

**Ministerial subgroup meeting:
100 days tertiary education commitments
Wednesday 1 November, 4.30-5.00pm**

Agenda

1. **Introductions and objectives for the Ministerial group**
2. **Officials' progress to date**
3. **Items for in-principle decision, towards Cabinet decisions mid-November: fees-free eligibility; \$50 weekly increase to loans and allowances**
4. **Items for future meetings, and timing**

Attendees

Ministers of Education (Chair), Finance, Social Development, Revenue, and Associate Minister of Education (Hon Martin)

Ministry of Education: Iona Holsted (Chair of interagency governance group), Claire Douglas, Julie Keenan

Tertiary Education Commission: Tim Fowler, Deirdre Marshall

Treasury: Grace Campbell-Macdonald, Andrew Rutledge

Ministry of Social Development: Brendon Boyle, Ruth Bound, Bede Hogan

Inland Revenue: Arlene White, Charles Ngaki

State Services Commission: Geoff Short

Department of Prime Minister and Cabinet: Paul O'Connell

Introductions and objectives

1. This subgroup has a specific task: to prepare proposals for Cabinet on delivering the Government's two 100 days tertiary education commitments. It has a short time to deliver. The Ministerial group may want to meet once or twice a week.
2. To deliver both initiatives by 1 January:
 - a proposal for the \$50 per week student support increase needs to be with Cabinet by the week of 13 November (this timeframe is driven by IT system deadlines), and
 - students and tertiary education providers need clarity as soon as possible about who will qualify for fees-free tertiary education in 2018, and how this will work.
3. Some working assumptions are that:
 - a. The fees-free policy will be implemented in two or three stages: an interim solution for 2018, a lasting solution from 2019, and additional years of free study from 2021.
 - b. Officials are identifying feasible options for fees-free in 2018. Decisions on design for 2018 require a careful balance of practicality and delivery on the vision, as existing administrative, funding and information systems may not be able to deliver the full set of changes. More changes will be possible in outyears than for 2018.
 - c. Final decisions on policy scope and delivery approach should proceed together so the solution is feasible, rather than deciding details of scope before delivery approach.
 - d. The \$50 student support increase involves choices about managing incentives between the benefit and student allowance systems, links to how students receive accommodation support, and detailed choices about abatements and students with secondary income or dependents.

Fees-free tertiary education for 2018

Officials' progress to date

4. Agencies are working closely together on policy and operational design, and assessing two possible implementation paths for fees free provider-based tertiary education in 2018. Both options would adapt existing systems, and involve operational design challenges, limitations and risk. Both involve changes for TEC, MSD and potentially IR.
5. The options are:
 - a. Student Loan Scheme reimbursement: Students would borrow to pay fees, and eligible students would later have this amount repaid by Government on their behalf.
 - b. Provider Payment: Government would pay providers the fees for students claiming to be eligible. Students' eligibility would be checked, and if found ineligible would need to repay (for example, by loading fees onto Student Loans or raising debts).
6. Fees-free Industry Training in 2018 would need a new mechanism. Industry trainees do not access Student Loans, fees are not regulated in the same way, students usually contribute through training wages and may not pay fees, and costs are shared with employers. We are developing options for a new mechanism, and considering links to Government commitments for vocational education.
7. Initial analysis of eligibility, impacts and costs has begun. These workstreams need to be refined in line with decisions on implementation approaches. Treasury has begun a review of impact and cost assumptions.

Items for in-principle decision on fees-free policy

8. Today we seek in-principle decisions on two issues, to help develop a Cabinet paper for the week of 13 November:
 - a. high-level eligibility criteria for fees-free: who and what types of study are covered
 - b. entitlements: what fees are covered, and what limits might be applied.

High-level eligibility criteria for fees-free

9. We recommend the following high-level eligibility criteria as the basis for Fees Free in 2018:

<i>Proposed eligibility criteria</i>	<i>Rationale</i>
<i>Courses and qualifications</i> <ul style="list-style-type: none">- <i>approved by NZQA or by the Vice Chancellors Committee, and are TEC-funded</i>	<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>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>

Proposed eligibility criteria	Rationale
<p>Students who are</p> <ul style="list-style-type: none"> - <i>domestic students eligible for TEC tuition subsidies and (narrower)</i> - <i>eligible to borrow under the Student Loan Scheme to pay their fees</i> 	<p>This focuses on students already eligible for government support. It includes all citizens, permanent residents, Australians and refugees.</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).
<p>Prior tertiary study</p> <ul style="list-style-type: none"> - <i>all students enrolled in a school in 2017 are eligible (includes trades academies, home schooling, etc.)</i> - <i>all people with no prior tertiary study at Level 3+</i> <p><i>and (options to explore)</i></p> <ul style="list-style-type: none"> - <i>people who have a limited previous amount of tertiary study at Level 3+ (e.g. 0.5 EFTS)</i> 	<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>

High-level decisions on fees coverage and limits

10. We recommend the following high-level eligibility criteria as the basis for Fees Free in 2018:

<i>Proposed coverage</i>	<i>Rationale</i>
<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>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>Maximum EFTS value could be set at 1 EFTS, or slightly higher.</p>	<p>The fees free policy commitment is for one equivalent full-time year. 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.</p>
<p>Maximum fee value</p>	<p>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.</p>
<p>Fees-free entitlement to apply to first eligible study, not banked</p>	<p>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.</p>
<p>We will provide further advice on other choices about coverage:</p>	<p>Further decisions will be required about timing of enrolments covered by the fees-free policy. For example:</p> <ul style="list-style-type: none"> - Only courses starting in 2018 - 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.

Student support increases for 2018

Officials' progress to date

Today we seek in-principle decisions to help develop a Cabinet paper for the week of 13 November:

- a. policy parameters for the \$50 increase to loans and allowances: this increase will be implemented through MSD information systems, and changes need to be confirmed by 17 November.

(to merge in MSD material or refer to attachment)

Next steps and future meetings

11. Based on your feedback today we will prepare a draft Cabinet paper. We will provide you with a draft by 6 November, to lodge on 9 November, for Cabinet in the week of 13 November.
12. Our next priority is to discuss fees-free implementation paths with you, once the Governance Group has had an initial workshop on Tuesday 7 November. We expect to provide:
 - a. An initial view of implementation paths, and their links to eligibility decisions, at your 8 November meeting
 - b. Advice on an implementation path in the week of 15 November, incorporating legal advice and independent quality assurance received to date
 - c. A draft paper for Cabinet decision in the week of 22 November
13. We are also developing communications and engagement plans, and assessing what needs to be done to keep options open while a thorough review of implementation paths is undertaken (for example, it may be desirable to consult on fee regulation before Cabinet decision if necessary to keep the provider option open).