

PROPOSAL	VOUCHER FUNDING SYSTEM
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DESCRIPTION	PARENT'S CONTRIBUTION TO THE COMMISSION OF INQUIRY INTO HIGHER EDUCATION AND TRAINING

Objectives

The Voucher Funding System seeks to achieve the following objectives:-

- To bring Parents at the forefront of their Learner education, with support from various stakeholders
- To offer 'Free Higher Education' in a progress and sustainable way for the 1st qualification (i.e. Degree / Diploma / Certificate)
- To increase the pool of funders and funding for higher education and training
- To ring-fence funding around beneficiaries so that the Government is able to monitor and cap assistance, provided per learner, in the long term
- To offset, through a rebate system, a small portion of funding contribution from funders (excl. Government & Foreign Students) at the tail-end of the process

Background

- ❑ The cost of delivering university education, alone, in South Africa amounts to over R65 billion, annually
- ❑ Government contributions to university education declined from 49% to 40% by 2012, while the burden on students increased from 24% to 31% during the same period.
- ❑ From 2010 to 2012 tuition fees at the 23 public universities in South Africa increased from R 12.2 billion to R 15.5 billion, while enrolments only increased by 7% during the period.
- ❑ At the same time, student debt rose from R2.6 billion to R 3.4 billion – an increase of 31% over two years. In light of the dependence of universities on tuition fees as a source of revenue, a scrapping or capping of tuition fees would leave universities with a major revenue shortfall, unless alternative funding proposals are implemented to avoid yearly protests on funding for higher education
- ❑ Note: The following, comparison:-
 - ❖ In the UK, the Government contributes 30% of the cost of higher education
 - ❖ In the US, the state contributes 34% to the cost of higher education
 - ❖ However, in Germany higher education has historically been Government funded, since education has been regarded as ‘a public good’.

Basic Principles

- ❑ Government has limited resources, which must be utilized for various competing needs
- ❑ The majority of parents (and learners) have constrained financial resources to churn out yearly fees
- ❑ A number of students are already in debt, who have no prospects of paying because they have no means and in certain cases can't be traced, etc.
- ❑ The legislation has to be amended to also take into account the alternative funding System (i.e. voucher funding System)
- ❑ A centralised national learner registration system (i.e. an enhanced version of the 'abridged birth certification' system) will have to be set up, so that the 'voucher funding system' can be made possible in order to achieve the following:-
 - ❖ Ring-fence benefits of a family (i.e. parents and learners)
 - ❖ Generate self-funding over a medium term as more people (i.e. employers and employees) contribute
- ❑ The quality of education to be maintained and improved as funding increases since the best educators will be retained – the trend is slowly reversing, slowly.
- ❑ The higher learning institutions feed their critical / scarce skills enrolment targets into the centralised system a couple of months before start of enrolment process

Assumptions

- ❑ There is no 'Free Lunch' - Hence, 'Free Education' is only possible through the two main sources of funding (i.e. Government and the rest - Parents, Donors, Foreign Students, etc.) the first qualification (i.e. Degree / Diploma / Certificate)
- ❑ Parents (i.e. family, relatives, guardians, etc.) are the central figure in driving children's education at higher levels (as well as at basic levels)
- ❑ Learner funding is as follows:
 - ❖ Parents pay Learner education fees on a Progressive pay basis based on income scales of Parents, used as the minimum criteria of selecting qualifying learners (i.e. supported)
 - ❖ Donors paying for Learners that they have identified or identified through other parties
 - ❖ Foreign Students are paying for themselves or through their Governments
 - ❖ Government will then pick up the 'tab' for the rest of the qualifying Learners that are not supported / sponsored in South Africa
- ❑ Long-term funding of education must be geared towards the achievement of the NDP Goals & Targets, i.e. a higher % of funding must be on critical / scarce skills, in order for South Africa to continue and improve its role as an innovative player in the world.

Voucher Funding System - Method & Approach

- ❑ All the learners will be registered through a national central system using their IDs as well as capturing the details of their family members - similarly to the 'abridged birth certification' process that Home Affairs use
- ❑ The family of the learner will be issued a 'voucher', after they have registered on the centralised national new / enhanced system before the start of the enrolment process of the learners into higher learning institutions
- ❑ This voucher will document and detail all the relevant information including the amount of support the learner receives (or will receive) each year
- ❑ The overall support will only be limited for a period of up to the 1st qualification
 - ❖ The voucher must be used by all entities to capture and record the value of support received by the learner
 - ❖ The funder (i.e. Government, Parents, Donors, etc.) will then support (i.e. fund) the learner of the family that has been issued with the voucher. The funder's details must also be incorporated into the system in order to keep track of the entire support received by that family – this information will enable the funder (excl. Government / Foreign Students) to be eligible for a rebate system

Voucher Funding System - Method & Approach (cont.)

- The voucher system will start immediately from the promulgation of the new Act but the funding deductions only commence after 3 years from the promulgation of the new Act, to enable enough time for the development & fine-tuning of the system, build resources as well as enable national registration process to be in place
- The rebate system will only be at the tail-end of the process and starting after 4 years from the date of the promulgation of the new Act, based on the % portion of the contributions made by the relevant registered stakeholders (Excl. Government & Foreign Students)

Sources of funding

As a general rule, funding or sources of funds will come from a centralized pool managed by Treasury / DHET, of which those funds will then get distributed to the higher learning institutions in line with registered enrolments captured on the system. The funds will be sourced as follows:-

- Government's current funding allocation on higher education
- 0.5% - 1% additional levy charge on SDL fee from employers and employees salaries
- Sale of Government's non-core assets (i.e. portion of funds received allocated)
- Bond (New medium term loan) raised to fund the gap to be incurred within first few years
- Enrolment fee (capped to no more than R500 per learner), which will be paid by the Learner and used by the higher learning institution for minor administrative requirements (like buying pens, printing papers, etc.)

Note:

- ✓ Higher learning related funding requirements for research, as an example, will continue to be funded by Government to ensure that the quality of education and standards are not dropped.
- ✓ Debt of learners will need to be scrapped, if funds were from Government / Public Entities but the Learner will have to pay for external loans raised (from other institutions like Banks) before the introduction of this voucher funding system.
- ✓ Up to the first 3 years before start of this voucher funding system, Government will fund Learners not assisted by Parent / Donors who are eligible for tertiary education.

Rebate System

- The rebate system is an alternative method of re-imbursing the funders (Excl. Government & Foreign Students) for the contribution they have made towards the skilling of the Learner
- This re-imbursement will be a % portion of the contribution made on the additional SDL levy that would have been charged.
- This % portion of re-imbursement can be in the form of funding credits or small deductions on payroll tax payments
- Only the funders that would have been registered at enrolment phase / stage would be eligible for the rebate.
- The rebate system will only be effective after the first 4 years from the date of the promulgation of the new Act.

Conclusion

- ❑ Parents are at the forefront of their Learner education, as this voucher funding system makes them active participants in this process - It makes it a family affair and not a lone ranger student crusade where parents are left behind.
- ❑ 'Free higher education' will only be realised after three years from the date of the promulgation of the new Act.
- ❑ More funders will join the voucher funding system, to assist more learners, as there would be national platform to make a contribution (including the ones who previously would not have participated) and there will also be a rebate system at the tail end of the process
- ❑ The funding allocation will be ring-fenced to the support of the Learner during their 1st qualification
- ❑ The Payback period, through this voucher funding system, is not anticipated to be more than 15 years given that economic growth is projected to increase from the current levels, which will enable more people to be employed (Incl. ex learners) and companies to flourish

THANK YOU