INTRODUCTION

The Government plays a crucial role in ensuring lifelong access to education and skills development through its investment in tertiary-level learning outcomes. A knowledge economy places a premium on innovation, ideas and the ability to adapt to new technologies and ways of working. Access to tertiary-level learning outcomes helps ensure individuals and their communities are equipped for life in a knowledge economy.

In this context, an accessible, high-quality, tertiary-level, learning outcomes system must be financed to meet many needs and provide a wide range of choices and educational opportunities for all New Zealanders. The variety of funding mechanisms in this chapter highlights how government investment is helping to remove barriers to participation and to ensure that the tertiary system is able to cope with increasing levels of demand. Statistics show that over 1991-2002, the number of government-funded student places has increased by 93.1 percent. In 2002/03, the Government's total budget for tertiary education was $3,562 million, up by 8.1 percent on the 2001/02 actual spending of $3,296 million.

chapter ten

INVESTING IN KNOWLEDGE AND SKILLS

10

FUNDING DIVERSE NEEDS

Government support for tertiary education takes a variety of forms and reflects the diversity of learners and their needs. During 2002, government funding included:

- tertiary education subsidies which provide funding for teaching and research by subsidising enrolments in approved qualifications
- student loans, which provide funding for eligible students to assist with the costs of tuition fees, course-related expenses and living costs
- student allowances to assist students from low-income families with living expenses
- training benefits and training incentive allowances (TIA)
- community education grants, which provide funding for community and adult education courses through tertiary providers, schools and other agencies
- special supplementary grants designed to direct funding to particular groups or for particular tertiary education services
- funding for industry training and Modern Apprenticeships
- funding for transition, pre-employment, life and job skills programmes including Training Opportunities, Youth Training, and Skill Enhancement
- funding for research, appropriated through Vote Research, Science and Technology
- tertiary education scholarships for Mäori and Pasifika students, and
- tertiary education Top Achievers' Doctoral Scholarships, Enterprise Scholarships, School Top Scholars, and University Bursaries Mathematics and Science Awards.

Taken as a whole, these initiatives enable learners of all backgrounds and abilities to have multiple points of entry into tertiary learning. They help to ensure that tertiary-level learning is available in workplaces and through small, community-based private providers as well as through major tertiary institutions, such as universities and polytechnics.

[1] Sums quoted in real terms have been adjusted for the effects of inflation over time, using the Consumer Price Index (CPI).

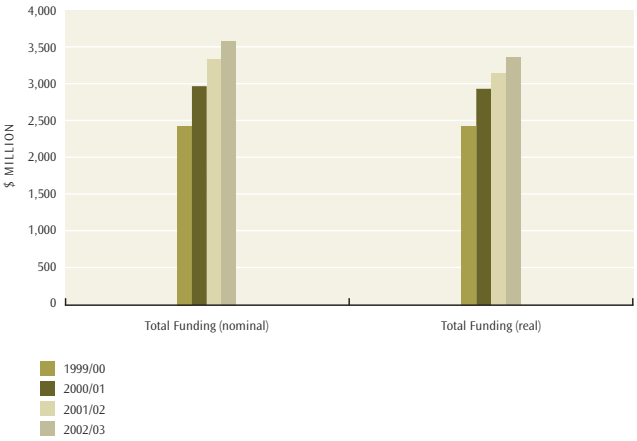
TOTAL GOVERNMENT FUNDING OF THE TERTIARY EDUCATION SYSTEM

In 2002/03, the Government's total budget for tertiary education was $3,562 million, up by 8.1 percent on the 2001/02 actual spending of $3,296 million. Of this budget, $2,521 million was operational expenditure and $1,041 million was capital contributions.

Total government spending on tertiary education grew over the period from 1999/2000 to 2002/03 by 46.7 percent in nominal terms, from $2,427 million to $3,561 million. In real[1] terms, this represented an increase of 37.9 percent.

The graph below traces government spending on tertiary education over the last four financial years.

FIGURE 10.1: TOTAL GOVERNMENT SPENDING ON TERTIARY EDUCATION, 2000-2003 FISCAL YEARS

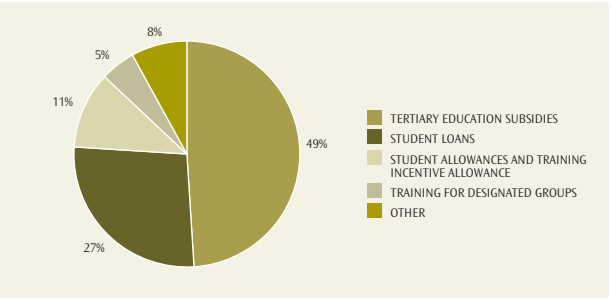


The major items in the Government's tertiary education budget for July 2002 to June 2003 were as follows:

- $1,718 million (48.2 percent of the budget) for tuition subsidies to fund student places at tertiary education providers
- $952 million (26.7 percent of the budget) for student loans
- $405 million (11.5 percent of the budget) for student allowances, and
- $190 million (5.3 percent of the budget) for other programmes, including industry training and programmes such as Youth Training, Modern Apprenticeships, Gateway, and Skill Enhancement.

The remaining 8.3 percent of the tertiary education budget funded a variety of activities, including TIA, Unemployment Benefit Training[2], community education, and administrative support provided by the New Zealand Qualifications Authority, Career Services and the Ministry of Education.

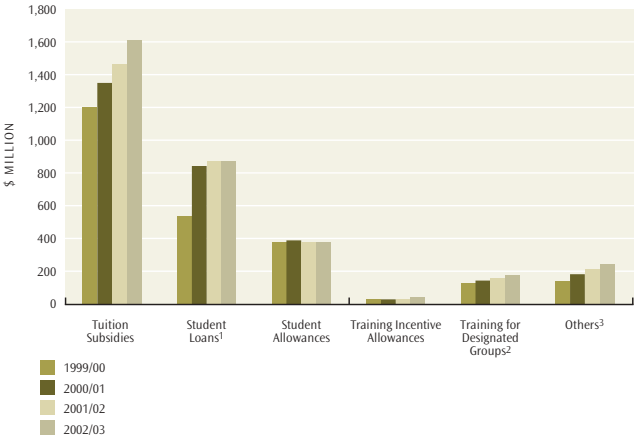
FIGURE 10.2: GOVERNMENT TERTIARY EDUCATION FUNDING, 2002/03



Note: Training for designated groups includes the Industry Training Fund, Modern Apprenticeships programme, Skill Enhancement, Training Opportunities, Gateway and Second Chance Education.

The biggest share of the Crown expenditure is on tuition subsidies, now called the student component of the integrated funding framework. In absolute terms tuition subsidies had the most growth, $514 million (43.0 percent) between 1999/2000 and 2002/03. Student loans grew by $417 million (78.2 percent), industry training, Modern Apprenticeships, and pre-employment programmes increased by $56 million (41.9 percent), student allowances by $29 million (7.7 percent) and TIAs by $13 million (38.5 percent).

FIGURE 10.3: GOVERNMENT EXPENDITURE ON TERTIARY EDUCATION BY COMPONENTS IN NOMINAL TERMS, 1999/2000-2002/03



Notes:

1 Money appropriated to student loans is partly capital expenditure (88.6 percent) and partly provision for doubtful debt (11.4 percent).

2 Training for designated groups includes the Industry Training Fund, Modern Apprenticeships programme, Skill Enhancement, Training Opportunities, Gateway and Second Chance Education.

3 Others include items such as Unemployment Benefit Training, Community Education, Tertiary Scholarships, Capital Contributions, Education Research Initiatives, Tertiary Education Strategic Change and Administrative Support provided by NZQA, Career Services and the Ministry of Education.

GOVERNMENT-FUNDED STUDENT PLACES AND TUITION SUBSIDIES

The largest share of government funding for tertiary education providers is delivered through tuition subsidies for eligible students. Tuition subsidies are a contribution towards the cost of tertiary-level learning outcomes – they do not cover the full cost of tuition. The balance of the cost is normally paid by students by way of a student tuition fee. In 2002, tuition subsidies were paid for all domestic, enrolled students who are studying for approved qualifications offered by recognised tertiary education providers, including recognised private providers.

GOVERNMENT-FUNDED PLACES[3]

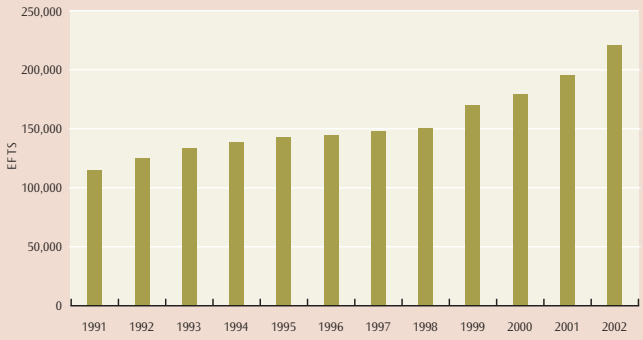
Between 1991 and 2002, there has been a significant increase (93.1 percent) in the number of equivalent full-time student places funded by government. This trend continued during 2002, with the government funding a total of 220,340 equivalent full-time students (EFTS) in the tertiary education sector, amounting to $1,617 million, compared with $1,409 million in 2001, a rise of 14.8 percent[4].

2 Unemployment Benefit Training replaced Community Wage training in 2001/02.

3 The total amount of EFTS and the total funding quoted in this section are calculated on an academic year basis.

4 This figure includes EFTS funding, fee stabilisation and grants.

FIGURE 10.4: EFTS GROWTH IN TEIs, 1991-2002 ACADEMIC YEARS



From 2001 to 2002, there was a 13.4 percent increase in the overall number of government-funded places.

The largest group of subsidised places in 2002 was in the university sector (45 percent) in 2002, followed by polytechnics (27 percent) and private providers (12 percent).

The following figures show that the proportion of EFTS places at wänanga increased from 1.0 percent in 1997 to 11.0 percent in 2002.

FIGURE 10.5: FUNDED EFTS PLACES BY SUB-SECTOR, 2002 ACADEMIC YEAR

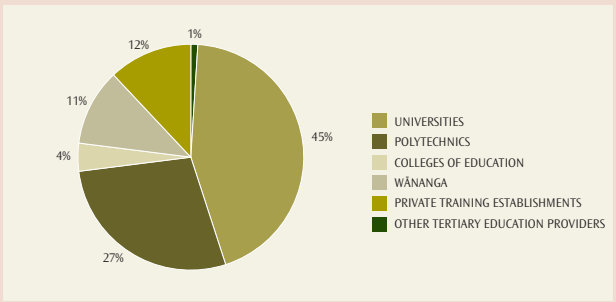
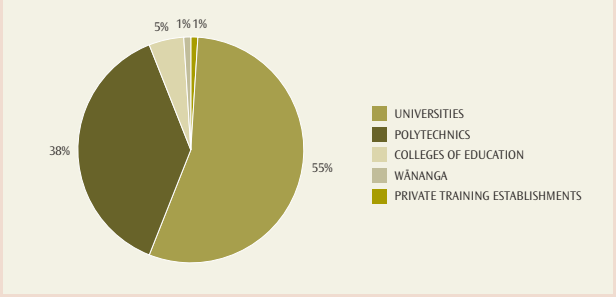


FIGURE 10.6: FUNDED EFTS PLACES BY SUB-SECTOR, 1997 ACADEMIC YEAR



Rates of growth varied considerably between different kinds of providers within the tertiary education sector. For example, the number of places funded at wänanga grew very rapidly from 8,202 in 2001 to 23,981 in 2002 (a 192 percent increase) assisted by investment in wänanga arising from settlement of Treaty claims. This increase was mainly attributable to increased enrolment in distance learning programmes, new courses and courses with zero fees offered by Te Wänanga o Aotearoa.

Private providers also experienced an increase of 15.9 percent in funded places from 2001 to 2002. There were 26,510 funded EFTS in PTEs in 2002, compared with 22,881 EFTS in 2001 and 15,833 in 2000.

Universities reported an increase of 1.8 percent in funded places from 2001 to 2002, compared with 0.7 percent between 2000 and 2001. The number of places in polytechnics rose by 8.3 percent in 2002 compared with 7.0 percent between 2000 and 2001.

Colleges of Education experienced a 0.3 percent decline in their EFTS numbers in 2002. This fall was attributable to a decrease in the number of students studying teaching qualifications at colleges.

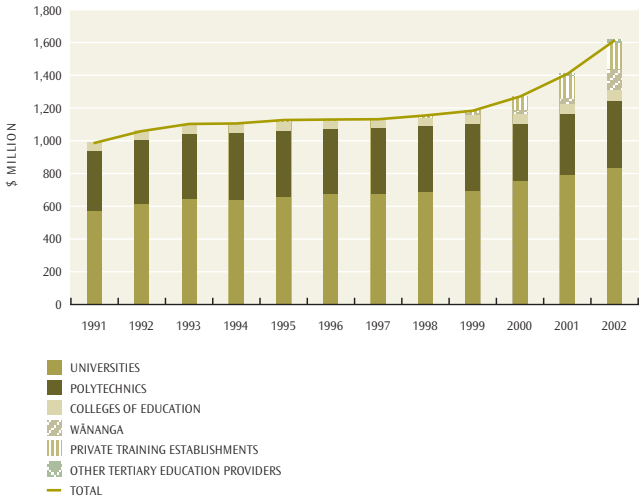
FIGURE 10.7: TOTAL FUNDED EFTS PLACES BY SUB-SECTOR, 1991-2002

Note: The 2000, 2001 and 2002 university data includes enrolments at the Auckland University of Technology, formerly the Auckland Institute of Technology.

TUITION SUBSIDIES IN 2002

From 2001 to 2002, there was an overall increase of 14.8 percent in the funding provided through EFTS-based tuition subsidies, following a 10.6 percent rise in 2001. A total of $1,617[5] million was provided to tertiary education providers in the form of tuition subsidies for equivalent full-time students in 2002. This represents a 62.8 percent increase in funding (in nominal terms) for EFTS places in the tertiary education sector in the decade from 1991 to 2002.

FIGURE 10.8: TOTAL EFTS-BASED TUITION SUBSIDIES BY SUB-SECTOR, 1991-2002



Wānanga had the largest growth in funding for student tuition subsidies from 2001 to 2002. The rise was $84.7 million (196.3 percent). This followed a 112.2 percent increase in wānanga funding in 2001. These large increases in funding reflected the very great growth in student numbers at the wānanga and in particular at Te Wānanga o Aotearoa (TWOA). In 2000 and 2001, TWOA received an injection of Crown funding as a result of a Waitangi Tribunal settlement. The additional funding was spent on developing the wānanga's infrastructure. New campuses have been developed in Porirua, Palmerston North, Gisborne, Manukau and Tokoroa and new buildings in Maniapoto, Te Arawa and Tamaki Makaurau were obtained.

Substantial progress towards settlement was made with Te Whare Wānanga o Awanuiarangi during 2002 with full settlement in 2003.

[5] This sum includes GST.

PTEs received a 22.3 percent increase in their funding in 2002, following a government moratorium on new PTEs and new PTE qualifications. In 2001, PTEs had a rise of 45.4 percent in their funding and a 447 percent increase between 1999 and 2000, when the basis for PTE funding was changed to match the funding of public tertiary education providers.

Tuition subsidies for polytechnics increased by 13.2 percent between 2001 and 2002 compared to 6.3 percent in 2001. University tuition subsidies increased by 4.5 percent between 2001 and 2002, compared with 4.9 percent between 2000 and 2001. The rise was brought about by changes in tertiary funding, including fee stabilisation measures.

Colleges of education had an increase of 4.9 percent from 2001 to 2002, following a decline of 1.0 percent between 2000 and 2001, which was the result of a decline in the number of enrolments in this sector over that period.

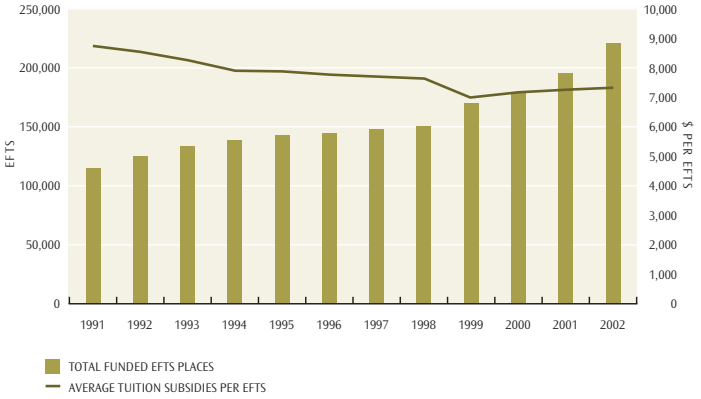
AVERAGE SUBSIDIES PER EFTS

The average subsidy per EFTS decreased steadily until 1999, but since then increased by approximately 5.3 percent in nominal terms between 1999 and 2002. Overall the average subsidy per EFTS has decreased by 15.6 percent since 1991.

Between 2001 and 2002, the average funding rate per EFTS increased by an overall 1.2 percent in nominal terms following an increase of 1.2 percent between 2000 and 2001.

The following graph shows the total funded EFTS places and average tuition subsidies per EFTS over the last 12 years.

FIGURE 10.9: TOTAL FUNDED EFTS PLACES AND AVERAGE TUITION SUBSIDIES PER EFTS, 1991-2002



It should be noted that the average subsidy per actual EFTS place achieved depends on a number of factors including the level of tuition funding rates and the mix of enrolments in different funding categories. If there is a shift of enrolments from higher funding categories to lower funding categories then the average funding per student may decline, even if the funding rates in each category rise.

The following paragraphs look at the trends in each of these factors.

In 1999, government made a decision to reduce the subsidy rates by 2.5 percent in response to the Asian economic crises. Government also contributed an additional 1.5 percent in total funding, however, to allow for growth in EFTS places totalling 4 percent[6].

In 2000, the average funding per EFTS remained stable, following structural changes in tertiary funding; including increased funding for extramural and research-based courses.

In 2001 and 2002, the average funding per EFTS increased in nominal terms but dropped in real terms. The rise in nominal terms was due to changes in tertiary funding, especially fee stabilisation measures. There has been a change in the student mix over the years 2000, 2001, 2002 and 2003, with proportionately more students enrolling in qualifications that attract lower tuition subsidies.

During the period 2000 to 2002, actual subsidy rates remained the same; however TEIs received a Special Supplementary Grant (SSG) in exchange for an undertaking not to increase fees, effectively increasing the 2000 rates by 2.3 percent in 2001 and 5.1 percent in 2002. The 5.1 percent increase represented a cumulative increase of 2.7 percent on top of the 2.3 percent increase in 2001. The SSG amounts were based on Treasury forecasts of inflation.

Average subsidies per EFTS declined by 14.0 percent in universities (in nominal terms) between 1991 and 2000 but their nominal average subsidy has increased by 6.9 percent between 2000 and 2002. Polytechnics also experienced a decline of 19.2 percent in nominal per EFTS tuition subsidies from 1991 to 1999. Their nominal tuition subsidies per EFTS, however, picked up by 4.5 percent between 1999 and 2002.

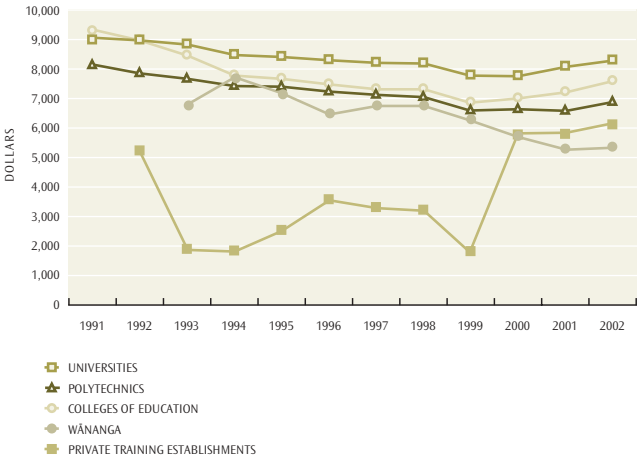
[6] Comparison between 1999 and two previous years' data should be treated with caution because of the removal of the cap on EFTS-subsidised places in 1999.

Colleges of education experienced a decline of 26.7 percent in tuition subsidies per EFTS from 1991 to 1999 in nominal terms, but their subsidy rates per EFTS have climbed since 1999, rising by 10.9 percent between 1999 and 2002.

The average subsidy per EFTS in wānanga has been declining since 1997. In 2000, there was a significant increase in the number of EFTS places in wānanga, while the per EFTS tuition subsidy dropped by 9.0 percent in nominal terms as enrolments became increasingly focused in lower-funded Category A courses.

The PTE analysis shows that the nominal average subsidy per EFTS was increasingly variable between 1991 and 1999. Between 1991 and 1999 the EFTS funding mechanism for PTEs was significantly different from that for tertiary education institutions, with funding allocated from a capped contestable pool on a pro-rata basis according to bids received. Because of excess demand it was decided to restrict access to the pool to certain designated priority areas of training, with differential pro-rata tuition rates. Courses not included in the list of designated priorities were not funded.

FIGURE 10.10: AVERAGE TUITION SUBSIDIES PER EFTS IN TEIs AND PTEs IN NOMINAL TERMS, 1991-2002



In 1999, the subject restriction for PTEs was removed and funding was provided for all enrolments in quality-approved courses at registered PTEs. As a result, the average subsidy per EFTS increased significantly when the basis for PTE funding was changed to match the funding of the public tertiary education providers.

As enrolments in wänanga and PTEs have expanded, the balance of qualifications funded through the EFTS-based tuition subsidies system has shifted. The proportion of funded sub-degree places has grown from 38 percent in 2000 to 42 percent in 2001 and 47 percent in 2002.

FIGURE 10.11: EFTS BY LEVEL OF QUALIFICATION, 2002

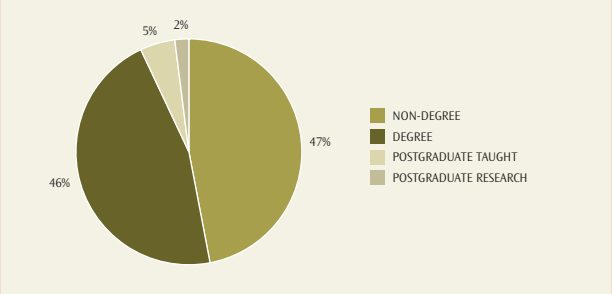
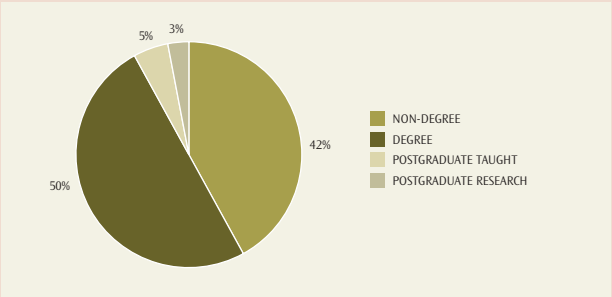


FIGURE 10.12: EFTS BY LEVEL OF QUALIFICATION, 2001



GOVERNMENT FUNDING FOR DIFFERENT SUBJECT AREAS

Government funding is provided to tertiary education providers in different funding categories for different subject areas. Category A includes funding for qualifications in the arts, social sciences, business, law and community education. This was the largest cost category in 2002, with nearly 60 percent of funding for subsidised student places, compared with 54.4 percent in 2001. Category B courses were funded at a higher level to support the higher cost of teaching subjects such as sciences, computing, trade training, nursing and fine arts. Category B funding accounted for nearly 28 percent of funding for subsidised student places in 2001. Another 14 percent of funding was provided for the other cost categories (C, G, H and I), which subsidise degree-level students in such subjects as engineering, architecture, health-related fields and teacher education.

In 2002 for private providers, approximately 65.4 percent of the EFTS were funded in Category A, over 31.3 percent were funded in Category B and 3.3 percent in Category I.

FIGURE 10.13: FUNDED EFTS BY CATEGORY, 2002

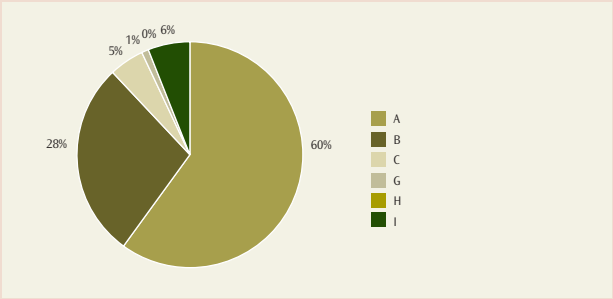
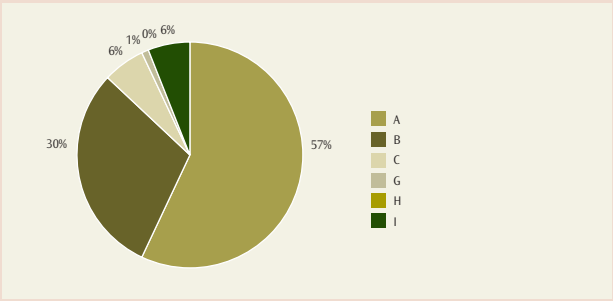


FIGURE 10.14: FUNDED EFTS BY CATEGORY, 2001



FUNDING FOR RESEARCH

The Education Act 1989 states that teaching of degrees must be substantially conducted by people active in research. As a result, the EFTS-based tuition subsidy for students enrolled in degrees has a research component. The value of the research top-ups was $115.3 million in 2002, compared with $114.3 million in 2001, and $113.8 in 2000. In addition, funding of $1.5 million was provided in 2002, compared with $1.4 million in 2001 to subsidise the research costs of foreign research-based students enrolled at New Zealand tertiary education providers.

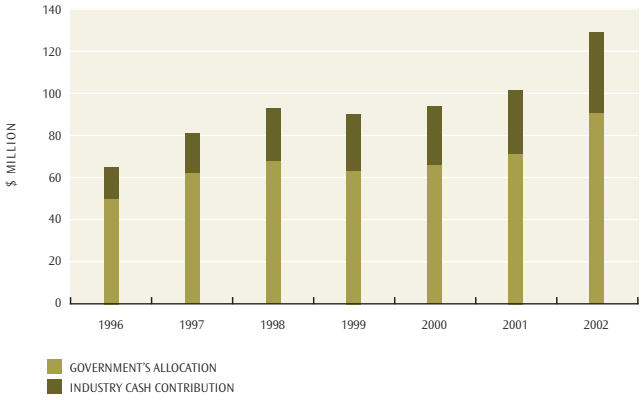
The funding for foreign research students recognises the benefits these students bring to the New Zealand tertiary education system.

FUNDING FOR INDUSTRY TRAINING AND MODERN APPRENTICESHIPS

Industry training is jointly funded by government and industry. Government's contribution is made through the Industry Training Fund, with industry contributions being cash or in-kind. Employees may also bear some of the costs, by meeting some proportion of training fees or by accepting a lower rate of pay as part of the training arrangement.

During the year 2002, the Government invested $90.6 million in industry training, compared with $71 million in 2001 and $65 million in 2000. Industry's investment was $38.2 million in cash in 2002.

FIGURE 10.15: INDUSTRY AND GOVERNMENT CONTRIBUTIONS TO THE COST OF INDUSTRY TRAINING, 1996-2002



Note: This graph does not recognise the cash contributions to industry training made by employers.

In January 2001, Skill New Zealand implemented a national programme of Modern Apprenticeships to extend the benefits of formal, structured workplace learning to young people aged 16 to 21 years.

Government expenditure on Modern Apprenticeships in 2001/02 was $8.6 million, supporting 3,245 Modern Apprentices as at 30 June 2002. In 2002/03, a budget of $20.8 million was appropriated for Modern Apprenticeships targeting 6,500 Modern Apprentices as at 30 June 2004.

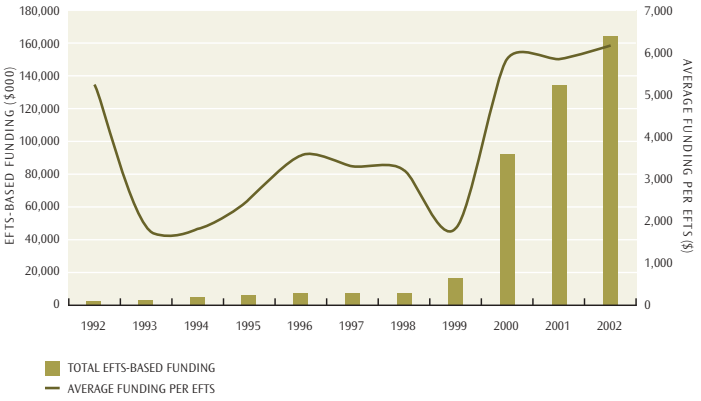
FUNDING TRENDS FOR PRIVATE TRAINING ESTABLISHMENTS

Since 1992, government funding has been available to recognised and accredited private training establishments. These private providers receive government funding through a number of mechanisms, including:

- Industry Training
- Training Opportunities
- Youth Training
- Skill Enhancement
- Other targeted training programmes, and
- EFTS-based tuition subsidies (for qualifications at, or equivalent to, NQF level 3 or above).

In 2002, a total of 234 private providers were funded by a total of $163.7 million for 26,510 EFTS places, an average subsidy of $6,174 per place. In 2001, 235 PTEs were funded at $133.7 million for 22,881 EFTS places, an average subsidy of $5,847.

FIGURE 10.16: TOTAL EFTS-BASED TUITION SUBSIDIES AND AVERAGE TUITION SUBSIDIES PER EFTS IN PTEs, 1992-2002



In 2000, the Government announced a fee stabilisation policy, under which institutions including PTEs received increased funding in return for freezing their tuition fees. In the 2002 Budget, additional funding for fee stabilisation in TEIs and PTEs was announced for 2003. About 75 percent of government-funded private providers accepted the government's request to stabilise their fees in 2001 and about 72 percent accepted it in 2002.

In response to very high growth during 2000 and into 2001, a government moratorium on new PTEs and new PTE qualifications was implemented on 24 July 2001. The moratorium allowed some growth in funding allocation to PTEs because it allowed existing providers to increase enrolments in existing qualifications. The moratorium continued in 2002.

In 2002, the Government announced a number of new funding initiatives for PTEs. These initiatives were designed to focus the PTE growth in priority areas of tertiary education, identified in the Tertiary Education Strategy. The Government introduced further measures in 2002 to manage PTE EFTS-funding for 2003. These were:

- a partial cap on the number of funded EFTS places in PTEs for the year 2003, of 22,830 EFTS places. This cap intended to limit the number of funded EFTS places in each PTE to the number of EFTS places funded in 2001
- a fixed allocation of $146 million, set through the Student Component[7] for 2003
- the overall cap of $129 million in direct allocations to providers according to EFTS earned in 2001, and $17 million through the Strategic Priorities Fund to allow the Tertiary Education Commission to allocate additional funding above 2001 EFTS levels to approved PTEs offering qualifications in the priority areas of tertiary-level learning outcomes best aligned to the Tertiary Education Strategy
- an increase of 5.1 percent in the funding rate by building into the base the funding provided in 2002 for fee stabilisation
- offering PTEs access to the 4.5 percent fee stabilisation grant for those PTEs that agree to comply with 2003 fee stabilisation, and
- a reduction in the level of tertiary tuition subsidy rates for PTEs within the Student Component. These rates were set at 9.5 percent below TEI rates, to reflect the withdrawal from PTE funding of the notional capital component in the tuition subsidies.

The changes in PTE funding for 2003 replace the PTE moratorium introduced in July 2001.

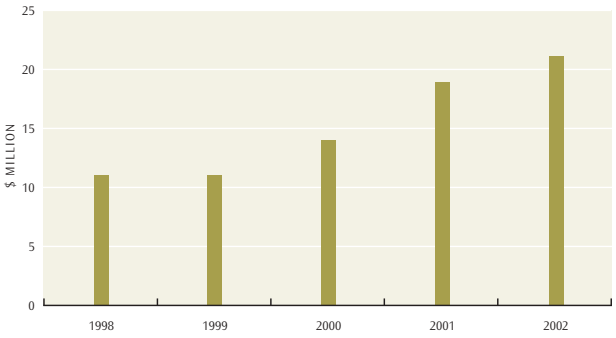
[7] The student component is the largest component of the teaching and learning funding provided through the Integrated Funding Framework. The student component replaces the EFTS-based tuition subsidy system.

GRANTS TO OTHER TERTIARY EDUCATION PROVIDERS

In 2002, 16 tertiary education providers were funded by grants approved by the Minister of Education under section 321 of the Education Act 1989. Many of these providers also receive tertiary tuition subsidies.

In total, approximately $21.1 million was provided in 2002 to these 'other tertiary education providers' – $11.3 million through grants and contracts for services and approximately $9.8 million through tertiary tuition subsidies. This compares with funding of $18.9 million in 2001 and $14.0 million in 2000.

FIGURE 10.17: TOTAL GOVERNMENT FUNDING FOR OTHER TERTIARY EDUCATION PROVIDERS (OTEPs), 1998-2002



Those providers receiving over $1 million were:

New Zealand Childcare Association ($3.2 million), The National Association of ESOL Home Tutor Schemes ($3.1 million), Te Kohanga Reo National Trust ($2.9 million) Literacy Aotearoa ($2.4 million), Workbase Education Trust ($2.3 million), Institute of Professional Legal Studies ($1.6 million), PIERC Education (Pacific Island Education Resource Centre) ($1.4 million), Taratahi Agricultural Training Centre ($1.2 million).

SPECIAL SUPPLEMENTARY GRANTS

Special Supplementary Grants (SSGs) provide targeted additional funding to tertiary education providers to be used for specific purposes. Special conditions and requirements are applied to the use of grants and the council of an institution must ensure that the grant is used only for its stated purpose.

These special grants are used mostly to supplement institutional funding to supply support services to students with specific needs such as tertiary students with disabilities, Māori and Pasifika students, and teacher education initiatives. Fee stabilisation is also delivered as an SSG.

Over the last four years, the proportion of students self-identifying as having a disability on enrolment has increased significantly by 148.5 percent, from 7,730 students in 1998 to 19,210 students in 2002, compared with an increase of only 13 percent by all domestic students during the same period.

Government provides TEIs with funding, including general tuition subsidies, which can be used for this purpose. In addition, the government has focused targeted funding for disability support towards TEIs to assist them in meeting their statutory obligation. Special Supplementary Grants (SSGs) for tertiary students with disabilities are paid to TEIs as a bulk grant of $29.3 per EFTS to assist in the provision of additional support for those whose support needs are high cost.

The SSG for tertiary students with disabilities totalled $5.5 million in 2002, compared with $4.85 million in 2001, and went towards providing specialist support services to enable students with disabilities and special needs to have improved access and opportunities in tertiary education.

Since 1998, when the SSG for tertiary students with disabilities was introduced, participation by people with disabilities has increased by 148.5 percent. Tertiary students with disabilities, however, constituted only 4.5 percent of the tertiary student population in 2002, compared with 2.8 percent in 1998.

In 2002/03, $4.2 million was spent for the Māori and Pasifika SSG, compared to $4.0 million in 2001/02 supporting initiatives that will, in the long term, increase and improve the retention and completion rates of these students.

A review of the SSG funding for Māori and Pasifika students at TEIs was undertaken by the Ministry of Education in 2002. The review provided an overview on the implementation and effectiveness of the SSG funding for Māori and Pasifika tertiary students during the period 2001 to 2002.

The review examined a number of significant issues. It drew from the annual SSG reports of the TEIs, case studies of seven TEIs, hui, fono and discussion groups and Māori and Pasifika reference groups.

Some key findings from the Māori SSG review are summarised below:

- The SSG has made a significant difference within TEIs for Māori students, despite the limited amount of money involved.
- The targeting of a specific pool of money aimed at increasing the success of Māori students in TEIs was seen as one of the major benefits of the SSG.

The following details some key findings of the Pasifika SSG review:

- SSG funding has had a positive impact in raising the profile of the needs of Pasifika students. The impact is often disproportionate to the amount of money.
- More certainty about funding levels would allow planning that is more strategic and that incorporates an evaluation dimension.

The review also noted that further consideration should be given to whether the funding will continue to be allocated for Māori and Pasifika EFTS jointly, or whether it should be allocated and reported separately. This recognises that the needs of Pasifika peoples within TEIs are distinct from those of Māori.

TRENDS IN TERTIARY FEES

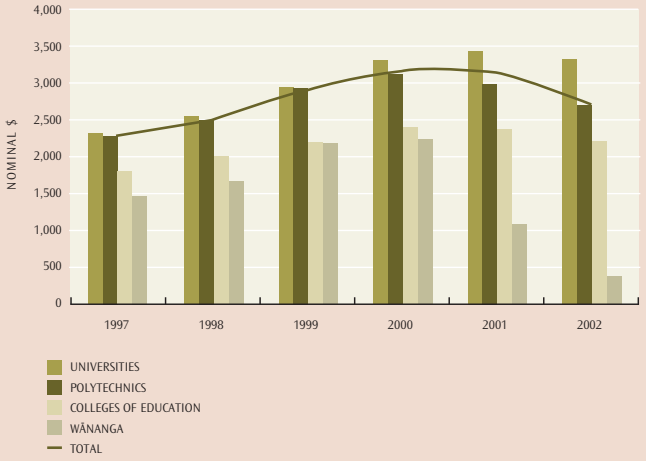
Between 1997 and 2000, there have been significant increases in total tuition fee revenue in TEIs, approximately 58.6 percent in nominal terms. A decline in fee revenue of 1.3 percent was evident between 2001 and 2002, despite the increase in student numbers over that time. The average tuition fee per EFTS also increased by 38.3 percent between 1997 and 2000 and then dropped by 13.9 percent between 2000 and 2002. These trends reflect the reductions in funding rates until 1999 (that led to compensating fee increases), the fee stabilisation policy implemented in 2001 and the move to zero fees in some providers, initially at the Southern Institute of Technology and Te Wānanga o Aotearoa and more recently at a number of other providers.

Given the fee stabilisation policy implemented in 2001, the decline in average fees per EFTS from 2000 reflects the change in the mix of courses studied, with proportionately higher participation in lower fee courses. In addition, the introduction of zero fee courses in a number of TEIs has acted to decrease average fees per student.

Wänanga students have had a significant decrease in their average fees (74.4 percent) in nominal terms due to the introduction of zero fees for many courses at wänanga between 1997 and 2002. For example, Te Wänanga o Aotearoa introduced zero fees for some qualifications in 2001. More than 80 percent of their students in 2001 and nearly 95 percent of their students in 2002 enrolled on zero fees courses as reported by the institution. A move to zero fees in some colleges and polytechnics in 2001 and 2002 also led to a reduction in average fees in those sub-sectors.

Students at universities and polytechnics paid higher average fees than students in wänanga and colleges of education, with university fees slightly ahead of those of polytechnics over the past six years. In 2002, the average fee[8] (GST inclusive) for a university student was estimated at $3,740, whereas the fee for a polytechnic student was estimated at $3,030 and for a college of education student at $2,490.

FIGURE 10.18: AVERAGE DOMESTIC TUITION FEES PER EFTS IN TEIs IN NOMINAL TERMS, 1997-2002



At polytechnics and colleges of education, the average domestic tuition fee increased up until 2000 and has dropped since, in nominal terms, by 13.2 percent in 2001 and 8.0 percent in 2002. Universities' average domestic tuition fee rose until 2001, when they fell by 3.0 percent.

The amount borrowed through the compulsory fees component of the Student Loan Scheme increased by 15.2 percent at universities, polytechnics and colleges of education over the last three years. Fees borrowed by domestic students in these three sub-sectors made up 65 percent of the total private contribution to total cost of tertiary study in 2000, increasing to 73 percent in 2002.

Fees paid by students without recourse to the Student Loan Scheme dropped from 35 percent of total private contribution in 2000 to 27 percent in 2002. This could be attributed to: the increase in the rate of uptake of loans, which rose in response to the no-interest while studying policy[9]; the nominal increase in tuition subsidies; and also, the fact that a number of providers offered programmes with zero fees in 2001 and 2002.

As borrowing of fees has risen, so the average non-borrowed fees have declined for the three sub-sectors by 26 percent in nominal terms. Polytechnics have had a sharp decrease of 40.5 percent in real terms over the three years, followed by colleges of education with a decrease of 29.2 percent and universities with a decrease of 17.1 percent in real terms.

FUNDING INITIATIVES FOR 2002

During 2002, the Government invested in a number of new initiatives and approaches to improve the quality and responsiveness of New Zealand's tertiary-level learning outcomes system and access to learning. The following is a summary of the majority of the initiatives launched during 2002.

ADULT LITERACY STRATEGY

This initiative built on the investment made in 2001/02 in capability development for adult literacy. Funding was allocated for workplace, family and specific Mäori literacy projects. The funding was also allocated for expanding the range of opportunities for learners including support for Refugee and Migrant Literacy through the National Association of English for Speakers of Other Languages (ESOL) Home Tutor Schemes and Multi Cultural Learning and Support Services (MCLaSS). Funding of $8 million was appropriated to this initiative over four years.

[8] The average fee is calculated by dividing total domestic fees revenue (excluding GST) by the total number of domestic EFTS funded by the Ministry of Education.

[9] Introduced in 2000.

CAPACITY DEVELOPMENT IN GOVERNANCE AND MANAGEMENT

This initiative continued an earlier government intervention for at-risk tertiary education institutions by appointing Crown Observers and/or Crown Managers or Commissioners to improve the ongoing sustainable provision of tertiary education in those regions where TEIs are at serious financial risk. Early intervention for 'At Risk Tertiary Education Institutes' was introduced to strengthen performance through capability development in governance and management for all TEIs. A fund of $1.2 million over four years was allocated to this initiative.

CENTRES OF RESEARCH EXCELLENCE

In 2002, funding for Centres of Research Excellence (CoRe) was established to support research in areas of demonstrated research relevant to New Zealand by facilitating more networking between researchers. In 2002, additional funding of $38.0 million for four years was appropriated to increase the total value of the CoRE Fund due to the willingness within the tertiary research community to participate in building centres of research excellence. A capital appropriation of $15 million over four years was allocated to the current centres.

DEVELOPMENT AND SUPPORT FOR MÄORI TRAINING PROVIDERS

Funding of $4.9 million for four years (2002/03 to 2005/06) was allocated to enable NZQA to continue to develop and support Mäori education and training providers. This included helping Mäori providers with quality management systems and self-evaluation; building their expertise in programme development and delivery; access to culturally appropriate assessment resources, moderation services and link to national systems and information and feedback to NZQA on how it can best meet the needs of Mäori. It also included support in charter and profile development and enabling learners to staircase into higher education.

BUILDING KNOWLEDGE ABOUT TEACHING AND LEARNING

The government allocated $4.6 million over four years to support research for building knowledge about what is effective teaching and learning and to continually add to this knowledge through integrating research and practice. An Advisory Board (comprising government and sector representatives) was proposed to make recommendations to the government on priorities for research, which will focus on raising the quality of teaching and learning for the early childhood, school or tertiary education sectors.

E-LEARNING

The government allocated $6.3 million over four years on the e-learning initiative which provides operating funds to develop e-learning capability and to create a tertiary education web portal. This initiative builds on the advice provided by the E-learning Advisory Group in its report[10].

ENGLISH FOR SPEAKERS OF OTHER LANGUAGES – SUPPORT FOR IMMIGRANTS AND REFUGEES

Funding was allocated in 2002 to provide English language support for immigrants and refugees. A total of $6.4 million over four years was allocated to this scheme as a result of the increase in immigration over the past two years and changes in the refugee profile resulting in a higher proportion of students.

EXPANDING MODERN APPRENTICESHIPS

The government provided additional funding of $41.0 million for four years (2002/03 to 2005/06) to provide for the current rate of recruitment of Modern Apprentices and to expand the Modern Apprenticeships programme to achieve 6,000 Modern Apprentices by December 2003.

EXPORT EDUCATION

Funding was allocated to the Export Education initiative in 2002 to enable the continuation of the 2001 initiative and some enhancement in the 2002/03 financial year. The objectives of this initiative are to increase export earning, manage risk, ensure other economic, educational and cultural benefits and also ensure industry ownership of and responsibility for development and promotion activities.

FEE STABILISATION

A further fee stabilisation policy was announced in Budget 2002. Under this policy, providers who agreed to hold the level of student tuition fees and student course costs in 2003 at 2002 levels were offered a 4.5 percent increase in funding rates. This policy followed similar fee stabilisation funding in 2002 and 2001. The Government's purpose was to make tertiary education more affordable for students while ensuring the quality of education provided. This included additional funding for fee stabilisation in TEIs and PTEs for 2003. The cost of this initiative, over the four years, is $214.30 million.

[10] *Highways and Pathways, Exploring New Zealand's e-Learning Opportunities* (March 2002).

GATEWAY

A total of $7.2 million for four years (2002/03 to 2005/06) was allocated to extending the Gateway pilot programmes currently being piloted in 24 schools. The aim of this programme is to strengthen the pathway from school to work-based learning through identifying the approaches, which will help schools and employers to implement structures for work-based training opportunities for students. The funding will extend the pilot to include approximately 20 more schools.

INDUSTRY TRAINING FUND

The Industry Training Fund was increased by a total of $14 million over the next four years. This increase is to provide for expected growth, which includes increased demand from the impact of the industry training reforms.

PERFORMANCE-BASED RESEARCH FUND

Funding of $36.27 million was announced in the 2002 Budget for the initial costs associated with the introduction of a Performance-Based Research Fund (PBRF) for New Zealand's tertiary sector research. A new PBRF mechanism is being gradually introduced over the next five years. This initiative provides incentives for improvements in the quality of research undertaken in tertiary education providers. The PBRF also builds on the progress achieved by the CoRE Fund in promoting the pursuit of excellence in tertiary sector research.

REGIONAL POLYTECHNIC DEVELOPMENT FUND

This fund began from 1 January 2003, with $2 million available in 2003 and 2004 and $1 million in 2005 to encourage polytechnics to actively contribute to regional development. Polytechnics are able to apply to this contestable fund for a maximum grant of $300,000. Polytechnics have a key role in facilitating and supporting regional economic growth through actively engaging with businesses and communities to build relationships, to address skills shortages and to improve enterprise management capability.

ZERO FEES – TWO CASE STUDIES

One of the most interesting developments in the resourcing of tertiary education over the last two years has been the trend for some providers to offer some courses and qualifications with zero tuition fees. Set out below are case studies setting out the effects of zero fees in two TEIs.

Southern Institute of Technology (SIT)

SIT launched its Zero Fees Scheme in 2001 at its Invercargill Campus and in 2002 it extended its zero fees policy to its campuses in Christchurch and Gore. This scheme allows New Zealand and Australian citizens or permanent residents to study a variety of degree, diploma and certificate programmes, as well as vocational courses, without incurring tuition fees.

SIT has identified a number of goals in launching the scheme in its annual reports 2001 and 2002. These include: increased student enrolments, effective marketing, upgrading qualifications, ongoing development of facilities, differentiation, staircasing opportunities, enhanced community involvement, economic development, and developing closer national and international links.

A feature of SIT is that it is a community-based tertiary institution and relies on a variety of financial and in-kind donations from community support and businesses. During the first three years of zero fees, 2001 to 2003, SIT made use of community funding to support the cost of the scheme.

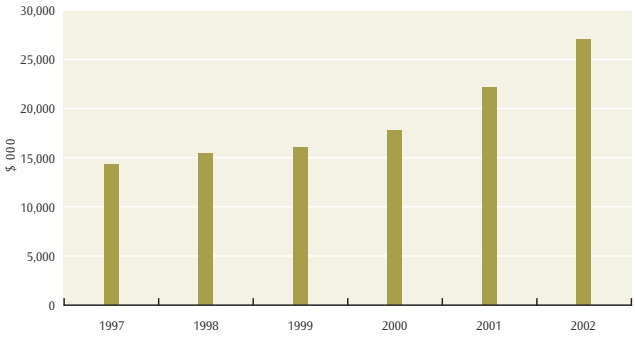
SIT's operation has become significantly different in scale since the launch of the scheme. As fees were cut, the share of the institution's revenue that came from the government rose. Government funding[11] made up 74.9 percent of the SIT revenue in 2002 and 71.8 percent in 2001, compared with 51.2 percent in 1997. The polytechnic sub-sector average is 57 percent. Student fees in 1998 made up 23.7 percent of SIT revenue, declining to 3.3 percent in 2001 and 9.1 percent in 2002.

Other income as a percentage of revenue has dropped from 38.4 percent to 16.6 percent between 1997 and 2002, with the exception of 2001, as SIT used community funding of $6.7 million to support the cost of the first three years of the scheme.

Total revenue at SIT has increased by 23.4 percent between 1997 and 2000. However after the introduction of zero fees, SIT revenue grew by 52.1 percent between 2000 and 2002 in comparison with 29.0 percent growth in the total polytechnic sector and 27.5 percent in medium size polytechnics.

[11] Government funding comprises tuition subsidies, funding directed through Industry Training Organisations (ITOs) funding and others.

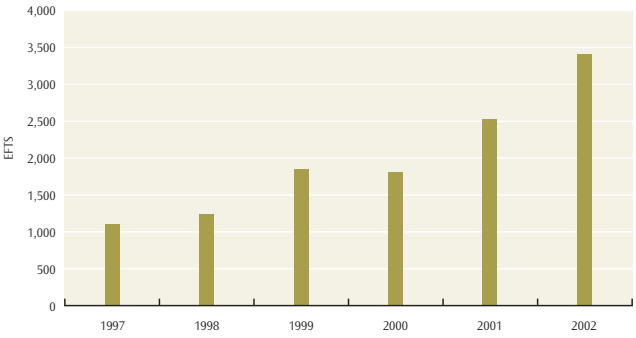
FIGURE 10.19: TOTAL REVENUE AT SIT, 1997-2002



Note: Total revenue includes government funding, student fees and other income, eg research.

The implementation of the Zero Fees Scheme was associated with a significant increase in the EFTS numbers from 1,781 in 2000 to 2,526 in 2001 (41.8 percent) and 3,377 EFTS in 2002 (23.7 percent), a cumulative growth of 89.6 percent between 2000 and 2002. Most of this growth has been in domestic EFTS.

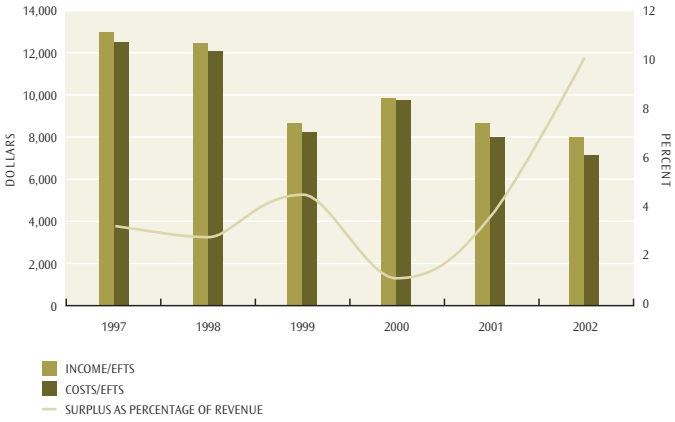
FIGURE 10.20: EFTS GROWTH AT SIT, 1997-2002



Note: Total EFTS includes Ministry of Education-funded, international and other EFTS.

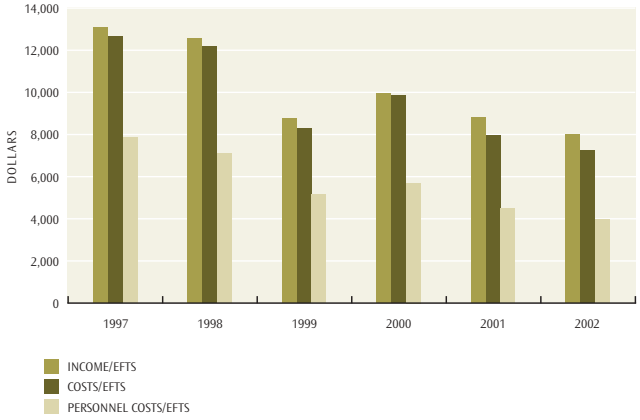
SIT recorded an operating surplus of $1.9 million in 2001 (an 872.4 percent increase over the 2000 surplus) and $2.7 million in 2002 (a 42.9 percent increase over the 2001 surplus).

FIGURE 10.21: OPERATING INCOME AND COSTS PER EFTS AND SURPLUS AS A PERCENTAGE OF REVENUE AT SIT, 1997-2002



Note: Operating surplus excludes unusual and non-recurring items.

FIGURE 10.22: INCOME, EXPENDITURE AND PERSONNEL COSTS PER EFTS AT SIT, 1997-2002



Note: Data in 2002 refers to student numbers at the Invercargill campus only.

The demographics of the student body have changed with the introduction of zero fees. An increased number of students aged 40 and over has emerged. By 2002, about 23 percent of the students were over 40 years old.

The proportion of Mäori, Asian and other students increased as the European/Päkehä and Pasifika declined after the introduction of zero fees in both formal and non-formal programmes. Mäori students made up 10.3 percent of total students at SIT, compared with 9.3 percent in 2000, and Pasifika students made up 1.4 percent in 2000, compared with 0.9 percent in 2002.

SIT is a community-based regional tertiary institution and relies heavily on community support and a variety of financial and in-kind donations. The implementation of the scheme has been an example of co-operative and innovative partnership between the Southland community and a tertiary provider, leading to economic development programmes.

A survey by Infometrics[12], before the scheme's launch in 2001, predicted an extra $11.5 million in additional business turnover and a $6.7 million increase in Invercargill's gross domestic product (GDP).

An Infometrics follow-up survey in August 2002[13] showed there was an extra $25 million in additional business turnover and a $13.9 million increase in the city's GDP for the year. This study estimated that there were 2,433 students at SIT because of zero fees (1,464 from outside Invercargill). The net benefit for 2001 was $22.4 million for city businesses. The return on community funding for the scheme was more than $5 for every $1 put into it, up from the predicted $2 for every $1 estimated for 2001. This was followed by a rise in employment of up to 266 full-time equivalent staff positions in 2001.

Te Wänanga o Aotearoa

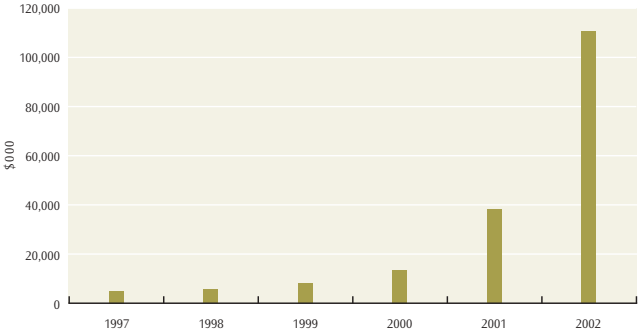
Te Wänanga o Aotearoa (TWOA) introduced its first fee-free courses in 2001. TWOA had many objectives in launching the scheme, as stated in its annual report 2002. These included:

- increasing the participation of Mäori and those regarded as being part of the lower socio-economic group of New Zealanders
- curbing the impact of high fees on young Mäori with no educational qualifications, and
- controlling the impact on young Mäori of the Student Loan Scheme.

Since moving to zero fees TWOA has become more highly reliant on government funding, with 94.4 percent of its total revenue from this source in 2002, and 81.6 percent in 2001, compared with 64.3 percent in 200014. In 2000, domestic student fees made up 30.9 percent of TWOA's revenue, declining to 15 percent in 2001 and 3.2 percent in 2002.

Total revenue at TWOA climbed up steadily by 58.1 percent from 1997 to 1999. In 2000 it grew by 68.2 percent. From 2000 to 2002, however, it grew significantly by 737.8 percent, from $13.1 million in 2000 to $110.2 million in 2002.

FIGURE 10.23: TOTAL REVENUE AT TE WĀNANGA o AOTEAROA, 1997-2002



Note: Total revenue includes government funding, student fees and other income, eg consulting and research contract income.

[12] Infometrics Consulting (August 2000), *Economic Impact on Invercargill of SIT's Proposed Zero Fees Policy*, Wellington.

[13] Infometrics Consulting (August 2002), *Economic Impact on Invercargill of SIT's Zero Fees Policy*, Wellington.

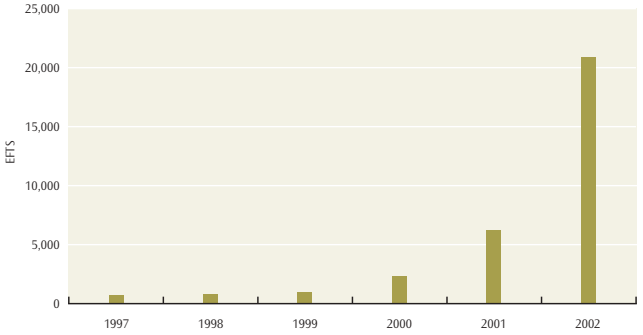
[14] Government funding comprises tuition subsidies, funding directed through Industry Training Organisations (ITOs) funding and other.

As performance trends show, the key factors in the sustainability of zero fees at TWOA are considerable growth in EFTS numbers and reduction in costs per EFTS due to achieving economies of scale. It should be noted that the Mahi Ora, Kiwi Ora and Te Aro Reo programmes are at a low level on the qualifications framework and are offered by mixed mode, including a distance element. The economies of scale and the distributed delivery have also contributed to the profitability of the programmes.

TWOA has experienced extraordinary enrolment growth since the introduction of fee-free courses in 2001. The number of enrolments (ie the number of people enrolled rather than EFTS) jumped from 3,127 in 2000 to 16,423 in 2001 (a 525 percent increase) and 44,158 in 2002 (a 269 percent increase).

From 862 EFTS in 1999, the roll grew to 6,119 in 2001 (610 percent increase) and to 20,769 in 2002 (a further 239 percent rise). This was more than 32 times the number of EFTS that were enrolled in 1997.

FIGURE 10.24: EFTS GROWTH AT TE WĀNANGA o AOTEAROA, 1997-2002



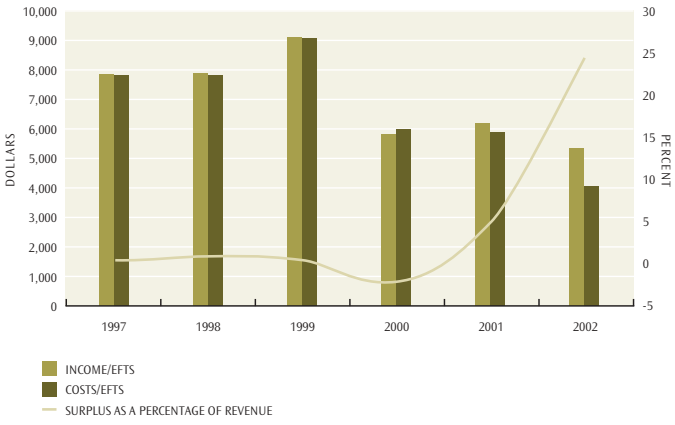
Note: Total EFTS includes Ministry of Education-funded, international and other EFTS.

The Mahi Ora programme enrolments made up approximately 60 percent of the enrolment (10,000 students) in 2001, increasing to 14,184 students in 200215. Mahi Ora is a free, home-based 12-month distance-learning programme offered to students across New Zealand. The programme covers all aspects of life-work, educational choices, health, finance, housing and business development within a Māori context.

TWOA's operating surplus has steadily increased. TWOA achieved an operating surplus of $1.8 million in 2001. Trends in financial performance show that, before 2000, TWOA was producing only small surpluses. In 2000, the wānanga ran at a loss16, while in 2002 TWOA's surplus increased to $26.9 million.

In 2000 and 2001, TWOA received Crown funding as a result of Waitangi Tribunal settlements, which was spent on capital works. Increased revenues and equity funding during 2001 and 2002 enabled substantial investment in fixed assets by TWOA. New campuses have been developed in Porirua, Palmerston North, Gisborne, Manukau and Tokoroa and new buildings in Maniapoto, Te Arawa and Tamaki Makaurau were secured.

FIGURE 10.25: OPERATING INCOME, COSTS PER EFTS AND SURPLUS AS A PERCENTAGE OF REVENUE AT TE WĀNANGA o AOTEAROA, 1997-2002



Note: Operating surplus excludes unusual and non-recurring items.

[15] *Te Wānanga o Aotearoa Annual Report 2002.*

[16] After excluding one-offs.

As at SIT, the demographic profile of TWOA's student body has changed with the introduction of zero fees. An increased number of students aged 40 and over emerged. By 2002, about 36.9 percent of the students were over 40 years old, compared with 26.0 percent in 2001.

Since the launch of fee-free courses in 2001, the proportion of female students has increased. Female students made up 74 percent of the total students in 2002, compared with 49 percent in 1998. Eighty percent of enrolments in the Mahi Ora programme are female students.

TWOA's expansion has had a very considerable effect on the participation rate in the sector as a whole. TWOA represented 55 percent of the total increase in Mäori students in 2001, and 27 percent of all growth in students[17]. Nearly one in five of all Mäori students in 2001 studied at TWOA. Mäori participation rose from 14.9 percent of the population aged 15 and over in 2000 to 19.2 percent in 2001 and 22.8 percent in 2002. Much of that increase is attributable to the expansion of TWOA.

After the launch of fee-free courses, TWOA's contribution to the local and regional economy has become even more apparent as the size and scope of its activities have increased. The economic impacts could be summarised as:

- growth and redevelopment of its campuses and facilities
- increased staff employment
- joint ventures with other institutions such as the Open Polytechnic of New Zealand and private providers which allow for resource-sharing
- development of contracts and networks with other tertiary providers
- working with industry, iwi groups and other providers to identify necessary educational opportunities for individuals as well as the wider economy.

[17] Ministry of Education, *Tertiary Education Participation Report 2002.*

INTRODUCTION

One of the Government's goals is to make tertiary education more accessible to all New Zealanders. The government wants to encourage people to apply new skills, knowledge and expertise to build a knowledge society. In order to achieve this goal, it is necessary to ensure that the cost of study does not act as a barrier to participation, especially for those from lower income backgrounds. The government has, therefore, put in place a system of financial support for students.

The government supports students entering tertiary education through three main support mechanisms: the Student Loan Scheme, student allowances and tuition subsidies.
In addition, the government funds some scholarships for tertiary students. It also provides a Training Incentive Allowance, intended to help beneficiaries enter tertiary study.

Tuition subsidies are provided to recognised tertiary providers, based on student enrolments. This funding enables providers to keep student fees affordable.

Student allowances are paid to students who meet age-related and income-tested eligibility criteria to assist them to cover their living expenses while they are studying.

Student loans provide financial assistance to students to ensure that they are not prevented from undertaking tertiary education through a lack of access to finance. There are three components to student loans:

- a living cost component of up to $150 per week
- a course-related costs component which is available to help cover costs for the course being studied, and
- a fees component which enables students to draw down funds to cover the compulsory fees charged for the study being undertaken.

chapter eleven

FINANCIAL SUPPORT FOR STUDENTS IN TERTIARY EDUCATION

11

In New Zealand, we have wide access to loans. With the exception of bankrupts, all New Zealanders studying recognised programmes in accredited providers may use the Student Loan Scheme. Money can be borrowed to cover the cost of living, as well as the costs of studying, and repayments are made through the tax system, according to the borrower's ability to repay.

This chapter describes and reports on student loans, student allowances and some of the other mechanisms that enhance access by providing financial support to students.

STUDENT LOANS

Since 1992, the Student Loan Scheme has been assisting students studying at tertiary level. The scheme allows New Zealand students to borrow money for course fees and course-related costs, while full-time students are entitled to borrow to offset living costs as well. If a borrower also receives student allowances, the living costs entitlement of the loan is reduced by the net amount of the allowances paid. StudyLink, a service of the Ministry of Social Development, handles student loan applications and makes loan payments to students.

The Student Loan Scheme is known as an income-contingent loan scheme, which means that borrowers are not required to repay any money until they earn sufficient income. Repayments are made through the tax system, managed by Inland Revenue, and begin once a borrower earns more than the repayment threshold (currently $15,964 annually). Compulsory repayments are set at 10 percent of all income earned above the repayment threshold[1].

From 2000/01, the rate of student loan interest has been capped at 7 percent in an effort to give greater certainty to students. The 7 percent interest rate is made up of a base rate (currently 4.2 percent) and an inflation component (currently 2.8 percent).

Interest may be written off by Inland Revenue in the following situations:

- All full-time, full-year students and low-income, part-time or part-year students may receive a full interest write-off.
- Former students, who have student loan debt, may receive a full base interest write-off if their income is under the repayment threshold.
- Borrowers who do not qualify under either of the provisions above but whose income is not high in relation to their loan balance, may have part of their interest reduced through the base interest reduction rule. Under this provision (often known as the 50/50 rule), the amount of base interest charged cannot exceed 50 percent of the repayment obligation in that year. If the base interest accrued is greater than that amount, then the remainder is written off.

One of the consequences of the targeting of these interest write-off provisions is that, as long as the borrower is meeting the repayment obligations, the amount of the debt cannot ever increase in real terms – ie after inflation is taken into account.

Further information on the detail of entitlement to student loans and on how the processes work can be found on the StudyLink (Ministry of Social Development) and Inland Revenue websites[2].

LOAN UPTAKE[3]

In the first year of the Student Loan Scheme, 1992, a total of 44,202 students borrowed under the scheme. Since this initial year, the number of students borrowing has increased steadily. In 1999, 115,142 students borrowed through the scheme and in 2000, 128,107 students borrowed, an increase of 11.3 percent. Between 2000 and 2001, the number of students borrowing grew by 15.7 percent to 148,174 students. 2002 saw the rate of growth in the number of students borrowing decline. There was an increase of only 1.6 percent; the total number of students who borrowed in this year was 150,575.

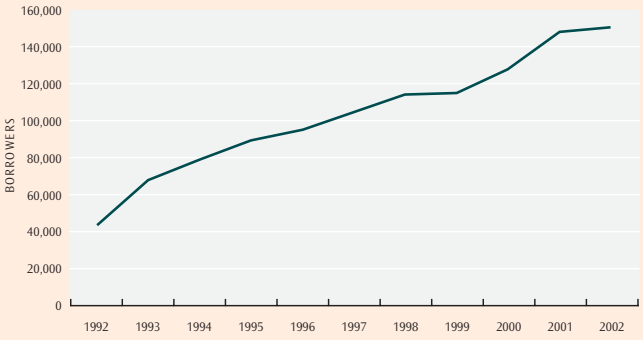
The following graph illustrates the steady increase in student numbers since the beginning of the scheme.

[1] This describes the repayment regime for those who remain in New Zealand. Different rules apply to those resident overseas.

[2] The web addresses are www.studylink.govt.nz or phone 0800 88 99 00 and www.ird.govt.nz or phone 0800 377 778.

[3] The uptake rate is calculated as the number of actual borrowers as a percentage of the number of eligible students.

FIGURE 11.1: STUDENT LOAN BORROWERS IN EACH ACADEMIC YEAR, 1992-2002



The proportion of eligible students who draw down a loan has also increased in recent years. In 1999, 50 percent of eligible students drew down a loan while in 2000, it was 55 percent and in 2001 56 percent. In 2002, around 57 percent of eligible students drew down a loan.

AMOUNTS BORROWED

In the 2002 academic year, the 150,575 borrowers drew down $934 million through the loan scheme. The average amount borrowed by each student was $6,204[4].

Between 1992 and 1998, the average sum borrowed rose steadily. In 1997, loan entitlements were increased, leading to a sharp rise in the average amount borrowed[5]. In 1999, the average amount borrowed decreased due to changes in government policies (such as a reduction in the amount able to be borrowed for course-related costs from $1,000 to $500). This policy, which was revoked in the following year, was introduced to restrict the uses to which finance from the scheme could be used. The fee stabilisation policy[6] implemented in 2001 and 2002 reduced the fee increases in those years. The fee stabilisation offer was accepted by all TEIs and many PTEs, which meant that fees for students in the great majority of courses remained unchanged. Fee stabilisation had the effect of reducing the rate of increase in the amounts borrowed.

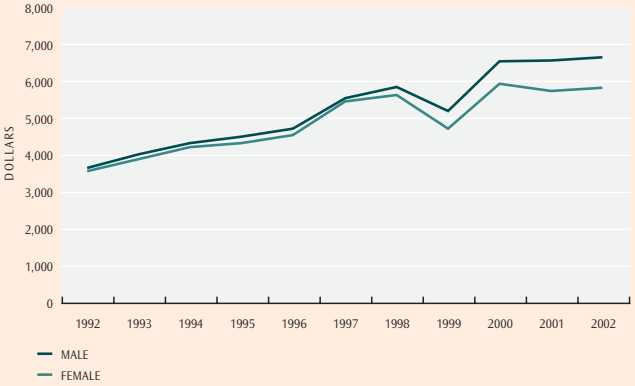
The following table shows the increase in the average amount borrowed annually from 1992 to 2002.

Students studying at private training establishments (PTEs) borrow more than those studying at public tertiary education providers because tuition fees tend to be higher at PTEs. There is a cap of $6,500 on the borrowing of compulsory tuition fees by PTE students. University students borrow more than students at other public tertiary education institutions.

STUDENT LOAN BORROWERS BY GENDER

Men and women have a roughly equal propensity to borrow under the Student Loan Scheme. About 57 percent of all tertiary students are women and 57 percent of borrowers are women. Women, however, borrow less on average than men.

FIGURE 11.2: AVERAGE AMOUNT BORROWED ANNUALLY UNDER THE STUDENT LOAN SCHEME BY GENDER, 1992-2002



STUDENT LOAN BORROWERS BY AGE

Around 72 percent of all current student loan borrowers are under 30 years of age and 1.7 percent of all borrowers are over the age of 55. While the proportion of borrowers aged 55 and over is small, the numbers borrowing in this age group have risen markedly since 2000, from 1,136 (0.8 percent of the total borrower population) to 2,584 in 2002, a rise of 127 percent.

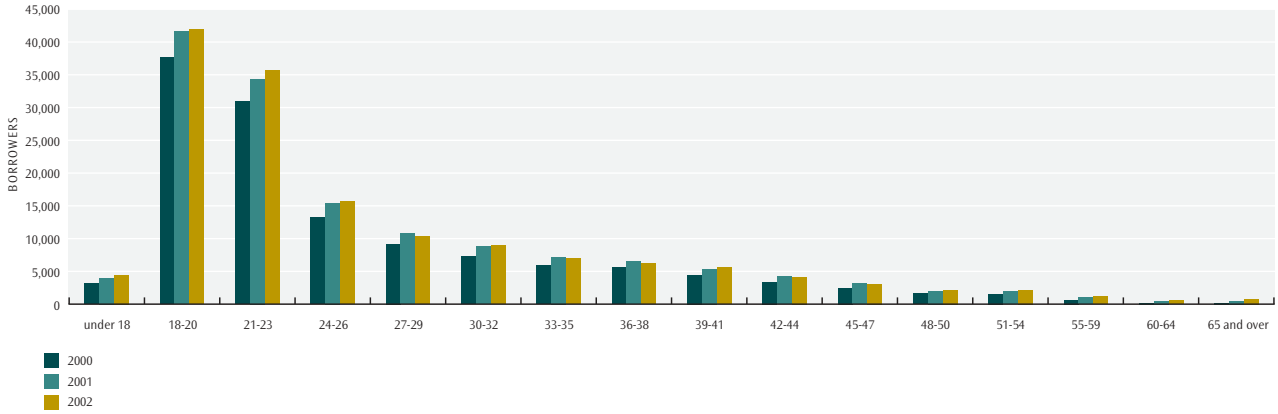
[4] The average amount is calculated by dividing the total amount borrowed by the number of students borrowing in 2002. It does not include the $50 administration fee or the interest that is charged on a loan as these are not linked to any period of study but are applied to the loan account as a whole.

[5] The living cost component was lifted from $4,500 per year to $150 per week. There was also an increase in the compulsory fee component for PTE students.

TABLE 11.1: AVERAGE AMOUNT BORROWED UNDER THE STUDENT LOAN SCHEME, 1992-2002

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Total $	3,628	3,979	4,309	4,432	4,649	5,494	5,714	4,917	6,058	6,135	6,204
Percentage Change		9.7%	8.3%	2.9%	4.9%	18.2%	4.0%	-13.9%	23.2%	1.3%	1.1%

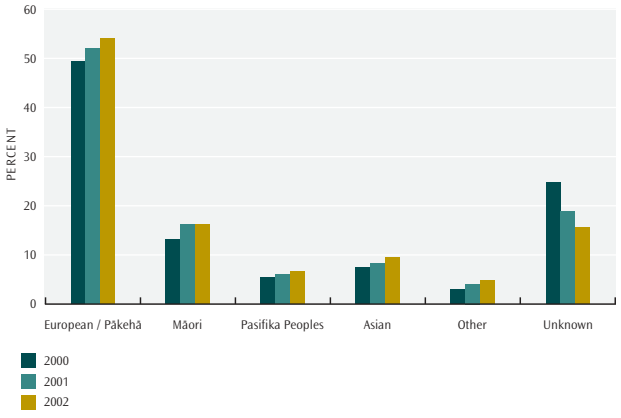
FIGURE 11.3: STUDENT LOAN BORROWERS BY AGE, 2000-2002



STUDENT LOAN BORROWERS BY ETHNICITY

The proportion of borrowers who were Mäori was 16 percent in both 2002 and 2001. For 2000, the corresponding figure was 13 percent. This implies that Mäori have a lower propensity to borrow than non-Mäori as 20 percent of all domestic students in 2002 were Mäori. At 31 July 2002, seven percent of borrowers were Pasifika students, compared with Pasifika students being 5.5 percent of all those formally enrolled in tertiary education.

FIGURE 11.4: PERCENTAGE OF STUDENT LOAN BORROWERS BY ETHNICITY[7], 2000-2002

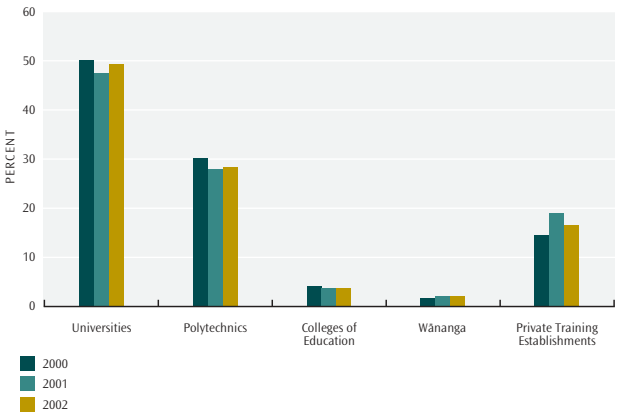


Note: Unknown includes those with three or more declared ethnicities.

STUDENTS WHO BORROW FEES BY SUB-SECTOR

At 31 July 2002, nine percent of all students were enrolled at wänanga. However, only 2.2 percent of wänanga students borrowed fees in 2002. The loan uptake in wänanga is significantly lower than for other sub-sectors. This loan uptake is due to the availability of zero fee qualifications (where students pay no fees to undertake such study). At 49 percent, the proportion of university students using the Student Loan Scheme to pay fees is considerably above that sub-sector's share of all enrolments (41 percent). This difference reflects the relatively higher propensity of university students to study full-time.

FIGURE 11.5: PERCENTAGE OF STUDENT LOAN BORROWERS WHO BORROWED FEES BY SUB-SECTOR, 2000-2002



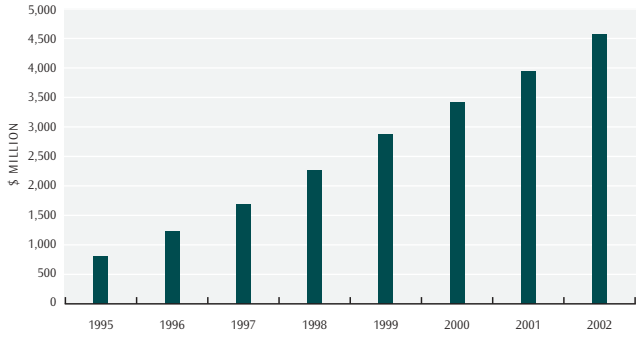
6 For further information on the fee stabilisation policy refer to chapter 2 of this report.

7 The ethnicity question is optional for borrowers and they can choose multiple ethnic groups. The methodology used to record ethnicity has changed since the publication of the report *New Zealand's Tertiary Education Sector: Profile and Trends 2001*, which used prioritised ethnicity reporting. The figures in this graph use the total response method of reporting ethnicity. In this method, the number recorded for each ethnicity includes those who cited that ethnicity as one of two ethnic groups, as well as those who chose that ethnicity as a sole response. Therefore, the percentages shown in this graph may add to more than 100 percent.

STUDENT LOAN DEBT

At 30 June 2002, the number of people with outstanding loan balances was 360,612, up by 14.7 percent on the previous year. The total balance of student loan debt at 30 June 2002 was $4,750 million after deduction of the provision for doubtful debt[8]. The following graph shows the value of student loan debt with Inland Revenue.

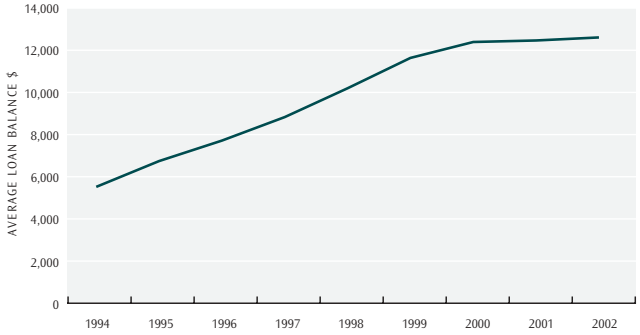
FIGURE 11.6: VALUE OF STUDENT LOAN DEBT HELD BY INLAND REVENUE, 1995-2002



AVERAGE STUDENT LOAN BALANCE

The median[9] student loan balance was $9,069 in 2002, while the average balance at 30 June 2002 was $12,643, an increase of 1.2 percent on the previous year's average of $12,497.

FIGURE 11.7: AMOUNT OF AVERAGE STUDENT LOAN BALANCE HELD BY INLAND REVENUE, JUNE 1994-2002



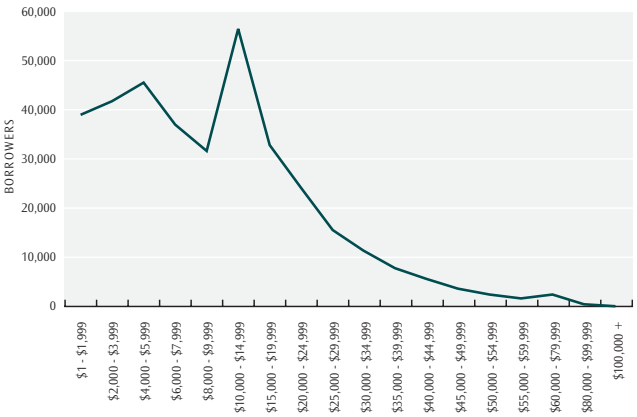
[8] The Doubtful Debt Provision is a provision for capital write-offs due to death and loans discharged as a result of bankruptcy, as well as debt that will not be collected due to retirement, child-rearing or disability because these borrowers do not meet the repayment threshold, so have no obligation to repay.

[9] The median is calculated by finding the figure that is greater than 50 percent of all of the balances and that is less than 50 percent of all balances.

RANGE OF LOAN BALANCES

More than half of all borrowers (54.1 percent) had a loan balance of less than $10,000 while 2.1 percent of borrowers had a loan balance of more than $50,000 at 30 June 2002. Only 0.2 percent had a loan balance of over $80,000. The following graph depicts the number and percentage of borrowers by student loan balance held by Inland Revenue.

FIGURE 11.8: DISTRIBUTION OF STUDENT LOAN BORROWERS BY LOAN BALANCES, JUNE 2002



Note: This graph only includes loan balances held by Inland Revenue.

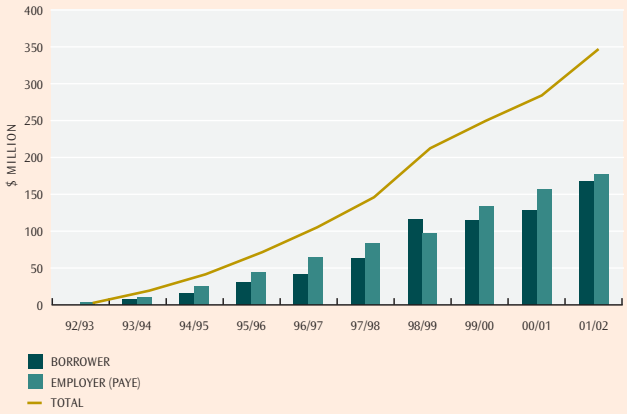
STUDENT LOAN REPAYMENTS

At 30 June 2002, the total number of loans repaid in full since the scheme began was 106,918. In 2001/02 there were 17,085 loans repaid. This represents a 3.3 percent increase on the number of loans repaid in 2000/01 (16,539).

Since the inception of the scheme Inland Revenue has collected $1,483 million in student loan repayments, with $347 million being collected in the 2001/02 income year. Of this $347 million, Inland Revenue received $169 million directly from the borrower and $178 million from the employer[10]. The following graph shows repayments to Inland Revenue split by the amounts repaid by employers and by the amounts repaid by borrowers as well as the total amount repaid.

[10] Employer repayments are those paid by borrowers' employers to Inland Revenue by way of PAYE deductions from the borrowers' income. Borrower repayments are those made directly by the borrower to Inland Revenue and include voluntary repayments which can be made at any time.

FIGURE 11.9: VALUE OF STUDENT LOAN REPAYMENTS RECEIVED BY INLAND REVENUE – BORROWER/EMPLOYER SPLIT, 1993-2002



Around a quarter of all the borrowings drawn down and all interest accumulated since the scheme began has been repaid.

LOAN REPAYMENTS

Once a person finishes studying and starts in employment, he or she is required to start repaying the student loan through the taxation system, provided that he or she earns sufficient income. The repayment obligation is 10 cents for every dollar earned above the repayment threshold, which, for the 2001/02 income year was $15,132 and for the 2002/03 income year was $15,496.

If a borrower fails to repay his or her annual obligation then the amount becomes overdue and the borrower incurs a 2 percent penalty per month. The penalties continue to accrue until the total overpayment is repaid. Once penalties are incurred then interest ceases to accrue on the loan. At 30 June 2002, the level of overdue loan repayments was $74.42 million, of which 45 percent was under instalment arrangement for repayment.

INTEREST

Interest is made up of two components – the base interest rate and interest adjustment rate (or the inflation component) which is based on the Consumer Price Index (CPI). Although the total interest rate has been set at 7 percent since 1999, the base interest rate and the interest adjustment rate have changed each year. For the 2001/02 income year the base interest rate was 3.1 percent and the interest adjustment rate was 3.9 percent. For the 2002/03 income year the base interest rate is 5.1 percent and the interest adjustment rate is 1.9 percent. The interest rate for student loans is reviewed annually.

INTEREST WRITE-OFFS

During the 2001/02 income year, 243,146 borrowers received a total interest write-off of $168.5 million.

A total of $413.8 million has been written off in interest since 1992. Of that sum, 80.6 percent has been written off in the 2001 and 2002 fiscal years. This substantial increase is a result of the introduction in 2000 of full-interest write-offs for full-time students and for part-time or part-year students earning less than the income threshold. The increase also reflects changes to the base interest write-off eligibility introduced in 2000.

There are three different types of interest write-offs available to resident borrowers:

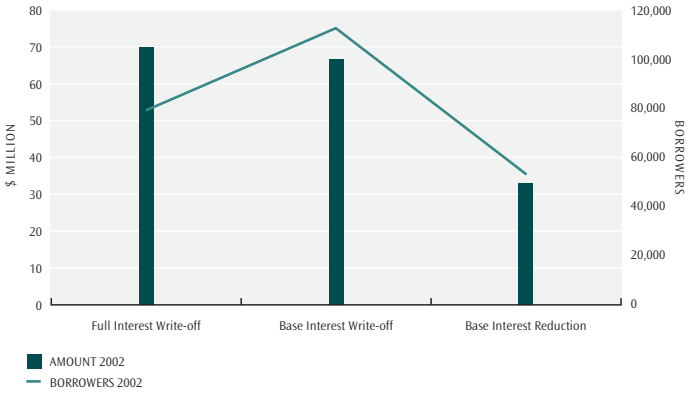
- full interest write-off
- base interest write-off, and
- base interest reduction.

Those who qualify for a full interest write-off are full-time, full-year students as well as students who study part-time or part-year and whose income is below the income threshold. The income threshold for this provision was $25,073 in 2001/02 and $25,378 for 2002/03. The total amount written-off in this category for 2001/02 was $70 million.

Those who qualify for a base interest write-off are borrowers whose income was equal to or less than the repayment threshold. In the 2001/02 income year, the repayment threshold was $15,132 while in the 2002/03 income year this threshold is $15,496. The total amount written-off in this category for the 2001/02 income year was $66.2 million.

The third category in which borrowers can qualify for an interest write-off is the base interest reduction. This provision limits the amount of base interest charged on a loan to a maximum of 50 percent of the repayment obligation for that year. Where a borrower's base interest charge in any income year exceeds 50 percent of the repayment obligation, the base interest charge is reduced to that amount. This means that at least 50 percent of all repayments are credited firstly to the interest adjustment rate (the inflation component) and secondly to the loan principal. The total amount written-off in this category for the 2001/02 income year was $32.3 million.

FIGURE 11.10: INTEREST WRITE-OFFS BY VALUE AND TYPE, MARCH 2002



INFORMATION FROM DATA INTEGRATION

The agencies responsible for the scheme have worked together on a data integration project that merges data on borrowers held by Inland Revenue, StudyLink and the Ministry of Education. The integrated dataset is managed by Statistics New Zealand and is subject to a strict data privacy protocol. Data integration will allow fuller reporting in the future on aspects of the scheme and its effects on individuals[11].

So far, only data from 1997 to 2000 has been incorporated into the integrated dataset. The dataset is to be expanded every year by the inclusion of another year's data. The Ministry of Education recently published an analysis of income and debt drawn from the dataset. The paragraphs below summarise the findings of that analysis[12].

In considering the information in that study, it is important to realise that the period of 1997 to 2000 is a very short time when related to the usual working career. After three years at work most people are only at the beginning of their working lives and incomes generally grow with age for the great majority of working people. Because people's earning power rises with age, the fact that this study analyses repayment and income just three years out from study means that the rate of repayment is understated in this study.

In addition, later changes to interest write-off policies (such as the 50/50 rule described earlier) have had little effect on this group by the end of the 2000 income year as these policies were not introduced until the 2000/01 income year.

The information from the integrated dataset shows that, of the 32,000 people who last studied and borrowed in 1997:

- In 2000, their median income was $19,600.
- On average, those with higher debt earned higher incomes and repaid more quickly.
- Borrowers who last studied in 1997 at postgraduate level had a median income in 2000 of $32,200, over $12,600 (65 percent) more than the overall median income.
- In 2000, the highest incomes earned were by those who last studied in the fields of law, education, medical and health, with median incomes over $30,000, 50 to 70 percent more than the overall median income.
- Men had a median income nearly 10 percent higher than women ($20,500 compared with $18,700).
- European/Päkehä borrowers had a median income of more than $22,000, significantly higher than the incomes of other ethnicities – for example 38 percent higher than Mäori, 17 percent above Pasifika peoples and 96 percent above borrowers of Asian ethnicity.
- About 16 percent had completely repaid their debt by 2000.
- Nearly half had a debt that was no smaller in 2000 than it was in 1997.
- Nine percent of Mäori and seven percent of Pasifika students had repaid their loans, compared with 19 percent for European/Päkehä and 29 percent for Asian borrowers.
- Nearly two-thirds of Mäori and Pasifika students had not reduced their debt at all three years after study, compared with 42 percent for European/Päkehä and 46 percent for Asians.

Furthermore, analysis of data relating to people who last borrowed in 1994 shows that:

- Forty-one percent had repaid their loans completely by 2000.
- Thirty percent had a debt that was no smaller in 2000 than it was in 1994.

[11] Further information on the data integration project can be found in the *Annual Report of the Student Loan Scheme, Incorporating the Financial Statements to 30 June 2003*. The report may be accessed on the Ministry of Education's website www.minedu.govt.nz.

[12] A full account of the analysis can be found in the *Annual Report of the Student Loan Scheme, Incorporating the Financial Statements to 30 June 2003*, pages 23-25.

COSTS OF THE STUDENT LOAN SCHEME

In the 2001/02 year the Student Loan Scheme cost the government $15.1 million to administer after deducting income from the loan administration fees of $7.4 million[13]. The administration cost varies from year to year, as it is dependent on a number of variables such as the number of borrowers and the number of loan transactions performed in any year.

The Student Loan Scheme includes a Doubtful Debt Provision (DDP). The DDP is the cost of loans that are unlikely to be repaid to the government. This provision estimates the value of loans not repaid because of death or bankruptcy or because the borrower does not meet the income repayment threshold due to child rearing, retirement or disability and so has no obligation to repay. Currently this provision is set at 11.4 percent. At 30 June 2002, the DDP stood at $637 million. The DDP is reassessed regularly as new information becomes available.

STUDENT LOAN DEBT PROJECTION

The value of the Student Loan Scheme debt stood at $4.75 billion as at 30 June 2002, after deducting the DDP.

The debt projection for the total Student Loan Scheme debt is set out in the table below. Estimates of overall student debt level are very dependent on assumptions on participation and other factors. The projection of the gross debt level has reduced over time.

TABLE 11.2: FORECAST GROSS DEBT LEVELS[14]

Fiscal Year	2009/10 $ million	2014/15 $ million	2019/20 $ million
Projection	10,200	12,500	14,400

For 2003, the Government estimates that there will be $429 million more borrowed than is repaid. As the number of borrowers entering the workforce increases and as their earnings rise, the amount of repayments will start to exceed the amounts drawn down – especially as the numbers of people in the typical student age groups fall. By the year 2016, it is estimated that the scheme will have higher repayments than borrowings. The net value of the scheme will, however, continue to rise because interest charges will exceed the gap between repayments and borrowings. The rate of increase in the gross debt level will, however, fall over time. On current settings, the annual rate of increase in total student debt is forecast to reach between two and three percent by 2020 (compared with an annual growth rate of around 15 percent now).

AVERAGE STUDENT LOAN DEBT REPAYMENT PERIODS

European/Päkehä and male borrowers have the shortest repayment times while women have longer repayment times due to different income projections for these groups. The table below sets out current estimated repayment times.

TABLE 11.3: ESTIMATED AVERAGE REPAYMENT TIMES BY GENDER AND ETHNICITY

Average repayment times in years	Males	Females	Overall
European/Päkehä	6.8	10.6	8.9
Mäori	7.4	10.8	9.4
Other	9.0	13.0	11.2
All groups	7.4	11.1	9.5

The estimated repayment times have reduced as a result of changes in government policy, such as fee stabilisation and the fee/course costs maxima (FCCM) policy. On 30 June 2002, the estimated average repayment time was 10.3 years, 0.8 years greater than the figure on 30 June 2003.

STUDENT ALLOWANCES

The Student Allowances Scheme was introduced in 1989 to help those students, who are not in a position to support themselves, to meet their living costs while studying full-time. New Zealand students studying towards recognised tertiary qualifications, and some senior secondary school students, may apply for student allowances. The scheme gives every tertiary student a 200-week entitlement to student allowances, subject to eligibility criteria.

Since 1992, allowances for single students without dependants and under the age of 25 years have been subject to a means test on the incomes of applicants' parents. Allowances are abated for combined parental incomes above $28,079 and under $50,752, if the student is living away from home, or under $45,760, if the student lives at home. The intention of this feature is to target allowances to students from low-income families.

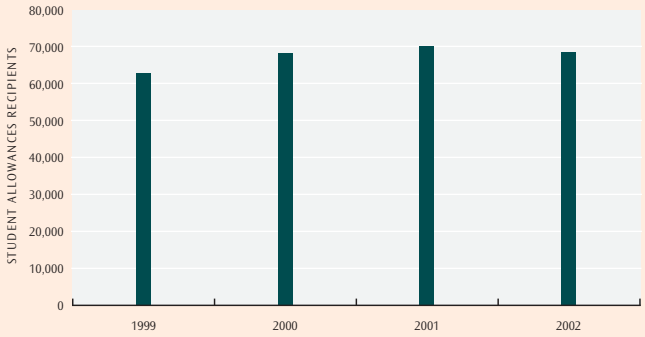
[13] Each student loan borrower's account is debited $50 in each year that borrowings are made, to help offset the cost of administering the scheme.

[14] The forecasts of debt levels and repayment times are drawn from the Ministry of Education's Tertiary Education Student Loan Analysis (TESLA) model. Refer to the annual report on the loan scheme for information on the TESLA model and on the Ministry of Education's planned improvements to modelling.

STUDENT ALLOWANCES UPTAKE

There were 68,486 student allowances recipients in 2002, down by 2.5 percent from 70,219 in 2001 but up by 9.1 percent from 62,780 in 1999. In addition, 10,279 students received assistance through the A or B Bursary, an increase of 5.7 percent on 2001[15].

FIGURE 11.11: STUDENT ALLOWANCES RECIPIENTS, 1999-2002



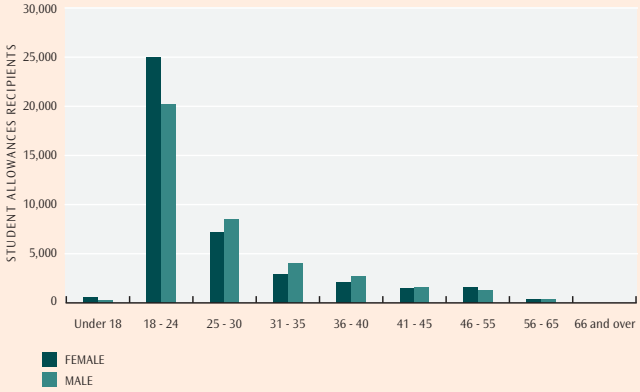
Students who receive allowances may also take up student loans, with the living cost borrowing entitlement under the loan scheme abated by the amount of the allowance. Around 60 percent of allowances recipients in 2002 also took out a student loan. This is similar to the proportion of allowances recipients who took out a loan in the previous year.

Since 1999, the proportion of women among allowances recipients has been roughly constant. In 2002, 50.6 percent of student allowances recipients were women, compared with 50.5 percent in 2001. This figure is lower, however, than the proportion of women among domestic full-time students (57 percent). Combining allowances recipients with A and B Bursary recipients, the proportion of women in 2002 rose to 51.3 percent.

In terms of age, 57 percent of recipients in 2002 were in the 18 to 24 year age group, while in 1999 this age group constituted 63 percent of recipients. Students in the 25 to 30 year age group represented 20 percent of student allowances recipients in 2002, compared with 18 percent in 1999. Those students aged 56 years and over who were recipients of student allowances increased by nearly 60 percent between 2001 and 2002 and by more than 200 percent between 1999 and 2002, although the numbers in this group are very low – less than 1 percent of all recipients.

[15] A or B Bursary is a payment made to students on the basis of their performance in the New Zealand University Entrance Bursaries and Scholarships examination. This amount is not subject to a parental income test.

FIGURE 11.12: STUDENT ALLOWANCES RECIPIENTS BY AGE AND GENDER, 2002



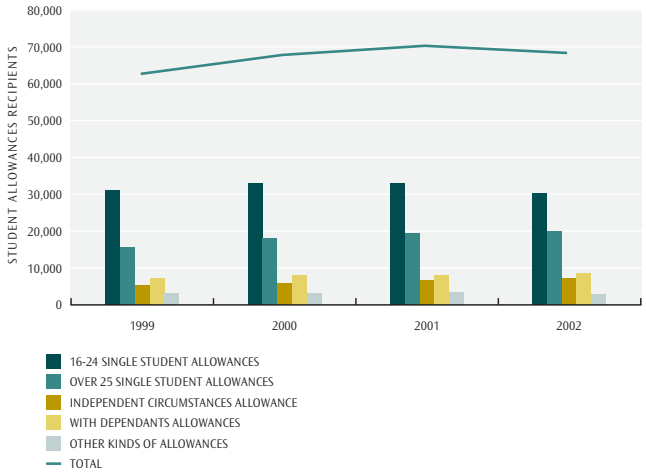
STUDENT ALLOWANCES RECIPIENTS BY ALLOWANCE TYPE

In 2002, there were 19,779 people who were receiving student allowances as a single student over 25 years, 45 percent of them female. The numbers receiving the single student over 25 allowance rose by 1.5 percent between 2001 and 2002 and by 26.1 percent between 1999 and 2002.

The largest group of allowances recipients (38 percent of the total) received the single student 16 to 24 years allowance. Entitlement to and rate of these allowances are dependent on the parental income test. In 2002, these allowances were paid to 30,294 students of whom 53 percent were female. Of those receiving this form of allowance, 38.5 percent were living in the home of a parent. The numbers receiving the single student's 16 to 24 years allowance have declined. Between 2000 and 2002, the numbers receiving this allowance fell by 7.5 percent.

Some student allowances provisions are designed to assist those students who have dependants. For instance, a student with a dependent spouse or dependent children receives a higher amount under the allowances scheme. Around 8,500 allowances recipients (10.6 percent of the total in 2002) had one or more dependants. Males tended to be slightly more likely to have responsibility for dependants than females, with 12 percent of males and 10 percent of females registering the presence of dependants in 2002.

FIGURE 11.13: STUDENT ALLOWANCES RECIPIENTS BY ALLOWANCE TYPE, 1999-2002



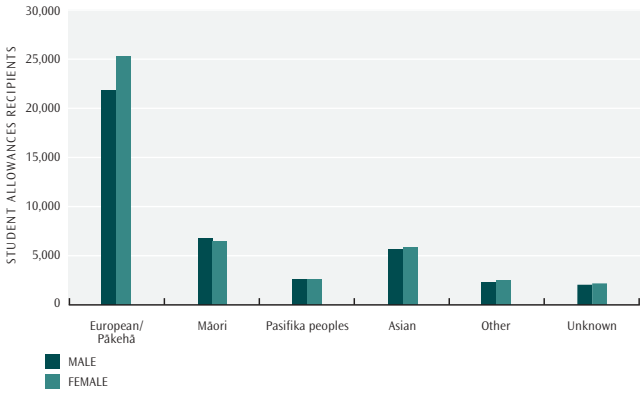
Note: Other kinds of allowances include: allowances for students with earning spouses and also for couples, where both are students but only one is eligible.

STUDENT ALLOWANCES RECIPIENTS BY ETHNIC GROUP AND GENDER

For student allowances recipients, ethnicity is determined through cultural self-affiliation. Students may choose up to three ethnic groups[16].

In 2002, 59 percent of student allowances recipients were European/Päkehä, 17 percent were Mäori, 14 percent were Asian, seven percent Pasifika students, five percent from other ethnic groups and six percent did not state their ethnicity. European/ Päkehä females make up 32 percent of student allowances recipients while their male counterparts represent 28 percent. Mäori males slightly outnumber Mäori females at 8.5 percent to 8.1 percent.

FIGURE 11.14: STUDENT ALLOWANCES RECIPIENTS BY ETHNIC GROUP AND GENDER, 2002

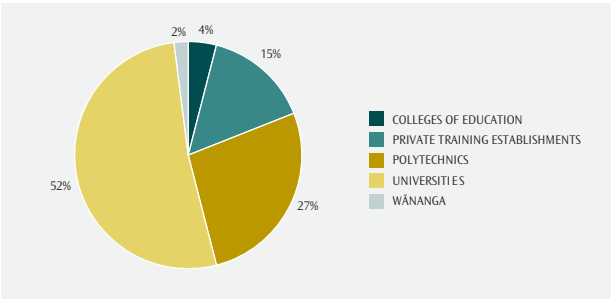


Note: Unknown includes those with three or more declared ethnicities.

STUDENT ALLOWANCES RECIPIENTS BY SUB-SECTOR

Just over half (52 percent) of the students receiving a student allowances in 2002 attended a university, slightly over a quarter (27 percent) attended a polytechnic, 15 percent a PTE, four percent attended a college of education and two percent a wänanga[17].

FIGURE 11.15: STUDENT ALLOWANCES RECIPIENTS BY SUB-SECTOR, 2002



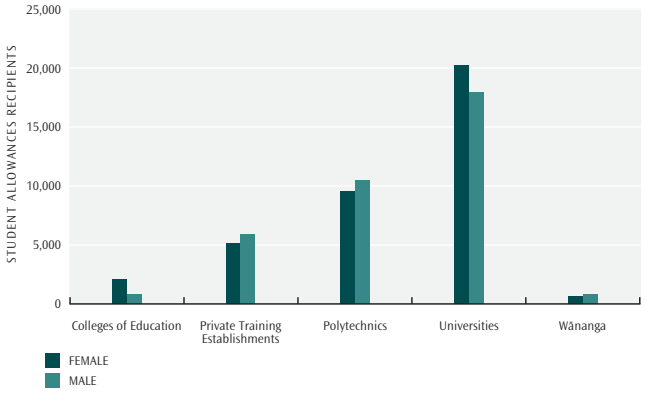
University students made up 46.5 percent of domestic full-time students in the system in 2002. Of this group, 39.2 percent were recipients of student allowances, constituting 51.7 percent of the total number of domestic full-time students who received student allowances. There were 19,971 polytechnic students who received allowances in 2002, which represented 27.2 percent of all student allowances recipients. The polytechnic sub-sector's share of all domestic full-time students was 27.0 percent. College of education students represented 3.8 percent of domestic full-time students in 2002. 37.2 percent of these students received student allowances and they comprised 4.1 percent of the total allowances recipients. 7.5 percent of domestic full-time students attended a wänanga. Of this group, 10.1 percent

[16] This table is compiled on a total response basis. This means that if a recipient nominates two ethnicities then he or she will be counted twice. Thus the percentage of recipients in each ethnicity will be more than 100 percent.

[17] These figures are also compiled on a total response basis.

received student allowances. Student allowances recipients in wänanga contributed 2.1 percent of all students who received student allowances. In 2002, PTE students made up 15.2 percent of domestic full-time students. Of these PTE students, 34.7 percent were recipients of student allowances and comprised 14.9 percent of all student allowances holders.

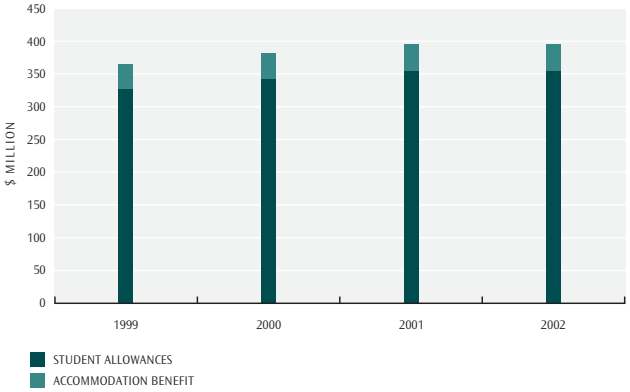
FIGURE 11.16: STUDENT ALLOWANCES RECIPIENTS BY SUB-SECTOR AND GENDER, 2002



COST OF ALLOWANCES

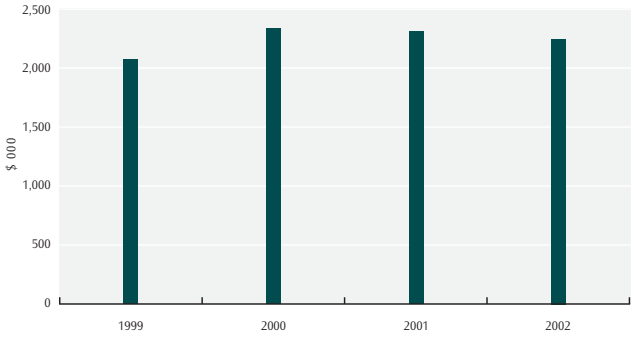
The amount of money paid out in student allowances increased from $325.6 million in 1999 to $355.1 million in 2002, an increase of just over 9 percent. The accommodation benefit increased over the same period by 6.2 percent. Overall, the increase was 8.7 percent.

FIGURE 11.17: STUDENT ALLOWANCES EXPENDITURE, 1999-2002



The money paid out to students under A and B Bursaries rose over the period 1999 to 2002 by 8.2 percent to $2.2 million.

FIGURE 11.18: A AND B BURSARIES EXPENDITURE, 1999-2002



OTHER GOVERNMENT FINANCIAL SUPPORT FOR TERTIARY STUDENTS

THE TRAINING INCENTIVE ALLOWANCE

The Training Incentive Allowance (TIA) was introduced in 1983 to address barriers to entering employment faced by sole parents because of their lack of educational qualifications, childcare responsibilities and/or disabilities. The TIA provides financial support to beneficiaries to help them access employment-related training or education. The great majority of those receiving the TIA (around 85 percent) are Domestic Purposes Beneficiaries.

There were 22,587 TIA recipients in 2001. About 90 percent of those receiving TIA study at tertiary level, while others enrol as adult students in secondary schools. Polytechnics are the largest group of providers of education to TIA recipients, with 42 percent of TIA recipients in 2001 attending a polytechnic. The polytechnics' share of TIA recipients has fallen, however, since 1997 when 51 percent of TIA recipients attended a polytechnic. Over the same period, the PTEs increased their share of TIA recipients from 17 percent to 28 percent. The proportion of TIA recipients attending universities has remained steady at around 15 to 16 percent.

Around 60 percent of TIA recipients undertake job skills training with about one in three undertaking academic education.

In 2001, over 90 percent of TIA recipients were female. Thirty-seven percent were Mäori, six percent Pasifika and 52 percent European/Päkehä. Of TIA recipients in 2001, 35 percent were aged between 20 and 29 years, 38 percent between 30 and 39 years and 19 percent between 40 and 49 years.

The average amount paid to students receiving the TIA in 2001 was a little over $1,700. Forty-three percent of TIA recipients in 2001 also applied for a student loan.

The TIA is managed by the Ministry of Social Development. The government allocated $43 million to the TIA in 2001/02, up from $38 million in 2000/01 and from $34 million in 1999/2000.

SCHOLARSHIPS

Many tertiary education providers, charities, businesses, local authorities and other agencies fund scholarships that provide financial assistance to students or that recognise excellence in study. While it is difficult to obtain reliable information on the total expenditure on scholarships, or on the numbers supported in this way, an idea of the range and value of awards can be obtained from the Breakout Database on the website of the Funding Information Service[18].

The following information reports on the main scholarship schemes funded by the government.

Top Achievers' Doctoral and Enterprise Scholarships and University Bursaries Mathematics and Science Awards

The government offers scholarships to: support doctoral research students; promote linkages between businesses and tertiary education institutions; support top scholars from schools to undertake tertiary study; and encourage students to undertake study in science and technology subjects. Four scholarship schemes were offered: Top Achievers' Doctoral Scholarships; Enterprise Scholarships; School Top Scholars; and University Bursaries Mathematics and Science. The cost of awards under these schemes totals around $9 million a year.

Enterprise Scholarships and Top Achievers' Doctoral Scholarships are administered by the Foundation for Research, Science and Technology (FRST) on behalf of the Ministry of Education. The value of the scholarships paid by FRST to research students in the universities in 2002/03 was $14 million.

From the 2001 year examinations, 977 candidates were eligible for a New Zealand University Bursaries Mathematics and Science Award. In 2002, 941 students achieved Mathematics and Science awards and 37 students received Top Scholar Awards.

[18] Go to http://www.fis.org.nz/. The websites of the New Zealand Vice-Chancellors' Committee (http://www.nzvcc.ac.nz) and the Association of Polytechnics in New Zealand (http://www.apnz.ac.nz) also contain information on scholarships.

Manaaki Tauira

Manaaki Tauira was established in 1991 to provide financial assistance to Mäori in tertiary education. It pays a share of the tuition fees of those granted assistance. Eligibility is tied to commitment to kaupapa Mäori and financial need. The scheme is funded from a pool valued at $4.3 million and is administered by the Mäori Education Trust. There are more than 9,000 awards made under the Manaaki Tauira scheme each year. The average value of the awards is currently approximately $400 to $450 per student.

Mäori and Pacific Higher Education Scholarships and Ngarimu VC and 28th Mäori Battalion Memorial Fund Scholarships

Mäori and Pacific Higher Education Scholarships were established in 1973 and provide for full payment of fees for the length of a scholar's course of study, plus a living allowance. The full value of the scholarships averages $10,000 a year. Fifteen new scholarships are awarded each year. The awards are administered by the Mäori Education Trust and are funded from a capped pool of $526,000 per annum.

The Ngarimu scholarships are also administered by the Mäori Education Trust. There were 13 holders of these awards in 2002, with each award valued at $5,000.

TeachNZ Scholarships

In 2002, 425 TeachNZ Scholarships were available to support people starting study to become a teacher between 1 July 2002 and 31 December 2003.

The $10,000 per annum scholarships were allocated across the following eight categories:

Primary and Secondary:	
Mäori Graduate	100
Mäori Non-Graduate	50
Mäori Medium	55
Pasifika Graduate	50
Pasifika Non-Graduate	25
Rural	40
Early Childhood:	
Mäori	65
Pasifika	40

Other Government Awards for Tertiary Study

Other government awards for tertiary study include:

- the Technology for Industry Fellowships (TIF) (formerly Graduates in Industry Fellowships) which provide scholarships for masters degrees based in part on research in commercial technologies, employment support for undergraduates and experienced researchers and secondment of researchers from institutions into business, and
- the Prime Minister's Scholarships which are designed to assist successful New Zealand resident sportspeople combine full-time tertiary study with a programme of training and competition, to ensure that they have the qualifications needed for employment at the end of their sporting careers.

INTRODUCTION

The tertiary education reforms are being implemented progressively over several years. This chapter outlines some of the key tertiary education initiatives and reforms that are being, or will be, introduced as a result of decisions made in 2003.

chapter twelve

POSTSCRIPT: THE YEAR 2003

12

SETTING PRIORITIES FOR THE TERTIARY EDUCATION SECTOR

The *Statement of Tertiary Education Priorities* (STEP) was gazetted in August 2003. It sets the priorities within the tertiary education system up to December 2004, in line with the *Tertiary Education Strategy 2002/07* (TES). The key priority for the period covered by this STEP is continuing to develop the infrastructure and processes that will support the new tertiary education system. As a result, the objectives in the TES that the STEP prioritises for action remain largely unchanged, given that the sector reforms are still being implemented. There are two important changes that emphasise:

- the new leadership role for Industry Training Organisations (ITOs) under the Industry Training Amendment Act 2002, aimed at supporting industries in identifying and meeting their skills needs, and
- the government's view that Strategy Four – Develop the Skills New Zealanders need for our Knowledge Society will become increasingly important to New Zealand's future over the period of the STEP.

DEVELOPING CHARTERS AND PROFILES

One of the most important reasons for the reforms to the tertiary education system is the need to get greater alignment between national goals and the plans and strategies of tertiary education organisations. The key mechanism for managing this alignment is the system of charters and profiles. During 2002, the Transition–Tertiary Education Commission (TEC) conducted an extensive trial of the new system, with many tertiary education organisations (T–TEOs) submitting trial charters and/or profiles. The trial charters and profiles were analysed and assessed by panels that then met with representatives of the TEOs to discuss their strategies. The findings from the trial have been used to help shape the further development of charters and profiles.

DEVELOPING A WELL-RESOURCED QUALITY SECTOR

Many of the decisions on tertiary education made in Budget 2003 focused on developing the capability of the sector to ensure that the *Tertiary Education Strategy 2002/07* can be realised. These initiatives are intended to support the implementation and bedding-in of the tertiary education reforms.

FEE/COURSE COSTS MAXIMA

Since 2001, the government has stabilised tuition fees as part of its commitment to help keep tertiary education more affordable for students. This policy is to be replaced from 2004 with the fee/course costs maxima (FCCM) policy. Under the FCCM policy, the government specifies for each cost category the highest fee that tertiary providers can charge to domestic students and still retain access to government tuition subsidies.

The FCCM are being introduced to:

- provide some certainty for students as to future costs, whilst also
- giving some flexibility to providers in terms of their fee setting.

In announcing the FCCM policy, the government set the maximum fee levels for 2004, 2005 and 2006, with the maxima rising in each year by the expected rate of inflation. After this initial three-year period, the policy will be reviewed.

Indicative rates were announced in the May Budget. Once the rates were gazetted, there was an opportunity for submissions from students, providers and the public. Following consideration of the 59 submissions that were received, some changes were made to the maxima and to the way they would be applied.

These changes will see a more liberal approach to the granting of exemptions while the potential for providers to lift their fees in any given year has been limited. The changes are as follows:

- An Annual Fee Movement Limit (AFML) has been introduced to the fee/course costs maxima so that a provider cannot increase a course fee by more than 5 percent a year over 2004 to 2006. In exceptional circumstances, providers may apply to the Tertiary Education Commission for an exemption to allow for up to an additional 5 percent per course where they can demonstrate there is a special case for a higher increase.
- All Student Component funded courses over the maxima in 2003 will be exempt from compliance with the maxima for 2004. Providers will not be able to increase the fees for those courses in 2004.
- The maxima for Funding Categories C and H were reduced, reflecting more closely the range of current fees within these categories.

- The FCCM policy and the AFML will not apply to Community Education courses.
- The limit on increases to postgraduate fees was reduced from $1,000 to $500. Movement beyond this will be at the discretion of the Tertiary Education Commission. Associated with this decrease, however, is the exclusion of the professional masters degree[1] from the FCCM.

The government anticipates that tertiary providers will keep any fee increases to around the rate of inflation next year. The government has provided a three percent increase in tuition subsidies for 2004 – this is 1.2 percent above inflation estimates and builds on the annual funding increases made since the change of government in 1999.

SUPPORTING INNOVATIVE IDEAS WITHIN THE TERTIARY SYSTEM

Funding has been committed for the establishment of the Innovation and Development Fund and the E-learning Collaborative Development Fund. These funds are contestable, application-based funds that will be used to develop the capability of Tertiary Education Organisations (TEOs) in key strategic areas. TEC will administer the funds. The Innovation and Development Fund will support ideas that emerge from the tertiary education system as well as supporting progressive change in the system. The E-learning Collaborative Development Fund will focus on building e-learning capability of the system. The government has committed $30 million over four years for these initiatives.

The government has also set funds aside for a *Strategic Review and Plan for the Tertiary Education Workforce* that will ensure that the workforce meets the future needs of the reformed tertiary education system.

FUNDING FOR RESEARCH

Funding was also committed in Budget 2003 to raise the quality and focus of *research* within the tertiary sector.

- $32.9 million was committed over four years for the *Performance-Based Research Fund (PBRF).* Coupled with the funding signalled for this initiative in the 2002 Budget, this measure will ensure that, from 2006, there is a real funding increase of $20 million in core research funding.
- $4.7 million plus capital expenditure over four years was provided for *Building Research Capability in Social Sciences*.

IMPROVING THE EFFECTIVENESS AND RESPONSIVENESS OF WORKFORCE SKILLS TRAINING

Funding was also committed to a range of initiatives designed to improve the effectiveness and responsiveness of workforce skills training. This included funding for:

- *Baselining Industry Training* to support the increase in the number of people in Industry Training to 150,000 in 2005 ($84.3 million over four years)
- a *Tripartite Workplace Learning Initiative* which is a formal recognition of stakeholder commitment to and involvement in the Industry Training Strategy ($0.8 million over four years)
- expansion of *Modern Apprenticeships* to 7,000 annually, thereby increasing the capacity of industries for innovation and growth in the future ($14.6 million over four years)
- expansion of the *Gateway* programme to further help facilitate transition pathways from school to employment including work-based learning or tertiary study ($23.6 million over four years)
- investigating the establishment of a *National Centre of Vocational Education and Training* which will ensure that sector development policies have a robust foundation ($0.05 million over four years), and
- *Career planning pilots for at-risk youth* which will focus on improving transition to work or training for youth who are too young to be eligible for a benefit ($0.3 million over four years).

[1] A professional masters degree is one that has the following characteristics: is at masters level; is focused on the application of studies to a particular profession or professional context; is intended primarily to be taken on a part-time basis by people working in the profession/industry on which the degree is focused; involves substantial case-study work (and a research project) related to the profession/industry on which the degree is focused.

BUILDING THE CAPABILITY OF THE SECTOR TO DELIVER HIGH-QUALITY ADULT AND FOUNDATION EDUCATION

The Adult English for Speakers of Other Languages (ESOL) Strategy was developed in consultation with migrant and refugee communities and ESOL providers, and was released in May 2003. The strategy identifies an approach to meeting the English language needs of New Zealand residents from non-English speaking backgrounds, and has four areas of action, which are:

- better co-ordination and collaboration between government agencies and with/between ESOL providers
- enhancing access and affordability
- expanding provision and increasing quality, and
- ensuring the diversity of learner needs are matched with appropriate provision.

Budget 2003 provided some funding ($5.9 million over four years) for implementing the strategy. The focus of the budget initiatives is on improving access through developing an information resource and support for ESOL specialists in Migrant Resource Centres, improvements to quality, and provision for more fully subsidised places.

In Budget 2003, the Government has also invested funding to improve the quality of adult and foundation education. The following initiatives were funded:

- The government has provided funding that will allow for New Zealand to participate in the international *Adult Literacy and Life Skills Survey.* This will provide evidence of New Zealand's human capital, how skills are distributed within the population and how it is changing over time ($3.1 million over four years).
- *Quality and Capability Development in Adult and Community Education (ACE)* will strengthen ACE responsiveness to resourcing the training needs for community volunteers ($2.9 million over four years).
- *Foundation Learning* initiatives will include a new funding system and performance criteria for foundation skills learning ($3.8 million over four years).

MANAGING GROWTH INITIATIVES

The government is developing a number of initiatives to manage growth in the tertiary sector. These are designed to complement the new steering instruments introduced through the Education (Tertiary Reform) Amendment Act 2002. In particular, these initiatives will manage public expenditure and ensure that any growth is directed towards Tertiary Education Strategy objectives at a rate that does not compromise quality outcomes.

The measures that will manage growth are:

- Providers will be able to increase their domestic funded student places by 15 percent or 1,000 EFTS per year, whichever is the greater.
- There will be wider application, extensions to and stricter monitoring of the rules that govern funding.
- NZQA will address the impact of growth on quality with its ability to apply volume control to approval registrations and accreditation where there are risks to quality with increased size of operation.

These initiatives will come into effect in 2004.

STEP UP SCHOLARSHIPS

One of the government's key goals is to ensure that everyone with the desire to enter tertiary education can do so. A new initiative that supports this objective is the creation of *Step Up Scholarships* in health, worth $15.9 million over the next four years. This scheme is designed to encourage greater participation by capable students from low-income backgrounds in human and animal health tertiary study. The Step Up scholarships in health will be piloted from the 2004 academic year, with initial funding of up to $2.2 million. They will be:

- available to those students eligible for a student allowance who are about to leave school or within a year after leaving school, and
- awarded on academic merit grounds.

The Step Up scholarships in health will be available for full-time degree-level tertiary study, lasting three years or more, for degrees in animal and human health with tuition fees (including compulsory course costs) of more than $3,000 a year. The scholarships build in an element of cost-sharing. Scholarship recipients will contribute $2,000 annually towards tuition fees (including compulsory course-related costs) and the scholarship will pay the rest of the costs.

These scholarships are in line with the goals set out in the Tertiary Education Strategy to improve equity of access and opportunity. The scholarships will result in reduced levels of student debt for the scholars. In return, each Step Up scholar will be bonded to remain in New Zealand after completion for a period of at most four years (with up to a year's break to provide flexibility, for example, for an 'overseas experience').

The Step Up scholarship pilots will be administered by StudyLink.

STUDENT SUPPORT

In 2002, the Prime Minister announced that the government intended to look at changes to the student support system, and intended to broaden access to student allowances. In September 2003, the government released a discussion document *Student Support in New Zealand*, designed to promote understanding of the system as it moves towards developing a package of changes in student support. Changes are expected to be made as part of the Government's 2004 Budget.

finding out more

RANGE OF SOURCES

There are numerous sources of additional information on New Zealand's tertiary education sector. They include:

- various agencies involved in the tertiary education sector; these are listed later in this section, along with contact details and email/internet addresses
- various representative bodies involved in the tertiary sector, which are also listed later in this section
- the Ministry of Education's website which contains supporting documents, publications, statistics and links to other education-related sites: www.minedu.govt.nz
- the websites of many providers which are accessible through the websites of either the Ministry of Education or KiwiCareers, and
- the annual reports and prospectuses of individual institutions.

Government has a number of distinct but interrelated roles in the tertiary education sector in New Zealand. It provides resources for the delivery of education and operates as a regulator by administering educational legislation, promulgating regulations and guidelines, monitoring compliance, and monitoring the effectiveness and efficiency of educational delivery. Government policy is developed within a framework that aims to create an environment for learning as the basis for New Zealand's future economic and social well-being.

The following government agencies are involved in the tertiary education sector.

KEY AGENCIES IN THE TERTIARY EDUCATION SECTOR

MINISTRY OF EDUCATION

General contact:
Ministry of Education
45-47 Pipitea Street
Private Box 1666
Wellington
phone: 04-463 8000 fax: 04-463 8001

Within the Ministry of Education, divisions working with the tertiary sector include:

TERTIARY ADVISORY MONITORING UNIT

Allan Sargison
Manager
phone: 04-463 8562 fax: 04-463 8564
email: allan.sargison@minedu.govt.nz

MÄORI TERTIARY EDUCATION

Paula Rawiri
Manager
phone: 04-463 8560 fax: 04-463 8564
email: paula.rawiri@minedu.govt.nz

TERTIARY EDUCATION LEARNING OUTCOMES POLICY

Carolyn Holmes
Senior Manager
phone: 04-463 8704 fax: 04-463 8713
email: carolyn.holmes@minedu.govt.nz

TERTIARY REGULATORY AND RESOURCING FRAMEWORKS

Allan Sargison and Roger Smyth
Acting Managers
phone: 04-463 8702 fax: 04-463 8713
email: roger.smyth@minedu.govt.nz
allan.sargison@minedu.govt.nz

TERTIARY INFORMATION SYSTEMS AND SECTOR LIAISON

Murray Leach
Manager
phone: 04-463 8719 fax: 04-463 2868
email: murray.leach@minedu.govt.nz

TERTIARY SECTOR PERFORMANCE ANALYSIS AND REPORTING

Roger Smyth
Manager
phone: 04-463 8633 fax: 04-463 8564
email: roger.smyth@minedu.govt.nz

DATA MANAGEMENT AND ANALYSIS

David Lambie
Senior Manager
phone: 04-463 8066 fax: 04-463 8087
email: information.officer@minedu.govt.nz

TERTIARY EDUCATION COMMISSION
Level 10
NGC Building
44 The Terrace
P O Box 27-048
Wellington
phone: 04-462 5200 fax: 04-462 5400

STUDYLINK - MINISTRY OF SOCIAL DEVELOPMENT
Private Bag 11070
Palmerston North 5301
freephone: 0800 88 99 00
freefax: 0800 88 33 88
email: studylink@msd.govt.nz

INLAND REVENUE DEPARTMENT TE TARI TAAKE
National Office
P O Box 2198
Wellington
phone (student loans help line): 0800 377 778

THE NEW ZEALAND QUALIFICATIONS AUTHORITY
P O Box 160
Wellington
phone: 04-802 3000 fax: 04-802 3112

CAREER SERVICES RAPUARA
Level 4, CMC Building
89 Courtenay Place
P O Box 9446,
Te Aro
Wellington
phone: 04-801 5177 fax: 04-801 5161
email: careers@careers.govt.nz

CAREER INFORMATION RESOURCES UNIT
CareerPoint: 0800 222 733
phone: 04-801 5177 fax: 04-801 5745
KiwiCareers: kiwicareers@careers.govt.nz

NEW ZEALAND TEACHERS COUNCIL TE KAUNIHERA KAIWHAKAAKO O AOTEAROA
Level 7
93 The Terrace
P O Box 5326
Wellington
phone: 04-471 0852 fax: 04-471 0870
email: inquiries@teacherscouncil.govt.nz

STUDENTS' ASSOCIATIONS

AOTEAROA TERTIARY STUDENTS' ASSOCIATION (ATSA)
Julie Pettett
National President
Level 4
Quinovic House
Kent Terrace
P O Box 3332
Wellington
phone: 04-939 1417 fax: 04-939 1418
mobile: 0219 939 1417
email: info@atsa.org.nz

NEW ZEALAND UNIVERSITY STUDENTS' ASSOCIATION (NZUSA)
Fleur Fitzsimons & Rosamond Connelly
Co-Presidents
Level 3
354 Lambton Quay
P O Box 10-191
Wellington
phone: 04-498 2500 fax: 04-473 2391
email: fleur@students.org.nz, roz@students.org.nz,
admin@students.org.nz, research@students.org.nz

TE MANA AKONGA NATIONAL MÄORI UNIVERSITY STUDENTS' ASSOCIATION
Helen Potter
Te Mana Akonga
P O Box 10-191
Wellington
phone: 04-498 2500 fax: 04-473 2391
email: tma.kaituhono@xtra.co.nz

SECTOR REPRESENTATIVE GROUPS

NEW ZEALAND VICE-CHANCELLORS' COMMITTEE

Lindsay Taiaroa
Executive Director
Level 11
94 Dixon Street
P O Box 11-915
Wellington
phone: 04-381 8500 fax: 04-381 8501

ASSOCIATION OF POLYTECHNICS IN NEW ZEALAND

Jim Doyle
Executive Director
P O Box 10-344
Wellington
phone: 04-471 1162 fax: 04-473 2350

ASSOCIATION OF COLLEGES OF EDUCATION IN NEW ZEALAND

Graeme Oldershaw
Executive Director
Level 15
111 The Terrace
P O Box 10-298
Wellington
phone: 04-472 7162 fax: 04-472 9562
email: director@acenz.ac.nz

TE TAUIHU O NGÄ WÄNANGA THE NATIONAL ASSOCIATION OF WÄNANGA

Turoa Royal
Executive Chairperson
National Association of Wänanga
6 Kahu Road
Paremata
phone: 04-233 9343 fax: 04-233 0994
email: turoa.royal@xtra.co.nz

NEW ZEALAND ASSOCIATION OF PRIVATE EDUCATION PROVIDERS

Chuck Wareham
Executive Officer
P O Box 6411
Wellington
phone: 04-471 2460 fax: 0800 NZAPEP (692 737)
email: exec@pepnz.org.nz

AOTEAROA MÄORI PROVIDERS OF TRAINING EDUCATION AND EMPLOYMENT

Jane Cairns
Secretary
P O Box 2796
Wellington
phone: 04-495 7660 fax: 04-495 7665
email: teatahou@xtra.co.nz

ASSOCIATION OF PRIVATE PROVIDERS OF TRAINING AND EDUCATION

Frances Hartnell
Chief Executive
P O Box 8192
Symonds Street
Auckland
phone: 09-309 5970 fax: 09-302 2957
email: info@wcad.ac.nz

INDUSTRY TRAINING FEDERATION

Darel Hall
Executive Director
Level 2, Stewart Dawson Building
Cnr Willis St & Lambton Quay
Wellington
phone: 04-801 9591 fax: 04-499 8156
email: Darel@itf.org.nz

NEW ZEALAND UNIVERSITIES ACADEMIC AUDIT UNIT

John Jennings
Director
P O Box 9747
Wellington 6030
phone: 04-801 7924 fax: 04-801 7926
email: admin@aau.ac.nz

USEFUL LINKS

Aotearoa Tertiary Students' Association www.atsa.org.nz

Association of Colleges of Education in New Zealand www.acenz.ac.nz

Association of Polytechnics in New Zealand www.apnz.ac.nz

Association of Private Providers of Training and Education www.whitecliffe.ac.nz

Career Services Rapuara www.careers.govt.nz

Funding Information Service www.fis.org.nz

Gateway to New Zealand Government www.govt.nz

Industry Training Federation www.itf.org.nz

Inland Revenue Department Te Tari Taake www.ird.govt.nz

Ministry of Education www.minedu.govt.nz

Ministry of Research, Science and Technology www.morst.govt.nz

Ministry of Social Development www.msd.govt.nz

New Zealand Vice-Chancellors' Committee www.nzvcc.ac.nz

New Zealand Teachers Council www.teacherscouncil.govt.nz

New Zealand Qualifications Authority www.nzqa.govt.nz

New Zealand University Students' Association www.students.org.nz

New Zealand Universities Academic Unit (AAU) www.aau.ac.nz

StudyLink www.studylink.govt.nz

Tertiary Education Commission www.tec.govt.nz