BUDGET ISSUES AND FISCAL POLICY IN ROMANIA AND IN LOCAL GOVERNMENT

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Abstract:
The work is based on one of the priority themes of any governance, namely public administration reform, a particular importance being its financial component. In terms of austerity in which public authorities operate in Romania, balancing local budgets is a current topic and strongly debated. It is a clear difference between earning income communities and communities of sufficient own funds set up not doing any maintenance to cover the village. Communities who occupy the first places have economic, social, demographic benefits, that enable continuous development.

Although there is always the tendency to criticize communities that do not have sufficient income, it must be seen that in Europe today the basic concept that builds on development theory is economic and social cohesion. It is believed that the uneven development of the territories actually reflect the economic weaknesses of the combination of which led to political and economic instability. An alternative to this situation is the solidarity of local communities, calculated to maintain a balance between both communities. It is believed that overall healthy economic development can be achieved by a balanced territorial development, and not by widening the existing gaps.

In this paper we conducted an analysis of revenues and expenditures of local budgets in Romania, the time interval, 2013-2015, and each party's share of the local budget both in GDP and in the general consolidated budget. Analysis based on the data allows the expression of conclusions on the implementation of revenue and expenditures of local budgets.

Keywords: budget issues, local government

JEL Classification: H2, H6, H7

1. Introduction

Tax policy plays an extremely important role in the economic policy of a state. An analysis of tax systems in the European Union and Romania need to see where we are now to landmarks binding European Union matters and what needs to be done to cope with market requirements single common on to act in conditions of tough competition from many countries operators. Local budgets along with the state budget and state social insurance budget is the national budget this being the state's financial plan by which revenues and expenses are recorded for a period of time, usually one year.

For Romania to become a economically, socially and politically competitive country, it is important both local autonomy in decisions on economic and social development of establishments administratively territorial and real possibility of having adequate financial resources in counties and local councils.

It is important to improve the efficiency of decentralization of services and resources ministries through decentralized services of the prefectures and county councils, to continuously monitor the administrative-territorial units and to provide specialized assistance up to specified quality parameters satisfactory in providing decentralized services by them.

One of the indicators for measuring the quality in terms of the management and use of resources and prioritization of expenditure is to satisfy taxpayers on the services provided by local authorities.

Financial reform and decentralization are current topics of debate to change the system of allocation of funds linked to the decentralization of public services in order to strengthen the financial position of local government and increasing funding. Local public finances constitute local government in their capacity as user of special financial techniques, such as the budget, taxes, fees, allowances, expenses, loans etc. "[1].

European charter of local self-government, ratified by Romania in 1998, specified in Articles 3 and 9 "Governance own local expresses the right and ability of local authorities, within the law, to control and manage an important part of public services, under the responsibility own and in the interest of the local population. Local authorities are entitled, within national economic policy to manage financial resources to the needs of the community and to dispose of them within their powers established by law. "

References:

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In this paper we highlighted some aspects of fiscal and budgetary policy concepts and their impact on public administration reform. Fiscal policy is an important component of economic policies in general. The main instrument of fiscal policy is the budget with its components. Circumscribes the entire income policy decision that the state take to ensure financial resources necessary to achieve its tasks. Expenditure policy requires the maintenance of public expenditure within the limits of resources that can be mobilized [3].

Turning to fiscal policy Dan Grosu states that the largest and most prudent science of taxation promoted by the government is to know to ensure vanitorile state of society without this meaning a burden or serious harm private interests and assets individually the natural or legal persons [4].

In practice, the adoption of fiscal policies must be made on account of tax and budget policy of local police. Given the increased powers and responsibilities of the executive and deliberative organs of government, financial and budgetary strategies that need to be adopted, must create and maintain an overview of the whole being reflected in financial activity.

At the level of local authorities such strategies are drawn up by the chief authorizing officer and approved, as appropriate, as fiscal policy. On fiscal policy-making should consider legislation, the local development, fiscal affordability and national and regional development policy.

### 2. Theoretical work on the local budget activity

Local autonomy is a complex concept that includes fiscal, political and administrative dimensions. Central authorities retain control over the expenditure of local councils both macroeconomic reasons and because they are partially financed by the state budget. As central authority controls most of the revenues of local and county councils and their spending levels, local authorities are left with only the role of distributing funds centrally set by the public services they are required to ensure their local community. In these circumstances the central authority should reserve role only strengthened expenditure control at local government level, leaving them the power to decide how much you spend and how sharing.

Budgetary activity at the local level through four stages, as follows:

1. Drafting the local budget. This step is for determining revenues and expenses from the administrative-territorial units with legal personality.
2. Approving budgets. This stage involves discussion and voting on budgets by local authorities deliberative function and having their jurisdiction this task.
3. Budget implementation refers to the income in the time and the amount of budgeted expenditures and local as intended in the budget. It is this step is the most important because it involves the transposition of forecasts concrete plan, making it possible to finance the activities and functioning of public institutions locally.
4. The conclusion of the budgetary year. At this stage, notify the embodiment of revenue and to incur expenditure for the budgetary expired year.

All documents which have technical and regulatory operations are conducted by the competent public authorities for the purposes of preparation, adoption, execution and conclusion of the local budget is locally budgetary procedure. This procedure is carried out over three calendar years, as local start preparing the draft budget for the year preceding that in which there shall continue with the execution of that year and finalized the closing account of the budgetary year, next year.

Budget appropriations approved in the annual budget law for the costs of a financial year can not be used only to finance current year.

By law, every municipality, city, district of Bucharest, county or Bucharest up its own budget under conditions of autonomy.

The mayors out duties of principal loan. Payments arranged by authorizing officers by treasuries held only after opening the respective local budget appropriations from the budget.

Opening flow and allocation of budgetary appropriations from local budgets is the principal loan (mayors and county council chairman) set monthly expenses is to be made from its own budget. Establishes the principal loan amount within that budget appropriations to be made in cash payments for both the needs of the local budget and public institutions subordinate. Thus, the principal loan officer prepares the need is to open for the month filling out "opening credits Communication". The document shall be drawn up in a number of duplicate and transmitted through day 15 each month for loans related to the following month. Apart form "Communication opening credits" the principal loan drawn and "disposal budget" on the allocation of loans to finance decentralized local subordination. These two documents are transmitted to the "Budgeting and accounting reports" compartment of the Financial Administration we analyze and check the documents after they aim for legality.

In the process of concern and allocating the resources they need administrative bodies at the local level to fulfill their functions and duties, are born some relations of economic nature, in connection with the allocation of a portion of gross domestic product by administrative bodies, between different social groups [2].
The basic principle of allocation of funds by the local County Council to balance refers to the fact that needs to be balanced with resources. So the needs must be covered from own revenues, balancing rates and amounts deducted. In light of this approach, territorial administrative units based on standard criteria for allocating receive equalization amounts within counties.

Currently, the system allows the allocation of more resources than the rich poorer counties. The total volume of funds that are distributed at central and local level is based on measure the play-added tax and personal income tax, both taxes being centrally collected.

The amounts are deducted from the special purpose measure the play have added value and distribution are regulated by annual state budget law. These amounts are approved by county and county councils by decisions to allocate their own territorial administrative units.

Regarding the amounts deducted from the income tax they have three components:
1. allowances which are deducted for budgets of administrative-territorial units;
2. The amounts allocated to balance budgets. They are assigned for administrative-territorial units according to criteria established annually by the State Budget Law. Balancing the total amounts approved a 25% share of responsibility for the budget of the county council, the difference will be distributed on the territorial localities of the county;
3. The amounts deducted to subsidize thermal energy delivered to the population

Distribution of the equalization is done on two levels, as follows:
1. Balancing the amounts allocated from the central budget of the state to counties
2. Balancing amounts not allocated by the local district councils within the county.

According to the law, county councils should make the second level of sharing the same formula as the first level in order to respect the principle of balancing horizontal or equitable allocation of amounts less developed localities. Because of the uncertainty regarding income local councils in planning there an uncertainty regarding future revenue.

In practice it appears that the second level the distribution is uneven. Some county councils in order to ensure co-financing of infrastructure projects, retaining their own interest share amounts coming from income tax balancing territorial administrative units.

Any breach of the distribution of funds according to the formulas and criteria set one county to county based on macoeconomic indicators will only worsen the situation locally, as local or county development strategies can not be made outside the context of national budgetary policy.

### 3. The analyse of revenues and expenditures of local budgets in Romania in the 2013-2015 timeframe

In Romania, the development of local budget revenue and expenditure weights in the total general government revenue and expenditure in the period 2013-2015 is presented in Table. 1 and 2.

<table>
<thead>
<tr>
<th>Indicators years</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>The total revenues of local budgets (millions)</td>
<td>56.875,4</td>
<td>62.331,4</td>
<td>71.712,5</td>
</tr>
<tr>
<td>The total revenues of the general government (millions)</td>
<td>200.045,7</td>
<td>213.833,6</td>
<td>233.554,3</td>
</tr>
<tr>
<td>The share of Vt local budgets in Vt general government (%)</td>
<td>28,43%</td>
<td>29,15%</td>
<td>30,70%</td>
</tr>
</tbody>
</table>

Source: www.mfinance.ro

Graphical representation of the income share of local budgets in consolidated budget revenues in the period 2013-2015 is as follows:
It notes that the timeframe 2013-2015 the share of local budget revenues in consolidated budget revenues increased from 28.43% in 2013 to 30.70% in 2015.

The financial stage decentralization can be analyzed by observing the share of local budgets of counties, cities, towns and villages in the total general government expenditure. Increasing the share of local budget expenditures in the total general consolidated budget expenditures increased time interval analyzed, thus highlighting that the process of decentralization of local public services were transferred to the responsibility of local councils a number of new activities to the requirement that the future to ensure their adequate financial resources, especially from certain revenues of the budgetary state.

Table no. 2 The evolution of expenditures and revenues of local budgets general government in the period 2013-2015

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenditures of local budgets</td>
<td>58.009,0</td>
<td>61.847,6</td>
<td>72.477,1</td>
</tr>
<tr>
<td>(millions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total expenditure of the general</td>
<td>215.816,9</td>
<td>226.326,8</td>
<td>243.915,5</td>
</tr>
<tr>
<td>consolidated budget (millions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ct share of local budgets in the Ct</td>
<td>26,88%</td>
<td>27,33%</td>
<td>29,71%</td>
</tr>
<tr>
<td>consolidated budget (%)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: www.mfinance.ro

Graphical representation of the expenditures share of local budgets in the consolidated budget expenditures in the period 2013-2015 is as follows:
According to the chart, the local budget expenditure ratio change in general government spending was + 0.45% and the period from 2014 to 2015 it was 3.37.

Also, shares of total revenues and expenditures of local budgets in GDP in the period 2013-2015 are presented in Table. 3-4.

Table no. 3 Share of total revenues of local budgets in GDP during 2013-2015

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (millions)</td>
<td>625,617</td>
<td>674,300</td>
<td>704,542</td>
</tr>
<tr>
<td>Total revenues of local budgets (millions)</td>
<td>56,875,4</td>
<td>62,331,4</td>
<td>71,712,5</td>
</tr>
<tr>
<td>Revenue share of local budgets in GDP (%)</td>
<td>9,09</td>
<td>9,24</td>
<td>10,18</td>
</tr>
</tbody>
</table>

Source: www.mfinance.ro

Graphical representation of local budget revenue ratio to GDP is as follows:

Table no. 4 Share of total expenditures of local budgets in GDP during 2013-2015

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (millions lei)</td>
<td>625,617</td>
<td>674,300</td>
<td>704,542</td>
</tr>
<tr>
<td>Total expenses of local budgets (millions lei)</td>
<td>58,009,0</td>
<td>61,847,6</td>
<td>72,477,1</td>
</tr>
<tr>
<td>Local budgets expenditures share in GDP (%)</td>
<td>9,27</td>
<td>9,17</td>
<td>10,29</td>
</tr>
</tbody>
</table>

Source: www.mfinance.ro

Graphical representation of local budget expenditures share in GDP is as follows:
The chart no. 3-4, it notes that the two components of the indicator budget only local budget expenditures in GDP share, for the period 2013-2014, registered a decrease of 0.10%.

Among the tax measures that allow increasing the amount of income level administrative units, given that they hold ownership of land in the public domain, local councils and mayors must find solutions to attract domestic and foreign investors by providing tax incentives in economically weak areas, rural monoindustrial areas. In rural areas, raise agricultural standards should be tax incentives through the tax and those who associate to the rational exploitation of the earth. Among the tax relief that can be granted to investors who process agricultural products locally (usually rural) may consider granting exemption from tax on land and buildings for those who build factories for processing agricultural products. Investments in rural areas allow absorption of labor available in rural areas, increasing the average income of the rural population and increase revenue from income tax.

Another beneficial framework for local authorities is developing the use of existing tourism potential. This can develop through increased investment in the modernization of existing equipment and increasing promotion both in domestic and in external existing supply. Attracting investment for projects in tourist areas, including tourism, generate revenue growth premises in those areas of both the population and the local councils. Promoting tourism in Romania is closely linked to the state of infrastructure, especially the road. Thus, it is necessary to adopt a coherent strategy for developing the road network of European, national, county and local.

The main mission of local entities should be projects of interest to local county and Absorption of EU funds for Romania and specialized technical assistance to local councils for the preparation of these projects. To achieve a high level of this activity, the local authorities should work with innovation and scientific research institutes in the country who have the appropriate expertise to achieve the objectives.

The draft budgets of local authorities are accompanied by substantiation notes that are justified by local authorities' financial claims. Draft proposal for funding, especially for the expenses have to be based on a framework of analysis for fiscal instruments. The analysis framework actually operates as a guide to demonstrate the feasibility and desirability of tax expenditures. An expense is included in the budget if it meets all the conditions of the cumulative analysis.

4. Conclusions

The data analyzed above shows that the time interval analyzed translation increased more tasks from the central to local authorities was made without the coverage of financial resources, which made the work locally to unfold increasingly harder. To adjust this situation, I believe that the revenue sharing from the central budget in the form of levies, should take into account the level of development of each area of the country and the distribution of revenues from the central to the local area to take into account other criteria not only those formulas which in mathematical terms is considered to be fair.

I appreciate that through tax measures that lead to increased revenue volume level administrative-territorial units, given that they hold ownership of land in the public domain is tax incentives. Thus, the local councils and mayors may grant them domestic and foreign investors in economically weak areas, rural mono.

The importance of the need to mobilize additional financial resources necessary to cover the balance of public service needs of the population is closely correlated with the financial resources of local authorities and real financial autonomy. Limiting it creates difficulties in implementing these objectives.

In the process of administrative reform of local government human resource management is of particular importance, the mentality of civil servants and their motivation, created and proposed to undertake quality public services with reasonable costs.

The steps that have been made to achieve adequate organizational structures decentralization of public services were some important, but nevertheless must continuously improve and adapt the management of these services, with preference being directed to local and regional development.

Local councils patrimonial autonomy, and local authorities must acquire managerial skills and financing of public services which they have responsibility, by designing and implementing effective development programs.

An important aspect to be taken into consideration is the possibility of local autonomy to make decisions regarding the production and distribution of public services. This can be quantified by calculating the degree of autonomy of decision in the allocation of costs, the ratio of non-local budget revenues and total revenues. Thus, the local councils are able to decide to prioritize spending and develop more efficient techniques for activities they finance.

Decision-making power must take into account the ability of local councils to correctly estimate their income level possible levied on the local community and, especially, the ability to collect these revenues at estimated. For this, a major influence has the ability to forecast revenue from local authorities which implies a good knowledge of legislation and fiscal mechanisms and economic potential of the area which ultimately determine the taxable amount of their income. Administrative and fiscal reform process is complex and time consuming and must involve all actors at central and local level.
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