

Public funding of higher education in Germany and in an international context

HIS Higher Education Information System

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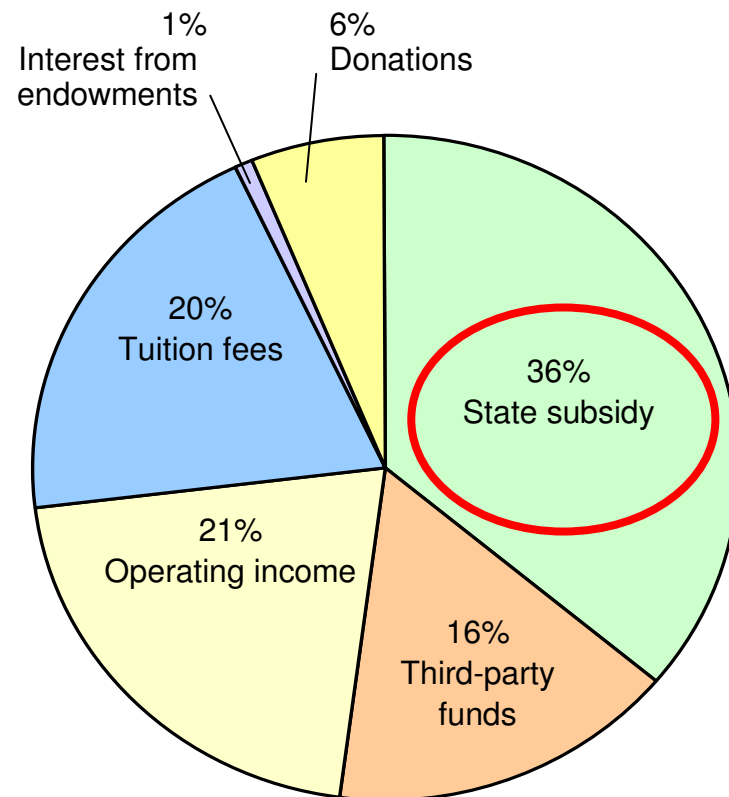
Hanover, November 10, 2005

1. Sources of institutional income and components of public funding allocation in an international context
2. Performance-based funding – formula funding models in Germany at state level
3. Performance-based funding – formula funding models in Germany within higher education institutions

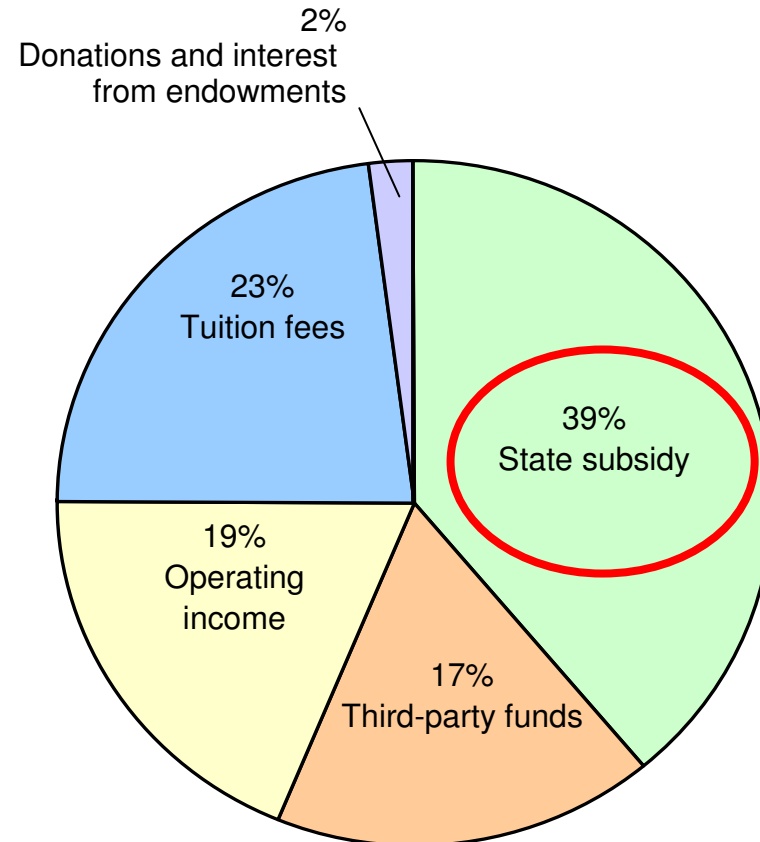
1. Sources of institutional income and components of public funding allocation in an international context

Sources of higher education funding in UK & USA

USA (public universities without medicine)
€ 124.5 billion 2000

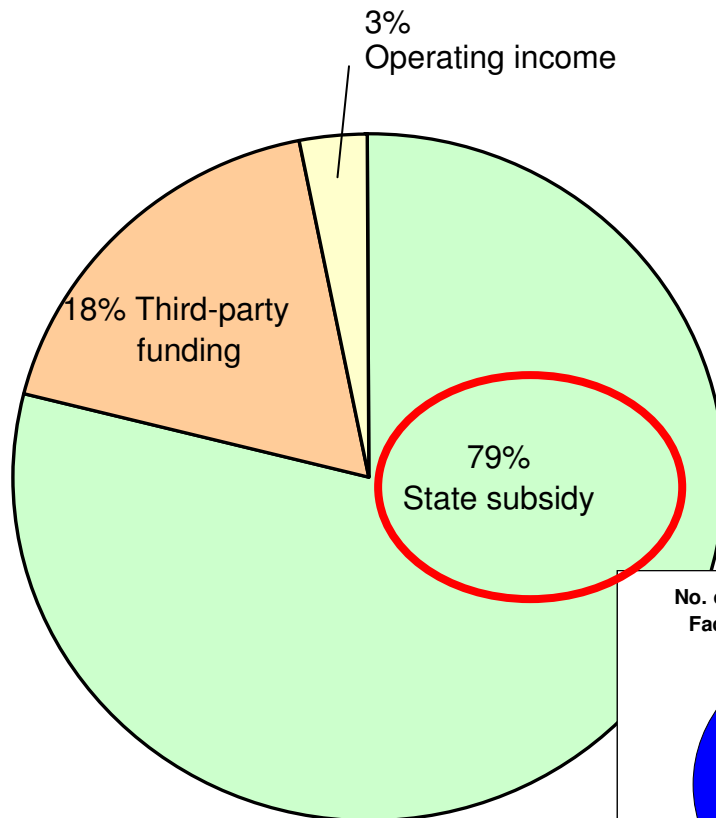


UK (public universities *with* medicine)
€ 21.7 billion 2001

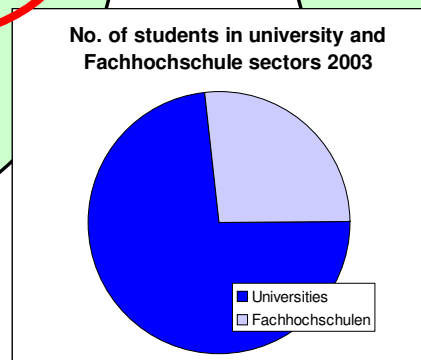
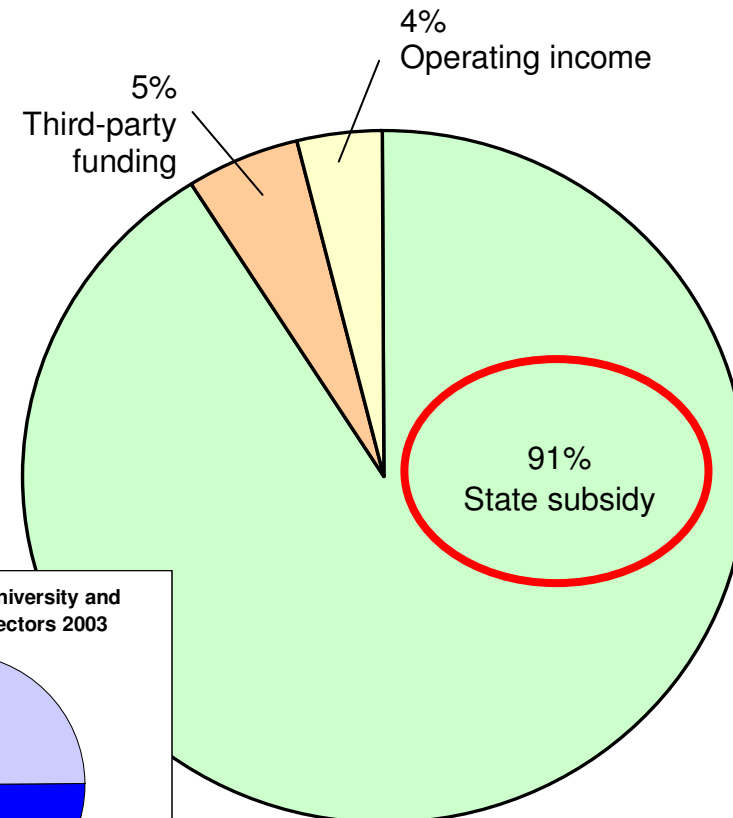


Sources of higher education funding in Germany

**Universities € 12.1 billion 2001
(without medicine)**



Fachhochschulen € 2.6 billion 2001



Main components of state subsidies to HEIs

<i>Funding component</i>	Formula-based funding	Project-based funding (earmarked grants)	Mission-based funding (target agreement)	Discretionary incremental funding
<i>Basis of funding</i>	Formulaic measurement of an institution's performance and performance of other <u>competitors</u> using <u>indicators</u> . Ex-post indicators assure a direct measurement of performance.	An institution's (or consortium's) project proposal and <u>competing proposals</u> .	Negotiations between state and <u>individual</u> HEIs.	An <u>individual</u> institution's previous year's budget.

Components of state subsidies to universities in selected OECD countries & their relative proportion 2003



Country	Formula-based funding	Project-based funding (earmarked grants)	Mission-based funding	Discretionary incremental funding
	%	%	%	%
Australia	94*	6	-	-
England	83	17	-	-
Finland	68	20	-	12
Ireland	63	7	-	30
Norway	60	7	-	33
Sweden	62	-	38	-
Spain (Valencia)	84	-	12	4
Czech Republic	58	30	-	12

* includes income from HECS fees

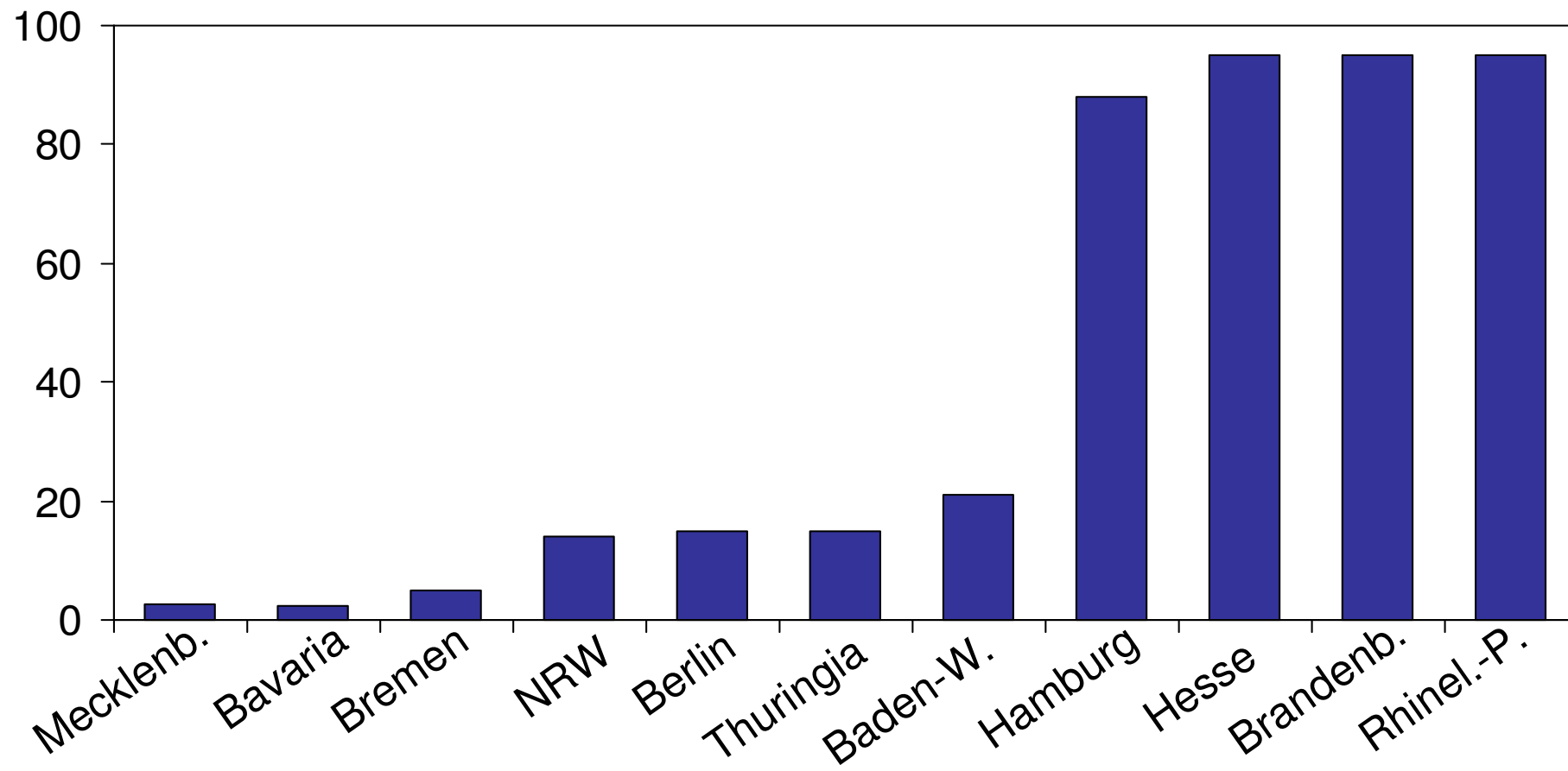
2. Performance-based funding

- formula funding models in Germany**
- at state level**

Performance-based funding at state level State of implementation in the German Länder 2004



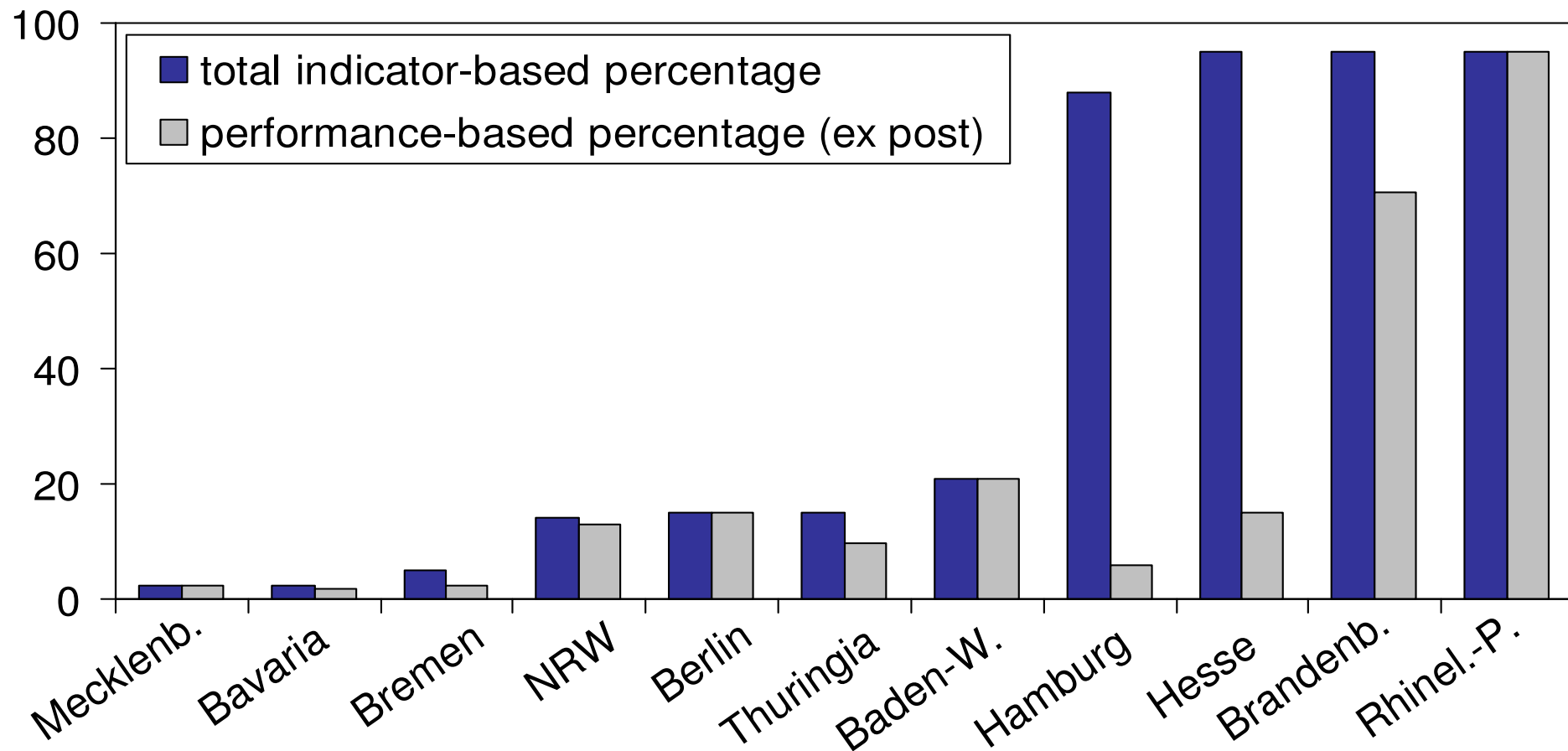
Indicator-based models as percentage of total state subsidy
(Universities) (1):



Performance-based funding at state level State of implementation in the German Länder 2004



Indicator-based models as percentage of total state subsidy
(Universities) (2):

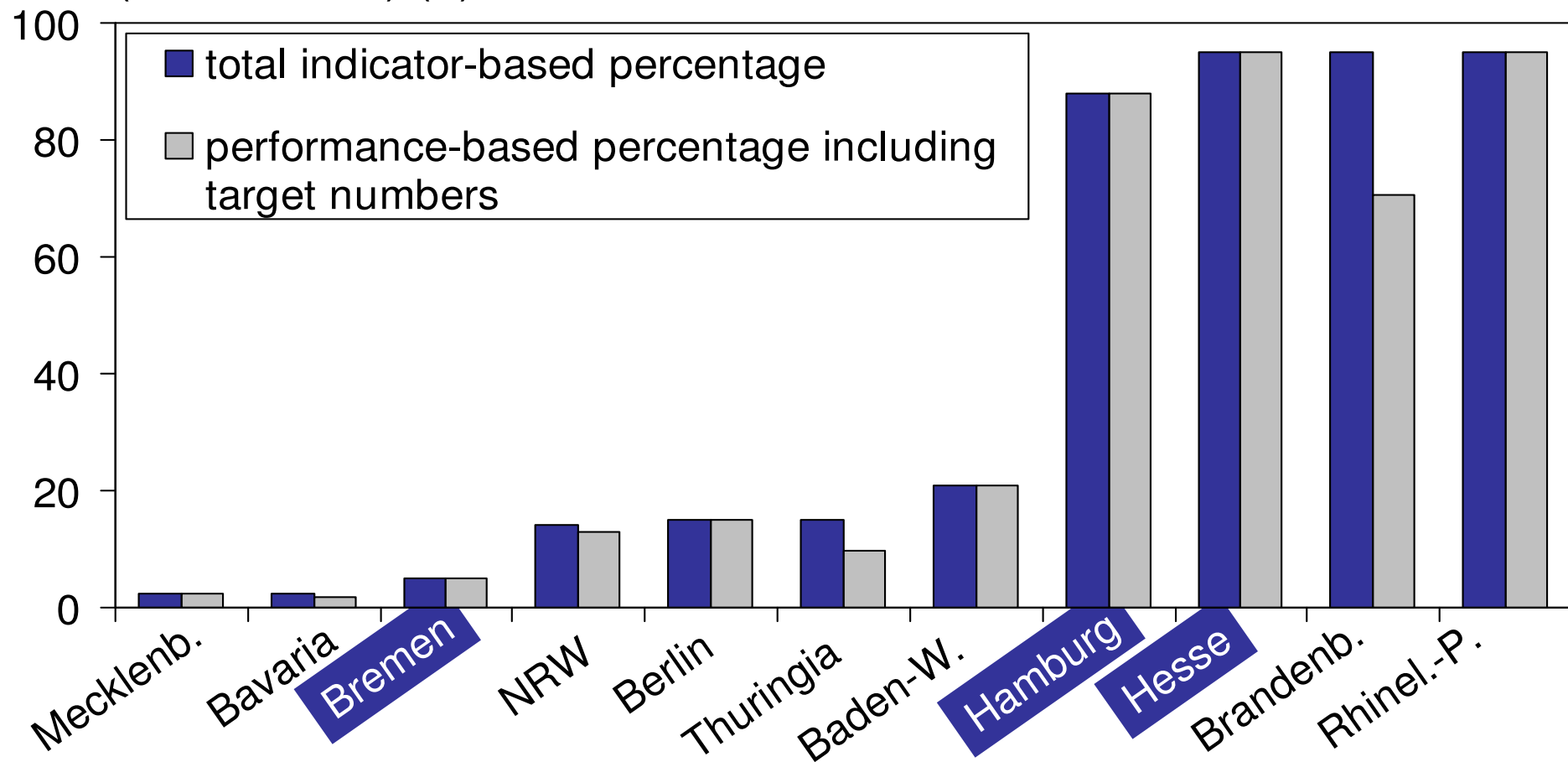


Performance-based funding at state level

State of implementation in the German Länder 2004



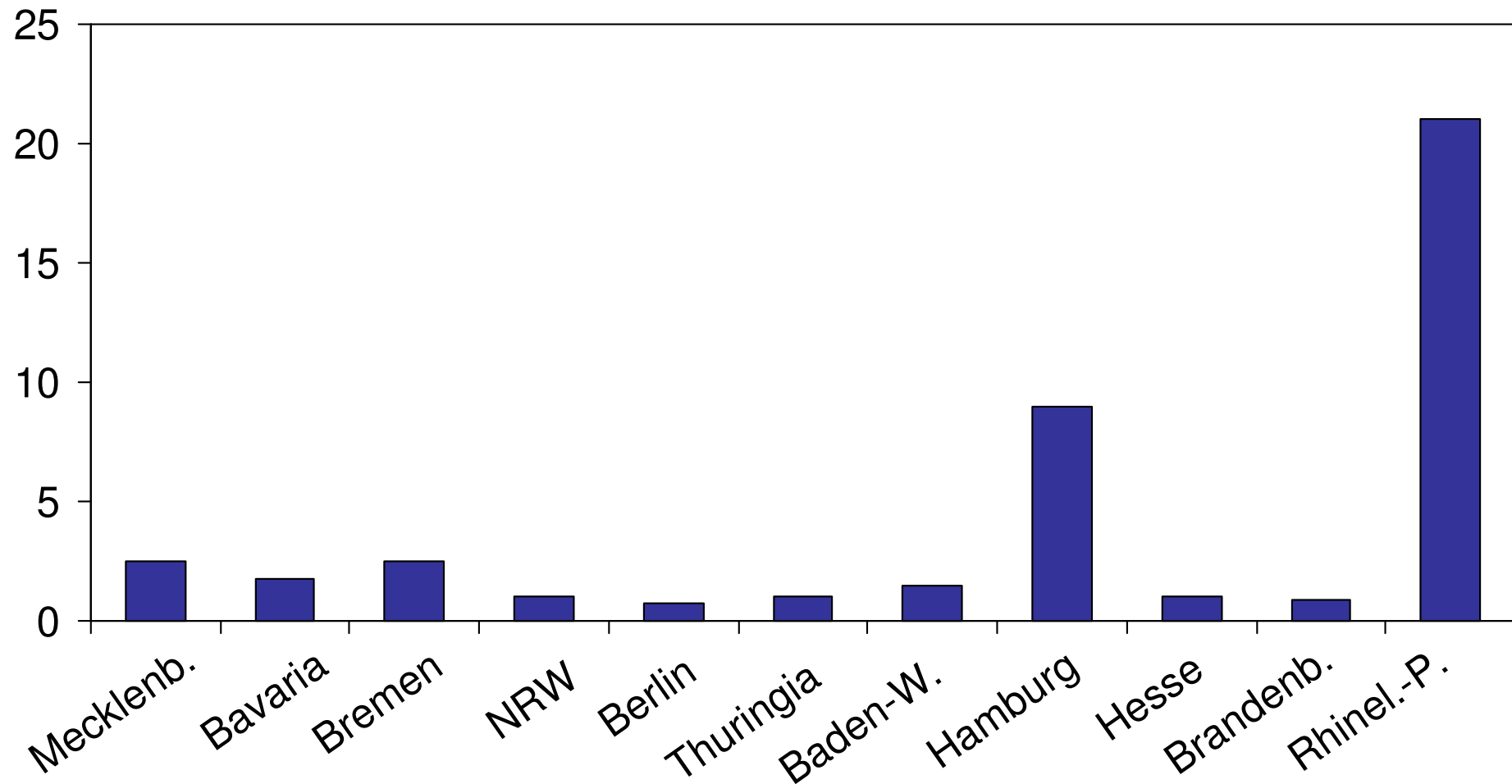
Indicator-based models as percentage of total state subsidy
(Universities) (3):



Performance-based funding at state level State of implementation in the German Länder 2004



Max. potential for change (losses) compared to previous year in %:



Common indicators:

- Focus on indicators for teaching: esp. number of students and graduates
- Indicators for research: esp. third-party-funding, doctorates (Ph.D.s) / Habilitationen; publications: only 1 case
- Indicators for equality: number of female students, share of female professors
- Almost all models take performance in teaching and research into account; usually also consider equality
- Some parameters frequently discussed (graduates' success on the job market, publications) are rarely used

General picture:

- Considerable heterogeneity
 - position within state steering framework
 - one common model vs. separate models for different types of HEIs
 - design of the models
 - type and choice of indicators
 - weighting of subjects etc.
- Distribution models clearly more common than fixed-price models
- Usually high complexity
- Impact analyses by HIS: Lower Saxony, Berlin, Bremen, Hesse

3. Performance-based funding – formula funding models in Germany within higher education institutions

State of implementation at public German universities 2003:

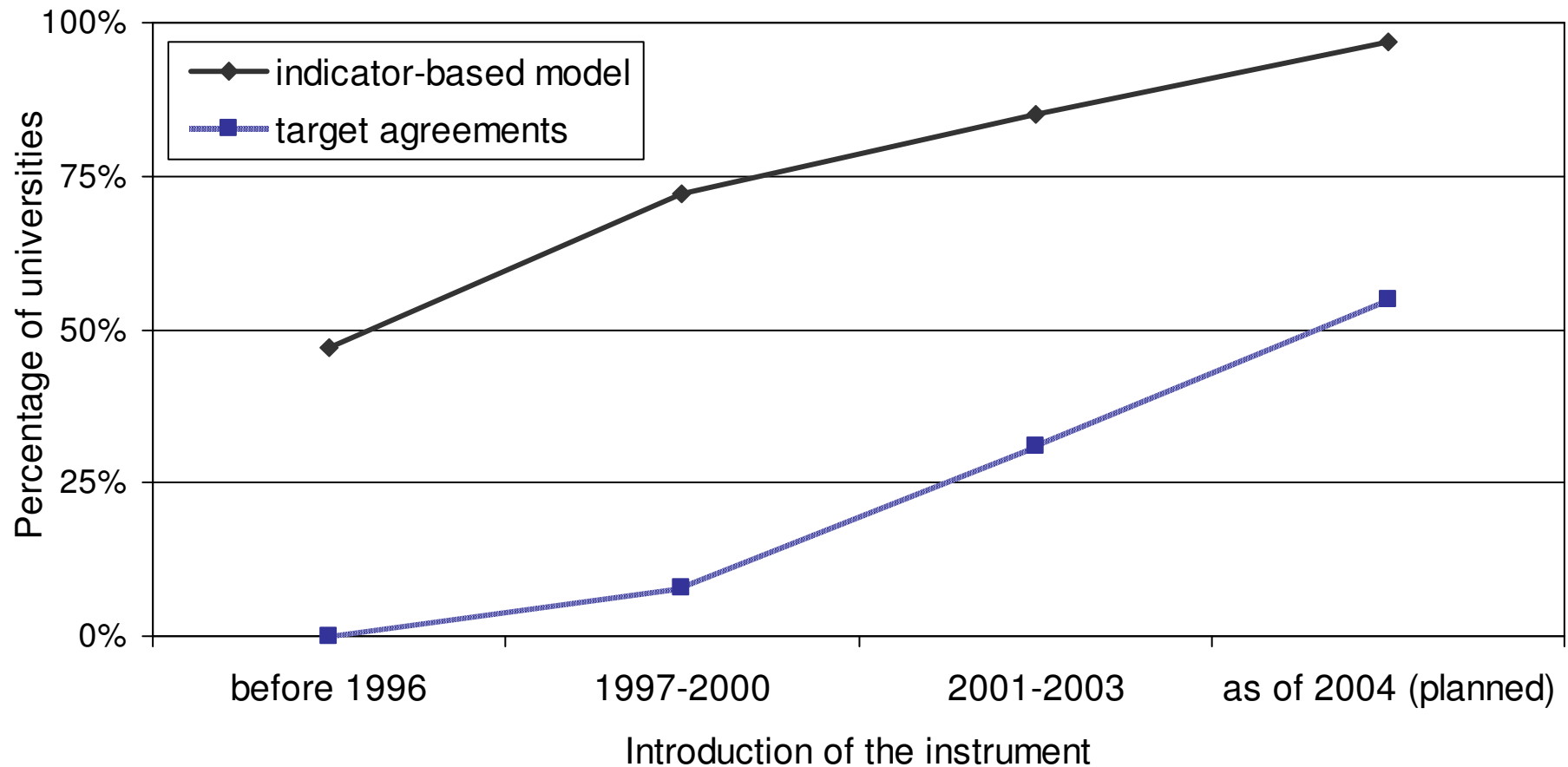
- 86% of universities use indicator-based models, a further 12% have concrete plans to introduce them
- 29% of universities use target agreements, a further 28% intend to introduce them
- Context factors: transition to a flexible budget, size of university (esp. concerning target agreements)

Performance-based funding within universities

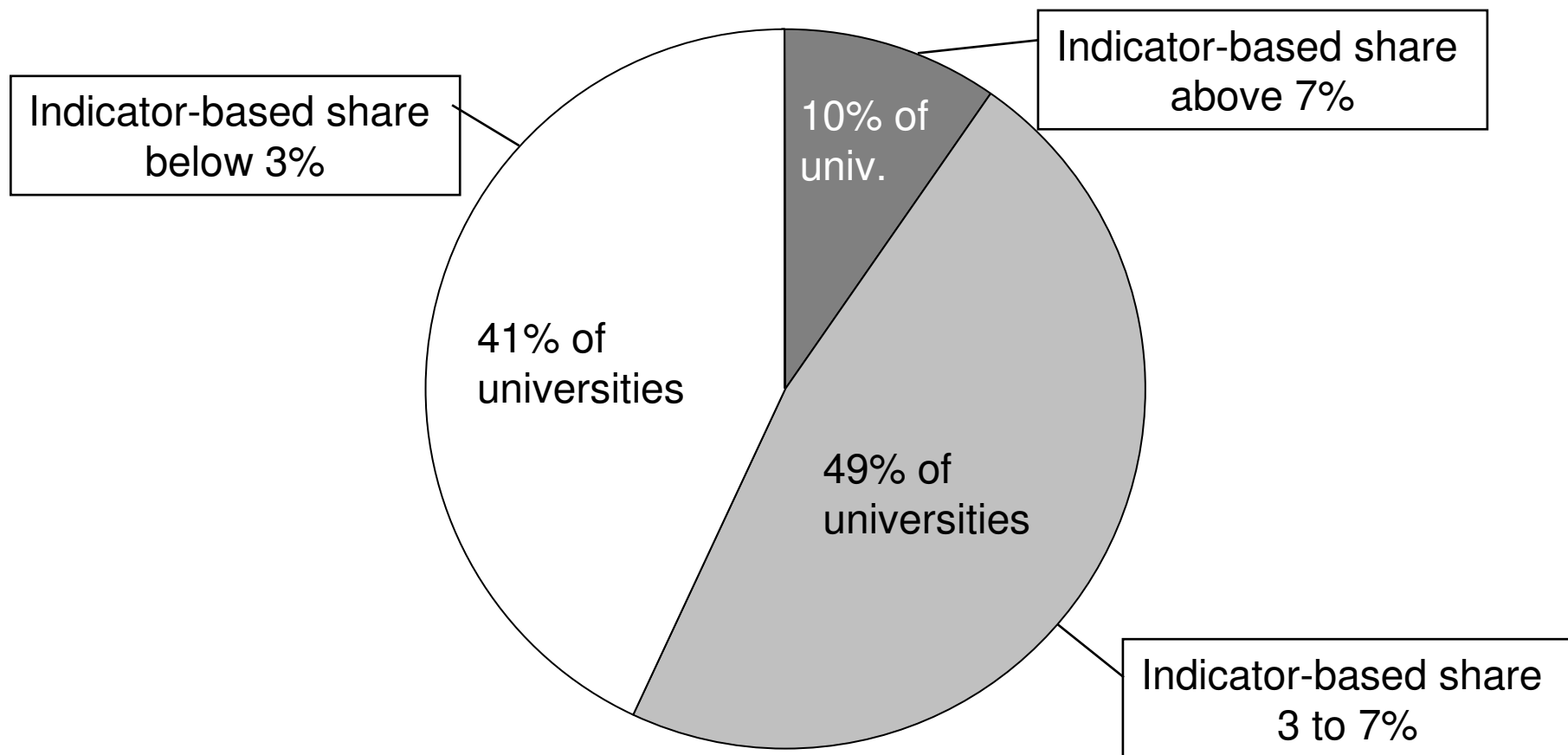
State of implementation in universities 2003



Use of instruments over time



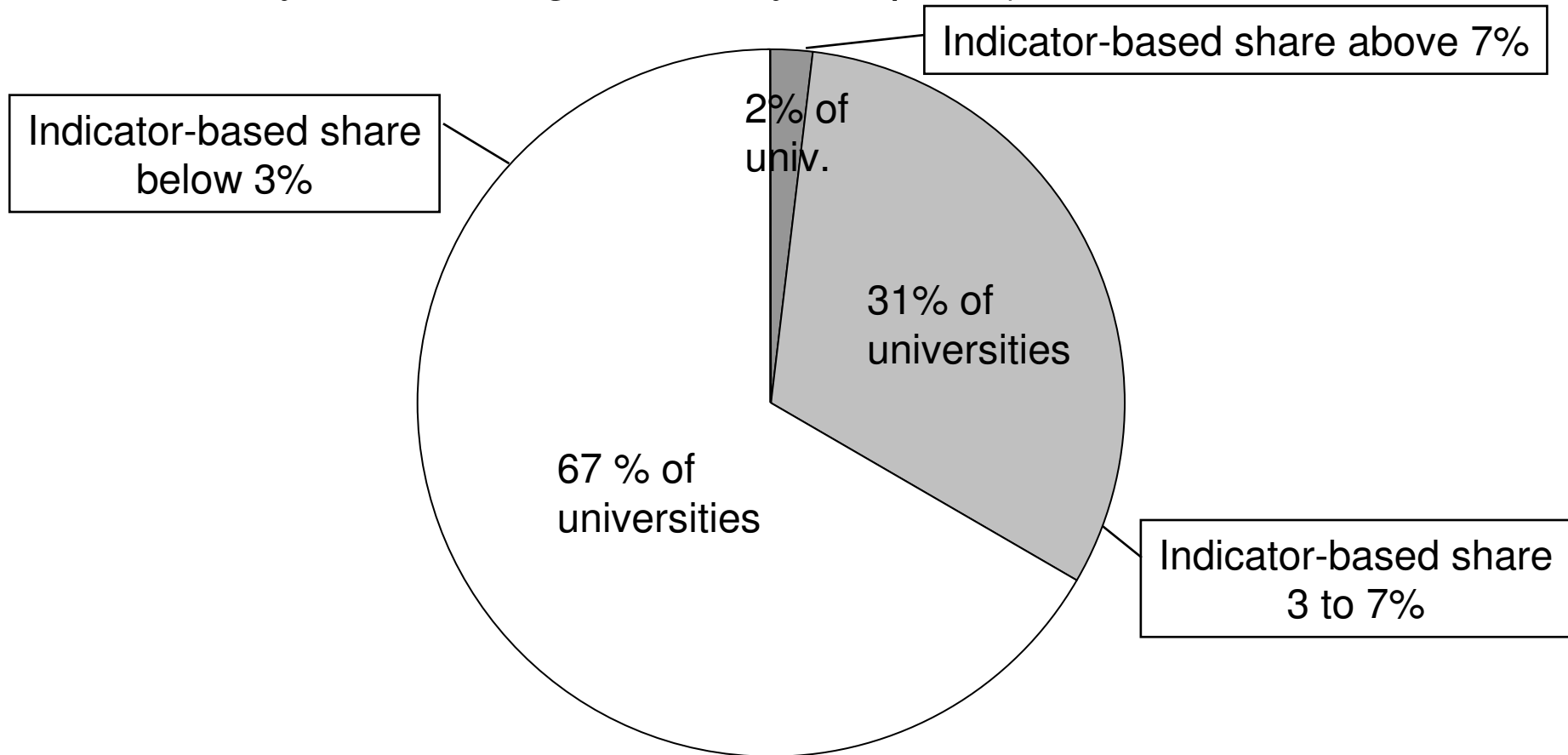
Indicator-based models' relevance for the budget (concerning state subsidy – excluding university hospitals):



Performance-based funding within universities State of implementation at universities 2003



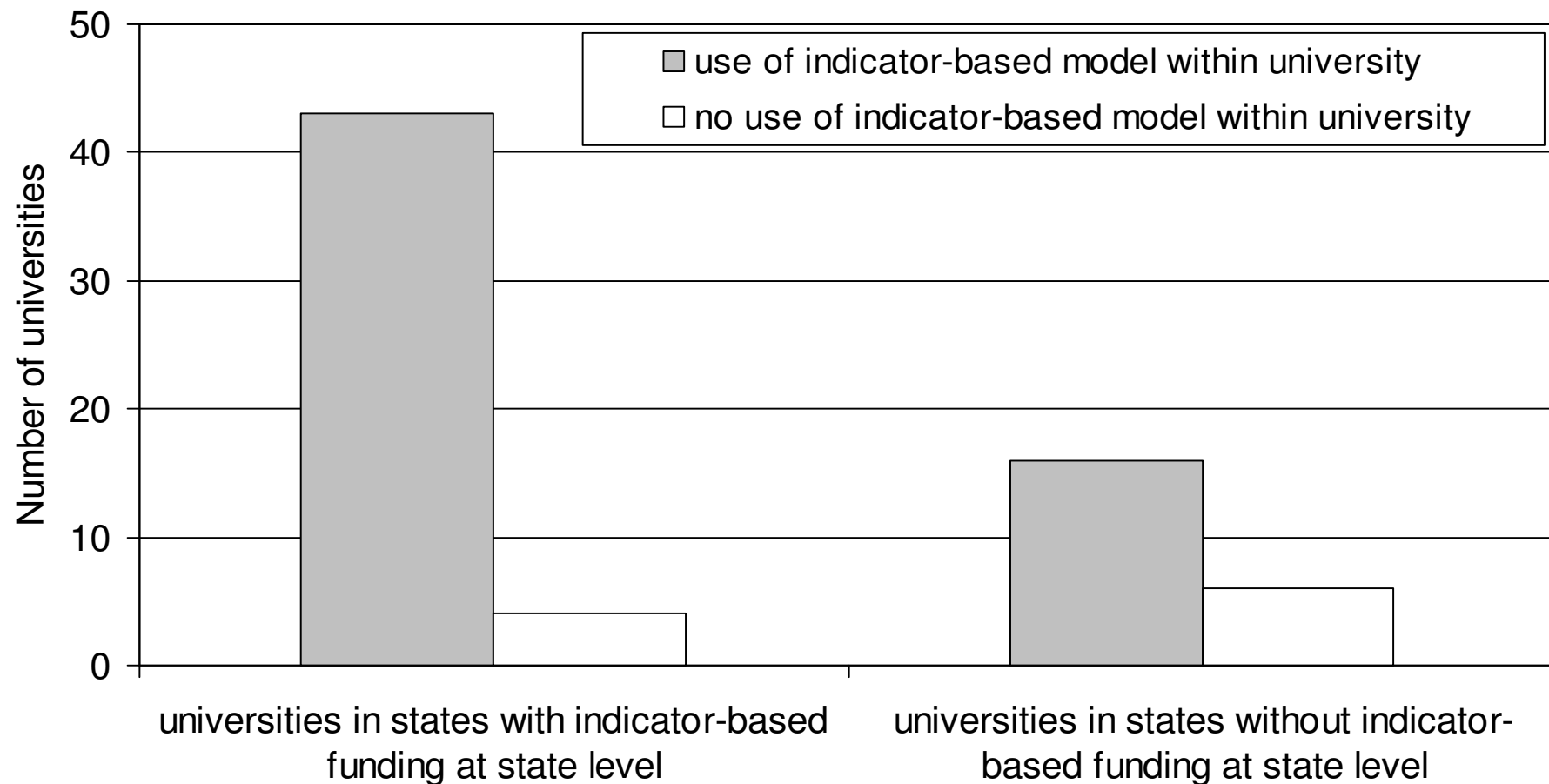
Performance-based share of indicator-based models (concerning state subsidy – excluding university hospitals)



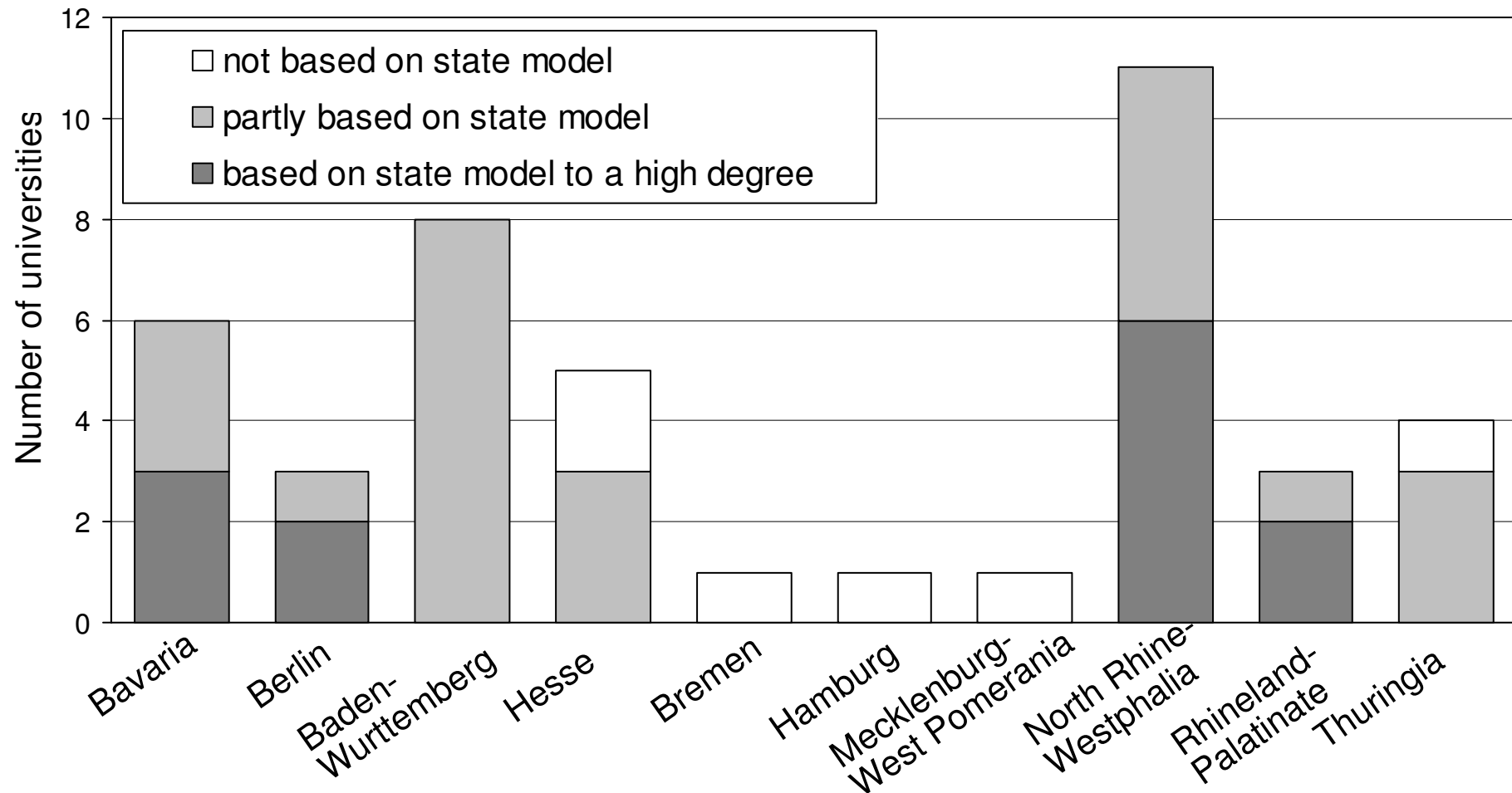
General picture:

- As with indicator-based models at state level: considerable heterogeneity (fixed-price / distribution models, indicator design, weighting of subjects etc.)
- Teaching indicators: predominance of number of students and graduates; Research: third-party funding and number of doctorates (Ph.D.s) / Habilitationen
- Performance in teaching usually weighted stronger than research indicators
- Distribution models clearly more common than fixed-price models
- Conclusion: no fundamental difference compared to models used on state level

Use of indicator-based models depending on indicator-based models at state level



Closeness to model at state level



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