

FINANCING EXPENDITURES IN EDUCATION - AN IMPORTANT STATE STRATEGY

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***Abstract:** The financing of education is done according to the methods of financing expenditure from the state budget, as well as from the local budget, respecting the established norms regarding the provision of financial resources to the education units. In secondary education, the financing expenditure is being done through two budgets, respectively: the state budget - through School Inspectorates and the local budget - through town halls or country councils. The expenditures must fall within the budget approved at the beginning of the year. The development of education is carried out under the requirements of the different stages of economic and social evolution and with equal access to training for all members of society. Education is called to contribute to an increasing extent to the overall progress of society. The increase in public expenditure on education is due to the action of several factors: demographic, economic, social, political.*

***Key words:** financing, expenditure, investments, education.*

***JEL Classification:** I22, I25.*

1. Secondary education financing

The main source of education financing is the state budget.

The financing of the secondary education system based on cost standards highlights the situation of underfunding in which priority is given to those schools that have students with risk of dropping out of school, including students with disabilities and/or special needs, whose schooling requires a very wide range of educational and support interventions. Promoting inclusion policy at system level is not possible in the absence of additional budget allocations (Horga, Apostu and Balica, 2015). Special education is not financed at the standard/student cost level (Ministry of Education, 2021).

The financing expenditure sources from the educational units are: the state budget, the local budget, school fees, loans, donations, subsidies and own income in the educational units that can exploit the properties belonging to or from activities provided by third parties. Sources of financing the educational system are: sponsorships, donations and other forms of support provided by various companies, foundations, associations, etc. (Manole, 2008).

The state budget finances the expenses from: Title I Personnel expenses, Title II Material expenses, expenses with professional training of the staff, Title 57 Social aids, expenses regarding the student transport statement, Title 59 Scholarships, expenses regarding school scholarships for children in mainstream education.

The local budget finances the educational units from: Title II Material expenses (expenses regarding office supplies, cleaning materials, expenses regarding heating, lighting, water consumption, expenses regarding internet access, telephone, repairs, settlement of transport of the teaching and auxiliary teaching staff at and from the place of work for homeless staff in the locality where they work, etc. to Title 57, Social assistance, expenditure on food, clothing, footwear, sanitary equipment for children with special needs (special educational requirements), Title 59 Scholarships, expenditure on merit, tuition and social scholarships for children with special needs, Title 71 Development section, investment expenditure.

2. Public expenditures on education

Public expenditures express economic-social relations in monetary terms that are manifested between the state on the one hand and individuals and legal entities on the other hand, on the occasion of the distribution and use of the state's financial resources to fulfil its functions.

Public expenditures are manifested in the form of payments made by the state from resources mobilized in various ways for the acquisition of goods or services necessary to meet the objectives of state policy. The economic content of public expenditures is closely related to their destination. Thus, some expenditures express a final consumption of gross domestic product representing the value of payments made by public institutions in the form of current expenditures. And other expenditures express an advance of gross domestic product in the form of state participation in capital financing, both materially and in the immaterial sphere (Macarie, F., Note de curs).

Public expenditure, in the economic sense, is made out of reports and economic processes of distribution of the gross domestic product (GDP) materialized in the use of financial resources to achieve public interest objectives.

Education and professional training are the most important investments in human capital. In my opinion, the investment in human capital demonstrates the production efficiency. Investment in human capital is recovered in time. The personnel qualified in the domain in which they operate is much more efficient than the personnel who have an average specialization.

The expenditures regarding education are considered to be intellectual investments and they depict some distinct characteristics, such as:

- this category of investments is characterized by being long-term because the results appear after an extended period of time
- qualified teaching staff product
- they are exempt from moral wear and tear (Bistriceanu and Popescu, 2007).

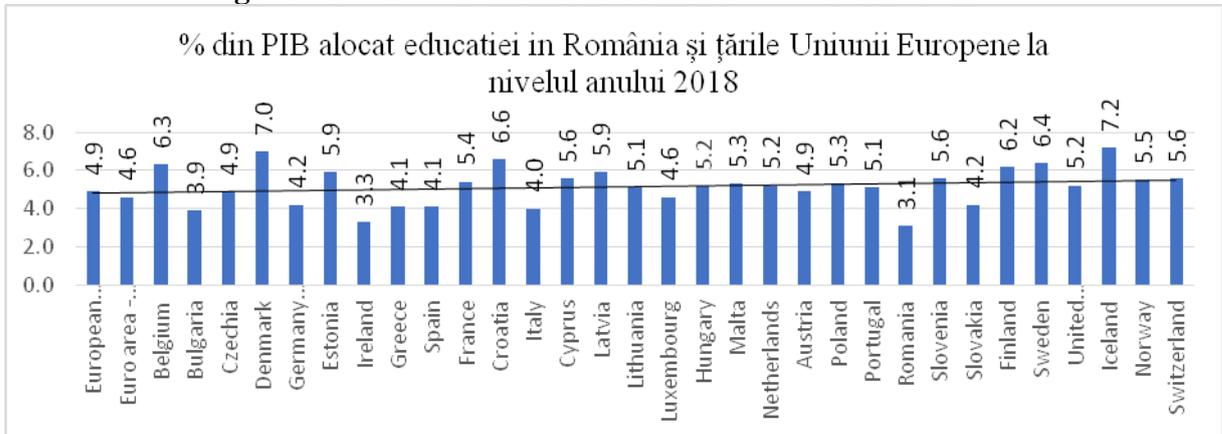
The education expenditures are actually intellectual investments. The intellectual investment derives from the existence of the capital intellectual. Intellectual capital is not achieved by the acquisition of means of production, but by educational actions that give the individual the possibility to capitalize in better conditions on his genetic heritage, skills, ability to work. The period of obtaining the effects in the case of intellectual investments coincides with one's active life (35-40 years), while the material investments last less than 10 years. Currently, in the Republic of Moldova, as well as in Romania, apart from the training achieved at national level, through school, very few enterprises give necessary importance to vocational training at work. Seen as investments, education expenditures make it necessary to calculate their efficiency. For this, it is necessary to know the elements that determine it: the effort and the effects, respectively the cost and the benefits. The costs contain the resources allocated to education from the budget or other funds, indirect expenses, lack of earnings, family expenses, etc. The benefits brought by education (evaluated using the age-earnings profile method, according to which it is considered that as the degree of training and qualification increases, the number of school years increases and the gains made), are equivalent to the sum of additional income due to education, calculated throughout the active life. In other words, the efforts are identified with investment expenditures that include both the actual educational expenditures and the expenditures for the maintenance and operation of educational units (current expenditures) along with the efforts made by economic agents, organizations or the population for education (Manole, 2008).

Tabel no. 1. The comparison regarding the GDP allocation for education in the European Union (2018)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Austria	5,5	5,5	5,4	5,3	5,4	5,2	5,2	5,2	5,3	4,9	4,8	4,8	4,7	4,8	5,1	5,1	5,0	5,0	5,0	4,9	4,9	4,9	4,8	4,8	
Belgium	5,8	5,9	5,8	5,9	5,8	5,5	5,7	5,8	5,9	5,6	5,7	5,6	5,5	5,7	6,1	6,0	6,2	6,3	6,4	6,3	6,3	6,2	6,2	6,2	
Bulgaria	3,6	3,3	3,3	3,3	4,1	4,1	3,6	3,7	4,2	4,0	4,1	3,6	3,6	4,0	4,1	3,6	3,4	3,3	3,7	4,1	3,9	3,4	3,5	3,5	
Switzerland	5,4	5,5	5,4	5,3	5,3	5,2	5,3	5,6	5,7	5,5	5,4	5,2	4,9	5,0	5,4	5,3	5,3	5,5	5,5	5,5	5,6	5,6	5,6	5,6	
Cyprus	4,7	4,9	5,1	5,1	5,1	5,1	5,1	5,4	6,0	5,8	5,7	5,6	5,6	6,0	6,4	6,5	6,3	5,9	6,4	5,6	5,6	5,5	5,3	5,2	
Czechia	5,3	4,7	4,6	4,5	4,2	4,4	4,5	4,9	5,2	4,8	4,8	4,9	4,7	4,7	5,1	5,1	5,1	5,0	5,1	5,1	4,9	4,5	4,1	4,6	
Germany (until 1990 former territory of the F	4,1	4,2	4,2	4,2	4,1	4,1	4,1	4,2	4,2	4,1	4,1	4,0	3,9	3,9	4,3	4,4	4,3	4,3	4,4	4,3	4,2	4,1	4,1	4,2	
Denmark	6,4	6,4	6,4	6,7	6,5	6,3	6,4	6,6	6,6	6,6	6,4	6,2	5,9	6,1	6,9	7,1	6,8	7,0	6,9	7,1	7,0	6,8	6,5	6,4	
Estonia	7,3	7,0	6,5	6,8	7,1	6,4	6,3	6,5	6,3	6,2	5,9	5,9	5,7	6,5	7,0	6,5	6,0	6,1	5,9	5,5	5,9	5,7	5,7	6,2	
Greece	3,6	3,6	3,9	3,6	3,7	3,9	3,7	3,9	4,3	4,1	4,2	3,6	3,6	3,8	4,1	4,1	4,4	4,5	4,5	4,3	4,1	3,9	3,8	3,9	
Spain	4,3	4,3	4,2	4,1	4,2	4,1	4,0	4,0	4,0	4,1	4,0	4,0	4,0	4,2	4,6	4,5	4,4	4,2	4,1	4,1	4,1	4,1	4,0	4,0	
European Union - 28 countries (2013-2020)	:	:	:	:	:	:	4,9	5,0	5,1	5,0	5,0	4,9	4,8	4,9	5,2	5,2	5,1	5,0	5,0	4,9	4,9	4,8	4,7	4,7	
Finland	6,9	6,8	6,4	6,1	6,0	5,9	5,9	6,1	6,3	6,2	6,1	6,0	5,8	5,8	6,5	6,5	6,4	6,4	6,4	6,3	6,2	6,0	5,7	5,5	
France	5,8	5,7	5,7	5,6	5,7	5,6	5,6	5,8	5,8	5,5	5,5	5,5	5,3	5,4	5,7	5,6	5,5	5,5	5,5	5,5	5,4	5,4	5,4	5,1	
Croatia	:	:	:	:	:	:	5,3	3,7	3,7	3,6	3,5	3,4	3,3	3,2	3,6	3,7	3,6	3,7	3,9	3,8	6,6	6,6	5,3	5,3	
Hungary	5,5	5,3	5,4	5,2	5,2	5,3	5,4	5,7	6,4	5,9	6,0	5,9	5,5	5,3	5,4	5,5	5,1	4,7	4,7	5,2	5,2	5,0	5,1	5,1	
Ireland	5,6	5,6	4,4	4,2	4,1	4,0	4,1	4,0	4,1	4,1	4,1	4,0	4,3	4,7	4,7	4,6	5,1	4,9	4,7	4,3	3,3	3,3	3,2	3,2	
Iceland	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	7,4	7,3	7,4	7,2	7,1	7,3	7,3	
Italy	4,4	4,5	4,5	4,4	4,4	4,3	4,4	4,4	4,5	4,3	4,4	4,4	4,4	4,3	4,5	4,3	4,1	4,1	4,1	4,0	4,0	3,9	3,9	4,0	
Lithuania	5,2	5,3	5,1	5,7	6,7	6,0	6,0	6,0	5,7	5,8	5,4	5,4	5,3	6,1	7,2	5,9	5,6	5,4	5,2	5,0	5,1	4,8	4,5	4,6	
Luxembourg	4,5	4,5	4,6	4,8	4,6	4,3	4,5	4,7	5,0	5,0	5,0	4,6	4,5	4,8	5,5	5,7	5,6	5,8	5,1	4,7	4,6	4,5	4,5	4,6	
Latvia	5,9	5,2	5,3	6,2	6,1	5,4	5,6	5,7	5,3	5,9	5,3	5,7	5,6	6,3	6,7	6,2	5,9	5,7	5,7	5,9	5,3	5,5	5,8	5,8	
Malta	5,0	5,4	5,6	6,3	5,4	5,1	5,7	5,8	5,9	5,5	5,4	5,5	5,2	5,2	5,4	5,6	5,7	5,8	5,8	5,5	5,3	5,2	4,9	5,2	
Netherlands	5,1	5,0	4,9	4,8	4,8	4,7	4,7	5,0	5,2	5,2	5,1	5,1	5,0	5,2	5,6	5,6	5,5	5,4	5,3	5,3	5,2	5,2	5,1	5,1	
Norway	6,1	5,8	6,0	6,2	5,9	5,2	5,5	5,8	6,1	5,7	5,2	4,9	4,9	4,7	5,4	5,3	5,0	4,9	4,9	5,1	5,5	5,7	5,6	5,4	
Poland	5,9	6,2	5,9	5,5	5,7	6,0	6,2	6,1	5,6	6,1	5,9	5,7	5,6	5,4	5,5	5,4	5,4	5,3	5,3	5,3	5,9	5,5	5,0	4,9	5,0
Portugal	5,5	5,8	6,0	6,0	6,4	6,3	6,4	6,6	6,5	6,6	6,6	6,4	5,9	6,0	6,5	6,7	6,1	5,4	5,5	5,3	5,1	4,8	4,6	4,5	
Romania	3,3	3,6	3,1	4,0	3,1	3,1	3,9	4,0	3,6	3,6	3,6	4,1	3,9	4,3	3,8	3,3	4,1	3,0	2,8	3,0	3,1	3,3	2,8	3,2	
Sweden	6,9	6,8	6,9	7,2	7,2	6,4	6,8	6,9	6,8	6,7	6,7	6,6	6,3	6,4	6,7	6,4	6,3	6,5	6,5	6,5	6,4	6,6	6,7	6,9	
Slovenia	6,3	6,1	6,1	6,0	6,2	6,1	6,4	6,4	6,3	6,4	6,5	6,3	5,9	6,1	6,6	6,5	6,4	6,4	6,5	6,0	5,6	5,6	5,4	5,4	
Slovakia	3,5	3,6	3,7	3,3	3,2	3,7	3,6	3,5	4,4	3,8	3,9	3,9	3,7	3,7	4,5	4,5	4,2	3,9	4,0	4,0	4,2	3,9	3,9	4,0	
Slovenia	3,5	3,6	3,7	3,3	3,2	3,7	3,6	3,5	4,4	3,8	3,9	3,9	3,7	3,7	4,5	4,5	4,2	3,9	4,0	4,0	4,2	3,9	3,9	4,0	
United Kingdom	4,4	4,2	4,2	4,1	4,4	4,7	5,0	5,5	5,6	5,6	5,5	5,6	5,7	5,8	6,2	6,3	5,8	5,6	5,3	5,4	5,2	5,1	4,9	4,8	

Source: data collected and processed by the author, www.eurostat.eu

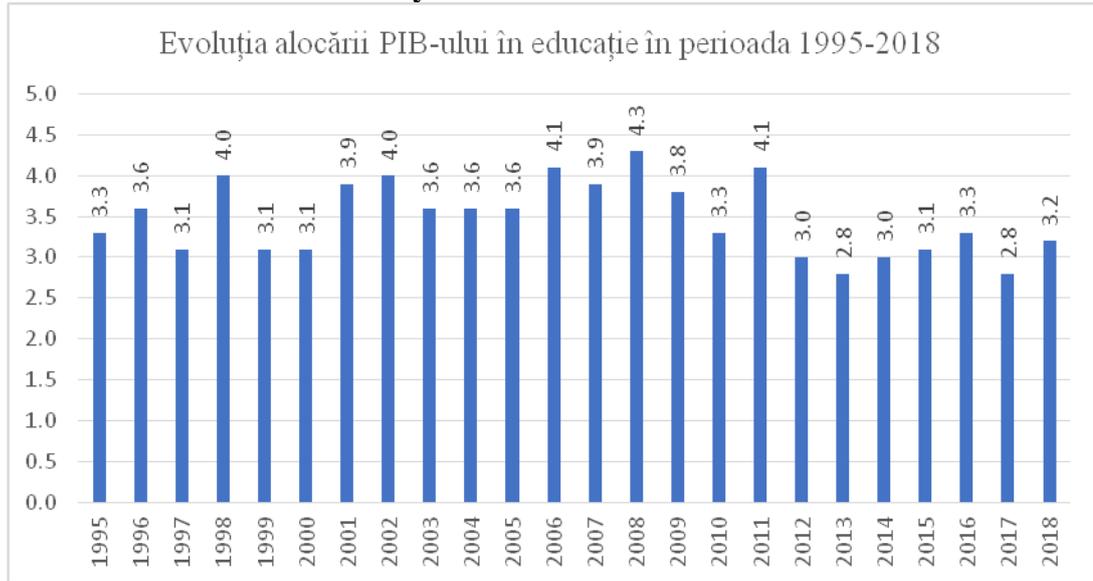
Figure no. 1 GDP allocated to education in EU countries



Source: data collected and processed by the author, www.eurostat.eu

Following the analysis, we note that the gross domestic product (GDP) in EU allocated to education in 2018, Iceland, Denmark and Croatia are in the first places, and at the opposite pole are Bulgaria, Ireland and Romania.

Figure no. 2. Evolution % of GDP allocated to education in Romania between the years 1995-2018



Source: data collected and processed by the author, www.insse.ro

Following the analysis, we notice that a higher % of GDP was allocated to education, but insufficient at intervals of 4 years.

3. The efficiency of public expenditures on education in Romania

The sizing methods applied at national level in financing expenditure must ensure a high level of economic efficiency. Hence, the major interest in tracking the connections made between education and gross domestic product (GDP) of each country, including the coverage of expenditure in GDP. The determination of the GDP coverage rate is determined as follows:

$C = PIB \times c$, where:

C - public expenditures on education listed in the budget;

GDP- foreseen gross domestic product;

c - percentage of GDP for these expenditures (Filip, 2010).

In order to assess the efficiency of education expenditures, specific indicators are calculated on the basis of the allocated and achievable GDP over a period of time.

Public expenditures on education in Romania are considered intellectual investigations and represent a component of investments in human resources whose efficiency can be assessed differently. It is about the increase of gross domestic product obtained on account of the qualification of the teaching personnel and the term of recovery of the expenses for education represents the coefficient of economic efficiency (www.academia.edu)¹⁰.

4. Conclusion

The main branch of public expenditures is represented by education expenditures. The correlation of the allocation of GDP to education in the European Union shows us that we must pay more attention to education. From the perspective of the efficiency of education expenditures, as public education expenditures increase, so will their efficiency, namely the increase in the number of qualified teachers, students and last but not least the labour force. In my opinion, Romanian education has results below expectations due to

underfunding, which represents a percentage of the allocated GDP. Investments in education (material, financial and human) should be given priority.

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