

## THE CURRENT MECHANISM FOR ALLOCATING THE INSTITUTIONAL FUNDING FOR PUBLIC UNIVERSITIES IN ROMANIA

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### **Abstract**

*The institutional funding is a major source of funding for the public universities in Romania, reason why its allocating mechanism is particularly significant. Romanian higher education funding has always been a sore spot and a highly controversial topic of debate for both members of the political class and of the civil society. For a long time they have been searching for the best solutions regarding the university funding, as a key lever for shaping and supporting a high quality academic education system. In this context, through this paper we propose to highlight the current mechanism for allocating the institutional funding to public universities in our country. Structurally, the paper begins with exposing the competences for the budgetary funding and the structure of the institutional funding for universities presentation, after which it focuses on the current model of allocating basic and additional financing. The end is intended to the conclusions, through which we aim to capture the impact of the state decisions regarding the funding methodology on academic education.*

**Key-words:** institutional funding, core funding, additional funding, university ranking, quality indicators.

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## **1. Introduction**

The allocations from the Ministry of Education and Scientific Research represent one of the main pillars that support the current mechanism for financing public institutions of academic education in our country.

The budgetary funding is allocated on the basis of two contracts which are concluded annually, for the current year, between the tutelary ministry, as financier, and each higher education institution, as beneficiary of the funding. *The institutional contract* covers the institutional funding, the student transportation funding, financing for scholarships and other forms of social protection and financing the investment objectives, while the *complementary contract* is concluded for the complementary funding.

All funds received as budgetary financing are considered own revenues of the universities and they can use them independently, but in order to achieve their purposes under the state policy on tertiary education.

Currently, the basic principle under which the methodologies of public funding are developed is "*money follow the student*" or in other words "*resources follow the student*", aiming as priority the fields of study that facilitate the sustainable and competitive development of the society. This principle has been operationalized within the funding methodologies developed by the National Council for Funding Higher Education by weighting the physical number of students with certain coefficients of equivalence and cost, resulting two terms that have become ubiquitous for academic education funding policy, namely:

- *the concept of equivalent student* – which expresses in mathematical terms that a student's academic preparation requires different costs depending on the type of education and the cycle in which he is registered. Specifically, the number of equivalent students is obtained by weighting the number of physical students with the equivalence coefficients mentioned earlier.
- *the concept of unitary equivalent student* – which expresses in mathematical terms that a student's academic preparation requires different costs depending on the field of study in which he is trained. The number of unitary equivalent students is determined by weighting the number of equivalent students with the cost indexes corresponding to different fields of study.

Also, the funding methodology takes into consideration a *qualitative component*, measured by several indicators of performance evaluation in the teaching and research process. Although, initially the funding according to quality has not operated significant differences between universities, in time the quality indicators have been improved and updated systematically, evolving not only in terms of numbers but also in terms of weight held in the financing proposals.

This article is part of an extensive research which will result in the development of the PhD thesis entitled "Financial and accounting management of public institutions of higher education".

## 2. Objectives and methodology

Through this work we propose to emphasize the current mechanism for allocating the institutional funding to public universities in Romania. Therefore, in our approach we shall use scientific tools such as: documentation, observation, comparative analysis, dynamic and structural analysis, interpretation of numerical and percentage information, synthesis and also the deductive reasoning. The bibliographical research will focus in particular on the Methodologies for allocating the budgetary funds to basic and additional funding of higher education institutions in Romania in the last four years, as well as on other normative acts with impact on the investigated topic. We will also give due attention to reports issued by various professional bodies, exploiting the current information and taking into account the opinions issued by the experts in the field.

Structurally, the paper begins with exposing the competences for the budgetary funding and the institutional funding structure for universities presentation, after which it focuses on the current model of allocating basic and additional financing. The end is intended to the conclusions, through which we aim to capture the impact of the state decisions regarding the funding methodology on academic education.

## 3. The distribution of competences in the budgetary funding

In terms of budgetary funding, the distribution of competences shall be performed on the triptych *universities - the National Council for Financing Higher Education – the Ministry of Education and Scientific Research*.

In this tripartite connection, *the public institutions of academic education* are responsible for the accuracy of the provided data and the use of budgetary resources allocated to them in terms of university autonomy, in order to achieve their respective goals within the state policy on tertiary education and scientific research. Also, according to institutional contracts, the rectors of the universities are responsible for allocating funds for additional funding with priority to the best performing departments and structures of public institutions of academic education.

*The National Council for Financing Higher Education* (abbreviated CNFIS) proposes to the tutelary ministry the methodology for allocating the budgetary funds for basic and additional funding, assumes the responsibility for the accuracy of calculations on the distribution of these funds and notifies the ministry if identifies some inconsistencies.

In turn, *the Ministry of Education and Scientific Research* (abbreviated MECS) approves the criteria and quality standards advanced by CNFIS and analyzes and approves, throughout the whole year, monthly credits openings, allocating money to ensure the university functioning under normal conditions.

CNFIS and MECS have also some common tasks in the sense that they carry out regular checks on institutional contracts concluded with the universities and inform the latter on the inconsistencies noticed in the data provided.

#### 4. The structure of the institutional funding for universities

The institutional funding is allocated according to the institutional contract concluded annually for the current year, between the Ministry of Education and Scientific Research as financier and each academic education institution as beneficiary of budgetary resources.

**Table no. 1 - The institutional funding distribution scheme for 2015**

INSTITUTIONAL FUNDING (FI)				
Funding special situations (FSS) 2%	Funding grants for doctoral students enrolled in the academic year 2011/2012 (FGD)	Institutional funding remaining (FI')		
-	-	Core Funding (FB) 72,5%	Additional Funding (FS) 26,5%	Institutional Development Fund (FDI) 1%

Source: Own processing after the *Order 3185/2015 regarding the approval of the Methodology for allocating the budgetary funds to basic and additional funding of higher education institutions in Romania for 2015*

From a structural point of view, in 2015, as can be seen from Table no. 1, *the institutional funding* allocated in the national budget for public universities consists of:

- amounts for funding special situations (FSS) – 2% of the institutional funding;
- amounts for funding grants for doctoral students enrolled in the academic year 2011/2012 (FGD);
- institutional funding remaining (FI') distributed as follows: 72.5% for core funding (FB), 26.5% for additional funding (FS) and 1% for the Institutional Development Fund (FDI).

**Table no. 2 - The structure of the funds allocated to public universities institutional funding (period 2012-2015)**

The distribution of the remaining institutional funding (FI')	2012 (Order no. 3998, 2012) [1]	2013 (Order no. 5364, 2013) [2]	2014 (Order no. 668, 2014) [3]	2015 (Order no. 3185, 2015) [4]
FB	68,00%	73,50%	72,50%	72,50%
FS	30,50%	25,50%	26,50%	26,50%
FDI	1,50%	1,00%	1,00%	1,00%
<b>Total</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>

Source: Own processing after the annual *Methodologies for allocating the budgetary funds to basic and additional funding for higher education institutions in Romania*

At this level, we consider appropriate to carry out *a comparative analysis on the evolution of the structure of the funds allocated to the institutional funding of public universities for the past four years.*

For this purpose, after consulting the annual methodologies for allocating the budgetary funds to basic and additional funding for higher education institutions in Romania, has been compiled Table no. 2.

The year 2011 marked a milestone in the Romanian education by adopting the new Law of the National Education as a fundamental pillar in the process of modernization and harmonization with the European objectives in the field. The new regulations have also had a significant influence on the process of university financing in the sense of prioritizing the investments towards quality and performance through several ways [5]:

- *a first clasification of academic education institutions after European criteria was made*, resulting a ranking organized into three categories: universities of advanced research and education, universities of education and scientific research and universities focused on education, which allowed a different allocation of the public resources by categories of universities and related to the position in the hierarchy of the study programs;
- *the competitive funding to stimulate the excellence was introduced*, which requires the allocation of additional funding streams for universities generating high quality education services through performant study programs;
- *it was procedeed to the transparency consolidation and the efficiency increase in the provision of public funds* by introducing the financial indicators based on the results evaluation, while improving the reporting systems and the data publication by universities.

In this context, the percentages corresponding to the year 2012 reveal precisely the intentions of the state regarding the academic education after the adoption of the National Education Law 1/2011 and immediately after the first exercise of ranking the universities. We note the intention of stimulating the excellence and performance in universities, due to high percentages associated to the funding allocated on competitive criteria, based on international standards.

The classification of the academic education institutions conducted in 2011 has generated however a considerable controversy, being perceived as a discriminatory hierarchy with adverse financial effects on several universities that were classified as being focused on education, facing the phenomenon of chronic underfunding and increased budgetary pressure. Recognizing these effects as a brake on the process of modernization and convergence towards EU requirements, in the year 2013, in an attempt to "reduce disparities", it was decided to reduce the criteria funding share. In fact, this intention is recognized in the latest public report issued by CNFIS: *A decrease of the differentiation based on quality of funding the various universities was wanted. Therefore, the methodology has provided not only an increase in the weight of basic funding and a decrease to near the legal limit of the overall weight of additional funding, but also a partial revision of the coefficients used in calculating the additional funding of excellence for the 5 classes used in the study domains ranking in 2011. This revision resulted in a moderate flattening of the funding differentiation. It was also reduced the weight of the Institutional Development Fund* [6].

According to the percentage information shown in Table no. 2, the institutional funding distribution scheme is the same for the years 2014 and 2015, due to the concern of CNFIS to avoid shocks in financing. Compared with 2013, there is an increase of one percent in favor of the additional funding, by a corresponding decrease in the percentage allocated to basic funding, while the weight of institutional development fund remains unchanged.

## 5. Basic funding distribution model

The basic funding is the most important component of the funding of budgetary funds of academic education and it is allocated on the three university study cycles (bachelor, master and doctorate) depending on the number of unitary equivalent students and on the number of doctoral grants. The basic funding is granted to cover the main categories of expenses related to the teaching process, namely: staff costs, material costs, and expenses to support educational projects and overheads [7].

The basic funding related to bachelor and master cycles is allocated depending on the *number of unitary equivalent students* determined by weighting the physical number of students with specific equivalence and cost coefficients. Specifically, its determination procedure involves three stages as follows:

**Stage I:** Determining the *number of equivalent students for each university, on cycles of studies and branches of science*, as follows:

$$SE_{r,rs}^U = \sum_{fr=1}^{Fr} e_{fr} \times S_{fr,rs}^U, \text{ where} \quad (1)$$

$SE_{r,rs}^U$  is the number of physical students from the branch of science  $rs$ , at form of education  $fr$ , associated to the cycle of studies  $r$ , of the university  $U$ ;

$e_{fr}$  is the coefficient of equivalence associated to the form of education  $fr$ ;

$Fr$  is the total number of the forms of education associated to the cycle of studies  $r$ .

**Stage II:** Determining the *number of unitary equivalent students for each university, on cycles of studies*, as follows:

$$SEU_r^U = \sum_{rs=1}^{Nrs} c_{rs} \times SE_{r,rs}^U, \text{ where} \quad (2)$$

$c_{rs}$  is the cost coefficient corresponding to the branch of science  $rs$ ;

$Nrs$  is the total number of the branches of science funded.

**Stage III:** Determining the *total number of unitary equivalent students*:

$$SEU = \sum_{U=1}^u \sum SEU_r^U, \text{ where} \quad (3)$$

$u$  is the total number of universities funded by the Ministry of Education and Scientific Research.

In order to determine *the unitary budgetary allocation*, the allowance for basic funding is reported to the total number of unitary equivalent students. The next step to be followed is *the establishment of basic funding for each university*, on cycles of studies and then overall, by weighting the unitary allocation with the number of unitary equivalent students.

## 6. The mechanism for allocating the additional funding

The additional funding is one of the main innovations of the National Education Law no. 1/2011 and it is allocated to stimulate the excellence in public institutions of academic education. At national level, an additional financing fund is constituted in percentage of minimum 30% of the amount allocated as basic funding. Practically, the additional funding is determined by applying the annually established percentage on the amount remaining after diminishing the institutional funding (FI) with the funds for doctoral grants (FGD) and the funds for financing the special situations (FSS).

For 2015, as can be seen from the numerical information included in Table. 2, the additional funding represents more than a quarter of the institutional funding.

**Table no. 3 - The weights associated with the classes of quality indicators between 2014-2015**

Class of quality indicators	Associated weight 2014	Associated weight 2015	Modification
<b>Class 1</b> Teaching/ Learning	35%	30%	-5%
<b>Class 2</b> Scientific Research/ Artistic Creation	35%	40%	+5%
<b>Class 3</b> International Orientation	10%	10%	0%
<b>Class 4</b> Regional Orientation and Social Equity	20%	20%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	-

Source: Own processing after the annual *Methodologies for allocating the budgetary funds to basic and additional funding for higher education institutions in Romania*

The distribution of the additional funding to universities is done according to the criteria and quality standards set by CNFIS and approved by MECS. Specifically, at the university level, the additional funding is determined on every branch of science, according to the number of unitary equivalent students and certain quality indicators grouped into four classes (Tables no. 3 and 4).

In Table no. 3 we performed a comparative analysis of the weights associated with the four classes of quality indicators in 2015 compared to 2014. There is a 5% decrease (to 30% from 35%) of the weight of quality indicators of Class 1 - Teaching / Learning, percentage used for increasing the weight associated to the quality indicators of Class 2- Scientific Research (to 40% from 35%), reflecting the intention of the State to stimulate the scientific research in universities. The weights associated to indicators of the classes 3 and 4 (International Orientation and Regional Orientation and Social Equity) remain the same.

A comparative structural analysis on the same reference period (Table no. 4) reveals changes in the quality indicators considered for determining the additional funding of public institutions of academic education. Therefore, within the first class of quality indicators, we can notice the replacement of the indicator C1.3 *The ARACIS mark for the bachelor programs* with *The ratio between the number of teachers aged up to 40 years and the total number of teachers*, simultaneously with the introduction of a new indicator C1.4 *The ratio between the number of teachers who are entitled as PhD Advisors and number of teachers*. Within class 4, a new indicator is also introduced C4.5 *Non-refundable funds attracted by the university*.

Compared with the previous period of the reference range, the additional funding allocation methodology emphasizes significantly *the benefits that public institutions of academic education offer to students* through quality indicators such as the weight of student mobilities through the programs Erasmus and Erasmus Mundus, the weight of students enrolled in study programs in widely spoken languages, the ability to attract and integrate young people from

disadvantaged backgrounds, the university contribution to the total scholarships fund, the number of training places assured, the number of places in the student residences. These indicators condition about 30% of the additional financing.

For funding methodologies in the coming years, at the proposal of the National Association of Student Organizations in Romania, are expected to be considered new indicators such as the employment rate for graduates or the institutional transparency [8].

Also CNFIS is considering the possibility that, in the future, the quality indicators provided to determine the additional funding could be differentiated by categories of academic education institutions so that the criteria used to allocate this important component of the institutional funding take into account the differentiated missions of various universities [6].

**Table no. 4 - The quality indicators and their associated weights between 2014-2015**

Class of quality indicators	Indicators 2014	Associated weight 2014	Indicators 2015	Associated weight 2015	Modifications
<b>Class 1 Teaching/ Learning</b>	The ratio between full-time permanent teachers and the number of students	15%	The ratio between the number of students and the number of teachers	10%	-5%
	The ratio between cycles post-bachelor compared to the cycle bachelor	15%	The ratio between the number of master students and the number of bachelor cycle students	8%	-7%
	The ARACIS mark for the bachelor programs	5%	-	-	-5%
	-	-	The ratio between the number teachers aged up to 40 years and the total number of teachers	6%	+6%
	-	-	The ratio between the number of teachers who are entitled as PhD Advisors and number of teachers	6%	+6%
<b>Class 2 Scientific Research/ Artistic Creation</b>	The quality of the human resource	10%	The quality of the human resource	12%	+2%
	The impact of the scientific activity/ artistic creation	10%	The impact of the scientific activity/ artistic creation	10%	0%
	The performance of the scientific activity/ artistic creation	10%	The performance of the scientific activity/ artistic creation	12%	+2%
	Funds for scientific research	5%	Funds for scientific research	6%	+1%
<b>Class 3 International Orientation</b>	The weight of the student mobilities through Erasmus and Erasmus Mundus	5%	The weight of the student mobilities through Erasmus and Erasmus Mundus	5%	0%
	The weight of the students enrolled in study programs in widely spoken languages	5%	The weight of the students enrolled in study programs in widely spoken languages	5%	0%



<b>Class 4 Regional Orientation and Social Equity</b>	The ability to integrate people from disadvantaged socio-economic backgrounds in the educational programs	5%	The ability to integrate people from disadvantaged socio-economic backgrounds in the educational programs	5%	0%
	The university contribution to the scholarships fund	5%	The university contribution to the scholarships fund	4%	-1%
	The practical activity for the bachelor cycle	5%	The practical activity for the bachelor cycle	4%	-1%
	Places in student residences	5%	Places in student residences	5%	0%
	-	-	Non-refundable funds attracted by the university	2%	+2%
<b>Total</b>		<b>100%</b>		<b>100%</b>	<b>-</b>

Source: Own processing after the annual *Methodologies for allocating the budgetary funds to basic and additional funding for higher education institutions in Romania*

## 7. Conclusions

Currently, the academic education in our country is still marked by the legislative changes appeared in 2011, as a harmonization approach with the requirements of the European space. Although the funding mechanism combines the traditional version according to which the funds allocation is made on *input criteria* (quantitative component) with the modern funding on *output criteria* (qualitative component), the current period is characterized by an increased weight attributed to the scientific research results, doubled by a greater complexity in terms of the used indicators.

We consider that the current system of university financing has strong points such as:

- *a greater transparency in the allocation of the budgetary funds*, due to the existence of a clear methodology of allowance based on calculation formulas uniformly applicable; however, we consider that still exists a certain form of control available for the tutelary ministry by dimensioning the enrollment figures;
- *supports the financial autonomy of the university*;
- *encourages a management based on rigorous strategy and planning at the university level*;
- *stimulates the efficient use of funds*, giving priority to the most advanced structures, which contribute to the fulfillment of the strategic objectives.

However, it is too much to consider that the Romanian current system of financing academic education is effective. Even if we admit that through the National Education Law, it was significantly improved in trying to rally to the principles adopted and recognized by most countries from the community space, it is still far from being fully effective.

In this respect, we should not pass over the fact that the allocation mechanism of budgetary resources is dependent on *the periodic exercises for classifying public institutions of academic education*, and the first such exercise, conducted in 2011, has generated considerable controversy, being seen as a discriminatory hierarchy with adverse financial effects on several universities that subsequently faced the phenomenon of chronic underfunding and the increased budgetary pressure. Since four years have passed, in 2015 it will start a new institutional evaluation process in order to classify the universities, based on parameters that will take into account both the research and the education side. Compared to the previous experience, this time is followed a transparent and a generally accepted methodology by all interested parties (universities, student associations, employers, syndicates) in order to ensure a viable classification that will generate stability in the Romanian academic education.

We conclude by expressing our point of view according to which, although in general, the university funding methodology applicable for 2015 follows similar principles to those of the previous years in terms of basic funding allocation, in the sense of calculating it according to the number of students enrolled in different specializations and according to certain coefficients of equivalence and cost, concerning the institutional distribution of additional funding, the current methodology brings a number of changes, such as:

- increasing the weight of scientific research quality indicators which reflects the intention of the State to stimulate the scientific research at the university level;
- the replacement of the indicator concerning the ARACIS mark for the bachelor programs with the indicator concerning the ratio between the number of teachers aged up to 40 years and the total number of teachers;
- the introduction of some new indicators such as: the ratio between the number of teachers who are entitled as PhD Advisors and number of teachers, the indicator regarding the non-refundable funds attracted by the university.

Also, compared with the previous period, the current methodology for allocating the additional funding puts significant emphasis on the benefits that the public institutions of academic education offer to the students through quality indicators such as the weight of student mobilities through the programs Erasmus and Erasmus Mundus, the weight of students enrolled in study programs in widely spoken languages, the ability to attract and integrate young people from disadvantaged backgrounds, the university contribution to the total scholarships fund, the number of training places assured, the number of places in the student residences.

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