

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
- [2] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [3] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
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- [6] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
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- [10] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
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Date: 1 April 2011

SH-4-6-0



THE TREASURY
Kaitohutohu Kaupapa Rawa

To: Minister of Finance

AIDE MEMOIRE: VOTE TERTIARY EDUCATION BUDGET PACKAGE CABINET PAPERS

Purpose

This aide memoire provides you with information ahead of Cabinet's consideration on Monday 4 April of two papers outlining the elements of the Vote Tertiary Education Cabinet paper:

- Student Loan Package for Budget 2011
- Tertiary Education Package for Budget 2011

Key Messages

- The package includes savings totalling over \$438.310 million operating and \$220.566 million capital over the forecast period. **We recommend that you accept the savings initiatives in general** (table 1 below highlights the savings initiative which we do not support – this initiative generates no savings therefore doesn't alter the savings figure).
- [2]

We understand that Minister Joyce intends to return these unallocated savings to the centre.

- You should note that the figures quoted above are nominal number. and do not The savings related to increasing student loan repayments are somewhat uncertain because they rely on increased future cash flows which may or may not actually occur as forecast. This argues for a conservative approach to relying on the savings as presented.
- Treasury supports most of this expenditure with the exception of several initiatives highlighted in the table below - including increasing funding across the board for post-graduate and degree level courses, [2]

Summary of Hon Joyce's Vote Tertiary Total Package

Total operating savings over the forecast period	\$438.310 million	[2]
Total capital savings over the forecast period	\$220.566 million	
Total savings	\$658.876 million	

Summary of Treasury Recommended Vote Tertiary Package as of 28 March

- Accept the savings as indicated in the second column of the table above.

[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	\$10.109 million / \$10.110 million	Support
Broaden the definition of income for student loan repayment purposes*	\$2.94 million / \$23 million	[2]
Restrict lending to older borrowers - restrict to fees for over 55s	\$38.051 million / \$8.315 million	Support
Changes to repayment holiday length and/or application	No savings	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	\$23.775 million / \$27.108 million	Support
Changes to repayment threshold for 2011/12 year (already agreed by Cabinet) and holding the repayment threshold until 2015*	\$202.202 million / \$101.428 million	Support
Extend exemption from 2-year stand-down for new permanent residents to sponsored family members of 'protected persons'	No savings, will marginally increase expenditure however the effect is negligible	Support
Restricting loan access for aviation students	\$27.858 million / \$16.107 million	We accept there may be an issue with student loans being used to pay for flight time.
Extend exemption from 2-year stand-down for new permanent residents to sponsored family members of 'protected persons'	\$0.062 million operating expenditure	Support
Require a contact person for all new loan applications	\$0.355 million operating expenditure	Support – will improve collections

Other Savings		
Reduced Industry Training Fund from 2013 and removal of regulatory compliance training from 2012	\$90.6 million operating	Support
Estimated savings from Education (Freedom of Association) Amendment Bill	\$28.909 million / \$33.998 million	Support
Funding transferred from TEC policy advice to non-departmental Crown expenditure	\$2.303 million operating	Support

[2]

Underspend from trade training and SAC in 2010/11 (subject to Cabinet agreement)	\$12 million operating	Support
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Table 2: Expenditure Initiatives (highlight = initiatives for discussion)

	Expenditure (over the forecast period)	Comment
750 additional EFTS - PTEs	[2]	Support but scale – this was previously 500 places. [2]
Equalising the funding rate for postgraduate courses across subsectors	\$11.410 million operating	Support – although given other research funding streams, we are not necessarily convinced that additional postgraduate funding is necessary.
Funding for refugees' and migrants' ESOL	\$17.5 million operating	Support, although we are not confident that the costings are robust.

[2]

Targeted tuition subsidy increases – 2% increase for degrees and postgraduate study	\$93.870 million operating	Do not support – given the fiscal position and recent government messaging around growth in public expenditure, this initiative should not be progressed. [2] Alternative – this could be scaled , for example: - 1% [2]
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[2]

Earthquake recovery contingency - trades training	\$41 million operating / \$6 million capital	Support contingency establishment – scale to \$11.4 million operating and \$2.6 million capital. Unclear that additional places are necessary [2]
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[1]

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