

The financing of education in Germany

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

- **Most educational institutions are maintained by public authorities.**
- **They receive only a negligible proportion of their funds from pupils' or students' fees and by far the greater part through direct allocations from public budgets.**
- **Certain groups undergoing training receive financial assistance from the state mainly to provide them with the money they need to live.**
- **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 local authorities and according to education policy and objective requirements.**

The political and administrative hierarchy in the Federal Republic of Germany is made up of three levels: Federation, Länder and 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% of the funds are provided by the Länder and the local authorities.

In 2000, the education budget of the Federation, the Länder and the local authorities in Germany (pre-school sector, out-of-school education, schools, higher education, continuing education, financial assistance measures, such as assistance for pupils and students, joint research promotion by the Federation and the Länder) totalled Euro 80.3 billion. Thus, in 2000 the education budget (basic funds) made up 3.95% of gross domestic product and 13.43% of the total public budget of the Federal Republic of Germany. Broken down, this amounts to 1.23% of the total public budget for the pre-school sector and out-of-school education, 7.71% for schools, 2.88% for higher education, 0.33% for continuing education, 0.51% for financial assistance measures and 0.77% for joint research promotion by the Federation and the Länder.

In addition to this, the private economy in 1999 also provided the costs for in-company training within the dual system duales System which is maintained by industry and by other training companies and institutions (Euro 16.5 billion). The vocational schools Berufsschulen which are, together with the training companies, jointly responsible for fulfilling the educational aims of the dual system receive public financing.

Total education expenditure on the part of the Länder and the local authorities rose in all areas between 1992 and 2000. It rose from the 1992 figure of Euro 61.1 billion to a figure of Euro 74.1 billion in 2000. Over the same period, expenditure by the Federation rose from Euro 5.5 billion to Euro 6.2 billion.

In 2000, the education budget of the Federation, the Länder and the local authorities in Germany (pre-school sector, out-of-school education, schools, higher education, continuing education, financial assistance measures, such as assistance for pupils and students, joint research promotion by the Federation and the Länder) totalled DM 157 billion. Thus, in 2000 the education budget (basic funds) made up 3.95% of gross domestic product and 13.43% of the total public budget of the Federal Republic of Germany. Broken down, this amounts to 1.23% of the total public budget for the pre-school sector and out-of-school education, 7.71% for schools, 2.88% for higher education, 0.33% for continuing education, 0.51% for financial assistance measures and 0.77% for joint research promotion by the Federation and the Länder.

In addition to this, the private economy in 1999 also provided the costs for in-company training within the dual system, which is maintained by industry and by other training companies and institutions (DM 32.2 billion). The vocational schools which are, together with the training companies, jointly responsible for fulfilling the educational aims of the dual system receive public financing.

Total education expenditure on the part of the Länder and the local authorities rose in all areas between 1992 and 2000. It rose from the 1992 figure of DM 119.5 billion to a figure of DM 144.9

billion in 2000. Over the same period, expenditure by the Federation rose from DM 10.8 billion to DM 12.1 billion.

The financing of pre-school education

not a part of the state school system

Pre-school education is not a part of the state school system, and Kindergarten attendance is not, as a general rule, free of charge. To cover some of the costs, parental contributions are levied, the level of which depends on parents' financial circumstances.

Publicly maintained *Kindergärten* (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, *Kindergärten* that are privately maintained (by churches, parents' initiatives etc.) are also financed by the local authority (*Kommune*), by the Land (subsidies to cover investment, personnel and material costs etc.) and through parental contributions, and, in addition, by the maintaining body's own resources (on average 20%).

The financing of primary and secondary education

The public-sector school system is financed on the basis of a division of responsibilities between the Länder and the local authorities Kommunen. 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.

financed on the basis of a division of responsibilities between the Länder and the local authorities

In order to balance out school costs between the local authorities and the Länder, the local authorities have certain expenses (e.g. for transporting pupils to and from school) reimbursed from the Land budget (generally by the Ministry of Education and Cultural Affairs). 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 special schools and Fachschulen) the Land is usually the maintaining body Schulträger and therefore also responsible for funding the material costs and the non-teaching staff payroll.

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 as a result of school-specific regulations. These reforms of school financing are currently being put into practice in many Länder. In some Länder, schools are already able to determine their own use of resources for materials within the budget allocated by the maintaining body. Initial approaches are also in place for the autonomous use of the personnel resources allocated.

The payments made by the local authorities cover around 20% of expenditure on the school system, while the Länder pay around 80% of the overall costs of financing the school system.

private schools

The maintaining bodies of private schools receive some financial support from the Länder, in various forms. All of the Länder guarantee standard financial support to schools entitled to such assistance; this includes contributions to the standard staff and running 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. In all cases, the reference value is the situation pertaining to costs in the public-sector schools. As well as 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. The greatest number of Ersatzschulen (alternative schools) are, however, maintained by the Catholic and Protestant churches, which fund their schools from their own means to the extent that little or no fees must be charged. The share of public funding in the overall financing of private schools varies between the Länder, and also depends on the type of school (there are also numerous special provisions, for example for approved private schools in contrast to recognised private schools, for boarding schools and for church-run alternative schools).

The financing of institutions in the tertiary sector

The funding system of higher education in Germany is undergoing a period of radical change: detailed state control through the Länder is increasingly being replaced by financial autonomy of higher education institutions. For the moment, the attempted reform affects mainly the allocation of funding, without touching on the fundamental decision on the scope and direction of investment in research and teaching.

the financing procedure comprises several stages

Irrespective of the reform on the allocation of funding, higher education institutions receive the majority of their financial backing from the Land concerned, which essentially also decides on the allocation of resources. Public higher education institutions are maintained by the Länder. It is they that supply these institutions 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 - a total of Euro 15.3 billion in 2000. 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 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 universities in Berlin but the board of trustees, made up of members of the Land government and the higher education institution. For current developments and reforms regarding the distribution of funding in higher education see chapter 9.3.

budgets cover personnel and material costs

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 and equipment. Where the total costs for the construction and expansion of higher education institutions exceed a certain sum (for construction Euro 1.5 million, for major equipment at universities Euro 125,000, at other higher education institutions Euro 75,000) and the Science Council has made a respective recommendation, the Federation provides co-funding of 50% within the framework of the joint task of the *Expansion and construction of higher education institutions including university clinics* in accordance with Article 91a of the Basic Law and in accordance with the Higher Education Institutions Construction Act (*Hochschulbauförderungsgesetz*) of 1969. Expenditure on higher education amounted to Euro 17.2 billion in 2000, of which 11.2% were provided by the Federation and 88.8% by the Länder.

In addition, the Federation and the Länder have taken financial account of particular developments in higher education by implementing special higher education programmes. With its six academic programmes, the Higher Education and Science Programme (*Hochschul- und Wissenschaftsprogramm*, HWP) aims, amongst other things, to continue to develop the structure of higher education and to promote up-and-coming academics and women in science, the primary goal being to enhance the international competitiveness of Germany's institutions of higher education and other research establishments. The programme covers the period 1 January 2001 to 31 December 2003 and has a funding of ca. Euro 497 million.

research projects not financed through the Land budget

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. The most important institution involved in promoting research in higher education, particularly basic research, is the German Research Society (*Deutsche Forschungsgemeinschaft*). It promotes research by, for example, providing individuals or institutions with financial assistance. In 2001, the Federation and the Länder supplied funds of Euro 1.2 billion for this purpose. In the applied research sector, there are extensive agreements between institutions of higher education and companies guaranteeing funding (external funding - Drittmittel) to promote research at those institutions.

Fees for attendance of educational institutions

depend on
parental
income

Parental contributions are levied for attendance of pre-school institutions. These depend on parental income, and an application can be made for full or partial reimbursement, or for contributions if parents cannot afford to pay them. These would then be assumed by the local youth welfare office. Attendance of public-sector primary and secondary schools is free of charge, and there are no fees for enrolment or for report cards.

no fees

The amendment of the Framework Act for Higher Education (*Hochschulrahmengesetz*) of 2002 provides for all institutions of higher education in the Federal Republic of Germany that no fees are charged for higher education up to the first academic degree qualifying for an entry into a profession, and for a consecutive course of study leading to a second academic degree qualifying for an entry into a profession. This does not exclude the possibility of administration fees for registration and tuition fees for a second course of study or for long-term students. Several Länder have made use of these options. All students have to pay a minor contribution for the use of the institution's social facilities. If the institution has an organ of student self-administration (a General Student Committee - *Allgemeiner Studentenausschuss*) students also pay an additional contribution. Similarly, no fees are charged for courses at state-run Berufsakademien

Financial assistance for pupils and students

Teaching aids

So that pupils have access to all teaching aids used in lessons regardless of their economic and social circumstances, all Länder have regulations on the provision of financial assistance for pupils to purchase teaching aids (*Lernmittelhilfe*), or on their provision free of charge (*Lernmittelfreiheit*). 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 local authority responsible for establishing and maintaining the schools Schulträger or by the Land in question. Generally, pupils at public-sector schools are lent textbooks and other expensive teaching aids (e.g. pocket calculators) for the time they require them. When teaching aids become the property of pupils, parents may be required to pay a portion of the costs in some cases. 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). In some Länder schools also provide expendable materials. The precise arrangements vary from Land to Land. It is also the responsibility of the Land to decide whether pupils at private schools are to be supplied with teaching aids free of charge. Some Länder expect parents to pay a portion of the cost of teaching aids themselves, either in the form of a lump sum or by buying certain items directly. Others offer pupils the option of buying their own teaching aids by making a contribution (say 50%) to the cost.

Financial assistance for pupils

In general, there are no provisions for financial assistance to primary and lower secondary school pupils. 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*), pupils from grade 10 onwards at general and vocational secondary schools are entitled under certain conditions to financial support from the state, as a rule, 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 depends on the pupil's outside accommodation and how close the place of training is to the parental home. Training assistance is paid to cover living costs and training, with the income and financial means of the pupil, his or her parents and his or her spouse also being taken into account.

Depending on whether they live with their parents or not and what type of training institution they attend, pupils can receive a financial assistance of between Euro 192 and Euro 562 monthly under the terms of the Federal Training Assistance Act (*Bundesausbildungsförderungsgesetz*) . The

Transport to and from school

Each of the Länder has its own 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 equal opportunities for pupils from all walks of life, between urban and rural areas, non-handicapped and handicapped schoolchildren.

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

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.

Financial assistance for students

Students in the tertiary sector who have no other means (mainly from their parents' income) of maintenance and financing a course of study can also receive financial assistance under the terms of the Federal Training Assistance Act (*Bundesausbildungsförderungsgesetz*).

The duration for which such assistance is payable largely depends on the course of study chosen. As a rule, the assistance limit corresponds to the standard period of study Regelstudienzeit according to § 10 paragraph 2 of the Framework Act for Higher Education (*Hochschulrahmengesetz*). If there is no such standard period of study or comparable stipulation, the assistance limits as specified in the Federal Training Assistance Act apply. 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 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. Since 1st April 2001, the full assistance available to students in higher education not living with their parents has been up to Euro 585 per month (made up of Euro 466 for their maintenance plus Euro 47 health insurance allowance, Euro 8 for long-term care insurance allowance and up to Euro 64 rent allowance). 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. Since April 2001, a max. of Euro 10,000 has to be repaid. Once the maximum period during which assistance is payable has been exceeded, students, as a rule, only receive funding in the form of a bank loan, which is subject to interest, exceptions being possible if serious justification exists.

Since April 2001, those students who, after their first two semesters of studies, have gone on to continue and possibly also complete their studies in another EU member state have been funded. In addition, the latest reform of the *Bundesausbildungsförderungsgesetz* (*BAföG*) introduced an Educational Credit Programme (*Bildungskreditprogramm*) that, irrespective of the assistance provided by the Federal Training Assistance Act (*Bundesausbildungsförderungsgesetz*), gives pupils and students support in the form of Euro 300 per month for a period of up to 24 months. The so-called educational credit is also granted for studies abroad or for placements carried out as part of studies abroad and has to be repaid in full with interest.

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.

Particularly gifted students may receive a grant from relevant foundations (*Begabtenförderungswerke*). These foundations generally maintain close links with churches, political parties, trade unions or industry. One exception, however, is the *Studienstiftung des deutschen Volkes* (German National Scholarship Foundation), which does not adhere to any particular ideology and which is also Germany's largest foundation of its kind. Both the Federation and the Länder support the work of these foundations by providing substantial funding, the greater part of which is provided by the Federation. 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.

On completion of a first degree, students may also receive scholarships to support their further studies in line with the post-graduate assistance acts (*Graduiertenförderungsgesetze*) 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 doctorate [Promotion](#)

In addition to the direct financial support available to students from low-income families, all students under the age of 27 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 27th birthday, the financial benefits enjoyed through their family come to an end with the end of the course of study. It is the parents and not the students themselves who are entitled to this form of support. Further indirect forms of financial assistance for students include reduced health insurance rates and the fact that time spent studying is partially acknowledged by the pension insurance authorities.

Accident insurance for pupils and students

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 school walking excursions, study trips within and outside Germany and school trips. Statutory accident insurance is normally in the hands of the local authority accident insurance association.

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.

Statistics

Public spending (basic funds) on education in 2000 by sector (Euro millions)

Sector	Expenditure
Pre-school education, out-of-school youth education	7,369
Schools	46,066
Higher education	17,235
Continuing education	1,987
Assistance schemes	3,020
Joint research promotion	4,608
Total	80,284

Source: *Grund- und Strukturdaten 2001/2002*

Education spending (basic funds) in 2000 by sector, and as a proportion of total public spending and gross domestic product

Sector	per cent of total public spending	per cent of gross domestic product
Pre-school education, out-of-school youth education	1.23	0.36

Schools	7.71	2.27
Higher education	2.88	0.85
Continuing education	0.33	0.10
Assistance schemes	0.51	0.15
Joint research promotion	0.77	0.23
Total	13.43	3.95

Source: Grund- und Strukturdaten 2001/2002

Education spending (basic funds) in 2000 by sector and level of public administration (per cent)

Sector	Federation	Länder	Local Authorities	Total
Pre-school education, out-of-school youth education	0.2	32.2	67.6	100
Schools	0.0	82.3	17.7	100
Higher education	11.2	88.8	-	100
Continuing education	22.0	38.4	39.6	100
Assistance schemes	22.8	36.5	40.7	100
Joint research promotion	67.9	32.1	-	100
Total	7.7	73.4	18.9	100

Source: Grund- und Strukturdaten 2001/2002

Adapted from THE INFORMATION DATABASE ON EDUCATION SYSTEMS IN EUROPE

(www.Eurydice.org/Eurybase/Application/frameset.asp?country=DE&language=EN)

Abbreviated by SLV (Schulleitungsvereinigung) NRW

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