

GOVERNMENT GAZETTE

GOVERNMENT FUNDING OF PUBLIC HIGHER EDUCATION

August 2003

1 INTRODUCTION

The current higher education funding framework was introduced in 1982/83. This framework does not contain mechanisms which a government can use to steer a higher education system towards the achievement of national transformation goals. The length of time which this framework has been in place is also a problem. International experience suggests that higher education institutions are able to manipulate a funding framework to their own advantage if it remains in place for too a long period. This has clearly occurred in South Africa over the 20 years of the operation of the current model.

This new funding framework, which flows from the 1997 White Paper, replaces the funding formulas for universities and technikons which have been in operation up to and including the 2003/04 financial year.

The new framework is primarily as a goal-directed, distributive mechanism which relates government funds to academic activity and output. It is a means of allocating government grants to individual higher education institutions, in accordance both with the national higher education budget and with government's policy priorities. The new framework therefore represents a major change in focus from the one which has been in place since 1982/83. The new framework emphasises that government funds higher education institutions for the delivery of those teaching-related and research-related services which lead to improvements in the social and economic conditions of the country.

A central feature of the new framework is its compatibility with the medium term expenditure framework (MTEF) process, which has been used by government since 1998/99 as a basis for determining the budgets of its various departments. In terms of this MTEF process, three-year rolling budgets have to be formally motivated and negotiated on an annual basis. During the revisiting of these budgets, National Treasury takes account of issues such as the growth of a department's budget compared to its affordability within the fiscal framework, the spending and policy priorities of each department in terms of its contribution towards government's strategic objectives, inflation adjustments, and sector specific issues. In the case of higher education, examples of these sector specific issues are changes in the patterns of higher education enrolments and outputs, cost pressures, efficiencies in the sector, value for money, and the processes involved in the restructuring of the higher education landscape.

The various mechanisms of the new funding framework thus come into operation only after government has determined (a) the total of public funds to be spent in a given year on higher education and (b) what services must be delivered by the higher education system.

2 IMPLEMENTATION OF THE NEW FUNDING FRAMEWORK

An appropriate strategy to assist institutions in the move from the old formulas is essential to the implementation of the new funding framework. National interests will

not be served if the introduction of the new framework has the effect of destabilising the public higher education system.

The Minister of Education will determine what migration strategies are to be employed, and how they are to be implemented.

3 BLOCK AND EARMARKED GRANTS

In terms of the new framework, public higher education institutions are awarded (a) block grants which are undesignated, and (b) earmarked grants which are funds designated for use for specific purposes.

The division of the higher education budget into these two categories of grants is determined by the Minister of Education.

4 BLOCK GRANTS

4.1 Categories of block grants

4.1.1 Block grants for public higher education institutions are divided into four separate categories:

- ◆ research output grants;
- ◆ teaching input grants;
- ◆ teaching output grants;
- ◆ institutional factor grants.

4.1.2 The Minister of Education determines what proportions of the funds available for block grants are to be assigned to each of the categories listed in 4.1.1 above.

4.2 Research output grants

Research output grants are based on research publication units, research masters graduates, and doctoral graduates.

The Minister of Education determines the following in respect of the research output grants for a funding year:

- 4.2.1 the research outputs of which previous year are to be used for the calculation of the grants;
- 4.2.2 what weightings are to be given to research outputs;

4.2.3 what the benchmark ratios are to be of research outputs to instruction/research staff in public universities and technikons.

4.3 Teaching output grants

Teaching output grants are based on non-research graduates and diplomates. The Minister of Education determines the following in respect of teaching output grants for a funding year:

- 4.3.1 the teaching outputs of which previous year are to be used in the calculation of the grants;
- 4.3.2 what weightings are to be given to teaching outputs;
- 4.3.3 what the benchmark ratios are to be of teaching outputs to head count totals of enrolled students.

4.4 Teaching input grants

4.4.1 Teaching input grants for a funding year are based on:

- ◆ a funding grid consisting of aggregations of educational subject matter categories and weightings by funding groups and course levels;
- ◆ planned totals of full-time equivalent (FTE) student places.

4.4.2 The Minister of Education determines the following in respect of teaching input grants for a funding year:

- ◆ what the funding grid's groupings, its weightings by Classification of Education Subject Matter and its aggregations by course level are to be;
- ◆ what the planned totals of FTE student places (a) for the higher education system and (b) for each public university and technikon are to be;
- ◆ how the FTE enrolled student totals for a given year are to be adjusted to enable them to serve as proxies for the planned FTE student places needed for the calculation of the grant.

4.5 Institutional factor grants

4.5.1 Institutional factor grants adjust the teaching input grants of institutions, taking account of:

- ◆ the additional teaching input required when institutions enrol large proportions of their students from previously disadvantaged groups;
- ◆ the economies of scale which result from student enrolment increases.

4.5.2 The Minister of Education determines the following in respect of institutional factor grants for a funding year:

- ◆ which categories of students are deemed to be disadvantaged;
- ◆ the ways in which the institutional weighting factor for disadvantage is to be calculated;
- ◆ the ways in which the institutional weighting factor for size is to be calculated.

5 EARMARKED FUNDING

5.1 Purposes of earmarked funding

5.1.1 Earmarked grants are used for the following broad purposes:

- ◆ the national student financial aid scheme;
- ◆ teaching, research and community development;
- ◆ interest and redemption payments on loans approved before 1999;
 - ◆ new capital projects;
 - ◆ institutional restructuring.

5.2 Allocation of higher education budget funds to earmarked categories

The Minister of Education determines (a) how the national allocation for earmarked grants is to be divided between the categories listed in 5.1.1 above, and (b) how these funds are to be allocated to institutions.

6 ANNUAL MINISTERIAL STATEMENT

The Minister of Education will issue an annual statement on government funding of the public higher education system, which will include the following:

- 6.1 a forecast of the grant totals likely to be available for distribution to the public higher education system;
- 6.2 a forecast of the public higher education system's likely totals of outputs and of planned student inputs;**
- 6.3 details of how the data required for input, output and institutional factor calculations will be determined;

- 6.3 details of the input and output weightings, and of the various benchmarks to be employed in the calculation of block grants;
- 6.4 details of how unallocated proportions of output block grants will be redistributed;
- 6.5 details of how institutional factor grants will be calculated;
- 6.6 an account of the implementation of the framework, and of the steps taken to ensure that the public higher education system is not destabilized.

Gov Gazette 12 August 03