

PRESENT DIRECTIONS IN FINANCING PUBLIC EXPENSES. CASE STUDY PITESTI MUNICIPALITY

Burtescu Claudia

„Constantin Brâncoveanu”University, claudia.burtescu@yahoo.com, 0724.25.32.25

Marcu Niculina

„Constantin Brâncoveanu”University, n_marcu@yahoo.com, 0724.00.63.49

The public local incomes and expenses have suffered important changes both as a consequence of the reform of public finances, in general, and of local finances, in particular, and due to the decentralization, who has added a whole series of expenses to the local budgets.

Out of the incomes of the local budget we provide the financing of expenses for the public services in the competence of the local public administration authorities. In fact, the public expenses from the local budget consist in buying goods and services necessary to the functioning of public services and institutions, by the local authorities, a series of services provided to the community.

Key words : strategy, public finance, local finances,management

The fundamental strategy, the planning and control of a local authority's actions are reflected in its budget. It represents the connection between the mobilization of funds and the attaining of goals and objectives of the local authorities.

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As a consequence of the analysis of the budget of Pitesti Municipality for the period 2005-2007, we found its increase year by year. The total incomes of the budget of Pitesti Municipality have registered in 2007 an increase of 15.95% in comparison with 2006 and an increase of 69.88% in comparison with 2005.

In order to know the elements and factors which have led to this evolution, we have made an analysis of the income sources of the budget of Pitesti Municipality and of their evolution in time. But we have to mention the fact that, during the analyzed period, the budgetary classification has suffered major changes, and this is why the simple reading of the figures from the budgets of the years 2005, 2006, 2007 does not correspond to the conclusions we will refer to herein.

Analyzing the great categories of incomes, we may notice that:

The own incomes, also including the divided quotas of the revenue income, cashed on the territory of the Pitesti Municipality, which show, in fact, the potential and the development degree of the locality, have evolved from 48.22%, the percentage represented by this category of incomes from the total incomes of the year 2005, to 51.62% in the year 2006, while in the year 2007 it represented 53.16% of the total incomes of the local budget. This category of incomes has increased in value year by year, registering in 2007 an increase of 87.29% in comparison with the year 2005, and an increase of 19.41% in comparison with 2006.

Out of the total own incomes resulting from taxes and other local incomes, without calculating the quota on the revenue income attributed to the municipality, the incomes cashed from the taxes for buildings and lands and from the tax for the means of transport have the greatest weight. If in 2005 the weight of the three sources represented 46% of the total own incomes, in 2006 it represented 52% while in 2007 it represented 62% of the incomes resulted from taxes and other local incomes. We must mention the fact that during the analyzed period, the municipality has maintained a low level of the local fiscality, the level of local taxes being one of the lowest in the country. The registered increase was, in fact, influenced by the continuous development of the municipality, which has led to the capital accumulation both by the inhabitants of the municipality and by the business environment who have invested both in car acquisitions and in building constructions.

Within the non-fiscal incomes, the concession and rental incomes as well as the disbursement incomes from the public institutions, on which the municipality has a direct influence by the way in which it

administrates the public patrimony of the locality, represent the most significant sources in this category, namely over 70%. From the value point of view, in 2006 the three income sources registered an increase of 23% in comparison with the year 2005, and in 2007 an increase of 43% was registered in comparison with the year 2005.

The capital incomes have registered insignificant amounts, with the exception of the year 2006, because the municipality has not had a sales policy of some goods from the private domain of the locality

We may draw the conclusion that even if the municipality has not increased the level of the local fiscality, however, by offering some quality services, by creating the necessary infrastructure, it has influenced the development of the municipality and, implicitly, the increase of the own incomes of the budget of Pitesti Municipality.

With respect to the amounts of money from the state budget and the other amounts from other budgets attributed to Pitesti Municipality, we find out the fact that, even from the value point of view they have increased year by year, respectively with 112% in 2007 in comparison with the year 2006 and with 37% in 2006 in comparison with the year 2005, however, as a weight of the total incomes of the municipality's budget, they have registered a decrease in the analyzed period. The decrease of their weight is the effect of the increase of the own incomes of the local budget, which has brought about a greater degree of autonomy of the public administration authorities from Pitesti, in comparison with other municipalities in the country.

In the category of divided amounts of money, the greatest weight was represented by the amounts attributed for the partial insurance of the fonds necessary for the financing of some decentralized activities, namely for the preuniversitary education, for supporting the protection system of disabled persons, for the community services for registering the persons.

Some fonds were also attributed for the subsidy of the thermal energy supplied to the population in the centralized system or for financing some investments regarding the re-technologization of the system of supplying the thermal energy.

Pitesti Municipality made in 2006 a loan in value of 14.000 lei out of which it provided the partial financing of two major public investments and it was the beneficiary of some non-refundable funds which were used for developing the institutional capacity.

In 2006 and 2007, besides the incomes of the local budget, it provided the financing of some local public investments from the working balance, amounts which resulted from the budgetary surplus of the prior year.

The expenses of the local budget

Out of the incomes of the local budget we provide the financing of expenses for the public services in the competence of the local public administration authorities. In fact, the public expenses from the local budget consist in buying goods and services necessary to the functioning of public services and institutions, by the local authorities, a series of services provided to the community.

We also pay out of the budget the wages of the staff which provide these public services, as well as some rights of the disabled persons and of underprivileged families.

Another category of funds from the local budget is attributed as subsidy to the cultural institutions as well as for subsidizing a part of the tariff for supplying the thermal energy to the population in the centralized system.

For developing the services and ensuring the local infrastructure, we provide the necessary funds from the budget for the financing of capital expenses.

With respect to the expenses of the local budget, as well as to the other categories of budgets, the largest amounts of money have been attributed to the current expenses (staff expenses, expenses for goods and services, subsidies for covering the tariff differences for the thermal energy delivered to the population, the payment of interests for loans, transfers made to the local companies for carrying out some public investments, social security payments, scholarships and supporting the cults) and in a smaller proportion the funds have been directed towards investments (capital expenses).

Strategic objectives for drawing up, executing and controlling the local budget

From the inquiry of the civil society carried out in Pitesti Municipality, it resulted that the option of citizens with respect to the way in which the expenses of the local budget should be attributed in the next period, is the following:

- The increase of the expenses for health, education and social assistance;
- The increase of expenses related to the urban public services (sewage, green spaces, road infrastructure, handling the wastes);
- The decrease of the weight of expenses related to the gas and water supply.
- With respect to the financing sources of expenses (the incomes of the local budget), in the next years, they should, in the opinion of citizens, consist in:
 - Concessions and rental incomes
 - The profit tax from the economic agents
 - Hotel taxes
 - Land taxes.

In the same time, at the level of population, there is the opinion concerning the fact that among the financing sources of investments we should use the incomes from the privatization of public services, the loans (mortgage bonds or bank loans) and, as a last solution, the local taxes, with the observation that all sources have a score of over 50% (scores between a maximum of 3.77 and a minimum of 4, being thus above the median).

However, the observation referring to the way of financing the investing programs is in contradictory to the public opinion from Pitesti Municipality, regarding the privatization of some public services.

Thus, 45.3% of the respondents to the inquiry carried out in Pitesti Municipality have a bad or a very bad opinion (so they are rejecting such an orientation), 20% have a good and very good opinion (so they appreciate the privatization of some public services), and 34.7% are situated at the middle, between these two opinions.

Strategic directions proposed for the next period:

a. Ensuring the necessary funds for the quantitative and qualitative increase of public services in the competence of the local authorities having in view:

The maximization of the own incomes of the local budget by:

Creating an internal procedure for administrating the public patrimony as well as an efficient internal control.

Settling the level of local taxation, according to the short-term, medium-term and long-term objectives of the municipality but also with the condition of being bearable by the taxpayers, having in view the fact that in Pitesti Municipality the level of fiscality is one of the lowest.

Improving the activities of finding, observing, cashing and registering the local taxes in view of increasing the degree of cashing these incomes of the local budget by:

Evaluating the taxable mass;

Taxing the goods at their real value, and in this sense we should change the fiscal legislation;

The analysis and observation of the dynamic of debts for each debtor, so that there would be no debts older than six months.

The building of the budget must be made preponderantly out of incomes resulting from economic activities and provision of services;

Using the local public debt, namely the securities, the loans from commercial banks or from other credit institutions, supplier's credits, financial leasing; for obtaining supplementary funds for financing some public investments;

Identifying some alternative solutions for supplementing the funds from the local budget:

Accessing non-refundable funds, mainly those structural which cover a large range of domains, and in this sense:

- the development of the specialty service,
- the training of the staff in this domain,
- the identification of possible partners interested in carrying out some common projects, and
- the preparing of projects which are within the requests of the structural funds

are required.

Creating some public-public or public-private partnerships in view of providing some public services in common or in view of financing some public investments.

b. Improving the way of elaborating, executing, monitoring, controlling and reporting the local budget by:

- Developing the ability of elaborating the budgets on programs, the long-term budgets, a planning made for at least three years and giving priority to expenses;
- Elaborating some forecasts – in order to evaluate correctly the level of expenses which are to be made;
- Defining and monitoring the performance indicators – physical, efficiency and result indicators – classified on directions, activities and actions for each tertiary credit release authority;
- Settling some quantitative and qualitative standards for the local public services;
- Creating a system for settling the priorities;
- Developing the internal control and the auditing procedures.