**SPECIFIC FORMS OF SPENDING AND SPENDING OF BUDGET FUNDS**

Jacek Stasiak

1Ph.D., Associate Professor, „Herbrand” Centrum Medyczne NZOZ w Aleksandrowie Łódzkim
e-mail: jacek_stasiak@interia.pl

**Abstract**: One of the basic processes taking place in the system of public finances is budget spending. Public spending is the main instrument for implementing the allocative function of public finance. When making expenditures, it is also necessary to take into account the methods and means to achieve the public objectives adopted for implementation. It should be added that in order to comply with the requirements of the Law on Public Finance, budget expenditures should be made in a manner that allows timely implementation of tasks, as well as in the amounts and deadlines resulting from the commitments made.

**Keywords**: financial aid, spending, budget units, public finance.

1. **Introduction**

The current legislation, according to which budget laws are drawn up for a period of one calendar year, is not conducive to systematic reflection on the need, effectiveness and efficiency of public programs that have existed "forever". In particular, there is no comprehensive analysis of the need and legitimacy of the continuation of ongoing programs: successive budgets are created on the basis of previous ones, and "new" programs are added to "old" budgets. In a situation where the stabilizing spending rule requires a reduction in the total volume of expenditures, it also becomes necessary to prioritize expenditures in order to identify those programs or their elements that least meet current social needs, are inefficient or insufficiently effective and therefore should not be continued or expenditures on them should be reduced.
A smart fiscal consolidation tool is also needed to ensure that any necessary spending cuts are in those areas where it is least harmful to the public interest.

2. Grants

Grants are defined as non-refundable financial assistance, the source of which may be the state budget, the budget of a local government unit or the state special purpose fund is intended on the basis of the Law on Public Finance, other laws or international agreements to finance or subsidize the implementation of public tasks. A subsidy is subject to special settlement rules, and is therefore a special type of budget revenue and expenditure. Subsidies that are provided from the state budget to local government units are budget revenues for these units, and the Law on Public Finance defines three types of such subsidies: targeted subsidies, subject subsidies and current subsidies.

According to the Law on Public Finance and, more precisely, according to Article 127 of this Law, targeted subsidies granted from the state budget to local government units are intended for:

1) financing or subsidizing:
   a) tasks of government administration and other tasks assigned to local government units by laws,
   b) statutorily defined tasks, including tasks in the field of state patronage over culture, carried out by units other than local government units,
   c) current own tasks of local government units,
   d) tasks of executive agencies,
   e) tasks delegated for implementation to non-governmental organizations,
   f) costs of investment implementation;

2) subsidies to interest on bank loans to the extent specified in separate laws [4, art.127].

Funds from European funds themselves are not grants, but a targeted grant may be funds for the implementation of programs financed with the participation of European funds carried out by units other than state budgetary units.

While the beneficiary of the subsidy is a local government unit, and the subsidy is given to subsidize its own current and investment tasks the amount of the subsidy given may not be more than 80% of the cost of implementing the tasks, this is stipulated in Article 128 of the Public Finance Act, there are exceptions if separate regulations provide otherwise.
According to Article 130 of the Law on Public Finance, subject subsidies are intended to subsidize certain types of products or services, calculated according to unit rates. Subject subsidies are granted on the basis of the provisions of separate laws or European Union regulations:

- for entrepreneurs producing certain types of products or providing certain types of services,
- for entities performing tasks for the benefit of agriculture [4, art.130].

We are also told about subject subsidies in Article 131 of the Law on Public Finance, according to which subject subsidies include funds for an entity indicated in a separate law or international agreement, exclusively to subsidize current activities to the extent specified in a separate law or international agreement [4, art.131].

In Article 250-253 of the Law on Public Finance we find the rules for granting subsidies from the budget of a local government unit. An earmarked subsidy from the budget of a local government unit is granted by the executive body entering into an agreement with the entity. The agreement concluded with the entity specifies, in particular:

- the amount of the grant, the purpose or description of the material scope of the task for the implementation of which the grant funds are granted,
- the deadline for the use of the grant, not later than December 31 of the given fiscal year,
- the date and manner of accounting for the grant awarded and the deadline for return of the unused part of the targeted grant, but the deadline may not be longer than the deadlines for return specified in this section [Rup, 2020].

The earmarked subsidies that are provided to a local government budget establishment should be provided on the basis of a contract, but the contract concluded by the executive body of the local government with the local government budget establishment will be in the nature of an administrative agreement, concluded under the same rules as a subsidy provided from the budget of the local government, the rules of which are set forth in Article 250-053 of the Law on Public Finance.

A subsidy that has been granted from the budget of a local government unit and has been unused in part shall be returned to the budget of that unit by January 31 the following fiscal year. While a resolution on unexpired expenses at the end of the year was adopted and the unused part of the subsidy was included in the list of unexpired expenses, the subsidy shall be returned within 15 days from the date specified in the resolution to the budget of the local government unit.
Grants that are provided from the budget of the local government unit are budget expenditures of the budget of the local government unit, when they are reimbursed in the following year by January 31, the reimbursement should be classified as income of the following fiscal year, as the principle of cash execution of the budget applies. On the other hand, when the reimbursement takes place in the same fiscal year in which the grant from the budget of the local government unit was provided, we treat the funds from the receipt of the reimbursement of the grant as a reduction of expenses.

Subsidies granted from the budget of a local government unit when used contrary to their intended use or collected improperly or in excessive amounts, in such a case shall be returned to the budget of the unit within 15 days from the date of discovery of the circumstances, together with interest calculated as for tax arrears.

Excessively collected subsidies, which are paid from the budget of the local government unit, are those that have no legal basis in other words, subsidies received in an amount higher than specified in separate regulations, the agreement or higher than the necessary funding or financing of the task. In this case, only that part of the subsidy which has been used contrary to its purpose or unduly paid or taken in excess is subject to repayment.

In the case of calculating interest on subsidies to be returned to the budget of the local government unit, we calculate it from the transfer from the budget of the unit of subsidies used inconsistently with the intended use or after the deadline for repayment in the case of subsidies collected improperly or in excessive amounts.

Division of subsidies provided from the budget of the local government unit by subject criterion:
- other local government units,
- local government budget institutions,
- external business entities,
- associations and organizations,
- public benefit organizations.

3. Internal turnover

With the help of the office of the local government unit and budget units executed by the executive body, that is, the board of mayor, mayor, president, the budget of the local government unit. It is assumed that the office of the local government unit has a form of financial management appropriate for a budget unit, which with its financial plan includes a
part of the expenses of the budget of the local government unit, which is set aside for implementation for local government units. The part of the revenue of the budget, which is not set aside for implementation by local government units, is the financial plan of the revenue of the local government unit's office, together with certain revenues flowing directly to the basic account of the local government unit.

We will treat the funds transferred from the budget from the basic account of the local government unit to finance expenditures to the local government office and budget units and vice versa as typical financial flows within the budget execution units. Typically budget revenues are obtained from external sources while expenditures are incurred for the benefit of external entities.

Internal revolutions of the budget are special cases, they involve the creation of budget revenues from expenditures of budget units. They arise from the provisions of the law and relate to public-law liabilities in the field of local taxes and fees for permanent management of real estate. Budgetary units receive funds from the budget account for expenditures, which are also allocated for local taxes and are transferred through the office to the budget of the local government unit.

From the necessity that budget units cover local tax liabilities from the internal turnover of the budget, it is reasonable to treat all taxpayers regardless of their sectoral affiliation equally. To the internal turnover of the budget we will also include fees for permanent management of real estate paid to the budget, they are of a public-legal nature, but their justification in the form of stimulating the rationalization of the use of real estate in local government units can be questioned while their occurrence is regulated by law, which must be observed.

When we are dealing with settlements between budget units for services and supplies provided to each other, we should not apply charges for services and supplies occurring between units, and the financial plans of individual budget units should take into account expenses for benefits to other units. To example, we can give here the placement of the unit in one building owned by the local government of two budget units, which entails incurring payments for utilities (water, electricity,) by one of the budget units, as a consequence of the technique used to determine the consumption of utilities is one meter for the entire facility. In the described situation, the budget unit that is the payer of utilities in its financial plan will have the amounts of incurred payments for the entire consumption of utilities in the building.

Article 11 of the Law on Public Finance that budget units finance their expenses with funds received from the budget, so transferring these funds between budget units would be the creation of apparent expenses and income. As there are exceptions to every rule, so about this
one, and an example would be the provision and sale by a budget unit of standard services and goods available to the public for a fee, which may also be used by budget units for a fee, or incidental services incurred by budget units for the benefit of other units, and which are not included in the financial plan. Such payments to budget units from the budget of other budget units should be treated as budget revenues of an internal turnover nature, and the qualification of such payments is determined by their inclusion in the financial plan of the budget unit concerned.

To avoid the creation of internal turnover can be the use of sums on order, that is, when a budget unit transfers funds to another unit for expenses covered by its financial plan, and the latter unit, upon receipt of these funds, does not include them in its financial plan and accumulates them in a separate bank account. From the funds in the segregated bank account, it incurs expenses to the transferring unit, which includes these expenses in the execution of its financial plan after receiving the report and in accordance with it. Sums to order do not occur in the financial management of local government budget units.

4. Unexpired expenses

Unexpired expenditures, also referred to as non-expired expenditures, are a category of public finance that is an exception to the annuity principle of the state and local government budgets, according to which expenditures included in the annual financial plan of a budget unit do not expire until the end of the year. Through the use of unexpired expenses, it is possible to increase the rationalization of budget expenditures and adjust the timing of their implementation to the actual needs of the entity. Unused funds for expenditures on the dates specified in the legal act establishing the list of unexpired expenditures are subject to reassignment to budget revenues in the following year.

Pursuant to Article 181(2) of the Public Finance Law, in the state budget the Council of Ministers may establish, by means of an ordinance and after obtaining the opinion of the parliamentary committee responsible for the budget, a list and a financial plan of expenses not expiring at the end of the year, no later than December 15 of the fiscal year. Article 116(2) of the Public Finance Law sets a detailed and final deadline for their implementation, but no later than March 31 of the following fiscal year.

Unexpired expenditures do not include liabilities due as of December 31 of the previous fiscal year, for which the Minister of Finance, at the request of the authorizing officer, has
agreed to pay into the expenditure plan of the passing year within 9 working days of the following year, in accordance with Article 181(9) of the Public Finance Law.

Article 161 of the Public Finance Law tells us the rules set forth in establishing unexpired expenditures in the implementation of the state budget in development cooperation in territories designated as a war zone:

1) obligations for a period longer than a fiscal year in the implementation of development cooperation in territories recognized as a zone of warfare may be incurred if the expenses necessary to service the obligation are included in the Budget Law,
2) funds not used within the framework of a multiannual commitment contracted shall not be refunded by December 31 of a given fiscal year and shall be treated as unexpired funds, to be refunded by June 30 of the following year at the latest,
3) The Council of Ministers may issue, by means of a regulation, guidelines on the principles of incurring obligations for a period longer than a budget year in the implementation of development cooperation in territories recognized as a war zone, specifying:
   a) entities authorized to make certain types of expenditures,
   b) the detailed manner of making expenditures referred to in item 1,
   c) the detailed manner and deadline for preparing information on the implementation of the expenses referred to in item 1, and the entities obligated to prepare them;
4) the Council of Ministers, when issuing the regulation referred to in paragraph 3, shall take into account the competence of the entities implementing the tasks and the scope of these tasks [4, art. 161].

For the implementation of unexpired expenses, state budget units must open separate bank accounts to be used only for this purpose.

The wording of Article 263, paragraph 2-7 of the Public Finance Law, which reads "The constituent body The constituent body of a local government unit may establish, by resolution, a list of expenditures to which the provision of paragraph 1 does not apply, and set a deadline for making each expenditure included in this list in the next fiscal year.

The list referred to in paragraph 2 shall include expenditures related to the execution of contracts:

− on public procurement,
− which will be concluded as a result of the completed public procurement procedure in which the contractor was selected,
the deadline for expenditures that do not expire at the end of the fiscal year is June 30 of the following year,

- together with the list of expenditures that do not expire at the end of the budget year, the decision-making body of the local government establishes a financial plan for these expenditures by division and chapters of the expenditure classification, with a distinction of property expenditures,

- financial resources for expenditures included in the list referred to in paragraph 2 are collected on a separate subaccount of the basic bank account of the local government unit,

- financial resources not used within the period specified by the local government unit's decision-making body shall be transferred to the revenues of the local government unit's budget within 7 days from the date specified by the local government unit's decision-making body. [4, art.263, u.2-7] " Regulates the rules for establishing and incurring unexpired expenses in local government units.

Expenditures to be considered unexpired must be included in the relevant resolution of the decision-making body and funds for unexpired expenditures must be accumulated by the end of the fiscal year in the sub-account of the basic account of the local government unit; without meeting these two conditions, part of the local government unit's expenditures could not be considered unexpired.

When implementing unexpired expenditures directly by the executive body of the local government unit with the help of the local government unit's office or through budget units, records of the execution and settlement of these expenditures are kept in the books of the local government unit's office.

Unexpired expenditures of local self-government budget units must be incurred by the date specified for each group of expenditures in the financial plan of these expenditures drawn up according to the divisions of budget classification [Rup, 2020].

5. European funds

One of the categories of public finance introduced by the Law of August 27 on Public Finance is European funds, which are defined by Article 5, paragraph 3, items 1,2 and 4 of the Law on Public Finance. According to the provisions of this law, European funds are:
1) funds from the Structural Funds, the Cohesion Fund, the European Fisheries Fund and the European Maritime and Fisheries Fund, with the exception of the funds referred to in item 5 points a and b,

2) non-reimbursable funds from the assistance provided by the Member States of the European Free Trade Agreement (EFTA), excluding funds referred to in point 5 items c and d:
   a) the Norwegian Financial Mechanism,
   b) Financial Mechanism of the European Economic Area,
   c) the Swiss-Polish Cooperation Program,
   d) funds for the implementation of pre-accession programs and the Transition Facility Program,
   e) funds for the implementation of the Common Agricultural Policy,
   f) funds allocated for the implementation of,
   g) programs under the European Territorial Cooperation objective,
   h) programs referred to in the Regulation of the European Parliament and of the Council (EC) No. 1638/2006 of 24 October 2006 laying down general provisions establishing a European Neighborhood and Partnership Instrument (Official Journal of the EU L 310 of 09.11.2006, p. 1) and European Neighborhood Instrument programs,
   i) Norwegian Financial Mechanism 2004-2009,
   j) European Economic Area Financial Mechanism 2004-2009,
   k) funds for the implementation of the Youth Employment Initiative,
   l) funds from the European Fund for Aid to the Most Deprived Persons,
   n) other measures [4, art.5, u.3].

The category of European funds occurs only in the state budget, as funds from the European Union to local government budgets are transferred through the institutions implementing the budget of European funds to local government units, and therefore constitute budget revenues of local governments, just as expenditures are budget expenditures of local.
government units. The transfer of European funds in the described manner allows to maintain the principle of budget unity in local government units.

A completely different way has been adopted in the state budget, there was created a separate budget for European funds, which is implemented in parallel with the budget of national funds. The creation of a separate budget oblige us to record and account for it separately at all its stages, including by second- and third-level administrators of budget funds.

6. Conclusion

In budget units, the main element of financial management is budget expenditures. They are allocated from the funds received for the implementation of statutory tasks.

The finances of local government units depend on the size and type of tasks performed by the unit. As is well known, public finances play an increasingly important role in public opinion, as much in the media as with the people.

In the simplest terms, local government finances are the phenomena and also the processes of collection and distribution of funds by individual bodies of local government units as well as its subordinate bodies. Such phenomena are nothing more than spending and collecting income.

The budget of a municipality is determined on the basis of the budget resolution, which is adopted by the Council. The main revenues of the municipality are; grants; general subsidies; targeted subsidies from the state budget; and funds from the European Union budget.

After each completed fiscal year, the municipal local government unit must submit a report on the implementation of the budget, which is made available to the public by making it available in the public information bulletin.

Summarizing the finances of local government, it is worth briefly mentioning what a local government is and, in other words, what a municipality is. It is decentralized, not subordinate to the central public authority, and has its own elected bodies. Its activities are limited to local as well as regional levels.

Bibliography

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