Education Report: Update on the current Fees Free policy

To: Hon Chris Hipkins, Minister of Education

Date: 12 August 2019
Priority: Medium

Security Level: In Confidence
METIS No: 1186515

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Messaging seen by Communications team: No
Round robin: No

Purpose of report

This report updates you on our assessment of current settings for the Fees Free Tertiary Education and Training policy. We seek your agreement that no changes be made to these settings at this time.

Summary

In 2018, we reviewed Fees Free policy settings and provided advice on issues arising out of initial implementation. Cabinet then agreed to some minor changes to policy settings to address these.

In 2019, we have undertaken a further assessment of policy settings. This paper provides advice on issues that we have considered as part of this assessment. We do not propose making any changes to the current Fees Free policy at this time.

We considered issues that affect a range of stakeholders, including students and providers of zero-fee courses, wānanga and their students, and bridging and foundation students. In general, Fees Free has low benefits for these groups, as well as some downsides for providers of zero-fee courses. Many of these issues will be considered in related future work, such as the review of funding rates for te reo Māori.

s 9(2)(g)(ii)

We will continue to work with the Tertiary Education Commission to monitor the implementation and performance of the Fees Free Tertiary Education and Training policy.

We are also briefing you on options for future expansion of Fees Free [METIS 1200489 refers].
Recommended actions

The Ministry of Education recommends you:

a. **agree** that no changes to existing Fees Free policy settings be made at this time

   
   Agree / Disagree

b. **section 9(2)(g)(i)**

c.

d. **note** that we will provide a revised letter of delegation to fund Fees Free Tertiary Education and Training for 2020 to you by October

e. **agree** that this Education Report be proactively released, with any redactions in line with the provisions of the Official Information Act 1982.

   
   Agree / Disagree

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Andy Jackson  
Group Manager  
Tertiary Education  
12/08/2019

Hon Chris Hipkins  
Minister of Education  
15/8/19
Background

1. In the first half of 2018, we reviewed Fees Free policy settings and provided advice on issues arising out of initial implementation. In August 2018, Cabinet then agreed to some relatively minor changes to policy settings. These included small adjustments to eligibility criteria and changes to exceptional personal circumstances appeals.

2. In April 2019, we indicated that we would provide you with advice on whether any substantial changes are needed to the current Fees Free policy settings for 2020 implementation [METIS 1181642 refers].

Update on the Fees Free Tertiary Education and Training policy

3. We have assessed the current settings for the Fees Free Tertiary Education and Training policy. Our assessment included considering potential issues that have been raised by students, providers and TEC. Overall, the policy has been implemented successfully. We recommend making no changes to the current Fees Free policy at this time.

Fees Free provides lower benefits for courses with low fees

4. This report discusses two types of courses with zero fees:
   a. Youth Guarantee, Māori and Pasifika Trades Training and Refugee English Fund courses are fully government funded, meaning that providers cannot charge fees for them but receive additional government funding.
   b. Some providers have chosen to set zero (or low) fees for some courses. Reasons to do this include to trial new courses, to encourage equitable access and to compete on price. Some providers who set a zero tuition fee still charge compulsory course cost fees (CCCFs) and compulsory student services fees (CSSFs). These fees are all included in the Fees Free policy.

People can be ineligible for Fees Free due to previous low-fee study

5. To be eligible for Fees Free, a student must have completed at most 0.5 equivalent full-time student (EFTS) of study at level 3 or above. This rule applies to all study at level 3 or above, including study where the student paid low or no fees.

Fees Free entitlements can be used up on study that already has no fees

6. Fees Free eligible students must use up their entitlement when undertaking any tertiary study at level 3 or above. Students cannot ‘bank’ their entitlement for later use, even when they are studying a programme that already has no fees. This means students studying zero-fee programmes can receive no benefit from their Fees Free entitlement.

7. It is arguably unfair that students enrolled in zero-fee courses get no benefit from their Fees Free entitlement. However, that students get differently sized fee discounts is not against the main policy intent of Fees Free, which is to ensure that students pay no fees for their first year of tertiary education or training.

Fees Free has some downsides for providers of low-fee courses

8. Fees Free may decrease demand for zero-fee courses. Reasons for this include lessened price advantage and that some students may avoid low-fee study in order to not ‘waste’ their entitlement.
9. Fees Free places administrative requirements on all providers, including providers of low-fee or zero-fee courses.

**Youth Guarantee (YG) and Māori and Pasifika Trades Training (MPTT)**

10. Some YG study is at level 3 and some MPTT study is at level 3–4. We have received feedback that current Fees Free policy settings are arguably unfair for some people who have undertaken level 3 YG or level 3–4 MPTT study.

11. Previous level 3 YG or level 3–4 MPTT study can make people exceed the 0.5 EFTS prior-study limit and thereby become ineligible for Fees Free. We consider this to align with the policy intent of Fees Free. The current, broad prior-study rule is applied consistently across all study at level 3 or above.

12. Fees Free eligible students undertaking level 3 YG or level 3–4 MPTT study must use up their entitlement on that study, even though it already has no fees. This also aligns with the policy intent of Fees Free because these students still receive at least one year of tertiary education or training at level 3 or above.

13. Students who use some but not all of their entitlement on YG or MPTT study can still carry forward the remaining portion of their entitlement to use on any future study. In addition to paying no fees, YG and MPTT students receive some further benefits, for instance pastoral care.

14. In 2018, there were 3,211 level 3 YG students and 2,699 level 3–4 MPTT students. They respectively undertook average study loads of 0.62 and 0.68 EFTS. This means that a Fees Free eligible student undertaking an average level 3 YG or level 3–4 MPTT course load in 2018 would use up a majority of their 1 EFTS entitlement.

15. A large majority of YG students are Fees Free eligible. 35 percent of level 3–4 MPTT students were aged 19 or younger and therefore very likely to have been Fees Free eligible. Some older MPTT students would also have been eligible.

16. Many YG and MPTT students are from disadvantaged backgrounds, so there could be opportunities to improve system equity by expanding entitlements for these students. One way to do this could be to exclude YG or MPTT study from using up Fees Free entitlements.

17. While there may be opportunities to improve how Fees Free interfaces with YG or MPTT, such changes may be relatively complex and would likely require Cabinet agreement to additional funding. Further, we are currently undertaking wider work on foundation education including YG as part of work on Active Labour Market Programmes (commissioned by Labour Market Ministers).

18. We therefore do not recommend changing how Fees Free interfaces with YG or MPTT at this time. We would instead recommend deferring any such changes to be implemented for 2021 or later. This would allow better alignment with other tertiary sector policy work, including work on Active Labour Market Programmes and any expansion of Fees Free.

**Refugee English**

19. The Refugee English Fund (REF) fully pays fees for students from a refugee background who are studying towards an English for Speakers of Other Languages qualification at level 3 or above. There are around 450 REF students each year. Like all study at level 3 or above, REF study can affect Fees Free eligibility.
20. Any person may appeal to TEC to have Fees Free eligibility criteria waived or consumption written off in consideration of exceptional personal circumstances. Being both from a refugee background and needing to learn English through REF study constitutes sufficient exceptional circumstances. Therefore, TEC has undertaken to grant all appeals asking for REF study to be exempted:

a. when assessing eligibility against the 0.5 EFTS prior-study limit (23 granted at last count), and
b. from using up entitlements (12 granted at last count).

21. This policy has been communicated to providers of REF courses from November 2018 [METIS 1163164 refers].

22. Making an application is a manual process and it is therefore possible that some students who would be granted an appeal do not make one. We do not yet have sufficient data to assess how effective this approach is in enabling REF students to access Fees Free. Once data is available, we will monitor its effectiveness and consider opportunities to improve REF students' access to Fees Free, for instance the possibility of moving to an automatic, rule-based process.

Providers who have set low or zero fees face some disadvantages due to Fees Free

23. Providers who have set zero fees for some courses include SIT, Te Whare Wānanga o Awanuiārangi and Te Wānanga o Aotearoa. Some private training establishments and institutes of technology and polytechnics offer some zero-fee courses, for example certificates in te reo Māori at the Eastern Institute of Technology.

24. Fees Free may disadvantage providers of zero-fee courses. Their price advantage over other providers is lessened, which may decrease demand and revenue. The same applies for low-fee courses but to a lesser extent.

25. However, there is no indication that such disadvantages are having any significant impact on providers at this time. Further, price advantages for non-first-year study and people who are not eligible for Fees Free are retained. We will continue to monitor the impacts of Fees Free on students and providers of zero-fee and low-fee courses.

Wānanga are significant providers of zero-fee courses

26. Many wānanga students are ineligible for Fees Free due to prior study (this correlates with many wānanga students being older). Only 163 wānanga students were recorded as being Fees Free eligible in 2018, less than 1 percent of all wānanga students. Further, many of those who are eligible tend to receive a low benefit from their entitlement because many courses at wānanga already have a zero tuition fee.

27. While there could be opportunities to improve how Fees Free performs for wānanga and their students, changes of this type would likely be relatively large and complex. We therefore do not recommend making such changes at this time.
SIT receives Fees Free payments for zero-fee courses

28. SIT’s Zero Fees Scheme means that almost all domestic students in most SIT courses pay a zero tuition fee. SIT says the Scheme operates as a scholarship: all courses have tuition fees, but students receive a fully tuition-fee-paying scholarship unless they fail to meet attendance, behaviour and academic-progress requirements. The scholarships are self-funded by SIT. A majority of SIT’s revenue comes from government Student Achievement Component funding.

29. SIT receives Fees Free payments from TEC for the nominal pre-scholarship tuition fees, rather than for the zero tuition fees actually charged to Zero Fees Scheme students. SIT also receives Fees Free payments for CCCFs and CSSFs. In total, SIT received approximately $3.6 million in Fees Free payments in 2018.

30. Southland-based full-time Fees Free-eligible students may receive Mayor Tim Shadbolt Accommodation Bursaries for Invercargill for up to 40 weeks in their first year at SIT. This is either $100/week cash or free accommodation at SIT’s apartments. Neither distance nor part-time students can receive this bursary. 345 students received the bursary in 2018.

Next steps

34. We will continue to monitor the implementation and performance of Fees Free, including how it performs for the stakeholders discussed in this report. Any redesign of the current Fees Free entitlement could give opportunities to improve how well Fees Free performs for these stakeholders.

35. TEC is authorised to administer Fees Free funding through letters of delegation from the Minister of Education. The current Fees Free delegation will expire at the end of 2019, so a new delegation for 2020 is needed by the end of this year. Subject to your agreement to make no substantial changes to Fees Free policy settings at this time, we will provide this new letter of delegation to you by October.

36. We are also briefing you on options for future expansion of Fees Free [METIS 1200489 refers].