



2018 consultation on raising the Export Education Levy

Q&A

Additional information requested by the sector

This document contains additional information about the Export Education Levy requested by members of the sector during consultation. We are making the information available to everyone in the interest of transparency and fairness. The information has been prepared jointly by agencies.

This document is not a register of consultation feedback and does not capture all questions asked at consultation meetings. A summary of written and oral submissions will be made available after the consultation period ends on 15 October.

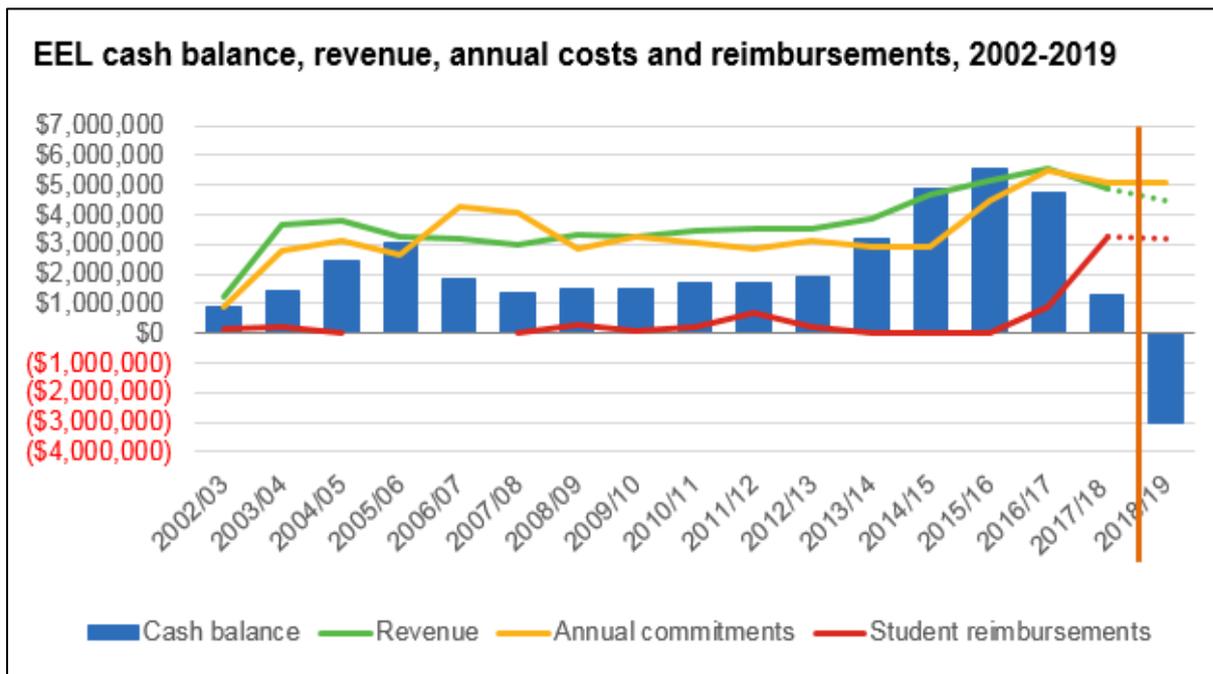
9 October 2018

Questions

Export Education Levy funding context

1. **Has the use of EEL funding grown over the years and to what extent is the funding used for its originally intended purposes?**

The Ministry of Education (the Ministry) set up the EEL in 2003 to fund development, promotion and quality assurance of the export education sector. Reimbursement of students and Crown agencies for direct expenses related to PTE closures was introduced in 2004. The movement of EEL revenue and expenditure over the years is shown in the figure below.



Additional non-reimbursement expenditure was added in 2016-17 when the EEL balance was high and expected to rise (consultation was held at that time, and the flat-fee of \$185 per provider was removed). All added spending was in line with the original purpose of the EEL. Expenditure on reimbursements has risen significantly.

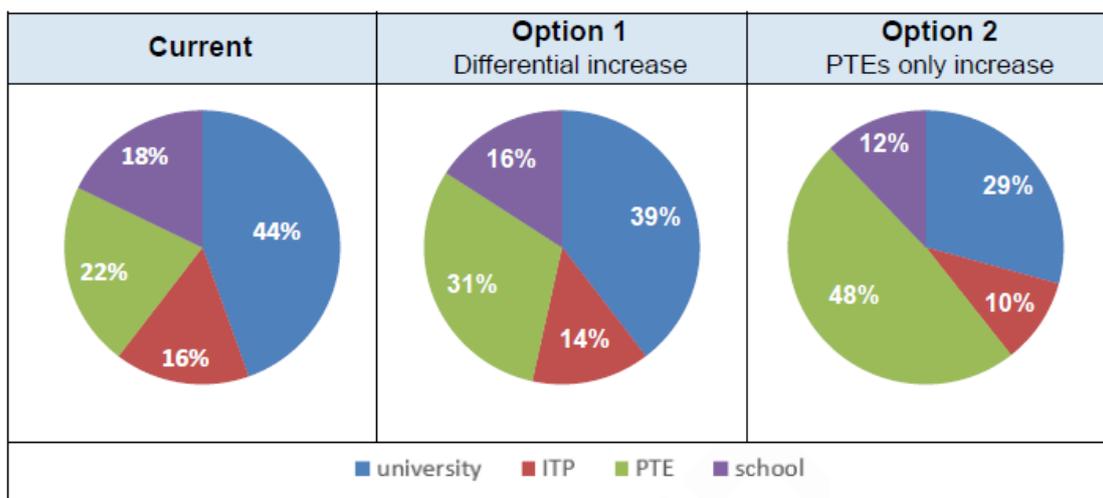
2. **Could we please see the modelling as to how PTE closures will impact the fund in the next 12-24 months? Shouldn't changes to Rule 18 [English language proficiency testing] and other changes make a difference and reduce the risk of closures?**

NZQA's estimate of closure-related EEL expenditure for the next two years, based in part on investigations already underway, is \$2.5 - \$4 million. Independent financial modelling was carried out on three broad scenarios for future revenue and expenditure (low risk, moderate risk, high risk). The rates in the proposed options were calculated based on a moderate scenario (the mid-point of the estimated range of closure-related costs).

NZQA expects that the current level of high reimbursements will not be permanent and will decrease over time. It has strengthened the regulatory requirements in relation to both providers and students and will continue its quality assurance activities. Regulatory activities underway suggest there may be a 'tail' of performance problems that will require active management over the next two years.

3. What percentage of the EEL is paid by the PTE sector?

The table below shows the percentage of the EEL paid by each sector currently (2017/18) and under each of the proposed options.



Reimbursements

4. What costs are covered by reimbursements?

Under the Education Act 1989 the Levy may be used, in the event of course closure at a PTE or private school, to:

- (a) reimburse an international student enrolled at a provider for tuition fees and any other payment made to the provider (if the provider has not already refunded the payments); and
- (b) with the Minister's approval, reimburse the Crown for any sum paid to any person to ensure reimbursement of the student for tuition fees and any other payment made to the provider (if the provider has not already refunded the payments); and
- (c) with the Minister's approval, reimburse the agency responsible for administration of the Levy, or any Crown entity, for
 - (i) any costs incurred by that agency or Crown entity in placing the student with an alternative provider; or
 - (ii) other costs incurred by that agency or Crown entity as a direct result of the PTE not providing the course of study or training;

No two closure events are the same. The parties involved, the actions required and how they are carried out, will vary with each closure. As such, there is no set list of costs that may be covered by reimbursements from the EEL.

Tuition fees and other course-related payments made to a provider may include (but are not limited to) examination fees, administration and registration fees, student services and course materials. Examples of reimbursements made to NZQA include for coordination of academic re-assessment, management of outstanding results or assessments, or English proficiency re-testing.

5. Can you please provide a dollar-breakdown on where the \$3.2 million of closure-related expenditure in 2017/18 went?

EEL reimbursements 2017/18 financial year	
Provider	Reimbursement costs
Aotearoa Tertiary Institute	\$4,932.17
Linguis	\$54,418.36
New Zealand National College	\$1,210,717.82
International College of New Zealand	\$869,586.90
Pacific Training Institute	\$31,954.57
Retail Business and Management College	\$125,368.27
Excellent International Education	\$917,464.63
Total	\$3,214,442.71

6. In relation to the \$3.2 million, more specifically:

- a. How much of this was to cover tuition fees at the institution in which the student was enrolled where there was a shortfall in money held in trust (under the fees protection scheme)?

Reimbursement of tuition fees accounts for approximately 78% of EEL payments in the 2017/18 financial year.

Please note the high EEL reimbursements do not result from mis-use of the Student Fee Protection mechanism. For more information on this, please see Q.8

- b. How much was to fund reassessments (i.e. to reassess students to check that they were deserving of their diploma)?

Less than 1%

- c. In the cases where students were moved to another school, how much was to pay tuition fees for a new or repeated programme where the students had been found to not meet the requirements of the qualification or courses they had been awarded?

Approximately 4.5% of the total cost to the EEL was to fund delivery of programmes at alternative providers so that students could complete their qualifications. Students who were unable to use their learning from the closed programme/provider to enrol in a new programme would have been refunded tuition fees.

- d. How much was for language testing?

Less than 1%

- e. How much was for other costs and what were they (e.g. transfer costs)?

Transfer costs (14.5%); student support (less than 1%), marking and verifying outstanding assessments (less than 1%).

7. Can you please provide a breakdown on where the \$1.2 million paid to New Zealand National College went?

A reimbursement of \$461,747.53 was paid to NZQA for transfer costs for 119 students affected by Level 5 and 6 business programmes who wished to continue their studies at NZQA's selected alternative provider.

Reimbursements totalling \$744,328.18 were paid to 163 Level 7 business students due to the infeasibility of transferring any valid credits gained and likely ineligibility to continue studying at Level 7.

A reimbursement of \$4,642.11 was paid to NZQA for two direct costs associated with the closure of NZNC: meeting with and supporting affected students, and marking the unmarked assessments to allow students enrolled in a 'university prep' course to continue their studies.

8. Does the EEL cover costs to a new provider in cases where the old provider does not cover these?

In most cases, if a student transfers to a new provider in an equivalent programme (in effect picking up where they left off with their previous provider) the Student Fee Protection fund will transfer to the new provider to cover the costs for the remainder of their programme (so long as the fees charged by the new provider are the same). The EEL may cover associated costs that any remaining Student Fee Protection balance is unable to cover fully.

In some cases where the programme of study is not transferrable or there are concerns about the quality of education received, students may be unable to resume their studies and therefore would have to commence the programme from the beginning. Students who cannot use the learning already completed will need reimbursement from the EEL to cover the portion of their fees used by the closed provider. This could be used to enrol in a new programme elsewhere (from the beginning) or to go home.

9. Why are EEL funds spent on reimbursements when student fees are supposed to be protected by Student Fee Protection?

NZQA's *Student Fee Protection Rules 2013* requires registered PTEs to protect student fees (domestic and international) by deposit on account (there is a range of acceptable types of accounts). NZQA monitors Student Fee Protection accounts and checks financial returns. The high EEL reimbursements do not result from mis-use of the Student Fee Protection mechanism. The problem arises when the education paid for has been delivered (so the money had been legitimately drawn down by the provider), but the education is of low quality and therefore doesn't have the value it should have.

If a course stops before its scheduled completion date, students are entitled to any fees remaining in their Student fee protection account, but that balance may be low if the closure occurs toward the end of the course. NZQA will refund any balance remaining in the Student Fee Protection account before using the EEL to reimburse the remainder to students.

10. Why is the EEL paying for reimbursements, when it is NZQA's responsibility to quality assure testing and assessments?

Quality provision underpins the International Education Strategy's aim of providing international students with an excellent education and overall experience while in New Zealand. The levy protects both international students and our international reputation in the

event of provider closures. Reimbursement of student fees minimises the impact of closures on students.

NZQA is responsible for quality assuring the non-university tertiary education sector, which includes reviews of assessment practice. Before enrolling students, PTEs must be registered by NZQA, a process which includes applying for “consent to assess” (see [Guidelines for private training establishment registration](#)). All operating PTEs will have demonstrated the ability to develop or access assessment resources related to the learning standards they offer during the registration process, and to moderate their assessment results to ensure the assessment process is fair.

Despite having consent to assess, some providers fail to carry out effective assessment of learning following registration. NZQA’s increased monitoring of programme delivery has led it to uncover poor assessment and moderation practice in some parts of the sector. In some cases, this has led to the closure of programmes or providers.

In all closure events, NZQA’s top priority is to protect students and ensure the integrity of their qualifications. For more information on NZQA’s role in a closure event, see <https://www.nzqa.govt.nz/providers-partners/approval-accreditation-and-registration/course-closures/>

11. Will most of this increase be used for student reimbursement? Or other things?

Yes, the increased EEL revenue will be used for closure-related reimbursements. The Minister has made the decision not to reduce the extra spending set in 2015/16. However, there is also no plan to increase spending in other areas.

Holding poor-quality providers responsible

12. What mechanisms or legal processes are there to hold providers (or their Directors or owners) responsible for failure and to recoup money from closed providers?

The 2018 changes to the PTE Registration Rule make it a requirement of registration that PTEs which continue to operate after a closure event (for example a programme closure) meet the costs of transferring and refunding affected students when necessary. NZQA may take statutory action against providers who do not comply with this Rule, and they may be deregistered. If they are deregistered, then this lever to hold them financially accountable is no longer applicable.

There is currently no legislative authority or lever to ensure that fully closed providers reimburse affected students or the government for the costs associated with the closure of a PTE. Some may be unable to do so due to financial insolvency.

NZQA strongly petitions closed PTEs which can make these reimbursements to do so. However, none of the government agencies involved, including the Ministry of Education, has the power to recover the costs of the reimbursements to students from the providers once they have been paid from the EEL, as the agencies do not have a direct legal relationship with the provider. The legal relationship is between the provider and the international student.

If the government did not step in and provide reimbursements from the EEL, students could in theory take a civil prosecution for breach of contract, eg under the Consumer Guarantees Act, against the Director or owner, but this isn’t efficient, effective, or realistic for students, particularly if they have left New Zealand.

Provider sector-specific questions

13. What impact do the proposed changes have on schools?

State schools and state-integrated schools have the EEL deducted from the International Student Levy, which will not increase in 2019, though it may be reviewed and raised in subsequent years. Private schools are directly invoiced for the EEL, and their rates will follow that for non-PTEs.

Further information

The presentation from the EEL consultation meetings is available on the Ministry of Education website (on the EEL consultation webpage [here](#)).

The *Export Education Levy Annual Report* for financial year 2017/18 will be available on the Ministry of Education website in November.



We **shape** an **education** system that delivers
equitable and **excellent outcomes**

He mea **tārai** e mātou te **mātauranga**
kia **rangatira** ai, kia **mana taurite** ai ōna **huanga**