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John Spencer
Chair
Tertiary Education Commission
PO Box 27-048
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Dear John

Supplementary Determinations of Design of Funding Mechanisms: Student Achievement Component and Fees-free Provision

I am writing to advise you of supplementary determinations of the design of funding mechanisms, under section 159L of the Education Act 1989 (the Act), for the Student Achievement Component (SAC) and fees-free provision. The supplementary determinations are set out in the appendix to this letter and come into effect from 1 January 2016.

Under section 159O of the Act, it is the Commission's responsibility to develop the details of how to implement the appended supplementary funding mechanisms. I expect that the Commission will set appropriate measures as part of its Statement of Service Performance in order to report to me on its performance in giving effect to these determinations.

Yours sincerely



Steven Joyce
Minister for Tertiary Education, Skills and Employment

SUPPLEMENTARY DETERMINATION OF DESIGN OF FUNDING MECHANISMS FOR:

STUDENT ACHIEVEMENT COMPONENT – PROVISION AT LEVEL 3 AND ABOVE ON THE NEW ZEALAND QUALIFICATIONS FRAMEWORK

The Determination of Design of Funding Mechanism: “Student Achievement Component – Provision at Level 3 and above on the New Zealand Qualifications Framework” (the funding mechanism) was issued in July 2014.

Available funding

Paragraph 9 of the funding mechanism stipulates that the total amount of Government funding that can be allocated under it will be set through the Government’s annual budget processes.

This supplementary funding mechanism replaces the word “allocated” with the word “spent”. This is to clarify that the Tertiary Education Commission (TEC) may nominally over-allocate funding under the mechanism as long as it does not overspend.

Annual Fee Maximum Fee Movement

Paragraphs 65 and 66 of the funding mechanism stipulate that:

- tertiary education organisations that receive funding under the funding mechanisms must comply with the Annual Maximum Fee Movement, as specified in Part Three of the funding mechanism; and
- any limits on fees for further years will be determined by way of a supplementary funding mechanism to be issued the preceding year.

Accordingly, this supplementary funding mechanism replaces Part Three of the funding mechanism with Part Three as set out on pages 2 and 3 of this supplementary funding mechanism.

Calculation of Student Achievement Component (SAC) Funding

The “Calculation of SAC Funding” set out in Appendix Two on pages 18-20 of the funding mechanism is replaced by the “Calculation of SAC Funding” set out in Appendix One on pages 4-6 of this supplementary funding mechanism.

Cap on high cost SAC provision

Paragraph 45 of the funding mechanism stipulates that the TEC must ensure that funding paid under the funding mechanism is not used to fund more than 84 EFTS in the veterinary science year 1 intake.

This supplementary funding mechanism increases the cap on the veterinary science year 1 intake to 100 EFTS.

PART THREE: THE ANNUAL MAXIMUM FEE MOVEMENT

General

1. The conditions in Part Three of this funding mechanism apply to fees and course costs (together referred to as "fees") charged by tertiary education organisations (TEOs) for a Student Achievement Component (SAC)-funded course that is part of a programme that leads to a qualification at level 3 or above on the New Zealand Qualifications Framework (NZQF).
2. Fees associated with a particular course are subject to these conditions if:
 - a. the TEO is the sole source of the item to which the fee relates; and
 - b. all domestic students validly enrolled in the course are required to pay the fees.

Definition

3. The term "fees" includes the following items: tuition fees, compulsory course costs, examination fees, material charges, costs of field trips, costs associated with the compulsory purchase of equipment or books through a TEO, and other charges associated with a course.

Annual Maximum Fee Movement

4. The annual maximum fee movement (AMFM) for 2016 is a 3% increase on the fees (GST exclusive) charged in 2015, for a course at level 3 and above on the NZQF, for which a TEO receives SAC funding, and which is part of a programme leading to qualifications listed on the NZQF¹.

New courses

5. The AMFM applies to any new courses established by a TEO in substitution for an existing course dealing with the same or similar subject matter, at a same or similar level on the NZQF, for which funding under this funding mechanism can be used.

Exceptions to the AMFM

6. A TEO may apply for an exception to the AMFM for a SAC-funded course that is part of a programme that leads to a qualification at level 3 or above on the NZQF on the basis of exceptional circumstances (listed below).
7. The Tertiary Education Commission (TEC) may grant an exception to the AMFM for one or more of a TEO's courses; however, any exception granted must not exceed an additional 3% increase over and above the permitted 3% increase.
8. In considering whether or not there are exceptional circumstances, the TEC must only have regard to the following criteria:

¹ For the avoidance of doubt, the AMFM also applies to professional masters programmes.

- a. the TEO is unable to support the course while remaining financially viable; and
 - b. for a course which is part of a programme leading to a qualification at level 3 to 8 on the NZQF, the completion rate for the qualification met or exceeded the median performance benchmark for that level in the previous year; and
 - c. the TEO can demonstrate that the course is in some way unique or special, for example, that there are no available local alternatives to the course; and
 - d. not allowing an exception will prevent the TEO from making a significant contribution to the achievement of one or more of the Government's priorities, as set out in the Tertiary Education Strategy 2014-19.
9. The TEC must only grant an exception if it is satisfied that the TEO meets all of the above criteria.

Zero fee or low fee courses

10. If the fees for a SAC-funded course that is part of a programme that leads to a qualification at level 3 or above on the NZQF were less than \$511.11 (GST inclusive) or \$444.44 (GST exclusive) per EFTS in the previous year, then a TEO may increase the fee by the greater of:
- a. (up to) \$511.11 (GST inclusive) or \$444.44 (GST exclusive) per EFTS; or
 - b. 3%.

APPENDIX ONE: CALCULATION OF SAC FUNDING

Table 1: Course Classification Prescription

#01	Agriculture; Horticulture
#02	Architecture; Quantity Surveying
#03	Arts; Advanced Studies for Teachers; Health Therapies; Humanities; Languages; Social Sciences
#03.1	Osteopathy; Acupuncture
#04	Business; Accountancy; Office Systems/Secretarial; Management
#05.2	General Education
#06	Computer Science
#07	Dentistry
#11	Engineering; Technology
#11.1	Priority Engineering
#11.2	Pilot Training
#12	Fine Arts; Design
#13	Health Sciences (excluding classifications #07, #15, and #17)
#13.1	Optometry
#14	Law
#15	Medicine (excluding intermediate/first year)
#16	Music and Performing Arts
#17	Health Related Professions
#17.3	Dental Therapy
#18	Science
#19.1	Teaching: Early Childhood Education
#19.2	Teaching: Primary
#20	Teaching: Secondary
#21	Trades 1
#22	Trades 2
#22.1	Vocational Training for Industry
#23	Veterinary
#23.3	Veterinary Science Undergraduate (Years 3, 4 & 5)
#24	Nursing
#25	Medical Imaging
#26	Midwifery (1 year)
#27	Midwifery (3 year)
#28	Occupational Therapy
#29	Physiotherapy
#30	Medical Radiation Therapy
#31	Pharmacy Professionals
#32	Speech Language Therapy
#33	Medical Laboratory Science
#34	Clinical Psychology
#35	Audiology
#36	Dietetics
#37	Medicine Undergraduate (Years 4, 5 & 6)

#38	Foreign-Going Nautical
#39	Specialist Large Animal Science

Table 2: Funding categories: alphabetic code

Category (alphabetic)	Relevant discipline and course classification
A	Arts [#03], Social Sciences [#03], General Education [#5.2], Vocational Training for Industry [#22.1]
B	Architecture (non-degree) [#02], Computer Science [#06], Fine Arts [#12], Design [#12], Music and Performing Arts [#16], Health Related Professions [#17], Trades 1 [#21], Vocational Training for Industry [#22.1], Medical Imaging [#25], Occupational Therapy [#28], Clinical Psychology [#34]
C	Architecture (degree) [#02], Engineering [#11], Technology [#11], Health Sciences [#13], Vocational Training for Industry [#22.1], Midwifery (3 year) [#27], Physiotherapy [#29], Speech Language Therapy [#32], Medical Laboratory Science [#33], Audiology [#35]
G	Dentistry (postgraduate only) [#7], Medicine (postgraduate only) [#15], Veterinary Science [#23]
H	Agriculture (degree) [#01], Horticulture (degree) [#01], Specialist Large Animal Science [#39]
I	Teaching [#19.1, #19.2, #20]
J	Business [#04], Accountancy [#04], Law [#14], Vocational Training for Industry [#22.1]
L	Agriculture (non-degree) [#01], Horticulture (non-degree) [#01], Osteopathy [#03.1], Acupuncture [#03.1], Vocational Training for Industry [#22.1], Nursing [#24]
M	Pilot Training [#11.2], Optometry [#13.1], Dental Therapy [#17.3], Pharmacy [#31]
N	Priority Engineering [#11.1], Dietetics [#36]
O	Medical Radiation Therapy [#30]
P	Trades 2 [#22], Vocational Training for Industry [#22.1]
Q	Veterinary Science (years 3-5) [#23.3]
R	Dentistry (undergraduate excluding intermediate – years 2-5) [#07]
S	Foreign-Going Nautical [#38]
T	Medicine undergraduate (years 2-3) [#15]
U	Medicine undergraduate (years 4-6) [#37]
V	Science [#18]

Table 3: Funding categories: numeric code

Category (numeric)	Classification by level and content of study
1	Courses designed for non-degree qualifications with no research requirement, including certificates and diplomas
2	Courses designed for undergraduate degree qualifications, including bachelors degrees, graduate certificates and diplomas
3	Courses designed for taught postgraduate qualifications, including postgraduate certificates and diplomas, bachelors degrees with honours, and taught masters papers
4	Research-based postgraduate qualifications, including masters' theses/dissertations of 1.0 EFTS or more for masters and doctoral study
5	Foreign student enrolments in research-based postgraduate qualifications

Table 4: Funding rates

	1	2	3	4	5
A	\$6,014	\$6,135	\$7,743	\$8,189	\$3,405
B	\$9,200	\$9,384	\$11,931	\$12,827	\$6,242
C	\$11,060	\$11,282	\$14,339	\$15,432	\$7,455
G		\$21,035	\$26,154	\$26,154	\$6,779
H		\$17,602	\$22,198	\$23,292	\$5,244
I	\$8,569	\$8,741	\$10,975	\$11,420	\$3,405
J	\$6,014	\$6,135	\$7,743	\$8,189	\$3,405
L	\$10,338	\$10,545	\$13,294	\$14,189	\$6,954
M	\$13,166	\$15,301	\$19,213	\$20,459	\$8,763
N	\$12,272	\$12,518	\$15,747	\$16,948	\$8,187
O		\$18,160			
P	\$9,938				
Q		\$27,521			
R		\$51,690			
S	\$18,301				
T		\$36,139			
U		\$42,622			
V	\$10,756	\$12,798	\$16,134	\$17,219	\$7,236