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The Structure of Income of Lubuskie Local Government Units

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Abstract. This study is of descriptive and explanatory character. It refers to the presentation of income of Lubuskie local government units in 2015–2016 in the area of financial independence and depiction of income items in the budget structure of municipalities. The aim of the study is to familiarize the reader with the structure of income of Lubuskie local government units. The following research methods were used in the work: literature studies, analysis and inference. An in-depth analysis of the sources of external law and inference on the basis of available report on the implementation of budgets by Lubuskie local government units in 2016, the results of the supervisory, opinion-giving and audit activity of the RIO (Regional Chamber of Audit) in Zielona Góra were also necessary.

Introduction

Financial autonomy of municipalities includes two aspects, i.e. income and expenditure. The sources of the income have been indicated in statutes, first of all in the Act on local government and the Act on revenues of local government units. The catalog of these sources is closed, but it also includes those sources that the municipality may introduce on its territory, based on municipal regulations. The closed nature of the revenue

catalog results from the fact that it is unacceptable to generate income from other sources, e.g. additional fees or taxes (Wyrok, 1990).

The paper has been divided into three parts. The article uses the comparative method, deductive method and literature analysis. The first chapter is an introduction to revenue issues in the aspect of decentralization and financial independence. It also defines the notion of a local government unit. The threads concerning income, their structure and place in the municipal budget system are presented. The necessary concepts have been specified and used later in the article. The rest of the work is devoted to the analysis of source data. An attempt was made to discuss the results obtained and their interpretation. Additionally, a study of the possibilities of shaping the amount of revenue was presented.

1. The revenues of municipalities

Issues in the area of local government activity, its essence, functions, income, expenses, risk related to activity and information are a phenomenon described extensively in the literature on the subject (Sadowska, 2014, pp. 61–74; 2017, pp. 229–243; Czernski, Hanusz, Niezgodna, 2010, pp. 180–241). This is a subject widely discussed in both legal and political sciences. It should be pointed out that the concept of local government (self-government) has become one of the most important categories in the science of administrative law. This results both from the rich tradition of this government in the Polish lands, as well as from the extremely important role of the administration in the process of building Polish democracy.

The functioning of the local government is based on a three-level division, where we distinguish:

- municipalities,
- counties,
- provinces.

At present, it is difficult to speak of one definition referring to all types of self-government. In the case of territorial self-government, the formal criterion allowing to distinguish types of self-governments is to name them by a legislator. Self-government participates in the exercise of public authority. The local government administering a significant part of public tasks under its laws acts on its own behalf and on its own responsibility (Ustawa, 1997).

The municipality as the basic, smallest local government unit has legal personality, thanks to which it is an economic entity performing public tasks on its own behalf and on its own responsibility. The budget economy is the basic form of financial activity of local self-government. The attestation of the above-mentioned considerations has direct authority in the Constitution of the Republic of Poland (Ustawa, 1997).

The municipality is understood by the legislator as not only the local self-government community, but also as the corresponding territory (Niewiadomski, Siemiński, Sosnowski, Tetera, 2001, p. 90). According to Grzeńkiewicz, in general, the municipality is created by

a community created by the inhabitants and an appropriate, limited area (Grzeńkiewicz, 2002, p. 41).

The state and local self-governments fulfill the tasks assigned by law. They receive certain financial resources that determine the possibilities, sizes and quality of the tasks performed (Ustawa, 1997).

A very important aspect of the municipality's independence results from its financial independence. Unfortunately, the literature on the subject does not provide a uniform definition of the concept. Nevertheless, one can agree with the statement that the financial independence of municipalities is undoubtedly a derivative of the state's transfer of a part of financial authority to that unit (Kornberger-Sokołowska, 2001, p. 40).

The authorities of municipalities and cities with county (powiat) rights have many instruments to support entrepreneurship, however, as the literature on the subject indicates, in practice they rely mainly on budget tools. Instruments from the area of income policy may play an important role among these tools. In the opinion of Jastrzębska, the income policy instruments of local government units include individual types of budget revenues, including primarily types of own revenues, e.g. local taxes, whose structures are influenced by self-government bodies (Jastrzębska, 2005, p. 67).

Municipal revenues (fig. 1), taking into account the source of their origin, are divided into:

- own income,
- general subventions from the state budget,
- earmarked subsidies from the state budget (Agopszowicz, Gilowska, Taniewska-Peszko, 1999, p. 146; Wójtowicz, 2003, p. 98)

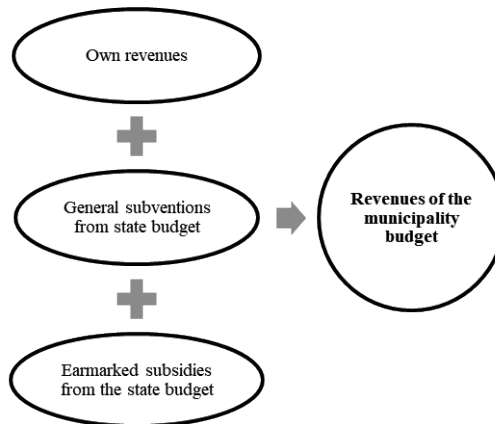


Figure 1. Revenue supporting the budget of the municipality

Source: Own elaboration based on Agopszowicz, Gilowska, Taniewska-Peszko (1999).

Own income is a source of financing the municipality's own tasks and is also a basis for applying for co-financing from external sources. According to the Constitution, own income is all income of the commune with the exception of subsidies (Hanusz, Niezgoda, Czerski, 2006, p. 13). Tax revenues are the main source of municipality budget supply. In accordance with the postulate of decentralization, territorial self-government, as the basic and most complete form of decentralization of administration, is appointed to perform public tasks in an independent manner. The above approach to the concept of local government results from its legal nature. From the material point of view, there is basically no difference between central and local government administration, as they are parts of the administration functioning on the territory of the entire state. Differences between central and local government administration are of formal and organizational character. The functions and tasks of territorial self-government depend on the tasks and functions of the state and their division between the central authority and the local self-government (Kotulski, 2000, pp. 85–86).

The scope of the municipality's operation is quite wide. According to art. 6 of the Act on municipal self-government, the scope of the activity includes all public matters of local significance, not reserved by laws for other entities. If the law does not provide otherwise, the settlement in matters referred to in paragraph 1, belongs to the municipality (Ustawa, 1990).

Article 7 paragraph 1 of the Act on municipal self-government (Ustawa, 1990) lists the main tasks of municipalities, which can be reduced to four categories:

- technical infrastructure,
- social infrastructure,
- protection and public safety,
- spatial and ecological order (Niewiadomski, Grzelczak, 1990, p. 12).

Art. 7 paragraph 2 of the Act on Municipal Self-Government specifies which own, municipal tasks are compulsory (Ustawa, 2004), which leads to the conclusion that some of the municipality's own tasks are obligatory tasks, and some are optional, i.e. taken by municipalities as part of their financial resources. Mandatory own tasks are those that the municipality must perform. Statutory division of tasks into own obligatory and optional tasks is a correct solution. This division ensures execution of own tasks at least at a minimum level (Storczyński, 2006, p. 38). The execution of own tasks takes place on the basis of the municipality's resources, and commissioned tasks – after providing funds by the government administration (Zięba-Załużka, 1999, p. 54).

Despite the local character, a large part of the affairs is at the same time the responsibility of the municipal government as well as the government administration (Podgórski, 1991, p. 21). The local government financial system is an element of the entire system of public finances in the state (Gajl, 1992, p. 23).

The Constitution of the Republic of Poland also regulates the issue of sources of income of local government units (JST) – local tax authorities and guarantees for the level

of income received by local government units from the state budget (Nowacka, 1997, pp. 21–24).

The scope of financial autonomy of territorial self-government units is determined by the amount of monetary resources transferred to their independent disposal (in relation to the size of monetary resources of the state) and the scope of freedom in shaping expenditures, spending funds, organizing local government budgets, budget planning and budget implementation (Ruśkowski, 1998, p. 85).

The income dimension of independence is the most important issue while analyzing the aspect of financial independence of local government units. Therefore, it is important to create such legal mechanisms that would secure local government units through stable and efficient sources of income occurring in the area of territorial range of these units, as well as ensuring the authorities of local government units the influence on the structure and efficiency of these sources through income control (Miemieć, 2011, p. 384).

Self-government own income is of fundamental importance for the independence and self-sufficiency of local governments. They determine the extent of financial independence of local authorities from decisions of government administration and promote freedom in creating and using sources of income (Wojewódzic, Płonka, 2008). Local government revenues and local fees play a special role among municipalities' own revenues, in relation to which municipalities in Poland have tax authorities. In the current legal system, the budgets of municipalities can generate income, though, among others, the fees related to:

- trade,
- place,
- health resorts,
- having dogs,
- duty,
- operations,
- betterment,
- perpetual usufruct and permanent management,
- planning,
- product,
- parking,
- prolongation,
- sale of alcohol,
- removing trees and shrubs.

The sources of local government revenue and their structure fulfill certain functions in relation to the economy and financial policy. Own revenues provided to the local government by law are certain and clearly defined as to the criteria, time and dimension of their collection increase the degree of independence of local authorities. On the other hand, a significant share of compensatory (transfer) income in local government budgets, based largely on the discretion of their distribution by central authorities, limits the

financial independence of local government units. It is a manifestation of the deceleration of the process of decentralization of public finances (Szewczuk, 2004, p. 39).

2. The structure of income of Lubuskie local government units

For the purposes of public finances, the budget is a statement of income and revenues as well as expenditures and outlays planned for a given period in the state (state budget) or in a local government unit (budget of a local government unit – i.e. the budget of a municipality, powiat).

The budget of local government units is planned for the period of the budget year, which coincides with the calendar year. The budget income and revenue plan is a forecast, therefore it is predictive in nature.

When analyzing the data contained in the “Results of Supervisory, consultative and control activity of the RIO in Zielona Góra”, it should be noted that in 2016 budget revenues of Lubuskie JST (i.e. local government units) planned at 1,239,580,180.54 Euro were implemented in 99.9 % (i.e. in the amount of 1,238,703,107.16 Euro). In 2016, the revenue of the entire local government sector increased by 7.4% compared to income generated in 2015. Overall revenue of Lubuskie JSTs in 2016 increased by 9.7%, which was mainly due to the increase in revenues obtained from targeted subsidies (by 34.2%). Own income and income from subsidies increased by 1.5% and 3.4%, respectively. A noticeable increase in the total amount of local government revenues was influenced by the funds transferred to local government units on commissioned tasks in the field of government administration related to the financing of the “Family 500+” program. Without taking into account these inflows, the total income obtained by Lubuskie local governments compared to 2015 would increase by 0.8%, and the income from special-purpose subsidies would decrease to the level of 94.6% of revenues from the previous year. Total budget income of local government units in the Lubuskie Voivodeship was executed in 99.9%, i.e. in the amount of 1,238,703,107.16 Euro, including property income in the amount of 79,562,341.79 Euro (95.3% of the plan), while current income in the amount of 1,159,140,765 Euro (100.3% of the plan).

Table 1. Income of Lubuskie local government units in 2015–2016 – execution, dynamics.

Specification	2015			2016			Dynamics of execution according to types of JST (last year = 100)	
	plan	execution	%	plan	execution	%	2015	2016
Total income	1,170,679,346.24	1,159,352,133.29	99.0	1,239,580,180.54	1,238,703,107.16	99.9	102.8	109.7
Own income	573,417,015.60	574,113,617.03	100.1	560,398,610.73	567,728,637.47	101.3	108.6	101.5
Shares in revenues from state taxes	2,259,299,205.44	229,898,916.34	101.8	236,120,975.61	242,876,061.65	102.9	113.2	108.5
Taxes and fees	218,381,613.04	219,488,293.55	100.5	22,017,288.32	222,679,659.02	101.1	105.7	104.2
Target subsidies in total	284,518,653.99	272,516,715.71	95.8	364,413,795.05	356,096,620.19	97.7	96.9	134.2
Targeted subsidies received from the state budget for the implementation of own tasks in total	126,805,632.75	120,242,212.13	94.8	105,305,618.53	100,057,056.69	95.0	96.3	85.4
Total subventions	312,743,676.40	312,721,801.71	100.0	314,767,774.75	315,877,849.25	100.0	98.4	103.4
Subventions for education	240,924,573.03	240,889,764.87	100.0	240,428,330.55	240,453,676.44	100.0	103.2	102.5
General subvention – compensating part	1,989.90	1,989.90	100.0	0	0	–	100.0	0.0
General subvention-balancing part	14,982,071.10	14,982,093.62	100.0	16,397,483.60	16,397,517.65	100.0	58.1	112.4
General subvention – leveling part	55,608,241.46	55,608,241.46	100.0	56,598,335.58	56,598,335.58	100.0	95.5	104.5
General subvention – income supplement (current)	1,117,323.71	1,130,233.48	101.2	88,349.52	171,672.87	195.9	593.6	15.7
General subvention – income supplement (property)	109,477.17	109,477.17	100.0	1,255,275.49	1,255,275.49	100.0	89.1	1177.3
Current income	1,040,832,773.91	1,043,034,951.54	100.2	1,156,117,178.74	1,159,140,765.36	100.3	103.5	114.1
Current own income	525,844,643.20	532,438,758.18	101.3	529,019,781.74	538,761,411.88	101.8	108.5	103.9
Income from targeted subsidies for current tasks in general	146,035,733.66	198,000,765.45	97.8	313,584,897.50	306,756,779.71	97.8	99.5	159.1
Property income	129,846,572.33	116,317,181.74	89.6	83,463,001.80	79,562,341.79	95.3	96.4	70.2
Property sale income	27345,846.53	22,418,023.46	82.0	23,747,781.15	22,779,653.76	95.9	102.6	104.3
Income from targeted subsidies for investments and investment purchases in total	82,164,722.51	74,532,845.71	90.7	50,828,897.54	49,339,840.48	97.1	90.6	68.0

Data in Euro currency according to the average exchange rate of the National Bank of Poland in 2015, i.e. 4.2615 PLN and in 2016 – 4.3757 PLN.

Source: study based on Implementation of budgets by Lubuskie local government units in 2016, Results of Supervisory, consultative and control activities of the RIO in Zielona Góra, www.zielonagora.rio.gov.pl (27.07.2018).

In 2016 in the structure of JST income invariably reveals bigger share of current income than property. In Lubuskie voivodeship JST budgets, current income in 2016 accounted for 93.6% (country average of 93.9%) of total income generated and was performed by all types of JST at the level of 103.5%. Execution of property income (constituting 6.4% of total income, with the national average of 6.1%), amounted to 95.3%. In the amount of income obtained in 2016 by Lubuskie local governments, current own income accounted for 43.5% (on average in the country, 47.9%). Revenue from the share in income taxes accounted for 19.6%, taxes and fees – 18.0% (in the entire country, these revenues accounted for 22.7% and 17.7% respectively). In turn, the property income in Lubuskie JST constituted 6.4% of total income, including revenues from asset sales – 1.8%, and earmarked subsidies for investment expenditure – 4.0% (nationwide respectively: 6.1%, 1.6% and 3.9%).

Conclusions

In recent years, local governments have been delegated new tasks, the implementation of which has not been closely linked to providing adequate amounts of subsidies, subventions or establishing additional sources of own revenue. The efficient functioning of local government units requires responsible management of public funds. Due to the constantly growing social needs and limited resources, the municipality's economy should be rational (Kožuch, Brzozowska, 2006, p. 11).

The implementation of tasks by local governments is dependent on sufficient sources of financing. For this reason, a proper functioning of the income system is so important in the budget. It should be emphasized that the increase of the overall amount of revenues in 2016 was influenced by funds transferred to local governments units for tasks in the field of government administration, related to the financing of the "Family 500+" program. Without including these takings, the total income obtained by Lubuskie District governments in comparing to 2015 would have increased slightly.

The analysis of the data presented in the article shows that the taxes constitute the group with the highest income among all the sources constituting the own revenue of the commune in the Lubuskie District. A positive phenomenon that should be pointed out is the income growth. It is caused by the fact that the commune authorities are conducting a fiscal policy aspiring to the maximization of the obtained inflows.

In order to obtain the funds necessary for the implementation of tasks imposed by the legislator, affecting the development status of the municipality and the standard of living of residents, it is necessary to activate the activities of local authorities in terms of acquiring financial resources (Kožuch, Mirończuk, 2005, p. 12).

The analysis of income of local government units was carried out on the basis of available real data for 2016. The study of the structure of income sources was aimed at identifying the most significant sources of income in the budgets of local government units in the Lubuskie voivodeship. Finally, it should be added that the public funds planned in

the budget for a given year (inflows) must be equal to the sum of planned expenditures and public outlays (outflows). The public funds realized in a given year must also be balanced with the sum of expenditures and public outlays made in a given year.

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STRUKTURA DOCHODÓW LUBUSKICH JEDNOSTEK SAMORZĄDU TERYTORIALNEGO

Słowa kluczowe: dochody, budżet, samorząd, gmina

Streszczenie. Niniejsze opracowanie ma charakter opisowy i wyjaśniający. Dotyczy prezentacji dochodów lubuskich jednostek samorządu terytorialnego w latach 2015–2016 w aspekcie samodzielności finansowej oraz zobrazowania pozycji dochodów w strukturze budżetu gmin. Celem opracowania jest zapoznanie czytelnia ze strukturą dochodów budżetowych jak również prezentacja otrzymanych wyników. W pracy zastosowano następujące metody badawcze: studia literaturowe, analizę oraz wnioskowanie. Niezbędna była również dogłębna analiza źródeł prawa zewnętrznego oraz wnioskowanie na podstawie dostępnego sprawozdania z wykonania budżetów przez lubuskie jednostki samorządu terytorialnego w roku 2016. Wyniki Działalności nadzorczej, opiniodawczej i kontrolnej RIO w Zielonej Górze.

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