

## Analysis

# Academic Studies at Russian State Universities: State Funding vs. Tuition Fees

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## Abstract

In the former Soviet Union, university education was available without cost or tuition fees for students of the state universities. In the Russian Federation, on the other hand, fees have been charged since the first half of the 1990s, not only at private colleges, but also at state institutions that offer, in addition to state-funded places, further curricula for which tuition fees must be paid. The universities use the income thus generated to make up for some of the long-standing shortfalls in state grants. Nevertheless, one of the primary goals of education policy is to provide the citizens of Russia with “free competitive academic education”, as the constitution mandates.

After the collapse of state socialism and the attendant economic and financial difficulties, Russia’s educational system reached a stage of permanent crisis in the early 1990s that manifested itself in particular in the chronic under-financing of educational institutions at all levels. The government disbanded the traditional, strictly centralized system of financing, and the state withdrew partially from its financial (and administrative) responsibilities for the educational infrastructure. Article 40 (2) of the Russian Federation Law “On Education” (1996) stipulates that the state will ensure that no less than 10 percent of the national income will be spent annually on financing the educational sector (this corresponds to about 7 percent of the GDP). However, these obligations were never fully met during the 1990s, as the actual educational expenditures of 3.86 percent (1995) and 3.63 percent (1999) of the GDP remained far below the funding levels mandated under law.

Due to the drastic shortage of available resources, educational institutions were almost completely absorbed until the turn of the millennium with the struggle for survival, while – unlike in other sectors of society – introducing only rudimentary reforms, if any at all. During this period, state funding was only sufficient to pay the paltry salaries of instructors, and even these did not always arrive on time. Payments for municipal services were discontinued for years on end, and large amounts of debt accrued. Expenditures on new acquisitions were rare, and funding for modernization was out of the question. This situation led to a severe deterioration of the quality of training in the country’s schools and universities, which – measured by international standards in several areas – had been competitive as recently as the 1980s.

It was only through the incremental consolidation of democratic and free-market structures throughout

society that the groundwork was laid for urgent radical reforms in the educational sector. Shortly after attaining office in 2000, President Vladimir Putin designated the reform of the nation’s educational system as a top priority for his administration. Since that time, the Russian state has again begun to meet its regular financial obligations towards educational institutions and has even (slightly) raised its funding (but was only about 3.5 percent of GDP in 2004 and thus remains well below the target of 7 percent). Already at the end of 2001, the government had passed a bill on a “Concept for the modernization of the Russian educational system for the period until 2010”. This plan is centered on a reorganization of the financing mechanisms in the educational sector based on a free-market regulatory approach. In concrete terms, this means that the financing of state universities will successively be shifted from supply-side state funding to demand-oriented financing.

## Commercialization of Education – The University Model

In a survey conducted by the distinguished Levada Center in the summer of 2007, 67 percent of respondents said that the most important factor determining their ability to take up university studies was the question of funding. This concern about financing is hardly a surprising answer, especially considering that currently more than half of the students at the nation’s institutes of higher education pay tuition fees for their academic schooling. Such fees have been charged at both private and state universities since the first half of the 1990s. While private institutions are free to demand the charges they see fit for the courses they offer – depending on the “market conditions” in the academic sector – the state institutions are confronted with more or less rigorous state intervention when it

comes to the distribution of university places that are subject to tuition fees (in addition to those funded by the state). Nevertheless, income derived from tuition fees is an important source of funding for state universities that helps them close at least some of the holes in the university budgets that have been permanently in deficit at least since the early 1990s.

### **Looking Back: University Admissions and Funding in the Soviet Union**

Universities and other institutes of higher learning were exclusively state-funded in the Soviet Union. Higher education was free of charge for students according to the constitutions of 1936 and 1977. Unlike in most Western European countries, university admissions were always regulated by way of a separate entrance examination for a specific university (after completion of 11<sup>th</sup> grade). However, those politicians and educators who today look back on the free access to university and unique state subsidization of the educational system during the Soviet period and demand a continuation of, or return to, this status in the academic sector are ignoring two key conditions of free academic education during that time: First of all, after completing their educations, all university graduates earned comparatively low salaries that were usually no higher than the wages of skilled workers. The reason given for this was that the state had provided them with a free academic education.

Furthermore, university graduates were obliged to accept a job assigned to them by the state and remain there for at least three years, and thus to “work off” the costs of their studies. These two requirements no longer apply under the new conditions of the free market today. To put it differently: On the one hand, the state continues to invest considerable sums from the national budget in the academic sector, but this funding is no longer sufficient to cover the requirements of institutes of higher learning due to the growing numbers of student admissions and education costs. On the other hand, the state often receives no “return” for its investment, since many university graduates are unavailable to the (state) labor market for a variety of reasons – some accept better-paying jobs in the private market, others go to work abroad, while still others do not take up a job in the vocational field in which they were trained, etc.

### **Free Academic Education in the Russian Market Economy – Only on a Competitive Basis**

Tuition as a new source of funding in the Russian Federation’s educational sector has visibly increased over the past years, especially in the state and municipal institutes of higher learning. Compared to the non-

state (purely commercial) institutes, which have experienced an eightfold growth in the number of students over the past decade, the number of paying students alone in state universities has increased by a factor of 12 during the same period. For example, in the academic year 2005/2006, there were 755,900 freshmen who paid tuition at state universities. During the same period, another 753,000 received state-funded places.

The current national constitution (like the old one) states that “... university education is provided at no cost by the state on an exclusively competitive basis.” As mentioned above, “competitive” refers to the mandatory entrance examinations. Only such applicants that have successfully passed this exam are (constitutionally) entitled to a state-funded university place. However, the number of applicants for national institutes of higher learning has skyrocketed in the 1990s compared to the Soviet era, considerably overstretching the capacities of the existing state institutions, particularly in terms of financial and personnel resources. Therefore, many universities have been unable to guarantee free university places to the large number of applicants who passed the entrance examinations. Furthermore, the state is attempting to intervene with regulatory measures by fixing a “norm” in the education legislation according to which there should be state-funded university places for at least 170 students per 10,000 inhabitants. But this parameter has been exceeded repeatedly in the past decade: For example, in 2005, there were 209 state-funded students per 10,000 inhabitants. Thus the new state norm will not fix the problem. However, a general drop in student numbers is anticipated for the coming years, since the low birth rates in future cohorts will reduce the number of high school graduates considerably, with the number of students at state universities is expected to be reduced by 25 to 30 percent by 2010.

Under the conditions outlined above, the introduction of university places that are subject to tuition fees was an acceptable model both for the institutes of higher learning, which were able to develop new, state-sanctioned sources of funding, and for unsuccessful applicants who had failed to pass the entrance examinations and now had the option of “purchasing” a university place. Nevertheless, the occasionally low intellectual standards among paying students have had a negative impact on the quality of education at Russian universities.

### **State Oversight of Student Admissions**

In the first few years after the introduction of tuition fees at state universities, the state limited the numbers of paying students there to a maximum of 25 percent of new admissions. However, this quota was con-

stantly being undermined by the institutions due to their continuing financial plight (caused by the withholding of state funds), leading to real-world adaptation of the legal requirements. Since 2004, the last barriers limiting admissions in certain disciplines such as law and economics to 50 percent of applicants have been removed. Today, state universities are permitted to admit an unlimited number of paying students as long as they meet the state's strict accreditation guidelines for academic education that aim to safeguard a government-mandated quality of teaching. Universities are confronted with stringent legislation in this area: If the number of paying students exceeds a certain limit, the institutions lose state funding or subsidies, so that an excessive increase in the number of paying students makes no sense and is not commercially viable.

The main concern of the state today remains the maintenance of a sufficient number of state-funded university places to guarantee its citizens' constitutional rights. Nevertheless, the past years have witnessed repeated reductions of this contingent. For instance, the Ministry of Education recently announced that there would be approximately 525,000 tuition-free places at federal universities in the academic year 2008/09 as well as an overall reduction by 2 per cent of state-financed places at institutions of higher learning, in doctorate programs, and at vocational training schools. These cuts would affect in particular the humanities (-7.2 per cent) and economic (-4.8 per cent) disciplines. At the same time, these measures were intended to increase the amount of available funds per university place in the national budget. In 2006, the annual average for this sum reached \$800. Fee-paying students at state institutions, on the other hand, were required to pay approximately \$1,000 per year on average.

### Can Standardized Admissions and New Finance Models Resolve the Crisis?

The sometimes very demanding admissions tests, which were the rule in the Soviet system and were largely organized by the universities themselves until the beginning of this century, have recently been discredited as an obvious source of corruption (bribes paid to the admission commissions and decision-makers at the universities, etc.). Since 2001, work has been underway on an

experiment to replace the university's own entrance exams with nationwide standardized tests at the end of high school. The test results would at the same time be presented to the universities in the application for a place and would replace the admissions tests currently in use. Although the experiment is being successively expanded to include more and more parts of the country, it still lacks acceptance – especially with the universities. Nevertheless, the government's educational policy is adhering to the goal of introducing this standardized test as the (single) mandatory prerequisite for access to all universities by the year 2009. According to the Ministry of Education, nearly 50 percent of all freshmen in the academic year 2006/07 were admitted on the basis of their results in the new standardized examination.

The introduction of the standardized test is also linked to a new model of financing for universities that has given rise to further criticism and rejection of the new examination mode. After the examination, high school graduates receive a kind of education voucher for university education, the value of which is variably dependent on the test results (the number of points scored) and will, in the best case, guarantee the student a completely state-financed university place, or otherwise admit the student to a state university place for which a certain amount of additional payment is required. Universities will then receive funding from the state treasury for the education vouchers of their applicants. This model aims, on the one hand, to create more transparency in admissions tests, and on the other hand to optimize the allocation and use of funds at universities. Critics of the scheme have recently restated their opinion that this close linkage between the level of state funding and the results of a standardized test is a clear violation of the constitutional right to education. They believe that the state must guarantee the same rights to all those who have passed a test to receive a state-funded university place – independently of the individual number of points scored in the exam, which is supposed to be linked to varying levels of state funding for the university place. Otherwise, they believe that the right to education will inevitably be (even) further curtailed for various parts of the population.

*Translated from German by Christopher Findlay*

#### *About the author*

Christine Teichmann has a PhD in linguistics. Since the 1990s, she has been working on the sociology of science and education. Her studies focus on the transformation of university systems in the post-Communist states of Eastern Europe and Central Asia. She is currently working as an independent academic in Berlin.

#### *Further reading*

- Sonja Steier (ed.). *Bildungspolitik und Bildungsfinanzierung in Russland zwischen Staat und Markt* (Münster: Waxmann Verlag, 2005) [in German].
- Christine Teichmann. *Die Hochschultransformation im heutigen Osteuropa. Kontinuität und Wandel bei der Entwicklung des postkommunistischen Universitätswesens* (Stuttgart: ibidem-Verlag, 2007) [in German].