

# The Treasury

## Budget 2013 Information Release

### Release Document

July 2013

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

## **Tertiary Education package for Budget 2013/Student Support package for Budget 2013**

**Responsible Person: Ben McBride**

**First Contact Person:** [3]

### **Purpose**

1. These papers provide an overview of the Tertiary Education and Student Support packages for Budget 2013 and seek agreement to the required policy changes.

### **Comment**

#### *Overall Package*

2. At the Budget Ministers meeting on Tuesday, Ministers discussed the Tertiary Education package and broadly agreed on the spending proposals but did not discuss specific saving initiatives that would lead to a balanced package.
3. In discussions to date, Ministers generally accepted savings proposed with the exception of two proposals which Ministers need to discuss further. These two initiatives are key to finalising the Budget package, namely:
  - a. [6]
  - b. Savings from changes to calculating the cost of lending in the student support scheme
4. The current overall package including all spending initiatives but not initiative a. above, as outlined in the two cabinet papers, would lead to operating funding gaps of \$3.313 million in 2015/16 and \$7.181 million in outyears with savings of \$31.759 million over the forecast period.
5. [6]
6. The current package includes savings from the changes to the calculation of the cost of lending in the Student Loan Scheme. Treasury does not agree with this treatment.
7. Ministers need to confirm how they wish to recognise the savings from Tertiary Education from changes to the calculation of the cost of lending in the student support scheme. The current package, without any baseline increases which recognise these savings, would lead to operating funding gaps of \$10.713 million in 2015/16 and \$7.981 million in outyears and would have total operating costs of \$70.241 million over the forecast period. Savings from the cost of lending need to be returned to the centre in order to the profile of the savings to cover the outyear shortfall.
8. Ministers need to decide whether to return savings to Vote Tertiary Education and the amount of savings. To achieve a balanced package, Ministers would need to agree to an increase in the baseline for Vote Tertiary Education from the operating allowance as outlined below, The following increase in baselines for Vote Tertiary Education would be necessary to achieve a balanced package:

<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>Total</b>
0.082	32.504	18.961	10.713	7.981	70.241

*Student Support package*

9. The paper also includes proposals to change the overseas-based borrower repayment regime including increases to repayment rates. Treasury is concerned that the proposals will not improve the sustainability of the Student Loan Scheme over the longer term.
  
10. The risk is that increasing the repayment rates will accelerate the rate of growth of the overall level of overseas-based borrower debt, as well as the amount that is in default. Officials from IRD have also stated that they do not expect the faster recovery of loans from compliant borrowers under this proposal to generate any savings in the short term. We recommend that you do not support the changes to the overseas-based borrower repayment Regime.

**Treasury Recommendation (Tertiary Education package for Budget 2013)**

11. We recommend that you **support** the recommendations in this paper

**Treasury Recommendation (Student Support package for Budget 2013)**

12. We recommend that you **support** the recommendations in this paper but **do not support** changes to the overseas-based borrower repayment regime.
  
13. We recommend that you **do not support** the recommendation in this paper to include the savings from changes to the calculation of the cost of lending in the Student Loan Scheme and **recognise** the savings from the changes to the calculation of the cost of lending in the Student Loan Scheme through the March Baseline Update.

*The following table goes into the Executive Summary of the paper*

Title	Pg	Recommend	Fiscal Implications (\$m GST excl.)					Treasury Comment
			12/13	13/14	14/15	15/16	16/17/ Out years	
Tertiary Education package for Budget 2013		<b>Support overall package</b>	<i>Operating</i>					Agree to overall package.
			0.000	29.683	30.046	29.939	29.960	
			<i>Capital</i>					
			0.000	0.000	0.000	0.000	0.000	
Student Support package for Budget 2013		<b>Support overall package and support Treasury's recommendations (see Treasury Comment)</b>	<i>Operating</i>					Agree to overall package.
			(41.818)	(31.079)	(29.085)	(26.626)	(22.779)	
			<i>Capital</i>					
			0.000	1.177	2.034	(2.743)	(7.904)	Do not support changes to the OBB repayment regime.