The Treasury

Budget 2026 Information Release

September 2026

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Key to sections of the Act under which information has been withheld:

[1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government

[2] 6(b)(i) - to avoid prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government

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[7] 6(e)(ii) - to prevent serious damage to the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the regulation of banking or credit

[12] 7(a)(i) - to avoid prejudice to the security or defence of the self-governing State of the Cook Islands

[13] 7(a)(ii) - to avoid prejudice to the security or defence of the self-governing State of Niue

[14] 7(a)(iii) - to avoid prejudice to the security or defence of Tokelau

[15] 7(a)(iv) - to avoid prejudice to the security or defence of the Ross Dependency

[23] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

[26] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied

[27] 9(2)(ba)(ii) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest

[31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility

[33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;

[36] 9(2)(h) - to maintain legal professional privilege

[37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

[39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

[40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

[41] 18(d) - information requested is or will soon be publicly available

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: Budget 2026: Initial advice on tertiary education savings options

Date:	11 December 2025	**Report No:**	T2025/3050
		File Number:	SH-4-6-M132277

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Indicate** which options for tertiary education savings you wish to explore further for Budget 2026.	By 16 January if you wish to have options included in the next round of Budget advice.

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Joshua Mackay	Analyst, Social Sector Communities and Learning	[39]	N/A (mob)	✓
Katie Keir	Unit Manager, Social Sector Communities and Learning		N/A (mob)	

Minister's Office actions (if required)

Return the signed report to Treasury.

Refer this report to the Minister for Vocational Education, Minister for Universities, Minister for Social Development and Employment, and Minister of Revenue.

Note any feedback on the quality of the report	

Enclosure: None

Treasury Report: Budget 2026: Initial advice on tertiary education savings options

Executive summary

Significant savings will be required to ensure you have options to balance current Budget pressures within existing allowances. At your Weekly Agency Meeting with Treasury officials on the 26th November 2025, you requested advice on potential savings options in tertiary education for Budget 2026. This report outlines available options on the below four key areas, and seeks an indication of which areas you wish to receive further advice on to inform Budget decisions:

- [33]
-
-
- Other discrete policy programmes (e.g. Apprenticeship Boost, Final Year Fees-free).

This report focusses on high-level options to get your steer on, rather than providing detailed Treasury recommendations at this stage. Once we have received an indication of your priority areas, we will work with the relevant agencies (Ministry of Education, Ministry of Social Development, Inland Revenue) to provide you with further advice in the new year.

This report has also assumed a primary focus on driving savings for Budget 2026. However, there are wider questions about ensuring a fiscally sustainable tertiary education system that delivers on the objectives of the Government's Tertiary Education Strategy. The Treasury will provide you with tertiary education advice [33]

Treasury Report: Budget 2026: Initial advice on tertiary education savings options

Purpose of Report

1. At your Weekly Agency Meeting with Treasury officials on the 26th November, you requested advice on potential savings options in Tertiary Education for Budget 2026.

2. This report provides a range of options and seeks your direction on any which should be prioritised for agencies to provide further advice on. We have focussed on high-level options for savings in the first instance, but can provide further details on impacts and implementation for the options you wish to pursue further.

3. We note that you have also sought advice on [33] That material is not covered in this report as it is unlikely to lead to direct savings for Budget 2026, but we will support the Ministry of Education (MoE) and Inland Revenue (IR) to provide further advice on those topics as necessary.

4. This report is intended to provide you with a suite of high-level options to get your steer on any you wish to receive further advice on, rather than providing detailed Treasury recommendations at this stage. Previously, Treasury has supported options to remove the Fees Free scheme completely, remove the Apprenticeship Boost Initiative, [33] However, there are other options put forward in this report which would require further policy work from relevant agencies before we could provide a policy recommendation [33]

Key Context

Funding for Tertiary Education is complex and split across multiple votes.

5. Tertiary education in New Zealand is heavily subsidised by the government, with interest-free student loans available to domestic students to cover the remaining costs. In 2023, the Government's direct share of the cost of tuition was 73%, or 82% after taking the cost of student loans into account. There are four key components to the current funding for students:

   a Overall subsidies for tertiary education (Vote Tertiary Education);

   b Student loans and associated costs (Votes Revenue and Social Development);

   c Discrete policy programmes, e.g. Final Year Fees-free, Apprenticeship Boost (Multiple votes);

   d Other student support, e.g. Student allowances, living costs (Vote Social Development, with living costs included in the Student Loan Scheme).

6. Due to the numerous and sometimes complex interactions between these areas, it is difficult to accurately assess the economic and behavioural impact of these policy changes.

7. However, a successful tertiary education system is key to improving human capital and supporting the Government's 'Developing Talent' pillar of Going for Growth. Officials across the relevant agencies can provide more detailed advice on trade-offs and implications for economic growth of any savings option you might want to explore further.

Fiscal treatment of student loan impacts may impact the total amount of savings available.

8. As a key contextual point, most savings that could be taken in tertiary education have corresponding impacts on student loans (e.g. if you remove a programme subsidising tertiary fees, that student may take out a student loan instead, with corresponding costs to the Crown). Budget 2026 savings could increase or decrease depending on whether or not you charge those student loan impacts against Budget allowances.

9. For the purposes of this report, we have assumed the same fiscal treatment approach as was taken for student-loan related savings in Budget 2025, [33]

decreases savings for options on subsidies (e.g. Final Year fees free).

10. Treasury has previously provided detailed advice on fiscal treatment of student loan initiatives [T2024/3148 refers] and can provide this information if you are interested as part of any further tertiary savings advice through the Budget process.

[33]

Treasury has consulted with MoE, IR and the Ministry of Social Development (MSD) on the high-level options outlined in this report.

14. Given the timeframes, this consultation was focussed on the framing of the high-level options and indicative costing/implementation timeframes, rather than on detailed policy considerations. Agencies noted that savings in this area, particularly if combined, could reduce access to tertiary education and the equity of current access. More detailed advice from agencies will be provided if you choose to progress any of the proposed options for Budget 2026.

Options for savings in Tertiary Education

15. There are further savings options available for inclusion in your Budget 2026 package. They are presented below. Costings below are indicative and intended to give an order of magnitude for each option. We would require further consultation with line agencies to confirm final figures. Costings are presented as an annualised savings per annum over the current forecast period to reflect the savings against allowances – the actual savings from each option will be lower early in the forecast period, but higher in later years and outyears.

16. Many of the options presented are complex, and combining options risks increasing complexity and implementation timeframes. There are also interdependencies which would need to be considered and may reduce savings if options were combined.

[33]

[33]

Discrete policy programmes

24. Governments have instituted various subsidiary programmes outside of core funding for tertiary education to incentivise engagement in different areas. These include Final Year Fees-free, Apprenticeship Boost, Māori and Pasifika Trades Training and others. These options have been considered for savings and rejected in previous Budgets, but are also the easiest areas to source savings from without driving significant changes to the tertiary education system. We note that Apprenticeship Boost and Final Year Fees-free are also connected with coalition commitments.

25. Evidence on these programmes is mixed. Māori and Pasifika Trades Training is targeted to priority groups and has been shown to have a positive impact on achievement in a past evaluation.[1] We do not have any evidence on the impact of Final Year Fees-free on access or achievement, but note that its predecessor First Year Fees-free was not shown to improve uptake of tertiary education.

26. Reductions in expenditure on these programmes shift the tertiary education system towards standardised funding, without additional programmes targeted at particular groups of students. This will lead to corresponding increases in student loan balances and/or the proportion of costs paid by users.

Option	Description	Saving against allowances	Recent consideration	Implementation
Final Year Fees-free	Funding to fully cover the cost of course fees for students in their final year of study. The programme could be ended or eligibility tightened. Savings from removal would be offset by increased student loan costs.	Up to $150 million per annum if fully removed.	Budget 2024, coalition commitment with NZ First and ACT.	Budget 2026 for 2027 academic year
Apprenticeship Boost	Funding for employers provided when they have an apprentice enrolled and engaged in certain qualifications. The programme could be ended or eligibility tightened.	Up to $20 million per annum if fully removed.	Budget 2024, coalition commitment with NZ First.	Budget 2026 for 2027 academic year
Māori and Pasifika Trades Training	Funding to provide fees-free tertiary places and additional support for Māori and Pasifika learners in pre-trades training. The programme could be ended or eligibility tightened.	Up to $15 million per annum if fully removed.	Budget 2024 (excluded from Budget 2025 invitation)	Budget 2026 for 2027 academic year

[33]

1 MPTT Evaluation Findings - MartinJenkins report - Oct 2017

[33]

Next Steps

There are options for progressing savings proposals through Budget 2026.

29. Budget 2026 submissions are due from agencies on Friday 19th December, 2025. While submissions from agencies on tertiary savings options would not be ready within that timeframe, if you wished to immediately invite any of the options which have been previously considered through Budget, we would work with the relevant agencies to provide a provisional submission to be included in your first cut of the Budget 2026 package to be provided to you in late January. We can also work with your office to provide a late Budget invitation to the relevant Ministers. This would apply for the below savings options:

    [33]

    b Final Year Fees-free

    c Apprenticeship Boost

    d Māori and Pasifika Trades Training

30. Alternatively, if you wish to explore new options or receive further advice on existing options, we will work with the relevant agencies to provide you with advice in mid-February. You could then seek to invite any options you wished to progress into Budget 2026 at that point.

The Treasury will also provide advice on broader tertiary education system settings ahead of Budget 2027.

31. This report has assumed a primary focus on driving savings for Budget 2026. However, in the context of significant ongoing cost pressures, there are wider questions about ensuring a fiscally sustainable tertiary education system that delivers on the overarching objective of the Government's new Tertiary Education Strategy: 'a tertiary education system that enables people to succeed with knowledge and skills that advance an innovative, high-productivity economy, and improve quality of life'.

32. The Treasury will provide you with tertiary education advice [33]

Recommended actions

We recommend that you:

a **note** that no targeted policy savings in tertiary education have yet been invited for Budget 2026;

b **note** that the Ministry of Education intend to submit a reprioritisation initiative on CPI-adjusting student loans for consideration through Budget 2026;

c **indicate** the savings options which you would like to receive further advice on through Budget 2026 or invite into Budget 2026 immediately (where relevant);

Category	Option	Seek further advice to inform possible B26 invitation	Invite into B26 immediately
Discrete policy programmes	Final Year Fees-free		
Discrete policy programmes	Apprenticeship Boost		
Discrete policy programmes	Māori and Pasifika Trades Training		
[33]			
			[redacted]

[33]

e **note** that the Treasury will provide you with further advice on tertiary education system settings [33] and f **refer** this report to the Minister for Vocational Education, Minister for Universities, Minister for Social Development and Employment, and Minister of Revenue.

Refer / not referred

Katie Keir
Unit Manager

Hon Nicola Willis
Minister of Finance

_____/_____/_______