

Section

EDUCATION EXPENDITURE

This section presents data on three subjects:

1. The budget of the Ministry of Education.
2. National expenditure on education.
3. Expenditure on education per quintile of household income.

The section is based mainly on data from the Ministry of Education and data from the Central Bureau of Statistics (CBS).



The following are some of the main findings reflected in the section:

- In 2010, the regular budget of the Ministry of Education approached NIS 32.4 billion*.
- The education budget increased from NIS 16.4 billion in 1996 to NIS 32.4 billion in 2010**. In fixed prices (1996 prices), this represents an increase of 27%. The development budget totaled NIS 838 million in 2010.
- The Ministry of Education also contributes towards the budget of other bodies: 24.1% of the Ministry's total budget is allocated for contributions to local authority budgets.
- Economic classification of the budget for the year 2010 shows that 89% is intended for wages, and 11% is intended for purchase and other expenses.
- In 2006, the national expenditure for education was 8.2% of the Gross Domestic Product. The national expenditure for education in 2008-2009 is estimated at 8.4% and 8.3% of the Gross Domestic Product.
- In 2009, the estimated national expenditure for education per student ranges from NIS 14,000 in pre-primary education to NIS 44,000 in universities and colleges.

* This is the original budget as approved by the Knesset.

** In 2004-2006, the budget includes culture and sport.

1. MINISTRY OF EDUCATION BUDGET 2011-2012

Over the past few years, the Ministry of Education has been implementing a strategic plan which encompasses the achievement improvement program, teaching quality, values and system preparation for the 21st century.

In order to implement this plan, the Ministry's budget has increased in 2010, as well as the planned 2011-2012 budget.

PRINCIPAL OBJECTIVES 2011-2012

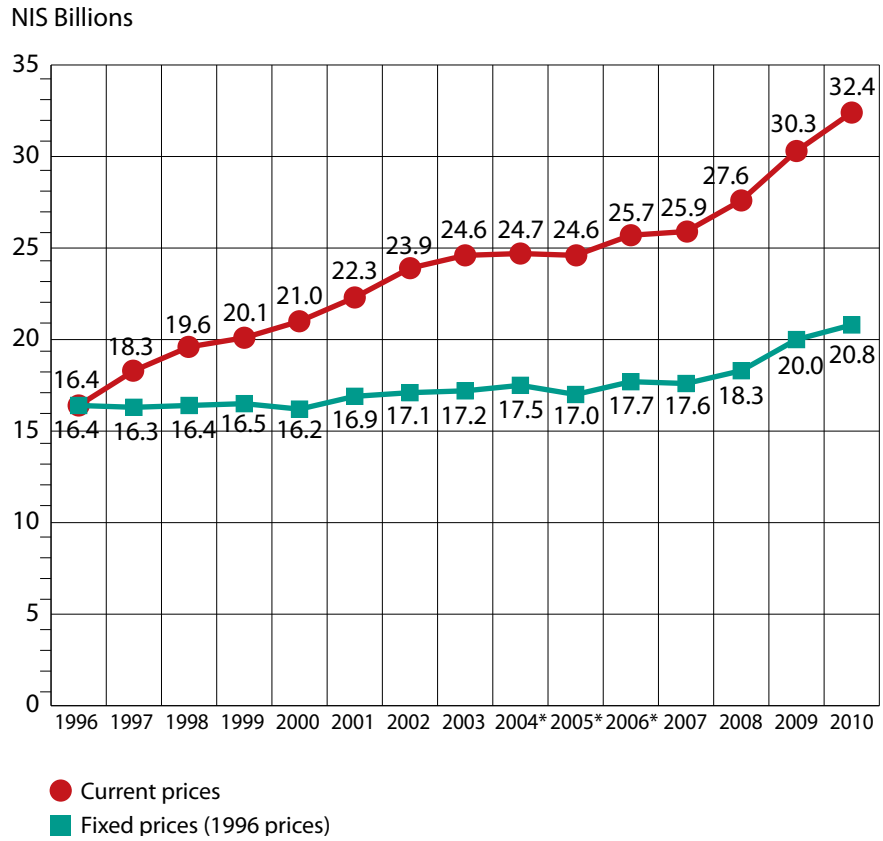
1. Deepening education for values.
2. Decreasing violence in schools, and shaping an optimal educational environment.
3. Improving student achievements, whilst maximizing the potential of Israel's entire student population.
 - a. National standardized testing and international examinations.
 - b. Increasing the rate of eligibility for a high-quality and full matriculation certificate.
4. Making an optimal use of study time (while bridging the gap between designated teaching time - days and hours of study - and actual learning time); significantly decreasing teacher and student absenteeism and reducing the number of hours not benefited directly by students.
5. Bridging educational gaps, while reducing student dropout rates.
6. Improving the quality of teaching and strengthening the status of teachers in the Israeli society, while implementing unique programs for the recruitment of quality teaching personnel, providing close guidance for new teachers, assimilating a teacher evaluation mechanism to be used for professional and salary promotions, locating failed teachers and exercising teacher dismissal proceedings on pedagogical grounds, elevating the threshold admission conditions for teaching staff training establishments, and initiating MA Studies in teaching (M.TEACH).
7. Strengthening the status of school principals.
8. Focusing on and reinforcing the core subjects.
9. Adjusting curriculums to the changing educational reality.

10. Reinforcing the scientific – technological education.

11. Implementing a national program to adapt Israel's education system to the 21st Century.



REGULAR BUDGET OF THE MINISTRY OF EDUCATION, 1996-2010 (Billions of NIS)

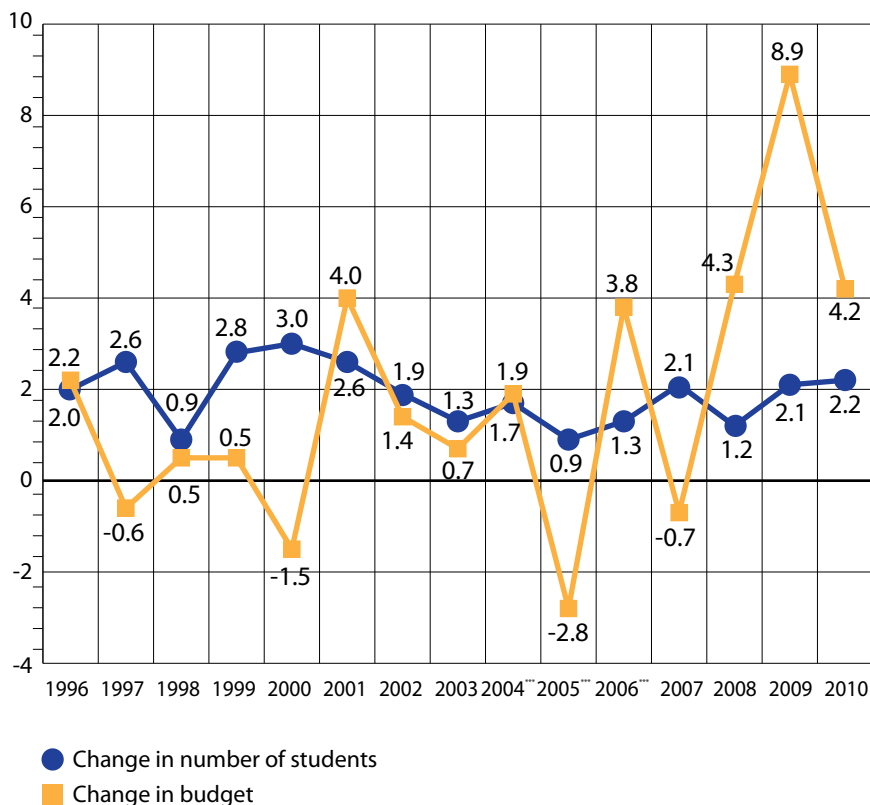


The education budget increased from NIS 16.4 billion in 1996 to NIS 32.4 billion in 2010. In fixed prices (1996 prices), since 2007, there is an increase of about 18%. The development budget totaled NIS 838 million in 2010.

* In 2004-2006, the budget includes culture and sport.

ANNUAL CHANGE IN NUMBER OF STUDENTS* AND IN THE REGULAR BUDGET** OF THE MINISTRY OF EDUCATION, 1996-2010

Percentage of change



This graph depicts the changes (in percent) for each year as compared with the previous year. Between 1996-2010, the number of students grew by 30.1%, while the budget grew by 26.8%.

In 2010, the budget grew by 4.2% in comparison to the budget of 2009, while the number of students grew by 2.0%.

* Students - Students enrolled in Ministry of Education frameworks, including pre-primary public education and schools.

** Fixed prices (1996 prices).

*** In 2004-2006, the budget includes culture and sport.

MINISTRY OF EDUCATION BUDGET AND ITS CONTRIBUTION TOWARDS LOCAL AUTHORITY BUDGETS, BY TYPE OF SERVICE, 2010

	Total Ministry Budget		Thereof: Contribution towards Local Authority Budgets		
	NIS Thousands	Percentage	NIS Thousands	Percentage	Percentage Contribution out of Total Budget
Total Regular Budget	32,418,924				
Budget without Reserve	31,224,072	100.0%	7,534,948	100%	24.1%
Reserves for price increases	1,194,852				
Formal Education - Total	29,422,464	94.23%	7,468,544	99.12%	25.4%
Teacher's Administration	1,781,251	5.7%	56,183	0.8%	3.2%
Pedagogic Administration	918,102	2.9%	432,181	5.7%	47.1%
Pre-Primary Education	2,641,764	8.5%	1,378,382	18.3%	52.2%
Primary Education	11,175,484	35.8%	1,653,107	21.9%	14.8%
Secondary Education	8,269,132	26.5%	2,684,175	35.6%	32.5%
Rural Education*	2,144,421	6.9%	377,822	5.0%	17.6%
Independent and Recognized Education**	1,551,859	5.0%	0	0.0%	0.0%***
Transportation, Equipment, and Development	940,451	3.0%	886,694	11.8%	94.3%
Informal Education - Total	974,386	3.12%	3,637	0.05%	0.37%
Culture	36,713	0.12%	2,384	0.03%	6.5%
Sports Authority	1,910	0.01%	1,253	0.02%	65.6%
Educational television	81,753	0.26%	0	0.0%	0.0%
Religious institutions	854,010	2.74%	0	0.0%	0.0%
Administration and Headquarters Units					
Headquarters Units	827,222	2.65%	62,767	0.83%	7.6%
Administration and Headquarters Units	231,810	0.7%	13,438	0.18%	5.8%
Ministry employees	595,412	1.9%	49,329	0.65%	8.3%

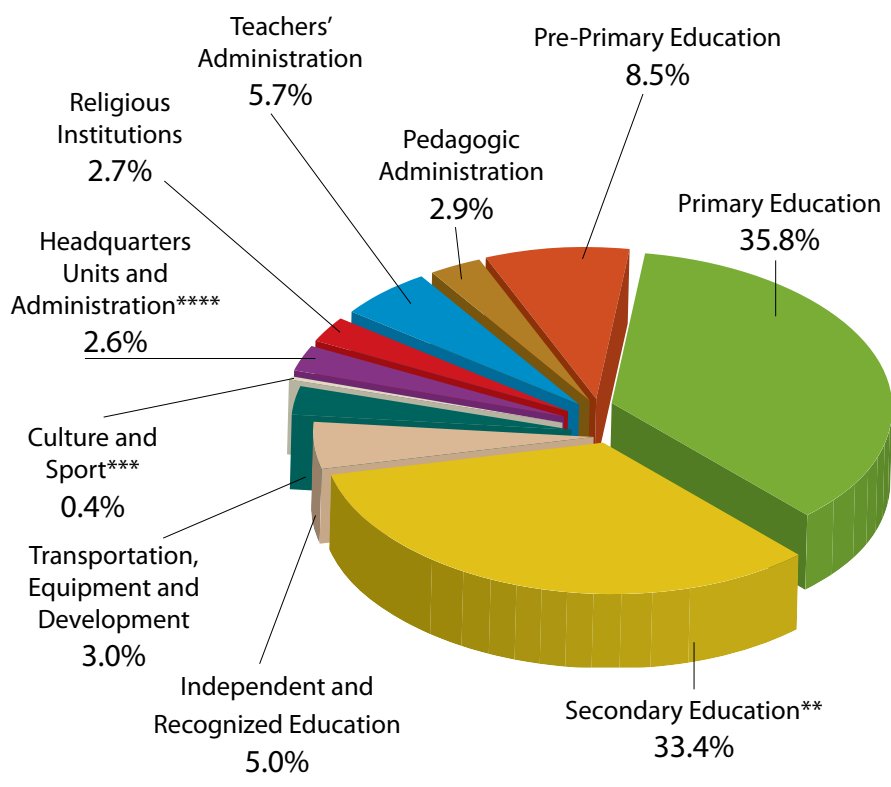
In 2010, the Ministry contributes about NIS 7.5 billion towards the local authorities' budgets. This amount represents 24.1% of the Ministry's budget (excluding reserves). The Ministry has allocated 25.4% of the Formal Education budget, 0.37% of the Informal Education budget and 7.6% of the Administration and Headquarters Units budget towards funding for local authorities' budgets.

* Includes secondary education only.

** Includes primary education only. Other areas such as secondary education, teacher training institutions, kindergartens, etc. are included in other spheres of activity.

*** No funds are allocated to local authorities under this item since the Ministry's contribution is transferred directly to the orthodox-religious education networks. Ancillary services such as school maintenance workers and secretaries are included in other budget items also allocated to local authorities for the orthodox-religious school networks.

REGULAR BUDGET OF THE MINISTRY OF EDUCATION BY WORK PLAN, 2010*



TOTAL BUDGET - APPROXIMATELY NIS 32.4 BILLION

Classification of the budget by subject shows that about 70% is allocated for primary and secondary education.

* Not including development budget. Reserves for wages and price increases were divided between the different sections.
 ** Includes rural education.
 *** Includes Educational Television.
 **** Includes: the Computer Communication and Information Systems Administration, the National Authority for Measurement and Evaluation in Education (RAMA), wages of Ministry's employees, Ministry's maintenance, etc.

REGULAR BUDGET OF THE MINISTRY OF EDUCATION 1995-2010, BY ECONOMIC CLASSIFICATION OF REGULATIONS (IN PERCENTAGE OF TOTAL BUDGET)

Year	Total budget in percent	Teacher's wages	Other wages	Purchase support and activities
2010	100.0	73.0	16.2	10.8
2009	100.0	72.1	16.7	11.2
2008	100.0	72.2	17.9	9.9
2007	100.0	70.8	18.2	11.0
2006*	100.0	69.6	18.1	12.3
2005*	100.0	69.1	18.7	12.2
2000	100.0	73.1	16.3	10.6
1995	100.0	73.7	17.2	9.1

The distribution of the 2010 budget for the Ministry of Education (by economic classification) shows that 89.2% of the budget is allocated for wages, while 10.8% is allocated for purchase, services, products and other expenses**. The budget for wages includes wages for teachers (73%) and other employees: local authority personnel and other public servants (16.2%).

Examination of the budget over the years (1995-2010) reveals that distribution has remained stable, with small fluctuations. It should be noted that in 2005-6 over 12% of the budget was intended for purchase. This was due to the return of the culture and sports budgets to the Ministry.

2010 figures include the "New Horizon" Reform; the addition of teaching hours to primary and lower secondary schools, as part of a strategic plan aimed to improve: students achievements, the school environment and the quality of teaching.

* In 2005 and 2006, the budget includes culture and sport.

** For example, transportation for students and participation in costs of maintenance and services for educational facilities.

DEVELOPMENT BUDGET OF THE MINISTRY OF EDUCATION, 2010

(Millions of NIS)

NIS millions

TOTAL DEVELOPMENT BUDGET	838
BUDGET: Construction of classrooms	691
Renovation of buildings	116
Equipment	15
Reserves for price increases	16

The Ministry's development budget for 2010 totals NIS 838 million. For construction of new classrooms, the budget allocation is NIS 691 million, which represents 82% of the development budget.

Five year classroom plan 2007-2011

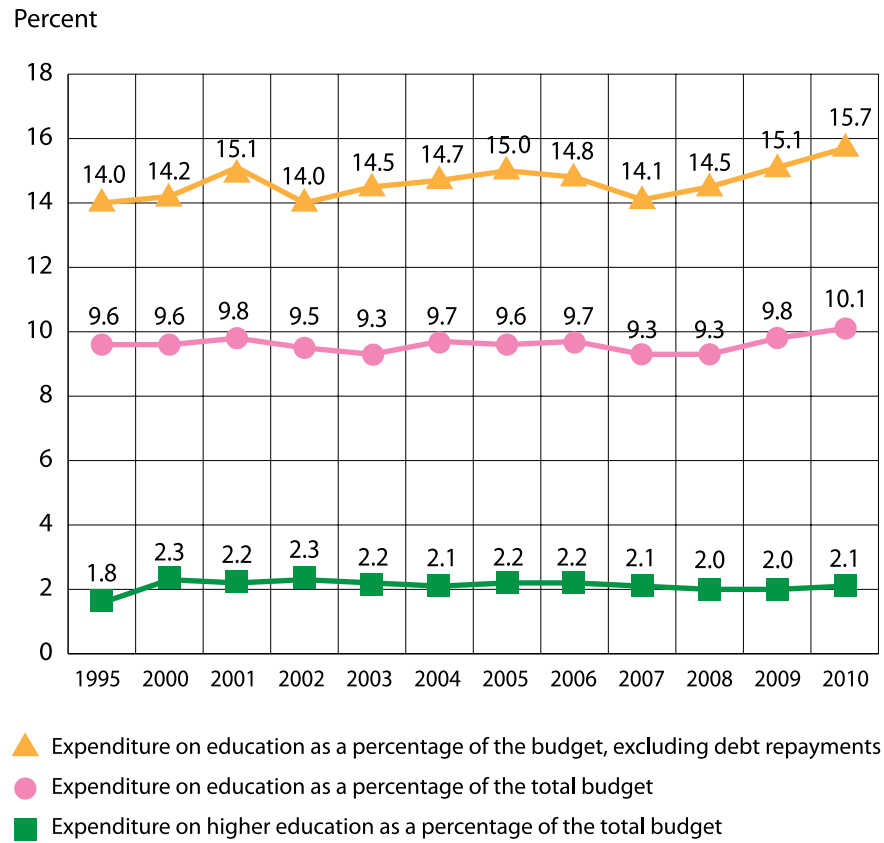
For the years 2007-2011, the construction of 8,000 classrooms in the education system will be financed from the sources as listed below. The average classroom construction cost is about NIS 639,000.

Year	Classrooms Total	Government budget (in classrooms)	Out-sourcing budget within the governmental frame of Plan for the North (in classrooms)	National Lottery Company (in classrooms)	Other non governmental sources (non governmental bodies) in classrooms	Actual budget for classroom construction (no. of classrooms)
2007	1,790	800	90	900		1,576
2008	1,790	800	90	900		1,650
2009	1,400	920		130	350	1,395
2010	1,450	1,050		250	150	1,189*
2011	1,570	800		770		
Total	8,000	4,370	180	2,950	500	5,810

* Until August 2010, 1,189 classrooms were constructed from the 2010 budget.

Source: Based on the booklet "Proposed Budget" for the relevant years, published by the Ministry of Finance

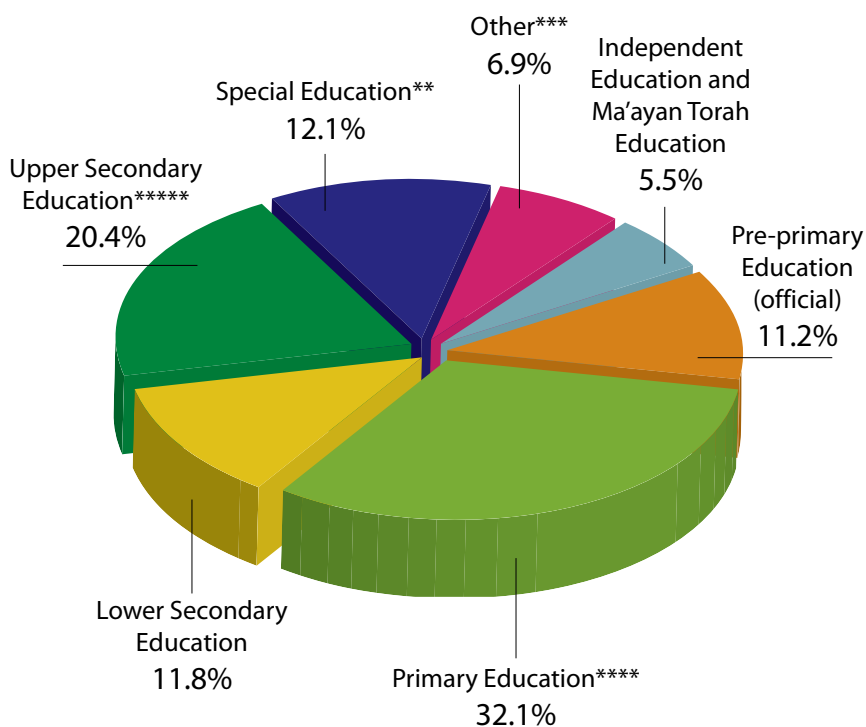
GOVERNMENT EXPENDITURE ON EDUCATION AND HIGHER EDUCATION AS A PERCENTAGE OF TOTAL GOVERNMENT EXPENDITURE



Between 1995-2007, the percentage of government expenditure allocated for education was between 9.3%-9.8% of the total government expenditure. In recent years 2008-2010, there was an increase from 9.3% to 10.1%. A similar picture emerges when debt repayments are excluded.

Between 1995-2000, the percentage of government expenditure on higher education increased. Since 2004, it has leveled off at around 2.1%.

HOURS OF INSTRUCTION DISTRIBUTION, BY LEVEL OF EDUCATION*, 2010 (in percent)



In 2010, the Ministry of Education allocated over 3.2 million weekly hours of instruction to educational institutions - from pre-primary through the end of upper secondary education.

* Not including teacher training institutions.

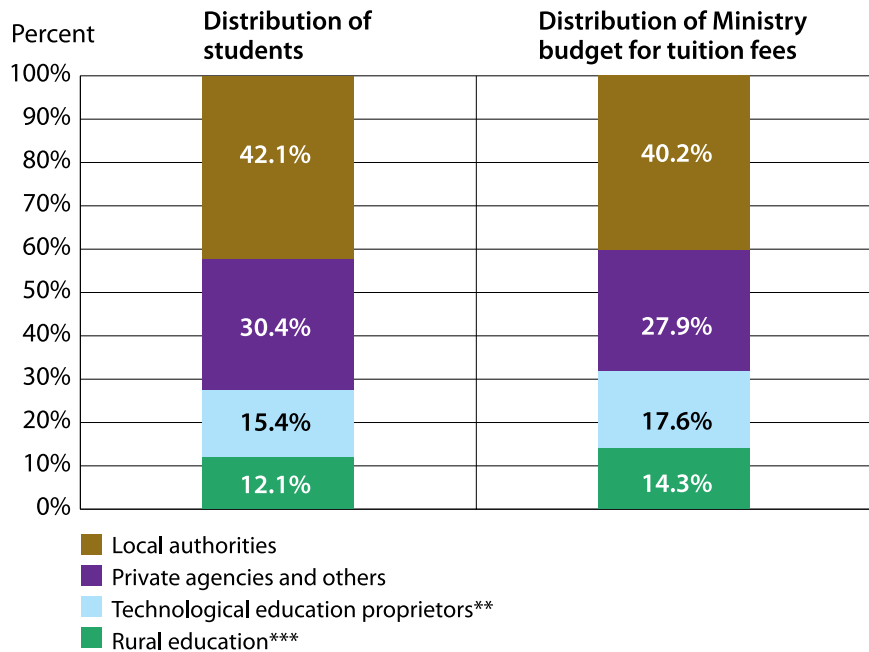
** Includes hours for integrating special education students in regular education frameworks.

*** Other: recognized schools and kindergartens, hospitals, talmud torah, etc. Recognized kindergartens were not classified between regular and special education.

**** Includes long school days.

***** Includes rural education.

CONTRIBUTIONS BY THE MINISTRY OF EDUCATION TOWARDS THE BUDGETS OF LOCAL AUTHORITIES AND OTHER PROPRIETORS OF EDUCATIONAL INSTITUTIONS FOR UPPER SECONDARY EDUCATION TUITION PAYMENTS* - 2009 (in percent)



The Ministry of Education contributes toward the secondary school budgets for tuition payments.

The 2009 budget breakdown shows (in decreasing order): About 40% of this budget contributed to schools of the local authorities; Around 28% was transferred to private agencies and others; Some 18% was allocated to major technological education proprietors (ORT, Amal, Amit); About 14% was directed to rural education.

Local authorities, private agencies and others receive 68% of the budget, even though 73% of the students are enrolled in their institutions. Major technological education proprietors and rural education receive 32% of the budget, while only 27% of students are enrolled in their institutions. The reason that the percentage of the budget allocated to major technological education proprietors and rural education is greater than their percentage of students is related to the fact that the cost per student in technological and agricultural education is higher than the cost in general education. Many of the students at schools maintained by local authorities and private agencies are enrolled in general education.

* Includes 9th grades in four-year schools

** ORT, Amal, and Amit

*** Part of the rural education budget (around 32%) is transferred to regional councils.

ANNUAL EXPENSES IN THE EDUCATION SYSTEM (in NIS, 2010 budget prices)

	Annual cost of full time post (NIS)	Percentage of Ministry contribution
TEACHING STAFF		
Kindergarten teacher ⁽¹⁾	134,618	
Primary school teacher ⁽¹⁾	149,112	
Lower secondary school teacher ⁽¹⁾	137,556	
Upper secondary school teacher ⁽²⁾	136,950	
OTHER STAFF		
Maintenance worker	76,889	87%
Secretary	77,283	87%
Therapeutic assistant	60,088	70%
Lab assistant	81,773	87%
Security officer	91,962	75%
Assistant kindergarten teacher ⁽³⁾	99,426	117%
Psychologist	148,800	68%
Boarding school guard	87,889	100%
Truant officer	110,242	75%
Librarian	85,723	100%
COST PER YEARLY INSTRUCTION HOUR		
Kindergarten ⁽¹⁾	4,487	
Primary school ⁽¹⁾	4,970	
Primary school - special education ⁽¹⁾	5,413	
Lower secondary school ⁽¹⁾	5,731	
Upper secondary school ⁽²⁾	5,706	
Teacher and kindergarten		
Teacher training institutions ⁽¹⁾	13,230	
CONSTRUCTION COSTS		
Average classroom construction cost ⁽⁴⁾	639,000	
School (24 classrooms) construction cost	15,336,000	
Kindergarten classroom construction cost ⁽⁴⁾	761,000	

⁽¹⁾ Cost of a government-employed teacher. (Government employees are entitled to a budgeted pension wage costs listed in the table do not take account of [deferred] pension costs).

⁽²⁾ Full cost of teacher who is not a government employee includes government allocation for pensions and employers' tax.

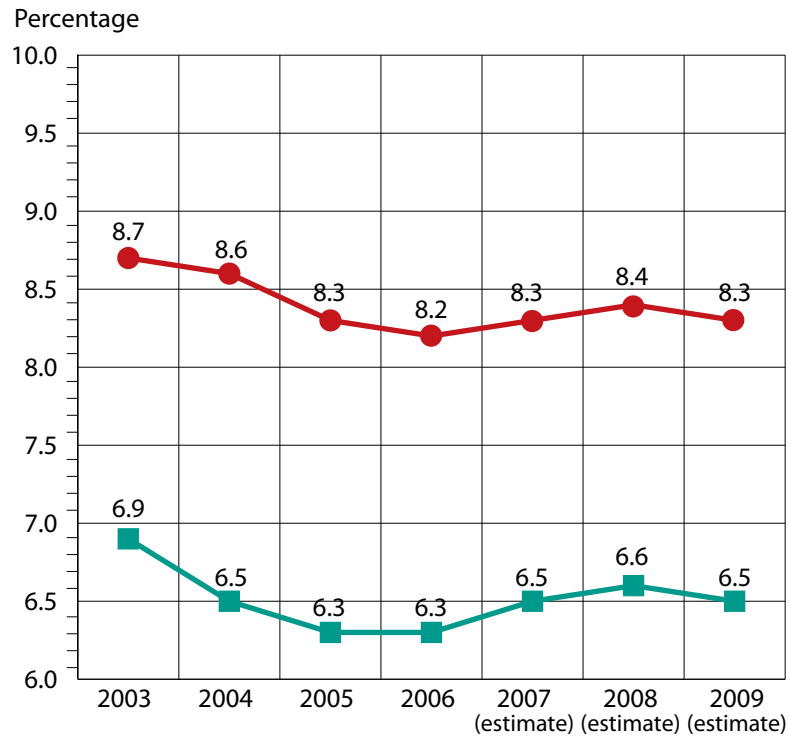
⁽³⁾ Assistant kindergarten teachers work five days a week, so the expenses include the cost of a substitute assistant teacher for the sixth day.

⁽⁴⁾ Area of an average classroom, including ancillary rooms - 128 sq. m. Area of an average kindergarten classroom - 125 sq. m. The cost is calculated according to a base index provided by the Development Administration.

Source: Based on CBS data

2. NATIONAL EXPENDITURE ON EDUCATION

NATIONAL AND PUBLIC EXPENDITURE ON EDUCATION AS A PERCENTAGE OF THE GROSS DOMESTIC PRODUCT



● Total expenditure on education at current prices as a percentage of GDP*

■ Public expenditure on education (government and local authorities) as a percentage of GDP

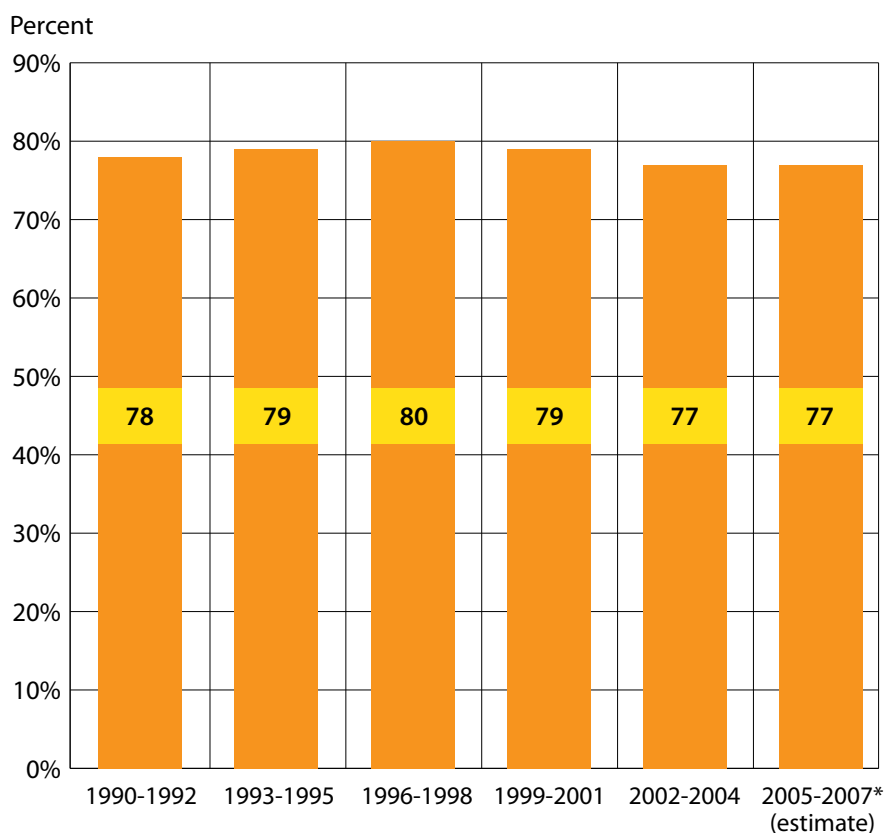
The national expenditure on education, comes to 8.3% of the Gross Domestic Product. Public expenditure accounts for 6.5% of the Gross Domestic Product.

Between 2006-2008 there was an increase in the national expenditure on education as a percentage of the GDP.

* National expenditure on education by Operating sector, including consumption of fixed capital.

Source: Based on CBS data

EXPENDITURE OF THE GOVERNMENT AND LOCAL AUTHORITIES AS A PERCENTAGE OF THE TOTAL NATIONAL EXPENDITURE ON EDUCATION



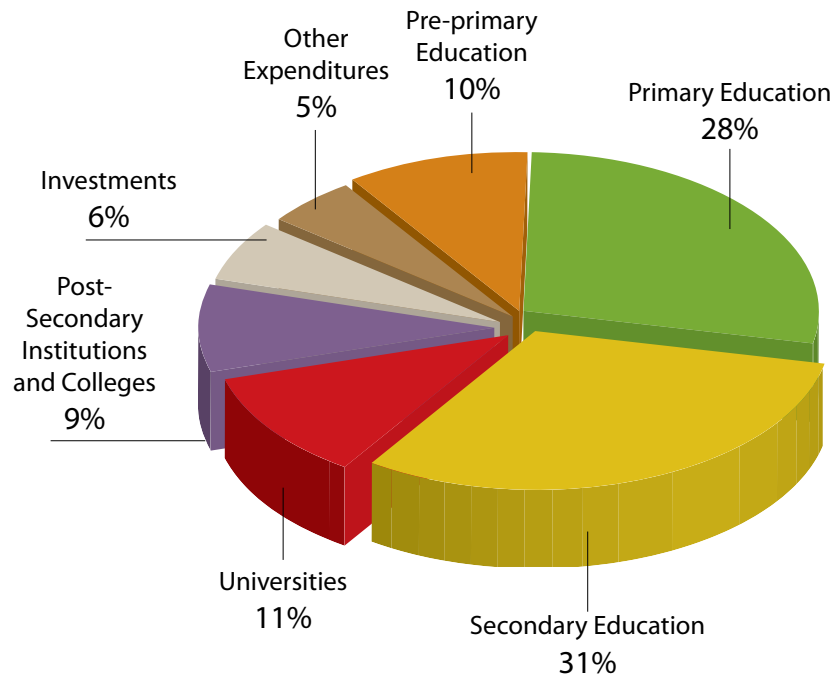
In 2002-2004, the contribution by the government and local authorities to the national expenditure on education was 77%, which represents a drop compared to the figure for 1999-2001, which was 79%.

The remainder of the national expenditure, 23%, was funded by households, i.e., families (tuition fees for kindergartens and universities, private teachers, study materials, various educational services) and by donations from abroad.

* Includes government expenditure on services provided by non profit institutions.

NATIONAL EXPENDITURE ON EDUCATION BY LEVEL OF EDUCATION, 2006

Total national expenditure - NIS 49.3 billions*



Approximately 59% of the national expenditure on education in 2006 was spent on primary and secondary education, and 10% was devoted to kindergartens.

The share of post-secondary and higher education was 20% of the total national expenditure for education (11% for universities and 9% for post-secondary institutions and colleges).

* This figure excludes depreciation. With depreciation estimates included, the total expenditure comes to 53.2 billions.

CURRENT EXPENDITURE* PER STUDENT BY EDUCATION LEVEL

(Thousands of NIS, at current prices)

Level of education	2003	2006	2009 (estimate)
Pre-primary education**	12.6	14.1	15.0
Primary education	16.8	18.4	21.0
Secondary education	19.8	21.9	24.0
Post-secondary education	26.3	34.9	38.0
Universities and colleges	39.9	39.3	44.0

The expenditure per student increases from level to level. In 2009, the expenditure per student attending university or college is estimated at NIS 44,000 a year, while the expenditure per Students in pre-primary education is estimated at NIS 15,000 a year.

* Includes private lessons and depreciation estimates. Excludes textbooks and writing materials, which are purchased by the households.

** Includes private kindergartens.

INTERNATIONAL COMPARISON OF NATIONAL EXPENDITURE* ON EDUCATIONAL INSTITUTIONS PER STUDENT IN ISRAEL AND IN SELECTED OECD** COUNTRIES, 2007

Country	Expenditure per student in educational institutions (in USD)*				National expenditure on education institutions as percentage of the GDP
	Pre-primary education	Primary education	Secondary education	Tertiary education	
Israel	3,631	5,060	5,741	11,435	7.4***
Average in OECD countries	5,447	6,741	8,267	12,907	5.7
Israel, OECD average ratio	0.67	0.75	0.69	0.89	
Germany	6,119	5,548	7,841	13,823	4.7
Denmark	5,594	9,176	9,675	16,466	7.1
Netherlands	6,130	6,552	10,248	15,969	5.6
Spain	6,138	6,533	8,730	12,548	4.8
Finland	4,789	6,234	7,829	13,566	5.6
France	5,527	6,044	9,532	12,773	6.0
Sweden	5,666	8,338	9,143	18,361	6.3
Korea	3,909	5,437	7,860	8,920	7.0
Japan	4,518	7,247	8,760	14,201	4.9
Australia	6,507	6,498	8,840	14,726	5.2

* The calculation is based on PPP (Purchasing Power Parities) in dollars. (3.62 NIS per dollar) Expenses paid by households for private tutoring, textbooks and study materials are not included.

** Organization for Economic Cooperation and Development.

*** Payments for educational goods and services other than to educational institutions are not included.

Financing of education expenditure, excluding consumption of fixed capital.

Israel's national expenditure (Public and private) per student in the three levels of education - pre-primary education, primary education and secondary education - is low in comparison with the average expenditure in OECD countries. The expenditure per student in tertiary education (post secondary and higher education) is also lower than the OECD average.

However, in terms of percentage of the GDP (Gross Domestic Product), the expenditure on education in Israel is high when compared with the average expenditure in the OECD countries.

The difference between the findings is due to the fact that, in Israel, school-aged children constitute a relatively large portion of the population. The national expenditure on education is therefore distributed among a relatively large number of children, and the expenditure per student is consequently low in comparison to the OECD average.

INTERNATIONAL COMPARISON OF EXPENDITURE ON EDUCATIONAL INSTITUTIONS PER STUDENT* RELATIVE TO GROSS DOMESTIC PRODUCT PER CAPITA, IN ISRAEL AND SELECTED OECD** COUNTRIES, 2007

Country	Expenditure per student in educational institutions*					Expenditure from primary education through higher education
	Pre-primary education	Primary education	Secondary education	Post-secondary education	Institutions of higher education	
Israel	14	19	22	19	43	24
Average in OECD countries	18	20	24	14	40	25
Germany	18	16	23	25	40	24
Denmark	15	25	27		45	30
Netherlands	15	17	26	27	40	25
Spain	20	21	28		40	27
Finland	14	18	22		38	24
France	17	19	29		39	27
Sweden	15	23	25	18	50	28
Korea	15	20	30		34	28
Japan	13	22	26		42	28
Australia	17	17	24	18	39	23

The expenditure per student in pre-primary education is lower than the average expenditure in OECD countries. The expenditure per student in primary education and secondary education in Israel is similar to the average expenditure in OECD countries. The expenditure per student in tertiary education (post-secondary education and higher education), is higher in comparison to the OECD countries.

* Expenditure per student in public and private institutions as a percentage of the per capita GDP, by level of education, based on full-time equivalents.

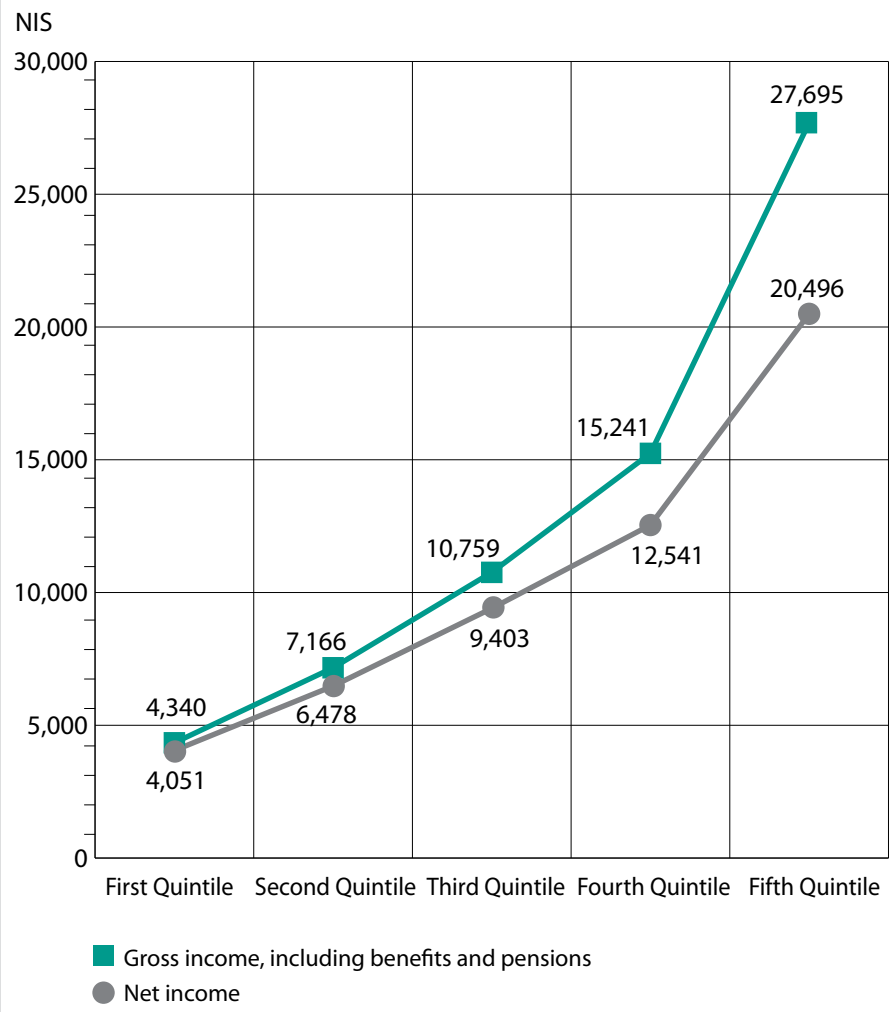
** Organization for Economic Cooperation and Development.

Source: Based on CBS data

3. EXPENDITURE ON EDUCATION BY QUINTILE OF HOUSEHOLD INCOME

As part of its survey of family expenditure, the Central Bureau of Statistics examined family expenses relative to income. We should bear in mind that households finance 23% of the national expenditure on education (see preceding section-National Expenditure on Education).

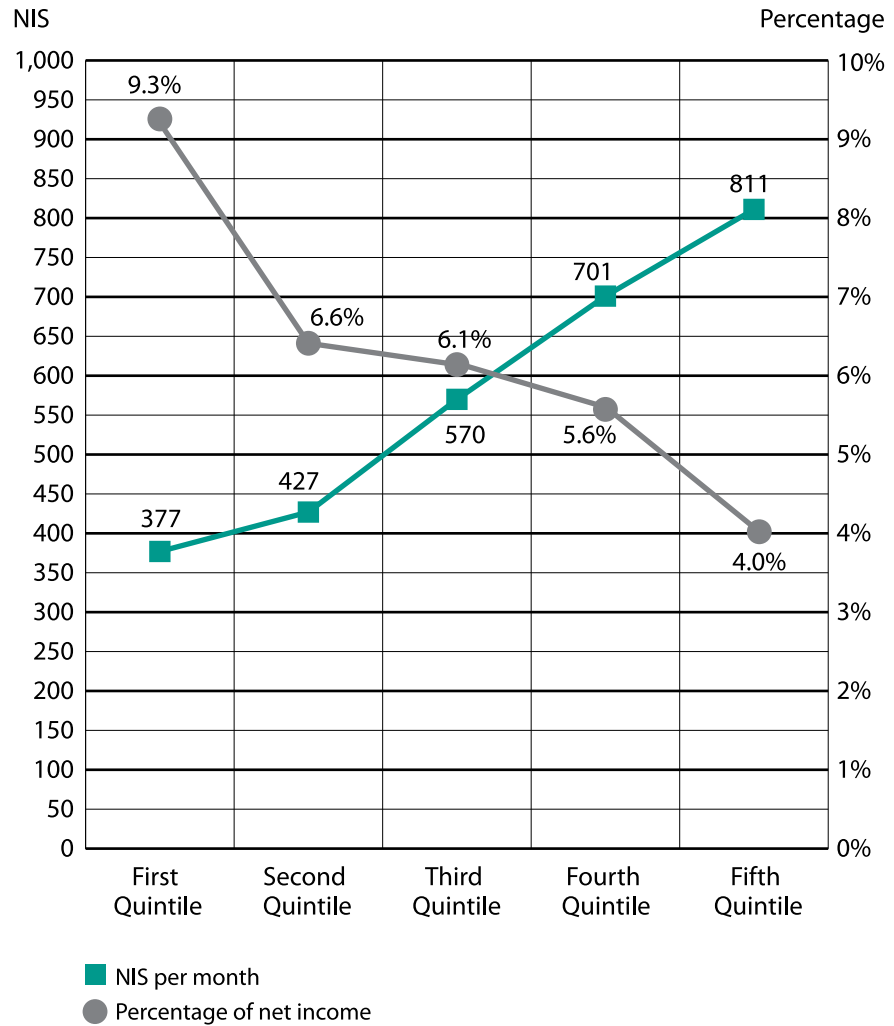
MONTHLY INCOME PER HOUSEHOLD BY QUINTILE OF INCOME PER STANDARD PERSON - 2006, 2007 AVERAGE



In 2006 and 2007, the average net income per month for the fifth quintile (with highest income) was about NIS 20,500, more than five times that of the first quintile (with the lowest income). The difference between the gross incomes of these quintiles, i.e., income before deducting compulsory payments, was more than six times. Gross income includes income from benefits and support.

Source: Based on CBS data

MONTHLY EXPENDITURE ON EDUCATION PER HOUSEHOLD, BY QUINTILE OF INCOME - 2006, 2007 AVERAGE



In absolute terms, monthly household expenditure on education has increased as a function of income. In 2006-2007 the first quintile (with the lowest income) spent NIS 377 per month while the fifth quintile (with the highest income) spent NIS 811.

If we calculate expenditure on education as a percentage of net income, the opposite appears true. The percentage spent on education in the first quintile is 9.3% compared with 4.0% in the fifth quintile.