

BUDGET SENSITIVE

Office of the Minister of Education

Chair, Cabinet Social Wellbeing Committee

Fees-Free Tertiary Education and Training: improvements for 2019

Proposal

- 1 I seek Cabinet agreement to make minor changes to the policy settings of Fees-Free Tertiary Education and Training for 2019.
- 2 This paper also provides an update on the performance of the interim delivery system for the Fees-Free policy in 2018, and the work agencies are doing to improve learner and provider experiences for 2019.

Executive Summary

- 3 Last November, Cabinet invited me to report back on short-term changes to Fees-Free tertiary education to improve delivery and manage any emerging risks [CAB-17-MIN-0515 refers]. I am also taking this opportunity to provide an update on the performance of the Fees-Free policy in 2018 and operational improvements underway for 2019.
- 4 Over 33,000 students and trainees were receiving Fees-Free support as at mid-April 2018. In the January to March 2018 quarter, 25,400 fewer students were borrowing to pay fees and borrowing for fees was \$151 million lower than for the same period in 2017. This is a great start to our commitment to reduce financial barriers to tertiary education and reduce the burden of student loan debt.
- 5 Feedback from the tertiary sector and partner agencies has highlighted some opportunities to address unintended consequences of the current implementation arrangements and make improvements for 2019. I seek Cabinet's agreement to the following minor changes to the policy settings of the Fees-Free tertiary education policy for 2019:
 - 5.1 **addressing disincentives for Fees-Free learners to start short industry training programmes** by excluding credits gained in short industry training programmes since January 2018, when assessing prior study for Fees-Free eligibility.
 - 5.2 **changing Fees-Free eligibility rules for people enrolled in a school** by excluding tertiary courses undertaken as part of a schooling programme, rather than excluding anyone enrolled in a school. This will "fast-track" confirmation of eligibility for an estimated 6,000 learners.
 - 5.3 **other minor changes to Cabinet's previous decisions** to clarify the "fast-track" eligibility rules that will apply from 2019, give the Tertiary Education Commission (TEC) discretion to reinstate consumed Fees-Free entitlements due to exceptional cases of personal circumstances, and ensure consistency across eligibility settings for industry training and provider-based study.
- 6 Decisions on these policy changes are needed now to provide sufficient time to implement and communicate these changes to students, providers and the public.

- 7 Of these changes, only the change to exclude short industry training programme credits when assessing prior study will have a measurable impact on the cost of the policy. The increase in people eligible for Fees-Free support and related costs are small, and within the bounds of costing uncertainties for the current policy settings. This cost can be managed within baselines and the funding parameters Cabinet has previously agreed.
- 8 The TEC is also implementing operational improvements for 2019, including:
- 8.1 **development of a “carry-forward” mechanism**, to deliver on Cabinet’s previous decision that students who undertake less than one equivalent full-time student (EFTS) unit of study in 2018 in provider-based study – and don’t exceed the \$12,000 cap – can use any remaining balance in later years;
 - 8.2 **faster and easier verification of eligibility**, switching from statutory declarations to ordinary declarations and improving communications with learners, and
 - 8.3 **improving information flows** with both tertiary providers and partner agencies.
- 9 The Government is committed to making the first three years of tertiary education and training fees-free for New Zealanders in future terms, reflecting Labour’s policy programme to extend Fees-Free support to two years from 2021 and three years from 2024. The Ministry of Education is leading longer term design and implementation planning to develop the future delivery model for Fees-Free, alongside the expansion of Fees-Free support to a second year of entitlement from 2021.
- 10 I will continue to monitor and report on the progress of our Fees-Free policy. I plan to report back to Cabinet in October this year on 2018 enrolments as at August, and to seek agreement on the direction of future work for the design of the Fees-Free policy from 2021.

Background

- 11 The Government recognises that improving economic and social outcomes for New Zealanders depends on investing in growing a well-educated population. This is why we committed to making a greater investment in the success of our tertiary education system for our students and trainees.
- 12 Our vision for education is of a system that places learners at the centre, with barrier-free access. We want to give all learners the same opportunities to access tertiary education and training, regardless of their socio-economic background.
- 13 As a first step to achieve these goals, in November 2017, Cabinet agreed to the parameters of the Fees-Free policy, including the eligibility criteria and delivery of Fees-Free through an interim delivery system led by the TEC [CAB-17-MIN-0515 refers]. From 1 January 2018 first-time students in provider-based study receive one year of Fees-Free tertiary education, while apprentices and trainees in eligible programmes of at least 120 credits receive two years of Fees-Free training. This has made starting study or training more affordable and accessible to those who have not yet received the benefits of tertiary education.
- 14 As part of the decisions made last November, Cabinet invited me to identify short-term changes to Fees-Free tertiary education to improve delivery and manage any emerging risks. I am also taking this opportunity to report back on the performance of our Fees-Free policy so far in 2018.

Performance of Fees-Free policy in 2018

Our Fees-Free policy is already achieving good results

- 15 The initial data on the uptake of Fees-Free tertiary education and training indicates that over 33,000 students and trainees were already receiving Fees-Free support as at mid-April 2018. Table One shows the reported number of learners receiving Fees-Free support, the average fee per learner, fees claimed by providers, and Fees-Free payments made to providers for 2017/18, as at mid-April 2018.
- 16 The number of learners accessing Fees-Free support will continue to increase throughout the year with the start of the second semester and as some programmes with rolling enrolments begin. This is in addition to people in tertiary education or training with no fees due to other Government policies (i.e. Fees-Free at Level 1 and 2, Youth Guarantee, Māori and Pasifika Trades Training and English for Speakers of Other Languages), or because of providers' pricing decisions (e.g. many courses offered at wānanga are already zero fees) or individual scholarships.
- 17 In the January to March 2018 quarter, 25,400 fewer students were borrowing to pay fees than in the same quarter in 2017. Borrowing for fees was also \$151 million lower in the first three months of 2018 than during the same period in 2017. This is a great start to our commitment to reduce financial barriers to tertiary education and reduce the burden of student loan debt.

Table One: Number of Fees-Free eligible enrolments reported, average fee per learner, Fees-Free payments claimed, and Fees-Free payments to providers, as at April 2018

	National Student Number Count	Average fee per learner (GST incl.)	Fees claimed (\$m GST excl.) ¹	Payments to 30 June (\$m GST excl.)
Universities	21,100	\$6,800	\$124.8	\$143.4
Polytechnics	7,500	\$5,200	\$33.9	\$65.1
Wānanga	100	\$2,800	\$0.2	\$7.1
Sub-Total	28,700		\$158.9	\$215.6
Private Tertiary Establishments (PTEs)	3,600	\$7,500	\$23.5	\$36.9
Sub-Total	32,300		\$182.4	\$252.5
Industry Training Organisations (ITOs)	1,200	\$3,800 ²	\$0.3	\$4.8
Total	33,500		\$182.7	\$257.3

1 To minimise the administrative burden on tertiary providers, the TEC bulk funded providers in advance of the 2018 academic based on a forecast of fees-free eligible learners. As at April 2018, tertiary providers had claimed \$182.7 million (excl GST) in Fees-Free payments, while the TEC had paid \$257.3 million (excl GST) in Fees-Free payments, \$74.6 million more than what had been claimed so far. More enrolments in Fees-Free tertiary education are expected from April and so the gap between current claims and final 2017/18 Fees-Free payments will narrow. The TEC will recover unclaimed 2017/18 funding at the end of the year.

2 Provider averages are the actual student fees claimed by providers. The ITO average is an estimate for the expected two eligible years of fees available to ITO learners. Using different approach for providers and ITOs delivers a more robust comparison as it more closely reflects expected full learner entitlement.

18 As noted by Cabinet in June, overall EFTS enrolments across all tertiary providers as at mid-April 2018 were down slightly by 0.2% on the same period in 2017 [SWC-18-MIN-0073 refers]. This suggests that enrolments are stabilising against previous forecasts of a year-on-year decline in enrolments. The longer-term impact of the Fees-Free policy on participation remains uncertain and will be closely monitored in future years. I plan to report back to Cabinet on 2018 enrolments in October, after analysis of data from tertiary providers' August data returns.

The 2018 interim Fees-Free delivery approach is working well, but improvements can be made

19 The Fees-Free policy is working to deliver Fees-Free tertiary education or training to first-time learners. The TEC has developed and implemented operational processes for the Fees-Free policy, including business process design, monitoring and programme management. This includes an online eligibility tool and information website, statutory declaration processing, an eligibility appeals process, and provider and ITO reporting.

20 Feedback from learners and tertiary providers is generally positive about the considerable efforts made by agencies to implement the Fees-Free policy. Learners, schools and student representatives have indicated that aspects of the process, from checking eligibility to enrolling in Fees-Free study, can cause some confusion. Feedback from providers has highlighted opportunities to address administrative complexities and unintended consequences of the current implementation arrangements.

21 Feedback from partner agencies has raised concerns about the time it can take to determine a student's eligibility for Fees-Free support and how quickly this information is shared with agencies. This is causing manual workarounds and unintended consequences for learners, tertiary providers and government agencies. For example, Fees-Free eligible students that incorrectly apply for student loans may temporarily have repayments deducted from their salary, or experience privacy issues (as they are incorrectly flagged as having a student loan in the Inland Revenue-New Zealand Customs Service data match for border movements).

We're making improvements to the Fees-Free policy for future years

22 The Fees-Free policy is a major change in tertiary education funding, and its benefits are likely to be wide-ranging and build over time. As noted by Cabinet, the Fees-Free delivery model we introduced on January 1 2018 is an interim model. It was always expected that we would make adjustments to this model in future years, drawing on learner and tertiary provider experiences. The future design may look quite different once we have considered how different elements of the funding system operate together.

23 The monitoring and feedback from 2018 provide a platform to make improvements to the current policy, which I am progressing in three work streams:

23.1 minor changes to the current interim approach to Fees-Free in 2019 and 2020;

23.2 building monitoring, performance measurement and evaluation systems, and

23.3 longer term design and implementation planning to develop a stable future Fees-Free policy and delivery model, alongside decisions on the expansion of Fees-Free support to a second year of entitlement from 2021.

Improvements to the Fees-Free policy for 2019

24 I directed the Ministry of Education to identify and explore minor policy changes for 2019 that are within the basic architecture of the interim policy design for 2018. These changes seek to improve student and provider experience, and the fairness and effectiveness of the policy.

These changes also respond to sector feedback following several workshops with tertiary providers, ITOs and learners.

- 25 I seek your agreement to the following changes from 2019:
- 25.1 **addressing disincentives for Fees-Free learners to start short industry training programmes** by excluding credits gained in short industry training programmes since January 2018, when assessing prior study for Fees-Free eligibility.
 - 25.2 **changing Fees-Free eligibility rules for people enrolled in a school** by excluding tertiary courses undertaken as part of a schooling programme, rather than excluding anyone enrolled in a school.
 - 25.3 **other minor changes to Cabinet’s previous decisions** to clarify the “fast-track” eligibility rules that will apply from 2019, give the Tertiary Education Commission (TEC) discretion to reinstate consumed Fees-Free entitlements due to exceptional cases of personal circumstances, and ensure consistency across eligibility settings for industry training and provider-based study.
- 26 Decisions on these policy changes are needed now so that officials can begin work to implement the changes for 2019. This will also provide sufficient time to communicate these changes to students, providers and the public.
- 27 I am also providing an update on operational improvements that the TEC plan to implement from 2019. This includes the TEC’s development of a “carry-forward” mechanism, to deliver on Cabinet’s previous decision that students who undertake less than one EFTS of study in 2018 in provider-based study – and don’t exceed the \$12,000 cap – can use any remaining balance in later years.

Addressing disincentives for Fees-Free learners to start short industry training programmes

- 28 From 1 January 2019, I propose that credits achieved as part of industry training programmes of fewer than 120 credits – and reported after 1 January 2018 – be excluded from measures of prior study when determining people’s eligibility for Fees-Free support.
- 29 For the design of the interim Fees-Free model in 2018, we agreed that for an industry trainee or apprentice to be eligible for Fees-Free support, they must enrol in a programme of at least 120 credits at New Zealand Qualification Framework (NZQF) Level 3 or above [CAB-17-MIN-0515, 8.1].
- 30 Most industry training is in shorter programmes that do not qualify for Fees-Free support. Shorter industry training programmes were excluded from Fees-Free support to:
- 30.1 ensure that Fees-Free support is targeted to substantial qualifications that help people progress to the next step in their career path, and
 - 30.2 prevent industry trainees from using up their Fees-Free entitlements on short programmes they must undertake as part of their current job, and that generally should involve little or no direct cost to trainees.
- 31 To ensure Fees-Free support was targeted at learners’ *first* tertiary education at Level 3 or higher, we also agreed that:
- 31.1 Fees-Free eligible learners must not have undertaken more than 60 credits of prior tertiary education at Level 3 or above on the NZQF [CAB-17-MIN-0515, 4.4.2 and 8.3.2], and

31.2 Fees-Free eligible learners cannot choose to “bank” their Fees-Free entitlement to use in later years [CAB-17-MIN-0515, 7].

32 The 2018 policy settings mean that trainees accumulating more than 60 credits at Level 3 or above on the NZQF by participating in these low-level, short courses (which themselves are not eligible for Fees-Free support) are potentially losing their future eligibility for Fees-Free. In assessing learners’ eligibility for Fees-Free support, currently all credits achieved through industry training at Level 3 or higher count towards the 60-credit limit on prior tertiary study.

33 The Industry Training Federation, ITOs, employers and industry groups have all reported that the current settings are discouraging people eligible for Fees-Free support from participating in low-level industry training courses.

34 My proposal to exclude credits achieved as part of shorter industry training programmes from measures of prior study responds to feedback from across the ITO sector. The Industry Training Federation advocates this approach, on the principle that if training doesn’t qualify to receive Fees-Free support, it shouldn’t reduce someone’s future Fees-Free entitlement.

35 As a result of this proposed change, people will no longer be discouraged from undertaking shorter training programmes due to uncertainty about how this may influence their future Fees-Free eligibility.

36 While the number of people excluded from Fees-Free support because of the current settings is small, the current settings are causing wider disincentives for prospective trainees to undertake shorter industry training programmes. There is value in sending a clear message that undertaking shorter industry training programmes won’t affect a learners future Fees-Free support entitlement.

37 We estimate that this change will result in a small increase in the number of people eligible for Fees-Free support each year:

Table 2: Estimated additional people eligible for Fees-Free support

Calendar year	Industry trainees and apprentices	Provider-based students	Total
2019	120	80	200
2022	250	350	600

38 The cost of this change can be managed within baselines and the funding parameters Cabinet has previously agreed. The increase in the number of people eligible for Fees-Free support, and related costs, are relatively small, and within the bounds of costing uncertainties for the current policy settings.

Changing Fees-Free eligibility rules for people enrolled in a school

39 I propose that the Fees-Free policy exclude *tertiary courses* undertaken as part of a schooling programme, rather than excluding *people* enrolled in a school. This will make verifying Fees-Free eligibility faster and easier for an estimated 6,000 school leavers.

40 In November 2017, we agreed that to be eligible for Fees-Free support in 2018, a student or trainee must not be concurrently enrolled in a school at the start date of their tertiary course or programme. [CAB-17-MIN-0515, 4.3 and 8.2]. The policy aim of this rule is to ensure that tertiary study undertaken by secondary students as part of their schooling programme is supported by the range of programmes and funding designed for this (including trades

academies, Gateway, and the Secondary Tertiary Alignment Resource), without requiring students to use their Fees-Free entitlements.

- 41 In implementing this rule, there have been some unintended consequences:
- 41.1 To verify students' eligibility, the TEC has asked people who have not completed Year 13 to submit statutory declarations confirming that they will have left school before their Fees-Free programme starts. This creates a compliance burden and slows down confirmation of eligibility for an estimated 6,000 learners. It undermines Cabinet's previous agreement to "fast-track" school leavers' Fees-Free eligibility checks.
 - 41.2 Some people predominantly enrolled as tertiary students may incidentally enrol in a school, for example, to complete a few National Certificate of Educational Achievement (NCEA) credits. It is not the policy intent to prevent such people using their Fees-Free entitlements, and the TEC has exercised its "extraordinary personal circumstances" discretion to deal with these cases.
- 42 My proposal will mean that people who have not completed Year 13 at secondary school can be confirmed as eligible for Fees-Free support without having to submit declarations, speeding up confirmation of their Fees-Free eligibility.
- 43 If this change is made, some secondary students may opt to enrol in tertiary study separate to any programme arranged through their school. These students will start to "consume" their one year Fees-Free entitlement as a part-time tertiary student. Their future entitlement in a first year of full-time tertiary study will be limited to the remaining amount of "carry-forward" Fees-Free credits they have not consumed.

Other minor changes to Cabinet's previous decisions

"Fast-tracking" eligibility for all school leavers after 2017

- 44 I propose "fast-tracking" eligibility for people who left school in or after 2017.
- 45 Cabinet's November 2017 Fees-Free policy decisions provided that school leavers could be confirmed as eligible for Fees-Free support without the need to check their history of prior tertiary study. I propose replacing the time-bound reference for 2017 and 2018 school leavers with a general reference to people who left school in or after 2017.
- 46 This will mean that for 2019 and 2020, a check on prior tertiary study will not be required for any student who left school since 1 January 2017. This change will speed up confirmation of a student or trainees' Fees-Free eligibility.
- 47 This proposed change means that in the next two years, under the current one year Fees-Free model, a very small number of ineligible post-2017 school leavers may access Fees-Free. This is because some school leavers may undertake tertiary study overseas before they start tertiary study in New Zealand. This small risk is outweighed by the benefits of giving all post-2016 school leavers access to a "fast-track" eligibility verification process.

Reinstating consumed Fees-Free entitlements in extraordinary circumstances

- 48 Cabinet's November 2017 Fees-Free policy decisions agreed to give the TEC discretion to grant eligibility to people who do not meet all eligibility criteria, due to exceptional cases of personal circumstances. I propose to grant the TEC similar discretion to reinstate consumed Fees-Free entitlements due to exceptional cases of personal circumstances (e.g. where a

student is forced to withdraw from study due to a serious illness or family emergency, or where an administrative error has occurred in assessing a learner's Fees-Free eligibility).

Ensuring consistent eligibility settings for industry training and provider-based study

- 49 I propose two changes to Cabinet's previous decisions on Fees-Free eligibility, to ensure consistent rules for people in industry training programmes and provider-based study:
- 49.1 the \$12,000 cap (GST inclusive) on the value of Fees-Free support for any person should apply to total Fees-Free support, whether in provider-based study or industry training, and
- 49.2 The TEC's discretion to grant eligibility or reinstate consumed Fees-Free entitlements, due to exceptional cases of personal circumstances, should apply across both provider-based and industry training.
- 50 These two rules were intended to apply to both provider-based tertiary education and industry training, but the relevant recommendations were included in a section of the previous Cabinet paper relating only to provider-based study.

Operational improvements for 2019

- 51 I am also taking this opportunity to provide an update on the operational improvements that TEC is making for 2019. These changes are within the policy settings agreed by Cabinet and seek to improve students' experiences, streamline administration, and manage risks identified during implementation.

Implementing a "carry-forward" mechanism

- 52 We agreed for 2018 that where students use less than one EFTS of Fees-Free support in 2018 in provider-based study, the remaining balance of their Fees-Free entitlement could be carried forward to use in future years (assuming the learner had not already reached the \$12,000 cap). This aims to support flexible lifelong learning options, including part-time and part-year study.
- 53 When the policy for 2018 was launched, details of how this "carry-forward" of unused Fees-Free entitlements would work had not been determined. No EFTS cap was implemented for 2018, reflecting the need for further development work. A simple dollar cap of \$12,000 was used instead.
- 54 The TEC has developed an approach to implement the carry-forward mechanism for 2019, as outlined in Annex 1. For first year Fees-Free eligible students in full-time study, Fees-Free support will be capped at \$12,000, with no cap on EFTS units undertaken within a calendar year. Fees-Free eligible students carrying forward a part-year Fees-Free entitlement will be capped at the lesser of one EFTS units or \$12,000.
- 55 The TEC is working to clarify the operational policy rules that apply to people combining industry training and provider-based study during the period of their Fees-Free entitlement. This includes people training and studying concurrently, and people switching between apprenticeships and provider-based study.
- 56 The TEC is also developing an approach to limit the time in which learners can claim retrospective Fees-Free support. Learners will be required to claim Fees-Free support in the calendar year that their course starts. If they fail to do so, they will lose this amount of Fees-Free support but can carry forward any remaining Fees-Free entitlement.

Switching from statutory declarations to ordinary declarations

- 57 For 2018, statutory declarations are required for all learners that the TEC cannot “fast-track” eligibility for. We are progressing a change through the Education Amendment Bill so that the TEC can switch from statutory declarations to ordinary declarations for future years. The timing of this change is dependent on the timing of the Education Amendment Bill.
- 58 This new provision will establish a simpler application process for learners. This will decrease the transaction costs and remove an administrative barrier for learners to access Fees-Free support, while maintaining an effective and proportionate deterrent for people who may consider making a false representation about their eligibility.
- 59 The TEC has worked with tertiary providers to develop options for a declaration process that is simple and clear for learners. The TEC is currently testing these options with learners. The new process will be implemented as allowed by the progress of legislative changes.

Improving information flows

- 60 The TEC is working with learners, tertiary providers and partner agencies to improve information flows for 2019. This includes:
 - 60.1 faster, better systems to confirm Fees-Free eligibility for learners and providers and to track consumption and “carry-forward” of Fees-Free entitlements, and
 - 60.2 improving interagency processes by reducing the time it takes to determine a student’s eligibility for Fees-Free and share this information with partner agencies. This will mitigate unintended consequences and compliance costs raised in consultation with Inland Revenue and the Ministry of Social Development (for example, where Fees-Free eligible students incorrectly apply for Student Loans and temporarily have repayments deducted from their salary, or experience issues with the New Zealand Customs Service).

Future work

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

Consultation

- 65 This paper was prepared by the Minister of Education, in consultation with the Ministers of Finance, Social Development, Revenue and the Associate Minister of Education (Hon Tracey Martin).
- 66 The following agencies have been consulted on this paper: the Tertiary Education Commission, the Ministry of Social Development, Inland Revenue, the Treasury, the New Zealand Qualifications Authority, the Department of the Prime Minister and Cabinet, and the State Services Commission.

Financial Implications

Update on Fees-Free payments for 2018

- 67 To minimise the administrative burden on tertiary providers, the TEC bulk funded providers in advance of the 2018 academic based on a forecast of fees-free eligible learners. As at April 2018, tertiary providers had claimed \$182.7 million (excl GST) in Fees-Free payments, while the TEC had paid \$257.3 million (excl GST) in Fees-Free payments, \$74.6 million more than what had been claimed so far. More enrolments in Fees-Free tertiary education are expected from April and so the gap between current claims and final 2017/18 Fees-Free payments will narrow.
- 68 The TEC is making in-year adjustments and will recover any residual unclaimed 2017/18 payments at the end of the year as part of its wash-ups and reconciliations process. I will report back to Cabinet in October on the up-take of Fees-Free tertiary education and training and on 2017/18 payment recoveries to date.
- 69 Vote Tertiary Education forecasts of spending on Fees-Free tertiary education will be updated at the October Baseline Update once mid-year uptake is known. Forecasts for student loan fee payments in Vote Social Development will be adjusted on the same timeframe.

Changes for 2019 will not have a material fiscal impact and can be managed within baselines

- 70 Of the changes proposed in this paper, only the change to exclude short industry training programme credits from the measure of prior study will have a measurable impact on the cost of the policy.
- 71 As noted above, we estimate that this change will increase the number of people eligible for Fees-Free support by 200 people in 2019, rising to 600 people from 2022. Actual uptake of Fees-Free depends on eligibility factors for people we hold no administrative data on (such

as people with prior overseas study or that undertook prior study before centralised records began in 2003).

- 72 If the actual number of Fees-Free eligible learners increases by this number, at a per-learner rate similar to that paid by the TEC to providers as at April 2018, the gross cost of Fees-Free payments to providers would increase by approximately \$1.25 million in 2019, rising to \$3.7 million in 2022, under current policy settings. This would be partially offset by savings in the cost of student loan advances that would otherwise fund fee payments.
- 73 The increase in people potentially eligible for Fees-Free support, and related costs are relatively small in the context of the overall Fees-Free programme, and within the bounds of costing uncertainties for the current policy settings. This cost can be managed within baselines and the funding parameters Cabinet has previously agreed.

Fiscal impact of decisions on second and third year

- 74 Costings will be prepared for future development of Fees-Free tertiary education and training as policy work continues. Funding will be sought in future Budgets for the expansion to two years of Fees-Free study and any system changes to implement a medium-term solution for Fees-Free study.

Human Rights

- 75 The proposals in this paper have no human rights implications.

Legislative Implications

- 76 The proposals in this paper have no legislative implications.

Regulatory Impact Analysis

- 77 The proposals in this paper do not require a Regulatory Impact Statement.

Gender Implications

- 78 The proposals in this paper have no gender implications.

Disability Perspective

- 79 The proposals in this paper do not have disability implications.

Publicity

- 80 My office will work with relevant agencies and the Prime Minister's office on announcements to ensure the public are aware of changes to the Fees-Free policy for 2019. This will ensure that current and prospective learners have the information they need to support decisions about study for 2019.

Recommendations

The Minister of Education recommends that the Committee:

Performance of Fees-Free policy in 2018

1 **note** that over 33,000 learners were receiving Fees-Free tertiary education as at April 2018, with 25,400 fewer students borrowing to pay fees and borrowing for fees was \$151 million lower than the same period in 2017.

2 **note** that the feedback from the tertiary sector and partner agencies has highlighted some opportunities to address unintended consequences of the current implementation arrangements and make improvements for 2019

Improvements to the Fees-Free policy and implementation for 2019

3 **agree** that credits achieved as part of industry training programmes of fewer than 120 credits and reported after 1 January 2018 be excluded from measures of prior study when determining people's eligibility for Fees-Free support from 1 January 2019

4 **note** that if recommendation 3 is agreed, the Ministry of Education estimates that:

4.1 200 more people will be potentially eligible for Fees-Free support in 2019, growing to 600 more in 2022

4.2 should all the extra potentially eligible people access Fees-Free support for fees similar to those paid for Fees-Free enrolments to April 2018, the gross cost of Fees-Free payments would increase by approximately \$1.25 million (exclusive of GST) in 2019, rising to \$3.7 million in 2022, partially offset by savings in the cost of student loan advances that would otherwise fund fee payments

4.3 these costs are within the bounds of costing uncertainties for the current policy, and can be managed within baselines and the funding parameters Cabinet has previously agreed for the Fees-Free policy

5 **agree** that the \$12,000 (including GST) cap on Fees-Free support will remain and will apply to total Fees-Free support across both provider-based study and industry training

6 **agree** that the Tertiary Education Commission will have discretion to fully or partially reinstate consumed Fees-Free entitlements due to exceptional cases of personal circumstances

7 **agree** that the Tertiary Education Commission's discretion, due to exceptional cases of personal circumstances, to grant Fees-Free eligibility to people who do not meet all eligibility criteria or to fully or partially reinstate consumed Fees-Free entitlements, will apply across both provider-based study and industry training

8 **agree** to replace the rule that people are ineligible for Fees-Free support while enrolled in a school, with a rule that tertiary courses undertaken as part of a student's schooling or secondary-tertiary programme are ineligible for Fees-Free support

9 **note** that if recommendation 8 is agreed, some school students may access Fees-Free support for tertiary study they choose to undertake outside of their schooling programme, and these students' future Fees-Free support will be limited to the carry-forward balance of their one EFTS (120 credit) entitlement

10 **note** that as for 2018, tertiary study undertaken by school students (other than study for which Fees-Free support is claimed) will not affect their future Fees-Free eligibility

11 **agree** that 2018 Fees-Free eligibility rules referring to 2017 and 2018 school leavers be reworded to refer to people applying for Fees-Free support in any calendar year, who were enrolled in a school since 2017

12 **note** that the Minister of Education will work with relevant agencies and the Prime Minister's office on announcements for policy changes agreed for 2019

Operational improvements for 2019

13 **note** that the Tertiary Education Commission has developed a carry-forward mechanism that is consistent with Cabinet's previous decisions, so that learners using less than one EFTS of Fees-Free support in 2018 (and not reaching the \$12,000 cap) can carry forward any remaining balance of their Fees-Free entitlement to use in future years

14 **note** that the Tertiary Education Commission is establishing time limits for retrospective claims for Fees-Free support

15 **note** that the Tertiary Education Commission is developing a declaration process that is simple and clear for learners; this is in anticipation of the Education Amendment Bill proposal, enabling the Tertiary Education Commission to switch from statutory declarations to ordinary declarations

16 **note** that the Tertiary Education Commission is working with learners, tertiary providers and partner agencies to improve information flows for 2019

Future work

17 [Redacted]

[Redacted]

[Redacted]

[Redacted]

18 [Redacted]

19 [Redacted]

20 **note** that, to support transparency in government decision-making, I intend to make this **Cabinet paper publicly available through the Ministry of Education's website after announcements.**

Authorised for lodgement

Hon Chris Hipkins

Minister of Education

Proactively Released

Annex 1: How the Fees-Free entitlement “carry-forward” mechanism will operate using 1 EFTS and \$12,000 caps

Scenario	2018 EFTS and \$ consumed	Carryover entitlement for 2019 and beyond	What happens in 2019?
Learner 1	1 EFTS costing \$3,000	None. 1 EFTS consumed	Has no further entitlement.
Learner 2	0.6 EFTS costing \$12,000	None. \$12,000 fee cap reached	Has no further entitlement.
Learner 3	1.2 EFTS costing \$10,000	None. Over 1 EFTS consumed	Has no further entitlement.
Learner 4	0.8 EFTS costing \$8,000	0.2 EFTS up to \$4,000	<p>Learner enrolls in 0.8 EFTS at a cost of \$8,000.</p> <p>TEC pays for the first reported 0.2 EFTS of study at a cost of \$2,000.</p> <p>TEC also covers compulsory student services fee (CSSF) \$500.</p> <p>Learner has consumed 1 EFTS and \$10,500.</p> <p>Learner has no further carryover as they have reached the 1 EFTS entitlement.</p>
Learner 5	0.2 EFTS costing \$10,000	0.8 EFTS up to \$2000	<p>Learner enrolls in 0.2 EFTS at a cost of \$11,000.</p> <p>TEC pays for the first \$2000 of study (learner consumes less than 1 EFTS entitlement).</p> <p>TEC does not cover any compulsory student services fees as the \$12,000 cap has been reached.</p> <p>Learner has consumed less than 1 EFTS and \$12,000 entitlement.</p> <p>Learner has no further carryover as they have reached the \$12,000 entitlement.</p>
Learner 6	0.5 EFTS costing \$6,000	0.5 EFTS up to \$6,000	<p>Learner enrolls in 0.5 EFTS at a cost of \$6,000.</p> <p>TEC pays for the first 0.5 EFTS of study at a cost of \$6,000.</p> <p>TEC does not pay for any compulsory student services fees as the \$12,000 cap has been reached.</p> <p>Learner has consumed 1 EFTS and \$12,000.</p> <p>Learner has no further carryover as they have reached both the 1 EFTS and the \$12,000 entitlements.</p>