

Agenda	<ol style="list-style-type: none"> 1. Introductions and objectives for the Ministerial group 2. Officials' progress to date 3. Items for in-principle decision, towards Cabinet decisions mid-November: \$50 weekly increase to loans and allowances; fees-free eligibility 4. Items for future meetings, and timing 5. Other issues
Attendees	<p>Ministers of Education (Chair), Finance, Social Development, Revenue, and Associate Minister of Education (Hon Martin)</p> <p>Ministry of Education: Iona Holsted (Chair of interagency governance group), Claire Douglas, Julie Keenan</p> <p>Tertiary Education Commission: Tim Fowler, Deirdre Marshall</p> <p>Treasury: Grace Campbell-Macdonald, Andrew Rutledge</p> <p>Ministry of Social Development: Brendon Boyle, Ruth Bound</p> <p>Inland Revenue: Arlene White, David Carrigan</p> <p>Department of Prime Minister and Cabinet: Paul O'Connell</p>

Actions and Meeting notes (Actions for agencies/requests for advice **highlighted in yellow**)

Proposed eligibility criteria	Rationale
Courses and qualifications <ul style="list-style-type: none"> - <i>approved by NZQA or by the Vice Chancellors Committee, and are TEC-funded</i> <p>YES</p>	<p>This focuses fees-free on quality-assured programmes that are a good investment for New Zealand and for students.</p> <p>The TEC may choose not to fund programmes for reasons such as poor student outcomes or low strategic relevance. Fees are only regulated for funded courses.</p> <p>This aligns fees free eligibility with student support and government tuition subsidies.</p>
<ul style="list-style-type: none"> - <i>at Level 3 or above on the NZ Qualifications Framework</i> <p>YES</p>	<p>Most provider-based Level 1-2 study is already fees-free.</p> <p>Students shouldn't exhaust their fees-free entitlement on courses to prepare them for tertiary study at level 3+</p>
Students who are <ul style="list-style-type: none"> - <i>domestic students eligible for TEC tuition subsidies</i> <p>YES And/or (narrower)</p>	<p>This focuses on students already eligible for government support. It includes all citizens, permanent residents, Australians and refugees.</p>

Proposed eligibility criteria	Rationale
<ul style="list-style-type: none"> - eligible to borrow under the Student Loan Scheme to pay their fees <p>YES / NO</p> <p>Decision pending further advice and discussion on impact and implications</p>	<p>This focuses fees-free support on the goal of reducing student debt. It enables 2018 implementation using existing systems to confirm eligibility, and potentially as the payment mechanism.</p> <p>This would exclude</p> <ul style="list-style-type: none"> - permanent residents and Australians who have not lived in NZ for 3 years, and - part-time students studying less than the minimum for Student Loans (based on size and duration of courses, approximately 0.3 EFTS).
<p>Prior tertiary study</p> <ul style="list-style-type: none"> - all students enrolled in a school in 2017 are eligible (includes trades academies, home schooling, etc.) <p>YES</p> <ul style="list-style-type: none"> - all people with no prior tertiary study at Level 3+ <p>YES</p> <p>and (options to explore)</p> <ul style="list-style-type: none"> - people who have a limited previous amount of tertiary study at Level 3+ (e.g. 0.5 EFTS) <p>NOTED – pending advice on potential criteria for a threshold on the amount of prior study permitted</p>	<p>This confirms a key target group for 2018</p> <ul style="list-style-type: none"> - no further checks on prior tertiary study required - the fees free policy is not intended to penalise people who participate in secondary-tertiary programmes (e.g.: Gateway, STAR, Trades Academies). <p>This confirms a key target group for 2018</p> <p>This would include people who have undertaken a small amount of previous study – such as in summer programmes, part time study, or short industry training courses in prior employment.</p>

Proposed coverage	Rationale	Commentary in meeting
<p>All fees covered by the fee component of student loans</p> <ul style="list-style-type: none"> - Tuition fees - Other compulsory fees - Compulsory student services fees <p>YES in principle noting Ministers' interest in assessing whether compulsory student services fees regulation is fit for purpose.</p>	<p>This aligns fees free coverage with currently regulated fees, existing payment systems, and the objective of reducing student debt. Excluding some of these fees from coverage would impact on delivery channel choices (as current central systems do not differentiate).</p> <p>It would exclude other optional fees such as student association fees, some course materials and field trip fees, late fees, etc.</p>	<p>The group discussed the regulation of each of the 3 types of fees, with particular attention to the CSSF. TEC noted that they had just begun a process of monitoring the regulation of the CSSF.</p>
<p>Maximum EFTS value could be set at slightly higher than 1 EFTS.</p>	<p>The fees free policy commitment is for one equivalent full-time year.</p>	<p>The group raised the risk of incentives on students to over-enrol and Ministers requested more advice, noting that they intended to</p>

Proposed coverage	Rationale	Commentary in meeting
YES / NO Decision pending more advice on proportion of students undertaking more than 1 EFT and the impacts of setting 1 or 1.x EFTS limits	But some students take higher study loads. A slightly higher limit (at, say, 1.2 EFTS) could avoid large numbers of first year students paying partial fees.	provide 1 EFTS worth of fees-free study each year.
Maximum fee value to be developed In Principle YES – pending advice on level and impact of a maximum limit for 2018 or outyears.	This would limit the subsidy students could receive for very-high cost courses (e.g.: aviation, where students can borrow \$35,000 for fees). It reduces incentives for gaming around timing of enrolments, or students enrolling in higher than desirable study loads.	MoE noted that some courses have very high fees compared to others and that in some courses fees increase significantly after the first year. Ministers requested further advice including options of maximum values.
Fees-free entitlement to apply to first eligible study, not banked YES / NO Decision pending more advice – in particular regarding scholarships and entitlement to the fees-free policy	This would focus support on the policy intent – students beginning study. Students would not be able to “bank” their entitlement to claim for future, possibly more expensive, courses.	Ministers asked officials for advice on consideration for the policy for scholarship recipients noting that if they weren’t eligible the policy would essentially make them worse-off financially.
Agencies will provide further advice on other choices about coverage:	Further decisions will be required about timing of enrolments covered by the fees-free policy. For example: <ul style="list-style-type: none"> - Courses starting within the 52-week student loan contract period for any study starting in 2018 - How any unused balance may be carried forward to future years. 	

Key choices to inform Cabinet proposal	YES / NO	Commentary in meeting
<ul style="list-style-type: none"> Is the policy intention to: <ul style="list-style-type: none"> assist students with meeting the rising cost of living respond to rising accommodation costs reduce financial barriers to tertiary education 	<p>YES</p> <p>YES</p> <p>YES</p>	<p>Ministers agreed with all three intentions, noting that they were in the right order of priority but that “reducing financial barriers” was a much lower priority than the other two.</p> <p>Minister Robertson remarked that the intent was largely a response to the rising cost of living and students requiring more support. He noted that the source of funds (allowance vs loans) appeared less of an issue now.</p>
<ul style="list-style-type: none"> Should the student allowance increase be \$50 net based on an ‘M’ tax code? 	YES	<p>Ministers discussed that the intent is to increase the rate of living cost support. Minister Hipkins noted that there are lots of different allowance rates which could makes things more difficult. MoE noted that around 90% of students are on the M tax code. Increasing at a net rate based on M to all rates was the</p>
<ul style="list-style-type: none"> Should the \$50 increase be consistently applied across all student allowance rates? 	YES	

		most simple solution with the greatest alignment with the manifesto commitments.
<ul style="list-style-type: none"> Should the income thresholds for student allowances remain the same? 	<p>YES</p> <p>In principle - pending a note including an explanation and example scenarios</p>	There was discussion about the impact of this decision and the cut out and abatement rates in the allowance system. Ministers requested further information.
<ul style="list-style-type: none"> Are you comfortable with proceeding with student allowance increases through base rate change, given the impacts on the benefit system? <i>(An alternative approach may be possible through changes to accommodation benefit).</i> 	<p>YES</p> <p>In principle - pending advice on potential levers to minimise and monitor perverse behaviour.</p>	The group discussed the potential impacts at the tertiary welfare interface of only increasing student support rates and not benefit rates. It was noted that there would be incentives to “game” or enter tertiary study without the intent or ability to complete. Ministers requested advice on current and potential levers to minimise and monitor this behaviour.

Additional commentary:

Minister Robertson asked about the **behavioural assumptions** used by agencies for their costings. MoE and Treasury noted that costings were based on 2016 enrolments which are higher than forecast 2018 enrolments, however a more comprehensive assumption on behavioural effects would depend on the eligibility criteria. Ministers noted that their assumption was set at around 15%. Treasury noted that they were working closely on costings of these policies. Agencies (MSD, MOE) noted that impacts would be smaller for 2018 than outyears.

MoE noted that Minister Hipkins would prefer not to consult with the sector on fee regulation to support a provider payment option (as per para 12 of the agenda) until this was decided in principle as the preferred mode of delivery of the fees-free option. However, MoE explained that in order to consult through a **Gazette notice** (should it be the preferred delivery option) a Gazette notice would need to go out in the week of 20 November (allowing for 3 week consultation before decisions). Minister Hipkins suggested **Ministers could request power to act in the next Cabinet report back (13 November) to ensure Cabinet was aware of this.** Ministers agreed with this approach.

Minister Hipkins asked if discussions with the **industry training** organisations or federation were happening soon or underway and **MoE noted that they would happen very soon.**

Next meeting: 8 November, 4.30 – 5.00pm, 7.6 EW