

# **The Education System in the Federal Republic of Germany 2017/2018**

**A description of the responsibilities, structures and  
developments in education policy for the exchange of information in Europe**

– EXCERPT –

## 3. FUNDING

### 3.1. Introduction

The financing of education from the public purse is currently based on the following arrangements:

- Most educational institutions are maintained by public authorities.
- They receive the greater part of their funds from public budgets.
- Certain groups undergoing training receive financial assistance from the state to provide them with the money they need to live and study.
- The public financing arrangements for the education system are the result of decision-making processes in the political and administrative system in which the various forms of public spending on education are apportioned between Federation, Länder and *Kommunen* (local authorities) and according to education policy and objective requirements.

#### Public spending on education

The political and administrative hierarchy in the Federal Republic of Germany is made up of three levels: 1) Federation; 2) Länder; and 3) local authorities (*Kommunen*), i.e. districts, municipalities with the status of a district and municipalities forming part of districts. Decisions on the financing of education are taken at all three levels, but over 90 per cent of public expenditure are provided by the Länder and the local authorities.

Since 2008, the Federal Statistical Office has prepared an annual Educational Finance Report on behalf of the Federal Ministry of Education and Research (*Bundesministerium für Bildung und Forschung – BMBF*) and in consultation with the Standing Conference of the Ministers of Education and Cultural Affairs in the Federal Republic of Germany (*Kultusministerkonferenz – KMK*). The Educational Finance Report compiles the most important information that is available on the education budget. The Educational Finance Report is part of education reporting, which continuously provides data-based information on the framework, input, progress, results and effects of educational processes.

The expenditure (basic funds) of the Federation, Länder and local authorities in Germany are shown in the demarcation of the financing statistics of the public budgets. In 2014, according to the financing statistics, the public sector expended a total of Euro 121.6 billion on day-care centres for children, general and vocational schools, higher education institutions, financial assistance for pupils and students, other educational expenditure as well as out-of-school youth education and youth association work. This amounted to Euro 8.1 billion for the Federation, Euro 86.7 billion for the Länder and Euro 26.8 billion for the local authorities. This corresponds to 4.2 per cent of gross domestic product and 20.4 per cent of the total public budget.

#### Education budget

According to the International Standard Qualification of Education (ISCED), expenditure on education in Germany in 2014 totalled Euro 173.3 billion on pre-school education, schools and the associated areas, the tertiary sector, miscellaneous and other expenses. Additional German expenditure related to education amounted to Euro 18.7 billion for in-company vocational education, further education offers and

the promotion of participants in continuing education. The education budget thus comprised a total Euro 192.1 billion in 2014. This corresponds to 6.6 per cent of gross domestic product. The Federation contributed a total 9.8 per cent to educational spending, the Länder 53.5 per cent, local authorities 16.1 per cent, the private sector 20.2 per cent and 0.4 per cent came from abroad. The payment transactions between the public budgets was taken into account in this calculation.

Based on the internationally applied (ISCED) breakdown for education systems, of the overall education expenditure in Germany pre-school education accounted for Euro 25.4 billion (Federation: Euro 0.3 billion, Länder Euro 6.8 billion, local authorities Euro 12.8 billion, the private sector Euro 5.5 billion), schools and the associated areas accounted for Euro 89.6 billion (Federation Euro 3.1 billion, Länder Euro 60.6 billion, local authorities Euro 14.5 billion, the private sector Euro 11.4 billion), the tertiary sector for Euro 36.0 billion (Federation Euro 6.6 billion, Länder Euro 23.3 billion, local authorities Euro 0.1 billion, the private sector Euro 5.2 billion, and sources from abroad Euro 0.7 billion), and miscellaneous for Euro 2.2 billion (Federation Euro 0.1 billion, Länder Euro 1.9 billion, local authorities Euro 0.2 billion). Private household expenditure on educational goods and services outside educational establishments totalled Euro 6.1 billion. The amount spent on promoting participants in ISCED courses of education was Euro 14.0 billion (Federation Euro 5.6 billion, Länder Euro 7.1 billion, local authorities Euro 1.3 billion).

Of the additional German expenditure related to education, in-company continuing education, accounted for Euro 11.2 billion (Federation Euro 0.4 billion, Länder Euro 0.8 billion, local authorities Euro 0.5 billion, the private sector Euro 9.5 billion), expenditure on further education offers Euro 6.6 billion (Federation Euro 1.8 billion, Länder Euro 2.3 billion, local authorities Euro 1.4 billion, the private sector Euro 1.0 billion) and the promotion of participants in continuing education by the Federation Euro 1.0 billion.

In 2014 the total budget for education, research and science amounted to Euro 267.0 billion. This corresponds to 9.2 per cent of gross domestic product.

In-company training within the *duales System*, which is maintained by industry and by other training companies and institutions, is mainly financed by the companies. The *Berufsschulen* (vocational schools) which are, together with the training companies, jointly responsible for education and training within the dual system receive public financing.

### **3.2. Early Childhood and School Education Funding**

#### **Funding**

##### **Early childhood education and care**

Publicly-maintained day-care centres for children (maintained by the local authorities) are financed by the local authority (*Kommune*), by the Land (subsidies to cover personnel and material costs etc.) and through parental contributions. Meanwhile, day-care centres that are privately maintained (by churches, parents' initiatives etc.) are also financed by the local authority (*Kommune*), by the Land and through parental contributions, and, in addition, by the maintaining body's own resources. Financing by the Länder may include subsidies to cover investment, personnel and material costs etc.

In 2014, according to the financing statistics, the public sector expended Euro 22.3 billion on day-care centres. The Länder share amounted to Euro 10.0 billion or 44.8 per cent of expenditure on the primary sector and the local authority share to Euro 12.3 billion or 55.2 per cent of expenditure.

Public spending rose by 8.8 percent between 2013 and 2014. The increase in expenditure is closely linked to the expansion of childcare places for under 3-year-olds. The Federation, the Länder and the local authorities had agreed in 2007 to progressively establish quality and needs-oriented day-care services for children under three years of age in day-care centres and child-minding services until 2013. The Children Promotion Act (*Kinderförderungsgesetz – KiföG – R62*) from 2008 regulates, amongst other things, the financial aid provided by the Federation to expand day care for children by setting up a “child care expansion” special fund. Since 1 August 2013 all children from the age of one have had a legal right to early-childhood education in a day-care centre or child-minding service.

Since 2008, the Federation has provided massive support for local authorities to expand day care for children and has invested in the quality of the care:

- through the “child care expansion” special fund with three investment programmes “child care financing” 2008–2013, 2013–2014 and 2015–2018 (a total of Euro 3.28 billion);
- through operating grants since 2015 with Euro 845 million each year; the Federation increased this support in both 2017 and 2018 by a further Euro 100 million (a total of Euro 6.26 billion in operating grants between 2009 and 2018);
- by providing funds that became available from the discontinuation of child care subsidies of around Euro 2 billion, which can be used by the Länder from 2016 until 2018 to invest in supporting child care.

Through the new investment programme “Child care financing” 2017–2020, the Federation supports the Länder with a total of Euro 1.126 billion to help create further childcare places.

## **Primary and secondary education**

### **Financing of school education**

The public-sector school system is financed on the basis of a division of responsibilities between the Länder and the *Kommunen* (local authorities). While the latter bear the costs of non-teaching staff and the material costs, the Ministries of Education and Cultural Affairs of the Länder are responsible for the teaching staff payroll. Attendance of public-sector schools is free of charge.

In order to balance out school costs between the local authorities and the Länder, for certain expenses (e.g. for transporting pupils to and from school) the local authorities receive reimbursements or lump-sum allocations from the Land budget (generally by the Ministry of Education and Cultural Affairs or by the Ministry of Finance). The Land also supports the local authorities through one-off grants, for example, contributions to school construction costs or certain subsidies for running costs.

Where schools have catchment areas extending beyond the local area, e.g. certain *sonderpädagogische Bildungseinrichtungen* (special schools) and *Fachschulen*, the

Land can be the *Schulträger* (maintaining body) and therefore also responsible for funding the material costs and the non-teaching staff payroll.

In 2014, according to the financing statistics, the public sector expended Euro 61.8 billion on general and vocational schools. The Länder share amounted to Euro 50.6 billion or 81.8 per cent of expenditure, and the local authority share to Euro 11.2 billion or 18.1 per cent of expenditure.

### **Financing of vocational training**

The *duales System* (dual system) of vocational education and training operates at two locations, namely within companies and at the *Berufsschule* (vocational school). Vocational training outside the school sector is mainly financed by companies, whose net costs are estimated at about Euro 7.7 billion in the training year 2012/2013 (latest survey). It is hard to put a figure on public spending on education and training in the dual system. If one includes items that can, to some extent, be assigned to the transition system (*Übergangsbereich*) area in the calculation, because they encourage the transition to vocational education and training, one arrives at around Euro 2.6 billion for 2014. This also takes into account the external and inter-company education and training. Spending on vocational schools, the majority of which are financed by the Länder, amounted to around Euro 9.6 billion in 2014.

## **Financial Autonomy and Control**

### **Early childhood education and care**

Under the statutory provisions the maintaining bodies for day-care centres for children are free to administer their own funding.

### **Primary and secondary education**

A process to modernise and further develop the field of public administration is currently underway, which aims to attain a more effective and efficient use of resources. The purpose of this process is, above all, to remove the heavily regulated use of resources by extending the financial autonomy of the schools. The possibility of schools managing their own budgetary funds has increased in recent years on the basis of amendments to the school legislation. In the majority of Länder, schools are already able to determine their own use of resources for one or several types of expenses (e.g. learning and teaching aids) within the budget allocated by the maintaining body. Initial approaches are also in place for the autonomous use of the personnel resources allocated.

## **Fees within Public Education**

### **Early childhood education and care**

Early childhood education is not a part of the state school system, and attendance of day-care centres is not, as a general rule, free of charge. To cover some of the costs, parental contributions are levied, the level of which may vary from Land to Land as well as from local authority to local authority and can depend on parents' financial circumstances, the number of children or the number of family members. In some Länder no contributions are levied for the final year or the final years in a day-care centre for children.

### **Primary and secondary education**

Attendance of public-sector primary and secondary schools is free of charge, and there are no fees for enrolment or for report cards.

### **Financial Support for learners' families**

#### **Early childhood education and care**

On application, financial contributions may be waived in part or in full if parents cannot afford to pay them. These would then be assumed by the local youth welfare office.

#### **Primary and secondary education**

In the basic social security for persons seeking employment (*Zweites Buch Sozialgesetzbuch – Grundsicherung für Arbeitsuchende – R164*) and welfare benefits (*Zwölftes Buch Sozialgesetzbuch*), in accordance with the *Asylbewerberleistungsgesetz* (German social welfare law for asylum seekers) and with the *Bundeskindergeldgesetz* (Federal Child Benefit Act) (for families who receive a supplementary child allowance or housing allowance), children, youths and young adults in need are in principle legally entitled to education and participation benefits (so-called education package).

The law takes into account the following needs for pupils who are eligible for the benefit:

- Additional expenses for the lunch together in the day care facility for children, school and in the child day care centre
- suitable learning support that supplements the schooling
- a total of Euro 100 each academic year for personal school needs such as a satchel, writing, calculation and drawing materials
- expenses for school trips lasting one or several days (including class trips within the scope of education regulations), day care facilities for children and child day care
- expenses for school transport, unless these are covered or assumed otherwise

Benefits of up to Euro 10 a month are possible up to the age of 18 for participation in the community's social and cultural life (e.g. for membership fees in sports clubs or fees for a music school). The implementation of the education package is the responsibility of the respective local authorities and districts.

Low-income parents may, under certain circumstances, receive the so-called supplementary child allowance from the Family Benefits Office on the basis of the federal law on family allowances. This supplementary allowance may be up to Euro 170 per month and child. It can be applied for from the Family Benefits Office, which also pays the children's allowance.

#### **Financial support for families of pupils with special educational needs**

No information is available on financial support measures for families of pupils with special educational needs. Families of children with disabilities can be supported in the framework of services promoting the rehabilitation and participation of people with disabilities pursuant to Social Security Code IX (*Neuntes Buch Sozialgesetzbuch*).

## Financial support for learners

### Financial support for pupils and trainees in vocational education and training

In general, there are no provisions for financial assistance to secondary school pupils from grades 5 to 9. Some Länder have regulations allowing for the provision of financial assistance to pupils up to grade 9 who must be accommodated outside of their home.

On the basis of legal regulations on the part of the Federation (Federal Training Assistance Act – *Bundesausbildungsförderungsgesetz* – BAföG – R83), pupils from grade 10 onwards at general and vocational secondary schools are entitled under certain conditions to financial support from the state in the form of a grant, if they have no other means (mainly from their parents' income) of maintenance and financing training. For certain types of school, financial support for pupils is dependent e.g. on pupils being accommodated outside the parental home if the place of training is not accessible from there. Training assistance is paid to cover living costs and training, with the income and financial means of the pupil as well as the income of his or her parents and, if applicable, his or her spouse also being taken into account. Pupils may – depending on whether or not they live with their parents and what type of training institution they attend – receive financial assistance of between Euro 231 and Euro 504 monthly under the terms of the Federal Training Assistance Act. In individual cases a health and long-term care insurance subsidy of Euro 86 may also be granted. The assistance provided by the state does not have to be repaid.

In 2017 255,000 pupils received training assistance under the Federal Training Assistance Act. Federation and Länder expenditure on financial support for pupils under the Federal Training Assistance Act amounted to about Euro 800 million. Pupils granted support each received an average Euro 456 monthly.

Besides federal training assistance, pupils are entitled under certain circumstances to basic social security benefits for job seekers under the Social Security Code II (*Zweites Buch Sozialgesetzbuch – Grundsicherung für Arbeitsuchende* – R164). Some Länder have provisions under which upper secondary pupils who have no claim to assistance under the Federal Training Assistance Act can receive financial assistance from the Land under certain conditions.

During the final years of their education and training, pupils can make use of the federal government's Educational Credit Programme (*Bildungskreditprogramm*). More detailed information on the Educational Credit Programme is available in chapter 3.3.

### Teaching aids

So that pupils have access to all teaching aids used in lessons regardless of their economic and social circumstances, most Länder have regulations on the provision of financial assistance for pupils to purchase teaching aids (*Lernmittelhilfe*), or on their provision free of charge (*Lernmittelfreiheit*); this provision is, in part, staggered according to parents' income and number of children. Under these regulations, pupils are either exempt from the costs of teaching aids or only have to pay part of the costs. The funds are provided either by the *Schulträger* (the local authority responsible for establishing and maintaining the schools), or by the Land in question. As a rule, pupils at public-sector schools are lent textbooks and other expensive teaching

aids for the time they require them. A fee is charged in some cases for the loan or the parents may be required to pay a portion of the costs. Parents and pupils are expected to provide their own expendable materials (exercise books, pens and pencils) and other items (e.g. drawing instruments, material for use in crafts and needlework/metalwork lessons). Each Land decides differently on whether pupils at privately-maintained schools are to be supplied with teaching aids free of charge.

### **Transport to and from school**

Each of the Länder has arrangements as regards the transport of pupils to and from school. There are certain differences as to who is entitled to use school transport and the scope of services provided. In all cases, however, there are comprehensive provisions for the period of compulsory full-time schooling to which the following statements refer. In general, fares are reimbursed, usually for public transport, while under certain conditions a school transport service is established in its own right. The purpose is to guarantee fair opportunities for pupils from all walks of life, between urban and rural areas, schoolchildren with and without handicaps.

It is generally the responsibility of the districts and municipalities to ensure adequate provision for transporting pupils to and from the school they attend. School transport is usually funded by the maintaining bodies or the rural or urban districts (i.e. usually the local authority). In most cases subsidies are granted by the Land in question.

School transport services must be reasonable in terms of costs for the authority which supplies the funding and offer acceptable standards to the pupils who use them. Only such pupils who live a certain distance away from their school have a right to use transport to school. There are slight differences on this between the various Länder. Two kilometres is the general minimum distance for which transport is provided for primary school pupils, whilst from grade 5 onwards pupils living up to three or four kilometres away from school are expected to make their own way there and back. Exceptions can be made for shorter distances than these if the roads are particularly dangerous, and for handicapped pupils. Public transport is usually the cheapest solution. Where no public transport is available the local authorities provide school buses. In cases where this alternative does not make economic sense or is unreasonable for handicapped pupils, a subsidised private car or handicapped taxi service often provides the best solution. Where a pupil is unable to make his own way to school because of a physical or mental disability or strong sensory impairment, the local authority may also pay the fares of a person to accompany him. The actual form of transport between home and school always depends on local conditions and the specific cases involved. Some Länder have enacted very detailed regulations, while others leave it up to the districts and municipalities to make their own arrangements for the implementation of general guidelines.

The authorities are not obliged to provide transport for pupils to any school, regardless of distance. A right to school transport as such exists only to the *nearest school*, though the term is defined differently from one Land to the next. A partial refund of travelling costs may often be granted in cases where parents decide to send their children to a school other than that which is nearest to their home.

The assumption of travelling costs by the authorities does not mean that school transport is entirely free of charge in all Länder. In some Länder, the transport costs



are assumed in full if the parental income is so low that they are considered to be living in poverty. In other Länder, parents still have to make a contribution despite being on a low income. However, in this case, the amount of the contribution depends on the parental income.

### **Accident insurance for pupils**

In the Federal Republic of Germany accident insurance does exist for all pupils and students during lessons, on the way from home to school and back and during school functions. School functions also include any programmes immediately preceding or following timetabled lessons where the school is required to provide supervision. These also include meals provided by the school, school walking excursions, study trips within and outside Germany as well as school trips. Statutory accident insurance is normally in the hands of the local authority accident insurance association.

### **Private and Grant-Aided Education**

#### **Early childhood education and care**

Maintaining bodies for child and youth welfare services from the private sector receive financial support from the Land as well as from the local authorities (*Kommunen*) to run day-care centres for children (e.g. for operating costs and investments).

#### **Primary and secondary education**

##### **Financing of privately-maintained schools**

The maintaining bodies of privately-maintained schools receive some financial support from the Länder, in various forms. The reference value is the situation pertaining to costs in the public-sector schools. All of the Länder guarantee standard financial support to schools entitled to such assistance; this includes contributions to the standard staff and material costs. The Länder either grant a lump-sum contribution, calculated on the basis of specific statistical data and varying according to school types, or the individual school may have to set out its financial requirements and receive a percentage share in subsidies. As well as school fees and standard financial support, there are other forms of financial assistance, which may be paid together with that support, such as contributions to construction costs, contributions to help provide teaching aids to pupils free of charge, contributions to old-age pension provision for teachers, and granting sabbatical leave to permanent teachers with civil servant status while continuing to pay salaries. Parents and guardians may have school fees and transport costs reimbursed. The funds are mostly provided by the Länder, but a small proportion is provided by the local authorities. A huge number of *Ersatzschulen* (alternative schools) are maintained by the Catholic or Protestant churches, which fund their schools from their own means to the extent that sometimes little or no fees must be charged. The share of public funding in the overall financing of privately-maintained schools varies between the Länder, and also depends on the type of school (there are also numerous special provisions, for example for approved privately-maintained schools in contrast to recognised privately-maintained schools, for boarding schools and for church-run alternative schools).

### 3.3. Higher Education Funding

#### Funding

##### Financing of higher education institutions by the Länder

Public higher education institutions are, with few exceptions, maintained by the Länder, and are supplied by these with the funds they need to carry out their work from the budget of the Ministry of Education and Cultural Affairs or the Ministry of Science and Research. The financing procedure comprises several stages. First the higher education institution notifies the Land authorities of its finance requirement in the form of an estimate to be included in the budget of the Land ministry responsible for higher education. The entire budget is then compiled by the competent minister by agreement with the other responsible ministries and finally included in the budget proposals the government presents to parliament for its approval. The funds are made available once the parliament has discussed the budget and adopted it. Financing is generally oriented in accordance with the responsibilities of and services provided by the institutions of higher education in the field of research and teaching, in the promotion of up-and-coming academics and the equality of opportunity for women in science. The Land distributes and spends the funds according to requirements within the institution, a process which is again supervised by the Land. By contrast, it is not the Senator (i.e. Minister) responsible who establishes the budgetary plans of higher education institutions in Berlin but the board of trustees, made up of members of the Land government and the higher education institution as well as other external members.

In 2014, according to the financing statistics, the public sector expended Euro 27.9 billion on higher education institutions. The Länder share was Euro 23.0 billion, or 82.2 per cent of expenditure, while the Federation share was Euro 4.9 billion or 17.8 per cent of expenditure.

##### Financing of higher education institutions by Federation and Länder

The funds provided by the Länder from their budgets cover personnel and material costs as well as investments, in other words expenditure on property, buildings as well as for first and major equipment. As a consequence of Federalism reform I, the joint task *Extension and construction of higher education institutions, including university clinics* has ceased to exist. Since 2006, higher education construction has been the sole responsibility of the Länder. For the abolition of the joint task caused by the abolition of the financing shares of the Federal Government, the Länder will receive annual compensation of Euro 695.3 million until 31 December 2019 pursuant to Article 143c of the Basic Law (*Grundgesetz* – R1). Following the reorganisation of the financial relationships between the Federation and Länder in 2017, these compensations will be replaced as of 2020 by additional VAT components from the Länder.

Following an amendment of the German Basic Law, the Federation and the Länder have had additional scope for action in the joint promotion of science since January 2015. Pursuant to Article 91b, Paragraph 1 of the Basic Law, in cases of supraregional importance, they may now mutually agree to cooperate in the promotion of science, research and teaching. This means that institutions of higher education can now also be supported permanently by federal funds, whereas this only used to be

possible through fixed-term programmes such as the Higher Education Pact 2020 or the Excellence Initiative. Agreements between the Federation and the Länder which primarily concern institutions of higher education require the consent of all Länder.

### **Excellence Strategy**

In June 2016, the Federal Government and the Länder concluded a programme to promote cutting-edge research at universities (Excellence Strategy). The funding programme, which was adopted in 2017 in succession of the Excellence Initiative and is intended to be permanent, for the first time makes use of the possibilities offered by the amended Article 91b of the Basic Law. The successful developments of the Excellence Initiative launched in 2006, which aimed to train top performers in research and to raise the quality of Germany as a location for higher education and science across the board, will thus be continued and top university research will be further strengthened. Within the scope of the “Excellence Strategy” to encourage top-level research at universities, the Federation and Länder will provide a total of up to Euro 533 million annually as of 2018 in the two funding lines “Excellence Cluster” and “Excellence University”. As in the Excellence Initiative, 75 percent of the funds will come from the Federation and 25 percent from the relevant home Land. Around Euro 385 million will be provided in the Excellence Cluster funding line to support 45 to 50 excellence clusters. The funding period is generally two times seven years. In the Excellence University funding line, annual funds of around Euro 148 million will be provided to permanently support eleven excellence universities. The excellence universities will undergo an independent and external evaluation every seven years, the results of which decide whether funding is to be continued.

### **Funding Initiative “Innovative Institutions of Higher Education and Programme to Support Up-and-Coming Academics**

In addition to the Excellence Strategy, the Federation and Länder resolved two schemes in June 2016: the funding initiative “Innovative Institution of Higher Education” and the programme to support up-and-coming academics.

The initiative “Innovative Institution of Higher Education“ to support the research-based transfer of ideas, knowledge and technology helps institutions of higher education that already have a coherent strategy for their interaction with business and society to raise their profile in their so-called third mission “Transfer and Innovation”. The initiative has been endowed with Euro 550 million for ten years and is aimed particularly at small and medium-sized universities as well as *Fachhochschulen*. The Federation provides 90 percent of the subsidies, the respective home Land 10 percent. At least half of the funding and at least half of the funding cases should be allocated to *Fachhochschulen* or consortia coordinated by a *Fachhochschule*. In the first of two funding rounds, whose funding period is maximum five years, 48 institutions of higher education were selected in 19 individual and 10 collaborative projects. Funding for the projects started on 1 January 2018.

The goal of the tenure-track programme to support up-and-coming academics that has been endowed with Euro 1 billion by the Federation over a 15-year period is to make the career paths of up-and-coming academics at universities easier to plan and more transparent. It aims to improve the international appeal of the German scientific system and help the universities attract and permanently retain the best

junior scientists from home and abroad as far as possible by encouraging the tenure-track professorship, an internationally recognised and accepted career path to a professorship. The 1,000 new Tenure Track Professorships funded by the Federation are to be advertised again and again and maintained by the Länder in the long term. At the same time, the Länder will increase the number of permanent professorships by 1,000. In the first round of approvals, 468 professors were funded.

### **Higher Education Pact**

With the Higher Education Pact 2020 (*Hochschulpakt 2020*), the Federal Government and the Länder promote and finance three programmes: the programme for the admission of additional first-year students, the financing of flat-rate programmes and the programme for better study conditions and more quality in teaching (Quality Pact for Teaching).

In 2007, in order to enable institutions of higher education to cope with an increasing number of new entrants and to maintain the efficiency of research at higher education institutions, the Federation and the Länder on the basis of Article 91b, Paragraph 1, No. 2 of the Basic Law adopted the Higher Education Pact 2020. Through the Higher Education Pact, the Federation and Länder will create a needs-based range of courses, thus ensuring the quantitative expansion of higher education. Moreover, the Länder have pledged to grant more persons holding a vocational qualification access to the institutions of higher education.

In December 2014, the Federation and Länder resolved the third and final phase of the Higher Education Pact 2020. Beyond the existing agreements, a range of courses for an additional 760,000 new students is to be provided by 2020 and financed up until 2023. The Federation and the Länder are providing additional funding of over Euro 19 billion for this, including Euro 9.9 billion from the Federation and Euro 9.4 billion from the Länder.

### **Programme allowances**

In the second programme line of the Higher Education Pact, research projects funded by the German Research Foundation (*Deutsche Forschungsgemeinschaft – DFG*) will receive full-cost funding amounting to 22 per cent of the project funds. The programme allowance is used by higher education institutions to cover indirect costs arising from research projects and thus contributes to increasing the strategic capability and strengthening research at higher education institutions. From 2007 to 2015, the extra amount was 20 percent. Projects approved by the DFG after 2016 will receive a flat programme fee of 22 percent of the project funds spent. The Federation and the Länder will provide up to Euro 2,174.66 million for this purpose between 2016 and 2020. Of this amount, up to Euro 2,049.10 million will come from the Federation and up to Euro 124.56 million from the Länder.

### **Teaching Quality Pact**

In June 2010 the Federal Government and the governments of the Länder agreed to extend the Higher Education Pact to include a joint programme designed to achieve better study conditions and more quality in teaching. The Federation is making a total of around Euro 2 billion available for the Teaching Quality Pact (*Qualitätspakt Lehre*) as the third pillar of the Higher Education Pact up to and including 2020. The Land where the respective higher education institution is located ensures the overall financing. Over 90 per cent of all public-sector higher education institutions par-

ticipated in the two rounds of applications in 2011. In total 186 higher education institutions from all 16 Länder were being grant-aided in the first phase of the programme up to 2016. A range of measures by the higher education institutions in receipt of funding to improve staffing and the qualification of teaching staff, and to safeguard and develop high-quality teaching, aim in particular to ensure greater academic success, a successful start to studies, and a productive approach to students' diverse starting conditions. The renewal proposals of 71 universities, 61 *Fachhochschulen* as well as 24 colleges of art and music were selected for the second phase of the programme up to the end of 2020. The institutions of higher education will thus be given the chance to continue developing their successful concepts after a positive intermediate review and to transfer these to other fields in the institution of higher education.

### **Funding to Promote Research Buildings at Institutions of Higher Education**

With its funding to promote research buildings at institutions of higher education, including major equipment, the Federation aims to create the infrastructure for research of supra-regional importance. Euro 298 million has been made available for this purpose each year to 2019, currently divided into Euro 213 million for research buildings and Euro 85 million for major equipment. Research buildings are eligible for funding if they predominantly serve research of supra-regional importance and the investment costs are greater than Euro 5 million. Länder applications for the promotion of research buildings are submitted to the Federation and the Science Council (*Wissenschaftsrat*). An item of major equipment is eligible for funding if it predominantly serves research of supra-regional importance and the overall purchase costs including accessories are in excess of Euro 100,000 at *Fachhochschulen* and Euro 200,000 at other higher education institutions. Applications for the funding of large scientific installations are submitted to the German Research Foundation for appraisal.

### **Financing of research at higher education institutions by external funding**

The funds allocated from the budget of the Land ministries responsible for higher education are the main source of finance for higher education institutions. However, members of the institutions engaged in research are also entitled, within the scope of their professional responsibilities, to carry out research projects which are not financed through the Land budget, but by third parties, e.g. organisations concerned with the promotion of research. In 2016, the institutions of higher education received a total of around Euro 7.5 billion in external funding.

The most important institution involved in promoting research in higher education is the German Research Foundation. It promotes research projects by, for example, providing individuals or institutions with financial assistance. In 2017, the Federation and the Länder supplied funds of more than Euro 2 billion for institutional research promotion through the DFG.

In 2017 higher education institutions also attracted funding under the specialised programmes of the Federal Ministry of Education and Research (*Bundesministerium für Bildung und Forschung* – BMBF) amounting to just over Euro 1.3 billion as contributions to research promotion. This includes the lump-sum project payments amounting to 20 per cent of the funding, which the BMBF is granting to higher education institutions as part of direct research promotion.

Higher education institutions also receive funds from companies, if the companies commission them with certain research and development work. In 2015, the share of external funding from the commercial sector accounted for just less than 19.7 percent or Euro 1.46 billion of all external funding.

### **Financing of Berufsakademien**

The financing for training at state-run *Berufsakademien* is met partly by the Land and partly by the training establishments. Whilst the costs for the in-company training are met by the training establishments, the state *Studienakademien* (study institutions), where students receive the theoretical part of their training, are funded in full by the Land.

### **Financial Autonomy and Control**

The funding system of higher education in Germany has undergone a paradigm shift from detailed state control to autonomous action of the higher education institutions. The reforms primarily concern distribution modalities. Budget funding is hence partly apportioned via performance-related parameters, taking into account such criteria as the number of students within the *Regelstudienzeit* (standard period of study) and the total number of graduates or the level of external funding, known as *Drittmittel*, attracted for research purposes and/or the number of doctorates. In this context, changes in the Higher Education Acts of the Länder have strengthened the governance structures of higher education institutions and increased their financial autonomy. The relationship between the state and higher education institutions is now marked by agreements on objectives and performance requirements, which define the deliverables. Higher education institutions now have some scope as regards specific measures to implement the agreed objectives. They have also been given greater flexibility in the use of the funds thanks to the introduction of global budgets, for instance. In addition to their basic funding, higher education institutions apply for funds from public and private bodies to promote research and development and to support teaching and up-and-coming academics.

### **Fees within Public Higher Education**

The Länder may, at their own discretion, impose study fees on students. After a number of Länder had charged general study fees in the interim, these have been abolished in all Länder. Baden-Württemberg will charge students arriving from outside the EU for the purpose of studying tuition fees of Euro 1,500 a semester from the winter semester 2017/18 onwards. Exemptions should ensure the social compatibility and international scientific exchange at the institutions of higher education in the Land.

Some Länder charge an administration fee for registration or a contribution for the use of the institution's social facilities. If the institution has an organ of student self-administration (General Student Committee – *Allgemeiner Studierendenausschuss*) within the framework of a constituted student body (*verfasste Studierendenschaft*) (in all Länder with the exception of Bayern) students also pay an additional contribution. In most Länder, fees for long-term students, study courses providing continuing education and for an additional course of study are now being charged.

In view of the strong influx of people with a refugee background, the Standing Conference of the Ministers of Education and Cultural Affairs (*Kultusministerkonferenz*

– KMK) discussed ways to reduce the costs of enrolment. The resolution of the Standing Conference from May 2016 on “Access and admission to higher education for refugees – possibilities for reducing the costs of enrolment” (“*Hochschulzugang und Hochschulzulassung für Flüchtlinge – Möglichkeiten, die für die Immatrikulation fälligen Kosten zu reduzieren*”) focuses in particular on those regulations that exist in the Länder that in principle enable the reduction of public fees, contributions and charges incurred in connection with attending an institution of higher education. With this in mind, the Standing Conference asked the Länder to work towards the institutions of higher education exploiting their option to facilitate the costs connected with enrolment in favour of the needy, with special consideration for the situation of refugees, in a reasonable manner and ensuring the principle of equality.

In parts, the *Berufsakademien* also impose admission fees or contributions for the use of social facilities.

### **Financial Support for Learners’ Families**

In addition to the direct financial support available to students from low-income families through the Federal Training Assistance Act, currently all students under the age of 25 benefit through the tax allowances to which their families are entitled and which are laid down in the German Income Tax and Child Benefit Acts. If students finish studying before their 25th birthday, the financial benefits enjoyed through their family come to an end with the end of the course of study.

### **Financial Support for Learners**

#### **Financial Assistance under the Federal Training Assistance Act**

Students in the tertiary sector who have no other means (mainly from their parents’ income) of maintenance and financing a course of study (*Bedarf*) can also receive financial assistance under the terms of the Federal Training Assistance Act (*Bundesausbildungsförderungsgesetz – BAföG – R83*). Training assistance is granted to German students and also to foreign students who have a long-term prospect of remaining in Germany such as, for instance, students with a settlement permit or a perspective for permanent residency under the EU Freedom of Movement Law.

The training must as a rule be started by 30 years of age in order to be eligible for funding under the BAföG. For Master’s study courses the age limit is 35 years. The duration for which such assistance is payable largely depends on the course of study chosen. The assistance limit corresponds to the *Regelstudienzeit* (standard period of study) according to Article 10 Section 2 of the Framework Act for Higher Education (*Hochschulrahmengesetz – R122*) or the standard period of study as stipulated in the respective examination regulations. From the fifth subject-related semester, students only continue to receive funding if they provide a certificate required for admission to examinations (*Leistungsnachweis*). The amount of the assistance in principle depends on the student’s own income and financial means as well as those of his or her parents and spouse.

The financial assistance is also paid during non-lecture periods to meet students’ requirements for that time. Students in higher education and at *Akademien* not living with their parents may receive up to Euro 735 per month (Euro 649 for their maintenance and accommodation, Euro 71 health insurance allowance and Euro 15

long-term care allowance), and where applicable a child-care supplement of Euro 130 per month for each child. This maximum amount also applies to students at the *Fachakademien* in Bayern and to students at the so-called *Höhere Fachschulen*, which usually require a *Mittlerer Schulabschluss* and in four to six half-years lead to a qualification that grants direct access to a senior position in a profession and, under certain circumstances, bestows a general or subject-related higher education entrance qualification (*Allgemeine Hochschulreife* or *Fachgebundene Hochschulreife*). Half of the amount is provided over the maximum period for which assistance is payable as a non-repayable grant, while the other half takes the form of an interest-free state loan. Repayment terms for this state loan depend on social considerations and income. Only a maximum amount of Euro 10,000 must be repaid.

Those students who begin or continue their studies in another EU member state or in Switzerland are funded as well. Study periods ranging from a minimum of one semester up to one year spent abroad outside the EU and Switzerland are funded if they are beneficial to studies and can be – at least partially – counted towards the training period, or are carried out within the framework of higher education cooperation schemes. In the latter case, a shorter period of at least twelve weeks is also eligible for support. In exceptional cases funding may also continue over a longer period. Compulsory placements may be funded from a minimum of 12 weeks abroad.

Through the 25th *BAföG-Änderungsgesetz* (amending law to the Federal training assistance act) the Federation has assumed the complete funding of financial allowances in accordance with the BAföG, in order to give the Länder financial leeway for financing education, especially higher education. The content of the BAföG has also been amended at the start of the winter semester 2016/2017: among other things, the grant levels and exemptions have been raised by 7 per cent each.

In 2017 556,573 students received financial assistance under the Federal Training Assistance Act. Federation training assistance expenditure supporting students totalled around Euro 2.1 billion for the student sector alone. Students in receipt of assistance obtained an average of Euro 499 each.

### **Educational Credit Programme and Student Loan Programme**

The support system is supplemented through the Educational Credit Programme (*Bildungskreditprogramm*) which can support pupils and students in an advanced stage of their training. This credit may also be approved alongside federal training assistance payments to fund exceptional expenses which are not covered by the Federal Training Assistance Act. Borrowers can choose up to 24 equal monthly payments of Euro 100, 200 or 300 and – with a maximum credit amount of Euro 7,200 per training segment – can apply for a one-off payment of up to Euro 3,600 either instead of or alongside this, if they can demonstrate that they need this one-off payment for specific training purposes, for instance. Funding is only possible if the trainee is under 36 years old. As a rule students can only take up this credit until the end of the twelfth semester of study. The credit accrues interest as soon as it is paid out. However, interest is automatically deferred until repayment commences. The educational credit is applied for at the Federal Office of Administration (*Bundesverwaltungsamt* – BVA) and disbursed by the Reconstruction Loan Corporation (*Kreditanstalt für Wiederaufbau* – KfW).



As part of the student loan programme of the Reconstruction Loan Corporation (*Kreditanstalt für Wiederaufbau – KfW*), since 2006, students of any study course are offered a loan in order to finance cost of living to the amount of Euro 100 up to 650 per month, irrespective of their income or assets.

#### **Additional Means of Financial Assistance**

In addition to financial assistance provided under the Federal Training Assistance Act, there are other sources of funding available to students. In some Länder, for example, the student associations at the institutions of higher education or the institutions of higher education themselves provide loans of varying amounts in cases of extreme social need. Several smaller, predominantly regional foundations, which usually have private funds at their disposal, also provide needy students with assistance. The student loan systems developed by the Länder are an additional support system for the promotion of academic studies.

#### **Financial Assistance Through Grants**

Particularly gifted and dedicated students can be supported with a grant from the thirteen organisations for the promotion of young talent supported by the Federation. The organisations for the promotion of young talent reflect the diversity of German society and mirror the various ideological, religious, political, business or union-based tendencies in Germany. The oldest and biggest organisation for the promotion of young talent is the German National Scholarship Foundation, which is also partly financed by the Länder. In 2017, a total of around 29,500 students were supported by the organisations for the promotion of young talent.

The German Academic Exchange Service (*Deutscher Akademischer Austauschdienst – DAAD*) offers grants for foreign students and up-and-coming academics and scientists to pursue studies or further education of limited duration at a German higher education institution. Alongside the DAAD, some Länder also have special funds for providing assistance to foreign students at the local institutions of higher education.

Furthermore, gifted and high-achieving students at German institutions of higher education have been supported with the *Deutschlandstipendium*. The grant amounts to Euro 300 a month and is paid by private sponsors (companies, foundations, private individuals) and the Federation together. In 2017, just over 26,000 students received a *Deutschlandstipendium* on the basis of the Scholarships Programme Act (*Stipendienprogramm-Gesetz – R125*).

On completion of a first degree, students may also receive scholarships to support their further studies in line with the postgraduate assistance acts (*Graduiertenförderungsgesetze – R153–R162*) and regulations of the Länder. The foundations for gifted students (*Begabtenförderungswerke*) also provide students who have already completed a first degree with grants to enable them to study for a *Promotion* (doctorate).

#### **Indirect Forms of Financial Assistance**

Students receive various indirect forms of financial assistance which include reduced health insurance rates, the fact that time spent studying is partially acknowledged by the pension insurance authorities, subsidised student ticket prices

in local public transport, reduced dining prices in canteens and rents in publicly subsidised dormitories.

Students in higher education are also protected by statutory accident insurance against accidents occurring at an institution of higher education or on the way between their home and the institution. It is the Länder that are responsible for statutory accident insurance for students.

### **Private Higher Education**

Study fees are charged at non-state-maintained higher education institutions in all Länder.

## **3.4. Adult Education and Training Funding**

### **Funding**

The public sector, industry, social groups, continuing education institutions and public broadcasting corporations as well as the general public bear responsibility for continuing education.

This joint responsibility is reflected by the funding principle, which obliges all the parties concerned to contribute towards the cost of continuing education in relation to their share and according to their means. Public-sector funding (local authorities, Länder, the Federal Government, the European Union) includes the following areas:

- institutional sponsorship of recognised continuing education institutions by the Länder on the basis of continuing education legislation
- institutional sponsorship of *Volkshochschulen* (local adult education centres) and sponsorship of activities of continuing cultural education by the local authorities
- grants for adults seeking to obtain school-leaving qualifications under the Federal Training Assistance Act (*Bundesausbildungsförderungsgesetz – BAföG – R83*) and career advancement training under the Upgrading Training Assistance Act (*Aufstiegsfortbildungsförderungsgesetz – AFBG – R166*)
- continuing education for employees of the Federal Government, Länder and local authorities

Industry provides a considerable proportion of funding for schemes under which people can obtain and improve vocational and/or working skills and qualifications. Companies spend substantial funds on continuing education for their staff.

The further education and training that is necessary for the labour market, in particular for the target groups of the unemployed, people threatened by unemployment and low-skilled persons is financed by contributions pursuant to the Social Security Code III (*Drittes Buch Sozialgesetzbuch – Arbeitsförderung – R163*) from unemployment insurance scheme funds as well as by taxes pursuant to the Social Security Code II (*Zweites Buch Sozialgesetzbuch – Grundsicherung für Arbeitsuchende – R164*), which regulates the basic social security for persons seeking employment. From this fund a total of more than Euro 2.8 billion was spent on the promotion of continuing vocational training in 2016.

Social groups (churches, trade unions, and so on) also bear a proportion of the cost of running their continuing education institutions. They guarantee the widest possible access to continuing education by setting their fees at an appropriate level.

The obligation of employers to grant employees leave for training while continuing to pay their wages may be regarded as indirect funding for adult education; this is regulated in most Länder in laws on paid training leave and educational leave. The Land law rules differ depending on the purpose of the education or training (vocational, socio-political or general continuing education).

### **Fees Paid by Learners**

Those attending continuing education courses make a contribution towards their cost. This contribution can be subsidised by tax relief and by assistance for low income groups and for special courses. For example, depending on the Land, between 24.9 and 58.0 per cent of the cost of *Volkshochschulen* courses (especially general continuing education) is covered by course fees. In particular, those on career development courses within continuing vocational training bear a large proportion of continuing education costs themselves. Additionally, costs are partly covered by enterprises within the framework of personnel development measures.

Continuing academic education at higher education institutions is funded by the fees of course members.

### **Financial Support for Adult Learners**

#### **Financial Assistance under the Federal Training Assistance Act**

Grants are provided for adults seeking to obtain school-leaving qualifications under the Federal Training Assistance Act (*Bundesausbildungsförderungsgesetz – BAföG*). Training assistance under the Federal Training Assistance Act is for example granted for the attendance of *Abendschulen* or *Kollegs*, if the student has not yet exceeded the age of 30 at the beginning of the training section. Participants in courses of the so-called *zweiter Bildungsweg* may receive financial assistance of between Euro 418 and Euro 622 (in case of attendance of a *Kolleg*) monthly under the terms of the Federal Training Assistance Act. A health insurance or long-term care allowance of up to a total of Euro 86 may also be granted and, where applicable, a child-care supplement of Euro 130 per month for each child.

#### **Financial Assistance under the Upgrading Training Assistance Act**

Those who take part in career advancement training programmes under the Upgrading Training Assistance Act (*Aufstiegsfortbildungsförderungsgesetz – AFBG*) have a legal right to state funding that is comparable with student funding in accordance with the Federal Training Assistance Act. The so-called Upgrading BAföG supports full-time and part-time continuing education courses offered by public and private providers that specifically prepare participants for public further training examinations pursuant to the Vocational Training Act (*Berufsbildungsgesetz – R80*), Handicrafts Code (*Handwerksordnung – R81*) or equivalent qualifications pursuant to federal or state law. The professional qualification aspired to must be above the level of a skilled worker, journeyman and assistant examination or a *Berufsfachschule* qualification. The AFBG supports persons who prepare for an upgrading training qualification as a master craftsman or master tradesman in industry, Erzieher, Techniker, Fachkaufmann/-frau, Betriebswirt or one of more than 700 comparable qualifications in an eligible scheme. This grant is partly a subsidy and partly a low-interest loan from the Reconstruction Loan Corporation (KfW). Schemes that begin after 1 August 2016 also allow support for participants who al-

ready have a Bachelor degree or comparable higher education qualification. However, this has to be their highest higher education qualification.

The Federation spent a total of around Euro 252 million in 2017 for support pursuant to the AFBG, the Länder provided around Euro 71 million. The KfW provided around Euro 371 million for upgrading training in 2017. In 2017, around 165,000 participants were supported in upgrading training schemes, more than 81,000 of whom participated in a full-time scheme and more than 83,000 in a part-time scheme.

### **Financial Assistance through Grants**

As part of the support programme entitled *Vocational Education and Training Promotion for Gifted Young People*, the Federal Government assisted by the Foundation Vocational Education and Training Promotion for Gifted Young People (*Stiftung Begabtenförderung berufliche Bildung gGmbH – SBB*) provides grants to support continuing education measures for talented young people in employment who have completed a recognised course of vocational education and training in accordance with the Vocational Training Act, the Handicrafts Code or one of the health sector professions governed by federal law and who are younger than 25 on commencing the programme (Continued Training Scholarship). The federal government also supports gifted people with professional experience who want to start studying after several years of professional activity via the SBB (upgrading scholarships).

To support the two grant programmes a total of Euro 47 million was provided to the Stiftung from the Federal Ministry of Education and Research (*Bundesministerium für Bildung und Forschung – BMBF*) in 2016. Of these, the Ministry had approved Euro 21.6 million for the Continuing Training Scholarship and Euro 25.4 million for the upgrading scholarships. Substantial improvements to programmes that came into force for the upgrading scholarship on 1 September 2016 and that apply for the further training scholarships as of 1 January 2017 help to significantly strengthen the career prospects of persons with professional qualifications.

### **Bildungsprämie**

Individual continuing vocational education has been supported by the Federal Government since 2008 through the so-called *Bildungsprämie* (education savings plans). The *Bildungsprämie* consists of two components, a continuing education bonus (*Prämiengutschein*) and continuing training savings plans (*Weiterbildungssparen*). Individuals interested in continuing training have been eligible, if they meet certain requirements, to receive a subsidy of up to Euro 500 to fund continuing training measures (*Prämiengutschein*). The financing of continuing training measures has been simplified by an expansion of the Capital Formation Act (*Vermögensbildungsgesetz*) (i.e. *Weiterbildungssparen*). The programme's third funding period began in July 2014.

Apart from the learning subsidies provided by the Federation, ten Länder have their own regulations to support personal further education; these support continuing vocational education for employees and their counselling under names such as (*Weiter-*) *Bildungsscheck*, *Qualifizierungsscheck*, *Qualischeck* or *Weiterbildungsbonus*.