Funding and recognition

A comparative study of funded versus non-funded higher education in eight countries

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Bekostigd en aangewezen hoger onderwijs in acht landen

(Nederlandstalige Inleiding en Samenvatting)

Inleiding

Dit rapport is opgesteld door CHEPS (Center for Higher Education Policy Studies) in opdracht van het Ministerie van Onderwijs, Cultuur en Wetenschappen. Het rapport gaat in op de relatie tussen het bekostigde hoger onderwijs en het niet-bekostigde (maar wel erkende) hoger onderwijs in acht verschillende landen.

In Europa is vandaag de dag sprake van zeer ongrijpende veranderingen in de nationale hoger onderwijssystemen; veranderingen die vergelijkbaar zijn met die welke plaatsvonden in de 19e en het begin van de 20e eeuw, toen de systemen hun grote groei doormaakten. In documenten als het Verdrag van Maastricht en de Bologna Verklaring komt duidelijk naar voren dat er sprake is van een tendens tot de-nationalisering van de hoger onderwijssystemen in de diverse Europese landen (Scott, 1998); Er is een beweging gaande in de richting van een meer transparante en grenzeloze "Europese ruimte voor hoger onderwijs"(Willekens, 2001).

De huidige ontwikkelingen in het Europese hoger onderwijs geven een nieuwe impuls aan het kwaliteitszorg debat. Sommige deskundigen beweren zelfs dat sinds de jaren 90 het thema van de *kwaliteit* hét centrale concept en object is geweest voor hoger onderwijsinstellingen en overheden (Van Damme, 2000, p.11). Accrediteringsautoriteiten zijn ook vandaag de dag van groot belang nu overheden en onderwijsinstellingen meer aandacht schenken aan garanties voor studenten om hun onderwijsprestaties mee te laten tellen bij andere instellingen en het internationaal herkenbaar doen zijn van eerder behaalde onderwijskwalificaties.

Gebaseerd op het voorstel van de Commissie Kwartiermakers heeft de Nederlandse overheid de ambitieuze doelstelling geformuleerd om een Nationaal Accreditatie Orgaan (NAO) op te zetten dat vanaf zomer 2002 operationeel zal zijn. Doel is om alle Nederlandse hoger onderwijsprogramma's in de komende jaren aan een accreditatie te onderwerpen en vanaf 1 September 2008 accreditatie een voorwaarde te laten zijn voor de publieke bekostiging van opleidingen.

Nu de nationale hoger onderwijssystemen in Europa zich lijken te bewegen in de richting van een meer gemeenschappelijke structuur is het noodzakelijk dat elk land zijn eigen systeem doorlicht om te bezien in hoeverre het de vergelijking met andere systemen doorstaat. Daarbij gaat het niet alleen om de toetsing van de inhoud van programma's en wederzijdse erkenning van graden, maar ook om een vergelijking van wet- en regelgeving, inclusief de (financiële en niet-financiële) condities, waaraan de programma's en hun aanbieders zijn gehouden in de diverse nationale systemen.

Tegen deze achtergrond moet de aanleiding voor deze studie worden gezien. De studie zal met andere woorden inzicht moeten geven in de kwestie op welke wijze diverse nationale overheden optreden en middelen investeren in hun hoger onderwijssystemen om dit zo competitief mogelijk te doen zijn in een zich snel wijzigende internationale omgeving. Meer specifiek is het doel van de studie te bezien of, en zo ja, in welke mate nationale overheden publieke middelen investeren in niet-publieke hoger onderwijsinstellingen, dat wil zeggen private instellingen die worden gezien als erkende aanbieders van hoger onderwijsprogramma's. Deze centrale probleemstelling valt uiteen in de volgende vijf onderzoeksvragen:

1. Wat zijn de formele criteria, vastgelegd in wet- en regelgeving, op basis waarvan aanbieders van post-secundair hoger onderwijs in aanmerking komen voor publieke bekostiging?

2. Hebben deze criteria betrekking op de kwaliteit en macrodoelmatigheid van de programma's, dan wel de aanbieders ervan?

3. Zijn er gevallen waarin de programma's dan wel de aanbieders wel aan de criteria voldoen, maar desalniettemin niet in aanmerking komen voor publieke bekostiging?

4. In geval van dit laatste (erkend, maar niet bekostigd hoger onderwijs), kan een beeld geschetst worden van:
   (a) Het karakter van de aangeboden programma's;
   (b) Het aantal deelnemers (studenten) aan de programma's?

5. Zijn er in het recente verleden belangrijke wijzigingen in het hoger onderwijssysteem (beleid, wetgeving, kwaliteitszorg, accreditatie) doorgevoerd die van invloed zijn geweest (of zullen zijn) op de sector van het erkende, maar nochtans niet publiek-bekostigde hoger onderwijs en de verhoudingen tussen deze sector en de sector van het publiek bekostigde hoger onderwijs?

Aanleiding voor deze studie

Inzicht in de verhouding tussen publiek bekostigd en niet publiek-bekostigd hoger onderwijs kan worden verkregen door de volgende vraag te stellen: "welke vormen van hoger onderwijs komen niet in aanmerking voor publieke bekostiging?" Het antwoord hierop geeft inzicht in de meeste van de in de vorige paragraaf opgesomde vragen. In veel gevallen zal het erop neerkomen dat vrijwel alle hoger onderwijsaanbieders op directe dan wel indirecte wijze profiteren van een zekere vorm van publieke bekostiging, hetzij op instellingsniveau, hetzij op het niveau van de opleiding. In de meeste gevallen zijn de ontvangers van publieke bekostiging een duidelijk afgebakende groep van aanbieders en zijn de middelen expliciet bedoeld voor onderwijsprestaties.

Wanneer echter meer in detail naar de bekostiging van aanbieders van hoger onderwijs wordt gekeken is voor een aantal landen het beeld echter niet meer volledig helder: De afbakening van de ontvangers van publieke middelen, de bekostiging, en de kanalen waarlangs middelen stromen zijn niet altijd even duidelijk. In het geval van de publieke middelen in verband met studiefinanciering zijn het de studenten en niet de onderwijsinstellingen die publieke middelen ontvangen, maar kunnen studenten de middelen wel gebruiken voor het betalen van de collegegelden die gevraagd worden door de private aanbieders van hoger onderwijs. Aldus worden in landen als de Verenigde Staten en Frankrijk, waar een relatief omvangrijke private hoger onderwijssector met relatief hoge collegegelden bestaat, op indirecte wijze publieke middelen (overdrachten, leningen) naar de niet (althans niet *direct*) publiek-bekostigde sector gesluisd. Deze middelenstroom zal daarom ook in onze inventarisatie naar voren dienen te komen.
Duidelijk zal ook zijn dat een beschouwing over de relatie tussen publiek en niet-publiek bekostigd hoger onderwijs meer is dan een oppervlakkige blik op statistische gegevens. We zullen van een conceptueel raamwerk gebruik moeten maken om een meer precies beeld van de private, onafhankelijke sector te kunnen schetsen. Dit theoretische kader komt in de volgende paragrafen aan de orde.

Afbakening van het erkende hoger onderwijs

Het geven van een heldere omschrijving van de populatie van "erkende aanbieders van hoger onderwijs" is een gecompliceerde opdracht. Hoger onderwijs is immers niet langer meer het domein van een selecte verzameling publieke universiteiten en *colleges*. Vandaag de dag is er een bonte verzameling van instellingen die een zeer divers aanbod van hoger onderwijsdiensten bieden. Binnen dit landschap concurreren publieke instellingen met een groot aantal private aanbieders. In een aantal landen worden de academische graden die sommige private aanbieders verstrekken reeds lang officieel erkend en aangemerkt als valide graden. De private instellingen waar het om gaat zijn veelal gelijkwaardig aan hun publieke tegenhangers, zowel wat betreft academische staf, academische voorzieningen als

organisatiestructuur. In sommige gevallen , zoals de Grandes Écoles in Frankrijk of de "Ivy League" instellingen in de VS, wordt de kwaliteit van het aangeboden hoger onderwijs zelfs beschouwd als superieur aan die van de publieke instellingen.

Het andere eind van het spectrum ziet er volkomen anders uit. Hier zijn de instellingen relatief jong, veel minder breed qua opleidingenaanbod en gespecialiseerd op een enkel terrein, en beschikken ze soms niet eens over een fysieke campus. Dit laatste betekent echter niet dat deze instellingen een marginaal bestaan leiden. De Amerikaanse *University of Phoenix*, een *for-profit* instelling, afficheert zichzelf bijvoorbeeld als de grootste (in termen van studentenaantallen) private universiteit van de Verenigde Staten.

In veel gevallen worden de private nieuwkomers op de hoger onderwijsmarkt zeer kritisch begroet door de gevestigde orde. De sector wordt soms betiteld als de *niet-officiële* sector (Kokosalakis, 1999) of als *pseudo-universiteiten* (Altbach, 2001) en de vraag wordt opgeroepen of de korte cursussen en de beroepsgerichte opleidingen die deze instellingen bieden wel als "hoger onderwijs" kunnen worden beschouwd. Daar staat weer tegenover dat veel van de gevestigde instellingen zich ook begeven op het terrein van de korte, beroepsgerichte cursussen en actief zijn in het ontwikkelen en aanbieden van afstands- en virtueel onderwijs ondersteund door Internet. Europese onderwijsinstellingen bieden in toenemende mate op Amerikaanse of Britse leest geschoeide MBA (Masters of Business Administration) opleidingen, of verkorte 'executive' MBA trajecten.

De afbakening van het *erkende* hoger onderwijs wordt aanzienlijk gecompliceerder als we ons de vraag stellen wie de erkenning verricht. In elk hoger onderwijsstelsel is het de staat die bepaalt welke nationale instellingen het recht bezitten om graden toe te kennen. In veel landen is echter sprake van het opereren van buitenlandse hoger onderwijsaanbieders waarvan de graden al dan niet worden erkend door het gastland, ook al worden de graden erkend in het land van de hoofdvestiging.

Een andere vorm van erkenning vindt plaats onafhankelijk van de staat. Het handelt hier om accreditatie; als instrument om te toetsen of de instellingen en hun programma's een zekere basiskwaliteit kunnen garanderen. Accreditatie is de laatste jaren sterk in opkomst als instrument. Het wordt geacht bij te dragen aan het realiseren van de doelen vastgelegd in de Bologna verklaring, en de daarmee beoogde implementatie van een Bachelor-Master structuur op het vaste land van Europa. Hoewel accreditatieorganen in een aantal gevallen niet doorslaggevend zijn voor de formele erkenning van een instelling of programma door de staat (Akkreditierungs Rat, 1999) worden de inrichting ervan door de overheid en de uitspraken van dergelijke organen sterk meegewogen in het overheidsbeleid (Report of Activities 1992-97, 1997).

In een rapport als het onderhavige zou een vergelijkende analyse idealiter aan de hand van een gemeenschappelijke standaard of raamwerk moeten plaatsvinden. Dit lijkt haalbaar in een land als de VS, waar vijftig verschillende staten onder een federale 'paraplu' opereren, maar is niet realistisch voor een veel bredere set van landen. Daarom is in dit rapport de vraag wie in een bepaald land het officieel erkende hoger onderwijs aanbiedt benaderd via een raadpleging van de officiële nationale wet- en regelgeving om te achterhalen
a) welke instellingen door de staat worden beschouwd als aanbieders van hoger onderwijs, en
b) welke instellingen het recht hebben om academische graden te verlenen.
Een dergelijke aanpak weerhoudt ons ervan om het wiel opnieuw uit te vinden en stelt ons in staat om alle instellingen die niet aan deze beide criteria voldoen als niet-erkend te beschouwen.

Afbakening van het bekostigde hoger onderwijs

Het beschrijven van de bekostiging van een enkele instelling is een moeilijke taak. Datzelfde te doen voor een land als geheel of een groep van landen is zo mogelijk nog lastiger. Hoger onderwijsinstellingen verwerven hun middelen uit een groot scala van bronnen: nationale en regionale overheden, studenten, onderzoeksorganisaties, bedrijfsleven, donaties, et cetera. Deze middelen worden aangewend voor een groot aantal doelen: het verzorgen van onderwijs, fundamenteel en toegepast onderzoek, dienstverlening aan organisatieonderdelen

en studenten, et cetera. De vele literatuur die op dit gebied bestaat wijst op het onopgeloste vraagstuk van het toerekenen van kosten en baten aan de diverse activiteiten.

Dit rapport gaat in op een relatief eenvoudig onderdeel van de beschikbare middelen, namelijk de middelen die aan de hoger onderwijs sector ter beschikking worden gesteld door de overheid. Meer concreet betreft het hier de middelen die ten goede komen aan het *onderwijs*. Zoals in de vorige paragraaf opgemerkt verdient het aanbeveling om hierbij een onderscheid te maken naar directe bekostiging en indirecte bekostiging. Directe bekostiging heeft betrekking op de publieke middelen die direct naar de instellingen vloeien. Indirecte bekostiging omvat alle overige publieke middelen voor de betreffende instellingen. Voorbeelden van het laatste zijn studiefinanciering (beurzen, overdrachten, gesubsidieerde en niet-gesubsidieerde leningen) en belastingfaciliteiten.[1]

Afbakening van de analyse-eenheid

Het onderhavige rapport betreft de verhouding tussen het bekostigde en het niet bekostigde – maar wel erkende – hoger onderwijs in een selectie van landen. Een logische keuze voor de analyse-eenheid is daarmee het nationale hoger onderwijssysteem en de rol van de staat daarin. De conclusies in het laatste hoofdstuk van dit rapport zijn ook vanuit dat perspectief geformuleerd. In de case studies van de landen kan de analyse waar nodig meer in detail op de bekostiging van een deelsector van het hoger onderwijssysteem ingaan of op de systematiek van een afzonderlijke instelling. Waar mogelijk zijn de instellingsgegevens geaggregeerd om conclusies voor de (deel-)sector als geheel te kunnen schetsen.

Een beslisboom

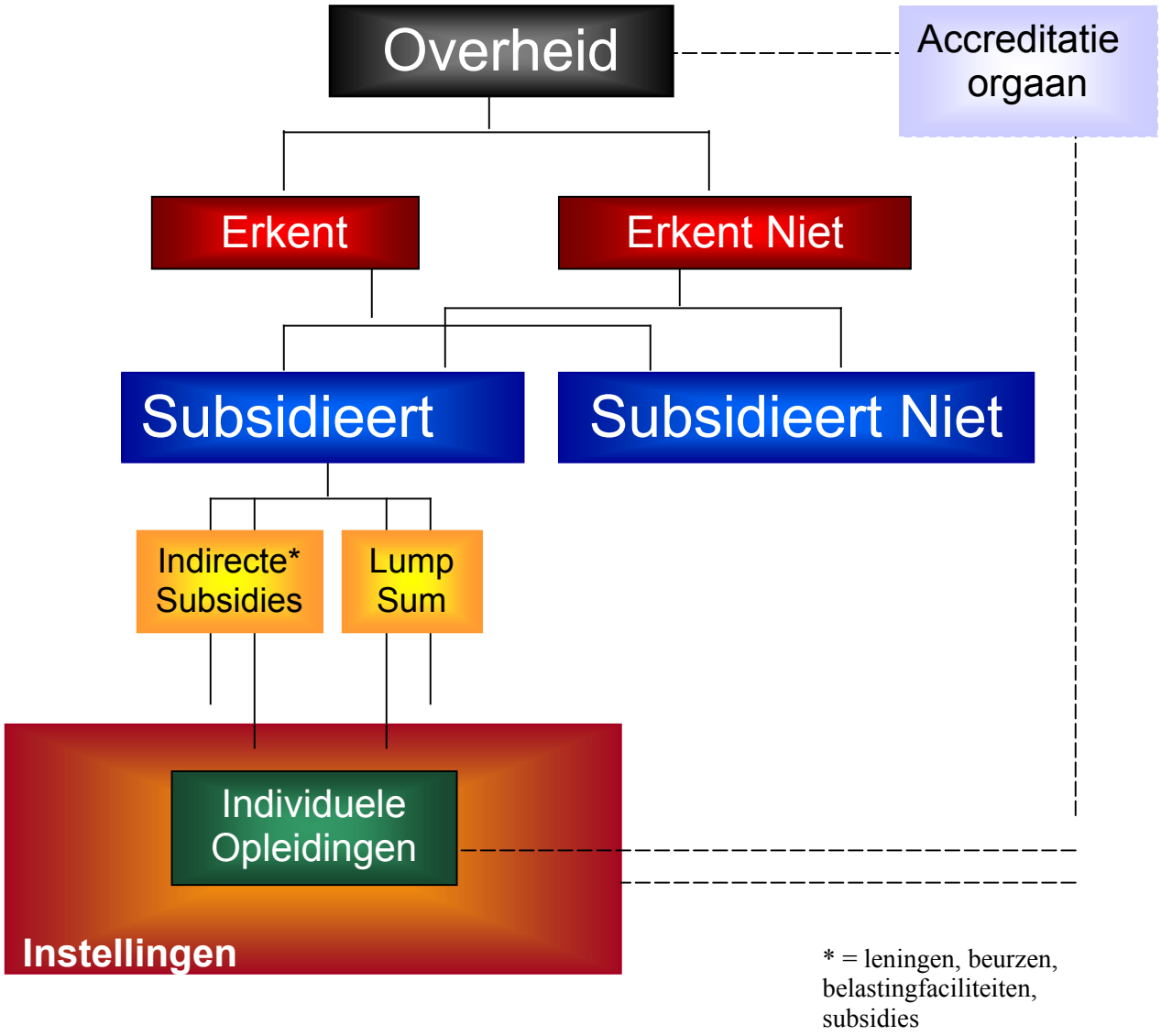
Het zal duidelijk zijn dat het schetsen van een beeld van het publiek bekostigd en het niet-publiek bekostigd hoger onderwijs meer zal moeten zijn dan het bieden van een lijst met instellingen en opleidingen. Aan de hand van een beslisboom die het beslissingsproces voor de publieke autoriteiten illustreert levert een duidelijker beeld op. Een dergelijke procesbenadering stelt ten aanzien van de overheid de vraag:
a) welke instellingen als erkende aanbieders van hoger onderwijs te boek mogen staan, en
b) welke van de erkende en niet erkende aanbieders (opleidingen) in aanmerking komen voor publieke bekostiging,
c) hoe de bekostiging binnen de sector ter beschikking wordt gesteld.

Deze vragen worden in figuur 1 grafisch weergegeven. De figuur stelt ons in staat om drie zaken te illustreren:

1. het door bestudering van de wet- en regelgeving identificeren van de onderwijsaanbieders die wel, respectievelijk niet worden bekostigd.
2. Het aangeven van verbanden tussen beslissingen, bij voorbeeld tussen de beslissingen wel/niet bekostiging en wel/niet erkenning, respectievelijk tussen wel/niet bekostiging en wijze van bekostiging.
3. Het bieden van een neutraal (d.i. land-onafhankelijk) raamwerk om de diverse landen onderling te vergelijken.

[1] Belastingfaciliteiten (aftrekposten, andere maatregelen) voor studenten kunnen op indirecte wijze ten goede komen aan de onderwijsinstellingen omdat ze het beschikbare inkomen van studerenden doen vergroten en hen zodoende in staat stellen om collegegelden en andere kosten in verband met het

Figuur 1 – Een beslisboom t.a.v. het bekostigd en niet-bekostigd hoger onderwijs



Het is goed om op te merken dat het raamwerk elk land beschouwt als een *gesloten* systeem. Uiteraard is dit bezijden de waarheid, maar onontkoombaar bij het uitvoeren van internationale vergelijkingen. Een van de doelen van dit rapport is het beter begrijpen van de mate waarin overheden hun hoger onderwijssysteem bekostigen in het licht van ontwikkelingen die, zoals in Europa het geval is, leiden tot een internationale hoger onderwijsmarkt die bestaat uit een groot aantal onderling verbonden nationale markten. De onderlinge verwevenheid bestaat uit verbanden die op brede initiatieven zijn gebaseerd (bij voorbeeld de ERASMUS of SOCRATES programma's), dan wel op meer kleinschalige initiatieven als sabbaticals voor staf of uitwisselingsprogramma's voor studenten. De vraag naar de geslotenheid van het hoger onderwijssysteem komt terug in het afsluitende, comparatieve hoofdstuk van dit rapport.

Opzet van dit rapport

Dit rapport biedt inzicht in de verhouding tussen het publiek bekostigde hoger onderwijs en het niet-publiek bekostigde hoger onderwijs in vier Europese landen (Duitsland, Frankrijk, Nederland, Verenigd Koninkrijk), twee Amerikaanse staten (Michigan, Pennsylvania), Nieuw Zeeland en, tenslotte, Australië.

De sector van het niet-erkende niet-publiek bekostigde hoger onderwijs wordt niet behandeld in dit rapport. Deze sector is in de meeste gevallen erg intransparant vanwege het grote aantal programma's dat in het kader van bedrijfsopleidingen, levenslang leren, volwassenenonderwijs en open universiteit wordt aangeboden.

De bovenstaande paragrafen presenteren de belangrijkste begrippen en afbakeningen. De volgende hoofdstukken bevatten meer gedetailleerde informatie over de hierboven genoemde hoger onderwijssystemen. De antwoorden op de onderzoeksvragen zijn per land gepresenteerd in vier paragrafen: (1) een beschrijving van de context van het nationale hoger onderwijssysteem, (2) het wettelijk kader voor publieke en private aanbieders van hoger onderwijs, (3) de publieke bekostiging (direct, indirect, studiefinanciering) en (4) een samenvatting met de belangrijkste bevindingen. Het laatste hoofdstuk van dit rapport bevat de conclusies. Het presenteert deze bevindingen in landenvergelijkende zin.

De informatie in dit rapport is afkomstig uit de volgende bronnen: officiële overheidsdocumenten, websites, nationale statistische bureaus, onderzoeksrapporten, et cetera. Voor een deel is deze informatie beschikbaar via de *CHEPS Higher Education Monitor*, een database met (statistische en beleids-) informatie over een negental Europese hoger onderwijssystemen.

Samenvatting en conclusies

Vooraf

Deze studie betreft de vraag naar de mate waarin overheden investeren in hoger onderwijs dat wordt aangeboden door niet-publieke aanbieders. Meer in het bijzonder gaat het om de volgende vijf onderwerpen:

1. Wat zijn de formele criteria, gespecificeerd in wet- en regelgeving, op basis waarvan aanbieders van hoger onderwijs in aanmerking komen voor publieke bekostiging?
2. Hebben deze criteria betrekking op de kwaliteit en macrodoelmatigheid van de opleidingen, c.q. de aanbieders daarvan?
3. Zijn er gevallen waarin aan de criteria met betrekking tot kwaliteit wordt voldaan maar niettemin geen publieke bekostiging ter beschikking wordt gesteld aan erkende programma's (c.q. de aanbieders ervan)?
4. In het geval van erkende, maar niet publiek bekostigde opleidingen:
   - wat zijn de globale karakteristieken van de opleidingen?
   - hoeveel studenten volgen de opleidingen?
5. Zijn er in het recente verleden belangrijke wijzigingen doorgevoerd in het hoger onderwijssysteem (beleidsmaatregelen, kwaliteitszorg, accreditatie) die betrekking hebben gehad – of zullen hebben – op de sector van het erkende maar niet publiek bekostigde hoger onderwijs?

In het vervolg van deze samenvatting zal elk van deze vragen worden beantwoord voor de acht hoger onderwijssystemen die in de voorgaande hoofdstukken zijn behandeld.

Formele criteria

Het beeld dat oprijst uit de beschrijvingen van de verschillende hoger onderwijsstelsels is dat de *noodzakelijke* voorwaarden voor publieke bekostiging van instellingen voor hoger onderwijs (IHO) relatief helder zijn omschreven, maar dat de *voldoende* voorwaarden veel minder duidelijk zijn gedefinieerd. Willen IHO's voor publieke bekostiging in aanmerking komen dan dienen ze allereerst formeel door de staat te zijn erkend als instellingen die gemachtigd zijn om graden te verstrekken. In sommige landen zijn de IHO's met naam en toenaam in de wetgeving genoemd. Dit is het geval in Duitsland, Nederland, Michigan en Australië. In andere landen zijn (alleen) de voorwaarden opgesomd waaraan de instellingen moeten voldoen. Dit is het geval in Pennsylvania, Frankrijk, Nieuw Zeeland en het Verenigd Koninkrijk.

De instellingen die daadwerkelijk door de staat zijn opgericht met als doel om hoger onderwijs te verzorgen – de *publieke* IHO's – komen a priori in aanmerking voor publieke bekostiging. Voor de private IHO's in de acht landen is de beslissing om hen in aanmerking te laten komen voor publieke bekostiging niet op uniforme wijze ingericht. In landen als Frankrijk en Nederland, waar erkenning van de kwaliteit van de private IHO's door de staat in beginsel aanleiding zou kunnen zijn voor publieke bekostiging, hebben zowel de beslissing tot erkenning (in NL: aanwijzing) als de beslissing tot bekostiging een sterke politieke ondertoon. De uiteindelijke beslissing is veelal in handen van de Minister van Onderwijs. Alleen in Pennsylvania is wat dit betreft de wetgeving expliciet en bevat de standaarden en criteria waaraan private IHO's moeten voldoen om in aanmerking te komen voor publieke bekostiging.

Kwaliteitszorg

In elk hoger onderwijssysteem bestaan impliciete dan wel expliciete criteria ten aanzien van

aanmerking te komen voor publieke bekostiging. Elke staat legt in haar erkenningsprocedures voorwaarden of standaarden op aan de aanbieders van hoger onderwijs. De wet- en regelgeving dient om studenten te garanderen dat de kwaliteit van academische graden aan de maat is.

Het antwoord op de vraag hoe dit in formele zin is geregeld in de systemen voor kwaliteitszorg varieert per land. Zo bestaat in Duitsland geen formeel systeem van kwaliteitszorg voor zowel de publieke als de private IHO's. Wel is er een ontwikkeling in die richting gaande als gevolg van de introductie van de bachelor/master structuur. Daarentegen zijn in landen als Nieuw Zeeland, Australië en de Verenigde Staten organisaties (agentschappen, kwaliteitszorgorganen) actief die zowel de publieke als de private IHO's onderwerpen aan een toets van hun kwaliteitsstandaarden. In Nieuw Zeeland en Australië bestaan daartoe zogenaamde *Qualifications Authorities*. In de VS opereren de regionale accreditatieorganen (bij voorbeeld de *North Central* en de *Middle States Associations*).

In andere landen bestaan weer andere, expliciete regels ten aanzien van de rol van kwaliteitscontrole bij het beslissen over publieke bekostiging. Zo legt in het Verenigd Koninkrijk een passage in de wetgeving (de *Further and Higher Education Act* van 1992) ten aanzien van de oprichting van de Higher Education Funding Councils (de buffers die in de bekostiging van hoger onderwijs voorzien) aan de Councils op dat deze moeten voorzien in "het toetsen van de kwaliteit van het onderwijs dat wordt verzorgd door de instellingen waaraan de Councils financiële middelen verstrekken".

Een soortgelijk voorbeeld vinden we in Nederland. Hoewel tot nu toe niet geëffectueerd, bestaat er de mogelijkheid voor de Minister van Onderwijs om instellingen die bij voortduring blijken onvoldoende kwaliteit te leveren te onthouden van publieke bekostiging. Weer een ander voorbeeld vinden we in Australië, waar de Higher Education Funding Act van 1988 de instellingen vraagt om onderwijsprofielen (*educational profiles*) te overleggen waarin expliciet aandacht is besteed aan verschillende aspecten van kwaliteit. Deze profielen gelden als voorwaarde voor de publieke bekostiging en zijn erop gericht om de kwaliteit van het hoger onderwijs te bevorderen. In Michigan komen alleen die studenten die zijn ingeschreven aan een officieel erkende en (regionaal) geaccrediteerde IHO in aanmerking voor bepaalde vormen van studiefinanciering door hun staat. Ook in Frankrijk, waar formeel gezien geen sprake is van een direct verband tussen bekostiging en kwaliteitszorg, wordt kwaliteit op indirecte wijze meegewogen in het honoreren van het verzoek van een IHO om de overheid meer stafleden te laten creëren en bekostigen.

Erkend maar niet Bekostigd

Allereerst merken we op dat als we de indirecte publieke bekostiging (met name studiefinanciering) betrekken in onze inventarisatie, in vrijwel alle landen sprake is van een middelenstroom van de overheid naar de private instellingen voor hoger onderwijs (IHO's). Met uitzondering van het Verenigd Koninkrijk stellen derhalve alle landen via dit kanaal middelen ter beschikking aan de erkende IHO's. Bezien we echter alleen de directe publieke bekostiging van IHO's, dan bestaan er in elk van de hier onderzochte landen IHO's waarvan de opleidingen wel zijn erkend of voldoen aan wettelijke criteria maar niettemin niet in aanmerking komen voor bekostiging. De mate waarin dergelijke opleidingen (c.q. IHO's) voorkomen verschilt sterk van land tot land.

Alleen de directe bekostiging in ogenschouw nemend bevinden zich op het ene uiteinde van het spectrum landen als Australië en Nederland, waar de private sector geen publieke bekostiging ontvangt. Dezelfde situatie doet zich voor in het VK, waar de private sector slechts uit een enkele universiteit (Buckingham University) bestaat. Op het andere eind van het spectrum bevinden zich Pennsylvania en Frankrijk waar een aanzienlijk aantal erkende maar niet bekostigde IHO's bestaan.

Een voor de hand liggende vraag is "waarom is de omvang van de erkende, maar niet bekostigde sector zo verschillend over de acht landen?". De case studies opgenomen in dit rapport wijzen op twee redenen: (1) historische oorzaken en (2) effecten van marktwerking. In Frankrijk en de VS is reeds vanaf het begin sprake geweest van twee sectoren in het hoger onderwijs die naast elkaar bestaan. De wetten en regels die het opereren van deze sectoren

met inachtneming van het specifieke karakter van beide sectoren. Het is interessant om te vermelden dat in beide landen private IHO's bestaan die nadrukkelijk hebben gekozen voor een positie op afstand van de staat. Dit omdat zij het gevoel hebben dat publieke IHO's om redenen van bekostiging gehouden zijn aan door de overheid opgelegde regels en beperkingen. De private IHO's in deze twee landen hebben andere wegen gevonden om in hun bestaan te voorzien en hun zelfstandigheid te behouden.

Aan de andere zijde van de medaille vinden we landen als het Verenigd Koninkrijk, Australië en Duitsland, waar hoger onderwijs historisch gezien altijd een publieke aangelegenheid en een verantwoordelijkheid van de staat is geweest. In deze landen is de wet- en regelgeving ten aanzien van de oprichting en het functioneren van IHO's een reflectie van deze opvatting.

Dit brengt ons bij de tweede mogelijke verklaring voor de uiteenlopende omvang van de erkende, maar niet-publiek bekostigde sector per land: de invloed van *marktwerking*. Een van de redenen waarom in Nieuw Zeeland een erkende, maar niet bekostigde hoger onderwijssector niet bestaat is dat aldaar de opvatting bestaat dat private IHO's kunnen fungeren als 'plugs for gaps'. Nieuw Zeeland heeft zijn private sector als het ware omarmd. Het overheidsbeleid is gestoeld op het idee dat erkende, private aanbieders voorzien in de uiteenlopende behoeften die bij consumenten leven. Private IHO's bieden programma's in uiteenlopende soorten en maten, ook daar waar de gevestigde aanbieders 'gaten laten vallen'. Zo is in het laatstgenoemde voorbeeld sprake van private IHO's die actief zijn op een niche in de markt, dan wel opleidingen op maat leveren aan studenten die wellicht meer zijn geïnteresseerd in een (deel-)certificaat dan in een standaard academisch diploma.

Dit laatste is eveneens het geval in Duitsland, waar ten gevolge van stijgende studentenaantallen, tekortschietende overheidsbekostiging en knellende wetgeving, de private aanbieders een markt voor zich weggelegd zien waarop zij studenten kunnen bedienen die bereid zijn om zelf te betalen voor onderwijs waarin publieke IHO's kennelijk niet in kunnen voorzien. In het VK daarentegen is, ondanks de overheidsregulering en –restricties, geen sprake van een dergelijke onbediende markt voor private aanbieders. Simpelweg omdat de bestaande, publiek gefinancierde aanbieders in het VK een goede reputatie bezitten, en kwalitatief goede en gevarieerde opleidingen verzorgen.

Kenmerken van erkende maar niet-bekostigde aanbieders

Het karakteriseren van de private IHO's die erkend zijn maar geen directe overheidsbekostiging ontvangen kan het best geschieden aan de hand van twee dimensies, te weten (1) selectiviteit en (2) academische reputatie. Selectiviteit heeft betrekking op de vraag of de instellingen een open toelatingsbeleid, dan wel een restrictief toelatingsbeleid voeren. De private IHO's in Australië, Nederland en Nieuw Zeeland voeren gemiddeld genomen een politiek van open toelating. In Australië en Nederland maken deze instellingen echter deel uit van de niet-bekostigde sector. (In Nieuw Zeeland van de bekostigde sector.) In alle andere hier geïnventariseerde landen selecteren de private niet-bekostigde IHO's in het algemeen de studenten die zij toelaten.

In de loop van de tijd heeft zich in landen als Frankrijk (via de Grandes Écoles) en de VS (de Ivy League instellingen) een private, niet-bekostigde sector ontwikkeld die de reputatie bezit dat ze onderwijs heeft te bieden dat zich kan meten met dat van de publiek bekostigde IHO's. Zelfs in landen als Duitsland en het VK, waar private aanbieders slechts een fractie van de markt bedienen, heerst de opvatting dat de private IHO's onderwijs van hoge kwaliteit bieden. De studenten die zich tot deze instellingen aangetrokken voelen zijn academisch begaafd en de afgestudeerden vinden gemakkelijk een baan op de arbeidsmarkt.

Een ietwat andere situatie doet zich voor in de landen waar private aanbieders een open toelatingsbeleid praktiseren. In Australië, Nieuw Zeeland en Nederland worden deze instellingen in het algemeen beschouwd als aanbieders van programma's die van een lagere kwaliteit zijn, vergeleken met de kwaliteit bij de publiek-bekostigde aanbieders. In tegenstelling tot in Frankrijk en de VS, zijn de privaat aangeboden opleidingen in deze landen veelal korter van duur en leidend tot een certificaat in plaats van een standaard academische graad.

Afsluitende opmerkingen

De hier geïnventariseerde hoger onderwijssystemen overziende kan geconcludeerd worden dat er buiten Nederland weinig geluiden zijn te horen die wijzen op een pleidooi van de zijde van de private aanbieders om in aanmerking voor publieke bekostiging van de door hen aangeboden erkende hoger onderwijsprogramma's. In de landen die zouden kunnen worden aangemerkt als zijnde het 'minst vriendelijk' ten aanzien van het private hoger onderwijs, te weten het VK, Australië en Duitsland, lijken de private aanbieders meer genegen hun onafhankelijkheid ten aanzien van de overheid te koesteren en hun (niche) markt te behouden, dan om toegang tot overheidsbudgetten te verkrijgen. In die landen waar private aanbieders een redelijke omvang hebben bereikt streven deze instellingen een 'zorgvuldig onderhouden' evenwicht na tussen, enerzijds, de noodzaak om een stabiele inkomstenstroom te bezitten en, anderzijds, de wens om een autonome positie te behouden en niet te zijn gebonden aan overheidsregulering. De in dit verband succesvolle instellingen bezitten de reputatie dat ze in staat zijn een veel hogere kwaliteit te bieden dan de publieke sector.

Onze studie duidt tevens op de conclusie dat er weinig bewijs is voor de bewering dat overheden meer genegen zijn om de publieke middelen voor hoger onderwijs meer gespreid (over een grotere groep aanbieders) te verdelen. In Nederland zijn de drie bijzondere (private) universiteiten qua bekostiging gelijkgesteld aan de publieke universiteiten, maar is de discussie over het verder werken aan een gelijk speelveld (*level playing field*) nog gaande, mede naar aanleiding van pleidooien van de vertegenwoordigers van het aangewezen onderwijs (PAEPON). In Duitsland, waar het privaat hoger onderwijs voorzichtig op weg is om te worden beschouwd als een levensvatbaar alternatief voor het publieke hoger onderwijs, zijn de publieke autoriteiten voorlopig nog zeer aarzelend om publieke middelen aan private aanbieders te verstrekken.

In landen als de VS, Frankrijk en Nieuw Zeeland, waar overheden reeds aanzienlijke directe en indirecte bijdragen verstrekken aan het private hoger onderwijs, lijken het niet zozeer de ideeën van gelijkheid of *level –playing field* die daarvoor gezorgd hebben als wel de doelstellingen van efficiëntie en effectiviteit. Vanuit het belang van de belastingbetaler en de consument (student) bezien heeft het (direct) verstrekken van publieke middelen aan private aanbieders als voordeel dat de onderwijscapaciteit wordt vergroot en dat de nog immer toenemende en zeer diverse vraag naar hoger onderwijs beter kan worden bediend.

Vooralsnog lijkt alleen in Nieuw Zeeland sprake te zijn van een situatie waarin een private en een publieke sector naast elkaar bestaan en beide aanspraak kunnen maken op publieke middelen. In dit opzicht is Nieuw Zeeland het enige land in deze studie dat een forse stap heeft gezet in het creëren van een level playing field.

1. Introduction

This report has been prepared by the Centre for Higher Education Policy Studies (CHEPS) for the Dutch Ministry of Education, Culture, and Sciences (OCW), on funded versus non-funded higher education in 8 different countries.

Perhaps not since the emergence of the national higher education systems in the 19th and early-20th centuries has European higher education embraced such wide-scale changes as those occurring today. Supported by grand initiatives outlined in legislation like the Treaty of Maastricht and the Bologna Declaration, the push today is to move beyond European higher education's generally nationalistic underpinnings (Scott, 1998) into a transparent and fluid "European area of higher education" (Willekens, 2001).

The current transitory state of European higher education has also brought renewed vigour in the debate on quality assurance. Some even go so far as to suggest it "has been the central concept and the major focus of institutions and governments in the field of higher education in the 1990s" (Van Damme, 2000, p. 11). Accrediting bodies today often wield considerable influence as states and their respective institutions push to ensure academic credits smoothly transfer or to make their degrees internationally recognisable.

One of the most ambitious endeavours is currently taking hold in the Netherlands. Under the proposed scheme, detailed in the *Trailblazer Committee's* final report to the Dutch government, a National Accreditation Organisation (NAO) is set to be established and operational by the summer of 2002. Over the course of several years one of their goals will be to accredit all higher education programmes in the Netherlands and beginning 1st September, 2008 "accreditation will be a precondition for government funding…" (NAO Final Report, 2001, Summary).

As European national higher education systems move toward a more common structure, it is necessary for each country to take stock of its existing system and consider how it compares with its peers. For the credentials and coursework of a higher education institution in one country to successfully transfer to another, it is necessary to not only ensure that certain quality standards are met but also that adequate institutional and financial arrangements be made. It is these factors which underlie the Dutch Ministry's desire to commission a study on how different countries invest, or choose not to invest, in higher education in an effort to maintain the competitiveness of their system in a rapidly changing European environment.

To that end, the overarching goal of this study is assessing the extent to which governments choose to invest public financial resources into higher education outside the public sector. More specifically, it seeks a better understanding of the subset of institutions that are officially recognised as legitimate providers of higher education, but for various reasons are not publicly funded. To answer this, the research question is broken out into the following five sub-questions:

1. What are the formal criteria, laid down in laws and regulations, on the basis of which providers of post-secondary education qualify for public funding?

2. Do these criteria refer to the quality and efficiency of either the programmes or the institutions providing the programmes?

3. Are there cases where the criteria, with respect to quality, are met but the recognised programmes (providers) do not receive any public funding?

4. In the case of the latter (recognised, non-funded programmes), can one sketch a broad picture of:

   A. The types of programmes offered?
   B. The number of participants (students) in the programmes?

5. In recent years, have there been important (relevant) changes in the system of higher education (policies, laws, quality assurance and accreditation) that affect, or in the future may effect, the sector of recognised, non-funded higher education and its relation to the sector of funded higher education?

1.1 Need for a Study of This Type

On its face the most instinctive approach to characterising the extent of funded versus non-funded higher education within a national system is to first ask "what forms of higher education do *not* receive public funding?" On some level, nearly all higher education institutions (either at the institution or programme level) receive some form of public financial support. In most instances, the recipients are a clearly defined group and the funds are explicitly allocated for the purpose of supporting the delivery of educational services.

Yet more times than not, scratching beneath the surface reveals a wholly different, and substantially hazier, system of public support. Here the recipients may not always be obvious, the funding not explicitly defined, nor are delivery mechanisms readily apparent. A straightforward example can be found in student support. Many governments provide public funds to students in order to help them defray tuition costs, academic fees, and living expenses. As its name suggests this type of funding is student, not institutionally, oriented. Yet indirectly, these funds do subsidise higher education institutions' abilities to provide educational services. In places like the United States and France where private higher education serves a significant proportion of the college-going population, many students may not be able to afford the high tuition rates these institutions charge. Moreover, these institutions rely heavily on the tuition income they generate to fund their educational programmes and pay staff costs (at least in the US). As such, when a student attends a private institution using government-loaned funds, the government is *indirectly* subsidising the operations of that institution. In short, omitting this type of indirect support from an analysis not only underestimates the aggregate level of public financial support for

higher education, but also fails to capture the extent to which governments publicly support their private or independent sectors of higher education as well.

It is clear from the above example that any analysis of funded versus non-funded higher education must look beyond the overt national statistics. In order to do that though requires some form of conceptual framework that *a priori* identifies key processes and concepts. The following sections attempt to put a more precise meaning on some of these major themes.

1.2 Defining recognised higher education

As simple as it might seem, even determining who the recognised providers of higher education in any one state has become a complicated task. No longer is higher education strictly the domain of the public colleges and universities. Today the landscape is dotted with a wide variety of institutions all offering a diverse array of programmatic offerings. Public institutions compete with a variety of private providers that span a broad spectrum. On one end, the academic degrees some private institutions grant have long been recognised, or officially deemed valid, by their respective states. These institutions are quite often similar to their public peers in terms of academic staff, institutional resources, and organisational structure. For certain institutions, like the Grandes Écoles in France or the "Ivy League" schools in the US, the quality of the education is considered to be even better than what the state can provide.

The other end of the spectrum though looks quite different. Institutions here usually do not have long histories, are much narrower and more specialised in their offerings, and in some cases may not even have a physical campus. This is not to say, however, that these institutions are not a force to be contended with. The for-profit University of Phoenix in the US, for example, trumpets the fact that today it is the largest "private" university, enrolment-wise, in the United States.

More often than not, many of these newcomers face considerable criticism from their established peers. Referred to as the "non-official" sector (Kokosalakis, 1999) or "pseudo-universities" (Altbach, 2001), many raise serious issue over whether the short courses institutions like these offer or the vocationally-oriented programmes they provide should be truly categorised as "higher" education. At the same time, and with more than a hint of irony, those who have been quick to criticise have adopted similar practices. Many established universities now offer distance education courses and even virtual degrees through the Internet. At the programmatic level, European institutions either offer, or are now beginning to offer, US- and UK-style Masters of Business Administration (MBAs) degrees or even the shorter "executive" MBA.

The issue becomes much more complicated when the question "recognised by who?" is posed. Within any given national system, it is the State that determines which institutions are entitled to grant degrees. At the same time, in many countries it is often the case that higher education providers based in other countries also provide higher education services within their borders as well. While the degrees and qualifications these institutions offer may or may not be considered recognised higher education by the host country, they are nonetheless usually recognised by their own country.

Yet there is another form of recognition, usually independent of the State, that also exists to ensure institutions and programmes meet basic quality standards. This

is commonly known as accreditation, and more recently it has taken on increased visibility as many European states work toward realising the goals and objectives laid out in the Bologna Declaration, particularly the European-wide implementation of a two-tiered Bachelor and Master system. While accrediting bodies may not directly influence whether an institution or programme is formally recognised by the state (Akkreditierungs Rat, 1999) some accrediting agencies are formed through government mandate and their findings frequently are given ample consideration within various education ministries (Report of Activities 1992-97, 1997).

It would be ideal in a cross-country study like this to pose some common metric and use it to perform some level of comparative analysis. While tractable in places like the United States where 50 different state governments operate under a larger, federal umbrella it would be a laborious task even to define a measuring stick to use across countries. As such, in this study, the question of who officially provides higher education in a given state is determined by examining a country's legal documents and establishing which institutions are either a) decreed by the State to be official higher education institutions, or b) those providers given the power to grant academic degrees. Framing recognition in this manner serves two purposes. It alleviates the burden of "reinventing the wheel" and having to ascertain which institutions for each state fulfil requirements established strictly for this study. In addition, it makes it possible to simply treat all other institutions falling outside the government definition as non-recognised.

1.3 Defining Funded higher education

It is a daunting task in its own right to map the funding landscape for higher education for a single institution, much less one country or even a group of countries. Higher education providers receive funds from multiple sources: government, students, industry, private philanthropy, etc. These funds, in turn, are used for a variety of purposes such as subsidising educational activities, funding basic and applied research, and providing for administrative and support staff costs. From an accounting standpoint, the complexity of allocating financial resources within an institution is dwarfed only by the vast body of higher education literature on the topic.

This study examines a considerably narrow "slice" of the revenue pie: *publicly* funded support or financial contributions to higher education emanating from government sources. More concretely it focuses on those funds specifically earmarked for the purpose of providing educational services. Using this as a working definition it is necessary, as the example in section 1.2 pointed out, to distinguish two main subcategories: direct and indirect funding. The former is defined as funds allocated directly *to the institutions*. These may include annual appropriations and/or special funding for particular programmes or initiatives. Indirect funding encompasses all other forms of government financial support that enters the institution as revenue. Examples of this are student support (particularly scholarships, grants, and subsidised or unsubsidised loans) and other tax-based incentives.[2]

[2] In the same way that student support was shown to be an indirect form of public funding for higher education institutions, tax credits and other tax-based incentives, in theory, free up income that can be

1.4 Defining the Unit of Analysis

This study is an exercise in comparing the issue of funded versus non-funded, but otherwise recognised higher education for a select number of states. In the broader picture then, the state itself becomes the logical choice for the unit for analysis and the conclusions at the end of this study are presented with this in mind. For the individual country studies, the unit of analysis varies. In some cases, the funding process is largely determined on a sector-by-sector basis. For others, it is a process uniquely defined for individual institutions. Where possible, institutional data is aggregated to provide some consistent sector-oriented measure to be used in the final report's conclusion section.

1.5 A Process Map

At this point it is clear that mapping funded versus non-funded higher education requires more than simply offering a list of institutions or programmes. In fact the extent of funded and non-funded higher education is probably better seen as a *process* where governments decide: a) what entities to, and not to, recognise as legitimate providers of higher education, b) which of the recognised and non-recognised providers will receive funding, and c) how that funding will be distributed within the sector. This idea is depicted graphically as a process map in Figure 1.1.

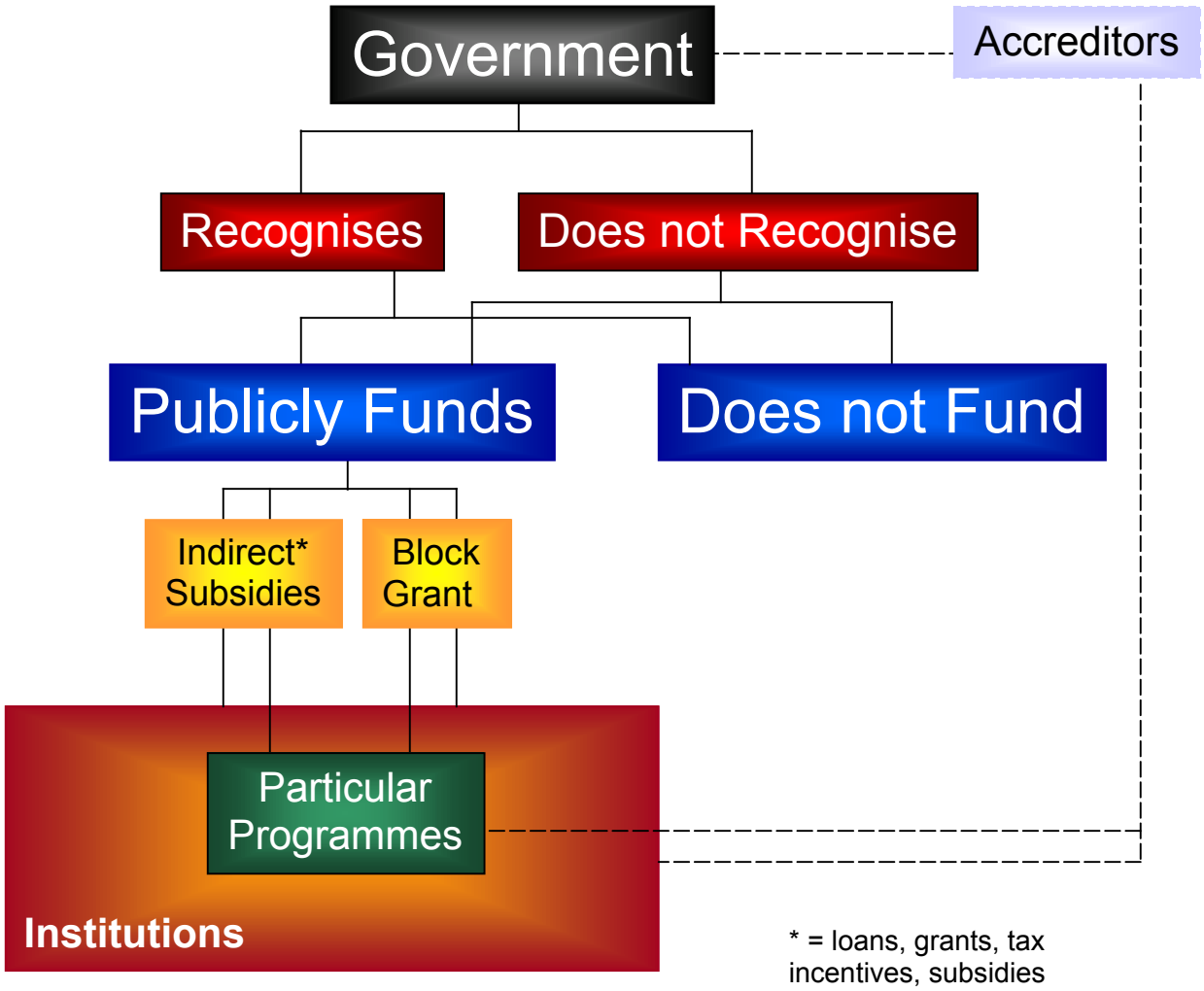
Putting the funded versus non-funded issue in this context has three particular benefits. By framing it as a process it affords the researcher a way to identify which institutions and programmes can be classified as funded or not, by making it a function of legislative initiative. As such it is a relatively straightforward exercise to consult a particular country's laws to determine those institutions qualifying for funding or not. An additional benefit of this framework is that it highlights important *linkages* in the funding process. For example it is no surprise that publicly funded institutions are almost invariably also recognised institutions or that levels of public funding are often a function of how they are distributed.[3] Finally, it is country neutral. That is, the framework is independent of any country's unique higher education structure and can thus be applied, relatively uniformly, across the different countries in the study. This in turn provides a framework for performing a comparative analysis at the end of the study.

It is worthwhile to mention that how the process map is drawn treats each country as a closed system. Clearly this is not the case. Unfortunately this is where the spectre of international comparative analysis tends to rear its head. One of the goals of this study though is to better understand the extent to which countries fund higher education in light of the changing, increasingly interrelated market for European higher education. In many cases, the linkages between higher education institutions in different countries vary between broad based initiatives (i.e., the ERASMUS and

[3] Even in the case of the most elegant funding schemes having the resources to implement it is a critical precondition. In some instances budgeted funds may not be immediately available. In those cases indirect financial support, like low-interest loans or tax subsidies, are often perceived as short-run remedies. Kaiser, et al. (1999) also distinguishes between direct funding and funding through students

SOCRATES programmes) and traditional faculty sabbaticals or student study abroad programmes. To that end, insofar as they may be relevant, these issues will be examined in further detail in the comparative analysis at the end of this study.

Figure 1.1 – Process map of funded and non-funded higher education



1.6 Design of the study

This study is an examination of funded and non-funded higher education in four European countries (Germany, France, the Netherlands, and the United Kingdom), two states in the US (Michigan and Pennsylvania), and finally New Zealand and Australia.

Higher education institutions regarded as “non-recognised” and “non-funded” are not addressed here. This sector is most likely to be very in-transparent because of the large number of company training schemes, programmes in the lifelong learning market, adult education, and open education.

The prior sections outlined the basic concepts and themes guiding this study. The following chapters present detailed findings from the eight higher education systems. The information presented in this preliminary report is based on reviewing publicly available sources (e.g., government documents, websites, national statistical agencies, research publications) and information available through the *CHEPS Higher Education Monitor* database.

For each of the eight higher education systems, the answers to the research questions are presented in four sections: (1) context: a description of the national higher education system, (2) the legal framework for public and private providers of higher education, (3) the funding system (direct as well as indirect funding), and (4) a summary of the main findings per country.

The final chapter of this report draws all the findings together, tying them to the research questions identified in this introductory chapter. It does so by making comparisons across the eight different higher education systems.

2. United States – Michigan

2.1 Context[4]

At the outset it is fruitful to offer several descriptive statistics of Michigan's higher education system on the whole in order to provide context with which effective comparative analysis can be performed. With over 9 million residents, Michigan is the 8th largest state in the US. As of 1998-99 there were 108 colleges and universities, placing the state 12th nationally in terms of number of institutions. Forty-four of these institutions were public, either four-year institutions (15) or two-year community colleges (29). Together they enrolled 83% of the over half-million students studying higher education in the state that year. Overall, 3,8% of the *total* enrolment and 4,1% of all public enrolment in US higher education occurred in Michigan institutions, ranking the state 7th and 6th respectively overall.

Access to public higher education varies by institutional type. All community colleges operate on an open admission system. That is any person having completed a high school diploma or GED[5] may register for courses. On the other hand, admission to all 15 of the four-year institutions is to some extent competitive. Applying students must usually submit high school transcripts, standardised test scores (e.g., SAT), and a writing sample.

The degree of selectivity in public IHEs spans a wide range. In general the "directional" universities (Eastern, Central, Western, and Northern Michigan Universities) possess entrance requirements though for the most part they are not very selective. On the other hand, two of the state's three research universities (Michigan State and Wayne State Universities) are considerably more selective, usually only taking students from the top 25% of their high school class. Separated from all other institutions is the University of Michigan, by and large the most prestigious in the state and one of the top universities nationally. As the state's "flagship" institution it is highly selective, usually only offering admission to students in the top 10% of their high school class and who score in the top 10% on standardised tests such as the SAT.

Students from all 50 states study at Michigan colleges and universities, though the vast majority are state residents. Only at Michigan State and the University of Michigan are there significant numbers of out-of-state students.[6] Like all other states, public institutions in Michigan charge differing tuition levels for in-state and out-of-state students: in some cases the latter being twice as high.

Compared to other states, Michigan's financial commitment to public higher education institutions is relatively low. While the $2,23 billion (€2,54 billion) allocated through state appropriations for 2000-01 are the 7th highest nationally, in per capita terms this translates into approximately $4.832 per public student (in-state), ranking Michigan 36th overall. At the same time students attending public institutions

[4] The figures and statistics in this section come almost exclusively from the Chronicle of Higher Education's Almanac Issue 2001-02. This annual publication compiles statistics from a variety of government as well as private sources in order to develop a general picture of higher education in the 50 states. The values presented for 1999 and, in part, for 2000 represent the most up-to-date publicly available statistics.

[5] The General Education Degree (GED) is offered to those individuals who do not complete a high school education. For all practical purposes it is considered an equivalent degree to a diploma.

[6] At the University of Michigan there is also a significant population of students from other countries as

pay some of the highest tuition levels nationally. The average annual tuition rate in Michigan for four-year public institutions was $4.538 (€5.162): 7th highest overall. Of the 6 states with higher average annual tuition rates, only two had lower per capita appropriation levels. In terms of state spending on student aid a similar picture emerges. In 1999-00, Michigan spent nearly $95 million (€108 million) on student aid ranking it 15th highest overall. In per capita terms though this translates into approximately $205 per public student, or 28th overall.[7]

2.2 Legal Framework of Publicly and Privately Funded IHEs

The most recent law binding the state financially to publicly funded four-year IHEs is found in Article 8, Sections 4 and 7 of the Constitution of Michigan of 1963. In Section 4 the legislators explicitly state that they "shall appropriate moneys to maintain the…(14 of the 15 four-year institutions are names are explicitly stated, the sole omission being Lake Superior State University) and other institutions of higher education established by law." Similarly, Section 7 further establishes that "the legislature shall provide by law for the establishment and financial support of public community and junior colleges…" (MCL Const.8.1.L1). Together these sections serve two purposes: explicating that public IHEs are established through legislation and that they shall be maintained through public funding.

As will be described in later sections, private IHEs also receive state funds for education purposes. Unlike public IHEs though, they are neither established by law nor is the state required to provide them with public funding for their operation.[8] Under those state-funded programmes that private IHEs do qualify for, only *recognised* providers, defined as degree-granting private colleges and universities, are eligible to receive funding. The logical follow-up question then is who determines whether a private IHE should be allowed to grant degrees? This power is granted to the State Board of Education (SBE). All private IHEs in the state must apply for licensure with the SBE to operate as degree-granting institutions.

In order for private IHEs to be eligible for funding from certain state-funded programmes they must also be accredited institutions. It is here that accreditation plays a role in the scope of funded versus non-funded higher education. Across the United States there are six regional accreditation boards whose job it is to evaluate the overall quality of education, at the primary and secondary level and for higher education. The state of Michigan falls under the authority of the Higher Learning Commission of the North Central Association. This body is responsible for assessing the quality of IHEs in 19 states. It is this accreditation that the state uses to determine whether a private institution is a recognised, and hence degree-granting, college or university.

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[7] This of course is based on the assumption that every student applied for and received some form of state financial aid. As such, the figure is grossly understated and presented here merely for comparative purposes.

[8] Section 2 of Michigan's constitution contains a sub-section titled "nonpublic schools, prohibited aid" in which it specifically states that no "payment, grant or loan of public monies shall be provided, directly or indirectly, to support the attendance of any student…at any such nonpublic schoo.l…" In 1971 this sentence was held void and unconstitutional as it conflicted with the free exercise of religion and equal protection clauses outlined in the US Constitution. Traverse City School District v. Attorney

In many respects this recognised but largely non-funded sector of higher education in Michigan is practically identical academically to its public peers, separated mainly by two distinct characteristics. Foremost, they often are founded as denominational institutions and hence contain an additional religious component to their programmes. Second, they generally do not offer post-initial programmes. In fact, while public universities offer a wide array of degrees options even for bachelor-seeking students (e.g., professional programmes like business administration, education, and social work) privates tend to offer only Bachelor of Art (B.A.) and Science (B.S.) degrees. What is more, the B.A. and B.S. degrees private IHEs provide are more likely to be "classical" programmes. That is, they focus less on practical skills and more on higher order abstract reasoning through the classic texts. More often than not private education is meant to prepare students to pursue their practical training through graduate education. As such, there are many who would suggest that private IHEs offer a higher quality education than public institutions.

Table 2.1 summarises Michigan IHEs by type of control and the number of institutions and the enrolment levels in these sectors. It is noteworthy to mention that there do exist two-year private institutions. However these institutions enrol very few students and may be considered the non-recognised and non-funded sector of higher education. As such they are not dealt with here. The following sections shall characterise the extent to which public funding is channelled directly and indirectly into the three other sectors.

Table 2.1 – Size and Scope of Sectors of Michigan Higher Education

	Public		Private	
	4-year	2-year	4-year	2-year
Institutions	15	29	60	4
Enrolment	271.310	190.515	94.402	2.771

2.3 Patterns of Public Funding

2.3.1 Direct Support - Public Institutions

All 44 public institutions receive an annual appropriation from the state. The level of funding they receive varies. The 29 two-year institutions combined are budgeted to receive gross appropriations for operations of $315,5 million for 2002. The 15 four-year institutions are budgeted to receive $1,62 billion. Table 2.2 lists the most recently approved levels for the 15 four-year institutions by institution. From this table it is clear that funding is determined less by enrolments and more by whether they engage in doctoral education and perform research.

With very few exceptions the four-year institutions exercise significant authority over how they choose to spend their allotted funding. In fact, a cursory glance at the appropriation legislation reveals only a single line item for each of the 15 universities: "operations." This great latitude, often referred to as "constitutional autonomy" is a product of legislative intent at the time Michigan was first granted statehood, to keep the government at arms length from micro-managing its higher education system. Thus, in an organisational chart, the higher education system sits parallel to the state government rather than as a subversive unit. Unique only to Michigan, today it is looked upon with much disdain by state legislators who would prefer more direct oversight and with envy by public IHEs throughout the rest of the country.

Until very recently funding has not been a function of enrolments. As Martinez and Nodine (1997) summarise, the constitutional autonomy granted to Michigan universities limits legislator's ability to apply relatively strict funding formulas to appropriations. As such, "there seems to be little policy basis for budgetary decisions regarding higher education in Michigan—except for the overall health of the economy, the previous year's funding level, and the ability of universities to make their case on the margin" (p. 154). This however is not the case for two-year colleges. While they also receive general "operations" appropriations similar to the four-year institutions, they do not enjoy the same constitutional autonomy. A direct result of this is that their funding is both formula-based and heavily determined by enrolment levels.

Table 2.2 - State appropriation levels for fiscal 2002[9] ($000)

Institution	Enrolment	Gross Appropriation
Central Michigan Univ.	28.015	90.003
Eastern Michigan Univ.	23.000	87.637
Ferris State Univ.	9.847	55.520
Grand Valley State Univ.	17.452*	60.095
Lake Superior State Univ.	3.488	14.268
Michigan State Univ.	43.366	325.982
Mich. Technological Univ.	6.200	55.241
Northern Michigan Univ.	7.920	52.012
Oakland Univ.	15.875	52.384
Saginaw Valley State Univ.	8.938	27.393
Univ. of Michigan – Ann Arbor	38.103	363.562
Univ. of Michigan – Dearborn	8.219	27.993
Univ. of Michigan – Flint	6.500	24.068
Wayne State Univ.	31.000*	253.644
Western Michigan Univ.	28.657	125.677

* imputed from 1998 data

[9] Data taken from Enrolled House Bill No. 4258, Act No. 118 of the Public Acts of 2001, September

2.3.2 Direct Support - Private Institutions

For the most part, the state of Michigan does not directly fund its private institutions. There is however one programme that blurs the line between direct and indirect public funding and that is the *Tuition Grants Program*. Designed specifically to aid in-state students attending private institutions in Michigan, the state-funded programme offers students up to $2.750 per year and is need-based.[10] For fiscal 2002, $66 million is allocated for this programme. In terms of the concept map applied to this study, the programme is a bridge of sorts in the sense that it channels funding to institutions *indirectly* (via students) yet at the same time it represents state funds allocated specifically, or *directly*, to private institutions.

2.3.3 Public Funding – Indirect Support

Unlike direct forms of support like state appropriations, indirect support is student based and hence follows the student to the institution of his choice. Thus public and private IHEs as well as two- or four-year institutions may receive these funds depending on whether students attend their particular institution or not. As was alluded to in the legal framework section of this chapter, the only significant stipulation attached to these financial aid programmes is that the institution be a recognised higher education provider (i.e., grants degrees) and/or be an accredited institution.

In Michigan a variety of financial aid mechanisms are available from work-study programmes and competitive scholarships to tuition grants and merit award programmes. From the time students first begin applying for college admission until they complete their degree guidance counsellors and admissions and financial aid officers continuously keep students apprised of the various programmes students may qualify for. The funding levels for these programmes vary widely; in 2000 they ranged from as high as $125 million to as low as $2,9 million. While students face no shortage of financial aid opportunities, it is important to recognise that all financial aid administered by the state is need-based and that Michigan is one of only 15 states to impose such a condition. Even in the case of the Competitive Scholarship programme, which imposes the requirement that students score above a certain level on standardised tests, in the end still makes award decisions based on financial need. To gain a better understanding of the extent to which public funds enter private institutions Table 2.3 depicts select statistics for the largest singe-funded program, merit awards, in 2000.[11]

It is clear from this table that the preponderance of indirect funding is channelled into the public sector (89%). Yet in dollar terms, the nearly $6 million of indirect public funding to private institutions from this program alone suggests the state makes a relatively significant financial contribution to private IHEs. Considering then just the combined dollar amount of Merit Award and Tuition Grants programs ($72

[10] Need-based financial aid simply means that students' ability to pay for their education is the criteria for determining their eligibility.

[11] Data available online at http://www.treas.state.mi.us/whatsnew/newsrel/2000/082800.htm and

million),[12] Michigan contributes more indirect public funding to private IHEs than 33 other states spent on student financial aid *in total* (compared to 1999-00).

Table 2.3 – Number of Michigan merit award recipients and overall share of funds by institution type

Institution Type	# of Students	Share
Michigan Public Universities	17.768	68%
Michigan Private Universities	2.370	9%
Michigan Community Colleges	5.244	20%
Public Institutions, Out-of-state	337	1%
Private Institutions, Out-of-state	241	.9%

2.4 Summary

Michigan possesses distinct public and private sectors of higher education, the former being the dominant provider of education in the state. The laws and regulations vis-à-vis formally recognising institutions and for determining which are eligible to receive public funding are straightforward and thus create well-defined boundaries between the sectors. Public IHEs receive monies directly for operations whereas privates do not. In the case of indirect funding both types of institutions are eligible to receive funds. The primary difference being private IHEs must first be licensed by the state to grant degrees. In the case of certain student support programs, an additional condition of institutional accreditation is imposed. Clearly then, while the state is not interested in whether private IHEs are efficient operators, the regulations imposed do suggest quality plays an important role.

In terms of the extent to which there exists a "level playing field" between the public and private sectors the short answer would be that it depends. If one looks only at the amount of public funding that goes into each sector, clearly public institutions enjoy significant financial advantages and one would be tempted to wonder how private IHEs even compete with publics. On the other hand, private institutions do not serve a public mission nor must they abide by state and federal regulations. Thus they may admit whomever they like without prejudice as well as practice religion. For nearly 200 years, private IHEs existed alongside publics without any support. In that respect the fact that Michigan contributes as much as they do suggests these institutions can maintain their autonomy and still benefit from public financial support. If a level playing field means that students can choose to attend either type of institution and the state will support them, then Michigan may operate a relatively level system.

[12] Given that data was not readily available on the number of students receiving indirect funding from other state financial aid programs and attending private colleges or universities this number likely

3. France

3.1 Context

Of all the states encompassed in this study, conceptually the French system of higher education is perhaps the most complex. Its hallmark is its diversity. There is an almost dizzying array of institutional types, academic programs, and bureaucratic structures. While distinguishing the extent to which public funding permeates these types of institutions remains the central task of this chapter, it is necessary to spend a bit more time first laying out the general structure before any meaningful description or analysis can take place.

It is tempting from a theoretical standpoint to try and draw parallels between the French and Anglo-Saxon systems. In practice, however, this is no easy task. Comparing it to the US system is complicated by the fact that the qualifications and degrees in the two systems share no overlap. For other countries, like the UK, it is only possible to draw vague degree equivalents. From an organisational stance, UK institutions are very comprehensive, offering nearly every kind of degree one can take under "one roof." In the French system, however, students interested in a given subject take their degree in one, or even through several, specialist schools.[13]

In order to even be eligible to enrol in a higher education programme requires students first obtain a *baccalauréat*.[14] From this point accessibility to different types of higher education varies with institutional types. For the largest sector, the public universities, a *baccalauréat* is also a sufficient condition for admittance. In the non-university sector, admission is more competitive. In addition to having a *baccalauréat*, students often must take a competitive examination and may need to provide additional information in the form of a dossier to be evaluated by a selection committee.

The degree of institutional selectivity in the private sector varies considerably. The most competitive are the pride of the French system, the prestigious Grandes Écoles. Here, in order to even take the entrance examination, applicants must first enrol in the also highly selective one- to two-year *Classes Préparatoires aux Grandes Écoles* (CPGE).

Over the course of the past 20 years the growth of system-wide enrolment in higher education has been characterised as "spectacular." From approximately 1,2 million students in 1980, today there are almost 1,9 million students; a 50% increase. At any one time, approximately 65% of these students are enrolled in some form of higher education with the remainder partaking in vocational studies (Martin and Verdaguer, 1999). Further evidence of the "massification" of French higher education can be seen in the growth of institutions as well. By 1997 there were 4.130 higher education institutions; over 200 of which were added in the early-1990s alone.

Higher education in France is largely state-funded and for the most part those funds come from one source: the Ministry of Education and Research. In 1998 (the

[13] www.egide.asso.fr/UK/comprendre/1.1etablissements/home.htm

[14] The *baccalauréat* is common entrance requirement for French higher education. In some cases, particularly at the public universities, students may also be admitted if they possess a national diploma (diplôme d'acces aux etudes universitaires – DAEU). This is obtained by successfully completing a

most recent year for which data are available) the French government allocated €7,4 billion of its national budget, about one-half percent of gross national product, to higher education. Nearly 75% of this funding went toward paying the staff salaries (58%) and for scholarship funds (17%).

3.2 Legal Framework of IHEs

Public higher education in France is guided largely by two pieces of legislation: the Edgar Faure law (1968) and the "Savary law" (1984). The former, a by-product of student unrest at the time, laid the foundation for the structure of French universities as it is today. The most notable features were shifts toward an academic department structure and greater overall levels of operating autonomy, both at the department and institutional levels. A second lasting impact was the creation of new institutional governing bodies emphasising participation from traditionally excluded groups such as staff and students and often at the expense of deans and professors (McGurk, 2001).

The broader "Savary law" (1984) which applies to all post-secondary education is larger in scope and even more pragmatic in nature. It defines what is classified as higher education beside universities by addressing all forms of post-secondary education regardless of which ministry branch exercises authority. In addition it specifically delineates the principles of higher education programmes falling under the Ministry of Education and Research. Finally, it expands the applicability of the Edgar Faure law[15] to institutions of higher education *other* than universities.

From the perspective of this project's conceptual framework, state recognition of private IHEs forms the basis for determining whether particular privates are considered part of the "formal" education system. Private IHEs are not required to undertake this, and in practice must formally petition the state for recognition. As Kaiser et. al. (1999) point out, the criteria needing to be met involve several factors including type of teaching methods used, established entrance requirements, adequate facilities, strength of financial position, and the composition and quality of the teaching staff (p. 42).

As such, those institutions that either fail, or choose not, to receive state recognition fall into the category of "non-recognised" higher education in the current context. In keeping further with the process map, at this point it is noted that the structure of the French system is such that no institutions can be characterised by the "non-recognised" and "funded" path. In short, state recognition is a necessary, but not sufficient, condition to receive public funding. This has led some to claim that in essence, state recognition is nothing more than a "quality label" (EURYDICE, 1999). In practice though, recognition does entitle teaching institutions "to receive State subsidies or the possibility for their pupils to receive public education grants" (p. 29).

It is possible to further subdivide private IHEs in France into two additional categories: the grant-assisted private institutions (établissements sous contrat) and the independent private institutions (établissements hors contrat). What differentiates these two sectors is that grant-assisted institutions are usually subsidised by regional or local authorities and their teaching staff is paid by the state. Independent privates,

[15] To the extent that the law prescribes general organisational and operational principles for higher

in contrast, receive no state funding and instead derive their financial resources primarily from tuition income and from industry.

Table 3.1 – Size and scope of sectors of French higher education[16]

	# of Institutions	Share	Enrolment (000)	Share
Universities	104	2.5%	1.306,8	65.6%
Number private	*17*	*16%*	*21,8*	*2%*
IUT	98	2.4%	112,6	5.6%
STS	1930	47%	233,1	11.7%
Number private	*782*	*41%*	*70,7*	*30%*
CPGE	468	11%	78,7	3.9%
Number private	*150*	*32%*	*13,8*	*18%*
Écoles d'lng	240	6%	53,1	2.6%
Number private	*68*	*28%*	*19,4*	*36%*
Other Grandes Écoles	459	11%	105,2	5.3%
Schools (paramedical & social)	590	14%	83,1	4.1%
Other	241	6%	19,8	1%
Total	4.130		1.992.859	

The fact that grant-assisted private IHEs must meet particular state requirements in order to be recognised suggests that these institutions, in general, are very similar to state-funded institutions: from the types of courses they teach, the nature of the course content, and the capabilities of teaching staff. Additional similarities between the two arise from the contractual relationships[17] the state establishes with various IHEs.

Table 3.1 summarises French IHEs by offering descriptive statistics, including type of control, number of institutions, and the enrolment levels in these sectors.

3.3 Patterns of Public Funding

3.3.1 Direct Support - Public Institutions

Public universities are wholly subsidised by the state. The largest single source of revenue across higher education comes from the Ministry of Education and Research (68% of all funds in 1996), followed by the combined resources distributed by the other ministries (9.6%) and lastly from regional and local authorities (6.1%). The institutions' buildings are state-owned, though more and more capital expansions have been taking place more under regional authorities.

Where the most significant public contribution emerges though is in the provision of academic teaching staff. Not only does the government fully subsidise this facet of higher education, it even classifies them as government employees. As a result, salaries are not reflected in an institution's budgets. In the event that IHEs face a labour shortfall, institutions can either a) hire temporary teachers or pay their existing ones overtime rates, or b) the State intercedes and provides the institution with the necessary additional staff.

As one would expect from a highly centralised system, the mechanisms guiding public funding are extremely comprehensive in scope and largely formula-based. Until 1993 the government utilised what was referred to as the GARACES-model; a very complex funding formula incorporating such things as the number of square-metres, contact hours, and complementary hours. In 1993 that model was replaced by the SANREMO (systeme analythique de reparation des moyens) model, a much simpler scheme that was subsequently applied to determining funding levels for the public Grandes Écoles as well. Both schemes are input-oriented and focus heavily on academic and support staff. Once institutions receive their allocations though they have considerable latitude in distributing them across schools and departments (Martin and Verdaguer, 1999).

3.3.2 Direct Support - Private Institutions

The main contribution the state makes in financially supporting private IHEs is by paying the salaries of teaching staff at grant-assisted private institutions. In addition, individual institutions can form contractual relationships with the state whereby a small percentage of public funding is not determined through the SANREMO model.

At the moment, there are no statistical sources available that disaggregate funding in this respect.

The idea underlying the contracts[18] came out of the Savary Law and was originally intended to reinforce an institution's autonomy by allowing it to decide how they should be funded. As Martin and Verdaguer explain, "[t]hese contracts lay down certain obligations on the part of the institutions and provides for the corresponding means which could be made available to them by the State" (p. 6). In the early 1990s, the contract could be used to allocate up to 5% of an institution's publicly available funds and the percentage was expected to increase quickly to 20%. In 1993, however, the portion of the contract that could be applied to teaching posts was suspended and in the following years the government was less than consistent in making timely and agreed upon payments (p. 6). Today the contract has little more than heuristic value for institutions in so much as it allows them the opportunity to formulate some strategic plan and direction.

3.3.3 Public Funding – Indirect Support

On the whole, the French system offers ample indirect support to students studying higher education. Students attending either public institutions or state-recognised private institutions are eligible to receive these funds. In the case of public institutions this form of funding is often utilised by students to support their living expenses as course fees are generally very low. For students at privates, indirect funding becomes more important as a tuition payment method.

The grants students are eligible to receive fall under two general categories and are characterised by the criteria with which students must satisfy in order to be eligible. *Social grants* are economic in nature, and are distributed based on student's income, his or her family's income, and the family's expenditures. *University grants*, on the other hand, are merit-based and hence rely on the quality of a student's prior work and accomplishments. In addition, this second form of grants is only distributed to students possessing a post-graduate degree (*baccalauréat* and five additional years of education) or students studying for competitive examinations (Kaiser, et. al., 2001). Finally the level of a grant awarded to a particular student is also a function of additional factors such as their resident status, distance to the institution, and the type of program.

The increasing role indirect support plays in public funding is evident from Table 3.2, which shows how much grant support grew during the 1990s. During the entire time period, the overall amount of grant funds distributed increased by 70%. When shown as a percentage of GDP, the level of funding allocated for students grants has remained relatively constant.

[18] The contractual arrangement was not exclusively for private institutions, though it did form the basis

Table 3.2 – Public Expenditure on Student Grants

	1991	1992	1993	1994	1995	1996	1997	1998
Current Prices	4289	5339	6422	7082	7575	7476	7040	7297
% of GDP	.06	.08	.10	.11	.11	.11	.11	.11

For those students not eligible for one of the two grants outlined above, the government also offers interest-free loans. These are generally income-contingent financial mechanisms and usually require repayment within 10 years of completing a program.

Finally, families may also take advantage of certain tax deductions and child allowances. Even though parents are only financially responsible for their children until they turn 18 they may file for these allowances, provided their child is enrolled in higher education full-time, until he or she is 26. While the annual allowance is only about €313 annually, it increases to €405 for the second child and €435 for every child thereafter.

3.4 Summary

In order to summarise the extent to which public funding permeates French higher education it is necessary to keep in mind which higher education establishments one is talking about before drawing reasonable conclusions. There do exist distinct sectors of public and private higher education and while publics, by their very nature, are wholly subsidised by the state, the conditions private IHEs must meet are varied and often times localised, creating a complex picture.

Unfortunately the data available limits the extent to which detailed analysis of the French higher education system can take place. That said, several general observations can be made. Foremost, on a national level, the French do seem to make a considerable financial investment in higher education. Statistics show that per-capita funding for higher education in France hovers near the mean of all OECD countries.[19] While total enrolments increased by about 20% from 1990 to 1997, the growth in student aid increased by just over 70%.

The fact that private IHEs must petition the state for recognition in order to be eligible for public subsidies has important implications. It is evident that the State takes an active interest, at the least, in monitoring the quality of private IHEs.

There is good reason to believe that a relatively level playing field exists between the public and private sectors of higher education. One can point to the fact that the State offers private IHEs the opportunity to receive public subsidies simply on the condition they surrender part of their autonomy to state oversight. In the same vein, private institutions *willing* to undertake state recognition can expect to receive significant state subsidies if they so choose and their students are eligible for the same indirect support mechanisms afforded to students at public institutions. From an

education standpoint, the discussion to this point suggests that private IHEs' access to public funding is limited only by their willingness to accept minimal quality and structural constraints imposed by the State.

In light of efforts like the contractual relationships established between IHEs and the State, it is important to restate that these "contracts" are not legally binding instruments. In very loose terms they may be more aptly described as gentleman's agreements. Institutions of higher education *must* make these contractual commitments in order to secure government funding yet the State is in no way legally obliged to honour the financial commitments it makes. That the French government has shown a marked consistency over time in failing to honour these agreements suggests that, from a funding standpoint, the government is still very interested in maintaining fiscal control over French higher education.

4. United Kingdom – England[20]

4.1 Context

The higher education landscape of the United Kingdom might be seen as a bridge of sorts between that in the United States and the rest of Europe. It's admissions processes and use of a bachelor/master system are more likely to resemble the former while their funding mechanisms and the fact that the system is primarily public are more representative of the latter. Because the United Kingdom is actually comprised of four distinct states and each from a public funding standpoint possesses their own policies and practices, only England is presented here. Given its relative enormity compared to the other three (representing 80% of all higher education institutions in the UK), it offers a representative picture of the entire UK system.

Several general figures put England's system into the greater perspective. In 1999-00 there were 76 universities in England (including the Open University) and 52 "other higher education institutions." That same year, just over 2 million students enrolled in either initial or post-initial higher education programs across the UK of which 900.000 were new entrants.

Access to higher education in the UK is marked by a structured admissions system that, at times, can be highly competitive. Like the high school diploma in the US or the *baccalauréat* in France, to attend a university in England students must possess, at the minimum, a General Certificate of Secondary Education (GCSE) and the successful completion of what are called Advanced Level or "A-Level" coursework. Students generally completed their GCSE by the age of 16 and spend the next two years taking A-Level coursework. While the minimum requirements necessary to attend any particular university change year-to-year, most often institutions generally require that students have their GCSE and passed at least three A-Level courses.

When demand exceeds supply, as it often does, institutions impose additional selection criteria including exam scores, letters of recommendation and, in the case of Cambridge University, personal interviews. The degree of institutional selectivity varies significantly from highly selective (e.g., Oxford, Cambridge, London School of Economics) to the "open" admissions system of the Open University. By and large though, compared to Europe, access to public higher education in the UK is a very selective process where some 40% of students are routinely denied admission to the institution of their first choice (Beverwijk, 1999).

Those who do matriculate in English higher education institutions come from all over the world to study in the UK. In 1999-00 alone over 179.000 enrolled students declared themselves not to be UK residents: 54% of which came from the European Union and other European states. Over half of the students coming from abroad were working toward their first degree.

In 1998-99 higher education institutions in England received 3,95 billion pounds (€6,378 billion) in funding council grants. When this figure is compared to the total amount of funding council spending across the United Kingdom it suggests that four out of every five Euros distributed by the various funding councils went to

[20] All of the statistics presented in this section are taken from the Higher Education Funding Council for England's (HEFCE) website (www.hefce.ac.uk) and from the Department for Education and Skills

universities in England. In per capita terms, this translates roughly[21] into € 4.055 per full-time equivalent student.

As with all other countries, various forms of publicly funded student aid are also allocated annually. Across the entire UK in 1998-99, over 1,23 billion pounds (€1,98 billion) were distributed in the form of student loans at an average value of 1,870 (€3,021). In addition to this Local Education Authorities (LEAs) in England and Wales paid out almost another billion pounds (902,5 million or €1,46 billion) in student fees and maintenance costs.

4.2 Legal Framework of Publicly and Privately Funded IHEs

The legal landscape of higher education in England underwent several significant changes in the late-1980s and early-1990s that are relevant to this study. Today Britons commonly refer to universities as either "old" ones or "new." But prior to 1988, universities as they were then defined were essentially established via royal charter or parliamentary statute. Standing beside these "old" universities were polytechnic institutions, largely established to serve the working class. Unlike the universities of the time, the polytechnics focused almost exclusively on providing practically oriented skills and were more apt to provide individuals the opportunity to enrol on either a full- or part-time basis.

From a legal standpoint, the integration of the polytechnics and "old" universities into a unified system began with the *Education Reform Act of 1988*. This legislation effectively separated the polytechnics from local authority control and established a national funding council to distribute public funds for education purposes (the Polytechnics and Colleges Funding Council).[22] Four years later the *Further and Higher Education Act of 1992* (FHEA) would solidify this integration in three general ways. First, the separate funding councils for universities and polytechnics were dissolved and replaced with one single organisation: the Higher Education Funding Council for England (HEFCE).[23] Secondly, the FHEA allowed for polytechnics to change their institution names to include the word "university." Finally, it allowed, at the discretion of the Secretary of State and after meeting particular requirements, that further education institutions could possibly be incorporated into the higher education sector as well.

As it stands today, England's official sector is comprised of approximately 76 universities enrolling just under 1,5 million students. Just beneath this sector is a second set of institutions known as the colleges or institutes of higher education. These institutions, products of combining teaching colleges with other units (Kaiser, et. al., 1999), have a vocational slant. They provide a substantial amount of teacher training and various courses in the arts. While the programmes they offer can lead to academic degrees and a variety of different academic qualifications, the former are not granted by the institutions themselves and must be conferred, by arrangement, with "another university or authorised body" (Kogan and Healy, 1997 cited in Kaiser,

[21] While research and education funding are generally distributed by separate agencies, the Higher Education Funding Council for England does provide other forms of grants as well.

[22] At the same time, another funding council was also established to serve the university sector: the Universities Funding Council (UFC).

[23] In the same legislation, higher education funding councils for Wales are also established. In a

et. al., 1999). In 1998 there were 52 of these institutions[24] in England enrolling just over 176,000 students.

Just below the colleges and institutes stands the further education sector. Not considered "higher education" by the UK government, this group of institutions almost exclusively provides vocationally-oriented training, though in some cases students can take academic coursework validated by universities. Toward the more academic side of this group are tutorial and sixth form colleges. These are two-year institutions, designed for 16 to 18 year-olds, offering A-Level coursework and preparatory classes for university study. Because institutions in this category are fairly transient, it is difficult to put an exact figure on the total number of institutions, though for 1999-00 the figure is around 653.

Table 4.1 summarises the size and scope of higher education in England:

Table 4.1 – Size and scope of public higher education sectors in England 1998-99

	Higher Education		Further Education[25]
	University	Colleges & Institutes	Public
Institutions	76	52	653
Enrolment	1,376,402	190,310	3,053,179[26]

It is no surprise, given the public orientation of higher education in the UK, that quality assurance becomes a critical component. The extent to which the government is interested in assessing academic quality is highlighted by its inclusion in the Further and Higher Education Act of 1992. Each funding council is authorised in the Act to implement a "quality assessment committee" whose task is to evaluate those programs and institutions receiving public funding.

Private higher education in the UK resists easy characterisation. With the exception of the University of Buckingham, there are no private institutions having the power to grant degrees.[27] Thus the private, or independent sector as it is more commonly referred to, in essence is a strict subset of the further education system. While recent statistics are not available, even 10 years ago enrolments at independent institutions made up 15% of further education enrolments in total.[28] On average private IHEs are small. They usually enrol no more than a couple hundred students and their student bodies, to large extent, are not native to the UK.

[24] This institution count differs from that in the opening section due to the fact that the Higher Education Statistics Agency (HESA) disaggregates institutions differently than the DFEE does.
[25] Based on 1999/2000 data.
[26] Seventy-nine percent (79%) of the students in this category were listed as part-time.
[27] It is worthwhile to note that the University of Buckingham's right to grant degrees only happened in 1983 and after the institution had been in existence for only 7 years. In many respects UB was never an independent institution in the manner it is described here and was actually founded on the American private university model.

Institutions in this independent sector can be divided into three general categories: preparatory, professional, and higher education. By and large, the majority of institutions fall into the first category in the form of sixth-form or tutorial colleges. A second group provides professional and vocational education programmes like secretarial training, computer studies, marketing, hotel management, insurance, etc. Finally the third group can be properly called "independent higher education." They provide degree programmes in areas like law or business that are usually[29] validated by the Open University or in some cases classified as London University external degrees.

Private institutions' courses and program offerings are not required to meet any particular set of quality standards. In many cases though these institutions are members of the British Accreditation Council, an independent accreditation agency, and frequently undergo institutional reviews.

4.3 Patterns of Public Funding

4.3.1 Direct Support - Public Institutions

All sectors receive annual block grants from HEFCE for the purpose of providing education-related services, though the preponderance is distributed to universities. Like IHEs in the United States, higher education institutions in the UK have great latitude internally in distributing the funds they receive (Beverwijk, 1999). The exception to this is in the funding allocated to institutions in the further education sector. Because funding is tied specifically to programmes validated by official IHEs, these funds must be used for that purpose. As of January 2002, approximately €5,29 billion is budgeted for allocation across the higher education sector for education-related services.

Table 4.2 depicts the levels of "core" funding[30] distributed by HEFCE for education during 2000-01. As the table shows, even among the official higher education sector, universities receive almost 85% of the gross distribution. What is also evident is that while public funds for higher education do flow to "non-recognised" institutions (i.e., further education), the aggregate amount is very low and when disbursed across such a large number of institutions, is practically negligible.

When the available data is parsed into per-student funding levels though, a different picture emerges. Table 4.3 depicts per capita funding levels for the university and "college and institutes" sectors. It is worth noticing how tightly correlated the figures from column two in Table 4.3 are with column two in Table 4.2. The fact that these two sets of figures are so similar underscores the extent to which public funding is heavily enrolment driven. That said, the per capita funding average shows that institutions in the non-university sector receive considerably more in the way of per-student funding.

[29] Other higher education institutions also validate degree programmes provided by independent sector institutions.

[30] Core funding here refers to HEFCE's contribution to institution's "resource" which is defined, via

Table 4.2 – 2000-01 HEFCE core funding allocations by institution type (Mln €)

Institution Type	Total Funding	% Share	# of Institutions	Average Funding per Institution
Universities	4.021	84.7%	76	52,89
Other Higher Education[31]	527,2	11.1%	52	10,13
Further Education Institutions[32]	0,201	4.2%	228	000,89

A review of the HEFCE funding formula reveals that there are several levels of premiums built into the funding mechanism that are more likely to apply to institutions in the non-university sector. For example, the formula puts heavier weight on the numbers of part-time students because they tend to raise administrative costs. In the same vein, mature students (classified as those over the age of 25) will incur relatively higher costs as well. There are also institutional premiums for being located in the greater London area as well as premiums for specialist institutions and for "small" institutions[33] (HEFCE, 2001). What can be concluded from this is that while universities garner a disproportionately large share of total public funding, on a per-student level, the colleges and institutes actually receive considerable financial support largely due to the type of population they serve.

Table 4.3 – 2000-01 Per capita HEFCE funding for teaching by institution type[34]

Institution Type	Total Students[35]	% Share	Average Enrolment	Per Capita Funding Avg.
Universities	1.350.512	88.5%	17.770	3.281
Colleges and Institutes	176.209	11.5%	3.389	5.826

[31] Includes higher education colleges and specialist institutions.
[32] Represents only those further education institutions receiving HEFCE funding
[33] Small institutions are defined by HEFCE as having an FTE enrolment level below 1,000.
[34] Excludes fees received from Local Education Authorities.

Besides core funding, institutions also can receive two other forms of direct support. The first, categorised as "additional funding places," provides institutions with additional income to increase their overall enrolment levels. Institutions individually petition for these funds and meet projected recruitment levels or funding is subsequently cut back in following years. For the most part, this form of funding represents only a marginal amount of total HEFCE funding: in 1998-99 it represented about 1.5% to 3% for the higher education sectors (€62,3 million and €17,9 million) and just over 7% for further education institutions (€16,3 million).

The second type of direct support enables institutions to recruit and support under-represented students and those with disabilities. Unlike the additional funding places resource, the "widening access and participation" funds as they are called, institutions do not need to petition for these funds. The grant is automatically provided and is based on the number of students an institution enrols from neighbourhoods with historically low higher education participation rates. This funding is also weighted to reflect the number of students receiving Disabled Student Allowances from local education authorities. Like the other program, this funding only accounts for a fraction of total HEFCE resources. In 1998-99 it represented about 1% of total teaching funding for each sector.

4.3.2 Direct Support - Private Institutions

Private, or independent, higher education institutions do not receive public financial support.

4.3.3 Public Funding – Indirect Support

Students pursuing courses or programmes in the higher education sector enjoy several different forms of student support. These indirect support mechanisms can be divided into two general categories: grants and loans. Oftentimes, students may be eligible for grants to support their tuition fees. These means-tested awards may cover the entire amount of tuition (the maximum tuition fee students were expected to pay in 2000-01 was 1,050 pounds), though the grant amount is reduced by both parental income and any income earned by the student. Disabled students, single parents, or those having to travel great distances may also be eligible for supplementary grants.

Student loans have become increasingly important as a way to finance higher education courses or programmes.[36] A 2001 Department for Education and Skills (DFEE) report shows that, since they were introduced in 1990, the percentage of students taking on loans relative to the pool of eligible students has risen from 28% to 78% (Foley, 2001).[37] At the same time the total amount students borrow has risen as

[36] Students taking courses through independent or private providers of higher education are not eligible for indirect public support, the lone exception being Buckingham University.

well. In 1990-91, the average loan value was €634. By 1999 that figure had increased almost seven-fold to €4.180 (Foley, 2001).

While not on a scale that financial aid to the higher education sector is offered, the UK does provide indirect support to students in the further education sector as well. The most popular form is the Career Development Loan (CDL). These loans, distributed through select private banks in the UK, range from €487 to €13.000 and can be used to complete (full-time or part-time) distance learning or vocational courses that are at least two years in length. Though distributed through private banks, the extent to which these loans represent indirect public support stems from two factors. First, any person over 18 years old is eligible to receive a CDL, regardless of credit. Second, while the student is taking the course, the Department of Education and Employment pays the interest on the loan. Finally, each year the UK Learning and Skills Council allocates general funds to further education institution to help students defray various education costs, including course fees and exam costs. These are discretionary and are allocated in accordance with individual institution's rules and regulations.

4.4 Summary

Higher education in England is a public endeavour. What could be called the "private sector" of UK higher education is little more than a handful of institutions within the further education sector that are sixth form colleges preparing students for proper (university) higher education study. In terms of the process map underlying this study, private institutions follow the path of "does not recognise" and "does not fund."

On the other hand, within the public sector the government goes to great lengths to legally define what is considered "higher" and what is considered "further" education. Moreover, there are well-defined legal instruments in place to ensure that quality standards are met by those institutions receiving public funds for education. Because of the legal underpinnings there is no ambiguity in determining which category institutions fall into. The government regards universities and institutions in the "colleges and institutes" sector as "recognised" providers of higher education. From a legal standpoint, further education institutions can offer certain levels of higher education coursework under agreements with recognised providers, though legally they do not fall within the purview of "higher" education.

The fact though that further education has its own form of public funding for operational and maintenance costs tends to temper the perception that the UK government does not permit higher education providers to operate on a level playing field. One could stake the claim that the comprehensive scheme already in place is evidence enough that the UK makes a substantial contribution to the "does not recognise" but "publicly funds" sector. However, in terms of actual funding specifically earmarked for "higher" education, the aggregate amount of funding going outside the official sector is negligible. Direct financial support is channelled this way only in cases where further education institutions provide recognised higher education courses or programmes, which are vouched for or recognised by established IHEs. For the most part these partnerships are few and far between.

A parallel pattern is evident in how the UK provides indirect public support. Students taking courses in the higher education sector are eligible for both tuition

grants and loans. Students in the further education sector taking courses that are recognised by institutions in the higher education sector are also eligible to apply under these schemes. Those students in further education not taking these kinds of courses have support options as well, just from a pool designated specifically for them.

On a final note, unlike the role indirect support plays in the US, where students loans frequently translate into needed institutional revenue in the private sector, the funding councils in the UK are meticulous in their efforts to factor in this "double-counting" of institutional revenue. As a result, the potential for underestimating the extent of public financial support is effectively mitigated in the UK.

5. Australia

5.1 Context

5.1.1 General overview[38]

In the university sector of the post-secondary education system in Australia there are 44 institutions, most of them called 'university' (four are specialist institutions). Forty of these receive government (i.e. federal, that is Commonwealth) funding under the Higher Education Funding Act (1988) – either on a triennial (i.e. three-year), or contract basis. Two private institutions (out of 44) do not receive government funding. Of the 40 institutions that receive public funding, four are private institutions. Apart from the private institutions just mentioned, there is a range of privately funded institutions (such as theological colleges) offering higher education courses. The higher education sector is dominated by the public universities, that cater to almost 97 percent of the total student load (554.000 students) in higher education.

In Australia, education is a responsibility shared by the Federal Government and the State and Territory Governments. The ministers of education meet in a Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA). The statutes under which universities operate are prescribed by the individual States. In higher education the influence of the national Government is substantial because it is the major source of finance. Through informal influence and various forms of financial encouragement, the national Government was a prime mover with the State Governments in a major programme of institutional mergers leading up to and following the creation of Unified National System of Higher Education in 1989. In that year a group of advanced education institutions were accorded university status. As a result, the total number of institutions was progressively reduced from 78 to 38 universities.

Research activity is widely distributed across the university sector, but 5 of the 36 universities receive nearly half the research income.

The *Australian Qualifications Framework* (AQF) is a unified system of educational recognition that was introduced in 1995. It classifies the following levels:

- Doctoral degree
- Masters degree
- Graduate diploma
- Graduate certificate
- Bachelor degree
- Advanced Diploma
- Diploma
- Certificate

The AQF comprises agreed national guidelines for each of the national qualifications, protocols for issuing qualifications, as well as principles for

[38] Department of Education (2001), *Higher Education. Report for the 2001 to 2003 Triennium*. Department of Education, Training and Youth Affairs (DETYA), Canberra.

articulation and credit transfer. It thereby promotes lifelong learning and a seamless education and training system.

In universities, the main programme is the bachelor's degree. This is a course normally requiring three years full-time study. A minority of students proceed to a fourth year to obtain a bachelor's degree with *honours*. A master's degree typically requires two years.

Alongside the universities exists the *tertiary sector*, consisting of 790 colleges providing technical and further education (TAFE) courses at a range of levels, both full-time and part-time. In the tertiary sector, private providers have been only minor contributors, but Government has been encouraging their development.

Next to the public universities, the private providers of *higher education* courses represent a small but growing segment of the Australian higher education industry. Private provision encompasses private higher education institutions as well as the private arms of public institutions. A study by Louise Watson, carried out for the Department of Education in 1999 and 2000, reports a great deal of quantitative and qualitative information on the size and scope of the non-university higher education sector, as well as the 5 (or 6) private universities in Australia.[39] The rest of this paragraph relies heavily on the Watson study.

Private institutions offering higher education courses fall into four categories (the number of institutions is included in brackets, though several private institutions might fit into more than one category[40]):

- professional and industry associations (11)
- theological colleges (16)
- niche market operators (53)
- private universities (6)[41]

According to information from State and Territory accreditation officers reported in the Watson study, there was an increase in course registrations over recent years, so the sector appears to be growing. At 31 March 1999, a total of 30.090 Australian students were enrolled in over 200 higher education courses offered by 79 private institutions. This translates to a student load of 17.948 Equivalent Full-time Student Units (EFTSU).[42] A little over 73 percent of students in private institutions are studying on a part-time basis, whereas in 1998 only 17 percent of students in public institutions were part-time.

In 1999, the full-year estimate of student load in public institutions was 535.566 EFTSU. The EFTSU in private institutions therefore represents 3,4 percent of total student load in the higher education sector.

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[39] Watson, L. (2000), *Survey of Private Providers in Australian Higher Education 1999*, Canberra: DETYA, Evaluations And Investigations Program.

[40] For instance, Marcus Oldham College might also be labelled as a niche market operator, instead of as a university.

[41] These are: Avondale College and Marcus Oldham College (both in New South Wales), Bond University (Queensland), Deakin University (Victoria), Melbourne University Private (Victoria), University of Notre Dame (Western Australia).

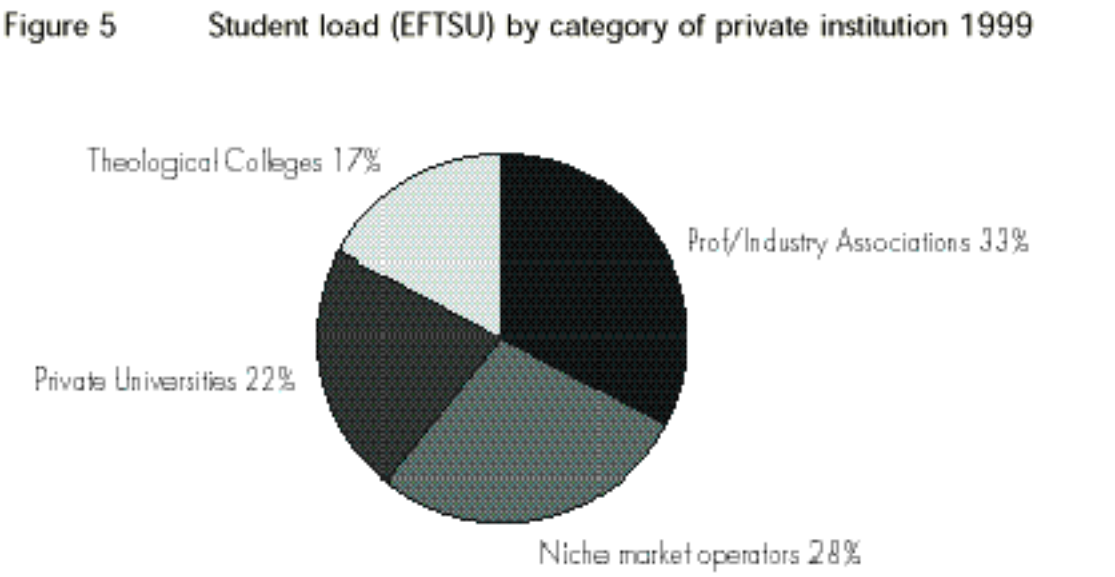
[42] Equivalent Full-time Student Units (EFTSU) is a measure of student load in higher education. An

5.1.2 Detailed information on private providers

Most private providers are cross-sectoral institutions, offering both vocational education and training (VET) courses and higher education courses. The diploma enrolments reported are only in those courses registered as higher education courses by State and Territory accreditation authorities.

The student load for each category of private provider is shown in Figure 5.1, included in the Watson study.

Figure 5.1 – Student load (EFTSU) by category of private institutions 1999



Source: *Survey of Private Providers in Australian Higher Education, 1999*, Lifelong Learning Network, University of Canberra

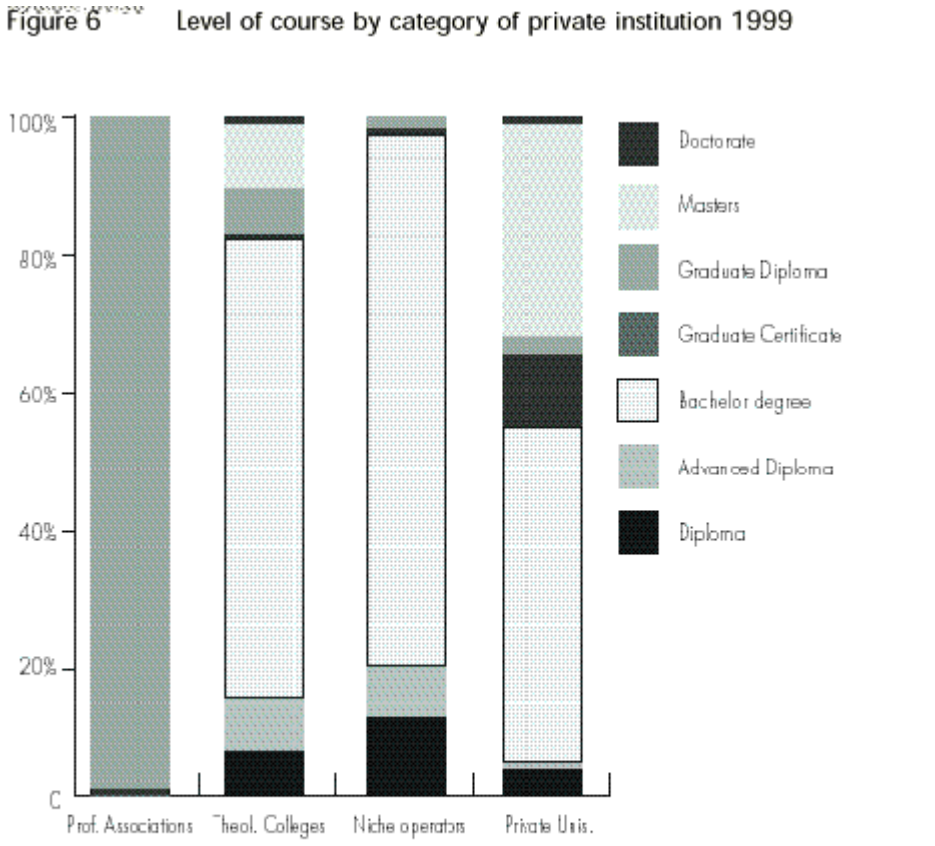
Professional and industry associations enrol almost one third of total students. The courses these industry-specific providers offer are all postgraduate diplomas and certificates, mainly in the business field. Degrees are offered to members of the associations' professions (for example, the Securities Institute, the Royal Australian College of General Practitioners and the Law Council). All courses are at the postgraduate level (as shown in Figure 5.2 below) and offered almost entirely on a part-time basis. Fifty per cent of the professional associations expect their enrolments to increase next year.

Some professional and industry associations are brokers for higher education courses offered by other educational institutions. In this role, the association refers its members to courses that are approved by the industry, but which are offered by a

public or private educational institution. The *Institution of Engineers Australia*, for example, was once a significant private provider of higher education, but now acts as a broker between its members and educational institutions, directing its members to some 500 higher education courses.

In general, the oldest private institutions are *colleges of theology*, several of which have been operating for over one hundred years. Theological colleges exist in most States, and many enjoy close working relationships with public universities. The courses offered by theological colleges are, with a couple of exceptions, limited to the specific field of study *Religion and Theology*. As shown in Figure 5.2, about two-thirds of students in theological colleges is in bachelor's degrees. Watson reports that 38 percent of theological colleges expect their enrolments to stay the same next year (i.e. in 2000) while the rest expect enrolments to increase.

Figure 5.2 – Level of course by category of private institution 1999



Notes: Indicates proportion of total student load (EFTSU) by level of course.

Source: Survey of Private Providers in Australian Higher Education, 1999, Lifelong Learning Network, University of Canberra

The third type of private institution is the '*niche' provider* operating in an emerging market or a field that is not catered to by public institutions. This category of operators includes colleges of alternative health therapies, institutions offering courses in visual and performing arts, business colleges and independent bible colleges. The number of these institutions has increased recently and is likely to continue to grow as new markets emerge. Public institutions also cater to niche markets, but they tend to enter the field after the private providers are established. For example, some public universities now offer courses in chiropractic medicine and acupuncture, which were originally offered by private providers.

The category of niche market operators supplies courses mostly in arts, humanities, social science, business, economics, and health subjects. Seventy-eight percent of courses by niche providers are bachelors' degrees (see Figure 5.2). Eighty percent of niche market operators expect their enrolments to increase next year and half of these anticipate an increase of more than 10 percent.

The fourth type of private provider is the *private university* and the private arms of public universities.[43] These institutions tend to be multi-purpose institutions offering courses across most fields of study. Private universities are believed to be more flexible in their operations and more responsive to potential clients than public universities by providing courses 'customised' to the needs of specific industries. Private university courses are spread across most fields of study and qualifications offered tend to be bachelors' degrees (47 percent) and masters' degrees (34 percent) as shown in Figure 5.2. Seventy-three percent of private university courses are provided on campus, the rest by distance education. Three quarters of the private universities expected their enrolments to increase by 10 percent or more in 2000.

The distribution of qualifications differs significantly between private and public institutions, as shown in Table 5.1.

Table 5.1 – Revenues of Australian universities 1999 (mln AUS$)

Table 4 Student load (EFTSU) by level of qualification in public and private institutions 1999

	Public institutions		Private institutions	
Postgraduate courses	82 150	16%	8791	47%
Bachelor degrees	437 844	83%	8389	44%
Other undergraduate courses	7884	1%	1697	9%
Total	*527 878*	*100%*	*18 877*	*100%*

Sources: *Survey of Private Providers in Australian Higher Education, 1999*, Lifelong Learning Network, University of Canberra. DETYA (1999) *Students (Preliminary) 1999. Selected Higher Education Statistics*. Canberra Department of Education, Training and Youth Affairs, August .

Forty-seven percent of the student load in private institutions is in postgraduate studies, particularly graduate diplomas, compared to only 16 percent of total students in public institutions. Forty-four percent of student load in private institutions in bachelor degrees compared to 83 percent in public institutions. Other undergraduate courses such as diplomas and advanced diplomas comprise 9 percent of student load in private institutions compared to one percent of EFTSU in public institutions.

Australia has always had a high proportion of mature entrants and lifelong learning is an increasing feature of Australian higher education. Only half the entrants to bachelor's degree programmes in 1995 were aged 19 or younger, nearly a quarter were between 20 and 24 years, and some 10 percent were in their thirties, with the remainder aged 40 and over.

5.2 Legal Framework

The Higher Education Funding Act 1988 (HEFA) contains the regulations that determine the Commonwealth grants supplied to the Australian university sector. The Act includes the names of the universities that qualify for Commonwealth funding (operating grants, research grants, capital development and various types of targeted grants). This means that the Minister of Education specifies the institutions to which the provisions of the Funding Act apply.

Commonwealth funds are allocated to the higher education sector through a framework of key elements:

- the allocation of resources in the context of a rolling triennium (i.e., three-year horizon)
- accountability through the submission of *educational profiles;*
- the provision of operating resources in the form of a single block operating grant (i.e. lump sum);
- the Higher Education Contribution Scheme (HECS), a system through which students contribute to the cost of their education.[44]

During annual *educational profiles* discussions between the Department of Education, Science and Training (DEST) and Australian universities, an assessment of the university for the purpose of allocating Commonwealth funding is undertaken. Operating grants are determined on the basis of a total number of Commonwealth-funded student places that an institution is expected to deliver in any given year, taking into account the discipline and level mix of an institution's provision. Institutions are expected to deliver a minimum number of equivalent full-time undergraduate student places. From 2002, institutions will be required to submit an approved research and research training management report in order to be eligible for block funding for research and research training.

Educational profiles are determined annually by the Minister. They currently include:

[44] When students choose to defer their contribution, the government will pay the fee to the higher education institution and at the same time the student incurs a debt which is repaid as soon as the

- a statistical report covering teaching activities and number of student places
- a research and research training management report
- a quality assurance and improvement plan
- an equity plan
- an Indigenous education strategy (for Aboriginal students)
- a capital management plan.

The information provided to the DEST facilitates a review of an institution's performance in achieving previously agreed objectives and forms a basis for assessing the resource needs of the institution. Funding provided to institutions is based on this process.

The quality assurance framework for higher education in Australia encompasses the varied roles of the Australian Qualifications Framework (AQF), universities, Commonwealth and State governments, and the Australian Universities Quality Agency (AUQA). These elements are described briefly below.

The term 'university' is protected by legislation in Australia. Universities are established by State or Territory legislation following a detailed assessment of their academic and financial credentials. Universities are 'self-accrediting', that is, they are authorised to accredit their own courses and are responsible for their academic standards. The capacity to responsibly exercise this autonomy is among the criteria for recognition as a university in Australia. To be self-accrediting, universities must have appropriate quality assurance processes in place, including peer assessment processes, external examination of higher degrees and the involvement of professional bodies in the accreditation of particular courses. Reflecting particular historical circumstances, there are also a small number of self-accrediting higher education institutions which are not universities.

Apart from the AQF functions described in the section 5.1.1, another AQF function is to maintain public *registers* (i.e. lists) of institutions (or authorities) empowered by governments to accredit qualifications and to issue qualifications. In other words, the AQF lists approved (or *recognised*) post-compulsory education providers and accreditation authorities. In Australia, the term "accreditation" (or "approval" in the university sector) refers to the process which ensures that a course is of a standard appropriate to a particular qualification and the course and methods of delivery are likely to lead to the specified learning outcomes.

Universities are listed on the Australian Qualifications Framework (AQF) Registers. Listing on the Registers indicates that the ministers of education (i.e. MCEETYA) guarantee the quality of the university. Currently, the list (register) of self-accrediting higher education institutions includes all public universities, a number of specialist (public) institutions and colleges, and three private universities.[45]

State and Territory government accreditation authorities also accredit higher education courses delivered by approved non self-accrediting providers, and these are listed on the AQF Register of Bodies with Authority to Issue Qualifications. The non-

self accrediting providers are mainly private providers (see previous section). Private providers of accredited higher education courses have to be approved by their State in order to issue AQF qualifications. For instance, the list for the state of New South Wales includes *Securities Institute Education* (a provider that falls into the category *professional and industry associations*) and the *Sydney College of Divinity* (a theological college). As we will see below, registration ('approval') does not imply 'receiving government funds'. It is important for the institutions' students, since their full-time students qualify for student support. Higher education courses offered by non self-accrediting providers must:

- satisfy the degree level requirements set by the AQF
- be comparable to courses at the same level at Australian universities
- be able to be successfully delivered at the level proposed
- a provider must have appropriate financial and other arrangements to permit successful delivery of the course, and must be a fit and proper person to accept responsibility for the course.

Therefore, any private institution wanting to offer a course leading to a higher education qualification must have the course accredited by the higher education authority in the relevant department of the State or Territory government.

Australian State and Territory governments have a number of responsibilities with respect to quality assurance in higher education. These include the recognition of new universities and the accreditation of higher education courses. Responsibilities are standardised by the National Protocols for Higher Education Approval Processes. The Commonwealth Government, through DEST, plays a key role in the quality assurance framework. It substantially funds universities, monitors and publishes performance data and provides the sector with a range of tools and incentives to enhance the quality of outcomes.

In March 2000, the Ministers assembled in MCEETYA endorsed the *National Protocols*, which provide criteria for the recognition of new universities and the accreditation of higher education courses to be offered by non self-accrediting providers. MCEETYA also agreed to establish of the *Australian Universities Quality Agency* (AUQA). AUQA is an independent body established by the government to audit teaching, learning, research and administration in Australian self-accrediting universities on a five-yearly basis. It provides public reports on the outcomes of these audits. The AUQA also has the power to audit the processes of State and Territory accreditation authorities; it reports on the criteria for the accreditation of new universities and non-university higher education degrees.

The audits have begun in 2001. The audits are 'whole of institutions' audits, based on self-assessment and site visits, and focussing on the adequacy of an institution's quality assurance arrangements in the key areas of teaching and learning, research and management. The audits assess the institution's success in maintaining standards consistent with university education in Australia. The AUQA makes use of panels of experts with substantial senior academic and administrative experience in HE. Failure to respond appropriately to negative assessment reports might result in funding sanctions by the Commonwealth or regulatory action by the relevant state or Territory which mav affect the accreditation status of the institution.

5.3 Patterns of public funding

5.3.1 Direct support – Public institutions

Table 1 shows the revenues of Australian universities, subdivided into the most important streams. The core funding is supplied by the Commonwealth government. Students pay a tuition fee, either up-front, or once they finish their university career and start earning an income that lies above a certain threshold.

Table 5.2 – Student load by level of qualification in public and private IHEs 1999

	In mln Au$	in %
student fees (HECS)	1662	19
core funding	3771	43
of which: *Commonwealth grants*	3678	42
state government grants	93	1
research council	453	5
of which : *special research assistance*	431	5
scholarships	22	0,3
other income	2849	33
of which: *other research grants and contracts*	407	5
fees and charges (excl. HECS)	1547	18
investment income	276	3
donations and bequests	112	1
other operating revenue	507	6
Total	8734	100

Source: *Finance 1999. Selected Higher Education Statistics*, DETYA, 2001.

The bulk of other income consists of income from students that pay a full-cost fee. These are primarily *overseas* students that are not funded by the government.

Government funding for universities is granted on the conditions that the institution will spend each amount of financial assistance received by it only in accordance with the educational profile of the institution provided to the Minister. It is good to note here that quality conditions are not mentioned in the Funding Act. However, the Act only extends to universities that are explicitly mentioned; this means that as soon as a university is removed from the list it does not qualify for funding anymore. Funding is available only to all public and private universities on the list. Funding is supplied to institutions, not to the degree programmes the university provides. In Dutch terminology, these might be termed *recognised* providers.

5.3.2 Direct support – private institutions

Apart from two small private Colleges[46] and a small public institution,[47] all the institutions mentioned in the Higher Education Funding Act (HEFA) are *universities*, meaning that they are involved in teaching as well as research. The HEFA does not list non-university institutions. Private higher education institutions that provide higher education programmes and are not on the list do *not* receive any Commonwealth funding, either for themselves or for their students. The two private universities that are on the list (Deakin University and Notre Dame University) do receive funding for teaching and funding for research. There are two private universities in Australia that do not receive any government funding, because they deliberately chose to be as independent from government regulation as possible: Melbourne University Private (the private arm of Melbourne University) and Bond University.

5.3.3 Public funding – Indirect support

There are a number of schemes through which students may receive financial support from the government while studying. The most important ones[48] are:

- Youth Allowance
- Austudy
- Abstudy
- Student financial supplement scheme.

The most important scheme is *Youth Allowance* (YA), through which students in tertiary education may receive a grant. Normally, the students in this scheme have to be between 16 and 24 years old. Students are subject to an income test, meaning that, as soon as they start to earn more than a specified limit, their YA will be affected. Students over 25 years may qualify for *Austudy* support, which is roughly comparable to YA. *Abstudy* is a system aimed at Indigenous (i.e. Aboriginal) secondary and tertiary students.

The Youth Allowance, Austudy and Abstudy schemes supply allowances (grants) on a fortnightly (2-weeks) basis. The level of the grant depends on the status of the student (age; living at home or away from home; having a partner and/or children).

The *Student Financial Supplement Scheme* is a voluntary loan scheme that gives students the option of borrowing money to help them cover their costs while studying. It works by 'trading in' (or giving up) some of the (YA or Austudy) allowance. For example, for every dollar of YA, Austudy or Abstudy traded in, students receive 2 dollars worth of Financial Supplement loan. Loans are interest-free, but the debt is adjusted in line with the consumer price index. Repayment depends on the income earned and starts from the fifth year after the loan was received.

[46] Avondale College and Marcus Oldham College.
[47] The Batchelor Institute of Indigenous Tertiary Education.

In order for students to receive income support while studying they normally need to be undertaking approved *full-time* study. For Youth Allowance and Austudy recipients, this is called the *activity test*. For eligible students, undertaking *approved* full-time course at an *approved* educational institutions fulfils this requirement.[49] As mentioned in section 5.2, the list of approved institutions contains (public and private) universities as well as a large number of (mostly private) tertiary education providers.

It is good to note that the Youth Allowance Scheme can be regarded as part of the social security system in Australia, rather than as 'just' a student support scheme. The YA scheme also is available to individuals aged 16-20 that are looking for work or voluntary work or a combination of activities such as part-time study and on-the-job training. Students that have finished their (higher) education and are looking for work may continue receiving YA. This makes it difficult to show figures for the sums of money paid to students in higher education.

5.3 Opinions, developments

The Watson study referred to above also includes some qualitative information relating to the opinions of the heads of private higher education institutions on the nature of their sector.

The nature and extent of private higher education provision appears to be somewhat unpredictable. Sixty-four percent of institution heads said they offered their first higher education course during the 1990s. However, a number of private higher education providers have also left the private higher education industry.

In recent years, several private institutions have formed links with public universities so that their courses become awards offered by the university. When this happens, the private provider no longer requires State and Territory course accreditation. Thus as new players have entered the private higher education market in recent years, other private institutions have exited by forming links with public universities.

The majority of private providers were optimistic about their future enrolment growth. Seventy percent of private institutions expected their enrolments to increase, and of these, 40 percent anticipated an enrolment increase of more than 10 percent. Twenty-eight percent of all institutions expected their future enrolments to be about the same.

The private institutions were asked by Watson about their opinion on the influence of various factors relating to their growth: the regulatory, funding and competitive environment in which they operate, et cetera.

The issue about which there was the highest level of agreement was the role of State and Territory course *accreditation* processes. Private providers are required to register their courses with State and Territory accreditation authorities. Eighty-one percent of respondents said that State and Territory course accreditation processes were important or very important in enhancing their growth. While private institutions may resent the accreditation process initially, government accreditation—once

[49] Students may also be eligible for extras like the Student Income Bank (and the Student Income Free Area). This is a very interesting system that allows students to 'even out' their earnings while studying so this will not affect their Youth Allowance. It would go beyond the

conferred— proved a valuable marketing tool for private courses. Thirty-five percent of respondents said that course accreditation processes inhibited their growth.

When asked about the importance of *competition* from *public* institutions, other private institutions and on-line providers, competition from private providers was the only significant factor cited as inhibiting growth. Two-thirds of private providers reported that competition from private institutions was important or very important in inhibiting their growth. Only forty-eight per cent of private institutions said that competition from public institutions inhibited their growth and thirty-six per cent said that on-line providers inhibited their growth.

Sixty-four percent of private institutions said that the absence of *Commonwealth funding* for student places was an important or very important factor inhibiting their growth, while thirty-six percent saw this as unimportant.

All private universities and two thirds of theological colleges and niche market operators thought that the absence of Commonwealth funding for student places inhibited their growth, whereas only one third of professional/industry associations considered this an important issue. Competition from public institutions was of concern to the private universities and professional/industry associations, whereas theological colleges and niche market operators were more likely to think competition from private institutions inhibited their growth. We have to note that one of the private universities, Deakin University (Melbourne) does receive government funding for some 13,500 student places.[50] However, it seems to have higher enrolment aspirations.

The absence of HECS deferred fee-paying arrangements was also mentioned by several private institutions as a factor that inhibited their growth.

5.4 Summary

In Australia (like in the United Kingdom) the government steering of higher education took place mainly through the funding system. Funding was only loosely tied to quality considerations. Central planning of capacity was – and still is – an important phenomenon of the Australian higher education – i.e. university – system. Quality Assurance is only a recent phenomenon in Australia. Before 2001, no explicit attention was paid to it. Universities were self-accrediting organisations and as such were institutions that themselves were responsible for maintaining the quality of their programmes. Recent legislation has introduced quality audits into teaching and learning, research and management. However, universities remain self-accrediting organisations as only a meta evaluation of each university's internal quality assurance process acts as a check on the university's programme quality and – indirectly – as criterion for funding.

Only the universities that are mentioned in the Higher Education Funding Act 1988 are the ones that qualify for public (Commonwealth) funding. The list of universities can change, but so far contains the names of mostly public universities.

There are a few private universities in Australia, but clearly the public universities dominate the market. Non-university private higher education exists in Australia; although the size of the sector is rather small. This sector mainly provides specialised,

[50] For the other private universities, the number of student places funded by the Commonwealth government is negligible (Notre Dame, Avondale College, Marcus Oldham College) or zero (Bond

part-time courses that are closely related to professional work. Contrary to expectation, it is not so much degree (i.e. diplomas or advanced diploma) programmes below the level of a bachelors degree that are popular in this sector. Frequently, postgraduate diploma programmes are taken up by students in this private non-university HE sector. In that respect, the sector is different from the public university sector and hardly acts as a competitor.

While the recognised ('approved') private providers in the higher education market do not receive direct public subsidies from the government, their (full-time) students do receive student support. The recognised but non-funded sector is quite diverse and is competing mainly with other private providers, not so much with public universities. Currently, there is no public debate on establishing a 'level playing field' between recognised private providers and the (more or less automatically recognised) public universities.

6. United States – Pennsylvania

6.1 Context[51]

With over 12 million residents, Pennsylvania is the 6th largest state in the US. As of 1998-99 there were 249 colleges and universities, placing the state 3rd nationally, behind only California (401) and New York (322). Only 64 of these institutions were public, either four-year institutions (45) or two-year community colleges (19). Unlike the heavy concentration of students attending public institutions in Michigan, only 56% of the over 600,000 students studying higher education in Pennsylvania that year did so in public higher education. Overall, 4,1% of the *total* enrolment and 2,9% of all public enrolment in US higher education occurred in Pennsylvania institutions, ranking the state 6th and 8th respectively overall.

Pennsylvania is known for the unique way in which they classify higher education providers and it deserves a degree of digression. In fact, the method with which institutions are characterised is specifically funding motivated. The state does fund a community college system similar to what other states offer and there are private institutions as well. At this point though comparisons cease to exist. Pennsylvania divides the rest of its institutions into three categories: a) a state system of higher education, b) state-related universities, and c) state-assisted institutions. The first category consists of 14 institutions, each referred named by the city they are located in and attaching the phrase "University of Pennsylvania" to it.[52] The second category is made up of only four universities: the Pennsylvania State University (Penn State), the University of Pittsburgh (Pitt), Temple University, and Lincoln University. These four institutions educate the preponderance of students from the three categories, just over 40% of FTE for the 2001-02 academic year. Their status as "state-related" reflects the public funding they receive for basic education services and their mission to serving the citizens of Pennsylvania. At the same time though they face little state oversight vis-à-vis university governance and internal funding. The primary reason then for receiving strong financial support is that, with the exception of Lincoln,[53] they are the major public research universities in the state and nationally recognised as some of the best in the country. The final category, state-assisted, is actually a subset of the private sector that the state provides targeted public funding for. Nearly all of this is for medical-related services and goes primarily to four universities: Drexel University, the University of Pennsylvania, MCP Hahnemann University, and Thomas Jefferson University.

Access to public higher education varies by institutional type. Like Michigan, all community colleges operate on an open admission system: any person having completed a high school diploma or GED may register for courses. Admission to one

[51] The figures and statistics in this section come almost exclusively from the Chronicle of Higher Education's Almanac Issue 2001-02. This annual publication compiles statistics from a variety of government as well as private sources in order to develop a general picture of higher education in the 50 states. The values presented for 1999 and, in part, for 2000 represent the most up-to-date publicly available statistics.

[52] For example the two institutions located in the cities of Indiana and Slippery Rock are respectively called the Indiana University of Pennsylvania and the Slippery Rock University of Pennsylvania.

[53] Lincoln's appropriations are budgeted separately from the state system because it is Pennsylvania's

of the 14 institutions in the state-system is competitive in the sense that students must submit high school transcripts and standardised test scores (e.g., SAT), but for the most part, the acceptance rate for all of the institutions is very high. To enrol at one of the four state-related institutions is considerably more competitive. Both Pitt and Temple might be compared to the research universities in Michigan (Michigan State and Wayne State); they frequently only consider students from the top 25% of their high school class and with better than average standardised test scores. Finally there is Penn State. Considered the flagship university in Pennsylvania, it is also one of the largest in the US. It is widely considered one of the most competitive public universities in the country and enrols nearly 75.000 students in a 24-campus system. The highly-regarded main campus is very competitive, usually only offering admission to students in the top 10% of their high school class and who score in the top 10% on standardised tests such as the SAT.

Students from all 50 states study at Pennsylvania colleges and universities, and a significant proportion enrol at institutions in the private sector. In terms of the public institutions, only Penn State, Pitt, and Temple enrol significant numbers of out-of-state students.[54] Like all other states, public institutions charge differing tuition levels for in-state and out-of-state students. In fact, one of the requirements for being a "state-related" institution is that they primarily serve the citizens of the state and charge a commensurately higher tuition to out-of-state students.

Compared to other states, Pennsylvania's financial commitment to public higher education is rather high. In nominal terms, the $2,005 billion (€2,28 billion) allocated through state appropriations for 2000-01 is the 9th highest nationally. In per capita terms this translates into approximately $5.952 per public student (in-state), ranking Pennsylvania 13th overall. At the same time students attending public institutions pay some of the highest tuition levels in the country. In 1998-99 the average annual tuition rate in Pennsylvania for four-year public institutions was $5.610 (€6.379): 3rd highest overall. This is offset to some degree by an equally strong commitment from the state in terms of state spending on student aid. In 1999-00, Pennsylvania spent over $280 million (€318 million) on student aid ranking it 4th highest overall. In per capita terms this translates into approximately $832 per public student, the 3rd highest overall.[55]

6.2 Legal Framework of Publicly and Privately Funded IHEs

As alluded to in the previous section, the state of Pennsylvania has an explicit framework simultaneously outlining the legal status of higher education institutions in the state and the extent to which they are eligible to receive public funding. This information is explicated in detail in the Pennsylvania (PA) Code.[56]

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[54] Like the University of Michigan, these institutions also enrol a significant population of students from other countries as well.

[55] As Pennsylvania financial aid grants are need-based, the number of students is overstated and the per capital funding figure understated.

[56] This can be found at www.pacode.com. As the about section states, "The *Pennsylvania Code* is an official publication of the Commonwealth of Pennsylvania. It contains regulations and other documents filed with the Legislative Reference Bureau under the act of July 31, 1968 (P. L. 769, No. 240) (45 P. S. §§ 1102, 1201—1208 and 1602) and 45 Pa.C.S. Chapters 5, 7 and 9, known as the Commonwealth Documents Law (CDL)."

All post-secondary institutions in the commonwealth, public or private, for-profit or not-for-profit, must meet minimum standards outlined in the PA Code in order to be recognised as legitimate providers and hence have the power to confer academic degrees. These conditions are notably comprehensive and the state Department of Education considers each of the following:

(1) The mission, philosophy and objectives of the institution.
(2) The educational programs, student advisement procedures, student services, record system and the status of extracurricular activities.
(3) The potential and projected enrolment.
(4) The sources and adequacy of the financial support.
(5) The provision that has been made for the necessary administrative, instructional and maintenance personnel.
(6) The proposed or existing salary schedule, or range, and the qualifications of the staff.
(7) The accommodations and facilities of the institution, including the adequacy of the library.
(8) The plans for growth, expansion or reduction of educational programs, facilities and financial resources.
(9) The scope of the applicant's community or regional involvement.
(10) The admission and graduation requirements.
(11) The composition of the board of trustees, together with its record of actions.
(12) The need for the institution within the local area and the Commonwealth.
(13) The applicant's provision for evaluating the achievement of stated objectives.
(14) The proposed catalog and other announcements for the applicant under § 31.32 (relating to catalogue and announcements).
(15) The articles of incorporation and by-laws of the applicant.
(16) The extent to which the applicant conforms to the standards or recommendations for academic practices of the regional, professional or specialised accrediting body to which the institution would be required to apply for institutional or program approval under § 31.52 (relating to accreditation).

If an IHE satisfies these conditions, the Secretary of Education may grant it the right to be classified as a recognised provider in the state. It is worthwhile to note that this list strongly reflects the state's emphasis on quality. In particular, part 16 specifically states that institutions are evaluated, in part, on the extent to which they conform to the standards and recommendations of various accrediting bodies. Given that these conditions are evaluated for both public and private institutions, this suggests a strong similarity exists between the two sectors. The commonalities between public and private are also evident when one considers that main legal difference between the two is that privates are not statutorily established as an instrument of the commonwealth.

The private sector in Pennsylvania is, at the least, academically equivalent to its public peers and in many respects is largely regarded as superior. In the publication 2001-02 Best Colleges and Universities by *U.S. News and World Report*, 23 Pennsylvania universities found their way into the highest quality brackets for their particular classification. In nominal terms only the state of New York could boast more. Historically, Pennsylvania hosts some of the oldest higher education institutions in the US. The most prestigious and considered one of the "Ivy-League" institutions is the University of Pennsylvania founded by Benjamin Franklin in 1755. Yet the state also plays host to a number of the nation's elite liberal arts colleges. These include Carnegie Mellon, Bryn Mawr, Bucknell, Lehigh, and Swarthmore. All of these institutions are marked by their classical undergraduate education's (see

Michigan section), an extremely competitive admissions structure, a disproportionate number of students from the nation's most affluent families, and price tags for an undergraduate education hovering well over $100,000 for a four-year degree. Like the private sector in Michigan and consistent with the period of their founding, nearly all of the 100 plus private colleges and universities in Pennsylvania have a strong denominational foundation.

Table 6.1 summarises Pennsylvania IHEs by type of control, number of institutions and the enrolment levels in these sectors. The figures point strongly toward the extent to which private institutions are responsible for higher education in the state. Nearly 44% of the total number of students educated in Pennsylvania in 1998-99 were enrolled in private institutions. As the Association of Independent Colleges and Universities of Pennsylvania (AICUP) points out, the state is the second most popular destination of first-time freshman leaving their home state to attend college. Moreover, four out of every five students coming to Pennsylvania enrolled in a private institution.

It is difficult not to be drawn to the last column in Table 6.1; there are a considerable number of private 2-year colleges. Among these 85 institutions, 69 are for-profit; in fact Pennsylvania has the 2nd highest number of for-profits in the country (and the most 2-year for-profits) even though they have no four-year for-profits. Only California, with 91 has more. Under Pennsylvania law these institutions are not eligible to receive public funds. As such, in the following sections, two-year privates are combined with four-year privates for the purpose of comparison.

Table 6.1 - Size and Scope of Sectors of Pennsylvania Higher Education 1998-99

	Public		Private	
	4-year	2-year	4-year	2-year
Institutions	45	19	100	85
Enrolment	237.724	99.206	234.457	33.896

6.3 Patterns of Public Funding

6.3.1 Direct Support - Public Institutions

All state-system and state-related institutions receive an annual appropriation to provide education and general services. The four state-related institutions also receive line-item appropriations whose purpose is loosely tied to their mission. In fiscal 2002 for example Penn State, which has a strong agricultural slant, is budgeted to receive an additional $50.5 million for agricultural research. At the same time, both Pitt and

Temple are slated to receive an additional $16.5 million and $12 million respectively for various dental, medical, and psychiatric programs. The former institution serves as the primary medical centre for the western half of the state and the latter is located in a predominantly poor, heavily ethnic part of Philadelphia (on the east side of the state).

State legislators are very vocal about their commitment to serving the citizens of Pennsylvania. The 14 universities in the state-system do not receive separate line-item appropriations. Their funding is heavily enrolment driven and in many respects resembles a single university with 14 campuses. A similar statement can be made for the community college system. Table 6.2 lists the most recently approved levels for the state-related institutions, and aggregate figures for the state- and community college-systems.

What is most evident from the figures in the table is a lack of correlation between the FTE enrolments and the per FTE appropriations columns. It may even be argued that there is almost an inverse relationship. In actuality, what this reflects though are two simultaneous considerations on behalf of legislators: the state's desire to maintain its high caliber yet quasi-private institutions and the desire to provide educational opportunities to all citizens in the commonwealth.

Penn State's appropriation, for example, is not only the 2nd lowest per FTE but also must be allocated over 24 physically distinct campuses. Of the institutions Penn State considers its peer institutions (e.g., University of Michigan, Ohio State University, University of Wisconsin at Madison) it receives almost the lowest per FTE funding for its operations. For Penn State, appropriations represent only about 20% of all the revenue they annually receive. The low state funding then is offset by significant private contributions. With the exception of the University of Pennsylvania and Swarthmore (both private) it is the only institution in the state with an endowment over $1-billion. This is discussed further in the policy developments section at the end of this chapter. While notably low, being the flagship university they are rarely questioned when requesting greater than average annual appropriation increases.

Table 6.2 – State appropriation levels for fiscal 2002[57] ($000)

Institution Name	Enrolment (FTE)	Gross Appropriation[58]	Per FTE
Penn State	72.750	237.698	3.267
Pitt	28.773	143.982	5.004
Temple	24.568	151.033	6.147
Lincoln	2.000*	10.224	5.112
State System	91.946	439.181	4.777
Comm. Coll.	71.851	196.226	2.731

* = no exact figure available

[57] Data taken from Pennsylvania Department of Education 2002-03 budget.

It is also noticeable that the state-system universities, the truly public institutions, receive relatively low per FTE appropriations as well. Though they enrol a significant population of students, their low selectivity and lack of a strong research component relegates them to little more than four-year community colleges in the eyes of legislators. They serve the primary mission of the commonwealth to provide educational opportunities for all citizens. Unlike Pitt, Temple, and Penn State, all nationally-regarded universities, because state-system institutions lack a strong academic reputation and do little research, they have historically faced significant battles in annual appropriation hearings to justify even marginal increases.

6.3.2 Direct Support - Private Institutions

Private institutions falling under the category of "state-assisted" receive direct appropriations from the commonwealth of Pennsylvania. In order to receive direct support, private institutions must demonstrate to the Department of Education that the program to receive state funding serves the public interest and is not currently being provided in a state-supported institution.

In 2001-02 the amount of direct funding totalled approximately $85,5-million. While appropriations are divided between two groups, universities or colleges and other institutions, the former receives the preponderance of the funds (98% in 2001-02). Specifically, 7 IHEs hold state-assisted status. The most notable, and most heavily funded, is the prestigious University of Pennsylvania, who received half of the total direct support for the provision of medical-related services.

A second program the state funds specifically for private institutions is the *Institutional Assistance Grants* program. Each private institution receives a grant from the state in return for educating commonwealth students. This program provides funding for private institutions based on two criteria: the total available funds for the program in a given year and the number of FTE students participating in the Pennsylvania tuition grants program (see section below) a particular private institution enrols. For 2000-01 the total amount spent for all qualifying private institutions was just over $41,3 million.

Finally, private higher education institutions qualify for direct funding through the recently established *Graduation Incentive* program. This program provides institutions additional funding on the condition that they graduate at least 40% of their students within four-years of matriculation. In 2000-01, $6-million worth of funding was available and private institutions were the only recipients of these funds. Under considerable pressure from public institutions, the program is slated to be discontinued in the 2002-03 academic year.

6.3.3 Public Funding – Indirect Support

Like Michigan, Pennsylvania does not offer merit-based financial aid; all appropriated aid is need-based. Both public and private institutions in Pennsylvania receive considerable levels of indirect public financial support. The primary form of indirect support is the *Pennsylvania Tuition Grants* program. This need-blind program requires students to be Pennsylvania residents, be enrolled at least half-time,

receive up to $3.300 and part-time up $1.650 per year. These monies can be used by students attending either public or private institutions provided the institution is not a theological college and is regionally accredited. In 2000-01, $315 million was distributed through this program. As statistics for 2000-01 provided by AICUP show, private IHEs received $146-million, or almost half, of the student aid funding through this program.

In addition, there are several other programs Pennsylvania students are eligible for. These include the POW/MIA education program, which provides need-based funding to dependents of American soldiers classified as prisoners of war or missing in action. Another is the *Scholars in Education* program. This offers students choosing to take a degree in science or math education between $1.500 and $5.000 in state grant money per year. Both of these programs require students attend institutions eligible for receiving Tuition Grants program funding as a precondition. This implies that both privates and publics are eligible for this aid. The $5.000 cap on the Scholars in Education program is imposed based on the high cost of attending private higher education institutions. A third program is the *Educational Assistance* program for the Pennsylvania National Guard. This program allows students participating in the National Guard to receive grant monies equivalent to a year's worth of tuition at one of the state-system schools but can be applied to defray tuition expenses at any college or universities listed as an approved institution by the Pennsylvania Higher Education Assistance Agency.

Given that there are so many private institutions and that public institutions charge some of the highest tuition rates in the country, it is not surprising to find that Pennsylvania makes a concerted effort to inform students of the various financial-aid opportunities available to them. These include programmatic funding available for both high-school and middle-school programs to inform students about the different higher education opportunities available to students as well as seminars on the different forms of aid available to defray costs.

6.4 Summary

In many ways Pennsylvania epitomises the extent to which public and private higher education co-exist in the US. There are considerable numbers of both types of institutions. Interlinking these two sectors are the ethereal "state-related" institutions, neither public nor private in the strictest sense but still having more of a public slant to their mission and financing. Though there are only four of these universities, their contribution to fulfilling the state's educational objectives is evident in the strong public financial support they receive. They receive almost half of the appropriations allocated specifically to higher education institutions in the state.

The symbiosis between the two sectors is evident in the state's commitment to directly and indirectly funding private higher education. The framework with which appropriation levels are outlined explicitly accounts for private institutions and the majority of state-disbursed student aid finds its way into this sector. In terms of a "level playing field" the state goes to great lengths to ensure that students attending private colleges and universities have ample opportunity to receive state grants and other forms of aid. At the same time, the state takes clear steps to provide funding for private institutions based on the number of Pennsylvania students they enrol. It also has a clearly defined purpose for providing direct appropriations to the private sector. Rather than engage in programmatic duplication it simply relies on the capacity of a

large well-established private sector to fill shortages not adequately addressed in the public sector. In this respect the state maintains a strong relationship with its talented stock of private institutions and consciously uses them, to the extent necessary, to fulfil Pennsylvania's education objectives.

6.5 Current Developments

The strong presence of a private sector often times stirs considerable debate over the extent to which private aspects of higher education impinge on the operation of the public sector. The most recent example of this involves the Graduation Incentive program. Proposed in light of the fact that studies now show the average time to complete a bachelor's degree is over 5-years, then governor Tom Ridge initiated the program as an incentive to institutions to lower their time-to-completion rates for graduation. The program offered institutions who graduated at least 40% of their students within four years $690 for every Pennsylvania resident who graduated that year.

The fact that no public institution met this mandate implied the full $6-million went strictly to private institutions. This created considerable backlash among public school officials who argued that their institutions often admitted first-generation college students and, because of their mission of access, students requiring remedial study. Union officials representing the faculty in the state-system have referred to it as a "voucher plan" for private universities (Selingo, 1999). As such, these officials claimed that they should not be excluded from public funding because their students did not complete degrees in the mandated time and hinted that the longer time to completion rates indicate they are providing additional opportunities to students that historically did not attend post-secondary education.

In 2000, Pennsylvania appointed a new Secretary of Education, Mr. Eugene Hickok. Drawn from a tenured faculty position at a private law school in Pennsylvania, he has received considerable press coverage for building a policy agenda that often times favours the private sector over the public. A firm believer in letting market forces reign, he has significantly increased the amount of student aid funding issued through PHEAA in an effort to let students "vote with their feet." Even in the face of public officials' ire over the Graduation Incentive program, he still strongly supported the program on the grounds that public institutions are not efficient enough at getting students to graduate on time. Perhaps his most controversial decision though was to allow the for-profit University of Phoenix to begin operating in the city of Pittsburgh in 1999. What made it controversial was that only two years earlier he had denied a request by Penn State for permission to expand its branch campuses in Pittsburgh on the basis that "the shrinking college-age population in western Pennsylvania could not support Penn State's expansion there" (Selingo, 2000, p. 5). In his final justification Mr. Hickok expressed a desire to introduce a for-profit institution to stimulate competition and choice.

From a legal standpoint, the blurred perception of whether state-related institutions are in fact public or private received the attention of the state Supreme Court in 1999. In answering the question of whether the university-owned Hershey medical centre was tax-exempt, the court unanimously agreed that it was not a state-agency. In their ruling the justices opined that Penn State was not "governmental in nature" (Selingo, p. 1) and not a state agency under the state's open records laws.

7. Netherlands

7.1 Context

The public Dutch higher education system consists of fourteen universities (including the Open University) and about 40 *hogescholen*. The number of *hogescholen* is difficult to determine due to ongoing mergers between existing *hogescholen*. In the 1980s, a merger operation was set in motion by the government, requiring a certain minimum size for *hogescholen* but since then mergers have continued to take place. The most recent merger of four *hogescholen* took place in January 2002. Traditionally, the majority of higher education students (more than 60% of the total of about 450.000 students) enrol in the *hogescholen.* The two sectors combined offer about 1,100 registered programmes.

Next to the public higher education system are a number of private higher education institutions mostly offering professional higher education. The size of the private sector and the range of programmes offered is considerably smaller than the public sector, but the number of institutions and programmes has been rising since 1993. There are about 60 private institutions offering around 500 programmes. The total enrolment is unknown but is estimated to be approximately 35.000 students.

Hogescholen offer four-year study programmes oriented toward the professions and some of the faculty is active in applied research. The programmes lead to the degree of *baccalaureus* (bc.) or *ingenieur* (ing.) Universities provide academic teaching in four- to five-year study programmes and carry out basic and applied research. The programmes lead to the degree of doctorandus (drs), *ingenieur* (ir) or *meester* (mr). However, after the introduction of the undergraduate-graduate structure stemming from the 1999 Bologna Declaration, a Bachelor and Master degree structure will instead be used.

Before actually paying attention to regulatory and funding-related issues, it is relevant to discuss shortly some of the historical background of public, private and recognised higher education in the Netherlands. With the rise of the nation-state (from the period of the Batavian Republic on), the Dutch higher education institutions – in fact all educational institutions – came under the influence of the state government. On purpose, the phrase ‘under the influence’ is used, for it took centuries before a proper balance was achieved between regulation by the state and educational freedom. The essence of the debate was that the nationalisation of education was difficult to reconcile with the freedom of religion, at least from the perspective of the religious groupings in the Netherlands. The 1848 Constitution solved part of the problems regarding the freedom of education, but in a material sense (in particular regarding the funding) this was not adequately dealt with. In 1917, the so-called school struggle was settled and the pacification was anchored in the Constitution (Drop, 1985). The regulations still maintain a distinction between public schools and ‘private’ (=religion-based) schools. The general pattern of educational regulation from then on is that government sets the general provisions for public and ‘private’ institutions. Furthermore, the government determines the rules for public institutions, which are at the same time (funding) conditions for the ‘private’ institutions.

For higher education, the school struggle had minor impact, for two reasons. One reason is that, pragmatically, most universities were already state institutions to begin

with. For example, the first Dutch university was an expression of gratitude of William of Orange for the courage of the people of Leiden. Second, much controversy regarding state interference in education could and probably were covered by the regime of academic freedom, a regime accepted both by the state and the institutions (Huisman, 1999). Nevertheless, the start of the *Vrije Universiteit* Amsterdam (1880) and the catholic universities in Nijmegen (1923) and Tilburg (1927) were not without their problems. It took, for instance, until 1970 before the public and 'private' institutions were treated 100% equal in terms of public funding.

Today, the classical distinction between public and 'private' institutions still exists, particularly regarding the legal foundation and governance structure ('private' institutions are often foundations or associations). These differences nowadays however do not play a role in the debate regarding funding – non funding, recognition and non-recognition. In the following sections it is therefore assume that the 'private' institutions belong to the public sector. If we use the term private, it relates to for-profit institutions. The only exceptions are the six theological universities and faculties that are still classified as private institutions, but funded (although different from public universities) by the government.

7.2 Legal Framework of Publicly and Privately Funded IHEs

We take the present legislation as a point of departure and discuss in the closing part of this section the recent changes as a result of the implementation of the Bachelor-Master structure and accreditation. The 1993 Higher Education and Research Act (WHW) regulates Dutch higher education. This act was the consequence of the integration of separate laws for the university and *hogescholen* sector. Apart from the technical objective of integration, the act also mirrors the intentions of the government to grant more autonomy to the higher education institutions and diminish central state regulation.

In an annex to the WHW, publicly funded higher education institutions as well as private, non-funded institutions are mentioned. The public higher education institutions are those that traditionally belong to the higher education system (universities and *hogescholen*). An amendment to the law is necessary to include a new public institution. The institution should fulfil the funding requirements (regarding quality assurance, registration, personnel, enrolment qualifications and administration and governance) and some other requirements (e.g. a *hogeschool* should have a certain minimum size in terms of students). Private higher education institutions can enter the higher education arena if they are approved. Approval is possible if the private institution meets the same requirements outlined for public institutions. More specifically this includes private institutions having to prove they offer sufficient quality. One of the "tests" used to determine the quality of the education delivered is whether an institution has been through a full educational cycle of its programme(s).

A similar procedure applies to the approval of study programmes. The OCW can approve proposals for new programmes. A proposal from a public institution has to be accompanied by the judgement (positive or negative) of a national independent committee (ACO) that determines whether the new programme does not result in program duplication, or impede the macro-efficiency of the sector. The Minister usually follows the judgement of the ACO. If a judgement is positive, the programme

usually qualifies for public funding and students attending will also be eligible to receive student support. The Minister may overrule a negative judgement, but if he does not follow a positive judgement, he has to report this to Parliament.

The procedure for new private programmes is rather different. Apart from the fact that the institution intending to offer the new programme should be recognised, the Ministry checks whether the programme is of university or HBO-level stature and whether the number of credit points is in line with the regulations.

Quality assurance of (programmes of) public institutions is taken care of by the quality assurance systems in the HBO-sector and the university sector (under the auspices of the HBO Council and VSNU, respectively). Furthermore the government's Higher Education Inspectorate is involved (by means of visitation and through a meta-evaluation). For private institutions, the Inspectorate is in charge of quality control; the quality requirements are supposed to be similar to those in the public sector. The PAEPON (an umbrella organisation for approved private educational institutions) is supposed to play a role in quality assurance, but has not (yet) been able to implement a quality assurance system in the private sector.

There are a number of other differences between private and public higher education (e.g. the capacity of study programmes, entrance selection, the role of the HBO Council in regulating the offering of programmes in the public sector, etc.), but these are mostly not relevant to the research question of this report.

The legal framework will change considerably with the introduction of accreditation. Since the legislation has been accepted by Parliament, it seems worthwhile to pay some attention to the proposed changes, without going into detail regarding the regulations that arrange the transition to the new system. The two most important changes are, first, that the ACO will be abolished and that new programmes of public institutions are put to the test by the NAO (National Accreditation Body) and, second, that existing programmes will undergo accreditation. For public institutions' programmes accreditation and a successful pass of the NAO test in principle implies funding and the right to issue certified degrees. For private providers accreditation implies the right to issue certified degrees. However in principle the programme will not be funded. However, there is no watertight relationship between accreditation and funding. It is up to the Minister to decide to deviate from these principles. If the Minister is of the opinion that funding of a particular public programme leads to an inefficient use of public funds they can forgo funding. On the other hand, if there is reason to believe that a particular private programme may have societal relevance, they may choose to fund that programme.

Table 7.1 depicts the size and scope of higher education in the Netherlands. It is evident from the table that only a small minority of students enrols in recognised but not publicly funded IHEs: less than 1% in the university sector and about 10% in the hogescholen. Unlike the depiction of this table in prior chapters the categories listed here differ slightly because of the extent to which private institutions receive public funding. All of the institutions in the "recognised but not funded" category are private. For the funded category though there is a mix of public and private institutions. In the university sector, of the 13 institutions three are religious-based private institutions: the Catholic Universities of Nijmegen and Brabant and the Vrije Universiteit Amsterdam. In stark contrast, of the 56 publicly funded hogescholen only two are public institutions.

Of the 7 universities in the recognised but not funded category there are 5 theological institutions the University for Business Administration at Nijenrode and the Humanistic University Utrecht. What primarily differentiates these institutions

academically from those in the funded sector is their specialised focus. Where the 58 hogescholen in the recognised but not funded category differ most from those in the funded sector is that they too tend to offer very specialised courses, usually in fields related to business and technology. What is more the programmes they provide are usually shorter in length and the students they enrol are more likely to be enrolled on a part-time basis.

Table 7.1 – Size and scope of higher education sectors in the Netherlands 1999-00

	University	Hogescholen
Funded		
Institutions	13	56
Enrolment	159.881	291.300
Recognised but not Funded		
Institutions	7	58
Enrolment	1.240	35.000*

* = estimated

7.3 Patterns of Public Funding

7.3.1 Direct Support - Public Institutions

The institutions in the top half of table 7.1 receive their public funding for teaching on the basis of a funding formula. The formula for the universities as well as that for the hogescholen takes into account performance-based elements in the sense that the number of degrees issued by universities and hogescholen will determine an institution's share in the (fixed) budget set aside by Parliament for the respective higher education sectors.

Basically, institutions receive funds based on a set of tariffs and activity (or performance) loads. Again, we mention the fact that only students that are in approved programmes in the funded institutions will count towards the public funds received. Students in post-initial programmes offered by the institutions (such as master's students in the hogescholen, or MBA students in universities), are not taken into account in the funding formula.

The total central government grant to the hogescholen sector in 1999 was €1,204 billion and represented approximately 67% of the sectors total income that year.

Total basic grants for teaching and research to the university sector in 1999 totalled €2,448 billion and accounted for approximately 68% of all income received.

7.3.2 Direct Support - Private Institutions

Direct support for private institutions is only provided to those institutions listed in the top half of Table 7.1. These institutions, be they universities or hogescholen, are fully publicly-funded in the sense that they receive state appropriations in the same manner as was described in the previous section. In order to qualify for public funding, the private institutions have to submit themselves to the same rules as the public ones do. This implies that the private institutions have to have their programmes evaluated through the same kind of quality assurance system as the public institutions do. On the same note, they also have to seek approval with the ACO whenever they want to offer new higher education programmes. This, in fact makes these institutions behave like public institutions – and it perhaps better to treat them as *semi-public institutions*, to distinguish them from the 'real' private providers that are listed in the bottom half of the table.

However, out of the seven universities listed in the bottom half of table 7.1, in fact the private theological universities (or faculties) and the *Universiteit voor Humanistiek* receive some € 17 million in the form of special program funding from the government.[59] Since this is calculated differently from the direct public funding received by the public universities, we have listed these institutions in the bottom half of table 7.1

Private institutions in the bottom half of Table 7.1 are recognised but not publicly-funded. They do not receive any direct public support. There is a clear demarcation between the ('semi-public') private institutions in the top half of the table and the 'real' privates in the bottom half. The latter category is the *recognised* sector of Dutch higher education. This distinction, however, does not legally prevent the government from funding specific projects at these institutions (e.g., innovations in education).

7.3.3 Public Funding – Indirect Support

Students enrolled in recognised ('approved') programmes of (public or private) institutions are eligible for student support. There is no difference between public or private in theory, but in practice private institutions quite often offer part-time programmes. Only about 10% of their students are enrolled on a full-time basis. Part-time higher education students do not qualify for student support. In addition, quite often the recognised private institutions will have more mature students enrolled in their programmes and, since there is an age-limit to eligibility for student support their students will frequently receive no student support.

In sum, it implies that students in private institutions to a much lesser extent than the ones in the public (or semi-public) institutions will receive make indirect (i.e. student) support.

Tuition fees for publicly funded study programmes are set at the national level. Providers of these programmes are only free to differentiate tuition fees for part-time programmes. Tuition fees are not regulated either when it comes to programmes (e.g. courses) other than the 'traditional' Bachelor and Master programmes – the initial programmes offered by publicly funded institutions.

Private (recognised) institutions determine for themselves the level of tuition fees they charge. Eligible (full-time) students attending public and recognised private institutions receive student support in the form of grants (basic grant, supplementary grant) and loans.

Table 7.2 shows aggregate and per-capita amounts of funding for basic and supplementary grants. We note that the available figures do not allow us to differentiate between amounts received by students in funded institutions and students in recognised, non-funded institutions.

Table 7.2 – Basic and supplementary grants by sector (€ 000)

Sector	1997	1998	1999	2000
University	469,6	348,7	390,3	463,9
Hogescholen	646,8	717,3	747,1	809,5
Per Capita				
University	2.960	2.200	2.470	2.820
Hogescholen	2.760	3.000	3.020	3.240

7.4 Summary

The legal framework laying out the higher education landscape in the Netherlands is not only well-defined but also gives considerable deference to private funded and non-funded IHEs. As such, the distinction between the public and private sectors in the Netherlands takes on a different meaning than in other states. While privates are clearly founded in a different manner and in general possess a different governance structure, from a funding standpoint they receive equal footing in the higher education system rather than being treated as an altogether distinct entity. The bifurcation between publics and privates common in other countries as witnessed in the Netherlands is instead a difference between for-profit and non-profit status.

One has to look no further than the opportunities availed to private IHEs to appreciate the extent to which public support is distributed across institution types. Provided that the private universities and hogescholen demonstrate that they are willing to 'act like a public provider' and thereby willing to offer a similar level of academic and programmatic quality as exhibited by the public institutions, they are eligible to receive direct public funding on a level equal to the publics. Moreover, even if a private IHE does not receive direct public support, so long as it is "recognised", its students are eligible to receive financial aid from the government. Of course (part of) this student support may be used by he students to pay for their tuition fees or other IHE-related expenses.

It is also evident that quality-concerns have an important place in the system. The roles of the HBO Council, VSNU, and the Higher Education Inspectorate clearly demonstrate a proactive commitment to ensuring that standards are met in both public and the 'semi-public' private IHEs. This stance will be continued in the future, now that a national accreditation council will be established and funding will be tied, in part, to meeting particular quality criteria.

The cointegration of public and private higher education in the Netherlands possesses a long history that has culminated in private IHEs enjoying many of the financial benefits typically only reserved for public institutions in other countries. However, part of the private providers – the 'real private' providers as we have called them in this chapter – do not receive direct public funding. In that respect this can be qualified as an 'uneven level playing field'. However, as long as the government can maintain that the fact that these private providers do not submit themselves to the rigorous quality assessment system (the teaching assessments of programmes through peer review) that is in place in the publicly funded sector, this can be put forward as an argument to maintain the current, static distinction between a set of funded and non-funded, but otherwise recognised providers of higher education. It remains to be seen whether this status quo will continue to exist once accreditation has fully come off the ground.

8. Germany

8.1 Context

With just over 83 million inhabitants, Germany is one of the richest and most populated states in Europe. As of 2001-02 there were 325 higher education institutions in total educating some 1,8 million students. An overwhelming number of the institutions are public, either universities (106), fachhochschulen (121) or specialised colleges (53). Together they enrolled just over 98% of students in higher education that year.

The German higher education system is generally divided into two types of institutions, the Fachhochschule (FH) and the Universität (U). The former is characterised by an emphasis on professional and vocational higher education and in many respects resemble the Hogescholen sector in the Netherlands. The latter are marked by their ability to award doctorate degrees and to offer a wide-array of courses in different disciplines. In addition, the university sector includes two types of technical institutions called the Technische Universität (TU) and the Technische Hochschule (TH) largely offering programs in engineering-related fields. Finally there are also various teacher-training colleges (Pädagogische Hochschule), schools of public administration, and art or music colleges (Kunsthochschule and Musikhochschule). The degrees obtained in Fachhoschschulen and the specialised colleges may be likened to the bachelor's degrees in the US and the UK whereas degrees offered by the technical institutions are roughly equivalent to US and UK Master's degrees.

One of the hallmarks of public higher education in Germany is an open admissions system. The only requirement for a student to enrol in a higher education institution is a *Allgemeine Hochschulreife* or a *Fachgebundene Hochschulreife*: the two main types of certificates a student can receive upon the completion of the secondary education program. The primary difference between the two is that the *Fachgebundene Hochschulreife* only allows students to take courses at fachhochschulen.

The government does place restrictions on the number of students for certain programs due to perennially high demand (e.g., medicine, veterinary medicine, dentistry, architecture, business management, psychology). Awarding for these places is done through a *Central Office for the Allocation of Study Places*. Applicants' average marks in qualification examinations and the length of time a student has been waiting for a place are both taken into account (Van de Maat, 1999). In the 1999-00 academic year approximately 9,2% of all enrolments were students from outside Germany though no statistics are available to determine any further breakout.[60]

In 1998 the total expenditures across all institution types in Germany was approximately €27,083 billion.[61] On a per capita basis, the amount of basic government funding varies across Länder. In 1999 the average per-student level was approximately €8.000 and varied from a high of €11.190 in Saxony-Anhalt to a low of

[60] Federal Statistical Office Germany. Available online at hwww.destatis.de/basis/e/biwiku/hochtxte.htm

[61] Federal Statistical Office Germany. Available online at

€5.580 in North Rhine-Westphalia.[62] A second readily identifiable characteristic of the German system is the absence of tuition fees for students at public IHEs. Student aid then is usually used to subsidise living expenses. Kaiser, Vossensteyn, and Koelman (2001) estimate that beginning in 2001 state expenditures for student aid are set to increase by almost DM 1,3 billion: up nearly 50% from 1998 levels.

8.2 Legal Framework of Publicly and Privately Funded IHEs

The legal framework governing higher education is similar to that in the US in that the responsibility for providing higher education lies at the state-level and is loosely coordinated under a federal umbrella. As Kaiser (1999) reports, each Länder has established its own acts regulating colleges and universities. In some Länder there are even separate pieces of legislation governing the University and Fachhochschulen sectors. These acts serve to establish the relative autonomy of institutions by determining, for example, staff issues and fees for services. Which institutions are legally recognised in order to receive public funding is laid out in legislation of the different Länder. Public institutions are listed by name specifically in the various acts. These lists define which institutions are the officially recognised public providers and who are commensurately eligible to receive public funding.

Since the mid-1970s the federal government has taken several steps toward coordinating and, to some extent, standardising higher education throughout the country. The first effort was a framework law established in 1976 which set loose parameters on the essentials of higher education provision across all Länder. Called the *Hochschulrahmengesetz* (HRG), in 1998 the law was again revised to further restrict the extent to which higher education laws could differ between various states. While not federally mandated, the individual states have developed their own method of coordination through a standing conference (the Kultusministerkonferenz or KMK) of the different states' education ministers. Though their deliberations and reports are not legally binding, they are frequently used by the ministers in drafting or revising state higher education laws.

The private sector of higher education in Germany largely consists of business-oriented and theological universities and private Fachhochschulen. Approximately 14% of all institutions were private. Disaggregating this figure one finds privates comprise approximately 20% of all Fachhochschulen and approximately 10% of all universities. While these figures may suggest the presence of a sizeable private sector, as it was stated in the introductory paragraph of this chapter, only about 2% of all students enrol in private institutions.

Another striking characteristic about the German private sector is that it possesses only a short history. The first recognised private institution was the Witten/Herdecke University, which initially incorporated in 1981 but did not complete its founding until around 1990.[63] A cursory glance at the various founding dates of the private institutions reveals the majority have been founded or incorporated only within the past 10 years. This largely explains why there are so few students enrolled in this sector. Witten/Herdecke is the largest university enrolment-wise with 1.128 students and is one of only two private universities with enrolments over 1.000. The next

[62] German higher education does not distinguish between full- and part-time status.
[63] In the history of the university provided at the institution's official website, they indicate their

largest, Vallendar in the Rhineland-Palatinate state, only has 432 students. In contrast, of the 33 private fachhochschulen, nearly one in three has over 1.000 students: the largest being the Hamburg FernFH with 2.922.[64]

Private IHEs can also receive state funds for education purposes. Unlike public IHEs though, because they are not established by law the state is not required to provide them with public funding for their operation. In those cases where private IHEs do qualify for public funding, only *recognised* providers, defined as degree-granting private colleges and universities, are eligible to receive funding.

For private institutions to become recognised providers, to grant degrees, they must be approved by the Minister of Education in a particular Land. The requirements they must meet are not well-documented but in essence they must "fulfil the requirements the Land sets for public higher education institutions" (Kaiser, 1999, p. 59). Private IHEs recognised by the various states are listed with the KMK and in the *Higher Education Compass*, a website maintained by the *Association of Universities and Other Higher Education Institutions in Germany* (Hochschulrektorenkonferenz – HRK).

Private and public institutions mainly differ in pragmatic ways. Privates, for example, engage in selective admission practices and a large number of the institutions established to date are business schools. Their most distinguishing feature though is that these institutions charge tuition. Depending on the school, tuition can range from as low as DM 300 up to DM 3.000 per semester.[65] In addition private IHEs frequently quarter students on campus in residence halls, similar to American universities.

Academically the private sector in Germany is very similar to the public. In both sectors there exist universities and fachhochschulen. The degrees recognised privates offer are equivalent to those found at public institutions. There is no formal quality assurance mechanism regulating private IHEs. Some studies of the academic quality of private institutions in Germany though suggest that, in general, the quality of their programmatic offerings is higher that that provided by publics. Recently a "jury" of academicians and business experts independently evaluated 16 of the best-known privates IHEs in Germany and concluded that these institutions were well worth the high fees students must pay. Manfred Erhardt, general secretary of the Stifterverband, the industry association that frequently sponsors higher education, suggests the success private IHEs have had to date may be due to the fact that these institutions possess what he calls "all the deficient characteristics of public institutions" (Bonn, 2002), like the ability to employ selective admissions practices.

Table 8.1 summarises German IHEs by type of control, number of institutions and the enrolment levels in these sectors. It is clear from this table how small the private sector actually is in terms of both overall enrolments and number of institutions. It is also noteworthy to mention that the private institutions listed here are all "recognised," or listed in the Higher Education Compass. There are other private institutions offering what might be considered tertiary education. However, because they are not recognised in the different Länder, they are regarded as the non-recognised and non-funded sector of higher education and hence not dealt with here. The following sections characterise the extent to which public funding is channelled directly and indirectly into the three other sectors.

[64] Data taken from the HRK Compass at www.hrk.de.

Table 8.1 – Size and scope of sectors of German higher education[66]

	Public		Private	
	U*	FH**	U	FH
Institutions	106	121	12	33
Enrolment	1.341.158	427.705	3.888	26.073

* University
** Fachhochschulen

8.3 Patterns of Public Funding

8.3.1 Direct Support - Public Institutions

From the perspective of providing educational services and overall operational funding, public institutions are almost wholly subsidised by public funds. For the most part, these funds come from the various Länder though about 17% comes from the federal government: mostly in the form of investments. The funds institutions receive can be divided into two general types: the basic subsidy (Grundmittel) which accounts for about 82% of institution's public resources and research grants (Drittmittel) which contribute about 15%. Most of the Grundmittel is used for staff costs with the remainder applied to operational and investment expenses. Because it is used for research, Drittmittel funding is almost wholly allocated to the university sector. Like France, faculty and staff in Germany are not accounted for in institutional budgets.

Capital investments are also subsidised by the state. Projects costing more than DM 150.000 may be jointly financed by Länder and the federal Minister of Education. Only institutions listed in the Federal University Construction Subsidy Law (Hochschulbauforderungsgesetz) are eligible to receive federal support. Länder may choose to finance the projects themselves. However, if they do choose to ask for federal support they must go through a national planning procedure. The institutions themselves have no control over the construction or the maintenance of the building; they are only responsible for budgeting for the operational costs of the building. As such, public higher education institutions do not own their buildings.

[66] In the opening section of this paper a third sector of public institutions was mentioned, composed of colleges of education, music, art, and public administration. As there are no private institutions in this category, in the interest of readability they are not presented in the table. In total there were 53 such

Historically, institutions have had little latitude in internally allocating public funds and most expenditures are budgeted on a line-item basis. In addition, funds not expended in a particular year usually do not carry over to the next and monies to provide staff must be exercised only for that purpose. Institutions cannot use personnel funding for any other aspect of operations even under just, or prudent, reasons. This has, however, begun to relax in recent years. Kaiser et. al. (1999) report that increased consideration has been given in various Länder to performance-based and block-grant funding schemes.

Because budgeting occurs on the state level, aggregate statistics on public funding levels for public and private IHEs are difficult to obtain. Data from the Federal Ministry of Education and Research[67] however does show that government funds allocated to public higher education institutions totalled DM 20,3 billion in 1998. Approximately 7% of the total funds were distributed at the federal level with the remainder were distributed by individual Länder. Of this funding, DM 17,4 billion or approximately 86% of the total allocation for public higher education was expended for personnel and staff costs.

8.3.2 Direct Support - Private Institutions

Private higher education institutions recognised by the state may be eligible to receive public funding, both for their operations and for capital investment. Funding for operational expenses comes from the respective Länder. Private IHEs may also qualify for capital investment funds. In these cases the funding scheme is similar to that in public institutions; the majority comes from the Länder and over the DM 150.000 cap, may also be funded in part at the federal level (see above section). In 1998 the total amount of public funding distributed to all private higher education institutions for operational expenditures was DM 0,2 billion. This figure represents approximately 1% of the total amount of public funding distributed that year. Data on capital investments were not available for private IHEs though all funding for privates that year was distributed by the various Länder. This suggests that no capital investment were made that year on the part of the federal government to the private sector.

8.3.3 Public Funding – Indirect Support

Both German and non-German students attending public higher education institutions do not pay tuition expenses. While students can take advantage of various tax incentives and grant or scholarship programs these funds are used to subsidise housing and living expenses. As such, since these indirect funding mechanisms do not find their way into the public institutions themselves they are not technically considered a form of indirect support here.

Students attending private IHEs are eligible for tax incentives in the same way students attending public IHEs are. These are explicated in the *German Income Tax and Child Benefits Act*. Tax allowances however may only be claimed by parents and

[67] All direct public support statistics for both private and public institutions were taken from the Federal

not the students themselves. Students may directly take advantage of reduced health insurance rates. Taken together, the government allowance arguably frees up income for students that can be applied toward tuition at private IHEs. In this fashion these funds can be viewed as indirect public support channelled into the private sector though no concrete statistics are available.

8.4 Summary

In many respects the German model of funding is very similar to that in France. Both possess a highly centralised structure and the largest expenditures (i.e., staff and investment) are largely administered outside the institutions. What differentiates the two is that in France the management of higher education is done at the national level whereas in Germany control is relegated to the various states.

Today private higher education is still regarded as more of an experiment, or even "noise" in the German system. Enrolment levels and aggregate public funding at IHEs make up only a small fraction of the entire sector and the programmes these institutions offer are still likely to be narrow in scope. Yet, while their establishment is relatively recent, some research suggests that the quality of education these institutions provide is certainly on a par, and perhaps even higher, than that provided by public institutions. Some of this is probably due to the fact that private IHEs are able to secure academically talented students and exercise greater autonomy over their operations.

At the same time, it is clear that the financial state of the public system and a desire to remain internationally competitive are likely candidates for explaining growth in the private sector over the past 20 years. In fact, two of Germany's private universities are actually the result of collaborative arrangements with Purdue University and Rice University. Both are highly respected public and private research universities in the US that have made long-term contractual arrangements to provide logistical support and for their faculty members to spend time teaching in Germany.

The fact remains though that, like the UK, German higher education is without a doubt still a public endeavour. The laws and regulations undergirding the system are defined to manage a public industry. In those instances where private institutions fit into the legal framework, the criteria they must meet to qualify for public funding is not well-delineated.

In the past decade the German higher education system has been moving increasingly away from its well-entrenched model of financing higher education. An increasing number of pilot studies in different Länder suggest a willingness to give IHEs greater latitude in determining internal allocations. While there is still no formal accreditation system overseeing the quality of education at public or private institutions, since the mid-1990s efforts have been underway to develop and implement a set of "coordinated evaluation procedures" to advance the competitiveness and strengthen the institutional responsibility of higher education institutions in Germany (Akkreditierungsrat, 2001). Even the concept of tuition-free education at public institutions is slowly changing. Research done at the State University of New York at Buffalo reports that public IHEs in several states now charge nominal tuition fees under certain circumstances. These have been employed more to encourage students to complete their degrees in a reasonable time-period or

for students choosing to pursue a second degree rather than as a significant source of revenue (ICHEFAP, 2002).

Growing enrolments and long time-to-completion rates for students coupled with little commensurate increases in aggregate funding levels has created a general perception that public higher education is currently in a financial crisis. The result has been vociferous opposition from politicians to channelling any public funds to the private higher education sector. Politicians in some Länder charge that publicly funding both public and private institutions while not allowing public institutions to charge tuition rates puts these institutions at a clear competitive disadvantage. In this regard can only infer that, at the present time, there is more interest in paying well-needed attention to the state of financial affairs in the public sector before any real discussion can take place about the merits of making a significant public investment in the private sector.

9. New Zealand

9.1 Context

In New Zealand, higher education is regarded as part of the greater whole of 'tertiary education', or 'post compulsory education and training'. The vision for education in the 21st Century in New Zealand, as expressed in 1994 in a publication by the then Minister of Education, is:

> *"a seamless education system in which barriers no longer exist between schools and post school education and training; all courses of study will lead to national qualifications regardless of place of study; senior secondary school students can combine regular school courses with those in polytechnics or universities, or with work place training; students can move freely from institution to institution while continuing to build a national qualification, and those learning on the job in the work place can gain credit to national qualification."*

There are a variety of ways in which providers of tertiary education and training are currently categorised. These include:

1. tertiary education institutions (TEIs) – which can be: colleges of education, polytechnics, universities, or *wananga*[68]
2. government training establishments (GTEs)
3. private training establishments (PTEs)
4. other tertiary education providers (OTEPs)
5. industry training organisations (ITOs)
6. continuing education organisations.

The purposes of *higher education* are much as they are in other countries, with the institutions being devoted to teaching and research and serving the community in a number of ways. The structure of education is based on the Scottish model, with a broadly based schooling ending after 12 years, a bachelor's degree taking three years and an honours degree taking an extra year. When continuing, students can aim at a post-graduate diploma, a Masters, or a Doctorate (PhD).

Tertiary education institutions (TEIs) are *public* institutions that are Crown (i.e. state) entities and thus required to follow standard public sector financial accountability processes. Currently there are some 39 public TEIs, enrolling almost a quarter of a million students. This number was reduced to 38 when Wellington Polytechnic became part of Massey University. During 1999 Auckland Institute of Technology received approval to become a university, the Auckland University of

[68] *Wanangas* are institutions that provide tertiary education and training, while also teaching Maori traditions, customs and language.

Technology. Currently, there are 8 universities,[69] 23 polytechnics, 4 colleges of education and 3 wananga.

Private training establishments (PTEs) are defined, rather broadly, in the Education Act as 'establishments, other than public institutions, that provide post-school education or vocational training'. There exist an enormous amount of PTEs – over 800. In the context of this report, the term is generally used for PTEs registered with the New Zealand Qualifications Authority (NZQA). The category not only includes privately owned providers, but also those operated by trusts and the like. The largest contribution of PTEs to tertiary education is offering courses in transition and skill enhancement, as purchased by *Skill New Zealand*. However, the activity within the private tertiary sector is increasingly diverse. Six PTEs offered degree and/or postgraduate level study in 1999. PTEs are considered to meet the needs of niche markets within New Zealand's tertiary education sector. A significant part of this contribution lies in second-chance education and working with students with a low prior achievement or learning difficulties. With the financial support of Skill New Zealand, PTEs have become quite successful in enhancing participation rates of the indigenous people of NZ (Maori and Pacific).

Other tertiary education providers (OTEPs), 13 in total, are those organisations that deliver programmes of study of some national significance, and are recognised by the Minister of Education. Because delivery of these programmes is in the national interest, these providers have a special relationship with the Crown.

Apart from TEIs, PTEs and the OTEPs just mentioned, there is a small number (12) of *government training establishments* (GTEs). These are government departments or Crown entities other than TEIs, approved by the Minister of Education and registered by NZQA as tertiary education providers offering training to significant numbers of employees. GTEs are subject to approval and accreditation requirements of the Education Act.

Industry Training Organisations – 50 in total - are active in arranging industry training. These are industry bodies representing different industries or industry sectors. An ITO is not a training provider; it is a kind of intermediary, facilitating on-the-job training, contracting training providers to offer on-the-job training, etc.

Altogether, New Zealand has a high number of tertiary education providers. They offer courses at widely different levels, and a significant number of providers have low student numbers. Where the average number of students at the universities is 15,000, it is 4,000 for polytechnics, 3,200 for colleges of education, 630 for wananga, and only 75 for PTEs. Of course, these are averages, relating to students that enroll for courses of more than one week's full-time duration. Actual number can be as high as 28,000 students for Massey University, or as low as 285 for Telford Rural Polytechnic.

It should be noted that both PTEs and (public) TEIs may operate from several sites, so the number of providers is less than the number of locations at which students may attend courses.

The main avenue of entry to a university is through a National Bursaries examination. But at the age of 20 a student can seek admission, without such achievement, and has the right to enrol, although in the majority of cases the range of courses available is likely to be restricted. Many universities have restrictions on entry. The level of required achievement by school leavers varies between programmes. The normal entry students need to be at a very high level of

[69] Lincoln U, Massey U, U of Auckland, U of Waikoto, U of Canterbury, U of Otago, and Victoria U of

achievement in the bursaries examination to gain entrance to courses in architecture, engineering, dentistry and medicine, and high achievement for courses in commerce, law and pharmacy. Table 9.1 provides statistics on the distribution of all students in tertiary education in 2001.

Table 9.1 – Number of tertiary education students enrolled in 2001 by sector and qualification

	post-graduate	degree	diploma	certificate	total
Universities	24,852	87,622	6,841	6,232	125,547
polytechnics	605	17,546	20,393	49,311	87,855
colleges of education	294	7,092	2,589	919	10,894
wananga	117	751	1,174	9,239	11,281
private providers	587	1,281	10,527	34,836	47,231
total	26,455	114,292	41,524	100,537	282,808

Source: Tertiary Education Statistics, Ministry of Education, 2001

From this table it can be deduced that in polytechnics 20 percent of students are in *higher* education – that is: in *degree* level and *postgraduate* level programmes. For universities, the number is almost 90 percent. In Colleges of Education and Wananga the figures are: 68% and 8% respectively. Twenty three percent of (first) degree students and 6 percent of postgraduates were enrolled outside the university sector.

A total of almost 6800 programmes of study are offered by tertiary education providers. The polytechnic and university sectors offer the widest range of qualifications, while over one-third of PTEs offer only one qualification and two-thirds offer three or fewer. Some larger PTEs, however, offer more programmes of study than do the smaller polytechnics. Private providers tend to offer employment-related courses in specialist fields in areas such as hospitality, tourism, agriculture, electrotechnology and computing. Private training establishments provide most of the targeted training programmes funded by Skill New Zealand. Bible colleges are also an important part of the private tertiary education sector.

New Zealand's participation rate in tertiary education has grown considerably during the 1980s and 1990s, and is above the OECD average. However, national growth slowed in the latter part of the 1990s and is now showing signs of levelling off. Recent increases in participation appear to be due more to students' returning to study or to increased average length of study.

The proportion of students studying part-time is falling: in 2001 part-time Tertiary education institutions students represented 44 percent of students enrolled, continuing a decline from a high of 52% in 1992.

9.2 Legal Framework of Publicly and Privately Funded IHEs

The terms university, polytechnic and college of education are protected in the Education Act (1989) so that any organisation wishing to include such a term within its name in New Zealand must meet the statutory requirements.

Requirements for the establishment, governance and funding of public TEIs are set out in the Education Act (1989), and are identical for all public institutions. The distinguishing characteristics of each of the four kinds of Tertiary Education Institutions (university, polytechnic, college of education, *wananga*) are defined in the legislation.

As Crown entities, listed under the fourth schedule of the Public Finance Act (1989), TEIs are required to follow standard public sector financial accountability processes and are required to report under Section V of that act. Each institution is controlled by its own council, whose duties and functions are defined under the Education Act (1989). Amongst other things, the Act requires councils to strive to ensure that the institution attains the highest standards of excellence in education, training, and research. The legislation is intended to maximise an institution's autonomy while remaining consistent with the standard requirements of accountability for public funding. Each tertiary education institution determines its own programmes and is responsible for the quality of its academic provision, subject to review by a quality assurance agency.

Prior to 1990, only universities had the authority to grant degrees. An amendment to the Education Act in 1990 allowed non-university institutions to award degrees subject to accreditation and approval by the New Zealand Qualifications Authority (NZQA). By 1999, polytechnics, colleges of education, wananga and private training establishments offered a total of 177 degree qualifications.

There are a considerable number of *private training establishments* (PTEs). A PTE is defined, rather broadly, in the Education Act as *not* being a public tertiary education institution, but providing post-school education and training. A PTE may be either registered or unregistered. Currently, there are more than 800 PTEs registered by the New Zealand Qualifications Authority (NZQA) that have met various financial, educational and management quality requirements set by NZQA. In is these registered PTES that are referred to in this report. About half of these receive some form of government funding either via EFTS-based tuition subsidies (see next section), Skill New Zealand contracts, or loan schemes. Numerous organisations provide post-school training and education, including most medium-sized and large firms and organisations that carry out corporate training within New Zealand, most of which is not government-subsidised.

A critical issue in a diverse tertiary education system like New Zealand is the quality assurance of qualifications and programmes of study. Quality assurance focuses on the quality of qualifications and of tertiary education providers. Only those tertiary education qualifications and providers that have been quality assured by a quality approval body are able to receive government financial assistance based on student enrolment numbers (i.e. through the EFTS-base funding and student access to student support). Afterwards, providers must continue demonstrating they are maintaining quality on an ongoing basis.

In recent years, the quality assurance capability within the tertiary sector has been built up, with the focus beginning to shift from the approval of individual qualifications to the quality assurance systems of the qualification providers.

Quality approval agencies decide whether tertiary providers and qualifications developers meet appropriate quality standards. Currently there are four such approval agencies:

1. New Zealand Qualifications Authority (NZQA)
2. Committee on University Academic Programmes (CUAP), a standing committee of the New Zealand Vice Chancellors' Committee (NZVCC)
3. New Zealand Polytechnic Programmes Committee (NZPPC)
4. Colleges of Education Accreditation Committee (CEAC).

The New Zealand Qualifications Authority (NZQA) is an accrediting organisation that has a quality assurance role for all but the university sector. NZQA derives its authority from the Education Act 1989. It is responsible for course approval and accreditation for all degree qualifications offered by providers other than universities. All registered providers and approved courses and qualifications outside the universities are listed by the NZQA. For this task, the NZQA has a few delegated agents. Most notably, the responsibility for some aspects of qualification approval and accreditation of polytechnic courses is delegated to the Association of Polytechnics in New Zealand (APNZ), which has established the NZPPC to give effect to this. CEAC has similar delegated authority for the accreditation of colleges of education.

For the universities, the NZQA's functions are discharged to a body (or committee) set up by the universities themselves: the Committee on University Academic Programmes (CUAP). Any university department proposing to introduce a new degree or to make a fundamental change to an existing degree, having successfully cleared the university's internal procedures, will need the approval of the CUAP. Here the proposal is subjected to peer review across the university system at large. At various levels in the university, student and non-academic input are sought. At the CUAP, not only the universities, but also polytechnics and colleges of education are involved in the approval process. The CUAP works in lieu of the NZQA within policy determined by the NZQA to establish criteria for validating and monitoring university qualifications.

The universities have in addition set up an Academic Audit Unit (AAU), whose terms of reference involve making visits of inspection to all universities to review the mechanisms for monitoring and enhancing the academic quality and standards. This means that university qualifications are independently audited through the AAU. Like the CUAP, the AAU was established by the New Zealand Vice-Chancellors' Committee (NZVCC) to carry out academic quality audits of all the universities. The NZVCC derives its authority from the Education Act 1989.

The NZQA develops the national Qualifications Framework (NQF). This NQF is a register of national qualifications and national standards that was established to give people a clearer understanding of the purpose of qualifications and the relationships between them. In the NQF, unit standards are categorised by field of study, which is further broken down into subfields and domains. Standards and national qualifications are also categorised by level of student achievement, up to Level 4, Certificate Level. Diploma qualifications can be awarded at Levels 5, 6 or 7 on the framework, Level 7 being equivalent to the level achieved at the end of a first degree. Level 8 is postgraduate study.

The NZQA also oversees the setting and regular review of standards as they relate to qualifications. The component parts of a qualification (the national standards) are registered in the NQF. Qualifications are defined as packages of credits from national standards. Learners can gain credits separately, from any accredited provider, and apply credits to a range of registered national qualifications. National standards are expressed as learning or performance outcomes against which learners are assessed. Any organisation that has been accredited by NZQA (or its delegated agent) can

assess against national standards and award degrees. The NQF does not prescribe programmes of study. Providers can assess against NQF standards within a variety of programmes of study and assessors associated with accredited institutions can assess against standards outside the programme of study. The modular nature of qualifications enables learners and workers to gain credits towards qualifications outside traditional courses. There is a growing acceptance among tertiary providers that students can and should have access to assessment of their existing skills and knowledge prior to enrolling for a course of study.

The structure of the tertiary education sector in New Zealand is changing dramatically as a result of initiatives being taken by individual providers. A significant development of the late 1990s was the number of degrees approved outside the university sector. By 1999, polytechnics, colleges of education, *wananga* and private training establishments offered a total of 177 degrees.

Polytechnics cover a large and increasing number of subjects at various levels of specialisation. Many are now accredited to offer degree qualifications. The increasing number of professional courses offered at degree level has had an impact upon the roles some institutions as providers have sought to position themselves for the future. Mergers and alliances between universities and polytechnics, and the growing range of students catered for by private providers, further blur the distinctions between types of providers.

Private providers often focus on a limited range of qualifications. In 1999, over one-third (37 %) of all PTEs offered only one program of study and two-thirds (66 %) offered three or fewer programmes of study. The total PTE sector offers a wide range of qualifications, often in niche markets, and at diverse levels, ranging from transition training through trade apprenticeships to postgraduate degrees. A small number of PTEs offer as wide a range of qualifications as the smaller polytechnics, colleges of education and *wananga*. The majority of PTE qualifications are studied at certificate or diploma level. Within PTEs, the most popular diploma level qualifications are service trades; art, music and handicrafts; education science and teacher training; religion and theology. At certificate level, agriculture, horticulture, forestry and fishing; art, music and handicrafts; and service trades are the most popular. Among the small proportion of students who study at degree or postgraduate levels, religion and theology; commercial and business; and education science and teacher training are the most popular qualifications.

Private providers are subject to the same quality assurance requirements as tertiary education institutions, and they are eligible for government funding for programmes such as Training Opportunities (TOP), Industry Training and Skill Enhancement, as well as qualifications funded on an EFTS basis through the tertiary tuition allowance formula (see next section).

The private tertiary education sector is constantly evolving in response to local demand. In 2000, 20 new private providers were registered for the first time and 64 closed. Seventy-three private providers were also recognised for government funding, in the form of government tuition subsidies and access to student loans and student allowances. Most of these 73 providers were existing operations, which had not been previously recognised for EFTS-based funding or student access to student loans and allowances.

9.3 Patterns of Public Funding

9.3.1 Direct Support - Public Institutions

Government funding for tertiary education providers is predominantly delivered through tuition subsidies for eligible student places. In the academic year 2000-01, public and private providers received NZ$1,346 million in tuition subsidies.[70] The funding formula is EFTS-based (EFTS = Equivalent Full-time Student units). EFTS is the standard unit of measurement for student enrolments. EFTS units are defined on the basis that a student workload that would normally be carried out by a full-time student in a single academic year is 1.0 EFTS unit. For the purposes of statistical reporting (and funding), a *formal student* is one who is enrolled in a course or courses of study leading to a qualification approved by an authorised certifying body or to an approved award issued by an institution. Formal students are enrolled in courses of more than one week's full-time duration (i.e. an EFTS value greater than 0.03).

EFTS-based funding is provided by the government as a contribution towards the cost of tertiary education and training. These tuition subsidies (known as the Universal Tertiary Tuition Allowance) are paid to approved tertiary education providers on behalf of domestic students enrolled in quality-assured courses leading to quality-assured qualifications.

Tuition subsidies do not cover the full cost of tuition.[71] The balance is normally paid by students through tuition fees. Tuition subsidies
are currently paid for all domestic, enrolled students who are studying for approved qualifications offered by recognised tertiary education providers. This includes recognised private providers as well as public tertiary education providers.
From the grants and other revenues raised, the institutions meet all their own costs.

From 1990 to 1998, tertiary funding was provided by the EFTS bulk (i.e. lump sum) funding system. Key principles of this system were that tertiary institutions are:

1. funded on the basis that similar courses of study in different institutions are funded similarly
2. free to set tuition and other fees which are charged to students to cover the additional costs of providing courses of study which the tuition subsidies do not cover
3. able to develop their own specialisations and courses of study to meet and respond to student demand
4. able to make their own decisions about how their bulk grants are spent, in order to meet their objectives and the delivery of agreed outputs.

In 1999, the EFTS Bulk Funding system was replaced by the Universal Tertiary Tuition Allowance, paid to approved tertiary education providers, including a wider range of private tertiary education providers. The main change to the previous system was that after 1 January 1999 tuition subsidies would be delivered on the basis of

[70] Approximately NZ$ 1,00 = US$ 0,56 = € 0,5 (in 1999).
[71] In 1999, it was estimated by the Ministry that the Government provided, on average, across the whole tertiary education sector, a 72.4 percent contribution towards the cost of tuition of domestic

actual enrolments, and as such not be 'capped' (i.e. fixed) by a predetermination of how many EFTS places would be funded by the government.[72]
From 1991 to 2000 the number of funded EFTS places increased from 114,110 to 177,847, or nearly 56%.

In 2000, the distinction between funding levels for extramural study and other forms of delivery was removed. Extramural study is now subsidised at the same rate as on-site study. This was meant to encourage innovative delivery of education, particularly in science and technology, and greater participation in teaching, lifelong learning and research in these areas.

In that same year, differential subsidy rates were introduced to reflect the research content of tertiary education. In 1999, all research funding was distributed through tuition subsidies. In 2000, research funding was allocated through a new process that involves three levels of top-up subsidies. This was introduced to encourage research-based postgraduate study. Undergraduate degree programmes received the lowest top-up rate. Two additional subsidy rates were available for 'taught' postgraduate programmes and for research-based postgraduate degrees.

In 2000, changes were made to the cost categories used to allocate funding to tertiary education providers. The number of cost categories was reduced, as separate cost categories were no longer used for extramural and research-related funding.

9.3.2 Direct Support - Private Institutions

Since 1992, government funding has been available to recognised and accredited private training establishments. These private providers receive government funding through a number of mechanisms, including:

1. Industry Training
2. Training Opportunities
3. Youth Training
4. Skill Enhancement
5. Other targeted training programmes
6. EFTS tuition subsidies (for qualifications at, or equivalent to, NQF Level 3 or above).

This section only looks at funding supplied through the EFTS-based channel as this represents the higher education funding that is also normally available to public universities and polytechnics.

The EFTS funding mechanism for private teaching establishments (PTEs) has been significantly different from that for public tertiary providers, with funding allocated from a capped (i.e. fixed-sized) pool on a pro-rata basis according to bids received. Because of excess demand it was decided to restrict access to the pool to certain designated priority areas of training, with differential pro-rata funding rates. Courses not included in the list of designated priorities were not funded.

In 1999, however, the subject restriction for PTEs was removed and funding was provided for al enrolments in quality-approved courses at registered PTEs. The funding rate for PTEs in 1999, however, was still significantly lower than that

[72]

provided to public providers. In 1999, 143 PTEs were funded a total of NZ$ 16.8 million for 9187 EFTS places – an average subsidy of NZ$ 1,829 per place. This compares with 1998 when 52 PTEs were funded a total NZ$ 7 million for 2151 EFTS places – an average subsidy of NZ$ 3,254 per place.

Of the 828 private training establishments registered during 1999, approximately 130 were recognised by the Ministry of Education as eligible for EFTS-based tuition subsidies in that they were offering programmes of study leading to qualifications equivalent to Level 3 or above of the National Qualifications Framework.

As of 1 January 2000, private providers of tertiary education receive the same rate of tuition subsidy through the EFTS-funding system as the public providers. This government decision contributed to an overall increase of NZ$75 million or 447 percent in the total funding paid to private providers as student tuition subsidies from 1999 to 2000. For the PTEs, this equates to a funding increase per EFTS place from NZ$1829 in 1999 to NZ$5813 in 2000 (see table below). Of the NZ$75 million increase, just over 50 percent was attributable to now funding private providers at the same rate as tertiary education institutions. Around 25 percent of the funding increase was caused by increased numbers of private providers gaining recognition for funding purposes in 2000 (73 additional private providers became eligible for government funding in 2000, taking the total to 218), while another 25 percent was caused by growth in student numbers at private providers who were recognised for government funding in 1999. From 1999 to 2000, the private providers experienced an increase of 72.1 percent in funded EFTS places (from 9,187 to 15,833 places).

Conversely, government-funded EFTS places declined in universities and polytechnics from 1999 to 2000. Universities reported a fall of 0.7 percent in funded student places, while polytechnics experienced a decrease of 0.8 percent.[73] To some extent, an increase in international students compensated for this small decrease in funded EFTS places. Nonetheless, 2000 was the first year in the last decade that universities and polytechnics reported a decline in EFTS places.

In 2000, there was a change in the overall trend for the average subsidy per actual EFTS place to decrease each year. The funding rate per EFTS place decreased by 13 percent from 1991 to 1999. In 2000, however, the funding rate per EFTS increased overall by 2.9 percent. For tertiary education institutions, this was brought about by changes in tertiary funding, including increased funding for extramural and research-based courses. For private providers, the main reason was the move to equivalent funding of tertiary providers.

Table 9.2 – Average funding per funded EFTS place

	1996	1997	1998	1999	2000
university	8286	8206	8181	7781	7750
polytechnic	7224	7116	7042	6587	6624
college of ed	7480	7312	7322	6839	7020
wananga	6465	6728	6743	6242	5681
Private provider	3555	3297	3214	1829	5813
TOTAL	7775	7672	7628	6965	7166

[73] This figure takes into account Auckland University of Technology's change of status from a polytechnic in 1999 to a university in 2000. Auckland University of Technology reported 9600 EFTS

In 2000, the overall income of private training establishments was estimated to be approximately NZ$500 million. Of this, the greatest growth occurred in EFTS-subsidised programmes, with nearly NZ$200 million from EFTS-based tuition subsidies and student fees. Other major sources of funding included Skill New Zealand (NZ$125 million), fees from export education, industry training (NZ$18 million) and the Department of Work and Income (NZ$10 million). In the recognised private training establishments, nearly 46 percent of student places were funded by government tuition subsidies. Another 30 percent were funded through Skill New Zealand and 11 percent by Industry Training contracts.

Other tertiary education providers (OTEPs) are required to be recognised by the Minister of Education under section 321 of the Education Act (1989). The Minister has discretion in regard to the recognition of OTEPs. An OTEP, once recognised, may be paid a grant out of public money appropriated by Parliament for the purpose. The criteria for recognition include whether a provider is to supply a service of national significance which is generally not able to be funded solely through an EFTS-based funding mechanism. In 1999, 13 OTEPs received grant totalling a little over NZ$ 11 million. The OTEPs are active in fields such as teacher training, community services, arts and agricultural training.

9.3.3 Public Funding – Indirect Support

Over the past decade, key financial developments from the learner's perspective have included increases in the tertiary tuition fees charged by providers, and the introduction of the student loan scheme. *Student loans* were introduced to enable students to meet the cost of fees and to support their learning. The government also supports student learning through a range of other targeted allowances, scholarships and awards. For example, students who are studying towards a recognised tertiary qualification and who meet the eligibility criteria are entitled to a *student allowance*. This section looks at these financial issues for students in more detail.

student allowances

The student allowances scheme was introduced in 1989 to provide allowances for New Zealand students studying towards recognised tertiary qualifications. The scheme gives every tertiary student a 200-week entitlement to student allowances, subject to their meeting the eligibility criteria. Since 1992, allowances for single students without dependants and under the age of 25 years have been subject to a means test on a student's parents' combined income.

Allowances are abated for parental incomes above NZ$28,080 to zero at around NZ$50,750. The intent behind this was to target allowances to students from low income families. To be eligible for student allowances in 2000, tertiary students had to be enrolled in a full-time programme of study of at least 12 weeks' duration with a recognised tertiary education provider. They had to be a New Zealand citizen or a permanent resident who has held permanent residence status in New Zealand for two

years. Students had to be 18 years of age to be eligible for a student allowance, although those aged 16-17 could be eligible under special circumstances.

Total spending on student allowances increased from NZ$293 million in June 1996 to NZ$376 million in June 2000, an increase of 28 percent. Much of this increase is due to greater participation in tertiary education, with consequent increases in the number of eligible students. However, changes in the age mix of students have also contributed. Students aged over 25 are eligible for higher payments and are not subject to the parental income test. This group has grown more strongly than that of students under the age of 25, leading to increases in average payments per client.

student loans

Students who receive allowances may also take up student loans. The Student Loan Scheme has been assisting students studying at tertiary level since 1992. The scheme allows New Zealand students to borrow money for course fees and course-related costs, and full-time students to borrow towards living costs as well. When a student receives student allowances, the living costs entitlement is reduced by the amount of the allowances paid. During the whole of 2000, 75 percent of allowance clients also took out loans. Factors likely to affect whether one or both of the schemes are used include the level of a student's family income, their expectations of their own future earnings and their attitude towards going into debt.

A key feature of the loan scheme is that repayments for borrowers, who are resident for tax purposes, are linked to the borrower's income.[74] Loans are repayable through Inland Revenue once a person's net income exceeds a threshold (NZ$14,768 for the 2000/01 income year and NZ$15,132 for the 2001-02 income year). There is also provision for partial interest write-off for borrowers whose annual repayment obligations are insufficient to repay the base interest charged in that year.

Since the inception of the scheme, the number of students borrowing has continued to increase strongly. The only exception was 1999, when policies aimed at curbing unnecessary borrowing were introduced. In 1992, the first year of operation, there were 44,202 students borrowing. By 2000 this had increased to 128,158 students. This increase is mainly due to a greater proportion of students taking out loans, although some of the increase can be attributed to growing student numbers.

The average sums being borrowed across the tertiary education sector have also increased. In 1992, loan clients borrowed an average of NZ$3,628 each. In 2000, the average student loan increased to NZ$6,222 for the calendar year.

Students studying with private providers are taking up student loans in increasing numbers. Between 1997 and 2000, the borrowing rate for all students at recognised private training establishments increased from 27% to 49%. Students studying with private providers borrowed more on average than students studying in the public sector, possibly because tuition fees tend to be higher for private providers (see below).

University students borrowed more than did students in other public institutions. Increases in amounts borrowed have largely followed increases in entitlement. A considerable part of increased borrowing can be attributed to increases in fees. Increases in borrowing can also be attributed to the new interest write-off policy,

[74] This is similar to the loan system (the Higher Education Contribution Scheme: HECS) that is in

which reduces the cost of borrowing. In 2000-01, the government budget showed a figure of NZ$893 million for student loans.

tuition fees

There were significant increases in *fees* charged by tertiary education providers between 1990 and 1999, with average fees increasing by an average of 14 percent each year over 1995-2000.

One measure of the cost of tuition fees to students is to look at student loan clients' borrowings for the compulsory fees component of student loans. In 2000, university and *wananga* students paid higher fees than did students in polytechnics and colleges of education, based on the amount of student loan borrowings for tuition fee payment.

Table 9.3 – Estimated average fees (NZ$) for full-time, full-year students by type of provider

	1998	1999	2000
university	3331	3661	4228
polytechnic	3127	3179	3552
college of education	2448	2393	2863
wananga	2360	2724	4114
private provider	5473	5343	5121
average fee	3319	3507	4093

Source: NZ Ministry of Education

Tertiary education students are able to borrow the full amount of tuition fees. For students enrolled at private training establishments, there is a cap on the amount that can be borrowed to pay for fees. In 1997, the cap on the amount that students at private training establishments could borrow under the student loan scheme was raised from NZ$4,500 to NZ$6,500. As a result, average loan borrowings by students at private training establishments to pay for tuition fees have increased since 1997.

9.4 Summary

It will have become clear from the above that New Zealand has gone quite far in 'opening up' its higher (or rather tertiary) education system to all providers that can deliver education of sufficient quality. The list of providers contains universities, polytechnics, colleges of education, wananga, and a very diverse group of private institutions. The move towards an open, free market in higher education was carried

access, while at the same time ensuring adequate quality in the context of ever-constrained budgets.

Receiving public funds conditional on the same quality and reporting criteria that have to be met by public providers, enables private providers to meet a need that is not already being met by the public sector. Private tertiary education providers (PTEs) are seen to some extent as ‘plugs for gaps’. As such, PTEs have a role in meeting a niche demand for specific types of education. However, while in the past ‘uneven playing fields’ have forced private providers to seek particular market niches, and/or to demonstrate higher quality and benefits to their students, PTEs are now an integral part of the sector. The PTEs complement, rather than compete with the offerings of public providers.

As was to be expected, there are concerns expressed in the university and polytechnics sector that PTEs may be undermining the public tertiary education providers by ‘cherry-picking’ the most popular courses, exploiting the most profitable niches and leaving the rest to the universities and polytechnics. However, so far no specific examples have been put forward, and the government is showing no signs of retreat from the choices it has made. The government believes PTEs are offering learners a viable alternative.

The public education sector is still the dominant provider of education. However, the laws and regulations vis-à-vis formally recognising institutions and qualifications and allocating direct and indirect public funding on a per student basis have in recent years been ‘equalised’ for private and public providers. In the end, it is quality that plays a decisive role in deciding who qualifies for funding. And, as far as the level of funding is concerned, it is student-choice that drives the system.

10. Conclusion

10.1 Front matter

This study was concerned with the extent to which governments choose to invest public financial resources into higher education outside the public sector. In particular, it attempted to address five specific sub-questions:

1. What are the formal criteria, laid down in laws and regulations, on the basis of which providers of post-secondary education qualify for public funding?

2. Do these criteria refer to the quality and efficiency of either the programmes or the institutions providing the programmes?

3. Are there cases where the criteria, with respect to quality, are met but the recognised programmes (providers) do not receive any public funding? To what extent is it possible to characterise why the sector looks the way it does today?

4. In the case of the latter (recognised, non-funded programmes), can one sketch a broad picture of: 1) the types of programmes offered and 2) the number of participants (students) in the programmes?

5. In recent years, have there been important (relevant) changes in the system of higher education (policies, laws, quality assurance and accreditation) that affect, or in the future may effect, the sector of recognised, non-funded higher education and its relation to the sector of funded higher education?

In the remainder of this section, each of these questions are addressed in turn by summarising the findings across the different countries in this study.

10.2 Formal criteria

The pattern that seems to emerge across the different countries in this study is that the necessary conditions outlining which institutions of higher education (IHEs) are eligible to receive public funding are well-delineated but the sufficient conditions tend to be less clear. In order for IHEs to be eligible for public funding, foremost they must be formally recognised by the state as having the power to grant degrees. In some cases, the names of eligible IHEs are listed in the actual legislation, such as in Germany, the Netherlands, Michigan, and Australia. Other times only the conditions institutions must meet are spelled out such as in Pennsylvania, France, New Zealand and the UK.

Institutions specifically established as instruments of the state (i.e., public IHEs) qualify *a priori* for public financial support. For private IHEs, there do not seem to be set standards *guaranteeing* procurement of public funding. Even in countries like France and the Netherlands where state recognition can potentially lead to generous state subsidies both the decision to first recognise the private IHEs and to allocate public funding to them has a strong political undertone. It is frequently the case that the final say on whether private providers should receive any public funding comes at the hands of either a Secretary or Minister of Education. Only in Pennsylvania does the legislation actually outline standards or criteria private IHEs must meet in order to be eligible to procure public funds.

10.3 Quality assurance

The extent to which quality concerns pervade the criteria IHEs must meet to qualify for public funding can be summarised by saying that every system *implicitly* considers quality and in a handful of instances it is explicitly accounted for. In all states, the prerequisites to receiving public funding have a quality-oriented slant. Every state imposes some standards in the course of recognising IHE providers. The regulations laid down in various laws are meant to ensure that the academic degrees students receive are more valuable than the paper they are printed on.

The extent to which formal modes of quality assurance exist across the countries in this study varies. In Germany, for example, there is no formal quality assurance mechanism in place for public much less for private IHEs. There is evidence however that change is on the horizon, due in part to the newly-implemented bachelor/master degree structure. At the other extreme, in places like New Zealand, Australia and the US, overseeing that both public and private IHEs meet these standards has grown into national quality assurance agencies (e.g., the New Zealand and Australian Qualifications Authorities or the regional accrediting agencies in the US like the North Central and Middle States Associations).

That said, some states go to much greater lengths than others in explicating the role quality-control has in determining the allocation of public funding. The quintessential case is that of the UK where, embedded within the section of the Further and Higher Education Act of 1992 addressing the establishment of the Higher Education Funding Councils, it is explicitly specified that each Council shall "secure that provision is made for assessing the quality of education provided in institutions for whose activities they provide, or are considering providing, financial support…" [75]

A similar example can be found in the Netherlands. Though it has yet to be enforced, the Ministry of Education is within its jurisdiction to withhold funding from institutions exhibiting perennially poor performance. Another example can be found in Australia where the Higher Education Funding Act of 1988 requires institutions to submit educational profiles that explicitly take into account various aspects of quality, which are preconditions to receiving public funding. Moreover, one of the objectives delineated in the Act is to support a higher education system that is characterised by quality. In Michigan, only students attending IHEs that are officially recognised and that are regionally accredited may be eligible to receive certain forms of state financial aid. Similarly Vossensteyn, et. al. (1998) have noted that in France, while

there is no direct link between funding and quality assessment, it may indirectly be a factor when institutions petition the government to fund more teaching staff positions.

10.4 Recognised but not funded

The critical question that must first be asked in determining the sector of recognised but not publicly funded (RNF) institutions is whether to include indirect support. If it is in fact regarded as a legitimate channel by which public funds enter private institutions then *every* country but the UK provides some form of public funding to all of its recognised IHEs. In terms of direct financial support though, each country covered in this study has institutions whose programmes are recognised, or meeting legislated criteria, but receive no public funding. The prevalence of such a sector differs dramatically across the countries examined here. At the extreme, looking only at direct support suggests that states like Australia and the Netherlands provide no public support to their private sector. A similar statement can be made about England where the "private sector" consists of only Buckingham University (on the American 'ivy league' model). At the other end of the spectrum are places like Pennsylvania and France where there exists a significant number of recognised yet non-funded IHEs.

A question that naturally arises is "why does the size of this sector vary across countries?" Based on this study two possible reasons can be proffered: historical foundations and market mechanisms. In places like France and the US, from the very beginning the two sectors have always co-existed and the laws and regulations governing their operations have evolved over time to reflect the distinct characteristics of each sector. It is interesting to note that in both countries there are private IHEs that deliberately maintain their distance from the state. As public funding requires that IHEs conform to state imposed guidelines and restrictions, these institutions find other ways to subsidise their operations in order to maintain the autonomy they have. The other side of the coin is occupied by countries like the UK, Australia and Germany where higher education has historically been a public endeavour. The rules and regulations governing the establishment and operations of IHEs subsume this notion and have created a national perception that higher education is the responsibility of the state.

This leads to a second possible explanation for why the RNF sectors may look like they do today: the influence of market-type mechanisms. One of the reasons the RNF sector is practically non-existent in New Zealand is that the country takes the view that privates are "plugs for gaps" in the overall system. They are employed specifically as an economic tool to satisfy consumers' varied needs for different levels of education. As such, what one sees is that private IHEs are more likely to offer niche programmes, custom-made short courses where students obtain some form of certificate rather than a bonafide academic degree. This also seems to be the case in Germany. There aggregate public investment remains stagnant, enrolment levels continue to rise and IHEs have limited flexibility to internally allocate funds. Unlike New Zealand which has embraced its private sector, in Germany private providers seem to be trying to enter because they see a market with considerable unmet demand and students willing to pay for the higher quality education private IHEs arguably provide. The other side of the coin can be found in other places like the UK where, eschewing government restrictions for the moment, it is simply not appealing for

private providers to try and enter a market where existing providers enjoy a respectable reputation and already offer a variety of programs to meet the population's needs.

10.5 Characteristics of recognised but non-funded institutions

Characterising private IHEs that are recognised providers but also are not publicly funded (RNF) may be best accomplished by placing them in a two-dimensional space defined by their selectivity and their academic reputation. Regarding selectivity, institutions can simply be divided into whether they have open or restricted admissions policies. While private IHEs in states like Australia, the Netherlands, and New Zealand are more likely to have open admissions policies, only in Australia and the Netherlands are these "open admission" IHEs part of the RNF sector. In the other states all private IHEs generally choose which students they will admit and more often than not these institutions are well-represented in the various states' RNF sectors.

Over time, in places like France and the two US states, the RNF sector has developed a reputation for providing a higher quality education than their public peers (e.g., the Grandes Écoles and the 'Ivy League'). Even in Germany and the UK where privates make up only a minute fraction of the industry, these institutions are developing a reputation for providing high quality educational services. In each of these countries, privates enrol a high percentage of academically talented students and their graduates are often highly sought after in different job markets.

A different pattern seems to emerge in places where private providers are more likely to have open admissions. In Australia, New Zealand, and the Netherlands these institutions are generally perceived to be providing a relatively lower-quality education than publicly-funded providers; their programmes are usually shorter in length and are also more likely to lead to certificates rather than academic degrees.

10.6 Concluding Remarks

Overall there is little evidence to suggest that private IHEs have sought, or in the future intend to seek, greater levels of public funding. In those countries considered to be the "least friendly" to the concept of private higher education, like the UK, Australia and Germany, institutions seem more apt to relish their autonomy from government regulation or to maintain the niche markets they have developed rather than plead their case for access to public funding. In those places where private providers maintain a sizeable presence, a carefully maintained equilibrium exists whereby institutions balance their need for stable revenue streams with their desire for operational autonomy. As a result, in some places private IHEs that have successfully maintained this balance possess reputations for delivering a much higher quality education than that offered in the public sector.

At the same time there is also little evidence to suggest governments are eager to be more inclusive when it comes to distributing public funds for the provision of higher education services. In the Netherlands, the historical underpinnings for the policy of treating private universities and hogescholen as equal to publics may be one

of the reasons that the RNF sector has taken more than a passive interest recently in seeking access to public funding. Yet even forming what could be considered a political lobbying group (i.e., PAEPON) in an effort to plead their case, so far they have met stiff resistance and seen little success. In other places like Germany where private higher education is gradually being perceived as a viable alternative to the well-established public sector, legislators are eager to ensure that public funding remains solely in the hands of public institutions.

States choosing to make considerable financial investments in their private sectors, such as the US and France or in New Zealand, seem to do so less for altruistic reasons and more in the interest of fiscal responsibility. Directly channelling public funds to private providers is seen as a way to take advantage of the existing infrastructure in the face of fluctuating, and more often times growing, public demand for higher education.

Even where privates and public both maintain a sizeable presence and privates tend to share in the public funding pot, New Zealand stands alone in its effort to maintain a "level playing field" where both publics and privates receive equal consideration in the allocation of public funds.

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