



Budget 2009

Universities

Government priorities for tertiary education

Tertiary education is critical to New Zealand's economic and social wellbeing.

Our tertiary education system is a key national strategic asset which plays a vital role in building the skills of New Zealanders to help them meet the challenges of the 21st century.

This Government believes the needs of students and economy should drive the provision of tertiary education.

Budget 2009 should be seen as Government taking the first steps towards its new tertiary education strategy, which it will release later this year. These include decisions to focus investment on higher-value provision.

Budget 2009 lays the foundations for simplifying the funding system, lowering compliance costs and reducing central planning.

There will be less emphasis on central control, and greater responsibility for tertiary education organisations to manage the quality and delivery of tertiary education.

Increasingly, future tertiary education funding will be strongly linked to performance. Student choice will be informed by the publication of tertiary education organisations' performance information.

Government is simplifying tertiary education funding by reducing the number of funds while, in most cases, maintaining the number of tertiary student places agreed in Investment Plans.

Universities

Budget 2009 requires tertiary education organisations to give effect to the government's tertiary education priorities within a funding environment constrained by the current global economic challenges.

Budget 2009 recognises the significant and unique role played by universities in higher education and research. A priority has been to maintain, rather than reduce, existing volumes of provision.

Current Investment Plan agreements have been largely maintained. Investment in research quality and capability is being maintained through continued support for the Performance-Based Research Fund. The level of investment in this area will be considered in future Budgets.

Universities will continue to effectively manage their educational and financial performance. This includes a dynamic approach to their business models to drive efficiencies and ensure strategic priorities are aligned with future revenue expectations.

Universities are generally self-managing, self-improving autonomous institutions and the government expects the TEC's streamlined approach to reduce the compliance burden over time.

All sectors of the economy are impacted by the economic situation and tertiary education is no exception. However, government has shifted resources to areas of high priority spending in the university sector.

New investment

- Medical places - \$20 million¹ over four years for the first tranche of sixty new medical student places from 2010.
- Summer research scholarships – \$4 million in scholarships for students next summer. Universities will match that amount and the combined funding will enable around 1,600 students to carry out research activities during the summer break.

¹ Figures include the costs of student support. Increased SAC and TEOC funding amounts to \$16.9 million over four years.

CPI Adjustments

- The previous decision in relation to CPI adjustments constituted the single largest item in the unfunded tertiary education package from 2008.
- CPI adjustments in the SAC and TEOC (TEI Base Investment) will be 1.95% in 2010 (2.5% was previously forecast). No CPI adjustments are budgeted for 2011 and outyears, but these will be considered as part of Budget 2010.
- The Fee and Course Costs Maxima (FCCM) will also be adjusted by 1.95% in 2010.

TEO Component

The Government is looking for tertiary education funding to be more tightly focused on core areas and away from soft 'capability funding.' This has significant implications for the TEO Component.

- The Government does not consider university staff salaries and wage negotiations areas that it should be directly involved in and therefore the Tripartite Adjustment Fund will be removed from 2011, but the loading on post-graduate SAC rates will remain.
- The Encouraging and Supporting Innovation fund is halved from 2010.
- Priorities for Focus (PFF) funding for universities is abolished from 2011.

Small Funds

In line with Government's commitment to streamline the tertiary education sector and reduce the number of funds there are changes to several smaller funds. The following funds will be disestablished from 2011:

- Special Education Special Supplementary Grants
- Refugee Study Grants
- Academic Migrant Grants.

Adult and Community Education (ACE)

- Government considers that ACE can provide an important stepping stone for learners across the tertiary education system.
- However, its investment in this area is being reduced and refocused to areas more tightly aligned with its priorities in literacy, numeracy and foundation levels of education.
- Government no longer intends to subsidise hobby and personal interest courses (e.g. arts and crafts courses, home maintenance ACE, etc).
- From 2011, ACE funding for TEIs will be reduced by 50% for lower priority ACE. It is not yet determined how this reduction will be implemented.

Other Funding

- The Government considers that universities are responsible for their own capital investment and management. The capital fund has been removed with immediate effect. The Minister intends to discuss potential policy changes that better support institutions to manage their capital assets effectively, for example in areas of asset disposal.
- Step Up, Bonded Merit and Top Achiever Doctoral Scholarships had their last rounds in April and May 2009, but existing scholarships will be honoured.
- Contracts for Building Research Capacity in Social Sciences expire in 2009 and will not be renewed.
- German and French citizens studying Master programmes no longer qualify for domestic status from 2010.
- Adult Literacy Educator Grants will be significantly reduced and reprioritised from 2010.
- Study Abroad Awards for New Zealand undergraduate and postgraduate tertiary students will be phased out from the beginning of 2010.
- From 2011, all SAC and TEOC funding for regulatory compliance and health and safety qualifications (including embedded courses) is removed. The TEC will be providing further information about how these changes will be implemented.

Summary of changes
CPI adjustments in the SAC and TEOC (TEI Base Investment) will be 1.95% in 2010 (2.5% was previously forecast). No CPI adjustments are budgeted for 2011 and outyears, but these will be considered as part of Budget 2010.
The domestic status and fees exemption for French and German students on Masters degrees will be removed from 2010.
Funding for the Encouraging and Supporting Innovation element will be halved from 2010
Priorities for Focus funding for universities will be discontinued from 2011 (including the academic migrant grant)
The Tripartite Adjustment Fund (part of the TEI Base Investment) will be disestablished from 2011
The PBRF baseline will be maintained at \$250m from 2010.
ACE funding for TEIs will be reduced by 50% for lower priority ACE from 2011. It is not yet determined how this reduction will be implemented.
Contracts for Building Research Capacity in Social Sciences expire in 2009 and will not be renewed.
Special supplementary grants for special education will be disestablished from 2011.
Refugee Study Grants will be disestablished from 2011
Academic Migrant Grants will be disestablished from 2011
Top Achiever Doctoral Scholarships will be disestablished after the May 2009 scholarship round. Existing scholarships will be honoured.
Adult Literacy Educator Grants will be significantly reduced and reprioritised from 2010.
The tertiary education capital investment fund is disestablished with immediate effect.
\$4m of funding is available for 1600 Jobs Summit scholarships for university students in the summer of 2009/10, co-funded with universities.
The number of first-year medical places will increase by 60 from 2010.