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FINANCING – A PERFORMANCE DETERMINING FACTOR IN THE PRE- UNIVERSITY EDUCATIONAL SYSTEM

Case
Study

Keywords

Education;
Teaching;
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Standard cost per pupil;
Performance

JEL Classification

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Abstract

The pre-university educational institutions are state-funded, from the local budgets of the administrative-territorial units to which they belong. They can be funded additionally by the Ministry of National Education. Basic funding is provided by the state within the standard cost per pupil. Complementary funding is realised from the local budgets of the administrative-territorial units to which the pre-university educational institutions belong. Additional funding is provided by the Ministry of National Education. Educational institutions may also have their own revenues. These are obtained from donations, sponsorships or other legally constituted sources. Pre-university educational institutions cannot function and cannot perform without the allocation of financial resources to cover their expenses. This creates a direct link between funding and performance.

INTRODUCTION

The educational system implies educational steps planned and carried out in a continuous effort to train the human being in specialized institutions. This system also includes the pre-university education, which, in order to fulfill its objectives, needs resources, including financial ones.

The pre-university educational institutions are funded from the state budget, the local budgets of the administrative-territorial units to which they belong. They can be funded additionally by the Ministry of National Education.

Basic funding is provided by the state within the standard cost per pupil. This funding provides salaries, bonuses, allowances and other legal wages, as well as the related contributions, the costs for continuing training and staff evaluation, the costs of regular internal student assessment, material expenses and services, as well as current maintenance costs.

Complementary funding is realised from the local budgets of the administrative-territorial units to which pre-university educational institutions belong, from sums deducted from value added tax on capital expenses, social expenses and other expenses associated with the pre-university educational process.

Additional funding is provided by the Ministry of National Education for educational institutions that have achieved outstanding results in the field of inclusion or in school performance. Educational institutions may also have their own revenues. These are obtained from donations, sponsorships or other legally constituted sources.

The premise of this scientific approach was the need to outline the way in which educational institutions are financed. Given the characteristics of the field, the research methodology used is standardized, being built on the identification, study and systematization of the specialized literature, of the legislation which presents the organization and financing of the pre-university educational institutions. The research methods used to achieve the objectives were: documentation, comparison, analysis and synthesis.

INFORMATIONAL VIEWS ON PRE – UNIVERSITY EDUCATIONAL FINANCING

Funding is the process by which funds are secured for the implementation of predetermined economic, social and other objectives (Cenar, 2007), an action used to secure the funds necessary to cover the expenses required to accomplish the realization of a project/an economic and a social activity (Economy Dictionary, 2011).

Education is financed from the state budget and the budgets of the local public authorities, which can also earn their own revenues. The state budget provides funding for the central specialized bodies: Ministry of National Education, County School Inspectorates, Teacher Training House etc. (Moşteanu,2004). In the pre-university educational institutions, depending on the source and destination, we find the basic, complementary and additional financing, summarized in figure no. 1.

Basic funding is provided by the state and is made within the standard cost per pupil. For state, private and confessional pre-university education, funding is realised from public funds or from other sources, and the financing of private education and confessional accredited education is realised from taxes or public funds, but also from other sources.

Basic and complementary funding of pre-university educational institutions can be funded by local and county councils. Basic funding is provided from the state budget, from sums deducted from value added tax and other state budget revenues, through local budgets, for the following categories of expenses: salaries, bonuses, allowances and other salary money, lifelong training and staff appraisal, expenses on regular internal student assessment, material and service costs, current maintenance costs (National Law of Education, no. 1/2011, article 104).

The basis for calculating the funds allocated to educational units is the standard cost per pupil/pre-schooler that is determined for each level of education, branch, profile, specialization/field. The allocation of funds for the basic education of the educational unit is based on a financing formula that takes into account the standard cost per pupil/pre-schooler, the number of pupils/pre-schoolers in the educational unit, as well as the correction factors depending on the pupil density in the area, severity of disadvantages, teaching language and other factors.

Romania is at the top bottom of the ranking in terms of investment in student allocations; at the opposite end there are countries such as Denmark, Sweden, France and Germany. The average cost per pupil in secondary education is higher than that for primary education in EU. The difference between unit costs in primary education and costs in secondary education is significant in countries such as Germany and Cyprus as opposed to Italy, Slovenia or Iceland where these differences are very small.

The complementary financing, annually approved by the state budget law, ensures capital expenses, social expenses and other expenses associated with the pre-university educational process. Complementary funding is provided from the local budgets of the administrative-territorial units to which the pre-university educational units belong, from the sums deducted from the value added tax,

for the following categories of expenses: investments, capital repairs, consolidations, boarding and canteen subsidies, periodic national appraisal of pupils, pupils' scholarships, pupils' and teachers' transport, periodical medical examination of employees in pre-university educational institutions.

Complementary funding also provides for other expenses such as: school competitions and extracurricular educational activities organized within the education system, costs for ensuring safety and health in the workplace, for the employees, pre-schoolers and pupils, the emergency situation management, expenses for participation in European cooperation projects in the field of education and professional training (National Law of Education, no. 1/2011, article 105).

By means of additional funding, the Ministry of National Education provides the necessary funds to award pre-university educational institutions that have achieved outstanding results in the field of inclusion or in the field of school performance. Local and county councils may also contribute to this funding. This is possible only on the basis of a contract between the school unit and the sponsor. The pre-university educational institutions may get their own funds from specific activities, donations, sponsorships or other legally constituted sources, without reducing basic, complementary or additional funding.

Pre-university educational institutions may also benefit from external funds provided by the Ministry of National Education to improve the conditions offered to students. Even if they benefit from all these funds, pre-university educational institutions still need material resources to achieve their investment objectives, improve students' study conditions and, implicitly, the effectiveness and quality of education.

The state budget provides funding for national programs of the Ministry of National Education, local ongoing projects, scholarships for foreign students and those from the Republic of Moldavia, evaluations, mock-exams, national exams, teacher training courses, investment programs, social protection programs or students' competitions.

Table No. 1 presents the funds allotted per pupil (in lei) from 2010 to 2019.

From the information presented above, a decrease in financing per pupil is noticeable in 2011 compared to 2010; in 2014 this level has slightly increased but it managed to exceed the 2800 lei threshold only in 2016. The maximum level of 5,384 lei was registered in 2019. The GDP percentage allocated for education in Romania is shown in Table No. 2.

It can also be seen that this percentage never reached the 6% threshold established by law; this percentage failed to exceed the 4.52% threshold.

Currently, education funding faces problems in the field of financial flows directed towards education: the covering degree of the financial needs of education, the inability of the financial mechanisms to meet educational needs and services, the lack of new funding mechanisms, the impossibility of consolidating, harmonizing and aligning educational funding to international norms etc. (Manolescu, 2009). Poverty, social inequality, a society of knowledge are factors that have a negative impact on educational funding.

A reform in financing pre-university education involves guiding financing towards the individual rather than the pre-university educational institution, ensuring the diversification of the quality oriented educational offer, contributing to the control of the educational costs, responsible administration and management of pre-university educational institutions. It aims at increasing and distributing financial resources invested in education, investing in projects and programs and in general education and, of course, in responsibly managing the funds allocated to this field.

The standard cost per pupil/preschooler for salary, allowances, and other monetary wages, as well as their contributions, is determined for each level of education, branch, profile, specialization/field depending on the number of pupils/preschoolers, the teaching language and the urban/rural surroundings (see Table No. 3).

The standard cost per pupil/preschooler regarding professional training expenses, the expenses for the periodical evaluation of the pupils and the expenses previewed in the budget article "Goods and services" was set at 370 lei in 2019. This is illustrated by Table No. 4.

Naturally, the analysis of the sums allocated to school units is influenced by the size of the educational stages, their dimensions must be within the parameters specified, as illustrated by Table No. 5 (National Law of Education, no. 1/2011, article 63). The long-term financial support for education must be provided by a variety of sources of funding; it aims at achieving results and incomes, allowing as many children as possible the right to education and must contribute to a decrease in school drop-out. On the other hand, institutions must prove that they are capable to manage their financial problems.

Thus, a solution may be to introduce educational vouchers or school checks enabling students to pay for their schooling.

Financing pre-university education must be correlated with the training needs of the human capital and with the requirements of the financial involvement of the beneficiaries and users of education. Pre-university educational institutions are mainly funded by the state because individuals do not have the necessary financial resources to finance their education.

A change may be represented by the orientation of the education funding system in pre-university educational institutions towards financing the demand and the increased interest of the government in providing better education for its citizens, aligning education financing to international standards (Manolescu, 2009).

THE INFLUENCE OF FUNDING ON PERFORMANCE

Any entity including a pre-university educational institution seeks to link organizational efforts to achieving professional excellence. Performance is associated with three notions: economy (obtaining the necessary resources at the lowest cost), efficiency (maximizing the acquired results) and effectiveness (the results achieved correspond to those envisaged). In order to achieve performance, namely outstanding educational outcomes in pre-university educational institutions, it is necessary to combine three factors: effort, ability and perception.

The performance/success of a pre-university educational institution is measured by the satisfaction of its students (Cherchez and Matescu, 2005). It involves providing quality education services and getting good results. This requires human, financial, educational and informational resources. Although human resources have a key role to play in activity development, pre-university educational institutions cannot function and cannot perform without the allocation of financial resources to cover the costs of these institutions. This creates a direct link between funding and performance.

As the standard cost per pupil allocated cannot cover the expenses, many pre-university educational institutions have to resort to budget rectifications or even to groupings or group breaks, reductions in allowances, reductions in bonuses or reductions in the number of principals. All of these steps result in lowering the quality of the pre-university education system and as performance is closely linked to quality, these changes have a negative effect on performance. Thus, we can say that an adequate financing of the pre-university educational institutions contributes to performance in the field.

CONCLUSIONS

The issues addressed in this paper allow us to formulate some general conclusions:

- The necessary means to finance the pre-university educational institutions are provided by the state budget, the local public budgets or by their own revenues. Thus, the pre-university educational

institutions have three forms of financing: basic, complementary and additional;

- Basic funding is within the standard cost per pupil that is determined for each level of education, profile, specialization/field;

- Capital expenses, social expenses and other expenses associated with the pre-university educational process are ensured through the complementary funding.

- Funds needed to award pre-university educational institutions that have achieved outstanding outcomes in the field of inclusion or in school performance are provided by additional funding;

- Pre-university educational institutions may produce their own income obtained from donations, sponsorships or other legally constituted sources;

- The education system received 2.5% of GDP in 2013, 3.2% of GDP in 2014 and 3.4% of GDP in 2016, failing to reach the 6% threshold;

A proper funding of the education system must be approached in accordance with the teaching rules and principles, the adequate material and the teaching resources ensured through funding.

Educational funding should be addressed in close coordination with the needs of the human capital training and with the demands of an active involvement of both beneficiaries and education users. Adequate funding of pre-university educational institutions leads to quality and performance in this field, which is not achieved only in financial terms, but which is by them generated to a significant extent.

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bugetul de stat, din sume defalcate din T.V.A prin bugetele locale, pe baza costului standard per elev/preșcolar, publicată în Monitorul Oficial al României, partea I, nr. 39/2015 [Government Decision 72/2013 updated in 2015, for approving the methodological norms in order to determine the standard cost per pupil/pre-schooler and establish the basic financing of the state pre-university educational units, which is ensured from the state budget, from sums deducted from VAT through the local budgets based on the standard cost per pupil/ preschooler, published in the Official Monitor of Romania, Part I, no. 39/2015].

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TABLES & FIGURES

Table No. 1
The evolution of financing per pupil (in lei) in the following period: 2010-2019

| Year | Financing per pupil | Legal basis |
|------|---------------------|--------------------|
| 2010 | 2.857 | G.D. no.1618/2009 |
| 2011 | 2.230 | G.D. no. 1395/2010 |
| 2012 | 2.230 | G.D. no. 937/2011 |
| 2013 | 2.420 | G.D. no. 72/2013 |
| 2014 | 2.492 | G.D. no. 1165/2013 |
| 2015 | 2.520 | G.D. no.9/2015 |
| 2016 | 3.043 | G.D. no.136/2016 |
| 2017 | 3.740 | G.D. no. 32/2017 |
| 2018 | 4.413 | G.D. no. 30/2018 |
| 2019 | 5.384 | G.D. no. 169/2019 |

Table No. 2
The GDP percentage allocated for education in Romania

| Anul | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 | 2019 |
|--|-------|-------|-------|------|------|------|------|------|------|
| The GDP percentage allocated education | 4,52% | 3,26% | 4,13% | 3,1% | 3,4% | 3,1% | 3,4% | 3,1% | 3,4% |

Source:www.insse.ro.

Table No. 3
Standard costs per pupil / pre-schooler for wage costs, bonuses, allowances and other statutory wage entitlements, as well as the related contributions for the educational establishments, for the year 2019 – extract

| Crt. Nr. | Level/branch/profile | Form of education | Average number of students per class | | Standard costs per pupil, by average and by levels - RON - | | Standard costs per pupil, by medium and by level (for minority language education) - RON - | |
|----------|--|-------------------|--------------------------------------|-------|--|-------|--|-------|
| | | | Urban | Rural | Urban | Rural | Urban | Rural |
| 15 | Technological, military, pedagogical and theological education | day | 28 | 28 | 4564 | 4564 | 5112 | 5112 |
| 16 | Technological high school education | evening classes | 28 | 28 | 3557 | 3557 | 3984 | 3984 |
| | ... | | | | | | | |
| 22 | Canteens-hostels (accommodated pupils) | - | | | 1748 | 1748 | 1748 | 1748 |

Table No. 4

Standard costs per pupil/pre-schooler regarding professional training costs, the expenses for the periodical evaluation of pupils, as well as the expenses previewed in the budgetary article "Goods and services", for the year 2019 – extract

| Numeric thresholds | Unit types | Final rate, according to the temperature area for the urban/rural surroundings | | | | | |
|--------------------|--|--|--------|--------|--------|--------|--------|
| | | AREA 1 | AREA 2 | AREA 3 | AREA 4 | AREA 5 | AREA 6 |
| 301-800 | Kindergarden | 382 | 386 | 394 | 405 | 417 | 428 |
| | Middle School | 367 | 371 | 378 | 389 | 400 | 411 |
| | Highschool/College/ Vocational school/Dual education | 416 | 420 | 429 | 441 | 454 | 466 |
| | Secondary school | 286 | 289 | 295 | 303 | 312 | 320 |

Table No. 5

Educational stages

| Educational level | The average groupe/Class | Limits no less than– and no morethan |
|---|--------------------------|--------------------------------------|
| Ante pre-school | 7 children | 5 - 9 |
| Pre-school | 15 pre-schoolers | 10 - 20 |
| Primary school | 20 pupils | 12 - 25 |
| Middle school | 25 pupils | 12 - 30 |
| Highschool/ Vocational school | 25 pupils | 15 - 30 |
| Secondary school | 25 pupils | 15 - 30 |
| Special education for pupils with mild and/or moderate deficiencies | 10 pupils/g | 8 - 12 |
| Special education for pupils with severe deficiencies | 5 pupils/g | 4 - 6 |

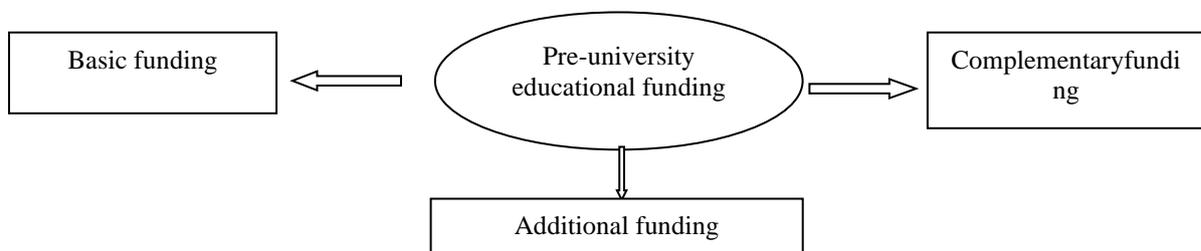


Figure No. 1

Preuniversity Educational Funding

Source: Personal processing