

THE SCOPE AND DIRECTION OF CHANGES IN THE REVENUES OF LOCAL GOVERNMENT UNITS IN POLAND IN THE NEW ACT OF OCTOBER 1, 2024

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ABSTRACT

The purpose of the article. The purpose of the study is to present the basic assumptions adopted in the new law on the revenues of local government units and changes in the financial situation of different types of local government units in Poland.

Methodology. The article is of an overview and organizational nature, and the adopted legislation, the draft law with introductory documents and the opinions of local government organizations have been used to achieve the intended purpose.

Results of the research. The adoption of a new law on local government revenues is aimed at reforming the financial system to restore stability and transparency. It is also a response to the changing socio-economic and political situation. Under the law, all local government units, but not all equally, will receive increased funding streams for public functions, mainly based on their own revenues. The level of local government revenue has been freed from central government decisions on fiscal policy. The need to support local governments in the area of development and ecology has been recognized by defining development and ecology needs and granting them an appropriate financial component. A complete novelty is the separation of a city with county rights from the local government structure. Some of the solutions introduced deserve recognition. It should not be forgotten, however, that there are also those that will need to be adapted. These include the "determinants" adopted for the various algorithms used to determine the expenditure needs of each LGU. Only practice will show whether they have been correctly estimated and take

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into account the right variables. Building a stable system of financing for local government units will require both the government and local government sides to work together in many ways, with mutual understanding and partnership.

Keywords: local government revenue law, financial system reform, stability of local government financial system.

JEL Class: H76, H79, K49, M39.

INTRODUCTION

At the beginning of October 2024, the Sejm adopted a new law on revenues of local government units (Act 2024). The aim of the new regulations is to increase the financial stability of individual types of local self-government units (LGU). Until now, local government finances in Poland were regulated by the Act on Income of November 13, 2003 (Act 2003). More than twenty years have passed since its enactment. During this time, the socio-economic and legal environment have undergone multidirectional changes. Local authorities have had to cope with new opportunities arising from Poland's accession to the structures of the European Union, the financial crises at the turn of the first two decades of the 21st century, the health and economic crises following the Covid-19 pandemic, the effects of increased migration caused by the outbreak of war in Ukraine, or the energy and climate crises and the effects of the 'Polish Deal' program. All these events have left their mark on local government finances. It is therefore not surprising that, for years, the academic and local government communities have repeatedly appealed to government authorities to change the way in which the tasks imposed on the sector are financed (Święcicka, 2024).

The purpose of the paper is to present the basic assumptions adopted in the new law on revenues of local government units and changes in the financial situation of particular types of local government units in Poland.

The article has an illustrative and organizational character, and the adopted legal act, the draft act with its introductory documents and opinions of self-government organizations have been used to achieve the intended purpose.

1. THE REASONS FOR THE AMENDMENT OF THE PROVISIONS OF THE LOCAL GOVERNMENT FINANCE ACT 2003

Until October 1, 2024, the system of financing local government units in Poland was regulated by the Act of November 13, 2003 on income (repealed) (Act 2003). It defined the sources of income of the units, the principles of determining and collecting the own income of these units, the principles of determining the general subsidy and payments to the local government units, the principles and procedure

of transferring a part of the general subsidy, the principles and procedure of determining the amount of a part of the general subsidy, shares in the income tax revenues of natural persons and payments to new local government units, the principles of determining and transferring subsidies to local government units. Together with the Public Finance Act and the Tax Acts, it determines the principles of managing the financial resources of the local government sub-sector.

Throughout its implementation, the 2003 Law was widely criticized. The limitation of financial independence was pointed out; it abandoned objective principles in the design of subsidies to local self-government units, linking the amount of the education subsidy to the revenues of the state budget in favor of its determination by the Minister of Finance, and then it was the Minister of Education who, using an algorithm, distributed the funds to different types of local self-government units (Surówka, 2014: 2). There has been criticism of the way in which the shares of local governments in income taxes are calculated, especially in the case of a personal income tax. The rules laid down in the law in this way made Polish local government dependent on the economic situation.

The explanatory memorandum to the government's draft law on local government income of July 15, 2024 shows that the aim of the new law is to stabilize the system of local government finances and adapt it to the dynamically changing socio-economic and legal environment (Explanatory Memorandum, 2024: 1). The author declares that the reform will lead to a qualitative change in the income structure of local government budgets. In 2025, the income of local governments is expected to increase by PLN 24.8 billion compared to the current system, and the income of each type of local government will increase by between 4 and 12%. The proposed solution follows the changes to the tax system implemented in 2019–2022, which had a significant impact on the level of local government incomes. The greatest loss of tax revenue is due to the exemption of persons under 26 from income tax, the change in the tax scale from 18% to 17% and then to 12%, and the increase in the tax-free amount to PLN 30,000 and the tax threshold to PLN 120,000.

While the government introduced the above changes to the tax system, it did not provide local governments with adequate systemic compensation for the shortfall, leading to an imbalance in the ratio of current revenues to current expenditures. This imbalance was particularly evident in 2022, when the highest levels of inflation in Poland were recorded. The audit reports of the Supreme Audit Office (SAO) show that during this period more than half of the local self-government units were unable to meet their statutory obligations from their own revenues. This was a violation of the requirement to provide self-governments with adequate funding for their tasks, which derives directly from article 167(1) and (4) of the Constitution of the Republic of Poland (Constitution, 1997).

In the opinion of the Supreme Audit Office, local governments – in the absence of a decision to reduce the scope of tasks performed – should receive financial compensation, established by the system, in an amount corresponding to the real losses. All the more so as these actions were not a consequence of the economic collapse, but only of the legislator's decision in the scope in question (SAO, 2023: 10). In 2023, the government attempted to make up the shortfall, but these were temporary measures. As a result, local governments received funding from the Ministry of Finance ranging from one-fifth to more than eight times the amount of attrition, demonstrating the formation of local government finances in violation of article 9(1)–(2) and (4) of the European Charter of Local Self-Government (ECSL) (ECSL, 9–1994). The abovementioned irregularity revealed a significant dysfunction of the national legislation in this respect, with particular reference to article 50(2) of the Public Finance Act, the provisions of which refer to draft laws and legal acts whose financial effect may be an increase in expenditure or a decrease in income of the units of the public finance sector in relation to the amounts resulting from the binding provisions and the indication of the sources of their financing (Act 2009).

In addition, the weak financial situation and the impossibility in many cases of drawing up budgets in accordance with the expenditure principle set out in article 242 of the Public Finance Act led to the decision to relax this principle and to allow, initially for 2022 and ultimately until 2025, the drawing up of the budget using free funds within the meaning of article 217(2)(6) of that Act, i.e., as a surplus of cash on the current account of the budget of the local government unit resulting from the settlement of securities issued, loans and borrowings from previous years. The above relaxation was made on the basis of the First Amendment to the Local Government Revenues Act, 2021 (Act 2021) and the second in 2022 (Act 2022). This means that the current deficit of a given year will have to be covered in the next financial year over the coming years. For this reason, a temporary change in the approach to the rule was introduced – from a one-year rule to a medium-term rule (Council of Ministers, 2024: 7).

The reduction in PIT revenues and the lack of operating surpluses made local governments completely dependent on additional grants and subsidies paid during the budget year starting in 2020. Ad hoc support instruments were applied to local governments to ensure that they maintain their financial liquidity. However, in many cases they were granted on the basis of subjective criteria, so that the ad hoc nature did not guarantee the restoration of financial stability in the future. In the opinion of the Supreme Audit Office, such a practice carries a high risk of centralization of public authority, depriving local governments of their subjectivity, as well as of informal influence of the central government on local authorities and a risk of corrupt activities (SAO, 2023: 15).

It was necessary and desirable to build a new system of financing local self-government units guaranteeing financial independence and stabilization of incomes of TSUs.

The main objectives of the proposed changes were (Explanatory Memorandum, 2024: 1–2):

1) strengthening and stabilizing the finances of territorial self-government units by increasing their own revenues, primarily tax revenues, on which the ability to perform tasks and develop self-government depends. Transfers from the state budget in the form of subsidies should be of a complementary nature and not of a dominant character as in recent years;

2) to base the financial supply of territorial self-government units on the revenues from the local base of personal income tax and corporate income tax, which will lead to the stabilization of the revenues of territorial self-government units from these shares and will largely exempt them from the effects of changes in the tax system;

3) objective and algorithmic calculation of funds for each TSU. The aim is to restore the transparency and adequacy of the self-government revenue system in the distribution of funds on the basis of objective parameters;

4) ensuring better allocation of public funds. The system of revenues of territorial self-government units adopted in the Law takes into account, among other things, the specifics of certain categories of territorial self-government units, covering not only the issue of income disparities, but also – neglected in the current system – the issue of expenditure needs of certain units resulting from the tasks performed;

5) making the system more flexible and limiting the excessive flow of funds between the state budget and local governments. The previous solution forced the rich self-governments to make obligatory payments to the state budget, the so-called "Janosikowe", while at the same time they were beneficiaries of funds from the state budget;

6) increasing the influence of the Party of Self-Government on the distribution of funds to territorial self-government units.

The aim of the adopted amendments is to restore transparency to the local government income system and ensure that it is apolitical. The income of local communities is to be based on objective parameters, measurable through statistical data (Prime Minister's Office, 2024).

2. SCOPE OF CHANGES ADOPTED IN THE LOCAL GOVERNMENT REVENUE ACT OF OCTOBER 1, 2024

The Act on the income of local government units (new Act) (Act 2024), adopted by the Sejm on October 1, 2024, was created from scratch, i.e., it is not another

amendment. In the adopted Act, the sources of own income remain unchanged and include three main groups: own income, general subsidies and targeted subsidies from the state budget.

A novelty in the Act is the creation of a new type of local government unit – cities with poviats rights (CPR), and the allocation of own revenues to them in the same way as to municipalities and poviats. From a financial point of view, this is a welcome development. Until now, these units have been financed by the municipal and district parts. The separation will allow for a more precise definition:

- the expenditure specifics of cities with poviats rights, on which the compensatory needs of local governments depend, as CPRs have a different structure of net current expenditure than municipalities and poviats;
- development needs of particular categories of local governments, including CPRs.

The provisions of the Act on the Income of Local Self-Governments from October 1, 2024 set out new rules for local governments' share of income from personal income tax (PIT) and corporate income tax (CIT). The way in which revenue from these taxes is calculated will change. It will now be an amount corresponding to the percentage of income of taxpayers of a given tax resident in the territory of a given unit. Previously, local government income from participation in PIT and CIT was calculated on the basis of the tax due. The basis for calculating the new amount of tax revenue will be the income of taxpayers in the most recent year for which data on such revenue is available, i.e., the year preceding the financial year by two years. At the same time, the income of PIT and CIT taxpayers will be valorized to the conditions of the financial year. The income of PIT taxpayers will be revalued on the basis of the index of the dynamics of average remuneration and the dynamics of employment. However, in the case of the income of CIT taxpayers, valorization will be based on the dynamics of changes in nominal GDP, taking into account both economic growth and inflation. The indicators adopted are objective, widely known and officially projected for budgetary purposes (Explanatory Memorandum, 2024: 12).

The change in the percentage share of PIT and CIT for each type of TSU in the 2003 and 2024 Local Government Income Act is shown in Table 1.

The separation of cities with poviats rights as a separate category of territorial self-government units resulted in the granting of a separate PIT and CIT rate, different from that of gminas and poviats. Such a solution should be assessed positively, as the wealth comparison will be carried out only within the framework of cities with poviats rights, and thanks to this, a part of the cities that were considered relatively rich in the previous system (of 2003) will become beneficiaries of compensatory amounts. There will also be positive changes in the determination of development needs (Explanatory Memorandum, 2024: 10).

Table 1. Local government shares of PIT and CIT according to the 2003 Act on Local Government Income and the 2024 Act on Local Government Income

Unit self-government Local authority	Act of November 13, 2003		Act of October 1, 2024	
	<i>Participation in PIT</i>	<i>Participation in CIT</i>	<i>Participation in PIT</i>	<i>Participation in CIT</i>
Commune	39,34%	6,71%	7%	1,6%
City with district rights	N/A	N/A	8,6%	2,2%
District	10,25%	1,40%	2,0%	1,7%
Voivodeship	1,60%	14,75%	0,35%	2,3%

Source: own compilation based on the Act of November 13, 2003; Act of October 1, 2024.

Another change is the extension of the existing catalogue of incomes to include PIT collected in the form of a lump sum on registered incomes, responding to long-standing demands from local government officials. It has been proposed that the flat-rate income should amount to 14% of the flat-rate revenue. The same percentage is made up – in relation to income – of income from the tax scale or flat tax on non-agricultural business activity. Broadening the tax base to include a lump sum of registered income will neutralize the negative effects resulting from taxpayers changing their form of taxation and switching to a lump sum (Explanatory Memorandum, 2024: 9).

The advantage of the adopted solutions is that the revenues of self-governments will not be affected by changes in the tax system introduced by the government (e.g., deductions from income, introduced tax reliefs and exemptions or increases in the tax-free amount). The proposed amounts of PIT and CIT shares will increase the revenue of territorial self-government units from the discussed sources. This will increase the motivation of self-government authorities to support economic development by attracting investors, supporting new jobs or streamlining administrative procedures for serving entrepreneurs and citizens.

Chapter 4 of the Act is devoted to the principles of determining the financial needs of local government units and their financing. New categories appear in this chapter, i.e., the financial needs of local government units, the individual wealth index of the local government unit, the converted population of the local government unit, the Index of Expenditure Needs (IEN).

Financial need is a new category that replaces the existing parts of the general subsidy. The "financial needs of the TSU" (Act 2024, article 23) include:

- 1) compensatory needs;
- 2) educational needs;
- 3) development needs;
- 4) environmental needs;
- 5) complementary needs.

The financial needs of territorial self-government units will be financed by increased incomes from PIT and CIT and, if these are insufficient, by a general subsidy from the state budget. The financial needs will be a calculation element for determining the amount of the general subsidy.

The new system of incomes for territorial self-government units will be based on the determination of the financial needs of each territorial self-government unit. The calculated needs will then be compared with the increased incomes from the PIT and CIT shares. In the case of self-governments where the incomes from these shares are insufficient to cover the calculated financial needs, the territorial self-government unit will receive a subsidy from the State budget, which will be a compensation of the financial needs. In order to determine the compensatory needs, article 24(3) of the Law in question (Act 2024) defines the individual wealth index of the local government unit, which is calculated by dividing the sum of the basic tax incomes of the local government unit by the product of the number of inhabitants of the unit and the expenditure needs index. The recalculated number of inhabitants is determined on the basis of the actual number of inhabitants adjusted by the expenditure needs index.

The differentiating element of the 2003 legislative solutions is the introduction of a spending needs index, i.e., a numerical measure of spending needs in local government that takes into account the objective determinants of various expenditures in the largest areas of local government activity. These differentiating factors include: socio-demographic factors such as: the number and age structure of the population; the number of children, unemployed, poor or vulnerable groups; or differences in the cost of providing a particular service (e.g., water). Thus, the new revenue system takes into account not only income disparities (as is currently the case), but also differences in the expenditure needs of different types of people. The methodology for calculating this index is based on four steps:

1) identification of the main task areas constituting the largest part of current (net) expenditures of territorial self-government units' budgets, i.e. total expenditures less property expenditures. The following will be excluded from current expenditures: expenditures which have their own sources of financing (educational subsidy, waste disposal fee), expenditures on projects financed from European funds and other foreign sources of optional nature, expenditures on debt financing and funds from payments to the equalization system;

2) selection of objective determinants (variables) that may affect the variation of the size of current expenditure of a given local government unit. The determinants must be characterized by the following properties: be measurable with the help of statistical data, not susceptible to manipulation, a cause and effect relationship between the criterion and expenditure needs can be indicated, the criteria adopted must not discourage effective economic development policies;

3) analysis of the variables, during which their correlation with net current expenditure in the selected areas will be examined;

4) calculation of the conversion population using the Index of Spending Needs. The IEN itself is the sum of the sub-indices of expenditure needs calculated according to the formula set out in article 25(4) of the Act;

5) determination of the wealth index. The needs will be calculated for territorial self-government units whose wealth level is below the specified level of average wealth in a given category, and so for communes, poviats and voivodships – is not higher than 100% of the wealth index determined respectively for a given category of territorial self-government units, and for cities with poviat rights – is not higher than 80% of the wealth index determined for all cities with poviat rights.

Education is one of the main responsibilities of the municipalities and county councils. The method of financing education remains the same as in the 2003 Act. The basis for determining the education subsidy remains the amount from the previous year, taking into account changes in the scope of the educational tasks performed. The distribution of the total amount for educational needs is determined by a decree of the Minister of Education. In the new financing system, the amount of educational needs will be increased by the effects of an increase in the average salaries of teachers in kindergartens run by local authorities. This will make the system more flexible by moving away from a subsidy transfer to own income (Ministry of Finance, 2024: 4). Previous practice allowed local authorities to use the education subsidy to finance only the effects of teachers' salary increases, which was much criticized by local authorities (Horbaczewski, 2024).

In the new law, development needs are considered separately for each type of unit, which is expected to contribute to more precise support for the development of individual categories of local government. It is stipulated that a total amount of funds equal to 23% of the amount of property expenditure less the equivalent of property income generated by them and from subsidies earmarked for investment will be allocated to individual types of local government.

Subsequently, the amount of development needs identified for each category of local government unit was divided into two pools:

1) 60% of the basic pool, distributed among the territorial self-government units in proportion to the number of inhabitants; it is proposed to establish a minimum amount for the smallest territorial self-government units;

2) 40% of the investment pool, distributed among the territorial self-government units (territorial self-government units) in proportion to the share of the unit's calculated property expenditure in the calculated property expenditure of a given category of territorial self-government units. The calculated property expenses of the territorial self-government units shall be calculated as an average of the last three years, using the weights specified in article 28, paragraph 6, item 3 of the Law (the weight may not be less than 0 and more than 1), with the highest

weights being assigned to own expenses, then property expenses for programs financed from the EU funds, and the lowest to investments from state funds.

This construction of the distribution of development needs is intended to guarantee the income of each unit. In order to eliminate randomness, the average revenue and expenditure of the three most recent years available, based on data from the annual accounts, have been used to determine the total amount of development needs, as well as the distribution to each TSU.

According to the law from 2025, the algorithm for calculating the general subsidy for local government units will take into account ecological needs. Ecological needs are calculated for a local government unit on the territory of which there are areas of special natural values protected by law, which the legislator has included: national parks, nature reserves, landscape parks, protected landscape areas, landscape protection zones established in landscape parks and protected landscape areas, as well as Natura 2000 areas (Act 2024, article 29). The amount of the ecological needs of a given local government unit is determined by multiplying the basic rate for 1 ha of the area of a legally protected area by the converted area of legally protected areas, appropriate for a given category of local government units.

The base rate for 1 ha of legally protected area is set at the amount from the year preceding the budget year, adjusted by the consumer price index for the first half of the year preceding the budget year, in relation to the first half of the base year. In turn, the converted area of legally protected areas shall be calculated as the sum of the products of the area of legally protected areas and the weighting for: national parks – 2; nature reserves – 1; landscape protection zones established within the boundaries of landscape parks or protected landscape areas – 0.6; landscape parks and protected landscape areas - 0.1 and Natura 2000 areas – 0.15 (Act 2024, article 29, §2–5).

The proposed funding mechanism is intended to be an incentive for the creation of new forms of nature conservation. On the one hand, these areas introduce certain restrictions, but at the same time they offer new development opportunities. Municipalities will be able to use the additional funds to, among other things, stimulate the development of tourism and green jobs (Ministry of Climate and Environment, 2024).

The legislator has introduced supplementary needs in article 30 of the law under discussion. The amount of these needs for 2025 was calculated in detail in the transitional provisions. In the following years, the supplementary needs of the TSU will be determined in an amount corresponding to the valorized amount of the previous year's revenue supplement.

The amount of the general subvention for the territorial self-government unit for the financial year will be determined on the basis of the amount of the subvention from the year preceding the financial year. In subsequent years, the

general subsidy from the state budget will be calculated for territorial self-government units in the event that the increase of the increased part of tax revenue is insufficient to cover the increase of financial needs. The increase in financial needs in the course of the financial year may be the result of a change in the scope of tasks of a given category of TSU or the distribution during the financial year of funds from the reserve for supplementing TSU revenues. Thus, the general subvention will be of a supplementary nature, as the new system assumes that it is the income from the share in PIT and CIT taxes that will be the basic source of revenue for territorial self-government units.

Articles 32 and 33 of the Act on the Income of Local Governments refer to wealth adjustment. Due to the large income disparity among local governments, the legislator left the adjustment system in place, but changed the existing rules.

The adjustment will be based on tax incomes and general subsidies, which have not been taken into account so far. The adjustment will continue to apply to the richest units where the income in relation to the converted population of that unit is higher than 120% of the income in relation to the converted population of a given type of local government unit (Act 2024, article 32, §1). In a situation where the wealth ratio of a given local government unit is higher than 120% of the wealth ratio of a given category of local government units, the wealth adjustment is 50% of the excess of the wealth ratio of a given local government unit over 120% of the wealth ratio of a given category of local government units. The so-called "Janosikowe" will be eliminated, as the wealth adjustment will be made by reducing the amount of increased PIT and CIT incomes.

In the state budget, a supplementary reserve for the incomes of the units of local self-government, with flexible distribution criteria, will be established in the amount of 1% of the financial needs established for all units of local self-government, increased by PLN 700 million. The reserve will be used in a given financial year to co-finance current or investment tasks of particular social or economic importance for the local government. The amount of the reserve is allocated after consultation with the self-government.

The changes in the system of incomes of local self-government units introduced by the Act of October 1, 2024 are intended to provide local self-government units with the opportunity to provide the highest quality public services and development opportunities, taking into account the dynamic changes in civilization and socio-economic conditions. However, the law is not free of unresolved issues, which was pointed out by the self-government side during the project work.

3. IMPACT OF THE CHANGES INTRODUCED BY THE LAW OF OCTOBER 1, 2024 AND EXPECTATIONS FOR THE FUTURE

The Act on Local Government Incomes, adopted by the Parliament in October 2024, is a compromise between the expectations of local governments and the

possibilities of the government. Work on the Act took place in a situation where the loss of revenue for local government units in 2023 and 2024 was estimated at PLN 30 billion per year. In reality, this amount will be higher, as the document 'Regulatory Impact Assessment' for the draft Act on the Revenue of Local Government Units does not take into account double-digit inflation and related salary increases (Ministry of Finance, 2024).

It follows from the calculations presented in Act on the Income of Local Government Units [Ministry of Finance, 2024] that basing the revenues of territorial self-government units from PIT and CIT on the incomes of taxpayers from the territory of a given territorial self-government unit, together with the incomes of taxpayers paying a lump-sum tax on registered incomes and the change of the source of financing territorial self-government units' needs (from general subsidy to incomes from PIT and CIT), the revenues of territorial self-government units from participation in PIT and CIT will increase in total in 2025 according to the new system by approx. PLN 93 billion (from PLN 108 billion to PLN 201 billion) as compared to the current system.

The change in the source of financing the needs of the self-government units from a general subsidy from the state budget to an increase in the incomes of the self-government units from participation in the PIT and CIT will result in a decrease in the incomes of the self-government units from the subsidy in 2025, in relation to the regulations currently in force, by approximately PLN 83 billion, i.e., from PLN 127 billion to PLN 44 billion. Similarly, the state budget expenditure on the same account will fall by the same amount.

On the basis of the new method of calculation set out in the Act, it has been estimated that the following amounts will be allocated to local government units for the various categories of needs:

- compensatory needs – approximately PLN 19.3 billion;
- development needs – over PLN 8.6 billion;
- environmental needs – approximately PLN 1.5 billion;
- supplementary needs – about PLN 6.6 billion.

Due to the elimination of payments made by territorial self-government units to the state budget on account of above-average incomes in favor of adjusting the revenues of these units, the expenditures of territorial self-government units will decrease by more than PLN 5.2 billion in 2025. For the state budget, this solution will be neutral, as both expenditures and revenues will decrease (Ministry of Finance, 2024: 10–11).

The changes proposed in the Act, despite their acceptance by the self-government side, raise doubts and concerns, as pointed out by self-governors such as Krzysztof Żuk, Mayor of Lublin, or Grzegorz Cichy, Mayor of Proszowice, self-governors of the Union of Polish Cities (Horbaczewski, 2024). The most controversial solutions are those related to education, which is the biggest burden on municipal budgets. In some municipalities, education accounts for up to 60%

of the budget. The gradual underfunding of education by more than PLN 2 billion per year over the last eight years has dramatically increased the so-called education gap (Horbaczewski, 2024).

One of the main problems is the model for annual estimation of educational needs, including expenditure on kindergartens (Union of Rural Municipalities of the Republic of Poland, 2024: 3). The position of the self-government side, addressed to the government, states that "the tasks of education and upbringing have so far been underestimated in a particular way. The educational needs calculated on the basis of the bill are far below the real expenditure on education" (Association of Polish Cities, 2024). The system does not take into account changes in the formation of teachers' salaries and wages, as well as civilization and demographic changes. So far, the shortfall in funding for educational tasks has been covered by local authorities from their own incomes, thus relieving the government of the need to increase the pool of funds from the state budget in real terms. During the work on the new law, the self-government side proposed the introduction of solutions that would guarantee the stability of the system in the area of educational tasks. The guarantee would have been the inclusion in the state budget of stable funding in the amount of at least 3% of GDP, as provided for in the Budget Act. However, this was not included in the adopted law. On the other hand, the Minister of Finance promised to continuously monitor the new income system in 2025 in order to identify any shortcomings and correct them in a future amendment (Local Government Service, 2024). This solution stems from the fact that the Act on Local Government Income will not come into full effect until January 1, 2026. The year 2025 will be a transitional period, which is why many of the Act's provisions are aimed at that year. The authority for this declaration is enshrined in article 117, which states that by June 30, 2026, the Minister of Finance will provide the Local Government Party with information on the effects of the Act, together with possible proposals for changes.

The adoption of the new law on local government incomes should be seen as a step in the right direction, especially as it comes at a time when the state budget situation is difficult. According to the explanatory memorandum to the draft law, every local government unit is expected to benefit from the reform of local government finance. The strengths of the proposed changes include an increase in the pool of own resources, on which local government units have full freedom to spend (as opposed to targeted grants). The independence of PIT and CIT incomes from government decisions on tax changes. The inclusion of the environmental component in the revenue sources, which gives municipalities with protected areas the opportunity to raise additional funds, and the per capita revenue potential in the equalization system.

In addition to the necessary and appropriate changes, the law will need to be adjusted in the future, as the legislator himself rightly notes. First of all, the determinants adopted in the Act, which will determine the level of expenditure

needs, will need to be fine-tuned. According to the preliminary opinion of the National Institute of Local Self-Government, local authorities will be able to influence the formation of some of the determinants through their policies, and these should be objective factors (Swianiewicz & Łukomska, 2024: 3–5).

The process of reforming the system of local government finance has undoubtedly begun, and it is to be hoped that it will continue in the direction of greater stability, independence and transparency. It will not be a so-called temporary solution that will last for decades, as has been the case so far.

CONCLUSION

The work on the new law on the incomes of territorial self-government units was welcomed with great satisfaction and hope for the stabilization and depoliticization of the financial system in the local government.

Despite the controversies, the self-government and government sides were satisfied with the solutions proposed in the law, with a clear indication of the need for corrections in the future. These will be based on monitoring of the new provisions and their functioning in practice. The year 2025 is to be the period of their review, and the Minister of Finance is to present his conclusions and proposals for changes by June 30, 2026.

The idea behind the new law is to restore stability and transparency to the system of financing local government units. At the same time, it is a response to the changing socio-economic and political situation. Under the legislation, all local government units, although not each to the same extent, will receive increased streams of funding for public tasks based mainly on their own incomes, for which local government authorities have spending autonomy. The amount of self-government incomes has been freed from central government decisions on tax policy. The need to support self-governments in the area of development and ecology has been recognized, by defining development and ecological needs and granting them an appropriate financial component. A complete novelty is the separation of a new type of entity – cities with poviats rights, which have so far been included in both the municipal and poviats systems. A number of the solutions introduced deserve recognition. It should not be forgotten that there are also those that will require appropriate adjustments.

These include: the system of financing educational tasks and the 'determinants' adopted for individual algorithms determining the spending needs of individual TSUs. Only practice will show whether they have been correctly estimated and take into account the right variables.

Building a stable financing system for local government units will require both the government and the self-governments to work together on a multifaceted basis, with mutual understanding and partnership. Neither side can consider itself dominant, as the interests and needs of local communities are at stake, and it is at

the local government level that they are realized on the largest scale. It is to be hoped that the adopted regulations will not be treated as so-called 'temporary' with a long-term deadline.

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ZAKRES I KIERUNEK ZMIAN DOCHODÓW JEDNOSTEK SAMORZĄDU TERYTORIALNEGO W POLSCE W NOWEJ USTAWIE Z 1 PAŹDZIERNIKA 2024 R.

Cel artykułu. Celem opracowania jest przedstawienie podstawowych założeń przyjętych w nowej ustawie o dochodach jednostek samorządu terytorialnego oraz zmian w sytuacji finansowej poszczególnych typów jednostek samorządu terytorialnego w Polsce.

Metoda badawcza. Artykuł ma charakter poglądowo-porządkujący, a do osiągnięcia zamierzonego celu wykorzystano przyjęty akt prawny, projekt ustawy wraz z dokumentami wprowadzającymi oraz opinie organizacji samorządowych.

Wyniki badań. Przyjęcie nowej ustawy o dochodach jednostek samorządu terytorialnego ma na celu zreformowanie systemu finansowego w kierunku przywrócenia stabilności i przejrzystości. Jednocześnie jest odpowiedzią na zmieniającą się sytuację społeczno-gospodarczą i polityczną. W myśl przepisów wszystkie jednostki samorządu terytorialnego, choć nie każda w równym stopniu, otrzymają zwiększone strumienie finansowania zadań publicznych oparte głównie na dochodach własnych. Wysokość dochodów samorządowych została uwolniona od decyzji władz centralnych w zakresie polityki podatkowej. Dostrzeżono konieczność wsparcia samorządów w obszarze rozwoju i ekologii, poprzez zdefiniowanie potrzeb rozwojowych i ekologicznych, oraz przyznania im odpowiedniego komponentu finansowego. Zupełną nowością jest wyodrębnienie z struktury samorządowej miasta na prawach powiatu. Szereg wprowadzonych rozwiązań zasługuje na uznanie. Nie należy zapominać, że są także takie, które będą wymagały odpowiedniej korekty. Do nich należą: system finansowania oświaty oraz „determinanty” przyjęte dla poszczególnych algorytmów określających potrzeby wydatkowe poszczególnych JST. Dopiero praktyka pokaże czy zostały prawidłowo oszacowane i uwzględniają właściwe zmienne. Budowanie stabilnego systemu finansowania jednostek samorządu terytorialnego będzie wymagało zarówno od strony rządowej jak i samorządowej wielopłaszczyznowej współpracy, wzajemnego zrozumienia i partnerstwa.

Słowa kluczowe: finansyzacja, szczęście, wskaźnik rozwoju systemu finansowego, kredyt dla sektora prywatnego, zrównoważony rozwój, kraje Europy Środkowo-Wschodniej.

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