

Higher Education Finance and Cost-Sharing in Taiwan

I. A Brief Description of Taiwan Higher Education System

The higher education sector in Taiwan has grown enormously over the last 50 years, from only 1 university and 3 independent colleges in 1949 to 168 higher education institutions (151 universities and 17 junior colleges) in 2004 with a total enrolment of approximately 1,270,000 students (Huang 2003). The enrolment rate in tertiary education is about 46 percent, and enrollment in four-year universities is about 32 percent -- which are 1.5-fold and 2-fold increases over the past decades. The private sector has played a large role in this growth with private institutions accounting for over half the total number of higher education institutions.

Between 2000 and 2002, public and private funds spent on higher education increased from US\$ 7.04 billion to US\$ 11.2 billion, and funds available per student rose from US\$ 6,500 to US\$9,200.1 (Education website in Chinese, 2004). The government spends about 21.5 percent of government income on education (Ministry of Education, 2005).

In Taiwan, both the government and citizens perceive higher education as a major path for future career development and personal advancement and admission requirements are correspondingly high. There have been recent dramatic changes in the admission process, including the replacement of the 40 year old national examination process called the Joint University Entrance Exam (JUEE) with a multiple-channel entrance admission process under which students can complete a recommendation/exam procedure or file an application to select a university and department of their choice.

The University Act, revised in 1994, established the principles of university autonomy and academic self-determination and authorized universities to enroll students and develop their own curriculum. Legislation of the Statute Governing the Establishment of School Funds of National Colleges and Universities enacted in 1999 gave public universities more financial autonomy, and that year, a flexible university tuition program was introduced giving universities the power to set their own tuitions. At the same time, universities were expected to raise more money on their own and reduce spending.

Parental spending and government financial aid pays most of the higher education expenses, including tuition and fees, food and lodging. Salaries earned from work do not significantly contribute payment of students' higher education expense in Taiwan. According to a government on-line survey, college students in Taiwan spend only 0.57 hours per day working during non-vacation days, and do not place the high price of tuition and fees at the top of their list of complaints (Statistics Department, Taiwan Ministry of Education).

The government provides the Education Opportunity Grant Program for children of unemployed citizens. In 2003, the grant was 5,000 TWD (US\$270) for a student in a public higher education institution and 8,000 TWD (US\$430) for a student in a private higher education institution (Huang 2003)². There are also government grant programs targeting

¹ Calculated converting Huang 2003 data using PPP US\$1 = TWD18.44

² Calculated converting Huang 2003 data using PPP US\$1 = TWD18.44)

children of people in the military, children from low-income families, students in earthquake-stricken areas, students excellent in Math and natural sciences, etc.

Since 2005, the Ministry of Education, together with higher education institutions, has been making greater efforts to provide student financial assistance. Students whose family income is less than NT\$ 400, 000 (US\$ 23, 010) are eligible for grants of up to NT\$14,000 (US\$806) a year, and students with family income between NT\$40,00 (US\$23,010) and 60,000 (US\$34,520) are eligible for grants of up to NT\$10,000 (US\$5754) a year. Students from low-income households are also offered free housing.³

In addition, the government provides student loans to students from middle and low-income families. Over half of the higher education students were eligible for government student loans in 2003. The reform of the loan program that started in February 2003 expanded the program to households with income over NT\$1.14 million (US\$61,820) —including those with income between NT\$1.14 and 1.20 million (US\$61,820-65,075), and those with income over NT\$ 1.20million (US\$65,075) but with more than 2 higher education students. Therefore the number of families eligible for the loan increased from 3.45 million to 4.38 million-- 63.48% of the total 6.90 million families in Taiwan.

Student loans cover tuition and fees, books, and other school supplies, and housing and insurance costs. Parents need to co-sign the loan application form, but do not take any responsibility for loan repayment. In many cases, the Government subsidizes the interest during students' stay at school and grace period of one year after graduation (see table 1). The interest rate of the government student loan has greatly decreased over the last five years from 7.502 percent in 2001 to 3.175 percent in May 2004, 2.925 percent in August 2004 and 3.065 percent in June 2005.

Table 1
Interest Subsidy of Government Student Loan Programs, Taiwan, July, 2005
(using 2005 PPP US\$1 = 17.38 TWD)

| Yearly Family Income | Government Interest Subsidy during in- school years and grace period |
|---|---|
| < NY\$ 1.14 million (US\$65, 590) | Full interest subsidy |
| NY\$1.14 million ~ 1.20 million (US\$65,590 ~69,040) | 50% interest subsidy |
| >NY\$ 1.20 million (US\$ 69,040) but with more than two higher education students | No further interest subsidy |

(Resource: data is from Ministry of Education Taiwan. Retrieved August 2, 2004 from http://www.edu.tw/EDU_WEB/EDU_MGT/E0001/EDUION001/menu01/sub04/930223.htm?search [In Chinese])

The repayment period is decided by the number of semesters during which the students have received loans. Loans of one semester are repaid monthly in one year. For example, a student

³ Ministry of Education of Taiwan. (2006). *Questions and answers about tuition: We would never let any student kept out of colleges by financial concerns.*[in Chinese Language]. Retrieved August 24, 2006, from [http://www.edu.tw/EDU_WEB/EDU_MGT/HIGH/EDU4541001/001/3\]\[2\].doc?FILEID=138940&UNITID=263&CAPTION=?????Q&A](http://www.edu.tw/EDU_WEB/EDU_MGT/HIGH/EDU4541001/001/3][2].doc?FILEID=138940&UNITID=263&CAPTION=?????Q&A)

who takes loans for 8 semesters will repay the total amount of loans evenly in 96 monthly payments after one year of grace period⁴.

According to the 2005 new regulations on student loan deferment, an additional grace period of 3 years with government interest subsidization can be offered to students from households with a Low-income Certificate and those whose yearly income is less than NT\$ 240,000 (US\$14,176) one year after graduation.

The number of recipients and the total loan amounts have increased greatly since 1994. In 2002, the government lent out 21.5 billion TWD (US\$1.1 billion) to 580,000 students—about 37,000 TWD (US\$2,000) per borrower and provided an interest subsidy of 2.95 billion TWD (US\$159 million) (See Table 2).

Table 2
Taiwan Government Student Loan Program: 1994-2002

| School Year | Number of recipients | Total amount of new loans (In 100 million TWD) | Interest subsidy (In 100 million TWD) | Average amount of loan per recipient (In thousand TWD) |
|-------------|----------------------|---|--|---|
| 1994 | 40,000 | 14.6 | - | 36.5 |
| 1995 | 42,000 | 15.8 | - | 37.6 |
| 1996 | 67,000 | 24.9 | - | 37.2 |
| 1997 | 95,000 | 34.3 | - | 36.1 |
| 1998 | 152,000 | 55.8 | - | 36.7 |
| 1999 | 231,000 | 84.2 | - | 36.5 |
| 2000 | 339,000 | 146.3 | 19 | 43.2 |
| 2001 | 504,000 | 200.9 | 25 | 39.9 |
| 2002 | 584,000 | 215.8 (US\$11,702 million) | 29.5 (US\$160 million) | 37.0 (US\$2,000) |

(Resource: data is from Ministry of Education Taiwan. Retrieved August 2, 2004 from http://www.edu.tw/EDU_WEB/EDU_MGT/E0001/EDUION001/menu01/sub04/930223.htm?search [In Chinese])

⁴ Ministry of Education of Taiwan. (2005, July). *Questions and Answers about Student Loans*. retrieved August 20, 2006, from [http://www.edu.tw/EDU_WEB/EDU_MGT/HIGH/EDU4541001/111.doc?FILEID=137575&UNITID=263&CAPTION=??????\(????\)](http://www.edu.tw/EDU_WEB/EDU_MGT/HIGH/EDU4541001/111.doc?FILEID=137575&UNITID=263&CAPTION=??????(????)) [In Chinese]

II. Costs, or Expenditures, in Taiwanese Higher Education

**Higher Education Expenses Borne by Parents and Students in Taiwan,
First Degree, Academic Year 2004
(National/Regional currency TWD converted to USD by
2002 PPP rate US\$1 = TWD 18.44)***

| | Public | | | Private | |
|--|----------------------------|---------------------------|--------------------------|----------------------------|----------------------------|
| | High Expense | Moderate Expense | Low Expense | High Expense | Moderate Expense |
| Tuition and Required Fees | TWD26,540 (US\$1,440) | TWD 22,170 (US\$1,200) | TWD18,000 (US\$980) | TWD140,000 (US\$7,590) | TWD52,000 (US\$2,820) |
| Other Educational Expenses | TWD10,000 (US\$540) | TWD5,000 (US\$270) | TWD3,000 (US\$160) | TWD15,000 (US\$810) | TWD5,000 (US\$270) |
| Subtotal: Educational Expenses | TWD36,540 (US\$1,980) | TWD 27,170 (US\$1,470) | TWD21,000 (US\$1,140) | TWD155,000 (US\$8,400) | TWD57,000 (US\$3,090) |
| Room and ⁵ Board | TWD170,000 (US\$9,220) | TWD120,000 (US\$6,500) | TWD22,500 (US\$1,220) | TWD170,000 (US\$9,220) | TWD120,000 (US\$6,510) |
| Transportation and Other Expenses ⁶ | TWD17,500 (US\$950) | TWD13,500 (US\$730) | TWD4,200 (US\$230) | TWD17,500 (US\$950) | TWD13,500 (US\$730) |
| Subtotal: Expenses of Student Living | TWD187,500 (US\$10,170) | TWD133,500 (US\$7,240) | TWD26,700 (US\$1,450) | TWD187,500 (US\$10,270) | TWD133,500 (US\$7,240) |
| Total Expenses Borne by Parent and Student | TWD224,040 (US\$12,150) | TWD160,670 (US\$8,710) | TWD47,700 (US\$2,590) | TWD342,500 (US\$18,580) | TWD190,500 (US\$10,330) |

1. Low: lower special and other fees and other educational expenses, living at home with parents.
2. Moderate: moderate special and other fees and other educational expenses, living in dormitory or shared apartment.
3. High: high special and other fees and other educational expenses, living as an “independent adult.”)

In 2004, of the 1,270, 000 higher education students in Taiwan, about half of them commute from their family’s houses, 312,000 of them rent apartments off-campus, and 290,000 of them live in the dormitories provided by their institutions (Taiwan News Yahoo).

* Calculated by converting data from *Taiwan Economy – 2006*. Retrieved August 24, 2006, from http://www.theodora.com/wfbcurrent/taiwan/taiwan_economy.html
US\$1 = NT\$31.71 * (\$326.5 / \$611.5) = NT\$16.93 (2005)

⁵ 9 month of school year in calculation. The low cost is in the case of dining at home and the cost is supposed to be about half of that in school cafeterias, and the latter is TWD 5000 (USD147) per month.

⁶ High costs of transportation include bus fees and train tickets from home to another city, middle costs include bus fees in the city; and low costs are for students who walk to school and from time to time use buses.

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