

chapter ten

INVESTING IN KNOWLEDGE AND SKILLS

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. Tertiary-level learning outcomes help ensure individuals and their communities are equipped for life in a knowledge economy.

In this context, an accessible, high-quality, tertiary education 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 between 1991 and 2003 the number of government-funded student places in tertiary education increased by 114.8 percent. In the 2003/04 financial year, the government's total budget for tertiary education was \$3,774 million, up by 6.0 percent on the 2002/03 actual spending of \$3,561 million.

FUNDING DIVERSE NEEDS

Government support for tertiary education takes a variety of forms and reflects the diversity of learners and their needs. During 2003, 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
- 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 Māori and Pasifika students, and
- tertiary education Top Achiever Doctoral Scholarships, Enterprise Scholarships, School Top Scholars, Step Up Scholarships, 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.

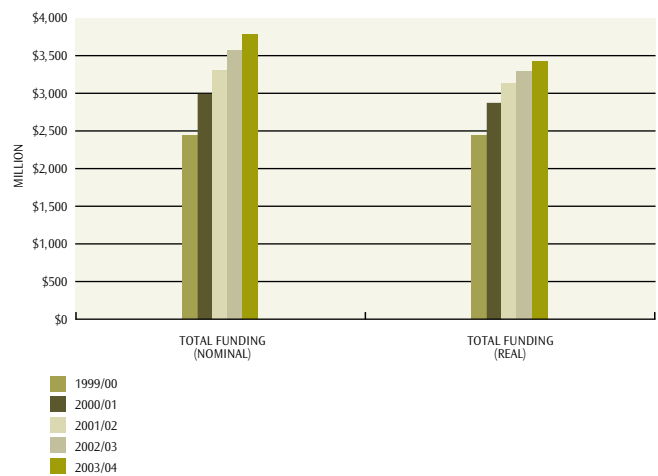
TOTAL GOVERNMENT FUNDING OF THE TERTIARY EDUCATION SYSTEM

In 2003/04, the government’s total budget for operating expenditure for tertiary education was \$2,719 million, up by 7.9 percent on the 2002/03 actual spending of \$2,520 million. In addition, there was budgeted capital expenditure of \$1,005 million in 2003/04.

Operating expenditure on tertiary education grew over the period 1999/2000 to 2003/04 by 44.1 percent, from \$1,887 million to \$2,719 million. In real terms¹, this represented an increase of 30.9 percent.

The following graph traces government spending on tertiary education over the last five financial years.

FIGURE 10.1: TOTAL GOVERNMENT SPENDING ON TERTIARY EDUCATION 1999/2000-2003/04



Note: Includes capital contributions.

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

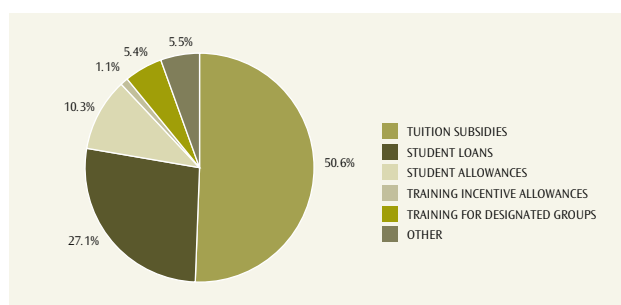


The major items in the government's tertiary education budget for July 2003 to June 2004 were as follows:

- \$1,908 million (50.6 percent of the budget) for tuition subsidies to fund student places at tertiary education providers²
- \$1,021 million (27.1 percent) for student loans
- \$387 million (10.3 percent) for student allowances
- \$205 million (5.4 percent) for other programmes, including industry training and programmes such as Youth Training, Modern Apprenticeships, Gateway, and Skill Enhancement, and
- \$43 million (1.1 percent) for training incentive allowances.

The remaining 5.5 percent of the tertiary education budget funded a variety of activities including unemployment benefit training³, community education, and administrative support provided by the New Zealand Qualifications Authority (NZQA), Career Services Rapuara, the Tertiary Education Commission (TEC), and the Ministry of Education.

FIGURE 10.2: GOVERNMENT TERTIARY EDUCATION FUNDING 2003/04

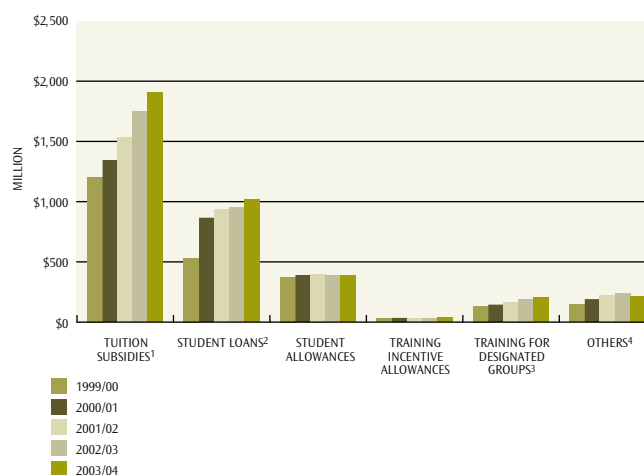


Notes:

- ¹ In 2003/04, funding allocated to the Performance-Based Research Fund (PBRF) was included in the tuition subsidies category.
- ² Training for designated groups includes the Industry Training Fund, Modern Apprenticeships, Skill Enhancement, Youth Training, Gateway, and second chance education.

The biggest share of the Crown expenditure is on tuition subsidies, delivered under the Student Component of the Integrated Funding Framework. In absolute terms, tuition subsidies had the most growth between 1999/2000 and 2003/04, rising \$705 million (or 58.6 percent). Student loans grew by \$487 million (91.2 percent), industry training, Modern Apprenticeship and pre-employment programmes increased by \$71 million (53.0 percent), student allowances by \$11 million (3.1 percent), and training incentive allowances by \$8 million (24.1 percent).

FIGURE 10.3: GOVERNMENT EXPENDITURE ON TERTIARY EDUCATION BY COMPONENT 1999/2000-2003/04



Notes:

- ¹ In 2003/04, this funding included money allocated to the PBRF.
- ² Money appropriated for student loans is largely capital expenditure (88.6 percent) and partly a provision for doubtful debts (11.4 percent) which is treated as an operational expense in the current year.
- ³ Training for designated groups includes the Industry Training Fund, Modern Apprenticeships, Skill Enhancement, Youth Training, Gateway and second chance education.
- ⁴ Others include items such as funding for the Unemployment Benefit Training, community education, tertiary scholarships, capital contributions, education research initiatives, tertiary education strategic change and administrative support provided by NZQA, Career Services, the TEC, and the Ministry of Education.

² Funding allocated to the Performance-Based Research Fund (PBRF) was included in the tuition subsidy category in 2003/04.

³ Unemployment Benefit Training replaced Community Wage Training in 2001/02.

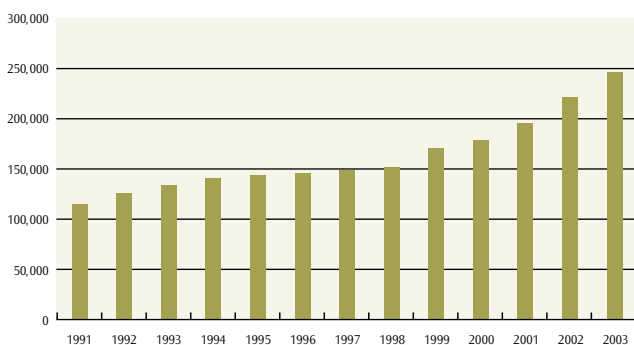
GOVERNMENT-FUNDED STUDENT PLACES AND TUITION SUBSIDIES

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, but 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 2003, tuition subsidies were paid for domestic, enrolled students who were studying for approved qualifications offered by recognised tertiary education providers, including registered private providers. The total level of tuition subsidy funding depends on such factors as the number of equivalent full-time students (EFTS) enrolled, the level of study undertaken and the fields of study in which students enrol.

GOVERNMENT-FUNDED PLACES⁴

Between 1991 and 2003, the number of EFTS places funded by the government increased by 114.8 percent. As can be seen in the following graph, a strong period of growth in EFTS in the early 1990s was followed by a period of slower growth through to 1998. Between 1999 and 2003, the rate of EFTS growth accelerated, with average annual growth of 11.1 percent. In 2003, the government funded a total of 245,154 EFTS places. This represented an increase of 11.3 percent in the overall number of government-funded places from 2002. In addition, the government provided a subsidy for 512 EFTS places for international students undertaking wholly research qualifications at New Zealand tertiary education institutions (TEIs).

FIGURE 10.4: TOTAL GOVERNMENT-FUNDED EFTS 1991-2003



⁴ The total number of EFTS and the total funding quoted in this section are calculated on an academic year basis.

There was a high degree of variation in the rates of growth between different kinds of providers within the tertiary education sector between 2002 and 2003. Some sub-sectors achieved large increases in funded places, others more modest increases, and one experienced a reduction.

In terms of number of places funded, the fastest-growing sector was wānanga, where EFTS numbers grew at a rate of 59.9 percent between 2002 and 2003. This high growth rate was a continuation of the large growth rates in previous years. Between 1999 and 2003, the number of EFTS at wānanga grew by 36,714, or 2,237.3 percent, and by 15,779 EFTS, or 192.4 percent, between 2001 and 2002. This increase was mainly attributable to increased enrolments at Te Wānanga o Aotearoa.

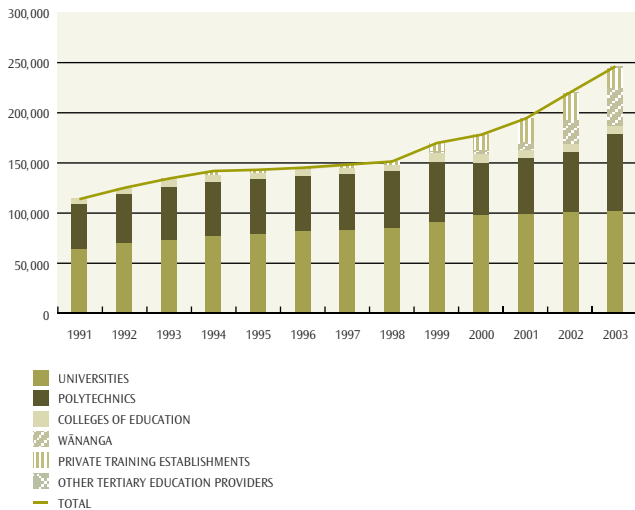
Between 2002 and 2003, the number of government-funded places in polytechnics rose by 26.8 percent. This was a considerable increase over past years; the rate of growth in polytechnic EFTS between 2001 and 2002 was a more modest 8.3 percent. The rise in 2003 was driven mainly by an increase in community education EFTS, which rose by 114.8 percent from 7,949 in 2002 to 17,077 in 2003.

Universities reported an increase of 1.2 percent in funded places between 2002 and 2003, similar to the growth rate of 1.8 percent recorded between 2001 and 2002. While this represents a relatively modest rate of increase in domestic EFTS, there was a considerable increase of 128.0 percent in international student EFTS places at universities from 9,167 in 2001 to 20,897 in 2003.

Colleges of education experienced a slight increase in EFTS numbers of 0.9 percent between 2002 and 2003. This compared with the period between 2001 and 2002, when there was a decline in EFTS numbers of 0.3 percent.

Private training establishments (PTEs) were the only sub-sector to see a reduction in EFTS numbers between 2002 and 2003. The number of funded places decreased by 26.7 percent over this period (compared with an increase of 15.9 percent between 2001 and 2002), due mainly to the introduction of a partial cap on funded places at PTEs in 2003.

FIGURE 10.5: TOTAL GOVERNMENT-FUNDED EFTS PLACES BY SUB-SECTOR 1991-2003



Note: The 2000, 2001, 2002 and 2003 university data includes enrolments at the Auckland University of Technology, formerly the Auckland Institute of Technology. Enrolments at that institution before 2000 are included in the polytechnic data.

The variation in growth of the sub-sectors over time has changed the shape of the sector as a whole. Although the university sub-sector had the largest proportion of subsidised places in 2003 with 41 percent of the total EFTS, it had decreased its share considerably since 1998 (55 percent). The polytechnics' share of total EFTS was 31 percent (down from 38 percent in 1998), followed by wānanga with 16 percent (up from 1 percent in 1998), PTEs with 8 percent (up from 1 percent in 1998), colleges of education with 3 percent (down from 5 percent in 1998), and other tertiary education providers with 1 percent.

FIGURE 10.6A: FUNDED EFTS PLACES BY SUB-SECTOR 1998

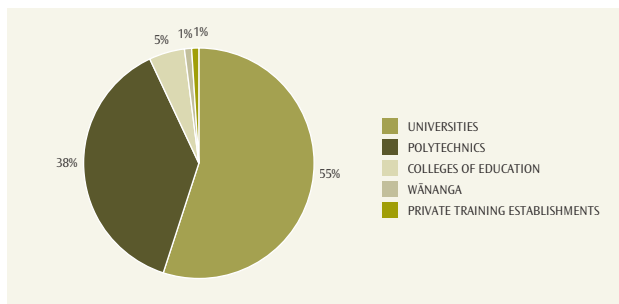
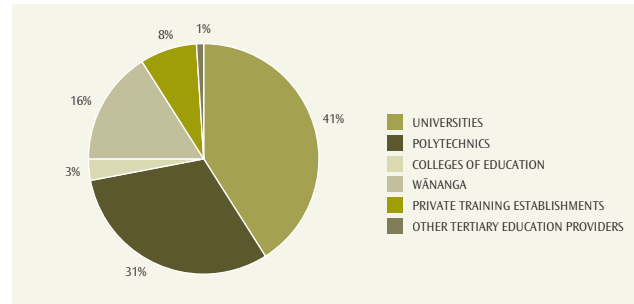


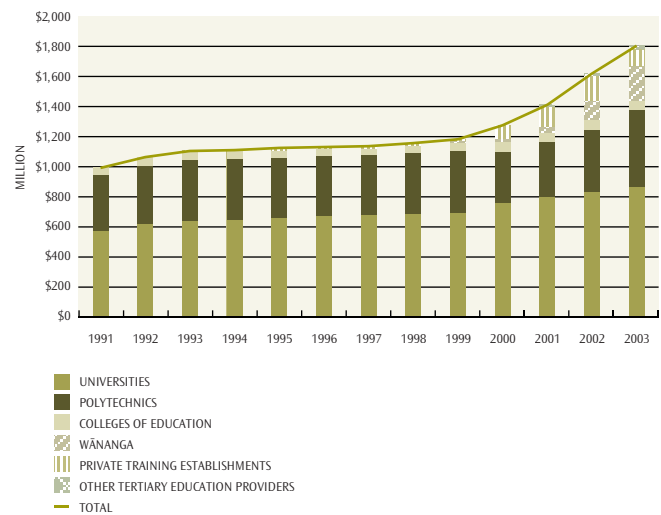
FIGURE 10.6B: FUNDED EFTS PLACES BY SUB-SECTOR 2003



TUITION SUBSIDIES IN 2003

Between 2002 and 2003, there was an overall increase of 11.6 percent in the funding provided through the Student Component by way of EFTS-based tuition subsidies. This followed a 15.3 percent rise between 2001 and 2002. A total of \$1,813⁵ million was provided to tertiary education providers in the form of tuition subsidies for equivalent full-time students in 2003, compared with \$1,625 million in 2002⁶. This represents an 82.5 percent increase in funding for EFTS places in the tertiary education sector between 1991 and 2003.

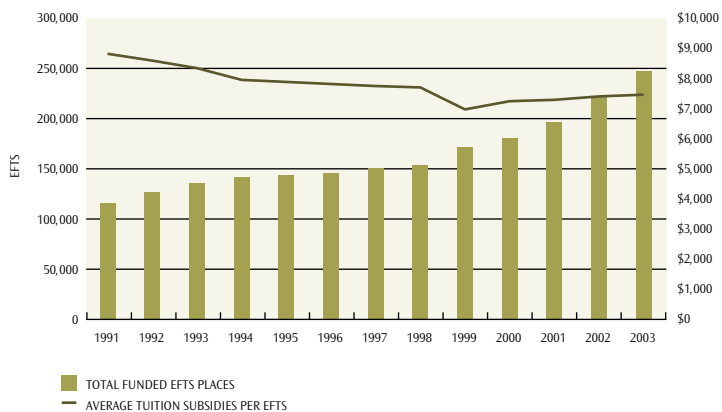
FIGURE 10.7: TOTAL EFTS-BASED TUITION SUBSIDIES BY SUB-SECTOR 1991-2003



⁵ This sum includes GST.

⁶ These figures include funding for the Student Component, fee stabilisation, and grants.

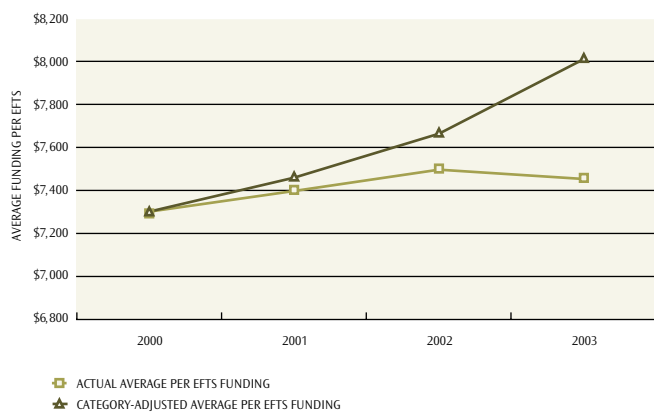
FIGURE 10.8: TOTAL FUNDED EFTS PLACES AND AVERAGE TUITION SUBSIDIES PER EFTS 1991-2003



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.

To illustrate the impact of a shift in enrolments to lower-funded categories, the following graph compares the average funding per EFTS in TEIs with what would have happened if the mix of funding categories had remained the same for the period between 2000 and 2003.

FIGURE 10.9: ACTUAL AND CATEGORY-ADJUSTED AVERAGE TUITION SUBSIDIES IN TEIs 2000-2003



Note: Data refers to universities, polytechnics, colleges of education and wānanga.

The impact of the shift in enrolments to lower-funded categories in reducing the rate of growth in average per EFTS funding is evident. The decrease in actual average per EFTS funding of 0.5 percent for TEIs between 2002 and 2003 compares with an increase of 4.5 percent in the category-adjusted average funding per EFTS. Therefore, care needs to be taken when interpreting the actual average funding per EFTS data.

On a sub-sector level, average subsidies per EFTS declined in universities by 14.0 percent between 1991 and 1999, but their average subsidy increased by 10.7 percent between 2000 and 2003. Between 2002 and 2003, the average subsidy provided to universities increased by 3.5 percent.

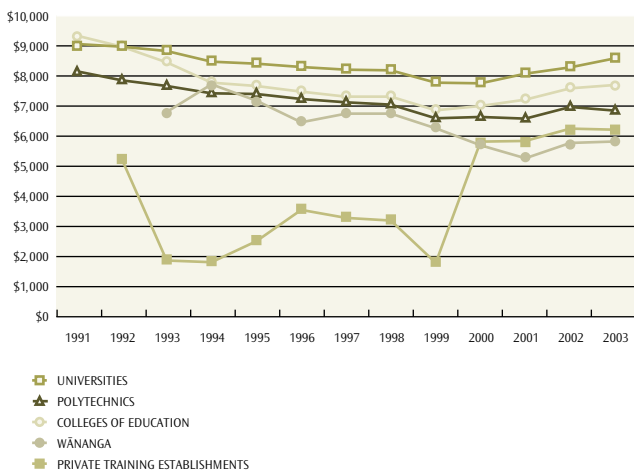
Polytechnics experienced a decline of 19.2 percent in per EFTS tuition subsidies between 1991 and 1999. Their tuition subsidies per EFTS, however, increased by 4.0 percent between 2000 and 2002, before falling by 0.9 percent between 2002 and 2003. The most recent fall was due to the larger proportion of enrolments in Category A courses (which attract lower funding) recorded in the sub-sector over this period.

Colleges of education experienced a decline of 26.7 percent in tuition subsidies per EFTS between 1991 and 1999, but their subsidy rates per EFTS increased over the period between 2000 and 2003 by 9.5 percent. Between 2002 and 2003, the average funding per EFTS increased by 1.3 percent.

The average subsidy per EFTS in wānanga declined between 1998 and 2001, and has risen in the period since. Between 2002 and 2003, the average subsidy per EFTS rose by 1.0 percent.

Analysis of PTE funding shows that the average subsidy per EFTS was subject to large variation between 1992 and 1999. Over that period the EFTS funding mechanism for PTEs was significantly different from that for TEIs, with funding allocated from a capped contestable pool. 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 1991-2003



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.

The increase of 0.1 percent recorded in average tuition funding for PTEs between 2002 and 2003 was due in part to the increase in the base rate of funding to all PTEs, including those that previously had not participated in the fee stabilisation scheme. This, coupled with changes in the composition of EFTS in PTEs and the pattern of acceptance of fee stabilisation funding, offset the 9.5 percent decrease in funding of the base rate that occurred when the government removed the notional capital component of funding in 2003.

GOVERNMENT FUNDING FOR DIFFERENT SUBJECT AREAS AND LEVELS OF QUALIFICATION

As mentioned in the analysis on average subsidy per EFTS, 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 funding category in 2003, with nearly 64 percent of funding for subsidised student places, compared with 60 percent in 2002, 57 percent in 2001, and 54 percent in 2000. Category B courses are 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 25 percent of funding for subsidised student places in 2003 (compared with 28 percent in 2002, 30 percent in 2001, and 31 percent in 2000).

Another 11 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.

The shift in enrolments between funding categories over time is illustrated in the following graphs.

FIGURE 10.11A: EFTS BY FUNDING CATEGORY 2000

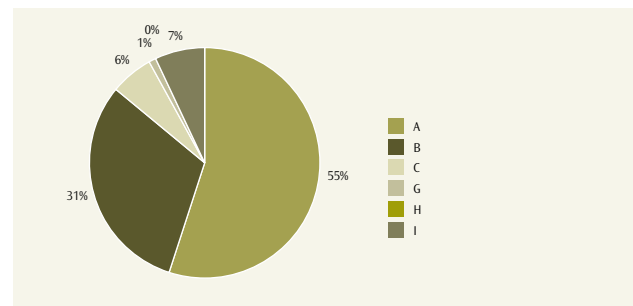
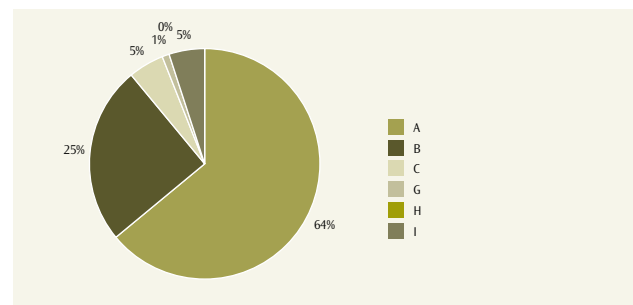


FIGURE 10.11B: EFTS BY FUNDING CATEGORY 2003



The funding categories can be also disaggregated by the level of qualification. Level 1 is for courses in non-degree qualifications, level 2 is for undergraduate degree courses, level 3 is for taught courses for postgraduate degrees, and level 4 is for postgraduate research-based degrees. The higher the level, the higher is the rate of funding, with level 1 being the lowest funded¹¹.

As enrolments in wānanga and PTEs have expanded, the balance of qualifications funded through the Student Component has shifted. Another factor in this trend is the large increase in community education EFTS in the polytechnic sector, especially between 2002 and 2003. The proportion of funded non-degree places grew from 37 percent in 2000, 42 percent in 2001 and 47 percent in 2002 to 53 percent in 2003.

¹¹ A small amount of funding is also provided for the enrolment of international students in wholly research-based degrees.

FIGURE 10.12A: EFTS BY LEVEL OF QUALIFICATION 2000

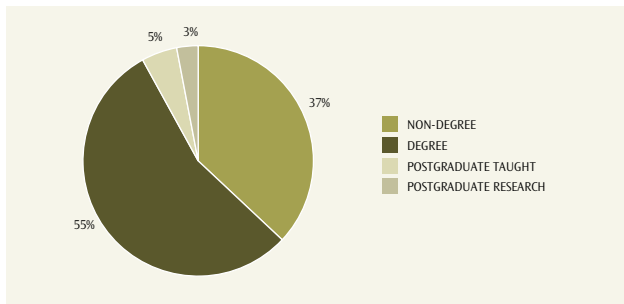
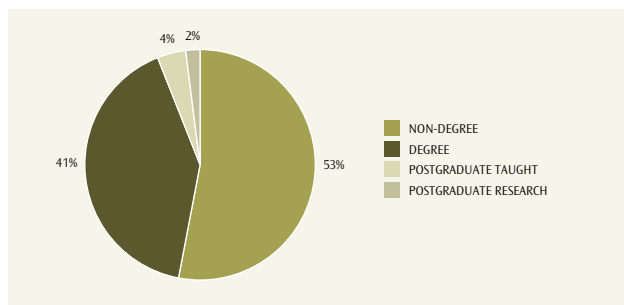
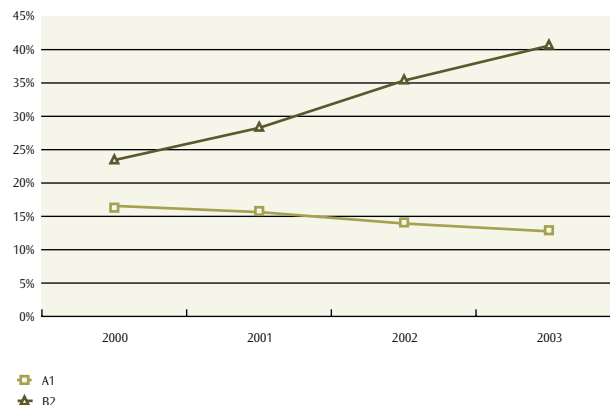


FIGURE 10.12B: EFTS BY LEVEL OF QUALIFICATION 2003



Disaggregating EFTS data by subject area and by level of qualification allows for a more detailed analysis of funding trends. The following graph shows the trends in two of the largest sub-categories of funding between 2000 and 2003. The proportion of A1 (the lowest-funded sub-category) EFTS increased significantly over the period between 2000 and 2003 from 23.4 percent to 40.2 percent. This was due, in part, to the large increase in community education EFTS over this timeframe, along with increased enrolments at wānanga and PTEs. At the same time, the proportion of higher-funded B2 category EFTS (which funds undergraduate degree enrolments in science and computing) decreased from 16.3 percent to 12.6 percent between 2000 and 2003.

FIGURE 10.13: PERCENTAGE OF TOTAL EFTS IN FUNDING CATEGORIES A1 AND B2 2000-2003



The impact of these trends is to reduce the rate of growth in the average per EFTS tuition subsidy that providers receive, despite an increase in the funding rate. The decline in the average per EFTS tuition subsidy for TEIs between 2002 and 2003 is a reflection of these trends.

Disaggregating the EFTS data by the type of qualification shows a trend towards an increasing proportion of students studying in lower-level qualifications such as certificates, and a decreasing trend in the proportion of students studying higher-level qualifications such as bachelor degrees. Students enrolled in certificate-level qualifications made up 34 percent of total EFTS in 2003, 32 percent in 2002, 21 percent in 2001, and 22 percent in 2000. By comparison, the proportion of students studying at the bachelors degree level fell, with 37 percent of total EFTS studying at this level of qualification in 2003; this proportion was 41 percent in 2002, 51 percent in 2001 and 51 percent in 2000. Students enrolled in diploma qualifications were 15 percent of total EFTS in 2003, 17 percent in 2002, 17 percent in 2001, and 18 percent in 2000. Postgraduate students were 5 percent of total EFTS in 2003, compared with 6 percent in 2002, 7 percent in 2001 and 7 percent in 2000.

The following graphs show the changing mix of EFTS by type of qualification between 2000 and 2003.

FIGURE 10.14A: EFTS BY TYPE OF QUALIFICATION 2000

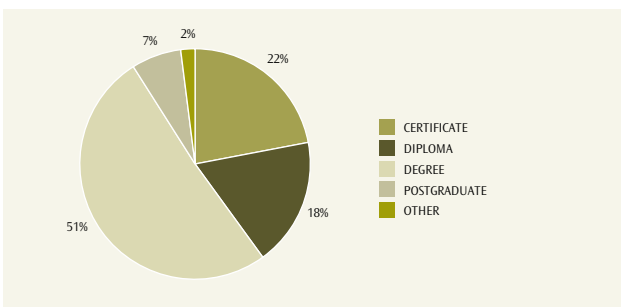
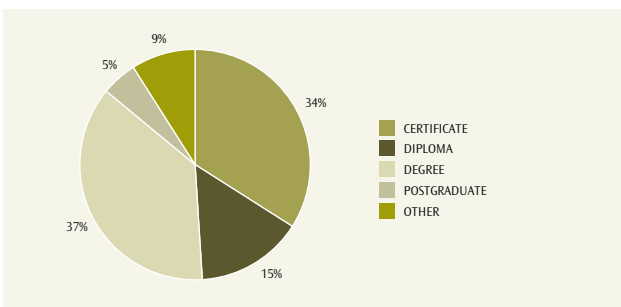


FIGURE 10.14B: EFTS BY TYPE OF QUALIFICATION 2003



As a result of these changing enrolment trends, government funding of certificate-level qualifications through the Student Component increased between 2000 and 2003 by 114.7 percent, from \$226.5 million to \$486.5 million. By comparison, over the same period, bachelors degree funding increased at the slower rate of 12.8 percent from \$623.7 million to \$703.3 million.

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 tuition subsidy for students enrolled in degrees has a research component. The value of the research top-ups is rising over time and was \$132.6 million in 2003, \$121.0 million in 2002 and \$113.6 million in 2000.

In addition, funding of \$2.1 million was provided in 2003 to subsidise the research costs of international research-based students enrolled at New Zealand tertiary education providers. This compared with \$1.5 million in 2002 and \$1.4 million in 2001.

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

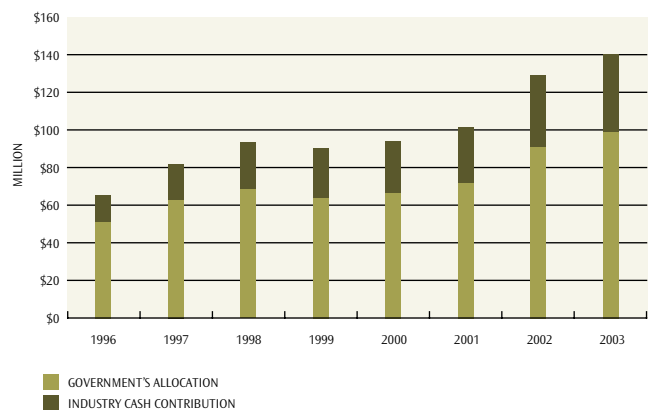
In 2004, research funding began to be distributed via the Performance-Based Research Fund (PBRF). Funding to providers under the PBRF will be determined by a mix of peer assessment and performance indicators. It will take account of researcher quality, research degree completions, and external research income earned. There will be a phase-in period until 2007 when the transfer of the research top-up on EFTS funding to the PBRF will be complete.

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 2003, the government invested \$98.5 million in industry training¹², compared with \$90.6 million in 2002, \$71.1 million in 2001, and \$65.9 million in 2000. Industry's investment was \$41.6 million in cash in 2003 and \$38.2 million in 2002.

FIGURE 10.15: INDUSTRY AND GOVERNMENT CONTRIBUTIONS TO THE COST OF INDUSTRY TRAINING 1996-2003



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

¹² A total of 126,870 trainees participated in industry training during 2003.

In January 2001, the government 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 2002/03 was \$20.8 million, supporting 5,739 Modern Apprentices as at 30 June 2003. In 2003/04, a budget of \$22.9 million was appropriated for Modern Apprenticeships, targeting 7,000 Modern Apprentices annually.

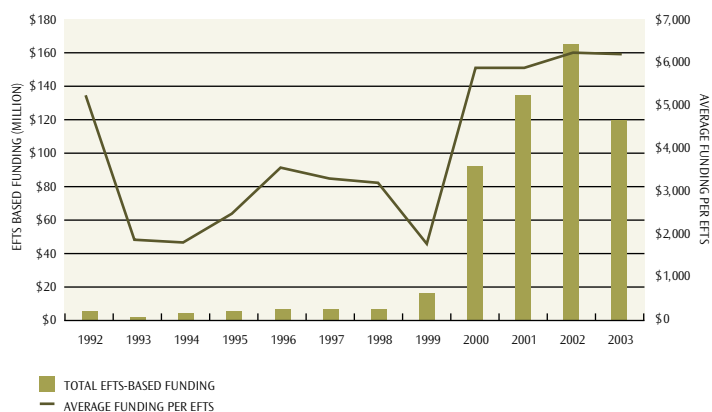
FUNDING TRENDS FOR PRIVATE TRAINING ESTABLISHMENTS

Since 1992, government funding has been available to registered and accredited PTEs. 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
- tuition subsidies for qualifications at, or equivalent to, National Qualifications Framework (NQF) level 3 or above.

Initially, only a small capped pool of funding was available to PTEs. In 1999, however, the government decided to fund PTEs at the same rate as TEIs. Funding rose very substantially between 1998 and 2000, by 1,214.6 percent from \$7.0 million to \$92.0 million. Between 2000 and 2002, funding grew by a further 77.9 percent from \$92.0 million to \$163.7 million.

FIGURE 10.16: TOTAL EFTS-BASED TUITION SUBSIDIES AND AVERAGE TUITION SUBSIDIES PER EFTS IN PTEs 1992-2003



In response to the very high growth during 2000 and into 2001, a moratorium on new PTEs receiving Student Component funding and PTEs offering new 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 2000, the government announced a fee stabilisation policy, under which providers, including PTEs, received increased funding in return for freezing their tuition fees. About 75 percent of government-funded private providers accepted the government's request to stabilise their fees in 2001, approximately 72 percent accepted it in 2002, and approximately 69 percent accepted in 2003.

In 2002, the government announced a number of new funding initiatives for PTEs to be introduced in 2003. These initiatives were designed to focus the PTE delivery in priority areas of tertiary education, identified in the Tertiary Education Strategy 2002/07 (TES). Under the new policy, each PTE was limited to the number of EFTS funded in 2001. A limit of \$146 million was put on the amount of Student Component funding available to the PTEs. Within the funding pool, the government created a Strategic Priorities Fund designed to allow some growth beyond 2001 levels in areas especially well aligned to the Tertiary Education Strategy.

Funding rates were increased by 5.1 percent, but PTE rates were then set at a level 9.5 percent below TEI rates, to reflect the withdrawal from PTE funding of the notional capital component in the tuition subsidies. PTEs could increase their funding by a further 4.5 percent in 2003 by accepting fee stabilisation.

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

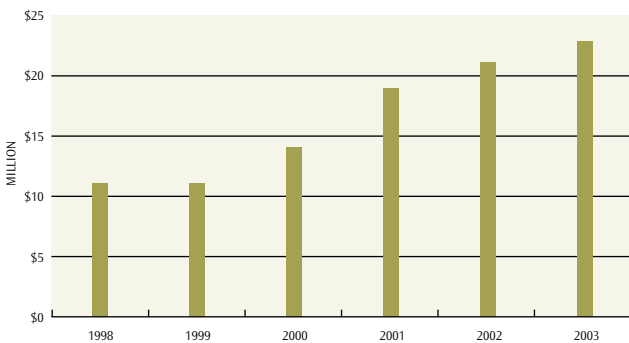
As a result of these changes, funding to PTEs decreased by 26.1 percent from \$163.7 million to \$120.0 million between 2002 and 2003. A total of 267 PTEs were funded for 19,420 EFTS places in 2003, at an average subsidy of \$6,181. This compares with 2002, where 234 private providers were funded by a total of \$163.7 million for 26,510 EFTS places, an average subsidy of \$6,174 per place.

GRANTS TO OTHER TERTIARY EDUCATION PROVIDERS (OTEPs)

In 2003, 16 other 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 tuition subsidies under the Student Component.

In total, approximately \$22.8 million was provided in 2003 to these OTEPs: \$8.4 million through grants and contracts for services and approximately \$14.4 million through tertiary tuition subsidies. This compared with funding of \$21.1 million in 2002 and \$18.9 million in 2001.

FIGURE 10.17: TOTAL GOVERNMENT FUNDING FOR OTHER TERTIARY EDUCATION PROVIDERS 1998-2003



Those providers receiving over \$1 million were: New Zealand Childcare Association (\$3.6 million), The National Association of ESOL Home Tutor Schemes (\$3.3 million), Te Kohanga Reo National Trust (\$3.2 million), Literacy Aotearoa (\$2.3 million), Workbase Education Trust (\$2.2 million), Institute of Professional Legal Studies (\$1.7 million), Taratahi Agricultural Training Centre (\$1.5 million), and PIERC Education (Pacific Island Education Resource Centre) (\$1.1 million).

SPECIAL SUPPLEMENTARY GRANTS

Special Supplementary Grants (SSGs) provide targeted additional funding to TEIs 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.

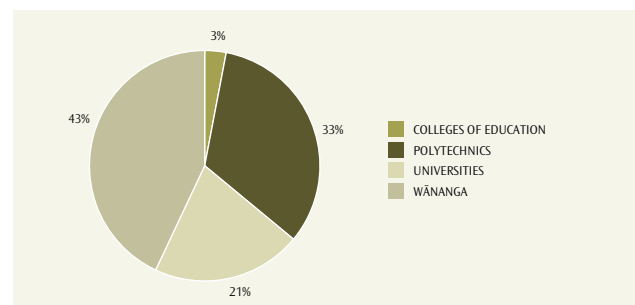
These special grants are used mostly to supplement institutional funding to supply support services to students with specific needs, such as tertiary students with disabilities, Māori and Pasifika students, and teacher education initiatives. Fee stabilisation was also delivered as an SSG in 2001, 2002 and 2003.

SSGs for tertiary students with disabilities are paid to TEIs as a bulk grant of \$29.25 for each domestic EFTS, to assist in the provision of additional support for those whose support needs are high cost. In 2003, the SSGs for tertiary students with disabilities totalled \$6.5 million. This compared with \$5.6 million in 2002 and \$4.9 million in 2001¹³. The funding went towards providing specialist support services to enable students with disabilities and special needs to have improved access and opportunities in tertiary education. The proportion of students self-identifying as having a disability on enrolment increased significantly by 228.0 percent, from 7,730 students in 1998 to 25,354 students in 2003.

In 2003, \$8.2 million was spent on the Māori and Pasifika SSGs, compared with \$6.4 million in 2002 and \$4.4 million in 2001, in order to support initiatives that were designed to increase and improve the retention and completion rates of these students¹⁴. Funding to providers is set at a rate of \$145 per Māori/Pasifika EFTS for postgraduate courses, \$130 for degree courses, and \$125 for non-degree courses.

The share of Māori and Pasifika EFTS by sub-sector is set out in the following graph. It shows that, by sub-sector, wānanga had the largest share of Māori and Pasifika EFTS with 43 percent in 2003, followed by polytechnics with 33 percent, universities with 21 percent, and colleges of education with 3 percent.

FIGURE 10.18: SHARE OF MĀORI AND PASIFIKA EFTS BY SUB-SECTOR 2003



¹³ Some of this funding was recovered in the following year if the TEIs did not meet the funding requirements.

¹⁴ Some of this funding was recovered in the following year if the TEIs did not meet the funding requirements.

Because the SSG funding is dependent on the number of Māori and Pasifika EFTS, TEIs with a higher number of Māori or Pasifika students will attract higher levels of funding. In 2003, Te Wānanga o Aotearoa (TWOA) attracted by far the highest level of funding (\$3.0 million or 36.8 percent of the total). A total of 24,030 Māori and Pasifika EFTS was recorded at TWOA, which was 36.9 percent of the total Māori and Pasifika EFTS in TEIs, compared with 33.7 percent in 2002. The next highest was Tairāwhiti Polytechnic, with a total of 4,185 Māori and Pasifika EFTS, which was 6.4 percent of total Māori and Pasifika EFTS in TEIs, compared with 1.9 percent in 2002. The remainder of TEIs ranged between a 4.6 percent and 0.2 percent share of Māori and Pasifika EFTS in 2003.

A review of the SSG funding for Māori and Pasifika students at TEIs was undertaken by the Ministry of Education in 2003. The review provided an overview of the implementation and effectiveness of the SSG funding for Māori and Pasifika tertiary students during the period between 2001 and 2002. It ascertained from the annual reports how the TEIs used the SSG funding and it reported on 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.
- 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 has often been disproportionate to the amount of money.
- More certainty about funding levels would allow planning which is more strategic and incorporates an evaluation dimension.

The review also noted that further consideration should be given to whether the funding should 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 different from those of Māori.

INTERNATIONAL STUDENT REVENUE

International student enrolments have become a major source of revenue for the tertiary education sector. Full fee paying international students, as a proportion of total EFTS, almost doubled between 2000 and 2003 from 6.5 percent to 12.7 percent. In terms of revenue, international fees increased from 3.4 percent of revenue for all TEIs in 2000 (a total of \$42.0 million) to 11.9 percent in 2003 (a total of \$372.7 million), underlining international students as a key source of funding for providers¹⁵.

FIGURE 10.19A: TUITION FEE REVENUE FROM INTERNATIONAL STUDENTS AS A PERCENTAGE OF TOTAL REVENUE FOR TEIs 2000

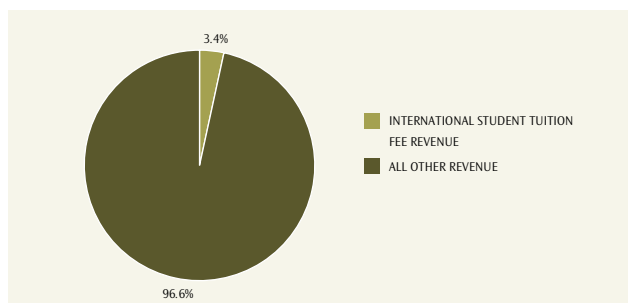


FIGURE 10.19B: TUITION FEE REVENUE FROM INTERNATIONAL STUDENTS AS A PERCENTAGE OF TOTAL REVENUE FOR TEIs 2003



¹⁵ A more extensive analysis of the impact of international students on the tertiary education sector is undertaken in chapter 9.

TRENDS IN FEES FOR DOMESTIC STUDENTS

Between 1997 and 2000, there was a significant increase in total domestic tuition fee revenue in TEIs of approximately 50.2 percent. An increase in fee revenue of 4.7 percent was recorded between 2000 and 2003, despite a much larger increase of 39.4 percent in domestic student EFTS numbers over that time. The average tuition fee per EFTS¹⁶ increased by 38.3 percent between 1997 and 2000 and then dropped by 24.9 percent between 2000 and 2003 from \$3,547 to \$2,665 (GST inclusive). 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.

The decline in average fees per EFTS since 2000 also reflects the change in the mix of courses studied, with proportionately higher participation in lower-fee courses.

Wānanga students had an 85.9 percent decrease in their average fees between 2000 and 2003 from \$2,514 to \$354. This trend was due to the fact that a substantial and rising proportion of wānanga students have paid zero fees since 2000. In 2002, nearly 95 percent of their students enrolled on zero fees courses as reported by the institution.

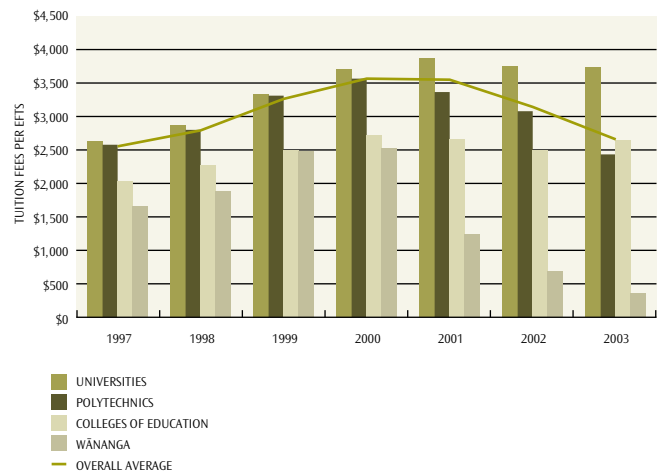
The average fee charged to polytechnic students has reduced considerably from 2000. Between 2000 and 2003, this fee dropped by 30.7 percent from \$3,494 to \$2,421, and was well below that of universities, after being of a comparable level in 1999. The fall in the average polytechnic fee follows the increasing number of zero fee courses being offered by polytechnics and, in particular, the prevalence of community and short courses with no fees.

At colleges of education, the average domestic tuition fee increased until 2000 and dropped by 2.6 percent from \$2,706 to \$2,636 in 2003. A move to zero fees in some colleges has led to the reduction in average fees.

The universities' average domestic tuition fee fell by 0.6 percent in the period between 2000 and 2003, from \$3,743 to \$3,727.

In summary, students at universities paid higher average fees than students in polytechnics, wānanga and colleges of education. In 2003, the average fee for a university student was estimated at \$3,727, college of education students paid \$2,636, polytechnic students paid \$2,421, and the average fee for wānanga students was \$354.

FIGURE 10.20: AVERAGE DOMESTIC TUITION FEES PER EFTS IN TEIs 1997-2003



The amount borrowed through the compulsory fees component of the Student Loan Scheme increased by 21.7 percent at universities, polytechnics and colleges of education between 2000 and 2003. Fees borrowed by domestic students in these three sub-sectors made up 66.3 percent of the total private contribution to total cost of tertiary study in 2000, increasing to 77.8 percent in 2003.

Fees paid by students without recourse to the Student Loan Scheme dropped from 33.7 percent of total private contribution in 2000 to 22.2 percent in 2003. This could be attributed to the increase in the rate of uptake of loans which rose in response to the 'no interest while studying' policy¹⁷ and the zero fee programmes offered by a number of providers from 2001 onwards.

As borrowing of fees has risen, so the average non-borrowed fees declined for the three sub-sectors by 52.0 percent between 2000 and 2003. Polytechnics had a sharp decrease of 69.9 percent over the four years, followed by universities with a decrease of 23.1 percent, and colleges of education with a decrease of 20.3 percent.

¹⁶ 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. An adjustment is then made for GST.

¹⁷ Introduced in 2000.

FUNDING INITIATIVES FOR 2003

During 2003, 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 2003.

ADULT LITERACY STRATEGY

This initiative allowed for the participation in the international Adult Literacy and Life Skills Survey. Funding of \$3.1 million over the next four years (2003/04-2006/07) will be used to provide evidence of the level of literacy and other skills in the adult population, how skills are distributed within the population, and how the skills distribution is changing over time.

CAPACITY DEVELOPMENT FUNDS

This initiative will see \$30.0 million funded over four years (2003/04-2006/07) to support ideas that emerge from the tertiary education system, and will support stepwise change in the system. The e-Learning Collaborative Development Fund will focus on building the e-learning capability of the sector.

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

Funding was allocated in 2003 to provide English language support for immigrants and refugees. A total of \$5.9 million over four years (2003/04-2006/07) was allocated to help raise the level of participation and achievement in this area.

EXPANDING MODERN APPRENTICESHIPS

The government provided additional funding of \$14.6 million for four years (2003/04-2006/07) to provide for the current rate of recruitment of Modern Apprentices and to expand the Modern Apprenticeships programme to 7,000 Modern Apprentices annually.

FOUNDATION LEARNING

In this initiative, \$3.8 million over four years (2003/04-2006/07) was allocated to the development and communication of agreed learning outcomes, along with a new funding system, in the foundation skills area.

GATEWAY

A total of \$23.6 million for four years (2003/04-2006/07) was allocated to extend the Gateway programme to all decile 1 to 5 state secondary schools. The aim of the Gateway programme is to strengthen the pathway from school to work-based learning through identifying the approaches which will help schools and employers to implement work-based training opportunities for students.

GROWTH AND INNOVATION SCHOLARSHIPS

A total of \$12.9 million over four years (2003/04-2006/07) was allocated to reward graduates who stay and work in areas critical to the country. This will give the government greater ability to address people and skills shortages.

INDUSTRY TRAINING

In order to meet expected growth, the Industry Training Fund was increased by \$84.3 million over the next four years to increase the number of people in industry training to 150,000 in 2005.

INFORMATION FOR TERTIARY STUDENTS

In this initiative, \$0.4 million was funded over the next four years (2003/04-2006/07) to undertake research and analysis to identify the key information needed for decision-making by students, and the best way of communicating that information. This was done with the aim of improving retention and completion rates across the sector.

MEDICAL ENROLMENT CAP RAISED

In order to raise the number of students admitted into medical schools each year, extra funding of \$3.4 million was provided over four years (2003/04-2006/07). This will allow an additional 40 students a year to be admitted to medical schools.

PERFORMANCE-BASED RESEARCH FUND

Funding of \$32.9 million over the next four years (2003/04-2006/07) was announced in the 2003 Budget in order to raise the quality and focus of research within the tertiary sector. It ensures that from 2006 there will be a real funding increase of \$20.0 million within the PBRF.

