MINISTRY OF EDUCATION
TE TĀHUHU O TE MĀTAURANGA

Melanie Lorraine Petrowski
fyi-request-9447-96eca0ca@requests.fyi.org.nz

Dear Melanie

Thank you for your email of 22 January 2019 to the Ministry of Education requesting the following information:

- *"...copies of minutes of committee/board meetings leading up to this amendment decision, who attended these meetings, whose idea it was to reduce this allowance, who decided on the age of 40 (as opposed to 45, 47, or 50 years of age) and who voted on this change, if I may. And was there education (MOE) reports provided or any financial reporting given to those who made the changes before the amendments were made? And if so, may I have copies of these?"*

Your request has been considered under the Official Information Act 1982 (the Act).

We have interpreted your request as including advice to the Minister for Tertiary Skills and Employment, Cabinet papers, and Cabinet minutes relating to the decision to reduce student allowance limits to 120 weeks for those aged 40 years and older.

We have identified 10 documents in scope of your request. We are releasing these to you in full. A list of the documents with their date and title is attached to this response as **Appendix One**.

Thank you again for your email. You have the right to ask an Ombudsman to review this decision. You can do this by writing to info@ombudsman.parliament.nz or Office of the Ombudsman, PO Box 10152, Wellington 6143.

Yours sincerely

Andy Jackson
Acting Deputy Secretary
Graduate Achievement, Vocations and Careers

OIA: 1175275

Appendix One – Documents List

Document Number	Date	Type of Document	Title
1	22-Feb-13	Tertiary Education Report	Student allowances for mature students: further advice
2	26-Feb-13	Tertiary Education Report	Student allowances for mature students: further advice
3	12-Apr-13	Aide Memoire	Final decisions on student support and tertiary Budget 2013 packages
4	15-Apr-13	Cab Paper	Student support package for Budget 2013
5	12-Apr-13	RIS	RIS: Student support package for Budget 2013
6	8-Apr-13	CBC Minute of Decision	Student support package for Budget 2013
7	14-May-13	Cabinet Minute of Decision	Student Support Package for Budget 2013
8	15-Apr-13	Tertiary Education Report	Additional financial recommendation for student support Budget 2013 package
9	18-Apr-13	Aide Memoire	Reducing eligibility for student allowances for those 40 and over from 200 weeks to 120 weeks
10	24-Apr-13	Aide Memoire	Impact of Budget 2012 and 2013 student allowance initiatives on student allowance expenditure

MINISTRY OF EDUCATION
Te Tāhuhu o te Mātauranga

Tertiary Education Report: Student allowances for mature students: further advice

Date:	22 February 2013	**Priority:**	High
Security Level:	Budget Sensitive	**METIS No:**	752339

Action Sought

Addressee	Actions sought	Deadline
Minister for Tertiary Education, Skills and Employment	**note** further advice on possible student allowance directions **forward** this paper to the Minister for Social Development and her Associate Minister responsible for student allowance administration, Hon Chester Borrows.	26 February 2013

Enclosure: No	**Round Robin: No**

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Julie Keenan	Senior Policy Manager	463 8093	027 504 6210	✓
Penny Pender	Drafter	463 8032		

The following departments/agencies have seen this report:

☐ MBIE	☐ IR	☐ MoE	☐ Treasury	☐ MoH	☐ MSI	☐ MSD
☐ NZQA	☐ NZTE	☐ OAG	☐ Stats	☐ TEC	☐ TPK	☐ Other

Minister to Complete (please circle)	1 = very poor	2 = poor	3 = acceptable
	4 = good	5 = very good	
Minister's Office to Complete:	☐ Approved		☐ Declined
	☐ Noted		☐ Needs change
	☐ Seen		☐ Overtaken by Events
	☐ See Minister's Notes		☐ Withdrawn
Comments:			

Tertiary Group – TEP

Tertiary Education Report: Student allowances for mature students: further advice

Executive summary

This paper provides advice on the risks and benefits associated with reducing the student allowances lifetime entitlement from people over the age of 40, down to 80 weeks. This report provides analysis and initial estimates of the above option and considers how this might complement other options to target student allowances more closely based on age.

Budget 2013 decisions will be made in the context of changes needed to achieve Better Public Services targets, and before the impacts of Budget 2012 student allowance changes are seen. We therefore recommend an incremental approach, to improve alignment with government objectives.

We recommend you consider forwarding this paper to the Minister for Social Development and her Associate Minister, Hon Chester Borrows, who is responsible for student allowance administration.

Recommended actions

We recommend that the Minister for Tertiary Education, Skills and Employment:

1 **note** the advice on the implications of reducing the student allowances lifetime entitlement from people over the age of 40, down to 80 weeks

2 **indicate** which, if any, of the options officials should develop towards Budget 2013:

Options

Reduce eligibility for those aged over	Y/N	Reduce eligibility for those over (X) age by lowering the 200 week lifetime cap to	Y/N
40	Y/N	80 weeks	Y/N
45	Y/N	120 weeks	Y/N
50	Y/N	160 weeks	Y/N
55	Y/N		Y/N
60	Y/N		Y/N
65	Y/N		Y/N
AND/OR Remove eligibility from those aged over			
55			Y/N
65 (Recommended)			Y/N

3 **forward** this paper to the Minister for Social Development and her Associate Minister responsible for student allowance administration, Hon Chester Borrows.

YES/NO

Dr Andrea Schöllmann
Group Manager
Tertiary Education

Hon Steven Joyce
Minister for Tertiary Education, Skills and Employment
__ __/__ __/__ __

Tertiary Education Report: Student allowances for mature students: further advice

Purpose of report

1. This paper provides advice on the implications of reducing the student allowances lifetime entitlement from people over the age of 40, down to 80 weeks. It also provides analysis and initial estimates of the above option and considers how this might form part of a package of other options to target student allowances more closely based on age.

Background

2. On 15 February 2013 you were provided with advice on potential options for a student allowances package for Budget 2013 (METIS 743597). This advice contained options to target student allowances more closely based on age, and residential status, with variants provided on age limits and lifetime entitlements.
3. On 19 February officials provided you with indicative initial estimates on the option of reducing the student allowances lifetime entitlement from people over the age of 40, down to 80 weeks. Subsequent work suggests this remains a reasonable estimate. This option is likely to have the following indicative impact:

Indicative impact (annual)

Operating savings ($m)	**Offset operating costs ($m)**		**Overall savings ($m)**	**Numbers affected**
Student Allowances	Student Loans	Accommodation Supplement		
(12)	2	3	(7)	1,800

(NB: doesn't include grand-parenting costs or administration costs/savings)

4. Flow-on costings have not been developed further. Costing assumptions are yet to be confirmed by other agencies and implementation costs are not included. In addition, we estimate student loan capital costs will be around $2m per annum.
5. Other welfare flow-on costs (such as any to the unemployment benefit) have yet to be considered.
6. Transitional arrangements are yet to be considered, but may reduce savings in the short term. For example, you may wish to consider similar grandparenting arrangements for students with dependants for the first year (similar to those put in place for the changes to postgraduate eligibility). In 2011, over half of recipients (53.7%) aged over 40 had dependants.
7. Amendments to the Student Allowances Regulations 1998 would be required. We have not consulted in detail with StudyLink or Treasury at this stage.

Profile of allowance recipients over 40

8. Table 1 provides basic data about recipients over the age of 40. In 2012, there were 9,453 allowance recipients aged over 40 (around 10% of all recipients).
9. Of those over age 40, women are marginally over-represented at 56.3%. Women usually make up around 53 – 54% of overall allowance recipients. There are some peaks within age groups, between the ages of 50 and 54 women account for over 60%, but over age 65 the proportions reverse significantly (only 37% women).

Table 1 – Student allowance recipients (2012) over age 40 by age and gender

Age group and Gender	Recipients						Total
	40-44	**45-49**	**50-54**	**55-59**	**60-64**	**65+**	
Female	1,709	1,486	1,147	611	277	86	5,316 *(56.3%)*
Male	1,391	1,058	761	468	314	145	4,137 *(43.7%)*
TOTAL	3,100	2,544	1,908	1,079	591	231	9,453

10. Table 2 shows numbers of recipients by ethnicity, and residency. As outlined in previous advice (METIS 743597), Māori are over-represented among older allowance recipients. This reflects that Māori tend to study at later ages. Of recipients over age 40, Māori make up around 20% compared to around 10% of allowance recipients overall.

11. People of Asian ethnicity are also over-represented, making up 28.5% of recipients over age 40 (compared to around 20% of overall recipients). This increases with age; Asian recipients account for nearly 84% of recipients over age 65.

12. Among those over 40, Europeans are under-represented at 32% (generally make up 48% of overall allowance receipt).

Table 2 - Student allowance recipients over age 40 (2012 data) by age.

	Recipients						Total
Age	**40-44**	**45-49**	**50-54**	**55-59**	**60-64**	**65+**	
	*Ethnicity^*						
European	1,088	856	661	285	111	18	3,019
Maori	661	560	407	190	62	7	1,887
Pasifika	279	213	140	63	16	1	712
Asian	630	598	493	429	351	194	2,695
	Residency						
Permanent Residents	745	588	390	333	270	190	2,516
Citizens and Citizens by birth	2,321	1,933	1,510	738	319	39	6,860
Refugees	34	23	8	8	2	2	77

^Categories do not include multiple ethnicities or multiple provider types, e.g. those who listed as being both European and Maori or those studying at both a Polytechnic and a University. These groups made up small proportions of the total overall.

13. Table 3 shows numbers of recipients by provider type. Recipients aged over 40 account for around 44.1% of allowance recipients who attend wānanga. However, this only represents around 4.4% of total wānanga enrolments.

14. Allowance recipients over 40 at universities and colleges of education account for 3.9% of allowance recipients at these providers. Comparing this to overall enrolments (inclusive of international students), student allowance recipients aged over 40 account for approximately:

- 1.1% of university enrolments
- 2.9% of PTE enrolments
- 2.5% of polytechnic enrolments
- 4.4% of wānanga enrolments.

Table 3 - Student allowance recipients by age and provider (2011 data[1]).

	Age (2011 data)													
Provider type	**<18**	**18-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40-44**	**45-49**	**50-54**	**55-59**	**60-64**	**65+**	**OVER 40 (% of total at level X)**	**Total**
Uni	35	9,712	26,404	8,195	2,568	1,164	783	568	347	213	67	9	1987 (3.9%)	50,065
Schools	5	1,549	204	30	25	37	35	65	48	45	37	11	241 (11.5%)	2,091
Polytechnic	72	5,833	9,743	4,672	2,255	1,572	1,329	1,079	722	425	214	96	3865 (13.8%)	28,012
PTE&OTEP	45	3,001	5,006	2,800	1,313	880	705	574	368	261	176	135	2219 (14.5%)	15,264
wānanga	10	387	676	401	349	321	402	463	385	262	146	37	1695 (44.1%)	3,839
Grand Total	**167**	**20,482**	**42,033**	**16,098**	**6,510**	**3,974**	**3,254**	**2,749**	**1,870**	**1,206**	**640**	**288**	**10,007 (10%)**	**99,271**

15. Table 4 illustrates the age of recipients by level of study. The green column in table 4 shows total recipients over 40. Percentages represent those over 40 as a proportion of all recipients at each level.

Table 4 – student allowance recipients (2011 data) age by level of study (NB: postgraduates removed)

	Age by level of study													
level of study	<18	18-19	20-24	25-29	30-34	35-39	**40-44**	**45-49**	**50-54**	**55-59**	**60-64**	**65+**	Over 40 (as a % of all recipients)	**Total**
Levels 1 – 3 Certificates	63	3,273	3,743	1,827	992	738	756	720	471	370	233	125	2,675 (20%)	13,311
Level 4 Certificates	39	3,061	3,404	1,588	814	575	511	425	339	238	151	94	1,758 (15.6%)	11,239
Levels 5 – 7 Diplomas	18	2,273	4,533	2,383	1,096	775	608	462	317	177	79	22	1,665 (13%)	12,743
Level 7 Bachelor's degrees	38	9,517	25,696	7,683	2,769	1,468	1,079	884	564	280	96	12	2,915 (5.8%)	50,086
Non-formal	-	-	1	-	-	-	1	-	-	-	-	-	1 (50%)	2
Error[2]	5	1,611	373	109	65	64	63	90	65	58	53	28	357 (13.8%)	2,584
Grand Total	167	20,482	42,033	16,098	6,510	3,974	**3,254**	**2,749**	**1,870**	**1,206**	**640**	**288**	**10,007**	**99,271**

16. While recipients over age 40 appear in higher numbers at Bachelor's level (29.1% of recipients over age 40), they account for only 5.8% of all recipients at Bachelor's level. This is compared to levels 1 – 3 where those over 40 make up 20% of all recipients at this level.

17. However, counting all study levels below Bachelor's level shows that over 60% of recipients over age 40 are studying at sub-degree level.

Student allowance payments

18. The total amount of student allowance paid (including accommodation benefit) to recipients aged 40 and over in 2012 was $86.2m. It is estimated that reducing entitlement

[1] Tables in this paper use some data from the 2011 year and some from the 2012 year (some 2012 data is yet to become available).

[2] The majority of data errors are the result of level of study not being recorded for those at secondary schools.

for these people down to 80 weeks would produce annual savings of $7m (as outlined in paragraphs 3 – 5). This is largely because the majority of student allowance recipients only access the student allowance for around 80 weeks.

19. Table 5 demonstrates this. Over the age of 40, 80% of people are only using 80 weeks of allowance. Overall, 76.1% of people are only accessing 80 weeks of allowance. People between the ages of 20 and 29 tend to access the allowance for longer (around 30% of these people exceed 80 weeks). This is likely due to the cut off age for parental income testing at 24 (more students becoming eligible for an allowance when they turn 24).

20. Data for 2004 – 2012 shows the average number of weeks of allowance accessed across the allowance scheme is 56.7 weeks. For people aged over 40, the average is slightly lower at 51 weeks. Data from previous years indicates recipients studying at sub-degree level used on average 38.86 weeks compared to 73.24 weeks at degree level. Māori used an average of 40.10 weeks compared to 66.26 for Asian recipients and 57.19 for European recipients. Recipients with no dependants (55.88 weeks) had a higher average than those with dependents (48.74 weeks).

Table 5 – proportion of people accessing the student allowance for under 80 weeks, 120 weeks

Proportion of people accessing the student allowance for under X weeks															
	Aged <18	**Aged 18-19**	**Aged 20-24**	**Aged 25-29**	**Aged 30-34**	**Aged 35-39**	**Aged 40-44**	**Aged 45-49**	**Aged 50-54**	**Aged 55-59**	**Aged 60-64**	**Aged 65+**	**Overall**	**Aged <40**	**Aged 40+**
Under 80 weeks	100.0%	99.0%	71.0%	69.1%	81.2%	81.2%	82.0%	80.8%	79.3%	77.6%	76.7%	75.2%	76.1%	75.4%	80.0%
Under 120 weeks	100.0%	99.9%	87.4%	84.8%	93.3%	92.9%	93.5%	92.5%	91.3%	90.5%	89.8%	89.2%	89.6%	89.1%	92.0%

Options

21. This paper sets out a menu of options on the theme of limiting student allowances for mature students.

Reduce eligibility for those aged over	**Reduce eligibility for those over (X) age by lowering the 200 week lifetime cap to**
40 45 50 55 60 65	80 weeks 120 weeks 160 weeks
AND/OR Remove eligibility from those aged over	
55 65 (Recommended)	

22. Any option to reduce eligibility for people over a certain age could be combined with removing allowance eligibility completely from those aged over 65. This would create a tiered structure of reducing eligibility as people age. This tiered structure would be characterised by reduced eligibility in line with lifetime limits over certain ages, with eligibility entirely removed by the age of 65.

23. The main advantage of using lifetime limits to target student allowances is they are a simple means by which previous access can be measured. In the absence of creating a more complex and costly administrative system, it can be used as a rough proxy for existing qualifications, or at least the amount of prior education for which a person has already received government support for. Lifetime limits are also more flexible in

responding to people's individual study needs. Options in this category are likely to be perceived as fairer than blunt age limits on eligibility for this reason.

24. The 200 week limit provides approximately five years worth of student support (based on a 40 week year). Reducing the 200 week lifetime entitlement for people over a certain age, for example to 80 weeks (approximately two years of study) would reduce spending while still providing a pathway for people who may require upskilling to support themselves, or who missed out on foundation level education earlier in life.

25. 80 weeks would generally enable a person to complete up to 240 credits of study. This would enable people to undertake foundation level study or most certificates and diplomas (depending on their education needs). It would not be sufficient to cover degree level study. Students aged under 55 would be able to continue studying with student loan support.

26. A reduced lifetime limit put in place from a certain age would continue to enable people to add to their skills later in life to allow them to continue to participate in the labour force, which recognises some of the training needs of an aging workforce. It is consistent with refocusing of allowance on initial years of study; while it may have an impact on some second chance learners, it would pose less of a risk than a blunt removal of eligibility.

27. An option of this nature would reduce opportunities for misuse, but not completely eliminate any chance of the scheme being used as an alternative form of living support.

28. Removing eligibility based on age results in higher savings than options of reduced lifetime limits, but at higher risk to access to tertiary education. Those affected would still have access to tuition subsidies and interest-free student loans for course fees and living costs (for those under 55).

29. For that reason we recommend considering removing student allowance eligibility for those aged over 65. Below is a summary of costings for student allowance options based on age and lifetime limits previously provided to you.

Table 7: summary of costings previously provided

Option	**Total Savings - Allowance and UBSH (pa) (net)**	**People affected**	**TOTAL COSTS**	**GRAND TOTAL**
1a. Remove SA eligibility from those aged **65 and over**	($9.37m) total four years	310 pa	$1.53m total four years	($7.84m) total four years.
1b. Remove SA eligibility from those aged **55 and over**	($55.35m) total four years	1,773 pa	$16.05m total four years	($39.30m) total four years.
2a. Restrict SA eligibility from those aged 55 and over, by lowering the 200 week lifetime cap to **80** weeks	($10.60m) total four years	385 pa	$3.24m total four years	($7.35m) total four years.
2b. Restrict SA eligibility from those aged 55 and over, by lowering the 200 week lifetime cap to **120** weeks	($3.61m) total four years	155 pa	$1.8m total four years	($1.81m) total four years.

Risks

30. If an age band is chosen as a means of prioritising access to student allowances, the younger any age band is set the more risk is posed to government objectives about access to tertiary education. A number of people who may have substantially benefited from tertiary study (including those within target learner groups) may no longer have the support student allowances provide for access to tertiary education, although most will have continued access to student loans. This is less of a risk for reduced lifetime limits than it is for removing eligibility altogether.

31. The lower any potential age cut off is set the more this is likely to unduly affect certain groups (such as Māori who tend to study at a later age) and be seen to disadvantage parents, particularly Māori and Pasifika women who tend to have children at younger ages than European and Asian women.

32. Some of these impacts could increase the chances of a successful legal challenge under the New Zealand Bill of Rights Act 1990 (BoRA). Further detail on these risks was provided to you in METIS 743597.

Next steps

33. Initial indications are that further savings may be needed to balance Budget 2013, potentially including further student loan and allowance options (METIS 752343 refers to student loan options, METIS 743597 refers to allowances options).

34. All options in this paper would require an amendment to the Student Allowances Regulations 1998.

35. Further detail on costs, savings and implementation issues will form the next stage of advice once preferred options for Budget 2013 have been identified. Officials seek your feedback on which, if any, of the options in this paper to progress.

MINISTRY OF EDUCATION
Te Tāhuhu o te Mātauranga

Tertiary Education Report: Student allowances for mature students: update

Date:	26 February 2013	**Priority:**	High
Security Level:	Budget Sensitive	**METIS No:**	753449

Action Sought

Addressee	Actions sought	Deadline
Minister for Tertiary Education, Skills and Employment	**note** further advice on possible student allowance directions **forward** this paper to the Minister for Social Development and her Associate Minister responsible for student allowance administration, Hon Chester Borrows.	26 February 2013

Enclosure: No	**Round Robin: No**

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Julie Keenan	Senior Policy Manager	463 8093	027 504 6210	✓
Penny Pender	Drafter	463 8032		

The following departments/agencies have seen this report:

☐ MBIE	☐ IR	☐ MoE	☐ Treasury	☐ MoH	☐ MSI	☐ MSD
☐ NZQA	☐ NZTE	☐ OAG	☐ Stats	☐ TEC	☐ TPK	☐ Other

Minister to Complete (please circle)	1 = very poor	2 = poor	3 = acceptable
	4 = good	5 = very good	
Minister's Office to Complete:	☐ Approved		☐ Declined
	☐ Noted		☐ Needs change
	☐ Seen		☐ Overtaken by Events
	☐ See Minister's Notes		☐ Withdrawn
Comments:			

Tertiary Group – TEP

Tertiary Education Report: Student allowances for mature students: further advice

Executive summary

This paper provides advice on the risks and benefits associated with reducing the student allowances lifetime entitlement for people aged 35 and over, down to 80 weeks. This report provides analysis and initial estimates of the above option and considers how this might complement other options to target student allowances more closely based on age.

Budget 2013 decisions will be made in the context of changes needed to achieve Better Public Services targets, and before the impacts of Budget 2012 student allowance changes are seen. We therefore recommend an incremental approach, to improve alignment with government objectives.

We recommend you consider forwarding this paper to the Minister for Social Development and her Associate Minister, Hon Chester Borrows, who is responsible for student allowance administration.

Recommended actions

We recommend that the Minister for Tertiary Education, Skills and Employment:

1 **note** the advice on the implications of reducing the student allowances lifetime entitlement for people aged 35 and over, down to 80 weeks

2 **indicate** which, if any, of the options officials should develop towards Budget 2013:

Options

Reduce eligibility for those from age	Y/N	Reduce eligibility for those over (X) age by lowering the 200 week lifetime cap to	Y/N
35	Y/N	80 weeks	Y/N
40	Y/N	120 weeks	Y/N
45	Y/N	160 weeks	Y/N
50	Y/N		
55	Y/N		
60	Y/N		
65	Y/N		
AND/OR Remove eligibility from those aged over			
55			Y/N
65 (Recommended)			Y/N

3 **forward** this paper to the Minister for Social Development and her Associate Minister responsible for student allowance administration, Hon Chester Borrows.

YES/NO

Dr Andrea Schöllmann
Group Manager
Tertiary Education

Hon Steven Joyce
Minister for Tertiary Education, Skills and Employment
__ __/__ __/__ __

Tertiary Education Report: Student allowances for mature students: update

Purpose of report

1. This paper provides advice on the implications of reducing the student allowances lifetime entitlement for people aged 35 and over, down to 80 weeks. It also provides analysis and initial estimates of the above option and considers how this might form part of a package of other options to target student allowances more closely based on age.

Background

2. On 22 February 2013 you were provided with advice on the implications of reducing the student allowances lifetime entitlement for people aged 40 and over, down to 80 weeks (METIS 752339). This advice contained options to target student allowances more closely based on age, with variants provided on age limits and lifetime entitlements.
3. This paper contains a variant option, of reducing the student allowances lifetime entitlement for people aged 35 and over, down to 80 weeks. In addition, estimates previously provided to you on 22 February (targeting those aged 40 and over) have now been updated to reflect forecast volumes of enrolment for 2014-2017 and have shifted because of greater refinement in the costing methodology.
4. Initial estimates for both of these options are provided below and suggest the following indicative impact:

Indicative impact (annual)

Restrict SA entitlement to 80 weeks for those aged	**Operating savings ($m)**	**Offset operating costs ($m)**		**Overall savings ($m)**	**Numbers affected**	**SL Capital costs**
	Student Allowances	Student Loans	Accommodation Supplement			
35 and over	(15.8)	4.5	4.0	(7.3)	2,000	3.1
40 and over[1]	(11.9)	3.0	3.0	(5.9)	1,500	2.1

(NB: doesn't include grand-parenting costs or administration costs/savings)

5. These are indicative costings only. While the table shows figures to the nearest $100,000 (for comparative purposes), this does not indicate accuracy at this level. Flow-on costings require further refinement. Costing assumptions are yet to be confirmed by other agencies and implementation costs are not included.
6. Other welfare flow-on costs (such as any to the unemployment benefit) have yet to be considered but would likely decrease overall savings.
7. Transitional arrangements are yet to be considered, but may reduce savings in the short term. For example, you may wish to consider similar grandparenting arrangements for students with dependants for the first year (similar to those put in place for the changes to postgraduate eligibility).
8. People aged 35 and over are more likely to have dependants; in 2011, 9,386 recipients over age 30 had dependants (approximately 46% of recipients over 30 – and 53.7% of recipients over 40).
9. Amendments to the Student Allowances Regulations 1998 would be required. We have not consulted in detail with StudyLink or Treasury at this stage.

[1] estimates previously provided have shifted because of greater refinement in the costing methodology.

Profile of allowance recipients 35 and over

10. Table 1 provides basic data about recipients aged 35 and over. In 2012, there were 13,170 allowance recipients aged 35 and over (around 13% of all recipients).

11. Of those aged 35 and over, gender balance is approximately the same as for the scheme overall (women are represented at 53.8% and usually make up around 53 – 54% of overall allowance recipients.) There are some peaks within age groups, between the ages of 50 and 54 women account for over 60%, but over age 65 the proportions reverse significantly (only 37% women).

Table 1 – Student allowance recipients (2012) from age 35 by age and gender

Age group and Gender	Recipients							Total
	35-39	40-44	45-49	50-54	55-59	60-64	65+	
Female	1,775	1,709	1,486	1,147	611	277	86	7,091 *(53.8%)*
Male	1,942	1,391	1,058	761	468	314	145	6,079 *(46.2%)*
TOTAL	3,717	3,100	2,544	1,908	1,079	591	231	13,170

12. Table 2 shows numbers of recipients by ethnicity, and residency. As outlined in previous advice (METIS 743597), Māori are over-represented among older allowance recipients. This reflects that Māori tend to study at later ages. Of recipients aged 35 and over, Māori make up 19.5% compared to around 10% of allowance recipients overall.

13. People of Asian ethnicity are also over-represented, making up 24.7% of recipients aged 35 and over (compared to around 20% of overall recipients). This increases with age; Asian recipients account for nearly 84% of recipients over age 65.

14. Among those aged 35 and over, Europeans are under-represented at 34% (generally make up 48% of overall allowance receipt).

Table 2 - Student allowance recipients from age 35 (2012 data) by age.

	Recipients							Total
Age	35-39	40-44	45-49	50-54	55-59	60-64	65+	
*Ethnicity^*								
European	1,514	1,088	856	661	285	111	18	4,533
Maori	682	661	560	407	190	62	7	2,569
Pasifika	336	279	213	140	63	16	1	1,048
Asian	552	630	598	493	429	351	194	3,247
Residency								
Permanent Residents	785	745	588	390	333	270	190	3,301
Citizens and Citizens by birth	2,888	2,321	1,933	1,510	738	319	39	9,748
Refugees	44	34	23	8	8	2	2	121

^Categories do not include multiple ethnicities or multiple provider types, e.g. those who listed as being both European and Maori or those studying at both a Polytechnic and a University. These groups made up small proportions of the total overall.

15. Table 3 shows numbers of recipients by provider type. Recipients aged 35 and over account for around 52.5% of allowance recipients who attend wānanga. However, this only represents around 5.2% of total wānanga enrolments.

16. Allowance recipients aged 35 and over at universities account for 6.3% of allowance recipients at these providers. Comparing this to overall enrolments (inclusive of

international students), student allowance recipients (by provider) aged 35 and over account for approximately:

- 1.8% of university enrolments
- 4.1% of PTE enrolments
- 3.5% of polytechnic enrolments
- 5.2% of wānanga enrolments.

Table 3 - Student allowance recipients by age and provider (2011 data[2]).

	Age (2011 data)													
Provider type	**<18**	**18-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40-44**	**45-49**	**50-54**	**55-59**	**60-64**	**65+**	**35+ (% of total at level X)**	**Total**
Uni	35	9,712	26,404	8,195	2,568	1,164	783	568	347	213	67	9	3,151 (6.3%)	50,065
Schools	5	1,549	204	30	25	37	35	65	48	45	37	11	278 (13.3%)	2,091
Polytechnic	72	5,833	9,743	4,672	2,255	1,572	1,329	1,079	722	425	214	96	5,437 (19.4%)	28,012
PTE&OTEP	45	3,001	5,006	2,800	1,313	880	705	574	368	261	176	135	3,099 (20.3%)	15,264
wānanga	10	387	676	401	349	321	402	463	385	262	146	37	2,016 (52.5%)	3,839
Grand Total	**167**	**20,482**	**42,033**	**16,098**	**6,510**	**3,974**	**3,254**	**2,749**	**1,870**	**1,206**	**640**	**288**	**13,981 (14%)**	**99,271**

17. Table 4 illustrates the age of recipients by level of study. The green column in table 4 shows total recipients aged 35 and over. Percentages represent those 35 and over as a proportion of all recipients at each level. Grand totals in this table have been calculated including level 8, however level 8 includes some postgraduate diplomas and certificates that will no longer be eligible. In 2011 Levels 1 – 8 (including non-formal recipients and missing data) there were 95,506 student allowance recipients.

Table 4 – student allowance recipients (2011 data) age by level of study (NB: Masters and Doctorals removed)

	Age by level of study													
level of study	<18	18-19	20-24	25-29	30-34	**35-39**	**40-44**	**45-49**	**50-54**	**55-59**	**60-64**	**65+**	35+ (as a % of all recipients by level)	**Total**
Levels 1 – 3 Certificates	63	3,273	3,743	1,827	992	738	756	720	471	370	233	125	3,413 (25.6%)	13,311
Level 4 Certificates	39	3,061	3,404	1,588	814	575	511	425	339	238	151	94	2,333 (20.8%)	11,239
Levels 5 – 7 Diplomas	18	2,273	4,533	2,383	1,096	775	608	462	317	177	79	22	2,440 (19.1%)	12,743
Level 7 Bachelor's degrees	38	9,517	25,696	7,683	2,769	1,468	1,079	884	564	280	96	12	4,383 (8.8%)	50,086
Level 8 Honours/ Postgrad dips+certs)	4	745	3,277	958	240	110	86	52	36	27	5	1	317[3] (5.7%)	5,541
Non-formal	-	-	1	-	-	-	1	-	-	-	-	-	1 (50%)	2
Error[4]	5	1,611	373	109	65	64	63	90	65	58	53	28	421 (16.3%)	2,584
Total	167	20,480	41,027	14,548	5,976	**3,730**	**3,104**	**2,633**	**1,792**	**1,150**	**617**	**282**	**13,308 (14.4%)**	**95,506**

[2] Tables in this paper use some data from the 2011 year and some from the 2012 year (some 2012 data is yet to become available).

[3] Includes some postgraduate diplomas and certificates no longer eligible

[4] The majority of data errors are the result of level of study not being recorded for those at secondary schools.

18. While recipients aged 35 and over appear in higher numbers at Bachelor's level (32.9% of recipients aged 35 and over at levels 1 - 8), they account for only 8.8% of all recipients at Bachelor's level. This is compared to levels 1 – 3 where those aged 35 and over make up 25.6% of all recipients at this level.

19. Counting all study levels below Bachelor's level shows that 8,186 student allowance recipients were studying at sub-degree level. At levels 1 – 8 this represents around 8.5% of recipients and 62% of recipients over the age of 35.

Student allowance payments

20. The total amount of student allowance paid (including accommodation benefit) to recipients aged 35 and over in 2012 was $117.4m. It is estimated that reducing entitlement for these people down to 80 weeks would produce annual savings of $7.3m (as outlined in paragraphs 3 – 5). This is largely because the majority of student allowance recipients only access the student allowance for up to 80 weeks.

21. Table 5 demonstrates this. At ages 35 and over, around 80% of people are using less than 80 weeks of allowance. Overall, 76.1% of people are only accessing 80 weeks (or less) of allowance. People between the ages of 20 and 29 tend to access the allowance for longer (around 30% of these people exceed 80 weeks). This is likely due to the cut off age for parental income testing at 24 (more students becoming eligible for an allowance when they turn 24).

22. Data for 2004 – 2012 shows the average number of weeks of allowance accessed across the allowance scheme is 56.7 weeks. For people aged over 40, the average is slightly lower at 51 weeks. Data from previous years indicates recipients studying at sub-degree level used on average 38.86 weeks compared to 73.24 weeks at degree level. Māori used an average of 40.10 weeks compared to 66.26 for Asian recipients and 57.19 for European recipients. Recipients with no dependants (55.88 weeks) had a higher average than those with dependents (48.74 weeks).

Table 5 – proportion of people accessing the student allowance for under 80 weeks, 120 weeks

Proportion of people accessing the student allowance for under X weeks															
	Aged <18	**Aged 18-19**	**Aged 20-24**	**Aged 25-29**	**Aged 30-34**	**Aged 35-39**	**Aged 40-44**	**Aged 45-49**	**Aged 50-54**	**Aged 55-59**	**Aged 60-64**	**Aged 65+**	**Overall**	**Aged <40**	**Aged 40+**
Under 80 weeks	100.0%	99.0%	71.0%	69.1%	81.2%	81.2%	82.0%	80.8%	79.3%	77.6%	76.7%	75.2%	76.1%	75.4%	80.0%
Under 120 weeks	100.0%	99.9%	87.4%	84.8%	93.3%	92.9%	93.5%	92.5%	91.3%	90.5%	89.8%	89.2%	89.6%	89.1%	92.0%

Options

23. This paper sets out a menu of options on the theme of limiting student allowances for mature students.

Options

Reduce eligibility for those from age	Reduce eligibility for those over (X) age by lowering the 200 week lifetime cap to
35 40 45 50 55 60 65	80 weeks 120 weeks 160 weeks
AND/OR Remove eligibility from those aged over	
55 65 (Recommended)	

24. Any option to reduce eligibility for people over a certain age could be combined with removing allowance eligibility completely from those aged over 65. This would create a tiered structure of reducing eligibility as people age.

25. The main advantage of using lifetime limits to target student allowances is they are a simple means by which previous access can be measured. In the absence of creating a more complex and costly administrative system, it can be used as a rough proxy for existing qualifications, or at least the amount of prior education for which a person has already received government support. Lifetime limits are also more flexible in responding to people's individual study needs. Options in this category are likely to be perceived as fairer than blunt age limits on eligibility for this reason.

26. The current 200 week limit provides approximately five years worth of student support (based on a 40 week year). Reducing the 200 week lifetime entitlement for people over a certain age, for example to 80 weeks (approximately two years of study) would reduce spending while still providing a pathway for people who may require upskilling to support themselves, or who missed out on foundation level education earlier in life.

27. 80 weeks would generally enable a person to complete up to 240 credits of study. This would enable people to undertake foundation level study or most certificates and diplomas (depending on their education needs). It would not be sufficient to cover degree level study. Those affected would still have access to tuition subsidies and interest-free student loans for course fees and living costs (for those under 55).

28. A reduced lifetime limit put in place from a certain age would continue to enable people to add to their skills later in life to allow them to continue to participate in the labour force, which recognises some of the training needs of an aging workforce. It is consistent with refocusing of allowance on initial years of study; while it may have an impact on some second chance learners, it would pose less of a risk than a blunt removal of eligibility.

29. An option of this nature would reduce opportunities for misuse, but not completely eliminate any chance of the scheme being used as an alternative form of living support.

Over 65s

30. Removing eligibility based on age results in higher savings than options of reduced lifetime limits, but at higher risk to access to tertiary education.

31. We recommend considering removing student allowance eligibility for those aged over 65. In 2012 nearly 82.3% of student allowance recipients over age 65 were permanent residents (compared to 15% of overall recipients). Significant over-representation of permanent residents at older ages suggests some may be accessing the allowance as an alternative to other forms of living support (permanent residents are less likely to qualify

for New Zealand superannuation[5], and the allowances scheme does not have a work test as in the benefit system).

32. The benefits of providing this support are not well aligned to the objectives of the student allowances scheme. Study undertaken by these students is unlikely to have significant economic benefits for New Zealand, as these people are unlikely to enter the labour market. Social benefits (for example improving English-language skills) could be achieved through part-time study (not eligible for an allowance) or adult and community education.

33. New Zealand citizens who qualified for Superannuation would effectively not be at a disadvantage by removal of student allowances for people over age 65. This is because there is already a restriction on receiving the student allowance if in receipt of New Zealand Superannuation.

Impact of options

34. Below is a summary of costings for student allowance options based on age and lifetime limits previously provided to you. All options in this paper would require an amendment to the Student Allowances Regulations 1998.

Table 7: summary of costings previously provided

Option	**Total Savings - Allowance and UBSH (pa) (net)**	**People affected**	**TOTAL COSTS**	**GRAND TOTAL**
1a. Remove SA eligibility from those aged **65 and over**	($9.37m) total four years	310 pa	$1.53m total four years	($7.84m) total four years.
1b. Remove SA eligibility from those aged **55 and over**	($55.35m) total four years	1,773 pa	$16.05m total four years	($39.30m) total four years.
2a. Restrict SA eligibility from those aged 55 and over, by lowering the 200 week lifetime cap to **80** weeks	($10.60m) total four years	385 pa	$3.24m total four years	($7.35m) total four years.
2b. Restrict SA eligibility from those aged 55 and over, by lowering the 200 week lifetime cap to **120** weeks	($3.61m) total four years	155 pa	$1.8m total four years	($1.81m) total four years.

Options	**Student allowance savings ($m)**	**People affected**	**Student loan flow on**	**As flow on**	**Total (pa) (implementation costs TBC)**
Restrict SA eligibility from those aged **40** and over, by lowering the 200 week lifetime cap to **80** weeks[6]	(11.9)	1,500	3.0	3.0	(5.9)
Restrict SA eligibility from those aged **35** and over, by lowering the 200 week lifetime cap to **80** weeks	(15.8)	2,000	4.5	4.0	(7.3)

[5] To qualify for New Zealand Superannuation you must be 65 years or older and you must also have lived in New Zealand for at least 10 years since you turned 20. Five of those years must be since you turned 50.

[6] estimates previously provided have shifted because of greater refinement in the costing methodology.

Risks

35. If age is chosen as a means of prioritising access to student allowances, the younger any age limit is set the more risk is posed to government objectives about access to tertiary education. A number of people who may have substantially benefited from tertiary study (including those within target learner groups) may no longer have the support student allowances provide for access to tertiary education, although most will have continued access to student loans. This is less of a risk for reduced lifetime limits than it is for removing eligibility altogether.

36. The lower any potential age cut off is set the more this is likely to unduly affect certain groups (such as Māori who tend to study at a later age) and be seen to disadvantage parents, particularly Māori and Pasifika women who tend to have children at younger ages than European and Asian women.

37. People aged 35 and over are more likely to have dependants; in 2011, 9,386 recipients over age 30 had dependants (approximately 46% of recipients over 30 – and 53.7% of recipients over 40). For those affected students who support dependants, the amount which can be borrowed for living costs through the student loan scheme plus accommodation supplement may end up being less than the amount of student allowance plus accommodation benefit they can currently receive. This could have an additional impact on access objectives.

38. Some of these impacts could increase the chances of a successful legal challenge under the New Zealand Bill of Rights Act 1990 (BoRA). Further detail on these risks was provided to you in METIS 743597.

Next steps

39. Further detail on costs, savings and implementation issues will form the next stage of advice once preferred options for Budget 2013 have been identified. Officials seek your feedback on which, if any, of the options in this paper to progress.

40. Initial indications are that further savings may be needed to balance Budget 2013, potentially including further student loan and allowance options (METIS 752343 refers to student loan options, METIS 743597 refers to allowances options).

Document 3

Aide Memoire: *Tertiary education package for Budget 2013, Cabinet, 15 April 2013*

Date:	12 April 2013	**Priority:**	High
Security Level:	Budget Sensitive	**METIS No:**	768522
File Number	ED 30 44 00 2		

The attached aide memoire supports your discussion of the changes to the tertiary education package for Budget 2013 at Cabinet on Monday 15 April 2013.

Roger Smyth
Acting Group Manager, Tertiary Education
Ministry of Education

MINISTRY OF EDUCATION
Te Tāhuhu o te Mātauranga

Aide Memoire: *Tertiary education package for Budget 2013, Cabinet, 15 April 2013*

I am amending my tertiary package for Budget 2013, as recommended by Cabinet Business Committee to Cabinet on 2 April 2013.

The changes I am making to my tertiary package are as follows:

- Closing the existing difference between the current Student Achievement Component funding rates for private training establishments and tertiary education institutions ($28.7 million over four years).
- Including, as an option, a variant on the initiative to reduce student allowance entitlement for those aged 40 and over from 200 weeks to 80 weeks. The new variant will reduce entitlement to 120 weeks. This variant has not been costed in detail. However, it is likely to result in a marginal reduction of savings of as much as 60% for this initiative.
- Rolling forward the operating contingency 'Transitional Funding for Industry Training' to 2013/14. This will assist with a smooth transition to the reformed industry training system and the impact of the Industry Training Reboot (the contingency balance is $7.5 million).
- Rolling forward the capital contingency 'Development of Real-time Single Data Return System' to 2013/14. Planning and decision-making to achieve the full Tertiary Information Future State vision has taken longer than expected due to agency capability and capacity as well as the complexity and breadth of the programme (the contingency balance is $8 million).
- Minor technical changes, including:
  - removing the words 'in principle' from recommendation 11 in the overall tertiary paper, to reflect that the transfer from the industry training underspend to Māori and Paskifika Trades training will be a permanent change in the baseline
  - changing one word in recommendation 4 in the student support package, to reflect that the information-matching agreement will be established by 1 April 2014, rather than from 1 April 2014.

The paper also notes that the Vote Science and Innovation package for Budget 2013 includes $10 million per annum to scale up Education New Zealand's marketing and industry capability-building activities. The paper notes that $10 million per annum will be allocated from the operating allowance to Vote Tertiary for Education New Zealand's initiative.

Document 4

Budget Sensitive

Office of the Minister for Tertiary Education, Skills and Employment
Office of the Minister of Revenue

Cabinet

Student support package for Budget 2013

Proposal

1. This paper seeks Cabinet's agreement to changes to the Student Loan and Allowances Schemes for Budget 2013.

Executive summary

2. The tertiary education package for Budget 2013 aims to improve the contribution of tertiary education to economic growth by increasing the proportion of young people with higher level qualifications and by ensuring that New Zealand's skills base supports the needs of industry and encourages innovation. The student support initiatives outlined in this paper enable us to achieve our priorities through Budget 2013, as set out in the accompanying Cabinet paper *Tertiary Education Package for Budget 2013*. The student support initiatives will improve the value of the Government's expenditure on student support, and provide further savings to reprioritise to meet our wider tertiary education goals.

3. Our main priority for improving the performance of the Student Loan Scheme in this Budget is to improve repayments from overseas-based borrowers and to increase personal responsibility for debt repayment. Our emphasis is also on ensuring that the adjustments we make now will improve the value of the scheme in the future.

4. In addition to extending our Overseas-Based Borrower Initiative (OBBCI), for which funding is being sought from the Vote Revenue Budget package, we propose the following:

   a. Extending the current student loan and student allowances stand-down period for permanent residents (including Australians) from 2 years to 3 years from 1 January 2014 to increase our confidence that permanent residents will stay in New Zealand when they finish their study and repay their student loans.

   b. Putting in place an ongoing information-sharing agreement between Inland Revenue and Internal Affairs to obtain further contact details from overseas-based borrowers and liable parents when they renew or apply for their passport.

   c. Adjusting the overseas-based borrower repayment regime (from 1 April 2014 for the 2014/15 tax year and beyond) to improve the long term sustainability of the scheme by speeding up repayments of compliant overseas-based borrowers and ensuring they can make progress on their loans. We aim to achieve this by:

      - Introducing a fixed repayment obligation for overseas-based borrowers that is set at no less than their annual obligation from the time they become an overseas-based borrower. If the borrower is already overseas, their repayment obligation will remain at the rate they face at 1 April 2014.

- Adding higher repayment thresholds for overseas-based borrowers with larger student loans.

d. Making it an offence for a borrower to knowingly default on an overseas-based borrower repayment obligation so that an arrest warrant can be requested to prevent the most non-compliant borrowers from leaving the country from 1 July 2013.

5. As we continue to recover from the economic downturn, we propose to continue improving the value of student support spending in this Budget by targeting student allowances more tightly on the basis of returns to study and on initial years of study through:

e. Reducing student allowance entitlement for those aged 40 and over to a maximum of 80 weeks from 1 January 2014 (or variant of reducing entitlement for those aged 40 and over to a maximum of 120 weeks).

f. Removing student allowances eligibility for those aged 65[1] and over from 1 January 2014.

6. The student support package also includes the following initiatives:

- Changing the way the cost of lending is calculated in the Student Loan Scheme, by linking the calculation to prevailing interest rates. This initiative will bring the calculation into alignment with accounting standards. The savings that result from this change will begin in the 2012/13 financial year.
- Administrative funding to enable StudyLink to administer recent changes related to level 1 and 2 Student Achievement Component provision agreed to by Cabinet last year whereby a student undertaking fees-free study cannot access the fee component of a student loan and under 18 years old enrolled in fees-free places are ineligible to borrow through the Student Loan Scheme [CAB Min (12) 21/5A refers].

7. Amendments to the Student Loan Scheme Act 2011 are required for initiatives (c) and (d) above. Amendments to the District Court Rules 2009 are also needed for initiative (d). Amendments to the Student Allowances Regulations are required for initiatives (e) and (f) and for extending the student allowance stand-down for permanent residents in initiative (a).

8. The operating impact of the package for the 2013/14 to 2016/17 financial years is estimated to be a saving of $109.569 million. The debt impact over the same period is estimated to be a saving of $7.436 million.[2]

9. The major overall impacts of the package are that it:

- reduces the student loan write-down from 39.09 cents in the dollar to 34.92 cents in the dollar (which includes a reduction to 34.89 cents in the dollar from the student support package and an increase of 0.03 cents in the dollar from the tertiary education package)

[1] This would be linked to the age of eligibility for New Zealand Superannuation. This means that if the eligibility age of New Zealand Superannuation increases so too would the age at which student allowances eligibility is removed.
[2] This includes the option to reduce student allowance entitlement for those aged 40 and over from 200 weeks to 80 weeks. The 120 week variant is yet to be costed in detail but is likely to reduce the savings of this initiative by as much as 60%.

- reduces the repayment times for the almost 30,000 overseas-based student loan borrowers who have loan balances above $15,000, providing they comply with their obligations
- on average, removes student allowances eligibility for approximately 2,860 students a year and reduces the cost of student allowances by $61.807 million over four years (2013/14 to 2016/17).

Background

10. The student support system is designed to reduce financial barriers to participation in tertiary education. With the Government's commitment to providing near universal student loans and maintaining high levels of tertiary education participation, it is important that student support Budget policy changes continue to meet the objective of improving value for the Government, particularly during difficult economic times.

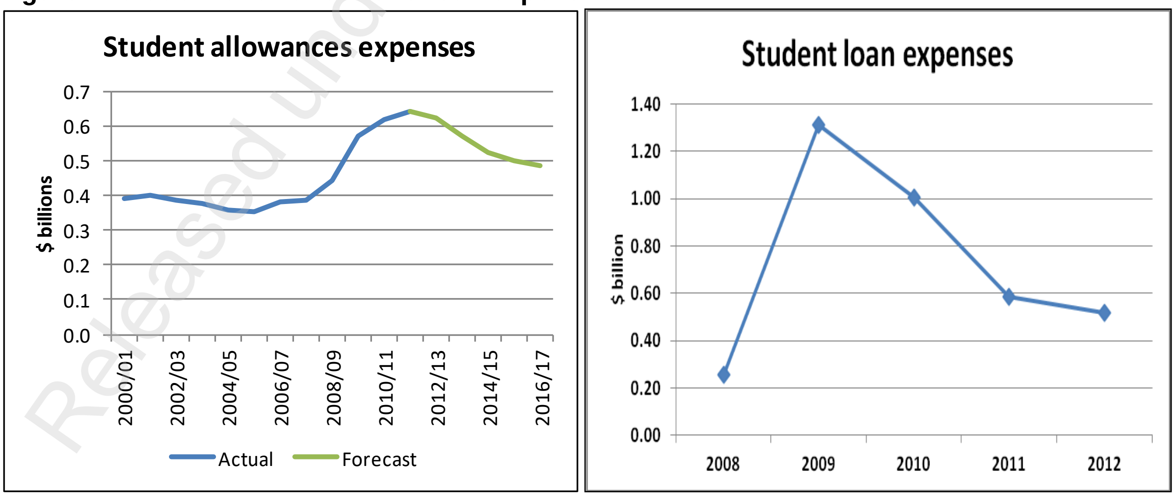
11. The Student Loan Scheme provides broad access to upfront finance with repayments to be met from future earnings. Loans involve a lower level of government subsidy than allowances, so they are a means of managing the trade-offs between access to study and affordability for Government.

12. Student allowances aim to address the financial barriers to study for low income groups. They assist people to enter tertiary education who have very little upfront cash or family resources, and who heavily discount the future benefits of qualifications. Student allowances also provide additional support for students with higher financial needs, for example those with dependants.

13. The Government spends a significant amount of money on student support each year. In 2011/12, the Government spent $2,255 million on tuition subsidies, students drew $1,586 million in new student loan lending, and the Government paid $649 million for student allowances. Tuition subsidies, student loans and student allowances combined have represented between 6% and 7% of core Crown expenditure in each year between 1994/5 and 2011/12.

14. The figure below shows the growth of student allowance expenditure since 2008 and the impact of the changes we have made to student loan policy, which has contributed to the decrease in student loan expenditure.

Figure 1: Student allowances and loan expenditure



15. OECD countries spend, on average, 20.5% of their public budgets for tertiary education on financial aid to students. New Zealand spends more than double this proportion

(43.1%), and is second behind the UK (54.2%) on the proportion of total public tertiary education expenditure that supports students.

Problem definition

Student allowances

16. Government expenditure on student allowances has increased significantly in recent years – from $385 million in 2007/08 to $649 million in 2011/12 (a 69% increase). The number of students receiving an allowance has also increased, particularly since 2009, due to policy changes implemented by the previous government (such as increases to the parental income threshold) and the effects of the recession, including higher tertiary enrolments due to increased unemployment.

17. Student allowances are not well targeted to those in most need. Policy changes to the parental income threshold mean that the original intent of allowances as a mechanism to support students from low income backgrounds has broadened to include middle income families.

18. In Budget 2012, we made changes to the Student Allowances Scheme to begin shifting the focus of support back to students from lower income backgrounds by freezing student allowances parental income thresholds. We also tightened the targeting of the scheme so that it centres more on students in their initial years of study by removing eligibility for postgraduate study and long programmes.

19. There is room to improve the targeting of student allowances particularly for students aged 24 and over. For students aged under 24, parental income testing provides a useful targeting mechanism. For more mature single students, however, there is no parallel test. Many New Zealanders for example, would be surprised to learn that people can access student allowances for up to five years throughout their adult lives.

Student Loan Scheme

20. Our analysis of the Student Loan Scheme has identified three broad types of borrower groups that represent low value lending:

    - Borrowers whose labour market returns are insufficient to make progress in repaying their loans (including borrowers under the repayment threshold, borrowers with large student loans who have poor labour market outcomes, and borrowers who use loans for non-educational purposes).
    - Borrowers who go overseas and do not repay (who may or may not have high incomes).
    - Borrowers who would still participate in tertiary education if the government subsidy on student loans was reduced (for example, while lending to this group may be high value, it may be unnecessary).

21. In addressing these areas, recent budgets have focused on:

    - encouraging educational performance and decision-making (e.g. introducing a performance element to the scheme and a 7 EFTS life-time limit)
    - restricting areas of high risk lending (e.g. not lending to those in default for $500 or more in a year)
    - shifting more of the costs of tertiary study to those who can afford to pay and who are more likely to receive higher levels of private return from their study (e.g. increasing the repayment rate from 10% to 12% and broadening the definition of income for loan repayment purposes)

- improving contact with overseas-based borrowers (e.g. data-matching between Inland Revenue and NZ Customs and requiring contact details from those wanting to take advantage of the repayment holiday while they are overseas).

22. Prior to Budget 2010, the cost of lending was 47.39 cents in the dollar. The cost of lending following Budget 2012 is 39.09 cents in the dollar.

23. The Government has also introduced the OBBCI to improve the level of repayments and overall compliance of defaulting borrowers. This began as a small pilot in October 2010 with a focus on borrowers in Australia, utilising private sector providers in a series of tracing and collection studies as well as online advertising. The pilot proved successful and achieved a return on investment of over $5 for every $1 spent within 9 months. The OBBCI has subsequently been scaled up and now also focuses on borrowers in the United Kingdom. Information-matching arrangements will be introduced between Inland Revenue and Customs to identify borrowers in serious default. Inland Revenue is also scoping the implementation of debt collection measures in Canada and the United States, further legal activity, and engagement with online payment intermediaries. The return on investment has now increased to over $10 for every dollar spent. Additional funding to continue the OBBCI is being sought through the Vote Revenue package.

24. Budget 2013 has assessed the scope for further improvements to the value of the loan scheme to make further changes that do not significantly compromise the scheme's access objectives.

Strategy for Budget 2013

25. In developing a student support package for Budget 2013, we have considered that:

    - the use of loans as a policy lever assumes that increased or more stable earnings should result from study, and that credit market failure is the main reason some people do not invest in study (i.e. people understand and are prepared to meet the costs of study, they just do not have the financial means to meet them)
    - tighter targeting of student allowances to those from low income families and to the initial years of study means that future policy changes to reduce the cost of the Student Loan Scheme need to retain relatively broad access to student loans.

26. Our focus, therefore, is to put in place initiatives that:

    - build on the success of the OBBCI programme in collecting repayments from overseas-based borrowers (now and into the future) and increasing their personal responsibility for debt repayment
    - further redistribute tertiary education costs according to the benefits of study by making changes to student allowances eligibility ahead of any further options for reducing eligibility for loans.

Budget 2013 package

27. The proposed Budget 2013 package aims to improve the value of student support spending in the following ways:

Improving repayments from overseas-based borrowers and increasing personal responsibility for debt repayment by: • extending the student loan and allowance stand-down period for permanent residents (including Australians) from 2 years to 3 years from 1 January 2014 • putting in place an ongoing information-sharing agreement between Inland Revenue and Internal Affairs to collect contact detail from passport applications • adjusting the overseas-based borrower repayment regime from 1 April 2014 for 2014/15 and beyond, by introducing: ○ a fixed repayment obligation for overseas-based borrowers that is set at no less than the borrower's annual obligation from the time they become an overseas-based borrower. If the borrower is already overseas, their repayment obligation will remain at the rate they face at 1 April 2014 ○ additional repayment thresholds for overseas-based borrowers • making it an offence for a borrower to knowingly default on an overseas-based borrower repayment obligation so that an arrest warrant can be requested to prevent the most non-compliant borrowers from leaving the country from 1 July 2013.

Targeting student allowances more tightly on the basis of returns to study and to initial years of study by: • reducing the student allowance life-time limit for those aged 40 and over from 200 weeks to 80 weeks from 1 January 2014 (variant: reducing entitlement for those aged 40 and over from 200 weeks to 120 weeks) • removing student allowances eligibility for those aged 65 years and over from 1 January

28. The student support package also includes the following initiatives:

- Changing the way the cost of lending is calculated in the Student Loan Scheme, by linking the calculation to prevailing interest rates. This initiative will bring the calculation into alignment with accounting standards. The savings that result from this change will begin in the 2012/13 financial year.
- Administrative funding to enable StudyLink to administer recent changes related to level 1 and 2 Student Achievement Component provision agreed to by Cabinet last year whereby a student undertaking fees-free study cannot access the fee component of a student loan and under 18 enrolled in fees-free places are ineligible to borrow through the Student Loan Scheme [CAB Min (12) 21/5A refers].

Improving repayments from overseas-based borrowers

29. Overseas-based borrowers have much lower repayment compliance and slower repayment times than New Zealand–based borrowers[3]. Under current valuation assumptions, if all overseas-based borrowers were compliant (still allowing for death and bankruptcy write-offs), the value of new lending would increase by 3 cents in the dollar.

[3] The higher domestic compliance is largely due to compulsory collection through the income tax system and sanctions which are more easily enforced when non-compliance occurs.

30. As at 30 June 2012, there were 701,232 borrower accounts held by Inland Revenue. Of these borrowers, 101,095 (14%) of these borrowers were overseas-based. However, these borrowers represented 58% of all borrowers with overdue payments (53,471) and had 80% of all overdue repayments ($409.7 million).

Table 1: Overdue student loan repayments at 30 June

Overdue Repayments	*2011 million*	*2012 $million*	*% change*
Borrowers based			
-in New Zealand	*$122.8*	*$102.6*	*-16.4%*
-overseas	*$288.9*	*$409.7*	*41.8%*
Total	***$411.7***	***$512.3***	***24.5%***
Number of borrowers			
-in New Zealand	*49,803*	*38,577*	*-22.5%*
-overseas	*50,264*	*53,471*	*6.4*
Total	***100,067***	***92,048***	***-8.0%***

Source: Student Loan Scheme Report, 2012

31. The number of overseas-based borrowers going into default continues to increase, with the amount in default held by borrowers overseas having risen to $423 million by 31 January 2013. The previous three-year repayment holiday acted to mask the extent of the problem of non-compliance of overseas-based borrowers.

32. The high level of default is primarily due to a significant portion of borrowers not meeting their obligations of keeping Inland Revenue up to date with their contact details and making payments. Evidence to date from the OBBCI reflects the importance of maintaining contact with overseas-based borrowers. Inland Revenue has had a 70% compliance rate among borrowers it has contacted as part of this initiative. Up until February 2013, the total cash collected from this initiative is $51.1 million and the costs of the programme are $5 million. This means we have achieved a return on our investment of $10.20 for every dollar spent.

Tightening student loan and allowances eligibility criteria for permanent residents

33. Ministry of Education research indicates that permanent residents and Australians are more likely to go overseas than New Zealand citizens and are less likely to return[4]. While non-citizens who remain in New Zealand after study represent good value investment and lending for the Government, those who go overseas are more likely to default on their student loans than borrowers who are New Zealand citizens. Our data shows that, as at 31 March 2011, of the proportion of overseas-based borrowers who were in default, 29.3% were Australian citizens, 14.5% were Chinese citizens and 12.6% were New Zealand citizens.

34. To increase our confidence that permanent residents will stay in New Zealand after study and make a contribution to our economy and society, we propose extending the student loan and student allowance stand-down period for permanent residents (including Australians) from 2 years to 3 years from 1 January 2014. This means that migrants will need to have lived in New Zealand for at least three years, be ordinarily resident in New Zealand, and have been entitled to reside indefinitely in New Zealand for at least three years before they can receive a student loan and/or student allowance.

35. We believe that this is a reasonable way of distinguishing which permanent residents intend to stay in New Zealand and which intend to leave. While this initiative places a restriction on access to student support, it does not treat permanent residents any differently from other students once they become eligible.

[4] Smyth, R and Spackman, D (2012) Going Abroad. Wellington: Ministry of Education.

36. We propose that a transitional arrangement be put in place in 2014 for permanent residents who would have been eligible for student support under the existing 2 year stand-down policy in 2014.

37. However, a consequence of this proposal is that it would move student support policy out of alignment with the benefit system and this is an issue that may be raised. However, tertiary study is a choice for individuals, one they will gain benefit from when they finish study, whereas people may be on the benefit system for reasons that are beyond their control.

38. This change will bring our practice into line with that in the United Kingdom, where there is a three-year stand-down for permanent residents. Stand-down requirements for permanent residents in other countries vary. For example, in Australia all students must be Australian citizens in order to access their loan scheme. The exception to this is South Australia, where permanent residents are required to reside in Australia while they are studying in order to remain eligible for a student loan. In Canada and the United States there is no stand-down requirement for student support for permanent residents.

Information sharing agreement between Inland Revenue and Internal Affairs

39. We are seeking Cabinet's approval in this paper to put in place an ongoing information sharing agreement between Inland Revenue and Internal Affairs. The aim of this agreement is to collect quality contact details for overseas-based borrowers to support the prevention and collection of student loan default. We also plan to use this information-sharing match to collect contact details for liable parents living overseas who have child support obligations.

40. The process does not require any substantial systems development or testing. Inland Revenue and Internal Affairs are working with the Office of the Privacy Commissioner to develop an appropriate sharing arrangement. An Order in Council under Part 9A of the Privacy Act 1993 will be required to approve the new information sharing agreement. This process will require public consultation with relevant sector groups.

Adjusting the overseas-based borrower repayment regime

41. Currently, there is a three-stepped repayment regime for overseas-based borrowers based on their loan balance, while those in New Zealand are income-contingent (see Table 2). Unless they are on a repayment holiday, overseas-based borrowers are required to make repayments every six months, in September and March. Interest is charged from the day the borrower leaves New Zealand.

Table 2: Current overseas-based borrower repayment obligations

Loan Balance	Amount due per year
<= $1,000	The whole balance
>$1,000 and <= $15,000	$1,000
>$15,000 and <= $30,000	$2,000
>$30,000	$3,000

42. The current overseas-based borrower regime aims to strike a balance between a borrower's ability to repay and timely repayment of student loans. For borrowers who are compliant with their student loan obligations, Inland Revenue currently automatically reduces their repayments based on their loan balance.

43. However, for about 14% of overseas-based borrowers (i.e. those who have a student loan balance over $50,847), the amount due per year will not exceed the interest charged on their loan. These 14,581 borrowers will continue to see their student loan balance increasing even if they are compliant.

44. We propose to make changes to the thresholds and repayment obligations of overseas-based borrowers to speed up repayments for compliant borrowers. These changes do not generate savings in the short term but will improve the sustainability of the Student Loan Scheme over the longer term. This regime has not been reviewed since they were set up in 2007. These changes would apply from 1 April 2014 for the 2014/15 tax year and beyond.

45. Our proposals are to:

a. add two additional steps to the current overseas-based repayment regime with larger amounts due per year as set out in Table 3. This would ensure that a larger proportion of compliant borrowers make payments that at least cover the interest on their student loans. The new policy will reduce the proportion of borrowers who would not cover their interest were they compliant with their obligations from 14% (potentially up to 14,581 borrowers) to 3.5% (potentially up to 3,758 borrowers).

Table 3: Proposed repayment obligations for overseas-based borrowers

Loan Balance	Amount due per year
<= $1,000	The whole balance
>$1,000 and <= $15,000	$1,000
>$15,000 and <= $30,000	$2,000
>$30,000 and <= $45,000	$3,000
>$45,000 and <= $60,000	$4,000
>$60,000	$5,000

b. introduce a fixed repayment obligation for overseas-based borrowers that is set at no less than their annual obligation from the time they become an overseas-based borrower. If they are already overseas, their repayment obligation will remain at the rate they face at 1 April 2014. This repayment obligation will remain until their loan is repaid. Commercial loans operate on the same basis.

46. Table 4 sets out a comparison of minimum and average wage rates between countries to provide an indication of the repayment obligation as a percentage of income. These percentages are calculated by dividing the actual repayment obligation by the total income of the borrower. The median loan balance of an overseas borrower is $19,300. Under the proposed regime, a borrower moving to Australia with a $20,000 loan balance and earning the minimum wage will face a repayment rate of 5.14%. If they are earning the Australian average wage then their repayment rate will drop to 2.88% as the income of the borrower would be higher. If the borrower were in New Zealand earning the equivalent of the Australian minimum wage, their effective repayment rate would be 6.11% (i.e.12 cents on every dollar earned over $19,084).

Table 4: Repayment as a percentage of income

Loan Balance	Australian minimum wage	Australian average wage	UK minimum wage	UK average wage
$20,000	5.14%	2.88%	8.55%	4.14%
$30,000	7.71%	4.32%	12.82%	6.22%
$45,000	10.28%	5.76%	17.09%	8.30%
$60,000	12.85%	7.2%	21.37%	10.37%
NZBB - same income	*6.11%*	*8.7%*	*2.21%*	*7.25%*

(Source: Inland Revenue)

47. The proposed regime would increase the repayment obligations for overseas borrowers in default (see paragraph 30 for current details of these borrowers) and therefore increase the amount of their default unless they start to comply. There may also be some previously compliant borrowers with balances greater than $45,000 who stop repaying or repay less than their obligation because of the higher rate. If the current compliance rate of overseas borrowers does not change, borrowers in default will owe

an additional $19 million by 2015 excluding any penalties that may be applied to overdue amounts if they continue to default.

48. We want to see greater equity between the obligations of those who stay in New Zealand and those who go overseas. While one short-term consequence of increasing the repayment obligations for overseas borrowers will be growth in the amount in default (because of late payment interest), it is not fair to relax obligations on non-compliant overseas based borrowers while New Zealand based borrowers pay off their loans – as occurred in the past with the amnesties on overseas borrowers. The purpose of the OBBCI is to manage the problem on non-compliance in an equitable way. That initiative is already making progress collecting from non-compliant borrowers. Eventually, we expect the OBBCI to start reducing the rate of growth of overseas-based borrower debt.

A sanction for the most non-compliant

49. In conjunction with adjusting the overseas-based borrower repayment regime, we are proposing to introduce a new sanction targeting the most non-compliant overseas-based borrowers. There are risks and costs associated with this initiative but on balance we consider that the sanction will be a well-targeted intervention and well placed in our overall package of measures designed to increase overseas-based borrower's responsibility for making student loan repayments.

50. Under the Child Support Act, Inland Revenue can request the District Court to issue an arrest warrant for a liable parent who is about to leave New Zealand with the intent to avoid their obligations. This power is supported by an information match with the New Zealand Customs Service which notifies Inland Revenue when serious defaulters return to New Zealand and what their contact details are. Inland Revenue will then contact the defaulter to negotiate repayment, and if the liable parent refuses to comply and is about to leave the country, a warrant for their arrest can be requested.

51. Introducing similar provisions to the Student Loan Scheme Act would send a clear message to all borrowers that non-compliance is unacceptable and that there are real consequences for ignoring repayment responsibilities. This is a targeted measure that could be applied to the worst cases of default while deterring the wider group of borrowers from not complying. This new sanction would be supported by a communications campaign to ensure that borrowers understood the potential consequences of non-compliance.

52. Amendments to the Student Loan Scheme Act would be made to make it a criminal offence to knowingly default on an overseas-based borrower repayment obligation. This is a necessary provision as an arrest warrant is usually only requested in connection with a suspected criminal offence. In the event of a successful conviction a fine of no more than $2,000 would be an appropriate penalty in line with other minor offences such as disorderly behaviour or wilful damage.

53. In practice the existing Child Support power is used very sparingly. Over the past four years, only 69 cases have been referred to the child support legal team to be considered for an arrest warrant application. This referral alone resulted in 44 of the referred liable parents making payments without a warrant being requested. Of the 25 remaining arrest warrant requests (one of which was declined by the Court), only 13 were executed as the other 12 liable parents came to an arrangement.

54. We believe very few defaulters would risk arrest for the sake of avoiding their obligations. While student loan obligations are a financial burden that some borrowers may wish to avoid, the factors that can motivate entrenched child support default (i.e. custody and marital disputes) are not present in a student loan context.

55. For the small number of borrowers who remain non-compliant once the arrest warrant has been issued, Inland Revenue would request information from airlines under section 17 of the Tax Administration Act to determine which flight a borrower is booked on. This information would be provided to Police stationed at the airport who would have to locate the defaulter before they boarded their flight. Police have advised that as this would have to be achieved without photos, often in large crowded areas, this could be difficult and time consuming.

56. Once the borrower is located at the airport Police would make a judgement as to whether to execute the arrest warrant or not. It is important for Police to use their discretion and the decision to make an arrest may have consequences for other passengers, the airline and airport security. It may not be appropriate, for example, to arrest a single adult accompanying a young child if adequate arrangements cannot be made for the child. If the borrower's bags have already been loaded then the consequences of delaying the flight would be taken into account. It is proper that Police make these decisions as they are in the best position to assess the potential impacts of an arrest.

57. This proposal may have the appearance of the Police acting as debt collection agents for Inland Revenue. If enacted it would be made clear that police would only act as independent officers of court and execution of these arrest warrants would remain at constabulary discretion.

58. This proposal would have cost implications for Courts and while the number of expected arrest warrant requests is low the exact number is unknown and the costs to Courts have not been estimated.

59. Legislative amendments would be required for this initiative. The sanction could apply from 1 July 2013 which would allow defaulting borrowers who had already made travel plans time to contact Inland Revenue and address their situation.

Targeting student allowances more tightly on the basis of returns to study and initial years of study

60. While there are social benefits of having an educated older population (e.g. working longer, volunteer work or community involvement), the return on the Government's investment in a person's tertiary education is much less if they only have a few years left in the workforce. This is evident in our analysis of the Student Loan Scheme which has identified high cost loans as being strongly associated with those being over 50, a non-New Zealand citizen, and studying below degree level.

61. In the Student Allowances Scheme, between the ages of 30 and 54, there is a steady proportion of approximately 22% permanent residents. However, at the age of 55, this increases steeply to 30.8%, 45.6% by age 60, and 82.3% by age 65. There are several reasons why permanent residents might be over-represented at older ages. For example, they could be accessing the allowance as an alternative to other forms of living support[5] or they could be pursuing studies and accessing opportunities not previously available to them.

62. This trend is mirrored by a significant variation among the proportion of Asian recipients which increases sharply at age 55 (rising from 25.8% of 50 – 54 year olds to 39.8%). By age 65, the Asian population is significantly over-represented in the Student Allowances Scheme, making up 84% of all recipients 65 years and over (compared to

[5] For example, to qualify for NZ Superannuation, a person must be 65 years or older and have lived in New Zealand for at least 10 years since they turned 20. Five of those years must be since they turned 50.

an average of 22.7%). There is also an increase in study at secondary schools, wānanga, and Private Training Establishments and a decrease in study at universities after age 55.

63. Study undertaken by these students is unlikely to have significant economic benefits for New Zealand, as these people are unlikely to enter the labour market. Social benefits (for example improving English language skills) could be achieved through part-time study (not eligible for an allowance) or adult and community education.

64. To target student allowances more tightly on the basis of returns to study and for initial years of study we are proposing to:

- reduce student allowance entitlement for those aged 40 and over from a maximum of 200 weeks to a maximum of 80 weeks from study starting on or after 1 January 2014 (or the variant of for those aged 40 and over to a maximum of 120 weeks)
- remove student allowance eligibility for those aged 65 and over (the age would be linked to the eligibility age for New Zealand Superannuation) for study starting from 1 January 2014.

65. Lifetime limits can be used as a rough proxy for existing qualifications, or the amount of prior education for which a person has already received support. Reducing entitlement for people aged 40 and over to a maximum of 80 weeks (or a variant of 120 weeks) would reduce spending on students who have already had the opportunity to gain an initial qualification while still providing a pathway for people who may require upskilling to support themselves. An 80 week entitlement would continue to support those who may have missed out on foundation level education. A maximum of 80 weeks would generally enable a person to complete 2 years of study including most foundation level study, certificates and diplomas.[6] The 120 week variant option would provide around 3 years' worth of allowance, which would support a person for the duration of most undergraduate Bachelor's degrees. Very few people currently use more than 120 weeks of allowance (approximately 8% of recipients aged 40 and over), as such, the savings under the 120 week variant may be up to 60% lower than the savings of the 80 week option.

66. These changes will create a tiered system of entitlement which decreases as people age. Younger students will receive 5 years of support to recognise they are unlikely to have had income of their own and to support students from low income families whose parental incomes are not enough to support them through study. Older learners will continue to receive 2 years of support (or 3 years under the 120 week variant) to allow them to retrain or upskill. Both options will ensure those who have not had the opportunity to gain foundation level qualifications will still have access to student allowance for study. For programmes of study that take longer to complete than the new reduced limit, students will have the interest-free student loan scheme available to them, including living costs (for people aged under 55).

Changes to the calculation of the cost of lending in the Student Loan Scheme

67. As part of the greater level of scrutiny of the loan scheme, we have reviewed some aspects of the accounting for loans. As a result we propose to shift the calculation of the cost of lending in the Student Loan Scheme to a 'year of lending' basis.

[6] Currently 10% of all student allowance recipients are aged 40 and over; of these 80% are using fewer than 80 weeks of allowance and 92% are using fewer than 120 weeks of allowance. In 2012 over 60% of recipients over age 40 were studying at sub-degree level (compared to only 37% of allowance recipients aged under 40).

68. The current approach to the calculation is a proxy for the true cost of the scheme and is not strictly correct in terms of the accounting standard. The cost of lending is set for each borrower in the scheme, taking account of the interest rate in the year the borrower first entered the scheme, even if the borrower draws from the scheme in subsequent years.

69. This borrower-based method has been used because:

- it is a good proxy for the true cost if interest rates are relatively stable. But the Treasury's long-term forecasts of interest rates have been much lower since 2011 than in previous years. This means that the borrower-based method is a poorer proxy now than it has been in the past.
- it was not possible to calculate the cost of lending in the correct way when the current accounting standards were first applied in 2006. Changes in the administration of student loans that took effect in 2012 have made it possible to account for the cost of Student Loan Scheme lending on a 'year of lending basis' which is more accurate and in line with accounting standards.

70. We therefore consider that it is timely to change the calculation of the cost of lending according to when the borrowing occurs. This is consistent with the accounting standard which assumes that the cost of each year's lending will take account of the interest rates that applied in the year of lending. It is a better reflection of the true cost and if we understate or overstate the cost of lending, this will distort decision-making in the tertiary education portfolio and lead to misallocation of resources. The new method does carry the risk of greater sensitivity to changes in interest rates, because changes will be reflected in the cost of lending on an annual basis, rather than being spread over a number of years.

71. Following consideration by ourselves and the Minister of Finance, we directed the Ministry of Education and Inland Revenue to work with accounting specialists and the scheme valuers and auditors on implementing the change. We intend to implement the new approach with effect from 1 January 2013.

72. The savings of this change have returned to the centre through the March Baseline Update which is consistent with how technical changes are treated in other areas. Further information on the treatment of these savings is set out in the accompanying paper *Tertiary Education Package for Budget 2013*.

Funding to put in place changes to loan eligibility for entry-level education

73. Last year Cabinet agreed to a range of changes to level 1 and 2 Student Achievement Component provision to improve the relevance and results of entry-level tertiary education [CAB Min (12) 21/5A refers]. These changes included making an increasing percentage of places fees-free (thereby removing access to the fee component of a student loan) and restricting students aged under 18 years of age enrolled in the fees-free provision from borrowing from any component of the Student Loan Scheme.

74. This policy change requires changes to StudyLink's system before they can be implemented and StudyLink advice is that it is unable to meet these costs out of its baseline. There are also ongoing operating costs for StudyLink to contact the provider or student when a person is studying toward a fees-free level 1 or 2 qualification and a higher level qualification at the same provider.

75. Joint Ministers have already agreed to make a contribution towards the cost of implementing these decisions in 2012/13. We, along with the Ministers of Finance and

Social Development, agreed to transfer $114,000 that was identified as savings from the He Toki initiative to StudyLink [METIS 713828 refers].

76. StudyLink requires an additional $0.792 million over the next 5 years ($0.522 million over the 2013/4 - 2016/17 Budget period) to deliver these policy changes.

Impact of the package

77. The main benefits and risks of our Budget 2013 proposals are set out in Appendix A. The risks and benefits have been identified in respect of:

- impacts on access to tertiary education
- likelihood of potential policy savings for reprioritisation
- fit with student support objectives and wider government objectives
- Human Rights Act and other legal implications
- public perception issues
- administrative complexity and cost.

78. Appendix A does not include analysis of the proposal to change how the cost of lending is calculated as this analysis is provided in the main body of this paper. This appendix also does not include analysis of changes to loan eligibility for entry-level tertiary education for which additional funding is sought. This policy was agreed to by Cabinet last year [CAB Min (12) 21/5A refers].

79. The major impacts of the package[7] as a whole are that it:

- reduces the student loan write-down from 39.09 cents in the dollar to 34.92 cents in the dollar (which includes a reduction to 34.89 cents in the dollar from the student support package and an increase of 0.03 cents in the dollar from the tertiary education package)
- reduces the repayment times for the almost 30,000 overseas-based student loan borrowers who have loan balances above $15,000, providing they comply with their obligations
- on average, removes student allowances eligibility for approximately 2,860 students a year and reduces the cost of student allowances by $61.807 million over four years (2013/14 to 2016/17).

Transition arrangements

80. We are putting in place generous transition arrangements for some of the policy changes we are making that will provide temporary support in 2014 for those who will be most immediately affected by them.

81. For the student allowance initiatives that reduce the lifetime limit to 80 weeks (or 120 weeks) for those aged 40 or over and remove eligibility for those aged 65 or over, those studying this year with a student allowance will be able to continue receiving an allowance.

82. Permanent residents who would have been eligible for student support under the current two year stand-down policy will be able to access student support at the date at which they would have become eligible. This policy takes full effect from 1 January 2015.

---

[7] This includes the option to reduce student allowance entitlement for those aged 40 and over from 200 weeks to 80 weeks. The 120 week variant is yet to be costed but is likely to reduce the savings of this initiative by as much as 60%.

Financial implications

83. The tables below set out current estimates of the financial implications of the changes to student support. These estimates incorporate the administration costs of the initiatives and benefit flow-ons.

84. These estimates take into account interaction effects of the policies but are still subject to further refinement.

Table 5: Indicative operating impact of the student support package

Initiatives	Operating impact ($ million)					
	2012/13	2013/14	2014/15	2015/16	2016/17 & out-years	4 year total (2013/14 to 2016/17)
3 year loans and allowances stand-down for permanent residents	-	0.380	(2.425)	(7.036)	(9.608)	**(18.689)**
Fixed repayment regime for overseas-based borrowers	-	1.601	-	-	-	**1.601**
Additional repayment thresholds for overseas-based borrowers	-	1.640	-	-	-	**1.640**
Border restrictions for overseas-based borrowers	-	0.600	-	-	-	**0.600**
Remove allowance eligibility for those aged 65 and over	-	(0.135)	(1.889)	(2.837)	(3.107)	**(7.968)**
Reduce allowances eligibility for those aged 40 and over to 80 wks (see paragraph 86)	-	(1.713)	(6.901)	(9.485)	(9.396)	**(27.495)**
Changes in the cost of lending[8]	(41.900)	(33.900)	(18.000)	(7.400)	(0.800)	**(60.100)**
Funding to deliver changes to loan eligibility for entry-level education	0.082	0.448	0.130	0.132	0.132	**0.842**
Total operating impact	**(41.818)**	**(31.079)**	**(29.085)**	**(26.626)**	**(22.779)**	**(109.569)**

85. The indicative four year (2013/14 to 2016/17) operating impact of the student support package is estimated to be a saving of $109.569 million.

86. The variant to reduce student allowance entitlement for those aged 40 and over from 200 weeks to 120 weeks has not been costed in detail. However, it is likely to result in a reduction of savings of as much as 60% for this student allowance initiative.

Table 6: Indicative debt impact of the student support package

Initiatives	Debt impact ($ million)					
	2012/13	2013/14	2014/15	2015/16	2016/17 & out-years	4 year total (2013/14 to 2016/17)
3 year student loans and allowances stand-down for permanent residents	-	0.000	(1.519)	(7.201)	(11.509)	**(20.229)**
Reduce allowances eligibility for those aged 40 and over to 80 wks	-	1.307	3.997	5.004	4.232	**14.540**
Remove allowance eligibility for those aged 65 and over	-	(0.130)	(0.444)	(0.546)	(0.627)	**(1.747)**
Total debt impact	**-**	**1.177**	**2.034**	**(2.743)**	**(7.904)**	**(7.436)**

[8] These savings will be returning to the centre through the March Baseline Update.

87. The indicative four year (2013/14 to 2016/17) debt impact of the student support package is estimated to be a saving of $7.436 million.

Administrative implications of the student support package

88. The proposals will have administrative implications for the Ministry of Social Development (StudyLink) and Inland Revenue.

Inland Revenue costs

89. Inland Revenue has requested permanent funding for the Overseas-based Borrower Initiative (OBBCI) as part of Vote Revenue for Budget 2013. The OBBCI has seen large initial success, the initiative has had a rate of return of over $10 for every dollar. There are still a number of additional OBBCI initiatives that have yet to be fully implemented, such as the tracing and collection by private sector agencies in Australia and the United Kingdom and the information match with the Department of Internal Affairs. To ensure the OBBCI meets its objective of bringing overseas borrower debt under control the initiative needs to be fully implemented and continue for some time beyond its current funding.

90. If this permanent funding for the OBBCI is approved, Inland Revenue will not request any further funding for the information sharing agreement with DIA or to implement border restrictions (excluding a communications strategy).

91. The initiatives have been costed on a marginal basis according to Inland Revenue's initial assessment of implementing this solution. The indicative administrative costs are dependent on the proposal development and final decisions on the legislation. Inland Revenue is managing significant fiscal and resource pressures over the short to medium term against a backdrop of increasing customer expectations, a comprehensive legislative change programme and our proposed transformational agenda.

92. Additional funding will be sought for:

- the costs of a communication strategy that we recommend as essential to the effectiveness of border restrictions
- adjusting the overseas-based borrower repayment regime from 1 April 2014 for 2014/15 and beyond, by introducing a fixed repayment obligation and additional repayment thresholds for overseas-based borrowers, and associated communications costs to inform borrowers of these changes.

93. The total funding request is $3.841 million for the 2013/14 fiscal year. Inland Revenue will absorb the costs of $0.336 million incurred in the 2012/13 fiscal year for these policies as well as the continued costs of delivering for the fiscal years 2014/15 onwards.

94. The indicative administration costs implications on Inland Revenue are shown in the following table.

Table 7: Indicative administrative costs for Inland Revenue

Initiative	Operating impact ($ million)					
	2012/13	2013/14	2014/15	2015/16	2016/17 & out-years	4 Year Total
Additional repayment thresholds for overseas-based borrowers	0	1.640	0	0	0	**1.640**
Fixed repayment regime for overseas-based borrowers	0	1.601	0	0	0	**1.601**
Border restrictions for overseas-based borrowers	0	0.600	0	0	0	**0.600**
Total costs	**0**	**3.841**	**0**	**0**	**0**	**3.841**

<u>Inland Revenue comment</u>

95. Staff resources have been anticipated for the delivery of the Budget 2013 initiatives that Inland Revenue will implement. Those resources will be applied to the wider tax policy initiatives in Budget 2013, not only student loans. Whether those resources are sufficient will depend upon the significance, in particular the systems requirements, of the overall Budget 2013 package. If the total resource requirements of a proposed package exceed those anticipated, Ministers will need to weigh the trade-offs of either reducing the scope of the package or shifting resources from projects already on Inland Revenue's work plan.

Ministry of Social Development costs

96. The Ministry of Social Development is seeking the following funding for implementing the student allowances initiatives:

Table 8: Indicative administrative costs for the Ministry of Social Development

Initiative	Cost Type	Operating impact ($ million)					
		2012/13	2013/14	2014/15	2015/16	2016/17 & out-years	4 year Total (2013/14 to 2016/17)
Remove allowances for those aged 65 and over	Set-up	-	0.340	-	-	-	**0.340**
	Ongoing	-	-	-	-	-	**-**
Reduce allowances eligibility for those 40 and over to 80 weeks[9]	Set-Up	-	0.460	-	-	-	**0.460**
	Ongoing	-	-	0.068	0.077	0.081	**0.226**
3 year student loan and allowance stand-down for permanent residents	Set-up	-	0.380	-	-	-	**0.380**
	Ongoing	-	-	-	-	-	**-**
Funding to put in place changes to loan eligibility for entry-level education	Set-up	-	0.320	-	-	-	**0.320**
	Ongoing	0.082	0.128	0.130	0.132	0.132	**0.522**
Total costs		**0.082**	**1.628**	**0.198**	**0.209**	**0.213**	**2.248**

[9] The administration costs for the 120 week variant have not been estimated but are likely to slightly reduce the ongoing costs.

Ministry of Social Development (StudyLink) comment

97. StudyLink cannot absorb within existing baseline funding all of the costs associated with the policy changed proposed in this paper. The funding StudyLink is seeking represents the additional costs that cannot be absorbed but are necessary to cover the additional work and new system functionality required to successfully deliver the proposed eligibility and entitlement changes.

98. StudyLink's experience with eligibility changes made as part of the 2012 Budget has highlighted the importance of proactive and detailed communication of eligibility changes with clients and stakeholders. Once final decisions are made, work will commence on the development of a communication strategy.

Consultation

99. The Ministry of Social Development, the Treasury, Inland Revenue, and the Department of Prime Minister and Cabinet have been consulted in the development of this paper.

100. The Ministry of Justice has been consulted on the student allowances proposals and the arrest warrant proposal. The New Zealand Police and New Zealand Customs Service have also been consulted on the arrest warrant proposal. The Department of Internal Affairs and the Office of the Privacy Commissioner have been consulted on the proposal for the information sharing agreement between Inland Revenue and the Department of Internal Affairs.

New Zealand Police comment

101. Police has concerns about the operational and reputational impacts on Police resulting from execution of warrants via border alerts.

102. Police currently has around 37,000 warrants to arrest outstanding, relating to around 15,000 individuals. Given this large volume, warrants for arrest are prioritised. Execution of student loan warrants would be unlikely to gain a high priority except in instances where mechanisms such as border alerts are used.

103. However, current border alert processes create operational issues for Police. As the departing traveller cannot be detained at Customs, Police would have to find the traveller in the airport departure lounge before they can board their flight. As the departure lounge can be large and crowded finding passengers can be difficult and time consuming, especially as Police typically do not have aids such as photographs to assist them with such identification.

104. Use of departure alerts can also have cost implications for airlines. Civil aviation security rules require that a passenger does not board their flight, their baggage must be removed before the flight departs. This can cause delays for the flight with significant resulting costs to the airline. Police note that no cost benefit analysis, including the impact on third parties such as airports, has been conducted.

105. As noted in paragraph 56, where airport police intercept a defaulter before they board their flight, airport police would retain discretion as to whether the warrant should be executed. The situation, where airport police have to make decisions as to whether to stop travel, balancing competing interests and in tight timeframes, increases the risk that the passenger will be allowed to fly.

106. If the proposal is agreed, Police recommend that the border alert processes generally be reviewed to ensure that the system is robust and efficient. Police will consult with

border agencies and provide Ministers advice on how to improve the border alert system to reduce inefficiency.

Treasury comment

Changes to the calculation of the cost of lending in the Student Loan Scheme

107. Treasury supports the change to calculating the cost of lending in the Student Loan Scheme. The new approach, which uses annual interest rate data for each borrowing cohort to calculate the Effective Interest Rate for the loan scheme, will increase accuracy of the scheme and will provide the Government with better information on the cost of lending.

108. The change is fiscally neutral over the long-run because while there are significant savings in the short run the change in the interest unwind leads to comparable costs which eventually offset these short-term savings. Treasury therefore recommends committing only 50% of the savings (i.e. $10.200 million per annum) over the forecast period to achieve a balanced budget package for Tertiary Education. The remaining savings would therefore be available to manage cost pressures in future outyears.

Adjusting the overseas-based borrower repayment regime

109. Treasury is concerned that the proposed changes to the overseas-based borrower repayment regime will not improve the sustainability of the Student Loan Scheme over the longer term (in contrast to the stated rationale in paragraphs 4c/44].

110. Given that 53,471 overseas-based borrowers had overdue student loan repayments at 30 June 2012, Treasury's primary concern is that increasing these obligations will accelerate the growth of the level of default amongst overseas-based borrowers. This is already a significant issue, with the overall level of default having risen to $421 million by 31 December 2012, and rising by approximately $2 million per month (see paragraph 30 and Table 1).

111. Non-compliant borrowers already have large loan balances that grow quickly with successive late payment penalties and compound interest. As a result, 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 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 (see paragraph 44).

112. Consequently, Treasury is concerned that the primary consequence of increasing the repayment rates for overseas-based borrowers will be to increase the already significant levels of outstanding overseas-based borrower debt. This may also undermine continuing efforts to improve compliance amongst these borrowers.

113. Allowing for these concerns, Treasury does acknowledge that there is a specific rationale for introducing additional thresholds for overseas-based borrowers with very large balances, as the rates that are currently paid by many of these borrowers are not sufficient to service their interest payments.

114. However, the rationale for imposing a repayment rate floor based on the individual's loan balance at the time of leaving New Zealand is not clear. In particular, Treasury is concerned that this will lead to inequitable treatment of borrowers. For example, lower income borrowers who may have larger loan balances but are otherwise identical to other borrowers (e.g. in terms of educational attainment and time spent overseas) will have their repayments fixed at a higher rate for time spent abroad.

Proposed changes to the Student Support Schemes

115. Our first best advice is that we support a broad-based tertiary system with a larger element of private contribution to fund the direct costs of tertiary education. However, given that Ministers have made it clear that certain measures (e.g. interest on Student Loans) will not be considered, we recognise that the scope for future savings under current policy settings is limited to the type of changes outlined in this package.

116. Ministers should be aware that these incremental changes while generating small savings are likely to have impacts on specific groups (refer Appendix A) by limiting their access to tertiary education. For example, the savings initiatives proposed include incremental changes to the eligibility to student support systems, based on age, and immigration status that limit access to tertiary education.

Human Rights implications

117. Removing access to student allowances for those aged 65, reducing the life-time entitlement for those aged 40 to 80 weeks (or 120 weeks), and increasing the student loan and allowances 2 year stand-down for permanent residents and Australians to 3 years raises prima facie issues of discrimination based on age and national origin respectively.

118. Our legal advice is that, if these policies are challenged, it is likely that they will be found by the courts not to amount to unlawful discrimination if evidence can be produced to establish that these measures will more likely than not achieve Government's intended goals. Evidence-based justification arguments, including those set out in this paper, will be required.

119. By itself, introducing the power to request an arrest warrant for a civil debt (even if it targeted the most non-compliant borrowers) would be in conflict with sections 22 (liberty of the person), 18 (freedom of movement) and section 27 (right to justice) of the New Zealand Bill of Rights Act 1990. The proposal in this paper introduces a new offence targeting borrowers who knowingly default on an overseas based borrower repayment obligation. This shifts the matters from the civil to the criminal. The power to request an arrest warrant would be consistent with other criminal proceedings.

Legislative implications

120. Amendments to the Student Loan Scheme Act 2011 will be required to introduce changes to the overseas-based borrower repayment regime. The application date for the new regime would be 1 April 2014.

121. Border restrictions require amendments to the Student Loan Scheme Act 2011 and also require regulations to amend the District Court rules. The restrictions could apply from 1 July 2013.

122. These amendments could either be contained in a budget night bill or in a separate mid-year bill that would need to be passed by 1 April 2014. Budget night legislation would be required in order to meet the 1 July 2013 implementation date proposed for the border restrictions.

123. Student allowance initiatives will require amendments to the Student Allowances Regulations 1998.

Regulatory Impact Analysis

124. A regulatory impact analysis has been prepared for all proposals and this is included as Appendix B. The Ministry of Education has reviewed the regulatory impact statement and associated supporting material, and considers that the information and analysis summarised in it meets the quality assurance criteria.

125. We have considered the analysis and advice of the Ministry of Education, as summarised in the attached regulatory impact statement, and we are satisfied that, aside from the risks, uncertainties and caveats already noted in this Cabinet paper or in the Regulatory Impact Statement, the regulatory proposals recommended in this paper are consistent with our commitments in the government statement "Better Regulation, Less Regulation."

Gender Implications

126. Overall, the eligibility proposals will affect more women than men because women are more likely to participate in tertiary education. However, we expect that there will be slightly more women affected by proposal to reduce the student allowance life-time limit for those aged over 40. This is because more tertiary students over 40 are women, compared to the overall student population.

Publicity

127. A communications plan will be developed in consultation with agencies and Ministers' offices prior to Budget 2013 announcements.

Recommendations

We recommend that Cabinet:

1. **note** that a package of changes to the Student Loan Scheme and Student Allowances Scheme has been developed as part of Budget 2013 to improve the value of student support spending by:

   1.1 improving repayments from overseas-based borrowers and increasing personal responsibility for debt repayment

   1.2 targeting student allowances more tightly on the basis of returns to study

2. **note** that this student support package enables us to achieve our tertiary education priorities through Budget 2013, as set out in the accompanying Cabinet paper '*Tertiary Education package for Budget 2013'*

Improving repayments from overseas-based borrowers

3. **agree**:

   3.1 to extend the current student loan and student allowances stand-down period for permanent residents and Australians from two years to three years from 1 January 2014, but continuing to exempt people who are refugees, protected persons, or sponsored into New Zealand by a family member who is entitled to reside indefinitely in New Zealand under refugee or protected persons policy

   3.2 to grand-parent permanent residents who would have become eligible for student loans and allowances in 2014 under the existing 2 year stand-down policy. These permanent residents will be able to access student loans and allowances from the date they would have become eligible in 2014

4. **agree** that an information-matching agreement be established between Inland Revenue and Internal Affairs by 1 April 2014 to obtain contact information from the passport renewal process, to identify non-compliant overseas-based borrowers and child support debtors (subject to operational details and the outcome of discussions with the Office of the Privacy Commissioner)

5. **agree** to introduce a fixed repayment obligation for overseas-based borrowers that is set at no less than their annual obligation from the time they become an overseas-based borrower. If the borrower is already overseas, their repayment obligation will be set at the rate they face at 1 April 2014

6. **agree** to introduce two additional repayment thresholds for overseas-based borrowers with larger student loans from 1 April 2014 which will result in the following overseas-based borrower regime:

Loan Balance	Amount due per year
<= $1,000	The whole balance
>$1,000 and <= $15,000	$1,000
>$15,000 and <= $30,000	$2,000
>$30,000 and <= $45,000	$3,000
>$45,000 and <= $60,000	$4,000
>$60,000	$5,000

7. **agree** to make it an offence for a borrower to knowingly default on an overseas-based borrower repayment obligation so that an arrest warrant can be requested to prevent the most non-compliant borrowers from leaving the country from 1 July 2013

8. **note** that Inland Revenue is currently working through the policy details of arrest warrants for the most non-compliant borrowers but that these are intended to mirror, where appropriate, border controls already in place for child support debtors

9. **note** that Police will consult with border agencies and provide Ministers advice on how to reduce inefficiency in the border alert system

Targeting student allowances to more tightly on the basis of returns to study and initial years of study

10. **agree** to introduce an upper age restriction for student allowances eligibility which is linked to the age of eligibility for New Zealand Superannuation[10], currently 65 years of age, for study starting on or after 1 January 2014

11. **agree** to:

EITHER

11.1 reduce the student allowances life-time limit for those aged 40 and over from a maximum of 200 weeks to a maximum of 80 weeks for study starting on or after 1 January 2014

OR

11.2 reduce the student allowances life-time limit for those aged 40 and over from a maximum of 200 weeks to a maximum of 120 weeks for study starting on or after 1 January 2014

[10] This would mean that if the age for New Zealand Superannuation increases so too would the age at which student allowance eligibility is removed.

12. **agree** that those affected by recommendations 10 or 11 above:

    12.1 who begin their student allowance application period in 2013 and this period carries on into 2014, will be assessed under the 200-week limit for the period of that application[11]

    12.2 will continue to receive a student allowance up until 31 December 2014 or until they reach the (previous) 200 week entitlement, whichever comes first, if they received a student allowance in 2013

Changes to the calculation of the cost of lending in the Student Loan Scheme

13. **note** in consultation with the Minister of Finance and with the agreement of the loan scheme auditors, we have decided to change the basis of calculating the cost of lending in the Student Loan Scheme

14. **note** that the treatment of savings from this initiative is addressed in the accompanying paper *Tertiary Education Package for Budget 2013*

Putting in place changes to loan eligibility for entry-level tertiary education

15. **note** that StudyLink are seeking administration costs of $0.082 million in 2012/13; $0.448 million in 2013/14; $0.130 million in 2014/15; $0.132 million in 2015/16 and out-years to deliver changes to loan eligibility for entry-level education agreed to by Cabinet last year [CAB Min (12) 21/5A refers]

Bill of Rights Act Implications

16. **note** that, under the New Zealand Bill of Rights Act, recommendations 3, 10 and 11 raise prima facie discrimination issues and that these would not amount to unlawful discrimination if evidence can be produced to establish that they are more likely than not to achieve the Government's intended goals

17. **note** that introducing the power to request an arrest warrant in relation to a new offence under the Student Loan Scheme Act is consistent with other criminal proceedings under the New Zealand Bill of Rights Act 1990

Legislative implications

18. **authorise** the Minister for Tertiary Education, Skills and Employment and the Minister of Revenue to make any technical policy decisions needed in the drafting process of the necessary legislation or relevant regulations to give effect to the student loan proposals in this paper

19. **authorise** the Minister for Tertiary Education, Skills and Employment and the Minister for Social Development to make any technical policy decisions needed in the drafting process of the necessary legislation or relevant regulations to give effect to the student allowance proposals in this paper

20. **agree** that:

EITHER [required for a 1 July 2013 implementation of border restrictions]

    20.1 amendments to the Student Loan Scheme Act be contained in a Budget night bill

[11] An application period means an approved student allowance application for an approved enrolment period up to a maximum of 52 weeks.

OR

20.2 amendments to the Student Loan Scheme Act be contained in a separate mid-year bill that would need to be passed by 1 April 2014

21. **invite** the Minister of Revenue to issue drafting instructions to the Parliamentary Counsel Office:

    21.1 for a Student Loan Scheme Amendment Bill or Bills to give effect to the student loan proposals in this paper

    22.2 to prepare an Order in Council approving a new information sharing agreement between the Department of Internal Affairs and Inland Revenue

22. **invite** the Minister for Social Development to instruct the Parliamentary Counsel Office to draft amendments to the Student Allowances Regulations (1998) to give effect to the changes to student allowances proposed in this report

Financial implications

23. **note** that the financial implications of the package for the 2013/14 to 2016/17 financial years are: $109.569 million in operating impact savings, with a debt impact saving of $7.436 million[12]

24. **note** that changes to appropriations, including Ministry of Social Development and Inland Revenue administration and IT costs, will be made as part of the tertiary education package for Budget 2013

Administration costs

25. **note** that Inland Revenue has requested permanent funding for the Overseas-based Borrower Initiative (OBBCI) as part of Vote Revenue for Budget 2013 and that Inland Revenue will fund the information match for passport renewal contact information with the Department of Internal Affairs and the implementation of the border restrictions (excluding any communications costs) through the permanent OBBCI appropriation

26. **note** that Inland Revenue will self-fund the costs of $0.350 million for the 2012/13 financial year as well as the continued costs of $0.110 million for administering the border restrictions and increasing the repayment thresholds for overseas-based borrowers for 2014/15 onwards

27. **note** that Inland Revenue will be requesting funding of $3.841 million for 2013/14 for the communications strategy for border restrictions and for implementing the increase in the repayment thresholds for overseas-based borrowers

28. **note** the indicative cost of administration costs for StudyLink of $2.248 million over four years (2013/14 to 2016/17) to deliver the permanent resident stand-down extension for student loans and allowances, the initiatives that reduce student allowances eligibility for older people, and changes to student loan eligibility for entry-level education referred to in recommendation 15 above

[12] This includes the option to reduce student allowance entitlement for those aged 40 and over from 200 weeks to 80 weeks. The 120 week variant is yet to be costed in detail but is likely to reduce the savings of this initiative by as much as 60%.

Further decisions

29. **agree** to delegate authority to the Minister of Finance and the Minister for Tertiary Education, Skills and Employment and the Minister of Revenue, where appropriate, to approve any detailed changes to the Student Support Package and the resulting changes in appropriations

30. **note** that Cabinet decisions on this paper are proposed to be announced as part of Budget 2013.

Hon Steven Joyce
Minister for Tertiary Education,
Skills, and Employment

_____/_______/______

Hon Peter Dunne
Minister of Revenue

_____/_______/______

Appendix A: Risks and Benefits of Budget 2013 student support proposals

Initiative	Main Advantages	Main Disadvantages	Key Impacts
Improving repayments from overseas-based borrowers and increasing personal responsibility for debt repayment			
Putting in place an ongoing information-sharing agreement between Inland Revenue and Internal Affairs to collect contact detail from passport applications and renewals Requires an Order-in-Council via the Privacy Act 1993	• Will improve the quality of contact information for overseas-based borrowers (and child support debtors) and increase compliance • Provides an ongoing, inexpensive and high quality source of contact information.	• Some members of the public may see this as impinging on privacy rights • Will not target borrowers who either do not have or do not travel on New Zealand passports.	• Each year this will potentially impact up to 12,000 overseas-based borrowers and 2,500 liable parents, starting from the third quarter of 2013.
Increase the current student loan and allowances stand-down for permanent residents and Australians for study starting on or after 1 January 2014 To be eligible for student support, students who are not NZ Citizens will need to be ordinarily resident in New Zealand, and have resided in New Zealand for 3 years, and have held the right to reside in New Zealand indefinitely for three years. The policy will exempt those who hold refugee status, protected persons status, or persons sponsored by a family member who held refugee status or protected person status when they entered New Zealand. Transition: Those who would have been eligible for student support under the 2 year stand-down rule in 2014 will be able to access student support from the date they would have been eligible.	• Reduces risk that Government's tertiary education investment is lost by requiring permanent residents to demonstrate a greater commitment to New Zealand after they study • Limits the number of people who go overseas, are non-compliant, and who Inland Revenue cannot contact • Generates small savings for reprioritisation • Minimises the use of student support as an alternative source of living assistance • Transition arrangements will prevent study disruption for permanent residents already in study in 2013.	• May have a negative impact on Pasifika students (a priority group) and cause concern for migrant groups • May compromise immigration objectives of having New Zealand as an attractive destination • Migrants who have genuinely settled in New Zealand may end up on a benefit and defer study until they are eligible • Moves stand-down period out of alignment from the Unemployment Benefit which has a stand-down of two years for permanent residents • Likely to increase NZ Bill of Rights Act (BORA) complaints • It is too early to understand the impacts of the Budget 2010 loan stand-down initiative on permanent resident borrowers in relation to them leaving New Zealand after study and not returning.	• Likely to affect, on average: - around 1,560 borrowers and - 930 student allowances recipients • Loan borrowers affected are more likely to be older borrowers, of Asian ethnicity, and studying at Private Training Establishments (PTEs) • Likely to have a bigger proportionate impact on older groups of allowance recipients; nearly 82.3% of recipients aged 65 and over are permanent residents • While eligibility is tightened for Permanent Residents and Australians, they will still have the opportunity to access student support after three years or to undertake study as a domestic student (but without student support).

<table>
<tr><th>Initiative</th><th>Main Advantages</th><th>Main Disadvantages</th><th>Key Impacts</th></tr>
<tr>
<td>Changing the repayment regime for overseas-based borrowers

Implementation: From 1 April 2014 for the 2014/15 tax year and beyond.</td>
<td>Would speed up repayments from compliant overseas-based borrowers and reduce the cost of lending
Will generate small savings for reprioritisation
Will make borrowers with loan balances below $84,746 make payments that at least cover their interest
Little to no impact on access to tertiary education.</td>
<td>Higher levels of default for non-compliant borrowers
May result in some borrowers becoming non-compliant
Increase in debt book
May raise equity issues e.g. those who leave New Zealand with $15,000 loans will repay $2,000pa while others overseas with a similar loan balance remain in the $3,000pa repayment rate.</td>
<td>This would potentially impact 61,209 borrowers in total.
The following table shows the number of current overseas-based borrowers in each of the repayment thresholds affected by this proposal:
<table>
<tr><th></th><th colspan="4">Loan Balance</th></tr>
<tr><td></td><td>$15k-$30k</td><td>$30k-$45k</td><td>$45k-$60k</td><td>>:$60k</td></tr>
<tr><td>Number of overseas-based borrowers</td><td>28,657</td><td>16,156</td><td>8,633</td><td>9,763</td></tr>
</table>
The impact on compliant borrowers at $20k, $40k, $50k and $70k respectively are:
<table>
<tr><th>Loan balance</th><th colspan="2">Repayment time</th><th colspan="2">Interest cost to borrower</th></tr>
<tr><td></td><td>Current regime</td><td>New regime</td><td>Current regime</td><td>New regime</td></tr>
<tr><td>$20,000</td><td>35 yrs</td><td>15 yrs</td><td>$19,940</td><td>$8,425</td></tr>
<tr><td>$40,000</td><td>57 yrs</td><td>24 yrs</td><td>$57,751</td><td>$31,089</td></tr>
<tr><td>$50,000</td><td>82 years</td><td>21 years</td><td>$117,431</td><td>$33,199</td></tr>
<tr><td>$70,000</td><td>Never*</td><td>27 years</td><td>Indefinite</td><td>$62,092</td></tr>
</table>
*interest exceeds repayments</td>
</tr>
<tr>
<td>Introducing the option to request an arrest warrant to prevent the most non-compliant borrowers from leaving the country

Implementation: From 1 July 2013
Would require changes to the Student Loan Scheme Act 2011.</td>
<td>Creates a sanction that can be targeted and applied to the worst cases of default while deterring the wider group of borrowers from not complying.</td>
<td>Raises risks relating to restrictions on a person’s right to freedom of movement
May discourage people from returning to New Zealand
May be considered draconian by some members of the general public.
Raises risk of police being seen as Inland Revenue debt-collection agents</td>
<td>Would affect a small number of most non-compliant borrowers who have returned to New Zealand and who wish to travel overseas again.</td>
</tr>
</table>

Initiative	Main Advantages	Main Disadvantages	Key Impacts
Targeting student allowances more tightly on the basis of returns to study			
Reducing student allowance life-time limit for those aged 40 and over from 200 weeks to 80 weeks (or a variant of 120 weeks) from 1 January 2014 Transition: Those receiving an allowance in 2013 will be able to continue their study with an allowance up until 31 December 2014 or until they reach the 200 weeks life-time limit (whichever is the sooner). Requires amendment to the Student Allowances Regulations 1998.	• Generates savings for reprioritisation • Reduces dead-weight costs (i.e. people who would study without the allowance) • Minimises the number of people using the assistance as an alternate source of living support (e.g. if they don't qualify for national superannuation).	• May provide a disincentive for some to access tertiary study • Likely to raise BORA issues (in terms of justifiable grounds) and complaints • May pose risks to Tertiary Education Strategy (TES) objectives as it may affect those in priority groups (e.g. Māori who participate at an older age) • May result in some people moving to the benefit support when tertiary study may have benefited them • May be seen to contradict the Government's positive ageing strategy.	• We estimate that: ○ under an 80 week limit 2,447 recipients, on average per annum, would be affected by this policy change ○ under the 120 week variant option, 980 recipients, on average per annum, would be affected. • In 2012, of borrowers aged 40 and over, approximately: ○ 20% were Maori, 32% European, 28.5% Asian and 7.5% Pasifika (not counting multiple ethnicities) ○ 56.3% were women, 43.7% were men ○ 26.6% were permanent residents, and 72.5% were Citizens or Citizens by birth ○ 40.0% were at Polytechnics, 19.3% at Universities, 18.6% at PTEs, and 17.2% at Wānanga ○ 43.4% were married, de facto or in a civil union, 56.5% were single. • Data for 2012 indicates that 42.0% of student allowances recipients aged 40 and over had dependants compared to 9.8% overall.

Initiative	Main Advantages	Main Disadvantages	Key Impacts
Removing student allowances eligibility for those aged 65 and over from 1 January 2014 Transition: Those receiving an allowance in 2013 will be able to continue their study with an allowance up until 31 December 2014 or until they reach the 200 weeks life-time limit (whichever is the sooner). Requires amendment to the Student Allowances Regulations 1998.	• Generates savings for reprioritisation • Minimises the number of people using the assistance as an alternate source of living support.	• May not be well-received by age concern groups (e.g. Grey Power) • Likely to raise BORA complaints • May be seen to contradict other New Zealand ageing strategies such as the Government's positive ageing strategy • Removes a safety net for those who lost eligibility for student loan living costs in Budget 2011.	This policy is likely to affect around 240 recipients each year on average. In 2012, of 231 recipients 65 and over: • permanent residents were over-represented (82.3%, compared to 14.9% overall) • males are over-represented (63%, compared to 46% overall) • Asian recipients are over-represented (84%, compared to 18.9% overall) • most were studying at sub-degree level (92.6%) • 39.0% studied at polytechnics, 25.1% at PTEs and 22.5% at wananga. • 61.5% of aged 65 and over had dependents compared to 9.8% overall.

Regulatory Impact Statement

Student Support Package for Budget 2013

Agency Disclosure Statement

This Regulatory Impact Statement has been prepared by the Ministry of Education.

It considers options that improve the value of the student support system to the Government, while also ensuring that the Student Loan Scheme and student allowances are contributing to tertiary education priorities.

The following changes have been analysed:

- targeting student allowances and/or loans on the basis of returns to study and on initial years of study by removing or reducing entitlement through progressive decreases based on age and/or weeks of study

- extending the current student loan and student allowances stand-down period for permanent residents and Australians from 2 years to 3 years to increase our confidence that permanent residents will stay in New Zealand when they finish their study and repay their student loans

- increasing repayment obligations for overseas-based borrowers to speed up repayments

- making it an offence for a borrower to knowingly default on an overseas-based borrower repayment obligation so that an arrest warrant can be requested to prevent the most non-compliant borrowers from leaving the country from 1 July 2013

- issuing passports with reduced validity periods or delaying the processing of passports for applicants with student loan default

- putting in place an ongoing information-sharing agreement between Inland Revenue and Internal Affairs to obtain further contact details from overseas-based borrowers and liable parents when they renew or apply for their passport

- removing student allowance eligibility for people in student loan default of more than $500 for over one year.

Ben O'Meara

Group Manager, Schooling Policy, Ministry of Education 22 March 2013

Executive Summary

The Government spends a significant amount of money each year to fund tertiary education. Spending on student allowances has increased by 69% since 2007/2008. In addition the number of student loan borrowers going overseas and into default continues to increase.

The tertiary environment has changed significantly since the early 1990s, when student loans and allowances were introduced. The design of student allowances has not been reviewed since student loans became more subsidised, with interest subsidies and interest-free loans.

The fiscal environment requires effective use of constrained resources. The objective of proposals in this paper is to adjust the student support system to contain tertiary education expenditure and improve its performance, while maintaining interest-free student loans. The proposals seek to address the increasing cost of Student Support to the Crown and the taxpayer, and thereby achieve a fairer distribution of benefits and costs between current and future taxpayers.

The main policy levers available to the Government to achieve this are:
- to target access to the student support system (i.e. Student Loan Scheme and student allowances)
- to introduce new methods to encourage or require student loan repayments.

The proposed package of changes outlined in this Regulatory Impact Statement (RIS) has been designed to achieve the objectives outlined above. The changes proposed are:

- targeting student allowances more tightly on the basis of returns to study and to initial years of study and increasing the contribution that people make to their tertiary education, for example by:
  - removing student allowances eligibility for those over a certain age (e.g. 65 years)
  - reducing student allowance lifetime limits (e.g. 80 weeks) for those over a certain age

- improving repayments from overseas-based borrowers and increasing personal responsibility for debt repayment, for example by:
  - extending the student loan and student allowance stand-down period for permanent residents and Australians from 2 years to 3 years from 1 January 2014
  - adjusting the overseas-based borrower repayment regime, from 1 April 2014 for 2014/15 and beyond, by introducing:
    1. a fixed repayment obligation for overseas-based borrowers at no less than the rate they pay when they leave New Zealand
    2. additional repayment thresholds for overseas-based borrowers
  - making it an offence for a borrower to knowingly default on an overseas-based borrower repayment obligation so that an arrest warrant can be requested to prevent the most non-compliant borrowers from leaving the country from 1 July 2013
  - putting in place an ongoing information-sharing agreement between Inland Revenue and Internal Affairs to obtain further contact details from overseas-based borrowers and liable parents when they renew or apply for their passport.

Status Quo – Student Support System

The Government spends a significant amount of money each year to fund tertiary education. In 2011/12, the Government spent $2,255 million on tuition subsidies, students drew $1,586 million on new student loan lending, and the Government paid $649 million on student allowances. Tuition subsidies, student loans, and student allowances combined have represented between 6% and 7% of core Crown expenditure in each year between 1994/5 and 2011/12.

New Zealand spends slightly more on tertiary education than most other OECD countries, as a proportion of GDP, but this has been declining over the past three years.[1] When public subsidies to households are excluded (including student loans, scholarships and grants) New Zealand's public expenditure on tertiary education as a percentage of GDP (1.1 percent) is currently the same as the OECD average.

OECD countries spend, on average, 20.5% of their public budgets for tertiary education on financial aid to students. New Zealand spends more than double this proportion (43.1%), and is second behind the UK (54.2%) on the proportion of total public tertiary education expenditure that goes on supporting students.

The student support system is designed to reduce financial barriers to participation in tertiary education. The Student Loan Scheme provides broad access to upfront finance with repayments to be met from future earnings, while allowances aim to address the financial barriers to study for low-income groups, students with very little upfront cash or family resources, and those who may heavily discount the future benefits of qualifications. They also provide additional living costs support for students with higher financial needs, for example those with dependants. Loans involve a lower level of government subsidy than allowances, so they are a means of managing the trade-offs between access to study and affordability for Government.

In the context of the current economic downturn, the objective of recent student support Budget policy changes has been to improve the value for money of student support expenditure, particularly as the Government is committed to providing near universal student loans and maintaining high levels of tertiary education participation.

Student Allowances

Government expenditure on student allowances has increased significantly in recent years – from $385 million in 2007/2008 to $649 million in 2011/12 (a 69% increase). The number of students receiving an allowance has also increased, particularly since

[1] OECD, *Education at a Glance*, 2012.

2009, due to policy changes and the effects of the recession, including higher tertiary enrolments due to increased unemployment.

In addition, the design of student allowances has not been reviewed since student loans became more subsidised, with interest subsidies and interest-free loans.

Allowances play an important role, as supplementary support to student loans:
- to assist people to enter tertiary education who have very little upfront cash or family resources
- to provide additional support for students with higher financial needs, for example, those with dependants who do not have the means to meet their costs independently
- to provide additional support in initial years of study for those who may not recognise the future benefits of tertiary study
- to reduce barriers for people who lack prior educational achievement by enabling them to gain initial qualifications.

Student allowances are not well targeted to those in most need. Policy changes to the parental income threshold mean that the original intent of allowances as a mechanism to support students from low income backgrounds has broadened to include middle income families. Some student allowance recipients are likely to earn higher incomes as a result of study, and would have undertaken tertiary study regardless of student allowance eligibility.

In Budget 2012, we made changes to student allowances to begin shifting the focus of support back to students from lower income backgrounds by freezing student allowance parental income thresholds. We also tightened the targeting of the scheme so that it centres more on students in their initial years of study by removing eligibility for postgraduate study and long programmes.

There is room to improve the targeting of student allowances. For example, some recipients are likely to earn higher incomes as a result of study and would have undertaken tertiary study regardless of student allowance eligibility (i.e. representing dead-weight costs).

For example, for students over 24, targeting based on personal income while studying full time is not a good proxy for need – people are forgoing income to invest in study that will lead to jobs with higher incomes in the future. In 2011, 68% of all student allowance recipients studied at levels seven and above. Our research shows that, five years after finishing study, the median earnings of young people who complete a bachelors degree is 53% above the national median earnings.[2]

Students may also come from high income families (a student under 24 with parental income approaching $90,000 per year can receive a partial allowance for up to 5 years[3]

[2] Mahoney P, et al (2013). *Moving on up – what young people earn after their tertiary education*. Wellington; Ministry of Education. http://www.educationcounts.govt.nz/publications/tertiary_education/115410

[3] 200 weeks typically equates to 5 years of full-time study, not including summer school.

to study at degree level) currently there is limited means of determining those who may have other resources at their disposal.

Student Loan Scheme

The Student Loan Scheme is a significant and growing asset on the Crown's accounts. Since its establishment in 1992, 1.1 million New Zealanders have used the loan scheme, borrowing a total of $17,155 million.

The most significant component of the cost of new lending to Government is the time value of money (the value of loans decreases over time as a result of inflation, and this cost is not off-set through an interest charge to borrowers). The other components, in order of significance, are:

- borrowers who do not meet their repayment obligations (primarily overseas-based borrowers)
- borrowers with low life-time earnings who do not have a repayment obligation
- death and bankruptcy.

Problem Definition and Objectives

The tertiary environment has changed significantly since the early 1990s, when student loans and allowances were introduced. The fiscal environment requires effective use of constrained resources. The Government's focus for tertiary education has now moved from participation to completion of qualifications and the quality of those qualifications, including employment outcomes.

Recent Budget changes have reduced the costs of the Student Loan Scheme. Prior to Budget 2010, the cost of lending was 47.39 cents in the dollar. The cost of lending following Budget 2012 is 39.09 cents in the dollar. The development of proposals for

Budget 2013 sits within a wider 2012/13 student loan work programme agreed to by Ministers in August 2012. Policy items on the work programme include exploring:

- current eligibility settings and whether any further changes are needed, given the primary objectives of the performance framework
- the analysis of long-term non-repayment groups.

The objective of these proposals is to adjust the student support system to contain tertiary education expenditure and improve its performance, while maintaining interest-free student loans.

The main policy levers available to the Government to achieve this are:

- to target access to the student support system (i.e. Student Loan Scheme and student allowances)
- to introduce new methods to encourage or require student loan repayments.

Budget 2013 Package

- The proposed Budget 2013 package aims to improve the value of student support spending by:

Targeting more tightly on the basis of returns to study and initial years of study and increasing the contribution that people make to their tertiary education by:

- removing student allowances eligibility for those over a certain age (e.g. 65 years)
- reducing student allowance lifetime limits (e.g. 80 weeks) for those over a certain age

Improving repayments from overseas-based borrowers and increasing personal responsibility for debt repayment by:

- extending the student loan and student allowance stand-down period for permanent residents and Australians from 2 years to 3 years from 1 January 2014
- adjusting the overseas-based borrower repayment regime, from 1 April 2014 for 2014/15 and beyond, by introducing:
    - a fixed repayment obligation for overseas-based borrowers at no less than the rate they pay when they leave New Zealand
    - additional repayment thresholds for overseas-based borrowers
- making it an offence for a borrower to knowingly default on an overseas-based borrower repayment obligation so that an arrest warrant can be requested to prevent the most non-compliant borrowers from leaving the country from 1 July 2013
- putting in place an ongoing information-sharing agreement between Inland Revenue and Internal Affairs to obtain further contact details from overseas-based borrowers and liable parents when they renew or apply for their passport.

- improve repayments from overseas-based borrowers and increasing personal responsibility for debt repayment.

The options above also seek to address the increasing cost of the Student Loan Scheme to the Crown and the taxpayer, and thereby achieve a fairer distribution of benefits and costs between current and future taxpayers.

These options have been developed within an interest-free student loan policy environment. This is a significant constraint on the options available to contain

Government expenditure and improve the performance of the Scheme. In addition options have been developed as part of a Budget sensitive process which is a significant constraint on consultation. Key agencies involved with the Scheme – Inland Revenue, the Ministry of Social Development, and the Treasury – have been consulted on the proposals and this RIS.

One area of low value lending relates to borrowers whose incomes are insufficient to make progress in repaying their loans. These borrowers are likely to remain a concern following recent Budget changes. Many have studied below degree level, predominantly at levels three and four. The 2011 analysis of the Student Loan Scheme identified low labour market returns are strongly associated with being over 50, a non-New Zealand citizen, and studying below degree level. Therefore, changes focus on improving the value of lending based on these characteristics.

Any modifications to the student support system need to take into account the intention of student loans and allowances, which is to remove financial barriers to accessing tertiary education. Any changes would also need to be considered in the context of the Government's goals for tertiary education, particularly participation and achievement for the priority groups identified in the Tertiary Education Strategy 2010-2015.[4]

Specific mechanisms for restricting access to student support and increasing repayment methods, and options within each, are discussed below. The conclusion section contains a summary table.

Savings estimates

Savings and costs included are for each independent initiative and do not take account of interdependencies. In contrast, the final savings and costs for Budget 2013 initiatives, included in the 2013 Student Support Cabinet Paper, do include interdependencies between initiatives. For this reason, the savings and costs for initiatives included in the final Budget Cabinet paper may differ from those contained in this Regulatory Impact Statement.

Regulatory Impact Analysis

Targeting on the basis of returns to study, initial years of study and increasing the contribution that people make to their tertiary education

- Encourage a greater contribution to the cost of tertiary education from students whose study provides a low return to taxpayers

- Target student allowances more closely to initial years of study

Option 1 - Status quo

Generally all people irrespective of age are entitled to government assistance to support their participation in tertiary study (tuition subsidies, student allowances, student loans).

There are some instances where people are treated differently at certain ages, which include:

4 Young people aged under 25, Māori students, Pasifika students.

- older student allowance recipients (i.e. those 24 and over) are generally paid higher rates of allowance than younger recipients (to help meet the increased obligations and commitments of older people)
- older student allowance recipients (i.e. those 24 and over) are not parentally income tested (as there is no expectation that parents will support them)
- no student allowance for those who are in receipt of National Superannuation (to avoid double-dipping)
- loan borrowers aged 55 and over cannot borrow for living costs or course-related costs (to reflect diminished public and private returns on the education investment).

The longstanding limit to how long a student can receive a student allowance (200 weeks) now operates alongside a lifetime limit on how much study a student can borrow for (7 EFTS).

These current settings do not align well with the intended objectives for the student allowance scheme, particularly for people aged 24 and over. Allowances are not well targeted in terms of supporting study at lower levels, and students from low socio-economic backgrounds. Some student allowance recipients are likely to earn higher income as a result of study, and to have undertaken tertiary study regardless of student allowance eligibility.

Data about student allowance recipients show that certain trends which are steady among younger age groups begin to distort among older age groups. A significant proportion of older people who are receiving a student allowance are permanent residents: between the ages of 30 and 54 there is a steady proportion of approximately 22% which increases steeply after age 55 to 30.8%, reaching 45.6% of recipients aged 60 - 64. In the group aged 65 and over, 82.3% of student allowance recipients are permanent residents.

Significant over-representation of permanent residents at older ages suggests some may be accessing the allowances to undertake study, where the benefits are not well aligned to the objectives of the student allowances scheme. There are also similar trends of increases of older people at secondary schools, studying at low levels. One of the key reasons for providing student support is to enable people to invest in their future, including their future in the workforce.

Study undertaken by these students is unlikely to have significant economic benefits for New Zealand, as these people are unlikely to enter the labour market. Study with high associated social benefits (for example improving English-language skills) could be achieved through part-time study (not eligible for an allowance) or adult and community education.

Currently, students undertaking part-time part-year study can only borrow for their compulsory fees. The study status of student loan borrowers is determined according to the EFTS weighting of their course of study and the length of their course in weeks. Part-time part-year study requires a minimum EFTS load of 0.25 EFTS.

The Government's return on investment is lower for part-time study than for full-time study. There are two types of low value lending within this group: those associated with poor repayment performance and low labour market returns (e.g. part-time courses for personal development) and those who may not need the current level of subsidy in order to participate in tertiary education (e.g. people who are working full-time and studying small amounts of study). Poor labour market returns and repayment performance for this group are due, in part, to lower completion rates for part-time study than for full-time study.

Option 2 – Remove eligibility for student loans and/or student allowances for people over a certain age (e.g. 65, or 55)

Options available would remove eligibility for student loans and / or allowances by removing eligibility for people over a certain age (for example age 65, or 55).

Considering that student loan living costs are no longer available to people aged 55 and over, the rationale for retaining eligibility for (the more highly subsidised) student allowances is not strong. This group still has access to interest-free course fees (which act as a backstop and require a greater contribution to the cost of education from the borrower than allowances) as well as tuition subsidies to support their study.

An upper age limit of 65 for student allowances (and indexed to any increases to the age at which people become eligible for superannuation) would reduce the amount of support provided for study with low economic returns.

Those affected would still have access to tuition subsidies (covering approximately 75% of the cost of tuition) and interest-free student loans for course fees – this depends on what loan options are progressed.[5] New Zealand Citizens with access to New Zealand Superannuation would effectively not be disadvantaged, as there is already a restriction on receiving both forms of support simultaneously.

Options in this category would likely increase use of welfare benefits by affected students, particularly as people over 55 can no longer borrow from the Student Loan Scheme for living costs. This would reduce overall savings to Government.

Changes made during Budget 2011 are projected to remove or reduce borrowing by approximately 75% of borrowers aged 55 and over. As the number of older people in the workforce continue to increase opportunities for upskilling and retraining will be important.

Option 3 – Reduce eligibility for student allowance

Available options would:
- restrict eligibility for student allowance by lowering the tertiary lifetime limit (e.g. to 160 weeks down from 200 weeks)
- and/or further lower the tertiary lifetime limit (e.g. to 120, or 80 weeks down from 200 weeks) for people over a certain age (e.g. people aged over 55, 40, or 35).

Unlike younger learners, it is possible for mature students to have already received taxpayer support to gain tertiary qualifications. Given the constrained nature of tertiary education expenditure, this raises questions surrounding reasonable levels of support for subsequent qualifications and for types of further study (e.g. up-skilling due to labour market demands vs. further study for non-vocational purposes).

It may be difficult to identify, using a broad approach (such as targeting by level of study), who is studying for which purpose. The existing 7 EFTS loan and longstanding

---

[5] Included in the options for the student loan package for Budget 2013 is to restrict all loan borrowing for either people aged over 55, or aged over 65. If both loans and allowance eligibility were removed from one of these groups this would have further flow-on implications

200 week allowance lifetime limits attempt to address these issues by limiting entitlement and encouraging wise study choices.

The main advantage of using lifetime limits to target student allowances is that these are a simple means by which previous access can be measured. In the absence of creating a more complex and costly administrative system, it can be used as a rough proxy for existing qualifications, or the amount of prior education a person has already received government support for. This is a method of ensuring everyone receives a fair share of subsidy. Lifetime limits are also more flexible in responding to people's individual study needs and a more effective way of targeting than age alone.

The 200 week limit provides approximately five years worth of student support (based on a 40 week year). Reducing the 200 week lifetime entitlement for people over a certain age, for example to 80 weeks (approximately two years of study), would reduce spending while still providing a pathway for people who may require upskilling to support themselves, or who missed out on foundation level education. An 80 week limit would generally enable a person to complete up to 240 credits of study (which would enable a person to undertake most sub-degree level study including foundation level study, most certificates and diplomas).

Our data shows that very few people access a student allowance for longer than 80 weeks. Even fewer access the allowance for as long as 120 weeks, the amount of allowance (approximately three years of support) which would generally be required to gain a degree. Data from 2004 – 2012 show that of recipients aged 35 and over 80.3% are using fewer than 80 weeks. Overall 89.6% of recipients use fewer than 120 weeks of student allowance, and 76.1% use fewer than 80 weeks.

In addition, people in older age groups are more likely to be studying at sub-degree level. In 2012 over 57% of recipients aged 35 and over were studying at sub-degree level (compared to only 33.6% of allowance recipients aged under 35 and 36.8% overall). This increases with age (60.1% of recipients aged 40 and over were studying at sub-degree level).

Lowering the 200 week lifetime limit would be consistent with refocusing student allowances on initial years of study, and initial qualifications (this approach is supported by evidence that suggests that a student's first year in tertiary education is the most important for ensuring their success).[6]

A reduced length of support put in place from a certain age would continue to enable people (particularly those who have not previously accessed student support) to add to their skills later in life to allow them to continue to participate in the labour force. Options in this category recognise that the public returns to New Zealand of investment in degree level study decrease as people age and their remaining time left in the workforce decreases.

Māori (a priority learner group) are over-represented among older allowance recipients. This reflects that Māori tend to study at later ages. Māori also tend to have children at earlier ages which may lead to them delaying the start of their study. Of recipients aged 35 and over, Māori make up 19.5% compared to around 10% of

[6] Jacques van der Meer, Austina Clark and Chikako van Koten *Establishing Baseline Data: using International Data to Learn More About Completion Factors at One New Zealand University.* Journal of Institutional Research, 2008. Jacques van der Meer *I don't even know what her name is: Considering the challenge of interaction during the first year.* Studies in Learning, Evaluation Innovation and Development, 2009.

allowance recipients overall. In 2012 there were 2,569 allowance recipients aged 35 and over who identified as Māori.[7]

Māori also tend to access the student allowance for a shorter duration of time. Data from 2004 – 2011 shows that 88.8% of Māori student allowance recipients accessed the allowance for 80 weeks or less and used an average of 40.10 weeks (14.6% lower than the overall average). While younger age bands may have a negative impact on Māori learners, the impact from a reduced lifetime limit on current patterns of access is likely to be minor.

Options	Pros	Cons
Reduced lifetime limits	• Improves targeting of support to initial years of study and initial qualifications. • Simple means of measuring previous access. • More consistent with current patterns of use (76.1% of recipients overall use fewer than 80 weeks of allowance). • Flexible in responding to individual study needs (as opposed to limits based on level or type of study). • Encourages people undertaking longer courses to contribute a greater share of the cost of their education. • Those under age 55 can still borrow for living costs.	• Depending on the option chosen, may only be sufficient to support part of a qualification or a full sub-degree qualification. • Removing or reducing eligibility for student allowances result in some people taking up the unemployment benefit, accommodation supplement and other forms of welfare support. • Reduces the level of support available for some students with dependants.
Reduced eligibility based on age	• Reducing eligibility for people over a certain age could be combined with removing allowance eligibility completely at older ages, for e.g. from those aged over 65. • Creates a tiered structure of reducing eligibility as people age. • Refocuses student support on younger priority learners while leaving a pathway for up-skilling to recognise some of the training needs of an aging workforce, particularly for those who have not previously accessed support. • More consistent with current patterns of study (older age groups are more likely to study at sub-degree level).	• The lower any age band is set the more this is likely to jeopardise access objectives in particular by affecting certain groups such as: o Māori who tend to study at a later age o parents, particularly Māori and Pasifika women who tend to have children at younger ages than European and Asian women. • Could be challenged under the New Zealand Bill of Rights Act 1990 (BoRA) – however precedent of restriction for those 55 and over already established in the loan scheme. • Stronger arguments can be formed for excluding older people (e.g. 55 and over) likely to spend less time in the workforce, than for younger people (e.g. a limit for 30 year olds which may contradict the BPS target to increase the number of 25 – 34 year olds with higher level qualifications).

Option estimates summary table

[7] This figure does not include people identifying as both Māori and another ethnicity

*Targeting on the basis of returns to study, initial years of study and increasing the contribution that people make to their tertiary education**				
Part of problem addressed	**Options**	**Preferred option(s)**	**Policy savings initial estimates (4 years net)**	**Recipients affected (average pa)**
Encourage a greater contribution to the cost of tertiary education from students whose study provides a low return to taxpayers *Target student allowances more closely to initial years of study*	**Option 1** – Status quo **Option 2** – Remove eligibility for student loans (SLs) and/or student allowance (SA) for people over a.55, or b. 65 **Option 3** **a**. Reduce the 200 week lifetime limit from 200 weeks down to 160 weeks **b**. Reduce SA eligibility for those aged 35 and over to 80 weeks **c**. Reduce SA eligibility for those over 40 to 80 weeks **d**. Reduce SA eligibility for those aged 55 and over to 80 weeks **e**. Reduce SA eligibility for those aged 55 and over to 120 weeks	Remove student allowance eligibility over the age of 65 Reduce eligibility for those over a certain age to 80 weeks	**2**. **a**. ($54.12m) SA ($6.00m) SL **b**. ($6.50m) SA - *based on 2015 implementation* And ($2.00m) SL **3**. **a**. ($23.76m) **b.** ($55.30m) **c**. ($41.70m) **d**. ($10.30m) **e**. ($3.54m)	**2**. **a**. 1,773 SA, 700 SL **b**. 310 SA, 200 SL **3**. **a**. 1,998 **b.** 2,000 **c**. 1,900 **d**. 385 **e**.155

**Savings estimates are initial estimates only and do not include administrative costs, student loan or welfare flow on costs (such as take up of job seeker benefits). Final quality assured costings for final options are provided in the Cabinet paper.*

Improving repayments from overseas-based borrowers (OBBs) and increasing personal responsibility for debt repayment

- Reduces high risk spending

- Reduces unnecessary and high-risk borrowing

- Support existing initiatives to increase debt repayment from overseas based borrowers and increase personal responsibility for debt repayment

Option 1 - Status quo

Currently there is a two year stand down period for permanent residents before they can access the student allowance or the Student Loan Scheme. This aligns with the two year stand down period before permanent residents can access the unemployment benefit.

As outlined, the data indicates that a number of people may be accessing student allowances to undertake study, where the benefits are not well aligned to the objectives of the student allowance scheme. Significant over-representation of permanent residents at older ages suggests some may be accessing the allowance as an alternative to other forms of living support. There are also similar trends of increased numbers of older people at secondary schools, studying at low levels and supporting dependant partners.

While non-citizens who remain in New Zealand after study represent good value investment and lending for the Government, those who go overseas are more likely to default on their student loans than borrowers who are New Zealand citizens. Our research indicates that permanent residents and Australians are more likely to go overseas than New Zealand Citizens and are less likely to return.[8] As at 31 March 2011, of the proportion of overseas-based borrowers who were in default, 29.3% were Australian citizens, 14.5% were Chinese citizens and 12.6% were New Zealand citizens.

Student allowances provide a higher level of support than student loan living costs, and do not need to be repaid. There is a question as to whether obligations for student allowance recipients are set at the right level.

Currently the only non-administrative obligation on student allowance recipients is to pass more than half of their study load. Options exist to strengthen obligations by ensuring that student allowance recipients who are in serious default on a student loan meet their repayment obligations.

In general 85% of student allowance recipients also have a student loan. As at April 2012, approximately 64,000 student allowance recipients had also borrowed from the Student Loan Scheme in 2012 (for fees, course related costs, or living costs to top up a partial allowance). Of these, 3.3% (2134 recipients) were in default on previous student loan borrowing. Just under half of these borrowers (940 allowance recipients) are in default of over $500, with 76 recipients in default of over $6000, and 27 in default of over $10,000.

Our analysis of the Student Loan Scheme has identified three broad types of borrower groups that represent low value lending. These are those:

- whose labour market returns are insufficient to make progress in repaying their loans (including borrowers under the repayment threshold, borrowers with large student loans who have poor labour market outcomes, and those who use loans for non-educational purposes)
- who go overseas and do not repay (who may or may not have high incomes)
- who would still participate in tertiary education if the government subsidy on student loans was reduced (for example, while lending to this group may be high value, it may be unnecessary).

Overseas-based borrowers comprise a high proportion of long-term compliance costs. Under current valuation assumptions, if all overseas-based borrowers were compliant (still allowing for death and bankruptcy write-offs) the value of new lending would increase by 3 cents in the dollar.

Overseas-based borrowers have much lower repayment compliance, slower repayment times, and potentially lower repayment obligations than New Zealand–based borrowers. The higher domestic compliance is largely due to compulsory collection through the income tax system and sanctions which are more easily enforced when non-compliance occurs.

---

8 Smyth,R and Spackman,D (2012) Going Abroad. Wellington: Ministry of Education.

As at 30 June 2012, there were 701,232 borrower accounts held by Inland Revenue. Of these borrowers, 101,095 (14%) were overseas based. However, these borrowers represented 58% of all borrowers with overdue payments (53,471) and had 80% of all overdue debt ($409.5m).

Table 1: Overdue student loan repayments at 30 June

Overdue Repayments	*2011 $million*	*2012 $million*	*% change*
Borrowers based			
-in New Zealand	*$122.8*	*$102.6*	*-16.4%*
-overseas	*$288.9*	*$409.7*	*41.8%*
Total	***$411.7***	***$512.3***	***24.5%***
Number of borrowers			
-in New Zealand	*49,803*	*38,577*	*-22.5%*
-overseas	*50,264*	*53,471*	*6.4*
Total	***100,067***	***92,048***	***-8.0%***

Source: Student Loan Scheme Report, 2012

The number of borrowers going overseas and into default continues to increase with the default levels having climbed to $421m by 31 December 2012 and $423m by 31 January 2013.

The high level of default is primarily due to a significant portion of borrowers not meeting their obligations of keeping Inland Revenue up to date with their contact details and making payments. Evidence to date from the OBB collection initiatives (OBBCI) reflects the importance of maintaining contact with overseas-based borrowers. Inland Revenue have had a 70% compliance rate among borrowers it has contacted as part of this initiative.

Currently there is a three-stepped repayment regime for OBBs based on their loan balance, while the regime for those based in New Zealand is income-contingent. Unless they are on a repayment holiday, OBBs are required to make repayments every six months (September and March). Interest is charged from the day the borrower leaves New Zealand.

Loan Balance	Amount due per year
<= $1,000	The whole balance
>$1,000 and <= $15,000	$1,000
>$15,000 and <= $30,000	$2,000
>$30,000	$3,000

The current overseas-based borrower regime strives to strike a balance between a borrower's ability to repay and quick repayment of student loans. For borrowers who are compliant with their student loan obligations, Inland Revenue currently automatically reduce their repayments based on their loan balance.

However, for about 14% of overseas-based borrowers (i.e. those who have a student loan balance over $50,847) the amount due per year means that the compulsory repayments they make will not exceed the interest charged on their loan. These 14,581 borrowers will continue to see their student loan balance increase.

Option 5 - Change eligibility based on residency status[9]

Available options would restrict eligibility for student allowances by either:

- extending the current student loan and student allowance stand-down period for permanent residents and Australians from 2 years to 3 years from 1 January 2014 to increase our confidence that permanent residents will stay in New Zealand when they finish their study and repay their student loans; and/or
- removing student allowance eligibility from Permanent Residents aged 55 and over.

Australians and permanent residents are more likely to move overseas and not return. There are also many permanent residents committed to staying in New Zealand (some of whom are not able to obtain citizenship because of laws in their country of origin). The stand-down period aims to distinguish between those who intend to stay from those that intend to leave. The mechanism for targeting on this basis is 'front-loaded'; permanent residents who demonstrate a commitment to New Zealand are not treated any differently from citizens after a certain point.

Extending the stand-down period for permanent residents and Australians would mean that migrants will need to have lived in New Zealand for at least three years, be ordinarily in New Zealand, and have held a residency class visa under the Immigration Act 2009 for at least three years to qualify for a student loan or allowance. This option would apply to both the student allowance and Student Loan Scheme to maintain consistency. Restricting eligibility from permanent residents would reduce support for study with relatively low benefit to New Zealand without disadvantaging New Zealand citizens.

A consequence of this proposal is that it would move student support policy out of alignment with the benefit system. Options in this category may result in greater take up of other forms of assistance such as the unemployment benefit reducing overall savings, but would signal an expectation that people commit to New Zealand before undertaking study.

An alternative option is to remove eligibility for permanent residents over a certain age (e.g. 55). Removing eligibility from older permanent residents would remove support for study with relatively low benefit to New Zealand without disadvantaging New Zealand citizens, or young people. It may, however, leave older new migrants without options to up skill. It may also have a minor negative impact on Pasifika learners; in 2011 there were 28 Pasifika permanent residents over the age of 55 receiving an allowance.

Option 6 – Adjust the overseas-based borrower repayment regime

Options available would improve repayments from overseas-based borrowers and increase personal responsibility for debt repayment by:

- adjusting the overseas-based borrower repayment regime to improve the long-term sustainability of the scheme by speeding up repayments of compliant overseas-based borrowers and ensuring they can make progress on their loans –by:

[9] 'Permanent Resident' includes Australian citizens but does not include students who hold refugee status, protected persons status, or persons sponsored by a family member who held refugee status or protected person status when they entered NZ.

- adding higher repayment thresholds for overseas-based borrowers with larger student loans post legislation enactment
  - fixing the repayment obligation for overseas-based borrowers at no less than the rate they pay when they leave New Zealand from 1 April 2014 for the 2014/15 tax year
- introducing border restrictions for non-compliant borrowers as a sanction for non-compliance by 1 April 2014 for the 2014/15 tax year and beyond.

Increasing overseas-based borrower repayments

Increasing the repayment amounts due each year would ensure that overseas-based borrowers repay their loans faster and that more borrowers will make repayments that would at least cover interest on their loans. Available options would make changes to the thresholds and repayment obligations of overseas-based borrowers to speed up repayments for compliant borrowers by:

a. adding two additional steps to the current overseas-based repayment regime with larger amounts due per year from 1 April 2014, as set out in Table 2. This would ensure that a larger proportion of compliant borrowers are required to make payments that at least cover the interest on their student loans.

Table 2: Proposed repayment obligations for overseas-based borrowers

Loan Balance	Amount due per year
<= $1,000	The whole balance
>$1,000 and <= $15,000	$1,000
>$15,000 and <= $30,000	$2,000
>$30,000 and <= $45,000	$3,000
>$45,000 and <= $60,000	$4,000
>$60,000	$5,000

b. introducing a fixed repayment obligation for overseas-based borrowers set at no less than their annual obligation at the time they leave New Zealand. This obligation would remain until their loan is repaid. Commercial loans operate on the same basis. As indicated in Table 1, a borrower with a loan balance of $16,000 would need to repay $2,000 a year until they are debt- free (that is, their obligation would not reduce as their loan balance reduces as is currently the case). Borrowers already overseas when the change is made would be fixed on the repayment rate they are currently on, not the one they had when they left New Zealand.

These changes would apply from 1 April 2014 for the 2014/15 tax year.

Proposals to change the overseas-based borrowers regime fall into a broader package of policy changes that are designed to improve collection from overseas-based borrowers and increase borrower responsibility for debt repayment, including the recent overseas-based borrower collection initiatives (OBBCI).

The changes for overseas-based borrowers proposed in this paper are intended to complement other initiatives already in place, by encouraging those people who are not currently meeting (or aware of) their obligations, to take notice of their responsibilities as borrowers and take compliance more seriously.

This policy change is intended as a long term measure to improve sustainability. Based solely on current levels of compliance, projected debt levels will increase. However the current initiatives which form the OBBCI are designed to improve levels of compliance in the future. Proposed changes to the repayment regime will pay dividends over the long-term provided compliance increases, and will improve the overall sustainability of the Student Loan Scheme as a whole.

There is a specific rationale for introducing additional thresholds for overseas-based borrowers with very large balances, as the rates that are currently paid by many of these borrowers are not sufficient to service their interest payments. The new policy will reduce the proportion of compliant borrowers who do not cover their interest payments on their student loans from 14% (potentially up to 14,581 borrowers) to about 3.5% (potentially up to 3,758 borrowers).

The proposed regime would increase the repayment obligations for overseas borrowers, a large proportion of whom are already in default. The proposed changes will therefore increase the rate of growth of default unless these borrowers start to meet their repayment obligations.

The current level of overseas-based borrower default continues to grow and reached $423 million by 31 January 2013. By 2015 the level of default is expected to reach $769 million, excluding the impact of these policies. With the introduction of the new repayment rates and thresholds, borrowers in default will owe an additional $19 million by 2015. This $19 million is before the addition of any penalty interest and subsequent compounding.

The growth in the level of default of overseas-based borrowers is largely because approximately 20,000 borrowers with loans were given an amnesty in 2007 and have not repaid anything since. These borrowers have large loan balances and their repayment obligations will increase with the addition of new repayment thresholds and rates. Unless compliance among this group of borrowers improves significantly, the rate of growth of default for these borrowers will accelerate.

Although the OBBCI is making good progress collecting from non-compliant borrowers, the rate at which the default amounts of overseas borrowers is growing is faster than the rate at which compliance is increasing. Increasing the repayment obligations of these borrowers will mean that it will take longer to slow and eventually reverse the rate of growth of overseas default amounts.

The impact of this policy on the compliance of overseas-based borrowers is uncertain, particularly given the impact on compliance of the OBBCI is difficult to predict. However there is a risk that some previously compliant borrowers with balances greater than $45,000 will stop repaying or repay less than their obligation because of the higher repayment rate.

Officials 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. This is because for compliant borrowers the interest on their loans is approximately equivalent to the Crown discount rate, so faster repayments do not generate any significant improvement in the value of the loan book. For those borrowers that remain non-compliant the new policy simply increases their outstanding level of default.

In the absence of income information, the current overseas-based borrower regime bases repayment obligations on current loan balances. Imposing a repayment floor for overseas-based borrowers means that repayment obligations will be based on a historic loan balance - the balance when the borrower left New Zealand. This creates an inequity whereby two loan borrowers with the same loan balances may have different repayment obligations if one of the borrower's loan balances was historically higher.

Option 7 – Border restrictions

This option would introduce new sanctions for defaulting on student loan repayments for the most non-compliant overseas-based borrowers by either:

- delaying the processing, or reduce the validity of passports; and/or
- extending the child support border arrest system to student loan debtors.

When a New Zealand-based borrower falls behind in their payments Inland Revenue has a full suite of tools available to get the borrower back on track. This ranges from reminder letters and phone calls, to deductions from wages or bank accounts through to legal action and bankruptcy in the most serious cases.

As overseas-based borrowers are not within New Zealand's jurisdiction, Inland Revenue has fewer tools available to enforce payment from borrowers living overseas.

Currently approximately 70% of overseas-based borrowers in default become compliant once they are contacted. However the remaining 30% do not respond to requests or late payment penalties and additional leverage is required. At the moment legal action is the primary tool used to borrowers that continuously resist paying. Legal action is effective against resistant borrowers, most will come to an arrangement before the matter reaches the courts, but it is time consuming and expensive.

Officials considered sanctions that focused on two common interactions overseas borrowers have with the New Zealand Government – applying for a New Zealand passport and crossing the border into or out of New Zealand.

Passport applications

With regards to passports officials looked at either issuing passports with reduced validity or delaying the processing of passports for applicants with default. For these proposals Inland Revenue would provide a list of borrowers with outstanding student loan debt to Internal Affairs. If a borrower on that list applies for a passport they will be required to reach a settlement with Inland Revenue regarding their debt. If the borrower does not reach settlement they will have their passport valid for a period less than the usual five years or have the processing for their passport delayed.

The option to issue passports for a reduced period of validity offered a strong incentive to motivate borrowers to comply with their obligations. However, this option would have an unpredictable impact on travellers going through border processing at foreign borders. If a passport were issued for a shortened validity period questions could be raised about the character of the traveller, which may result in him or her being refused entry to a country.

While the primary impact of increased cost and inconvenience may be seen as a proportionate response, the secondary impacts are unpredictable and difficult to effectively mitigate. Travellers crossing the border in non-English speaking countries, particularly in the developing world, may already be in a vulnerable position.

The option to delay passport processing would have a more varied impact than intended, being harsher in some cases and less effective in others.

Borrowers who cannot wait the additional processing time face a harsher sanction than the intended temporary inconvenience. Those who are in New Zealand, for example, and need their passport for travel would be facing an effective travel ban: if they do not pay, they cannot leave the country. Borrowers who are overseas and whose passports expire within the extended processing period are potentially illegal immigrants.

Those who can wait the additional processing time have little incentive to address their arrears as the delay would not adversely affect them.

Other options relating to passports were also considered. These included targeted messages within the renewal application process, requesting an alternate contact person for all borrowers renewing their passports, or posting tailored letters with the renewed passports of borrowers in default.

These options were found to be poorly targeted or ineffective, adding little when viewed alongside the proposed information sharing agreement with Internal Affairs.

Border restrictions

Overseas-based borrowers may still retain a connection with New Zealand, such as friends, family, sporting or business interests, which will lead them to return to New Zealand from time to time. In Budget 2012 a new data matching programme was introduced which would alert Inland Revenue when a borrower with high levels of default returned to New Zealand. New Zealand Customs would send Inland Revenue the borrower's arrival card so that contact could be made.

Introducing some kind of border restriction, such as the power to request arrest warrants, would send a clear message to all borrowers that non-compliance is unacceptable, and would provide greater leverage over those who temporarily return to New Zealand.

To be effective, such a measure would need to include education for borrowers on the possibility of being stopped at the border. This would deter borrowers from non-compliance at an early stage.

The advantage of border restrictions is that it is a precision measure that can be targeted and applied to the worst cases of default while providing an incentive to the wider group of borrowers to remain compliant.

While a serious step, raising Bill of Rights concerns relating to freedom of movement, there is a similar power under the Child Support Act 1991 which has proven effective against the most non-compliant liable parents.

Under the Child Support Act, Inland Revenue can request the District Court to issue an arrest warrant for a liable parent who is about to leave New Zealand with the intent to avoid their obligations. This power is supported by an information match with the New Zealand Customs Service, which notifies Inland Revenue when serious defaulters return to New Zealand and what their contact details are. Inland Revenue will then contact the defaulter to negotiate repayment, and if the liable parent refuses to comply and is about to leave the country, a warrant for their arrest can be requested.

Introducing similar provisions to the Student Loan Scheme Act would send a clear message to all borrowers that non-compliance is unacceptable and that there are real consequences for ignoring repayment responsibilities. This new sanction would be supported by a communications campaign to ensure that borrowers understood the potential consequences of non-compliance.

Inland Revenue's experience is that the threat of arrest at the border has a significant effect on defaulters' attitudes towards compliance. Very few student loan defaulters are expected to risk arrest for the sake of avoiding their obligations. While student loan obligations are a financial burden that some borrowers may wish to avoid, the factors that can motivate entrenched child support default (i.e. custody and marital disputes) are not present in a student loan context.

For the small number of borrowers who remain non-compliant once the arrest warrant has been issued, Inland Revenue would request information from airlines under section 17 of the Tax Administration Act to determine which flight a borrower is booked on. This information would be provided to Police stationed at the airport who would have to locate the defaulter before they boarded their flight. Police have advised that as this would have to be achieved without photos, often in large crowded areas, this could be difficult and time consuming.

Once the borrower is located at the airport Police would make a judgement as to whether to execute the arrest warrant or not. It is important for Police to use their discretion and the decision to make an arrest may have consequences for other passengers, the airline and airport security. It may not be appropriate, for example, to arrest a single adult accompanying a young child if adequate arrangements cannot be made for the child. If the borrower's bags have already been loaded then the consequences of delaying the flight would be taken into account. It is proper that Police make these decisions as they are in the best position to assess the potential impacts of an arrest.

This proposal may have the appearance of the Police acting as debt collection agents for Inland Revenue. If enacted it would be made clear that police would only act as independent officers of court and execution of these arrest warrants would remain at constabulary discretion.

This proposal would have cost implications for Courts and while the number of expected arrest warrant requests is low the exact number is unknown and the costs to Courts have not been estimated.

This is a precision measure that can be targeted and applied to the worst cases of default while deterring the wider group of borrowers from not complying. As hardship provisions are available to those who cannot afford to pay, this sanction will only apply to those who could pay but refuse to do so. The child support border restrictions provide a precedent that could be leveraged to potentially reduce the costs of implementation.

Legislative amendments would be required for this initiative. The sanction could apply from the date of enactment, however officials recommend delaying implementation until 1 July 2013 so that borrowers who have already made travel plans can address their arrears.

Option 8 - Information sharing agreement between Inland Revenue and Internal Affairs

An ongoing information sharing agreement between Inland Revenue and Internal Affairs to collect quality contact details of overseas-based borrowers would support the prevention and collection of student loan default. An information-sharing match of this nature could also be used to collect contact details for liable parents living overseas who have child support obligations. This process would not require any substantial systems development or testing.

The lack of quality contact details continues to make it difficult to educate borrowers or take enforcement action. Inland Revenue needs reliable and sustainable sources of contact information in order to prevent and address non-compliance.

Borrowers applying for passport renewals provide their contact details to Internal Affairs. These contact details are likely to be extremely accurate as the applicant is relying on them to receive their passport or to respond to any questions that arise during the renewal process.

In 2012 Inland Revenue made a request to Internal Affairs under section 17 of the Tax Administration Act for the details of all passport renewal applications made in the previous three months. This request was made so that the passport renewal process could be evaluated as an on-going source of contact information.

The records were received in early July and were matched against Inland Revenue's files to identify those applicants with student loans. Of the 134,000 renewal applications received over the three month period, 15,927 were identified as student loan borrowers. Of that group 2,938 were overseas-based borrowers, with approximately 50% (1,424) having an overdue repayment obligation. These borrowers had total loan balances of $83 million, of which over $10 million was in default.

The contact information received from the match records was provided to the Inland Revenue debt recovery team who used the new information to make contact with the overseas-based borrowers. Based on the results of the test match and the subsequent collection activity, officials have projected what the impact would be if the match were in place for a full year. The following projection assumes a median loan default of $4,541 and 5,600 successful matches per year (1,400 matches per three-month period):

- $12.5 million from 2,750 borrowers would be collected
- $3.5 million from 750 borrowers would be considered for further enforcement action
- $0.5 million from 120 borrowers would be added back to the loan due to hardship.

The projected amount for enforcement action is the total amount of default that would be considered for more intensive treatment. It is expected that a portion of these cases will not be suitable for further action and of those selected, some will be unsuccessful.

Collection of child support liabilities across international borders is also a significant and complex activity that presents a number of challenges; in particular the time and difficulty associated with locating liable parties offshore due to a lack of quality contact details. As at 30 September 2012, total child support debt (including penalties) was $2.5 billion, of which more than half ($1.36 billion) was owed by liable parents living overseas. While the reciprocal agreement with Australia covers $408 million of this, the remaining $956 million is either not covered by the reciprocal agreement or is owed by liable parents living outside of Australia.

There is no long-term, low-cost source of high-quality contact information for liable parents while they are based overseas. This is considered a key integrity issue.

The 134,000 records received from Internal Affairs have been reviewed to determine potential matches against child support debtors. 615 cases have been matched against liable parents living overseas, of which 447 are in default with a value of $17.4 million.

The constraints on using the test match information has meant that the contact details that were matched against these liable parents could not be used to pursue the outstanding amounts. Even without this verification, officials are confident that collecting these additional addresses and contact numbers would have a positive impact on the child support debt book.

Option 9 – Remove student allowance eligibility for people in student loan default of more than $500 for over one year.

Available options would remove student allowance eligibility for those who have an overdue student loan repayment obligation of $500 or more, where some or all has been overdue for one year or more, while their overdue repayment obligation remains at $500 or more.

It is reasonable to expect that borrowers in serious default should not continue to receive government support through a student allowance. Allowing serious defaulters to continue to receive such support is inconsistent with Government's focus on improving student loan collection and changes to eligibility of defaulters for loans (from 7 February 2013, those in default of over $500 for one year or more will not be able to borrow for fees or living costs, until the default is reduced to less than $500[10]).

This option will not result in savings, however, it will send a clear message about Government expectations and align with changes already made to loans. Borrowers in serious default on their student loan should not continue to receive a student allowance and this is inconsistent with Government's focus on improving student loan collection. As with eligibility for student loans, a defaulter who made an instalment arrangement would become eligible again, and Inland Revenue has advised that approximately 90% of allowance applicants may qualify for hardship. This reduces potential savings.

Options	Pros	Cons
Restrict eligibility based on residency status	• Improve targeting to those who intend to remain in New Zealand. • Reduces the risk of providing support to people who may leave New Zealand and go into default. • A longer stand-down period will be more aligned to similar overseas jurisdictions, for e.g. the United Kingdom has a 3 year stand-down, and Australia requires citizenship.	• Those affected would need to wait an additional year. • Would move student support out of alignment with the welfare system and may increase welfare take up. • The longer the stand-down period the greater the impact on those affected, on welfare system flow ons and potentially on immigration objectives.

10 Financial hardship can be taken into consideration by IR.

Options	Pros	Cons
Adjusting the OBB regime	• Ensure that compliant overseas-based borrowers repay their loans faster. • More compliant borrowers will make repayments that would at least cover interest on their loans. • Removes the perverse effect created by repayment obligations decreasing over time under current rules.	• Not expected to produce savings in the short term, until compliance improves significantly. • If compliance does not improve, will increase the rate of growth of amounts in default. • May increase hardship applications and administrative costs.
Border restrictions	• Will have a significant effect on defaulters' attitudes towards compliance. • Send clear signal about Government expectations to comply with obligations. • Increases personal responsibility for debt repayment. • Would affect only a small number of the most non-compliant borrowers.	• Will have a significant impact on those affected. • Could be challenged under the New Zealand Bill of Rights Act 1990 (BoRA). • May discourage OBBs from returning to New Zealand.
Information matching	• Would support the prevention and collection of student loan default. • Could also be used to collect contact details for liable parents living overseas who have child support obligations. • Would signal that Government expects student loan consumption to not exceed reasonable limits. • Would not require any substantial systems development or testing.	• May be challenged on privacy grounds. • Will not target borrowers who either do not have or do not travel on a New Zealand passport.
Restrict SA eligibility for defaulters	• Send clear signal about government expectations to comply with obligations. • Consistent with expectations for student loan borrowers.	• Would affect very few people with potentially high administrative costs.

Option estimates summary table

Improving repayments from overseas-based borrowers and increasing personal responsibility for debt repayment*

Part of problem addressed	Options	Preferred option(s)	Policy savings initial estimates (4 years net)	Recipients affected (average pa)
Reduces high risk spending / borrowing Improving repayments from overseas-based borrowers Increasing personal responsibility for debt repayment	**Option 1** – Status quo **Option 5** – Increase the PR stand-down for loans and allowances to **a**. 3 years or **b**. 5 years And/or – **c**. Remove SA eligibility from PRs aged 55 and over **Option 6** – increasing OBB repayments **Option 7** – border restrictions/passport **Option 8** – info matching **Option 9** – Remove SA eligibility for those in default on their SL	**5**. Increase the PR stand-down to a. 3 years **Option 6** – increasing OBB repayments **Option 7** – extend child support border arrest system to student loan debtors **Option 8** – info matching	**5**. **a**. ($36.84m) SA and ($12.50m) SL **b**. ($110.50m) SA – *SL not progressed* **c**. ($30.50m) **6**. ($0.00m) **7**. ($0.00m) **8**. ($0.00m) **9**. ($0.95m)	**5**. **a**.960 SA and 1,300 SL **b**.2,880 SA, *SL not progressed* **c**. 938 **6**. 61,200 **7**. Small number of the most non-compliant borrowers **8**. Will potentially impact up to 12,000 OBBs and 2,500 liable parents **9**. 35

**Savings estimates do not include administrative costs, or other flow on costs (such as debt impact)*

Consultation

The Ministry of Education, the Inland Revenue Department and StudyLink developed these proposals. The Ministry of Social Development, the Treasury, and Inland Revenue have been consulted on the proposals in this paper. The Ministry of Justice has been consulted on the student allowances proposals and the arrest warrant proposal.

The New Zealand Police and New Zealand Customs Service have also been consulted on the arrest warrant proposal. The Department of Internal Affairs and the Office of the Privacy Commissioner have been consulted on the proposal for the information sharing agreement between Inland Revenue and the Department of Internal Affairs.

Limited time was available for consultation. We did not consult with sector groups due to the budget-sensitive nature of the proposals.

Human Rights

Ministry of Education legal advice is that, removing access to student allowances for those aged 65 and over, reducing the life-time entitlement for those aged 40 and over to 80 weeks, and increasing the student loan and allowances two year stand-down for permanent residents and Australians raises prima facie issues of discrimination based on age and national origin respectively under the New Zealand Bill of Rights Act 1990 (BoRA).

If these policies are challenged, it is likely that they will be found by the courts not to amount to unlawful discrimination provided evidence can be produced to establish that these measures will more likely than not achieve Government's intended goals. Evidence-based justification arguments, including those set out in this paper, will be required.

As these proposals can be implemented without legislation the Ministry of Justice (MoJ) has not considered them as part of a formal BoRA vetting process. Instead, the lawfulness of the proposals will depend on whether the discrimination (if a court finds it to exist) can be justified under section 5 of the BoRA.

Proposed changes to the Student Support Schemes

The Treasury advise they support a broad-based tertiary system with a larger element of private contribution to fund the direct costs of tertiary education. However, given that Ministers have made it clear that certain measures (e.g. interest on Student Loans) will not be considered, they recognise that the scope for future savings under current policy settings is limited to the type of changes outlined in this package.

These incremental changes while generating small savings are likely to have large impacts on specific groups by limiting their access to tertiary education. For example, the savings initiatives proposed include incremental changes to the eligibility to Student Support systems, based on age, and immigration status that limit access to tertiary education.

Conclusion and Recommendations

The recommended outcomes of the options analysis for each proposal are as follows:

Targeting more tightly on the basis of returns to study and initial years of study and increasing the contribution that people make to their tertiary education by:

- removing student allowances eligibility for those over a certain age (e.g. 65 years)
- reducing student allowance lifetime limits (e.g. from 200 down to 80 weeks) for those over a certain age.

Improving repayments from overseas-based borrowers and increasing personal responsibility for debt repayment by:

- extending the student loan and student allowance stand-down period for permanent residents and Australians from 2 years to 3 years from 1 January 2014
- adjusting the overseas-based borrower repayment regime, from 1 April 2014 for 2014/15 and beyond, by introducing:
  - a fixed repayment obligation for overseas-based borrowers at no less than the rate they pay when they leave New Zealand
  - additional repayment thresholds for overseas-based borrowers
- making it an offence for a borrower to knowingly default on an overseas-based borrower repayment obligation so that an arrest warrant can be requested to prevent the most non-compliant borrowers from leaving the country from 1 July 2013
- putting in place an ongoing information-sharing agreement between Inland Revenue and Internal Affairs to obtain further contact details from overseas-based borrowers and liable parents when they renew or apply for their passport.

Implementation

Student Allowances
Changes to student allowances, including adjustments to eligibility and entitlement based on age, and increasing the stand down period for permanent residents, require a change to the Student Allowance Regulations 1998. Amendments to the Regulations will be carried out by the Ministry of Social Development during 2013.

Student Loans
Amendments to the Student Loan Scheme Act 2011 will be required to introduce changes to the overseas-based borrower repayment regime. The application date for the new regime would be 1 April 2014. Border restrictions require amendments to the Student Loan Scheme Act 2011 and also require regulations to amend the District Court rules. The restrictions could apply from 1 July 2013.

The information match with the Department of Internal Affairs will be introduced through regulation under the recent Privacy Act 2013. Inland Revenue and Internal Affairs are working with the Office of the Privacy Commissioner to develop an appropriate information sharing arrangement. This process requires public consultation with the representative sector groups. The information match could apply from August 2013.

Monitoring, Evaluation and Review

The Ministries of Education and Social Development will monitor and review the student allowance proposals and report to the Minister for Tertiary Education, Skills and Employment and the Minister for Social Development. The four agencies involved with the Student Loan Scheme (Inland Revenue, the Ministry of Social Development, the Ministry of Education, and the Treasury) will monitor and review proposals in respect of the Student Loan Scheme.

The Student Loan Scheme Governance Group will monitor the overall performance of the scheme changes, including through the Student Loan Performance Framework and report to Ministers on outcomes. The framework indicators are reported regularly to the Minister for Tertiary Education, Skills and Employment and the Minister of Revenue.

Document 6

CBC Min (13) 2/3

Cabinet Business Committee

Copy No: 16

Minute of Decision

Student Support Package for Budget 2013

Portfolio: Tertiary Education, Skills and Employment

On 2 April 2013, the Cabinet Business Committee **agreed** to recommend that Cabinet:

Background

1 note that a package of changes to the Student Loan Scheme and Student Allowances Scheme has been developed as part of Budget 2013 to improve the value of student support spending by:

1.1 improving repayments from overseas-based borrowers and increasing personal responsibility for debt repayment;

1.2 targeting student allowances more tightly on the basis of returns to study;

2 note that this student support package will enable the government to achieve its tertiary education priorities through Budget 2013, as set out in the accompanying paper entitled *Tertiary Education Package for Budget 2013* [CBC (13) 18];

Improving repayments from overseas-based borrowers

3 agree:

3.1 to extend the current student loan and student allowances stand-down period for permanent residents and Australians from two years to three years from 1 January 2014, but to continue to exempt people who are refugees, protected persons, or sponsored into New Zealand by a family member who is entitled to reside indefinitely in New Zealand under refugee or protected persons policy;

3.2 to grandparent permanent residents who would have become eligible for student loans and allowances in 2014 under the existing two year stand-down policy. These permanent residents will be able to access student loans and allowances from the date that they would have become eligible in 2014;

4 agree that an information-matching agreement be established between Inland Revenue and the Department of Internal Affairs (DIA) from 1 April 2014 to obtain contact information from the passport renewal process, to identify non-compliant overseas-based borrowers and child support debtors (subject to operational details and the outcome of discussions with the Office of the Privacy Commissioner);

5 agree:

5.1 to introduce a fixed repayment obligation for overseas-based borrowers that is set at no less than their annual obligation from the time that they become an overseas-based borrower;

5.2 that if the borrower is already overseas, their repayment obligation will be set at the rate that they face at 1 April 2014;

6 agree to introduce two additional repayment thresholds for overseas-based borrowers with larger student loans from 1 April 2014, which will result in the following overseas-based borrower regime:

Loan Balance	Amount due per year
<= $1,000	The whole balance
>$1,000 and <= $15,000	$1,000
>$15,000 and <= $30,000	$2,000
>$30,000 and <= $45,000	$3,000
>$45,000 and <= $60,000	$4,000
>$60,000	$5,000

7 agree to make it an offence for a borrower to knowingly default on an overseas-based borrower repayment obligation so that an arrest warrant can be requested to prevent the most non-compliant borrowers from leaving the country from 1 July 2013;

8 note that Inland Revenue is currently working through the policy details of arrest warrants for the most non-compliant borrowers but that these are intended to mirror, where appropriate, border controls already in place for child support debtors;

9 note that the New Zealand Police will consult border agencies and will provide Ministers with advice on how to reduce inefficiency in the border alert system;

Targeting student allowances more tightly on the basis of returns to study and initial years of study

10 agree to introduce an upper age restriction for student allowances eligibility which is linked to the age of eligibility for New Zealand Superannuation[1], currently 65 years of age, for study starting on or after 1 January 2014;

11 agree to reduce the student allowances life-time limit for those aged 40 and over from a maximum of 200 weeks to a maximum of 80 weeks for study starting on or after 1 January 2014;

12 agree that those affected by the proposals in paragraphs 10 or 11 above:

12.1 who begin their student allowance application period in 2013 and this period carries on into 2014, will be assessed under the 200-week limit for the period of that application[2];

[1] This would mean that if the age for New Zealand Superannuation increases so too would the age at which student allowance eligibility is removed.

[2] An application period means an approved student allowance application for an approved enrolment period up to a maximum of 52 weeks.

12.2 will continue to receive a student allowance up until 31 December 2014 or until they reach the (previous) 200 week entitlement, whichever comes first, if they received a student allowance in 2013;

Changes to the calculation of the cost of lending in the Student Loan Scheme

13 note that, in consultation with the Minister of Finance and with the agreement of the loan scheme auditors, it has been decided to change the basis of calculating the cost of lending in the Student Loan Scheme;

14 note that the treatment of savings from this initiative is addressed in the accompanying paper entitled *Tertiary Education Package for Budget 2013* [CBC (13) 18];

Putting in place changes to loan eligibility for entry-level tertiary education

15 note that StudyLink is seeking administration costs of $0.082 million in 2012/13, $0.448 million in 2013/14, $0.130 million in 2014/15, $0.132 million in 2015/16 and outyears to deliver changes to loan eligibility for entry-level education agreed to by Cabinet in 2012 [CAB Min (12) 21/5A];

New Zealand Bill of Rights Act 1990 implications

16 note that, under the New Zealand Bill of Rights Act 1990, the proposals in paragraphs 3, 10 and 11 above raise prima facie discrimination issues, and that these would not amount to unlawful discrimination if evidence can be produced to establish that they are more likely than not to achieve the government's intended goals;

17 note that introducing the power to request an arrest warrant in relation to a new offence under the Student Loan Scheme Act 2011 is consistent with other criminal proceedings under the New Zealand Bill of Rights Act 1990;

Legislative implications

18 authorise the:

18.1 Minister for Tertiary Education, Skills and Employment (the Minister) and the Minister of Revenue to make any necessary technical policy decisions needed during drafting to give effect to the student loan proposals in the paper under CBC (13) 17;

18.2 Minister and the Minister for Social Development to make any necessary technical policy decisions needed during drafting to give effect to the student allowance proposals in the paper under CBC (13) 17;

19 agree that:

EITHER [*required for a 1 July 2013 implementation of border restrictions*]

19.1 amendments to the Student Loan Scheme Act 2011 be contained in a Budget night Bill;

OR

19.2 amendments to the Student Loan Scheme Act 2011 be contained in a separate mid-year Bill that would need to be passed by 1 April 2014;

20 invite the Minister of Revenue to issue drafting instructions to the Parliamentary Counsel Office (PCO):

20.1 for a Student Loan Scheme Amendment Bill or Bills to give effect to the student loan proposals in the paper under CBC (13) 17;

20.2 to prepare an Order in Council approving a new information sharing agreement between DIA and Inland Revenue;

21 invite the Minister for Social Development to issue drafting instructions to PCO to draft amendments to the Student Allowances Regulations 1998 to give effect to the above proposed changes to student allowances;

Financial implications

22 note that the financial implications of the preferred package for 2013/14 to 2016/17 are $109.569 million in operating impact savings, with a debt impact saving of $7.436 million;

23 note that changes to appropriations, including Ministry of Social Development and Inland Revenue administration and information technology costs, will be made as part of the tertiary education package for Budget 2013;

Administration costs

24 note that:

24.1 Inland Revenue has requested permanent funding for the Overseas-based Borrower Initiative (OBBCI) as part of Vote Revenue for Budget 2013;

24.2 Inland Revenue will fund the information match for passport renewal contact information with DIA and the implementation of the border restrictions (excluding any communications costs) through the permanent OBBCI appropriation;

25 note that Inland Revenue will self-fund the costs of $0.350 million for 2012/13 as well as the continued costs of $0.110 million for administering the border restrictions and increasing the repayment thresholds for overseas-based borrowers for 2014/15 onwards;

26 note that Inland Revenue will request funding of $3.841 million for 2013/14 for the communications strategy for border restrictions and for implementing the increase in the repayment thresholds for overseas-based borrowers;

27 note the indicative cost of administration costs for StudyLink of $2.248 million over four years (2013/14 to 2016/17) to deliver the permanent resident stand-down extension for student loans and allowances, the initiatives that reduce student allowances eligibility for older people, and changes to student loan eligibility for entry-level education referred to in paragraph 15 above;

Further decisions

28 authorise the Minister of Finance, the Minister, and the Minister of Revenue, where appropriate, to approve any detailed changes to the Student Support Package and the resulting changes in appropriations;

29 note that the decisions on the proposals in the paper under CBC (13) 17 are proposed to be announced as part of Budget 2013.

Martin Bell

Martin Bell
Committee Secretary

Reference: CBC (13) 17

Secretary's note: *This item will be referred to Cabinet on 15 April 2013.*

Present:
Rt Hon John Key (Chair)
Hon Bill English
Hon Gerry Brownlee
Hon Steven Joyce
Hon Judith Collins
Hon Tony Ryall
Hon Hekia Parata
Hon Paula Bennett
Hon Dr Nick Smith
Hon Amy Adams

Officials present from:
Office of the Prime Minister

Distribution:
Cabinet Business Committee
Office of the Prime Minister
Chief Executive, DPMC
  Director PAG, DPMC
  PAG Subject Advisor, DPMC
Secretary to the Treasury
Secretary for Education (Tertiary)
  Chief Executive, Tertiary Education Commission
Privacy Commissioner
Secretary for Education
Chief Executive, MSD
Minister of Police
  Commissioner of Police
Minister of Internal Affairs
  Secretary for Internal Affairs
Minister of Customs
  Comptroller of Customs
Minister of Revenue
  Commissioner of Inland Revenue
Controller and Auditor-General
Chief Parliamentary Counsel
Legislation Coordinator

Document 7

Cabinet

Minute of Decision

CAB Min (13) 12/8
Amended Minute

Copy No: 22

REGISTERED
14 MAY 2013

Student Support Package for Budget 2013

Portfolio: **Tertiary Education, Skills and Employment**

On 15 April 2013, following reference from the Cabinet Business Committee, Cabinet:

Background

1 **noted** that a package of changes to the Student Loan Scheme and Student Allowances Scheme has been developed as part of Budget 2013 to improve the value of student support spending by:

1.1 improving repayments from overseas-based borrowers and increasing personal responsibility for debt repayment;

1.2 targeting student allowances more tightly on the basis of returns to study;

2 **noted** that the student support package enables the government to achieve its tertiary education priorities through Budget 2013 [CAB Min (13) 12/9];

Improving repayments from overseas-based borrowers

3 **agreed** to:

3.1 extend the current student loan and student allowances stand-down period for permanent residents and Australians from two years to three years from 1 January 2014, but continuing to exempt people who are refugees, protected persons, or sponsored into New Zealand by a family member who is entitled to reside indefinitely in New Zealand under refugee or protected persons policy;

3.2 grand-parent permanent residents who would have become eligible for student loans and allowances in 2014 under the existing 2 year stand-down policy. These permanent residents will be able to access student loans and allowances from the date they would have become eligible in 2014;

4 **agreed** that an information-matching agreement be established between Inland Revenue and the Department of Internal Affairs by 1 April 2014 to obtain contact information from the passport renewal process, to identify non-compliant overseas-based borrowers and child support debtors (subject to operational details and the outcome of discussions with the Office of the Privacy Commissioner);

5 **agreed** to introduce a fixed repayment obligation for overseas-based borrowers that is set at no less than their annual obligation from the time they become an overseas-based borrower. If the borrower is already overseas, their repayment obligation will be set at the rate they face at 1 April 2014;

6 **agreed** to introduce two additional repayment thresholds for overseas-based borrowers with larger student loans from 1 April 2014 which will result in the following overseas-based borrower regime:

Loan Balance	Amount due per year
<= $1,000	The whole balance
>$1,000 and <= $15,000	$1,000
>$15,000 and <= $30,000	$2,000
>$30,000 and <= $45,000	$3,000
>$45,000 and <= $60,000	$4,000
>$60,000	$5,000

7 **agreed** to make it an offence for a borrower to knowingly default on an overseas-based borrower repayment obligation so that an arrest warrant can be requested to prevent the most non-compliant borrowers from leaving the country from 1 July 2014;

8 **noted** that Inland Revenue is currently working through the policy details of arrest warrants for the most non-compliant borrowers but that these are intended to mirror, where appropriate, border controls already in place for child support debtors;

9 **noted** that Police will consult with border agencies and provide Ministers advice on how to reduce inefficiency in the border alert system;

Targeting student allowances to more tightly on the basis of returns to study and initial years of study

10 **agreed** to introduce an upper age restriction for student allowances eligibility which is linked to the age of eligibility for New Zealand Superannuation (65 years of age) for study starting on or after 1 January 2014;

11 **agreed** to reduce the student allowances life-time limit for those aged 40 and over from a maximum of 200 weeks to a maximum of 120 weeks for study starting on or after 1 January 2014;

12 **agreed** that those affected by the proposals in paragraphs 10 or 11 above:

12.1 who begin their student allowance application period in 2013 and this period carries on into 2014, will be assessed under the 200-week limit for the period of that application[1];

12.2 will continue to receive a student allowance up until 31 December 2014 or until they reach the (previous) 200 week entitlement, whichever comes first, if they received a student allowance in 2013;

[1] An application period means an approved student allowance application for an approved enrolment period up to a maximum of 52 weeks.

Changes to the calculation of the cost of lending in the Student Loan Scheme

13 **noted** in consultation with the Minister of Finance and with the agreement of the loan scheme auditors, it has been decided to change the basis of calculating the cost of lending in the Student Loan Scheme;

14 **noted** that the treatment of savings from this initiative is addressed in the accompanying Tertiary Education Package for Budget 2013 [CAB Min (13) 12/9];

Putting in place changes to loan eligibility for entry-level tertiary education

15 **noted** that StudyLink are seeking administration costs of $0.082 million in 2012/13; $0.448 million in 2013/14; $0.130 million in 2014/15; $0.132 million in 2015/16 and out-years to deliver changes to loan eligibility for entry-level education agreed to by Cabinet last year [CAB Min (12) 21/5A];

Bill of Rights Act Implications

16 **noted** that, under the New Zealand Bill of Rights Act, the proposals in paragraphs 3, 10 and 11 above raise prima facie discrimination issues and that these would not amount to unlawful discrimination if evidence can be produced to establish that they are more likely than not to achieve the government's intended goals;

17 **noted** that introducing the power to request an arrest warrant in relation to a new offence under the Student Loan Scheme Act is consistent with other criminal proceedings under the New Zealand Bill of Rights Act 1990;

Legislative implications

18 **authorised** the Minister for Tertiary Education, Skills and Employment and the Minister of Revenue to make any technical policy decisions needed in the drafting process of the necessary legislation or relevant regulations to give effect to the student loan proposals in the paper under CAB (13) 192;

19 **authorised** the Minister for Tertiary Education, Skills and Employment and the Minister for Social Development to make any technical policy decisions needed in the drafting process of the necessary legislation or relevant regulations to give effect to the student allowance proposals in the paper under CAB (13) 192;

20 **agreed** that amendments to the Student Loan Scheme Act be contained in a separate mid-year bill that would need to be passed by 1 April 2014;

21 **invited** the Minister of Revenue to issue drafting instructions to the Parliamentary Counsel Office:

21.1 for a Student Loan Scheme Amendment Bill or Bills to give effect to the student loan proposals;

21.2 to prepare an Order in Council approving a new information sharing agreement between the Department of Internal Affairs and Inland Revenue;

22 **invited** the Minister for Social Development to instruct the Parliamentary Counsel Office to draft amendments to the Student Allowances Regulations (1998) to give effect to the changes to student allowances;

Financial implications

23 **noted** that the financial implications of the package for the 2013/14 to 2016/17 financial years are: $91.343 million in operating impact savings, with a debt impact saving of $16.187 million;

24 **noted** that changes to appropriations, including Ministry of Social Development and Inland Revenue administration and IT costs, will be made as part of the tertiary education package for Budget 2013;

Administration costs

25 **noted** that Inland Revenue has requested permanent funding for the Overseas-based Borrower Initiative (OBBCI) as part of Vote Revenue for Budget 2013 and that Inland Revenue will fund the information match for passport renewal contact information with the Department of Internal Affairs and the implementation of the border restrictions (excluding any communications costs) through the permanent overseas based borrower initiative (OBBCI) appropriation;

26 **noted** that Inland Revenue will self-fund the costs of $0.350 million for the 2012/13 financial year as well as the continued costs of $0.110 million for administering the border restrictions and increasing the repayment thresholds for overseas-based borrowers for 2014/15 onwards;

27 **noted** that Inland Revenue will be requesting funding of $3.841 million for 2013/14 for the communications strategy for border restrictions and for implementing the increase in the repayment thresholds for overseas-based borrowers;

28 **noted** the indicative cost of administration costs for StudyLink of $2.248 million over four years (2013/14 to 2016/17) to deliver the permanent resident stand-down extension for student loans and allowances, the initiatives that reduce student allowances eligibility for older people, and changes to student loan eligibility for entry-level education referred to in paragraph 15 above;

Further decisions

29 **authorised** the Minister of Finance and the Minister for Tertiary Education, Skills and Employment and the Minister of Revenue, where appropriate, to approve any detailed changes to the Student Support Package and the resulting changes in appropriations;

30 **noted** that Cabinet decisions on the paper under CAB (13) 192 are proposed to be announced as part of Budget 2013.

Rebecca Kitteridge

Secretary of the Cabinet

Reference: CAB (13) 192

Secretary's note: *This minute has been reissued to correct the date in paragraph 7.*

Distribution: (see over)

Distribution:

Prime Minister
  Chief Executive, DPMC
  Director PAG, DPMC
Minister of Finance
  Secretary to the Treasury
Minister for Tertiary Education, Skills and Employment
  Chief Executive, Tertiary Education Commission
  Secretary for Education (Tertiary)
Privacy Commissioner
Minister of Education
  Secretary for Education
Minister for Social Development
  Chief Executive, MSD
Minister of Police
  Commissioner of Police
Minister of Internal Affairs
  Secretary for Internal Affairs
Minister of Customs
  Comptroller of Customs
Minister of Revenue
  Commissioner of Inland Revenue
Controller and Auditor-General
Chief Parliamentary Counsel
Legislation Coordinator
Secretary, CBC

MINISTRY OF EDUCATION
Te Tāhuhu o te Mātauranga

Tertiary Education Report: Additional financial recommendation for student support Budget 2013 package

Date:	15 April 2013	**Priority:**	High
Security Level:	Budget Secret	**METIS No:**	770066

Action Sought

Addressee	Actions sought	Deadline
Minister of Finance Minister for Tertiary Education, Skills and Employment Minister of Revenue	**Approve** the changes to appropriations from Cabinet's 15 April decision to reduce student allowances eligibility for students aged 40 and over from 200 weeks to 120 weeks as part of the student support 2013 Budget package.	16 April 2013

Enclosure: No	**Round Robin: Yes**

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Julie Keenan	Senior Policy Manager	463 8093	027 504 6210	✓
Ben McBride	Team Leader, Treasury	917 6184		
Miriam Urlich	Drafter	463 8708		

The following departments/agencies have seen this report: ☐ Other:

☐ DoL ☐ IR ☐ MoE ☐ MED ☐ MoH ☐ MSI ☐ MSD
☐ NZQA ☐ NZTE ☐ OAG ☐ Stats ☐ TEC ☐ TPK ☒ Treasury

Minister's Office to Complete:

☐ Approved ☐ Declined
☐ Noted ☐ Needs change
☐ Seen ☐ Overtaken by Events
☐ See Minister's Notes ☐ Withdrawn

Comments:

15 April 2013

Tertiary Education Report: Additional financial recommendation for student support Budget 2013 package

Executive summary

This report seeks your approval of the remaining appropriation changes needed to give effect to Cabinet's decisions on the student support package for Budget 2013.

Cabinet agreed to the Student Support Package for Budget 2013 at its meeting on 15 April 2013 [a minute is yet to be issued]. The appropriation changes to give effect to this package were also approved by Cabinet on 15 April 2013 as part of the Treasury Omnibus Budget cabinet paper.

The appropriation changes for the initiative to reduce student allowance eligibility for students aged 40 and over to 120 weeks were not included in the Treasury Omnibus paper considered by Cabinet on 15 April. However, Cabinet delegated authority to you to approve any detailed changes to the Student Support Package and any resulting appropriation changes.

The financial implications for the initiative to reduce student allowance eligibility for students aged 40 and over to 120 weeks are as follows:

	Operating impact ($ million)					
Reduce allowances eligibility for those aged 40 and over to 120 wks	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17 & out-years**	**4 year total (2013/14 to 2016/17)**
Operating Impact	-	(0.286)	(2.396)	(3.302)	(3.285)	(9.269)
Debt Impact	-	0.520	1.591	1.993	1.685	5.789

The financial implications of the overall student support Budget package, including this student allowance initiative, are:

- $91.343 million for the 2013/14 to 2016/17 financial years in operating impact savings
- $16.187 million for the 2013/14 to 2016/17 financial years in debt impact savings.

We seek your urgent approval of these financial implications and appropriation changes by 16 April 2013, in order to meet Treasury deadlines for Budget 2013.

Recommended actions

We recommend that the Minister of Finance, the Minister for Tertiary Education, Skills and Employment, and the Minister of Revenue:

a. **note** that Cabinet has agreed to include the initiative to reduce student allowance eligibility for students aged 40 and over to 120 weeks as part of the student support Budget package but that the appropriation changes for this particular change were not able to be included in the Treasury Omnibus Budget paper considered by Cabinet on 15 April 2013

b. **note** that on 15 April 2013, Cabinet delegated authority to you to approve any detailed changes to the Student Support Package and the resulting changes to appropriations [Note: a Cabinet minute has not yet been issued]

c. **approve** the changes to appropriations for the Budget 2013 initiative to reduce student allowance eligibility for students aged 40 and over to 120 weeks as set out in the attached initiative document.

APPROVED/NOT APPROVED   APPROVED/NOT APPROVED   APPROVED/NOT APPROVED

Andrea Schöllmann
Group Manager, Tertiary Education
Ministry of Education

NOTED / APPROVED	NOTED / APPROVED	NOTED / APPROVED
Hon Bill English Minister of Finance	**Hon Steven Joyce** Minister for Tertiary Education, Skills and Employment	**Hon Peter Dunne** Minister of Revenue
__ __/__ __/__ __	__ __/__ __/__ __	__ __/__ __/__ __

Tertiary Education Report: Additional financial recommendation for student support Budget 2013 package

Purpose of report

1. This report seeks your approval of appropriation changes to give effect to Cabinet's Budget decisions to reduce student allowance eligibility for students aged 40 and over to 120 weeks.

Background

2. Cabinet has delegated authority to you to jointly finalise the remaining financial implications of its 15 April 2013 decisions regarding the Student Support Budget package [Note: a Cabinet minute has not yet been issued].

3. The attached initiative documents set out the financial implications of this student allowance initiative for your approval.

4. The financial implications in this initiative are as follows:

Reduce allowances eligibility for those aged 40 and over to 120 wks	Operating impact ($ million)					
	2012/13	2013/14	2014/15	2015/16	2016/17 & out-years	4 year total (2013/14 to 2016/17)
Operating Impact	-	(0.286)	(2.396)	(3.302)	(3.285)	(9.269)
Debt Impact	-	0.520	1.591	1.993	1.685	5.789

5. The appropriation changes for the other elements of the Student Support Budget Package were considered by Cabinet on 15 April 2013 as part of the Treasury Omnibus Budget cabinet paper.

6. The financial implications of the overall student support Budget package, including the initiative to reduce student allowance eligibility for students aged 40 and over to 120 weeks, are $91.343 million for the 2013/14 to 2016/17 financial years in operating impact savings, with debt impact savings of $16.187 million.

Next Steps

7. We seek your approval of the financial recommendations by 16 April 2013, in order to meet the deadlines required for Budget 2013.

8. Following your approval, these recommendations will be entered into the Treasury system to produce the final Budget 2013 documents.

Votes: Revenue and Social Development

Title: Reducing Student Allowances Eligibility for Students Aged 40 and Over

Description: The Student Allowance 200 week lifetime limit will be reduced to 120 weeks for those aged 40 and over for study starting on or after 1 January 2014. Transition arrangements will apply for some people.

Note the funding implications of reducing the 200 week student allowance life-time to 120 weeks for those aged 40 years or more by vote are:

	$ million increase / (decrease)				
Vote Social Development	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17 and Outyears**
Operating balance impact	0.000	(0.468)	(2.943)	(3.977)	(3.860)
Debt Impact	0.000	0.532	1.696	2.296	2.232
No Impact	0.000	(0.108)	(0.339)	(0.457)	(0.445)
Total	**0.000**	**(0.044)**	**(1.586)**	**(2.138)**	**(2.073)**

	$ million increase / (decrease)				
Vote Revenue	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17 and Outyears**
Operating balance impact	0.000	0.182	0.547	0.675	0.575
Debt Impact	0.000	(0.012)	(0.105)	(0.303)	(0.547)
No Impact	0.000	0.000	0.000	0.000	0.000
Total	**0.000**	**0.170**	**0.442**	**0.372**	**0.028**

Approve the following changes to appropriations to reflect the change in the cost of lending and allowances by vote:

	$ million increase / (decrease)				
Vote Social Development/Minister for Social Development	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17 and Outyears**
Departmental Output expenses: Management of Student Support, excluding Student Loans (funded by Revenue Crown)	0.000	0.460	0.000	0.000	0.000
Benefits and Other Unrequited Expenses:					
Student Allowances	0.000	(1.270)	(4.007)	(5.395)	(5.246)
Accommodation Assistance	0.000	0.085	0.262	0.344	0.333
Jobseeker Support and Emergency Benefit	0.000	0.149	0.463	0.617	0.608
Total Operating	**0.000**	**(0.576)**	**(3.282)**	**(4.434)**	**(4.305)**

	$ million increase / (decrease)				
Vote Social Development/ Minister of Revenue	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17 and Outyears**
Non-Departmental Capital Expenditure: Student Loans	0.000	0.532	1.696	2.296	2.232
Total Capital	**0.000**	**0.532**	**1.696**	**2.296**	**2.232**

	$ million increase / (decrease)				
Vote Revenue/ Minister of Revenue	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17 and Outyears**
Non-Departmental Other Expenses: Initial Fair Value Write-Down Relating to Student Loans	0.000	0.187	0.595	0.806	0.783
Total Operating	**0.000**	**0.187**	**0.595**	**0.806**	**0.783**

MINISTRY OF EDUCATION
Te Tāhuhu o te Mātauranga

Aide Memoire: *Reducing eligibility for student allowances for those 40 and over from 200 weeks to 120 weeks*

Date:	18 April 2013	**Priority:**	High
Security	Budget Sensitive	**METIS No:**	771073
File Number	ED 30/19/07/02		

1. You have requested:
   - a summary of the fiscal effects of the student allowances Budget initiative to reduce entitlement for those 40 years and over from 200 weeks to 120 weeks
   - confirmation of the make-up of those affected, including a split between New Zealand born and overseas born
   - copies of the Budget cabinet papers for the tertiary education and student support packages
   - a copy of the final initiatives/savings spreadsheet.

Fiscal implications of the student allowance 120 week initiative

2. The financial implications of this initiative are as follows:

Reduce allowances eligibility for those aged 40 and over to 120 wks	**Operating impact ($ million)**					
	2012/13	**2013/14**	**2014/15**	**2015/16**	**2016/17 & out-years**	**4 year total (2013/14 to 2016/17)**
Operating Impact	-	(0.286)	(2.396)	(3.302)	(3.285)	(9.269)
Debt Impact	-	0.520	1.591	1.993	1.685	5.789

3. The appropriation changes required were as follows:

	$ million increase / (decrease)				
Vote Social Development/Minister for Social Development	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17 and Outyears**
Departmental Output expenses: Management of Student Support, excluding Student Loans (funded by Revenue Crown)	0	0.46	0	0	0
Benefits and Other Unrequited Expenses:					
Student Allowances	0	-1.27	-4.007	-5.395	-5.246
Accommodation Assistance	0	0.085	0.262	0.344	0.333

Jobseeker Support and Emergency Benefit	0	0.149	0.463	0.617	0.608
Vote Social Development/ Minister of Revenue Non-Departmental Capital Expenditure: Student Loans	0	0.532	1.696	2.296	2.232
Vote Revenue/ Minister of Revenue Non-Departmental Other Expenses: Initial Fair Value Write-Down Relating to Student Loans	0	0.187	0.595	0.806	0.783

4. The financial implications of the overall student support Budget package, including the initiative to reduce student allowance eligibility for students aged 40 and over to 120 weeks, are $91.343 million for the 2013/14 to 2016/17 financial years in operating impact savings, with debt impact savings of $16.187 million.

Characteristics of those student allowance recipients who have 120 weeks or more of allowance

Key points

5. The data shows that:

- 44 percent of recipients aged 40 and over who use 120 weeks or more of student allowance had previously been self employed or wage or salary workers
- 980 recipients aged 40 and over use 120 weeks or more
- more than a third (37%) of student allowance recipients, in 2012, who have used 120 weeks or more of allowance studied at polytechnics
- of those recipients aged 40 and over who used 120 weeks or more of student allowance there is an even split (50/50) between those with dependents and those without dependents
- the majority (51%) of recipients are studying Bachelor's Degrees
- 77 percent of recipients aged 40 and over who use 120 weeks or more of student allowance are New Zealand citizens and 45% are New Zealand born
- 41 percent of recipients who used 120 weeks or more of student allowance used between 121 – 140 weeks
- 70 percent of recipients who used 120 weeks or more of student allowance used 160 or less.

Table 1: Prior activity of students with SA in 2011 who were aged 40+ and had previously consumed more than 120 weeks of allowance

		House person or retired	Non-employed or beneficiary	Other And Unknown	Overseas	Self-employed	Wage or salary worker	ALL
Age 40+ 120weeks+	N	105	169	193	82	117	315	980
	%	11%	17%	20%	8%	12%	32%	100%

Notes:
(1) The prior activity data is taken from the first year of the current period of study. For example if a person studied in 2008-2011 continuously but not in 2007, then the prior activity is from the 2008 year.

Table 2: Breakdown of student allowance recipients in 2012 who have used 120 weeks or more of allowance

	Used more than 120 weeks	
Recipient profile	**N**	**% of total**
Gender		
Females	579	59%
Males	398	41%
Age		
40 to 44	284	29%
45 to 49	287	29%
50 to 54	210	21%
55 to 59	129	13%
60 to 64	70	7%
Ethnicity		
European/Pakeha	288	29%
Māori	125	13%
Asian	407	42%
Pasifika	47	5%
Multiple + Other	110	11%
Residency		
Citizens + Cit by birth	746	77%
Permanent Residents	223	23%
Refugees	8	0%
Provider		
Polytechnics	362	37%
Universities	207	21%
Wānanga	225	23%
PTE&OTEP	152	16%
Schools	31	3%
Level of study		
Bachelor's degrees	499	51%
Diplomas 5 - 7	134	14%
L4 Certs	128	13%
L1 – 3 Certs	169	17%
Schools + unknown	47	5%
Dependents		
With dependents	509	50%
Without dependents	468	50%

*Total count is 2,447. This is updated from yesterday's estimates based on more accurate method of data extraction. Postgraduate qualification codes have been removed from this data set.

6. Table 3 breaks down residency status to show country of birth. This shows that only 45% of the people affected were New Zealand-born.

Table 3: Residency status of those who have 120 weeks or more

Residency status	% Recipients
Citizen by birth	45%
Citizen	32%
Permanent Resident	23%
Refugee	1%
Total	100%

7. Table 4 gives a distribution of weeks with allowances.

Table 4: Distribution weeks with allowance (for student allowance recipients, in 2012, who have used 120 weeks or more of allowance)

	More than 120 weeks	
Weeks with allowance	**N**	**%**
121 to 140	413	42%
141 to 160	275	28%
161 to 180	189	19%
181 to 200	100	10%
Total	977	100%

The tertiary education package

8. Attached are copies of the final Tertiary Education Package and Student Support Package cabinet papers and a copy of the final spreadsheet.

Andrea Schöllmann
Group Manager, Tertiary Education
Ministry of Education

Final package

Savings initiatives with spread of cost of lending $18.8m per year	2012/13	2013/14	2014/15	2015/16	2016/17	5-Year Total	4-year total
Remove eligibility to student allowances for over 65s	-	-0.135	-1.889	-2.837	-3.107	-7.968	-7.968
Science and Mathematics Scholarships and School Achiever Awards	-0.750	-0.750	-0.750	-0.750	-0.750	-3.750	-3.000
Cost of Lending Change (costed spread between years)	-18.800	-18.800	-18.800	-18.800	-18.800	-94.000	-75.200
Increasing the 2 yr standdown for Permanent Residents for loans and allowances to 3y	-	0.380	-2.425	-7.036	-9.608	-18.689	-18.689
Restrict allowances for over 40s by lowering weekly lifetime cap to 120 weeks	-	-0.286	-2.396	-3.302	-3.285	-9.269	-9.269
Admin costs - IR and levels 1&2	0.402	4.289	0.130	0.132	0.132	5.085	4.683
Subtotal	**-19.148**	**-15.302**	**-26.130**	**-32.593**	**-35.418**	**-128.591**	**-109.443**

Spending initiatives	2012/13	2013/14	2014/15	2015/16	2016/17	5-Year Total	4-year total
BPS - level 4+: extending unfunded over-delivery	-	5.648	9.534	8.874	8.329	32.385	32.385
Centres of Research Excellence	-	0.500	3.169	3.169	3.169	10.007	10.007
Tertiary Equity Funding	-	0.640	1.478	1.881	2.297	6.296	6.296
Skills for Canterbury Contingency	-	15.000	-	-	-	15.000	15.000
Increased funding for engineering	-	1.270	2.590	2.690	2.790	9.340	9.340
Increased funding for science	-	2.525	5.075	5.125	5.175	17.900	17.900
Increased funding for Private Tertiary Establishments	-	4.100	8.200	8.200	8.200	28.700	28.700
Subtotal	**-**	**29.683**	**30.046**	**29.939**	**29.960**	**119.628**	**119.628**

Subtotal - all initiatives	**(19.148)**	**14.381**	**3.916**	**(2.654)**	**(5.458)**	**(8.963)**	**10.185**

	2012/13	2013/14	2014/15	2015/16	2016/17	5-Year Total	4-year total
Spread of cost of lending savings at MBU	-41.900	-33.900	-18.000	-7.400	-0.800	-102.000	-60.100
Final student support savings package with MBU spread of cost of lending savings*	**-42.248**	**-30.402**	**-25.330**	**-21.193**	**-17.418**	**-136.591**	**-91.343**

*As reflected in Additional Financial Recommendations for student support Budget 2013 package. Student support only (Science and Mathematics Scholarships savings not included)

Document 10

Aide Memoire: *Impact of Budget 2012 and 2013 student allowance initiatives on student allowance expenditure*

Date:	24 April 2013	**Priority:**	High
Security	Budget Sensitive	**METIS No:**	772920
File Number			

1. You have requested:

    - a graph showing the effects of the Budget 2012 and Budget 2013 student allowances changes on student allowance expenditure, together with a forecast in the absence of the Budget 2012 and Budget 2013 changes.

2. Changes made to student allowances in Budget 2012 were:

    - Removing eligibility for postgraduate qualifications and Long Programmes.
    - Maintaining the parental income threshold without CPI adjustment until 31 March 2016.

3. Changes to student allowances included in Budget 2013 are:

    - Reducing student allowance entitlement for those aged 40 and over to a maximum of 120 weeks from 1 January 2014.
    - Removing student allowance eligibility for those aged 65 and over from 1 January 2014.
    - Extending the current stand-down period for student allowances for permanent residents (including Australians) from 2 years to 3 years from 1 January 2014.

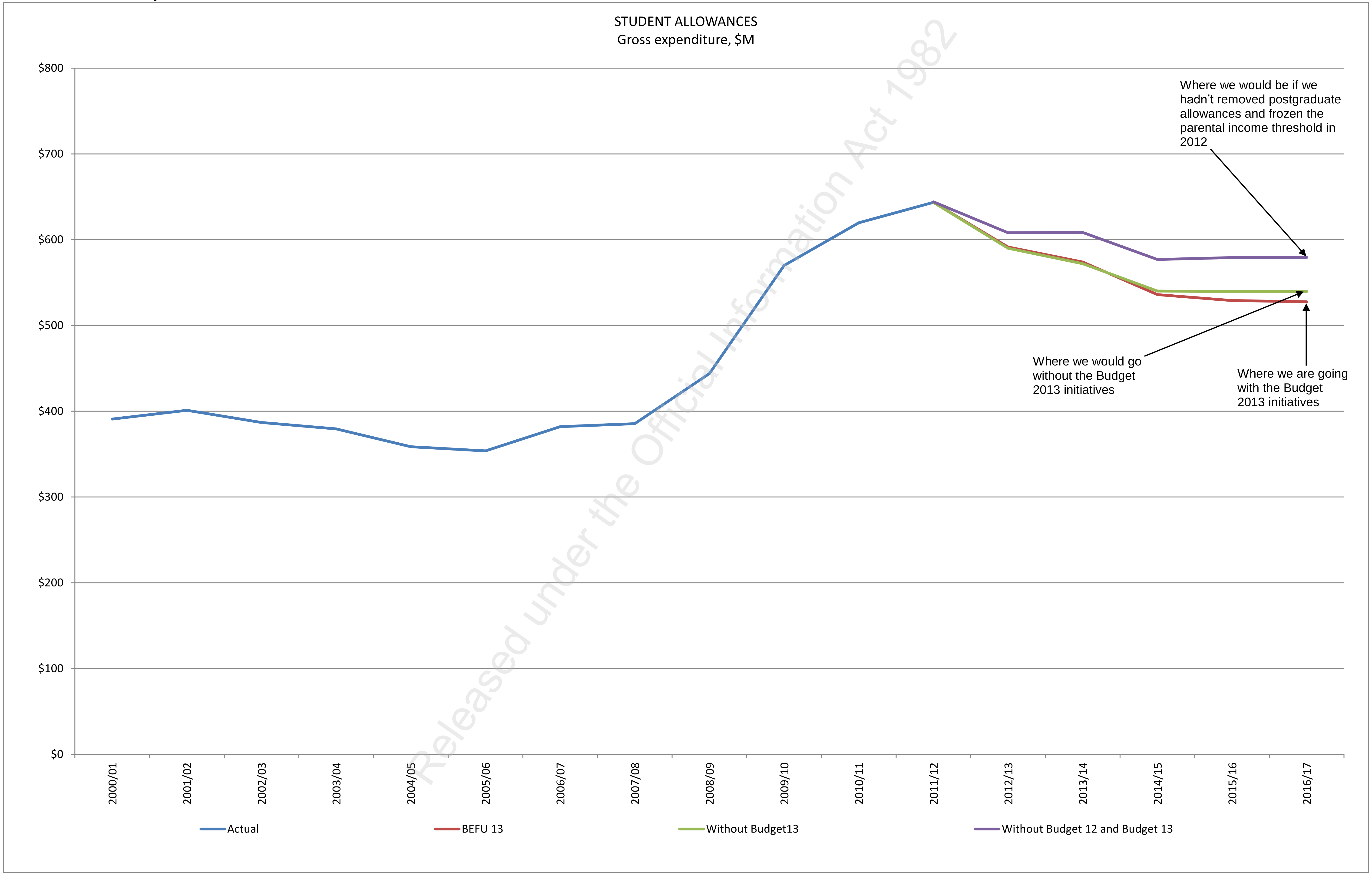
4. The requested graph is provided, and uses forecasts from BEFU 2013.

5. Officials have also provided the same graph depicting the effect on numbers of student allowance recipients.

Andrea Schöllmann
Group Manager, Tertiary Education
Ministry of Education

Impact of Budget 2012 and Budget 2013 policy initiatives on the Student Allowances forecast baseline

Shown as Gross Expenditure



Shown as numbers of recipients