



## Briefing Note: Breakdown of the costings for the \$50 increase to student support and fees-free tertiary education

<b>To:</b>	Hon Chris Hipkins, Minister of Education		
<b>Date:</b>	23 February 2018	<b>Priority:</b>	Medium
<b>Security Level:</b>	In Confidence	<b>METIS No:</b>	1108973
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<b>Messaging seen by Communications team:</b>	No	<b>Round robin:</b>	No

### Summary

- This note provides a breakdown of the costings for the \$50 weekly increase to student support and fees-free tertiary education, including the provision for any additional demand.
- The Government has set aside \$342 million in 2017/18 and \$2.57 billion over the five-year forecast period, for the fees-free and \$50 weekly increase to student support, including provision for any additional demand.
- This comprises of:
  - \$74 million in 2017/18, or \$713 million over the five-year forecast period, for the \$50 weekly increase to student support
  - \$254 million in 2017/18, or \$1.46 billion over the five-year forecast period, for fees-free tertiary education
  - \$13 million in 2017/18 and \$402 million over the five-year forecast period for any additional demand.
- Both the \$50 increase to student living support and the first year fees-free policies may increase participation in tertiary education. However, given the scale and unprecedented nature of the change, there is no way to attribute or apportion any increase to a particular policy.



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## Breakdown of the \$50 increase to student support and fees-free tertiary education

- The following tables show the operating and debt impact for the 100-day tertiary education commitments, split by the \$50 weekly increase to student support and fees-free tertiary education. Fees-free is split again to show provision for any additional demand.
- The full financial implications and appropriations are included in the Education Report: Final financial implications for the '100 days' tertiary education commitments (METIS 1094149 refers).

**Table A: Operating implications of tertiary 100-day commitments package**

Funding implications	2017/18	2018/19	2019/20	2020/21	2021/22 & Out-years	Total forecast period
<b>Total operating balance impact</b>	<b>341.582</b>	<b>469.383</b>	<b>535.185</b>	<b>597.219</b>	<b>628.051</b>	<b>2,571.420</b>
<b>This comprises of the:</b>						
<b>impact from \$50 increase</b>	74.182	157.302	158.804	160.128	162.300	712.716
<b>impact from fees-free (with growth)</b>	267.400	312.081	376.381	437.091	465.751	1,858.704
<i>impact from fees-free (without growth)</i>	<i>254.093</i>	<i>279.265</i>	<i>298.638</i>	<i>306.392</i>	<i>318.528</i>	<i>1,456.916</i>
<i>provision for additional growth</i>	<i>13.307</i>	<i>32.816</i>	<i>77.743</i>	<i>130.699</i>	<i>147.223</i>	<i>401.788</i>

**Table B: Debt implications of tertiary 100-day commitments package**

Funding implications	2017/18	2018/19	2019/20	2020/21	2021/22 & Out-years	Total forecast period
<b>Total debt impact</b>	<b>211.813</b>	<b>351.460</b>	<b>446.843</b>	<b>541.544</b>	<b>590.904</b>	<b>2,142.564</b>
<b>This comprises of the:</b>						
<b>impact from \$50 increase</b>	95.597	201.188	201.504	202.476	204.306	905.071
<b>impact from fees-free (with growth)</b>	116.216	150.272	245.339	339.068	386.598	1,237.493
<i>Total debt impact (without growth)</i>	<i>98.298</i>	<i>104.001</i>	<i>139.730</i>	<i>163.344</i>	<i>189.843</i>	<i>695.216</i>
<i>provision for additional growth</i>	<i>17.918</i>	<i>46.271</i>	<i>105.609</i>	<i>175.724</i>	<i>196.755</i>	<i>542.277</i>

\* The tables above include the financial impacts of administration, additional tuition subsidies, student loans and allowances, and the flow-on impacts to the benefit system (Jobseeker student hardship and Accommodation support).

- Officials are unable to forecast what demand changes may result as there is no precedent for changes of this scale; therefore the growth scenario used is a means of providing a fiscal buffer for growth in demand.
- The costings assume participation will hold steady from 2017 rather than decline as forecast, and will then increase against 2017 EFTS by 1% in 2020, representing a 3.8% growth against the EFTS forecast.
- These assumptions allow for a moderate increase against 2017 EFTS, and steadying after policy implementation. The Ministry will refine its forecasting methodology to identify fiscal pressures resulting from the policy changes to inform future Budget decisions.
- Both the \$50 increase to student living support and the first year fees-free policies may increase participation in tertiary education. However, there is no way to attribute or apportion any increase to a particular policy. For this reason we attributed the provision for increased participation to the fees-free initiative.

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