

Supporting Non-governmental Higher Education Development from Public Finance Policies: The Case Fujian Province(2010-2020), China

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Abstract: The common attributes of non-governmental higher education requires the public financial support, which is conducive not only to the promotion to realize the equal entrance opportunities to higher education, but also to promoting the economic growth. Compared with public colleges and universities, private colleges and universities in Fujian have unfair issues in public finance policies such as special fund policies, per student allocation policies, preferential tax policies and student-subsidized policies. Thus, proposals of public fiscal policy for supporting the development of non-governmental higher education are set forth in this paper.

Key words: Non-governmental higher education; Support; Fiscal policy

Introduction:

With the issue and implementation of "Non-governmental Education Promotion Law", The non-governmental higher education in our country has entered into a new stage of progress with prosperous. As a new school-running system, the most fundamental problem during the development of non-governmental higher education is financial support. It is specified in the "Outline of National Medium-and Long-Term Program for Education Reform and Development (2010-2020)" that the non-government funded education shall be strongly supported and the support policy of public finance for non-government funded education shall be improved. As the main body of financial support for non-governmental higher education, the local government needs to promote the sustainable development of non-governmental higher education through public financial Support.

1 The necessity of public finance to support the development of non-governmental higher education

Non-governmental higher education has become an important part of the higher education in our country, and school funding is the material basis for the sustainable development of private colleges and universities. Since the sources of school funding for private colleges and universities are relatively single, the shortage of funds has impeded the healthy development of non-governmental higher education. Therefore, it is very necessary for public finance to support the development of non-governmental higher education.

1.1 The common attributes of non-governmental higher education requires public financial support

Non-governmental higher education is a quasi public product with positive externalities ^[1]. Non-governmental higher education has greatly increased the educational resources which not only provides students with opportunities to receive education in terms of knowledge, ability, physical strength and morality and promote educational equity, but also provides the quasi-public products and qualified labors to

the country and economic and social development. Its social functions are consistent with public higher education. From the view of the social contributions made, under the condition with almost no national input, the scale of education of private colleges and universities has continuously been expanded and the teaching quality of education has continuously been improved, which not only shares the public responsibilities of the government and relaxes the financial pressure of the government, but also cultivates tens of thousands of outstanding talents for the social and economic development to meet people's diverse demands for education. The government is not only one beneficiary of non-governmental higher education, but also the main body of the redistribution of national income, to bear the responsibility of sharing the educational cost of private colleges and universities^[2] through support of public finance policies to non-governmental higher education, reasonable allocation of public education expenditures and optimizing educational resources to ensure that students from non-governmental colleges and universities have the equal rights to receive education.

1.2 Conducive to the promotion to realize the equal entrance opportunities to higher education

One of the main sources of funding for private colleges and universities is the income of school tuition and miscellaneous fees. Beside with scores, whether students can enter into a private colleges and universities for education also depends on whether they can afford the tuition fees or not. For poor students, there is a certain degree of unfairness of educational equality that only the students who can afford the tuition fees have the right to choose to study in private colleges and universities and the educational equality is mainly equality of fair opportunity. private colleges and universities have a certain degree of exclusiveness in the providing educational opportunities that high tuition and miscellaneous fees restrict some poor students to share fair educational opportunities, and harm the right of education for poor students in accordance with law. As the primary responsibility for educational equity, the government shall give more public finance support to non-governmental higher education and let the government and private colleges and universities protect and guarantee people's basic right to education jointly, to promote the realization of equal entrance opportunities to higher education.

1.3 Increasing public finance educational input is beneficial to promoting economic growth

Biyun Xiao (2016) empirically analyzes the relationship between public finance educational input and economic growth in Fujian Province using software Eviews 7.2, to validate the effect of public finance educational input on economic growth. The public finance educational input and the results of stationary test and co-integration test of GDP sequence show that there is a long-term equilibrium relationship between public finance educational input and economic growth in Fujian Province, that is to say, every increase in fiscal expenditure on education by 1%, the economy will grow by about 0.3652%. It can be concluded that the long-term effect of fiscal expenditure on education is greater than that of the short-term effect in Fujian Province by establishing the error correction model. Draw a conclusion that public finance educational input is beneficial to promoting economic growth^[3]. It will take a long time to be effective for the public finance educational input for human capital, while it can quickly promote economic growth in the short term for educational consumption and educational investment in Fujian. Therefore, it is necessary to improve the fiscal expenditure on non-governmental higher education and to exert the leverage effect of financial funds so as to make the economy and society develop rapidly.

2 Problems in the public finance support policy to non-governmental higher education in Fujian

Over the years, Fujian government has made great progress in improving the development environment of non-governmental higher education. However, compared with public colleges and universities, there are still many problems of public finance support policy to non-governmental higher education in terms of special fund policies, per student allocation policies, tax preferential policies and student-subsidized policies.

2.1 Unfairness of special fund support policies

The list of national colleges and universities in 2017 published on the official website of the Ministry of Education shows that, up to May 31, 2017, there are total 89 colleges and universities in Fujian Province, of which 53 are public colleges and universities and 36 are private colleges and universities, and the total number of private colleges and universities accounts for 40.45% in the entire province. Private colleges and universities in Fujian have accounted half of the provincial higher vocational and technical education. However, the shortage of special funds has become a bottleneck for the healthy development of private colleges and universities ^[4]. The special fund projects for public finance supporting the development of colleges and universities in 2017 are shown in Table 1. From Table 1, we know that in 2017, the special funds issued by provincial government such as the key laboratories of private colleges and universities only accounts for 3.82% of public colleges and universities which shows that the government support for the school conditions such as the key laboratories of private colleges and universities is far behind that of public colleges universities; The special funds of the “three plans” for high-level talents in private colleges and universities account for only 20% of the colleges and universities and the shortage of special funds has affected the cultivation and introduction of high-level talents in private higher education colleges; special funds for enhancing the school-running level of private colleges and universities only account for 16.52% of public colleges and universities and the shortage of special funds has restricted the construction of the connotative development of private colleges and universities. Under the condition of limited special funds for development of private colleges and universities, the educators trend toward low-cost and utilitarianism, failing to fully integrate into the development strategy of “New Fujian”, nor focusing on the quality-centered connotative development.

Table 1 Table of Special Funds of Fujian Provincial Government for Supporting the Development of Colleges and Universities in 2017

Unit: Ten thousand Yuan

Name of special fund projects	Total	Public colleges and universities	Private colleges and universities	The percentage of special funds of private to public colleges and universities (%)
key laboratories in colleges and universities	575	553	22	3.98
“Three plans” for high-level talents in colleges and universities	438	365	73	20
Enhancing school-running level of municipal colleges and universities	18053.5	15494.5	2559	16.52

Note: The data comes from the website of Education Department of Fujian Province

2.2 Unfairness in per student allocation policies

Per student allocation is an important means for public finance to support higher education. In 2010, the relevant documents issued by the Ministry of Finance and the Ministry of Education have clearly specified that: per student allocation of local colleges and universities around the country in 2012 is not less than 12,000 yuan. In 2016, the average per student allocation for average four-year colleges in 31 provinces (autonomous regions and municipalities) has reached 12,000 yuan. By the end of 2017, the average per student allocation for provincial public colleges and universities in Fujian Province has reached 6,500 yuan, and will reach 8,000 yuan by 2020. In contrast, although the Fujian Provincial Government has established special funds for non-governmental higher education in 2015, and special funds for the development of private colleges and universities in 2018 is 14.33 million yuan. However, compared with the special funds, the support benefits of per student budget subsidy are of more universality and long-lasting. Currently, however, only a limited amount of subsidy per student is provided for the local shortage and arduous majors opened by private colleges and universities. Most of the students of private colleges and universities do not enjoy this subsidy policy, and the lack of per student subsidy directly by the government is extremely unfair to private colleges and universities.

2.3 Unfairness in tax preferential policies

The major funding for public colleges and universities comes from financial appropriations and fees collected from administrative operating expenses which are levied in accordance with the law and incorporated into fiscal administration. According to the "Enterprise Income Tax Law", both cases are non-taxable income which can be exempted from Corporate Income Tax. However, private schools do not meet this legal condition and they cannot enjoy the preferential policies of tax exemption. Even for non-profit private schools, they can only be eligible for the qualifications of exemption of corporate income tax after they apply for tax exemption qualification certification according to relevant documents. Although there is no difference in the VAT preferential policies between private schools and public schools after business tax replaced with value-added tax in 2016, it is still lacking of law or regulation on financial subsidy for non-governmental higher education. The taxes management standard between the public schools and private schools by tax administration department is also not unified in which not only taxes management standard of private colleges and universities is stricter, but also more taxable items than public colleges and universities. In tax preferential laws for non-governmental higher education, it is still lacking of connection between laws and policies. The unfairness of tax preferential policies has increased the unfair degree between private and public colleges and universities and impeded the sustainable development of private colleges and universities.

2.4 Unfairness in student-subsidized policies

It is pointed out in the "Notice on Further Implementation of student-subsidized policies of Higher Education" issued in Fujian in 2017 that private college students enjoy the same state-funded policies such as student loans and scholarships as public university students in accordance with the provisions. However, from the perspective of the overall funded situation of private colleges and universities, the proportion of state-funded scholarships between public and private colleges and universities is different. On the student-subsidized funds extracted from the tuition fee income, the public colleges and universities draw 15-25% of the funds, while the private colleges and universities only fix a ratio of not less than 6%. In the school year from 2017-2018, the national grants and encouragement scholarship issued by the provincial

government for poor students in municipal colleges and universities are 85.9 million yuan and 40.6 million yuan respectively, in which the national grants and encouragement scholarship for public colleges and universities are 62.19 million yuan and 30.175 million yuan respectively, and the national grants and encouragement scholarship for private colleges and universities are 23.71 million yuan and 10.425 million yuan respectively. It can be seen that the amount of national grants for private college students is less than half of public university students, which makes the funding benefits of private college students unfair.

3 Proposals on public finance support policies for the development of non-governmental higher Education in Fujian

In order to establish the fiscal policy for non-governmental higher education, it is required to base on the financial strength of Fujian, combining economic and social development with the development of non-governmental higher education, and it is suggested to follow from the following four policies.

3.1 Implementing per student-subsidized policy for private colleges and universities

The provision of per student allocation for private colleges and universities from the government will be a more effective supporting way to promote better and faster development of private colleges and universities in Fujian Province. Currently, some domestic cities and provinces have established a per student allocation system for private colleges and universities. For example, Shanghai follows the standard of 1,500 yuan per year, 1400-2200 yuan per year in Chongqing and Wenzhou follows the standard of 20% per student funds of public colleges and universities. The practice of these cities and provinces provides a reference for the implementation of the per student allocation system for private colleges and universities in Fujian that allocation standard in Fujian can be allocated following 20%-30% of the standard of 12,000 yuan per student in public colleges and universities. If the government has limited budget, it may also adopt a method of implementation by different layers and levels, that is to say, starting from the private colleges and universities recognized by the Ministry of Education, then gradually expanding the scope after gaining experience. When providing per student loans to private colleges and universities, the government may assess the school-running level and performance of private colleges and universities according to certain evaluation indicators and according to the results of assessment, different per student allocation standard for different levels and performances of private colleges and universities may be adopted to encourage and support for private colleges and universities to continuously improve the connotative level and create features and advantages.

3.2 Establishing classified management policies for private colleges and universities

In 2015, the State Council explicitly determined to implement classified management for private schools. After the implementation of classified management, non-profit private colleges and universities enjoy equal treatment as public colleges and universities in terms of tax preference and fee remission policies and the government gives support in land allocation and tax deduction etc. They enjoy equal treatment in land use and construction as public colleges and universities which to a certain extent, can weaken the discrimination of the society against private colleges and universities; profitable private colleges and universities execute in accordance with the tax preference of high-tech enterprises, and the government give support to profitable private colleges and universities by purchasing services through the form of contract. Since 2010, the state has carried out pilot reforms of classified management in universities in Zhejiang and other provinces. Currently, China has basically met the conditions for implementing classified management. The government

shall specify the classified management system on the foundation of summing up and absorbing the practices of various pilot regions, and construct differentiated support policies according to the types of school-running organizations of private colleges and universities ^[5].

3.3 Improving the awarding and study aid policies for private college students

The government shall improve the awarding and study aid policies for private college students by mainly adopting direct subsidies and indirect subsidies as the supplements. According to the actual situation of our province, the government shall develop and publish the allocation method of national awards to reward the outstanding students from private colleges and universities. At the same time, it shall increase the support for the student loan business of private colleges and universities, optimize the financing environment, guarantee in the name of the government, and absorb all sectors of society to expand the scope of student loan business^[6]. The student-subsidized equality between public and private colleges and universities is achieved from the policies, and the private colleges and universities are allowed to develop their own allocation rule based on the proportion of poor students and poverty status, to solve the problem of school life for students with financial difficulties in private colleges and universities and achieve the equity of higher education opportunities. In addition, the government provides legal safeguard and strengthens the supervision of private colleges and universities. For private colleges and universities that fail to draw the specified percentage of funds from tuition fee incomes, the government will cut down the enrollment quotas for the second year to ensure that all policies published by the government can be fully realized.

3.4 Establishing the financial discount policies for private colleges and universities

The government and related departments shall establish a financial discount policy of bank loans to support the private colleges and universities. The special funds shall be used to support the development of non-government higher education. As a kind of invisible government subsidies for private colleges and universities, there are two ways for the financial discount policies. The first is that in order to allow private colleges and universities to enjoy cost price subsidy, the government shall subsidize some or all of the interests of the loans of private colleges and universities. The second is that the government allocates the interest subsidy funds to the lending banks to encourage the commercial banks to issue construction and education loans to eligible private colleges and universities at low interest rates. Through financial discount policy, the government enables to produce a large amount of social capital to private colleges and universities by inputting a small amount of financial funds, consequently expanding the use efficiency of financial funds.

4 Conclusion

In recent years, with the strong support of the government, non-governmental higher education has presented a steady development. However, compared with public colleges and universities, the development of non-governmental higher education supported by public finance in Fujian still have unfair issues such as special fund policies, per student allocation policies, preferential tax policies and student-subsidized policies. In order to promote the sustainable development of non-governmental higher education, the government and relevant departments shall pay high attention to the existing problems in public finance support for non-governmental higher education policies and speed up the development of fiscal policies which conform to the practical non-governmental higher education.

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