

16 FUNDING OF TERTIARY EDUCATION

AN OVERVIEW

Government spending on tertiary education increased by 9.3 percent in the year ended June 2009. Total government spending on tertiary education, including operating costs and capital expenditure, was \$5.0 billion in 2009, compared to \$4.6 billion in 2008. As a percentage of gross domestic product, both total expenditure and operating expenditure increased in 2009. Total tertiary expenditure accounted for 2.8 percent of gross domestic product. The main difference between the operating and total expenditure was the amount of Student Loan Scheme lending that was treated as a capital expense.

The number of equivalent full-time student places funded by the Tertiary Education Commission increased in 2008. Government spending on tuition subsidies also increased as a result of the increased student places and increases in base funding rates.

The average domestic fee per equivalent full-time student increased by 6.8 percent at public tertiary education institutions. Part of this increase was due to a continued move away from enrolments in low-cost or zero-fee courses.

2009 YEAR

The government announced a number of funding initiatives during 2009. These included an additional:

- \$16.9 million over four years to increase the number of medical student places
 - \$4 million to assist universities to support summer research scholarships in the summer of 2009/10
 - \$11 million over two years to fund a 50 percent increase in workplace literacy learners
 - \$8 million to help high-performing polytechnics and institutes of technology collectively provide up to 700 new places to help cope with forecast enrolment growth in 2010, and
 - \$52.7 million over two years to create up to 2,000 full-time equivalent student places per year for the Youth Guarantee programme.
- The government also announced that, against the background of economic challenges, the focus in tertiary education was to improve the quality and cost effectiveness of expenditure. Given the difficult fiscal situation, the new government had to reverse much of the previous government's unfunded promises for tertiary education in Budget 2008. The savings from doing so included:
- \$98 million over four years from ceasing the Bonded Merit, Step Up and Top Achiever Doctoral scholarships from June 2009. However, all existing recipients continue to receive their scholarships for their remaining tenure
 - \$172.8 million over four years from phasing out the Consumers Price Index adjustments for tertiary education funding. Consumers Price Index adjustments are currently applied to funding rates for most tertiary funding that is allocated based on student numbers. The adjustment planned for the student achievement component and tertiary education organisation component in 2010 will occur but planned adjustments will not occur beyond 2009 for industry training, Modern Apprenticeships and adult and community education
 - \$117 million over four years from reducing tertiary education capability funds. Four elements are being reduced: the University Tripartite Adjustment Fund (to be abolished from 2011), Encouraging and Supporting Innovation (to be halved from 2010), the industry training organisation core component (to be halved from 2011), and Priorities for Focus for Universities (to be abolished from 2011). In addition, the tertiary education capital investment fund has been abolished
 - \$87.4 million over four years from reducing low-priority tertiary provision. Student achievement component funding will no longer be available for short courses that focus entirely or primarily on regulatory compliance initiatives or health and safety requirements. Funding for adult and community education courses will be reduced by 50 percent with savings targeted at hobby and recreational courses while maintaining higher-priority provision
 - \$37.4 million over four years from the disestablishment of small funds. From 2010, the following funds will stop: Skill Enhancement, Building Research Capability in the Social Sciences, Pathfinders, the Adult and Community Education Innovation and Development Fund, Community Learning Aotearoa NZ, the Advance Centre for the Deaf, the English as a Second Language Assessment Service, and Bilingual Tutor Grants. From 2011, the following funds will stop: Targeted Education and Training Grants, Special Education Special Supplementary Grants, the Academic Migrant Grant and Refugee Study Grants

- \$94.3 million over four years from removing growth in literacy, language and numeracy. The savings will remove most of the future baseline growth beyond 2009/10 in a range of separate funds that are part of the package of literacy, language and numeracy provision. Learner numbers for 2009/10 are still greater than 2008/09 and there is an increase in workplace literacy funding in 2009/10. There are also reductions in capability funding for Educator Study Grants, Learning Representatives and other capability initiatives. This includes some Tertiary Education Commission operating funding, and
- \$31.4 million over four years from streamlining the Tertiary Education Commission. The Tertiary Education Commission is realigning its organisation by creating a smaller, streamlined organisation that will introduce a simpler funding system with reduced compliance costs for the sector. This realignment has seen a reduction in operating expenses and staffing size.

In May 2009, the government extended the Fee and Course Costs Maxima policy to 31 December 2010.

During 2009, the Ministry of Education published a number of reports that involved the subject of resourcing of the tertiary sector. *Demand for tertiary education in New Zealand: 2009 to 2025 and beyond* examines future demand for tertiary education. It shows that demand for formal provider-based tertiary education by domestic students will increase over the medium to long term. This is driven by the current economic recession, long-term government goals for skill enhancement, and changes to the ethnic mix and age structure of New Zealand's population.

The report also shows that demand for industry training is likely to fall in the short term as unemployment rises during the recession, but this will be tempered by efforts to minimise job losses and encourage industry training. The demand for industry training in the short term is therefore less certain.

A related report – *Ebbs and flows: participation in post-compulsory education over the economic cycle* – examines the historical association between participation in post-compulsory education and the economic cycle. The report found that the recession in the early 1990s was associated with a significant increase in participation in senior secondary school and in higher tertiary-level qualifications. Although the economy recovered during the mid-1990s, participation levels in education remained above the levels seen before the recession of the early 1990s.

Another report – *Counting the cost: an analysis of domestic tuition fees* – examines trends in domestic tuition fees under various government policies since 1990. The report found that increases in domestic tuition fees have been lower under the Fee and Course Costs Maxima policy than in the unregulated environment during the 1990s. Increases in government funding per student since 2001 have helped to moderate the increases in tuition fees. The report also found that the general affordability of tuition fees improved under the fee stabilisation policy and has since been maintained by the Fee and Course Costs Maxima policy.

GOVERNMENT EXPENDITURE¹

Figure 16.1: Government spending (June years) on tertiary education

Operating expenditure and total government expenditure on tertiary education was well above 2003/04 levels in nominal and inflation adjusted terms.

In 2008/09, tertiary education operating expenditure rose in all major categories.

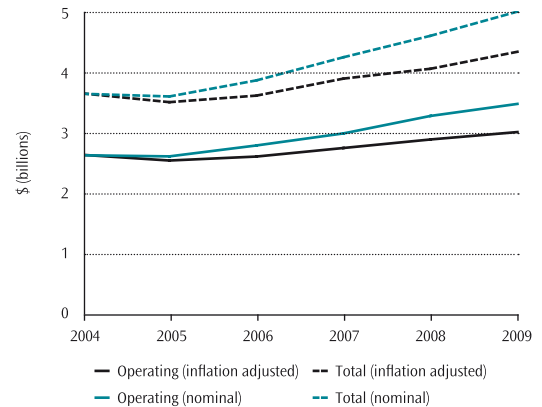
Government expenditure on tertiary education for the year ended June 2009:

		% change from 2004	
		Nominal	Inflation adjusted
Total expenditure	\$5.0 billion	36	18
Operating expenditure	\$3.5 billion	31	13

Notes:

1. For trend analysis purposes these figures exclude operating expenditure on student loans. In 2008/09, operating expenditure on student loans was \$1.3 billion.
2. The Consumers Price Index has been used to calculate real expenditure.

Source: Ministry of Education, Ministry of Social Development, Inland Revenue, New Zealand Trade and Enterprise and Tertiary Education Commission.



EXPENDITURE AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT

Figure 16.2: Government spending (June years) on tertiary education as a percentage of gross domestic product

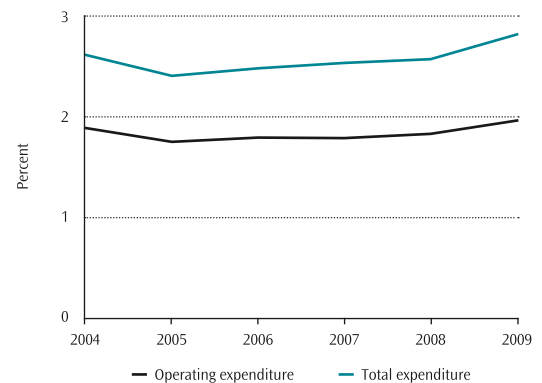
Total government expenditure and operating expenditure on tertiary education increased as a percentage of the size of the economy in 2008/09, although part of this increase was a result of a decrease in gross domestic product.

Government expenditure on tertiary education as a percentage of gross domestic product for the year ended June 2009:

Total expenditure	2.8%	(2.5% in 2008)
Operating expenditure	1.9%	(1.8% in 2008)

Note: For trend analysis purposes these figures exclude operating expenditure on student loans. In 2008/09, operating expenditure on student loans was \$1.3 billion.

Source: Ministry of Education, Ministry of Social Development, Inland Revenue, New Zealand Trade and Enterprise and Tertiary Education Commission.



EXPENDITURE BY COMPONENT

Figure 16.3: Government spending (June years) on tertiary education by component

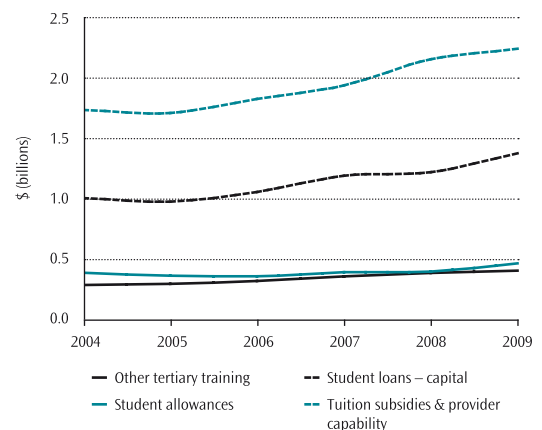
Government spending on tuition subsidies and provider capability increased in 2008/09 and is now substantially above the 2003/04 level. Capital spending on student loans increased in 2008/09, after remaining relatively stable in the previous two years. Student allowances spending rose in 2008/09, continuing an upward trend in this expenditure since 2005/06. Spending on other tertiary training was significantly higher in 2008/09 than in 2003/04.

Government expenditure on tertiary education by selected components for the year ended June 2009:

Tuition subsidies & provider capability	\$2,213 million	(up 4.0% on 2008)
Other tertiary training	\$ 384 million	(up 4.9% on 2008)
Student allowances	\$ 444 million	(up 15% on 2008)
Student loans (capital)	\$1,350 million	(up 12% on 2008)

Note: For trend analysis purposes, tuition subsidies & provider capability includes funding allocated to the Performance-Based Research Fund, community education and provider capability. Other tertiary training includes the Industry Training Fund, Modern Apprenticeships, Training Opportunities, Youth Training, Gateway, second chance education, English for migrants, literacy and numeracy in the workplace, and enterprise training.

Source: Ministry of Education, Ministry of Social Development, Inland Revenue, New Zealand Trade and Enterprise and Tertiary Education Commission.



1. All the figures quoted in these highlights are exclusive of goods and services tax, unless otherwise stated. Data for the colleges of education has been included with the universities' data.

EXPENDITURE ON INDUSTRY AND TARGETED TRAINING BY COMPONENT

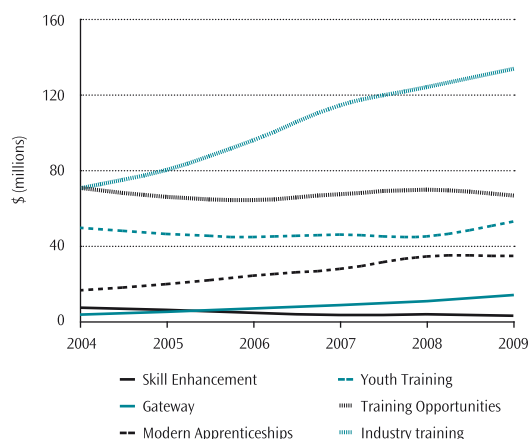
All main components of industry and targeted training increased in government expenditure in 2008/09, with the exception of Training Opportunities and Skill Enhancement. Government expenditure grew significantly in the areas of Gateway, Youth Training and industry training.

Government expenditure on industry and targeted training by selected components for the year ended June 2009:

Industry training	\$165 million	(up 7.6% on 2008)
Modern Apprenticeships	\$ 42 million	(up 0.9% on 2008)
Training Opportunities	\$ 82 million	(down 3.9% on 2008)
Youth Training	\$ 64 million	(up 16% on 2008)
Skill Enhancement	\$ 3.6 million	(down 13% on 2008)
Gateway	\$ 17 million	(up 27% on 2008)

Source: Ministry of Education and Tertiary Education Commission.

Figure 16.4: Government spending (June years) on industry and targeted training by component



GOVERNMENT-FUNDED PLACES

The number of government-funded student places increased slightly in 2008. Most sub-sectors exhibited a modest increase in funded places, with polytechnics and other tertiary education providers exhibiting a decrease.

Government-funded equivalent full-time students by sub-sector in 2008:

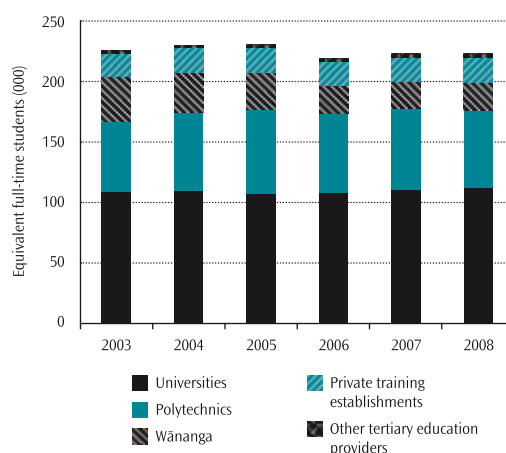
Total	222,968	(up 0.1% on 2007)
Universities	111,753	(up 1.3% on 2007)
Polytechnics	64,114	(down 4.6% on 2007)
Wānanga	23,009	(up 4.4% on 2007)
Private training establishments	20,821	(up 5.2% on 2007)
Other tertiary education providers	3,001	(down 7.2% on 2007)

Notes:

- For trend analysis purposes, funded places for community education have been excluded from this data, given that these ceased being funded via tuition subsidies in 2006.
- The 2008 funded equivalent full-time student units are estimates.

Source: Tertiary Education Commission.

Figure 16.5: Government-funded student places by sub-sector



TUITION SUBSIDIES

Total tuition subsidies increased in 2008, due to an increase in student-funded places and increases in funding rates. Polytechnics and other tertiary education providers reported a fall in tuition subsidies in 2008 as a result of a decrease in funded places.

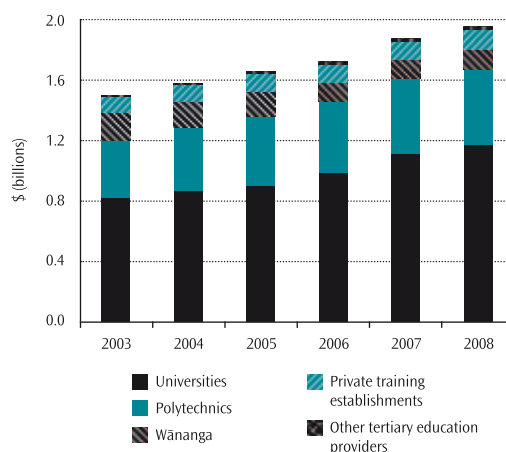
Tuition subsidies by sub-sector in 2008:

Total	\$1,953 million	(up 4.2% on 2007)
Universities	\$1,169 million	(up 5.7% on 2007)
Polytechnics	\$ 496 million	(down 0.4% on 2007)
Wānanga	\$ 135 million	(up 7.5% on 2007)
Private training establishments	\$ 131 million	(up 7.9% on 2007)
Other tertiary education providers	\$ 21 million	(down 3.1% on 2007)

Note: For trend analysis purposes, tuition subsidies include funding allocated through the Performance-Based Research Fund and tripartite funding. However, funding for community education places is excluded from the data series as it ceased being funded via tuition subsidies in 2006.

Source: Tertiary Education Commission.

Figure 16.6: Tuition subsidies by sub-sector



AVERAGE TUITION SUBSIDY

The average tuition subsidy continued to rise in 2008, due to increases in the base funding rates and a shift to enrolments in higher-cost categories.

Average tuition subsidies per equivalent full-time student in 2008:

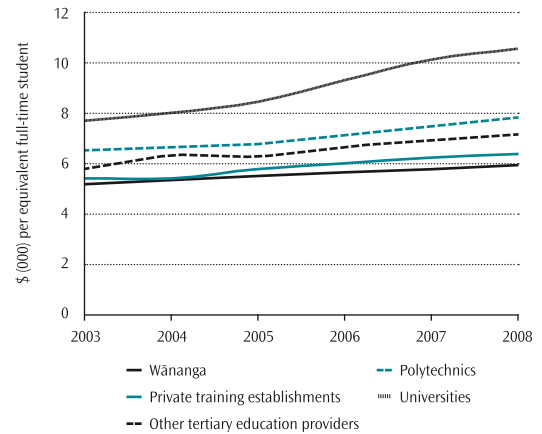
Total	\$ 8,769	(up 4.2% on 2007)
Universities	\$10,463	(up 4.3% on 2007)
Polytechnics	\$ 7,743	(up 4.4% on 2007)
Wānanga	\$ 5,859	(up 3.0% on 2007)
Private training establishments	\$ 6,300	(up 2.6% on 2007)
Other tertiary education providers	\$ 7,073	(up 4.5% on 2007)

Notes:

1. For trend analysis purposes, tuition subsidies include funding allocated through the Performance-Based Research Fund and tripartite funding. However, funding for community education places is excluded from the data series as it ceased being funded via tuition subsidies in 2006.
2. The 2008 funded equivalent full-time student units are estimates.

Source: Tertiary Education Commission.

Figure 16.7: Average tuition subsidy per student by sub-sector



GOVERNMENT-FUNDED PLACES BY CATEGORY

Figure 16.8: Government-funded places in tertiary education institutions by category

The proportion of government-funded places in low-cost categories in tertiary education institutions continued to fall in 2008.

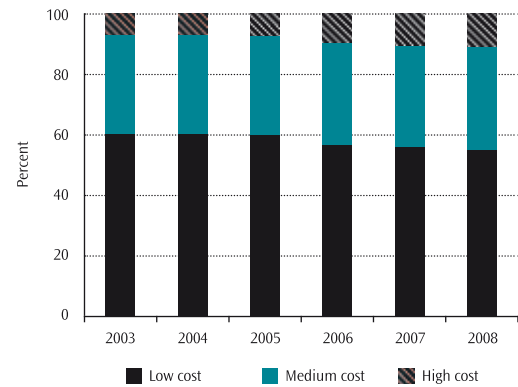
Government-funded equivalent full-time students in tertiary education institutions by category in 2008:

Low cost (A & J)	55%	(56% in 2007)
Medium cost (B, I, L & P)	34%	(34% in 2007)
High cost (C, G, H, M, N, O, Q, R, S, T & U)	11%	(10% in 2007)

Notes:

1. For trend analysis purposes, funded places for community education have been excluded from this data, given that these ceased being funded via tuition subsidies in 2006.
2. The 2008 funded equivalent full-time student units are estimates.

Source: Tertiary Education Commission.



GOVERNMENT-FUNDED PLACES BY LEVEL

Figure 16.9: Government-funded places in tertiary education institutions by level

The proportion of government-funded places at non-degree level in tertiary education institutions continued to fall in 2008.

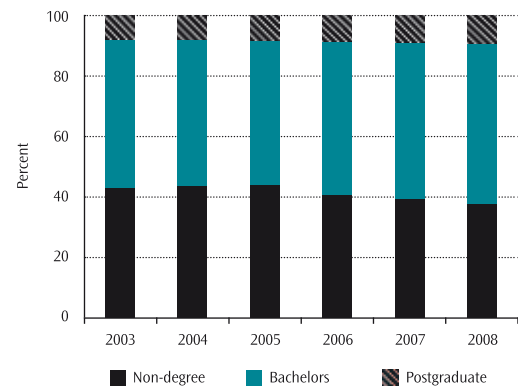
Government-funded equivalent full-time students in tertiary education institutions by level in 2008:

Non-degree	37%	(39% in 2007)
Bachelors	53%	(51% in 2007)
Postgraduate	9.4%	(9.3% in 2007)

Notes:

1. For trend analysis purposes, funded places for community education are excluded from this data, given that these ceased being funded via tuition subsidies in 2006.
2. The 2008 funded equivalent full-time student units are estimates.
3. Figures may not add to 100 percent due to rounding.

Source: Tertiary Education Commission.



DELIVERY AND FUNDING OF TERTIARY EDUCATION

Figure 16.10: Difference between the value of tertiary education delivered in 2008 and its funding through the student achievement component

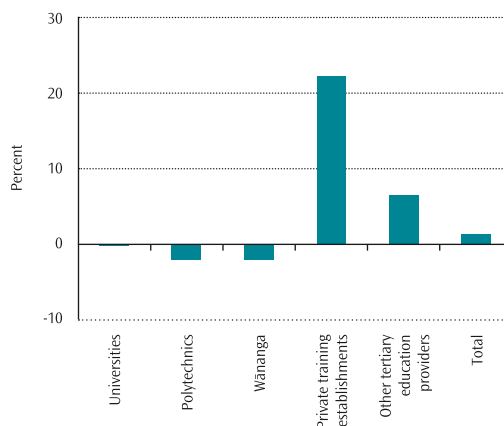
This indicator shows the value of the delivery of tertiary education provided compared with government funding received. A positive figure indicates that more education services were delivered than were funded by government and vice versa.

In 2008, there was a slight over-delivery of 1.6 percent overall. The largest over-delivery took place in private training establishments, which have a history of significant over-delivery. In universities, delivery and funding matched closely in 2008. At the polytechnics and wānanga some under-delivery took place in 2008.

Difference between the value of tertiary education delivered and its funding through the student achievement component in 2008:

Total	+ 1.4%
Universities	- 0.1%
Polytechnics	- 2.0%
Wānanga	- 2.1%
Private training establishments	+ 22.3%
Other tertiary education providers	+ 6.6%

Source: Tertiary Education Commission.



AVERAGE DOMESTIC FEES

Figure 16.11: Average domestic tuition fees in tertiary education institutions

The overall average domestic tuition fee for tertiary education institutions increased in 2008. The largest increase occurred in polytechnics, where a shift in the proportion of enrolments to higher-cost courses was a contributing factor to the scale of this increase.

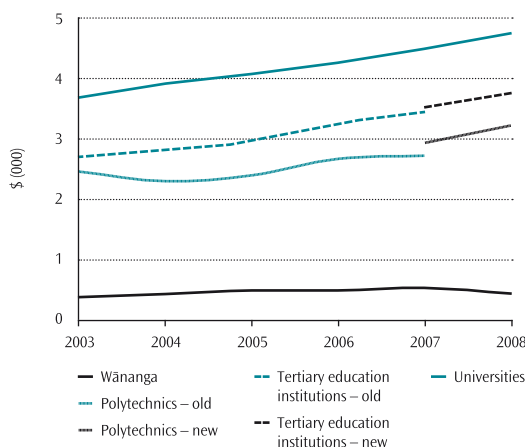
Average domestic tuition fees per equivalent full-time student in 2008:

Tertiary education institutions	\$3,723	(up 6.8% on 2007)
Universities	\$4,716	(up 5.8% on 2007)
Polytechnics	\$3,189	(up 10% on 2007)
Wānanga	\$ 414	(down 19% on 2007)

Notes:

- The tuition fees are inclusive of goods and services tax.
- Due to an accounting change at Nelson Marlborough Institute of Technology, there is a discontinuity in the tuition fees data for polytechnics and public tertiary education institutions in total in 2007.

Source: Ministry of Education and Tertiary Education Commission.



AFFORDABILITY OF TERTIARY EDUCATION

Figure 16.12: Ratio of the average domestic fee to average weekly income for employed persons

The affordability of tertiary education declined in 2008 as a result of average weekly income increasing at a slower rate than average tuition fees.

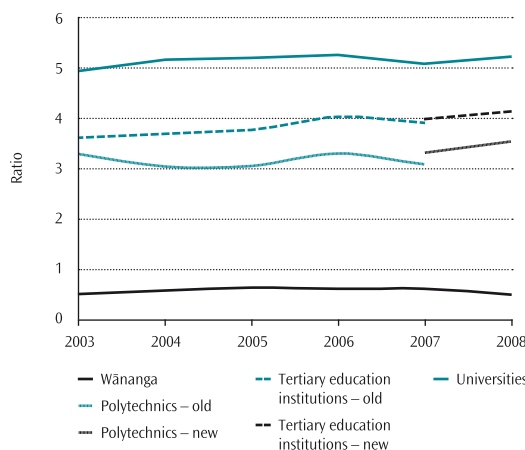
Average domestic tuition fees as a ratio of the average weekly income in 2008:

Tertiary education institutions	4.1	(up 3.7% on 2007)
Universities	5.2	(up 2.8% on 2007)
Polytechnics	3.5	(up 7.0% on 2007)
Wānanga	0.5	(down 21% on 2007)

Notes:

- The tuition fees are inclusive of goods and services tax.
- These ratios have been calculated using the average tuition fee per equivalent full-time student and the average weekly income of employed persons from the *New Zealand Income Survey*.
- Due to an accounting change at Nelson Marlborough Institute of Technology, there is a discontinuity in the tuition fees data for polytechnics and public tertiary education institutions in total in 2007.

Source: Ministry of Education, Tertiary Education Commission and Statistics New Zealand.



TOTAL REVENUE IN TERTIARY EDUCATION INSTITUTIONS

Figure 16.13: Total operating revenue per student in tertiary education institutions

Operating revenue per student increased for all sub-sectors in 2008, with the largest increase being exhibited by wānanga.

Average operating revenue per equivalent full-time student in 2008:

Tertiary education institutions	\$17,154	(up 7.4% on 2007)
Universities	\$21,970	(up 6.9% on 2007)
Polytechnics	\$12,144	(up 7.6% on 2007)
Wānanga	\$ 7,462	(up 8.0% on 2007)

Source: Ministry of Education and Tertiary Education Commission.

