

PUBLIC EXPENDITURE ON EDUCATION FINANCED FROM LOCAL BUDGETS**Cristinel ICHIM***„Stefan cel Mare” University of Suceava, Romania,
cristineli@seap.usv.ro***Abstract**

In this article we intend to analyze and deepen an important category of expenditure funded from local budget, namely the expenditure on education.

Our scientific approach starts with establishing the place of these expenses within the local public expenditures by specifying their content and role. A special place within the article deals with the treatment of the particularities of the financing of the pre-university education units from the local budgets.

The research is based on the quantitative analysis of expenses for education from local budgets, based on the data in the Romanian Statistical Yearbook and highlights the place this category of expenses occupies within the public expenditures in the local budgets as well as their dynamics.

Research shows that the evolution and structure of education expenditures financed from local budgets is determined by the action of variables that differ from one territorial administrative unit to another: the specifics of the training, the urban / rural environment, the number and social structure of the population, enrollment of school-age population in some form of education. Research shows that between 1995 and 2015 the dynamics of the share of education expenditures in the total expenditure in local budgets is marked by the legal regulations regarding the financing of state pre-university education institutions.

Keywords: *local budget, expenditure, education, pupil, basic funding, complementary funding, additional funding*

JEL Classification: *H72, H75, I 22*

I. INTRODUCTION

In all countries, regardless of the degree of development, a big amount of the national resources is allocated each year to education, the reason being that the quality education, starting at the primary level, is fundamental for individuals to acquire the ability to work and successfully pursue the goals and at the same time to equip them with the values, attitudes, knowledge and skills necessary to effectively contribute to the economic, social and political development of their society. Education offers not only the possibility of living a better life but also a special contribution to the development of a country. Even if we do not have a standard level of public spending on education that a country should do, its size determines to a large extent the level and quality of education of which benefits its population. The demand for quality education translates into higher pupil or student costs.

In many countries, including Romania, the financing of preschool, school, gymnasium and lyceum education is ensured through the budgets of the administrative-territorial units. Thus within these budgets we identify in the chapter of social-cultural expenditures an important category of expenses, namely the expenditures on education. As a general trend, expenditure on education sustained from local budgets are increasing both in nominal size and as a share in total expenditure, driven by changes in the number of beneficiaries and teachers including the introduction of new technologies. Some authors (Oprea and Cigu, 2013) state that *"the main concern, even with the specific difficulties of quantifying the positive socio-economic effects of budgetary funding of education, should not be singularly or bluntly directed to increase resource inputs but to their efficient use and competitive management."*

II. SCOPE AND CLASSIFICATION OF LOCAL PUBLIC EXPENSES

Spending from local budgets is grouped (Ichim, 2013) according to several criteria to ensure the identification of funded actions and the influence of the use of local financial resources.

a) According to the budget classification of local budget revenues and expenditures, expenses are viewed from functional and economic point of view. This current classification, contained in Annex no. 2 of the Law no. 273/2006 on the local public finances (Romanian Parliament, 2006) can be adapted and updated as a result of the improvement of the fiscal legislation as well as by the annual budget laws in accordance with the programs for increasing the financial autonomy of the administrative-territorial units and decentralization of public services. It is the basis for drawing up local budgets, executing them, and drawing up the budget execution account.

The expenditures foreseen in the local budgets are grouped according to the functional classification as follows: public authorities and external actions; other general public services; interests; general transfers between different levels of government; defense, public order and national security; education; health; culture, recreation and religion; insurance and social assistance; housing, services and public development; environment protection; general economic, commercial and labor actions; fuel and energy; agriculture, forestry, fish farming and hunting; transport; other economic actions.

These categories of expenditure in local budgets are in turn divided into chapters and sub-chapters. Thus, the expenditures for education provided in local budgets are:

a) Pre-school and primary education:

- Pre-school education;
- Primary education.

b) Secondary education:

- Lower secondary education;
- Upper secondary education;
- Vocational education.

c) Postsecondary education;

d) Special education;

e) Auxiliary services for education:

- Boarding schools and canteens for pupils;
- Other auxiliary services.

f) Other expenditure in the field of education.

b) According to the actions in which the local budget expenditures materialize, these are:

A - Current expenditure: staff costs, material and service costs, subsidies, transfers, interest;

B - Capital expenditure or investments;

C - Financial operations: loans granted, credit repayments, interest payments and commissions on loans;

D - Reserves, surplus, deficit.

c) According to the objective or the functional scope for spending in local budgets, they are classified into:

A. Expenditure to be provided in the counties own budgets;

B. Expenditure to be provided in the budgets of the communes, towns, municipalities, sectors of Bucharest and Bucharest.

d) According to the public institutions with legal personality, which carry out the budgetary execution of the expenditures provided in the approved budgets, the expenditures are reflected in:

- Expenditure in the budgets of communes, towns, municipalities and counties;
- Expenditure in the budgets of public institutions of local interest;
- Expenditure on public services of local interest.

Budget credits approved through local budgets may be used through credit openings made by their main credit release authority, within the limits of the approved amounts, according to their intended purpose, and in compliance with the legal provisions governing the execution of those expenditures.

III. FINANCING OF PRE-UNIVERSITY EDUCATION INSTITUTIONS IN LOCAL BUDGETS

The Romanian Constitution provides, among the rights, fundamental freedoms and duties of Romanian citizens, the right to education, which is ensured through compulsory general education, through high school and vocational education, through higher education, as well as through other forms of training.

Since 1995 local budgets have financed only maintenance and management expenses, current and capital repairs as well as some capital expenditures related to state pre-university education units, and since 1998 local sums have been also provided for travel expenses of the teaching staff.

According to the legal regulations, since 2001 the state pre-university education is financed from the local budgets of communes, cities, municipalities, respectively the sectors of Bucharest. The special education is financed from the own budgets of the county councils and from the budgets of the sectors of the Bucharest municipality.

Scholarship expenses and inventory items are funded from the local budgets of communes, towns, municipalities, and the Bucharest municipal sectors, respectively, from sums deducted from some state budget revenues.

It should be mentioned that the terrains and buildings in which the pre - university education institutions operate are part of the public domain of the administrative - territorial units, and those in which the educational institutions operate are part of the public domain of the county.

State pre-university education, financed from local budgets, is organized by levels: pre-primary education, primary education, lower secondary education, upper secondary education, vocational education,

post-secondary education and special education. State pre-university education units operate as units financed from funds allocated through the local budgets of the administrative-territorial units from which they operate, from the state budget and from other sources, according to the law.

The financing of the state pre-university education institutions includes: basic funding, complementary funding and additional funding (Romanian Parliament, 2011).

Basic funding ensures that the pre-university education process under normal conditions is carried out in accordance with national standards. Basic funding is provided through the local budgets of the administrative-territorial units to which the educational units belong, from the sums deducted from some state budget revenues and from other local budget revenues. Basic funding includes staff costs, material and service costs, and professional development expenses, except for expenditures that are borne by the state budget.

Complementary funding provides capital expenditures, social expenses, other expenses associated with the education process. Complementary funding is provided from local budgets and other sources according to the law. Complementary funding provides the amounts required for: spending on capital consolidation, investment and repairs; subsidies for boarding schools and school canteens; organizing pupils' national assessments, simulations and exams, except for the expenses borne by the state budget, the scholarships and the transport of pupils; shuttle for teaching and auxiliary teaching staff; periodical medical examination of employees in state pre-university education, except for those which, according to the law, are free of charge; school competitions and educational, cultural, artistic, sporting or tourist activities.

Additional funding is provided as a fixed global amount from the budget of the Ministry of National Education for the award of state pre-university education units with outstanding results in the field of inclusion or in the field of school performance. The local councils, respectively the local councils of the Bucharest municipalities and the county councils, respectively the General Council of the Bucharest Municipality, contribute to the additional financing, offering grants to the educational units based on their own methodology. Additional funding is provided on a contract basis between the school unit and the sponsor.

The basis for calculating the funds allocated to education units through and out of local budgets for basic funding is the standard cost per pupil / preschool. The standard cost per pupil / preschool is determined for each level of education, profile, specialization / domain, depending on the number of positions / departments legally constituted, the teaching language, other indicators specific to the educational activity, the quality of the educational process and specialized training, institutional management, the specifics of training and the urban / rural environment.

The standard cost per pupil / preschool is determined by the National Council for Pre-university Education Financing, according to the methodological norms elaborated by the Ministry of National Education and approved by Government Decision. The standard cost per pupil / preschooler is approved by the Ministry of National Education, in consultation with the social partners and the associative structures of the local public administration authorities.

The allocation of funds for the basic financing of the educational unit is based on a financing formula, which takes into account the standard cost per pupil / preschooler, the number of pupils / preschoolers in the educational unit, as well as correction factors dependent upon the pupil density in the area, the severity of the disadvantages and other factors.

The complementary financing is made from the local budget, according to the needs of the state pre-university education unit, at its proposal, and is provided with priority, as the case may be, in the own budget of the commune, the city, the municipality, the sectors of the Bucharest municipality, and of the county. Its level is determined on the basis of funded programs based on the size and financial needs of the main credit release authority.

State pre-university education units are able to obtain their own incomes. These do not diminish basic funding and complementary funding. State pre-university education establishments may organize activities financed entirely from their own incomes, approved by decision of the board of directors.

Funding and complementary financing of educational establishments are made on the basis of a contract, drawn up according to the methodological norms for the financing of pre-university education, concluded between the director of the pre-university education unit and the mayor of the locality in whose territorial area the educational unit is located. The contract ends within 30 days of the approval of the local budget. Amounts of basic funding and complementary funding are included in the revenue and expenditure budget.

The income and expenditure budget is compiled annually by each state pre-university education unit according to the methodological norms for financing the pre-university education. It is approved and executed according to the legal provisions in force. The County Council, respectively the General Council of the Municipality of Bucharest provides funds for the organization and carrying out of the county and Bucharest school Olympiads and competitions.

The County Council, respectively the General Council of the Municipality of Bucharest, allocates by their own decisions funds from quotas deducted from the income tax at their disposal, in order to finance the pre-university education units.

The Ministry of National Education elaborates, coordinates and applies the national education policy and, in addition to other attributions, coordinates, according to the law, the appointment, transfer, release and evidence of the teaching staff.

The role of local government is largely limited to funding, with the Ministry of National Education having the role of coordinating and establishing national education policy, organizing the state education network, and proposing to the Government the schooling figures based on the forecasting, by consulting the educational units and local authorities and selecting the teachers through the county school inspectorates.

The concrete modalities of planning, allocating and budgeting the funds for state pre-university education are established by methodological norms approved by the Government Decision elaborated by the Ministry of National Education together with the Ministry of Public Finance and the Ministry of Regional Development, Public Administration and European Funds, with the consultation of representative union federations in education and the associative structures of the public administration authorities.

Institutions and educational establishments can also benefit from other sources of income acquired under the law: own income, subsidies, donations, sponsorships and from legal and physical persons. Revenues from these sources are managed and generally used at the level of the institutions and units concerned, including the increase of the salary fund, without payment to the state budget, to the local budgets and without affecting the budget allocations. The expenses for the maintenance of boarding schools and canteens for pupils and students are covered by the incomes of the respective educational units and institutions and supplemented with subsidies from the state budget and local budgets.

IV. ANALYZING THE DYNAMICS OF PUBLIC EXPENDITURE ON EDUCATION FROM LOCAL BUDGETS

In order to highlight the place occupied by the local public spending for education in the local budgets we will use the data found in the Romanian Statistical Yearbook. Since the past twenty years have been characterized by price increases and denominations of the national currency (in 2005), and for the analysis to be conclusive, we have calculated the share of education expenditure in total local budgets for the period 1995-2015.

Table no. 1 Share of expenses on education in total local budget expenditures over 1995-2015

Year	Share %	Year	Share %	Year	Share %
1995	10,4	2002	36,3	2009	29,99
1996	11,9	2003	32,7	2010	26,00
1997	10,0	2004	33,4	2011	22,55
1998	9,0	2005	34,1	2012	23,10
1999	8,9	2006	34,2	2013	25,26
2000	7,8	2007	30,04	2014	26,82
2001	36,5	2008	29,96	2015	25,85

Source: Processed Data from Romanian Statistical Yearbook 1996-2016

The table above shows two periods in the dynamics of the share of the expenditures for education in the total expenditures of the local budgets in the last two decades:

a) The period 1995-2000 in which the expenditure for education have a small share in the total expenditures financed from the local budgets. Thus, this category of expenditure represents only 10.4% in 1995, 11.9% in 1996 and 10% respectively in 1997. We note a significant drop in the share of spending on education in local budgets towards the end of this period: 8.9% in 1999 and 7.8% in 2000. The relatively low spending on education in local budgets in this period is the consequence of the fact that since 1995 local budgets have financed only maintenance and management expenses, current and capital repairs as well as some capital expenditures related to state pre-university education units, and since 1998 local budgets have financed transport costs for teaching staff.

In order to highlight the major change made in the planning of the financing of the state pre-university education institutions in 2001, we will also include in the graphical representation that reflects the evolution of the expenditures for education from the local budgets the share registered this year by this category of expenditures within local budgets.

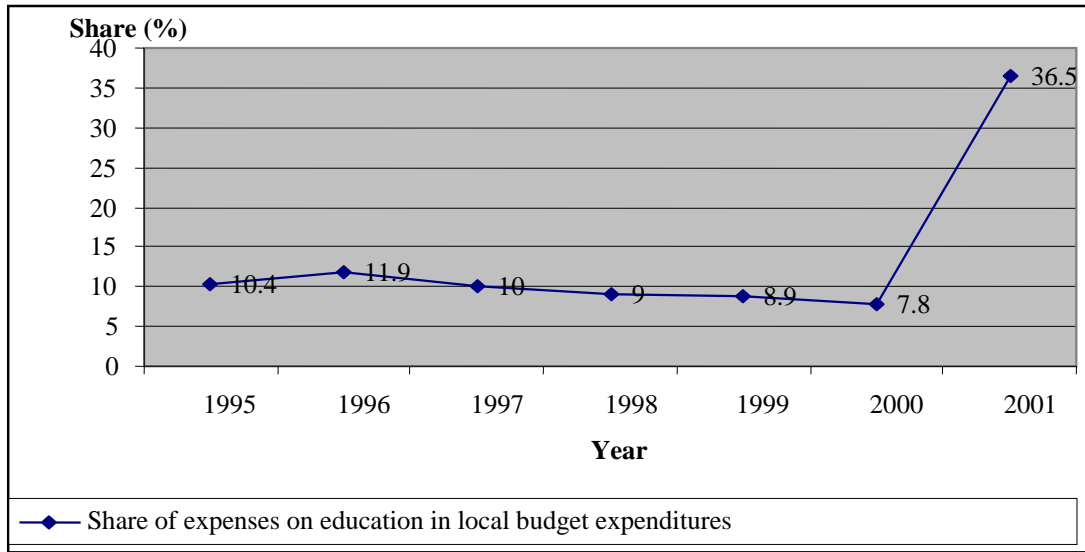


Figure no. 1 Dynamics of the share of expenditure for education in total expenditures of the local budgets over 1995-2001

Source: Processed Data from Romanian Statistical Yearbook 1996-2002

The figure above shows a spectacular increase in the importance of spending for education financed from local budgets in Romania. Thus, their share in total local budget expenditures increased almost five times in one year (from 7.8% in 2000 to 36.5% in 2001).

b) From 2001 until now, the period is characterized by high share of education expenditure in total local budget expenditures. This is due to the legislative changes in the field of education since 2001, which stipulated that the state pre-university education is financed from the local budgets of the communes, towns, municipalities and the sectors of the municipality of Bucharest. The legislation stipulates that salaries of the staff involved in pre-university education are provided from the local budgets of the communes, towns and municipalities where the education unit is located. It should be pointed out that the amounts necessary for the payment of these salaries come from amounts deducted from some of the state budget revenues and not from the own revenues of the respective administrative-territorial units.

As can be seen in Figure no. 2 expenses on education represent an important percentage of the total expenditures within local public budgets in Romania that increased since 2001 as a result of the decentralization process in this field.

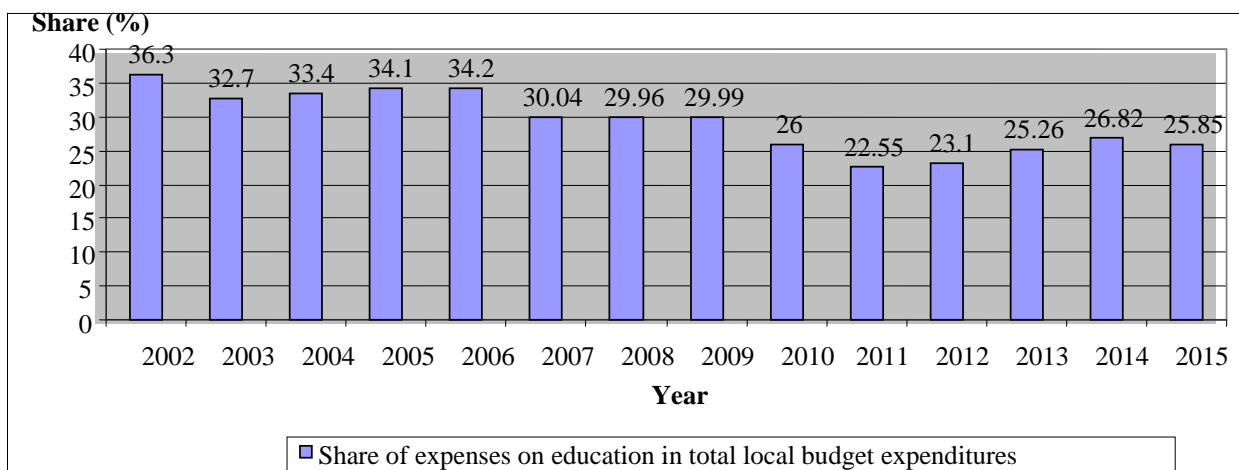


Figure no. 2 Dynamics of the share of expenses on education in the total expenditure of local budgets over 2002-2015

Source: Processed Date from Romanian Statistical Yearbook 2003-2016

It is noticed that during the period 2002-2015 the expenditures for education occupied an important place within the local budgets in Romania with significant weightings, for example: 36, 3% in 2002, 32, 7% in 2003,

29, 99% in 2009. Towards the end of the analyzed period, the share of education expenditures in total local budget expenditures decreased to 25% (26.82% in 2014 and 25.85% in 2015).

V. CONCLUSIONS

The research described by this article provides the basis for drawing conclusions on public spending on education financed from local budgets.

It is worth noting the importance of these spending categories for local governments because education is the main factor of progress in a modern society. As it is known, education has long-term contribution to the economic development of the administrative-territorial unit, stimulates economic and social progress and ultimately favors raising the living standards of the population. According to the current legislation, the financing of the state pre-university education institutions includes: basic funding, complementary financing and additional funding.

The research shows that the evolution and structure of education expenditures financed from local budgets is determined by the action of variables that differ from one territorial administrative unit to another: the specifics of the training, the urban / rural environment, the number and social structure of the population, especially the enrollment of school age population in a form of education. Research shows that in the last two decades the dynamics of the share of education expenditures in the total local budget expenditures is marked by the legal regulations regarding the financing of the state pre-university education institutions. Thus, we identify two periods:

a) The period 1995-2000 in which the expenditure for education has a small share in the total expenditures financed from the local budgets (10.4% in 1995 and 7.8% in the year 2000);

b) The period 2001 to present, characterized by high share of education expenditures in the total expenditures of local budgets (36.5% in 2001 and 25.85% in 2015).

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