

# PRINCIPAL CHANGES IN THE STRUCTURE OF MUNICIPAL REVENUES IN THE PERIOD OF 2000–2017 WITH AN EMPHASIS ON FISCAL DECENTRALIZATION IN SLOVAKIA

## HLAVNÍ ZMĚNY VE STRUKTUŘE PŘÍJMŮ MUNICIPALIT V OBDOBÍ 2000-2017 S DŮRAZEM NA FISKÁLNÍ DECENTRALIZACI NA SLOVENSKU

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### ABSTRACT

*The implementation of fiscal decentralization in Slovakia in 2005 should have improved the financing of lower levels of government in terms of fortifying their financial autonomy, bringing the local authorities closer to citizens, etc. Indeed, the immediate period after the implementation brought excellent results, maybe thanks to the persistence of the economic expansion. However, the optimistic prospects of municipal and regional authorities were destroyed by the arrival of the financial crisis. Certain alleviation came in the period of the economic recovery. In this paper the structure of municipal revenues in the period of 2000–2017 is analysed with an emphasis on a system change presented by fiscal decentralization. An increasing trend in the municipal total revenues per capita can be observed in the monitored period. Simultaneously, as expected, results show certain principal changes in their structure which are linked to the public finance reform. Additionally, they were later affected by the financial crisis. What is important is the increase of the municipal tax revenues after 2005 with disturbance of the trend during the financial crisis. The eligible increase of received grants in the period of 2000–2004 was followed by a slight decrease after 2005, but worsening of the economic conditions in the period of 2009–2013 again required its dramatic increase. Municipal non-tax revenues seem to be resistant to economic development in Slovakia.*

**Keywords:** fiscal decentralization, municipal budget, municipal revenues, tax revenues, non-tax revenues, inter-governmental transfers

**JEL Classification:** H77

## 1 INTRODUCTION

Like many other CEE countries, also Slovakia was in need of structural reforms in the period of its transformation to market-oriented economy. The requirement of public sector decentralization replaced strong centralization after an autonomous Slovak Republic was established in 1993. In the beginning of the 2000s, the focus was on public sector, public administration and public finance reform. In 2002, regions were established as a second level of local self-government and the decentralization began. Unfortunately, only competences and responsibilities were shifted to sub-national governments in 2002–2004. The decentralization of tax powers (fiscal decentralization) was implemented in 2005. Further development in the local sector was accompanied by the economic expansion in the country. Obviously, the disturbance caused by the financial crisis limited the impact of fiscal decentralization on local governments. However, the implementation of fiscal decentralization caused important changes in the structure of municipal revenues.

The aim of the paper is to examine the changes in the structure of municipal revenues as a result of the public finance reform. Changes are based on the new legislative framework adopted in connection with the fiscal decentralization implementation in 2005. As the monitored years (2000–2017) cover periods of different economic development in Slovakia, potential positive impacts of fiscal decentralization on municipal revenues are evaluated in connection with selected periods (before fiscal decentralization, after it, the period of financial crisis and the period of economic recovery).

## 2 FISCAL DECENTRALIZATION IN SLOVAKIA AND RELATED CHANGES IN THE STRUCTURE OF MUNICIPAL REVENUES

In general, fiscal decentralization is defined as a shift of power, responsibilities and competences to lower levels of government in providing public goods with regard on local needs, specifics and preferences (Bodman et al., 2009). As many authors mention, e.g., Oates (1972), Ebel and Yilmaz (2002) or Nižňanský et al. (2014), potential gains of fiscal decentralization are linked to higher financial

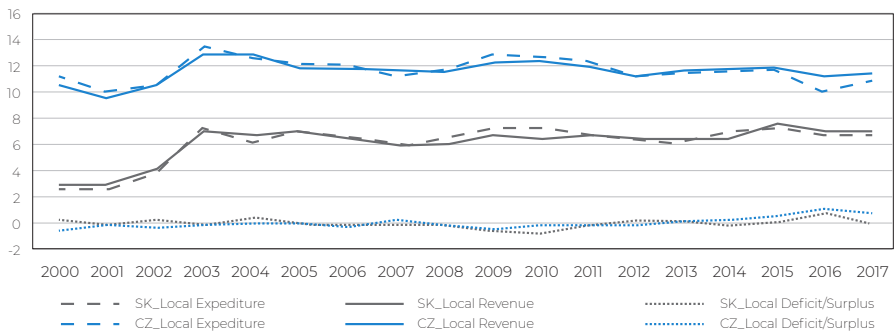
autonomy of local government units. To achieve this goal, certain requirements on tax decentralization and an optimal degree of fiscal decentralization defined in the relevant literature must be satisfied (Oates, 1999; Jílek 2008; Peková, 2011; Provozničková, 2015). However, the optimal arrangement of fiscal relations among different government levels remains an unanswered question in economic research (Sharma, 2012); the need to increase local financial autonomy is often promoted (Köppl-Turyna et al., 2015). Moreover, the important role of intergovernmental transfer scheme and vertical fiscal imbalance is obvious (Bojar, 2015; Eyraud and Lusinyan, 2013; Sharma, 2012). While financing of municipalities under the soft budget constraint seems to be an integral part of their functioning, the presence of excessively intensive fiscal relations between central and local governments is considered as harmful (e.g., Baskaran et al., 2015; Eyraud and Lusinyan, 2013). For instance, Baskaran et al. (2015) revealed the constraining effect of revenue decentralization on political budget cycle, while transfers worsened the fiscal behaviour of municipalities in the election period.

As Aristovnik (2012) or Maličká (2016) mention, many Central and Eastern European countries implemented their public sector reforms in the beginning of the 21st century. In Slovakia, most important changes in the municipal revenue, especially in the municipal tax revenue, were implemented in 2005 in connection with the tax decentralization as a basic element of fiscal decentralization (Maličká, 2017a). The structure of municipal non-tax revenues in Slovakia was not affected by the implementation of fiscal decentralization. However, the increase of revenue and expenditure of the local sector in Slovakia after the administrative decentralization in 2002 is obvious. In comparison with neighbouring Czech Republic, the share of local expenditure and revenue in GDP increased in the two countries, but in Slovakia it is still low compared to the Czech Republic. The comparison of the local budget items in Slovakia (SK) and the Czech Republic (CZ) is given in Figure 1.

In Slovakia, the average value of the local expenditure or local revenue is at the level of 6.1% of GDP. In the Czech Republic, this average value is at the level of 11.6% of GDP (double that in Slovakia). It is evident that average values of expenditure and revenue in the two countries are similar. It is due to the fiscal arrangements provided by the legislation on budgetary principles in public

sector. Generally, the golden rule of a balanced current budget is broadly implemented at the local level in many countries (Maličká 2017b). Consequently, municipalities rarely have budgetary deficits (permissible exceptions for deficits in the capital budget are given in the related legislation). The period before the financial crisis (in 2008) covers both the decentralization (since 2002, including fiscal decentralization in 2005) and the phase of economic expansion, which contributed to the increase of revenues at all government levels in Slovakia. In the period of the financial crisis, in the local sectors of both countries (see Figure 1) the expenditure exceeded the revenue and deficits were generated at the maximum level of 0.9% of GDP in Slovakia in 2010 and 0.6% of GDP in the Czech Republic in 2009.

**Figure 1** » Comparison of SK and CZ local budget items in period 2000–2017 (as % of GDP)



Source: own computation at the base of Eurostat (2018)

## 2.1 FISCAL DECENTRALIZATION IN SLOVAKIA AND PRINCIPAL CHANGES IN THE STRUCTURE OF MUNICIPAL REVENUES AFTER FISCAL DECENTRALIZATION

Based on Act No. 369/1990 Coll., on Municipal Establishment, the municipal self-government has been revived in Slovakia since 1990. The formation of an autonomous Slovak Republic in 1993 required centralization in order to create authorities at the central level of the government. Certain steps toward decentralization in Slovakia were taken in the late 1990s, when the discussion about its

need began. In 2000, a document containing the conception of modernization and decentralization of the public sector in Slovakia was elaborated. Concrete steps in the period of 2001–2004 were realized through the establishment of regions (2002, Act No. 302/2001 Coll., on Administration of Higher Territorial Units) and by a shift of competences from central government to sub-national governments (regional and municipal governments, 2002, Act No. 416/2001 Coll., on the Transfer of some Competences from State Administration to Municipalities and Higher Territorial Units). In 2005, a wide legislative framework eventually regulated the revenue side of sub-national budgets, while before 2005 only the expenditure side had been regulated. Some major changes happened in the area of tax. State government reduced the number of shared taxes and changed the mode of their division among government levels. Based on Act No. 564/2004 Coll., on Budget Determination of Income Tax Yields to Regional Self-government, the personal income tax was set as the only shared tax with the division 70.3% to municipalities, 23.5% to regions and 6.2% to the state budget (before fiscal decentralization also the corporate income tax and road tax were shared). Decree of the Government No. 668/2004 Coll., on Distribution of Income Tax Yields to the Regional Self-government, provided detailed division criteria for regions and municipalities. Act No. 582/2004 Coll., on Local Taxes and Local Charges for Municipal Waste and Small Rubble, defines local and regional tax powers. The real estate tax is set by municipal governments, road tax is set by regional government and a group of local fees were renamed as taxes (dog tax, tax on accommodation, tax on the use of public space, tax on gaming machines, tax on vending machines, tax for entry and parking of motor vehicles in historical parts of the city and tax on nuclear facility). Municipalities have set the only compulsory fee – a fee for waste collection.

Non-tax revenues remained unchanged. Grants and transfers changed principally from non-ear-marked grants (accompanied by certain ear-marked grants) before fiscal decentralization to ear-marked grants and transfers on transferred competences. Grants received from the EU are related to the accession to the EU (2004). Correspondent fiscal behaviour of sub-national governments was regulated by Act No. 523/2004 Coll., on Budget Rules of the Public Administration and on Amendments and Supplements to Certain Laws, and Act No. 583/2004

Coll., on Budget Rules of the Regional Self-government and on Amendments and Supplements to Certain Laws.

After the financial crisis (2008), certain adjustments were carried out by the central government (in coordination with sub-national governments). The share of sub-national governments in the personal income tax was reduced in favour of the state budget since 2011 up to 2014, after it was diminished again in expense of the state budget (for the state budget 6.2% in 2005–2011, 12.7% in 2012–2013, 11.1% in 2014, 2.3% in 2015 and 0.0% since 2016; for regional budgets 23.5% in 2005–2011, 21.9% in 2012–2014, 29.2% in 2015 and 30.0% since 2016; for municipal budgets 70.3% in 2005–2011, 65.4% in 2012–2013, 67.0% in 2014, 65.8% in 2015 and 70.0% since 2016). Since 2016 the road tax became a state tax (not a local tax set by regions, in 2005–2015 100% of the receipt was the revenue of regional budgets, since 2016 100% of the receipt is revenue of state budget). Since 2016 municipalities might set a fee for development.

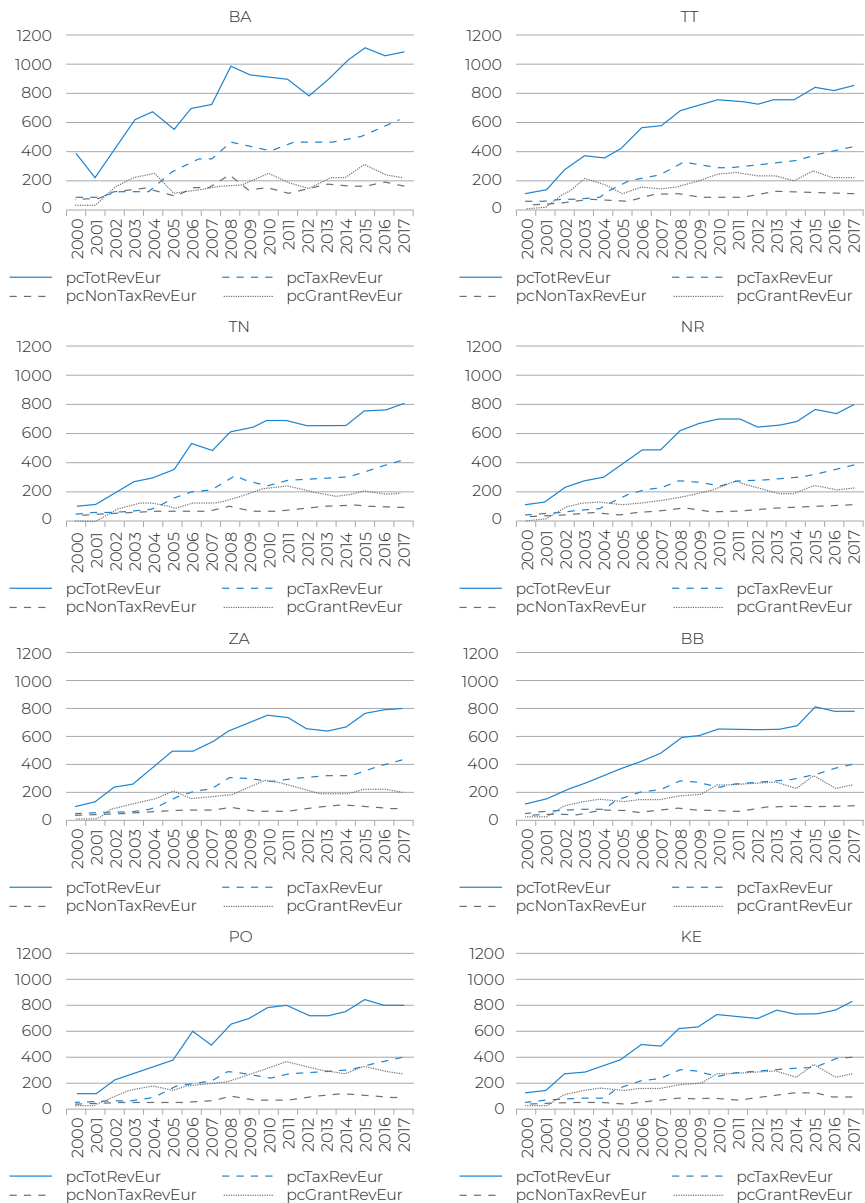
## **2.2 DEVELOPMENT OF MUNICIPAL REVENUE ITEMS IN SLOVAKIA IN 2000–2017 WITH AN EMPHASIS ON FISCAL DECENTRALIZATION**

The comparison of the municipal revenue structure in eight Slovak NUTS 3 units is shown in Figure 2. Data are collected from DataCentrum established by the Ministry of Finance of the Slovak Republic on annual basis. Data on municipal revenue items are aggregated at the NUTS 3 level. As Figure 1 shows, the municipal revenue structure in Slovak municipalities evolves similarly in all regions. Firstly, the per capita total municipal revenue increases during the whole monitored period in all regions. Its increase is most visible in the BA unit (region), where the maximum per capita total municipal revenue reaches the value of 1,100 Euro in 2015. In the remaining regions this value was around 800 Euro per inhabitant in 2016–2017. As is evident from Figure 1, in 2002–2004, the increase of total municipal revenue was funded by grants received from the central level of government. In this period, competences and responsibilities were shifted from central government to sub-national government levels and these competences were financed by “decentralization transfers”. After 2005, the per capita grant revenues decreased in all regions. Massive decrease is observable predominantly

in the BA and TT regions. Simultaneously with the grant revenues decrease, the tax revenues increase is observable after the implementation of fiscal decentralization. The growth rate of per capita municipal revenue items in the monitored period with an emphasis on the year of the implementation of fiscal decentralization (2005) is shown in Table 1. It is obvious that in 2005 the growth rate of per capita tax revenues increased dramatically in all regions. On the other hand, the growth rate of per capita grant revenues is negative in all regions. Further, the per capita non-tax revenues increase quite steadily during the whole monitored period without any derogation in the period of the implementation of fiscal decentralization.

However, fiscal decentralization as a structural break is present due to the implemented structural reforms in 2002–2004; the financial crisis (2008) as another structural break is covered in the monitored period. Financial crisis did not change the structure of the municipal revenue, but it did change the volume of municipal revenue items. The most visible and dramatic is its impact in case of the reduction of the growth rate of per capita municipal tax revenues (see Table 1) and the per capita municipal non-tax revenues. As a simultaneous effect, the increase of the per capita municipal grant revenues might be observed in all Slovak regions.

**Figure 2** » Comparison of the municipal revenue structure in the period of 2000–2017 according to NUTS 3 level regions (in Euro per capita)



Legend:  
 BA stands for the territorial area of the Bratislava region, TT- Trnava region, TN – Trenčín region,  
 ZA – Žilina region, BB – Banská Bystrica region, PO – Prešov region and KE – Košice region

Source: own computation



**Tab. 1** » Growth rate of municipal revenue items in 2000–2017 according to NUTS3

|      | Growth rate of pcTotRevEur |       |       |       |       |       |       |       |
|------|----------------------------|-------|-------|-------|-------|-------|-------|-------|
|      | BA                         | TT    | TN    | NR    | ZA    | BB    | PO    | KE    |
| 2000 |                            |       |       |       |       |       |       |       |
| 2001 | -0.73                      | 0.17  | 0.11  | 0.16  | 0.17  | 0.25  | 0.11  | 0.12  |
| 2002 | 0.49                       | 0.49  | 0.42  | 0.43  | 0.42  | 0.34  | 0.45  | 0.49  |
| 2003 | 0.32                       | 0.27  | 0.24  | 0.15  | 0.10  | 0.15  | 0.18  | 0.04  |
| 2004 | 0.08                       | -0.06 | 0.14  | 0.08  | 0.28  | 0.19  | 0.17  | 0.16  |
| 2005 | -0.21                      | 0.18  | 0.14  | 0.23  | 0.27  | 0.16  | 0.18  | 0.11  |
| 2006 | 0.21                       | 0.22  | 0.32  | 0.19  | 0.00  | 0.13  | 0.38  | 0.23  |
| 2007 | 0.02                       | 0.04  | -0.09 | 0.02  | 0.11  | 0.12  | -0.24 | -0.03 |
| 2008 | 0.28                       | 0.14  | 0.19  | 0.19  | 0.13  | 0.19  | 0.24  | 0.22  |
| 2009 | -0.08                      | 0.05  | 0.06  | 0.08  | 0.08  | 0.02  | 0.06  | 0.03  |
| 2010 | -0.01                      | 0.06  | 0.08  | 0.05  | 0.06  | 0.07  | 0.10  | 0.12  |
| 2011 | -0.01                      | -0.01 | -0.02 | 0.00  | -0.03 | -0.01 | 0.02  | 0.00  |
| 2012 | -0.15                      | -0.02 | -0.03 | -0.08 | -0.12 | 0.00  | -0.06 | -0.01 |
| 2013 | 0.11                       | 0.03  | -0.02 | 0.01  | -0.02 | -0.01 | -0.04 | 0.07  |
| 2014 | 0.14                       | 0.00  | 0.02  | 0.03  | 0.05  | 0.04  | 0.04  | -0.04 |
| 2015 | 0.08                       | 0.10  | 0.12  | 0.11  | 0.12  | 0.17  | 0.10  | 0.00  |
| 2016 | -0.06                      | -0.04 | 0.01  | -0.03 | 0.04  | -0.05 | -0.05 | 0.02  |
| 2017 | 0.02                       | 0.06  | 0.05  | 0.07  | 0.01  | 0.01  | 0.03  | 0.09  |

Legend: The growth rate is computed as  $(\text{Revenuet}-1-\text{Revevenuet})/\text{Revevenuet}-1$ . Period of fiscal decentralization implementation is grey-shaded.

Source: own computation

|      | Growth rate of pcTaxtRevEur |       |       |       |       |       |       |       |
|------|-----------------------------|-------|-------|-------|-------|-------|-------|-------|
|      | BA                          | TT    | TN    | NR    | ZA    | BB    | PO    | KE    |
| 2000 |                             |       |       |       |       |       |       |       |
| 2001 | 0.12                        | 0.11  | 0.11  | 0.12  | 0.12  | 0.12  | 0.11  | 0.10  |
| 2002 | 0.33                        | 0.15  | 0.18  | 0.14  | 0.17  | 0.15  | 0.17  | 0.20  |
| 2003 | 0.06                        | 0.09  | 0.07  | 0.08  | 0.04  | 0.05  | 0.05  | 0.03  |
| 2004 | 0.10                        | 0.15  | 0.16  | 0.17  | 0.15  | 0.16  | 0.16  | 0.19  |
| 2005 | 0.43                        | 0.45  | 0.46  | 0.45  | 0.49  | 0.47  | 0.52  | 0.49  |
| 2006 | 0.20                        | 0.18  | 0.19  | 0.18  | 0.20  | 0.19  | 0.18  | 0.19  |
| 2007 | 0.05                        | 0.08  | 0.08  | 0.08  | 0.11  | 0.09  | 0.10  | 0.08  |
| 2008 | 0.24                        | 0.22  | 0.24  | 0.21  | 0.25  | 0.22  | 0.24  | 0.23  |
| 2009 | -0.04                       | -0.02 | -0.04 | -0.05 | -0.01 | -0.06 | -0.06 | -0.06 |
| 2010 | -0.12                       | -0.11 | -0.17 | -0.14 | -0.15 | -0.14 | -0.17 | -0.14 |
| 2011 | 0.11                        | 0.10  | 0.14  | 0.13  | 0.12  | 0.13  | 0.14  | 0.12  |
| 2012 | 0.04                        | 0.03  | 0.03  | 0.02  | 0.04  | 0.03  | 0.03  | 0.00  |
| 2013 | 0.01                        | 0.03  | 0.03  | 0.04  | 0.00  | 0.03  | 0.02  | 0.05  |
| 2014 | 0.03                        | 0.04  | 0.05  | 0.03  | 0.04  | 0.05  | 0.05  | 0.05  |
| 2015 | 0.07                        | 0.09  | 0.09  | 0.10  | 0.09  | 0.08  | 0.10  | 0.00  |
| 2016 | 0.09                        | 0.09  | 0.10  | 0.09  | 0.11  | 0.10  | 0.11  | 0.17  |
| 2017 | 0.08                        | 0.05  | 0.06  | 0.06  | 0.06  | 0.06  | 0.06  | 0.06  |

Legend: The growth rate is computed as  $(\text{Revenuet}-1-\text{Revevenuet})/\text{Revevenuet}-1$ . Period of fiscal decentralization implementation is grey-shaded.

Source: own computation

PRINCIPAL CHANGES IN THE STRUCTURE OF MUNICIPAL REVENUES...

|      | Growth rate of pcNon-taxRevEur |       |       |       |       |       |       |       |
|------|--------------------------------|-------|-------|-------|-------|-------|-------|-------|
|      | BA                             | TT    | TN    | NR    | ZA    | BB    | PO    | KE    |
| 2000 |                                |       |       |       |       |       |       |       |
| 2001 | -0.02                          | 0.06  | 0.04  | 0.13  | 0.00  | -0.03 | 0.04  | 0.20  |
| 2002 | 0.35                           | 0.07  | -0.02 | 0.04  | 0.11  | 0.15  | 0.03  | -0.19 |
| 2003 | 0.09                           | 0.24  | 0.22  | 0.11  | -0.02 | 0.07  | 0.00  | 0.12  |
| 2004 | -0.13                          | 0.14  | 0.07  | 0.13  | 0.21  | 0.37  | 0.19  | 0.07  |
| 2005 | -0.18                          | -0.19 | 0.01  | -0.24 | 0.03  | -0.08 | -0.03 | -0.22 |
| 2006 | 0.33                           | 0.33  | 0.15  | 0.33  | 0.11  | -0.28 | 0.26  | 0.31  |
| 2007 | 0.09                           | 0.16  | -0.06 | -0.02 | 0.03  | 0.20  | -0.02 | 0.09  |
| 2008 | 0.31                           | 0.07  | 0.21  | 0.27  | 0.24  | 0.24  | 0.36  | 0.22  |
| 2009 | -0.85                          | -0.22 | -0.27 | -0.24 | -0.65 | -0.30 | -0.50 | -0.29 |
| 2010 | 0.14                           | 0.01  | -0.03 | -0.03 | 0.03  | -0.04 | 0.12  | 0.13  |
| 2011 | -0.25                          | -0.03 | 0.10  | -0.03 | -0.01 | -0.03 | -0.04 | -0.15 |
| 2012 | 0.13                           | 0.12  | 0.14  | 0.09  | 0.22  | 0.25  | 0.18  | 0.27  |
| 2013 | 0.23                           | 0.20  | 0.15  | 0.19  | 0.20  | 0.17  | 0.18  | 0.17  |
| 2014 | -0.12                          | -0.03 | 0.08  | 0.02  | 0.00  | 0.02  | 0.08  | 0.13  |
| 2015 | 0.00                           | -0.05 | -0.07 | 0.07  | 0.04  | 0.00  | -0.06 | 0.00  |
| 2016 | 0.15                           | -0.02 | 0.00  | -0.03 | -0.02 | -0.08 | -0.19 | -0.45 |
| 2017 | -0.27                          | -0.01 | -0.04 | 0.06  | -0.07 | 0.02  | -0.01 | 0.05  |

Legend: The growth rate is computed as  $(\text{Revenu}_{t-1} - \text{Revenu}_t) / \text{Revenu}_{t-1}$ . Period of fiscal decentralization implementation is grey-shaded.

Source: own computation

|      | Growth rate of pcGrantRevEur |       |       |       |       |       |       |       |
|------|------------------------------|-------|-------|-------|-------|-------|-------|-------|
|      | BA                           | TT    | TN    | NR    | ZA    | BB    | PO    | KE    |
| 2000 |                              |       |       |       |       |       |       |       |
| 2001 | 0.12                         | 0.45  | 0.14  | 0.42  | 0.24  | 0.20  | 0.35  | 0.14  |
| 2002 | 0.73                         | 0.83  | 0.90  | 0.84  | 0.81  | 0.80  | 0.79  | 0.76  |
| 2003 | 0.31                         | 0.45  | 0.39  | 0.29  | 0.30  | 0.32  | 0.32  | 0.30  |
| 2004 | 0.12                         | -0.27 | 0.03  | -0.03 | 0.17  | 0.07  | 0.14  | 0.09  |
| 2005 | -1.11                        | -0.41 | -0.43 | -0.14 | 0.28  | -0.23 | -0.20 | -0.12 |
| 2006 | 0.15                         | 0.22  | 0.32  | 0.14  | -0.28 | 0.15  | 0.17  | 0.11  |
| 2007 | 0.17                         | -0.06 | -0.01 | 0.06  | 0.03  | 0.14  | 0.04  | 0.01  |
| 2008 | 0.00                         | 0.09  | 0.10  | 0.11  | 0.05  | 0.13  | 0.13  | 0.16  |
| 2009 | 0.08                         | 0.19  | 0.24  | 0.20  | 0.24  | 0.13  | 0.19  | 0.05  |
| 2010 | 0.28                         | 0.20  | 0.19  | 0.14  | 0.16  | 0.18  | 0.18  | 0.23  |
| 2011 | -0.32                        | 0.02  | -0.02 | 0.14  | -0.09 | 0.07  | 0.10  | 0.05  |
| 2012 | -0.18                        | -0.08 | -0.14 | -0.18 | -0.21 | -0.14 | -0.10 | 0.04  |
| 2013 | 0.20                         | -0.02 | -0.12 | -0.15 | -0.13 | -0.05 | -0.13 | 0.06  |
| 2014 | 0.12                         | -0.12 | -0.06 | -0.01 | 0.03  | -0.02 | -0.05 | -0.27 |
| 2015 | 0.27                         | 0.19  | 0.16  | 0.20  | 0.14  | 0.24  | 0.17  | 0.29  |
| 2016 | -0.31                        | -0.18 | -0.11 | -0.17 | -0.01 | -0.11 | -0.17 | -0.40 |
| 2017 | -0.12                        | -0.02 | 0.00  | 0.07  | -0.11 | -0.07 | -0.06 | 0.13  |

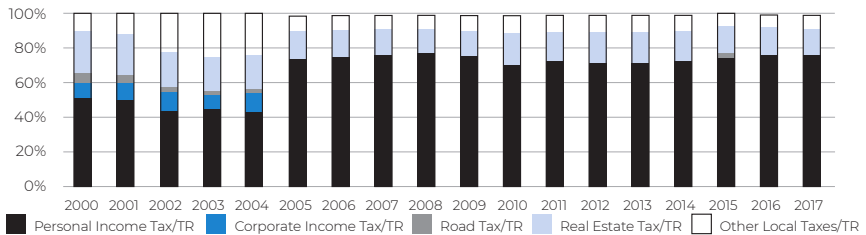
Legend: The growth rate is computed as  $(\text{Revenuet}-1-\text{Revevenuet})/\text{Revevenuet}-1$ . Period of fiscal decentralization implementation is grey-shaded.

Source: own computation

### 2.3 FINANCIAL AUTONOMY OF MUNICIPALITIES IN SLOVAKIA IN THE PERIOD OF 2000-2017

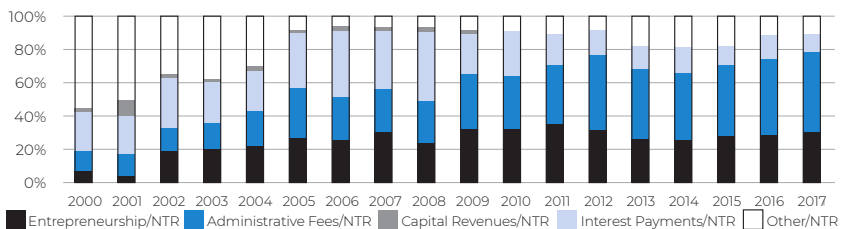
Tax revenues and non-tax revenues create own revenue of a municipality (Sharma, 2012). As Figure 2 indicates, tax revenues of municipalities in Slovakia are much higher than non-tax revenues. However, the dominant part of municipal revenue is created by tax revenues and grants. Respecting the structure of the municipal tax revenue, the major part of it is presented by the shared personal income tax (see Figure 3). In terms of financial autonomy of municipalities, in the case of the mentioned shared tax, the municipality has no power to set a tax base or a tax rate. In many related resources such kind of shared tax is regarded as a quasi-transfer (grant). This significantly influences the financial autonomy of municipalities in Slovakia, which is low. Currently, own tax revenues of municipalities in Slovakia include receipts from real estate tax and other local taxes on goods and services. They create a minor part of municipal tax revenues.

**Figure 3** » Municipal tax revenue (TR) structure in the period of 2000–2017 (items expressed as share on TR)



Source: own computation

**Figure 4** » Municipal non-tax revenue (NTR) structure in the period of 2000–2017 (items expressed as share on NTR)



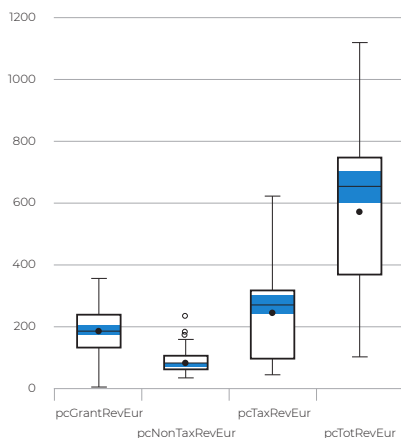
Source: own computation

Municipal non-tax revenues in Slovakia (see Figure 4) contain revenue from entrepreneurship, administrative fees, capital revenues (receipts from sale of capital assets, plots, intangible assets or financial assets), received interest payments and other revenues (refunds and payback) (for more details see Maličká, 2017a). According to the information given in Figure 2, municipal non-tax revenue (as a second source of municipal own revenue) creates a minor part of municipal total revenue and in conditions of Slovakia does not significantly contribute to the potential increase of municipal financial autonomy.

## 2.4 COMPARISON OF OBSERVED CHANGES IN THE STRUCTURE OF MUNICIPAL REVENUES IN SELECTED PERIODS WITH THE PERIOD OF FISCAL DECENTRALIZATION

In the monitored period 2000–2017, the highest dispersion of values is observed in case of total municipal revenue (see Figure 5), which responds to the continuous increase of municipal revenue during the monitored period. Correspondent changes might be observed in case of municipal grant and tax revenues, with higher dispersion in the case of municipal tax revenues. It responds to the increase of grant revenues in the period of 2002–2004 (a shift of responsibilities and competences and their financing with subsidies) and after 2008 (the financial crisis) and to overall increase of tax revenues strengthening after fiscal decentralization (2005). The lowest dispersion is observable in case of municipal non-tax revenues (with certain derogation presented as outliers).

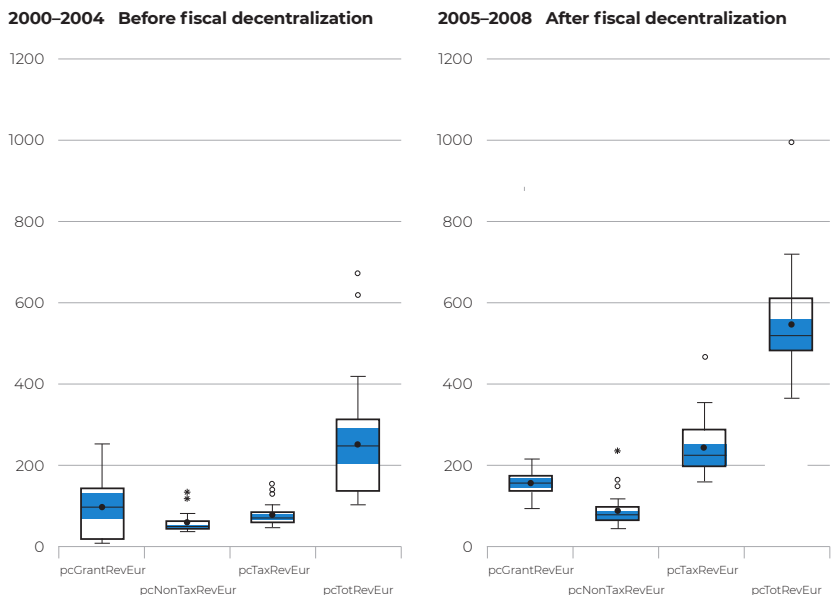
**Figure 5** » Boxplot of municipal revenue items in the period of 2000–2017 (in Euro per capita)



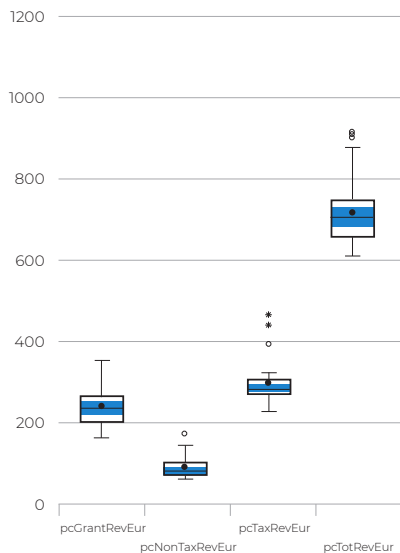
Source: own computation

In order to compare the dispersion of municipal revenue items in the selected period to the dispersion of municipal revenue items in the period immediately after fiscal decentralization (2005–2008), Figure 6 is constructed. The results are quite similar to the findings mentioned above. In the period before the implementation of fiscal decentralization, the highest dispersion of grant revenue values is observable (with the exception of the total municipal revenue). The lowest dispersion is in the case of non-tax revenues and tax revenues. While the development and dispersion of municipal non-tax revenues is stable across all periods, in the following period (2005–2008) the dispersion of other revenue items changes. What is important is the increase in the case of municipal tax revenues. In the period of the financial crisis (2009–2013) again the increase of grant revenues is evident compared to the cuts in tax revenues. In the period of economic recovery (Morvay et al., 2013) up till now (2014–2017), lower financing by grants is accompanied by the increase of municipal tax revenues dispersion and by their overall increase in terms of absolute volume.

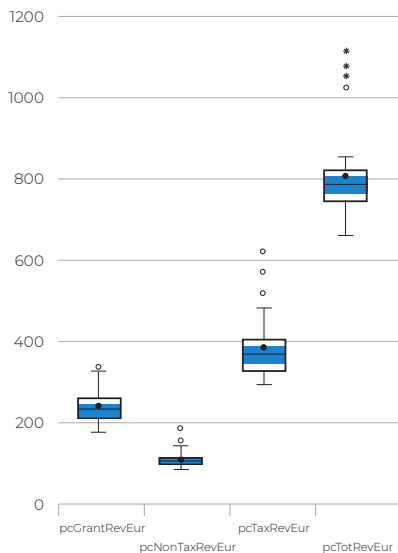
**Figure 6** » Boxplots of municipal revenue items in the selected periods (in Euro per capita)



**2009–2013 Financial crisis**



**2014–2017 Economic recovery**



Source: own computation

### 3 CONCLUSION

Fiscal decentralization in Slovakia (2005) has brought about certain very important changes which should be understood as systemic changes of the sub-national government financing. Immediately after the implementation of fiscal decentralization, the main goal of fiscal decentralization – to fortify the financial autonomy of local governments with an emphasis on tax revenues, looked viable. The concomitant circumstances in the economic development in Slovakia (economic expansion) significantly contributed to the positive perception of the impact fiscal decentralization had on municipal finance. In line with a wider legislative framework, the change in the municipal tax revenue was of utmost importance. Despite the reduction of the amount of shared taxes to only one tax (personal income tax), from 2005, municipal revenues per inhabitant were characterized by their pronounced increase until the period of financial crisis. The tax revenue item creates the prevalent part of municipal revenue in Slovakia. Its increase since



2005 is obvious in all eight NUTS3 units. The growth rate of the per capita municipal tax revenues was outstanding in 2005 in comparison with the rest of the municipal revenue items. Also the increase of the tax revenue item was disturbed by the financial crisis (2008). However, the financial crisis (2008) did not change the structure of the municipal revenue, but it did change the volume of municipal revenue items. When comparing the period immediately after fiscal decentralization to other selected periods (the period before fiscal decentralization, the period of financial crisis and the period of economic recovery), the alternation of the increase of tax and/or grant revenue is observable. It depends on the economic circumstances in Slovakia in connection with public sector and public finance reforms. In the period of the financial crisis, the financing by grants became an important instrument to help municipal governments. In the period before the implementation of fiscal decentralization, it was an instrument to overcome the temporal discrepancy of municipal expenditure and revenue, which was caused by the reform procedure. Finally, the development and dispersion of municipal non-tax revenues is stable across all periods, without an obvious response to systemic changes in financing of the municipalities in Slovakia.

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