

FINANCING POLICY

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2 Introduction

3 Education is one of the most central parts of our lives and in our society. Education creates
4 opportunities for the individual and creates the individual. Therefore, education also
5 needs to be financed in the best way.

6 Government funding of education is fundamental for society, as financing is the
7 foundation of quality education. In addition, it creates the opportunity for a good physical
8 environment and for an inspiring study environment. Proper financing does not
9 automatically guarantee all these, but is a prerequisite for them.

10 Not only the amount of funding, but also the way in which the funding is given to our
11 institutions has an impact on our education. Certain forms of financing take into account
12 certain aspects at the expense of others. It is important to be aware of underlying incentive
13 structures.

14 Regardless of how our educations are financed, DSF fundamentally believes that the
15 financing of all educations must be sufficient. This means that there must be funding for
16 a suitable amount and quality of teaching, guidance, feedback and to provide the facilities
17 that our educations require. Teaching methods and scope must be determined by
18 academic and didactic considerations, and not compromised for financial reasons. This
19 also means that there must be resources enough to secure a good study environment at
20 education institutions, while ensuring availability to people who, for various reasons, may
21 face challenges. Likewise, the research that creates the foundation for our research-based
22 educations must also be sufficiently financed so that all educations and subject areas
23 experience satisfactory research coverage.

24 The organization of our educations and internal distribution of funding at education
25 institutions is a local matter. A qualified and fair internal distribution presupposes
26 democratic structures in our education institutions. Students and staff must be involved
27 and have influence over the distribution of funding.

28 However, proper and adequate funding is far from the current reality. Our educational
29 institutions are experiencing a high degree of underfunding, and in recent years we have
30 experienced significant cuts in both education and research. The reprioritization
31 contribution¹ has cut 2% annually between 2016 and 2019 and has systematically
32 deteriorated our educations. Fortunately, further cutbacks on educational grants have
33 stopped, but still continue on areas that affect institution's ability to administer proper
34 education and research. We also see a tendency for cutbacks in other areas which still

¹ This is a translation of 'omprioriteringsbidraget'

35 result in the worsening of our educations. Therefore, DSF believes that this funding must
36 be restored and there should thereafter be reinvestments.

37 It is objectionable that Denmark is far below the OECD average in expenditure on
38 higher education per student. We see a decrease in funding per student full time
39 equivalent (FTE) of as much as 30% if we project the development from 2009 to 2023.
40 Generally, the funding allocated per FTE is too low, where the average costs per FTE is
41 higher than the average grant. Education is underfunded to such an extent that it becomes
42 covered by research funding, resulting in the harming of research as well. This
43 demonstrates how large the underfunding of education is. In addition, we also see a lack
44 of security in planning of the education grants. Particularly, the temporary nature of the
45 increase in funding per FTE under taximeter level 1 creates uncertainty. As several
46 educational institutions budget at the current taximeter levels, this will have catastrophic
47 consequences. DSF is also critical of the fact that the taximeter level classification is
48 opaque, and not based on cost levels associated with the education. To solve this, there
49 must be a revision of the taximeter placement of educations with a focus on cost levels. A
50 rate must not experience a sudden drop in taximeter level classification. Therefore, there
51 is a need for a general increase in all taximeter levels, a smaller difference between the
52 taximeter levels, and in particular a permanentization of the taximeter level 1 increase.

53 **Education Financing**

54 DSF sees both positive and negative elements in how educational grants are
55 constructed. DSF thinks it is positive that the Basic Funding for Higher Education has
56 been implemented, which should create more stability for the future of the economy for
57 individual universities. At the same time, however, DSF is critical of how the Basic
58 Funding for Higher Education is adjusted over time. We believe that it is inappropriate for
59 program funding to be adjusted based on an attempted quality measurement of the
60 programs. This generates several problems, for example an economic downward spiral
61 where institutions are financially punished for poor performance. DSF also considers the
62 adjustment of the Basic Funding for Higher Education on the basis of the strategic
63 framework contract to be undesirable. Instruments such as the Learning Barometer create
64 an understanding of educational quality as a product which is assessed on the basis of
65 students' experiences, where DSF must be aware of the consequences thereof. It is
66 especially reprehensible that education funding is regulated at the expense of research
67 objectives. DSF therefore generally believes that the Basic Funding for Higher Education
68 is a good thing, as it creates certainty, but we are critical of the way in which it is re-
69 determined. An increased number of FTE at an educational institution calls for more
70 physical resources and buildings. These premises and similar do not disappear just
71 because FTE decreases but constitute a fixed cost for educational institutions. Moreover,
72 it is important that the Basic Funding for Higher Education is increased to match this new
73 fixed cost in the case of sudden increased admission.

74 With regard to the Student Activity Based Grant, we believe that it is appropriate for
75 funding to follow the student. However, DSF also sees two issues with this model. The first
76 issue is that it follows completed full time equivalents, so that the universities first know
77 their financing in hindsight. A funding on the basis of enrolled student full time
78 equivalents must not, however, limit the students' flexibility in connection with course
79 sign-ups and cancellations. This contributes to making the source of financing

80 unstable. Thus, DSF believes that instead of completed student full time equivalents, it
81 should be based on enrolled student full time equivalents. In addition, DSF considers it
82 problematic that the current FTE model provides an incentive for universities to lower the
83 duration of study time. If the Basic Funding for Higher Education is increased so that
84 activity-based financing makes up a smaller share, then this will help to solve this problem.

85 DSF believes that the Result Based Grant should be abolished. DSF is critical of incentives
86 to shorten the duration of time, as this gives less room for the individual
87 student to complete an education at their pace of learning. DSF is also critical of the extent
88 to which unemployment statistics for future financing, as they do not say anything about
89 education today. Furthermore, it makes the educations more directed towards the labor
90 market of the past rather than the labor market of the future. DSF is generally critical of
91 the use of incentive structures in relation to the financing of education.

92 DSF generally believes that the ministry has taken too much, and the educational
93 institutions have taken too little. Local autonomy is needed to create the best educations,
94 and this line of sight is made impossible by the incentive structures in some
95 respects. Therefore, DSF generally wants to open up these constricting ties for the
96 universities.

97 **Research Financing**

98 Inspired by the Barcelona objective of 2008, recent governments have aimed for public
99 funding for research to be equal to 1% of the country's GDP. This target is treated as a
100 ceiling, where funding raised from the EU and other government funding are deducted
101 from the money the government has committed, rather than being added on top. DSF
102 believes that the target of 1% of GDP should not be treated as a ceiling, but as a minimum
103 support for research. DSF believes that there is a need for a thorough overhaul of the
104 Danish 1% target and the extent to which it is met.

105 Much research is funded with external funding. Fundamentally, DSF believes that this
106 financing has two problems. Firstly, this means that the topics of research
107 are governed by private interests rather than by the interests of the academic
108 community. This may lead to education that is based on research affected by external
109 interest and which is potentially less relevant for education. DSF believes this is
110 inappropriate. Secondly, DSF believes that it is problematic that much external funding
111 for research is financed without overhead coverage. This deficit must therefore be covered
112 by the university's disposable funding, leaving less funding for free research and
113 teaching. Therefore, DSF is critical of the vast majority of much external funding for
114 research without overhead coverage.

115 Right now, the Basic Research Grants, which are meant for research, are being used in
116 many places to cover the cost of education, as current education funding is not
117 enough. The need for this is very problematic, as funding that should be used to do high-
118 quality research are instead used to cover material and administrative expenses for the
119 programs. Therefore, DSF believes that a higher Basic Funding for Higher Education
120 should be given to the educational institutions so that this negative trend can be reversed.

121 The Basic Funding for Higher Education are generally distributed according to a historical
122 distribution key, which is a non-transparent structure. Therefore, DSF believes that it must
123 be made clear how and on what basis the Basic Funding for Higher Education is
124 distributed. In addition, DSF believes that more the Basic Funding for Higher Education
125 needs to be added.

126 The historical distribution creates a skewed starting point for building up a capacity for
127 research and favors older research centers versus new ones. This makes it more difficult
128 for new institutions to build up their capacity for research and reach the level of older
129 institutions. It also provides a poorer starting point for developing research for teaching
130 at new institutions. The Basic Funding for Higher Education is also distributed according
131 to a model that can contribute to the prioritization of quantity in research over quality, as
132 it depends on results from research bibliometrics. Research should not be pressured into
133 producing results but should be produced and published in the format that is most
134 beneficial for science. However, the Basic Funding for Higher Education can not just
135 change from year to year as research requires large long-term investments, universities
136 have taken on specific tasks based on the funding, and because universities have already
137 planned according to income from the Basic Funding for Higher Education. It is important
138 that funds are distributed and redistributed with respect for research centers that have
139 been under construction and development for a long period of time. When more the Basic
140 Funding for Higher Education is given to research, it is important for DSF that it is 'filled
141 up from the bottom', so that extra funding help to even out financing differences between
142 the educational institutions and thus, over time, create a more equal distribution within
143 the research area.

144 **Building Conditions**

145 Many of our institutions are covered by the State Property Administration (SEA) under
146 the Danish Building Authority. This means that it is not possible for many of these
147 institutions to own their buildings themselves, but rather they rent them from the Danish
148 Building Authority. The Danish Building Authority determines the rent for their tenants,
149 and aims to create a profit. Many of our institutions are also covered by the investment
150 framework ceiling, which defines how large investments can be made together in the
151 sector in facilities and buildings.

152 DSF is very critical of the current system of building conditions for the institutions and
153 believes it needs to be changed. DSF sees some fundamental problems with the SEA
154 scheme: Firstly, it is reprehensible that the Danish Building Authority is granted negative
155 appropriation by the Finance Bill, so they must create a profit. This constitutes a form of
156 negative grant for the institutions, where unnecessarily large parts of their grants are to
157 be spent on buildings. Therefore, DSF believes that the negative grants through the
158 Danish Building Authority must cease. Secondly, DSF believes that there must be a
159 fundamental rethinking of the SEA scheme. This rethinking must be based on two basic
160 principles. That it must be the institutions that make decisions about the institutions'
161 building conditions, and that all must have equal opportunities. The structure of the SEA
162 scheme has in many areas shifted power from the institutions to the building authority.
163 This power must be shifted back so that the consideration becomes good teaching and
164 research. This is done by changing the incentive structures that exist in the SEA scheme.
165 In addition, the SEA scheme must be made more attractive to institutions. It must be just

166 as economically attractive to use the SEA scheme as having self-ownership, and therefore
167 the institutions' possibility of self-ownership must also be one of the solutions. It must
168 continue to be possible to rent privately. DSF also believes that building administration
169 and costs, such as rent, in the education sector must never be at the expense of the
170 institutions' core tasks - ie good education and research.

171 DSF is fundamentally opposed to the investment framework ceiling, which sets a limit on
172 the institutions' total annual investments, therefore DSF believes that it should be
173 abolished. In addition, DSF believes that the size of the annual investment is too low in
174 2021 and we are very critical of the expected reduction beginning in 2022. DSF also
175 believes that the determination of the amount should not be in the Ministry of Finance,
176 but in the Ministry of Higher Education and Science, where the amount can be determined
177 in better dialogue with the institutions. This creates uncertainty for the institutions'
178 planning of future investments, which they risk having to drop if the limit of the
179 investment framework ceiling is reached. DSF believes that it is important to reduce this
180 uncertainty. In addition, some of our educational institutions are subject to the Budget
181 Bill. Here, funding for facilities and buildings must be found in an entire ministerial
182 budget. This creates internal competition to be able to rebuild and expand between
183 government agencies and educational institutions. Furthermore, it also creates a poor
184 basis for individual educations to get the necessary premises that are needed.

185 DSF believes that it is problematic that these two conditions place restrictions on the local
186 autonomy of the institutions as independent institutions. Both the investment framework
187 ceiling, the Budget Bill, and the SEA scheme limit the possibility of creating the best
188 solutions to local problems, with their rigidity and arbitrary limitations. Therefore, DSF
189 fundamentally believes that conditions that limit the institutions' local economic
190 autonomy should be abolished.

191 **User Payment**

192 Everyone must have the opportunity to take an education regardless of financial
193 background. DSF is therefore against any form of user payment. It is a political
194 responsibility that the educations are adequately financed, and financing problems must
195 therefore never be solved by transferring expenses to students via direct or indirect user
196 payment. Where it makes sense, DSF believes that students should have the same
197 deduction options as employees, such as driving deductions. Necessities during studies,
198 such as literature, work materials, and compulsory study trips should not be financed by
199 the student as this is a form of user payment that creates inequality within education. In
200 situations where user payment still exists, it should as a minimum, be exempt from VAT
201 and deductible.