

[In Confidence]

Office of the Minister of Education

Chair, Cabinet

Making tertiary education and training affordable for all

Proposal

- 1 This paper proposes a path to deliver on our 100 days manifesto commitments for tertiary education. As lead Minister, I seek agreement to work with the Ministers of Finance, Social Development and Revenue to develop a proposed solution that I would report back to Cabinet to seek agreement on by the week of 13 November.

Executive Summary

- 2 Supporting all New Zealanders to have happy and successful lives starts with a strong and accessible education system that delivers everyone the opportunity to be the best they can be. Education also ensures that as a country we can sustainably grow our economy, support our environment, and ensure equity for all.
- 3 The importance of education in supporting individuals and our country to succeed is why this Government committed in our manifesto to making tertiary education and training affordable for all. Meeting this commitment will start by delivering two main changes by 1 January 2018:
 - 3.1 accelerating the three years' free tertiary education policy to deliver a first year free
 - 3.2 increasing living costs support for students by \$50 a week.
- 4 Decisions are needed quickly on the timing, scope and design of both projects. Prospective students are already making enrolment decisions and applying for financial support for 2018. StudyLink's peak season campaign is underway encouraging students to apply early and sign contracts for student loans and allowances. There are also changes to regulations and agency and tertiary education administrative commitments to make once decisions are made.
- 5 Officials are working through a cross-agency governance group to identify paths to deliver on these commitments by 1 January 2018. I am confident that this timeframe can be achieved, but there will be some fast and detailed decisions needed, as well as decisions to balance optimal policy design and ease of implementation.
- 6 I expect that the solutions that will be designed this year to meet our commitments will be interim ones. Improved solutions will be designed to be in place for 2019, and for the planned 2021 increase to two years' free tertiary education.
- 7 I propose that Cabinet approve that I work with the Ministers of Finance, Social Development, and Revenue to design a proposal, supported by our cross-agency governance group. I also propose that Cabinet invite me to report back to seek agreement to a final proposal, and its policy parameters, by the week of 13 November.

Background

- 8 A well-educated population delivers benefits across society and the economy. As such, Government's role in supporting broad access to tertiary education is crucial to our success as a nation.
- 9 Our manifesto pledges are designed to address affordability of study for students and shift the balance of contributions so that Government is making a greater investment in the success of our tertiary system and our students. These pledges are to, by 1 January 2018:
- 9.1 make the first year of tertiary education or training fees-free
 - 9.2 increase student allowances and living cost loans by \$50 a week.

Key facts

- 10 Government currently spends over \$4 billion per year on tertiary education. This includes:
- 10.1 *Over \$2 billion on subsidies to reduce the cost of tertiary education for students.* Tuition subsidies cover around 70 per cent of the cost of tuition, meaning that students cover the remaining 30 per cent through their fees.
 - 10.2 *Around \$1.1 billion on student financial support.* This support is designed to help students to meet the costs of living while studying, and finance up-front study costs, and includes:
 - 10.2.1 Student Allowances: targeted to students from low-income families and in their early years of study (\$464m in 2016/17). Approximately 70,000 students received student allowance in 2016.
 - 10.2.2 Student Loans: assist students to meet the costs of study, including fees, living costs, and course-related costs (a \$662m cost on new lending in 2016/17). Approximately 177,000 students took out a loan in 2016.
- 11 Students also access further support through the Accommodation Benefit, which is available to many student allowance recipients to help with accommodation costs; and the Accommodation Supplement, which some student loan recipients may access depending on their income, accommodation costs, and family situation.

Comment

- 12 Officials from a cross-agency governance group advise me that there are feasible options to design and implement our manifesto commitments from 1 January 2018.
- 13 Decisions will be needed quickly on the timing, scope and design of both projects to ensure they can be delivered in time for 2018. Prospective students are already making enrolment decisions and applying for financial support for 2018. There are also changes to regulations and agency and tertiary education organisation administrative systems to make once decisions are made.
- 14 I am recommending that Cabinet authorise me to develop proposals with the Ministers of Finance, Social Development and Revenue, that would be reported back for approval and decisions in the week of 13 November. Detailed financial or implementation decisions may also be needed after that date.
- 15 The high level decisions that I will work through with my colleagues are set out below.

Increasing living costs support for students by \$50 a week

- 16 The following key decisions are needed to increase student allowance and living cost loans by \$50 a week from 1 January 2018:
 - 16.1 agreement to increase the cap on loans for living costs by \$50 a week, with follow-up changes to appropriations and loan conditions
 - 16.2 decisions on the detailed student allowance rate changes, and corresponding changes to regulations and appropriations.
- 17 Sitting behind these decisions is a range of detailed operational design choices to work through – for student allowances in particular. These include whether increases will be gross or net, how to manage abatements, and whether all students can or should get the same increase regardless of their current rate of support or circumstances.
- 18 Decisions will also be needed on how to manage the implications for incentives and signals of increasing student allowance base rates, as these changes will put them out of alignment with benefit system rates.

Implementing the first stage of the fees-free tertiary education policy from 1 January 2018

- 19 To deliver the first stage of the Government's fees free tertiary education from 1 January 2018, decisions will be needed on:
 - 19.1 scope and scale of eligibility, including how to balance broad access, consistency, and ease of implementation for the first year
 - 19.2 how to deliver the change, and in particular whether and to what extent it is possible to use existing administrative, funding and information systems
 - 19.3 ongoing monitoring, including how this can ensure eligibility requirements are met, and support development of an ongoing approach to delivering this initiative from 2019 that will cover the additional years of fees-free study in out-years.
- 20 My aim for a solution to deliver this policy in 2018 is that it will have simple, feasible policy parameters. This will help manage the key risks of change in 2018 by removing uncertainties for students, families, providers, and other stakeholders.
- 21 I expect that the delivery solution reached will be an interim solution only, given the time available for its development. I will work with officials to ensure that a long-term option to deliver on this policy can be in place for 2019.

Consultation

- 22 An interagency governance group led by the Ministry of Education and including the Ministry of Social Development, Inland Revenue, Tertiary Education Commission, State Services Commission and the Treasury has been consulted in preparing this paper.
- 23 The Department of Prime Minister and Cabinet has been informed of the content of this paper.

Financial Implications

- 24 Final costings will be prepared once the policy details of these manifesto commitments have been agreed. The initial rough estimates of costs that I have seen from the Ministry

of Education are within the estimates in our manifesto. Treasury is yet to review the costings.

- 25 I will work through the detailed costings with the Ministers of Finance, Social Development and Revenue, and then seek Cabinet agreement to the fiscal changes required to deliver the commitments.

Human Rights

- 26 These proposals may have human rights implications. These will be identified and outlined in future advice.

Legislative Implications

- 27 These proposals may have legislative implications. These will be identified and outlined in future advice.

Regulatory Impact Analysis

- 28 These proposals will require regulatory impact analysis as student allowance increases are implemented through changes to regulations. This analysis will be provided through future advice.

Gender Implications

- 29 These proposals may have gender implications. These will be identified and outlined in future advice.

Disability Perspective

- 30 These proposals may have implications for people with disabilities. Any potential impacts will be identified and outlined in future advice.

Communications

- 31 My office will work with relevant agencies and the Prime Minister's office on early announcements about this commitment, to ensure the public are aware of progress and students and tertiary education organisations have the information to support decisions about study for 2018.

- 32 I propose to put out a press release outlining that:

32.1 Government remains committed to implementing a year of free education and an extra \$50 for students' living costs by 1 January 2018.

32.2 The Government is working to identify how these policies will be implemented and who will be eligible to benefit from them.

32.3 We will publicise the details of decisions as soon as we can.

32.4 In the meantime, we recommend that students and tertiary education organisations continue to make decisions about study and enrolments for next year as they normally would. This includes starting, or continuing, any applications for study and/or for student loans or allowances.

Recommendations

The Minister of Education recommends that Cabinet:

- 1 agree that the Minister of Education will develop a proposal to deliver on our 100 days manifesto commitments for tertiary education, in close consultation with the Ministers of Finance, Social Development, and Revenue
- 2 note that an interagency governance group has been established and will support Ministers to review potential implementation approaches and develop the proposal
- 3 invite the Minister of Education to report back to Cabinet to seek agreement to a final proposal by the week of 13 November 2017.

Authorised for lodgement

Hon Chris Hipkins

Minister of Education