

EVOLUTION OF THE LOCAL BUDGET REVENUES AND EXPENSES. CASE STUDY: ORĂȘTIE TOWN HALL, HUNEDOARA COUNTY

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Rezumat

At present, the elaboration of budgets at any level is a real problem especially due to the need of respecting the budget balance principle, since the need for financial resources is greater than the existing funds necessary for a good development of the economic activities. Consequently, by this work, the authors deal with aspects concerning the general framework and procedures of creation, administration, commission and use of the local public funds, and the responsibilities of the local public authorities and of the public institutions involved in the domain of local public finances. The paper deals, on the level of an administrative-territorial unit with a number of about 20.000 inhabitants, with the aggregate budget revenues and expenses that make up the general budget of the respective unit, after consolidation, by the elimination of the transfers of sums between budgets, reflecting the dimension of the public financial effort, on the level of the year 2016 and its state of balance or imbalance. To analyze the data, the authors realized a case study regarding the evolution of the local budget revenues and expenses, at a public entity of Hunedoara County, the results obtained being analyzed and interpreted under the economic and social aspect. The overall objective of this study refers to the possibility of strengthening the operational and financial autonomy of the administrative-territorial unit and the local budget. Although at the national level, the laws necessary for the budget system operation were elaborated on the principle of local autonomy, however, at the level of administrative units we cannot yet speak of the existence of a real local autonomy, whereas the revenues of the local budgets are not sufficient to cover the expense level. *The paper ends with the authors' conclusions related to the need to increase the financial resources mobilized available to the local public authorities, by means of the local budgets, in order to realize the local autonomy - an essential objective of the reform in local public administration.*

Key words: autonomy, local budget, expenses, decentralization, public finances, revenues

JEL classification: E22, M41, Q01

1. Introduction

As one can see in the explanatory dictionary of the Romanian language, “budget” means plan, estimate, table, forecasting the probable expenses and revenues of a State, of an enterprise, institution, family, people etc., during a determined period of time, usually a year.

Etymologically, the word budget comes from the Latin word „bulga” which became the French “bouge” - leather bag, with the diminutive “bougette”-little bag. In England, the word “budget” has the meaning of leather briefcase of the Treasury Chancellor who brought documents relating to the situation of revenue and expense of the State to the Parliament, so that, in the 18th century, the word “budget” was first used in England to refer to The Plan for the annual income and expense of the State. In Europe, this term became official in the 19th century under different names “haushasetat” or “haushatsplan” in Germany, “preventivo” or “di bilancio” in Italy. With regard to the Danubian principalities, as elements of the budget were known “the guestbook of income and expense” during Constantin Brâncoveanu and “sahamilas of the treasury” in Nicolae Mavrocordat’s time which, in fact, were reports drafted at the end of the year both in Moldova and Wallachia. In the Romanian lands the term “budget” was introduced by organic regulations, during the years 1831-1832 in which they spoke of “buge” or “bugea” and in Moldova it was introduced with the establishment of the country’s sovereignty and independence, and when it felt the need to have a budget of its own. As the process evolved and popularized by the modern name, the budget was introduced in the Romanian Principalities through the organic regulations.

Beginning with the year 1990, in our country, Romania, a continual process has been taking place along the line of administrative decentralization, in the sense of the diminution of the involvement of the central authorities in making decisions on a local level. The present Constitution of Romania stipulates that “public administration in the administrative-territorial units relies on the principle of local autonomy and on the principle of public services decentralization”. Through the law on the budgetary system of 29th November 1990 were the foundations of the present budgetary system, in which Romanian in article 3 shall be indicated that the State budget through the budget of the republican and local budgets, expresses the relationships between individuals, legal entities and state, for the

purposes of training and the use of the fund's planned centralized monetary resources. In this century, the word "budget" is also used in other fields, the meaning being the same as, for instance, to define the totality of resources allocated in a certain way with a purpose, namely the time allotted for the completion of a work task.

According to the law, local autonomy concerns the organization, functioning, skills and attributions and management of the resources belonging, according to the law, to the commune, city, municipality or county, according to case. The local councils as autonomous administrative authorities assure the administration of the finances of the communes, cities and counties according to the principle of local autonomy. The notion of budget answers some financial requirements of the State, and some political exigencies. In the specialized terminology, the local budgets represent a system of public budgets, which belong to the administrative-territorial units, i.e. communes, towns, counties, cities, Bucharest sectors and Bucharest. Thus, through the budget, the value and the expense of the State are rendered, in a similar manner to the documents drawn up at the level of foreseeable economic entities that aims to the financial balance.

According to the classical, traditional conception, a budget is a purely financial document meant to highlight only expenses and revenues specific to the State. In this sense, the budget comprises all the public revenues and expenses of the country.

As a financial flows system, through the public budget we study the public finances which express the financial flows relating to the formation of public money reserves and the financial flows discharged into the process for managing these resources. The categories included in the budgets of the national public budget system are: the state budget; the state social insurance budget; the local budgets. The three categories that make up the budgets of the national public budget are autonomous. They have their own income and expense and shall be developed and shall approve differently, and in terms of their holders have full independence. Thus, the state budget, as the budget of the central state administration is developed and administered by the Government and approved by Parliament by law and comprise the income and expenses allotted by the annual budgetary Law expressing the economic relations take birth in the process of distribution of gross domestic product during a year, for the purposes of the establishment of public funds of money resources and their distribution in accordance with the social needs. The State social insurance budget shall be independent of the State budget and is approved by the Parliament through a separate law. The income included in this budget cannot be used for other than budgetary expenses that are distributed through the provisions of the respective budget. This budget shall ensure the payment of pensions, the aid and other estimated spending. The State social insurance fund is managed and administered by the Ministry of Labor and Social Security. The local budgets include the administrative-territorial units' budgets, which have legal personality (communes, cities, municipalities, sectors of Bucharest).

2. Specialized literature

Given the austerity conditions under which the local authorities are operating at this moment in Romania, balancing the local budgets is a topical subject, being the object of numerous debates of the taxation specialists. At present, the legislative act applicable for local budgets is Law 273/2006, for the local public finance, establishing the general framework, the principles and the procedures concerning the formation, administration and use of local public funds, and also the responsibilities of the authorities of the local public administration and of the public institutions involved in the domain of local public finance. Local budgets are, according to this law, documents approving each year the revenues and expenses of the administrative-territorial units (communes, towns/cities, municipalities and counties).

The imperative of balancing the local budgets is not necessary only to the local authorities, who have to size the expense according to revenue they can collect in the real mode, but also the central public administration authorities. In this respect, the principle content is integrated by reference to the article 6 of the Law No. 273/2006, according to which decentralization of activities, through their transition in the administrating and financing the local public administration authorities, must be accompanied by the provision of financial resources adequate to administrative-territorial unit in question.

3. Research methodology

The research methodology applied in the first part of this scientific work is analytical, consisting in data gathering, their logical synthesis and organization, the presentation and analysis of the most significant of them, and the formulation of conclusions.

To collect the necessary information to the study we used the specific theoretical-scientific approach to gain knowledge in the chosen field, necessary for starting the process of empirical research. For the theoretical information extraction, the data were collected in the national legislature, in particular the Law 273 of 29 June 2006 on local public finances. For the local budget analysis authors have used the deductive method and statistics, to understand their information content and the arrangement of the quantified material observations clearly and condensed for the graphical representation of the data and their interpretation. Basically, we consider that we used a methodology that bring together the fundamental research and the application type. In the realization of this study the authors took into account techniques and procedures specific of the research, such as: review of the specialized literature, observation, interview, data gathering and processing, synthesis of the theoretical aspects and of the research results.

The fundamental research undertaken has the advantage of synthesizing an important data volume and of offering, on the one hand, possible ways of reaching a consensus for all the debates existing on this theme, and, on the

other hand, of pointing out future research directions based on questions such as: How efficient could the total autonomy of the local public administrations be?

4. Local budgets in the Romanian budget system - content, structure, role

In our country, the democratic political regime replaced the centralized leadership and the socialist organization of the local public finance based on the integration of the local budgets in the State budget, and instituted a modern regime for local budgets, corresponding to the concepts applied in the Western States. This new system has been instituted via the Local Public Administration Law no. 215 / 2001 with its subsequent changes and completions and, respectively, by Law no. 273 / 2006 on local public finance. If the local public administration law stipulates as a first principle, the local autonomy for administrative-territorial units, the public finance law provides that every commune, municipality, city, sector of Bucharest should draw the local budget under conditions of autonomy. Between these budgets there are no subordination relations, approval and execution at the base of the development, lying the transparency and the principles of universality, publicity, unity, annularity, local and financial autonomy, balance, proportionality, solidarity and budget specialization.

Local budgets represent the planning and managing tools of the financial activity for administrative-territorial units. Also, the local budget reflects the flows of income and expense of the local government, the manner of financing the expense of their destinations, their structure, basically the extent of autonomy of the local public administration towards the central power. Through local budget we mean the act of planning the costs and revenues of local communities for a period of one year. The local budget from structural point of view consists constantly of the revenue and expense budget. In the development and execution of local budgets a concern of local public authorities is that of maintaining the budgetary balance, the principle that implies equality of income and expense that can be obtained only through a judicious allocation of income and expenses among the local budget components. A balanced local budget is the result of the efforts made by the local public authorities to enlarge their own basis of revenues, and the result of their total cashing in and of the reasonable spending of the budget resources. A permanent preoccupation of credit sequencers is to circumscribe the total expenses within the limits of the resources that can be mobilized locally. This objective reflects an axiomatic truth, namely that no collectivity ought to consume more than it produces, or else, it will get to contract loans, which leads to the limitation of the possibilities of economic and social development of a community. Thus, it is desirable that locally, the public expenses should be done within the limits of the resources available, in normal conditions of use, without recourse to loans. All the same, to maintain a financial balance is necessary to leave the identification and quantification of the social needs that must be satisfied in priority at the expense of the public resources, whereas setting the correct options and priorities can influence the pace of economic growth, the level of satisfaction of the needs of living material and spiritual people and other public needs.

At the same time, the insufficient differentiation of population's contribution to the formation of public funds on the basis of ability to pay or ignoring it may lead to the favoring of the certain social categories and to the disadvantage of others, which can cause undue changes of the living conditions of certain social categories, social tensions etc. Therefore, balancing the budget must comply with tasks such as: to stimulate creative local initiatives to develop local economy and strengthening their local budget revenues; to co-involve the local organs in full and in a timely manner of all local revenues; to avoid gaps and to ensure the balancing of the budget not only throughout the year, but every semester; to merge harmoniously the sources of the permanent income in order for the seasonal revenue to flow rhythmically etc. For the realization of these minimum requirements of the financial stability it is necessary that the policy promoted in the field of public expense to determine size, destination and optimal structure to these expenses, so that, the objectives can be met with minimum financial effort.

We conclude that the local budget drafting and enforcement offers to the local public authorities the opportunity to influence progress towards economic and social development at the local level, with consequences for urban development of the administrative-territorial units and increasing the living standards of the community members. The elaboration, adoption and execution of the local budgets claims a particular collaboration between administrations, according to the law on local public administration as regards that the relations between the district and the local administration are guided by the principles of autonomy, legality and cooperation in solving common problems. This is a collaboration noted in particular at the level of district and local budgets in addition to the income and the implementation of the budget. The local budget expressed relations of forming and allocation of public funds at the level of administrative-territorial units constituting the main link in the local government finances as a whole. Thus, the development and adoption of the local budgets in terms of financial autonomy is the consequence of preserving the individuality of each local budget and the local budgets configuration as a whole of all budgets of communes, towns and districts of our country. Keeping the individuality of the administrative-territorial units' budgets throughout the local budgets did not rule out, however, any relationships between these budgets, and neither of these budgets and the state budget. The local budgets of administrative territorial units shall constitute a basic component of the budgetary structure of public interest with a particular relevance to the functional autonomy of the local authorities, however, we cannot omit the fact that, there is a cleavage between the communities that carried out its own sufficient income and those that are not doing any local maintenance expenses. The representatives of the first go up to extreme solutions such as the abolition of local budgets' balance, and ultimately make lobbying to get as much money in this way. The dispute takes place on two levels of Government: at the central level and at the district level to the local level. Therefore, we can say that the autonomy of the local public administration, characterized financially in terms of the legal entitled right of each administrative-territorial unit to adopt and to have its own annual budget (by which they

shall determine, depending on local needs – the public expense and correlative, sources of revenue achievement necessary to cover these expenses) and determines the autonomous character of the local budgets in relation to the State budget.

5. Competences of the public administration authorities in the domain of the elaboration, approval, execution and closure of the local budgets

The skills and attributes of the public administration authorities and of other public institutions in the domain of the elaboration, approval, execution and closure of the local budgets are foreseen by the normative acts in force, especially by the Romanian Constitution, the Local Public Administration Law no. 215/2001, republished and the Local Public Finance Law no. 273/2006. The general leadership of the executive activities in the local finance domain is exerted by the Government, as part of its constitutional responsibility to exert “The general leadership of public administration”. The Public Finance Ministry, as organ of the specialized central public administration has important competences in assuring the realization of the fiscal policy, in the organization of the setting and cashing in of public revenues, in the guidance and control of the way of establishing taxes and in the organization of the local treasuries. Local councils as authorities of the public administration realizing the local autonomy, assure the administration of the funds of the communes, towns/cities and counties where they operate. For this purpose, local councils are empowered to approve the annual local budgets, and to oversee their execution and rectification, during the budgetary year under conditions of budgetary balance. The local councils are also empowered to hire short-term loans, medium and long term and pursue the payment at the end of the payment obligations arising from these, to administer the financial resources during the execution of the budgetary conditions to efficiency; to set options and priorities in approving and carrying out the local public expense. The local councils are also competent to establish local taxes and duties according to the law.

By the Law No. 227/2015 concerning the tax code are established local taxes and duties which constitute the sources of the local budgets. All through this regulatory act is provided for the local councils – the right to institute other special taxes, which are special purpose revenues of the local budgets to cover the necessary expenses with the establishment and operation of the public services created at the local level. The conditions in which are taken these special taxes, as well as their way of distributing the inhabitants of the administrative-territorial units shall be determined by the regulations approved by the local councils. According to the law on the local public administration, the District Councils Presidents and the Mayors will establish the projects of the local budgets and the account for the end of the budget year and submit them for approval to the respective Councils, exercising the functions of the main authorizing credits officers.

The second or tertiary authorizing credit officers are the leaders of the public institutions with legal personality under local or county councils. Main authorizing officers may delegate their right to law substitutes (Vice-Presidents or Deputy Mayors) or the heads of some organs or specialized services within the local public administration. The mayoralties of towns or municipalities, cities, public institutions with permanent activity that bring out the actual decisions of the local councils and resolves the current problems of the local communities in which it operates, are institutions that bring their contribution to the achievement of the tasks of the local public administration authorities in the field of the local public finances. The mayoralties of towns, communes or municipalities are incorporated under the law of: The Mayor, the Deputy Mayor and the Secretary and staff of the local councils. The role of the public authority in support of the economic development has changed fundamentally over time. At the beginning of the economic development theory, the central government has been the main promoter of the development policies of “top-down” supporting large industrial projects, direct subsidies, tax exemptions, etc. Later, both local and central public authority were regarded as coordinators of the development process, leaving room for the environment and involvement of the private and non-governmental media. Thus, the development plans were determined by the public authority, after consultation of the other two partners.

Currently, the economic theory is reserving to the public authority, and in particular to that local (the Central is no longer considered to be a main actor) only the role to create the essential conditions for the development and intensification of the economic activity, limiting its direct involvement in the economy and promoting the participatory decision-making. Therefore, the local Government has the responsibility to ensure a regulatory framework that is transparent and easy to apply, an adequate space for the development and training of human resources quality. The wrong estimating of the local revenue can endanger the number, the value and extent of local development policies, therefore it requires a stretch of the methods used for carrying it out.

6. Evolution of the local budget revenues and expenses - case study

Orăștie is located in the Plateau of Transylvania, on the left of the Mureș River, at its junction with Gradistea water at an average altitude of 220 m. At south, at a minimum distance about 20 km from the city is bordered by the Dacian fortresses: Costesti, Blidaru, Grădiștea de Munte (Dacian Sarmizegetusa), Piatra Rosie, Luncani, important military and civilian settlement of our Dacian ancestors. Orăștie became the residence of the Saxon Princely Court having 13 villages: Pricaz, Căstău, Turdaș, Beriu, Sereca, Sibîșel, Romos, Romoșel, Vaidei, Șibot, Balomir, Vinerea, Cugir, becoming along the way a medieval fair. Over time Orăștie township has developed further, so that, in 1995, became a municipality. The total area of the municipality is 3862 ha, of which 995 ha inside town.

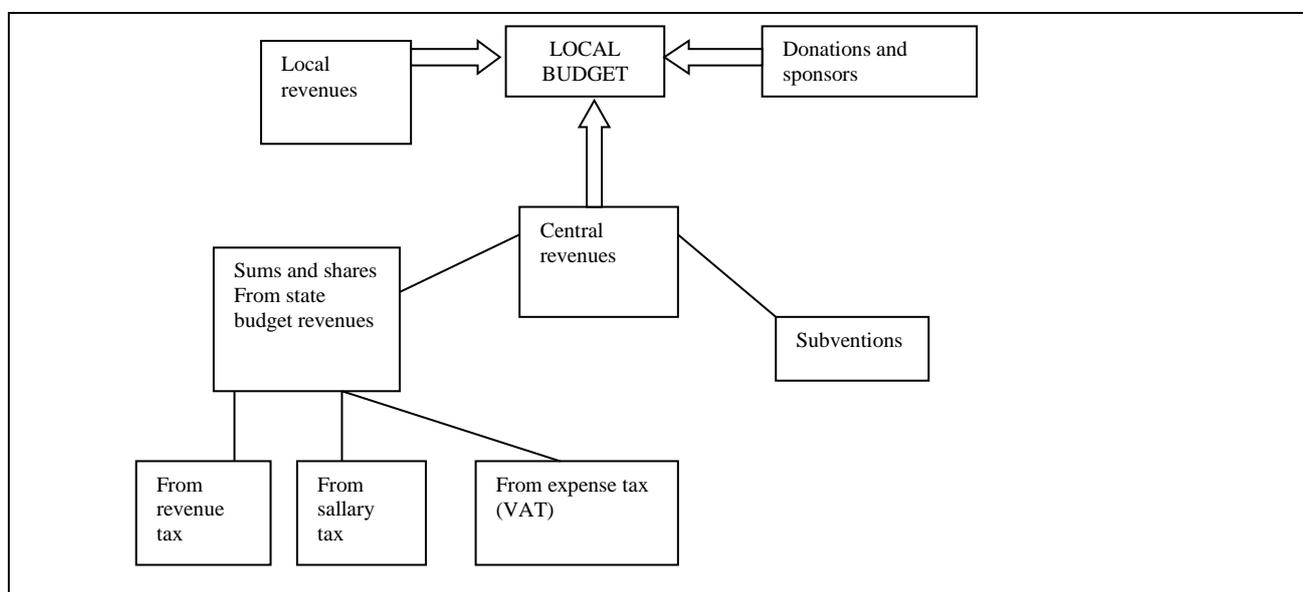
By the respective study, the authors aim to offer a general image on the budget execution of the local budget of Orăștie Municipality, for the year 2015 compared to the year 2016, respectively of the budget execution for the year 2016 compared to the provisions of the local budget for the year 2015. The total revenues and expenses in the year 2016 recorded no significant increase compared to the year 2015 as there was a certain legislative stability regarding the local public finance.

6.1. The evolution of the local budget revenues

Local budget revenues in any budget mechanism retain the amount of the necessary financial resources to cover the costs incurred in conducting this budget. The local budget revenues are grouped under the budgetary classification developed by the Ministry of Public Finance on chapters and subchapters. By the study proposed, the authors want to offer a general image on the execution of the local budget of Orăștie for the year 2016, compared to the year 2015, respectively of the budget execution for the year 2016 compared to the local budget provisions for the year 2016. The budget execution consists in the realization of the revenues within the deadline and in the quantity foreseen by the local budget and the realization of expenses according to the destination foreseen in the local budget.

The completion of the revenues in the the prescribed amount represent a minimum obligation, within the framework of the budgetary execution realizing the revenues in amounts above those laid down. At the same time, the expense as intended as provided for in local budgets represents an obligation that cannot be violated. This stage is the most important because it involves translating some predictions in the concrete plan, such activities and funding assuring the functioning of the public institutions at the local level. The total revenues and expense in the year 2016 have not experienced a major increase compared to the year 2015 because there was some legislative stability in terms of local public finances. The local budgets income is constituted mainly of local earnings and income received from the central level. The own revenue are the revenue which authorities carried out locally. The level and the income sources are controlled, decided on by the local authorities, within the limits laid down by law. Another aspect that defines its own revenue is that local authorities generally have freedom in how they are spent. It can be asserted that the degree of local autonomy of a community depends largely on the share of the local revenue as compared with other resource revenues of the local budgets. Ideally, their own revenues can cover the expenses done for the local needs. For this, however, the powers of the local authorities should be linked with the local budget revenues. In reality this happens very rarely.

An important effect on own revenues goes to the decentralization process. The decentralization degree increased in the recent years, several services going from the central authorities' administration to local authorities' administration. Depending on the collection source, the revenues realized locally can be fiscal revenues, non-fiscal revenues, revenues from capital and revenues with special destination.



Source: Processed by the authors

Figure 1. Local budget revenues structure

The revenues from the central level have as main goal the correction of some unbalances that arise locally, both vertically (the level of local taxes and fees do not cover the expenses necessary for the provision of the public services), but also horizontally because not all of the local collectivities come through financially though are required to provide equivalent services in terms of quality and quantity. To ensure a good transfer the system must meet a number of conditions. Firstly, they must not be sufficient so that local authorities should be encouraged to conduct their own income. At the same time, a balance between the competences of the local authorities and the decentralized resources must be ensured. It is also recommended that the amounts granted to be predictable for a period of time so as to allow the local authorities to carry out expense under a strategy of long-term objectives. But, in recent years, the share of the

local budgets income fell mainly due to the changes in the legislation. They represent a fairly large intake from the local budgets. The public finance law recognizes two main categories of amount derived from the level: from the State budget (recouped amounts and shares in some state budget incomes) and subsidies, but the most consistent funds come from the first category. After it was adopted by the City Council, the local budget becomes operational, so assuming that the appropriate decisional acts related to the collection of the revenue forecast. The competence and responsibility concerning the budgetary execution of local budgets rests with the Mayor who is the Chief authorising officer. The implementation of the local budget revenue is a collection activity of the budgetary revenues and is accomplished through own specialized compartments within the City Hall. The collection of the revenue is carried out in the income accounts of the local budget, open to the public Treasury. Through the tax code is established the legal framework for taxes, fees and contributions that constitute the income from the local budgets, the taxpayers are required to pay these taxes, fees and contributions, as well as the calculation and payment of their legal database, the local councils shall approve annually the level of the local taxes and fees for the next fiscal year. The direct taxes are paid annually in two equal installments, until 31 March and 30 September inclusive; for the payment in advance of the tax, payable on the entire year by taxpayers, up to 31 March of that year, there is a bonus of up to 10%, as determined by decision of the local Council. The revenues in the amount prescribed represent a minimum obligation, within the framework of the budgetary execution realizing revenues in the amounts above to those laid down. The principles underlying the execution of the budget incomes are:

- no tax, duty or other obligation by their nature cannot be entered in the budget and received, if they have not been established by law;
- the annual budget law approves, for each year, the list of taxes, fees and their trading and other revenues of the State to charge.
- it is prohibited from charging any title and designation of any direct or indirect contributions in addition to those laid down by the law;
- the implementation of the budget falls strictly within the financial year, which shall have the same duration as the budgetary exercise;
- any income not cashed until 31 December will be charged in the next year;

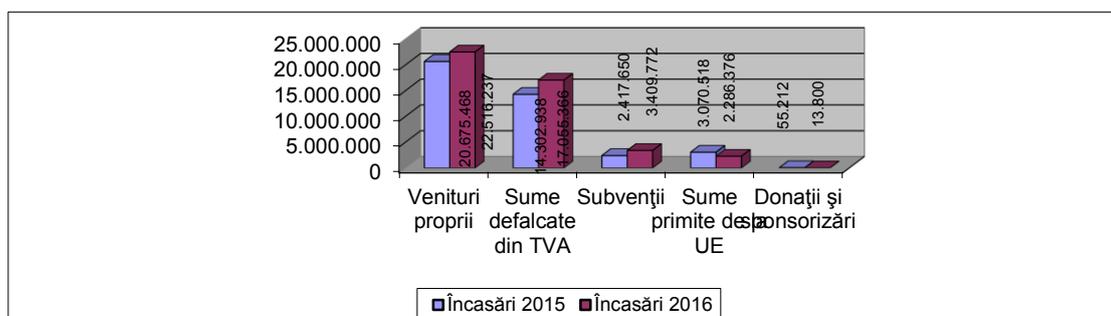
In compliance with the legislation in force, the local budget revenues contained in Orăștie in 2015-2016 period have been grouped into:

- own revenue consisting of: taxes, fees, contributions, other payments, other income and recouped shares of some of the State budget revenues;
- amounts recouped in some of the State budget revenues;
- subsidies received from the State budget and other budgets;
- donations and sponsorships;
- amounts received from payments made on behalf of the EU and pre-financing.

On categories of revenues, the realizations differ from one year to the next, depending on the economic-social and financial possibilities of the local community, Tables 1 and 2.

Tabel 1. Structure of the total revenues

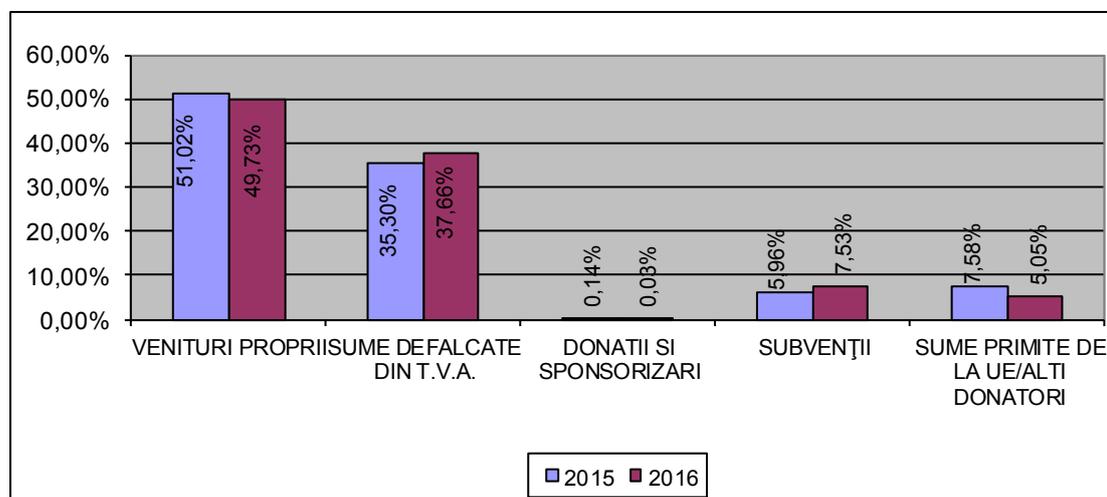
Indicators	Revenues 2015	Revenues 2016	Accomplished 2016 compared to 2015 (%)
Total revenues	40,521,786	45,281,551	111.75
Own revenues	20,675,468	22,516,237	108.90
Sums on categories from VAT	14,302,938	17,055,366	119.24
Subventions	2,417,650	3,409,772	141.04
Sums received from EU	3,070,518	2,286,376	74.46
Donations and sponsors	55,212	13,800	24.99



Tabel 2. Total revenues balance

INDICATORS NAMES	COD	ANII	
		2015	2016

OWN REVENUES	48.02	51,02%	49,73%
SUMS ON CATEGORIES FROM VAT	11.02	35,30%	37,66%
DONATIONS AND SPONSORS	37.02	0,14%	0,03%
SUBVENTIONS	42.02	5,96%	7,53%
SUMS RECEIVED FROM EU/ OTHER DONATIONS	45.02	7,58%	5,05%
TOTAL REVENUES		100,00%	100,00%



Source: Data processed by the authors

Analyzed in point of the weight in the total revenues cashed in, on the first place are situated own revenues, followed by sums on categories from VAT, the other categories of revenues having each a weight under 8%. In the total revenue collected, both in 2015 and 2016, the year's largest receipts from its own revenue are in the amount of 20,675,468 lei in 2015 and 22,516,237 lei in the year 2016, representing a percentage of 51,02% and 49,73%, respectively, of the total revenues; the proceeds recouped from the VAT amounts are 14,302,938 lei in 2015 and 17,055,366 lei representing 35.30% and 37.66% respectively of total revenues; the subsidies from the State budget are in the amount of 2,417,650 lei in 2015 and 3,409,772 lei in 2016 had a share of 5.96%, 7.53% respectively; the amounts received from the EU in the payments and pre-financing are in the amount of 3,070,518 lei in 2015 and 2,286,376 lei in 2016 had a share of 7,58%, 5.05% respectively of the total revenues; the donations and sponsorships are in amount of 55,212 lei in 2015 and 13,800 lei in 2016 had a share of 0.14% and 0.03% respectively of the total receipts. About own revenues we shall mention the fact that their weight is significant because beside the money cashed in from local taxes and fees, contributions, other money transfers, other revenues, they include shares on categories from the tax on revenue; the shares on categories from the tax on revenue represent 41.75% of the total tax on revenue cashed in on the level of the municipality and are distributed to the local budget by the treasury within the first 5 working days of the month following the one when the tax was cashed in. The amounts recouped from the value added tax are mainly intended for the financing of the expense of the educational institutions, the primary personnel expenses for personal assistants of the persons with serious disabilities and disability allowances, in order to balance the local budgets. These correspond to the so-called revenue sharing system of tolls and taxes between different levels of Government. The system of allocation of these amounts is set at the central level and the local authorities having virtually no control over the amount of them. The subsidies represent the amounts allocated from central level to local communities with a purpose and therefore may only be used according to their purpose for which they were received. The amounts received from the EU represent pre-financing and the amounts settled under the reimbursable funding programs which are in course of implementation. The budgetary provisions approved at the beginning of the year have been adjusted during the year, through the rise, due to the fact that:

- during the year it was found that some revenue from own receipts exceeded the initial provisions
- the amounts recouped from the value added tax have been amplified as a result of corrections from the state budget
- some subsidies from the state budget were included in the budget only after receipt or after signing contracts for the funding of public interest objectives.

According to the financial statements drafted at the Town Hall of Orăștie Municipality, at the end of the year 2016, the total revenues of the local budget initially estimated at 38,368,800 lei and rectified at 46,789,260 lei, a sum of 45,281,551 lei was cashed in, namely a percentage of 96.77%. The total revenues of the local budget comprise: current revenues, revenues from capital, subventions and sums received from the EU/other donors based on payments made and prefunding.

6.2. Evolution of the local budgets expenses

The second part of the local budgets is the part of budget expenses. They represent the expense approved and made from the local budgets, from the budgets of the institutions and public services of local interest and the budget activities funded entirely from extra-budgetary income, within the limits and with the destinations laid down in the respective budgets. From local budgets are financed, according to law 273/2006 on the local public finances, the socio-cultural activities, sports, youth, including religious activities, local actions for the benefit of the community, costs of maintenance and operation of the local administration, special expenses and other expenses provided for by the provisions laid down by the law.

According to the budget classification, the expenses are grouped on parts, chapters, subchapters, titles and articles as well as paragraphs, according to case, in relation to the objective or function these expenses are meant for and to the economic character they are substantiated in. There are two classifications of expense contained in the local budgets, Romanian: the first one aims at technical aspects (the type of expense which will be made for different areas of the capital, materials, and services, etc.), while the second takes into account the overall expense planned for these fields (ex: expenses for public authorities, education, etc.). It also makes a distinction between the current expenses (the maintenance) and the expense for the investment. Each category of expense has its peculiarities, and the size of the allocated expense for an activity or another depends on a number of political factors, economic, social factors. In other words, the expense classification follows two main lines: the economic classification and the functional classification. The economic classification groups the expense on their nature and their economic effect, allowing the definition of accounts in the public accountancy being able to faithfully reflect the allocation of funds and the implementation of the budget. The structure of the budgetary expenses, according to this classification, is presented in table no. 3.

Table 3. The structure of the budgetary expenses

Budget expense	Content
Current expense	<ul style="list-style-type: none"> ▪ personal expenses; ▪ goods and services; ▪ interest; ▪ subsidies; ▪ transfers; ▪ social welfare; ▪ projects financed from European funds grants;
Capital expense	<ul style="list-style-type: none"> ▪ non-financial assets; ▪ financial assets;
Financial operations	<ul style="list-style-type: none"> ▪ loans; ▪ repayments of loans;
Reserves	<ul style="list-style-type: none"> ▪ reserve funds at the disposal of the public authorities.

The functional classification groups the expenses on their destination which enables the identification of sectors of activity, as follows:

- general public services, which includes the sector “Public Authorities”: The Presidency, the judicial authorities, the legislative, the executive, etc.;
- defense, public order and national security, comprising the army, the police, the fire protection and guard, the gendarmerie, the national security institutions, etc.;
- social-cultural expenses, which include sectors: education, health, culture, religion and action for work and youth and social work.
- public services and development, housing, environment and waters;
- economic actions.

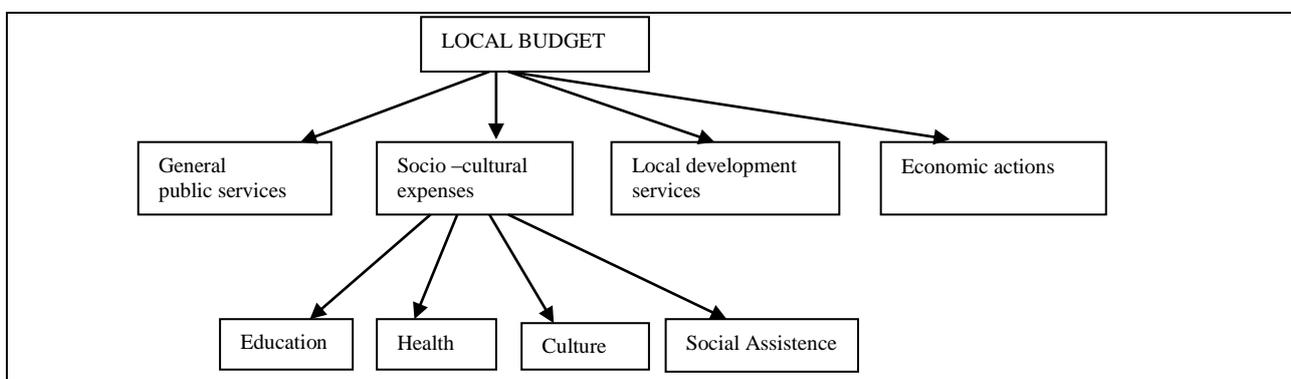


Figure 2. Local budget expenses structure

Once it was adopted by the City Council, the local budget becomes operational, this assumes appropriate decisional documents relating to the expense within the limit of the budgetary appropriations probed. The competence

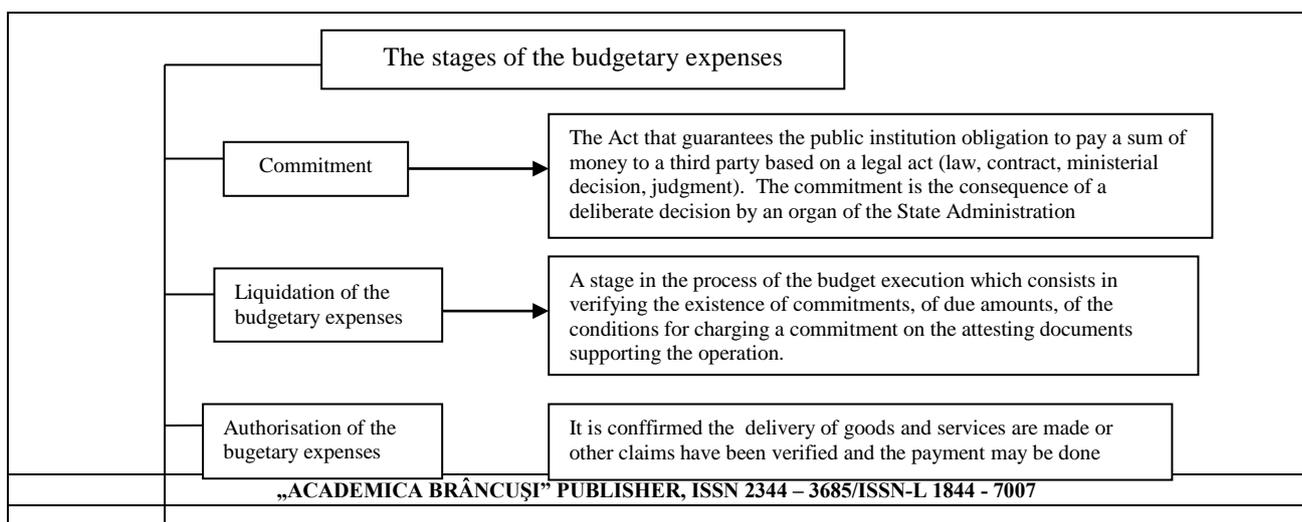
and responsibility concerning the budgetary execution of local budgets rests with the Mayor who is the chief authorizing officer. The local budget execution represents the activity of making the payment for the expense forecasted and approved under this budget. The budget credit is the amount approved under budget, representing an upper limit to which you can order and make payments during the budget year for commitments incurred during the budget year and/or the exercises for multiannual actions. The expense in the local budgets represent the maximum limits that cannot be exceeded, and such amendment shall be in accordance with the law. Hiring, contracting of works, supplies and services, as well as making the expense by the authorizing officers are made only in compliance with the legal provisions and within the approved budgetary allocations.

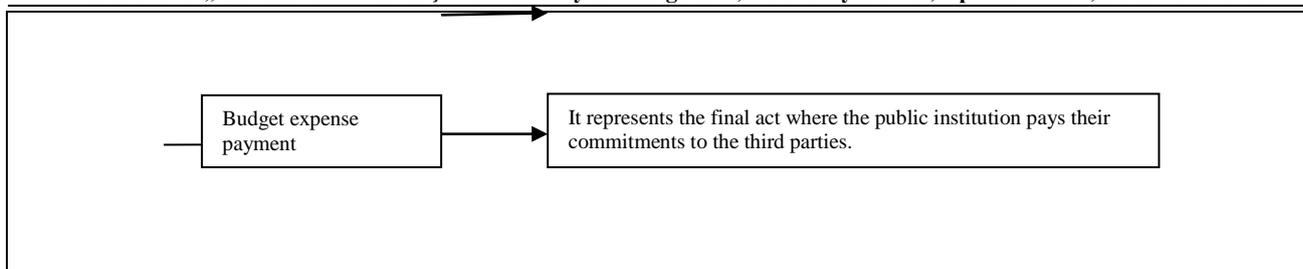
The implementation of the budget expense is based on the following principles:

- approved budget appropriations are approved for all the budgetary year;
- budgetary appropriations approved cannot be increased without specifying the funding sources;
- budgetary appropriations approved for an main credit originator cannot be transferred and used to fund another main credit originator;
- budgetary appropriations approved for a chapter can not be used to finance another chapter;
- justified virement by budgetary appropriations from one chapter to another of budgetary classification and between programmes, are approved by the City Council and may be done beginning with the quarter III of the budget year, prior to the commitment of the expense;
- budgetary credits virement between the subdivisions within the budgetary classification, on the same budget chapter are within the competence of the chief authorizing officer, for their own budget and may be carried out prior to the commitment of the expense;
- personnel approved expenses may not be increased by the budget credits virement;
- budget credits virement cannot be achieved from chapters which have been increased from the budgetary reserve funds and the intervention at the Government disposal;
- budget credits approved which have not been used at the end of the budget year are cancelled. sunt anulate.

Carrying out budgetary expenses can be made by cash or bank transfer. Authorizing officers are required to employ and use the budget credits only within the limits of the provisions and according to the approved destinations for expense strictly related to the activity of the public institutions. In the process of executing the budget, the expense passes through the following phases: commitment, liquidation, authorization, payment. The commitment represents the time when the documents are formed by the local public institutions' obligations to pay certain amounts of money to third parties. The expenses from the local budgets are committed by the leaders of the local public institutions. The liquidation consists of the operation of the service required from the local public institutions and the amount of the payment is established.

Authorization consists of a provision for payment of a sum of money from the local budget in favor of various individuals who provided goods and services. The payment represents the operation of paying a sum of money by the local public institutions to those who have delivered and rendered goods and services. Schematically, the phases of the process followed in the execution of the budgetary expenses can be presented as follows:





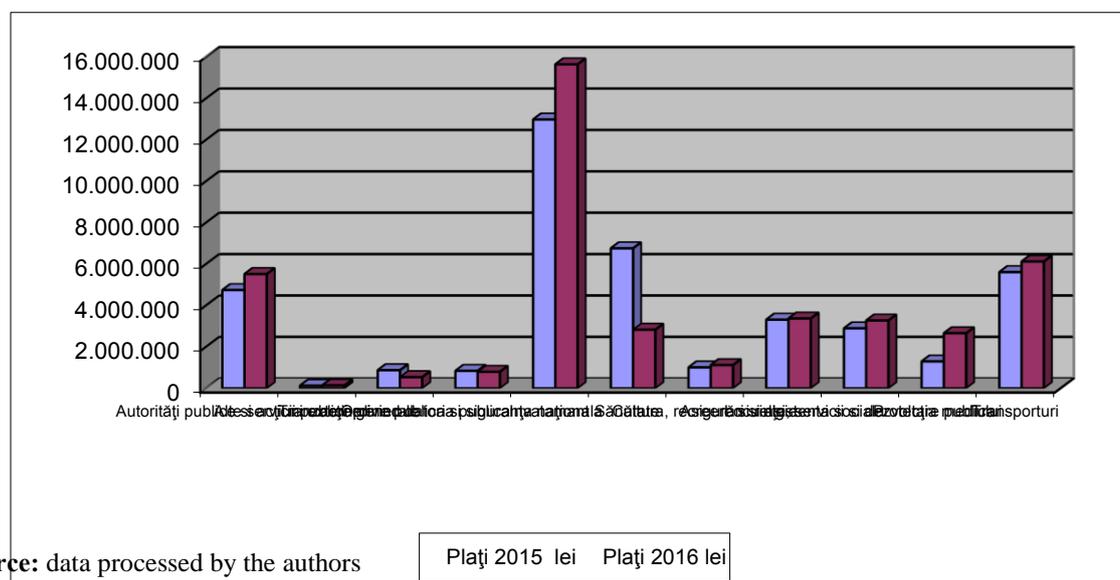
Source: processed by the authors

Figure 3. Implementation stages of the budgetary expenses

One can observe that for some budget chapters the increase of the expenses is very great in the year 2016 compared to 2015, and at other chapters the expenses have decreased a lot, these fluctuations being the consequence of the priorities established by the local public administration in spending the public money, the setting of priorities being realized in the interest of the local collectivity, Table 4.

Table 4. Structure of expenses according to budgeting

Indicators	Payments 2015	Payments 2016	Payments 2016 compared to 2015 (%)
TOTAL EXPENSES	40,388,588	42,028,021	104.06
Public authorities and external actions	4,745,503	5,520,616	116.33
Other general public services	125,785	138,874	110.41
Transactions for public debt	874,313	538,450	61.59
Public order and national security	842,580	795,641	94.43
Education	12,987,511	15,649,067	120.49
Health	6,763,976	2,831,996	41.87
Culture, recreation and religion	1,010,165	1,121,257	111.00
Insurances and social care	3,316,237	3,371,761	101.67
Abodes, services&public development	2,896,867	3,275,185	114.12
Environmental protection	1,298,598	2,660,592	114.81
Transports	5,614,052	6,124,582	109.09

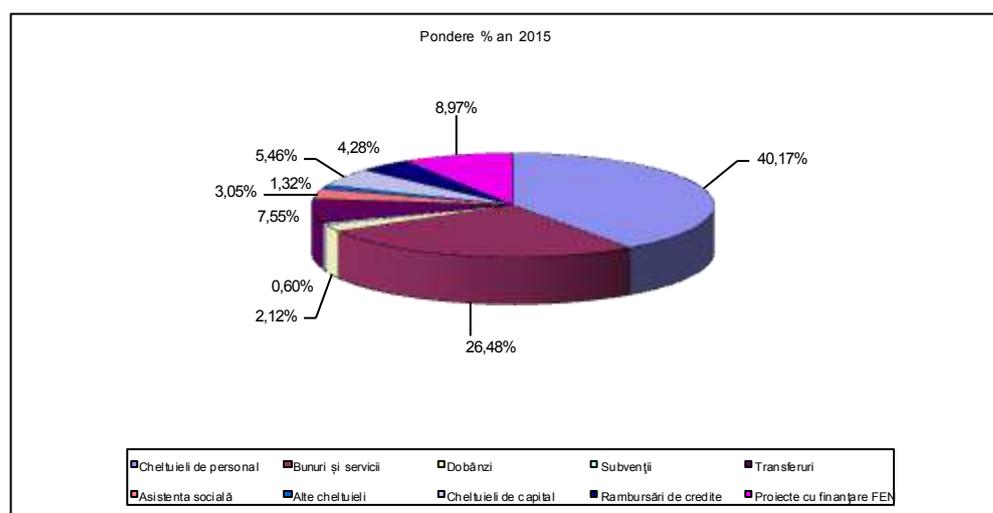
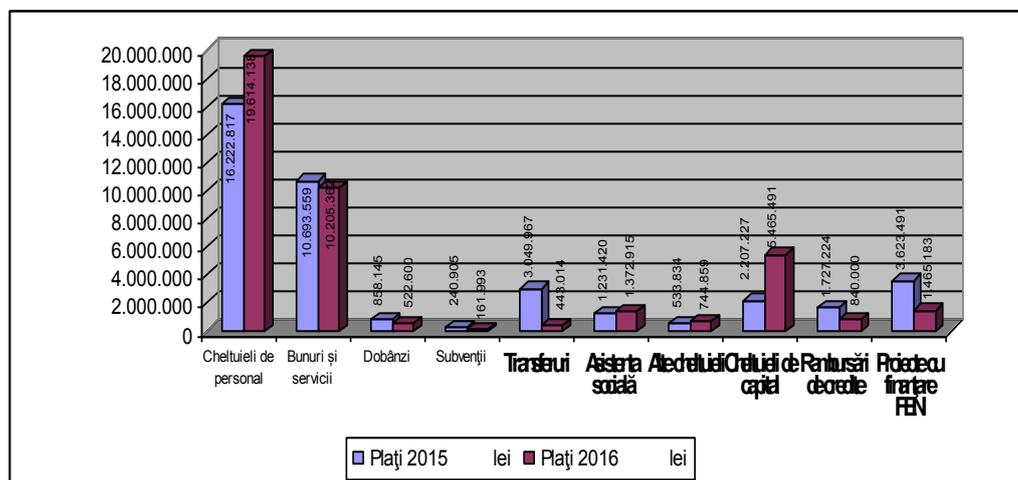


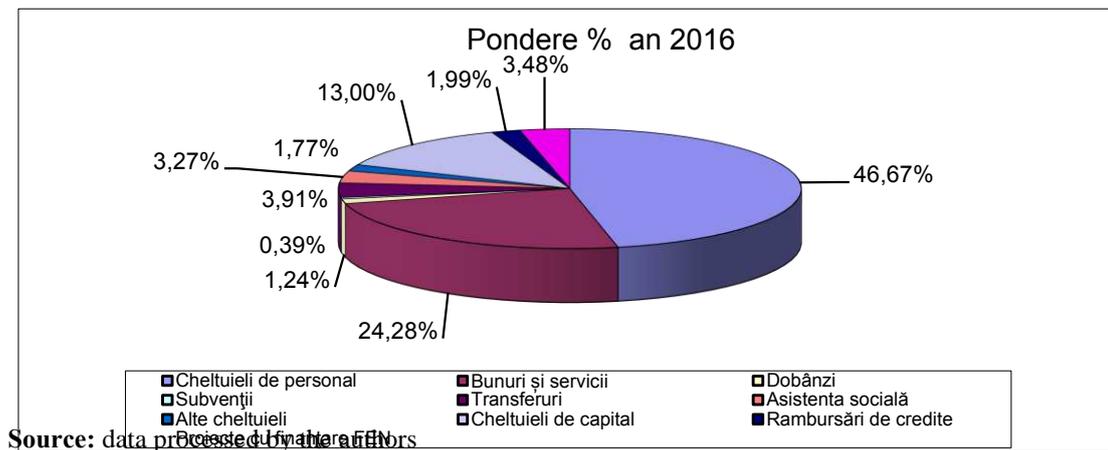
The largest increase of the level of expenses in the year 2016 compared to the year 2015 was recorded at the chapter “Environmental protection”, chapter at which the expenses grew by 114.81% as a consequence of the implementation of a program funded from the State budget which aimed to rehabilitate the treatment station for used waters and the extension of the sewage network. The largest reduction of the level of expenses in the year 2016 compared to the year 2015 was recorded at the chapter “Health”, by 41.87%, because in the year 2015 a program with non-reimbursable funding was implemented, meant to modernize the ambulatory care of the municipal hospital and also in the year 2015, the municipal hospital benefited supplementary sums allotted to acquit lingering payments.

A substantial increase in the level of the expense in the year 2016 towards the year 2015 is apparent in the chapter “Education”, where expenses have increased by 20%, a result of the allocation of money for the payment of the wages earned rights in court. Reviewed on the economic structure classification, it can be seen in table 5, that both in 2015 and in 2016, the highest share in total expense is hold by the personnel expense.

Table 5. The structure of the expenses according to their nature and the share in total expenses

INDICATORS	Payments-2015	Share %	Payments-2016	Share%
TOTAL	40.388.588	100%	42.028.021	100%
Personnel expense	16.222.817	40,17%	19.614.138	46,67%
Goods and services	10.693.559	26,48%	10.205.362	24,28%
Interest	858.145	2,12%	522.600	1,24%
Subsidies	240.905	0,60%	161.993	0,39%
Transfers	3.049.967	7,55%	443.014	3,91%
Social welfare	1.231.420	3,05%	1.372.915	3,27%
Other expenses	533.834	1,32%	744.859	1,77%
Capital expenses	2.207.227	5,46%	5.465.491	13,00%
Repayments of loans	1.727.224	4,28%	840.000	1,99%
NEF projects	3.623.491	8,97%	1.465.183	3,48%





Personnel expenses have increased substantially in the year 2016, as a share in total expenses, as well as towards the previous year, due to the increase in the number of staff, increasing the national minimum salary, as well as the allocation of additional funds to pay in higher percentages of salary rights won in the Court of teachers in State Pre-University Education, and also by the public institutions' officials. A considerable increase in the year 2016, so as a share in the expenses total, as well as the previous year, to establish the capital expenses and it is due to the fact that in the year 2016, funds from the State budget for the financing of investments in the public interest have been obtained, as we have mentioned earlier, under the chapter "Environmental Protection", for the rehabilitation of the wastewater treatment plant and the extension of the sewerage networks.

Diminishing the transfers and the NEF funding projects, in 2016, both as a share in the expenses total, as well as towards the previous year, reflected, as we previously mentioned in the analysis of budgetary chapters, the fact that the municipal hospital was granted in the year 2015 of foreign non-reimbursable funds for the modernization of the ambulatory and additional transfers to local budgets for the arrears payments.

Comparing the period under review, the total revenue earned level with the level of total payments that were made, it is observed that there are both in 2015 and 2016 a budgetary surplus. By the end of 2015, the budget surplus was 133,198 lei (40,521,787 lei proceeds payments - 40,521,786 lei made payments), it was added to the budget surplus from previous years and resulted in a total budget surplus of 379,440 lei, that in the year 2016, along with the income provided through budget covers the necessary budgetary expense. At the end of the year 2016, the budget surplus is estimated at 3,253,530 (45,281,551 lei proceeds payments - 42,028,021 lei made payments), it was added to the budget surplus from previous years unused in the amount of 379,440 lei and resulted in a total budget surplus of 3,632,970 lei, which will be used in the year 2017 as a source for financing the expense section of the local budget development.

7. Result interpretation

The implementation of the budget for each year included those acts and operations which have achieved the revenue and expense carried out and authorized by the local Council decisions adopting the budget and correcting it. The realization of the revenues programmed had a primordial importance in the annual execution of the local budget since their cashing in constituted the elementary premise for the realization of the expenses foreseen. The expenses out of the local budget were realized within the limit of the budget provisions with their distribution on trimesters. The payments ordered by the Municipality Mayor, as credit sequencer were realized via treasury, but only after the budgetary credits were opened, by budgetary credit understanding the sum approved in the local budget, representing the maximum limit up to which expenses can be engaged and realized. The procedure for effecting such credits and making the expense provided for in the local budget, involved a complex procedure which included acts and hiring operations, liquidity finding, validation and payment.

8. Conclusions

Based on the data centralized and analyzed in the case study presented one can conclude that financial resources are mobilized at the will of the local public authorities by means of the local budget and are distributed principally to realize the economic and social development objectives of the administrative-territorial units, assuring the measures of social protection of the population and the functioning of the local public authorities. The local budget, by the way it is elaborated and executed, gives the local authorities the possibility to influence the economic and social processes on the local level with consequences on the urbanistic and household development of the localities and the increase of the standard of living of the population. Local budgets or those of the administrative-territorial units constitute therefore a basic component of the budgetary structure of public interest with a special importance for the functional autonomy of the local public authorities.

Out of the analysis carried out on the budget of Orăștie Municipality, it has been noticed that the main problem of the budget domain is the reinforcement of the functional and financial autonomy of the administrative-territorial unit. Functional autonomy based on a real financial autonomy supposes funding the actions only based on own

revenues. Any local community confronted with the emergence of the numerous expenses related to insurance the welfare of its own citizens provided the analysis on the statement of income policy, so as the local taxes (which constitutes the main source of the income) to meet at least the following conditions: to generate a significant income; to be socially acceptable; to be designed so that the total costs of collection should be as low as to respect the principle of fairness; not to distort the work; the principles applicable to the private economy, namely to cover the costs and benefits and to be correlated with the ability of the taxpayers to pay.

The local budgets of Orăștie in the period 2015-2016, were approved on the basis of the law on public finance no. 500/2001, of the law on local public administration no. 215/2001, of the law on local public finance no. 273/2006, and the laws regarding the State budget for the respective years. In accordance with the provisions of these laws, the consistent approval of the local budget is within the exclusive competence of the local Council. With the approval of the budget by the City Council, the budget process has passed the second stage, namely the stage of execution. The procedure of the conclusion of the budget for each year was held in accordance with the detailed rules on the conclusion of the budget year of that year approved by order of the Minister of the public finances. In order to achieve the objectives of economic and social development of the municipality and ensuring the measures of the social protection of the population are required to take appropriate measures to increase the financial resources mobilized in the local public institutions through the local budget. Among these measures, we mention:

- widening the own base of revenues through the development of the local economy based on enhancing the capacity-building initiative;
- merging the sources of constant income with the seasonal ones, because the proceeds to rhythmically result in order to ensure the budget balance in both the full year and on quarterly basis for avoiding dips;
- receipting in full and on time to the budget revenues and spending of the budgetary resources through the rational spending by defining what should be done with a minimum of effort;
- establishing the size, the destination and the optimal structure of expense and their including in the resources limits that can be mobilized locally in order to avoid resorting to loans, which would result in limiting the possibilities for economic and social development of the city;
- to the establishment of the public spending to start from the social needs that must be satisfied in priority at the expense of the public resources, because the correct setting of the options and priorities can affect the pace of economic growth at the local level, the degree of satisfaction of needs of material and spiritual living conditions of the population and other public needs;

Ensuring the administrative autonomy according to the principle of decentralization and local autonomy cannot be done without the existence of a regulatory framework and appropriate mechanisms or instruments necessary for the performance of local authorities. The realization of local autonomy in Romania is one of the essential objectives of the reform in the public administration. The local autonomy concerns the organization and functioning of the local public administration and represents the right and actual capacity of the local public administration authorities, to resolve and manage on their own behalf and under their responsibility, an important part of public affairs in the interest of the local communities which they represent. The financial autonomy of the local communities is an essential condition for the development of their administrative autonomy, because it would not be possible without the financial autonomy which ensures the functioning of the material support.

Although the current legal framework is a clear progress compared to the early 1990s and approaching the European standards in the field of the public finance, there are still plenty of aspects to improve. The most important of these aimed at the harmonization of laws in the concerned domain: legal documents relating to the devolution of the public services to be brought into line with some who foresee an appropriate financial decentralization; the law's annual State budget to be fully consistent with the framework laws; the tax legislation should be in full accord with the budget. The improvement of the laws is not enough, however, it must be matched by the local operative management, a review of how the local communities' money are collected and spent.

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