SUBSIDIARITY, FISCAL DECENTRALISATION AND FINANCIAL AUTONOMY OF LOCAL AND REGIONAL GOVERNMENTS IN POLAND – THE PAST AND THE FUTURE

Abstract

Background: Past changes in Polish local and regional governments’ financial autonomy give rise to the question whether local and regional governments in Poland still have sufficient financial autonomy to perform in line with the requirements of the principle of subsidiarity. Dimensions of special concern are revenue as well as selected recent legislation changes’ potential future impact on Polish local and regional governments’ financial autonomy in terms of both revenue and expenditure.

Research purpose: The main objective of the article is to reflect upon the notion of local and regional self-governance, and to critically assess the current degree of financial autonomy of local and regional governments in Poland.

Methods: The article starts with a review of literature covering key concepts – subsidiarity, fiscal decentralisation, and local governments’ financial autonomy. Some of the approaches used to operationalise and measure financial autonomy are also highlighted and later used in the analysis and discussion.

Conclusions: The article ends with a call for general debate on the future of local and regional governments in Poland as the past trends and expected future developments – in light of discussed legislation changes as well as the potential impacts of the covid-19 pandemic – demonstrate the gradual erosion of the local governance model, which was founded three decades ago on a premise of strong financial autonomy.

Keywords: sub-national government, revenue autonomy, expenditure autonomy.

JEL classification: H20, H71, H77, R50

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1. Introduction

The main objective of the article is to reflect upon the notion of local and regional self-governance, and to critically assess the current degree of financial autonomy of local and regional governments in Poland.

The article starts with an overview of key concepts – subsidiarity, fiscal decentralisation, and local governments’ financial autonomy. Some of the approaches used to operationalise and measure financial autonomy are also highlighted. In the second part of the article, an overview of past changes in Polish local and regional governments’ financial autonomy is provided, emphasising its revenue dimension. The third part of the article highlights a few selected recent legislation changes and discusses their potential impacts on Polish local and regional governments’ financial autonomy in terms of both revenue and expenditure dimensions.

The discussion firstly concentrates on regulations affecting the Personal Income Tax: a reduction of the basic rate from 18 to 17%, an increase in the deductible costs, as well as an exemption of people up to (and including) 26 years of age. Secondly, it relates to regulations exerting their impacts on the expenditure dimension of financial autonomy, such as an increase in teachers’ salaries or new waste management regulations.

The article ends with a call for general debate on the future of local and regional governments in Poland as the past trends and expected future developments – in light of discussed legislation changes as well as the potential impacts of the covid-19 pandemic – illuminate the gradual erosion of the local governance model, founded on a premise of strong financial autonomy three decades ago.

2. Subsidiarity, fiscal decentralisation, and local governments’ financial autonomy

The principle of subsidiarity is the foundation for the functioning of modern local government. The concept itself is not merely reserved to political studies or administrative science – it is a philosophical-political principle that guides an establishment of order in a society by regulating the interactions between various organisations, including public authorities of different levels.

The emergence of the principle of subsidiarity is attributed to three values which the principle is meant to bring about, depending on the historical con-
text and authors who approach the issue, namely: (1) liberty, (2) efficiency and (3) justice:

- The arguments of liberty, mostly in the context of territorial units (cities), first appeared in the XVI and XVII century in the works of Althusiusus, who is often proclaimed to be the father of federalism. They were later explored and developed by the Confederals who argued that individuals ought to be free to choose in matters where others are not harmed and whose arguments were based on the fear of tyranny of any kind.

- The arguments of efficiency raise the need to create a mechanism for matching the burdens of public goods with their beneficiaries. This approach led to a call for decentralised government, one that enables targeted, hence more economically efficient, provision of public goods.

- The arguments of justice – which emerge from the Catholic tradition – emphasise a protest against the exploitation of the poor (Pope Leo XIII in his encyclical letter Rerum Novarum of 1891), as well as positive anthropology and the value of human nature and potential as safeguards against all forms of the totalitarian state (Pope Pius XI in his encyclical letter Quadragesimo Anno of 1931).

More recently, the principle of subsidiarity became one of the cornerstones of the European Union. In the years preceding the Maastricht Treaty, the principle of subsidiarity grew in importance as a means of reassuring those who feared that a transition from the Community to the Union might lead to the centralisation of power and a significant decline in national governments’ importance and influence. The inclusion of the principle of subsidiarity into the Treaty on European Union marked its ascension as one of the general constitutional principles of the EU, alongside enumeration (or identification of policy fields where the EU has competence to act) and proportionality (designed as a safeguard of liberal values and private rights against excessive public interference).

The principle of subsidiarity is recognised and employed for greatly varied purposes all around the world. It is viewed as a structuring principle for interna-

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3 A.L. Teasdale, Subsidiarity in post-Maastricht Europe, The Political Quarterly 1993/64/2, p. 188.

tional law, in particular – human rights law, and also as a guideline for determining the limits of sovereignty\(^5\). It has become a major factor in shaping the EU’s environmental law\(^6\) and policy\(^7\). It is recognised as a structuring framework for the allocation of disaster governance responsibilities in Australia\(^8\) and so on…

Insofar as the local governments are concerned, the principle of subsidiarity is at the heart of multi-level governance, defined as collaboration between different levels of government in order to create synergy from the inputs of expertise and resources with the objective of resolving common problems\(^9\). In short, the principle of subsidiarity outlines a framework for competence sharing between authorities on various levels of administrative territorial division. Assuming that the state is to be a subsidiary state means that central government prerogatives are going to be reduced, decentralised, and passed on to the local governments, which are closer to the citizens.

This is further reflected by the inclusion of the principle of subsidiarity into the European Charter of Local Self-Government, which recognises self-governance of municipalities as their fundamental right, aimed against centralisation and protection from totalitarianisms. The Charter also provides a requirement for preparing and passing appropriate legislation that will bring the guarantees that are formulated therein to life\(^10\).

This requirement results from the major difference between decentralisation and deconcentration. Decentralisation means the transfer of power and financial resources between autonomous entities, whilst deconcentration refers to a situation where competences are passed down to lower levels of the same management system. This entails that deconcentration may be reversed at any time and that the responsibility for effective and efficient usage of resources rests with the entity that transferred a part of its competences to its subordinate located

\(^5\) A. Føllesdal, *Competing conceptions of subsidiarity…*, p. 214.  
lower in the overall organisational structure with the objective of improving the efficiency or resource allocation. Decentralisation on the other hand results in transferring competences and responsibilities through change of appropriate legislation, which provides for competence and responsibility sharing regarding specified tasks. This can only be reversed by means of legislative action.

The local public sector tends to emerge at the later stages of economic development, based on its responsiveness to local demands\(^\text{11}\), which is guaranteed and enhanced by consumer – or in this case – household mobility and the assumption that households “vote with their feet” and relocate in search of the jurisdiction which provides the most beneficial fiscal package\(^\text{12}\). The resulting fiscal decentralisation – understood as the role played by the sub-national government in overall public finance – brings a promise of enhancing economic efficiency in terms of providing – locally – the services that will be best suited to local specificity, leading to greater social welfare.

Empirical evidence on fiscal decentralisation suggests that the constitutional framework of a country in question is a major general factor that reflects the degree of fiscal decentralisation – fiscal decentralisation tends to be greater in federal states and in democratic regimes. It is also reported to be greater in less urbanised countries\(^\text{13}\) and in larger countries, although notable exceptions – such as Denmark or Switzerland – do exist\(^\text{14}\).

When considered as an independent variable, fiscal decentralisation is reported to support good governance\(^\text{15}\) and overall government performance in areas such as education and health\(^\text{16}\). Fiscal decentralisation is also perceived as being generally supportive of economic growth, although its impacts differ when the revenue and the spending aspects are considered. A recent OECD study highlights that the decentralisation of tax revenues tends to have a stronger impact than that of spending decentralisation\(^\text{17}\).

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\(^{16}\) L. Letelier, *op. cit.*

Some of the arguments that support fiscal decentralisation’s positive impact on economic growth concentrate on the previously mentioned Tiebout’s model emphasising the mobility of production factors and households and the resulting competition amongst municipalities\(^\text{18}\). Previous studies especially highlight the competition which arises between the peripheral municipalities and large agglomerations\(^\text{19}\). Others argue that decentralisation reduces non-productive spending, such as on subsidies\(^\text{20}\) or that it helps maintain the open market by reducing (over)regulation\(^\text{21}\).

On the other hand, there are also notable arguments against the positive impact of fiscal decentralisation on economic growth. The first and foremost being the lack or reduction of economies of scale when service provision is being moved to lower levels of government\(^\text{22}\). Other arguments relate to negative externalities resulting from competition between municipalities, especially in terms of local tax rates. Excessive competition may lead to excessively low tax rates, set with the intention of attracting the mobile production factors\(^\text{23}\). Finally, there exist risks of failures in fiscal policymaking and coordination between various levels of government, leading to loss of control over sub-national finances. These are the most acute in the case of boosting sub-national spending, which is financed by grants and other transfers from higher level governments, which can put a strain on inter-governmental fiscal relations and deepen budget imbalances at the central government level\(^\text{24}\).

The indicators most commonly used for measuring fiscal decentralisation are: (1) the sub-central government revenue share and (2) the sub-central government spending share\(^\text{25}\). Relating to both sides of the budget attempts to provide a full overview of the scale of fiscal decentralisation in a given country or


context. However, these measures are applied to local governments aggregated by level of territorial division, rather than to individual territorial units. In that sense, they provide a statistically averaged overview of the state of fiscal decentralisation, overlooking differences in local tax bases and spending decisions.

What is more, the bird’s eye view of the degree of fiscal decentralisation brings about several inaccuracies. The most notable of these is treating all tax-based revenues received by local governments as means of decentralisation, irrespective of the fact that sub-national governments may have little or no autonomy in determining the revenue base or the way that taxes are levied (in terms of subject, object or rate of tax). This is definitely the case with most tax sharing arrangements, which are applied with regards to, for example, Personal Income Taxes and Corporate Income Taxes. Some authors also raise the issue of possible moral hazards and conflicts of interest among different levels of government resulting from complicated tax sharing links between the central and the local government budgets.

Local governments’ financial autonomy serves as a way to operationalise the concept of fiscal decentralisation and allow its disaggregation to the level of a single local government (territorial unit). Expanding the discussion to include the concept of ‘autonomy’ brings a number of problems related to normative connotations that this concept brings about. The most extreme approaches to autonomy lead to perceiving it as lack of subordination to central legislation and national policy objectives. Some other approaches emphasise that autonomy ought to allow local governments to act either independently or in line with the national policy objectives, depending on the situation, context, and requirements formulated by the local community. The latter approach seems to be far more in line with the requirements laid out by the principle of subsidiarity.

As in the case of fiscal decentralisation, the measures that attempt to capture the extent of financial autonomy are related to local government revenue as well as expenditure structures. The literature offers a number of approaches

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26 R. Dziemianowicz, Dysfunkcje udziałów w podatkach państwowych w aspekcie zmniejszającej się samodzielności dochodowej samorządu terytorialnego w Polsce [Dysfunctions of shares in state income taxes in the aspect of decreasing the revenue autonomy of the local government in Poland], Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu 2017/485, p. 104.


to operationalising the revenue dimension of financial autonomy emphasising the structure of revenues assigned to sub-national governments\textsuperscript{29} as well as the decision-making capacity of sub-national governments with regards to these revenue streams – i.e. the tax-raising powers\textsuperscript{30}. At the same time the expenditure dimension of financial autonomy is addressed less frequently.

The measurement of revenue (income) autonomy starts with an outline of revenue structure with tax-related revenue and other mechanisms of self-financing that are considered as own revenues (i.e. fees or property-based revenue), which are by far the most favourable as far as financial autonomy is concerned. These are typically followed by general and targeted grants from the central government budget\textsuperscript{31}. Both types of grants are necessary and justified on both equity grounds (their objective is to equalise financially between local governments) and allocative efficiency grounds (with the objective to prevent under-provision of local services)\textsuperscript{32}. Insofar as financial autonomy is concerned, the general grants are the preferred option as they may be used freely, as the local government authorities see fit, unlike the targeted grants that bind the local authorities and, to a degree, limit their freedom of action.

Admittedly, the more detailed the classification that is used, the better the chances of capturing the differences between various revenue items in terms of their impact on the degree of financial autonomy. It needs to be emphasised that, depending on specific regulations, local authorities may have broader or narrower scope of control over specific revenue sources, as is the case in Poland, where the property tax offers far greater capacity for financial autonomy creation than tax on inheritance and donations or tax on civil law contracts\textsuperscript{33}.


\textsuperscript{31} K. Surówka, Adekwatność dochodów jst do zakresu realizowanych zadań a problem ich samodzielności finansowej na przykładzie gmin oraz miast na prawach powiatu [The adequacy of local government revenue on realized tasks and the problem of their financial autonomy on the example of municipalities and cities with the rights of district], Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu 2017/485, p. 431.


\textsuperscript{33} R. Dziemianowicz, Dysfunkcje udziałów w podatkach państwowych…, p. 96.
The main obstacle with regards to the assessment of expenditure autonomy comes about from the difficulties related to correct identification of obligatory (mandatory) and voluntary (discretionarial) spending at the sub-national level. One possible approach to solving this issue is based on classifying the local government expenditure into three categories: (1) voluntary local tasks completely decided by the local authorities, including the decision whether to take up the task or not, (2) obligatory tasks put forward by legislation regulating only the frameworks for service provision without specifying the details, (3) obligatory tasks defined in detail by legislation.

3. Financial autonomy – a historical perspective

This section of the article intends to provide a historical overview, illustration and discussion of financial autonomy levels and their changes in Polish local governments since they were recreated in 1990. The figures presented below illustrate local government revenue, divided into:

- own revenues, including local taxes, fees, property-based revenues etc.;
- shares in the Personal Income Tax and the Corporate Income Tax that are formally recognised as own sources of revenue, but which are not controlled in any aspect by the local authorities and as such resemble general grants which are allocated in line with pre-set criteria and algorithms;
- general grants, including the equalising part, the balancing part and the educational part;
- development grants which appeared in 2009 as a means of supporting the absorption of EU funds by local governments;
- targeted grants allocated primarily for financing the tasks which are deconcentrated from the central government to local governments.

Communes were the sole existing level of local government in Poland during the 1990s. The initial share of the so-called own revenues (45.5%) which are considered to provide the greatest load of financial autonomy – was quite impressive, although it decreased by 10 percentage points over the 8-year period shown in Figure 1.


S o u r c e: prepared by the author based on data retrieved from Statistics Poland.

The structural changes that occurred in that time may be explained by two main developments. The first lay in the extension of the number of tasks the central government decided to deconcentrate to the local level in the first half of the 1990s. This included the financing of primary education – local authorities were given an option to take over local schools and were given a targeted grant if they decided to do so. This changed in 1996 when a major reform was introduced whereby all communes were obliged to take over schools – education was recognised as one of the communes’ fundamental tasks and an educational part of the general grant appeared, replacing targeted grants that had been previously allocated only to those communes that had decided to take over schools voluntarily. The second was related to the changing share in the Personal Income Tax – initially it was 15%, later raised to 16% (as of 1997) and 17% (as of 1998) and the introduction of a 5% share in the Corporate Income Tax as of 1994.

These initial changes resulted from the adjustments of the whole system of public administration, which required time to incorporate the newly established (or re-established) communes into the day to day functioning of the state and allow them to settle down and ‘get into stride’. Towards the end of the 1990s the local governments appeared strong, as financially autonomous with a stable revenue base.
Two more levels of territorial self-government were added to the administrative division of Poland in 1999 – district (powiat) and region (województwo). The largest Polish cities became urban districts, a specific type of unit which combines a commune and a district (in terms of both performed tasks and allocated revenue streams). Although the reform was coupled with an increase of the Personal Income Tax share (to 27.6%), it did not directly affect the revenue structure of communes and urban districts, which may be perceived as the direct continuation of the previously existing communes (Figure 2).

The first major event that impacted the revenue structure in the long-term perspective was Poland’s accession to the European Union in 2004. Following this event, Polish communes quickly learned to successfully apply for EU grants (treated as part of own revenues) and – at least in some cases – turned them into a regular and noticeable revenue stream, leading to the emergence (in 2009) of a new type of grant – the development grant – which was intended as a means of supporting the local governments in financing their contributions to projects that were co-financed with EU money.

The second significant event was the introduction of new legislation on local government revenues sources that, as of 2004, increased the shares of Personal Income Tax to 35.72% (with an intended gradual increase to 39.34%; the share in 2020 amounts to 38.16%) and of Corporate Income Tax to 6.71%.

The last notable event that resulted in significant change of revenue structure relates to the introduction of a major programme of social transfers (“500+”), which the central government introduced in 2016; local authorities are responsible for handling the transfers, hence the share of targeted grants in the revenue structure increased by around 10 percentage points.

Upon their creation the districts were not nearly as autonomous as their counterparts on the communal level (Figure 3). Suffice it to say that in the first few years of their existence more than 90% of their revenues came through the central budget in a form of either targeted grants or general grants, or the rather symbolic 1% share in the Personal Income Tax (no share in the Corporate Income Tax was guaranteed to start with).

The share of own revenues increased after Poland acceded to the European Union – the districts became regular beneficiaries of UE funded projects. The importance of targeted grants was also reduced by the legislation on local government revenues passed in 2003, which increased the districts’ share in the Personal Income Tax to 8.42% in 2004 and to 10.25% as of 2005. This legislation also introduced a 1.40% share in the Corporate Income Tax. However, even during the time of economic prosperity (2016–2018) when the share of PIT and
FIGURE 2: Revenue structure – communes and urban districts (1999–2018)

<table>
<thead>
<tr>
<th>Year</th>
<th>Targeted grants</th>
<th>Development grants</th>
<th>General grants</th>
<th>PIT and CIT shares</th>
<th>Own revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>15.4%</td>
<td>0.0%</td>
<td>32.1%</td>
<td>18.2%</td>
<td>34.4%</td>
</tr>
<tr>
<td>2000</td>
<td>16.3%</td>
<td>0.0%</td>
<td>32.8%</td>
<td>16.5%</td>
<td>34.5%</td>
</tr>
<tr>
<td>2001</td>
<td>14.6%</td>
<td>0.0%</td>
<td>35.0%</td>
<td>15.6%</td>
<td>34.7%</td>
</tr>
<tr>
<td>2002</td>
<td>14.9%</td>
<td>0.0%</td>
<td>35.2%</td>
<td>15.2%</td>
<td>34.7%</td>
</tr>
<tr>
<td>2003</td>
<td>11.0%</td>
<td>0.0%</td>
<td>37.8%</td>
<td>15.1%</td>
<td>36.0%</td>
</tr>
<tr>
<td>2004</td>
<td>11.8%</td>
<td>0.0%</td>
<td>32.9%</td>
<td>20.2%</td>
<td>35.2%</td>
</tr>
<tr>
<td>2005</td>
<td>13.9%</td>
<td>0.0%</td>
<td>29.7%</td>
<td>20.4%</td>
<td>36.0%</td>
</tr>
<tr>
<td>2006</td>
<td>16.0%</td>
<td>0.0%</td>
<td>27.6%</td>
<td>21.0%</td>
<td>35.4%</td>
</tr>
<tr>
<td>2007</td>
<td>14.9%</td>
<td>0.0%</td>
<td>26.2%</td>
<td>23.3%</td>
<td>35.6%</td>
</tr>
<tr>
<td>2008</td>
<td>14.8%</td>
<td>1.8%</td>
<td>26.9%</td>
<td>24.1%</td>
<td>34.2%</td>
</tr>
<tr>
<td>2009</td>
<td>14.4%</td>
<td>4.5%</td>
<td>28.9%</td>
<td>22.0%</td>
<td>32.9%</td>
</tr>
<tr>
<td>2010</td>
<td>15.0%</td>
<td>6.1%</td>
<td>27.3%</td>
<td>19.8%</td>
<td>32.9%</td>
</tr>
<tr>
<td>2011</td>
<td>13.9%</td>
<td>6.9%</td>
<td>26.9%</td>
<td>20.6%</td>
<td>32.5%</td>
</tr>
<tr>
<td>2012</td>
<td>13.0%</td>
<td>5.7%</td>
<td>27.2%</td>
<td>20.4%</td>
<td>33.9%</td>
</tr>
<tr>
<td>2013</td>
<td>13.3%</td>
<td>5.9%</td>
<td>26.6%</td>
<td>20.6%</td>
<td>34.4%</td>
</tr>
<tr>
<td>2014</td>
<td>13.7%</td>
<td>5.6%</td>
<td>25.0%</td>
<td>20.6%</td>
<td>33.9%</td>
</tr>
<tr>
<td>2015</td>
<td>13.7%</td>
<td>2.2%</td>
<td>24.8%</td>
<td>21.0%</td>
<td>30.4%</td>
</tr>
<tr>
<td>2016</td>
<td>23.0%</td>
<td>2.3%</td>
<td>23.2%</td>
<td>22.0%</td>
<td>29.2%</td>
</tr>
<tr>
<td>2017</td>
<td>24.8%</td>
<td>4.7%</td>
<td>22.1%</td>
<td>21.3%</td>
<td>28.2%</td>
</tr>
<tr>
<td>2018</td>
<td>23.4%</td>
<td></td>
<td>21.1%</td>
<td>21.6%</td>
<td></td>
</tr>
</tbody>
</table>

Source: prepared by the author based on data retrieved from reports on local government budgets prepared by the Ministry of Finance.

Source: prepared by the author based on data retrieved from reports on local government budgets prepared by the Ministry of Finance.
CIT related revenue increased, well over 60% of all revenues remained as targeted, development, and general grants from the central budget.

The local governments of both types (i.e. communes and districts) revealed a kind of convergence in the level of financial autonomy in the 20 years of their co-existence. Whereas the communes showed an ongoing trend of gradual decreases of their financial autonomy, the districts were regularly increasing it, although due to an extremely unfavourable beginning level they never quite managed to match the degree of financial autonomy that is still observable at the communal level.

To complete the picture, a glance at the revenue structure of regions is required (Figure 4). The regions’ revenue structure in 1999 was similar to that of districts’, with a dominant role of targeted and general grants. The tax sharing arrangement which was assumed in 1999 guaranteed regions 1.5% of Personal Income Tax revenue and 0.5% of Corporate Income Tax revenue.

The most significant change in the regions’ revenue structure came in 2004, following the aforementioned legislation change of 2003, which increased the regions’ share in the Personal Income Tax to 1.6% and as much as 15.9% of Corporate Income Tax (this was later reduced to 14% in 2008–2009 and then raised again to 14.75% as of 2010). The significant increase of the CIT share, coupled with favourable economic conditions, resulted in a drastic shift in favour of PIT and CIT share revenues between 2004 and 2008. In the post-GFC (Global Financial Crisis) economic slowdown the income tax revenue share decreased, also owing to the introduction of a new form of a grant, which was transferred to local and regional governments as of 2009. These developments were largely reversed in 2016, when the regions’ revenue structure became comparable to the one noted a decade earlier.

The regions’ revenue structure demonstrates that these territorial units are the most dependent on a revenue item that is possibly the most ambiguous in terms of its features and impact on financial autonomy. On the one hand, the PIT and CIT revenues are formally recognised as own revenues, which suggests that they strengthen financial autonomy in the revenue dimension. However, the local and regional authorities have no direct authority over these taxes – all decisions are made and all actions relative to these taxes, including the collection of due taxes, are handled at the central government level\textsuperscript{35}. This, together with


Source: prepared by the author based on data retrieved from reports on local government budgets prepared by the Ministry of Finance.
the straightforward algorithm for determining the shares of taxes to be allocated to different levels of sub-national governments, makes the shares in both PIT and CIT equivalent – if not in name, then in nature – to general grants\(^{36}\). Taking this into account, it can be argued that the factual financial autonomy of Polish regions is relatively low, comparable to that of districts.

### 4. Recent developments

Further changes in the financial standing of local governments, including possible further reductions of the degree of financial autonomy are to be expected in the coming years due to a number of decisions that were formally approved in 2019 legislation regarding the Personal Income Tax. These changes include: (1) a decrease of the basic rate from 18% to 17%; (2) an increase in the deductible costs and (3) an exemption of people up to (and including) 26 years of age. The coronavirus pandemic of 2020 will also undoubtedly impact the revenue structures of both local as well as regional governments.

The Union of Polish Metropolises (\textit{Unia Metropolii Polskich}) estimates that the first of the aforementioned legislative changes alone will reduce the revenues of all territorial units by about PLN 3.6 billion per year. The Union further estimates that the annual impact of remaining changes will amount to PLN 2 billion and PLN 1 billion for the second and third changes, respectively. The estimated annual revenue losses resulting from these changes in the Warsaw metropolitan area alone amount to PLN 595.6 million (decrease of tax rate), PLN 323.1 million (increase of deductible costs) and PLN 201 million (exemption for the young people)\(^{37}\).

Taking into account the fact that overall revenues of all territorial units in Poland amounted to PLN 251.85 billion in 2018 (including: PLN 206.93 billion in communes and urban districts, PLN 27.96 billion in districts and PLN 16.95 billion in regions) an estimated decrease of about PLN 6.6 billion is quite significant – it exceeds 2.6% of total sub-national government revenue in 2018. Even though these changes will not necessarily result in a major reduction of sub-national governments’ financial autonomy – the PIT-related are essentially

\(^{36}\) See also: M. Poniatowicz, \textit{Determinanty autonomii dochodowej samorządu terytorialnego w Polsce} [Determinants of the revenue autonomy of the local government in Poland], Nauki o Finansach 2015/1 (22), p. 25.

quasi general grants rather than own revenues – they will undoubtedly undermine the financial standing of territorial units as there are no plans for replacing the lost revenue streams with others while the pressure on expenditures rises.

Several recent developments have exerted additional pressure on the expenditure side of mostly local government budgets. These include a raise of teachers’ salaries and the new legislation on waste management in communes. Both these regulations relate to tasks which are performed by communes and urban districts. As stated before, extending the degree to which legislation regulates service provision and the related expenditures, leads to a reduction of the expenditure dimension of financial autonomy. When this is coupled with reductions in the overall revenue streams, additional questions appear with regards to the adequacy of tasks and financial resources remaining at the disposal of territorial units.

Following the teachers’ strike of 2019, the central government agreed to a salary increase (which was perceived as satisfactory by only one of the unions participating in the strike). An additional PLN 1 billion was added to the educational part of the general grant which, according to the Ministry of National Education, was meant to cover around 78% of the real cost of the salary increase that the local governments have to cover. Local government representatives point out that this may not be the case, especially in the large cities where teachers’ salary structure may differ from other locations – the Union of Polish Metropolises estimates that the additional resources will cover between 65% and 70% of additional costs in the largest of cities. The remainder must be covered from other revenue sources. However, the smaller the territorial unit, the greater the share of education-related expenditures in its budget and the smaller the financial reserves and financial autonomy levels that could allow for finding additional revenues.

Another development that leads to consequences of similar nature relates to the new legislation on waste management passed on August 29, 2019, which provided the groundwork for the establishment of a new waste management system on a communal level, emphasising in particular the need to increase the scale of recycling. As in the case of teachers’ salaries, the necessity of introducing such a change is beyond any debate. However, the financial provisions lead to several problematic issues. The local authorities may raise the fees for collecting waste in order to keep the system financially balanced, although in many cases the full cost proves to be unacceptable for the inhabitants, resulting in deficits that need to be covered from other revenue sources.
Both these examples have one thing in common – by increasing the amount of expenditure tied to precisely regulated tasks they decrease the local governments’ financial autonomy in the expenditure dimension. When considered in conjunction with the ongoing trend of decreasing the revenue dimension of financial autonomy, the recent decisions with regards to the Personal Income Tax, which will further reduce the revenues of local governments, and the imminent economic slowdown in the wake of the coronavirus pandemic, two questions appear: “How much more self-government is there left?” and “Where do we go from here?”

5. Conclusions

Reflecting upon the intended form and characteristics of local governance in Poland and the development path that local and later also regional governments followed, one cannot help but wonder how much longer before we can no longer refer to Polish local governments as (financially) autonomous and self-governing.

The local government framework created in the early 1990s was founded on the principle of subsidiarity perceived as a guarantor of increased efficiency of public funds’ allocation. It assumed a far-reaching decentralisation, not merely a deconcentration, of tasks and public funds and creation of autonomous – also financially – territorial units.

That system has undergone many reforms, some authentic – like the introduction of self-governing districts and regions – some only make-believe – like the 2003 legislation on local government revenues, which pretended to increase the local government’s financial autonomy by means of replacing some general grants with greater shares in income taxes (i.e. de facto general grants). The financial autonomy of local governments on the communal level has become increasingly diluted, the entire set up of task division moving gradually from decentralisation to deconcentration.

The coronavirus pandemic has initiated a number of interventions aimed at protecting and preserving chosen economic sectors of groups. Perhaps, time is ripe for considering another momentous decision – to either openly declare that a decentralised local government is no longer needed and that tasks will only be deconcentrated from the national government to its regional and local subordinate units or to protect the future existence of a financially autonomous, decentralised local government which allows for the implementation of the subsidiarity principle not only in theory, but also in practice. It is high time to initiate such a debate!
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Maciej TURAŁA

SUBSYDIARNość, DECENTRALIZACJA I AUTONOMIA FINANSOWA JEDNOSTEK SAMORZĄDU TERYTORIALNEGO W POLSCE – PRZeszłoŚĆ I PRZYSZłość

Abstrakt

Przedmiot badań: Zachodzące na przestrzeni trzech ostatnich dekad zmiany w zakresie autonomii finansowej, w szczególności autonomii dochodowej, jednostek samorządu terytorialnego w połączeniu z niedawnymi zmianami niektórych przepisów prawa i ich potencjalnym wpływem na autonomię dochodową oraz wydatkową jednostek samorządu terytorialnego prowadzą do pytań o to, czy polskie samorządy wciąż posiadają wystarczającą autonomię finansową, by móc efektywnie funkcjonować w oparciu o i w ramach zasady subsydiarności.

Cel badawczy: Głównym celem artykułu jest podjęcie refleksji nad stanem samorządności w Polsce, w szczególności przeprowadzenie krytycznej oceny poziomu autonomii finansowej jednostek samorządu terytorialnego w Polsce.

Metoda badawcza: Artykuł rozpoczyna przegląd literatury odnoszącej się do kluczowych z punktu widzenia tematu koncepcji – subsydiarności, decentralizacji oraz autonomii finansowej. W artykule pojawiają się m.in. odniesienia do wybranych podejść do operacjonalizacji pojęcia ‘autonomii finansowej’ i pomiaru jej poziomu, w oparciu o które prowadzona jest dalsza analiza i dyskusja.

Wnioski: Artykuł kończy się wezwaniem do zainicjowania powszechnej debaty nad przyszłością polskiego samorządu terytorialnego. Debata taka wydaje się być niezbędna w świetle dotychczasowych trendów oraz spodziewanych w niedalekiej przyszłości skutków omawianych w tekście zmian przepisów prawa jak również wpływu pandemii koronawirusa, które stopniowo, lecz nieubłaganie prowadzą do erozji modelu samorządności, który trzy dekady temu oparty został na założeniu o kluczowej roli znacznej autonomii finansowej.

Słowa kluczowe: samorząd terytorialny, autonomia dochodowa, autonomia wydatkowa.