Specific Features of Regional Budget Policy Using the Example of Novosibirsk Oblast

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Abstract—The paper elicits the conditions for developing the financial base of local self-government and examines the breakdown of local budgets in Novosibirsk oblast. The author has analyzed the inhomogeneity characteristics of budget indicators before and after the municipalities were granted financial resources from the oblast budget and assessed cross-territorial differentiation in the fiscal capacity of Novosibirsk oblast municipalities. The paper analyzes the connection between grants, municipality taxes, and nontax revenues and assesses the marginal effect of an increase in taxes going to the local budgets.

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Territorial budget as a tool for regional economic management. Fiscal policy is not only the most important form of direct intervention in processes at all management levels, but also a condition for creating a common economic space and overcoming excessive differences in the socioeconomic development of regions and municipalities. At the regional level, the budget is relevant to the extent that it can finance the development of the social sector and territorial infrastructure, stimulate production, and ensure the relative autonomy of the regional economic system. The territorial budget is a major source of financing the operating costs of the regional economy and social sector; it plays a primary role in financing economic and social target-oriented programs and investment projects. An important function of the territorial budget is contracting regional enterprises to provide for the region's needs, as well as providing targeted subsidies to individual enterprises. The budget serves as a multiplier for other incoming (nonbudgetary) resources, i.e., shared funding and investments in the territorial infrastructure entail an increase in the inflow of financial resources to the territory. Fiscal policy in a federative state is based on a smoothly running system of fiscal relations between the governments.

In Russia, intergovernmental fiscal relations have recently been developing towards the increased formalization of federal financial aid distribution and the elimination of asymmetry in the budget status of the governments at different levels. So far, neither the necessary rigidity of budget constraints for the constituent entity authorities nor established control over the effectiveness of resource use by regions have been achieved. Intergovernmental fiscal relations have not been made sufficiently formalized either [1–5].

At present, fiscal regulation in Russia is overcentralized; therefore, many municipalities cannot function autonomously and sustainably, as local taxes and other local revenues make up less than 20% of their budgets.

The decrease in the share of local budget revenues in the consolidated budget of the Russian Federation, given the growth of the proportion of their expenditures, will lead to an excessive reduction in capital costs compared to the operating costs and, hence, the underfinancing of investment expenditures. These problems cannot be solved without consolidating the municipal budget's local revenue base.

Russian municipalities differ noticeably in both the actual tax revenues and tax potential. In this respect, we can single out a group of municipal entities, e.g., the capital cities of oblasts and republics, i.e., centers of constituent entities whose financial statuses differ greatly from those of other Russian municipalities. The local self-government bodies of the constituent entities administrative centers, as a rule, have budgets comparable to those of the constituent entity itself (excluding the municipal budgets) and do not receive grants from regional funds for the financial support of municipal entities. We have selected Novosibirsk oblast as a research target, as it can be classified among the above-mentioned group of Russian constituent entities[*] Novosibirsk oblast was chosen as research target also because in 2003 it was one of the first regions to make a transition to new principles of intergovernmental fiscal relations. According to these principles, the lower-level elements of the budget system are budgets of small urban or rural settlements (there are 460 of these settlements in the oblast). At the same time, the concept of a municipal district budget within the oblast budget was preserved as the sum of expenditures of a specific

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[*] An analysis was conducted based on the data on the municipal districts (administrative territorial units comprising several small settlements) and towns subordinate to the authorities of Novosibirsk oblast. The number of districts (30) was the same over the whole period under study. In 1996–2004, there were seven towns/cities subordinate to the oblast (Barabinsk, Berdsk, Iskitim, Kuibyshev, Novosibirsk, Ob', and Tatarsk), which, since 2005, has decreased to only five (Berdsk, Iskitim, Ob', Novosibirsk, and the science town of Koltsovo).

Table 1. Distribution of the municipalities of Novosibirsk oblast by the share of collected revenues*

Share of collected (tax and nontax) revenues, %	Number of municipalities in the group										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
0–20	2	2		6	4	5	6	14	2	25	29
20–30	14	12	3	11	15	11	12	7	10	6	2
30–40	9	8	7	9	7	5	6	6	9	2	2
40–50	5	7	13	4	5	9	4	1	6		
50–60	1	2	3	1	1		3	2	3		1
60–70	3	2	3		2	3	2	3	2	2	
70–80		2	4	3	1	1	3	2	2		1
80–90	2	1	2	1		1			2		
90 or more	1	1	2	2	2	2	1	2	1		

* The empty cell in this and the following tables means that none of the municipalities under study fell in the given group.

district and cost statements of district administrations. As a result, continuity was guaranteed, as was the participation of the district councils in the budgeting process at the oblast level from the standpoint of each district, including control over the oblast budget execution with respect to the districts. Since 2005, Novosibirsk oblast has been a pilot region for implementing the new federal law on local self-government [6]; i.e., in this oblast, the law came into effect earlier than in other Russian regions.

Specific features of revenue generation in the budgets of municipalities of Novosibirsk oblast. The revenues of local budgets include tax and nontax revenues, and grants from regional and federal budgets. Besides, it is only the tax revenues connected with economic potential of the given territory that can be regarded as a stable revenue base for the budgets of local self-government bodies. The nontax revenues are to a large extent either temporary, or instable. In Russia on average, nontax revenue make up about 5-8% of all the local budget revenues [7]. The share of nontax revenues in the budget of Novosibirsk oblast (excluding Novosibirsk) was 2–4% in 1996–2006. In 2003–2006, apart from tax, nontax revenues, and grants, the local budget revenue pattern included revenues from entrepreneurial activity. Their share in the aggregate revenues of all the oblast municipalities was, on average, 2–3%.

To estimate the level of autonomy of local budgets, we have analyzed the distribution of the municipalities based on the share of collected (tax and nontax) revenues in the aggregate revenues of the local budgets in 1996–2006. The calculations results are presented in Table 1.

In 1996–1997 and 1999–2004, the proportion of collected revenues for the majority of municipalities of the Novosibirsk oblast was within the limits of 20–40%, whereas, in 1998, this proportion was 30–50% and, in 2005–2006, was no more than 20%. Moreover, in 2003, the share of collected revenues was less than 20% for 14 municipalities and, in 2005 and 2006, the figures for these territories increased to 25 and 29%, respectively.

It is noteworthy that, over the period under study, in the majority of municipalities of the Novosibirsk oblast, the proportion of collected revenues was less than 50%. This is explained by the fact that most of the territories in Novosibirsk oblast (except for a number of urban settlements subordinate to the oblast) have rural specialization. In 2005–2006, the share of collected revenues was only greater than 50% in two municipalities, i.e., the town of Ob' and the city of Novosibirsk, and, in 31 municipalities, this indicator did not exceed 30%.

On this basis, it is interesting to construct a distribution of municipalities by the share of grants in the total revenues of municipalities of Novosibirsk oblast (Table 2).

It follows from Table 2 that, in the majority of municipalities of Novosibirsk oblast, grants make up more than half of the budget revenues. Note that, in 1996–1998, the share of grants, including subsidies and money transferred by contrasettlements, fell in the district of the Novosibirsk oblast from 68 to 54%; however, in 1999–2002, this figure rose again to 67–69%. In 2003, the proportion of grants was 74%; in 2004, it was 62%; and, in 2005 and 2006, it increased to 78 and 82%, respectively. In urban settlements (excluding Novosibirsk) subordinate to the oblast, the proportion of grants from the oblast budget decreased from 37 to 29% in 1996–1998, while, in 1999–2002, it increased to 39–42%. In 2003, the percentage of grants was 25%; in 2004, it was 30%; and, in 2005–2006, already exceeded 60%. In Novosibirsk, the unit weight of grants was about 8–9% in 1996–1998; however, by 2000, it decreased to 3%. The proportion of grants in Novosibirsk in 2001 was 10%; in 2002, it was 19%; in 2003–2004, it was 16%; in 2005, it was 30%; and, in 2006, it was 25%. Moreover, by 2003–2004, the unit weight of nonrepayable grants had risen considerably; however, in 2005, this indicator was down again to 7% and, in 2006, it had decreased further to 3%. In 2005–2006, the unit weight of targeted subsidies from the upper-level budgets increased due to the transfer of some competencies and financial resources from the regional to local level. Thus, one of the weak

Table 2. Distribution of municipalities of Novosibirsk oblast by the share of grants in their budgets

Share of grants	Number of municipalities in the group										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
0–10	1	1	2	2	2	2	1	2	3		
10–20	2	1	2	1		1	1	1	1		
20–30		2	4	3	1	1	2	1	2	1	1
30–40	3	2	3		2	3	3	3	1	1	1
40–50	1	2	3	1	1		2	3	3		
50–60	5	7	13	4	5	9	4		6		
60–70	9	8	7	9	7	5	7	6	11	3	2
70–80	14	12	3	11	15	11	11	9	8	8	4
80–90	2	2		6	4	5	6	9	2	22	19
90 or more								3			8

Table 3. Inhomogeneity of per-capita budget revenues

Indicator	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Collected revenue											
Range of asymmetry	4.1	6.1	5.7	6.9	8.2	7015	7.5	33.4	24.1	5.8	9.9
Scatter	167	259	239	256	411	563	770	1118	1526	709	1036
Excess of scatter	1.18	1.27	1.25	1.17	1.21	1.27	1.33	2.95	2.22	1.35	1.46
Standard deviation	231	396	316	377	600	777	1068	1509	2050	1151	1671
Variation coefficient, %	40.6	58.1	50.8	54.1	57.9	59.3	57.7	132	111	68.9	87.2
Disposable revenue											
Range of asymmetry	2.7	2.6	2.7	2.9	2.9	3.3	3.5	6.1	6.0	2.9	3.2
Scatter	313	290	227	391	438	555	968	1236	1799	1516	2253
Excess of scatter	1.07	1.03	1.08	1.01	1.04	1.04	1.03	1.33	1.37	1.05	1.05
Standard deviation	395	418	328	502	616	803	1407	1613	2423	2332	3512
Variation coefficient, %	25.1	24.6	27.6	25.4	21.6	23.8	28.0	61.0	65.9	27.1	29.6

points in intergovernmental fiscal relations at the level of constituent entities is the high degree of centralization of the constituent entity budget revenues and prevalence of fiscal regulation funds in the municipal revenue pattern.

Inhomogeneity characteristics of the fiscal capacity of municipalities in Novosibirsk oblast. When comparing budgets of the same level, it is important to assess the expediency of concentrating resources from the standpoint of equalizing the municipalities' fiscal capacity. This comparison can be conducted by using the per-capita inhomogeneity characteristics of the fiscal capacity before and after the municipal budgets were given grants from upper-level budgets. We propose to use variation indicators as characteristics of inhomogeneity, i.e., the range of asymmetry, scatter, excess of scatter, standard deviation, and variation coefficient [8].

With increasing homogeneity of the fiscal capacity in the sample, the variation indicators should go down. In our work we assessed the above indicators for the per capita collected and disposable budget revenues of municipalities of Novosibirsk oblast, i.e., revenues that exclude grants to local budgets from the oblast budget and revenues that include these grants (Table 3).

It follows from the data in Table 3 that the range of asymmetry between the municipalities after grant transfers from the oblast budget was decreasing in 1996–2006. The scatter of the municipalities based on the indicators of collected and disposable revenues, in general, increases over the period under study. The excess of scatter is greater than one in all of the explored cases. This is indicative that half of the municipalities with lower values of the indicators under study are close to one another in these indicators than the other half of the municipalities. The growth of the standard deviation of disposable revenue as compared to the standard deviation of the collected revenue is explained by the increase in the average level of the varied indicator

Table 4. Distribution of municipalities in Novosibirsk oblast by the level of collected revenues

Per-capita revenue, thousand rubles (since 1998, in rubles)	Number of municipalities in the group										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
0–400	7	4	6	5				20	1		
400–600	19	19	16	15	5	1		6	3		
600–800	6	6	6	9	9	8	1		13		
800–1000	3	4	6	3	10	9	2	1	6	2	4
1000–1500	2	2	2	2	7	11	17	2	3	22	17
1500–2000		1	1	3	3	1	6	1	2	5	6
2000–2500		1			2	3	4		1	3	2
2500 or more					1	4	7	7	8	3	6

Table 5. Distribution of municipalities of Novosibirsk oblast by the level of disposable revenues

Per-capita revenue, thousand rubles (since 1998, in rubles)	Number of municipalities in the group										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
800–1000			9								
1000–1500	19	12	23	6				5			
1500–2000	13	21	3	15	2	1		14	4		
2000–2500	4	1	2	10	8	1		8	9		
2500–3000	1	1		5	13	10		2	12		
3000–4000		2		1	13	21	7		4		
4000–5000						3	13	4			
5000–6000					1		10	2	1	2	
6000–8000						1	6	2	4	14	1
8000–10000									1	14	10
10000–15000							1		2	3	21
15000–20000										2	1
20000 or more											2

since, in Novosibirsk oblast, all municipalities get financial aid from the oblast budget.

Therefore, we estimated the changes in inhomogeneity with regard to the increase in the average value of local-budget revenues by calculating the variation coefficient by the standard deviation. The indicator of collected revenues has a much lower variation coefficient, i.e., the inhomogeneity of the municipalities' fiscal capacity after grant transfer from the oblast budget is 2–2.5 times lower.

To determine which municipality groups experienced losses as a result of changes in the aggregate scatter indicators, we need to consider the changes in the distribution of territories based on the level of budget income as a result of money transfer from upper-level budgets. Tables 4–5 present the distribution of municipalities by the level of collected and disposable budget revenues per capita.

The data in Tables 4–5 show that after, the grant transfers from the oblast budget, there is sharp growth in the per-capita budget-revenue indicator by territory.

This situation is explained by the relatively high concentration of financial resources at the regional (oblast) level and, hence, the acute shortage of locally collected budget resources in the municipalities of the Novosibirsk oblast

Let us place special emphasis on the situation in 2005–2006. The per capita collected budget revenues were less than 1000 rubles in two municipalities in 2005 and four municipalities in 2006. The modal interval was 1000–1500 rubles. After transfers from the oblast budget, the per-capita revenues for all territories of Novosibirsk oblast exceeded 5000 rubles in 2005 and 6000 rubles in 2006. For 2005, the modal interval is 6000–10000 rubles and, for 2006, it is 10000–15000 rubles, which indicates a significant increase in the proportion of fiscal regulation resources in the municipal revenues in Novosibirsk oblast.

To exclude the effect of changes in the average level of budget revenues and assess the changes in their dis-

Table 6. Distribution of municipalities of Novosibirsk oblast by level of centered indicators of collected revenue

Per-capita revenue, thousand rubles (since 1998, in rubles)	Number of municipalities in the group										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Less than 300		2	1	5	12	18	21	26	26	22	24
–300…–200	3	10	10	6	6	4	1	1		2	1
–200…–100	14	9	9	8	5		2				
–100…0	6	5	3	7	1	5	1			1	
0…100	5	3	4	3	3	2	1	2	2	2	2
100…200	4	3	2	2	1		1		1	1	
200…300	1	1	3	1	2		2			1	
300…400	2	1	2	2	1		1	1		1	2
400…500			1		1	1				1	
500 or more	2	3	2	3	5	7	7	7	8	4	6

Table 7. Distribution of municipalities of Novosibirsk oblast by level of centered indicators of disposable revenue

Per-capita revenue, thousand rubles (since 1998, in rubles)	Number of municipalities in the group										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Less than 500	3	2		5	6	8	13	22	27	17	18
–500…–400	2	1		2	3	3	4	1	1	1	
–400…–300	5	5	3	2	1	1	1	1		1	
–300…–200	4	4	6	5	3	4		2	1	2	1
–200…–100	4	6	9	4	6	4	2	1		1	
–100…0	5	5	4	2	3	2	1	1		2	
0…100	2	3	7	2			1	1		1	2
100…200		3	2	3	3	2					1
200…300	2	4	1	4	3	4	2				2
300…400	4	1	1	1	1		2				1
400…500	3		1	1	4		1				
500 or more	3	3	3	6	4	9	10	8	8	10	10

tribution with regard to the increased fiscal capacity standard, we have calculated centered values of the collected and disposable budget revenues (Tables 6–7).

If we take into account that almost all the municipalities of Novosibirsk oblast are recipients of regional grants, which results in growth in the average level of fiscal capacity, then the outcomes of the oblast's fiscal policy appear to be less effective. The data in Tables 6–7 show that there is an increase in both the number of urban settlements and municipal districts with below-average budget revenues and the number of municipalities with the highest revenues.

To assess the increase or decrease in the cross-territory differentiation by the level of collected and disposable budget revenues one can use the funds coefficient and Gini index calculated by Lorenz curve [9].

The funds coefficient, or income differentiation coefficient, is determined as the ratio of income received by 10% of the highest-income territories to the income of 10% of the lowest-income territories. The dynamics of the funds coefficient is also informative, as it illustrates a decrease or increase in the municipalities' differentiation based on the level of collected and disposable budget revenues.

The Gini index shows the concentration of income by groups of territories, which gives one an idea of the territories for whom the distribution mechanism works in their favor; the incomes are either distributed relatively evenly among the territories or the main benefit goes to a small group of territories, where the concentration of income is pronounced. A graphic interpretation of the dynamics of the funds coefficient and Gini index calculated for the collected and disposable budget revenues of municipalities of Novosibirsk oblast is presented in Figs. 1 and 2.
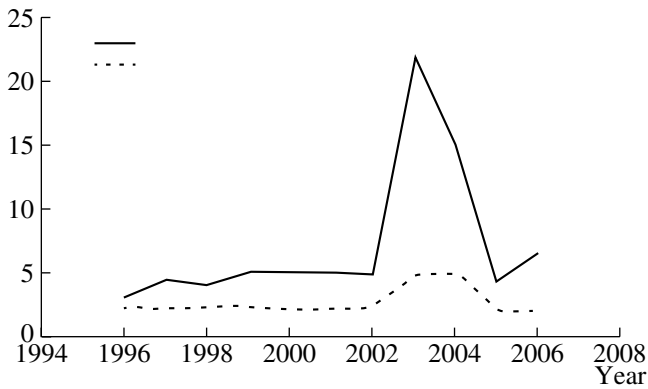
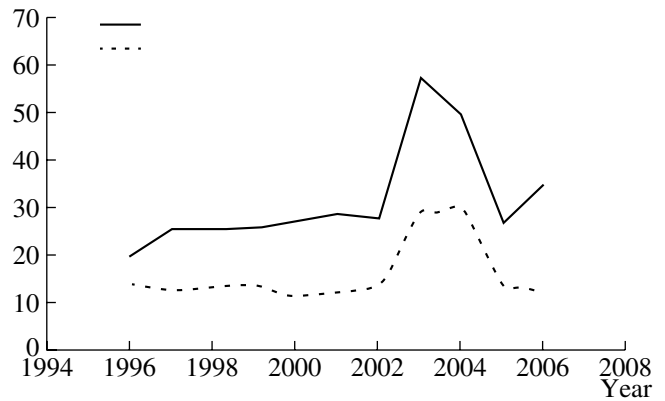**Fig. 1.** Dynamics of the funds coefficient: collected and disposable revenue.

Fig. 2. Dynamics of Gini index: collected and disposable revenue.

Assessment of the fiscal policy impact on the economic development of municipalities of Novosibirsk oblast. To answer the question of whether resources transferred from the oblast budget to local self-government bodies serve the purpose of intraregional equalization, it is of interest to determine the dependence between the grants from the oblast budget and per-capita tax or nontax local budget revenues. Therefore, we propose to estimate the following equation:

$$T_i = \alpha + \beta R_i + \xi_i,$$

where T_i are per-capita grants from the oblast budget to the ith municipality, R_i indicates per capita tax and nontax revenues of the ith municipality, α is the intercept, β is the slope coefficient, and ξ_i are the regression residuals. The results of the calculations are presented in Table 8.

The given data show that, in Novosibirsk oblastm in 1996–2006, there was a statistically significant negative correlation between these parameters. In other words, with 5% error probability, it was found that the oblast fiscal policy is aimed at equalizing the per-capita budget revenues of the municipalities. In connection with this, we should note that all of the coefficient estimates in the analyzed regression are also significant at a 99% confidence level.

The literature has repeatedly emphasized that, in the given system of intergovernmental fiscal relations, local governments are not interested in implementing rational, transparent, or responsible fiscal policy [1, 10, 11]. We can assess whether municipalities have positive or negative stimuli for responsible fiscal policy by the marginal effect of increases in taxes allocated to local budgets, i.e., by the growth of disposable revenue that results in the growth of tax revenues to the budget by 1 ruble, as follows:

$$(Y_{it} - Y_{it-1}) = \alpha + \beta(X_{it} - X_{it-1}) + \xi_{it},$$

Table 8. Estimation results for the equation $Ti = \alpha + \beta R_i + \xi_i$

Indicator	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
R^2	0.36	0.55	0.48	0.45	0.59	0.56	0.49	0.30	0.48	0.40	0.46
Estimate of α	1522	1590	841	1987	2722	3166	4986	1518	1858	8022	11330
t statistics	10.5	15.0	13.3	12.4	17.2	15.5	13.3	15.3	18.4	18.7	21.1
95% confidence interval											
lower bound	1228	1374	713	1661	2400	2752	4224	1316	1651	7149	10236
upper bound	1817	1806	970	2313	3044	3580	5748	1720	2064	8896	12425
Estimate of β	−1.02	−0.95	−0.54	−1.07	−0.93	−0.91	−1.08	−0.21	−0.27	−1.06	−1.21
t statistics	−4.35	−6.41	−5.43	−5.29	−7.00	−6.54	−5.67	−3.72	−5.28	−4.56	−5.16
95% confidence interval											
lower bound	−1.49	−1.25	−0.74	−1.48	−1.21	−1.19	−1.47	−0.32	−0.38	−1.54	−1.69
upper bound	−0.54	−0.65	−0.37	−0.66	−0.66	−0.63	−0.70	−0.09	−0.17	−0.59	−0.73
Number of observations											
Total	37	37	37	37	37	37	37	37	37	35	35
Excluding outliers	35	35	34	36	36	36	36	34	32	33	33

Table 9. Estimation results for the equation $(Y_{it} - Y_{it-1}) = \alpha + \beta(X_{it} - X_{it-1}) + \xi_{it}$

Indicator	1996–1997	1997–1998	1999–2000	2000–2001	2001–2002	2002–2003	2003–2004	2004–2005	2005–2006
R^2	0.55	0.43	0.81	0.59	0.47	0.75	0.84	0.21	0.23
Estimate of β	1.07	0.68	1.15	0.98	1.15	1.02	1.59	0.43	2.34
t statistics	6.58	5.14	11.97	6.91	5.46	10.13	13.17	2.77	3.12
95% confidence interval									
lower bound	0.74	0.41	0.96	0.69	0.72	0.81	1.34	0.11	0.81
upper bound	1.40	0.95	1.35	1.26	1.56	1.22	1.83	0.74	3.88
Estimate of α									
t statistics		–14.67	8.31	3.41	6.40	–9.34		15.81	11.73
95% confidence interval									
lower bound		–16547	11976	2714	20716	–60255		118430	82206
upper bound		–12523	19734	10714	40024	–38692		168429	116746
Number of observations									
Total	37	37	37	37	37	37	37	34	35
Excluding outliers	35	37	36	35	35	36	35	31	34

Table 10. Distribution of the municipalities by the proportion of expenditures on social activities in their budgets

Proportion of social expenditures, %	Number of municipalities in the group									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
30–40		1		1	1		6	1		
40–50	2	3	4	4	3	1	10	9		1
50–60	4	8	6	18	11	4	17	19	6	3
60–70	16	19	20	14	20	22	4	7	14	17
70–80	15	5	7		2	10		1	14	13
80 or more		1							1	1

where Y_{it} are disposable revenues of the ith municipality in year t, X_{it} are tax revenues of the ith municipality in year t, β is the slope coefficient, α is the constant, and ξ_{it} are the regression residuals.

If there are no stimuli to increase tax revenues, then the regression coefficient β must be statistically insignificant. If there are positive stimuli, then the regression coefficient must be statistically significant (Table 9).

The dependencies presented in Table 10 have proven to be statistically insignificant; the estimate of the β coefficient in all the regressions is greater than zero; furthermore, this coefficient is also significant at a 99% confidence level. Thus, the stimuli work towards conserving and developing municipalities' local tax potential in Novosibirsk oblast.

Breakdown of budget expenditures of municipalities of Novosibirsk oblast. To analyze how the local budget resources were used in 1996–2006, all expenditures have been grouped into five units as follows:

1. government regulation and law enforcement;

2. economic unit, including the development of industrial production, the energy sector, construction, agriculture and fishery, transport, road facilities, communication and information technologies, basic research and scientific progress, and market infrastructure;

3. social unit, including education, culture and arts, mass media, health care, environmental protection, physical education, and social policy;

4. housing and communal services;

5. other.

To explore the breakdown of budget expenditures, it is of interest to analyze the distribution of the municipalities based on the proportion of expenditures in each unit. Since 2005, the first unit has included expenditures for the following purposes: nationwide issues, national defense, national security, and law enforcement. The second unit includes expenditures on the national economy based on expenditures for general economic needs, the fuel and energy sector, agriculture and fishery, water resources, forestry, transport, com-

Table 11. Distribution of the municipalities by the proportion of expenditures on housing and communal services in their budgets

Proportion of expenditures on housing and communal services, %	Number of municipalities in the group									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
0–10	7	6	16	9	3	15		1	9	7
10–20	22	15	13	18	14	16	1	2	18	20
20–30	3	11	3	4	11	3	14	19	5	7
30–40	4	1	2	3	7	3	14	14	3	1
40–50	1	3	3	2	1		8	1		
50 or more		1		1	1					

munication and information technologies, and other issues of the national economy. The social unit includes expenditures on environmental protection, education, culture, cinematography and mass media, health care and sports, and social policy. As before, the fourth unit includes expenditures on housing and communal services.

In 1996–2004, municipalities of Novosibirsk oblast spent on government regulation and law enforcement about 8–12% of the total sum of expenditures. In 2005–2006, the proportion of the first unit was up to 13–14%. The proportion of economic expenditures in 1996, 1999, 2001, 2003, 2004, and 2006 for the majority of municipalities of Novosibirsk oblast, as well as that in 1998, 2000, 2002, and 2005 for all the municipalities, did not exceed 10% due to the fact that the majority of nonrepayable grants to industrial, agricultural, and transport enterprises (about 60%) is concentrated at the oblast level. In 2005–2006, the overwhelming majority of municipalities directed about 3% of their budget resources to economic needs.

In regards to the distribution of the municipalities of the Novosibirsk oblast based on the proportion of social expenditures in the total expenditures of the local budget, the pattern is as follows (Table 10).

For the majority of municipalities, expenditures on social activities are fall in the range of 50–80%. The modal interval is 60–80% in 1996, 1998, 1999, 2002, 2005, and 2006; 50–70% in 2000 and 2001; and 40–60% in 2003–2004. The range of variations of this characteristic across Novosibirsk oblast was 33% in 1996, 2000, and 2006; 47% in 1998; 28% in 1999; 37% in 2001; 29% in 2002 and 2005; and 34% in 2003–2004.

Finally, let us look at the distribution of the municipalities of Novosibirsk oblast based on the percentage of expenditures on housing and communal services (Table 11).

As can be seen from the table, in the period before 2002 and in 2005–2006, the majority of the municipalities spent about 20% of their budget resources on housing and communal services. In 2003–2004, the majority on municipalities spent about 20–40% of their budget resources on this purpose.

CONCLUSIONS

An analysis of the revenue breakdown of the local budgets of Novosibirsk oblast speaks of their low level of autonomy, since it is typical for them to not have any stable revenue base. For the majority of the municipalities, the percentage of grants makes up more than half of the revenue sources. The low level of collected revenues is not offset by a reliable mechanism for setting fixed rates of regional and federal taxes transferred to the local budgets.

The breakdown of expenditures of local budgets in Novosibirsk oblast reflects, in general, the priorities of their functions performance. It is in accord with governmental functions that the major expenditure items are social expenditures (50–80%) and expenditures on housing and communal services (20–30%). However, the instability of local revenue sources makes it problematic to provide resources for the local authorities to perform their budget competencies.

Setting up an effective local self-government requires, first of all, the consolidation of the revenue base of local budgets. At present, the proportion of collected revenue in the local budgets is about 30% in most of Russian regions. In the municipalities of Novosibirsk oblast, the proportion of collected revenues in the total sum of revenues is, on average, 20–40%. This means the dependence of the local budgets on the upper-level authorities.

This is supported by the recently increased centralization of the territorial budgets accompanied by an increase in the percentage of grants in the municipal budgets. In particular, in the majority of municipalities of Novosibirsk oblast, grants make up more than a half of all their revenues. However, as calculations have shown, this does not deprive the local self-government bodies of stimuli to fund their activities aimed at increasing their local tax base. Therefore, despite the lack of local resources and insufficient autonomy, the local self-government bodies of Novosibirsk oblast are interested in implementing effective fiscal policy.

Based on the results of the study, taking into account that only two years, 2005 and 2006, have been analyzed, i.e., the years since the implementation of the new law on local self-government in Novosibirsk

oblast, it is difficult to make a single-valued assessment of the given budget innovations. However, we can point to serious cuts in the unit weight of collected revenues (tax and nontax revenues collected in the territory) and high differentiation of per-capita fiscal capacity of municipalities of Novosibirsk oblast.

The system of intergovernmental fiscal relations is of economic, political, and social importance for the country's development. However, financial aid should play a secondary role in the development of a local tax base for budgets at each level. In order for the whole national budget system to function effectively, i.e., for budgets of different levels to be balanced and autonomous, it is necessary, first of all, to establish clear-cut and valid criteria for the distribution of tax revenues between budgets of all levels.

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SPELL: 1. overcentralized, 2. sustainably, 3. oblasts, 4. nonrepayable, 5. oblastm