Higher Education Funding in Germany - for Columbian information visit

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Agenda

- The German Higher Education System – an Overview
- Higher Education Funding in Germany
  - Source of Funds
  - Allocation of Funds
  - Tuition Fees
The German HE system

16 Länder

Each responsible for higher education within its realm
Share of students according to the Länder and to the type of institution (universities vs. polytechnics)

Higher Education Funding – some data

Germany

- Expenditure per student: 12,457 US-$ PPP
- Total spending amounts to 1.1% of GDP of which
  - 1.0% is publicly funded and
  - 0.1% privately

OECD average

- Expenditure per student: 17,054 US-$ PPP
- 1.4% of GDP of which
  - 1.1% publicly
  - 0.4% privately
HE Funding – income sources of HEIs

Universities (without medicine)
- 79% State subsidy
- 18% Third-party funding
- 3% Operating income

Fachhochschulen
- 91% State subsidy
- 5% Third-party funding
- 4% Operating income

Tuition fees (as of 2006) not taken into consideration yet!
Main Elements of HE Funding

Public funding

- Contract research
- State grant

Private funding

- Tuition fees
- Contract research
- Donations

Grants, loans

Central administration

Faculty A

Institute/Workgroup Aa

University X
Discretionary-incrementalist funding

State

Disadvantage: Intransparency, unfairness, No procedure for change

<table>
<thead>
<tr>
<th>Guiding question</th>
<th>Basis of decision</th>
<th>Goal(s) of funding</th>
<th>Possible instruments</th>
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<tbody>
<tr>
<td>What does the university need to function?</td>
<td>Past costs</td>
<td>Maintenance of status quo</td>
<td>Incremental funding; detailed costing initiatives</td>
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Indicator-based funding

HEI

State

Reporting / performance

Steering / funding

Guiding question | Basis of decision | Goal(s) of funding | Possible instruments
--- | --- | --- | ---
What has the university achieved? | Past performance | Fairness according to performance; competition | Formula-funding according to performance-based indicators, (tuition fees)

**Disadvantage:** Focus on definable indicators, on quantity over quality, inflexibility
### Disadvantage:
**Limitation of institutional autonomy**

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<td>What should the university achieve in the future?</td>
<td>Agreement on future performance</td>
<td>Institutional steering, pump-priming; special initiatives; (competition)</td>
<td>Funding according to goal-based agreements; project-based funding</td>
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Issues affecting implementation

**Steering and funding approaches:**
- Performance-orientation vs. stability of funding
- Competition vs. institutional planning
- Transparency vs. flexibility

**Landscape conditions:**
- Institutional differentiation
- Size of HE sector(s)
- Importance of state grant
- Reform path

Overlaps in steering and reporting information used for each funding component

= Challenge for HE governance
Steering and funding in Germany: Trends towards an instrument mix

The number of Länder using formula-funding and/or performance agreements 2000-2006:

- Formula & performance agreement
- Only formula
- Only performance agreement
Tuition Fees in Germany

- Introduction on *Länder* level
- Relatively small amount of fees (max. 500 €/Sem.)
- Measures to ensure social equity
  - Fee waivers
  - Post-pomement via fee loans
Status and Type of introduction – resp. Share of students (as of fall 2007)
Designing social equity

- **Objective:** Maintaining education participation
- **Aims:**
  - postponement of fee payment
  - consideration of financial means
- **All Länder** achieve this through new loan models
  - Repayment after graduation
  - Repayment only after personal income reaches set level
  - (Partial) debt reduction for recipients of state student support (BAföG)
Comparison of Länder models with regards to tuition fee loans

- Repayment after graduation:
  - Graduates can start repaying after 18 months (Hamburg) / 24 months (all other)
- Income-contingent repayment:
  - Income level for individuals:
    - 11,520 €/yr. in North Rhine-Westphalia
    - 12,720 €/yr. in Lower Saxony, Baden-Wuerttemberg, Bavaria, Hamburg, Saarland
    - 15,120 €/yr. in Hesse
- (Partial) debt reduction for recipients of BAföG
  - Max. debt from fee loan and BAföG:
    - 10,000 € in North Rhine-Westphalia
    - 15,000 € in Lower Saxony, Baden-Wuerttemberg, Bavaria, Hesse, Saarland
    - 17,000 € in Hamburg
Higher Education Funding in Germany - Summarized

- Funding predominantly on regional level of the Länder
- The main funding source is the state subsidy
  → dominance of public funding vs. funding
- New development: Introduction of tuition fees
  → Change in the public/private share of the costs of higher education