SU submission: Commission of Inquiry into Higher Education & Training
06/09/2016
Agenda

Representing Stellenbosch University:
Prof Wim de Villiers, Rector and Vice-Chancellor
Mr Manie Lombard, Chief Director: Finance

Overview

• Introduction: SU support for sectoral approach
• International context
• South African context
• Stellenbosch University perspective
• Recommendations
Introduction: SU support for sectoral approach
Critical moment for HE in SA

General features in the sector

- SA political arena
- Unequal society
- Instability, protest and turmoil
- Chronic underfunding
- Threat to academic project
- Threat to financial sustainability
Sectoral needs for 2017

- Stability & income increase essential
  - At least 8% increase in total income across sector
  - Variety of income sources
  - 8% will only sustain status quo – no growth
  - Less than 8% – immediate impact on sector
  - Seriously compromise 17 institutions
International context
Forces impacting international HE

- Surging enrolments and enrolment demands
- Increasing HE costs and revenue needs
- Increasing globalisation
- Declining government revenue: economy, taxes, competition
- Financial challenges not limited to SA

Whose responsibility is HE?

- **Who is paying? / Who should pay?**

  - **Shift:** Governments & Taxpayers
    - Students & Parents

  - **Cost sharing:**
    - Government (& taxpayers) + students (& parents) + philanthropists (& industry) = HE costs

  - **Cost sharing: public & private good**
    - Augment / not replace government revenue
South African context
South African context (1)

• Chronic underfunding
  Decline in state subsidy / nominal increase below CPI

**Nominal Annual Increases in the Block Grant for the Higher Education Sector**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>%</td>
<td>6.40%</td>
<td>5.80%</td>
<td>6.10%</td>
<td>5.00%</td>
<td>5.50%</td>
<td>5.00%</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017*</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPI</td>
<td>5.63%</td>
<td>5.75%</td>
<td>6.07%</td>
<td>4.58%</td>
<td>6.80%</td>
<td>6.42%</td>
</tr>
</tbody>
</table>

Annual Consumer Price Index (CPI) for period 2012 – 2017 (* forecast)
South African context (2)

- Chronic underfunding
  - State funding below CPI
  - HEPI higher than CPI

Consumer Price Index forecast for 2017
HE investment as % of GDP

- SA lower than BRICS and African countries
- SA: 0.71% of GDP / UK: 0.9% / Germany: 1.1%
South African context (4)

Table: Decrease in State funding vs student fee increases (2000 & 2012)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2000</th>
<th>2012</th>
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<tr>
<td>State contribution</td>
<td>49%</td>
<td>40%</td>
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<tr>
<td>Student fees</td>
<td>24%</td>
<td>31%</td>
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</table>

- DHET pressures: increase intake & throughput
- DHET subsidy formulae & timelines cause uncertainty
- Problems with administration of NSFAS funds
- 0% increase for 2016 will impact beyond 2019
SU value proposition

- National asset
- Sought-after graduates
- High research output
- Rated scientists
- Record numbers of PhDs
- Innovative academic student support services
- Average SA first-year pass rate is 50%; 86.7% of SU students go on to 2nd year
- Develop graduate attributes & thought leadership
Escalating costs

• High research costs
  • Shape, size and composition of institutions differ
  • High research income requires top scientists (salaries & staff retention) & top class facilities
  • Medicine & Health Sciences / Science / AgriSciences & Engineering
  • Misperception of well-funded institution
  • Research funds aid postgraduate students
  • SU needs income for undergraduate bursaries & loans
Mission creep

Increased expenditure without subsidy

• Ageing buildings and facilities – maintenance backlogs due to underfunding
• Viable sourcing vs insourcing – R20 million
• Additional services:
  Student mobility
  Safety and security
  Academic support services (underprepared school-leavers)
Bursaries as strategic instrument

• Unequal society
• Fee-free higher education not currently feasible
• Differentiated approach to providing financial aid to poor, academically deserving students (sliding scale according to combined annual household income:

1. Income of R600 000+ p.a. – in better position to pay tuition fees
2. Income R240 000 – R600 000: variable SU support
3. Income R240 000 – R122 000: SU bursaries for part of ‘missing middle’
4. Income less than R122 000: NSFAS financial support
Bursary statistics: 2015

- 38% of SU undergraduate students receive bursaries
- 70% of SU undergraduate BCI students receive bursaries
- Total bursaries paid: R658.7 million;
- R402.8 million from own funds & research contracts;
- R115 million from the SU main budget;
- R255.9 million as agents (including on behalf of NSFAS);
- Such initiatives would be jeopardised if SU is not in a position to increase its annual income.
### Growth & Composition of Bursaries, 2011 - 2015

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<td>Bursaries paid</td>
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<td>% of expenditure</td>
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<td>Principal</td>
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<td>Agent</td>
<td>Rm</td>
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</table>

- Total expenditure of recurring nature, of which:
  - Bursaries paid
  - % of expenditure
  - Principal
  - Agent

**Notes:**
- The data represents the growth and composition of bursaries from 2011 to 2015.
- The table includes total expenditure and its breakdown by type of expenditure (bursaries paid, % of expenditure, principal, agent).
- The increase or decrease is calculated as a percentage change from the previous year.
# Bursary applications

<table>
<thead>
<tr>
<th>CATEGORY GROSS INCOME PER FAMILY / PY</th>
<th>NUMBER OF APPLICANTS</th>
<th>AMOUNT NEEDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>R600,000 – R241,000</td>
<td>235</td>
<td>R9,508,275</td>
</tr>
<tr>
<td>R240,000 – R123,000</td>
<td>457</td>
<td>R28,195,175</td>
</tr>
<tr>
<td>R122,000 – R0</td>
<td>950</td>
<td>R81,448,143</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1642</strong></td>
<td><strong>R119,151,593</strong></td>
</tr>
</tbody>
</table>
Undergraduate bursaries & loans

Total amount: R367.2m
### Main Budget 2017:

#### 3 Scenarios for Adjustment in Student Fees

<table>
<thead>
<tr>
<th>Description</th>
<th>Scenario 1</th>
<th>Scenario 2</th>
<th>Scenario 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expected income</td>
<td>2 302 435</td>
<td>2 353 850</td>
<td>2 367 454</td>
</tr>
<tr>
<td>Total expected expenditure</td>
<td>2 352 273</td>
<td>2 363 384</td>
<td>2 366 324</td>
</tr>
<tr>
<td>Expected surplus (shortfall)</td>
<td>(49 838)</td>
<td>(9 534)</td>
<td>1 130</td>
</tr>
</tbody>
</table>
## ACCOMMODATION BUDGET 2017:

### 3 SCENARIOS FOR ADJUSTMENT IN ACCOMMODATION FEES

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>1 (0% adjustment)</th>
<th>2 (Adjustment of *CPI% R'000)</th>
<th>3 (Adjustment of *CPI% + **Higher Education Sector inflation R'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expected income</td>
<td>307 178</td>
<td>324 596</td>
<td>329 209</td>
</tr>
<tr>
<td>Total expected expenditure</td>
<td>342 542</td>
<td>342 755</td>
<td>342 812</td>
</tr>
<tr>
<td>Expected surplus (deficit)</td>
<td>(35 365)</td>
<td>(18 159)</td>
<td>(13 603)</td>
</tr>
</tbody>
</table>
Recommendations
Recommendations (1)

- Fee-free higher education currently not feasible
- Public & private good cost sharing
  Government grants + student fees
- Unequal society
  differentiated aid to financially needy students
  \[x\] differentiated student tuition fees
Differentiated financial aid

- Sliding scale: annual combined household income
- Academically deserving, needy students
- Four funding scenarios based on annual income
  1. > R600 000
  2. R240 000 – R600 000
  3. R122 000 – R240 000
  4. < R122 000
## Recommendations (3)

<table>
<thead>
<tr>
<th>Household income</th>
<th>&gt;R600k</th>
<th>R240 – R600k</th>
<th>R122 – R240k</th>
<th>&lt; R122k</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree</td>
<td>BCom</td>
<td>BCom</td>
<td>BCom</td>
<td>BCom</td>
</tr>
<tr>
<td>Tuition</td>
<td>R41 000</td>
<td>R41 000</td>
<td>R41 000</td>
<td>R41 000</td>
</tr>
<tr>
<td>Accommodation</td>
<td>R29 000</td>
<td>R29 000</td>
<td>R29 000</td>
<td>R29 000</td>
</tr>
<tr>
<td>Additional costs</td>
<td>R2 000</td>
<td>R2 000</td>
<td>R2 000</td>
<td>R2 000</td>
</tr>
<tr>
<td>Total</td>
<td>R72 000</td>
<td>R72 000</td>
<td>R72 000</td>
<td>R72 000</td>
</tr>
<tr>
<td>Settled by Family</td>
<td>R72 000</td>
<td>R30 000</td>
<td>R10 000</td>
<td>0</td>
</tr>
<tr>
<td>Settled by Bursary: SU</td>
<td>0</td>
<td>R10 000</td>
<td>R62 000</td>
<td>0</td>
</tr>
<tr>
<td>Settled by Bursary: NSFAS</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>R72 000</td>
</tr>
<tr>
<td>Shortfall</td>
<td>0</td>
<td>R32 000</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Typical student account per combined household income per year illustrating financial aid from SU and NSFAS
Dankie
Thank you
Enkosi