Digital Government Case Studies: Student Loans

An income contingent universal student loans scheme was introduced in 1992 as part of comprehensive policy changes in tertiary education. Three government agencies were involved in this policy.

The Ministry of Education (MoE) was responsible for policy design and monitoring of the policy with the costs of the Loan Scheme coming from Vote Education. A student allies for a loan during study and this is repaid after study ceases at an income related minimum rate of payments.

The Ministry of Social Development (MSD) was given responsibility for loan application and loan payments part of the implementation and the initial interface with students and the tertiary institutions when they enrolled in tertiary education and applied for a loan. This was because the work of making payments to individuals based on rules of eligibility was deemed to have similarities with other areas of government business that were within the scope of MSD's other work.

MSD designed a new bespoke ICT system to manage their responsibilities and a new brand, Studylink. An application covered one calendar year even when students were enrolled in multi-year courses such as two-year diplomas or three-year degrees. Students had to reapply in subsequent years. Eligibility for the loan was checked against a register of enrolments and courses provided by the Ministry of Education and the tertiary institutions with accredited courses. MSD's systems calculated and made payments to individual students, kept track of total borrowings for each student in the calendar year, calculated the interest charges for the financial year and added these to the loan. At the end of each year, the total current borrowings for each student was transferred as a file to the other implementation agency, the Inland Revenue Department (IRD).

Cabinet nominated IRD as the agency responsible for the collection of loan and interest repayments because of the income-contingent requirement for repayments. The rationale related to IRD's tax collection role although IRD initially built a separate system to manage student loan debt and repayments apart from its other income tax-related systems such as employer tax payments on behalf of employees through pay as you earn (PAYE). After study, starting at a threshold income, students must make minimum income-contingent repayments against their loan. Loan debt is not required to be fully paid back in any specific timeframe and is written off in the eventuality that there was debt remaining at death or declared bankruptcy.

The total borrowings under the loan scheme grew rapidly to become a significant sum that needed to be accounted for in the government's forecasts of expenditure and the outstanding debts to be repaid to government in subsequent years. This requirement meant that the Ministry of Education needed a third system to model a forecast of loans draw down and repayments and enable it to report to Treasury and Parliament on the total real

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value of the loan scheme on the government's balance sheet. This system also served a secondary purpose of being able to model the cost of any changes to the loan scheme policy the government might be considering at any point in time. For instance, at various times since the inception of the scheme there have been changes to amounts available under the scheme, interest rates and income thresholds for repayment, all of which affect the total amounts borrowed and the operating costs of the scheme.

None of the three organization-based systems described above could interface easily with the others. At best, there could be export of batch files from one system to the other as required but the data required was always at a static point-in-time, not dynamic real time, and therefor immediately out of date.

The utility of these three separate systems from the loan holder's perspective was very low. It was difficult for a student to get a full, real time picture of their total debt and amount owing including interest. This was because for most recent students their debt was held in two systems (their current loan at MSD and any past loans that had been transferred for repayment at IRD). Further, because interest when being charged was accruing daily, the total if not paid immediately would soon change with added interest calculated daily.

After a decade of disgruntlement among holders of student loan debt, a further system change enabled user needs to be served by these systems. In 2012, a portal built by IRD created a functional front-end system that could draw on real time borrowing data from MSD in a nightly upload of current loans and combine this with IRD-held data on debt and to-date repayments held in PAYE and other tax systems. The result was for the first time, borrowers then had a real-time picture of all their loan borrowings and the amount still owing.

Some questions for discussion:

What aspects of this case reflect the fragmented state created by the New Public Management (NPM) reforms of the late 1980s?

What do you infer from this case about the governments approach to citizen/user centric services in the period 1988- 2012?

What evidence is there of an all-of government approach to digital government?

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