

## 2015-16 New Zealand Federal Budget Overview and Media Commentary

This document has the key points from the 2015-16 Budget and corresponding papers that concern higher education and related media commentary on the Budget.

A lot of the information is repeated across all the documents. In the interest of brevity, once an item has been introduced, I have attempted not to raise it again in later documents unless there's something new of interest included. Because an issue or proposed reform has not been addressed in the summary does not mean that it is not included in the document. Please see the complete document (which is hyperlinked at the beginning of each summary) for this.

### [2015-16 Federal Budget](#) (link to full Budget papers)

[Vote Tertiary Education](#) (link to the Education Portfolio papers)

The Government's total direct spend on tertiary education is approximately \$4.250 billion per year (this does not include additional expenditure from other portfolios and Votes including contestable research funding from Vote Science and Innovation).

Budget 2015 will allocate \$112.3 million of operating funding and \$1.0 million of capital funding for new initiatives in tertiary education over the next 4 years.

### [Vote Tertiary Education Budget Package](#)

Note: Numbers on the left and right may not add exactly due to rounding.

#### **Vote Tertiary Education spending initiatives**

<b>Tertiary Education Initiative</b>	<b>Description</b>
<b>Targeted Tuition Subsidy Increases for Science, Agriculture and Horticulture, Optometry, Pharmacy and Physiotherapy</b>  Operating funding <ul style="list-style-type: none"> <li>• 2015/16 \$12.250 million</li> <li>• 2016/17 \$24.500 million</li> <li>• 2017/18 \$24.500 million</li> <li>• 2018/19 \$24.500 million</li> </ul> Four Year Total \$85.750 million	The initiative delivers targeted tuition subsidy increases at degree level and above for: <ul style="list-style-type: none"> <li>• science – a 7.5% increase costing \$65.299 million</li> <li>• agriculture and horticulture – a 20% increase costing \$15.766 million</li> <li>• optometry and pharmacy – a 5% increase costing \$2.684 million</li> <li>• physiotherapy – a 7% increase costing \$2.001 million.</li> </ul> These increases will: <ul style="list-style-type: none"> <li>• bring government funding into closer alignment with relative costs of delivery</li> </ul>

## Tertiary Education Initiative

## Description

- invest in priority areas
- direct funding to research-based institutions
- contribute to the Government's Business Growth Agenda.

A report outlining an overview and the key results of the Ministry of Education's analysis of NZBT data is available at

<http://www.educationcounts.govt.nz/publications>

**Investing to Increase the Number of Engineering Graduates** This initiative takes a staged approach to lifting our engineering graduate numbers by investing in:

### Operating funding

- 2015/16 \$1.837 million
- 2016/17 \$2.692 million
- 2017/18 \$2.404 million
- 2018/19 \$4.447 million

- additional full-time places (50 from 2016, increasing to 300 by 2019)
- a public awareness campaign in 2016
- workforce challenge grants to encourage innovative ideas for supporting student success and transitions to work
- secondary-tertiary pathways programmes to prepare students and help them transition into engineering study.

Four Year Total \$11.380 million Debt impact costs

- 2015/16 \$0.050 million
- 2016/17 \$0.055 million
- 2017/18 \$0.181 million
- 2018/19 \$0.866 million

### Fully Fund Trainee Medical Intern Grants

This initiative provides sufficient funding for all forecast trainee medical intern grants. This is needed because more medical students are staying in study until the sixth year, and more international students are gaining residency and becoming eligible for trainee medical intern grants.

### Operating funding

- 2015/16 \$0.841 million
- 2016/17 \$1.676 million
- 2017/18 \$1.669 million
- 2018/19 \$1.714 million

Trainee medical intern grants are stipends paid to students while they intern in hospitals.

Four Year Total \$5.900 million

### Introduce Rate My Qualification

Rate My Qualification will support learners to make informed study and career decisions. It will help prospective tertiary students assess the likely value of available tertiary education options.

To be funded from within TEC baselines

Rate My Qualification is part of wider government work to improve the quality and accessibility of careers and study information to better support learners in making informed tertiary study choices.

## Vote Tertiary Education savings/reprioritisation initiatives

Tertiary Education Initiative	Description
<p><b>Transfer Unspent Tuition Funding from 2014/15</b></p> <p>Reprioritised funding</p> <ul style="list-style-type: none"> <li>2014/15 \$29.346 million</li> </ul> <p>Four Year Total \$29.346 million</p>	<p>The tertiary education package draws on \$29.346m of unspent funding from the 2014/15 financial year, to be transferred to 2015/16 (\$12.745 million) and 2016/17 (\$16.601 million).</p> <p>This unspent funding results from recoveries of funding from providers (in response to under-delivery and under-performance), and also small amounts of unallocated funding.</p>
<p><b>Using funding made available by reduced demand for tertiary education</b></p> <p>Reprioritised funding</p> <ul style="list-style-type: none"> <li>2016/17 \$10.000 million</li> <li>2017/18 \$20.000 million</li> <li>2018/19 \$20.000 million</li> </ul> <p>Four Year Total \$50.000 million</p>	<p>The tertiary education package draws on future baseline funding that would otherwise remain unused due to softening demand.</p> <p>A strong economy, and a reduction in the number of people aged 18-25 years after 2016, is reducing demand for provider-based tertiary education.</p> <p>The amount of future funding that is being used to fund Budget priorities represents a portion of the expected fall in demand for places, with plenty of funding left in the system to:</p> <ul style="list-style-type: none"> <li>fund providers that respond effectively and grow their domestic enrolments</li> <li>support the Government's updated BPS target to have 60% of 25-34 year olds with a qualification at level 4 or above by 2018.</li> </ul>
<p><b>Set funding for the Annual Maximum Fee Movement at 3% for 2016</b></p> <p>Operating savings</p> <ul style="list-style-type: none"> <li>2015/16 \$3.848 million</li> <li>2016/17 \$4.513 million</li> <li>2017/18 \$4.341 million</li> <li>2018/19 \$4.124 million</li> </ul> <p>Four Year Total \$16.826 million Debt Impact savings</p> <ul style="list-style-type: none"> <li>2015/16 <b>\$8.939</b> million</li> <li>2016/17 <b>\$11.150</b> million</li> <li>2017/18 <b>\$11.400</b> million</li> <li>2018/19 <b>\$11.482</b> million</li> </ul>	<p>An Annual Maximum Fee Movement (AMFM) of 3% is proposed for the 2016 calendar year, subject to consultation.</p> <p>The AMFM regulates the level to which tertiary education providers can increase their course fees for domestic students each year.</p> <p>In a lower-inflation environment, it is appropriate that students should not face course fee increases that are significantly more than increases in their other costs.</p> <p>Setting funding for the AMFM at 3% as part of Budget 2015 provides operating savings in the Student Loan Scheme.</p>

<b>Tertiary Education Initiative</b>	<b>Description</b>
<p><b>Maintain the student allowance parental income threshold</b></p> <p>Operating savings</p> <ul style="list-style-type: none"> <li>• 2015/16 \$0.055 million</li> <li>• 2016/17 \$0.839 million</li> <li>• 2017/18 \$3.265 million</li> <li>• 2018/19 \$4.973 million</li> </ul> <p>Four Year Total \$9.132 million Debt Impact costs</p> <ul style="list-style-type: none"> <li>• 2015/16 \$0.063 million</li> <li>• 2016/17 \$1.023 million</li> <li>• 2017/18 \$3.738 million</li> <li>• 2018/19 \$5.793 million</li> </ul>	<p>The parental income threshold determines eligibility for student allowances for students aged under 24 years based on their parents' incomes.</p> <p>It has been set at the current level (\$55,027.96) since 2012 and maintaining it at this level will generate savings and better target this assistance to those who will benefit most, in particular, students from low-income families.</p>

## [Budget Speech](#)

Budget 2015 increases the Government's investment in tertiary education, research and innovation, which are important drivers of economic growth.

The Budget provides up to \$25 million over three years to support the establishment of new, privately-led Regional Research Institutes, to support increased innovation in regional areas outside of Auckland, Wellington and Christchurch.

As announced previously, the Budget will also give an \$80 million boost over four years to R&D growth grants, which support innovative businesses by contributing 20 per cent of their R&D costs.

The additional funding announced in Budget 2015 will bring the Government's total investment in science and innovation to over \$1.5 billion in 2015/16.

The Budget also provides \$113 million over four years, mostly from reprioritised spending, for a number of tertiary education initiatives. These include increases in tuition rates for some science subjects, an increase in the number of engineering places, and a contingency to grow Māori and Pasifika Trades Training.

**[Budget 2015: Reining in of university fees 'paltry'](#)** by Nicholas Jones, New Zealand Herald

Tertiary Education, Skills and Employment Minister Steven Joyce announced yesterday as part of Budget 2015 that he would move to limit tertiary fee hikes.

New Zealand universities have in recent years increased domestic student fees by the maximum allowable 4 per cent. This has caused significant anger among some students, with the University of Auckland forced to lock down its annual fee setting meeting after violent protests.

Mr Joyce said next year the annual maximum fee movement would be 3 per cent, and be subject to public consultation next month.

Annual fees for a Bachelor of Arts at the University of Auckland are about \$6460. Assuming the maximum allowable increase, moving from 4 to 3 per cent would save a student about \$64.

NZUSA president Rory McCourt said that, given other rising expenses such as rents, this was a paltry amount.

"Fees will increase fractionally more slowly, but more students will clock up bigger debts, getting educations from institutions with less money to spend on quality."

The University of Auckland vice-chancellor Stuart McCutcheon has argued underfunding from the Government means institutions have no choice but to put fees up the maximum allowable amount.

However, Mr Joyce said Government funding to the university sector had grown by 20 per cent in the last six years, despite tough financial times in that period.

"When inflation is running at 0.1 per cent and is expected to be 1.8 per cent in the next year, allowing fees to go up by no more than 3 per cent is fair.

"It's important we strike a balance between maintaining the quality of tertiary education and affordability for students."

As part of the Government's child hardship Budget initiative, the student allowance rate for tertiary students with children will increase by \$25 a week. This is expected to benefit about 9000 families.

Mr Joyce said much of that funding would continue the Government's push to get more people studying the "stem" subjects - science, technology, engineering and mathematics. More than \$97 million over four years will be given to institutions to increase their intakes in science, agriculture, optometry, pharmacy and physiotherapy. Total spending on the tertiary sector will increase by 1.4 per cent in 2015/16 to \$3.06 billion.

**[Budget 2015: Students left in the doghouse](#)** – VUWSA, Voxy.co.nz

President of the Victoria University of Wellington Students' Association, Rick Zwaan, has described the budget as "a bleak one for students and the tertiary sector".

"While Joyce's pets receive the cream of the crop, students are expected to continue living on the scraps thrown under the table with a cut to spending on student allowances, and a measly increase to student loans."

"Joyce is claiming a \$113 million increase in spending but this is a misleading figure. It's \$113 million of money being 'reprioritised' to appear as increased spending."

"The 2015 budget released today has failed to address the \$1 billion drop, in real terms, of funding for tertiary education since 2009."

"Instead of fixing core university funding shortfalls, the minister has continued to focus on pet projects such as the \$25million for private regional research institutes".

"Joyce should leave his pet projects at home on his lifestyle block with Gemma the retradoodle and focus on addressing the serious shortfalls in tertiary funding and student support."

"Actual spending on student allowances has dropped again - from \$539m last year to \$520 this year - while students continue to struggle cover basic living expenses"

"It's time for Joyce to get out of the vegetable-garden-lifestyle-block mentality and address the longstanding shortages in funding in the tertiary education sector that are seriously harming New Zealand's students, and the education that all New Zealanders are entitled to received."

#### Key Facts:

\$113 million 'reprioritised' spending targeted at pet projects

\$520 million forecasted for 2015 for student allowances, down from 2014 actual of \$539 million

\$25 million over three years for privately-led research institutes with no increase for existing institutes

\$1 billion drop in real terms of overall tertiary sector funding since 2009

No increase in course related costs and no change in student loan scheme

[Universities a key part of the solution](#), Universities New Zealand press release.

Vice-Chancellors have welcomed today's Budget funding increase as further recognition that universities are key drivers of New Zealand's economic growth and social well-being.

Budget 2015 allocates an additional \$112.3 million over 4 years into the tertiary sector, with special emphasis on university science, engineering, agriculture and some health science courses. Much of this new investment is made possible by Government's decision to retain existing funding levels despite a demographic decline in the school leaver population. The Minister has proposed to review the annual maxima fee increase and Vice-Chancellors look forward to participating in the consultation process.

Professor Harlene Hayne, Chair of Universities New Zealand and Vice-Chancellor of the University of Otago, "All eight universities are well placed to support the government's dual goals of achieving sustainable, long-term economic growth through innovation, and of enhancing outcomes for young people, including Māori and Pasifika."

Universities directly account for about 1.5% of this country's GDP and are among the largest employers and creators of jobs in the regions where they are located. Similarly, education is New Zealand's fifth largest export earner and universities are responsible for a third of that market.

"We are delighted that Government continues to recognise that universities make a major economic contribution to this country and are key players in many initiatives to lift economic and social outcomes," says Professor Hayne.

"This investment enables universities to be part of the solution to achieve growth for all New Zealanders."