

TRANSFER INCOMES OF TERRITORIAL SELF- GOVERNMENT IN POLAND

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Abstract in original language

Efficient and effective functioning of territorial self-government depends on its funding. The general rules for funding the territorial self-government units in Poland are laid out in the Constitution and the pertinent law passed by the Parliament. The two documents name the units' own revenues, block grants and grants. Because block grants and grants are incomes transferred by the government, they are called transfer income, or simply transfers. However, among own revenues there are also types of incomes that have resemble transfers to some extent. The article discusses the discrepancies between the legal and actual status of the transfers and the differences that can be found between them at three levels of territorial self-government with respect to their formal status and actual volumes.

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N/A

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Efficient and effective functioning of territorial self-government depends on its funding. The general rules for funding the territorial self-government units in Poland are laid out in the Constitution and the pertinent law passed by the Parliament. The two documents name the units' own revenues, block grants and grants. Because block grants and grants are incomes transferred by the government, they are called transfer income, or simply transfers. However, among own revenues there are also types of incomes that have resemble transfers to some extent. The article discusses the discrepancies between the legal and actual status of the transfers and the differences that can be found between them at three levels of territorial self-government with respect to their formal status and actual volumes.

Key words

Poland, local and territorial self-government, revenues of the units of subnational self-government, transfer incomes, block grant, dedicated grant, shares in income taxes

The territorial self-government in Poland funds its expenditures using a whole range of sources. Its efficient functioning, the possibly comprehensive fulfilment of its tasks depends on the funding options. The options are regulated under the law. Are the laws optimal, flexible and

sufficient, i.e. do they render the granted sources of funding effective? These questions cannot be answered briefly, as the possible answers are not explicit. There is also a new question what is the use of pondering on the questions, when the laws applying to the sources of local governments' incomes and the incomes in Poland are expansions of the provisions laid down in the 1997 Constitution of the Republic of Poland? Unlike the previous questions, this can be answered explicitly. Initiating discussions about the earlier presented problems allows their more objective evaluation and promises the possibility of finding more advantageous solutions. We cannot assume that laws should remain unchanged. Quite the contrary, regulations have to respond to the changes occurring in the economic and social spheres. Dead or inadequate laws hurt.

This article attempts to answer the questions formulated above. The starting for the discussion is the statement that the part of the territorial self-government funding system representing incomes and their sources falls short of their importance arising from the tasks and competencies granted to the local governments. An investigation into this mismatch requires in-depth analyses, both legal (laws) and economic and financial (empirical research). By way of introduction, we need to shortly describe the situation of the local territorial self-government in Poland and the income-related problems.

The territorial self-government in Poland has three tiers: communes, counties and voivodeships. The self-governing communes were formed pursuant to the commune self-government law of 1990. Eight years later, the Polish Parliament (the Sejm) passed laws establishing two new tiers of territorial self-government – counties and voivodeships, fulfilling the requirement of the Constitution of 1997. The establishment of new, higher tiers of self-government required specific decisions about the powers that each of the tiers should be granted to avoid disputes over the performance of certain tasks or their no-fulfilment. One of the most important decisions was that granting funding to the new units of territorial self-government: incomes and sources of income. However, the way this should be interpreted is that the legislature was obligated by the national assembly that had passed the Constitution („the sources of incomes of the units of territorial self-government are specified in the statute”) to specify these incomes and sources, because the Polish Constitution enumerates in article 167, item 2, three groups of revenues that the self-government units are entitled to: own revenue and block grants and dedicated grants paid by the state budget. The law on the revenues of the units of the self-government expanded the provision. Its article 3 repeats the constitutional provision in item, adding in item 2, though, that „in the meaning of the statute own revenues of the units of territorial self-government are also shares in the personal income tax and corporate income tax”. It can be assumed that this supplement, expansion or interpretation of the constitutional regulation arises from the necessity to fulfil the obligation resulting from the European Charter of Local Self-Government (ECLSG) that Poland fully ratified. One

of the Charter's provisions is that the units of territorial self-government should be provided with revenue from taxes they are allowed to collect. Because the sources are limited and they were granted at the time when self-government was reinstated in the communes, the counties would have to do without their own tax revenues. Block grants and dedicated grants are sources of funding within the state budget. Even though taxes account for around 90% of the budgetary resources, this source of funding cannot be called tax based and so it would fail to comply with the ECLSG's standards and requirements. This "smart" measure helped avoid a troublesome situation. However, another problem appeared. Particularly the financial literature, but also the doctrine, commonly treats own revenues as those that the units of territorial self-government can control and shape. The share in taxes representing the state budget's incomings that is distributed among all tiers of self-government does not meet the condition. Therefore, two meanings of the term 'own revenue' have developed: a broad one and a narrow one. The first, formal, encompasses also shares in taxes constituting sources of income for the state budget. The narrow one, logical, ignores the shares. This produces terminological confusion and makes discussions on the incomes of local governments and their sources more difficult. It should be emphasised that statistics and state reporting (budgetary), as well as official documents used the term 'own revenue' in its broad meaning. The literature, especially its legal branch also uses the same interpretation of own revenues, frequently failing to define them (the authors simply refer to the law). This explanation is necessary to avoid doubts and then, to highlight the financial situation of the units of territorial self government, particularly financial differences between the tiers, own revenue will be presented in both meanings.

An additional difficulty that should be noted arises from the shares in national taxes being included in the group of own revenues. The difficulty is connected with the range of transfers that are discussed in this article. Are shares equivalent with transfers or not, as the legislature putting them into the group of own revenues wishes to see them? Given that the character of legal document is determined by its content and not its name, in the course of our discussion shares in national taxes will be treated as transfers.

The word 'transfer' stands for movement, delivery, handover. In the economic sense or, more precisely, in the financial sense extending also the sphere of public finance, transfer is a conveyance, making money available without the beneficiary having to do anything in return. In this sense, transfers in Poland are represented by block grants, dedicated grants and shares in tax revenues received by the state budget. Block grants and shares in taxes are unconditional, which means the beneficiary is simply entitled to them, whereas dedicated grants require some specific conditions to be met and because they are included among conditional transfers.

	CIT	0.5	0.5	0.5	0.5	0.5	15.9	15.9	15.9	15.9	14.0	14.0	14.75
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Source: developed by the author

Where: : PIT – personal income tax, CIT – corporate income tax, for other symbols see table 1

The year 2004 when considerably higher rates were put into effect turned out to be a turning point again, as in the case of the block grant design. Before 2004, counties did not have a share in the CIT revenues and their share in the personal income tax was symbolic. The situation of the self-governing voivodeships and the corporate income tax was similar. The share in the CIT revenues increased almost 32 times! In 2008 the rate was reduced for two years by 1.9 percentage point and its 2010 value is 14.75%.

General characteristics of the incomes of the units of territorial self-government

For transfer incomes to be fully evaluated they have to be analysed in relation to all incomes that the units of territorial self-government had in the period in question. Table 3 presents data illustrating the values by the tier of local self-government. In the analysed period all incomes generally showed an upward trend, excluding the year 2003, when their amount somewhat declined because of lower incomes in communes and counties. Another fall in incomes can also be noted for counties and voivodeships in the year 2002, however, this situation did not reduce the total revenues of the units of territorial self-government. Table 4 showing the dynamics of the changes (year on year) and table 5 presenting the structure of incomes by the tier of local government provide a better illustration of the data. Analysis of table 5 explains why revenues falling in 2002 did not result in the case of counties and voivodeships in a fall in the total revenues of the units of territorial self-government.

Table 3. Incomes of the units of territorial self-government, years 1999-2009 (in thousand PLN).

Specification	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Dojst	64884875	72609515	79594649	80033876	79140450	91503977	102911882	117040222	131380203	142568987	154842461

Do G	323 534 86	345 838 00	372 868 93	384 736 87	360 463 22	403 085 30	4581 3191	5172 4275	5700 3129	6231 7775	6488 2149
Do P	984 740 2	125 547 05	140 411 04	126 955 07	111 116 21	124 713 67	1376 2684	1484 4238	1615 4756	1814 7200	2008 4495
Do Pm	193 965 60	217 663 83	236 671 18	246 464 13	274 167 57	317 537 74	3626 9800	4098 5861	4687 3425	4944 3818	5032 7507
Do W	328 842 7	370 462 7	459 953 4	421 826 9	456 575 0	697 030 6	7066 206	9485 847	1134 8892	1266 0195	1954 8310

Source: developed by the author based on the information on the execution of the local governments' budgets contained in the reports on the state budget execution in the years 1999-2009.

Where: Djst – total revenues of the units of subnational self-government, DG – total revenues of the communes, DP – total revenues of the counties, DPm – total revenues of the city counties, DW - total revenues of the voivodeships,

Table 4. The dynamics of changes in the local governments' revenues, years 1999-2009

Specification	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Do jst	100,0%	111,9%	109,6%	100,6%	98,9%	115,6%	112,5%	113,7%	112,3%	108,5%	108,6%
Do G	100,0%	106,9%	107,8%	103,2%	93,7%	111,8%	113,7%	112,9%	110,2%	109,3%	104,1%
Do P	100,0%	127,5%	111,8%	90,4%	87,5%	112,2%	110,4%	107,9%	108,8%	112,3%	110,7%
Do Pm	100,0%	112,2%	108,7%	104,1%	111,2%	115,8%	114,2%	113,0%	114,4%	105,5%	101,8%
Do W	100,0%	112,7%	124,2%	91,7%	108,2%	152,7%	101,4%	134,2%	119,6%	111,6%	154,4%

Source: see table 3.

The most inconsistent changes can be found in the revenues of the voivodeships. Dynamics variations range from a fall to 91.7 % to an increase reaching as much as 154.4%. The data in table 5 show, however, that communes are the most important as far as the structure of local governments' revenues are concerned. Their share in the revenues invariably exceeded

Table 5. The structure of local governments' budgets by tier, years 1999-2009.

Specification	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Do jst	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Do G	49,9%	47,6%	46,8%	48,1%	45,5%	44,1%	44,5%	44,2%	43,4%	43,7%	41,9%
Do P	15,2%	17,3%	17,6%	15,9%	14,0%	13,6%	13,4%	12,7%	12,3%	12,7%	13,0%
Do Pm	29,9%	30,0%	29,7%	30,8%	34,6%	34,7%	35,2%	35,0%	35,7%	34,7%	32,5%
Do W	5,1%	5,1%	5,8%	5,3%	5,8%	7,6%	6,9%	8,1%	8,6%	8,9%	12,6%

Source: see table 3.

40 %, showing however a distinct falling trend (by as many as 8 percentage points over the period of 11 years). City counties are ranked second. Except for the years 1999 and 2001, they always accounted for more than 30% of the total incomes of local governments' and the share displayed a clear growing trend. The position of the counties is the most stable. Although the share of voivodeships' incomes has been rising, it crossed the level of 10% as late as 2009. The data contained in tables 3, 4 and 5 do not show that new regulations applying to local governments' revenues were made effective in 2004. In that year 2004 voivodeships' incomes grew the most, by almost a half, evidently because of a share in CIT growing by 15.4 p.p. compared with the previous period. The same growth, however, was not found in the case of counties that were granted a larger, almost 7.5 p.p. share in PIT and a share, however small, in CIT revenues. We need to note at the same time

that the growth of total incomes in communes and counties decelerated in 2003.

Transfer incomes of the units of territorial self-government

The importance of the transfer incomes is best illustrated by their total shares and by their type in total incomes of local governments presented in table 6.

Table 6. The share and structure of transfer incomes in local governments' incomes.

Specification	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Do jst	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Transf.	71.9%	72.1%	71.9%	71.0%	69.4%	70.4%	68.8%	69.0%	68.9%	71.1%	73.1%
U jst	15.6%	13.8%	12.9%	12.9%	13.0%	21.9%	22.1%	22.7%	25.3%	25.3%	21.7%
Sub jst	34.1%	35.6%	37.0%	37.1%	40.1%	34.2%	31.5%	29.5%	28.0%	29.2%	29.3%
D.cl jst	22.1%	22.7%	22.1%	21.0%	16.3%	14.3%	15.1%	16.8%	15.6%	16.6%	22.1%

Source: see table 3.

Where: T – total transfers, Ujst – total shares of the units of subnational self-government in income tax revenues, Sjst – total block grants for the units of subnational self-government, Cyst – total dedicated grants for the units of subnational self-government.

According to table 6, the transfer incomes contribute over 70% of the incomes received by communes, counties and voivodeships. The band of changes is not wide, being 71% ± 2 percentage points. This proves that transfers have huge importance in the financial management of the Polish local governments. While the proportion of transfers alone is relatively stable, we can clearly see the increased importance of local governments' shares in income taxes after the law on local governments' revenues was amended to make them larger them. While their share in total incomes in the years 2000-2003 ranged from 12.9 to 13.8%, the year 2004 marks their raid

change upwards in excess of 21%, and even above 25% in the years 2007 and 2008. On the other hand, the significance of dedicated grants diminished; between the years 1999 and 2002 they exceeded 22% to be less than 17% from the year 2003 (i.e. before the law on local governments' incomes was amended). An exception was the year 2009, when the share was 22%. On the other hand, block grants were changed twice. Initially they showed an upward trend, between 1999 and 2003 they grew by 6 p.p., from 34.1% to 40.1%, to fall by 5 p.p. in the year when the amended law was made effective and to stay at the level. The end of the period in question is characterised by a stable share of block grants standing at the level of around 29% of total incomes derived by the local governments. The change trends are presented by the data in table 7.

Table 7. The dynamics of changes in local governments' transfer incomes in Poland, years 1999-2009.

Specification	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Do jst	100.0%	111.9%	109.6%	100.6%	98.9%	115.6%	112.5%	113.7%	112.3%	108.5%	108.6%
Transf.	100.0%	112.2%	109.4%	99.2%	96.7%	117.3%	109.9%	114.0%	112.1%	112.0%	111.7%
U jst	100.0%	98.6%	102.4%	100.5%	100.1%	194.1%	113.9%	116.6%	125.0%	108.4%	93.3%
Sub jst	100.0%	116.9%	113.8%	100.9%	106.8%	98.7%	103.6%	106.4%	106.5%	113.2%	108.9%
D.cl jst	100.0%	114.5%	106.6%	95.7%	76.7%	101.7%	118.7%	126.1%	104.4%	115.7%	144.5%

Source: see table 3.

The following conclusions can be formulated based on table 7: none of the transfer incomes grew continuously in the period in questions, year on year. The shares of some specific transfers in total incomes shrank the most in 2003 (dedicated grants), but this was a result of the share decreasing from the year 2000. On the other hand, the largest increase could be observed in 2004, when the shares in income taxes almost doubled in relation to the previous year. A look at the transfers' total share in total incomes of local governments offers shows that there were two cases when it decreased compared with its level in the previous year: in 2002 and 2003. Besides, in 2003 total incomes diminished in absolute terms and the growth in 2002 was merely symbolic.

Table 8. The structure of transfer incomes in Poland, years 1999 - 2009.

Specification	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Transf.	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ujst	21.7%	19.1%	17.9%	18.1%	18.8%	31.0%	32.2%	32.9%	36.7%	35.5%	29.7%
Subjst	47.4%	49.4%	51.4%	52.3%	57.8%	48.6%	45.8%	42.8%	40.6%	41.1%	40.0%
D.cljst	30.8%	31.5%	30.7%	29.6%	23.5%	20.3%	22.0%	24.3%	22.7%	23.4%	30.3%

Source: see table 3.

As far as the structure of transfer incomes alone is concerned, we can clearly see that the block grant ranked first, followed by shares in tax revenues. In the period in question both types of transfers ranged from 68.5 to 79.7%.

By analysing total transfer incomes received by local governments we can form a general picture of the funding available to them and of their capacities for fulfilling the tasks they have been assigned. That among all transfers the unconditional ones are the most important should be generally considered a positive phenomenon. What we should bear in mind, though, is how the rules for the distribution of the funds (the algorithms) are determined and what amounts the units of territorial self-government will have at their disposal. In Poland, these decisions are politicised and we can assume that the central government and the Parliament make them arbitrarily. Various mixed commissions and associations of different units of territorial self-government do not exert any major influence on the shape of solutions regulating finances of territorial self-government, including its revenues and their sources.

The importance of transfer incomes is different for different tiers of territorial self-government. The explanation of why it is so should be sought in the origin of modern Polish territorial self-government. The true picture can be drawn by analysing transfer incomes for each of the tiers: communes, counties and voivodeships, as well as communes with the rights of a county, i.e. city counties representing a special case.

Transfer incomes of the communes

Communes are privileged in terms of incomes among all other tiers of Polish self-government, not only because they represent a basic unit of territorial self-government in Poland. Their structure is different, because they have a right to collect their own taxes and at the their reinstatement they were provided with considerable assets that bring them some incomes. However, communes are not financially independent and have to be supported by the state budget. Because this article deals with revenues, own revenues will be treated here as one group, excluding the share in PIT and CIT that the Polish legislative body has categorised as own revenue and which this discussion treats as a classical transfer. The data showing the structure of communes' incomes are presented in table 9.

Table 9. The structure of communes' incomes including transfer incomes, years 1999-2009.

Specification	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Do G	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Dw G in which:	54.8%	52.5%	52.1%	49.6%	47.3%	48.2%	48.7%	47.4%	49.5%	49.3%	46.3%
UG	17.8%	15.9%	14.7%	13.1%	11.7%	14.6%	14.7%	15.2%	17.4%	18.2%	16.3%
PIT G	16.3%	14.3%	13.5%	12.1%	11.1%	13.6%	13.7%	14.2%	16.3%	17.1%	15.3%
CIT G	1.4%	1.6%	1.1%	1.1%	0.6%	1.0%	1.0%	1.0%	1.2%	1.1%	1.0%
Dw G - UG	37.0%	36.6%	37.4%	36.4%	35.6%	33.7%	34.0%	32.2%	32.1%	31.0%	30.0%
sub. G	33.6%	33.7%	36.2%	38.2%	42.2%	39.3%	35.1%	32.6%	31.3%	32.0%	33.9%
D.cl G	11.6%	13.7%	11.5%	12.2%	10.3%	12.5%	16.2%	20.0%	19.2%	18.8%	19.8%

Source: see table 3.

Where: DG – total communes' revenues, DwG – communes' own revenues, UG – total communes' share in income taxes, PITG – communes' shares in personal income tax, CITG – communes' shares in corporate income tax, DwG – UG – communes' own revenues without communes' share in income taxes, SG – the block grant for the communes, DcG – the dedicated grants for the communes. For other symbols see tables above.

According to table 9, own revenues is the major type of revenue in the communes, because their share is the largest, exceeding 46.3% of total revenue, and initially they even accounted for more than 50%. However, their proportion decreases when transfers are deducted from own revenues, the shares in income taxes are removed as a component of own revenues. In the period in question the proportion ranged from 37.4 to 30.0%. The remaining part was revenues from shares in income taxes representing from 11.7 to 18.2%), but the rates started to grow after the law on the local governments' revenues was amended. The decline in these revenues in 2009 was caused by the financial crisis that hit Poland as well. Around 1/3 of communes' revenues comes from the block grant. Its share decreased after 2004, stabilizing however at the aforementioned level. The share of dedicated grants in the income structure is found to show a different trend in communes than in the entire territorial self-government. These revenues represent around 20% of communes' total incomes and they have distinctly grown since 2005.

Transfer incomes of the counties

The counties represent a higher tier of local governments. The scope of their tasks is definitely narrower than that of the communes and their character is completely different from the tasks fulfilled by the voivodeships that deal with the regions. Because of that, counties' revenues are not high and not so diversified as communes'. The counties have very limited options for determining their own revenues and so the revenues are limited. The true picture of their financial situation is disturbed by their shares in income taxes, which has already been mentioned. The data on counties' incomes under the transferred amounts are presented in table 10. They show that counties' own revenues (including shares in income taxes) have represented since 2004 from almost 25 to nearly 33% of their total revenues. This proportion clearly increased after the counties' share in CIT revenues was increased. The actual proportion of own revenues, i.e. without the revenues provided by the share in income taxes, is much lower. However, in the period in question it showed an upward trend, growing from 4.3 to over 15% after 2004. The trend collapsed twice, the first time in 2007 and then, quite clearly, in 2009.

Table 10. The structure of counties' incomes including transfer incomes, years 1999 - 2009.

Specificati on		199 9	200 0	200 1	200 2	200 3	200 4	200 5	200 6	200 7	200 8	200 9
Do P		100. 0%	100. 0%	100. 0%	100. 0%	100. 0%	100. 0%	100. 0%	100. 0%	100. 0%	100. 0%	100. 0%
D w P	in which :	6.2 %	7.9 %	8.6 %	10.8 %	11.3 %	24.9 %	29.2 %	30.8 %	32.2 %	32.4 %	28,4 %
	UP	1.9 %	1.4 %	1.3 %	1.3 %	1.3 %	11.1 %	13.8 %	14.9 %	17.1 %	17.3 %	14,4 %
	PIT P	1.9 %	1.4 %	1.3 %	1.3 %	1.3 %	10.3 %	13.1 %	14.2 %	16.2 %	16.5 %	13,8 %
	CIT P	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.8 %	0.7 %	0.7 %	0.9 %	0.8 %	0,7 %
	Dw P - UP	4.3 %	6.5 %	7.3 %	9.5 %	10.0 %	13.8 %	15.4 %	15.9 %	15.1 %	15.1 %	13,9 %
	Sub P	44.4 %	47.7 %	46.3 %	47.0 %	56.1 %	50.8 %	48.7 %	46.1 %	46.1 %	48.0 %	45.9 %
	D.cl P	49.4 %	44.4 %	45.1 %	42.3 %	32.6 %	24.3 %	22.1 %	23.1 %	21.7 %	23.2 %	25.8 %

Source: see table 3.

Where: DPL – counties' total revenues, DwP – counties' own revenue, UP – total counties' share in income taxes, PITP – counties' share in PIT, CITP – counties' share in CIT, DwP – UP – counties' own revenue without their shares in income taxes, SP – total grant for the counties, DcP – dedicated grants for the counties. For other symbols see tables above.

Between 2000 and 2003 counties' share in the income taxes was stable, standing at around 1.3%, but in 1999 it was somewhat higher – 1.9%. After 2004 the share is considerably larger and exceeds 11%, showing a growing trend. In the period in question its value peaked in 2008 – 17.3%, however in 2009 the share distinctly declined to 13.8%, because of the financial crisis (the amount of taxable incomes grew smaller, one reason being growing unemployment).

However, the most important for the counties is the block grant. Its proportion clearly exceeds 40%, with its lowest level being noted in 1999 – 44.4% and the highest in 2003 – 56.1%. On the other hand, the dedicated grants showed a downward trend. Their highest level can be found at the

beginning of the period (and at the beginning of the counties two) and accounted for almost half of counties' revenues. Later on, after the year 2002, it dropped considerably and now ranges from 22 to 23% with some minor oscillations.

Incomes of the city counties

The city counties are a special solution in the Polish local self-government system, as one unit of this kind represents two tiers at the same time: an urban commune and a county. The city counties, there are 68 of them, are large organisms, as the category applies to units with populations in excess of 100,000 and some other cities. In terms of their share in the Polish local self-government's incomes they are ranked immediately after the communes that number 2,500 entities. This means that they are not only large but also financially strong public entities. Their revenues is the totals of the revenues granted to communes and counties. The levels of city counties' incomes are shown in table 11.

Table 11. The structure of city counties' incomes including transfer incomes, years 1999 - 2009.

Specification		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Do Pm		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Dw Pm	in which:	48.7%	48.4%	47.6%	50.5%	56.3%	64.3%	66.1%	67.7%	70.3%	69.5%	66.1%
	U Pm	18.9%	17.3%	17.2%	18.4%	19.6%	27.9%	28.2%	28.8%	31.2%	32.1%	29.9%
	PIT Pm	17.2%	15.7%	16.0%	16.8%	17.8%	24.6%	25.1%	25.4%	27.4%	28.2%	26.7%
	CIT Pm	1.6%	1.6%	1.2%	1.5%	1.8%	3.3%	3.2%	3.4%	3.8%	3.9%	3.3%
	Dw Pm - U Pm	29.9%	31.1%	30.5%	32.1%	36.7%	36.4%	37.9%	38.9%	39.1%	37.4%	36.2%
Sub Pm		29.5%	31.2%	33.1%	30.5%	32.0%	24.8%	23.0%	21.3%	19.9%	20.6%	22.5%
D.cl		21.	20.	19.	19.	11.	11.	10.	11.	9.8	9.7	11.

Pm		7%	3%	3%	0%	8%	0%	9%	0%	%	%	5%
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Source: see table 3.

Where: DPm – communes' total revenue, DwPm – communes' own revenue, UPm – total communes' share in income taxes, PITPm – communes' share in PIT, CITPm – communes' share in CIT, DwPm – UPm – communes' own revenue without their share in income taxes, SPm – block grant in the communes, DcPm – dedicated grants in the communes. For other symbols see tables above.

It follows from the data in the table the largest share is held by own revenues that in the period in question showed an upward trend. A slight drop in the incomes occurred in the years 2008 and 2009. Own revenues net of revenues from the income taxes are definitely lower (ranging from 65-54% of the revenues). After 2004, the share of own revenues without shares in income taxes was slightly below 40%. On the other hand, block grants have grown smaller since 2004 and they range within 20-23%. The around 20% share of grants in the communes' budgets in the years 1999-2003 decreased by around a half to account for approximately 11% of the total city counties' revenues after the year 2004. The share of transfer incomes in the latter units is lower by several percentage points from its level in the communes. It is so, because one of the basic types of the city counties' own revenues is revenues from the real property tax that are much lower in rural communes due to the obsolete formula of the tax operated in Poland.

Income transfers of the voivodeships

In Poland, self-governing voivodeships corresponding to the regional level represent the highest tier of local self-government. Because the voivodeships and the counties were founded according to the same rules, the situation of both these units with respect to revenues and their sources is similar. The position of the voivodeship is much better now, the reason being the role they play in distributing EU funds. The data characterising voivodeships' revenues and primarily their transfer incomes are presented in table 12.

Table 12. The structure of voivodeships' revenues including transfer incomes, years 1999 - 2009.

Specificati on	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
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DW		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
D w W	in which:	18.0%	16.0%	13.4%	15.7%	15.9%	59.1%	64.9%	63.8%	68.3%	58.5%	32,3%
	UW	16.4%	14.6%	11.6%	12.8%	12.0%	55.9%	55.7%	49.3%	52.0%	44.7%	25,9%
	PITW	14.0%	12.1%	10.1%	10.9%	10.4%	7.6%	8.5%	7.3%	7.5%	7.5%	4,5%
	CITW	2.4%	2.4%	1.5%	1.9%	1.6%	48.3%	47.2%	42.1%	44.5%	37.2%	21,4%
	DwW - UW	1.6%	1.4%	1.8%	2.9%	3.9%	3.2%	9.2%	14.5%	16.3%	13.9%	6,4%
SW		34.7%	37.8%	34.4%	35.8%	33.1%	18.5%	19.1%	21.9%	18.6%	21.9%	14.3%
DcW		47.3%	46.2%	52.2%	48.5%	51.0%	22.4%	16.0%	14.2%	13.1%	23.5%	53.4%

Source: see table 3.

Where: DW – communes' total revenues, DwW – communes' own revenues, UW – total communes' shares in income tax revenues, PITW – communes' share in personal income tax revenues, CITW – communes' share in corporate income tax revenues, DwW – UW – communes' own revenues without their share in income taxes, SW – communes' block grant, DcW – communes' dedicated grants. Other symbols are explained above.

The data in table 12 show that the share of own revenues increased rapidly after 2004 (from 15.9 to 59.1%). Naturally, the reasons were the amended law on the revenues of the units of local self-government and larger shares in income tax revenues, particularly CIT. If we analyse the share of own revenues without the income tax revenues than we find that the share of own revenues was rising, but only from 2005 and rather moderately, going up from 3.2 to 9.2%. The basic source of funding in the voivodeships is their shares in income tax revenues. After 2004 they exceeded 55% and a weak upward trend could be observed, however in 2008 the shares clearly dropped and in 2009 this source of revenue almost collapsed, as the shares accounted then for only 25.9% while a year later it was 44.7% and in 2007 as much as 52.0%. The reason for this situation were as much the significant decline in corporate tax revenues, where the voivodeships have the largest share (see table 2) as the very high proportion of grants in that year. It can

be concluded, therefore, that in the last two years (excluding the year 2010), the revenues of voivodeships and other units of local self-government dropped considerably, particularly those derived from shares in income taxes.

The block grant for voivodeships was shrinking in real terms, from almost 1/3 in the years 1999-2003 to less than 20%. The large reduction in 2009 was caused, in the same way as the fall in the share of own revenues, from a considerable increase in the dedicated grants for the voivodeships.

Between 1999 -2003, the dedicated grants for voivodeships were the major source of their funding, as it accounted for almost a half of their total revenues. Then they dropped considerably to only a 13% share in 2007, but in the next year they grew by 10 p.p. and in the last year of the investigation they exceeded 53%.

Voivodeships' total transfer incomes accounted for more than 95% of their revenues, except for the years 2006-2008, when the rate was around 84%.

Conclusions

To sum up the discussion we need to state that transfer incomes are a very important source of revenues for the units of local and regional self-government, but its significance varies depending on the tier, as well as the specific type of transfer used. There are three types of transfers in Poland: a block grant underpinned by quite a complex algorithm (the grants consists of three components), dedicated (conditional) grants and shares in come tax revenues that the Polish legislature classifies as own revenues, which is contrary to logic.

The largest share of the block grant in total revenues can be found in counties followed by communes and city counties, where the share constituted approximately half of that observed in the counties. The voivodeships' block grant varied in the period in question and its level clearly decreased after 2004.

Dedicated grants constituted an important source of revenues for all units of local and regional self-government. Its largest shares were found in the counties, then communes and city counties. In the voivodeships the dedicated grants and the block grant presented a similar situation, although the share of dedicated grants clearly increased in 2009 and exceeded more than a half of total revenues (its value tripled).

Revenues from shares in income taxes were important for the voivodeships in the years 2004-2009, but in 2009 the revenue from dedicated grants clearly grew, which significantly changed relations within the voivodeship

structure of revenues. The shares in income taxes play an important role in the revenue structure of the city counties. This type of transfer was found to be the least significant in counties and communes.

Based on the above analysis it can be also concluded that the way transfer incomes have been designed may have an important effect on the financial situation of the units of subnational self-government in periods of economic fluctuations. The manifestation of the recent financial crisis was lower revenues from the share in income taxes.

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