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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





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International context



Photo credit: www.thief.edu

Forces impacting international HE¹



- 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

¹ From: *Financing Higher Education Worldwide. Who pays? Who should pay?*
by D Bruce Johnstone and Pamela N Marcucci



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





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South African context



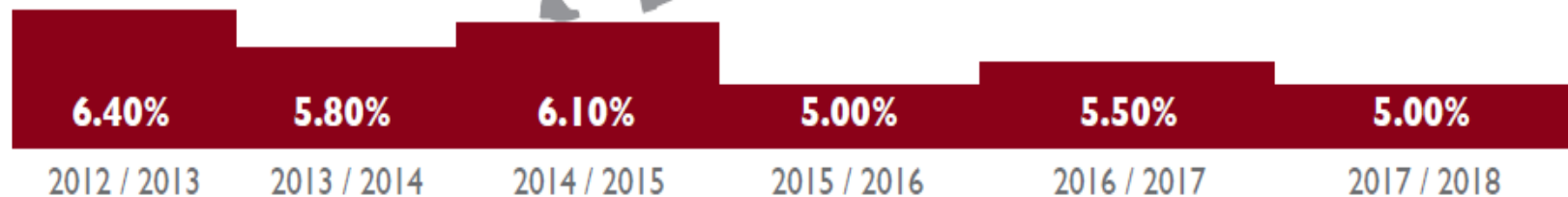
South African context (I)



- Chronic underfunding

Decline in state subsidy / nominal increase below CPI

NOMINAL ANNUAL INCREASES IN THE BLOCK GRANT FOR THE HIGHER EDUCATION SECTOR



Year	2012	2013	2014	2015	2016	2017*
Annual Consumer Price Index (CPI)	5,63%	5,75%	6,07%	4,58%	6,80%	6,42%

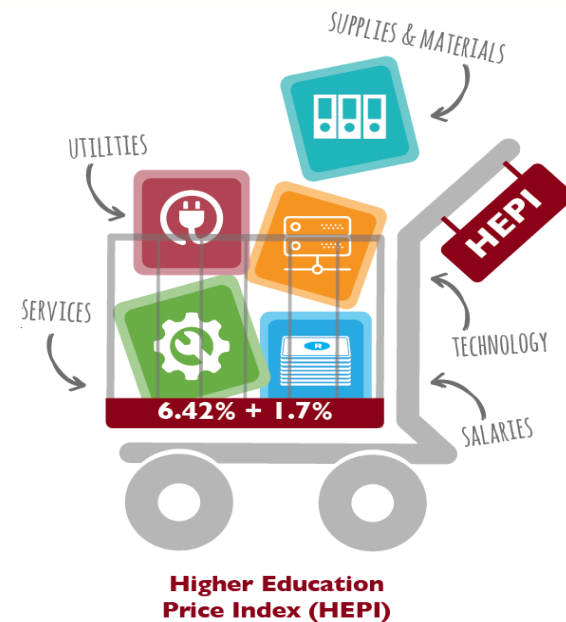
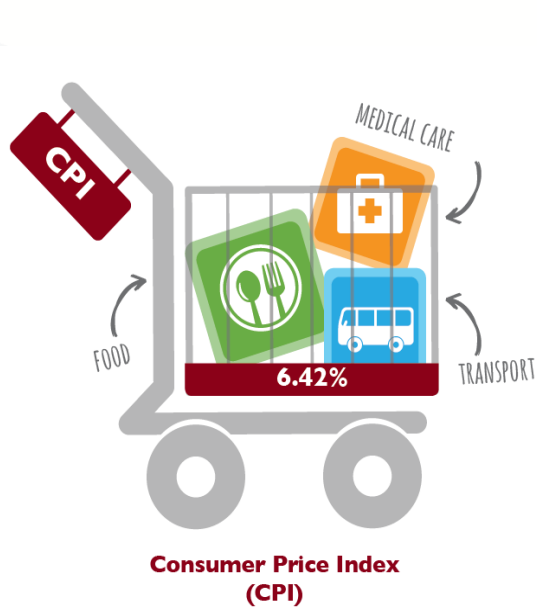
Annual Consumer Price Index (CPI) for period 2012 – 2017 (* forecast)



South African context (2)



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



Consumer Price Index forecast for 2017



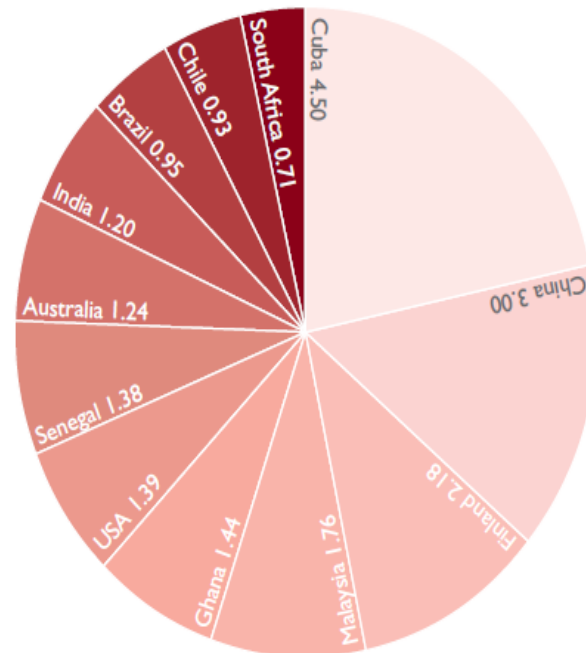
South African context (3)



HE investment as % of GDP

- SA lower than BRICS and African countries
- SA: 0,71% of GDP / UK: 0,9% / Germany: 1,1%

EXPENDITURE ON HIGHER EDUCATION AS % OF GDP, 2012



South African context (4)



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

YEAR	2000	2012
State contribution	49%	40%
Student fees	24%	31%

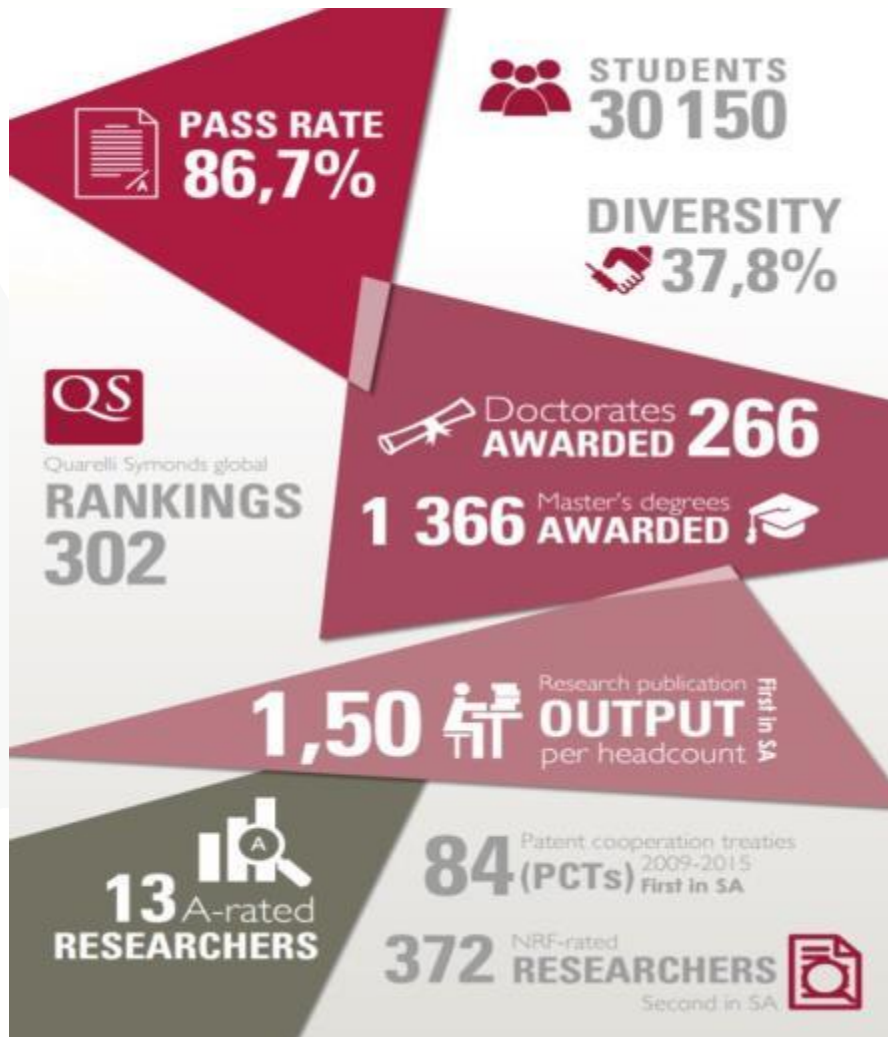
- DHET pressures: increase intake & throughput
- DHET subsidy formulae & timelines cause uncertainty
- Problems with administration of NSFAS funds
- 0% increase for 2016 will impact beyond 2019



Stellenbosch University perspective



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.



Bursary growth: 2011 - 2015



GROWTH & COMPOSITION OF BURSARIES, 2011 - 2015

2011	2012	Increase / (Decrease) 2011/2012 %	2013	Increase / (Decrease) 2012/2013 %	2014	Increase / (Decrease) 2013/2014 %	2015	Increase / (Decrease) 2014/2015 %
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Total expenditure of recurring nature, of which:	Rm	2 708	3 090		3 321		3 653		3 716	
Bursaries paid	Rm	422	462	14	531	10	588	11	659	12
% of expenditure	%	15.6	15.6		16.0		16.1		17.7	
Principal	Rm	253	270	7	316	17	338	7	403	19
Agent	Rm	169	212	25.6	215	1.6	250	16.3	256	2.3



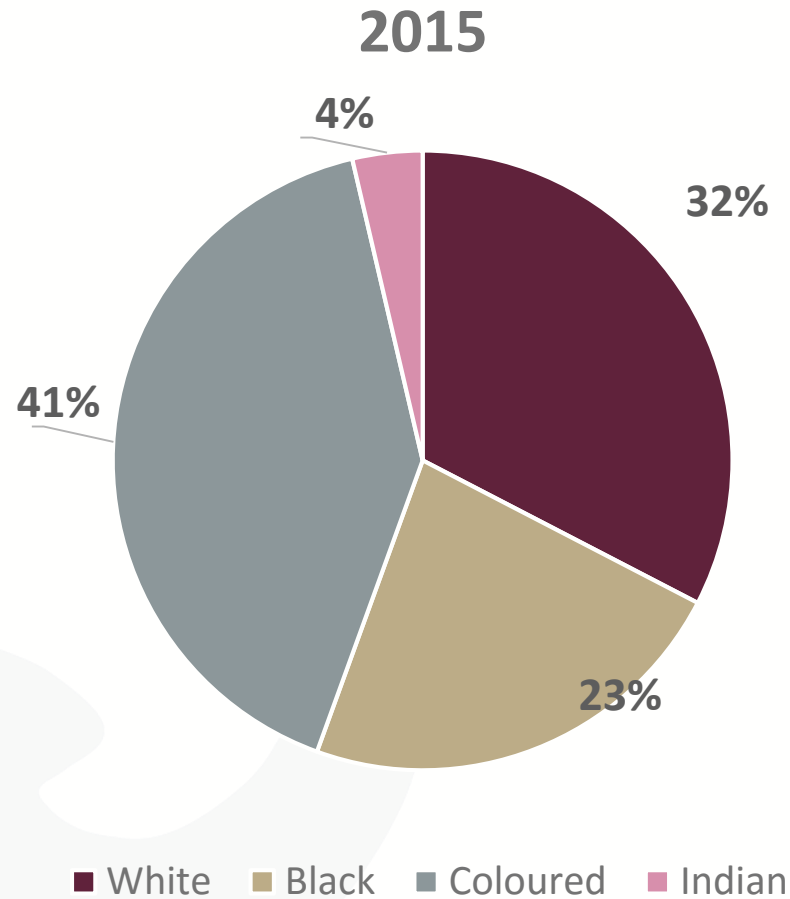
Bursary applications



CATEGORY GROSS INCOME PER FAMILY / PY	NUMBER OF APPLICANTS	AMOUNT NEEDED
R600,000 – R241,000	235	R9,508,275
R240,000 – R123,000	457	R28,195,175
R122,000 – R0	950	R81,448,143
TOTAL	1642	R119,151,593



Undergraduate bursaries & loans



Total amount: R367.2m



Budget scenarios: 2017



MAIN BUDGET 2017:

3 SCENARIOS FOR ADJUSTMENT IN STUDENT FEES			
DESCRIPTION	1 0% adjustment R'000	2 Adjustment of *CPI% R'000	3 Adjustment of *CPI% + **Higher Education Sector inflation R'000
Total expected income	2 302 435	2 353 850	2 367 454
Total expected expenditure	2 352 273	2 363 384	2 366 324
Expected surplus (shortfall)	(49 838)	(9 534)	1 130

Budget scenarios: 2017



ACCOMMODATION BUDGET 2017:

3 SCENARIOS FOR ADJUSTMENT IN ACCOMMODATION FEES

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



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Recommendations



Recommendations (I)



- 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

Recommendations (2)



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)



Household income	>R600k	R240 – R600k	R122 – R240k	< R122k
Degree	BCom	BCom	BCom	BCom
Tuition	R41 000	R41 000	R41 000	R41 000
Accommodation	R29 000	R29 000	R29 000	R29 000
Additional costs	R2 000	R2 000	R2 000	R2 000
Total	R72 000	R72 000	R72 000	R72 000
Settled by Family	R72 000	R30 000	R10 000	0
Settled by Bursary: SU	0	R10 000	R62 000	0
Settled by Bursary: NSFAS	0	0	0	R72 000
Shortfall	0	R32 000	0	0

↩ Typical student account per combined household income per year illustrating financial aid from SU and NSFAS





Dankie
Thank you
Enkosi

