



FISCAL IMBALANCE IN EDUCATION IN POLAND - SELECTED PROBLEMS

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ABSTRACT

As a result of decentralization, educational tasks in Poland were almost entirely transferred to local government units (LGUs). Thus, the aim of the article is to analyse the level of imbalance of LGUs' budgets in the field of education in the context of the adequacy principle and to present the role of transfers from the state budget in limiting vertical and horizontal fiscal imbalance in this field. The study covered data from budget reports Rb-27S and Rb-28S for the years 2013-2017 for all LGUs and their groups (communes, cities with county rights, counties, voivodships). The results obtained indicate a differentiated level of fiscal imbalance in education for groups of LGUs and an increase in the scale of the phenomenon in all groups in 2017 in connection with the reform of the school system.

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INTRODUCTION

Balance (i.e. the equivalent) of expenditure and revenues of a given budget is almost never seen (Owsiak, 2017, p. 399). If it is considered an extraordinary phenomenon, the interest of economists in the problem of imbalance is understandable. However, due to the different significance of the two directions of deviations from the state of equilibrium, only budget deficits remain the subject of research, discussion and disputes (Moździerz, 2009, p. 15). It is often even recognized that an imbalance concerns only the deficit, while a budget with a surplus is treated as sustainable (Owsiak, 2017, p. 399). Although surpluses and deficits seem to be a simple accounting category, several types of budget balances are distinguished (Moździerz, 2009, pp. 49-65, Owsiak, 2017, pp. 411-414). In this article, the nominal¹ balance in cash terms² was used to measure

¹ I.e. deduction of nominal budget expenditures on education from nominal budget revenues related to education.

the imbalance in the finances of local government units (LGUs) for education, which were then referred to expenditure on this area.

The provisions (Act on financing educational tasks, Article 4 paragraph 1) determine the financing of LGUs' educational tasks within the budget³. Therefore, the aim of the article is to analyse the scale of budget imbalance in the part related to education in 2013-2017 in terms of the adequacy principle, as well as to discuss the importance of transfers from the state budget for vertical and horizontal fiscal imbalance in this area. The analysis covered all Polish LGUs, and the results were presented for all LGUs and their groups distinguished according to the diversity of the scope of educational tasks⁴. Empirical data, which is the subject of the analysis, was taken from the LGUs' budget reports database (Ministry of Finance [MF], 2018) and developed in accordance with the budget classification (Regulation of the Minister of Finance on the detailed classification of revenues, expenditure, income and repayments and funds from foreign sources). The article belongs to the publication series "..."⁵.

2. Fiscal imbalance in the conditions of decentralization

The concept of decentralization defines the process of state transfer of public tasks and means to local self-government units (Kosek-Wojnar (Ed.), 2017, p. 98). It consists in separating sources of public revenues in accordance with their structure and economic effects between the state and individual LGUs in a manner adequate to the division of tasks and competences for these levels of government. The revenues allocated to a given level should, therefore, allow to finance the public tasks assigned to it. The vertical distribution of funds between the levels of power thus reflects to a certain extent the scope of decentralization of tasks and public finances (Guziejewska, 2008, pp. 28-29).

In practice, there is always - to a greater or lesser extent - a gap between the revenues of LGUs, defining their financial capabilities, and the necessary expenses incurred for the implementation of tasks assigned to LGUs. This is called a fiscal gap or fiscal imbalance (Guziejewska, 2008, p. 89, Kosek-Wojnar (Ed.), 2017, p. 101). Depending on the cause and the units covered, the imbalance may be vertical or horizontal.

Vertical fiscal imbalance takes place between units at various levels of public authorities (Guziejewska, 2008, p. 30), and results from an inappropriate (inadequate) division of tasks and public funds between the state and local government units. The method of its elimination should be a correction of the division of tasks and allocation of funds between these levels (Bogucka- Felczak, 2017, p. 70). Most often, however, the shortage of LGUs' revenues on this account is supplemented by transfers from the state budget (p. 54).

² This results from the special rules of budgetary accounting applicable in Poland.

³ Except expenditure from a separate non-budgetary revenue account created on the basis of the Act (*Public Finance Act*, Article 223).

⁴ Four groups of LGUs were distinguished: communes, cities with county rights, counties, voivodeships.

⁵ The author's identification data, will be supplemented after the review.

The term 'horizontal fiscal imbalance' refers to a fiscal imbalance between units of the same level of government (LGUs). It is caused by their diverse socio-economic development, which translates into large disparities in the distribution of own revenues, social needs and expenses of LGUs necessary to perform tasks in accordance with legal requirements (Guziejewska, 2008, p. 92). Compensation transfers from the state budget supplement the financial possibilities of less affluent LGUs. Measures correcting horizontal fiscal imbalance are most often justified by the implementation of the principle of solidarity and sustainable development (Bogucka-Felczak, 2017, pp. 70-71).

A synthetic summary of the above considerations is Beata Guziejewska's observation that decentralization of public finances brings about vertical and horizontal fiscal imbalance and the necessity to solve the problem of inadequacy and fiscal equalization (2008, p. 243), which is schematically shown in Figure 1.

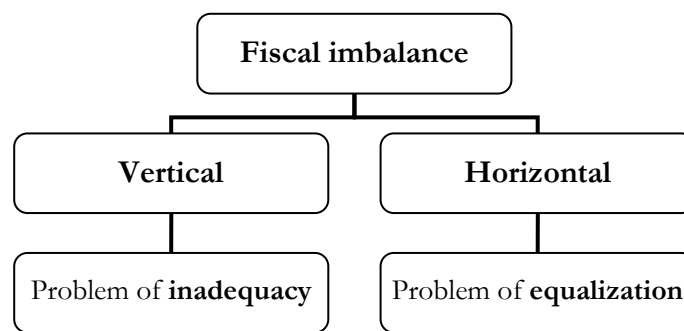


Figure 1. Types of fiscal imbalance.
Source: (Guziejewska, 2008, p. 31).

3. Formal aspects of financing education by local government units

The decentralization of education in Poland leading to vertical and horizontal fiscal imbalance puts the state in front of the need to provide LGUs with adequacy and equalization of resources to finance this field. Formally, these problems were solved by inserting relevant provisions in legal acts.

Adequacy has been declared in the Act (Act on financing educational tasks, Article 3) stating that the financial resources necessary to carry out the educational tasks of LGUs⁶, including that for teachers' wages and for the maintenance of pre-school education centres, schools and other educational institutions was guaranteed in the revenues of LGUs, which are regulated by the Act (Act on revenues of local government units, Article 3). LGUs' funds consist of: own revenues (including local taxes and fees, charges for municipal services, revenues from municipal assets and LGUs' shares in PIT and CIT), general subvention, specific purpose grants from the state budget, European Union funds, funds from non-refundable foreign sources and other funds determined by other acts. Some of these revenues are contributed to LGUs' budgets in connection with the performance of educational tasks: educational part of the general sub-

⁶ The scope of educational tasks is specified in the Act (*Educational Law*, Article 11 paragraphs 2-4).

vention, specific purpose grants from the state budget, budgets of other LGUs or received from other units of the public finance sector for education tasks and from EU funds for the implementation of educational projects. The educational component of the general subvention and subsidies (grants) for educational purposes transferred from the state budget are discussed in section 5 of the article as transfers for the vertical redistribution of public funds.

In conclusion, it should be acknowledged that the indication of the total revenue of LGUs as a source of financing necessary budget expenditure for education justifies the principle of financial unity of the budget⁷. Nevertheless, such a way of guaranteeing the funds makes it difficult to assess their adequacy (Nucińska, 2017, p. 85) and camouflages their inappropriate vertical division in terms of the scope of obligatory educational tasks, ensuring their financing at the expense of other LGUs' tasks.

4. Imbalance of LGUs' budgets in the field of education in 2013-2017

Despite the formal provision of adequate funds for educational expenditure in the general pool of LGUs' revenues, empirical data from 2013-2017 confirm the imbalance of LGUs' budgets in the sections related to education (Table 1).

For the purpose of measuring the imbalance of LGUs' budgets in the field of education, the actual amount of educational revenues and expenditure was determined using the budget classification (Regulation of the Minister of Finance on the detailed classification of revenues, expenditure, income and repayments and funds from foreign sources). Table 1 includes all revenues and expenditure classified in the sections: 801 - 'Education and upbringing' and 854 - 'Educational care'. It also includes public funds received by LGUs because of their implementation of educational tasks – i.e. the educational part of general subvention classified in chapter 75801 with paragraph 292. It should be emphasized that the analysed funds cover all the own revenues collected in the budget⁸ and all transfers of public funds related to education for LGUs, including:

- payments from the state budget for general and specific purposes;
- subsidies from LGUs and other units of the public finance sector;
- foreign resources (e.g. EU) for financing educational projects.

In the analysed period, budget revenues related to education increased on average by 2.25% annually for the all LGUs, ranging from 43.5 to 47.6 billion PLN. The increase was also marked by educational expenditure from LGUs' budgets,

⁷ The principle of financial unity of the budget specifies that the revenue accumulated in it has a general purpose - i.e. they are not pre-determined with specific tasks financed from the budget (Owsiak, 2017, p. 165). The allocation of all budget revenues to individual expenditure (including education) is decided by the authorized LGUs' authorities.

⁸ For example: income of the payer for timely payment of contributions and taxes on employees' remuneration and other revenues, which individual LGUs did not separate from the budget pursuant to art. 223 of the Act (*Public Finance Act*), including receipts from catering fees in school and pre-school canteens, receipts from fees for additional pre-school care time, receipts from rental of school infrastructure.

which exceeded the level (61.1-70.2 billion PLN) and the rate of change (on average 103.56%) of revenues. This has led to deficits in LGUs' budgets in the field of education that range from 17.5 to 22.6 billion PLN (deepening by 6.66% year-on-year). The scale of educational revenues and expenditure and the level of their imbalance are varied for individual groups of LGUs (Table 1).

Table 1. LGUs' budget imbalance in education in the years 2013-2017

Parameter	2013	2014	2015	2016	2017
	million PLN				
Communes (without cities)					
Revenues (75801, 801, 854)	20,291	21,162	21,863	22,465	23,194
Expenditure (801, 854)	30,612	31,570	32,560	33,343	35,552
Budget imbalance in education	- 10,321	- 10,409	-10,697	- 10,878	- 12,358
Cities with county rights					
Revenues (75801, 801, 854)	13,763	14,043	14,372	14,910	15,392
Expenditure (801, 854)	20,566	21,207	22,088	23,103	24,490
Budget imbalance in education	- 6,803	- 7,164	- 7,716	- 8,194	- 9,098
Counties (without cities)					
Revenues (75801, 801, 854)	8,643	8,495	8,312	8,309	8,394
Expenditure (801, 854)	8,834	8,849	8,765	8,763	9,244
Budget imbalance in education	- 191	- 355	- 453	- 454	- 850
Voivodeships					
Revenues (75801, 801, 854)	861	776	712	694	641
Expenditure (801, 854)	1,080	1,023	894	809	934
Budget imbalance in education	- 219	- 246	- 182	- 115	- 293
Local government units - total					
Revenues (75801, 801, 854)	43,559	44,476	45,259	46,378	47,621
Expenditure (801, 854)	61,092	62,650	64,306	66,018	70,220
Budget imbalance in education	- 17,533	- 18,174	- 19,047	- 19,640	- 22,599

Source: own calculation based on (MF, 2018).

Communes, which are the largest group of LGUs surveyed, implemented a wide range of educational tasks, accumulating in the period 2013-2017 on average 48% of total LGUs' budgetary expenditure related to education (20.3-23.2 billion PLN) and distributing about 50.5% of the expenditure pool (30.6-35.6 billion PLN). The deficit in education was shaped for communes (without cities) at the level of 10.3-12.4 billion PLN (56.4% of the deficit for all LGUs). All analysed figures were increasing in 2013-2017, and the average annual rate of change was 103.40% for revenues, 103.82% - for expenditures, and 104.73% for the education deficit.

Another important group of LGUs in terms of the scope of educational tasks were cities with county rights, performing at the same time, the tasks of communes and counties. Cities' budgets gathered 32% of the all LGUs' educational revenues (13.8-15.4 billion PLN) and 34% of expenditure (20.6-24.5 billion PLN), which translated into a 40.2% share in total education budget deficit of all LGUs (6.8-9.1 billion PLN - figure 2). The average annual growth rate of revenues, expenditure and deficit amounted to 102.84%, 104.47% and 107.56%, respectively.

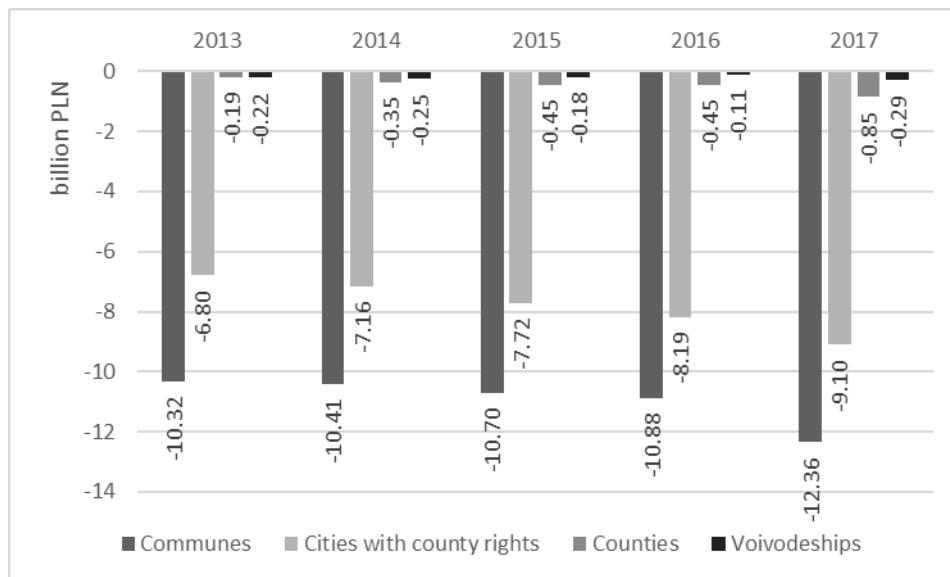


Figure 2. LGUs budgets' imbalance in education in the years 2013-2017
Source: own work based on Table 1.

In the audited period, 18.5% of LGUs' educational revenues and 14% of total expenditure on education referred to counties' budgets. Both mentioned figures were characterized by a similar direction of change (stabilization or small decrease in 2013-2016 and increase in 2017), but with a little different average annual rate (99.28% for revenues, 101.17% for expenditure). Despite the implementation of a significant range of tasks (although smaller than that of the communes and cities), the counties' budgets showed a slight state of imbalance ranging from -0.19 to -0.85 billion PLN (Figure 2). This level of imbalance accounted for 2.4% of the educational deficit for all LGUs. In comparison to expenditure on education from counties' budgets, their deficit corresponded to 2.2% to 9.2% of these expenditures in 2013-2017. Thus, the counties had the lowest relative deficit among the distinguished groups of LGUs (Table 2).

In turn, the lowest deficit in absolute terms was recorded in the budgets of voivodeships (Figure 2). The deficit ranged from PLN 0.11 billion (2016) to PLN 0.29 billion (2017) and meant no coverage for 14%-31% of expenditure in budget sections 801 and 854 by the voivodeships educational revenues. These LGUs implemented the smallest scope of educational tasks, which confirms the share of their revenues and expenditure at the level of approximately 1.5% of the

corresponding amounts for all LGUs. Voivodeships' revenues related to education decreased in the analysed period from 0.8 to 0.6 billion PLN (average rate of change 92.94%), while expenditure fell from 1.1 to 0.8 billion PLN in 2013-2016, then increased in the last year to PLN 0.9 billion (medium changes rate 97.02%).

In summary, each analysed group of LGUs had an unbalanced budget in the field of education, although level of imbalance was diversified in absolute terms (Table 1, Figure 2) as well as in relative terms (Table 2). A presentation of the deficit as a part of LGUs' educational expenditure without coverage in own revenues and transfers related to education seems to be particularly helpful in illustrating the scale of fiscal imbalance in education. The highest level of relative deficit occurred in cities with county rights (33%-37% of expenditure), moreover, it had a growing tendency. The communes were characterized by a similar, although lower and slightly decreasing, relative deficit scale (33%). In contrast, the share of the deficit in the educational expenditure of voivodeships and counties was definitely lower (on average, 22% and 5% respectively), but more variable: an increase in 2014 in both groups of LGUs, then in 2015-2016, further increase and stabilization (counties) or a decrease (voivodeships).

Table 2. Budget imbalance in education as a share (%) in educational expenditure (801, 854) in the years 2013-2017

Group of LGUs	2013	2014	2015	2016	2017
	%				
Communes (without cities)	-33.71	-32.97	-32.85	-32.62	-34.76
Cities with county rights	-33.08	-33.78	-34.93	-35.47	-37.15
Counties (without cities)	-2.16	-4.01	-5.17	-5.18	-9.19
Voivodeships	-20.27	-24.07	-20.32	-14.21	-31.35
LGUs - total	-28.70	-29.01	-29.62	-29.75	-32.18

Source: own calculation based on Table 1.

It is worth noting that in 2017, all LGUs' groups experienced a significant increase in the relative imbalance in education. This resulted from the increased expenditure of local government units incurred in order to adapt schools and educational facilities and the way education process should be organized to the reform of the school system introduced since September 2017. The deepening relative deficit in education, especially in counties and voivodeships, proves that under the centrally regulated scope of LGUs' tasks did not follow appropriate funds. Thus, the situation of fiscal imbalance in education is largely the result of insufficient implementation of the adequacy of financial resources to tasks by state authorities (Kornberger-Sokołowska, 2013, pp. 178-179).

5. Transfers related to education transferred from the state budget to LGUs in 2013-2017

The LGUs' revenue catalogue is determined by the Act (Act on revenues of local government units). It includes both own and external sources of financing LGUs'

activity. Funds from the second source are transferred to local and regional budgets in different forms of transfers (Guziejewska, 2008, p. 11). This section of the article discusses transfers from the state budget connected with implementation of educational tasks in LGUs.

Financing public goods and services with general or specific purpose transfers consists in providing a centrally distributed resource of public funds to enable LGUs to perform the imposed tasks. The funds transferred are closely related to this part of LGUs' obligatory tasks, the implementation of which is supported financially by the state (Kornberger-Sokołowska, 2013, pp. 107, 109). It is worth emphasizing here the need for adequate selection of sources of funds for the type of tasks. According to this postulate, own tasks should be financed with own LGUs' revenues or general transfers, whereas assigned and entrusted tasks – with specific purpose grants (Bogucka-Felczak, 2017, p. 56).

There are two types of transfers for LGUs from the state budget related to education: educational component of general subvention and specific purpose subsidies for various types of tasks in this field. Table 3 contains data on their amount for all LGUs in 2013-2017.

The most important supply, constituting, on average, 93.5% of total educational transfers from the state budget in the analysed period, was the educational component of the general subvention. LGUs received from this title funds varied from 39.5 to nearly 42 billion PLN. The amount of the educational component showed high stability over time, increasing by an average of 1.5% annually in 2013-2017 (a slight decrease of 0.02% in 2014, in 2015-2016 an increase of 2-3%, and in 2017 - by 1%). It should be noted that the division of the educational component of subvention for LGUs taking into account their scope of tasks in this area (more on: Section 6 of the article), does not change the general purpose of the transfer in question. This fact makes it the most desirable form of budgetary supply for LGUs. In handling this, they concentrate on maximizing their amount of the educational allotment and on formulating claims against the state budget for increasing the general level of educational component of subvention (Kornberger-Sokołowska, 2013, p. 238).

The second group - 6.5% of educational transfers - constituted specific purpose grants for various types of LGUs' tasks in this field (Table 3). Herein:

- 4% was awarded for co-financing LGUs' own tasks (including scholarships and social benefits for pupils and support of pre-school education);
- 1.9% was related to the own contribution of projects financed with the participation of foreign funds, including the EU;
- 0.5% were delegated to LGUs' assigned tasks in the field of government administration (mainly equipping primary schools and current junior high schools with textbooks and educational and exercise materials);
- 0.1% was related to state-funded educational government programs (e.g. 'Wyprawka szkolna');
- less than 0.1% resulted from agreements concluded between LGUs and government administration bodies.

Table 3. Transfers from the state budget for all LGUs related to their educational tasks in the years 2013-2017

Types of transfers for LGUs from the state budget	2013	2014	2015	2016	2017
	million PLN				
Educational component of general subvention for LGUs (75801)	39,509	39,500	40,377	41,497	41,910
Specific purpose grants (801, 854), including grants for:	1,050	2,133	2,261	2,244	2,251
- co-financing own LGUs tasks	941	1,999	1,973	1,957	1,760
- assigned tasks of government administration (GA)	3	39	245	269	469
- tasks resulting from agreements with GA bodies	6	4	5	5	12
- government programs regarding educational care (854) financed entirely from the state budget	99	90	39	13	10
- educational projects co-financed with foreign funds	935	872	537	473	1,232
Total educational transfers	41,494	42,505	43,175	44,215	45,392

Source: own calculation based on (MF, 2018).

Targeted subsidies were characterized by greater volatility than the educational component of general subvention. The largest increase occurred in 2014 (from 1.05 to 2.13 billion PLN) as the result of the transfer of subsidies for pre-school education throughout the whole year (in 2013 – only from September) and the introduction of 'textbook subsidy'. From 2015, targeted subsidies stabilized at the level of PLN 2.2 billion, and the changes concerned only types of subsidized educational tasks (Table 3).

Specific subsidies are granted to finance specific LGUs' projects, but they are generally criticized as a source of revenue. The precise allocation of funds and the obligation to settle and return unused (improperly used) subsidies allows the transferring state to control LGUs' tasks covered by this form of financing. They, therefore, make LGUs dependent on the state authorities' decision on the amount of the funds granted and the method of their calculation (Kosek-Wojnar (Ed.), 2017, p. 159).

Table 4. Transfers from the state budget for LGUs groups associated with their educational tasks in the years 2013-2017

Types of transfers for LGUs groups from the state budget	2013	2014	2015	2016	2017
	million PLN				
Communes (without cities)					
Educational component of general subvention	18,115	18,265	18,993	19,604	19,912
Specific purpose grants for educational tasks	1,149	1,877	1,788	1,739	2,084
Total educational transfers	19,264	20,142	20,781	21,343	21,996
Cities with county rights					
Educational component of general subvention	12,590	12,628	12,917	13,424	13,750

Types of transfers for LGUs groups from the state budget	2013	2014	2015	2016	2017
	million PLN				
Specific purpose grants for educational tasks	517	827	828	828	992
Total educational transfers	13,108	13,455	13,745	14,252	14,742
Counties (without cities)					
Educational component of general subvention	8,024	7,888	7,793	7,823	7,643
Specific purpose grants for educational tasks	268	278	175	131	393
Total educational transfers	8,292	8,165	7,968	7,954	8,035
Voivodeships					
Educational component of general subvention	780	718	674	647	604
Specific purpose grants for educational tasks	50	24	7	19	14
Total educational transfers	830	742	681	666	618

Source: own calculation based on (MF, 2018).

Table 4 presents the volume of educational transfers from the state budget for general and special purposes received by the analysed LGUs' groups in 2013-2017. The largest part of transfers (47.8%) was obtained by communes whose budgets were increased by funds from 19.3 to 22 billion PLN. General transfers accounted for an average of 92% of this pool, and intentional - 8%. Cities with county rights received from 13.1 to 14.7 billion PLN (32% of total LGUs' transfers), of which the educational component of general subvention accounted for 94% of the total, and targeted subsidies - 6%. Transfers for counties (18.6% of the total) ranged from 8.0 to 8.3 billion zlotys and had a downward trend in the audited period, while budgets of voivodeships increased funds from 0.6 to 0.8 billion zlotys. In both groups of LGUs, the structure of general and special transfers was at the level of 97% and 3%, respectively.

The relative level of educational transfers, presented in Figure 3, shows how much of the LGUs' expenditure classified in sections 801 and 854 was covered by the total funding from the state budget related to education.

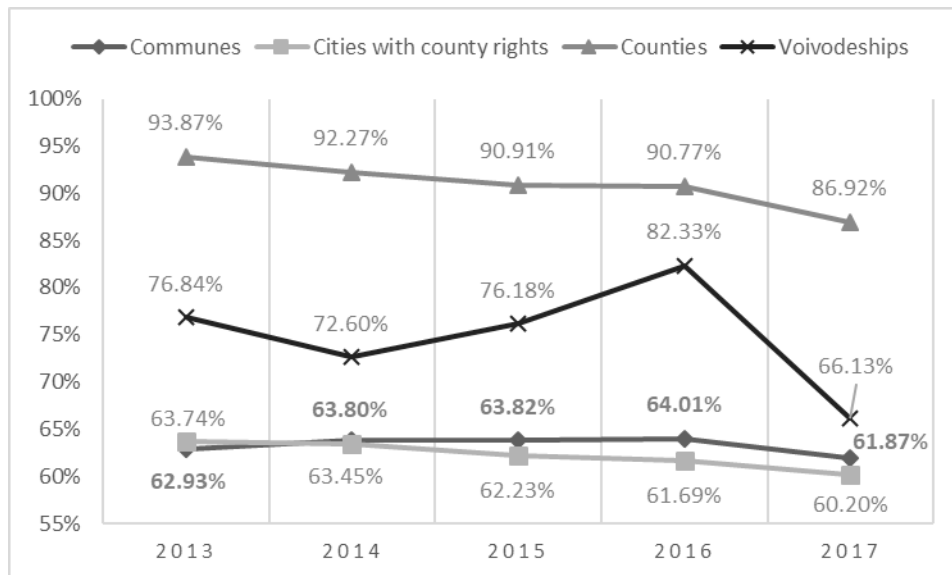


Figure 3. The share of educational transfers from the state budget in financing educational expenditure of LGUs in 2013-2017

Source: own calculation based on data from Table 1 and Table 4.

Despite the highest absolute amount of transfers for communes and cities with county rights, the lowest level characterized these LGUs' groups in relative terms. Transfers corresponded to the equivalent of 60-64% of their educational expenditure. They had stable level in 2013-2016 with a slight decrease in 2017. The transfers from the state budget compared to educational expenditure in counties reached the highest level among LGUs' groups. However, throughout the research period it had a downward trend - from 94% to 87%. In turn, the relative level of educational transfers in voivodeships was characterized by high volatility expressed by an increase of nearly 10 percentage points (pp) in 2014-2016 and a decrease by as much as 16 pp in 2017.

The level of securing financing of educational tasks of all LGUs by related transfers from the state budget decreased for the analysed period, from 67.9% to 64.6% of LGUs' budget expenditure classified in sections 801 and 854. With regard to only the largest of transfers - the level of the educational component of general subvention in relation to the expenditure for tasks taken into account in its division, the analysis presented in (Association of Polish Cities [APC], 2018) showed that in 2004-2016, the educational subvention accounted for 76.3% of these expenses for the entire period. The lowest level of coverage of expenditure for subsidized tasks occurred in urban communes above 5,000 inhabitants, in urban-rural communes above 20,000 inhabitants and in cities with county rights above 100,000 inhabitants (respectively 59.2%, 63% and 64.5%), and the highest - in counties (96.4%) and voivodeships (85.4%).

6. Difficulties in measuring the vertical and horizontal fiscal gap in education

The specificity of education, which is an expensive public task implemented, as a rule, free of charge by local government units, is the cause of fiscal imbalance in this area and makes it necessary to send transfers from the state budget to LGUs. Among arguments justifying the replenishment of local budgets by transfers, the following issues are mentioned (Guziejewska, 2008, pp. 89-92):

- mitigating external effects - public educational services should be financed by national taxpayers, because the benefits from them spread outside the territory of LGU;
- imposing state preferences - the algorithm for the division of the educational component of subvention is considered as the standard for the financing LGUs' educational tasks by the central authorities against the lack of cost standards for education;
- correcting vertical fiscal imbalance - making more effective vertical division of revenues using the policy of transfers from the state budget due to much lower benefits from decentralization of public revenues than from decentralization of expenditure;
- adjusting the horizontal fiscal imbalance - transfers from the state budget compensate the financial resources (revenues) of LGUs and their spending needs resulting from the objective diversification of the costs of implementing LGUs' educational tasks.

It is often difficult to separate the measurement and the method of levelling both types of fiscal imbalance. Supplementing the revenues of poorer LGUs to the level enabling them to perform tasks in accordance with minimum standards (correction of the horizontal gap) can be achieved as part of the division of revenues between the state and LGUs (correction of vertical imbalance). Higher transfers from the state budget for LGUs with weaker income potential and features affecting higher costs of tasks are triggered by the so-called horizontal effect of the vertical division of revenues (Bogucka-Felczak, 2017, p. 71).

This applies to subsidizing educational tasks in Poland. The educational component of general subvention is determined annually in the budget act for all local government units in a total amount that is not less than in the previous year, however, adjusted (+/-) for expenses resulting from the change of the scope of educational tasks. The division of the educational component of subvention between individual LGUs takes place after deducting 0.4% of its total amount per reserve and takes into account the scope of performed educational tasks except transporting pupils to schools and pre-school education for children under 6 years of age (Act on revenues of local government units, article 27- 28). A detailed method of calculating amounts for LGUs is presented in a complex algorithm defined every year by (Regulation of the Minister of National Education on the manner of dividing the educational component of general subvention for local government units). The algorithm is based on the number of pupils in schools and facilities in LGUs, modified by numerous parameters⁹ and the

⁹ There were from 44 to 58 so-called P weights used for calculation the amount of the part B of educational component of subvention in the years 2013-2017 (*Regulation of the Minister of*

'corrective factor Di' concerning the structure of teachers' professional advancement and payroll in LGUs compared to the average for the country. Therefore, it has elements allowing for fiscal equalization (horizontal) of differentiated costs of educational tasks performed by LGUs, despite the fact that the educational component of subvention increases the general budgetary LGUs' revenues, being one of the tools for the vertical division of public funds (between the state and LGUs).

It is worth noting that despite the repeated demands of LGUs - in Poland, standards for the implementation of their compulsory educational tasks have not ever been defined, which makes it impossible to reliably calculate the necessary expenses as well as to clearly determine the financial responsibility of the state and LGUs (APC, 2018). This is the biggest obstacle to measuring vertical and horizontal imbalances in education.

7. Conclusion

The deficit nature of educational tasks results from the specificity of public services with quite high costs, which are provided free of charge for residents. Therefore, it seems advisable to fund them from the budget, where the entitled authorities decide on the allocation of revenues from various sources.

Decentralization of education in Poland resulted in the need to provide LGUs with financial means adequate to the scope of educational tasks delegated for implementation. Formally, the state guaranteed such funds in the total revenues of LGUs resulting from the principles of financing local government. An important part of LGUs' revenues are transfers from the state budget, including these related to implemented educational tasks. However, despite them an imbalance of LGUs' budgets in the field of education in the analysed period amounted from 17.5 to 22.6 billion PLN, which forced a covering on average of 30% of total educational expenditure from other LGUs' budgetary revenues. In the light of law, this does not violate the principle of adequacy of financing education, because its assessment¹⁰ was theoretically transferred to the LGUs' level of total revenues and all LGUs' tasks.

In practice, such a legal solution obliges LGUs to finance educational tasks from the budget, sometimes at the expense of their quality or at the expense of other LGUs' tasks. This gives rise to bottom-up pressure to change the model of financing education.

Literature also offers various postulates in this area. According to (Lubińska (Ed.), 2005, p. 93), standardization of educational services and their 'full' (adequate) financing from the state budget should take place, even if it would

National Education on the manner of dividing the educational component of general subvention for local government units).

¹⁰ Swianiewicz emphasizes that on the basis of the theory, no sufficiently precise criteria for assessing the adequacy of resources to tasks were developed. It is difficult to clearly determine, where the level of expenses necessary for the correct implementation of the service ends (even if there are standards), and where the possibility of not recognizing economical and rational execution of tasks or simple lobbying of LGUs begins (as cited in: Lubińska (Ed.), 2005, p. 37).

result in a decrease of the LGUs' share in PIT and CIT. Kornberger-Sokołowska agrees with the need to develop objective criteria for determining the level of funds necessary for the implementation of LGUs' educational tasks, but as the basis for a new way of financing, she postulates the adoption of revenues recognized in the Polish model as their own - instead of the task-divided educational component of subvention. According to this proposal, the general subvention would only perform equalizing functions in the area of LGUs' revenues (2013, pp. 238-240). In turn, according to (Kowalska, 2018, p. 151) the model of financing education requires a systemic change, including:

- guarantee of financial independence for LGUs as the bodies running schools and educational institutions;
- transition from calculating funds 'per student' to calculating 'per class' in the algorithm for dividing the educational component of general subvention¹¹;
- adequacy of the transfers from the state budget to changes resulting from the reform of the education system.

However, before developing and introducing any changes in the method of financing education, it is necessary - in the author's opinion - to determine their impact on the scope (both quantity and quality) of educational services guaranteed to the public, and then explicitly indicate the financial responsibility of the state and local government units in this area.

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¹¹ At the level of government administration, work was undertaken to include in the algorithm the division of the educational component of subvention partially 'per class' (Ministry of National Education, 2018) with the perspective of implementing a new model of funds division in 2020 or 2021 (Common Commission of the Government and Local Government, 2018).

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