Dilemmas of Financing Higher Education in Poland

Roman Z. Morawski, Jerzy Woźnicki, and Andrzej Kraśniewski
Warsaw University of Technology, Poland

Abstract

The paper is on the methodology of financing higher education, being currently discussed by the Polish academic milieu. A legal and economic background of the discussion is outlined and several options for the future system of financing higher education are presented, viz. options proposed by the Ministry of National Education and by the Conference of Rectors of Academic Schools in Poland. Some preliminary evaluation of those options is carried out.

Introduction

According to the academic law, promulgated by the Polish parliament in 1990, the regular studies at public academic institutions are free of charge for the Polish citizens. At the same time, the students of evening and extra-mural studies at public institutions of higher education (IHEs) and the students of private institutions of higher education have to pay tuition fees ranging from 500 USD to 5 000 USD per year. Such a situation is a source of numerous pathologies in the functioning of institutions of higher education, and negatively influences the average quality of higher education in Poland. On the other hand, the long-lasting underfinancing of IHEs is undermining their development that makes problematic further increase in the number of students (it was tripled in 1989-99), starting new programs of study and establishing quality-assurance systems. It is also worth mentioning here that the new Polish constitution, promulgated in 1997, made the legal situation even more complicated since it declared education in public IHEs to be (with some exceptions) free of charge. The need for a new system of financing IHEs in Poland is thus evident; hence the attempts to propose it, undertaken recently by many governmental and non-governmental bodies.

The main objective of the paper is to summarize the attempts of designing a new system of financing academic institutions, and to identify possible consequences of its implementation. Based on the data available in international reports, the methods of financing higher education in Poland are compared with the methods applied in other European countries. The paper characterizes recently proposed versions of a new system of financing higher education in Poland – combining loans for students with financing from the State budget and students pockets.

The solution of the financial dilemmas of IHEs in Poland will require a significant increase in the amount of resources for their functioning. The State budget seems to be a very limited source of such resources for the foreseeable future. Hence the strategic success of the higher education in Poland will depend on the ability to get financial support from non-budgetary sources, on the level of economic activity by IHEs, and on the efficiency of using the

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available resources by those institutions. The corresponding analysis, presented in the paper, covers the following areas:

- the sources of financing teaching and research activities of European IHEs,
- the premises and effects of the financial crisis of higher education,
- the idea of co-financing higher education in Poland,
- an option of financing higher education proposed by the Conference of Rectors of Academic Schools in Poland (March 1998),
- an option proposed by the Ministry of National Education (April 1999),
- an option proposed by the Rector of Warsaw University of Technology (May 1999),
- an option agreed by the Ministry of National Education and the Conference of Rectors of Academic Schools in Poland (January 2000),
- preliminary conclusions.

**European approach to financing higher education**

In the economically developed countries of Europe, a mixed model of financing IHEs seems to prevail: public money is supplemented with private resources to cover growing costs of higher education. According to the *Eurydice* sources, the following general rules of financing public IHEs are in force in 18 European countries (15 countries of European Union, Iceland, Liechtenstein, and Norway):

- with no exceptions teaching activities are financed mainly from State institutional grants;
- registration fees are paid by students of 7 countries (Belgium, France, Ireland, Iceland, Italy, Portugal, and Spain);
- tuition fees are paid by students of 10 countries (Austria, Belgium, Ireland, Iceland, Italy, Liechtenstein, the Netherlands, Portugal, Spain, and the United Kingdom);
- a system of grants and/or loans for students exists in all countries;
- a special support for the payment of fees is provided for students of 8 countries (Belgium, France, Ireland, Italy, the Netherlands, Portugal, Spain, and the United Kingdom);
- family and tax allowances are available for students of 10 countries (Austria, Belgium, France, Germany, Greece, Italy, Liechtenstein, Luxembourg, Portugal, and Spain);
- research activities are supported from public resources in 13 countries (Austria, Belgium, Finland, France, Germany, Ireland, Italy, Liechtenstein, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom).

In Poland:

- teaching activities in the State IHEs are financed mainly from State institutional grants, and in private IHEs – mainly from tuition fees;
- registration fees are paid by the students of both the State and private IHEs;
- tuition fees are paid by all students of the private IHEs, and by evening and extramural students of the State IHEs;
- a system of special loans for students was introduced in 1998;
- financial support from State resources is provided exclusively for students of the State IHEs;
- limited tax allowance for students paying tuition fees is available;
- research activities are mainly supported from State resources in the State IHEs, and are practically non-existing in the private IHEs.

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It should be stressed that current practices of charging the evening and extramural students of the State IHEs with tuition fees, as well as limiting access of the students of the private IHEs to the financial support from State resources, are legally incompatible with the provisions of the Polish Constitution.

The Polish system of financing higher education is quantitatively characterized by the figures given in Tables 1-4. They clearly demonstrate the qualitative difference between the private IHEs, providing educational services for ca. 27% of 1.27 mln of Polish students, and the State IHE.

Table 1 Structure of the income of Polish IHEs in 1998.

<table>
<thead>
<tr>
<th></th>
<th>teaching activities</th>
<th>research activities</th>
<th>other activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>all IHEs</td>
<td>80.6 %</td>
<td>13.0 %</td>
<td>6.4 %</td>
</tr>
<tr>
<td>State IHEs</td>
<td>78.9 %</td>
<td>14.6 %</td>
<td>6.5 %</td>
</tr>
<tr>
<td>private IHEs</td>
<td>95.3 %</td>
<td>0.1 %</td>
<td>4.6 %</td>
</tr>
</tbody>
</table>

Table 2 Structure of the teaching-related income of Polish IHEs in 1998.

<table>
<thead>
<tr>
<th></th>
<th>State institutional grants</th>
<th>communal funds</th>
<th>tuition fees</th>
<th>other sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>all IHEs</td>
<td>64.9 %</td>
<td>0.2 %</td>
<td>26.7 %</td>
<td>8.2 %</td>
</tr>
<tr>
<td>State IHEs</td>
<td>74.2 %</td>
<td>0.3 %</td>
<td>16.6 %</td>
<td>8.9 %</td>
</tr>
<tr>
<td>private IHEs</td>
<td>0.0 %</td>
<td>0.0 %</td>
<td>97.6 %</td>
<td>2.4 %</td>
</tr>
</tbody>
</table>

Table 3 Structure of the research-related income of Polish IHEs in 1998.

<table>
<thead>
<tr>
<th></th>
<th>State institutional grants</th>
<th>State individual grants</th>
<th>other sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>all IHEs</td>
<td>53.0 %</td>
<td>20.8 %</td>
<td>26.3 %</td>
</tr>
<tr>
<td>State IHEs</td>
<td>52.9 %</td>
<td>20.8 %</td>
<td>26.4 %</td>
</tr>
<tr>
<td>private IHEs</td>
<td>85.5 %</td>
<td>6.5 %</td>
<td>8.0 %</td>
</tr>
</tbody>
</table>

Table 4 Instruction costs and State financial support per student in the Polish IHEs in 1998.

<table>
<thead>
<tr>
<th></th>
<th>instruction costs</th>
<th>financial support per student</th>
</tr>
</thead>
<tbody>
<tr>
<td>all IHEs</td>
<td>~1 690 USD</td>
<td>~1 090 USD</td>
</tr>
<tr>
<td>State IHEs</td>
<td>~1 900 USD</td>
<td>~1 100 USD</td>
</tr>
<tr>
<td>private IHEs</td>
<td>~ 700 USD</td>
<td>~ 70 USD</td>
</tr>
</tbody>
</table>

The financial crisis of higher education and the idea of co-financing IHEs in Poland

The main premises of the world-wide financial crisis of higher education, identified in the relevant literature, are the following:

- rapid increase in the number of students (e.g. in Australia, France or Poland),

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5 ibid.
6 ibid.
7 ibid.
- extension of the actual length of study (e.g. in Italy or Germany).
Its most important effects are:
- decrease of the financial spending per student (e.g. by ca. 30% in Germany, the United Kingdom, or the Netherlands),
- increase of private sources in financing higher education (e.g. in Germany, France, or the Netherlands).

The reaction of governments to the financial crisis of higher education is very differentiated. For example, in Austria, the free student transport was abolished (1995), and the age limit for family allowances reduced to 26 (1996). In France, the registration fees have been increased. In Germany, the tuition fees were introduced in two provinces (Saxony – 1997, and Baden-Württemberg – 1998) for students who study longer than prescribed. In the United Kingdom, according to the regulations introduced in 1998, a lump yearly payment (1,000 GBP) is required from each undergraduate student, and special loans for students are available for covering costs of studying – to be returned during 10 years after graduation. In Italy, the tuition fees have been generally increased. In Norway, Spain and Sweden, the level of subsidies, transferred from the State budget to the IHEs, has been related to the effects of education (e.g. to the number of graduates).

The first symptoms of a severe financial crisis of higher education appeared in Poland in the early 90’s. As a response, based on the analysis of the world situation, the idea of partial payment for studies, coupled with individually-granted loans available to all interested students, was put forward. It was being justified in numerous discussions in the following way:
- it should increase availability of higher education by increasing financial resources available to public IHEs;
- it should motivate students to study, and encourage them to demand instruction of quality;
- it should help in eliminating or alleviating pathological phenomena resulting from the fact that fees are now charged for evening and extramural studies only.

A new legal constraint on designing a new system of financing higher education appeared in 1997 when a new Constitution of the Republic of Poland was promulgated by the parliament. It states in Article 70.2.: Education in public schools shall be without payment. Statutes may allow for payments for certain services provided by public institutions of higher education. Thus classification of services provided by public institutions of higher education became a logical key to designing a new system of financing higher education in Poland. One of the most promising approaches was based on the following reasoning:
- education sensu stricto, i.e. systematic instruction and training (or teaching) – free of charge;
- providing conditions for self-instruction and self-training – not necessarily free of charge;
- verification and certification of qualifications acquired by students – not necessarily free of charge.

Option proposed by the Conference of Rectors of Academic Schools (March 1998)

According to the opinion expressed by the Conference of Rectors of Academic Schools in Poland in March 1998:

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- moderate tuition fees should be charged for M.S.-level intramural studies, and for all forms of extramural studies;
- special payments should be charged for extra services at the B.S.-level and M.S.-level studies, such as: courses conducted in foreign languages, or studies partly taken place outside a given IHE;
- some other payments could be made by persons without Polish citizenship (for all kinds of studies), B.S.-level students retaking courses because of inadequate academic performance or students pursuing degree programs in two or more fields of study.

Option proposed by the Ministry of National Education (April 1999)

In April 1999, the Ministry of National Education put under discussion a draft of the new *Act on Higher Education*. In that document, the following kinds of payments were proposed to be introduced:
- lump payment for verification and certification of qualifications acquired by any student of intramural or extramural studies: not greater than 10% of the predicted average monthly salary in a given calendar year;
- special payments for retaking courses because of inadequate academic performance, pursuing a program of study in the second field of study, pursuing a program of study taught in a foreign language, or taking more courses than required by the pursued program of study.

According to the draft *Act on Higher Education* of April 1999, the rates of all payments, regulations concerning their collection, the rules for total or partial exemption from payments should be determined by the senates of IHEs.

Option proposed by the Rector of Warsaw University of Technology (May 1999)

In an attempt to combine two previous solutions, the Rector of Warsaw University of Technology proposed in May 1999 to introduce the following payments:
- lump payment for verification and certification of qualifications acquired by any student of intramural or extramural studies – identical for all fields of study, not greater than 5% of the predicted average monthly salary in a given calendar year, and fixed by the Ministry;
- special payments for retaking of courses by any student of intramural or extramural studies because of inadequate academic performance – depending on the current costs of courses, and fixed by the rectors of IHEs;
- extra payments for covering extra costs related to providing conditions for self-study and self-training or other extra services – depending on the field of study and the nature of extra services, and fixed by the senates of IHEs in accordance with the rules defined by the Ministry.

Option agreed by the Ministry of National Education and the Conference of Rectors of Academic Schools (January 2000)

In September 1999, after nation-wide discussion on the first draft of the *Act on Higher Education* proposed in April 1999, the Ministry of National Education issued its second draft. Two variants of financing higher education were put under consideration. The first one was practically identical with that proposed in April. The second variant represented completely different approach to the problem. According to that variant, any State IHE should obtain an

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institutional grant for providing free-of-charge educational services to a group of students whose number would be determined by the Ministry. The State IHE would be, however, allowed to earn more money by admitting additional students paying registration and tuition fees determined by its senate. It would be also allowed to charge all students for retaking of courses because of inadequate academic performance, for pursuing a program of study in the second field of study, for pursuing a program of study taught in a foreign language, and for attending courses not required by the pursued program of study.

In November 1999, the Conference of Rectors of Academic Schools in Poland – in conclusion of the discussion over the variants proposed by the Ministry of National Education in the second draft of the *Act on Higher Education* – recommended the implementation of the second variant\(^\text{13}\). Consequently, it appeared in the draft of the *Act on Higher Education* dated January 18, 2000\(^\text{14}\). Special provisions are proposed in this draft to prevent a potential danger that the State budget might gradually withdraw from financing public IHEs.

**Draft provisions on financing higher education in Poland**

According to the Draft of the *Act on Higher Education* dated January 18, 2000, a public IHE is financed from the State budget and other resources (Art. 75). The Minister is supervising the expenses of a public IHE covered from public resources (Art. 23). Public IHEs receive from the State budget the target grants for teaching (including Ph.D. studies), financial aid for students, and maintenance and investments (Art. 76). The rules for the distribution of target grants are defined by the Minister, but he/she is obliged to consult them with the National Accreditation Council and the Conference of Rectors of Academic Schools in Poland (Art. 79). The Minister defines the number of students, in each field of study at each IHE, whose instruction is to be financed from the target grant, but he/she is obliged to take into account the average costs of instruction in each field of study (Art. 81), and to request opinions:

- of the National Accreditation Council (NAC) on the standard costs of instruction in specific fields of study (Art. 32),
- of the Conference of Rectors of Academic Schools in Poland (CRASP) on the draft of the State budget of higher education, and on the rules and criteria for distributing financial means from the State budget among public IHEs (Art. 36).

The above-outlined set of provisions is underlying the balance of powers in the new system of financing higher education as shown in Fig. 1.

Although a public IHE receives target grants from the State budget, it is authorized to raise funds also from (Art. 80):

- registration fees and enrolment fees whose amount is defined by the senate of an IHE but cannot exceed 5% of the average monthly salary;
- tuition fees at the B.S. level and the M.S. level of studies - but charged only from the students whose studies cannot be financed from the target grants;
- special payments for retaken courses, courses taught in foreign languages, facultative courses, and courses related to a second or third program of study. The corresponding fees are defined by the senate of a public IHE. The Ph.D. studies are free of charge (Art. 177).

\(^{13}\) Stanowisko Konferencji Rektorów Akademickich Szkół Polskich w sprawie projektu z dnia 2 września 1999 r. ustawy pn. "Prawo o szkolnictwie wyższym", przygotowanego przez Ministerstwo Edukacji Narodowej.

IHEs receive financial support for research, but this issue is covered by separate legal regulations (Art. 77).

**Final Remarks**

An appropriate classification of services provided by IHEs is a logical key to the development of such a system of financing higher education that would be legally compatible with the Constitution of the Republic of Poland. The options discussed in this paper are not exhaustive in this respect, although they seem to touch all the existing degrees of freedom. A brief evaluation of those options would be as follows:

- The main advantages of the option proposed by the Conference of Rectors of Academic Schools in Poland in March 1998 are: no negative impact on accessibility of higher education, short delay in loan repayment;
- The main advantages of the option proposed by the Ministry of National Education in April 1999 are: formal simplicity, general applicability;
- The main advantages of the option proposed by the Rector of Warsaw University of Technology are: good trade-off between the advantages of previous options and better compatibility with the provisions of the Constitution of the Republic of Poland;
- The main advantages of the variant agreed by the Ministry of National Education in September and the Conference of Rectors of Academic Schools in Poland is simplicity of implementation from the university point of view.

The last considered solution is not, however, free of drawbacks. First, it is implied by a classification of services provided by public institutions of higher education based on a disputable criterion, viz. on the criterion related to the recipients of the services rather than to the nature of those services themselves. Next, it requires elaboration of a quite sophisticated system for the selection of students whose tuition fee would be covered from the State budget.
ROMAN Z. MORAWSKI
Roman Z. Morawski received his M.S. degree (1972) and D.S. degree (1990) from Warsaw University of Technology, and his Ph.D. degree (1979) from Leningrad Institute of Electrical Engineering. Since 1972 he has been with Warsaw University of Technology where he is currently Professor and Dean of the Faculty of Electronics and Information Technology. His current research is in measurement applications of digital signal processing. He is Fellow of IEE, Senior Member of IEEE, and Member of ASEE.

JERZY WOŻNICKI
Jerzy Woźnicki received his M.S. degree (1970), Ph.D. degree (1979), and D.S. degree (1988) from Warsaw University of Technology. Since 1970 he has been with Warsaw University of Technology where he is currently Rector and Professor at the Faculty of Electronics and Information Technology. Since September 1999 he has been President of the Conference of Rectors of Academic Schools in Poland. His current research is in optoelectronics and image processing. He is Fellow of IEE and Polish government expert at UNESCO.

ANDRZEJ KRAŚNIEWSKI
Andrzej Kraśniewski received his M.S. degree (1974), Ph.D. degree (1983), and D.S. degree (1990) from Warsaw University of Technology. Since 1974 he has been with Warsaw University of Technology where he is currently a Professor at the Faculty of Electronics and Information Technology. Since September 1999 he has been Secretary General of the Conference of Rectors of Academic Schools in Poland. His current research is in design and testing of digital circuits and systems. He is Fellow of IEE, Senior Member of IEEE, Member of ASEE, and Member of ACM and AAUP.