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Critical Analysis of Higher Education Structure, Financial Policies, Revenue Sources and Expenditures. Study Case: Romania

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Abstract: World is changing, higher education system is changing. Development of Romanian education system in the context of globalization is essential in many areas: education, research, management. Globalization and emerging knowledge-based society manifests through us the force fields that transform universities both in structure and in their functionality. The financial resources of universities are finite and their entrepreneurial capacity will be very important for their future. To appreciate the financial role played by various actors within the higher education system, it is crucial to understand the organizational structure of the system.

Keywords: higher education system; Romanian education system; globalization

1. Introduction

World is changing, higher education system is changing. Development of Romanian education system in the context of globalization is essential in many areas: education, research, management. Globalization and emerging knowledge-based society manifests through us the force fields that transform universities both in structure and in their functionality. The financial resources of universities are finite and their entrepreneurial capacity will be very important for their future. To appreciate the financial role played by various actors within the higher education system, it is crucial to understand the organizational structure of the system.

2. Higher Education Structure

In Romania, the higher education system shaped under European law. In 1999, the ministers of education of 29 countries, Romania included, initiated the Bologna Process, thus forming the European Higher Education Area which aimed to further standardize European education by establishing a common system of comparable degrees and credits and promote European cooperation and quality. The Bologna Declaration was not meant to make all European university programs identical, rather it was meant to harmonize them and allow for greater mobility between different systems of higher education. The system was based on undergraduate and graduate structures and

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organized by Bachelor, Master, and Doctoral cycles, which led Romania to restructure their university degree programs and adopt the European Credit Transfer System (ECTS) accordingly (Ministry of Education, 2006).

Since 2005, the higher education system in Romania has been organized into three cycles: Bachelor programs, Master's programs and PhD programs compatible with the European qualification framework. The academic year is broken down in two semesters and there are 15 fields of study (Miron 2007).

In Romania there are three types of universities: **public, private and private confessional**. The major difference between the three is given by the source of income. Public universities have as a main source of income money from the state budget, to which is added the money from students that pay tuition. In private universities the most important income comes from tuitions, as private universities are not given money from the state budget.

The state higher education sector in Romania includes now 57 public higher education institutions and other 51 private higher education institutions. In the academic year 2011-2012, there were enrolled 539.852 students in higher education institutions (National Institute of Statistics, 2011), of which 442.613 at full time education, 592 - Part-time education, 46.628 - Part-time attendance education and 50.019 at Learning at distance. (Table no. 1) Data on the number of students is particularly important because, according to the method of financing public higher education, the formula on which funds are granted from the state budget to universities is based on the number of unitary equivalent students. The notion of unitary equivalent student expresses, in mathematical terms, that the costs of university training each student needs is different, from one specialization to another. This indicator of financing, known as budget allocation per student equivalent has been representing for a long time the "apple of discord" between The Ministry of National Education and universities, because it is said to have an unrealistic foundation, and hence the conclusion, almost unanimously sustained that it doesn't reflect the real cost, making the underfunding of the of Romanian higher education a consequence.

Table 1

<i>Education by level of education</i>						
<i>(full time, part-time, part-time attendance education and learning at distance)</i>						
	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
<i>Students</i>	785506	907353	891098	775319	673001	539852
<i>Full time education</i>	539174	555975	516468	562105	513491	442613
<i>Part-time education</i>	1115	1132	1616	1626	995	592
<i>Part-time attendance education</i>	68013	89335	93842	132654	94239	46628
<i>Learning at distance</i>	177204	260911	279172	78934	64276	50019

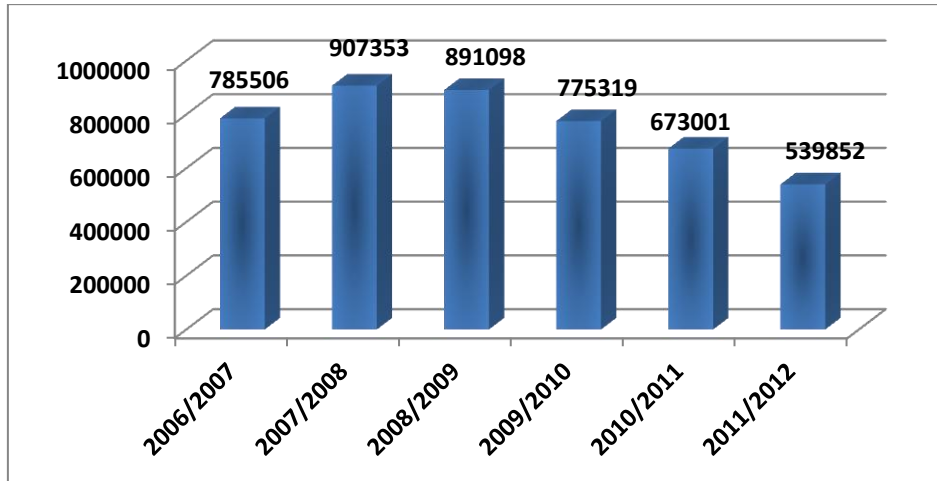


Figure 1. Evolution of number of students per academic year

Source: *insse.ro*

Their assertion seems accurate, as the number of institutions of higher education increased from 104 to 108 from the 2006/2007 to 2011/2012 academic years, and the number of students decreased from 785.506 to 539.852 during the same period. In 2011-2012, 140.388 students, over 27% of the university population, were studying in 51 private Romanian institutions. (Table no. 2) Private institutions are an established part of the higher education structures of Western Europe, so the sharp increase in privatization was a somewhat healthy sign of democratic growth.

Table 2

	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
<i>Tertiary education institutions</i>	104	106	106	108	108	108
<i>Faculties</i>	755	631	617	624	629	614
<i>Students enrolled - total</i>	785506	907353	891098	775319	673001	539852
<i>/ of which:</i>						
<i>In public institutions</i>	520263 (66%)	526844 (58%)	480239 (53%)	452982 (58%)	433063 (64%)	399464 (73%)
<i>In private institutions</i>	265243 (44%)	380509 (42%)	410859 (47%)	322337 (42%)	239938 (36%)	140388 (27%)

We can observe the preference of Romanian students for public universities, which are considered traditional, mostly because they can apply for scholarships subsidized from the state budget, and, on the other hand, because both private and public universities basically offer the same services. This is the result of the state's intervention on educational policies in the field of higher education. As long as the ministry will dictate the maximum number of students that universities can enroll, as long as curricula is built almost unitary nationwide and public universities will have the right to enroll tuition-paying students, it will be very hard for a university to stand out. Only quality can make a difference but quality is also directly influenced by funding.

Regarding the choice of study fields, aside from medicine, where we can observe a growing interest (Table no. 3), all the other fields indicate significant decrease in the number of students. The most dramatic situation is in the fields of economics, where we can see an over 50% decrease, from 242.330 enrolled students to only 114.703 enrolled students.

Table 3.

<i>Tertiary education, by group of specializations</i>						
<i>Group of specializations</i>	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
<i>Technical</i>	170921	178258	188660	168863	160432	152657
<i>Medicine and pharmacy</i>	40028	41398	47758	50059	54375	54545
<i>Economics</i>	242330	294417	281421	223961	170217	114703
<i>Law science</i>	82696	116538	127399	112621	96148	67698
<i>University-pedagogy</i>	238711	265624	235923	210126	182442	141789
<i>Artistic</i>	10820	11118	9937	9689	9387	8460
STUDENTS ENROLLED - total	785506	907353	891098	775319	673001	539852

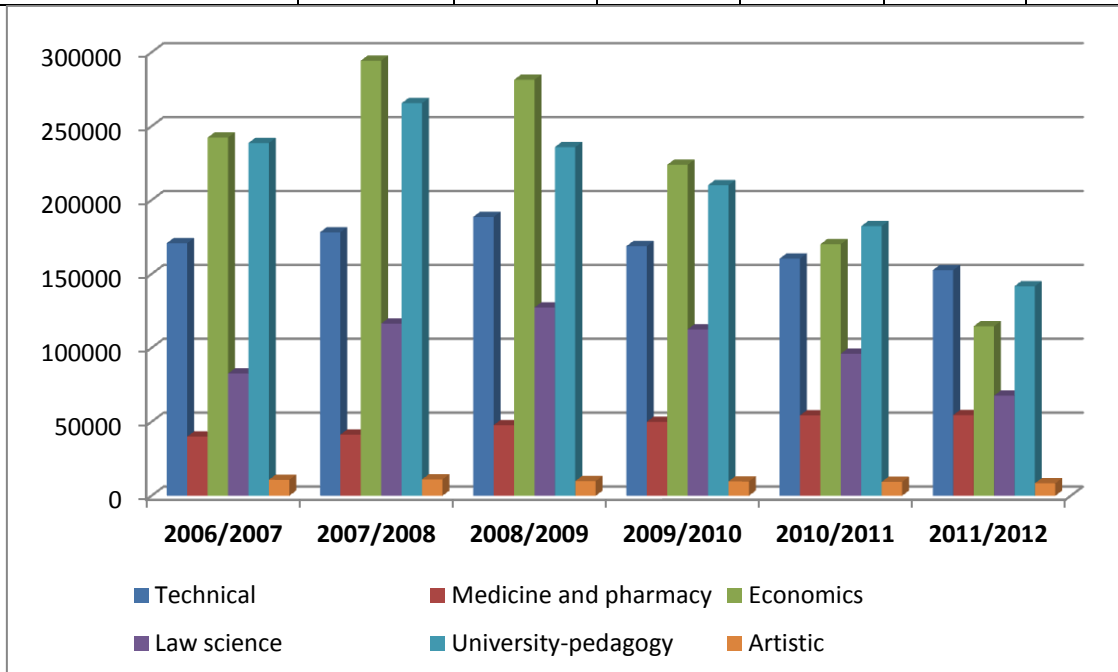


Figure 2. Evolution of number of students per academic year, per group of specializations

Source: insse.ro

The management for both public and private universities is provided by the University Senate and the Administration Board. The Senate represents the academic community and it is the most important forum of deliberation and decision. It is composed of elected members, of which 25% are students.

The Administration Board of an private university covers the operational management of the university and applies the strategic decisions of the Senate. Through the University Charter it is established the person which will conduct the Administration Board; this person can be the rector himself or any other person designated for this purpose.

3. Financial Policies and their Impact

In the last few years, Higher Education Institutions, national and international, have undergone important changes in the strategic field.

Until 1989, there was only State Education where funding came from the central and local state budget, the Ministerial income, research and micro production of education unit, and an insignificant percentage from citizens committees of parents and cultural activities

After 1989 private universities have appeared. The financing sources of private higher educational institutions and private higher confessional educational institutions include¹:

- the amounts contributed by their founders;
- the tuition fee and other educational fees;
- sponsorships, donations, grants, financing granted on a competitive basis, exploitation of the research, development and innovation sources, and other legal sources.

In 1999 global funding of public universities was applied, which attracted their financial autonomy and connection to the international system. Public universities were to be financed from multiple sources, in agreement with the European trends. According to the provisions of the Law of National Education (Law 1/2011), the public high education system is free, for the amount of students approved by the government, and charged, in the limits of the Law. The education in the higher education system is free of charge, in the limit of the positions allocated each year by the Government, the rest of the positions being available by paying the tuition. The amount of the respective tax is set by the University Senate, in compliance with the law. The higher education institutions have autonomy in deciding the quantum of the tuition taxes have the obligation to inform all the interested people on this subject, including on the university site.

The Ministry has the responsibility to establish and implement national education policy and has the right of initiative and execution in financing policy and in human resources. The national decision-making process is assisted by experts assigned by the Ministry and consultative bodies established by law : The National Council of Statistics and Forecasting, National Board for Certification of Degrees, Diplomas and Academic Certificates, National Council of Scientific Research, Advisory Board for Research, Development and Innovation, National Council of Higher Education Funding (national advisory body of the Ministry of Education which develops principles and methods of distribution of public funds to the Romanian state universities, promotes continuous quality improvement in higher education system and supports the principle of equal opportunities for access to higher education), National Council of University Libraries, Ethics Board and University Management, National Council of Ethics in Scientific Research, Technological Development and Innovation.

In Romania, universities and other Higher Education Institutions have autonomy and have the right to establish and implement their own development policies, according to the current legislation. University autonomy encompasses the areas of leadership, structure and functioning of the institution, of of teaching activities and scientific research, of administration and financing. From the economical point of view university autonomy means, according to the law of personal responsibility, that each university has the right to manage their funds, whether they are from the state budget or other sources.

4. Sources of revenues (in Public Universities, in Private Universities, Tuition Fees, Cost Structure)

Nationally, in 2010, total costs of higher education totaled 7.217,3 thousands RON. This amount includes the total expenses for educational activities of both public and private universities. Related to GDP the amount represents about 1.40% of GDP for 2010, and is a slight increase from the previous year (2009).

¹ https://webgate.ec.europa.eu/fpfis/mwikis/eurydice/index.php/Romania:Higher_Education_Funding

The incomes of such institutions are made of amounts allocated from the budget of the Ministry of National Education, on a contractual basis, for the basing financing, complementary financing and supplementary financing, achieving investment objectives, funds allocated on a competitive basis for institutional development, for funds allocated on a competitive basis for inclusion, student scholarships and social protection, as well as from own incomes, interests, donations, sponsorship, and fees charged in compliance with the law, from Romanian or foreign natural persons and legal entities, as well as from other sources. Such incomes are used by higher educational institutions, under the terms of university autonomy, in order to achieve their objectives within the state policy on academic education and research.¹

The Main Financing Fund is constituted in accordance with the number of tuition waiver students and post graduates and with other specific indicators of the teaching activity and its quality.

Funds from the state budget for the basic funding are allocated differently to higher education institutions according to the following criteria:

- number of unitary equivalent students;
- quality indicators determined for each university.

The concept of "equivalent student" is used to create a certain uniformity between the various areas of higher education.

The Complementary Financing will be granted by the Department of Education, Research, Youth and Sports to the public universities based on the institutional development projects at the CNFIS recommendation. CNFIS selects and recommends for complementary financing only the viable institutional development projects and monitors their implementation.

The Complementary Financing is granted on a competitive basis or according to an additional contract. The Fund must cover for:

- subsidies for accommodation and boarding;
- funds allocated based on priorities and specific norms for endowments and other costs of investments and overhauls;
- funds allocated on competitive basis for academic scientific research.

Extra Budgetary funds (interests, donations, sponsorships, taxes paid by other people or legal entities, external credits, free financial subsidies), including taxes paid by the foreign students, are constituted according to the universities' rules.

The source of financing of denominational and private higher education are consisting of:

- a) amounts deposited by the founding;
- b) tuition fees and other fees;
- c) sponsorships, donations and grants on a competitive basis, exploitation of research results, development, innovation and other legal sources.

However, the university remains heavily dependent on the funding resulted from student fees, a decrease in the number of students representing a threat. To ensure a stable financial future, the University must develop the ability to diversify sources of income.

¹ https://webgate.ec.europa.eu/fpfis/mwikis/eurydice/index.php/Romania:Higher_Education_Funding

Tuition Fees

According to the provisions of the Education Law, higher education is free of charge for state funded students; however the institutions may collect fees from these students for application and registration, and for the repetition of examinations.

At the same time, public higher education institutions are authorized to accept a number of students exceeding the number of placements financed from the state-budget, subject to students' agreement to support the costs for the education¹. The number of paid-placements for each public higher education institution is approved every year by the Ministry of National Education. The approval is based on the propositions of the university senates and according to the national standards for academic evaluation and accreditation. The tuitions fees are established by the university senates according to the costs of the education provided. Average unit value of national allocation for 2012 was 2.126,46 lei (473 euro) and it corresponds to basic funding and additional funding for excellency, representing 93% of institutional funding.

In private Universities the tuition fees are established by the Administrative Council, according to the education costs and the fees practiced at public universities.

Tuition fees do not differ much between state and private universities. The table below provides comparative tuition fees for two academic years at the most important universities in Romania, for one year, bachelor level.

Table 4

University	Specialization	2012-2013	2013-2014	%
Public Universities		EUR (1 eur=4,5 lei)	EUR (1 eur=4,5 lei)	
ASE BUCURESTI	Economics	667	778	17
UAIC IASI	Economics	489	600	23
	Law	489	622	27
Dunarea de Jos University from Galati	Economics	533	556	4.3
	Law	533	556	4.3
Universitatea de Medicina si Farmacie "Carol Davila" din Bucuresti	Medicine, Dentistry and Pharmacy		1111	
	Medicine, Dentistry and Pharmacy	1333	2000	50
Universitatea Babeş-Bolyai (UBB) din Cluj-Napoca	Law	800	800	0
	Economics	556	556	0
UMF Cluj	Medicine, Dentistry and Pharmacy	1800	1800	0
UMF Iasi	Medicine, Dentistry and Pharmacy	1333	1333	0
Private Universities				
Danubius University from Galati	Law	467	533	14
	Economics	467	533	14
Dimitrie Cantemir University from Bucharest	Law	500	500	0

¹ https://webgate.ec.europa.eu/fpfis/mwikis/eurydice/index.php/Romania:Higher_Education_Funding

	Economics	500	500	0
Ecologic University from Bucharest	Law	467	511	9.4
	Economics	467	511	9.4
Spiru Haret University from Bucharest	Law	444	489	10
	Economics	444	489	10
Nicolae Titulescu University from Bucharest	Law	356	444	25
	Economics	356	444	25
Petre Andrei University from Iași	Economics	667	978	47
	Law	667	978	47
Constantin Brâncoveanu from Bucharest	Law	533	533	0
	Economics	533	533	0

Cost Structure

Tuition fees for students which will pay their studies in public universities are calculated in accordance with average cost of tuition per academic year in public education financed from the budget. Average costs per each student enrolled with fee results from the composition of the next items of expenditure, as we can see in table no.5. Usually, labor costs do not exceed 65% of total costs, and investments do not exceed 30% of total costs.

Table 5

NO.	Costs	Item	% from total
1	Labor	Salary of Academic Staff ,Salary of non-teaching, administrative and auxiliary staff	Max 65%
2	Annually costs of material resources	Didactic material for students (handouts, seminar)	
	Expenses for ensuring the access to information through IT means	Annually subscription to internet	
	Costs for usage of specific equipment necessary to the didactic process	Operating expenses of the equipment used by the student in the laboratory	
	Overhead expenses	General operating expenses	Max 15%
	Investments		Max 25%
	Other expenses	lighting, heating, cleaning material, electricity, water, labor protection, advertising and publicity, etc.	
	Total		100

Average costs/student= Tuition fee= Salary of Academic Staff /student/year +Salary of non-teaching staff/student/year + costs of didactic resources/student/year + IT costs/student/year +Costs of equipment/student/year +Overhead expenses/stud/year + development costs/stud/year + other expenses/stud/year

5. Conclusions and Recommendations

The number of Higher Education Institutions in Romania has been increasing for the past few years, which offers a large number of seats for admission to the bachelor cycle, sometimes higher than the number of college graduates with baccalaureate. For these reasons, the fees charged for the studies were and are small, failing to meet the needs of an institution, especially if it is a private one, where the main source of funding is tuition. Underfunding of higher education lowers the quality of teaching.

We can also observe an inertia in the diversification of curriculum. Regardless of the university, the curriculum provided is almost the same. This is due the intervention of the state in establishing of university education strategy. On the one hand, the large number of places without charge underfunded by the state, public and private universities are obliged to adopt very low tuition fees. On the other hand, due to the imposition of curriculum, universities that sell the same specializations have no way to differentiate.

Private universities, although they are accredited and therefore recognized by the Ministry of National Education, do not receive funding from the budget, although the law does not prohibit it. This leads to a situation where a private university is dependent almost 100% on tuition fees.

To align Romanian universities to international standards are therefore required sustained efforts in the following directions:

- the diversification of financial resources types, for the university not to be dependent on the number of students enrolled in school and the fees paid by them;
- development of international research by attracting European funds;
- increasing the involvement of local community representatives into university management;
- the expansion of entrepreneurial activities and the stimulation of entrepreneurial attitude in the academic departments;
- strengthen cooperation with local authorities by organizing conventions, agreements and contracts, provision of services to third parties, development of regional plans for strategic programming, economic exploitation of intellectual property rights;
- initiating and developing training programs as forms of education.

In conclusion, in order to be considered prestigious universities, they should be aggressively, innovative, proactive and responsive to the needs of individuals with interest in education (students, employers, local communities, etc.). (Stanciu, et. alli., 2011, p. 162) This means that along with education and research, an university should be deeply involved in economic and social development of the region and country becoming an agent for promoting the concept of knowledge based economy.

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