



Financial Restructuring of Higher Education in China

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1. Guideline for Restructuring

1.1. Background for Restructuring

- The higher education system was financed solely by the government
- Higher education was free
- The market economy is replacing planning economy



1.2. “Law of Higher Education, 1998” — new financing system

- The government is the main funding source for higher education
- Developing various sources of financing higher education
- Making higher education meet demands of economical and social development



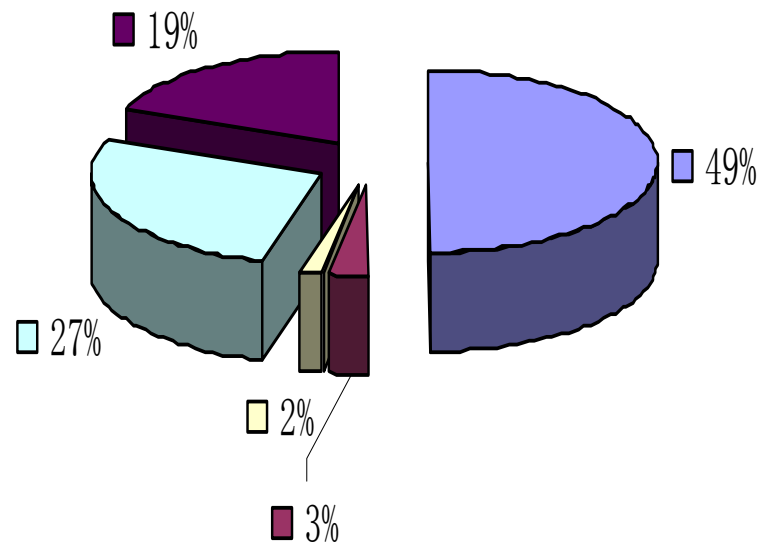
2. Trends of Restructuring

2.1. Diversification of Financial Sources

- Government Grant
- Tax Deduction and Reduction
- Tuition and Fee
- Business run by higher education institutions
- Endowment
- Research
- Loan
- Investment

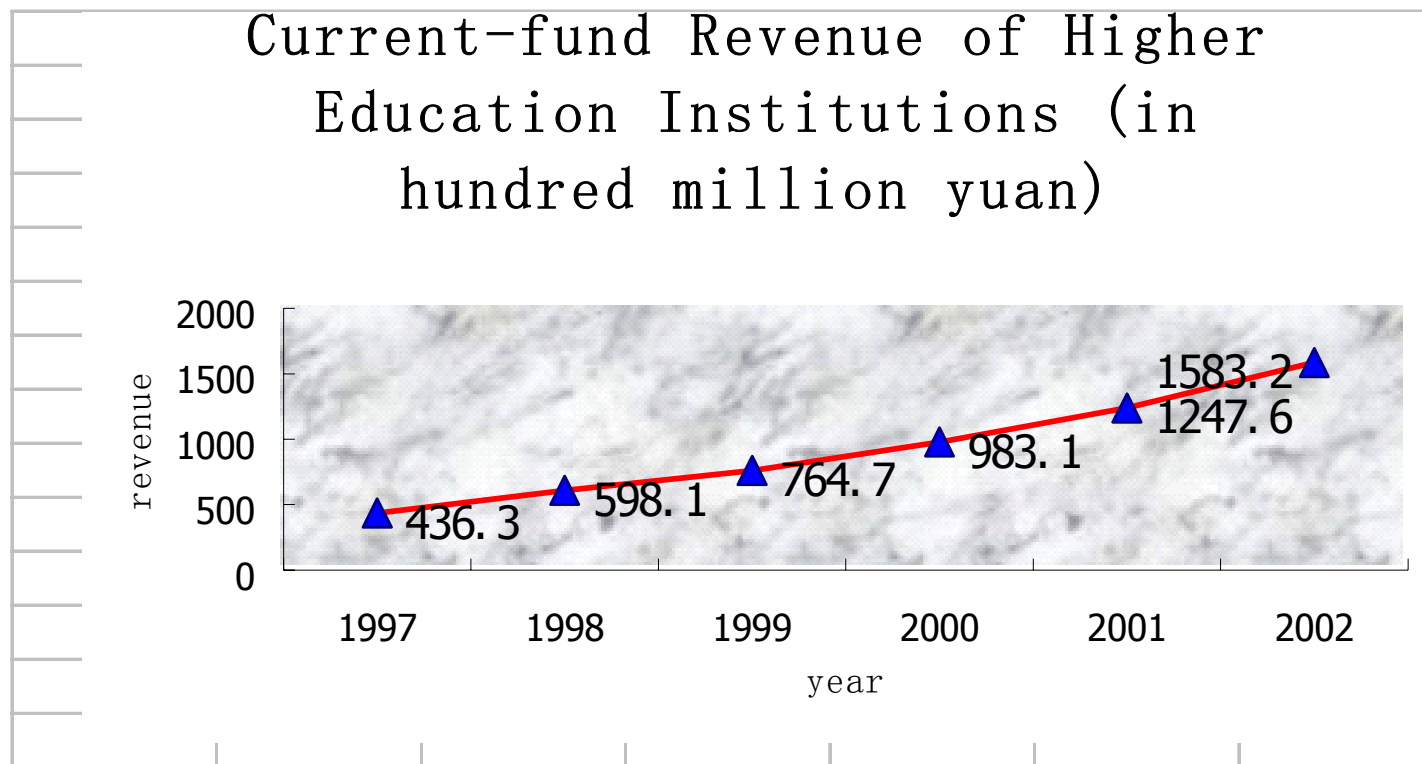
Current-fund Revenue by sources

Current-fund Revenue of Institutions of Higher Education
by sources (2002)



■ governments ■ social organizations individuals ■ donations gifts ■ tuition fee ■ others

2.2. Revenue increased but can not catch enrolment expansion

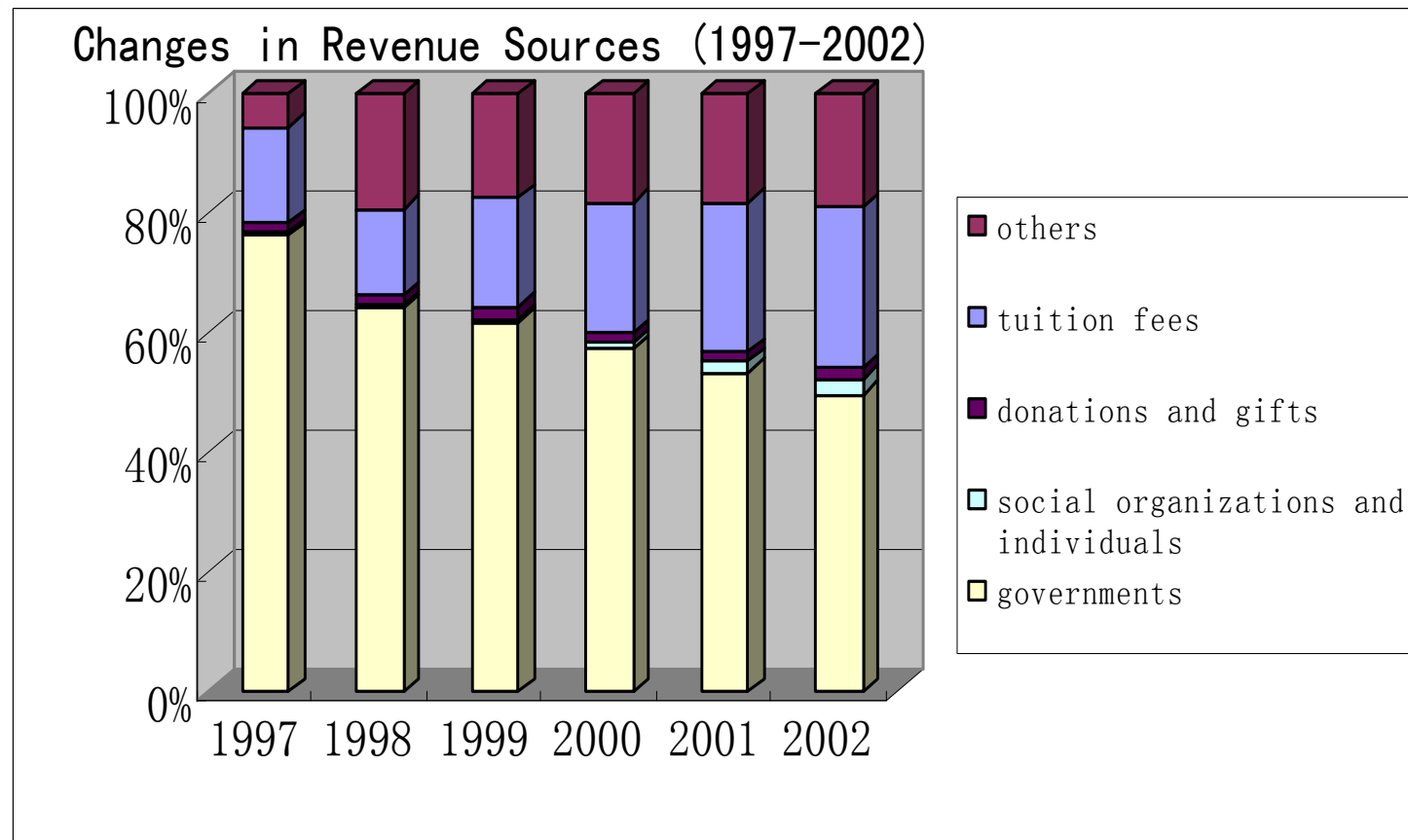




Public Fund for Public Higher Education Institutions (1998 – 2003)

year	1998	1999	2000	2001	2002	2003	2003/1998
Number of full-time students (in 10 thousand)	361	432	586	758	903	1109	3.1
Public fund (in 100 million yuan)	545	704	904	1167	1488	1683	3.1
Expenditure/student (yuan)	9422	9768	10787	10786	15120	14963	1.6

2.3. Public fund is the main source, but its share in the total expenditure has been down





2.4. Public fund became more competitive and selective

- 211 Project — 99 institutions and hundreds disciplines
- 985 Project — 2+7 Universities
- Government research grant for higher education institutions: 69% went into key-point universities through competition



2.5. Gap in expenditure per student among different areas getting larger

Current-fund Expenditure per Student in Some Provinces and Autonomous Regions (2001) (in yuan)

	National average	some provinces and autonomous regions
Current-fund expenditure per student	9791	Guizhou (3889) Qinghai (6305) Xinjiang (6509) Inner Mongolia (6841) Anhui (7230) Hubei (7654) Jiangxi (7935)



2.6. Tuition and fee has been raised

Revenue from Tuition and Fee (1997, 2002)
(in hundred million yuan)

year	1997	2002	2002/1997
Revenue from tuition and fee	71.1	426.5	6
Percentage of total revenue from all sources (%)	16	27	



2.7. Higher education institutions began to enter into market

- To run business
- To borrow bank loan
- To raise fund
- To sell educational services: adult and continue education, internet colleges, independent colleges, etc.
- To contract with business, technology licensing and royalties

Revenue from Business Run by Higher Education Institutions

year	Number of business	Income (in hundred million yuan)	Profit (in hundred million yuan)	Profit collected by higher education institutions (in hundred million yuan)
1999	5444	379	31	16
2000	5451	485	46	17
2001	5039	603	48	18
2002	5047	720	46	17
2003	4839	826	43	18



3. Questions and Challenges

- **Public or private good**
- **Efficiency or equity**
- **Government role vs. market role**
- **What is the university?**