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OPERATING SURPLUS OF LGUS IN THE CONTEXT OF LEGAL CHANGES RESULTING IN A DECLINE OF LGUS' CURRENT INCOME FROM PIT

The issue of an operating surplus of local government units (LGUs) is gaining significance due to, inter alia, the enactment of legal changes resulting in a decline in the current income of LGUs from PIT. The purpose of the research is evaluation of the development of the LGUs' operating surplus in the context of legal changes (enacted in 2019-2022) causing the said decline as well as the evaluation of the mechanisms compensating LGUs for that decline. The following were applied to accomplish the research objective: (1) quantitative analysis, taking into consideration the data of the Ministry of Finance presented in the reports on LGUs' budget implementation for 2020-2021 and multi-annual financial forecasts for the LGUs' budget plan for 2022; (2) review of source literature and legislation related to the research subject.

The analysis performed for the years 2020-2022 shows that the period of growth in the value of the operating surplus in all types of LGUs in 2021 in comparison to 2020 is followed by a significant decline in its value in 2022 (as planned). Across Poland, this applies to: municipalities, cities with county rights and voivodeships. Whereas, in the case of counties (on a Poland-wide scale), no operating surplus has been planned at all for 2022. The above situation may result not only in a decline in the capacity to finance investments from the operating surplus in LGUs, but also in the differentiation of these capacities within specific LGU types. Increased differentiation of this phenomenon in specific local governments may be affected by, inter alia, the adopted system of criteria of distribution of funds as part of the compensation for the decline in current income from PIT (especially in the development part of the general subsidy).

Keywords: finance, operating surplus, LGU, PIT, compensation mechanism

JEL Codes: G38, H72, H61, H41

Introduction

The issue of an operating surplus of local government units (LGUs) is gaining significance, both in cognitive and application terms. The gravity of this issue in the area of local government finance is additionally emphasised by the fact of enactment of legal changes resulting in LGUs' recording a decline in their current income on inflows from personal income tax (PIT). Particularly important changes in this scope include enactment in:

1. 2019 of the reduction of the PIT rate from 18 to 17%, an increase of the tax-deductible amount, PIT exemption for persons below the age of 26 (Act of 30 August 2019 – consolidated text: Journal of Laws, item 1387, as amended)¹; which caused a decline in the LGUs' income from PIT by PLN 6.1 billion²;

¹ Ustawa z dnia 30 sierpnia 2019 r. o zmianie ustawy o podatku dochodowym od osób fizycznych oraz ustawy o zmianie ustawy o podatku dochodowym od osób fizycznych oraz niektórych innych ustaw, Dz.U., poz. 1387, as amend.

² Samorządy odcięte od dochodów z PIT. Proponują rozwiązanie, Rzeczpospolita, 18.04.2022, <https://regiony.rp.pl/podatki/art36096791-samorzady-odciete-od-dochodow-z-pit-proponuja-rozwiazanie> (access: 18.04.2022).

2. 2021 of the Polish Deal regulations through: an increase (to PLN 30 thousand) of the non-taxable amount; an increase of the tax threshold from PLN 85 thousand to PLN 120 thousand; introduction of zero PIT for persons working upon attainment of the retirement age (up to the value of the tax threshold); introduction of the correction factor (higher tax-deductible expenses) for the persons earning from PLN 6 thousand to PLN 10.5 thousand (Act of 29 October 2021 – Journal of Laws of 2021, item 2105)³; which causes, according to the estimates of the Ministry of Finance, a decline in the LGUs' income in 2022 amounting to PLN 11 922 million, and over 10 years – PLN 112 426 million (for fixed prices of 2022 – Evaluation of effects of regulations of 07.09.2021)⁴;
3. 2022 of the reduction of, *inter alia*, the PIT tax rate applied in the first range of the progressive scale from 17% to 12% (Act of 9 June 2022 – Journal of Laws of 2022, item 1265)⁵.

The value of the current income of LGUs (including inflows from PIT) is a significant determinant of the formation of the LGUs' operating surplus. Any decline in this category of income may, therefore, affect the ultimate value of the operating surplus of LGUs. This issue has not been subject to many analyses in the currently available source literature.

The discussion focused mostly on the issues regarding:

- the role of the operating surplus in the context of investment activities of LGUs⁶;
- the significance of the operating surplus in the budget of selected types of LGUs on the example of selected voivodeship⁷;
- the analysis of the operating surplus in the context of LGUs' financial decisions⁸.

Therefore, the proposed research subject may contribute to the partial filling of the research gap in the scope of analyses regarding the LGUs' operating surplus.

Research methodology

The purpose of the research is evaluation of the development of the LGUs' operating surplus in the context of legal changes (enacted in 2019-2022) causing a decline in the LGUs' current income on inflows from PIT. The formula of the said objective also incorporates an evaluation of the mechanisms compensating the LGUs for the decline in the current income from PIT (one-time supplementation of the general subsidy and introduction of the development part of the general subsidy) significant in the formation of the LGUs' operating surplus. The research period adopted for the purpose of evaluating the formation

³ Ustawa z dnia 29 października 2021 r. o zmianie ustawy o podatku dochodowym od osób fizycznych, ustawy o podatku dochodowym od osób prawnych oraz niektórych innych ustaw, Dz.U. z 2021 r., poz. 2105.

⁴ Ocena skutków regulacji z dnia 07.09.2021 r. do projektu ustawy o zmianie ustawy o podatku dochodowym od osób fizycznych, ustawy o podatku dochodowym od osób prawnych oraz niektórych innych ustaw. Nr w wykazie prac legislacyjnych Rady Ministrów: UD260, p. 562-563

⁵ Ustawa z dnia 9 czerwca 2022 r. o zmianie ustawy o podatku dochodowym od osób fizycznych oraz niektórych innych ustaw, Dz.U. z 2022 r., poz. 1265.

⁶ E. Gubernat: Zdolności inwestycyjne jednostek samorządu terytorialnego województwa dolnośląskiego w latach 2007-2013, *Finanse, Rynki Finansowe, Ubezpieczenia*, 6 (84)/2016, p. 71-83; P. Galiński: Możliwości finansowania inwestycji przez gminy w Polsce w latach 2010-2012, *Zeszyty Naukowe Uniwersytetu Szczecińskiego nr 802 Finanse, Rynki Finansowe, Ubezpieczenia*, 65/2014, p. 71-82.

⁷ A. Krzezińska: Znaczenie nadwyżki operacyjnej w budżecie gmin i miast na prawach powiatu na przykładzie województwa wielkopolskiego i lubelskiego, *Optimum. Economic Studies*, 2 (92)/2018, p. 61-67.

⁸ M. Dylewski: Nadwyżka operacyjna a decyzje finansowe jednostek samorządu terytorialnego, *Annales Universitatis Mariae Curie-Skłodowska Lublin. Sectio H*, 51, 6/2017, p. 75-84.

of the LGUs' operating surplus covers the years 2020-2022. The following were applied to accomplish the research objective:

- quantitative analysis, taking into consideration secondary data originating from:
 - Ministry of Finance, reports: Rb-27S, Rb-28S (regarding LGUs' budget implementation for 2020-2021);
 - multi-annual financial forecasts (MAFF) as of 31.01.2022 (regards the plan for 2022).
- review of source literature in the scope of LGUs' operating surplus and legislation related to the research subject.

The collected analytical data were grouped by specific types of LGUs: municipalities, counties and voivodeships. The classification also distinguished cities with county rights whose budget planning and implementation include funds for the performance of public tasks both in the municipality and county-related part.

The analyses were carried out from a normative perspective, which enabled the determination of conditions required to design new solutions in the area of finance⁹.

Significance of the LGUs' operating surplus

The science of public finance assumes that the operating surplus in LGUs is the positive difference between the current income and current expenses¹⁰. On the other, the term of current income and current expenses of LGUs are defined indirectly in the content of Article 235(2)-(3) and Article 236(2) and (4) of the Act on Public Finance of 27 August 2009 (consolidated text: Journal of Laws of 2022, item 1634)¹¹. The LGUs' budgetary current income has been included as budgetary income other than financial income, which includes:

- subsidies and funds allocated to investments,
- income on the sale of property,
- income on the transformation of the perpetual usufruct right into the ownership right.

On the other hand, LGUs' budgetary current expenses are provided for in the Act as budgetary expenses other than financial expenses, which include expenses on:

- investments and investment purchases (including programmes financed with the participation of EU budget funds or non-refundable funds from aid granted by the member states of the European Free Trade Association (EFTA) or non-refundable funds from other foreign sources, in the part related to the performance of tasks of the local government units);
- acquisition and subscription for shares;
- making contributions to commercial companies.

Analysing the issue of the operating surplus, one must, however, remember that under Article 242(1) of the quoted Act on Public Finance of 2009, the LGUs' governing authority cannot adopt a budget where the planned current expenses exceed the planned current income plus the operating surplus from prior years and free cash.

⁹ S. Owsiak: *Finanse*, PWE, Warszawa 2015, p. 86.

¹⁰ *Nadwyżka operacyjna w jednostkach samorządu terytorialnego w latach 2008-2010*, Ministerstwo Finansów, Warszawa 2010, p. 3.

¹¹ Ustawa z dnia 27 sierpnia 2009 r. o finansach publicznych, Dz.U. z 2022 r. poz. 1634.

Under Article 121 of the Act of 27 August 2009 – Regulations Implementing the Act on Public Finance (Journal of Laws No. 157, item 1241)¹², the relation resulting from the discussed Article 242 applied for the first time to the LGUs' budget resolutions adopted for 2011.

The obligation to balance the LGUs' operating budget applies both to its planning and implementation stage. Nevertheless, it must be emphasised that in the case of the performance of current tasks with the use of EU funds, current expenses can exceed current income plus the operating surplus from prior years and cash only by the amount connected with the performance of current tasks with the use of the funds:

- originating from the budget of the European Union;
- and non-refundable funds from aid granted by the member states of the European Free Trade Association (EFTA) if such funds are not provided in the current budget year.

An important argument supporting budget balancing and referring to its current part is the limitation of non-productive debt as an increase in indebtedness for the purpose of financing current expenses may, in consequence, lead to the need to contract further debts to repay previous liabilities (the so-called debt trap)¹³.

The operating surplus is one of the most important ratios for the evaluation of the LGUs' financing standing in the scope of determining if it is capable of covering its current expenses with current income. If current income exceeds current expenses, LGUs have the financial capacity to develop new investments or repay previously contracted debts (repayment of instalments of loans, borrowings or issued bonds). The higher the operating surplus, the higher the LGUs' capability to develop new investments, both directly, by allocation of that amount to investments, and indirectly – by repayment of liabilities contracted for that purpose. Thus, it must be assumed that if the LGU has an operating surplus, it has funds at its disposal that can be allocated directly to investments in improving the level of prosperity of the local community. It must be added that the operating surplus is an attractive source of investment financing for LGUs. It is so, as for other sources of investment financing (financial income, loans and borrowings), the local government would have to carry out an analysis to:

1. Determine its capability of obtaining financial income. This income category is irregular in nature. Such types of income are incidental, but it may happen that they will support the local government's budget for several years. In principle, its role comes down to financing tasks performed over a time horizon exceeding one year, with their effects also used in a long-term perspective¹⁴.

¹² Ustawa z dnia 27 sierpnia 2009 r. Przepisy wprowadzające ustawę o finansach publicznych, Dz.U. nr 157, poz. 1241.

¹³ B. Dafflon: Theory of Subnational Balanced Budget and Debt Control, [in:] B. Dafflon (ed.), Local Public Finance in Europe: Balancing the Budget and Controlling Debt, Edward Elgar, Cheltenham, UK & Northampton, MA, USA 2002, p. 15-44; P. Swianiewicz: Finanse lokalne – teoria i praktyka, Municipium, Warszawa 2004, p. 32-37, 131-139; M. Poniatowicz, J.M. Salachna, D. Perło: Efektywne zarządzanie długiem w jednostce samorządu terytorialnego, Wolters Kluwer, Warszawa 2010, p. 19-36, 48-59.

¹⁴ A. Sekuła: Kształtowanie się dochodów majątkowych jednostek samorządu terytorialnego w latach 2007-2008, [in:] R. Broła (ed.), Gospodarka lokalna w teorii i praktyce, Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu, 109/2010, p. 252.

2. Assess the availability and cost of obtaining capital¹⁵. In the case of loans and borrowings, the restrictions in the form of local government indebtedness limits resulting from Article 243 of the quoted Act on Public Finance of 2009 must be taken into consideration¹⁶.

If no operating surplus is generated, the scale of satisfaction of investment needs of the given LGU would either have to be reduced or a decision on the sale of the local government's property or on borrowing money from the market to implement the originally assumed investment plans would have to be made.

Although the operating surplus in the LGUs' budget is treated as a positive phenomenon, one must consider that:

- the operating surplus does not include financial income/expenses, and these categories are important for the LGUs' financial economy;
- the operating surplus in the LGUs' budget does not include the inflow-outflow side of the budget, i.e. the current income does not include inflows obtained by the units from borrowings or bank loans or surpluses from prior years and funds obtained from the privatisation of LGUs' property (inflows), while the current expenses do not include amounts spent on repayment of contracted loans and borrowings (outflows);
- when assessing the financial standing of LGUs, there are limitations resulting from the presentation of the budget on a cash basis, i.e. recognising actual payments made in the budget year as income and expenses, irrespective of the period they regard and when they mature¹⁷.

Formation of the operating surplus of LGUs in 2020-2022

The analysis of the formation of the operating surplus of LGUs should be preceded by an evaluation of the formation of its two analytical determinants, i.e. current income and expenses. Table 1 presents data regarding LGUs' current income in 2020-2022.

Table 1. LGUs' current income in 2020-2022

LGU type	LGUs' current income in		
	2020 (implemented)	2021 (implemented)	2022 (planned)
Municipalities	133 619 796 689.70	145 987 572 928.51	122 649 208 539.35
Cities with county rights	91 582 953 491.16	103 196 567 513.33	90 548 348 857.81
Counties	29 738 424 840.51	32 457 779 233.66	30 218 053 589.92
Voivodeships	16 931 949 840.23	19 091 496 970.64	20 455 934 312.32

Source: own study based on data from the Ministry of Finance.

Comparing the year 2021 to the year 2022, one can note an increase in current income in all types of LGUs in Poland. This increase may be partially explained by the award of compensation for the decline in income from PIT to LGUs in December 2021 in the form of the one-time supplementation of the general subsidy in the amount of PLN 8 million

¹⁵ M. Ziolo: Zewnętrzne, obce źródła finansowania wydatków inwestycyjnych gmin i determinanty ich doboru, *Zeszyty Naukowe, Polskie Towarzystwo Ekonomiczne*, 10/2011, p. 289-298.

¹⁶ J. Zawora, P. Zawora: Możliwości finansowania działalności inwestycyjnej przez gminy województwa podkarpackiego, *Ekonomiczne Problemy Usług*, 4, (129)/2017, p. 282.

¹⁷ M. Wiewióra: Nadwyżka finansowa a samorząd, *Serwis Samorządowy PAP*, 2008, <https://samorzad.pap.pl/kategoria/archiwum/nadwyzka-finansowa-samorzad> (access: 15.05.2022).

(on a Poland-wide scale). On the other hand, comparing the year 2022 (without compensation payment) to 2021, one may note a planned decline in the value of current income by 16% for municipalities, by 12% for cities with county rights and by 7% for counties. Only at the level of voivodeships an increase in current income is planned – 0.7% in comparison to 2021. Additionally, if we look at the inflows from PIT to the current income of LGUs in the analysed period, these inflows are planned for 2022 at a level lower than in 2021 for all types of LGUs; this, however, does not translate into the value of the share of PIT in the current income of LGUs (on a Poland-wide scale) (cf. Table 2).

Analysing the current expenses of LGUs in 2020-2022, one may draw similar conclusions as in the analysis of the current income of LGUs (see Table 3). Comparing the year 2021 to the year 2022, one can note an increase in current expenses in all types of LGUs in Poland. On the other hand, comparing the year 2022 to 2021, one may note a planned decline in the value of current expenses by 6% for municipalities and by 3% for counties. Whereas, as regards counties and voivodeships, an increase in current expenses is planned by 6 and 21%, respectively, in comparison to 2021.

Table 2. Inflows from personal income tax (PIT) in LGUs' budgets in 2020-2022

LGU type	Inflows from PIT in					
	2020 (implemented)		2021 (implemented)		2022 (planned)	
	PIT	%*	PIT	%*	PIT	%*
Municipalities	22 980 318 967.00	17	25 885 024 490.00	18	22 527 077 204.40	18
Cities with county rights	24 162 402 264.00	26	27 272 768 439.00	26	23 715 074 051.00	26
Counties	6 172 761 296.00	21	6 940 195 025.00	21	6 017 699 643.23	20
Voivodeship	1762 132 061.00	10	1 983 431 946.00	10	1 720 495 999.00	8

* share of inflows from PIT in the current income of LGUs.

Source: own study based on data from the Ministry of Finance.

Table 3. LGUs' current expenses in 2020-2022

LGU type	LGUs' current expenses in		
	2020 (implemented)	2021 (implemented)	2022 (planned)
Municipalities	122 464 654 796.77	129 536 091 400.97	122 335 436 290.81
Cities with county rights	88 276 158 152.92	92 555 291 956.79	90 224 528 161.92
Counties	27 027 899 180.88	28 745 052 835.84	30 473 036 211.19
Voivodeships	12 720 096 881.02	13 290 654 199.97	16 134 833 758.59

Source: Own study based on data from the Ministry of Finance.

A comparison of the above two analytical determinants for the years 2020 and 2022 shows that the LGUs' operating surplus (on a Poland-wide scale) was characterised by variable values (cf. Table 4).

Table 4. Operating surplus of LGUs in 2020 – 2022

LGU type	Operating surplus of LGUs in		
	2020 (implemented)	2021 (implemented)	2022 (planned)
Municipalities	11 155 141 892.93	16 451 481 527.54	313 772 248.54
LGU type	Operating surplus of LGUs in		
	2020 (implemented)	2021 (implemented)	2022 (planned)
Cities with county rights	3 306 795 338.24	10 641 275 556.54	323 820 695.89
Counties	2 710 525 659.63	3 712 726 397.82	-254 982 621.27
Voivodeships	4 211 852 959.21	5 800 842 770.67	4 321 100 553.73

Source: Own study based on data from the Ministry of Finance.

Comparing the year 2021 to 2020, there is an increase in the value of the operating surplus in all types of LGUs, with the highest – over three times – increase recorded for cities with county rights. On the other hand, data for 2022 is completely different in this regard. The plans for 2022 provide for an operating surplus for municipalities, cities with county rights and voivodeships, but lower than in 2022 (lower by: 98, 97 and 26%, respectively).

On the other hand, as regards counties, no operating surplus is planned at all. This situation results in the noted decline in the share of the operating surplus in the total income of LGUs in 2022 in comparison to 2021 for:

- municipalities and cities with county rights: from 10 to 0%,
- voivodeships: from 25 to 17%,
- counties: from 10% to negative values.

To summarise, the operating surplus of LGUs in the analysed year on a Poland-wide scale looks the least favourable in 2022. This situation could have been affected by, *inter alia*, the lack of payment of compensations for LGUs in connection with the decline in current income in the part of inflows from PIT in the years 2021-2022. However, it must be emphasised that the formation of the operating surplus in individual local government units may be characterised by an even greater degree of differentiation in value than the degree resulting from the data presented on an aggregate basis for LGUs. This situation may be affected by the criteria for the distribution of funds in the mechanisms compensating LGUs for the decline in PIT.

Mechanisms compensating the decline in LGUs' current income vs formation of the LGUs' operating surplus

The mechanisms compensating for the decline in LGUs' current income are important for the ultimate formation of the operating surplus, as the value of current income is the key determinant in generating the operating surplus by LGUs. The Act Amending the Act on Income of Local Government Units and Certain Other Acts of 14 October 2021 (Journal of Laws of 2021, items 1927, 2427)¹⁸ provides for mechanisms compensating the decline in the current income of LGUs in the form of an obligatory payment of:

- one-time supplementation of the general subsidy for LGUs in 2021 amounting to PLN 8 billion;
- new development part of the general subsidy for LGUs.

¹⁸ Ustawa z dnia 14 października 2021 r. o zmianie ustawy o dochodach jednostek samorządu terytorialnego oraz niektórych innych ustaw, Dz.U. poz. 1927.

The very fact of choice of the subsidy transfer for the compensation of LGUs' decline in income may be assessed positively in some aspects. The supporting arguments include:

- linking this type of transfer in the financial policy of the state with the principles of subsidiarity and adequacy (stipulated both in the Constitution of the Republic of Poland and in the treaty documents of the European Union)¹⁹;
- generality of this type of transfer, enabling freedom of management of these funds by LGUs (Article 7 of the Act on Income of Local Government Units of 13 November 2003) – consolidated text: Journal of Laws of 2021, item 1672, as amended)²⁰.

A significantly more important issue for the ultimate formation of the operating surplus is the method of distribution of funds from the general subsidy among LGUs under the PIT decline compensation mechanism. Therefore, in the case of one-time supplementation of the general subsidy, the following must be noted:

1. Inadequacy of the value of the compensation in relation to the value of decline in the income of LGUs estimated in 2022 as amounting to PLN 11,922 million (Evaluation of effects of regulations – Polish Deal).
2. Adjustment of the value of the amount due to the LGU after its initial calculation according to the following principle: proportionally to the value of the share of income planned for 2022 on the share in PIT inflows of municipalities, counties and voivodeships in the total amount of income of all LGUs on that account. The subsidy is adjusted taking into consideration a ratio calculated with use – for example, for municipalities – of, *inter alia*, income on the compensatory and balancing parts of the general subsidy planned for 2022, for 2022, minus payments to the state budget planned for 2022. Additionally, LGUs have been assigned ranges of reference to the total value of funds due to the specific types of LGUs (for municipalities, this amount cannot be lower than 0.005% and cannot be higher than 5% of the total amount of funds; for counties: not lower than 0.025% and not higher than 10%; for voivodeships: not lower than 2.5% and not higher than 15%).

As a result, a mechanism unproportional to the value of the decline in PIT income in individual LGUs was created. Considering the upper reference limit for the group of municipalities and cities with county rights (municipal part) – the limit covered Warsaw, while in the group of voivodeships – Silesian Voivodeship²¹. This means the differentiation of the situation of LGUs in terms of supplementation of the decline in PIT income with the one-time supplementation of the general subsidy for LGUs. Therefore, the formation of current income from the part regarding inflows from PIT with a concurrent lack of supplementation from other sources of current income will result in a declining value of the operating surplus for LGUs.

The second analysed mechanism compensating for the decline in LGUs' current income on PIT – the development part of the general subsidy – is characterised by quite

¹⁹ J. Szołno-Koguc: Subwencja ogólna jako instrument wsparcia transferowego samorządu gminnego, Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu, 485/2017, p. 463.

²⁰ Ustawa z dnia 13 listopada 2003 r o dochodach jednostek samorządu terytorialnego, Dz.U. z 2021 r. poz. 1672 as amend.

²¹ M. Czekaj: Panel: Zmiany w finansowaniu jednostek samorządu terytorialnego, XIII Międzynarodowe Forum Finansowo-Bankowe: Wyzwania współczesnych finansów – ryzyka, strategię, perspektywy, Warszawa 2021.

a complex structure of distribution of funds among the LGUs. These funds are divided into:

- The primary amount determined proportionally to the number of LGUs' residents, with the determination of lower and upper limits of amounts for:
 - municipalities: amount not lower than 0.01% and not higher than 3% of the primary amount determined for all municipalities;
 - counties: amount not lower than 0.1% and not higher than 0.95% of the primary amount determined for all counties;
 - voivodeships: amount not lower than 3% and not higher than 10% of the primary amount determined for all voivodeships.
- Activation bonus – granted to a municipality, county and voivodeship with dynamics of financial expenses, excluding financial expenses from budget subsidies granted by other local government units, in the year preceding the base year in relation to its preceding year, as converted per 1 resident, exceeding the analogous ratio for all municipalities, counties and voivodeships. The bonus will be divided proportionally to the financial expenses of the entitled municipalities, counties and voivodeships, respectively, and determined per 1 resident.
- Investment bonus – granted to a municipality, county and voivodeship with a ratio of financial expenses per 1 resident in the year preceding the base year exceeding the analogous ratio for all municipalities, counties and voivodeships. The investment bonus will be divided proportionally to the financial expenses of the entitled municipalities, counties and voivodeships, respectively, and determined per 1 resident.

Inclusion of the following in the structure of the development of the general subsidy structure:

- two components promoting LGUs' financial expenses (as converted per 1 resident according to the status as of 2021);
- upper and lower limits of amounts for the primary part of the development subsidy for the specific types of LGUs;

can cause the following effects in certain LGUs:

- discriminatory effect (due to the compensation, LGUs will receive fewer funds than they lost),
- "bonus effect" (due to the compensation, LGUs will receive more funds than they lost).

The above effects can be observed using the example of 10 municipalities and counties losing and gaining the most due to the compensation mechanism in the form of the development part of the general subsidy (cf. Tables 5-6).

The quoted report on the effectiveness of compensation for the decline in income from PIT with the development part of the general subsidy shows that 1837 municipalities gained funds exceeding their estimated loss of inflows from PIT. In certain municipalities, these funds are significantly higher – even 20 times higher than the incurred loss. On the other hand, 640 municipalities will not record income compensation. Therefore, it may be stated that more municipalities will gain than lose on the effective structure of the development part of the general subsidy. An analogous phenomenon in the scope of estimation and lack of compensation of funds is recorded for counties.

Table 5. Municipalities losing and gaining the most on the compensation of losses from PIT with the development part of the general subsidy

Municipalities losing the most in percentage terms	Ratio (%)	Municipalities gaining the most in percentage terms	Ratio (%)
m. st. Warszawa (część gminna)	-84.28	Palecznica	4128.70
Konstancin-Jeziorna	-81.15	Jaślicka	3956.34
Stare Babice	-77.48	Krempna	3551.09
Puszczykowo	-75.75	Wiżajny	3015.06
Milanówek	-70.66	Perlejewo	2878.63
Lesznówola	-68.90	Kozielice	2726.68
Piaseczno	-66.15	Powidz	2553.05
Zielonka	-63.40	Milejczyce	2468.94
Mogilany	-63.22	Dębowa Łąka	2217.48
Józefów	-62.53	Młynarze	2177.85

Source: G.P. Kubalski, J.M. Czajkowski: Skuteczność rekompensowania ubytku dochodów z udziału PIT przez część rozwojową subwencji ogólnej, Analizy samorządowe, 18/2022, p. 8-9.

In the case of counties, 232 units gain on the compensation mechanism with development subsidy, and 148 lose on it. It is another case where counties “gaining” on the development part of the general subsidy outnumber those “losing” on that subsidy. In particular, it must be emphasised that the group of counties “losing” almost half of the funds are cities with county rights. In principle, these units, in the part assigned to counties, receive fewer funds in the development subsidy than they lost from PIT.

Table 6. Counties losing and gaining the most on the compensation of losses from PIT with the development part of the general subsidy

Counties losing the most in percentage terms	Ratio (%)	Counties gaining the most in percentage terms	Ratio (%)
Warszawa (district part)	-95.06	bieszczadzki	1635.62
Kraków (district part)	-76.86	sejneński	1574.41
Łódź (district part)	-73.70	Świnoujście	1535.94
Wrocław (district part)	-71.77	przysuski	870.63
piaseczyński	-69.31	węgorzewski	857.04
warszawski zachodni	-68.21	kolneński	803.84
Gdańsk (district part)	-67.38	chełmski	784.27
Poznań (district part)	-64.20	suwalski	752.77
chojnicki	-56.28	sztumski	735.51
Gdynia (district part)	-53.03	makowski	633.30

Source: G.P. Kubalski, J.M. Czajkowski: Skuteczność rekompensowania ubytku dochodów z udziału PIT przez część rozwojową subwencji ogólnej. Analizy samorządowe, 18/2022, p. 10-11.

The above local government analyses may give rise to certain observations in the scope of the ultimate formation of the LGUs’ operating surplus in the conditions of decline in current income from PIT. Assuming that LGUs’ current income other than PIT will not show a declining tendency in the budget inflows of LGUs, the funds from the development subsidy may cause an effect in the form of an increase or decline in the value of LGUs’ current income in comparison to the status from before the implementation of the legal changes regarding the decline in PIT inflows. In the case of LGUs without compensation for the decline in current income from PIT, the possible scenario is that the generated operating surplus will be lower or will not be generated at all. On the other hand, in the case of LGUs with compensation, the value of which exceeds the decline in PIT inflows, a higher operating surplus in comparison to the status from before the implementation of

legal changes regarding the decline in PIT should be expected. It must be emphasised that the above scenarios would be more real in the case of a lack of leap-like increases in the current expenses of LGUs. However, the actual increase in LGUs' current expenses may be affected by:

- high inflation in Poland;
- increase in costs of performance of public tasks in Poland in the conditions of aggravating civilisation issues, including the following threats:
 - environmental threats connected with the emission of greenhouse gases and chemical substances harmful to the ozone layer²², the consequences of which affect humanity in the form of diseases, malnutrition, premature deaths or accidents²³;
 - demographic threats connected with depopulation phenomena cause a decline in the consumption potential and, subsequently, a decline in demand for employment and – in the target structure – an increase in costs of public services²⁴;
 - socio-economic threats regarding, *inter alia*, unemployment, poverty, social pathology, breakdown of social and family ties, and economic migration (Resolution No. 8 of the Council of Ministers of 14 February 2017 on the adoption of the Strategy for Responsible Development until 2020 (with perspective to 2030) and support of political/war refugees²⁵).

It must be added that the mechanisms supporting the income side of the LGUs' budget proposed in the analysed research period also included the Strategic Investment Programme (Act on Amendment of the Act on Special Solutions Connected with Prevention, Counteracting and Combating COVID-19, Other Contagious Diseases and Resulting Crisis Situations and Certain Other Acts of 31 September 2020 – Journal of Laws, item 568, as amended)²⁶; Resolution No. 84/2021 of the Council of Ministers of 1 July 2021)²⁷. However, this mechanism of support has been disregarded in the discussion concerning the formation of the LGUs' operating surplus as this Programme regards the LGUs' capability of obtaining funds for the development of investments, i.e. financial income. Under Article 235 of the quoted Act on Public Finance of 2009, this group of LGUs' income includes, without limitation, subsidies and funds allocated to investments²⁸. This type of support for LGUs is, therefore, not related directly to generated of the operating surplus and does not amplify the principle of financial independence of LGUs, i.e. transferring adequate funds and authority to dispose of them independently to LGUs²⁹.

²² W. Nordhaus: Reflection on the Economics of Climate Change, *Journal of Economic Perspectives*, 7, 4/1993, p. 11-25.

²³ Polityka ekologiczna państwa 2030. Raport, Ministerstwo Środowiska, Warszawa 2018, p. 39-44.

²⁴ Prognoza ludności na lata 2014-2050, GUS, Warszawa 2014, p. 114 et seq.

²⁵ Uchwała nr 8 Rady Ministrów z dnia 14 lutego 2017 r. w sprawie przyjęcia Strategii na rzecz Odpowiedzialnego Rozwoju do roku 2020 (z perspektywą do 2030 r.), *Monitor Polski* z 2017 r. poz. 260.

²⁶ Ustawa z dnia 31 marca 2020 r. o zmianie ustawy o szczególnych rozwiązaniach związanych z zapobieganiem, przeciwdziałaniem i zwalczaniem COVID-19, innych chorób zakaźnych oraz wywołanych nimi sytuacji kryzysowych oraz niektórych innych ustaw, *Dz.U.* poz. 568, as amend.)

²⁷ Uchwała nr 84/2021 Rady Ministrów z dnia 1 lipca 2021 r. w sprawie ustanowienia Rządowego Funduszu Polski Ład: Programu Inwestycji Strategicznych, RM-06111-84-21.

²⁸ P. Sołtyk, M. Dębowska-Sołtyk: *Finanse samorządowe*, Difin, Warszawa 2006, p. 64.

²⁹ N. Devas, M. Alam, S. Deley, R.O. Koranteng, P. Venkatachalam: *Financing Local Government*, Commonwealth Secretariat, London 2008, p. 11.

Conclusion

The analysis performed for the years 2020-2022 shows that the period of growth in the value of the operating surplus in all types of LGUs in 2021 in comparison to 2020 is followed by a significant decline in its value in 2022 (as planned). Across Poland, this applies to: municipalities, cities with county rights and voivodeships. Whereas, on the Poland-wide scale, in the case of counties, no operating surplus has been planned at all for 2022. In 2022, the above situation may result not only in a decline in the capacity to finance investments from the operating surplus on the nationwide scale in comparison to previous years, but also in the differentiation of these investment capacities within specific LGU types. Differentiation of this phenomenon in specific local governments may be affected by, inter alia, the adopted system of criteria of distribution of funds as part of the compensation for the decline in current income from PIT, especially in the development part of the general subsidy. Its application will result in a division of LGUs into local governments without compensation for the decline in inflows from PIT and local governments whose value of PIT losses has been overestimated.

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Nadwyżka operacyjna JST w kontekście zmian prawnych wywołujących ubytki w dochodach bieżących JST z PIT

Streszczenie

Problematyka nadwyżki operacyjnej jednostek samorządu terytorialnego (JST) zyskuje coraz bardziej na znaczeniu m.in. z powodu uchwalenia zmian prawnych wywołujących ubytki w dochodach bieżących JST z PIT. Celem badań jest ocena kształtowania się nadwyżki operacyjnej JST w kontekście zmian prawnych (uchwalonych w latach 2019-2022) wywołujących te ubytki oraz ocena mechanizmów rekompensujących JST te ubytki. Do realizacji celu badawczego zastosowano: (1) analizę ilościową z uwzględnieniem danych Ministerstwa Finansów ze sprawozdań z wykonania budżetu JST za lata 2020-2021 oraz wieloletnich prognoz finansowych do planu budżetu JST na 2022 rok; (2) przegląd literatury przedmiotu oraz legislacji powiązanej z celem badań.

Z przeprowadzonej analizy dla lat 2020-2022 wynika, iż po okresie wzrostu wysokości nadwyżki operacyjnej we wszystkich typach JST w 2021 roku w stosunku do 2020 roku następuje istotny spadek jej wysokości w 2022 roku (według planu). Sytuacja ta dotyczy w skali Polski: gmin, miast na prawach powiatu oraz województw. W przypadku powiatów natomiast (w skali Polski) w 2022 roku w ogóle nie zaplanowano nadwyżki operacyjnej. Powyższa sytuacja może powodować nie tylko mniejsze możliwości finansowania inwestycji z nadwyżki operacyjnej w JST, ale także zróżnicowanie tych możliwości w obrębie poszczególnych typów JST. Na pogłębienie zróżnicowania tego zjawiska w poszczególnych samorządach może mieć wpływ m.in. przyjęty system kryteriów rozdziału środków finansowych w ramach rekompensaty ubytku w dochodach bieżących z PIT (w szczególności z części rozwojowej subwencji ogólnej).

Słowa kluczowe: finanse, nadwyżka operacyjna, JST, PIT, mechanizm rekompensujący

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