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The Danish Taxameter system and its application  
for budgeting at University of Copenhagen

Thomas Buchvald Vind, MSc.,  
Head of Budget and Financial Management  
Department of Finance & Personnel, University of Copenhagen



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Budgets and Financial Management, University of Copenhagen

**1. Introduction**

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2. The Danish Taxameter System

3. Taxameters in the internal budgeting at University of Copenhagen



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## 2.1 Key figures – funding and student activity

### 2. The Danish Taxameter System

Million €, The Finance Act 2008, Ministry of Science, Technology and Innovation	Denmark 8 universities	University of Copenhagen 8 faculties
1. Education (taxameters)	673,4	197,6
- Full time education	599,2	175,4
- Part time education	10,6	2,9
- Internationalisation	5,7	1,6
- Bachelor bonus	49,6	15,2
- Other	8,4	2,5
2. Fixed grants (research, other grants)	984,4	272,3
3. External grants (EU, Funds etc.), other income	927,8	212,6
<b>Total</b>	<b>2.585,6</b>	<b>782,5</b>
Full time student activity (forecast)	73.926	20.518
Part time student activity (forecast)	3.483	982
Bachelors (forecast)	12.782	3.606

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## 2.2 Purpose and general principles

### 2. The Danish Taxameter System

#### **The purpose of the taxameter system**

Introduced in 1994 as part of the funding of universities (higher education), in order to

- promote efficiency and link educational activities and governmental funding
- orient the universities towards results (and not input);
- implement a simple, fair and transparent system
- promote quality competition among universities

#### **The general principles**

- Government funds for education are allocated on the basis for actual levels of student activity (active students = 60 ECTS).
- The universities receives a taxameter per student who passes an exam
- The exams passed measures the total number of active students, i.e. full time semester (academic years)
- The Government funds are given as lump sums – and the Universities are free to decide how to allocate the funds.

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## 2.3 The model and general principles

### 2. The Danish Taxameter System

Taxameter for full time and part time "active" students

The taxameter is given as one full cost tariff which covers

1. Costs of teaching, materials, equipment and practical training
2. Joint costs (e.g. administration, maintenance)
3. Rental for buildings

Types of taxameters (2008)

€, The Finance Act 2008	Full time	Part time
Social science and humanities programs (non-experimental)	5.416	2.306
Scientific and technical programs (semi-experimental)	8.794	4.397
Scientific, technical and medical programs (experimental)	12.869	6.126

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## 2.4 The governmental proces

### 2. The Danish Taxameter System

**August (2007)** The Government proposes The Finance Act for the following finance year 2008

- The taxameter is regulated for inflation (+2,7% in 2008) and demands for increased productivity (-2,0% in 2008) → de facto increase 0,7% I 2008 (vs. 2007)
- The Ministry of Science forecasts the production of credit points

**December (2007)** The Parliament passes The Finance Act for the finance year

**October (2008)** Universities report to the Ministry of Science – the actual credit points produced in the period 1st October 2007 to 30th September 2008

**November 2008** The Parliament passes The Appropriation Act regulating the forecast to the actual production and thereby the income of the universities

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## 2.5 Other developments in the taxameter system

### 2. The Danish Taxameter System

- Reform 2007
  - Reduce complexity in the taxameter system – only three taxameters for full time and for part time students
  
- Bachelor bonus
  - The universities receives a taxameter per bachelor degree (3 year + 1 year) produced (€ 2.909/6.005, non-experimental/experimental studies)
  - Purpose: To reward completed degrees
  - Introduced in 2003 – fully implemented 2008
  - Financing: The taxameter for full time students have been reduced 2% each year.
  
- Master bonus
  - The universities receive a taxameter per master degree produced within the time limit of 2 years
  - Purpose: To increase the completion pace of degrees
  - Introduction in 2009
  - Financing: Probably from special government funds or by reduction of taxameters for full time students. The amount of the taxameter is not yet announced
  
- Elite bonus
  - 12 educations (master degrees) are selected (4 existing degrees and 8 new ones)
  - The universities receive a taxameter (€ 4.000 per student)
  - Purpose: To challenge the best well-skilled Danish student as well as attracting well skilled foreign student
  - Introduction in 2009
  - Financing: Special government funds

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## 3.1 Principles in the internal budgeting

### 3. Taxameters in the internal budgeting at University of Copenhagen

- To increase the income of the university the internal allocation is partly a mirror of the external funding conditions
  
- In the internal budgeting the university applies its own forecast of "active" students
  
- The faculty which produces the "active" student receives an internal taxameter to cover the costs for teachers, materials, equipment etc. (2008 € 122 million full time education)
  
- The central administration takes a part (percentage) of the taxameter to cover the costs for administration (2008 € 17 million) and rent for buildings (2008 € 34 million)
  
- The faculties allocate resources to the institutes and departments where the education takes place

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## 3.2 Internal financial management

### 3. Taxameters in the internal budgeting at University of Copenhagen

- The faculty has an incitement to optimize the efficiency of its educational programs – increasing “active” students also increase the income of the faculty
- The fluctuation of “active” students from year to year may be eliminated in the short run by the savings of the faculty.
- The forecasts are updated after the mid-term exams in March and after the end-term exam in September.
- The management of the university and the faculties discusses the forecasts on a regular basis.



## 3.3 Challenges

### 3. Taxameters in the internal budgeting at University of Copenhagen

- The taxameter is too low to cover the costs → costs may be covered by fixed grants
- Master bonus (2009) – significant risk for losing considerable amount of money if the performance is not improved
- “Internal market” on the University of Copenhagen – the student may take exams on different faculties – model must be developed to allocate resources more efficiently
- Many governmental reforms increase the uncertainty of total income → education is a long-term process and it takes time to change mentality and behaviours

