

## FINANCING PUBLIC INSTITUTIONS OF ACADEMIC EDUCATION IN SPAIN

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### **Abstract**

Currently, Spanish universities meet the educational needs of the students with a wide offer of courses and the opportunity to study at all levels. They appear as an attractive option in the context of the relatively low cost of living compared to other countries in the EU area and under conditions of a tax system controlled by the Government. Starting from the assumption that the financing model of the academic education public institutions represents the foundation of their modernization in the current society based on changes and evolution, in this paper we propose to bring into the light of the concerns of those who are interested, through a persuasive exhibit, the Spanish model and its specific features. To this end, our debate will begin with a description of the Spanish system of academic education under the decentralized model of financing imprint, continuing with the presentation of specific skills in terms of funding on the triptych template: state - autonomous communities - universities. Subsequently, our investigative approach will focus on detailing the tertiary education financing sources: public resources, private and patrimonial revenues. The end of our presentation will be intended for conclusions, through which we aim to advance our vision regarding the investigated problems. In fact, the paper is intended to be a precursor step in carrying out a comparative study between the academic education funding mechanism in Romania and the Spanish one.

**Key-words:** Spanish public universities, academic education financing, autonomous communities, public resources, private incomes.

**JEL Classification:** I22, H52, H75.

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## **1. Introduction and context**

The Spanish academic education system panorama bears the imprint of the significant moment 1996, when the competences in higher education financing were transferred from the central government to the autonomous communities. As a result, nowadays, the Spanish public universities are found under the administrative and financial authority and responsibility of the 17 autonomous communities (Andalusia, Aragon, Asturias, Cantabria, Castilla - La Mancha, Castile - Leon, Catalonia, the Community of Madrid, Valencian Community, Extremadura, Galicia, the Balearic Islands, Canary Islands, Navarra, La Rioja, Basque Country, Murcia).

The current Spanish system of academic education consists of 79 universities, of which 50 are public universities and 29 are private universities, distributed throughout the territory. Among the public universities, 47 are frequency universities representing the backbone of the higher education system. [1]

Among the public universities, the so-called G9 group is distinguished, namely: University of Cantabria, University of Castilla la Mancha, University of Extremadura, University of the Balearic Islands, University of La Rioja, University of Oviedo, University of the Basque Country, University of Navarra and University of Zaragoza. This subgroup of the Spanish public higher education system was established under an agreement signed in 1997 with the common social aim of ensuring the collaboration between the affiliated universities, not only on teaching and research activities, but also on the activities of management and services.

## 2. Objectives and methodology

Through the present paper we propose to bring in attention, an overview of the financing mechanism of public institutions of academic education in Spain, through the scientific documentation. For this, we took in consideration rich bibliographic references including not only books, articles and studies, different reports emitted by the specialized bodies in such issues, but also research papers, all of this under the impact of Spanish culture and norms in the field.

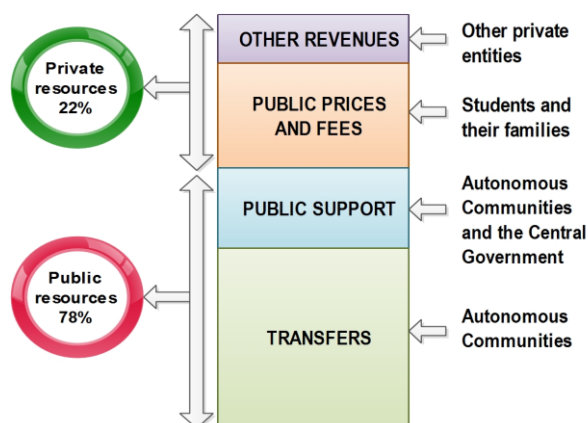
The main tools of scientific research used in the development of this paper include: the study of the specialized literature, observation, analysis, synthesis, deductive reasoning and sometimes exemplification.

## 3. The Spanish academic education system under the imprint of the decentralized model of financing

Regarding the funding mechanism, Spain applies a **decentralized model at the level of the autonomous communities**, which provides and finances, especially public higher education.

The traditional financing sources for public institutions of academic education include: transfers from the global revenues and tuition fees paid by the students. [2]

As can be seen from Figure 1, the Spanish public universities revenues can come from multiple sources such as: the autonomous communities and the central government (as public revenues), students and their families, and also other private entities (as private incomes). [3]



Picture no. 1 – **The origin of the resources of Spanish public institutions of academic education**

Source: Martinez, J., *La Financiación y el Gobierno de las Universidades Españolas*, Escuela de Formación y Debate Estudiantil, Madrid, 2014.

In fact, the origin of the financial resources of a public university is diverse including: public and private funds for specific activities of teaching, research and knowledge transfer in all areas; incomes related to the services provided to students, staff and external users; self-financing incomes (from the students hostels and canteens achievements, the rates for foreign languages courses or physical activities); philanthropic fundings for specific projects of social nature. [4]

Under the current legislation, public institutions of academic education revenues may come from [5]:

- transfers for current and capital expenditures*, fixed annually in the mission of the autonomous communities;
- public rates of the academic services and other rights legally established*, set by the autonomous communities within the limits established by the University Coordination Council and in a strong link with the service delivery costs;
- own tariffs for teaching specialized courses and other activities for which the universities are authorised for*, established in accordance with the provisions of the Social Council, and approved together with the budget for the year in which they will be applied;
- transfers from public and private entities, as well as donations and sponsorships*;
- economic activities developed under the law and under the own regulations and other incomes related to its heritage*;
- research contracts signed with individuals, universities or public and private entities*;
- cash surpluses and any other incomes*.

On the other hand, local experts highlight three main sources of funding for public institutions of academic education in Spain [6], namely: public funding, private incomes and patrimonial resources.

Not to answer to the apparent dilemma, but for better stake out, in the followings we shall proceed to a detailed exposure of the university revenues, but not before presenting the divisions of competences in financing the tertiary education.

#### 4. The division of competences in academic education financing; the triptych: state - autonomous communities - academic education institutions

The competences regarding Spanish academic education funding is shared between the state, the autonomous communities and the public institutions of academic education. [7]

Under the Constitutional provisions, **the Spanish national education system protection** lies with *the state*. It guarantees a minimum level of academic education public services, within the limits of its competences.

Instead, *the 17 autonomous communities* have multiple responsibilities and competencies, such as: the obligation to provide the funds necessary for the functioning of the universities which are found in their area of competence, fixing the academic tariffs within the limits set by the University Coordination Council and establishing the scholarship policy.

In turn, under the university autonomy, *the academic education institutions* are responsible for developing, approving and managing their budgets. In other words, universities can intervene in the process of obtaining and using the financial resources, influencing their amount within the limits set by law and can freely manage their costs.

#### 5. The financing from public resources

Although we can easily predict that the financing mechanism varies based on the autonomous communities specific policies, it is clear that throughout the Spanish territory, any academic education funding model recognizes as **main source of financing the public transfers from the autonomous administration of each regional authority**.

The public funding of academic education is made respecting fundamental principles such as:

- ensuring sufficient incomes to permit further education services delivery in the autonomous communities, at the same quality or in better quality conditions;
- the guarantee of the stability and flexibility of the university financing multiannual model, ensuring a stable funding framework;
- ensuring the efficient and the effective use of the financial resources;
- the pursuit of quality and excellence in the service of the Spanish university education.

Public funding is allocated based on the number of students enrolled at that university (whether it is the actual number of students or an estimated number according to certain criteria). The most important component of the budgetary funding is **the core funding** which is calculated by weighting various cost elements with the unitary equivalent students number or the number of "full-time" students.

Beside the core funding, in some autonomous communities, **the program contract** is used as an additional way of financing. This financing mechanism involves allocating a part of the public subsidy in relation to the achievement of certain output specific objectives, such as:

- the innovation in teaching;
- updating the teachers' knowledge;
- the excellence in research;
- creating educational infrastructures - such as creating laboratories.

Thus, *the program contract appears as a tool that stimulates the competition between universities*, which increases the efficiency of the overall system. In a decentralized system, the program contract allows the autonomous administration to set their priorities and to encourage the achievement of the proposed objectives. The financing conditioned by achieving certain objectives, with the subsequent demonstration of the achievements, facilitates the reconciliation between the institutional autonomy and the society and regional interests.

In terms of finance and accounting, the distinction between subsidies and transfers is based on the destination. If the destination is concrete and specific, the amount is recognized as a subsidy. In turn, if the destination is generic in terms of accounting it should be recognized a transfer of resources.

#### 6. Private incomes and patrimonial resources of the universities

Undoubtedly, the biggest source of private funding for the Spanish universities is **the contribution of the students and their families**.

Tuition fees are set annually through ordinance by the regional governments, in the upper limit set by the central government through the Ministry of Education. Consequently, their amount varies greatly depending on the university and the region [8]. Currently, the university fees are determined based on the costs involved and on the

career pragmatism degree. In each autonomous community exist different degrees of pragmatism in relation to the practical needs of each area of study.

Specifically, the tuition fees for the studies leading to titles with official character, valid throughout the national territory, are established by the autonomous communities within the limits set by the General Conference of University Policy in relation to the cost of the services providing. On the other hand, the amount of the fees for the studies which lead to their own formal qualifications or diplomas, which do not have official character, are set by the Social Councils of the universities.

The public sistem of tariffs establishing suffered a major change once the Royal Decree 14/20.04.2012 regarding the application of urgent measures to rationalize public expenditures on education was approved. Under the law, the public tariffs for bachelor and master cycles have been increased in most autonomous communities (except Asturias and Galicia). In these circumstances, since no exemption is applied to the tuition fees, the investment in parallel mechanisms to support students is required. Therefore, there is not only a broad and effective policy of scholarships that allow the access and continuity of academic education for students who lack the necessary means, but also advantageous programs for student loans, which are repaid at the end of the tuition period.

In public tuition fees setting, we consider that it is necessary to take into account factors such as: the cost, the quality of the services and the academic priorities. Regarding the actual costs, the majority of the academic education institutions face the urgent need of an analytical costs accounting, very difficult and expensive.

In turn, the patrimonial resources represent those revenues obtained by the universities through their self-effort, as self-financing, including incomes from: interests, the activity of cafes/canteens, printing services, libraries and sports facilities.

## 7. Conclusions

The research conducted allowed us to establish that, in terms of academic education financing, the biggest responsibility lies with the autonomous communities, while the state assumes the general responsibility to provide a certain level of higher education public services.

Also, we noticed that the funding of public institutions of academic education in Spain is performed by a model based on two reference pillars: *the budgetary financing* provided and approved through the budgets of the autonomous communities and the *private incomes* coming mainly from: public tariffs (tuition fees) paid by the students, funds allocated for research through European and national programs and also revenues obtained through the self-effort of the universities. The model also includes the possibility that universities generate *additional revenues to public tariffs*, derived from their own activities such as: degrees, diplomas of expertise, trainings and activities related to research contracts with economic entities.

Regarding the public tariffs of academic education, we believe that *the Spanish panorama is very heterogeneous* due to the historical differences between the autonomous communities, under the impact of certain factors such as: the date of assuming competences in tertiary education and the so-called "architecture" on career pragmatism levels, established in different ways in the autonomous communities. In another train of thoughts, since the decentralization of competences in academic education financing at the level of the autonomous communities, we can discuss about a strong dispersion regarding the tuition fees.

All these items remain ideas to develop the work paper in the future, but also reference pillars for the comparative analysis that we intend to do between the Romanian and Spanish academic education financing.

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