



New trends in financing universities

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Three dimensions

Funding of teaching activities

Funding of research

Funding of students: cost sharing



Background: Who should pay ?

High public and private returns to higher education

No tuition fees implies graduates receive no direct private benefits from their education

High-quality mass HE cannot be entirely taxpayer funded
⇒ Cost sharing !

Thus student contributions and public subsidies
(tax payers / governments)



What to spend public subsidies on?

Public subsidy should equal marginal value of externality

In what areas of public spending are the returns high?

Does state-subsidised higher education help those already better off?

Problem: relative sizes of private and public benefits largely unknown \Rightarrow public subsidies to HE political decision



Teaching and research: How to allocate public funds ?

Funding channel:

funds flow to provider (supplier) or
customer (student) of activities

Funding base:

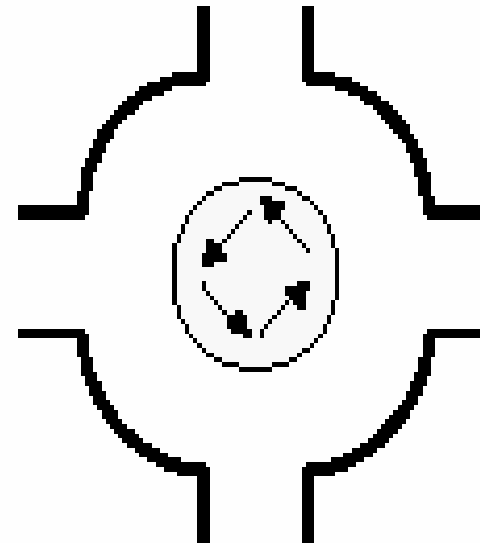
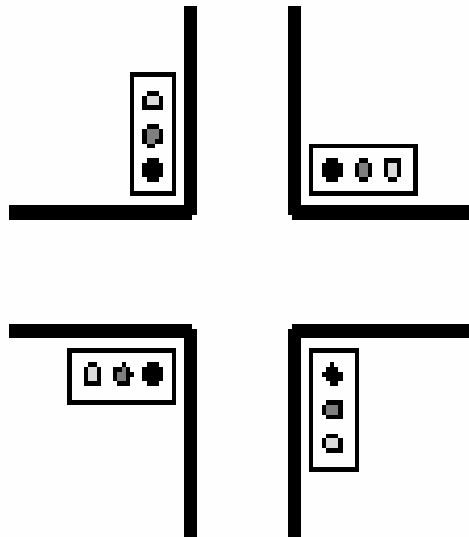
input (cost-oriented) or
output (performance-oriented)

Funding conditions:

earmarked (targeted) or
lump sum (integrated)
quality; value for money; accountability of students



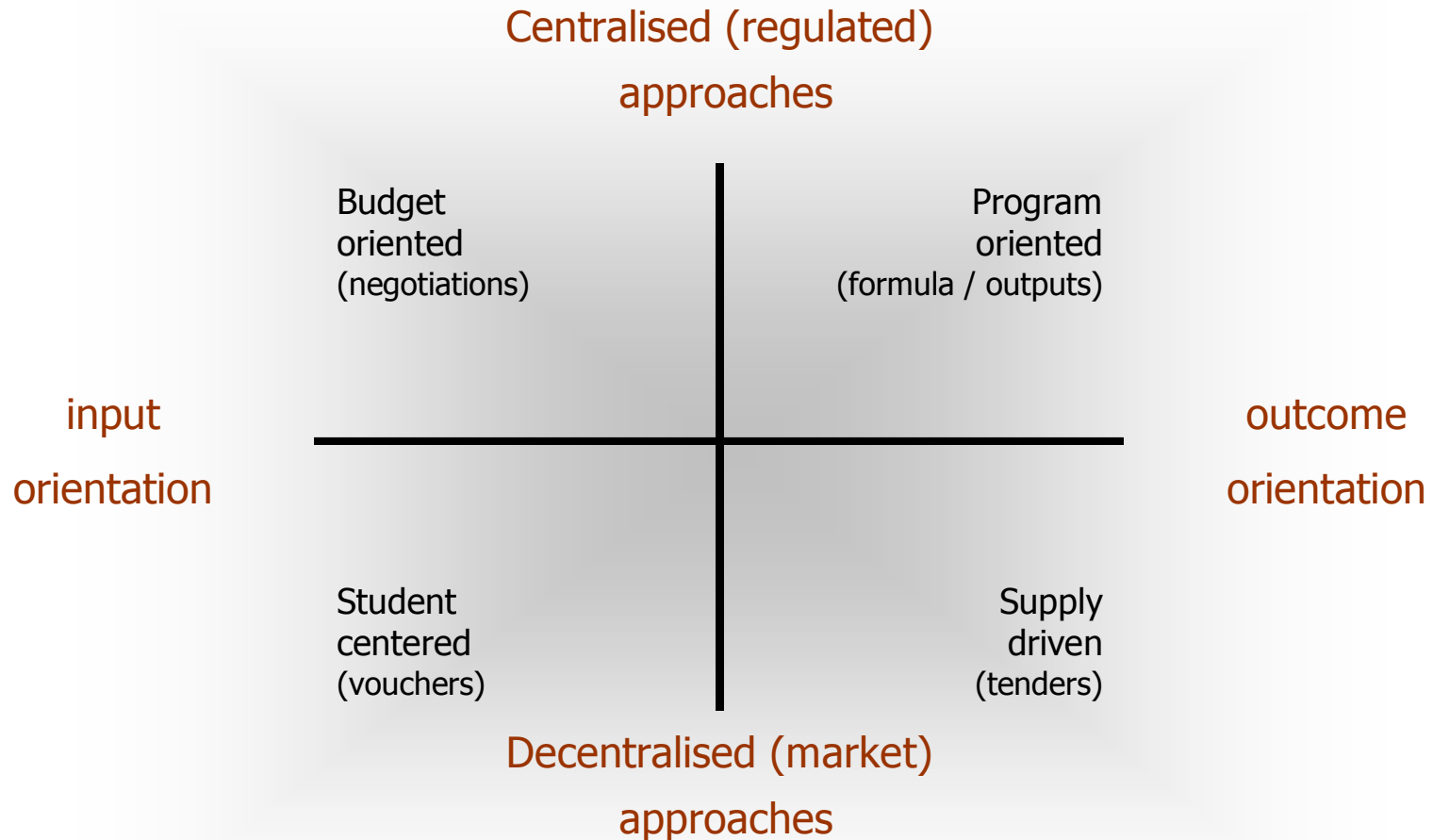
New modes of coordination



From central planning to decentralised decision-making

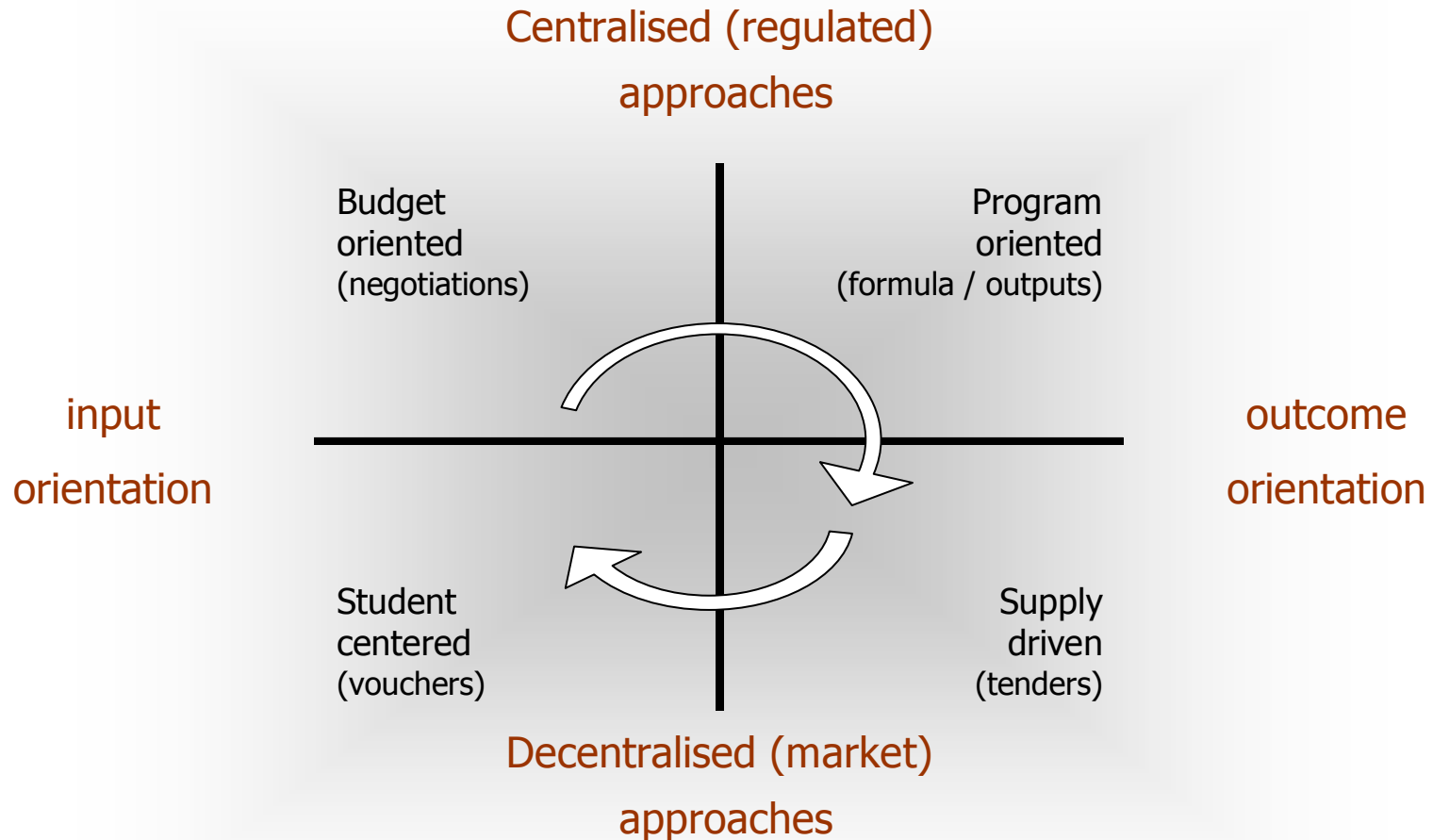


Four types of funding systems





Four types of funding systems





Trends: teaching funds

Move to lump sum budgeting :

- more responsibility / accountability
- efficiency

Move from negotiated line-item funding to formula funding

- transparent / rational / simplified / flexible
- mainly enrolment driven, but also outputs

Specific targeted funding

- incentive funds for quality, access and innovations (e.g. accreditation, ba/ma)

Vouchers / learning entitlements

- flexibility, but administrative problems and do students want it?



Trends: research funds

Move towards to block grants:

- more responsibility / accountability
- efficiency

Move from incremental / line-item funding to formula funding

- transparent / rational / simplified / flexible
- mainly enrolment driven, but also outputs

Move from block grants to competitive funds / outputs

- Research Councils
- project funding

Specific targeted funding

- social relevance, critical mass (scale), and selectivity (centres of excellence)



Trends: cost sharing

Introduction of tuition fees in a number of countries

- Australia (1989), Austria (2001), Hungary (1994), Brazil (plan), China (1997), Kenya (1991), New Zealand (1990), Tanzania, UK (1998), ...
- Allowing full fee paying students: Australia, Russia, Hungary, Poland, . . .
- Rising tuition levels: United States, Canada, Australia, Netherlands, Portugal, ...

Introduction of student loans (replacing grants)

- Australia, UK, Hungary, Poland, Slovenia, Hong Kong, Chile,

Stronger reliance on parental contributions and students' involvement in part-time jobs

- Are parents willing to pay?
- Are students delayed in their studies?

Growth in part-time and private higher education

- Are parents willing to pay?
- Are students delayed in their studies?



Address

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