

The Treasury

Budget 2011 Information Release

Release Document

June 2011

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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Date: 28 March 2011

SH-4-6-0



THE TREASURY
Kaitohutohu Kaupapa Rawa

To: Minister of Finance

AIDE MEMOIRE: FISCAL ISSUES 29 MARCH - VOTE TERTIARY EDUCATION BUDGET 2011 DISCUSSION

Objective

We recommend that you discuss Minister Joyce's expenditure intentions and reach agreement around the level of savings from within Vote Tertiary Education which will be returned to the centre.

Key Messages

- The savings picture is relatively complete [2]
We recommend that you accept the savings initiatives in general (table 1 below highlights the savings initiative which we do not support).
- There is still an **open question about how much savings from within the Vote will be returned to the centre**. We recommend that you agree the level and type of savings which should be returned to the centre.
- We recommend that **unallocated savings should be returned to the centre**. [2]
- **The expenditure side is also clearer** although a number of initiatives warrant discussion, including increasing funding across the board for post-graduate and degree level courses, [2]

Summary of Hon Joyce's Vote Tertiary Total Package as of 28 March

[2]

Summary of Treasury Recommended Vote Tertiary Package as of 28 March

- Accept the savings as indicated in the second column of the table above.
- Discuss with Minister Joyce the options highlighted in table 2 below, [2]

[2]

[2]

Table 1: Savings Initiatives (highlight = initiatives for discussion)

Student Loans Savings	Opex/Capex	Treasury Comment
Restricting loan eligibility - overdue loan repayments of \$500; overdue by one or more years	[2]	Support
Broaden the definition of income for student loan repayment purposes*		Support – note that only excluding losses will be progressed from 2012. [2]
Restrict lending to older borrowers - restrict to fees for over 55s		Support
Changes to repayment holiday length and/or application*		Do not support – does not achieve improved repayments, increases debt and impairment levels and may reduce the likelihood of people returning to NZ.
Removal of course-related costs for part-time, full-year students		Support
Changes to repayment threshold for 2011/12 year (already agreed by Cabinet) and holding the repayment threshold until 2015*		Support
Extend exemption from 2-year stand-down for new permanent residents to sponsored family members of 'protected persons'		Support
Restricting loan access for aviation students		We accept there may be an issue with student loans being used to pay for flight time.
Other Savings		
Reduced Industry Training Fund from 2013 and removal of regulatory compliance training from 2012		Support
Estimated savings from Education (Freedom of Association) Amendment Bill		Support
Funding transferred from TEC policy advice to non-departmental Crown expenditure		Support
[2]		

[2]

Table 2: Expenditure Initiatives (highlight = initiatives for discussion)

	[2]	Comment
500 additional EFTS - PTEs		Support
Equalising the funding rate for postgraduate courses across subsectors		Support – although given other research funding streams, we are not necessarily convinced that additional postgraduate funding is necessary.
Funding for refugees' and migrants' ESOL		Support, although we are not confident that the costings are robust.
[2]		
Targeted tuition subsidy increases – 2% increase for degrees and postgraduate study	[2]	<p>Do not support – targeted and supports education at higher levels. However, it is unclear that this is necessary, [2]</p> <p>Alternative – this could be scaled, for example:</p> <ul style="list-style-type: none"> - 1.5% [2] - 1% [2]
[2]		
Earthquake recovery contingency - trades training	[2]	<p>Support contingency establishment – possible to scale to \$10 million operating.</p> <p>Unclear what is being purchased.</p>

[1]

Simon MacPherson, Manager, Workforce Attachment and Skills, [1]