

Resolution by the
22nd General Assembly
by the HRK
on 9 May 2017
in Bielefeld

**Funding of the higher
education system
from 2020 onwards**

HRK German Rectors' Conference

The Voice of the Universities

Leipziger Platz 11 Tel.: +49 30 206292-0 post@hrk.de
10117 Berlin Fax: +49 30 206292-15 www.hrk.de

Ahrstraße 39 Tel.: +49 228 887-0 post@hrk.de
53175 Bonn Fax: +49 228 887-110 www.hrk.de

I. Preliminary remarks

Higher education institutions are key players in research and society and the "organisational centres of the research system" (German Council of Science and Humanities). Regardless of short-term political developments, funding cycles or demographic factors, a concept for the long-term safeguarding of funding for higher education institutions from the State and Federal Governments must now be developed.

The higher education institutions acknowledge and appreciate that the State and Federal Governments have made significant financial contributions for the benefit of the higher education institutions, in particular in the past decade, by European standards and in absolute terms. This phase was very significant and has, among other things, made it possible to develop concepts for dealing with the growing inclination towards studying, to gain experience in the fixed-term funding of teaching and research and to adjust the basic constitutional principles for the funding of higher education institutions.

Higher education institutions are of the opinion that the phase of combining different funding and support models must now be completed. In the area of research funding in the switch from the (fixed-term) Excellence Initiative to the (open-ended) Excellence Strategy, the State and Federal Governments have recently demonstrated their willingness to agree on long-term funding mechanisms for the purposes of higher education institutions.

The HRK is therefore advocating a model that safeguards the functions of higher education institutions in the long term with continual quality development, the stability of which must be guaranteed with an increase mechanism similar to the Joint Initiative for Research and Innovation. The HRK takes the following assumptions as a basis in terms of the funding of teaching at higher education institutions:

- The number of new students will settle in the long term at a high level, which far exceeds the baseline situation in 2005.
- The share of funding from the 2020 Higher Education Pact in the higher education institutions' budgets plays a key role due to the dynamic growth in the demand for study places – this will not change before the end of the term of the Higher Education Pact.

The creation of sufficient capacities for teaching in particular has been the focus of funding efforts in recent years. Necessary course-setting measures, for example in the areas of construction, equipment and digitalisation, have not been in line with this. To secure the future viability of higher education institutions appropriate measures are therefore required in the years to come. In light of this, the HRK is presenting a funding model with the

working title **"Two pillars plus"** ["Zwei-Säulen-plus"] which is explained in more detail below.

II. Basic principles¹ for the funding of the higher education system from 2020 onwards ("Two pillars plus" model)

- 1.** The State and Federal Governments have made significant investments in the higher education system. They share responsibility for funding that permits higher education institutions to fulfil their role as "organisational centres of the research system" and to ensure and develop the scope and quality of teaching, research and transfer in particular. The Federal Government is called upon to make use of the reworded provision of Art. 91 b of the Basic Law in this spirit.
- 2.** The long-term, future-oriented funding of teaching, as well as research, is the focus of higher education institutions. In addition, the following are of particular importance: digital infrastructures including research and transfer infrastructures, national licences and other "national services", higher education institution facility construction and renovation, overheads, social infrastructure.
- 3.** In the ratio of comprehensively applicable and permanent funding (Pillar 1) to funding awarded within programmes (Pillar 2), it must be ensured in the model outlined that the current share of fixed-term funding awarded for a specific purpose of an average of almost 25% of the higher education budget is significantly reduced in favour of basic funding; where applicable, funding within programmes must be basic funding in substance in order to effectively ease the burden on higher education institutions.
- 4.** In order to ensure the long-term competitiveness of the higher education system both nationally and internationally, a "Higher Education Pact for Education, Research and Innovation" must be established which guarantees an annual growth in funds of at least 3% in Pillar 1 (also for Pillar 2, depending on the ratio of the pillars).
- 5.** Time is a critical factor in higher education funding. The following must be borne in mind: the expiry of the 2020 Higher Education Pact, the end of funding through deconcentration funds from higher education facility construction (2019), the upcoming entry into force of the ban on net borrowing in federal states (2019/2020), the planned reformulation of financial relations between the Federal and State Governments (by the end of 2019), the conclusion of the current EU budget period and the expiry of the Joint Initiative for Research and Innovation (both 2020).

¹ See also specifically: Senate of the HRK: Die Hochschulen als zentrale Akteure in Wissenschaft und Gesellschaft. Eckpunkte zur Rolle und zu den Herausforderungen des Hochschulsystems (Higher education institutions as key players in science and society. Key considerations on the role of, and challenges facing, the higher education system), October 2016; HRK press release "Student numbers at record high: HRK calls for consolidation of Higher Education Pact", November 2016; HRK resolution "Application of the reworded Art. 91 b of the Basic Law", November 2015; HRK resolution "Higher education funding", November 2011.

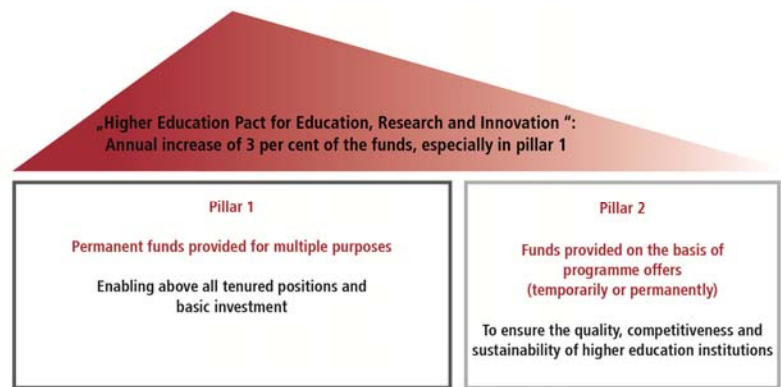


Figure 1: Funding model "Two pillars plus" ["Zwei-Säulen-plus"]

III. Current situation and background

The State and Federal Governments signed the 2020 Higher Education Pact in 2007 on the basis of the HRK resolution "Chance, nicht Last: Empfehlungen für den 'Hochschulpakt 2020'" ["Opportunity not burden: recommendations for the 2020 Higher Education Pact"] of 2005. Its aim was to cope with the predicted surge in the number of students based on the doubling of the number of young people achieving the Abitur (university entrance qualification). Split into three phases, the Higher Education Pact runs between 2007 and 2020 in total, including completion funding until 2023. The reference value for the admission of additional new students is the 360,000 new students from the year 2005. The number of new students has sharply increased since then (see **Figure 2**): The peak was reached in 2011 with 519,000 new students, and the numbers have been at the high level of around 500,000 since then.

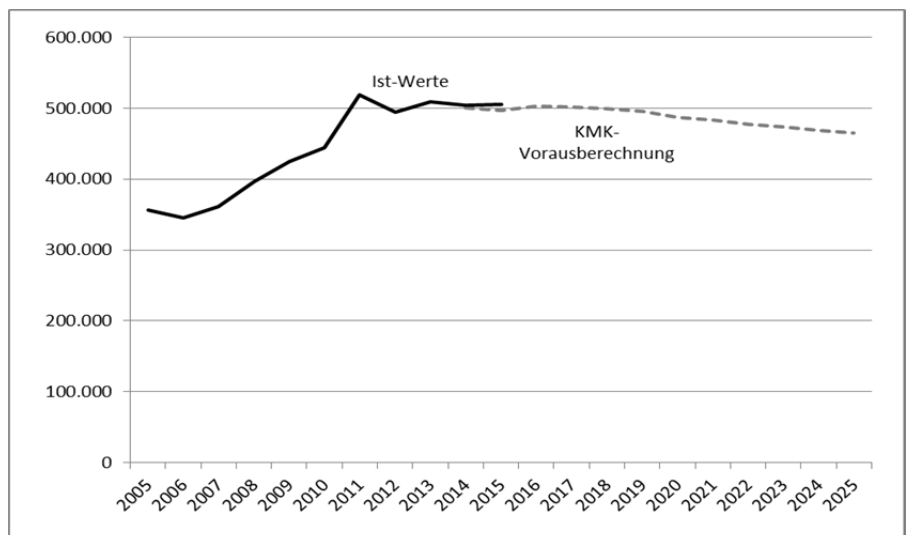


Figure 2: Current trend of new student numbers and KMK projection

It can now be anticipated that the demand for study places will settle at this high level in the long term. The progressive academisation of professional fields, the self-evident need for lifelong learning in today's professional world and the growing demand for a course of study in Germany associated with advancing globalisation will dominate the effects of demographic development.

IV. Structural upheavals in the funding of higher education and lack of planning for the future

The Higher Education Pact funds are of great importance to the funding of higher education institutions; in some cases, these funds constitute up to 25% of the higher education budget at universities of applied sciences. This has led to structural upheavals in the area of higher education funding. The funding from the Higher Education Pact runs for a limited period of time. It is only provided for the period agreed in each case. Similarly, the scope for action of higher education institutions in handling these funds is limited. The creation of additional permanent positions in addition to the professorship, which are essential for the proper execution of tasks in research, teaching and research administration², is just as infeasible as long-term investment decisions on the basis of such funding. In the long run, this leads to the intolerable situation for the higher education institutions that a growing number of study places are not funded by basic funding, but by pact funds. The continuous task of teaching can increasingly only be covered by temporary staff.

Approximately €39 billion were raised as part of the Higher Education Pact to meet the growing demand with an appropriate offer of study places. This was a major accomplishment on the part of the State and Federal Governments. At the same time, however, other necessary investments in the area of construction, renovation, equipment and digitalisation have been neglected. The equipment of higher education institutions has in no way kept pace with the increase in capacities. The spatial structure (e.g. need for small rooms) does not correspond with the current requirements of teaching and learning. The building structure is overloaded in many places and the renovation backlog will amount to €29 billion by 2025, of which €8 billion is currently not covered by the State Governments. Taking into account the necessary spatial expansion, the funding requirement amounts to €35 billion³. In order to create the conditions for higher education institutions to be integrated into major international projects, higher education

² See also the specific details: HRK recommendation of May 2014 "Guidelines for the advancement of early career researchers in the post-doctoral phase and for the development of academic career paths in addition to that of professorships"

³ See Solide Bauten für leistungsfähige Hochschulen: Wege zum Abbau des Sanierungs- und Modernisierungstaus im Hochschulbereich ["Solid buildings for efficient higher education institutions: ways to reduce the renovation and modernisation backlog in higher education"] (resolution of the Standing Conference of the Ministers of Education and Cultural Affairs of the Länder in the Federal Republic of Germany of 11/02/2016)

institutions must be considered in the establishment of large research infrastructures and supported in their cost-intensive management. Not least, it is essential to drive the sluggish growth in digitalisation with appropriate stimuli. In this case, interlinked information infrastructures must be developed that support teaching and research as well as effective and efficient administrative action. For this purpose, modern IT infrastructures including human resources and a network of high-performance computers and supercomputers are required, as well as funds for didactic support measures and digital forms of further education, for example.

This means that funding of higher education institutions must be safeguarded for the future which takes into account the high demand for study places and also puts higher education institutions in the position to deliver research and teaching under internationally competitive framework conditions in the long term.

V. Framework aspects

The following factors must be taken into account in the review of long-term funding:

- In theory, the Higher Education Pact will be paid for by the State and Federal Governments in equal amounts. However, the Federal Government will in fact provide funding to a greater extent. The agreement⁴ reads: "The individual State Governments thus ensure total funding and provide binding financial contributions which are similar to those of the Federal Government." In 2014, the Federal Government provided almost €1.9 billion, and the State Governments €1.5 billion.
- In 2016, negotiations were held on the future financial equalisation of the State and Federal Governments. According to these, the State Governments are to receive around €9.5 billion more per year from 2020 onwards.
- The compensation funds in the amount of almost €700 million per year for the common task of higher education facility construction repealed in 2006 will be dropped as of 2019.
- At the end of 2020, the Joint Initiative for Research and Innovation (PFI) and the current EU budget period will come to a close.
- The so-called debt brake in the federal states will take effect as of 2019.

VI. Safeguarding capacity and planning for the future as pillars of future higher education funding

In light of the analysis of the current situation, the German Rectors' Conference considers a "Two pillars plus model" to be necessary for the future cooperation of the Federal and State Governments with regards

⁴ <http://www.gwk-bonn.de/themen/wissenschaftspakte/hochschulpakt-2020/>

to the funding of higher education institutions as a successor to the Higher Education Pact.

"Pillar 1": These funds will be provided to higher education institutions for an unlimited period and can be used freely. They permit the creation of additional permanent positions in addition to professorships and enable higher education institutions to enter into long-term employment relationships in order to fulfil long-term tasks. They are also required to safeguard staff and spatial capacities corresponding to the development of the student demand. Funds must be provided for teaching within the scope of the current Higher Education Pact. Depletion of this sum would inevitably lead to a reduction in capacities, since their development has only been funded in the short term. At least the current assessment basis must be applied in the calculation of the funding sum.

"Pillar 2": These funds will be provided to higher education institutions on the basis of programme offers. They serve to ensure the quality, competitiveness and future viability. Future-oriented funding should not only be geared towards maintaining the status quo in a field as dynamic as research; rather, new and future challenges must also be taken into consideration and the conditions required for tackling these must be created. In this context, it is important that these programmes also support the competitiveness of small higher education institutions and different profiles/specialisations. Furthermore, the scope, nature and content of the programmes should not be independent of the scope for action that the higher education institutions obtain through "Pillar 1": The more limited the scope for action, the more the higher education institutions rely on "basic funding type" programmes to fulfil their tasks in research and teaching and – on this basis – in transfer and cooperation.

"Plus": A continuous increase in basic funding for research from funding organisations and for non-university research institutions was agreed as part of the Joint Initiative for Research and Innovation. In this respect, it is an appropriate model for keeping pace with the development in the European and global framework. Nevertheless, it has also led to an imbalance in the development of higher education institutions and non-university research. It must be ensured for the future that an appropriate increase along the lines of a "Higher Education Pact for Education, Research and Innovation" is agreed for the higher education institutions as "organisational centres of the research system".

Content: In addition to funding of research and teaching that is unrestrictedly future-oriented in all areas, the State and Federal Governments must consider in particular the following tasks and challenges as part of their shared responsibility:

- Ensuring the quality of studying and teaching and maintaining the competitiveness of German higher education institutions on a European and global scale are fundamental tasks for the German higher education system.
- The current shortcomings in the area of **construction and renovation** are a competitive disadvantage by international standards. It is clear that the State Governments cannot satisfy this funding requirement alone.
- The establishment and funding of **research and transfer infrastructures** as well as the **digitalisation** of higher education teaching and research adapted to development dynamics are costly and must be strategically expanded.
- The funding of **national licences** in the acquisition of academic literature and similar "national services" is of importance to higher education institutions.
- Furthermore, the provision of **overhead funding** for all publicly funded research projects must be secured. Specification of the amount of funding at 40 percent is inevitable in the long term given the actual overhead costs.
- Not least, funding for **social infrastructure** must also be provided. The sharp increase in student numbers has predominantly led to shortfalls in affordable accommodation.

VII. Sharing of responsibilities between Federal and State Governments

The German Rectors' Conference does not make any statement on the sharing of the financial burden between the Federal and State Governments. It places its trust in the intensive consultations in the Joint Science Conference (GWK), especially for the implementation of Art. 91 b of the Basic Law and for the updating/succession of the research pacts and welcomes the intention of reaching viable agreements with a view to new legislation in the Federal Government.

It is beyond doubt that the State Governments must permanently transfer their current share of the Higher Education Pact to their budgets. A commitment of the Federal Government must generally be correlated with the fact that the State Governments continue to accept their financial responsibility as providers of higher education institutions.

The German Rectors' Conference is aware of the fact that the realisation of the model would require a huge amount of effort in light of the legal and financial obligations and entry into force of the debt brake. However, given the dependence of our future on technical and social innovations as well as on highly qualified specialists, the HRK is convinced that securing the future viability of the higher education system is one of the main tasks of government.