LOCAL BUDGET – FINANCING OPERATIVE INSTRUMENT OF THE ADMINISTRATIVE – TERRITORIAL ACTIVITY

BUGETUL LOCAL - INSTRUMENT DE FINANŢARE OPERATIVĂ A ACTIVITĂŢII TERITORIAL ADMINISTRATIVE

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Abstract: *In order to develop and provide qualitative and reliable public services, we submit to your attention the following issues: the improvement of the equipment of the territorial-administrative units with state-of-art computational technique for the proper performance of activity and prompt information of taxpayers, a greater degree of autonomy for the local communities in relation to the elaboration of their budgets, the encouragement of local communities to find other financing sources, including private loans or public-private partnership, professional training of the personnel employed with the territorial-administrative units and finally, the supervision – processing of all normative documents by General Departments of County Public Finances*

Keywords: *public finances, local budgets, incomes section*

INTRODUCTION

1. The guarantee of the administrative autonomy, based on the principle of the local decentralization and autonomy is not possible without the enforcement of a proper legislative frame and the related mechanisms, namely the instruments necessary for the local authorities to discharge their legal attributions. .

2. In compliance with the provisions of the Act for Local Public Finances no. 273/2006, the ***local budgets*** will stand for the income and expenditure budgets of the administrative-territorial units. Every township, town, city, sector, county and Bucharest City, respectively, independently sets up the local budget, pursuant to the legal conditions. "No subordination

relations exist between such budgets" and, more synthetically said, by local budget one should understand the document where the incomes and expenses of the local units are registered during one year, meaning the budgets of the administrative territorial units with legal status.

RESULTS AND DISCUSSIONS

3. The structure of the local budgets is as follows:

- own budgets of the counties and Bucharest City, managed by the County Councils and Bucharest City, respectively;
- own budgets of townships, towns, municipalities and capital's sector, which are managed by the mayors, acting as main budget managers.

4. However, in our country, the financial autonomy of the local collectivities is not yet complete, existing thus certain dependency relations towards the state budget, especially in relation to the incomes.

5. In respect to the structure of the local budget, the **incomes section** includes both the own incomes, deriving from the collection of taxes, fees and income deposits paid by natural entities and the local legal entities (these are stipulated by the normative documents referring to the local taxes and fee and the manner in which the legal competencies are assigned to the local council, in this field) as well as the incomes deriving from amounts taken out from certain incomes due, in compliance with the legal provisions, to the state budget; transfers granted from the state budget for financing certain general interest investments that exceed the jurisdictional area of some local collectivities or for social security actions applied within the national or legal public institutions (elderly centers, orphanages, special schools, etc).

6. The expenditures financed from the local budgets, necessary to carry out the actions and activities within the competence of the local councils, are applicable for:

- the activity of the executive authorities and local subordination public services; - the functioning structure;
- the activity carried out by the social-cultural establishments (such as the education centers, the religious centers, the social protection centers, emoluments, social aids);
- supply of different services (including sanitation, green areas, environment protection), public development (water supply

pipes, drainage networks, roadways, roads, pavements, leisure areas) and residences; - the development-based structure;

- activity involving transportations, agriculture and different economic actions;
- setting up certain reserve funds for credit reimbursements and interest payments.

Both the incomes and the expenditures afferent to the local budgets should be properly calculated and supervised, and nevertheless, the budget should meet the criteria set forth by the lawmaker, in respect to the local public administration.

Elaboration of the Local Budget Projects

7. When setting up the local budgets, the authorities take into account the provisions of the Law regarding the local public finances as well as the dispositions stipulated by the Law concerning the local public administration, which set forth the competencies invested in the local council based on setting up the income sources deriving from fees, taxes and other income deposits, as well as the responsibilities in respect to the financing of the public institutions and services locally subordinated.

8. The main budget managers of the local budgets (the mayors and the presidents of the county councils and the Capital General Council) will decide upon which actions should be subject to financing from the local budgets, based on certain ***programs*** that are to be elaborated by the local establishments and public service facilities intended to finance certain activities, objectives, projects which are to be considered appendixes to the local budget.

Principles of Setting Up the Local Budgets

The principles acknowledged by the fiscal – financial literature, and used for the budgetary planning are as follows:

9. *the principle of singularity* expresses the individuality of the budget considered both from the approval perspective as well as from the management perspective, based on an unitary system of coefficients and correlations.

The principle of singularity implies the enlistment of all state incomes and expenditures, in lump sums, into one single document that provide global information regarding the public resources and their use.

The singularity is provided by the national accounts system, within which the public administration accounts gather both the state incomes and the expenditures.

10. ***the principle of universality*** based on which the elaboration and the execution of the budget is carried out in a system of compulsory norms, stipulated by the law of public finances.

The universality implies that both public incomes and expenditures will be enlisted in the budget, in lump sums, with no omissions and compensations between own expenditures and incomes, in order to facilitate the budgetary registration of the incomes, in gross amounts and the expenditures, as overall amounts, enabling thus the legislative bodies to see the incomes which the executive authorities are to cash in during the ongoing year, as well as their destination.

Some circumstances also impose the acceptance of particular exceptions from the principle of universality, such as:

- ***the donations*** granted for a certain purpose by the donor, and which do not increase the overall total resources but which are used only for the completion of those actions intended by the donor;
- ***the support funds*** which are set up from financial resources granted by different legal or natural entities, made available to the public administration for the completion of certain public works or well-defined services in favor of a particular local or human collectivity;
- ***the reconciliation of the budgetary credits*** as a result of the reimbursement towards the budget of certain undue amounts of money granted from the budgets of the previous years, found by the financial control bodies of the Court of Audit, the Government and the Ministry of Public Finances.

11. ***the principle of equilibrium*** based on which, for a budget to be valid, the incomes estimated to be gained should ensure the coverage of the expenditures estimated to be incurred during the reference period, a calendar (fiscal) year respectively.

In compliance with a constitutional regulation, no expenditures will be approved unless the financing resources are set up, and therefore, the budget should be balanced as a balance of payments where the incomes should cover the expenditures.

The budgetary equilibrium should be provided annually and quarterly, being possible that the incomes exceed the expenditures cumulated from the beginning of the year until the end of the reporting period.

12. ***the principle of reality*** is particularly applicable during the period afferent to the consolidation of the budget project, and implies the practical assessment of the incomes and the accurate and legal calculation of the budgetary expenditures that refer to the mobilization of all incomes that derive from the state budget as well as the objective emphasis of priorities in respect to the expenditures that can be financed from the budgetary incomes.

In order to elaborate a realistic and modern budget, that should meet the requirements derived from the Government Program, it is necessary to use specific prevision and analysis techniques, at macro-economic level, that should focus upon the economic, social and political impact that has been generated by the procurement of the budgetary incomes, the level and the destination of the budgetary expenditures.

When setting up and calculating the budgetary expenditures, the methods that are used should also consider ***the duties undertaken*** by the Government, through the Government Program for the ***stimulation*** of the social-economic development, the ***guarantee of a social security fund*** and the ***undertaking*** of an austerity situation, with consequences that can correct or aggravate the economic unbalances and the budgetary deficits.

The rating of the provisions of the budgetary coefficients should be made in strict correlation with the ***level of the foreseen gross domestic product*** for the next year, under the conditions of an estimated rate of inflation and based on a predictable currency exchange rate for the domestic currency.

13. ***the principle of the yearly-basis*** stipulated by the Law of Public Finances, and the Romanian Constitution, implies that the ***year***, as the period for the fiscal year, should be the reference criterion for the consolidation, balance and the analysis of the budgetary analysis, the budget being drawn up as a project by the Government, approved by the Parliament and reported, on a yearly basis, by specific reports that include the yearly accounts and the management report related to the completed budgetary year.

The yearly character of the budget has two distinct significances: **the first significance** relates to the period of time for which the budget is drawn up and approved, and the **second significance** relates to the period of time during which the incomes are cashed in and the expenditures are incurred.

14. ***the principle of publicity,*** based on which, after the approval of the annual state budget by the Parliament, it should be published in the Official Gazette and then it should be enforced.

For a proper information of the community regarding the figures enlisted in the state budget and for an accurate information of the taxpayers regarding the level of taxation and the development of the budgetary incomes and expenditures, based on a simple, clear and accurate form of publicity, transmitted by mass-media, in the written and audio-visual press.

15. Approval of the local budget

The projects of the local budgets elaborated under the said budgetary principles, will be submitted for approval to the local and county councils as well as to the general council of Bucharest municipality, within 30 days since the enforcement of the annual law afferent to the state budget.

Based on the local budgets approved by the local and county councils, the General Departments of County Public Finances have drawn up and sent to the Ministry of Public Finances the overall budgets for every county, assigning, on a quarterly basis, the incomes and expenditure, grouped on townships, towns, cities and sectors of Bucharest City, as well as the own budget of the county council, in compliance with the structure of the budgetary classification set forth by the Ministry of Public Finances.

The incomes and expenditures stipulated in the local budgets are assigned on a quarterly basis, depending on legal payment terms of the incomes and the period necessary for contracting the expenditures, based on the programs elaborated by the institutions and local public services, being subsequently approved by:

- the Ministry of Public Finances, in relation to the amounts assigned from the incomes of the state budget and for the transfers from this budget, based on the proposals of the main fund managers, sent by the General Departments of County Public Finances to the Ministry of Public Finances, within 20 days since the enforcement of the law of the state budget;

- the main fund managers (mayoralties) of the local budgets, for the own budgets and the budgets of the subordinated institutions and the public services, within 15 days since the approval of the amounts assigned by the Ministry of Public Finances.

16. Employment of the local budgets

The employment of the local budgets includes both the employment of incomes and the employment of expenditures. The employment of incomes represents the concrete operation by means of which the state competent bodies (the main budget managers) proceed to effectively cash in the incomes scheduled by means of known methods, either as written instruments (payment orders) or as cash (receipts). The employment of expenditures represents the effective use of public incomes (financial resources) set up according to the destinations and fields indicated in the functional budgetary classification (chapters, sub-chapters, etc.) and based on the economic classification (current expenditures, capital expenditures).

It is worth mentioning that while employing the budget, especially the expenditures, a preventive control, in respect to the necessity, efficiency, economical perspective, reliability, opportunity, legality hereof is set up so as to achieve the finality aimed by the budget manager.

CONCLUSIONS

In order to develop and provide qualitative and reliable public services, we submit to your attention the following proposals:

- the equipment of the territorial-administrative units with state-of-art computational technique (Internet connection; development of particular Intranet networks with general access, etc.) for the proper performance of activity and prompt information of taxpayers.

- a greater degree of autonomy for the local communities in relation to the elaboration of their budgets.

- the local communities should be encouraged to find other financing sources, including private loans or public-private partnership.

- professional training: periodical training of the personnel employed with the territorial-administrative units in order to professionally fulfill their duties.

- the General Departments of County Public Finances should provide an efficient methodological supervision – processing of all normative documents.

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