Funding

Financing of higher education institutions by the Länder

Public higher education institutions are, with a 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 usually 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 the 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 some Länder, framework agreements on development and funding for institutions of higher education are concluded between the Land and its institutions of higher education for a period of several years. The framework agreements define, for example, the objectives of the Land, the structural development of the institutions of higher education, the expansion plans, the strategic performance and development goals, taking into account the tasks regulated by law and their achievement, the type and scope of state funding for institutions of higher education and the further development of the budget management and management of higher education institutions. This procedure is intended to increase the planning security of the higher education institutions.

In 2017, according to the financing statistics, the public sector expended Euro 30.5 billion on higher education institutions. The Länder share was Euro 24.7 billion, or 81 per cent of expenditure, while the Federation share was Euro 5.8 billion or 19 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 [1] (Grundgesetz). 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 thus 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 an agreement on the promotion of top-level research at universities (Excellence Strategy) as a successor to the Excellence Initiative launched in 2006. For the first time, this programme makes use of the possibilities offered by the amended Article 91b of the Basic Law (GG) and now provides for the continuation of the promotion of excellence on a permanent basis.

The continuation of the Excellence Initiative 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, further strengthens top university research. 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 Universities”. As in the Excellence Initiative, 75 percent of the funds will come from the Federation and 25 percent from the Land in which the successful university is located. In the Excellence Clusters funding line, a total of around Euro 385 million will be made available for the project-related funding of internationally competitive research fields at universities or university alliances. Project funding of around 45 to 50 excellence clusters will be provided. The funding period is generally two times seven years. In the Excellence Universities funding line, a total of around Euro 148 million will be provided to permanently support eleven institutions. The excellence universities will undergo an independent and external evaluation every seven years, the results of which decide whether funding is to be continued.

The first funding decisions in the Excellence Strategy were made in September 2018: A commission of international experts and the Ministers of Science of the Federation and the Länder governments has selected 57 clusters of excellence at 34 universities for funding from 1 January 2019. With the selection of the clusters of excellence, the second part of the Excellence Strategy was initiated.

Universities with at least two or university consortia with at least three clusters of excellence could apply for funding as universities of excellence until the end of 2018. The funding decision was made in July 2019. Starting in November 2019, ten universities of excellence and one excellence consortium will be funded.

**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-
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 Fachhochschulen as well as small and medium-sized universities. 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 and equivalent institutions of higher education easier to plan and more transparent. It aims to improve the international appeal of the German scientific system and help the universities and equivalent institutions of higher education 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 2020

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 phase of the Higher Education Pact. 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.

Between the start of the Higher Education Pact in 2007 and the reporting year 2016, more than one million prospective students were able to enrol in higher education than would have been the case without the provision of additional study opportunities. Over the total duration of all three programme phases of the Higher Education Pact from 2007 to 2023, a total of more than Euro 20 billion from the Federation and more than Euro 18 billion from the Länder will flow to the universities.

Future Agreement Strengthening Studies and Teaching

The Future Agreement Strengthening Studies and Teaching (Zukunftsvertrag Studium und Lehre stärken) is intended to ensure that the capacity of study places is maintained in line with demand and to ensure the high quality of studies and teaching. At the same time, institutions of higher education gain financial planning security. In particular, permanent support can be used to promote the expansion of permanent employment contracts for staff involved in study and teaching. From 2021, the Federation will annually provide Euro 1.88 billion and from 2024 annually Euro 2.05 billion on a
permanent basis for the Future Agreement. The Länder provide the same amount of funding each year. This means that Euro 3.8 billion will be available annually until 2023 and Euro 4.1 billion from 2024 for the promotion of studies and teaching.

**Programme Allowances**

Research projects funded by the [German Research Foundation](https://www.dfg.de) (Deutsche Forschungsgemeinschaft – DFG) 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. Pursuant to an agreement between the Federal Government and the Länder dated May 2019, the programme lump sum of 22 percent of the project funds will be granted for a further five years from 2021.

**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. 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 and Pädagogische Hochschulen, 61 Fachhochschulen as well as 24 colleges of art and music 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.

**Federal-Länder Agreement on "Innovation in Higher Education Teaching"**

The agreement between the Federation and the Länder Innovation in Higher Education Teaching” (Innovation in der Hochschullehre) concluded in June 2019 as the successor to the Teaching Quality Pact (Qualitätspakt Lehre) is intended to promote the further development of higher education teaching and its strengthening in the higher education system as a whole from 2021 onwards. To this end, an organisational unit is to be set up under the umbrella of an existing institution. It is to use appropriate funding formats to create incentives at the institutions of higher education to continue to make greater efforts to improve the quality of studies and teaching and to support the exchange and networking of relevant players. The Federal Government and the Länder are providing up to Euro 150 million annually to promote innovation in higher education teaching.

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

With its funding to promote research buildings at institutions of higher education on the basis of Article 91b Paragraph 1 Sentence 3 of the Basic Law, 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 2017, the institutions of higher education received a total of around Euro 7.9 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 just less than Euro 2.5 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 2017, the share of external funding from the commercial sector accounted for over 18.3 percent or Euro 1.45 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 strengthening of the autonomy of higher education institutions in recent decades has also led to a paradigm shift from detailed state control to self-responsible action by higher education institutions in the area of finance. The reforms primarily concerned 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,
amongst other things, 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 these in the interim, general study fees 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 Studierendausschuss*) 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 some 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 or the child allowance to which their families are entitled and which are laid down in the German Income Tax and Child Benefit Acts. In individual cases, the child supplement may also be considered. 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 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). Training assistance is granted to German students and also to foreign students who have a long-term prospect of remaining in Germany and are already integrated socially 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 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.

At the beginning of the 2019/2020 winter semester, the 26th amending law to the BAföG raised the grant levels and income allowances, among other things. 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 861 per month (Euro 752 for their maintenance and accommodation, Euro 84 health insurance allowance and Euro 25 long-term care allowance), and where applicable a child-care supplement of Euro 140 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. The 26th amending law to the Federal Training Assistance Act replaces this amount cap with a corresponding time limit of a repayment of a maximum of 77 monthly instalments of 130 euros each.

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.

In 2018 around 517,675 students received financial assistance under the Federal Training Assistance Act. Federation and Länder training assistance expenditure supporting students totalled over Euro 2 billion for the student sector alone. Students in receipt of assistance obtained an average of Euro 493 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 freely choose up to 24 constant monthly instalments of Euro 100, 200 or 300 per training stage, subject to a maximum loan amount of Euro 7,200 per training stage. If the total limit of 24 instalments and the total amount of Euro 7,200 is not exceeded, a one-off payment of up to Euro 3,600 can also be applied for on request if the borrowers can demonstrate that they need the one-off payment, e.g. for special training purposes. 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 ([Studienstiftung des deutschen Volkes](https://www.sdu.de/)), 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](https://www.daad.de/)) 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 in equal halves by private sponsors (companies, foundations, private individuals) and the Federation. In 2017, 25,947 students received a Deutschlandstipendium on the basis of the the Act on the Creation of a National Scholarship Programme ([Gesetz zur Schaffung eines nationalen Stipendienprogramms – StipG](https://www.gesetzesdatenbank.de/)).

On completion of a first degree, students may also receive scholarships to support their further
studies in line with the postgraduate assistance acts [9] (Graduiertenförderungsgesetze) 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. As a rule, higher education institutions maintained by the church charge no or significantly lower tuition fees than the privately-maintained higher education institutions.

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**Links**