2

Slovenia: Vertical Imbalance in Local Government Financing

Boštjan Brezovnik, Mateja Finžgar, and Žan Jan Oplotnik

Introduction

With independence and the introduction of parliamentary democracy, a new beginning became possible for local self-government in Slovenia in 1991. The new Constitution set out the fundamental political principles and social values through which the organisation of the state is defined, and within this great importance was attributed to local self-government.[1] In addition, a whole chapter of the Constitution was dedicated to local self-government, a relatively extensive text in comparison to the Constitutions of other countries. The text provides detailed regulations of certain key issues of local self-government that place strict limitations on the local self-government system in Slovenia, thereby establishing the

B. Brezovnik (✉)
Faculty of Law, University of Maribor, Maribor, Slovenia
e-mail: bostjan.brezovnik@lex-localis.info; bostjan.brezovnik@um.si

M. Finžgar • Ž. J. Oplotnik
Faculty of Economics and Business, University of Maribor, Maribor, Slovenia
e-mail: zan.oplotnik@um.si

W. Bartlett et al. (eds.), *Fiscal Decentralisation, Local Government and Policy Reversals in Southeastern Europe*, https://doi.org/10.1007/978-3-319-96092-0_2

foundations on which territorial, political, administrative (functional), and fiscal decentralisation can be built. The citizens of Slovenia exercise local self-government in local communities, which include both municipalities and regions (Šmidovnik, 1995). While the regions have not yet been established by the National Assembly due to a lack of political consensus, 212 municipalities have been established stemming from historical development, tradition, political compromise, geography, and other factors, rather than criteria of rationality in regard to the functions and needs they are supposed to carry out and meet. A municipality is defined as a self-governing local community and the guarantor of local self-government. It acquires such status upon establishment; the state founds it and determines its area by law, based on a preliminary referendum that expresses the will of the citizens residing in the area in question. The Constitution sets the criteria for the establishment of a municipality that form the elements of a local community. The area of a municipality comprises one or several settlements linked by the residents' common needs and interests, while its competences involve only those local affairs that it is able to govern independently and that concern its own residents. The state may transfer specific duties from state competences to a municipality, provided it earmarks the necessary financial resources. With these stipulations, the Constitution draws a clear line between the state and local self-government, yet past practices especially after Slovenia's accession to the European Union (EU) indicate that the distinction between original (local) and transferred (state) functions has become blurred. The state has transferred to the jurisdiction of local communities a number of competences, powers, and functions that are not local affairs by their nature; it has also not earmarked adequate financing for the performance of such functions. Although the Constitution does set certain principles for the financing of municipalities based on the idea of municipal self-financing, it is relatively easy, faced with excessive territorial and administrative decentralisation, to show that Slovenia is in fact a fiscally centralised state.

Fiscal decentralisation, one of the key issues related to the establishment and reform of the local self-government system, developed over three time periods. The first period lasted from the moment the Local Self-Government Act[2] and the Financing of Municipalities Act[3] entered into force in 1994 and the establishment of the first 147 municipalities in 1995, to the second wave of territorial decentralisation and the establishment of a further 45 municipalities in 1998 and the amendments to the Financing of Municipalities Act. In this initial phase, the so-called "guaranteed expenditure" of the financing system was established. During this period, municipal expenditures for financing the performance of urgent functions were covered from state budget funds within the scope of guaranteed expenditure. Such expenditure was determined by the Ministry of Finance and based on criteria set by the competent ministries. The second period of fiscal decentralisation began when legislators amended the Financing of Municipalities Act in 1998 and introduced the so-called "eligible expenditure" system that replaced guaranteed expenditure, which had proven inadequate due to the very high number of municipalities and the excessive transfer of functions to administratively weak municipalities even before Slovenia joined the EU. This phase ended in 2006 when a new Financing of Municipalities Act[4] ushered in the third phase of fiscal decentralisation. In the rest of this chapter, we will elaborate these policy changes along with other relevant issues of financing local self-government in Slovenia.

Territorial Organisation

Following independence, the introduction of local self-government was one of the most important functions of the new state, involving a radical change of the previous system. One of the central issues when introducing the new system of local self-government was the issue of the territorial formation of new municipalities (Grafenauer, 2000). Previously, the communes that carried out the deconcentrated duties of the state administration were too large to perform the role of classical municipalities. Perspectives on the new system of local self-government varied greatly among the political parties in the National Assembly, regarding both the content and pace of establishing the new system. Early in 1994, a referendum for the establishment of municipalities was carried out by the Referendum for the Establishment of Municipalities Act.[5] Two basic models for establishing municipalities were designed: a model of 163 municipalities with at least 5,000 residents and a model of 239 municipalities with at least 3,000 residents. Citizens' assemblies met all over Slovenia and the government prepared a proposal for referendum areas for the establishment of municipalities. After discussing the proposed documentation and numerous objections, the National Assembly determined that the referendum was to be carried out in 340 referendum areas.[6] The results of the referenda of May 1994 were not fully taken into account by the government. Of the total 339 referenda, 111 voted in favour of establishing a new municipality. Only 30 per cent of the eligible voters took part and were mainly from the proposed small municipalities. Given these results, the National Assembly adopted the Establishment of Municipalities and Municipal Boundaries Act[7] in 1994 and founded 147 municipalities, of which 11 were town municipalities. Later, in 1998, a further 45 municipalities were founded: 1 municipality was founded in 2002, 17 were founded in 2006, and 2 additional municipalities were founded in early 2011.

The National Assembly abided throughout by the constitutional provision that the territory of a municipality covers one or several settlements, all the while making arbitrary use of the constitutional and legislative provisions on the capacity to meet common needs and requirements of the residents and the fulfilment of other statutory duties in its area (basic school, primary healthcare, public utility equipment, postal services, library, premises for administrative activity, etc.), and especially the provision on the minimum number of residents that a municipality could have. Particularly, as regards the number of residents, it now holds true that this provision has become a legally provided exception, meaning that a municipality could exceptionally have fewer residents than the normal minimum due to geographical, national, historical, or economic reasons (the original text of the Local Self-Government Act did not stipulate the required minimum number of residents of a municipality; from October 1994 till August 2005, a municipality needed to have at least 5,000 residents, in August 2005, the act was supplemented by the mention that a municipality could not have fewer than 2,000 residents, and in August 2010, the exception that a municipality could have fewer than 5,000 residents was eliminated). The latter fact points to a politically inconsistent stance, as the required number of residents adapted to the political interests of the time.

Thus, 212 municipalities were founded in Slovenia; in 2015, 26 of these municipalities had fewer than 2,000 residents, 84 had between 2,001 and 5,000 residents, 48 had between 5,001 and 10,000 residents, 45 between 10,001 and 30,000, and 9 municipalities had more than 30,001 residents: out of which two—the City of Maribor and the nation's capital Ljubljana—exceeded 100,000 residents. Even though the number of residents per municipality (9,744 on average) places Slovenia well in the middle of the EU mean values, the state should establish municipalities by assuming the position that the territorial and population-related formation of municipalities should by all means be considered in relation to their functions, financing, as well as practical and organisational reality. This position is the only way that would allow municipalities to meet the needs of their residents in a sound, rational, and economical manner and to guarantee high-quality public service. That said, we should note that all Slovenian municipalities regardless of the size of their population have identical competences, from the smallest Municipality of Hodoš with 369 inhabitants to the City of Ljubljana with 287,347 residents in 2015.

The new territorial breakdown of Slovenia into municipalities has witnessed constant change since 1994 and has seen increases in the number of municipalities up to 2011. However, one should highlight the fact that the typical 'units' (renamed administrative units in the new arrangements) in charge of deconcentrated state functions on the local level have remained the same even after the new local self-government system was introduced and 147 municipalities were established (later increasing to 212 municipalities). This phenomenon shows that the state found it much 'easier' to establish or allow the establishment of and the modifications to a territorial area than it was the case for the formation of the units for the performance of governmental functions on the local level (Grafenauer & Brezovnik, 2011).

Organisational and Functional Aspects of Slovenian Municipalities

Upon the establishment of new municipalities, none of their functions, competences, or functional aspects were regulated. Therefore, in late 1994, amendments and supplementations to the Administration Act[8] were adopted, pursuant to which, in early 1995, the state took over all 'administrative duties and competences in the fields for which ministries have been established, as well as all other administrative duties of governmental nature, from the competences of the municipalities as provided for by law'. Starting on 1 January 1995, administrative units were organised that carried out state functions on the local level. In addition to that, a special Act on the Takeover of State Functions Performed until 31 December 1994 by Municipal Bodies[9] was adopted, in which competences were delimited by an exhaustive list of laws and competences enforced and performed until then by the municipalities and taken over by the state in accordance with the new arrangement. From then onwards, the operating area and the competences were set out or defined only in sector-specific legislation. The competencies of a municipality comprise local affairs that may be regulated by the municipality autonomously and that affect only the residents of the municipality. By law, the state may transfer to municipalities the performance of specific duties within the state competence if it also provides the financial resources to enable such (Article 140 of the Constitution of the Republic of Slovenia), but this has not yet happened. The basic criterion to determine the competence of municipalities versus the competence of the state is thus the (excessively limiting) constitutional provision that these are (all) local affairs that may be regulated by the municipality autonomously and that affect only the residents of the municipality. Such affairs are mainly those that are generally focussed on determining or ensuring normal living conditions for the residents. The criterion to determine the original duties of the municipalities is the obligation for a municipality to meet the needs and interests of its residents, which was/is at the same time the condition for establishing the municipality. Thus, a municipality was considered able to fulfil the needs and duties on its territory if the conditions stipulated by the relevant act were guaranteed (basic education, healthcare, municipal utilities, postal services, library, premises for administrative activity, etc.). Therefore, a municipality needed to be capable of ensuring 'material' goods and services for its residents. Nowadays, the original competences of Slovenian municipalities include all functions vital to everyday life and work of the people residing on their territories, which are indeed implemented in a significantly more rational and efficient way than they would have been under the central government. However, one has to note that due to the incessant identification of new 'original' municipal competences, the line dividing the original and transferred competencies is disappearing. One may also refer to this line as the separation of the two administrative systems—state administration and local self-government. Today, original municipal duties are set out in over 170 acts from virtually all areas of social regulation (Brezovnik, 2018; Grafenauer & Brezovnik, 2011).

In theory and in practice alike, one often begs the question whether the municipalities in Slovenia are actually capable of performing all of their original duties. That said, it should be noted that municipalities and other local communities are not formed based on rational criteria that would enable a preliminary assessment of whether they would be capable of performing their duties. It is often found that the size of numerous municipalities in Slovenia has been set in an irrational manner. The diversity among the municipalities and the inappropriate system of municipal financing have led to their inability to perform original duties (Brezovnik & Oplotnik, 2003). One of the options to resolve this issue would be to establish a second level of local self-government (regional), which would perform the duties that the municipalities would mostly be unable to perform. In this vein, we should note that until the end of 2006, the text of the Constitution defined regions as voluntary communities, the creation of which was left to the discretion of the municipalities and depended on the autonomous decision of the municipalities to integrate into regions for the regulation and performance of local affairs of broader importance. However, in the years after the adoption of the Constitution, both expert and political circles increasingly came to realise that the content of the constitutional provisions was a fundamental obstacle to the establishment of regions. When it turned out that the wording in the Constitution presented (too big) a hindrance to the adoption of appropriate legislation and to the establishment of regions comparable at the EU level, the activities aimed at adopting the Promotion of Balanced Regional Development Act[10] came to the forefront. The act was passed in 1999 and proved to be decisive as it enabled the drafting of regional development programmes and projects, thereby improving the options for acquiring resources from European funds within the framework of Slovenia's accession to the EU. The act established a special type of regionalisation, and its bases for the promotion of balanced regional development were statistical regions (12 regions) that served as functional territorial units for the implementation of regional structural policies and for the identification of territories affected by particular handicaps in development. Only as late as June 2006 did efforts to amend constitutional provisions on local self-government finally come to fruition, as the National Assembly adopted constitutional amendments that were supposed to boost decentralisation processes and provide better opportunities of balanced regional development throughout Slovenia, as well as affect the establishment of regions in particular. After discussion in the National Assembly, it called for a referendum on regional division according to the 12 + 1 model (12 regions + the status of the City of Ljubljana as a region). Voter turnout at the referendum held on 22 June 2008 was only 10.98 per cent, and the proposed breakdown into regions did not win support. Also, none of the proposed acts were adopted in the parliament, so that the efforts to establish regions proved to be unsuccessful during that term of the National Assembly; to this day, Slovenia remains unable to establish a second level of local self-government (Grafenauer & Brezovnik, 2011).

Based on the above-mentioned development, the logical consequence would be to merge municipalities. However, this development is an unrealistic expectation considering the difficulty of reaching compromises in Slovenian politics. Strong arguments in favour of mid-sized municipalities are also found in specialised literature where it is emphasised that one of the weaknesses of municipalities that are too small is insufficient expertise of leadership, which is very typical of Slovenian municipalities. In order for municipalities to effectively perform their duties, an effective administrative system employing an adequate number of public servants possessing the required skills, knowledge, and competences is key, while the most important element is an appropriate municipal finance system.

The Municipal Finance System

Pursuant to Article 142 of the Constitution of the Republic of Slovenia, a municipality is financed from its own sources. Thus, one of the fundamental constitutional criteria of local self-government is to ensure own sources for financing original municipal competences, that is, those that the municipality determines in its acts directly on the basis of its constitutional position and legal authorisation and those determined by the state. This ensures, in particular, the execution of public interests (governance) at the lower level in accordance with the constitutional principle of local self-government. Therefore, the degree of autonomy of local self-government, and thereby also its self-governance, depends on sufficient financial sources. Within the framework of its legislative function, the state adopts rules that regulate local self-government, as well as rules that regulate the financing of local communities. While Article 147 of the Constitution of the Republic of Slovenia stipulates that local communities impose taxes and other charges under conditions provided by the Constitution and law, the state never forewent its fiscal sovereignty in the past. Municipalities are limited in imposing taxes and other charges by the legislative framework, so that their rights related to the material basis for implementing local self-government are always derived from adopted acts or directly from the Constitution. Legislators should determine the material basis in accordance with the aforementioned Article 142 of the Constitution of the Republic of Slovenia, while the scope of the material basis should correspond to the duties that the municipality was performing within its operating area; the relationship between the revenue of a municipality and the constitutional and statutory duties it is supposed to perform should be appropriate. In its decision,[11] the Constitutional Court of the Republic of Slovenia emphasised this fact, stating that the municipal finance system must guarantee that the scope of funds made available to municipalities corresponds to what legislators have defined as sufficient to allow a municipality to ensure the performance of its constitutional and legal duties, which, however, is not guaranteed in practice (Grafenauer & Brezovnik, 2011).

The model used for the financing of municipalities comprises eligible expenditure, own-source revenues, and financial equalisation (Oplotnik & Brezovnik, 2006–2016). Costs that are taken into consideration when determining a municipality's eligible expenditure are those incurred by the duties it is required to perform based on relevant acts, referring to the following:

1. The provision of public services and implementation of public programmes in:

    - Pre-school education
    - Primary education and sports
    - Primary healthcare and health insurance
    - Social security
    - Culture

2. The provision of local public utility services
3. The regulation of municipal transport infrastructure and provision of traffic safety on municipal roads
4. Fire safety and protection against natural and other disasters
5. Spatial planning of municipal importance, environmental protection, and nature preservation
6. Payment of rent and housing expenses
7. Operations of municipal bodies and performance of administrative, professional, promotional, and development functions, as well as functions related to the provision of public services
8. Performance of other functions as outlined by the law

The average cost for financing the nominated functions is determined by the current expenses and transfers for these functions. It is distributed as a lump sum calculated using a methodology specified by the government following preliminary coordination with municipalities and their associations.[12] The lump sum is calculated by the Ministry of Finance based on the data submitted for the previous four years, taking into account the inflation rate. It is determined by the National Assembly as part of the national budget.[13] The formula for calculating eligible expenditure of each municipality takes into account its surface area (6 per cent), the length of municipal roads (13 per cent), the number of residents under the age of 15 (16 per cent), and the number of residents over the age of 65 (4 per cent), reflecting the specificities of each individual municipality. Altogether, these categories cover 39 per cent of municipal eligible expenditure. The remaining 61 per cent of eligible expenditure depends on the lump sum and the number of residents.[14]

Municipal revenues from income tax are calculated by the Ministry of Finance for each fiscal year using the formula:

$$R = A \times B \times (0.3 + 0.7 \times C).$$

where:

R is eligible municipal revenues;

A is the number of residents in a municipality;

B is the average eligible expenditure per capita in the country as a whole calculated using the formula: $B = T/P$, where T is the total eligible expenditure of municipalities for an individual fiscal year; P is the population in the country;

C is the diversity index calculated using the formula: $C = E/A \times B$, where E is the eligible expenditure of a municipality for each fiscal year.

If the calculated eligible revenue exceeds the calculated eligible expenditure of a municipality by more than 15 per cent, the surplus exceeding 15 per cent is decreased by 50 per cent.[15]

Municipalities are entitled to an overall share of 54 per cent of the income tax that was collected two years previously increased by the rate of inflation, based on the total assessed income tax of permanent residents in the municipality. Of this amount, 70 per cent is distributed to the municipality directly and 30 per cent is used for solidarity equalisation of municipal revenues from the income tax.

This solidarity fund is distributed to municipalities with revenues below their eligible revenues in order to bring the revenues from 70 per cent of the income tax up to the eligible revenues (R). The difference between income tax revenues and total municipal revenues from the income tax is used to provide an additional solidarity offset for municipalities where necessary. Financial equalisation funds from the state budget are distributed to municipalities that are unable to finance their eligible expenditure from their own revenues and revenues distributed through the equalisation mechanism.

Financial Sources of Local Authorities

Municipalities can be financed from their own resources to ensure the delivery of local public services. These financial resources determine the level of local self-government autonomy. The municipal finance system must provide municipalities with sufficient funds to perform their constitutional and legal functions. The government provides additional funds to municipalities that are unable to perform their functions due to their underdevelopment. This constitutional provision was one of the fundamental reasons for irrational territorial breakdowns witnessed in the past. Under the first Financing of Municipalities Act in 1994, all municipalities were provided with 'guaranteed expenditure', which later became 'eligible expenditure' in 1999. A new Financing of Municipalities Act was adopted in 2006. Due to the diversity of municipalities and the fact that all municipalities, regardless of their size, hold the same powers, it is impossible to devise a transparent and economically fair municipal finance model (Grafenauer & Brezovnik, 2011). Furthermore, the scope of municipal powers and functions has at least doubled since 1999. While municipal revenues increased from 4.6 per cent of the GDP in 2003 to 5.7 per cent of the GDP in 2015, municipal expenses (expenditure) increased from 4.8 per cent in 2003 to 5.8 per cent of the GDP in 2015 (see Table 2.1). Municipalities received €1,209 million in 2003, which increased to €2,226 million in 2015. However, these revenues were still not sufficient to cover the assigned functions.

The Local Self-government Act stipulates that local affairs of public significance are to be financed from own resources, government funds, and debt. Own municipal resources are (1) taxes and other duties and (2) revenues from property. The government provides additional funds to

Table 2.1 Population of municipalities in 2015

	Municipalities	Population	Municipalities (%)	Population (%)
<2,000	26	32,342	12.27	1.57
2,001–5,000	84	280,546	39.63	13.60
5,001–10,000	48	327,354	22.64	15.87
10,001–30,000	45	731,681	21.22	35.46
>30,001	9	691,154	4.24	33.50
Sum	212	2,063,077	100	100

Source: Republic of Slovenia, Statistical Office municipalities that are unable to finance local affairs of public significance from their own resources.

Overall, municipal tax revenues remained relatively stable until 2005, barely increasing from 4.8 per cent of the GDP in 2003 to 5 per cent of the GDP in 2005 (see Fig. 2.1). After the introduction of the new Financing of Municipalities Act in 2006, municipal revenues began to increase, reaching 6.1 per cent in 2010. Thereafter, with the onset of the economic crisis, the share of municipal revenues in the GDP stagnated, and even fell slightly to 5.8 per cent of the GDP in 2015. The balance of municipal finances had a surplus in 2003, but after 2006, there was a huge deficit that reached −0.46 per cent of the GDP in 2008, and only recovered a sustained surplus in 2015. This was no doubt partly to the impact of the economic and financial crisis, which hit the country in 2008, along with the rest of Europe.

The largest part of municipal revenues comes from shared income taxes, which increased from 51.8 per cent of total revenues in 2007 to 52.5 per cent in 2010, before falling back to 46.1 per cent in 2015 (see Fig. 2.2). The next most important source of revenues is the category of fiscal transfers from the central government, which increased from 9.9

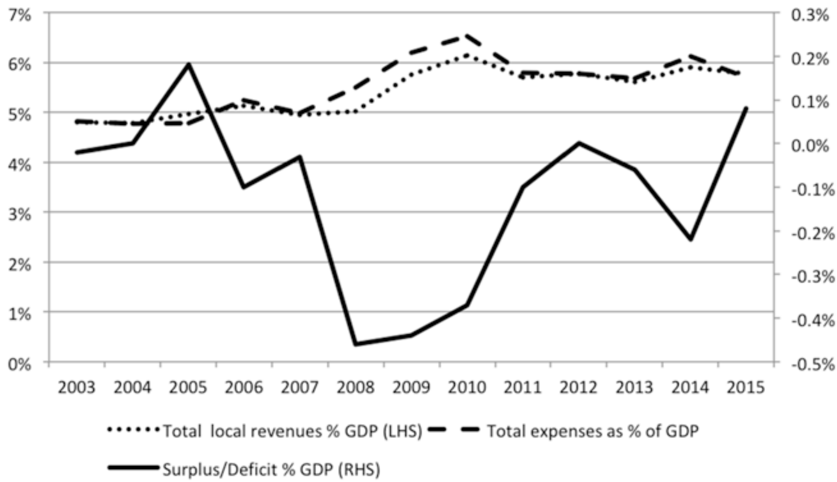


Fig. 2.1 Municipal revenues, expenses, and surplus/deficit from 2003 to 2015

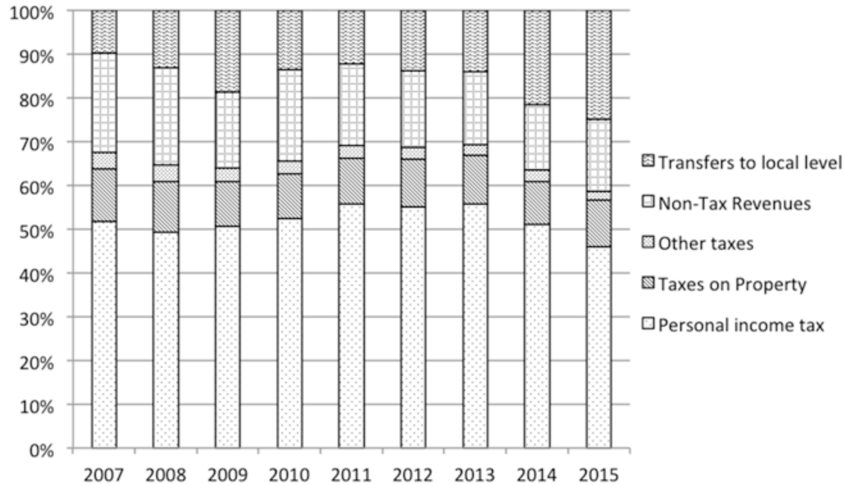


Fig. 2.2 Municipal budget revenues by financial source as per cent of the GDP from 2007 to 2015

per cent of total revenues in 2007 to 13.4 per cent in 2010 and then further to 24.8 per cent by 2015. This indicates the inability of the municipal finance system to effectively provide sustainable self-financing of local governments, as will be elaborated on further below. The third most important source of financing municipal revenues comes in the form of non-tax revenues, which fell from 22.6 per cent of total revenues in 2007 to 21.0 per cent in 2010, and further to 16.5 per cent in 2015. Revenues from property taxes remained fairly stable.

Tax Revenues

Municipalities are entitled to the following tax revenues:

1. Property tax
2. Inheritance tax and gifts
3. Tax on prizes from games of chance
4. Tax on real property transactions
5. Other taxes as specified by the law

Municipal revenues from the income tax increased from €516 million in 2003 to €885 million in 2007. In this period, municipalities were entitled to a 35 per cent share of income tax revenues. In 2006, the new Financing of Municipalities Act stipulated that the income tax share should increase to 54 per cent. Consequently, revenues from the income tax increased to €885 million in 2007 and to more than one billion euros in 2015 (Ministry of Finance, 2011, 2018). The property tax represents the largest tax source for municipalities. Municipalities reported revenues from the property tax in the amount of €142 thousand in 2003 (Bradaschia, 2012) and up to €235 thousand in 2015 (Ministry of Finance, 2018). Domestic taxes on goods and services decreased from €88 million in 2003 (Bradaschia, 2012) to €47 million in 2015 (Ministry of Finance, 2018). Non-tax municipal revenues consist of revenues from profits and property management, fees and charges, fines and forfeits, receipts from the sale of goods and services, and other non-tax revenues (Bradaschia, 2012). Revenues from municipal assets consist of revenues from leases and rents for land and structures owned by the municipality, revenues from capital investments, revenues from securities and other rights purchased by the municipality, and revenues from annuities, profits made by public enterprises, and from awarding concessions.[16]

Other non-tax revenues include fees and charges, fines and forfeits, revenues from the sale of goods and services, and other non-tax revenues. These revenues fell from €95 thousand in 2003 (Bradaschia, 2012) and reached more than €80 thousand in 2015 (Ministry of Finance, 2018).

Transfer Revenues

An optimal municipal financing model would be one in which equalisation payments made to all municipalities equal zero, meaning that municipalities become entirely independent of the state. In such a case, municipalities would be entirely self-financed and autonomous. In order to achieve this, the eligible expenditure of an individual municipality should equal the value of own revenues. However, eligible expenditure that exceeds own revenues requires financial equalisation, and some autonomy of the local community would be lost due to the direct transfer from the state budget (Brezovnik & Oplotnik, 2006).

Financial equalisation funds are allocated to a municipality that is unable to finance its eligible expenditure. Such a municipality is allocated financial equalisation funds from the state budget, equal to the difference between the calculated eligible expenditure and its revenues. In 2003, municipalities received €305 million in transfers, donations, and other non-tax grants from other levels of government, and prior to the reform of the municipal finance system in 2006, they received more than €430 million. After the reform in 2006, the amount of transferred resources fell to €176 million in 2007 and €251 million in 2008, but returned to the previous levels in 2009 (€386 million). However, the amount fell again in 2010 (€294 million) and 2011 (€252 million) and increased to €547 million in 2015 (Ministry of Finance, 2018). These data show that Slovenia never achieved the optimal municipal financing model. However, the reform decreased the volume of financial equalisation funds allocated from the state budget, raising the level of financial autonomy of the Slovenian municipalities (Bradaschia, 2012).

Borrowing

Another source of municipal funds comes from borrowing. Under Article 85 of the Public Finance Act, a municipality can borrow funds with the prior consent of the Ministry of Finance under the terms and conditions outlined by the Financing of Municipalities Act. Any debt transactions not approved by the ministry are considered void. A municipality can borrow funds if it is unable to balance its budget due to an uneven flow of receipts. In this case, the Public Finance Act stipulates that a municipality can borrow funds up to the maximum amount of 5 per cent of the last adopted budget; it is required to report loans and the repayment of debt principal to the Ministry of Finance. A municipality can only ask for loans that do not exceed the amount required to repay the principal of the municipal debt.[17]

Furthermore, a municipality can only take loans for investments planned in the municipal budget. A municipality that is included in the system of a single treasury account of the state can only borrow money from the state budget. In relation to the funds received from the EU budget for co-financing an investment, a municipality can borrow up to the amount of the funds granted for the period of receiving these funds. If, however, the implementation of the budget cannot be balanced due to an uneven flow of receipts, a municipality can borrow up to a maximum of 5 per cent of the level of expenditure of the last adopted budget. This restriction does not apply to municipal borrowing for the purposes of co-financing investments from the EU budget. A municipality can only borrow funds if the repayment of the loans does not exceed 8 per cent of the revenues for the year preceding the year in which the loan was granted, less any donations, transfers from the state budget for investment, and any funds received from the EU budget as well as any revenues of public utilities.[18]

Indirect users of the municipal budget, public agencies, and public enterprises that have been founded by a municipality, as well as other legal entities over which a municipality has direct or indirect control, can borrow funds and issue guarantees with the consent of the municipality, provided that these entities have secured funds for servicing the debt from non-budget sources. The consents issued are not included in the maximum volume of municipal borrowing. The volume of municipal borrowing has increased from €344 million in 2007, reaching €865 million in 2015, including the debt of legal entities at the local level, which means that the average debt per capita in 2015 amounted to €419. Municipal borrowing grew from 0.98 per cent of the GDP in 2007 and reached 2.2 per cent of the GDP in 2015 (Ministry of Finance, 2016). The reason for the extensive borrowing of municipalities in the period from 2007 to 2015 is the implementation of substantial investments, which, despite co-financing from the cohesion and other funds and the state budget, also required the participation of municipal funds. In this period, municipalities borrowed the largest extent in 2009 (€199 million) and 2010 (€134 million). This borrowing was a definite consequence of the financial crisis. Borrowing decreased in the following years and then rose in the 2014 election year, when municipalities borrowed €133 million. A drop of €74.8 million followed in 2015. With each new borrowing, new liabilities arise to repay debt for municipal budgets in the coming years. The volume of repayment of municipal debt in 2015 amounted to €80.8 million (Fig. 2.3).

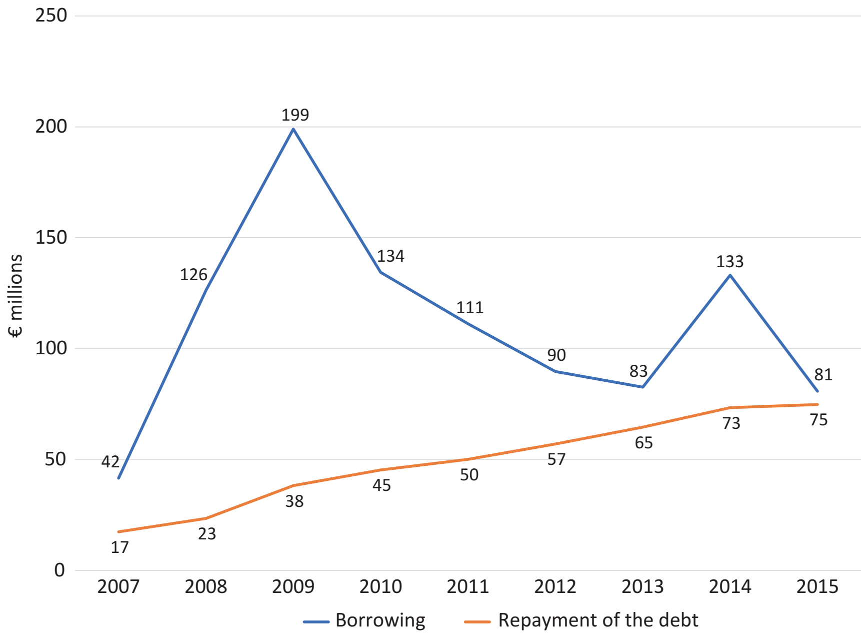


Fig. 2.3 Borrowing and repayment of municipal debt from 2007 to 2015

Analysis of the Effects of the Municipal Finance System

To what extent does the municipal finance system satisfy the principle of the proportionality of resources to functions? To what extent do financial means acquired through the eligible expenditure formula match the costs incurred by municipalities in the performance of their functions? Analysis of data for the period between 2003 and 2015 reveals that only about one tenth of the municipalities managed to cover their eligible expenditure from their own revenues before 2007. Since the changes in the law in 2007, the situation has improved, as only about half of all municipalities received funds from the financial equalisation mechanism, and these funds never exceeded 1 per cent of the total eligible expenditure. The other municipalities had surpluses of €83 million, which they were able to spend on development and investment. The underlying principles of local self-government were thus fulfilled during this period, with a high overall correlation between municipalities' own revenues and expenditures (Brezovnik, Finžgar, & Oplotnik, 2014).

Correlation was weaker at the level of individual municipalities. In 2007, expenditures of 30 municipalities were 10–50 per cent higher than 'permitted' by the eligible expenditure formula, and in 2008, their number increased to 47. In the same years, expenditures of 87 and 44 municipalities were 20–100 per cent lower than provided by the eligible expenditure formula. This development indicates a lack of municipal self-sufficiency. In 2009, there was a sudden change, as only 19 municipalities reported revenues greater than eligible expenditure, amounting to €12 million, while 191 municipalities required financial equalisation payments of €55 million. The proportion of self-sufficient municipalities fell to the level that was recorded prior to 2007, although the volume of equalisation payments did not achieve the previous levels. On the other hand, the increase in the volume of eligible expenditure was implicitly, via the calculated lump sum, also affected by the actual costs reported by municipalities, which increased by 21 per cent in the 2007–2011 period (Brezovnik et al., 2014). After 2011, the share of self-sufficient municipalities was stable, however, with a downward trend as it decreased every observed year. Then in 2015, the number of self-sufficient municipalities practically plummeted to just four municipalities (Ljubljana, Ankaran, Log-Dragomer, and Trzin). This trend also applies to the appropriate scope of funding, eligible expenditure, and revenue of municipalities in accordance with the Financing of Municipalities Act decreased by almost 8 per cent in the period ending in 2015, whereas municipal expenditures increased by 3 per cent, with the biggest increase being observed in the years 2010, 2011, and 2012 (no less than +3.6 per cent per annum). A minimal decrease of costs followed in 2013 and 2014 and stopped in 2015. In relation to the above, one should draw attention to the Fiscal Balance Act adopted in 2012, the purpose of which was to ensure the sustainability of public finance and to keep financial expenditure under control in the post-crisis period, due to which temporary measures were introduced that also impacted the operation of municipalities. The effects of the said act on municipalities in terms of decreasing current costs were much smaller than forecast, while certain solutions caused either time gaps of the expenses incurred or retrospective repayments. In aggregate terms, the current costs of municipalities increased in spite of the adoption of the aforementioned act. Additional financial compensation from the state budget was needed in

2011, 2012, and 2015, while there was no compensation in 2010, 2013, and 2014, when available income tax was sufficient to cover solidary financing. Eligible expenditures increasingly lagged behind reported current costs, already by 18 percentage points in 2016. In addition to that, in 2010, the Ministry of Finance issued rules on outlining the sub-programmes considered in identifying lump sums, which have been applied to budgets ever since. According to these rules, certain sub-programmes on which current costs and current transfers were incurred were excluded from the data used to calculate the lump sums for municipalities. This difference might have been small at first glance, but it constituted an automatic and 'silently introduced' decrease of the lump sum base by almost 1 per cent. During this period, the combined revenue of municipalities decreased on average by 0.7 per cent annually. A year-to-year comparison shows a steep decline of combined revenue of municipalities by almost 15 per cent in 2016 compared to 2015. The result would have been even worse had there not been an increase in income in 2014 and 2015, which most likely came from increased municipal investments, mainly from using EU funding for co-financing investments (end of the programming period 2007–2013 according to the n+2 rule). Data also highlight the impact of the economic crisis, as well as the constant deterioration of the ratios between costs and income or between financial sources and municipal duties, which constitutes an increased departure from and derogation of the proportionality principle (Brezovnik, Oplotnik, Padovnik, Finžgar, & Mlinarič, 2018).

These anomalies provide a reason to re-examine the system. It would be easier if the state covered all the costs of an individual municipality directly, thus ensuring a complete correlation between resources and costs. However, this would lead to a violation of the principles of autonomy and self-sufficiency. There would be a risk that costs would cease to reflect needs, but would instead grow in line with the ability of individual municipalities seeking to obtain the maximum possible revenues to 'adjust' their spending. Furthermore, such a method would poorly reflect differences between municipalities due to their diversity. Analyses have shown that Slovenian municipalities have very different needs with respect to the same functions and powers. This variety is shown through the breakdown of municipalities by their demographic and geographic characteristics, which also provides the basis for the calculation of eligible expenditure and is directly related to their costs.

Eligible Expenditure and Costs

Average eligible expenditure and reported costs were analysed in the search for answers to the questions raised above. This analysis revealed that municipalities spent €1.23 billion on average for the performance of statutory functions between 2007 and 2015, less in 2007 (€0.99 billion) and, interestingly, more in 2011 (€1.28 billion), 2012 (€1.34 billion), and 2013 (€1.32 billion), which occurred during the crisis. In the 2010–2016 period, Slovenian municipalities spent €1.31 billion on average for the performance of their functions. Per resident, the average yearly amount in this period was €639, and €689 in the case of urban municipalities (average burden increased by 7.8 per cent). That said, the average annual burden of municipalities with fewer than 5,000 residents (€654) was 2.2 per cent higher than the national average. Here, we must draw attention to an important anomaly in the municipal financing system, as urban municipalities are particularly underfinanced compared to other Slovenian municipalities. The gap between maximum and minimum costs per resident was wide, and the ratio between the lowest (Cerklje na Gorenjskem) and highest (Kostel) average annual current costs per resident was no less than 1:3.7. The majority of municipalities (188 municipalities or 89 per cent of the total) were placed in the interval of 25 per cent from the average, and just 17 per cent in the interval of 5 per cent from the average, which points to a great dispersion of municipalities. Municipalities covering large territories reported the highest average costs in this period (€743, 16 per cent above the average). Above average were also municipalities with above average road lengths (+7.1 per cent) and number of elderly residents (+7.7 per cent), while municipalities with younger residents statistically incurred lower than average costs (−6.7 per cent) (Brezovnik et al., 2018). Municipal costs increased by 3 per cent on average in the examined period, while eligible expenditure decreased by 4 per cent on average, which means than on a yearly basis, sources (according to the eligible expenditure mechanism) lagged 7 percentage points on average behind the reported current costs of Slovenian municipalities in the 2010–2016 period. During this time period, approximately 63 per cent of municipalities experienced increases in costs, and no less than 44 per cent saw their costs increase to over 25 per cent above the average. A similar percentage of municipalities (41 per cent) saw their eligible expenditure decrease by over 25 per cent in relation to the average. The average current costs increased the most for municipalities with a larger share of young people under 15 years of age (+3.2 per cent), current costs did not decrease in any of the examined groups, while the smallest increase was detected in municipalities that had a larger share of roads and elderly residents (+1.1 per cent). Eligible expenditure decreased most in municipalities with fewer than 5,000 residents.

Between 2010 and 2016, municipalities covered current costs by spending on average €1.315 billion, that is €639.43 per resident (arithmetic mean). Current costs account for 60 per cent of the overall budgetary expenditure structure. Annually, municipalities spent on average €811.5 million or 37 per cent of all expenditure on investment, which is €466.5 per resident. To repay debts, the average annual expense was €65.9 million or €36.8 per resident, a 3 per cent share in the expenditure structure. Loans and increase in capital share amounted to €6.9 million per annum on average, which accounts for 0.3 per cent or €2.4 per resident in the overall expenditure structure. Overall expenditures thus amounted to €2.2 million or €1,145 per resident. The increase in current costs in 2016 compared to 2010 is 3 per cent, while the overall expenditures decreased by 18 per cent, mainly due to the decrease in investment expenditures. According to programme classification, the observed budgetary expenditure categories revealed that by far the largest share of resources was allocated to education, namely 23.2 per cent, followed by 15 per cent of all expenditure earmarked for transport and transport infrastructure and communications, 11.4 per cent was intended for culture, 11 per cent for spatial planning and public utility activity, and so on (Brezovnik et al., 2018).

A significant portion of the costs comprises investment expenditures and investment transfers for the implementation of development functions. As will be demonstrated below, municipalities finance their investments predominantly by other financial sources, not state resources or resources acquired within the eligible expenditure mechanism, even though eligible expenditure should in accordance with its fundamental legal definition ensure an appropriate volume of resources to finance duties established by law, its calculation taking into account only current costs and current transfers. This fact, on the other hand, has a negative impact on the present-day and future financial sources of municipalities.

EU Funds and Capital Investments

Investments represent a direct form of performing municipal development functions. They involve the use of financial sources for the preservation and increase of municipal property in the form of public utilities (e.g. roads, pavements, public lighting, public water supply, sewerage, waste water treatment) or social infrastructure (e.g. schools, pre-schools, primary healthcare centres, cultural venues, libraries), land (e.g. industrial zones, residential buildings), equipment and gear (e.g. fire brigade vehicles and other equipment for protection and rescue), other tangible and non-tangible assets, as well as education, training, and improvement of the quality of living. The development functions of municipalities are set out in legislation, and the performance of such requires financial investments. The shortcomings of the existing investment system lie mainly in the fact that municipal investments are considered by the state as parallel, often less important activities of the municipalities, as if they serve their own purpose or as if they are a 'monument' to the municipal authorities erected during their term. Such an opinion may only be held by those who do not realise that, even today, many citizens of Slovenia do not have access to basic public utilities that would ensure quality living. Collecting rainwater or being dependent on wells that are drying up, or gazing worriedly into the skies to see whether torrential rainfall might render a gravel road so unusable as to hinder one's way to work/school/doctor's is a too often a cruel reality. It leads to personal anxiety and disappointment of the residents who are convinced, and justifiably so, that they are entitled as citizens, taxpayers, and human beings to basic conditions for normal living and development, regardless of their place of residence. Slovenian municipalities have largely managed to mitigate the consequences of the social and economic crisis precisely due to their investments. It was through municipal investment that many jobs were preserved and that many enterprises managed to survive. Local investment have also often enabled small local providers to acquire the knowledge and experience required to carry out projects in other environments and at other levels. Local-level investments ensure that the needs and interests of local communities are met and require proportionate financial resources, in compliance with the legislation and basic principles of the European Charter of Local Self-Government.

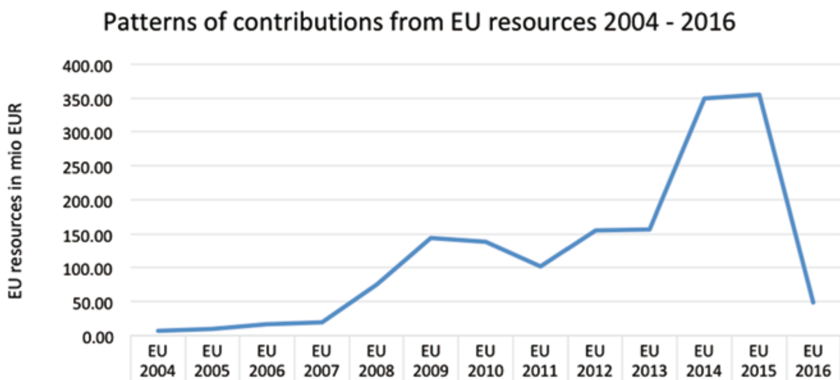
The analysis of municipal investments after Slovenia's accession to the EU, and particularly from 2010 till 2016, suggests that municipalities are extremely heterogeneous in terms of the average annual investment value per resident. The ratio between the municipality with the lowest investment value per resident (the City of Maribor with €175) and the municipality with the highest value (the municipality of Grad with €2,910) is 1:16.6, which reveals a highly varied investment capacity of municipalities, as well as very diverse development priorities of the different environments. In the specified period, all Slovenian municipalities combined had an average annual investment of €811.5 million, which equals €466.5 per resident (versus the current costs of €639 per resident, as mentioned above). Only 121 municipalities, that is, 57 per cent of all municipalities, fall within the range of 25 per cent from the average value of €466.5. Urban municipalities have average annual investments of €368 per resident, which translates to 21 per cent below the national average, and their share of investment from total expenditures, which amounts to 32.9 per cent, is below the national average. Municipalities with fewer than 5,000 inhabitants invest on average €517 per year, which is 10.8 per cent above the national average, while investments account for 41.3 per cent of their expenditure, that is, 1.6 percentage points above the national average.

During this period, Slovenian municipalities concentrated most of their investment on the field of environmental protection (22 per cent), mostly for wastewater treatment (a total of €966 million in the 2010–2016 period invested into sewerage networks and waste water treatment plants) as this sub-programme accounts for 77 per cent of investment resources in the programme classification area. This field is followed by transport

(20.4 per cent) and spatial planning with housing public utility activity (20 per cent); the supply of drinking water sub-programme, which accounts for 52 per cent of the programme classification area, had €593 million in investments in the said period. Education is next with 14 per cent, while investments in the field of culture and sports account for an 11.9 per cent share of municipal investments. These numbers also show the municipalities' need to build basic public utility structures (sewerage and treatment plants, aqueducts, and roads) and social infrastructure (especially schools and pre-schools).

Furthermore, 19 per cent of nationwide municipal investment occurred in municipalities with fewer than 5,000 inhabitants. Municipalities earmarked 23.5 per cent of total investment resources for investment into roads, which is 3 percentage points higher than the average in this field, 22.3 per cent for spatial planning with housing public utility activity, 18.5 per cent for environmental protection, which is 3.6 percentage points below the average of all municipalities, 14.3 per cent for education (investment into the structures and equipment of schools and pre-schools), and 8.5 per cent for culture and sports. An important difference lies in the comparison with urban municipalities. Urban municipal investment accounts for 29 per cent of all municipal investments, that is, an average of €239 per annum. In the examined period, urban municipalities allocated on average the biggest portion of their investment resources to the environment and natural heritage protection programmes (21 per cent, which is a good percentage point below the average share of all investments made by municipalities), followed by culture, sports, and non-governmental organisations (20 per cent, which is 8.4 percentage points above the average of all municipalities). The next categories are spatial planning and housing public utility activity with 18.25 per cent (slightly below the average of all municipalities), transport, transport infrastructure, and communications with 16.9 per cent (3.5 percentage points below the average share of all municipalities), and education with 13 per cent of investment resources. Urban municipalities are also above average in general administrative services and general public services with 3.3 per cent, whereas municipalities with fewer than 5,000 residents had a lower share than both urban municipalities and the average of all municipalities at 1.65 per cent. A wide gap between both types of municipalities was also present in the field of economy, for which municipalities with fewer than 5,000 residents earmarked just 3.4 per cent of all investments, while urban municipalities earmarked just 0.8 per cent. This comparison also highlights the different priorities for development and the gap in development. It could be reasonably assumed that the basic public utility infrastructure of urban municipalities was in better condition; therefore, they could allocate their investment resources to other areas (such as culture). Smaller municipalities devoted their resources mainly to investments for basic public utility areas, where there is the greatest need. This difference does not mean though that smaller municipalities do not need, for instance, new cultural centres, libraries, or sports grounds, but rather that their priorities were instead areas where there was greater need (roads, water supply, etc.).

After Slovenia's accession to the EU, municipalities financed their investments mostly through their own sources (58 per cent), that is, what remains from their own revenue both from income taxes and other own sources. Urban municipalities used a greater share (69 per cent) of own sources than the average, while this share is lower in the case of municipalities with fewer than 5,000 inhabitants, namely 54 per cent, which is 4 percentage points below the average. In terms of the share in the structure of sources, the use of EU funds accounted for 25 per cent. This information clearly points to the great importance of these funds for Slovenian municipalities in the past programming period. Slovenian municipalities used the greatest amount of these funds in 2014 (€349 million) and 2015 (€355 million). It was precisely in 2015 that the programming period 2007–2013 ended (realisation according to the n+2 rule), many investments were completed, and final payments were realised. The realisation of these investments and municipalities' successful disbursal of resources from various EU funds contributed to the improvement of the macroeconomic situation in Slovenia in 2014 and 2015. Even during the deepest crisis, municipal investments played an important role in the stabilisation of the economic conditions. Therefore, it makes sense to examine the discriminatory new financial perspective on investments that impacts municipalities, which was evident already from the amount of EU funds used in 2016 when Slovenian municipalities used less than €49 million from this source. We can only hope that the wrong (albeit rhetorically pleasing in terms of goals) orientation of Slovenian decision makers who consider municipal investments as public utility infrastructure to be unnecessary and counterproductive will not last long and that the appropriate amendments to the programmes will be made. EU funds were used predominantly in municipalities with fewer than 5,000 residents; a comparison shows that EU resources account for a 17 per cent share among urban municipalities, while they account for no less than 27 per cent among municipalities with fewer than 5,000 residents. On average, municipalities used this source of financing in a similar manner, namely by deviating +/−2 percentage points from the average. Net public borrowing accounts for a 4 per cent share in the financing of investments, a larger share (7 per cent) in the case of urban municipalities, whereas municipalities with fewer than 5,000 residents had an average share. Lastly, the investment resources of the state contribute 13 per cent to the financing source structure for municipal investments. This source is obviously more useful in the case of small municipalities than in the case of urban municipalities. One should once more emphasise the considerable non-homogeneity of Slovenian municipalities that also manifests itself in this area of examination (Brezovnik et al., 2018) (Fig. 2.4).



	EU 2004	EU 2005	EU 2006	EU 2007	EU 2008	EU 2009	EU 2010	EU 2011	EU 2012	EU 2013	EU 2014	EU 2015	EU 2016
mio EUR	6.76	9.21	17.37	19.21	75.87	143.31	138.57	102.61	155.18	157.23	349.43	355.23	48.84

Fig. 2.4 Patterns of contributions from EU resources to municipal budgets during the 2004–2016 period, in EUR million

Conclusions

In spite of having carried out territorial, political, and administrative decentralisation, which began with the adoption of the new Constitution in 1991, Slovenia remains a fiscally centralised state. Following the introduction of the constitutional concept of fiscal decentralisation with the system of the so-called eligible expenditure based on self-financed municipalities in 1991, the resources allocated for the performance of municipal functions increased to 5.7 per cent of GDP in 2015, but did not follow the increase in municipal competences, which at least doubled during this period. Moreover, during the financial crisis, there was a departure from the proportionality principle, as the lump sum determined by agreement between the government and associations of municipalities (or by the law on budget implementation) deviated significantly from the calculated lump sum due to a decrease in income taxes. The state budget was unable to make up for the difference because of domestic conditions as well as international limitations (Government of the Republic of Slovenia, 2016).

Income tax, which is a shared tax, is the most important source of municipal financing, and this puts municipalities into a position where they are dependent on the state for financing. In spite of the constitutional concept of municipal financing based on the idea of self-financing with own sources, the state has not foregone all of its fiscal sovereignty and has not introduced a tax source over which the municipalities could enjoy full fiscal sovereignty. While the National Assembly adopted the Real Property Tax Act in 2013,[19] the Constitutional Court of the Republic of Slovenia repealed it in the following year. In the Local Self-Government Development Strategy 2020 adopted in 2016, the government committed itself to introducing a real property tax as the basic tax for local communities, but due to a lack of political consensus and the recentralisation of municipal financing this idea was abandoned.

In terms of the costs required for the operation of municipalities, an important factor in the financing system is the concept of eligible expenditure. Such expenditure is uniform for all municipalities, only taking into account the size of a municipality, not its particularities. However, there are certain discrepancies between the cost structure and the weighting values that are key to determining eligible expenditure, as analyses point to greater burdens that affect the budgets of municipalities with larger populations, especially in the case of urban municipalities. This will have to take into consideration if and when the financing system is reformed and more resources will need to be allocated to urban municipalities. The fundamental flaw of the system is therefore the current lump sum calculation system, which does not take into account real costs or standardised cost data, thus pushing Slovenia further from the principle of municipal financial autonomy. The analysis of the effects of the municipal financing system reveals additional distortions, which mostly reflect the large number of non-homogenous and administratively weak municipalities, the size of which has not been established in an rational way.

Another crucial deficiency of the system is evident in the financing of investments in those municipalities that are mainly financed by other means, rather than from state resources or resources acquired within the framework of the eligible expenditure mechanism. Prior to Slovenia's accession to the EU in 2004, regional development lacked coherence due to the inefficient investment financing system and the lack of a second level of regional self-government. Even though municipalities financed their investments from their own sources after Slovenia's accession to the EU, about one quarter of local budgets were financed from EU resources, demonstrating the sheer importance of these resources for Slovenian municipalities in the recent programming periods. With the realisation and co-financing from various EU funds, the contribution of Slovenian municipalities towards the improvement of the macroeconomic situation in Slovenia in 2014 and 2015 was very important. Even during the worst period of the crisis, municipal investments played a significant role in the stabilisation of the economic situation.

Over two decades after the beginnings of the decentralisation process, Slovenia adopted the Local Self-Government Development Strategy 2020 and committed itself to abiding by the principles of financial autonomy of self-governing local communities, of connection and proportionality between financial resources and the scope of municipal functions. Despite that, there is a lack of compliance with these principles. Having created many small municipalities that largely reflect political compromises, Slovenia has established a local self-government system that makes it impossible to create a transparent and economically equitable model of municipal financing, mainly due to the diversity of the municipalities and the fact that all municipalities, regardless of their size, have an identical jurisdiction.

In light of the foregoing arguments a logical policy would be to merge some of the smaller municipalities, which however may not be possible considering the difficulty in reaching the necessary political compromises. An alternative would be to establish a second level of local self-government as a development core in order to eliminate the deficiencies of the current system of local self-government and improve its capacity for absorbing EU funds.

Notes

1. Constitution of the Republic of Slovenia, Official Gazette, No. 33/1991-I. It should be noted that local self-government in Slovenia is guaranteed in Article 9 of the Constitution.
2. Local Self-Government Act, Official Gazette, No. 72/1993.
3. Financing of Municipalities Act, Official Gazette, No. 80/1994.
4. Financing of Municipalities Act, Official Gazette, No. 123/2006.
5. Referendum for the Establishment of Municipalities Act, Official Gazette, No. 5/1994.
6. Decree on Holding a Referendum for the Founding of Municipalities, Official Gazette, No. 22/1994.
7. Establishment of Municipalities and Municipal Boundaries Act, Official Gazette, No. 60/1994.
8. Administration Act, Official Gazette, No. 67/1994.
9. Act on the Takeover of State Functions Performed until 31 December 1994 by Municipal Bodies, Official Gazette, No. 29/1995.
10. Promotion of Balanced Regional Development Act, Official Gazette, No. 60/1999.
11. Constitutional Court of the Republic of Slovenia, Decision No. U-I-82/96, Official Gazette, No. 35/97.
12. The decree on the methodology for the calculation of the lump sum for the financing of municipal functions was adopted in 2009.
13. Article 12 of the Financing of Municipalities Act.

14. Article 13 of the Financing of Municipalities Act.
15. Article 38 of the Financing of Municipalities Act.
16. Article 54 of the Local Self-Government Act.
17. Article 85 of the Public Finance Act, Official Gazette, No. 11/2011, 101/2013, 55/2015—ZFis, 96/2015 ZIPRS1617, 13/2018).
18. Article 10.b of the Financing of Municipalities Act.
19. Real Property Tax Act, Official Gazette, No. 101/2013.

References

Bradaschia, N. (2012). *Finančni viri lokalnih oblasti v Republiki Sloveniji: magistrsko delo študijskega programa druge stopnje*. Maribor: Pravna fakulteta Maribor.

Brezovnik, B. (2018). *Pristojnosti in naloge slovenskih občin (s pregledom splošnih in posamičnih aktov ter aktov poslovanja občine): osma spremenjena in dopolnjena izdaja*. Maribor: Inštitut za lokalno samoupravo Maribor.

Brezovnik, B., Finžgar, M., & Oplotnik, Ž. J. (2014). *Financiranje slovenskih občin*. Maribor: Inštitut za lokalno samoupravo in javna naročila Maribor.

Brezovnik, B., & Oplotnik, Ž. J. (2003). Mednarodna primerjava sistemov financiranja občin. *Lex Localis—Journal of Local Self-Government, 1*(3), 1–38.

Brezovnik, B., & Oplotnik, Ž. J. (2006). Problematika sistema financiranja občin v Republiki Sloveniji. *Lex Localis—Journal of Local Self-Government, 4*(4), 91–121.

Brezovnik, B., Oplotnik, Ž. J., Padovnik, S. A., Finžgar, M., & Mlinarič, F. (2018). *Analiza sistema finaniranja občinskih nalog s predlogom metodologije za določitev povprečnine*. Maribor: Pravna fakulteta Maribor.

Government of the Republic of Slovenia. (2016). *Strategija razvoja lokalne samouprave do 2020*. Ljubljana: Government of the Republic of Slovenia.

Grafenauer, B. (2000). *Lokalna samouprava na Slovenskem; teritorialno—organizacijske structure*. Maribor: Univerza v Mariboru, Pravna fakulteta.

Grafenauer, B., & Brezovnik, B. (2011). Vzpostavitev in dograjevanje novega sistema lokalne samouprave. In G. Virant & P. Kovač (Eds.), *Razvoj slovenske javne uprave 1991–2011* (pp. 79–96). Ljubljana: Uradni list RS.

Ministry of Finance. (2011). *Bilten javnih financ, 13*(1). Retrieved from http://www.mf.gov.si

Ministry of Finance. (2016). *Poročilo o zadolženosti občin in pravnih oseb javnega sektorja na ravni občin na dan 31.12.2015*. Ljubljana: Ministry of Finance. Retrieved from http://www.mf.gov.si

Ministry of Finance. (2018). *Bilten javnih financ, 20*(1). Retrieved from http://www.mf.gov.si

Oplotnik, Z., & Brezovnik, B. (2006–2016). Zakon o financiranju občin / ZFO-1/ (pristojnosti in naloge Municipality z uvodnimi pojasnili in komentarjem). In B. Brezovnik (Ed.), *Pristojnosti slovenskih občin*. Maribor: Inštitut za lokalno samoupravo in javna naročila Maribor.

Šmidovnik, J. (1995). *Lokalna samouprava*. Ljubljana: Cankarjeva založba.