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A Comparative Study of Government Public Financial Aid to Private Colleges in U.S., Japan and South Korea

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Abstract

Most of the governments in the world provide the private colleges with necessary financial support. This is evident especially in U.S., Japan and South Korea where the private higher education is very advanced. The private colleges in these countries have undergone different development paths. As their school funds come from different sources, the public financial support they gain exhibits different characteristics. The governments of these three countries attach great importance to the development of private colleges, and issued a complete set of regulations to stipulate that the private colleges qualify for the same financial support as the public colleges. Various measures that were taken by the governments to raise funds contribute to sustainable development of the private colleges.

Key words: Private colleges; School funds; Public finance; Characteristics of financial aid

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INTRODUCTION

Education is a complicated social activity. In addition to serving the students, it serves the economic and non-

economic purposes of the society. This is also true for the non-profit non-governmental higher education (Min et al., 2006, p.402). Since its birth, the private higher education has been shouldering the responsibility of providing the general public with higher education opportunities, improving the diversity and quality of higher education, developing the non-profit education, and stimulating the reform of the higher education system. In this context, many countries in the world offer necessary financial support to the private colleges. In this paper, comparative analysis is conducted on U.S., Japan and South Korea, where the private higher education is very advanced.

1. UNITED STATES

The U.S. boasts of the world's most advanced private higher education, asserting dominance in terms of the number and quality of institutions. Due to various historical reasons and practical needs, the development of the private colleges in the U.S. can be divided into four stages: establishment, scale expansion, growth, and improvement. U.S. private colleges are either for-profit or non-profit, with the latter occupying a large proportion. Some private colleges are research-intensive; some specialize in liberal arts. Most of private colleges in U.S. preceded the public colleges. Harvard university, Yale university, Princeton university were all founded before the USA was established. Most of the non-profit institutions have religious affiliations.

1.1 Sources of School Funds

There are various sources supplying funds for U.S. private colleges. The tuition fees from the students are the most important source of school funds. Grants from the government, at the federal, state and local levels, are another source. Social donation makes additional contribution to the funds of U.S. private colleges, and it

is also a distinctive tradition and characteristics of U.S. higher education. The operation incomes, such as the research funds and service fees, are far from negligible. Sales revenue is the second largest source of school funds next to the tuition fees.

From the financial funds granted by U.S. government to private colleges in 2007, the proportion of the funds granted to the non-profit private colleges (12.26%) is, much more than that to the for-profit ones (5.69%), as shown in Table 1.

Table 1
Tuition Fees of U.S. Colleges and Government Grants (%)

Types of colleges	Tuition fees	Total	Federal	State	Local
Public colleges	16.67	46.62	13.24	26.85	6.58
Non-profit private colleges	26.03	12.26	11.07	0.89	0.30
Profit private colleges	88.21	5.69	5.19	0.50	-

Data source: U.S. Education Department Website.

1.2 Characteristics of the Government Grants to the Private Colleges

U.S. government attaches great important to the development of private colleges, and grant enormous funds to them. U.S. governmental grants to the private colleges exhibit unique characteristics as follows.

(a) A complete set of regulations is issued. U.S. governments have promulgated many necessary laws (e.g., Higher Education Act) to ensure financial support for the private colleges. U.S. Congress was the first in history to stipulate that the federal government had the obligation to provide unconditional financial support for all colleges throughout the country, including the private ones. It also stated that the poor students, whether in the public or private colleges, were all qualified for monetary assistance and research grants from the federal government. Furthermore, the federal government was requested to treat the public and private colleges the same. The government stimulated the development of private colleges by ensuring financial support in this way (Liu, 2003).

(b) The donors can make various donations by various means. The private colleges were awarded grants by U.S. governments at the federal, state and local levels.

(c) The size of funds increases. Relevant data shows that funding the private colleges by U.S. public finance can be dated back to the second half of the 19th century. The funds awarded by U.S. federal government to the private colleges in the 1950s have reached 1.7 billion dollars, occupying a proportion of 19%. The size of donation has been rising since this century and the proportion has accounted for about 28%.

2. JAPAN

Private colleges rank high among the Japanese colleges. After analyzing the development paths, reasons, sources of school funds and the grants awarded by the public finance, it can be seen that the Japanese government laid particular stress on the development of private colleges. In this context, the number and quality of Japanese private colleges can absolutely rival the public ones. All of the private colleges in Japan are non-profit organizations, whose school funds are largely dependent on grants from the government. While awarding the monetary assistance, the Japanese governments treat the private and public colleges the same. Due to historical reasons and practical needs, the Japanese private colleges underwent unusual development paths; after its infancy, the Japanese private colleges were gradually recognized and supported by the Japanese society, laying the foundation for subsequent continuous development.

2.1 Sources of School Funds

The Japanese private colleges are funded by many sources. The tuition fees are the most important source of funds for the Japanese private colleges. Governmental grants are another important source of school funds. Japan has promulgated laws to stipulate that the governments should award grants to the private colleges and specified the set of measures to provide the monetary assistance. Operation incomes consist of the earnings from research institutions, laboratories, hospitals, bookstores and shops, which are a major supplement to the school funds. The donations frequently made by the social organizations and individuals to the private colleges are also indispensable. Furthermore, the funds raised by the legal person and board of directors are by no means negligible. Before establishing the school, the legal person must raise sufficient funds for the purchase of the land, teaching and laboratory devices as well as the construction of the school buildings, libraries and playgrounds.

2.2 Characteristics of the Government Grants to the Private Colleges

The Japanese government put enormous emphasis on the development of private colleges, and devised many measures to ensure the supply of financial support. (a) A complete set of laws was issued to guarantee healthy development of private colleges, such as the Private College Act, Research Facility Subsidy Act for Private Colleges, Act for Developing Private Colleges. The Japanese government also pays particular attention to the formulation of financial regulations at the private colleges. (b) The government grants can be awarded in different ways. The Japanese government offers the monetary assistance directly or indirectly; and special grants were awarded to private colleges that do not have sufficient resources to run the school. (c) The size of governmental grants is increasing. Relevant data shows that the Japanese

government has scaled up the size of grants to the private colleges since the 1970s, from 13.2 billion yen in 1970 to 314.2 billion yen in 2002 (Xinhua News Agency, 2002). (d) The Japanese government stipulated that the private colleges enjoyed the same amount of monetary assistance at the public colleges. In this context, the Japanese government treats the private and public colleges the same. The public colleges are given no special preference.

3. SOUTH KOREA

South Korea boasts of advanced private education. After analyzing the development paths, reasons, sources of school funds and characteristics of governmental grants awarded to the private colleges in South Korea, it can be observed that in the context of limited governmental grants, the private colleges in South Korea develop rapidly and have advantage over the public colleges in terms of the number and quality of private education, providing a strong stimulus for the development of the country's higher education, society and economy. The impressive development of private education in South Korea can be partitioned into the following stages: infancy (from the end of the 14th century to the end of World War II), initial development (1948-1960), continuous development (1961-1979), scale-oriented development (1980s), quality-oriented development (1990s), and the expansion-oriented development (early of the 21st century). Strong support from the government and strenuous efforts made by the schools themselves are the two engines that operate throughout the development of private education in South Korea.

3.1 Sources of School Funds

The school funds of the private colleges in South Korea are diversified. The financial incomes of the school are largely dependent on tuition fees. Governmental grants are another important source of school funds. So are the donations, made by the alumni associations, large companies and financial groups. The private colleges in South Korea are also dependent on the incomes achieved by performing non-educational activities, such as the earnings from running for-profit companies, house renting and assets management.

3.2 Characteristics of Government Grants to the Private Colleges

The South Korean government lends strong support and encouragement to the development of private education, and puts private education high on the agenda when allocating public finance. (a) Monetary assistance is offered directly and indirectly. That is, the South Korean government awards grants to the private colleges directly; at the same time, it renders indirect assistance by establishing private education funds and the preferential taxation policies. (b) Competition is involved in the

allocation of government funds. Private colleges in South Korea are encouraged to compete with the public colleges for governmental grants. Moreover, the teachers of the private colleges in South Korea are allowed to compete with counterparts in the public colleges for research funds. (c) The government continuously scales up its investment in education. Since the 1990s, the South Korean government has raised the governmental grants awarded to private education and has increased the educational budgets and local government budgets.

To sum up, U.S., Japan and South Korea boast of advanced private education in the world. Their governments put substantial importance on private higher education, award monetary assistance, and have accumulated a lot of precious experience correspondingly. We can achieve rapid progress in private education, especially in the development of non-profit private education, by learning from their experience. (a) A complete set of laws should be issued. The U.S., Japan and South Korea attach great important to the development of private higher education, and provide legal support for private colleges by promulgating various monetary assistance policies and laws. (b) The private colleges should be treated on an equal basis with the public ones. the three abovementioned countries believe that the non-profit private colleges do not differ from the public ones in essence; they regard the public and private colleges as the part of public utilities responsible of fulfilling a particular public function; and the only difference between them is who provides the educational service and how to deliver the educational service. (c) The governments should take various measures to award financial assistance. On the one hand, the government can provide the private colleges with the land to erect school buildings and funds to stimulate growth of private education. It can also award books, laboratories and equipment-related funds to private colleges that are assessed as excellent. On the other hand, foundations can be established to provide private colleges with the necessary funds or low-interest loans. Indirect support can be lent to the private education by offering tax relief to parents, individuals and institutions that make donations to private colleges. In addition, various forms of assistance can be rendered to students.

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