675**		

This analysis focuses on the tail of extreme outliers in a large dataset. This inevitably increases risk of data error despite efforts to validate the data.

The long tail of high fee outliers may include a wide mix of people including:

- postgraduate students (eg MBAs) who completed an undergraduate degree overseas
- medical, dentistry and veterinary students granted direct entry to stage II programmes based on overseas qualifications, and
- aviation students.

This information is based on analysis of individual student records from Single Data Return data.

We cross-checked these results against data on the value of fees borrowed by first-time student loan borrowers. The loan scheme data validates these results, producing a similar distribution (with slightly higher averages and percentiles due to loan ineligibility of some part-time students, and a lower borrowing propensity of students paying low fees).