



**BUDGET  
2025**

THE GROWTH BUDGET

## Frontline Services

**Hon Dr Shane Reti  
Minister for Universities**

**Hon Penny Simmonds  
Minister for Vocational Education**

**22 May 2025**

### **Tertiary study subsidy boost in priority subjects**

The Government is backing the tertiary system with new investment in study that delivers the greatest value for students and for New Zealand, Minister for Universities Dr Shane Reti and Minister for Vocational Education Penny Simmonds announced today.

“Budget 2025 invests an extra \$398 million in tertiary education over the next four years. We need to grow our domestic pipeline of skilled workers to support the growing economy,” Dr Reti says.

Ms Simmonds says, “When considering subsidies, we focused on workforce demand areas where study adds the greatest value – both for students planning their futures, and for the wider economy that relies on their skills.

“These subjects often lead to rewarding careers and contribute to productivity and growth in sectors like health, energy, infrastructure and digital technology,” she says.

The Budget tertiary system investment includes:

- \$213 million to provide a 3 per cent increase in tuition and training subsidies in many subjects across all levels of tertiary study. The extra funding will be ongoing from 2026.
- \$64 million for an additional 1.75 per cent lift in tertiary education subsidies at degree level and above in high demand “STEM” subjects (Science, Technology, Engineering and Maths), along with Initial Teacher Education and other priority health workforce areas. This is on top of the broader 3 per cent increase, meaning that, in total, the STEM and other higher-priority subjects will attract a 4.75 per cent tuition cost subsidy increase at degree level and above.

- \$111 million to fund forecast enrolment in 2025 and 2026. This includes ongoing funding for another 175 Youth Guarantee students a year – this scheme provides fees-free tertiary tuition at Levels 1–3 to help young people move to higher-level study or work.

Budget 2025 proposes an annual maximum fee rise of 6 per cent for 2026 to further help providers manage cost pressures and maintain quality delivery.

“The proposed maximum rate reflects that fees have lagged behind inflation in recent years, making it harder for providers to maintain course quality. I will consult on the proposed fee increase later in 2025 through a notice published in the New Zealand Gazette,” Mr Reti says.

“Together, the targeted funding rate increases and the proposed fee increase will support tertiary education and training providers to sustain the quality of provision and further invest in priority areas,” the ministers say.

Changes to funding for vocational education and training will provide some additional support during the transition away from Te Pūkenga to the redesigned system. The new Industry Skills Boards will receive ongoing funding of \$30 million a year for industry-led standards-setting alongside Budget funding for a one-off \$10 million in 2025/26 towards establishment costs.

“Provider-based delivery in priority areas, including engineering, trades and primary industries will receive a boost to funding rates. There will also be funding available for two years from 2026 for institutes of technology and polytechnics during their transition to greater independence,” Ms Simmonds says.

“In developing the Budget package, we have reprioritised funding to focus on core activities and to further support frontline tertiary education services.

“Taken together, these initiatives support a sustainable tertiary education and training sector that will lift student achievement and contribute to growing the New Zealand economy.”

**ENDS**

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