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THE FINANCIAL CONDITION OF SELECTED TERRITORIAL GOVERNMENTS IN THE MALOPOLSKA VOIVODSHIP WITHIN THE NEW EU FINANCIAL FRAMEWORK[2]

Abstract

The purpose of the article is to evaluate the financial condition of selected territorial governments in the Malopolska Voivodship within the new EU financial framework for the 2014–2020 period. The global economic crisis has affected not only financial markets but also the policy and development strategies of local and territorial authorities. Changes have occurred in the approach to strategic objectives, which are now focused on regions and aim to stimulate endogenous growth potentials. New plans and strategies have already been drafted on the national and regional level, but their implementation, as well as the achievement of goals laid down in the Europe 2020 strategy, will crucially depend on the absorption capabilities of territorial governments. The research hypothesis of the article concerns the need to restructure the revenue system of territorial governments and further decentralize public finances in order to stimulate regional endogenous growth potentials. In order to verify it, financial indicators for selected territorial governments in the 2010–2014 period are analyzed. The findings show that there are positive trends underway in the budget policies of analyzed governments, but their revenues are still inadequate and their total growth potential remains low.

JEL Classification Codes: **H720, R580.**

Keywords: Local Government Budget, Local Government Expenditures, Territorial Cohesion, Local and Regional Development, Regional Policy, Self-government, Financial Decentralization.

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Introduction

An analysis of the financial condition of selected local government bodies and their absorption capabilities in the EU financial framework for 2014–2020 is connected to the role local governments play in current territorial cohesion policy. They are important actors in the advance toward territorial cohesion and the achievement of objectives laid down in the Europe 2020 strategy.

Despite its broad currency, the concept of cohesion is notoriously difficult to define, which leaves the door open for various interpretations. Used in many sciences, including physics, chemistry, and sociology, the term is usually taken to mean an agreement between the properties of certain objects, their resemblance to a model, or the congruity of processes that lead them from one state to the next (Churski, 2011, p. 6). It should be kept in mind that it can also mean bringing various elements together into a whole, i.e. a process of integration through building links.

Cohesion is the overarching political, economic, and social goal of European integration (Leonardi 2005, p. 217), and its most important instrument is the EU cohesion policy. Ever since 2010, related programs have accounted for the largest share of the common European budget. Expenditure grew from 225 billion euro in the 2002–2006 period to 347 billion in 2007–2013, which represents one third of the total EU budgetary resources. The process stemmed from a compromise reached at a European Council session in December 2005.

Ever since the 1988 reform of the structural funds and the establishment of the Cohesion Fund in Maastricht five years later, which was designed to supplement the activities of the European Social Fund and the European Regional Development Fund (Pietrzyk, 2000), cohesion policy has prioritized the reduction of regional and social disproportions across the European Union (Hoerner & Stephenson, 2012, p. 701). As noted by J. Szlachta, literature of the subject provides three different terms for this area of EU intervention. Used almost interchangeably, these include: structural policy (which first appeared in the Treaty of Rome in 1957); regional policy (used because selection criteria are regional and a large proportion of resources are also managed on a regional level); and cohesion policy, which highlights the reduction of territorial differences in the level of socio-economic development (Szlachta, 2011, p. 191). Regional development, and especially its spatial diversification, is one of the most basic issues of the world economy (Chmiel-Grzybowska, 2010, p. 9). Regional policy, especially of the European kind, as well as territorial, social, and economic cohesion are major themes in the debate on the future of the European Union.

Cohesion policy is aimed at reducing regional and social disparities across the European Union and its main objectives are convergence, regional competitiveness, employment, and territorial cooperation (Faludi & Peyrony, 2011). A. Faludi and J. Peyrony remark that in Jacques Delors's vision, EU cohesion policy was not meant to restore equality but to spur development; while encouraging

investment in hardware, it also emphasized software, understood as capacity building in terms of coordination and cooperation, not just in the least developed regions, but across the European Union as a whole (Faludi & Peyrony, 2011, p. 7). The Treaty of Lisbon affirmed economic and social cohesion, and supplemented them with the concept of territorial cohesion, thus asserting the importance of internal EU debate on the role of space and territory in supporting competitiveness and combating social and regional disparities (Ibid, p. 7).

The budgetary framework of the European Union for the 2007–2013 period witnessed huge investments in Polish local governments. Many city mayors seized the opportunity to modernize local urban infrastructure; the bulk of local investments were focused on road infrastructure, leisure, new cultural venues, swimming pools, sport arenas, and economic activity (Kwaśny 2011, p. 262). However, the main challenge today is to ensure stable and sustainable development by identifying the potential of a given region and creating the conditions for its endogenous resources to be optimally tapped; at the same time, local governments need to be able to attract external resources (Ulbrych, 2012 p. 200). From the perspective of regional policy and its strategic course, it seems crucial that barriers to the development of local government should first be identified (Ulbrych, 2012, p. 189). One has to do with the financial inadequacy of local governments and their low financial independence. The purpose of this article is to look at the budgetary policy and the financial condition of selected local governments, as well changes in their ratio of revenues and expenditures. These data determine whether further debts should be incurred and attest to the adequacy of local government revenues. Keeping in mind the important role that local governments play in the process of regional development, my research hypothesis is that the revenue system of local governments should be restructured and public finance management further decentralized in order to stimulate local endogenous growth potential. To verify this hypothesis, the article analyzes several financial condition indicators observed at the outset of the new EU financial framework for 2014–2020; this will allow to better identify the barriers to development and suggest necessary changes. The analysis also covers total revenue and expenditure levels, their changes and averages for 2010–2014, budget surpluses and deficits, as well as operational activity surpluses.

1. Financial condition of selected local governments in Malopolska in 2010–2014

In order to run their finances independently, local governments need a stable source of income. Local governments are part of the public sector and a constitutional guarantee grants them a share in the public revenues, allotted in proportion to their tasks (Dziurbejko 2006).

The sources of funding for local governments in Poland are laid down in the act on the revenues of local governments passed by the Sejm on 13 November 2003, with later amendments. The act rests the principle of state decentralization, both in terms of competence and funding sources, and serves as a kind of financial constitution for Polish local governments. It defines the sources of their revenues, the principles of how they are determined and collected, and the rules that govern the allocation and transfer of general and targeted subsidies from the state budget. Local government resources are divided, based on their objectives, into operating expenditures, connected to ongoing activities, and capital expenditures, reserved for investment. Provisions laid down in the 2009 act on public finance are based on the balanced budget principle and introduce a debt-capacity indicator for individual communes. This is of crucial importance for their absorption capabilities as opportunities arise for funding expenditure from the budget of the European Union.
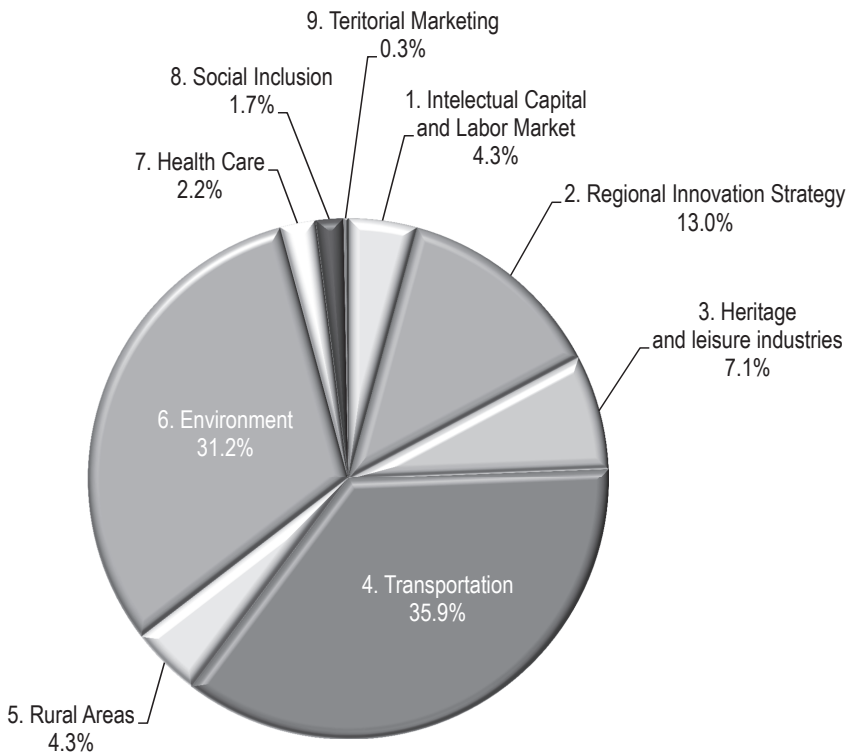

Figure 1. Resource allocation in the framework of strategic programs in the Malopolska Voivodship

Source: (Kwaśny 2015, p. 141).

Priority objectives outlined in the strategic documents for Malopolska in the 2014–2020 period will engage a considerable proportion of territorial governments' resources, especially in the largest communes that are now county capitals or city counties. For this reason, this study selected 19 territorial units that function as the administrative seat of both the commune and the county. Figure 1 shows the allocation of funds in the framework of operational programs of the Malopolska Voivodship; it clearly shows that the bulk of planned investments are focused on road infrastructure and environmental protection, which means that local governments will all be engaged in their implementation. Whether the majority of strategic program objectives are carried out will thus depend on their absorption capabilities. These will also determine the endogenous local and regional development potential.

EU funding is allocated within targeted operational programs based on the principle of subsidiarity and also requires the beneficiary to make a certain contribution. Financing such enterprises risks putting local governments in greater debt. To assess their financial condition, the following indicators were used: the growth of revenues and expenditures and the evaluation of balances, as well as operating and capital activity. The strength and condition of selected governments is most accurately reflected by the level of per capita revenues and expenditures, the budget balance understood as the difference between total revenues and total expenditures, and the operating surplus or deficit, defined as a difference between operating revenues and operating expenditures.

Table 1 illustrates which of the 19 local governments have the greatest absorption capability. As could well be expected, they are primarily large centers: city counties such as Kraków, Nowy Sącz, and Tarnów, as well as Limanowa, Myślenice, Zakopane, and Oświęcim. In 2010–2014, revenue growth was greater than expenditure growth in most analyzed territorial units, which positively reflects on the local government budgetary activity. However, most governments still had to resort to loans in order to finance their deficit.

Table 2 attests to considerable irregularities in this area, which mostly stem from the manner in which the allocation of funds is settled with the managing body. For regional operational programs, the body in question is the appropriate Marshal's Office. Local governments cover the cost of a given investment from their own resources and are subsequently reimbursed from the EU budget. However, the analysis of 2010–2014 averages warrants a conclusion that local government revenues are still insufficient for them to run an independent investment policy. The figure was greater than zero in only four out of nineteen units, which means that the local government did not increase its debt in the studied period.

Table 1. Total per capita revenues and expenditures in selected local governments in 2010–2014

Commune	Total revenues in 2014	Total expenditures in 2014	Average total revenues in 2010–2014	Average total expenditures in 2010–2014	Average revenue growth*	Average expenditure growth*
Bochnia	3 417	3 469	2 817	2 901	114	105
Brzesko	2 688	2 721	2 509	2 633	100	94
Chrzanów	2 931	2 758	2 971	2 940	110	102
Dąbrowa Tarnowska	2 841	2 836	2 758	2 815	108	107
Gorlice	2 809	2 680	2 783	2 946	109	106
Kraków	5 314	5 348	4 728	4 711	106	106
Limanowa	4 186	4 859	3 503	3 791	112	106
Miechów	2 594	2 668	2 466	2 594	119	119
Myślenice	4 234	3 677	3 475	3 799	131	132
Nowy Sącz	5 011	5 049	4 628	4 658	107	102
Nowy Targ	3 323	3 764	2 999	3 192	110	117
Olkusz	2 742	2 685	2 431	2 561	113	103
Oświęcim	3 643	3 778	3 386	3 537	110	112
Proszowice	2 847	2 910	2 535	2 684	115	101
Sucha Beskidzka	3 249	3 133	2 744	2 721	109	104
Tarnów	4 842	4 859	4 562	4 715	106	97
Wadowice	2 657	2 541	2 510	2 479	108	102
Wieliczka	3 346	3 496	2 839	3 109	121	113
Zakopane	3 743	4 075	3 453	3 762	101	88

*year 2010=100.

Source: own work based on BDL GUS.

The 2009 act on public finance introduced a number of changes into the way in which local debt and finance are managed on the level of territorial government. It requires that the operating expenditures are subject to the principle of a balanced budget; pursuant to article 242 of the act, they cannot exceed the total of operating revenues, budget surplus from previous years, and the free funds resulting from securities, credits, and loans. The level of operating surplus allows to determine to what extent a given territorial government finances its operating expenses from operating revenues and whether it has the capacity to incur and service debts. When an operating deficit occurs, local governments are not able to fund their operating expenditures from operating revenues (Werwińska 2009, p. 256). This requires them to incur new obligations or sell property.

Table 2. Budget deficit/surplus as % of revenues for 2010–2014

Commune	2010	2011	2012	2013	2014	average
Bochnia	-11.6	-2.4	5.6	-6.6	-1.5	-3.3
Brzesko	-12.1	-7.5	-4.7	0.3	-1.2	-5.0
Chrzanów	-6.5	-2.8	3.0	5.0	5.9	0.9
Dąbrowa Tarnowska	-3.1	-17.4	3.9	7.1	0.2	-1.9
Gorlice	-8.9	-17.9	-5.1	-1.0	4.6	-5.7
Kraków	0.6	0.5	-1.2	2.6	-0.6	0.4
Limanowa	-13.5	-2.4	0.0	-7.5	-16.1	-7.9
Miechów	-5.0	-13.8	-5.3	1.0	-2.9	-5.2
Myślenice	-8.0	-16.5	-17.1	-23.3	13.2	-10.4
Nowy Sącz	-5.5	3.3	0.4	-0.9	-0.8	-0.7
Nowy Targ	0.0	-30.0	-6.9	12.4	-13.3	-7.6
Olkusz	-15.9	-13.4	-2.3	-0.1	2.1	-5.9
Oświęcim	-3.1	-0.4	-4.5	-9.8	-3.7	-4.3
Proszowice	-20.8	-6.2	-2.1	-0.9	-2.2	-6.4
Sucha Beskidzka	-4.2	1.9	5.5	-3.4	3.6	0.7
Tarnów	-12.5	-4.6	0.4	-0.7	-0.3	-3.6
Wadowice	-4.8	0.7	5.9	-1.1	4.3	1.0
Wieliczka	-16.6	-17.2	-4.0	-7.2	-4.5	-9.9
Zakopane	-25.4	2.3	-14.4	1.8	-8.8	-8.9

Source: see table 1.

As show in table 3, operating deficits were observed only in four territorial units (Brzesko, Olkusz, Nowy Sącz i Proszowice). This should be viewed as an incidental occurrence. New legal provisions effectively enforced spending discipline. The best results in the studied period were reported in Sucha Beskidzka, Dąbrowa Tarnowska i Gorlice.

The 2009 act on public finance also replaced the 15% debt service threshold with an algorithm that takes into account the ratio of debt service to projected total revenues. It should not exceed the arithmetical mean of the ratios of operating revenues, plus capital sales, minus operating expenditures, to the total budget revenues in the preceding three years, based on a formula provided in the act. For this reason, an analysis of the financial condition of selected units of territorial government needs to show the share of debt service in their budget in relation to total and per capita revenues.

The greatest public debt service burden on total revenues in the studied period was observed in Myślenice, Proszowice, and Wieliczka. Table 4 also shows the level of per capita debt service, which is highest for Myślenice, Kraków, Tarnów, Tarnów, and Wieliczka. In other towns, the figure does not exceed 80 PLN.

Table 3. Operating sur plus as % of total revenues in 2010–2014

Commune	2010	2011	2012	2013	2014
Bochnia	9.53	7.26	4.05	6.03	7.75
Brzesko	-2.49	1.86	0.19	1.75	3.21
Chrzanów	0.85	5.53	6.33	5.89	8.87
Dąbrowa Tarnowska	13.15	9.23	7.40	9.58	12.17
Gorlice	5.60	5.01	5.76	10.72	11.05
Kraków	5.69	9.91	6.81	8.14	10.16
Limanowa	3.29	8.96	15.22	8.08	10.60
Miechów	7.57	3.88	3.84	5.90	4.68
Myślenice	7.97	4.62	5.72	12.39	6.22
Nowy Sącz	2.23	0.93	-0.04	1.58	4.11
Nowy Targ	11.46	13.55	8.22	15.96	10.60
Olkusz	-8.99	-2.42	0.26	4.39	6.09
Oświęcim	6.70	6.63	4.35	1.71	4.12
Proszowice	-5.38	3.67	2.23	4.48	3.90
Sucha Beskidzka	11.67	16.30	10.92	16.14	14.52
Tarnów	3.17	5.23	7.33	5.75	6.80
Wadowice	7.85	9.46	8.71	7.28	10.50
Wieliczka	0.06	4.81	3.99	6.25	9.64
Zakopane	9.40	12.53	4.58	11.99	6.33

Source: see table 1.

An important provision of the public finance act excludes from these calculations the redemption of securities, payment of loans and credits, as well as guarantees and warranties accorded to local governments as part of contracts for the implementation of specific programs, projects or financial objective, including funds outlined in article 5, point 1, item 2 of the act, i.e. those from the EU budget. This allowed territorial governments to boost their absorption of EU funds; it should be kept in mind, however, that increased investment and capital activity may increase not only revenues but also operating expenditures. Alongside an increased debt burden, this could compromise the financial condition of territorial governments in the future.

As shown in table 5, the highest per capita investment in the studied period was observed in Myślenice, Nowy Targ, Limanowa, Wieliczka, and Zakopane. The greatest per capita amount of EU funds, in turn, flowed to Myślenice, Chrzanów, Nowy Targ, and Wieliczka. Revenues from EU resources accounted for a major proportion of capital expenditures in the studied period, ranging from 10% in Limanowa to 57% in Chrzanów.

Table 4. Public debt service in 2010–2014 as % of total revenues

Commune	2010	2011	2012	2013	2014	Average	Per capita*
Bochnia	1.56	2.14	2.22	1.98	1.16	1.81	50.3
Brzesko	1.74	2.67	3.62	2.90	2.23	2.63	65.7
Chrzanów	1.96	2.00	2.22	1.67	1.18	1.81	53.8
Dąbrowa Tarnowska	0.53	1.15	1.73	1.02	0.63	1.01	27.8
Gorlice	0.55	0.79	2.27	1.59	1.37	1.32	36.5
Kraków	2.27	2.56	3.14	2.38	1.83	2.44	114.2
Limanowa	0.68	1.38	1.26	1.20	1.14	1.13	39.8
Miechów	2.06	2.08	2.95	1.86	1.93	2.18	53.7
Myślenice	1.97	2.16	3.60	4.27	3.24	3.05	106.4
Nowy Sącz	0.90	1.18	1.18	0.78	0.66	0.94	43.2
Nowy Targ	0.63	1.20	1.95	1.46	1.37	1.32	40.3
Olkusz	0.77	1.69	2.33	1.73	1.32	1.57	38.5
Oświęcim	0.46	0.53	0.59	0.64	0.94	0.63	21.6
Proszowice	2.01	3.08	3.89	3.11	2.43	2.90	73.9
Sucha Beskidzka	0.94	1.09	0.95	0.80	0.43	0.84	22.5
Tarnów	1.80	2.08	2.59	1.67	1.43	1.92	87.1
Wadowice	0.46	0.67	0.64	0.29	0.17	0.45	11.2
Wieliczka	2.14	3.12	4.20	2.62	2.27	2.87	80.5
Zakopane	0.11	1.28	1.45	1.52	1.24	1.12	38.8

Source: see table 1; * in PLN.

Table 5. Per capita capital expenditures and total EU funds received in 2010–2014

Commune	Total per capita expenditures in 2010–2014	Total per capita EU funds in 2010–2014	EU funds as % of capital expenditures
Bochnia	2 547	617	24
Brzesko	1 633	550	34
Chrzanów	3 188	1 811	57
Dąbrowa Tarnowska	3 546	1 467	41
Gorlice	3 859	879	23
Kraków	3 569	892	25
Limanowa	4 449	450	10
Miechów	2 292	392	17
Myślenice	7 442	4 095	55
Nowy Sącz	2 024	1 048	52
Nowy Targ	5 360	1 754	33
Olkusz	1 700	609	36
Oświęcim	3 050	618	20
Proszowice	1 485	286	19
Sucha Beskidzka	2 978	573	19
Tarnów	3 572	1 048	29
Wadowice	1 604	562	35
Wieliczka	4 053	1 799	44
Zakopane	4 234	666	16

Source: see table 1.

2. Selected indicators of the financial condition of territorial governments

In order to evaluate the financial condition of selected local governments in the Malopolska Voivodship, five indicators were selected following the guidelines of the Ministry of Finance (MF 2007), and two more were added based on the literature of the subject (Werwińska 2009, Dylewski 2009, Dylewski & Filipiak & Gorzałkowska-Koczkodaj 2010):

W_1 – **operating surplus share in total revenues**

$$W_1 = \frac{N_o}{D_o} \cdot 100$$

where:
N_o – operating surplus,
D_o – total revenues.

The higher the indicator, the better the operating results of the local budget and the greater the local government's capacity to incur future obligations, increase investments and operating expenses.

W_2 – **operating surplus share in operating revenues, also known as operational growth capacity** (Łukomska-Szarek, 2012, p. 280)

$$W_2 = \frac{N_o}{D_b} \cdot 100$$

where:
N_o – operating surplus,
D_b – operating revenues.

The higher the indicator, the greater the actual capacity of local governments to finance development and service their obligations.

W_3 – **self-financing index**

$$W_3 = \frac{N_o + D_m}{W_m} \cdot 100$$

where:
N_o – operating surplus,
D_m – capital revenues,
W_m – capital expenditures.

The higher the index, the greater the ability of local governments to finance investment from their own resources, and the lower their risk of liquidity loss. On the other hand, when accompanied by low capital expenditures, a high figure

could also indicate that the level of investment is too low relative to their financial capabilities.

W_4 – debt service burden on operating revenues

$$W_4 = \frac{W_{odp}}{D_b} \cdot 100$$

where:
W_{odp} – public debt service expenses,
D_b – operating revenues.

The indicator illustrates the burden of public debt on operating revenues. The higher the burden, the greater the risk of liquidity loss.

W_5 – debt service burden on the operating surplus

$$W_5 = \frac{W_{odp}}{N_o} \cdot 100$$

The indicator was modified relative to the guidelines of the Ministry of Finance: ratio components were reversed. The figure represents the proportion of the operating surplus spent on public debt service. Even though it is already included in operating expenditures and reduces the operating surplus, the indicator is essential as it shows the capacity of local governments to incur new obligations in the future. The lower the figure, the greater the capacity.

W_6 – index of financing capital expenditures from the operating surplus

$$W_6 = \frac{N_o}{W_m} \cdot 100$$

The indicator allows to determine the proportion of capital expenditures that can be financed from the operating surplus, and that which needs to be funded from other sources, such as debt (Ibid, p. 257).

W_7 – total growth potential (Ibid, p. 280)

$$W_7 = \frac{N_o + D_m}{D_o}$$

This indicator represents the total growth potential of a given territorial government and shows what proportion of its total revenues is accounted for by the sum of operating surpluses and capital revenues. The higher the figure, the greater the government's capacity to stimulate local development.

3. Indicator analysis of the financial condition of selected territorial governments in the Malopolska Voivodshop in 2010–2014

The 2010–2014 period witnessed large investments by territorial governments to achieve the strategic objectives of local development, as well as large inflows of EU resources from structural funds and the cohesion fund of the European Union. The financial dimension of the framework for the 2007–2013 period will continue to be visible in 2015. By the end of that year, individual voivodships have to submit reports on the support they received within various operational programs. Local governments are also getting ready to absorb new European funds within the 2014–2020 framework.

As show in table 6, barring a few exceptions in 2010 and 2012, all communes reported an operating surplus over the studied period. This suggests that the new, individual debt-capacity indicator introduced by the 2009 act on public finance enforced a greater discipline in this area. In as many as 9 out of 19 communes, the ratio of the operating surplus to total revenues in 2014 was greater than 8%.

Table 6. W_1 indicator in selected communes in 2010–2014

Commune	2010	2011	2012	2013	2014
Bochnia	9.53	7.26	4.05	6.03	7.75
Brzesko	-2.49	1.86	0.19	1.75	3.21
Chrzanów	0.85	5.53	6.33	5.89	8.87
Dąbrowa Tarnowska	13.15	9.23	7.40	9.58	12.17
Gorlice	5.60	5.01	5.76	10.72	11.05
Kraków	5.69	9.91	6.81	8.14	10.16
Limanowa	3.29	8.96	15.22	8.08	10.60
Miechów	7.57	3.88	3.84	5.90	4.68
Myślenice	7.97	4.62	5.72	12.39	6.22
Nowy Sącz	2.23	0.93	-0.04	1.58	4.11
Nowy Targ	11.46	13.55	8.22	15.96	10.60
Olkusz	-8.99	-2.42	0.26	4.39	6.09
Oświęcim	6.70	6.63	4.35	1.71	4.12
Proszowice	-5.38	3.67	2.23	4.48	3.90
Sucha Beskidzka	11.67	16.30	10.92	16.14	14.52
Tarnów	3.17	5.23	7.33	5.75	6.80
Wadowice	7.85	9.46	8.71	7.28	10.50
Wieliczka	0.06	4.81	3.99	6.25	9.64
Zakopane	9.40	12.53	4.58	11.99	6.33

Source: as in table 1.

The capacity of a given government to finance development, however, is better reflected by the proportion of the operating surplus in operating revenues, shown in table 7. The greatest operational growth potential in 2014 was observed in Sucha Beskidzka, Nowy Targ, Dąbrowa Tarnowska, and Gorlice; the lowest – in Brzesko, Oświęcim, and Nowy Sącz. Kraków and Tarnów, the other two city counties of the region, are in good shape.

Table 7. Indicator W_2 in selected communes in 2010–2014

Commune	2010	2011	2012	2013	2014
Bochnia	10.08	7.46	4.70	6.37	8.78
Brzesko	-2.91	2.04	0.19	1.86	3.31
Chrzanów	0.99	7.32	7.89	6.99	9.64
Dąbrowa Tarnowska	14.63	12.15	8.42	10.99	13.13
Gorlice	6.44	6.60	6.63	11.92	12.02
Kraków	6.43	10.49	7.19	8.74	10.99
Limanowa	3.50	9.43	16.42	8.75	11.96
Miechów	7.92	4.53	4.21	6.37	4.95
Myślenice	9.30	7.63	7.83	13.91	9.52
Nowy Sącz	2.36	1.05	-0.04	1.61	4.38
Nowy Targ	14.62	14.81	10.44	19.85	12.28
Olkusz	-9.76	-2.64	0.29	4.78	6.64
Oświęcim	7.32	7.22	4.81	1.97	4.32
Proszowice	-5.50	3.96	2.30	4.56	4.09
Sucha Beskidzka	13.32	17.03	12.01	16.74	16.53
Tarnów	3.61	5.58	7.89	6.01	6.98
Wadowice	8.30	9.88	9.86	7.42	10.79
Wieliczka	0.07	5.81	4.35	7.60	11.34
Zakopane	10.41	13.02	5.07	12.45	6.70

Source: see table 1.

Selected communes were also analyzed in terms of their self-financing capabilities. Figures higher than 100 indicate that the local government did not need to increase its debt in order to finance its capital expenditures. A single-year analysis does not paint a full picture of the situation; all territorial governments resorted to debt over the studied period. However, a growing trend could be observed for the index or the figure oscillated around 100. This is shown in table 8. This means that local governments were getting ready for a greater absorption of EU funds in the coming years or that they limited their capital expenditures, connected to the funding of the 2007–2013 framework which culminated in 2009–2011.

Table 8. Indicator W_3 in selected communes in 2010–2014

Commune	2010	2011	2012	2013	2014
Bochnia	56.3	80.9	145.8	63.3	92.8
Brzesko	49.7	58.1	48.7	104.5	83.3
Chrzanów	70.3	91.5	112.9	130.1	153.8
Dąbrowa Tarnowska	88.2	65.6	124.9	146.3	100.9
Gorlice	67.5	62.0	78.9	95.4	131.6
Kraków	103.6	103.5	90.7	120.6	96.5
Limanowa	41.1	85.4	99.9	67.7	57.7
Miechów	70.5	57.1	70.6	108.3	78.3
Myślenice	73.6	72.7	65.6	50.0	147.5
Nowy Sącz	58.3	133.2	107.9	81.5	93.0
Nowy Targ	100.0	42.4	81.0	153.3	64.7
Olkusz	-7.6	31.3	78.9	99.4	116.7
Oświęcim	83.1	97.4	75.5	59.6	70.0
Proszowice	-17.3	63.4	71.0	87.8	79.2
Sucha Beskidzka	85.0	110.2	138.3	85.5	115.5
Tarnów	55.2	71.2	102.6	93.9	96.5
Wadowice	73.5	105.1	141.3	88.9	149.2
Wieliczka	44.2	56.2	75.6	77.0	84.6
Zakopane	42.9	116.0	49.6	113.0	57.4

Source: see table 1.

The W4 indicator, which represents the burden of debt service on total revenues, also tended to decrease in many communes. Relevant data are shown in table 9. Over the studied period, the figure only increased in Myślenice. Accompanied by a high budget surplus in 2014, this attests to the will and need to improve debt capacity in the coming years.

As shown in table 10, high variability was observed for the indicator that represents the burden of debt service on the operating surplus. The ratio is irregular both for the operating surplus and the principal and interest payments on incurred obligations. Local governments in which these figures remain low throughout the studied period can be considered as showing financial security and budget discipline.

Table 9. W$_4$ indicator in selected communes in 2010–2014

Commune	2010	2011	2012	2013	2014
Bochnia	1.65	2.20	2.58	2.09	1.32
Brzesko	2.04	2.92	3.78	3.09	2.30
Chrzanów	2.29	2.65	2.77	1.99	1.28
Dąbrowa Tarnowska	0.58	1.51	1.97	1.17	0.68
Gorlice	0.63	1.05	2.61	1.77	1.49
Kraków	2.56	2.71	3.32	2.55	1.98
Limanowa	0.72	1.45	1.36	1.30	1.28
Miechów	2.15	2.43	3.24	2.01	2.04
Myślenice	2.30	3.56	4.94	4.79	4.95
Nowy Sącz	0.95	1.34	1.23	0.80	0.70
Nowy Targ	0.81	1.31	2.47	1.82	1.59
Olkusz	0.83	1.85	2.54	1.89	1.44
Oświęcim	0.50	0.58	0.65	0.73	0.98
Proszowice	2.06	3.31	4.01	3.16	2.54
Sucha Beskidzka	1.07	1.13	1.04	0.83	0.49
Tarnów	2.05	2.22	2.79	1.75	1.47
Wadowice	0.49	0.70	0.73	0.29	0.17
Wieliczka	2.46	3.76	4.58	3.18	2.67
Zakopane	0.12	1.33	1.60	1.58	1.31

Source: see table 1.

Table 10. W$_5$ indicator in selected communes in 2010–2014

Commune	2010	2011	2012	2013	2014
Bochnia	16.3	29.5	54.8	32.8	15.0
Brzesko	-	143.4	1952.4	165.6	69.4
Chrzanów	230.1	36.2	35.1	28.4	13.3
Dąbrowa Tarnowska	4.0	12.4	23.4	10.6	5.2
Gorlice	9.8	15.8	39.3	14.9	12.4
Kraków	39.8	25.8	46.2	29.2	18.0
Limanowa	20.6	15.4	8.3	14.9	10.7
Miechów	27.2	53.6	76.8	31.6	41.2
Myślenice	24.8	46.7	63.0	34.5	52.0
Nowy Sącz	40.5	127.2	-	49.6	15.9
Nowy Targ	5.5	8.8	23.7	9.1	12.9
Olkusz	-	-	884.0	39.5	21.6
Oświęcim	6.8	8.0	13.5	37.1	22.7
Proszowice	-	83.7	174.3	69.3	62.2
Sucha Beskidzka	8.0	6.7	8.7	5.0	2.9
Tarnów	56.9	39.8	35.3	29.1	21.0
Wadowice	5.9	7.1	7.4	4.0	1.6
Wieliczka	3345.5	64.8	105.4	41.9	23.5
Zakopane	1.2	10.2	31.7	12.7	19.6

Source: see table 1.

Table 11. W_6 indicator in selected communes in 2010–2014

Commune	2010	2011	2012	2013	2014
Bochnia	36.00	58.37	33.19	33.68	36.99
Brzesko	-10.38	10.36	2.03	23.98	44.13
Chrzanów	3.90	16.89	27.30	35.39	80.90
Dąbrowa Tarnowska	49.91	18.18	47.35	62.53	63.08
Gorlice	20.36	10.67	24.02	49.31	76.08
Kraków	34.38	66.52	51.50	65.38	55.52
Limanowa	14.32	54.92	67.69	34.90	27.89
Miechów	44.77	12.10	21.38	47.92	35.53
Myślenice	26.30	7.63	11.48	26.59	22.47
Nowy Sącz	16.94	9.32	-0.79	31.88	37.21
Nowy Targ	34.63	26.03	22.55	68.76	28.24
Olkusz	-60.78	-12.40	2.41	34.90	49.49
Oświęcim	36.49	43.42	23.53	7.04	33.37
Proszowice	-30.39	21.60	31.49	63.41	36.56
Sucha Beskidzka	41.38	87.20	75.78	69.94	62.92
Tarnów	11.34	32.67	52.01	53.16	70.21
Wadowice	43.69	72.73	60.61	70.65	118.83
Wieliczka	0.21	12.28	24.61	20.05	33.10
Zakopane	21.13	89.28	15.99	86.14	30.49
Average	**17.59**	**33.57**	**31.27**	**46.61**	**49.63**

Source: see table 1.

Particularly interesting conclusions, however, can be drawn from the analysis of the last two indicators, i.e. the financing of capital expenditures from the operating surplus, shown in table 11, and the total growth potential index, shown in table 12. The former indicates that the operating surplus is not enough to finance capital expenditures in any of the studied communes; they all need to resort to external funding and increase their debt. In 2014, only 5 communes reported a budget surplus, i.e. Chrzanów, Dąbrowa Tarnowska, Gorlice, Myślenice, and Olkusz. This is related in an important way to the manner in which operational programs are managed in the Malopolska Voivodship. Operational program revenues increased capital revenues, and the expenditures were covered by the governments in previous years.

Table 12. W_7 indicator in selected communes in 2010–2014

Commune	2010	2011	2012	2013	2014
Bochnia	14.9	10.1	17.8	11.3	19.4
Brzesko	11.9	10.5	4.4	7.6	6.1
Chrzanów	15.3	30.0	26.2	21.6	16.9
Dąbrowa Tarnowska	23.2	33.3	19.5	22.4	19.5
Gorlice	18.6	29.1	18.9	20.7	19.1
Kraków	17.2	15.4	12.0	15.0	17.7
Limanowa	9.4	13.9	22.5	15.7	21.9
Miechów	11.9	18.3	12.7	13.3	10.3
Myślenice	22.3	44.0	32.7	23.3	40.9
Nowy Sącz	7.7	13.2	4.8	4.0	10.3
Nowy Targ	33.1	22.1	29.5	35.6	24.3
Olkusz	-1.1	6.1	8.6	12.5	14.4
Oświęcim	15.3	14.9	13.9	14.5	8.7
Proszowice	-3.1	10.8	5.0	6.2	8.5
Sucha Beskidzka	24.0	20.6	19.9	19.7	26.7
Tarnów	15.4	11.4	14.5	10.2	9.3
Wadowice	13.2	13.7	20.3	9.2	13.2
Wieliczka	13.1	22.0	12.2	24.0	24.6
Zakopane	19.1	16.3	14.2	15.7	11.9
Average	**14.8**	**18.7**	**16.3**	**15.9**	**17.0**

Source: see table 1.

Conclusions

An analysis of the operating activity indicators for selected territorial governments in the Malopolska Voivodship over the 2010–2014 period shows that it was based on the principle of adequacy between operating revenues and operating expenditures. Budget discipline enforced by new laws allows the studied governments to finance their investments from their operating surpluses to an ever greater extent.

The analyzed indicators show a clear tendency for credit and investment capabilities of territorial governments to grow, which means that their capacity to absorb EU funds is on the rise. The share of the operating surplus in financing investment has also been growing, which is a positive phenomenon. The irregularity of the total growth potential index (W7) in the studied communes and its variability over time are difficult to interpret; however, its average value shows a slight tendency to increase. This also suggests that the financial condition of selected governments has improved.

In addition, data indicate a considerable burden of prior obligations on the operating surplus; together with low W4 values, this means that in order to increase their debt capacity, governments decide to spread their payments over time. The burden of debt service on operating revenues hardly ever exceeded 3%, and the indicator consistently decreased over the studied period, while territorial governments reported constant budget deficits; this clearly shows the inadequacy of local revenues.

To sum up, the 2010–2014 period witnessed a number of positive trends aimed at improving the financial condition of territorial governments, as well as an effort to get ready to absorb more EU funds in the coming years, and, hence, to increase capital expenditures in the future. Just as in 2007–2013, territorial governments will continue to lead the fray as the biggest investors in the region. It should be noted, however, that the solutions implemented for funding sources and their adequacy are not up to the standard required by role that territorial governments play in European cohesion policy.

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