

The Higher Education Budget

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Teacher Demographic Dividend

Fiscal Workshop 2

RESEP Virtual Workshop

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Post School Education and Training (PSET)

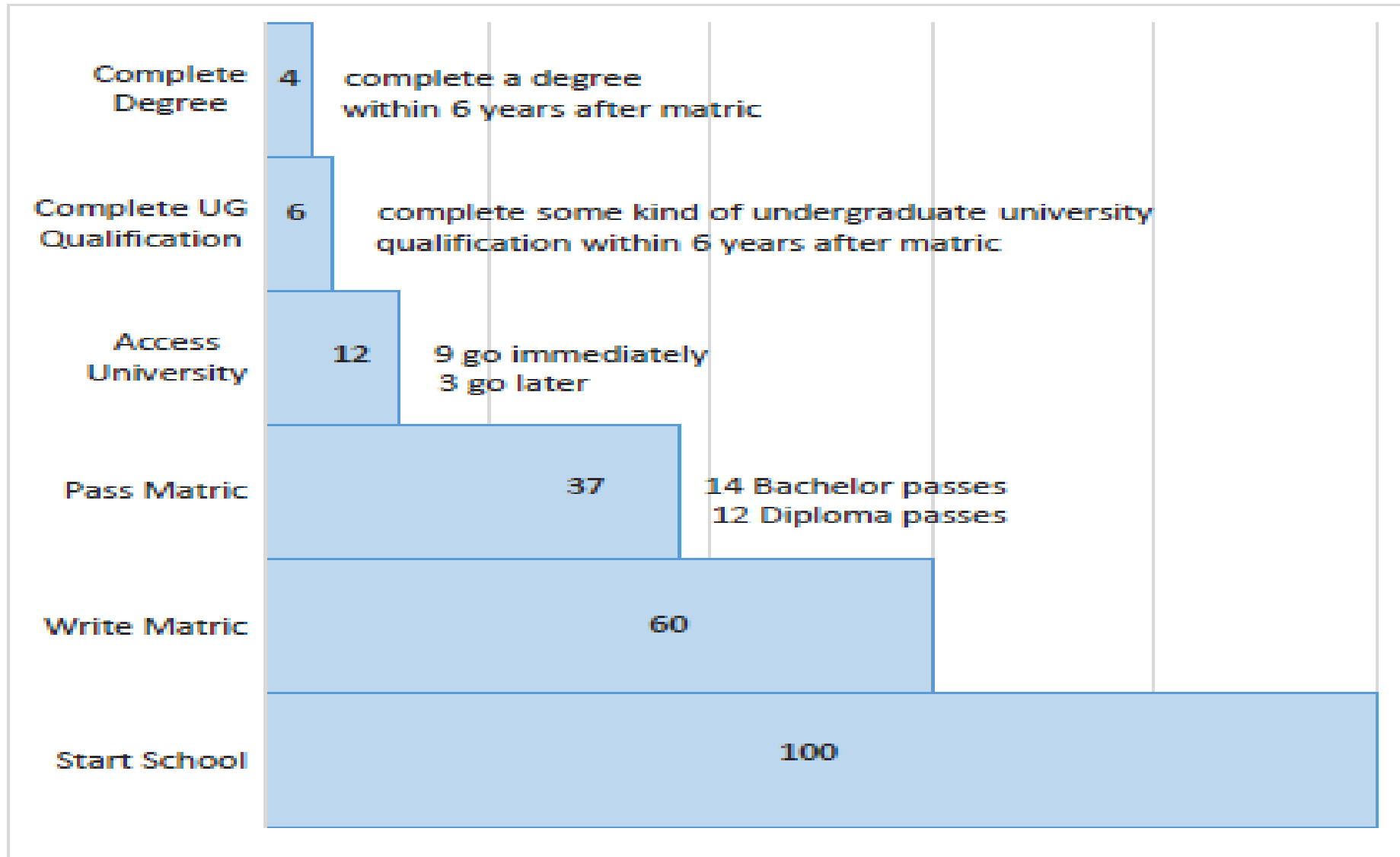
The PSET sector includes all institutions supporting education for persons not in schooling:

- ✓ Community Education and Training (Adult Basic Education)
- ✓ Technical and Vocational Education and Training (TVET colleges)
- ✓ Higher Education (Universities)
- ✓ Skills levy institutions (SETAs, NSF etc.)
- ✓ Qualifications and quality institutions (SAQA, CHE, and QCTO)
- ✓ NSFAS (HE and TVET student funding)

Higher Education and Training budgets in the fiscus include all funding for PSET except for the skills levy

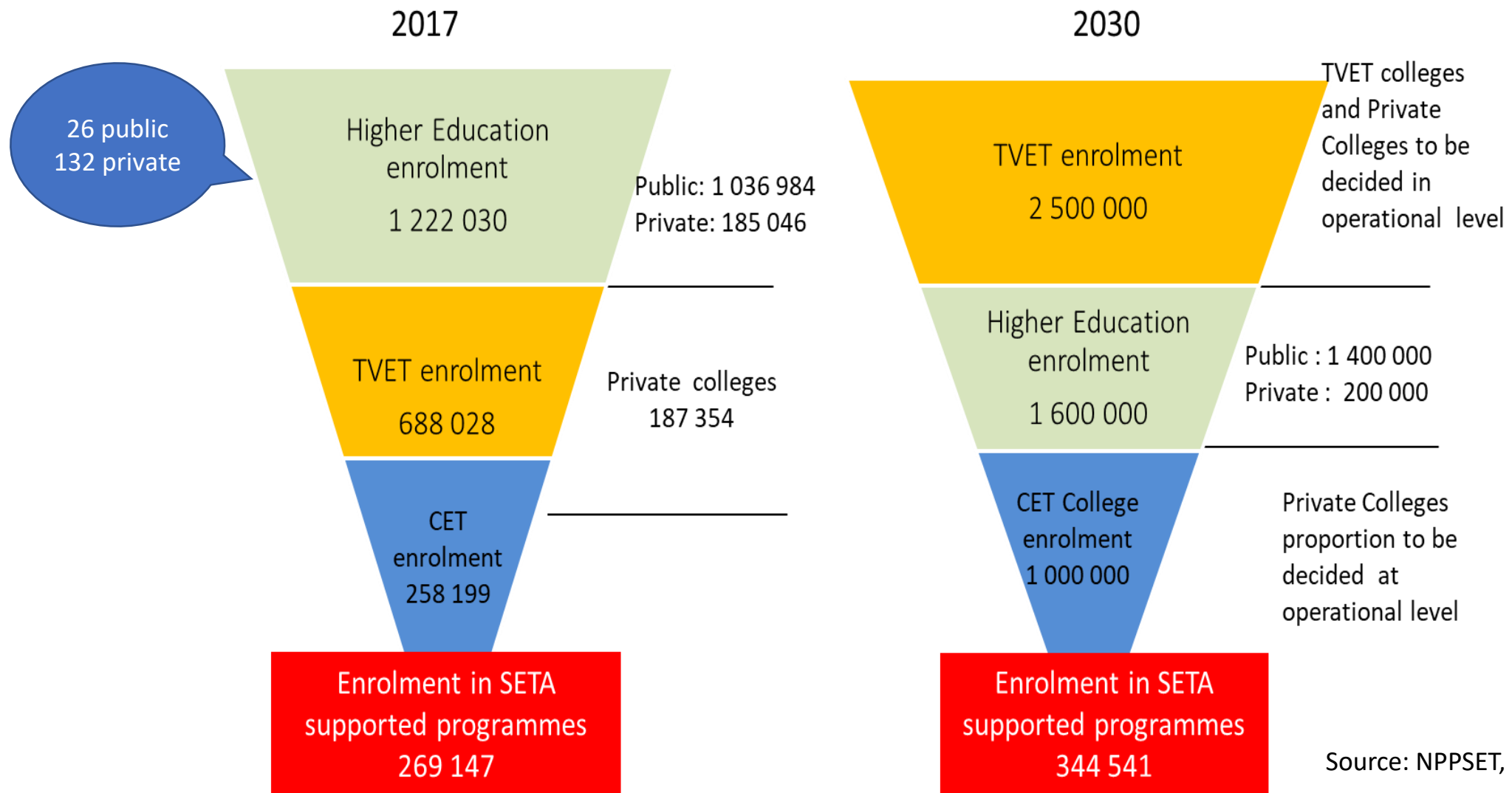
Our main focus is on Higher Education (i.e. Universities)

From school to university (2008 matric cohort)



(Source: CHE, Briefly Speaking, October 2017
(Figure redrawn from: Spaul, N (2016), From Matric to and Through University; A Labour Market Intelligence Working Paper)

Size and shape of PSET – Now and future plans (NDP/NPPSET)

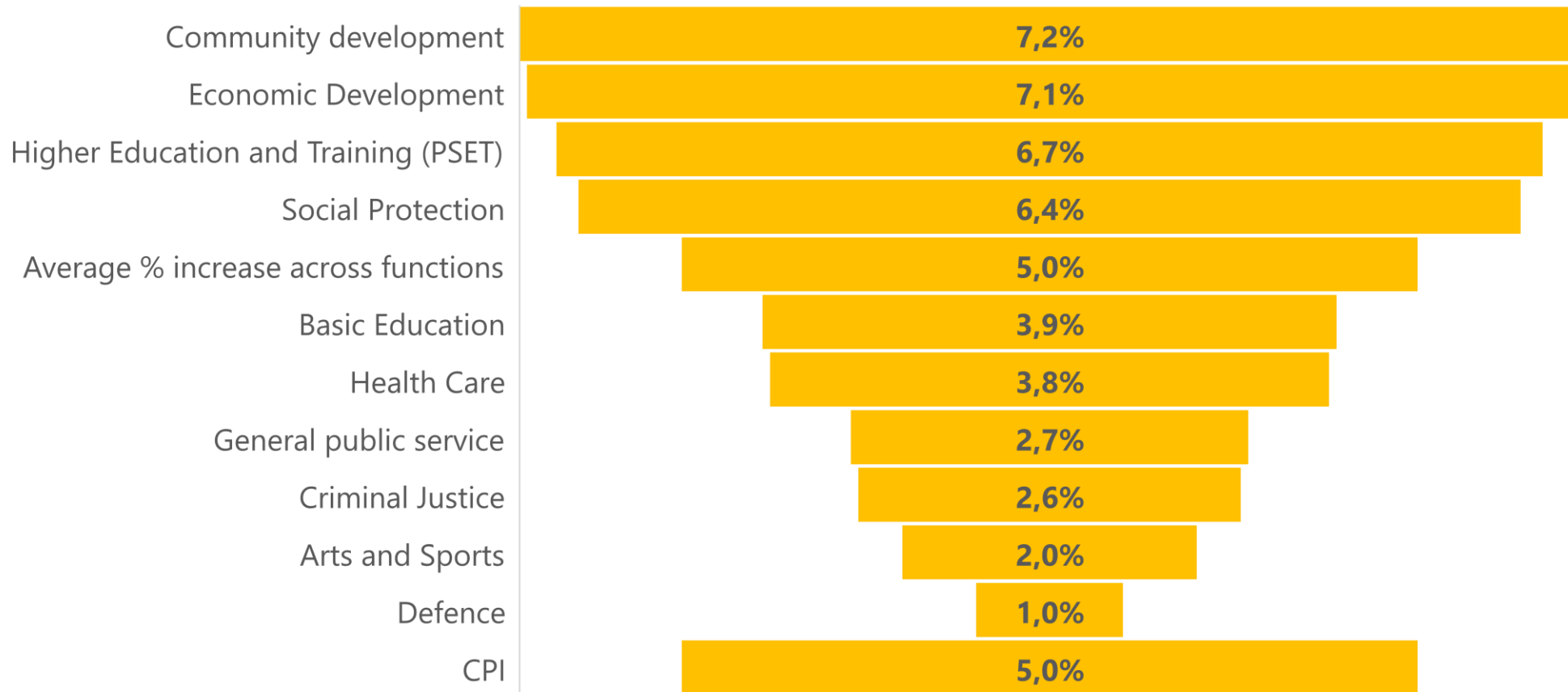


Source: NPPSET, 2023, page 33

Factors impacting Higher Education Budgets

- Global trends in higher education.
- Low economic growth (“chronic stagnation of the economy”).
- Austerity, pre and post COVID.
- Public service size and strength in decline.
- Policy instability: university funding and student financing.
- Policy trade-offs in the education and social spending area - tough decisions being postponed.
- Unemployment- distrust in public universities.
- Distrust in public institutions in general.
- Policy implementation failures.

Medium term spending growth by Policy function (2019/20 – 2023/24)



Data source:
Sachs et al,
2023; National
Treasury
budget data)



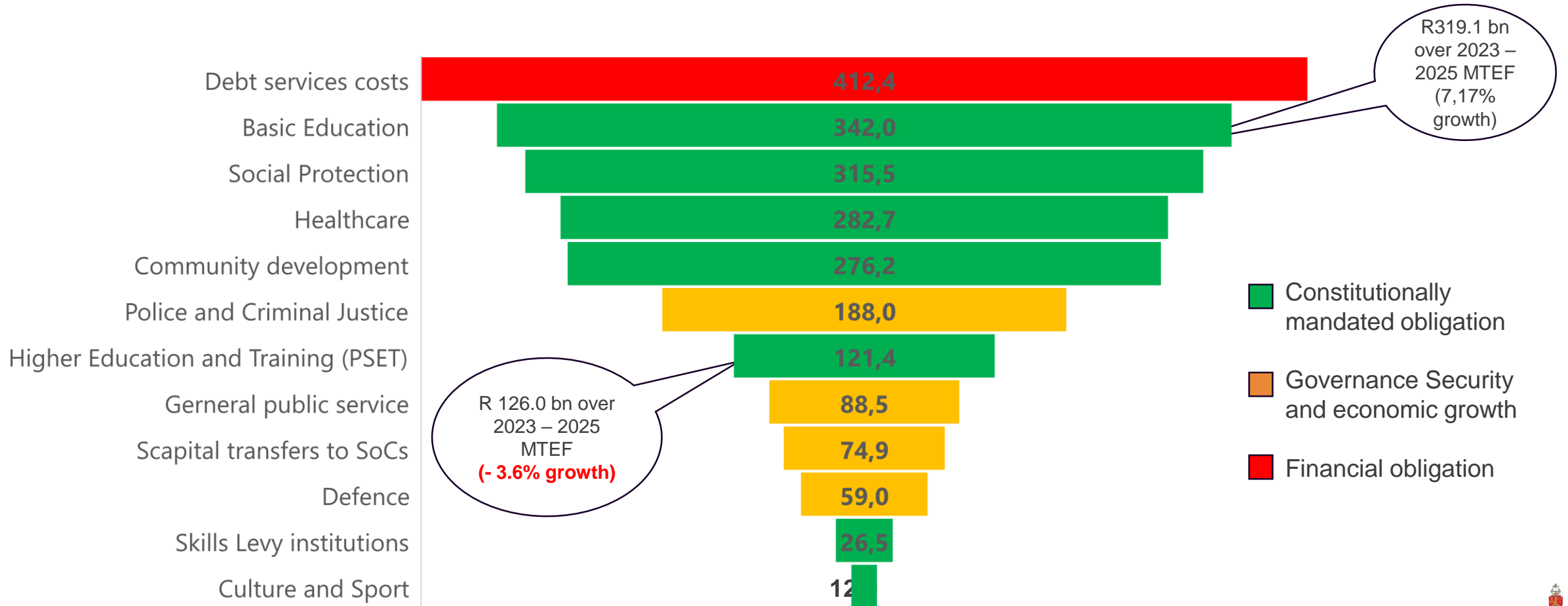
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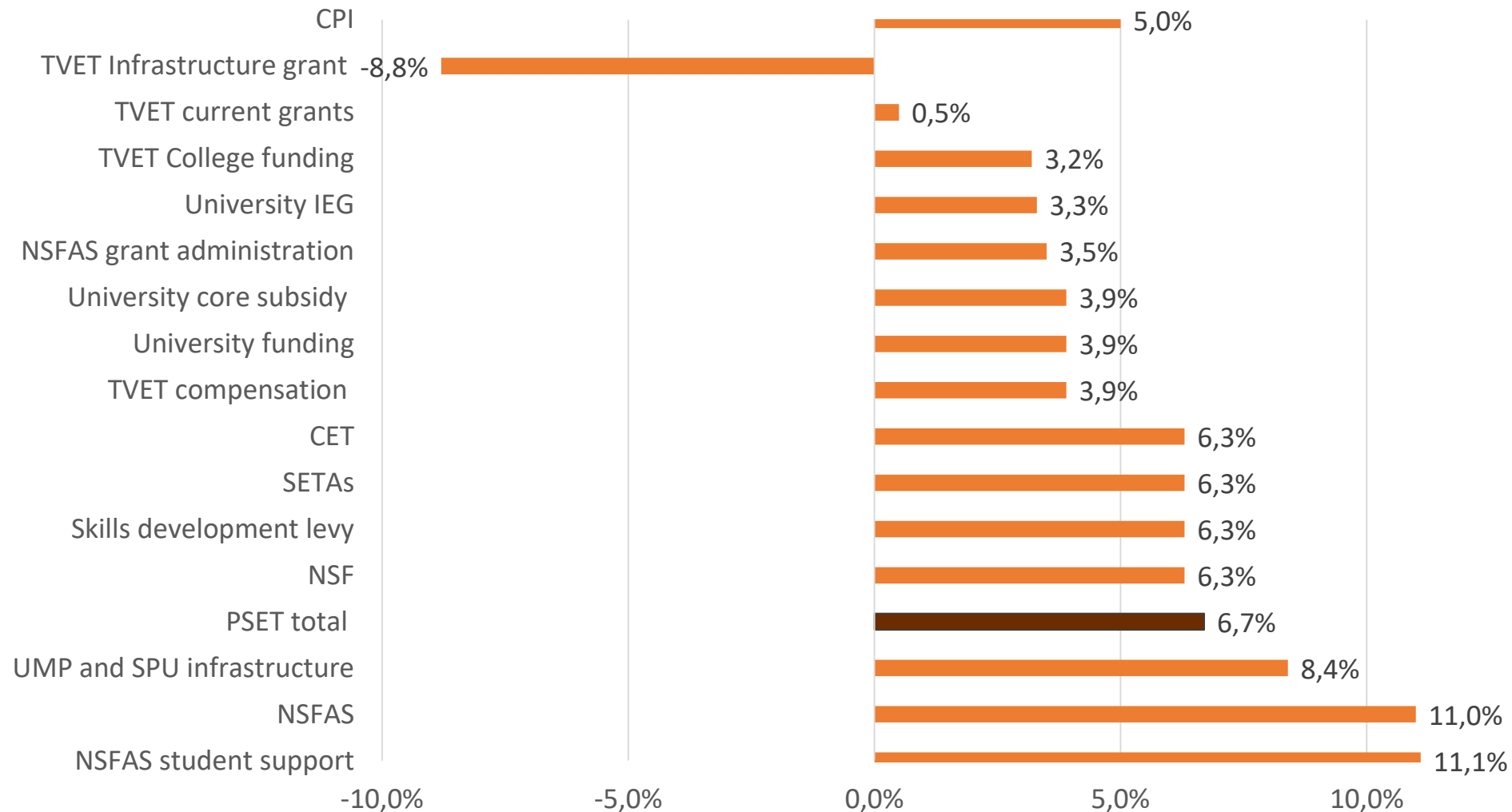


Average Annual Budget by policy function MTEF (2024 – 2026) (in R billion)



Data source: Sachs et al, 2023 & Sachs 2024 (TDD Fiscal WS 1); National Treasury budget data)

PSET spending growth (2019/20 to 2023/24)



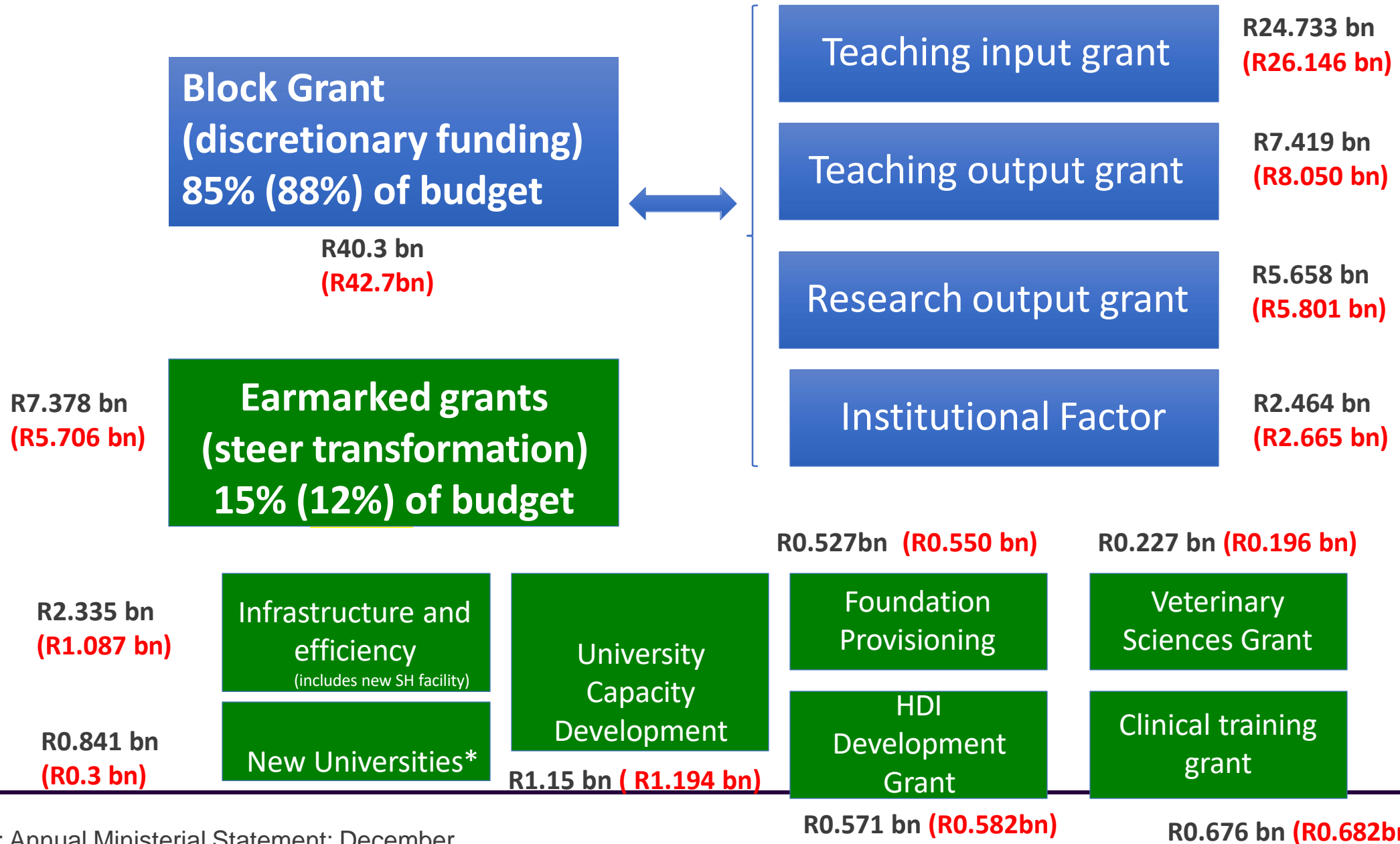
Shows prioritisation of funding in the PSET system. The budget growth for the university sector was below CPI over the period (3,9%).

Source: Sachs et al, 2023; National Treasure Budget data

“The cuts to capital budgets for universities and technical colleges come as funding for new student enrolments through NSFAS massively outpaces the rest of the budget ... spending for lecturers, infrastructure and operating payments is cut. Such imbalances may lead to a deterioration in the quality of learning and teaching at higher education institutions, while the ability of universities to sustain research and post-graduate learning is also likely to come under continued pressure” (Sachs et al, 2023: Southern Centre for Inequality Studies, Public Economy Project, Wits University).

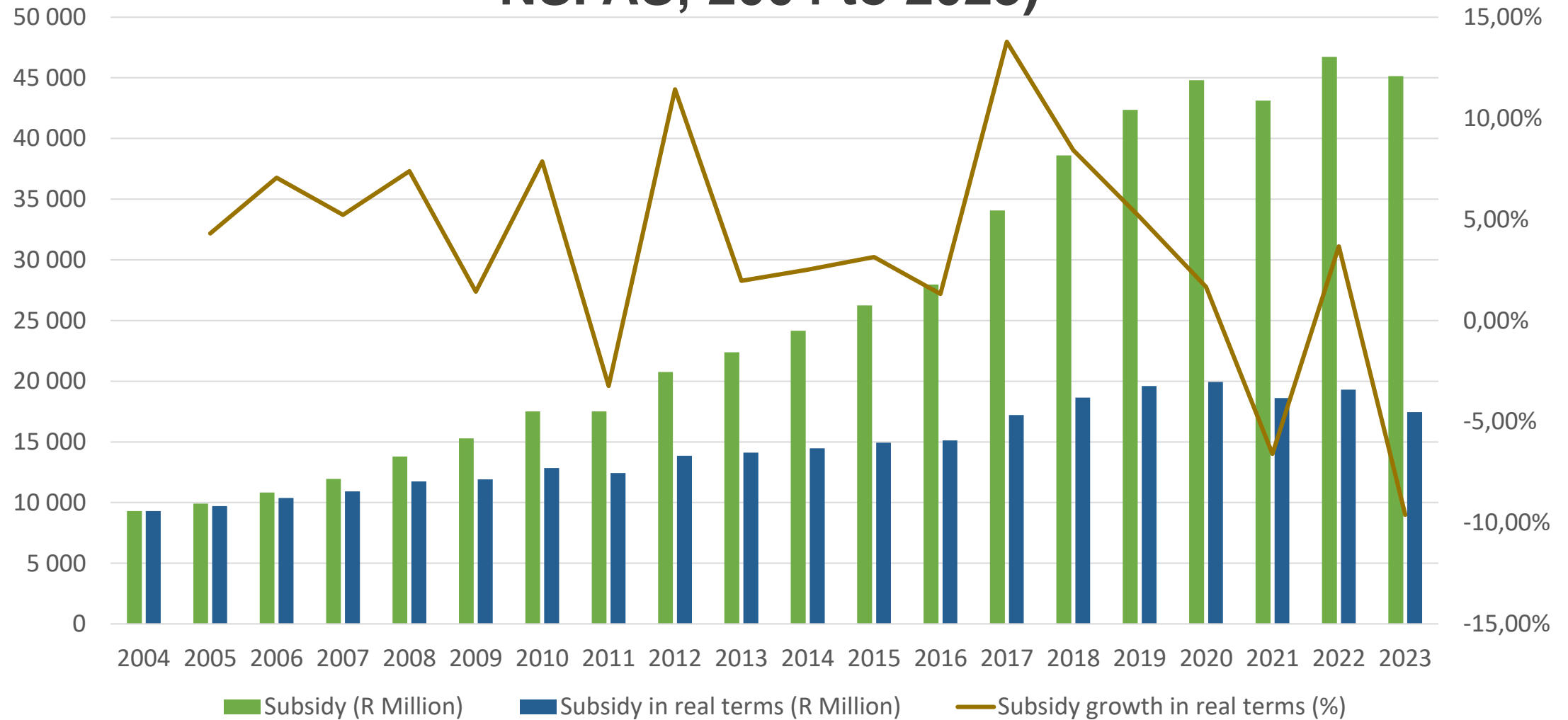
“Against this backdrop, it is surprising that the Minister of Higher Education said in his budget speech that the construction of two new Universities would commence ‘in the next year or two’ (2023). The wisdom and feasibility of establishing a new ‘University of Science and Innovation’ in Ekurhuleni and Crime Detection University in Hammanskraal, seems flawed and based on populist impulses rather than clear policy choices. (Sachs et al, 2023).

PUBLIC UNIVERSITY FUNDING FRAMEWORK 2024/25 (2025/26)



(Source: Annual Ministerial Statement: December 2023)

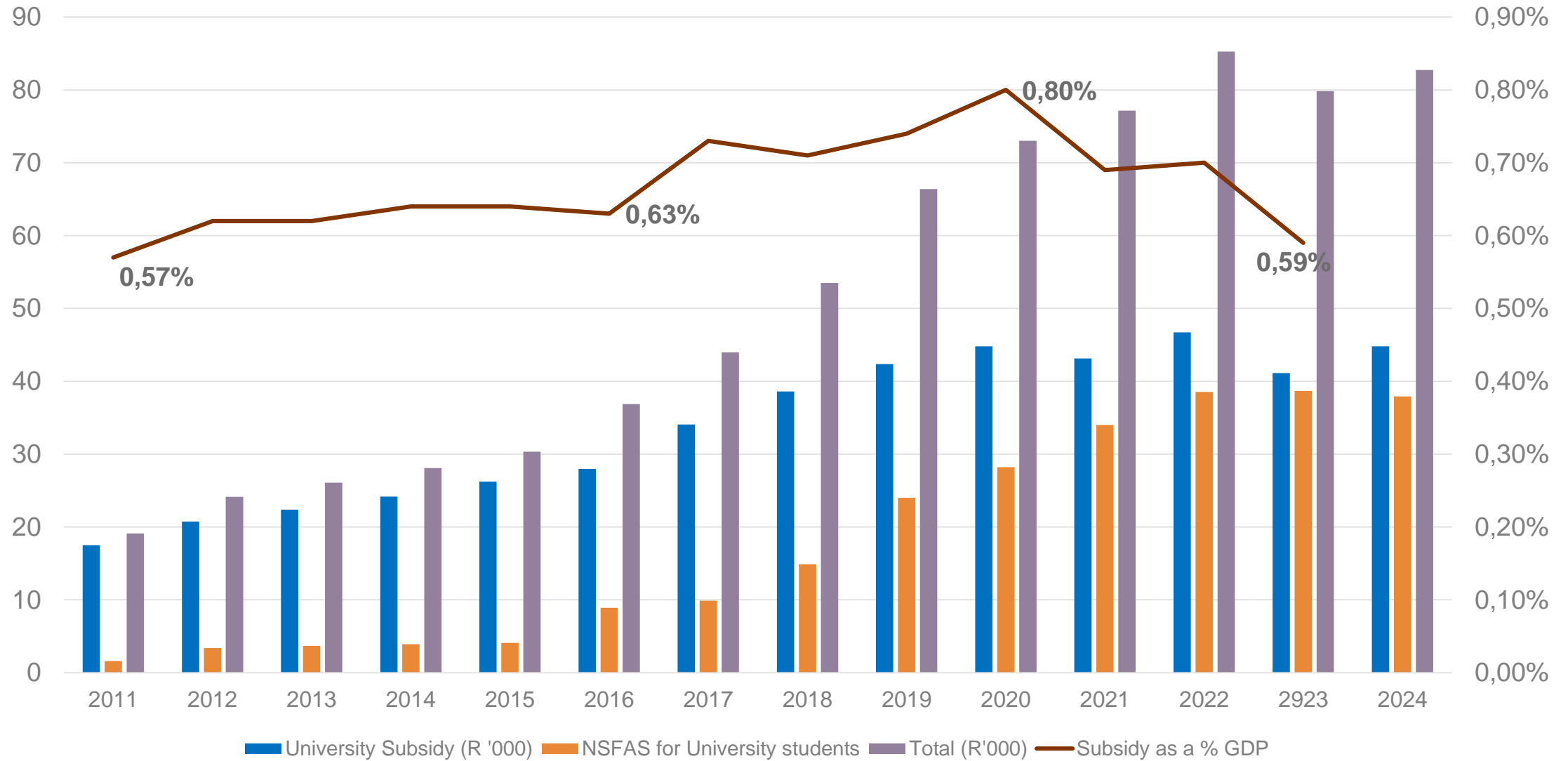
University subsidy growth (nominal and real terms; excluding NSFAS; 2004 to 2023)



Data source: University State Budgets – Public Report; DHET March 2023



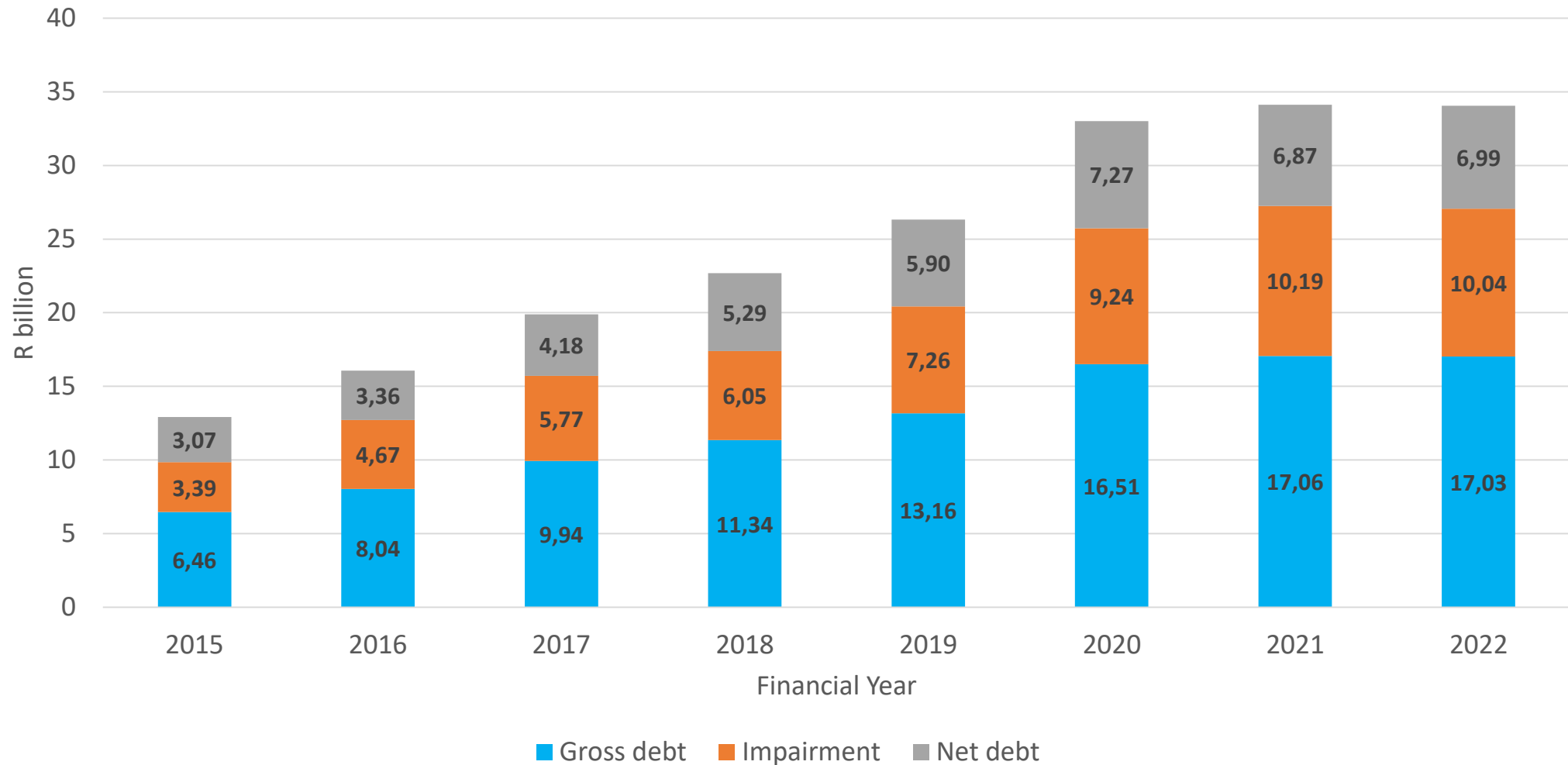
Nominal growth in funding for Universities and Students (2011 - 2023)



Data source: University State Budgets – Public Report; DHET March 2023



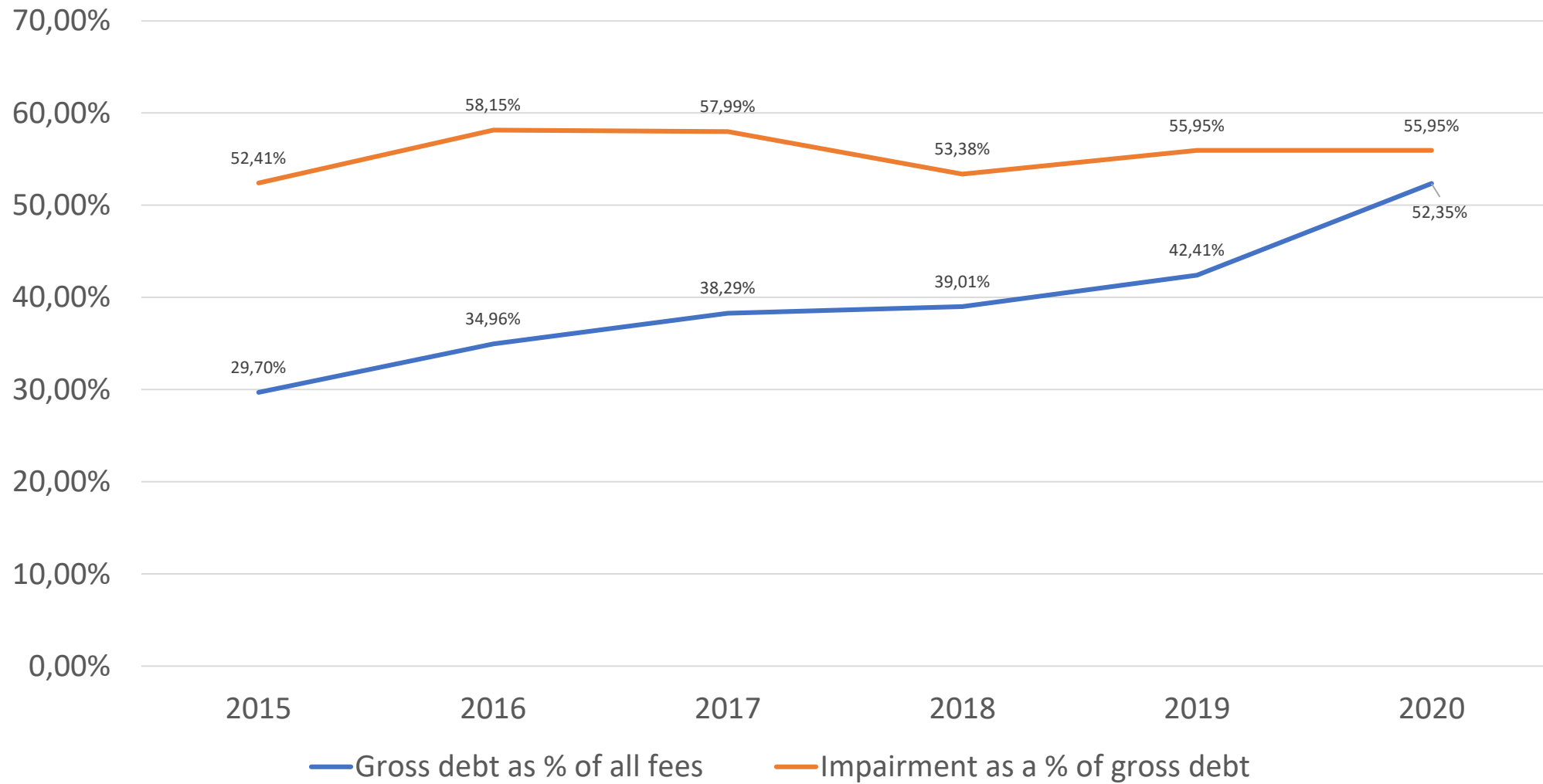
Student debt (R' billion) 2015 to 2022



Data source: Universities' annual financial statements 2015 to 2020



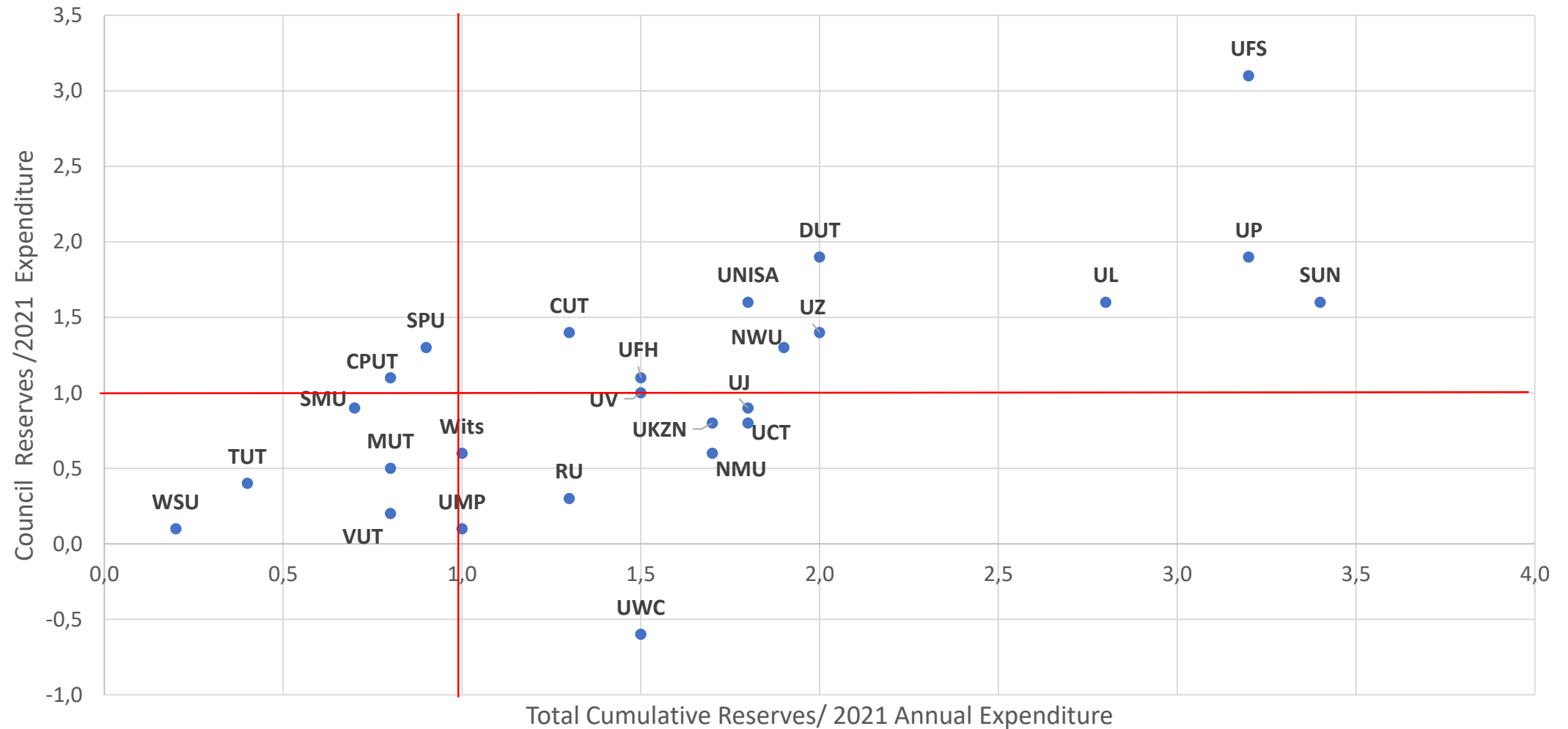
Student debt ratios: 2015 - 2020



Data source: Universities' annual financial statements 2015 to 2020



Sustainability Ratios 2021



HE financing: Key trends

- Higher Education and Training budget the third fastest growing budget in government (2020 - 2024), but declining growth from (2024 – 2026).
- Highest growth in the student funding budget (NSFAS): 11% average growth over 2019/20-2023/24.
- University subsidies have grown below inflation at 3.9% over the same period: effectively stagnation.
- Shortfalls in the NSFAS funding budget experienced since 2020 have been addressed through reprioritization **within** the higher education budget.
- Proportion of student funding to university subsidy is narrowing: Funding for poor students will soon outstrip funding for universities.
- Universities informed of significant budget cuts late into their academic year in 2021, 2022 and 2023 – instability and uncertainty.
- Ad hoc changes and cuts threaten the sustainability of higher education.
- Rising student debt: reached R17.03 billion in 2022 (universities AFS). 59% of this debt was impaired; and universities second stream income severely affected.

HE financing: Key trends

- Changes to University Budgets signalled in the Ministerial Statement creating uncertainty: no new infrastructure funding; significant cuts (by more than 50%) for the development of UMP and SPU 10 years into their 15-year development plans; cuts to vet science.
- Fees: WPPSET signalled controlling fee increases - still no policy framework.
- Fee compacts restrict growth in fee income and changing economic outlook impede the ability to attract 3rd stream income, threatening sustainability.
- Costs of accommodation and other services driven by the market – NSFAS cap on accommodation – further debt and sustainability issues through cross subsidisation of university accommodation.
- TVET, CET and basic education (3 stream model) – competing – students leaving at end of grade 9 should move into the PSET sector?
- Poor fiscal outlook, longer-term erosion of state funding to HE and danger of reprioritisation of funding to unfunded mandates (e.g. new institutions; new vet science faculties; and new campuses promised) and to NSFAS shortfalls.
- Long-term sustainability of student funding and student funding gaps.

Thank you!

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