FINANCIAL MANAGERIAL TOOLS IN THE ROMANIAN EDUCATION

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Abstract: This paper focuses on offering more information upon the budget allocated for education units and the need for its being decentralized. The budget planning has always been done by officials in the Ministry, a thing which has hardened the efficiency of its well distribution in schools. Our intention is to present the actual case of the budget in education, taking into consideration the standard costs and the decentralization of decision making at the level of school units.

THE EDUCATION UNIT BUDGET – A MANAGERIAL TOOL

In our country, as well as in other countries, a budget is established for an education unit. Founding budget is based on the average costs of the base period, corrected depending on the potential offered by financing potential (state budget, local budget, etc.), by the need of eliminating some negative phenomena (inflation, for example), by the desiderated improvement of instructive-educative development conditions and the rising of teaching personal income level. In this way, the fixed costs were named “historical costs”.

The budget planning method based on historical costs was improved every year, gradually passing to using a new indicator – the average cost/pupil. This indicator was used in 2000 and 2001 especially in the substantiation necessary funds for salaries. These costs may be good planning tools for budget, as far as they faithfully reflect the education units’ economic and financial reality and the conclusions drawn from the analysis of these costs, of the causes that differentiate them, have the accuracy and quality which lead to correct decisions and measures to improve the indicators of allocating resources funds needed for the high school educational level. Even if these two conditions are met, the historical costs, such as budget planning tools have their limits:

• They indicate the degree of financing of schools at a time, but not the degree of satisfaction with financing needs;
• Founding future budgets only on the basis of historical cost, risk perpetuating the discrepancies between the levels of funding educational units of the same type and among different categories of expenditure.

Starting from these realities and taking into account the experience of other countries, we appreciate that the system of financing based on historical costs must be accompanied / completed by “standard costs” or “real costs”. The extending of the application of standard costs based financing system will make possible a budget planning in which the volume of funds required to be allocated to be comparable and to approach the real needs of funds for education units. In essence, the standard cost method consists in:
defining standards of training needs and teaching physical indicators of consumption for each item of expenditure;
comparing the historical costs with standard costs to determine the reasons that cause the differences;
formulating decisions planning costs and financing policies based on comparative analysis of historical costs and standard costs.

To make this method become operational, a methodology has been designed for the construction of some standard costs for school units in rural and urban areas, representing each step and educational profile.

**STANDARD COST PER PUPIL/PRESCHOOL CHILD, FUNDAMENTAL INDICATOR OF THE BUDGET BASE FINANCING**

Standard cost per pupil/preschool child is an indicator reliance of funding need intended to cover expenses related funding base. The level of the standard cost, or each category of expenditure on basic funding is determined by physical indicators of the consumption of human resources and materials established by law and government rules or by regulations drawn up by ministries and specialized central institutions. Those indicators are: the number of pupils per each class, number of teaching rules per class, the teachers’ salaries established by law, the consumption of electricity and thermal energy and by the prices of materials and services consumed for the proper development of the educational process in school. The standard cost is determined by the following relation:

\[
Cs = \frac{Ch_p + Ch_{ms} + Ch_{perf}}{pupils' \ number}
\]

where:

\(Cs\) = Standard cost per pupil/preschool child

\(Ch_p\) = personnel expenses

\(Ch_{ms}\) = expenses with materials and services

\(Ch_{perf}\) = staff training expenses

Determining the standard cost per pupil for personnel expenses:

\[
Ch_p = \frac{ch^{*}_{pd} + ch^{*}_{pmedid} + ch^{*}_{paux} + chv_{buget} + ch^{**}_{depl}}{Pupils' \ number}
\]

where:
chpd = salary rights for teaching staff
chpnedid = salary rights for non-teaching staff
chpaux = salary rights for didactic staff assistants
chvbuget = budgetary transfers
chdepl = personnel expenses for the relocation of staff
  * = Basic salaries related to the staff under curricular area and corresponding increases in accordance with the law
** = 0, 36% applied to the total wage costs for staff (teaching staff, teaching assistants and non-didactic)

Determining the standard costs per pupil for the costs of materials and services:

\[
Chms = \frac{Chutilities + Chams}{\text{no. of students}}
\]

Where:
Chutilities = expenses on heating, lighting, water-canal and sanitation
Chams = other expenses, materials and services

Expenses for utilities:
Chutilities = Chi + Chil + Chac
Where:
Chi = heating expenses
Chil = electricity expenses
Chac = water, canal, sanitation expenses

The cost of heating is calculated as a product of the number of students, the consumption norm for the type of heating unit and the season (winter or summer), standards set by Order MLPAT number 29/N/1993 for the approval of the Framework regarding the water and the heat consumption of the population, public institutions and economic and current prices for such utilities. Lighting costs are calculated as a product of the number of students from the educational standard of consumption and the lighting norm (number of days of the year, the power specifications calculated according to area halls class and the number of lucsi established by Order of the Ministry of Health number 1955 / 1995 regarding the Rules of hygiene facilities for protection, education and training of children and young people, the percentage of electricity consumption for the common spaces, other destinations without teaching spaces) and current prices for such utilities. The cost of water, sewage and sanitation is calculated as a product of the number of students in the education unit, and the rule of consumption for water and sanitation standards set by Order MLPAT the number 29/N/1993 for approval of the water and heat consumption by the population, public institutions and economic and current prices for such utilities.

Other expenses for materials and postal services, office supplies, cleaning materials and other materials and services with a functional purpose, objects of inventory, current repairs, books and publications, other legal expenses is calculated by the formula:

\[
Chams = \sum_{i=1}^{n} Chs*ki
\]
where $k_i$ takes different percentage values for each type of expenditure, spending applied on salary expenses. The values of $k_i$ have been established through case studies on the level and structure of expenditure materials and services listed before. The determining of the cost standard level for the costs of training staff can be carried out with the formula:

$$ Ch_{perf} = \frac{(Ch_p \times 1\%)}{\text{no. of students}} $$

Standard costs are average costs calculated by the following parameters:

- the consumption of human resources and materials established by the existent regulations or proposed on the basis of case studies;
- a certain degree of training teachers (grade 2 and 20-25 years of work in education);
- average salary of teaching and administrative staff;
- a certain number of students per class;
- a certain number of classes and students in schools.

To the settlement of these rate-setting indicators, we must consider “the normal” we should tend to in case of the parameters of quality and the efficiency of the instructional process. In practice, most instructional units perform their activity in different conditions from the standard ones. The number of students in a school, for instance, is not only determined by certain norms of efficiency, but also by objective concrete conditions the school functions in: demographic factors, the “state” of the didactic personnel, the economic developmental degree of the area, the dispersion in zone and the physical size of the didactic units of the same type, the infrastructure system of the area, etc. The structure of the consumables and their prices can be different from one area to another. All these things are reasons to appreciate that standard costs are only guiding costs.

**STANDARD COSTS, INSTRUMENTS OF BUDGETARY PLANNING**

Standard costs indicate the necessary backgrounds for finance. These costs can be useful for the comparative analysis with the historic costs and can be taken into consideration according to some indicators of correction, to the projection of didactic units’ budgets. Using the methodology to calculate standard costs, each school can build its own real costs. Compared to the historic costs and the standard costs, the real costs of each didactic unit can be subjects of deep analysis for the elaboration of its developing strategy. The respective associations can also point out the differences between the level of historic financing and the real needs of this unit. It is from here that decisions concerning the financing policy of the didactic unit and the contribution of every financing factor can appear: state budget, the local council, the district council in this process. Standard costs compared to real costs of every unit can be used-up as instruments of scientific demonstration in the dialogue with the financing factors concerning the dimension of the budget of incomes and expenditures of the unit. Standard costs are reference costs for the budget planning. Since the norms underlying the construction of standard costs must be periodically changed, there is a necessity to reevaluate these costs arisen from material personal stimulation of the didactic personnel and the modernization of the didactic unit.
Therefore, standard costs must be recalculated taking into consideration the new norms of consumptions of human funds and materials and of the new degree of remuneration, prices etc. Otherwise, the long use of standards costs (through percentage corrections) transforms them into historic costs.

THE DECENTRALIZATION OF THE DECISION CONCERNING THE PLANNING AND BUDGETARY EXECUTION

Decentralization supposes the transfer toward the school and local council of most decision rights and obligations concerning three sides of the financing system, respectively the formation, the allocation and the use of funds, necessary to the instructive and educative activity in the unit. Obviously, not all decision rights concerning the allocation of funds can be transferred to schools.

A part of these rights are generally kept by the financers - state, community, economic agents - and they must be established by laws and normative papers with national authority (laws) and local authority (decisions of city councils and town halls). But school should have the right of decision and more and more responsibilities, regarding the allocation of all received funds according to domains. At the same time, school should assure and be responsible of a good budgetary execution. This means to have its own budget of incomes and expenditures and its own bookkeeping. It must have great capacity of decision concerning the quantum and the structure of human funds and materials used in school, taking into consideration the volume of funds it has, with the condition of assuring a good educative process.

The process of the decentralization of the finance system was declaratively launched with small steps in 1994-1995. It knew intensification in the year 2000 through OG nr. 138 /1999 regarding financing according to the number of pupils (based on average costs) and knew even greater intensification with its application according to OG nr. 32 /2001 and HG 538/2001.

Financing didactic units and budgetary execution is done today, as it was done in the past years, through allocating funds directly to the units with their own bookkeeping or through the centre of the budgetary executions. The difference is that the tasks of the superior credit sequencer are taken from the school inspectorates by the town councils in Bucharest. As a rule, the didactic units without their own bookkeeping don’t have their own budget of incomes and expenditures, and if they have it, it is not approved by city councils. The majority of budget execution centers keep a global act of incomes and expenditures for all the units and not for each and every one, including there own incomes. The units’ managers do not know the approved funds from the local budgets which correspond to their units and they cannot determine their own priorities concerning the use of funds. In some towns and cities, the electric bill, central heating, water and repairs are directly paid by the main budgetary distributor. In this case, school managers do not even know their units’ quantum of consumption and, thus, they cannot take any measure of lowering it, if necessary. Some cities and sectors in Bucharest have organized their own administrative departments in their units. A number of senior positions has been offered to these departments, which surpasses by far that of school inspectorates. Thus, Sector 1 in Bucharest has a department with more than 80 positions and Sectors 2 and 6 have departments of education administration with more than 50 positions. This laudable initiative has in many cases the effect of taking over responsibilities from the school inspectorate, concerning the distribution of funds. These departments distribute funds to the maintenance units without principals’ notice.
or approval, limiting, thus, their authority and depriving them from the rights and responsibilities they should have as tertiary funds distributors.

REFERENCES