

Education Report: Options for providing additional financial support to students during the Covid-19 outbreak

To:	Hon Chris Hipkins, Minister of Education		
Date:	2 April 2020	Priority:	High
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Purpose

This education report provides you with advice on options for providing further financial support to domestic students¹ during the Covid-19 outbreak, following your discussion with officials on Friday 27 March.

Summary

Tertiary students are facing unanticipated costs as a result of the Covid-19 outbreak and uncertainty of delivery, while providers work to stand up alternative ways of delivering teaching and learning. Of particular concern to students is the loss of part-time employment, which many use to supplement student support. We are already hearing of students withdrawing from tertiary education and moving to the welfare system (because that provides them with higher rates of financial support).

Our key priority is to support providers to stay open and reshape delivery as this is the best way to maintain ongoing tertiary education and financial support for students with minimal disruption (beyond temporary closures). Keeping tertiary students engaged in education, as far as is practically possible through this period minimises the impact of Covid-19 on students, providers and the wider economy.

There is significant scope within current settings for the Ministry of Social Development (MSD) to support income continuity for students. This includes extending the current non-activity period for student allowances from three to eight weeks. A similar provision does not currently exist for student loans. We recommend you urgently seek Cabinet agreement so MSD can continue both loan and allowance payments in the short term.

This is the best way to ensure income continuity for students while providers are working on re-shaping provision. We also note MSD already has the ability to provide emergency assistance; treat students as full-time if their study load drops as a result of Covid-19; and use exceptional circumstances policies to manage the impact on student allowance entitlements.

¹ This refers to all domestic students, including those studying overseas towards their New Zealand qualification.

In addition, we have developed policy options for you to consider to provide an immediate response to address income continuity and adequacy for students. We will provide your office with a draft Cabinet paper for your consideration on Monday, 6 April following any feedback you may have.

Further work is ongoing on the longer term issues and more complex proposals, s 9(2)(f) [REDACTED] This will be considered as part of the advice we are developing on the tertiary system response to Covid-19.

Recommended actions

The Ministry of Education recommends you:

Providing student loans over an extended non-activity period

- a. **note** that MSD has agreed to continue paying student allowances over an extended non-activity period of eight weeks but that this discretion does not apply to student loans
- b. **agree** to seek Cabinet agreement to give MSD the ability to continue paying student loans alongside student allowances for an extended period of non-activity during the Covid-19 outbreak

☒ Agree / Disagree

Temporarily increasing student loan course-related costs

- c. **agree** to increase the current \$1,000 maximum course-related costs entitlement for students currently enrolled in full-time study, or starting full-time study in 2020, by;

Either

- i. \$500 (with an indicative cost of \$18m)

Agree / Disagree

Or

- ii. \$1,000 (with an indicative cost of \$36m);

☒ Agree / Disagree

Or

- iii. \$1,500 (with an indicative cost of \$54m)

Agree / Disagree

Using a temporary discretion around reassessment of parental income

- d. **agree** to give MSD the discretion, when it reassesses parental income according to Regulation 5 of the Student Allowances Regulations 1998, to base this reassessment on the anticipated drop in income as a result Covid-19

☒ Agree / Disagree

Disregarding EFTS for students receiving partial refunds as a result of Covid-19

- e. **note** that only students receiving full refunds from their tertiary providers have the EFTS for their study disregarded for the purposes of the 7 EFTS/10 EFTS life-time limits

- f. **agree** that students receiving partial refunds for their study in 2020 due to interrupted study as a result Covid-19 (from providers or through fee-protection mechanisms) will not have the EFTS of this study count towards their 7 EFTS/10 EFTS life-time limit

☒ **Agree** ☐ **Disagree**

- g. **agree** to forward this education report to the Honourable Carmel Sepuloni, Minister for Social Development

☒ **Agree** ☐ **Disagree**



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02/04/2020



Hon Chris Hipkins
Minister of Education

4 /4 /2020

Background

1. There are three areas we are considering for students in light of the Covid-19 outbreak. This paper primarily considers immediate responses in the third area:
 - a. pastoral care obligations of providers towards students, particularly around residential accommodation
 - b. support for those students most vulnerable and at-risk to help them stay engaged during this difficult time; and
 - c. financial support for domestic students to ensure they can continue with their tertiary studies.
2. The New Zealand Union of Students' Associations (NZUSA) has developed a [National Student Action Plan on Covid-19](#). This plan identifies a number of extra supports students would like during this time. We are working directly with NZUSA as part of our communications with students.

There are options to support domestic students during the Covid-19 outbreak

The Covid-19 outbreak is impacting students' ability to financially contribute to and continue their studies

3. Students are impacted by Covid-19 in a number of ways.
 - a. Students are facing higher, unexpected costs and there is uncertainty about the shift to online delivery, as not everyone has the necessary access and/or devices.
 - b. Income adequacy matters, as many students face loss of income they rely on to support their studies, and may not benefit from the wage subsidy as many will be in zero hour contracts.
 - c. There is concern about the impact of the study disruption on student loan, allowance and Fees Free entitlements, and students' ability to complete study in the future.

We want to ensure students stay engaged in education and are financially supported

4. For many students the benefit system will offer more financial support than the student support system in the short term. This might encourage them to withdraw from study, particularly in the current context.
5. This gap in support is due to tighter targeting and lower accommodation assistance in the student support system. While sole parents are largely better off on student support, most students, particularly those who rely on student loans for living cost support, would be better off financially on a benefit.² The recently announced changes to main benefit rates and eligibility for the winter energy payment have exacerbated these differences.
6. It is important to encourage students to stay engaged in tertiary education. Increased withdrawals carry a number of risks, particularly in the current context:
 - a. *For students:* While some students may just delay their study, others may never return to tertiary education and achieve their education and career goals. This is particularly true for more vulnerable students who may be left with a student loan debt for a qualification they did not complete, without the employment gains to repay it.
 - b. *For providers:* Increased numbers of withdrawal will test the viability of Private Training Establishments, particularly for smaller ones.

² This is particularly true for single students living in the main centres, where rental costs are higher.

- c. *For the economy:* As a result of Covid-19, the economy is expected to take a downturn. This country will need to continue upskilling its workforce to meet future economic challenges.
 - d. *For agencies:* Increased withdrawals and shifts to the benefit system would add additional pressure on MSD at a time when resources are already highly constrained.
7. A key priority in the short-term is to support providers to stay open and reshape their offer to keep students in study. This is the best way to maintain continuity of education and of government financial support to students.
 8. For student support, our focus is on ensuring both continuity and adequacy of financial support in the short-term. This will give certainty to students and time to providers to stand up alternative ways of delivery.

There are existing measures to ensure short-term income continuity and adequacy

Extension of the three week non-activity limit

9. Under current settings, student support payments cease after three weeks of non-activity for students who remain enrolled in study. MSD, however, has the discretion to extend this non-activity period for student allowances and has agreed to do so for up to eight weeks. As current policy supports this discretion, the associated costs will be treated as a forecast change.
10. However, a similar discretion does not exist for student loans beyond three weeks. Extending the non-activity period for student loans during the Covid-19 outbreak would therefore require an urgent Cabinet decision. We are estimating the costs of this change to be included in the draft Cabinet paper.
11. We are currently in week two of the three week non-activity period, during which MSD can continue paying student loans. This means we need to act quickly to give certainty to students that both student loan and allowance payments will continue.
12. There are also other current policy settings that give MSD the ability to support students with the impact of Covid-19, including:
 - a. *Emergency assistance:* Students with urgent or unexpected costs may be eligible for extra help through the benefit system, despite not being beneficiaries. This is limited to basic costs, such as rent in arrears and food grants, to help students meet the costs of living. It does not, however, provide wider assistance, such as for purchasing devices to help with online study.
 - b. *Treating part-time students as full-time:* Where a student can only return to study part-time because of restrictions on how their provider can offer their course, MSD has the ability to treat them as full-time. This maintains support at current levels for such students.
 - c. *Student loan and allowance performance policies and student allowance life-time limits:* MSD advises that the Covid-19 outbreak is considered an exceptional circumstance that would warrant the application of exemptions under these policies.
13. Further, as providers shift to alternative ways of delivery, such as through distance or online learning, there is room within current settings to maintain student support, even though the mode of learning has changed. As long as students are enrolled, student support payments will continue.

We propose additional changes to ensure income continuity and adequacy for students

14. We are recommending three changes that can be put in place quickly as a first step. These would use existing mechanisms to provide immediate financial support to students during the Covid-19 outbreak. These are set out below.

Temporarily increasing student loan course-related costs

15. We seek your agreement to increase the \$1,000 maximum course-related costs entitlement for students currently enrolled in full-time study, or starting full-time study in 2020, by either \$500, \$1,000 or \$1,500. This would extend to all full-time students, including those who have moved to part-time study due to the Covid-19 situation (see paragraph 8b).
16. This option would provide some upfront, flexible, financial support for full-time students to help address the impact of Covid-19. It would recognise that students are facing additional personal costs associated with study in a different way, such as internet access and power consumption and a reduction in income from loss of part-time work.
17. This change would also help mitigate the risk of student withdrawing from study as it would address the gap in the available financial support through the student support and benefit systems. For example, an increase by \$1,500 would provide an additional \$37.5 per study week.³
18. While this option can be brought to bear quickly, it will not extend to all students, as only full-time students are eligible for course-related costs.⁴ It would, however, provide additional financial support to most students who currently get financial support for their living costs from the Government.
19. This option would also result in a small increase in student loan balances for borrowers. It may also encourage some eligible students, who have chosen not borrow through the Student Loan Scheme, to do so.
20. The indicative total operating costs for increasing course-related costs for 2020 are estimated at \$18m for a \$500 increase, \$36m for a \$1,000 increase and \$54m for a \$1,500 increase.

Using a temporary discretion around reassessment of parental income

21. As a result of disruption to businesses, parental income may drop for some students, affecting their student allowance entitlement. The current rules require evidence of a net 25% drop in income when reassessing parental income (Regulation 5 of the Student Allowances Regulations 1998 (the Regulations)).
22. We seek your agreement to give MSD discretion to base this reassessment on an *anticipated* drop in income of 25% as a result of Covid-19, rather than a historical fall in income. This would be consistent with the approach taken for the wage subsidy.
23. This option would increase student allowance payments for some students. Providing this discretion is expected to have costs which are yet to be determined.

³ This is based on the assumption that one calendar year constitutes 40 study weeks.

⁴ Part-time students and students aged 55 and over are not eligible.

Disregarding EFTS for students receiving partial refunds as a result of Covid-19

24. You also asked for advice on whether there is a need to extend the current EFTS limits on student loans.
25. Students who receive full refunds from their tertiary providers have the EFTS for their study disregarded for the purposes of the 7 EFTS/ 10 EFTS life-time limits, meaning their lifetime limit is unaffected. However, the same does not apply for people who only receive partial refunds as they withdraw part way through their programme.
26. We seek your agreement to extend this disregard to students receiving partial refunds for their study in 2020 due to interrupted study as a result Covid-19. These refunds may be from providers or through fee-protection mechanisms.
27. The costs of introducing an exemptions provision will depend on the number of students who are able to receive a partial refund from their provider. We still have to fully cost this option, however, we do not expect the cost to be higher than the costs for the course-related cost option above.

These changes will require Cabinet decisions and, in some cases, regulatory changes

28. Increasing student loan course-related costs and disregarding the EFTS for student loan borrowers receiving partial refunds in 2020 would require Cabinet decisions only. We therefore recommend you progress these as quickly as possible.
29. Creating a temporary discretion for the reassessment of parental income would require a decision by Cabinet and an amendment to the Regulations. We recommend you also get Cabinet agreement to this policy change as soon as possible. Officials would then follow up quickly with the necessary legislative paper to put the Amendment Regulations in place.

Seeking funding to support the proposed changes

30. We recommend that you seek funding for the course-related costs change through the urgent Covid-19 response funding stream. This is because putting this change in place quickly (should you wish to pursue these option) would be most effective in terms of supporting students to stay engaged in their education.
31. Any costs associated with the extension of the non-activity limit for student loans and disregarding EFTS for student loans life-time limits will be included as a cost pressure as part of the Covid-19 Budget process.

We will need to work closely with MSD on these changes and their implementation

32. MSD Service Delivery is at capacity and has had to completely reprioritise work programmes to accommodate the operational pressure they are experiencing as a result of Government's response to Covid-19. Implementation timelines will depend on resource availability.

We could explore further medium- to long-term changes at a later date

33. As noted earlier, our focus has been on options to support an immediate response that can be brought to bear quickly. s 9(2)(f)(iv)

34. However, we will consider what further responses may be necessary as part of the advice we are developing on the tertiary system response to Covid-19.

Next steps

35. Following your feedback, we will provide your office with a draft Cabinet paper reflecting your preferred options for your consideration on Monday, 6 April. This can be submitted to Ministers who have powers to act early next week or to Cabinet Business Committee on Wednesday, 8 April.

Proactively Released