

# FINANCING EDUCATION IN ROMANIA; TYPOLOGY OF RESOURCES AND OPPORTUNITIES TO ATTRACT ADDITIONAL SOURCES

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**Abstract:** Public institutions have a major role in a country as they are the way a government fulfils its functions and roles: defence, education, culture, social protection etc. Financing these comes from public resources particularly arising from taxes and fees. Since the needs of a society are continuously increasing and resources are limited, orienting public resources to various fields and goals should be highly efficient and effective.

In the public sector's education institutions, there are a number of features of the financing procedure. The paper herein aims at emphasizing a few features and suggesting a few concrete ways by which education institutions can be financed even if the funds arising from the national public budget prove to be not enough most of the time.

**Key words:** *financing, education, basic financing, GDP share of expenditures*

**JED Classification:** H60, H61

## INTRODUCTION

National Education Law no. 1/2011 adopted on 5 January 2011, namely the most important legislative act regulating the education system in Romania accurately shows the financing sources of such institutions: **basic financing, complementary financing and additional financing.**

Basic financing is provided by the government to all pre-school, primary, middle and secondary school pupils of public, private, and religious education institutions and to pupils of special public post-graduation schools. The latter is provided by the state budget, from amounts divided from value-added tax, by local budgets, for the following expenditure types: salaries, including all money salary entitlements laid down by the law including their related contributions; vocation training-related spending; spending related to pupils' periodical assessment; spending on goods and services.

In order to ensure the evenness of fund distribution in all education institutions, the government endorses by an annual Decision<sup>1</sup> certain methodological norms regarding the calculation of pupil/pre-school child standard costs. The indicator applied in order to generate the basic financing of education institutions is applied differently according to spending categories (employment charges, namely spending for goods and services), to level/specialization/pathway in training, and also to temperature areas<sup>2</sup>.

The basic financing annually endorsed by the state budget law is distributed per villages, towns, municipalities and Bucharest districts by the general directorates of the public finance institutions of counties and Bucharest City, technically and specially

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<sup>1</sup> [For the year 2014 – Government Resolution no. 1.165/23-12-2013 – to amend Government Resolution no. 72/2013 regarding the endorsement of methodological norms to determine pupil/pre-school child standard costs and to set the basic financing of public pre-university education institutions that is granted from the state budget, from amounts broken down from the VAT, from local budgets, based on the pupil/pre-school child standard costs.]

<sup>2</sup> [It is about expenditures on vocational training, periodical assessment of pupils and expenditures on goods and services for which the law provides 6 temperature areas.]

assisted by the boards of education in counties and by the Bucharest Board of Education.

Complementary financing provides capital expenditures, social expenditures and other expenditures associated with public pre-university education, not part of the basic financing of schools. It comes from the local budgets of municipalities having pre-university school units in their jurisdictions and from amounts broken down from value-added tax and endorsed annually by the public budget law to this end for the following spending categories: investment, thorough repairs, buildups; subsidies for hostels and cafeterias; spending in pupils' national periodical assessments; scholarship spending; spending on pupils' transport; spending on teachers' commuting according to the law; spending on the annual compulsory medical examinations of pre-university education employees except the examinations that are free by virtue of the law; spending on school contests and extra-curricular educative activities organized in the education system; spending to ensure the labour security and safety of employees, pre-school children and pupils; managing emergencies; spending on participation in European cooperation projects in the field of education and vocational training.

**Additional financing** is granted as a fixed global amount from the Ministry of Education's budget to award public pre-university institutions that have been successful in the fields of inclusion or school performance.

#### **FACTS AND INSIGHTS ON EDUCATION FINANCING IN ROMANIA**

Building the budget in Romania is characterized by the presence of a budget deficit which imposes limited resources in the public sector with a view to meeting the society's needs, in the education field implicitly.

In this context, although the National Education Law provides that at least 6% of a year's gross domestic product should be granted by the state budget and local public authorities' budgets, it actually does not apply in practice.

Public education spending in Romania during 2009-2014 is as follows:

Table no. 1: Statistical Data on Education Financing

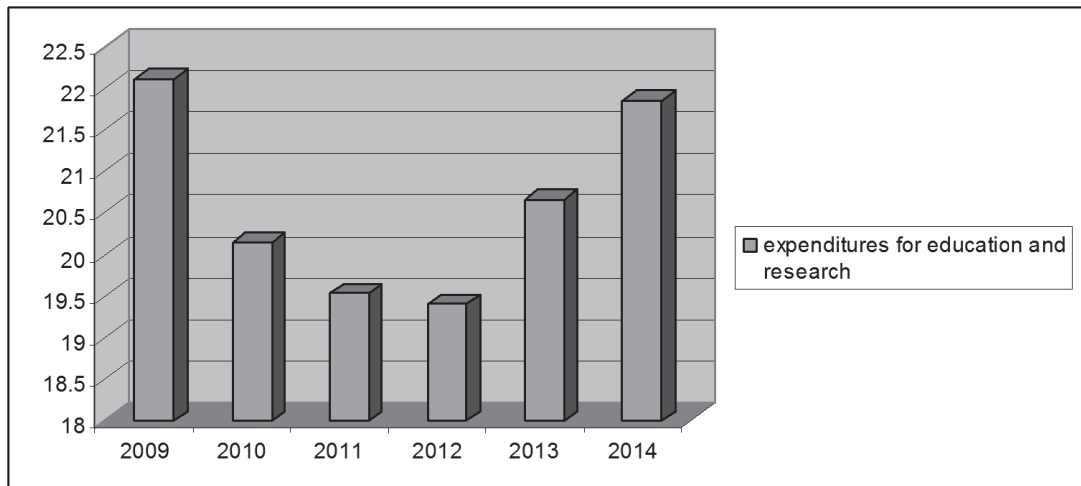
<b>Indicators</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Education and research-related expenditures **) - thousand Lei	22,108	20,148	19,530	19,396	20,664	21,844
Share of total expenditures	11.4	10.0	9.5	9.3	9.3	9.4
Share of GDP	4.24	3.53	4.13	3.5	3.6	3.7

Source: Prepared by the author based on data taken from Macroeconomic Condition Report for 2014 and projections for 2015-2017

\*\*) In 2014, in the field of education in a municipality, it is estimated there have been payments in projects financed by European grants amounting to a level equivalent to 230 million Euros, namely re-allocated funds from the Environment and Transportation Operational Programme to the Regional Operation Programme in order to complete school repair works.

Schematically, the changes in education spending are as follows:

Graph no. 1: Level of Education Expenditures in Romania



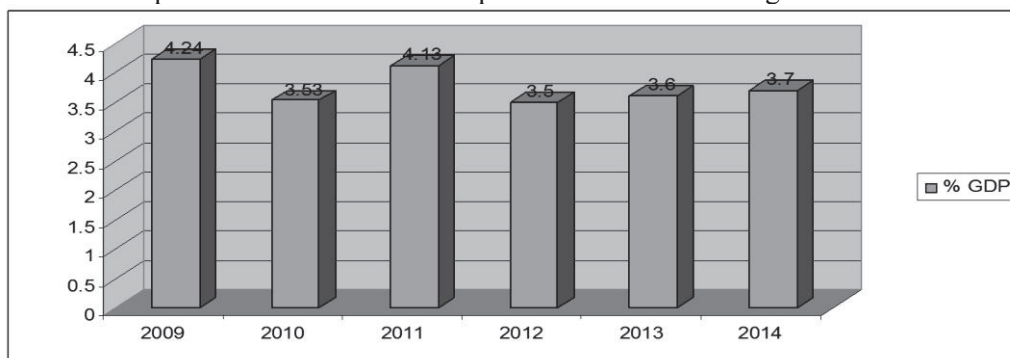
Source: Prepared by the author

By a strict ratio to the changes in public expenditures for education, one can notice an oscillating financing tendency in this field: although in 2009, education investment amounted to more than 22 billion Lei, the level has never been reached during the following period. Moreover, in 2012, the funds allocated to education have continuously decreased. The last two years have shown a growing trend but never reaching the 2009 level during a certain year.

In relative terms and as a share of 2014 total expenditures, the budget education expenditures have been estimated to almost 9% of total expenditures in the public sector, whose progress has been harmonized with the one in 2010-2013.

Yet, what is outstanding is the analysis of education expenditures' share in the GDP:

Graph no.2: Share of Public Expenditures in GDP during 2009- 2014



Source: Prepared by the author

Although by National Education Law no. 1/2011, Romanian rulers have ensured two main provisions<sup>1</sup> related to education financing, namely: education is regarded as a national priority and higher education is good and it is a public responsibility: *Article 222 (3) Financing public higher education is ensured from public funds in compliance with the following requirements: a) regarding higher education growth as a public responsibility and education growth in general as a national priority [...] and education is allocated a budget of minimum 6% of the GDP: Article 8 Financing national education is annually allocated at least 6% of the GDP of a*

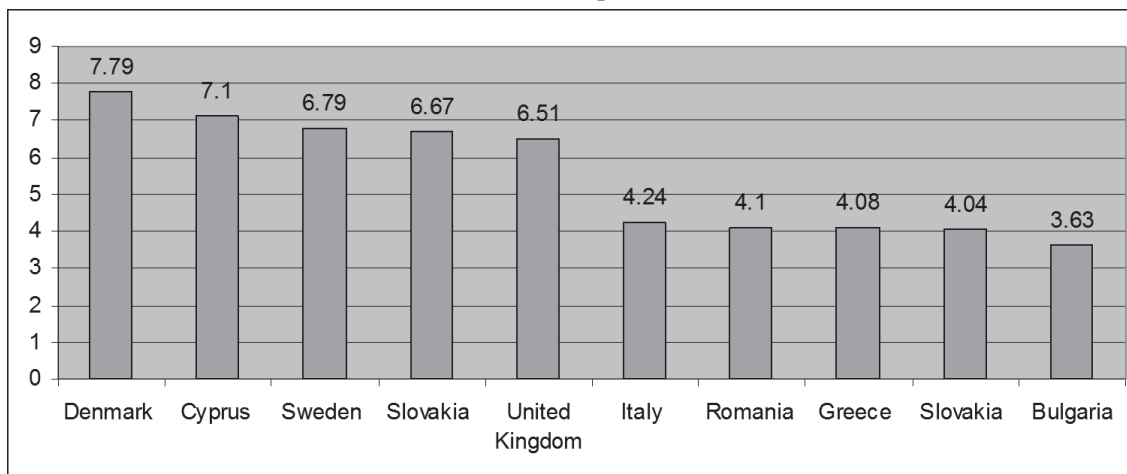
<sup>1</sup> National Education Law no 1/2011 ,Article 8 and Article 222

respective year from the state budget and local public authorities' budgets, the desideratum has not been fulfilled until now and it seems it will not in the predictable future either. It has been ascertained that the budget over the last years has ensured the system's functionality but strictly related to ensuring employment charges and goods and services-related spending.

However, financing according to only half of the provisions laid down by the education law is not sustainable in the context where the issues of investment, benefits to support scholarships and subsidies for hostels and cafeterias etc. are being tackled.

Enlarging the analysis within the European Union, the situation is as follows:

Table no. 2: GDP Share of Education Expenditures in EU Countries in 2011



Source: Prepared by the author according to data taken from Key Data on Education in Europe, 2012, European Commission

Romania is among the last-ranking European Union countries regarding the size of funds allocated by the government to education, one of the most important fields in a country's growth, with public expenditures for education as compared to the GDP of only 4.1% in 2011, higher than the expenditures in Greece, Slovakia and Bulgaria.

Although the GDP share of public expenditures for education rose in 2011 as compared to 2010, Romania still has not managed to exceed the EU 5.34% average, according to Eurostat data. The countries having the largest funds allocated to education are Denmark (7.8% of its GDP), Cyprus (7.2%) and Sweden (6.67%). In Bulgaria, ranking last in this classification, the indicator is 3.6%.

### **OPPORTUNITIES TO IMPROVE THE FINANCING OF EDUCATION INSTITUTIONS**

2014 budget has been built as an investment-oriented budget with the main aim of the budget policy being to continue the budget deficit decrease along with encouraging economic growth by public investment increase.

The author believes that in this context, careful attention should be given to education investment, too. The main motivation in this respect is rendered by the fact that after the economic crisis event, education investment should become even more important due to the already-known role it may play in order to overcome times of economic collapse. Unfortunately, in Romania the trend of GDP allocation has gone downwards under the circumstance where it had been going upwards up to 2008.

Under these circumstances, education institutions should make great efforts to get and use their own revenues autonomously as this prerogative has been granted to them by the National Education Law. Education can also be financed directly by economic players and by other natural or legal persons by virtue of the law. Education

can be supported by scholarships, study loans, tuition fees, donations, sponsorship, own sources and other legal sources.

Following the principles of **education financing**: transparency of funds' substantiation and allocation; equity of distributing the funds meant for high-quality education; adequacy of resource amount according to goals; predictability by the use of coherent and steady financial mechanisms; efficiency of using resources; these institutions' managers must bring the search for new resources into policy and practice as well.

Unlike Western schools where there is a culture in the field of fund collection, Romanian institutions and national culture are cautious when it comes to getting such revenues this way. Fund collection is usually the topic of one or several fund-raising campaigns each having very precise goals.

It is good that every campaign should be dedicated to raising funds for a clearly set out activity or programme that are to be directly introduced to potential financiers.

### **CONCLUSION**

Analyzing data about the percentage of GDP allocated to education during 2009 - 2014, we see that assumptions about 6% for education were not met even once. Also, the position they occupy Romania about these costs at EU level is not encouraging.

In the current context must be aware that investment in education has become more important because it recognized the role it can play in overcoming periods of economic collapse. Policy makers need to change optics on the funds allocated to this area: they are not a consumer, but an investment in the future of society.

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