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# An analysis of sources of financing public and non-public higher education in Poland in 2004–2009

JEL Classification: I22

**Keywords:** public and non-public higher education, revenues from didactic activity, revenues from research activity.

## Abstract

The main aim of the article is the presentation of sources of financing public and non-public higher education in Poland. The detailed structure of revenues with dynamics of changes of their particular items for both kinds of schools is demonstrated. Moreover, the role of the governmental budget and a self-governmental budget in financing higher education system in Poland is shown. The research spans the period of six years i.e. 2004-2009.

The article presents the revenue structure of Polish higher education according to the changes of rules of financing higher education proposed by Ministry of Science and Higher Education.

## 1. Introduction

The legal basis for financing universities from public sources was provided by the following acts:

The Constitution<sup>1</sup>, which guarantees free education at public universities (this implies the necessity of financing the costs of education from budget sources) and obliges public authorities to create and support systems of individual financial and organizational help for students;

The Act of 8th October 2004 on the Principles of Financing Science Financing<sup>2</sup>,

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<sup>1</sup> Article 70 (Constitution of the Republic of Poland — Chapter II. Wolności, prawa i obowiązki człowieka i obywatela).

<sup>2</sup> The Act of 8th October 2004 the Principles of Financing Science Financing (consolidated text — Journal of Law from 2008 No. 169, item 1049, as amended).

The Act of 27th July 2005 — Law on Higher Education<sup>3</sup>, and acts appointing various public institutions and determining the rules of managing public sources given to these institutions<sup>4</sup>.

The act of 27th July 2005 describes universities as schools providing higher education. Public universities are institutions established by the state which are represented by an appropriate authority or public administration and on the other hand, non-public universities are institutions established by a private body or legal entity who is not a state or local government body.

In the law higher education is described as education provided by an institution which possesses the rights to provide it which is completed by gaining specific professional title such as bachelor's degree, qualified engineer, master's degree or any of the equivalent.

The law on higher education gives a university the autonomy in any areas of its activity on the basis of three elementary rules:

- the rules of free education,
- freedom of scientific research,
- and freedom of creative activity.

A university cooperates with economic circles and can lead a business activity which is organizationally and financially separated. It was also guaranteed that it is a non-profit institution and can independently control its own financial resources. It means that public resources are not the only sources of revenues of the institution and its aim is to finance some of the activities. However, public resources constitute major part of the institution's revenues<sup>5</sup>. An institution has a legal status (a non-public institution and a union of non-public institutions acquire legal status from the moment of registering it and the union in the register of non-public institutions).

The law on public finances states that public authorities provide funds to public institutions necessary to perform their duties and provide help to non-public institutions in the area and forms determined therein<sup>6</sup>.

## 2. The rules of financing higher education

The activity of a public institution is financed from subsidy and covers activities which are determined according to the law and may be financed from institution's revenues.

<sup>3</sup> The Act of 27th July 2005 — Law on Higher Education (Journal of Law No 164, item 1365, as amended).

<sup>4</sup> *Diagnoza stanu szkolnictwa wyższego w Polsce*, Report of Ernst & Young Business Advisory and the Institute for Market Economics, November 2009, p. 54.

<sup>5</sup> *Diagnoza stanu...*, p. 54.

<sup>6</sup> Article 15 of the Act of 27th July 2005 — Law on Higher Education (Journal of Law No. 164, item 1365, as amended).

The subsidies cover:

1) activities related to education of students of intramural studies, participants of intramural postgraduate studies, research staff and maintenance of the institution including renovations;

2) activities of military school related to national defence;

3) activities of schools of national services related to citizens' security;

4) activities of an artistic university related to cultural performance which is stated in the law on organizing and conducting cultural activity;

5) activities of a maritime university related to the maintenance of training ships and specialized training areas for staff;

6) activities of an institution educating staff for civil aviation related to the maintenance of air training facilities and specialized training areas for staff;

7) activities related to non-refundable financial assistance for students and PhD students;

8) activities related to health benefits submitted during education of intramural studies in a basic medical unit of an institution or of any other public institution which provides medical education under direct supervision of academic staff with necessary qualifications to perform medical profession according to educational area of teaching;

9) activities related to post-graduate education in order to achieve specialization by doctors, dentists, vets, pharmacists, nurses, midwives and lab diagnosticians;

10) additional financing or financing the costs of investment realization, including those financed from the state budget, state funds for specific purposes or from foreign sources within the framework of regional contracts which are mentioned in the Act of 20th April 2004 on the National Development Plan (Journal of Laws No. 116, item 1206, from 2005, No. 90, item 759 and No. 267, item 2251 and from 2006 No. 149, item 1074) and the Act of 6th December 2006 on the Principles of Development Policy (Journal of Laws No. 227, item 1658);

11) activities related to education and rehabilitation of disabled students.

Subsidies are distributed by a minister competent for higher education. There are also other disposers of subsidies such as: a Minister of State Defence for military school, a minister competent for the interior for a university of national services, a minister competent for cultural issues and protection of national heritage for an artistic university, a minister competent for maritime affairs for a maritime university, a minister competent for logistics for a university educating flight personnel for civil aviation, a minister competent for health issues at the medical school or any other public university created by a clinical hospital in the area of organizational units of this university that pursue didactic and research activity in the area of medical sciences.

A non-public university is given a grant for any activity related to non-refundable financial help for students and post-graduate students. Additionally,

a non-public university that complies with the rules specified on the basis of law may receive:

— a subsidy allocated for a coverage of fees paid by students of intramural studies and intramural postgraduate students,

— a subsidy for a realization of some statutory activities which are not connected with education of students of intramural studies and participants of intramural postgraduate studies.

An institution may receive additional financial resources from the state budget and from budget of territorial authority units or their unions.

The act defines that a public university has the following revenues:

1) subsidies from the state budget,  
2) resources for education from the state budget,  
3) fees for educational service, in majority for intramural and intramural postgraduate studies which are conducted in a form of non-intramural and for artistic services of an institution,

4) enrolment fees,

5) one-time fees for printing a diploma, a certificate or any other document related to the course of studies,

6) fees for research and specialized services, specialized and highly specialized diagnostic services, rehabilitation and medical and also licensing fees and cultural activity revenues,

7) revenues from business activity,

8) revenues from shares and interests,

9) revenues from selling parts of the property and from payments for using the elements by third party on the basis of written lease agreement, rental or any other agreement,

10) revenues from donations, inheritance, bequest and public generosity,

11) resources from international sources, non-refundable,

12) other financial resources from the state budget and from territorial authority units or their unions.

Regulation of the Council of Ministers of 22nd December 2006 on special rules of financial management at public universities<sup>7</sup>, states that a public university when creating a yearly tangible asset-related and financial plan takes into account:

— granted subsidies,

— additional financial sources from the state budget and budget of territorial authority units or their unions,

— planned revenues.

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<sup>7</sup> Regulation of the Council of Ministers of 22 December 2006 on special rules of financial management at public universities (Journal of Law No. 246, item. 1796).

Higher education schools may apply for funds from non-budget public institutions, here we can mention state specific funds and government agencies which are legal entities created on the basis of separate acts in order to fulfil specific state duties. However, these resources do not contribute a significant position in school's revenue<sup>8</sup>.

Universities may obtain non-returnable foreign resources from the budget of the European Union and also from other assistance programmes whose beneficiary is Poland such as Ecofund, grant from the European Economic Area which is currently being used or grants from Swiss government which Poland will use in the following years.

Resources from the budget of the European Union may be obtained in two ways:

— within the framework of operational programmes managed by Polish public authorities,

— within the framework of programmes directly managed by the European Commission.

In none of domestic operational programmes there were resources separated for universities. It means that there is equality in proceedings for universities gaining funds from EU resources on the basis of equal competition together with other entities. There is only one restriction in the form of regulations concerning particular operational programmes in which entity scope of programmes may be specified in a form of a limited list of entities that can use the resources from the programme.

Universities may also obtain resources from the budget of the European Union by performing activities commissioned by institutions which are beneficiaries of aid from the EU<sup>9</sup>.

Pursuant to the regulation of the Council of Ministers of 22nd December 2006 on specific rules of financial management at a public university the basic operational activities of a public university include the following:

- 1) didactic,
- 2) research,
- 3) separate business.

Additionally, a university obtains other revenues such as those from selling goods and materials and also revenues which are included as operational revenues.

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<sup>8</sup> *Diagnoza stanu...*, p. 60.

<sup>9</sup> *Ibidem*, p. 60.

### 3. Analysis of sources of financing of higher education schools in 2004–2009

According to the division of kinds of activities performed, the value of revenues of universities in Poland in 2004–2009 is presented in Table 1.

**Table 1.** Revenues of higher education schools in Poland in 2004–2009 (in thousands PLN)

Types of operational revenues	2004	2005	2006	2007	2008	2009
Revenues from didactic activity	10 950 733.9	12 429 450.2	12 773 380.6	13 741 377.5	14 239 372.8	15 172 327.5
Revenues from research activity	1 366 325.8	1 436 407.4	1 533 042.5	1 932 861.2	2 092 365.1	2 330 519.0
Revenues from separate business activity	84 699.5	100 460.6	103 345.2	98 212.4	107 079.3	94 283.1
Revenues from selling goods and materials	28 737.1	33 398.9	30 332.3	32 491.5	31 796.6	28 458.3
Remaining operational revenues	458 122.3	556 614.6	829 266.7	702 993.2	721 294.4	688 297.2
<b>TOTAL</b>	<b>12 888 618.6</b>	<b>14 556 331.7</b>	<b>15 269 367.3</b>	<b>16 507 935.8</b>	<b>17 191 908.2</b>	<b>18 313 885.1</b>

Source: *Szkoły wyższe i ich finanse...*, Information and statistical data of GUS for the years 2004–2009.

Revenues of institutions in 2004–2009 were systematically growing. In 2009 they reached 18.3 billion PLN which means that they increased by about 42% in relation to 2004 (12.9 billion PLN). The revenues of public schools were five times higher than those of non-public schools. In 2009 the revenues from didactic activity constituted 82.8% of total revenues of higher education schools but since 2004 (85.0%) their contribution has systematically been decreasing. The ratio of revenues from research activity to revenues from didactic activity in 2004–2009 increased from 12.5 to 15.4%.

Revenues from operational activity of higher education schools in Poland 2004-2009 (in thousand, PLN)

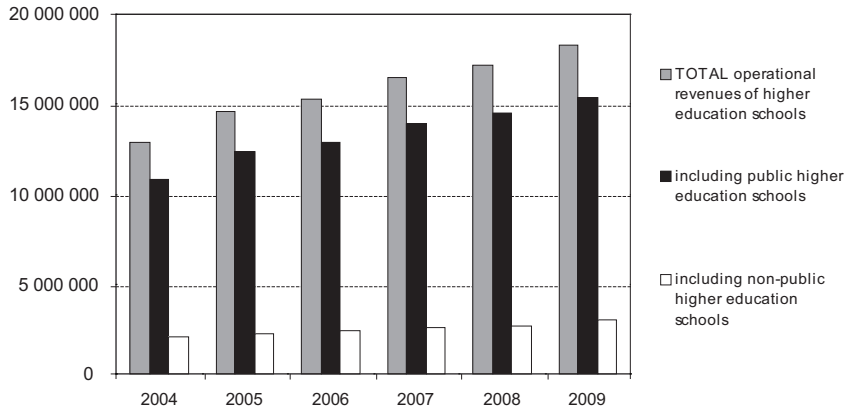
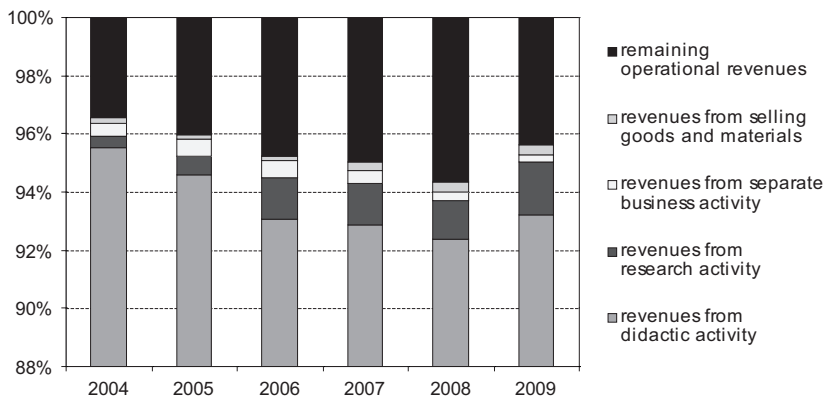


Fig. 1. Revenues of higher education schools in Poland in 2004–2009 (in thousands PLN)

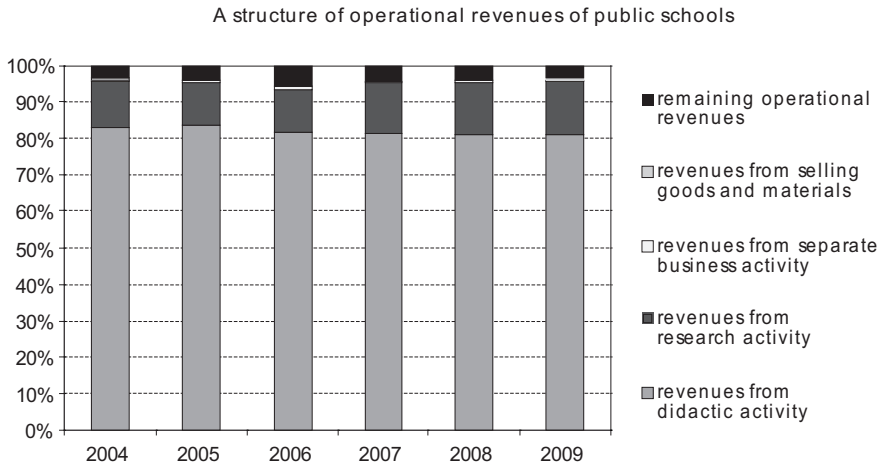
Source: own study.

Public higher education schools differ from those which are non-public in the structure of revenues from operational activity. In 2004–2009 public schools generated revenues from didactic activity between 80.4% and 83.3% and revenues from research activity between 11.4% and 14.8%, in relation to revenues from operational activity in total. On the other hand, non-public schools generated, in that period of time, revenues from didactic activity of about 92.4–95.5% and revenues from research activity at the level of only 0.4–1.8% in relation to total revenues from operational activity. The share of revenues from a particular kind of activities in relation to total revenues is highly varied depending on a type of school, which is presented in Figure 2<sup>10</sup>.

A structure of operational revenues of non-public schools



<sup>10</sup> Detailed information in *Szkoły wyższe i ich finanse...*



**Fig. 2.** The structure of revenues of higher education schools in Poland in 2004–2009

Source: own study.

Regulation of the Council of Ministers of 22nd December 2006 on specific rules of financial management concerning public schools defines revenues from didactic activity of a public school which covers the following:

1) subsidies from the state budget which are intended to be used for the realization of:

- activities connected with education of students of intramural studies, participants in intramural post-graduate studies and academic staff and the maintenance of an institution, including renovations,
- activities of military schools related to state defence,
- activities of schools educating civil workers related to the safety of citizens,
- activities of artistic schools related to artistic activity understood in accordance with the provisions about organization and management of artistic activity,
- activities of maritime universities related to the maintenance of training ships and specialized training centres for the staff,
- activities of schools educating aviation staff for civil aviation related to the maintenance of training facilities and specialized training centres for the staff,
- activities related to health benefits submitted during education of intramural studies in a basic medical unit of an institution or of any other public



institution which provides medical education under direct supervision of academic staff with necessary qualifications to perform medical profession according to educational area of teaching,

— activities related to post-graduate education in order to achieve specialization by doctors, dentists, vets, pharmacists, nurses, midwives and lab diagnosticians,

— activities related to education and rehabilitation of disabled students.

2) resources for the realization of duties in the area of teaching or staff education ensuring proper resources for the realization and execution of tasks which follow from agreements with foreign academic institutions in the framework of international agreements concluded by the Republic of Poland;

3) resources from budgets of territorial authorities or their unions in the area of didactic activity;

4) resources for educating students of specific faculties, macro faculties and interfaculty studies;

5) fees:

— fees for educational services, in particular for education at graduate and post-graduate level, which are not intramural and for artistic services of artistic schools;

— enrolment fees;

— one-time fees for printing a diploma, a certificate or any other document related to the course of studies;

— fees for educational services:

• students education at extramural level and participants in extramural post-graduate studies,

• repeating particular classes of intramural studies and intramural post-graduate studies due to non-satisfactory academic achievements,

• conducting classes in a foreign language,

• conducting classes which are not in studies curriculum,

• conducting post-graduate studies and training courses;

• for printing ID cards for academic staff;

6) fees for utilization of the facilities by a third person on the basis of lease agreement, tenancy or any other agreement excluding charges for renting the premises in dormitories and canteens;

7) revenues from cultural activity;

8) non-refundable funds from foreign sources for a didactic activity;

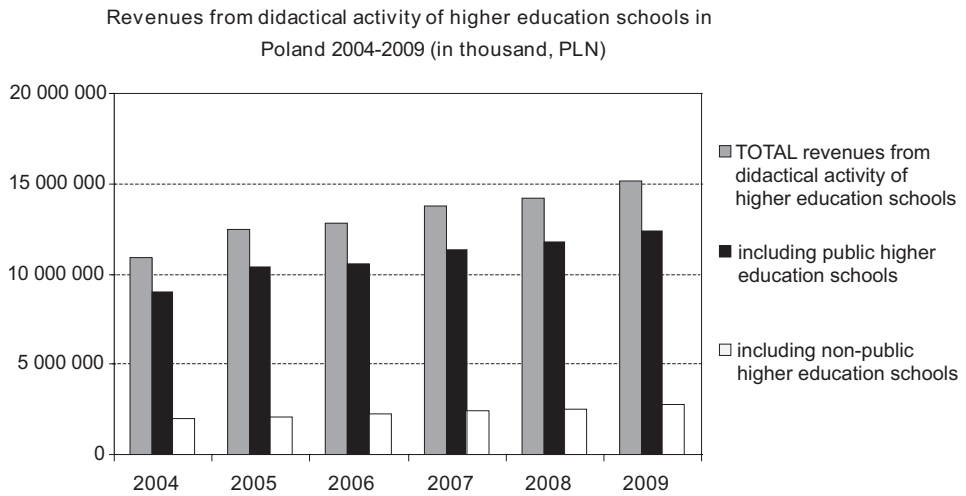
9) budget funds for rewards from a competent minister.

The value of revenues from didactic activity of higher education schools in Poland 2004–2009 is presented in Table 2.

**Table 2.** Revenues from didactic activity in higher education schools in Poland in 2004–2009 (in thousands PLN)

Didactic activity	2004	2005	2006	2007	2008	2009
Subsidies	6 398 404.6	7 618 020.1	7 686 163.0	8 513 542.5	8 773 710.6	9 356 395.6
Resources from commune budgets and other public funds	12 485.9	46 122.6	28 233.5	38 919.4	30 473.4	37 491.4
Fees for didactic classes	3 863 091.8	4 047 416.9	4 221 450.7	4 316 965.3	4 458 623.1	4 634 201.1
Remaining	676 751.6	717 890.6	837 533.5	871 950.3	976 565.7	1 144 239.4
<b>TOTAL</b>	<b>10 950 733.9</b>	<b>12 429 450.2</b>	<b>12 773 380.7</b>	<b>13 741 377.5</b>	<b>14 239 372.8</b>	<b>15 172 327.5</b>

Source: *Szkoły wyższe i ich finanse...*

**Fig. 3.** The value of revenues from didactic activity of higher education schools in Poland 2004–2009 (in thousand PLN)

Source: own study.

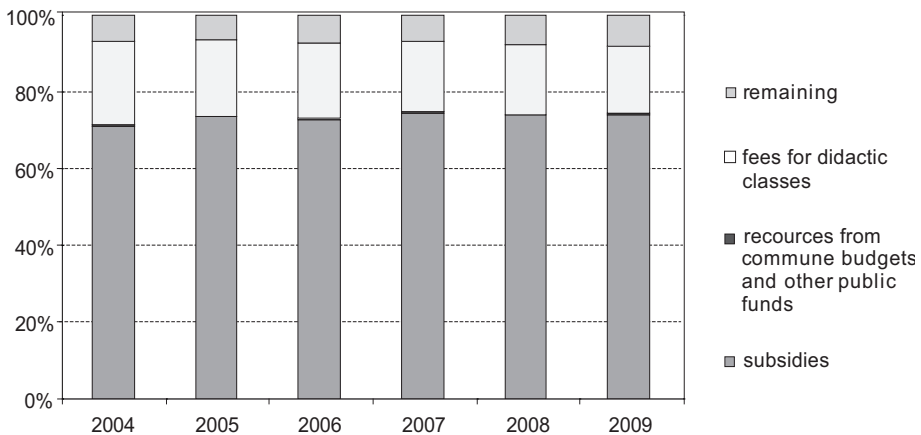
The structure of revenues from didactic activity according to sources of financing indicates that the main source of financing didactic activity of public schools are subsidies from the state budget (i.e. 71.2–74,6%), next are the fees for didactic classes (i.e. 17.5–21.8%) and the remaining sources of financing (i.e. 6.9–8.2%). Resources from commune budgets and other public funds constitute a minor percentage of revenues (i.e. 0.1–0.3%) of public higher education schools.

The structure of revenues from didactic activity according to sources of financing indicates that the main source of financing didactic activity of non-public schools are fees for didactic classes (i.e. 88.5–97.0%). The remaining sources of financing constitute a minor percentage in the structure of financing didactic activity of non-public institutions (i.e. 2.8–4.8%). Subsidies from the state budget (i.e. 0.1–6.5%) and funds from commune budgets and other public funds (i.e. 0.1–1.5%) also constitute a minor percentage of revenues of higher non-public schools

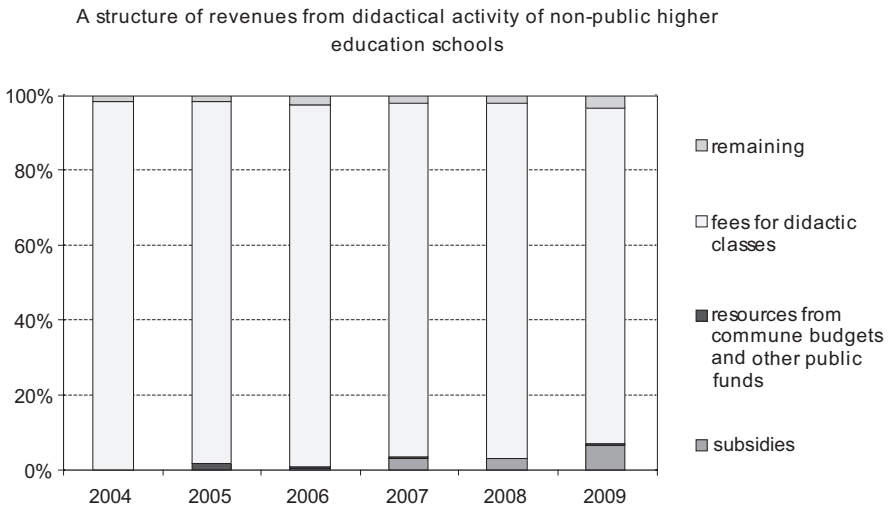
Funds from budgets of units of territorial self-government constitute an insignificant part of revenues of higher education schools. Units of territorial self-government may subsidize schools, however, they cannot give financial assistance to students from their budgets<sup>11</sup>.

Non-public institutions ‘compensate for’ lower share of subsidies from the state budget (in revenues from didactic activity) and funds from commune budgets and other public funds by higher share of fees for didactic classes.

A structure of revenues from didactical activity of public higher education schools



<sup>11</sup> *Diagnoza stanu...*, p. 59.



**Fig. 4.** The structure of revenues from didactical activity of higher education schools in Poland, 2004–2009.

Source: own study.

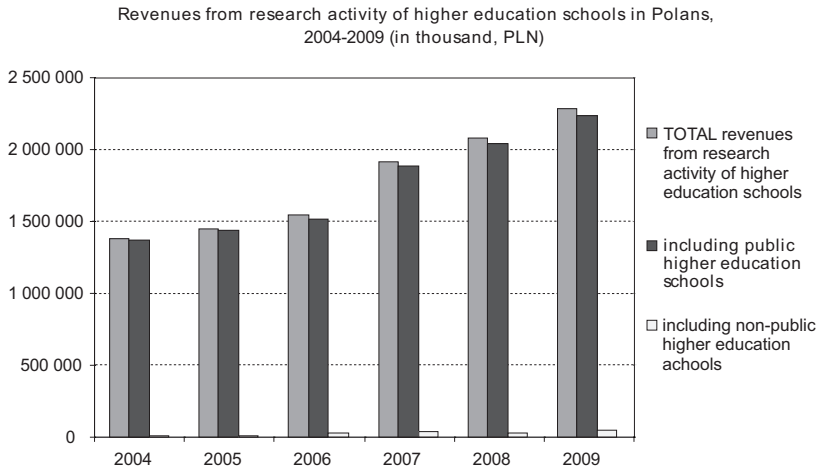
Revenues from research activity include mainly:

- 1) means for education obtained from the state budget for financing scientific research and development works performed at the school;
- 2) means from budgets of territorial self-government or its unions in the area of research activity;
- 3) fees for research and specialized services, specialized and highly specialized diagnostic services, rehabilitation or medicinal, including charges;
- 4) non-refundable resources from foreign sources in the area of research activity.

Revenues from research and development activity in higher education schools in Poland 2004–2009 and their structure according to sources of financing are presented in Table 3.

**Table 3.** Revenues from research activity of higher education schools in Poland, 2004–2009 (in thousands PLN)

<b>Research activity</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Subsidies for statutory activity, including:	454 634.9	660 320.0	692 412.2	892 643.4	910 468.3	901 064.7
— subsidies for internal research	153 172.2	152 894.6	150 376.8	156 370.0	164 712.6	121 495.6
— resources for activities supporting research	7 633.7	16 867.3	9 950.5	11 600.2	8 152.6	8 311.3
Subsidies for special programmes and research equipment	114 181.7	—	—	—	—	—
Resources for realization of research projects	282 102.2	308 796.8	343 657.5	420 008.9	482 672.0	436 055.1
Resources for realization of development projects	—	—	—	—	—	189 614.6
Resources for realization of target projects	73 107.9	74 141.3	75 310.8	72 939.1	41 231.7	44 647.0
Resources for financing foreign research cooperation	—	126 868.1	155 929.7	201 558.3	226 635.4	349 642.6
Sale of remaining works and research and development services	281 493.2	249 847.9	248 982.9	295 309.6	367 379.5	296 315.7
Resources for realization of programmes or ventures specified by the minister	—	16 433.3	16 749.4	15 099.0	25 982.9	42 069.4
<b>TOTAL</b>	<b>1 366 325.8</b>	<b>1 436 407.4</b>	<b>1 533 042.5</b>	<b>1 897 558.3</b>	<b>2 054 369.8</b>	<b>2 259 409.1</b>



Source: *Szkoły wyższe i ich finanse...*

**Fig. 5.** Revenues from research activity of higher education schools in Poland, 2004–2009 (in thousands PLN)

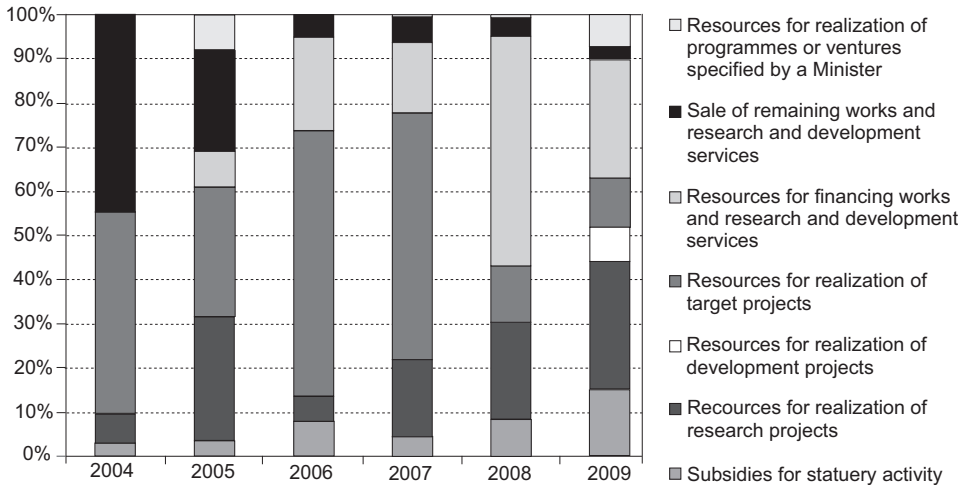
Source: own study.

The structure of revenues from research and development activity according to sources of financing indicates that in 2004–2009 research and development activity of public schools was financed from subsidies for statutory activity (i.e. 33.4–47.0%), including subsidies for self-study (i.e. 5.2–11.2%), resources for realization of research projects (i.e. 18.5–23.1%), resources for realization of development projects (i.e. no data, 8.2% in 2009), resources for realization of foreign academic cooperation (i.e. 8.8–14.9% in 2009), sale of the remaining works and research and development services (i.e. 13.0–20.5%), resources for realization of programmes or ventures defined by the minister (i.e. 1.1–1.7%). Resources for realization of target projects constitute a minor share in this structure (i.e. 1.7–5.1%).

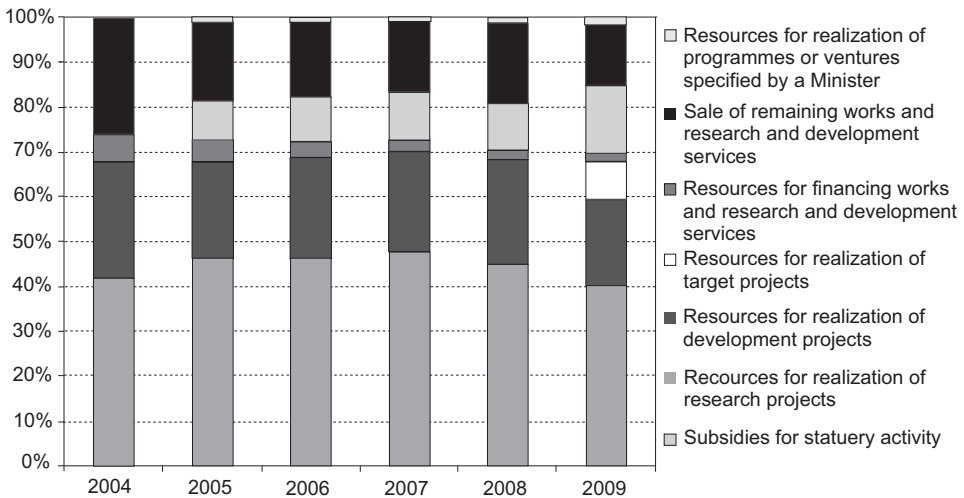
In case of non-public higher education schools subsidies for financing statutory activity increased from 2.9 to 14.3%, subsidies for self-study decreased from 5.4 to 4.5%. Resources for realization of development projects in 2009 amounted to 7.2%, resources for realization of research projects increased from 6.1 to 27.2% and resources for realization of target projects decreased from 43.3 to 10.3%. Resources for financing foreign academic cooperation indicated variable tendency (8.2–49.3%). Resources from sale of the remaining works and research and development services were systematically decreasing from 22.6 to 2.5%, resources for realization of programmes or ventures determined by the minister decreased from 8.29 to 7.0%.

Subsidies for financing target, research and development projects are granted after competition proceedings. In the recent years the share of subsidies from a competition in the main resources granted from the state budget for financing education had been growing but was still relatively low<sup>12</sup>.

A structure of revenues from reasearch activity of non-public higher education schools



A structure of revenues from reasearch activity of public higher education schools



**Fig. 6.** The structure of revenues from a research activity of higher education schools in Poland, 2004–2009 (in thousands PLN)

Source: own study.

<sup>12</sup> *Diagnoza stanu...*, p. 57–58.

In 2004–2009 revenues of higher education schools were systematically growing. The most significant sources of financing higher education schools at that time were subsidies granted to public schools from the state budget, i.e. subsidies for didactic activity and subsidies for statutory activity and self-study. Non-public schools had a more limited access to resources from the state budget, which is why their activities were financed by a more significant share in revenues from fees for didactic classes. Higher education schools were rarely financed from budgets of territorial self-government units. The amount of resources allocated for financing foreign cooperation grew.

## 4. Summary

The existing system of financing Polish schools is not appropriate. Quite the contrary, it should be given a negative assessment. This fact is obvious to all — i.e. to those who use it in a didactic and research process.

In a rather pessimistic report of OECD on higher education in Poland one may read about the necessity of diversification of financial sources. It is advisable to consider the general rule of paid studies, which may become a stimulating tool for the development of Polish higher education. A uniform system of stimulation creates the basis for fair competition. There are some reasons for changing the present system of financing higher education schools in Poland. They come from the following facts<sup>13</sup>:

— almost 60% of students in Poland choose paid education — these are the students of public extramural studies or students of non-public schools,

— part of the citizens pays for their education twice — once in the form of school fees and once in taxes from which education is financed.

The introduction of general fees for studies would heal the competition between schools and, additionally, it would strengthen the relation between educational offer and conditions on the labour market.

The existing system of financing results in downgrading of Polish higher education. In case of the system of financing Polish higher education, it is vital to state that a reform of financial management is necessary at once..., since investment in education is a necessity of every human being who wants to function in an economy based on knowledge.

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<sup>13</sup> Compare A. Rozmus, K. Pado, *Finansowanie szkolnictwa wyższego w Polsce — wybrane dylematy i sugerowane rozwiązania*, 'eFinanse', financial internet quarterly.



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