ANNEXURE B

Priority funding requirements for the Department of Higher Education and Training over the 2017/18 – 2019/20 MTEF

The Department received its preliminary allocation from National Treasury (Annexure A), derived from the 2017 ENE submission to National Treasury. The Department appreciates the Cabinet approved baseline, but there are still conspicuous shortfalls that pose serious risks to the sector. The following areas of concern are therefore highlighted:

Sector	2017/18	2018/19	2019/20	Total
	R'000	**R'000**	**R'000**	**R'000**
Technical and Vocational Education and Training	11 759 514	12 829 598	13 976 583	38 565 695
University Education	10 082 088	11 769 680	13 572 892	35 424 660
Community Education and Training	13 154 294	15 290 929	17 765 687	46 210 910
Total shortfall	**34 995 896**	**39 890 207**	**45 315 162**	**120 201 265**

A. Technical and Vocational Education and Training Sector (TVET)

The TVET sector is currently the most negatively affected within the PSET system and with the likelihood of disruptions in the 2017 academic year.

Shortfall in baseline funding to support enrolments relating to Ministerial approved programmes in the TVET Sector. Based on the #Fees Must Fall campaign, it is anticipated that disruptions may escalate to the TVET Sector in 2017. The TVET sector cannot be sustained without additional financial resources from Government. The baseline is not sufficient to support the current enrolment in the system at the required **80%** funding level and by implication, therefore, only able to fund students at **57%** of the programme costs.

The following table indicates the funding requirement for the TVET College System:

Funding Categories	**2017/18**	**2018/19**	**2019/20**	**Total Shortfall: MTEF**
1.6% Growth in enrolment targets (Total headcounts for Ministerial including occupational programmes)	721 904	733 454	745 189	
Number of Full-time students:				
CV and Report 191	369 828	375 745	381 757	
	R'000	**R'000**	**R'000**	**R'000**
MTEF Allocation required in baseline	21 058 213	22 636 062	24 315 997	**68 010 272**
MTEF Allocation:	9 298 699	9 806 464	10 339 414	**29 444 578**
80% Programme funds	6 861 079	7 227 462	7 613 409	21 701 951
NSFAS	2 437 620	2 579 002	2 726 005	7 742 627
Total funding shortfall	11 759 514	12 829 598	13 976 583	**38 565 695**

Shortfall categories:	**R'000**	**R'000**	**R'000**	**R'000**
TVET College programme funds (subsidies)	**4 383 775**	**4 863 417**	**5 376 373**	**14 623 565**
NSFAS:	**7 160 753**	**7 735 088**	**8 351 800**	**23 247 641**
NSFAS Bursaries for tuition fees	*1 095 944*	*1 215 854*	*1 344 093*	*3 655 891*
Accommodation and Meals	*3 912 780*	*4 205 957*	*4 521 101*	*12 639 838*
Travel costs	*2 152 029*	*2 313 276*	*2 486 606*	*6 951 911*
Examination Shortfall	**214 986**	**231 094**	**248 409**	**694 489**
Total system shortfall	**11 759 514**	**12 829 599**	**13 976 582**	**38 565 695**

Total Budget: Based on the projected increase of 1.6% in enrolment, the TVET system will require a total budget of R68 billion over the MTEF. Based on the available baseline of R29.4 billion, this will require additional funding of **R38.6 billion** over the MTEF in order to function optimally based on revised targets (only 1.6% increase as opposed to White Paper Targets calculated at approximately 14.4%).

TVET College programme funds (subsidies): Based on a projected increase of 1.6% in enrolments in the TVET Sector, **R14.6 billion** additional funding will be required over the MTEF to fund students at the required 80% funding level as contained in the National Norms and Standards for funding TVET Colleges.

NSFAS: Total additional funding amounting to **R23.2 billion** will be required over the MTEF to support the students with their tuition fees, accommodation and meals as well as to provide travel allowances for eligible students. The majority of students in the TVET system will fall below the R600 000 household income and will therefore be eligible for financial assistance based on academic merit.

DHET Examination Function: The Examination function of the Department of Higher Education and Training is substantially underfunded and will require (at a minimum) **R695 million** of the MTEF in order to operate effectively.

B. University Education

Baseline funding to support enrolments

Much of the current crisis in university education is a result of the subsidy funding to universities not keeping up with FTE enrolments, thus resulting in institutions increasing their fees and university fees becoming more and more unaffordable, not only for the poor and working class, but also for middle class families. While funding has increased over the years both in nominal and real terms, the increases in enrolment in the system together with inflation rising at the Higher Education Price Index (estimated at 1.8% above CPI), has meant an ongoing erosion of the available funding per student.

Specifically with regard to the teaching input grant the real value per FTE student has eroded significantly. Table 1 below shows the total deficit per year. This indicates that if the system were to be effectively funded for the actual planned enrolments, which would enable universities to keep their fees/ fee increases at affordable levels going forward, an amount of **R18.8 billion** would be required over the MTEF **(R5.177bn in 2017/18; R6.084bn in 2018/19 and R7.572bn in 2019/10).**

Table 1

R'000	**2017/18**	**2018/19**	**2019/20**	**Total**
Block grants for universities	25 322 565	27 313 133	28 842 669	81 478 367
CPI plus HE Inflation 2% (MTEF CPI updated 17/10	8	7.9	7.7	
1.1 Teaching inputs				
Actual TIU rand value	12 044	12 646	13 279	37 969
TIU rand value – CPI with HE inflation (2%) from 2010/11	16 164	17 441	18 784	52 389
TIU as per the enrolment plan based on a 1.9% increase	1 323 719	1 362 140	1 396 685	4 082 544
Funding required	21 396 921	23 757 387	26 235 606	71 389 914
Funded TI sub block grant	16 220 201	17 673 730	18 663 459	52 557 390
Deficit	5 176 720	6 083 657	7 572 147	18 832 524

Shortfall in funding to enable full cost of study support for the poor through NSFAS

The second key priority is to ensure that all academically deserving poor students are funded through full cost of study upfront funding (loans and bursaries) to access university studies with support that provides them with a reasonable chance of success. Based on the further allocations to deal with the shortfall in NSFAS funding amounting to **R7,694 billion** over the MTEF, the projected shortfall in funding for NSFAS to effectively fund poor students at universities (**calculated on the basis of 24.5% undergraduate enrolments**) and assuming that NSFAS recovered funds will be reinjected into the fund, amounts to **R16.218 billion** as follows:

Table 2

Summary	2016/17	2017/18	2018/19	2019/20*	MTEF
1.6% Growth in enrolment targets	834 999	848 645	863 585	872 517	
Number of students:	204 754	208 101	211 764	213 954	
Contact	189 566	192 912	196 576	198 766	
Distance	15 188	15 188	15 188	15 188	
MTEF allocation required in baseline	***8 163 666 183***	***15 095 658 888***	***16 670 616 462***	***18 317 353 104***	58 247 294 637
MTEF allocation:	***6 350 811 000***	***7 519 285 000***	***7 802 563 000***	***8 192 691 150***	29 865 350 150
Original Baseline	4 311 811 000	4 527 402 000	4 789 992 000	5 059 617 310	18 688 822 310
Continuing and new students	2 039 000 000	2 991 883 000	3 012 571 000	3 133 073 840	11 176 527 840
*Unutilised funds from historic debt allocation	**637 918 482**				
Add: Nsfas reinjected funds	***297 701 201***	***425 100 000***	***743 925 000.00***	***1 487 850 000.00***	2 954 576 201
Total 2016/17 deficit	***877 235 500***				877 235 500
Total MTEF shortfall		***7 151 273 888***	***8 124 128 462***	***8 636 811 954***	23 912 214 304
* 2019: Assuming a 5% inflationary increase					

Description	2017/18	2018/19	2019/20	MTEF
1. MTEF Shortfall from Table 2	7 151 273 888	8 124 128 462	8 636 811 954	23 912 214 304
2. Additional funding announced in the MTBPS	2 369 924 000	2 559 518 000	2 764 279 000	7 693 721 000
Total shortfall (row 1 – row 2)	**4 781 349 888**	**5 564 610 462**	**5 872 532 954**	**16 218 493 304**

New Universities Capital and Operational Grants

Funding made available for the development of Sol Plaatje University and the University of Mpumalanga through the original bid did not provide sufficient operational funds for the two institutions. At the time of allocating the funds, National Treasury informed the Department that the operational funds available at the beginning of the project would be limited, but that as soon as there was full understanding of the growth and need, a further bid could be made so that sufficient operational funds could be made available for the institutions' long-term development. During 2015/16, National Treasury indicated that it was not possible to provide funds in line with the required growth in operational costs. Therefore permission was received for some of the capital funds to be shifted to operational funds to off-set the problem. The matter will be reconsidered during the 2018 MTEF for additional funding in the capital grant baseline.

The shortfall over the MTEF in relation to the new universities capital infrastructure grant is calculated as approximately **R373.643 million (R 124.018 million in 2017/18; R121.413 million in 2018/19; and, 128.212 million in 2019/20)**.

C. Community Education and Training

The estimated Community Education and Training (CET) sector funding shortfall for the 2017 MTEF is as follows:

Activity	2017/18	2018/19	2019/20	Total
	R'000	R'000	R'000	R'000
CET system expansion and quality improvement	10 662 579	12 468 984	14 581 425	37 712 988
NASCA	380 430	402 500	425 440	1 208 370
CET Pilots	105 415	110 684	116 217	332 316
Improvement of conditions of service	163 678	187 771	201 666	553 115
Examinations	554 240	639 953	741 048	1 935 241
Infrastructure	1 287 952	1 481 037	1 699 891	4 468 880
Total shortfall	**13 154 294**	**15 290 929**	**17 765 687**	**46 210 910**