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**Fiscal Decentralization
in the Soviet Economy**

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SOCIAL SYSTEMS RESEARCH INSTITUTE

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FISCAL DECENTRALIZATION IN THE SOVIET ECONOMY

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I. Introduction

Recent events at the sub-republican level in the former Soviet Union are unprecedented. Because of the perestroyka's economic reforms, traditional forms of economic control and planning have been set aside. However, consistently coordinated alternatives have not been established in their place. This situation has enabled local authorities to assume powers far beyond their historic perogative. Local protectionism has spread rapidly. Jurisdiction has been assumed over republican and all-Union enterprises. Local assets have been both leased and sold to the private sector.

Budgeting exemplifies the growing autonomy of local governments. Before the perestroyka, local budgets were part of the unified all-Union budget and were drawn up under the control and supervision of republican and all-Union officials. However, by January 1991, the process of drafting an all-Union budget had become unmanageable. According to the Union's Planning, Budget and Finance Committee, this was because "individual republics, provinces and regions had begun to form budgets on the basis of their own laws ... adopting decisions to repeal Union legal acts." (Stepevoi, 1991, p.1)

This paper analyzes local budgetary developments as a transitional backdrop to a greater sub-republican political and economic independence. Although local expenditures are examined, particular emphasis is placed on tax policies during the period 1976-1989. It is argued that economic laws during the perestroyka gave more taxing authority to local governments (local soviets). However, this increase in taxing authority did not offset a greater demand for local expenditures as a result of political changes.

Soviet local budget composition has received attention from a

variety of perspectives (see Hutchings, 1983; Lewis, 1976; Lewis, 1983; Savas and Kaiser, 1985; Ross, 1987; Bahry, 1987). Work has focussed on city budgets (Lewis, 1976; Savas and Kaiser, 1985) and on the political economy of regional budgeting (Ross, 1987; Bahry, 1987). All of these studies discuss local budgeting during the pre-perestroika period. This paper compares developments in both the pre-perestroika (1976-1985) and perestroika (1986-1989) periods.

The paper is organized as follows. Section II argues that the local budget is a useful indicator of changes at the local level during 1976-1989. Section III argues that there was a decentralization of tax powers to the local soviets during the perestroika. Section IV argues on the basis of press reports that decentralization of tax powers to local authorities did not satisfy their drive to raise revenues. Section V concludes.

II. The Local Budget

In the annual *Gosbyudzhet* (Statistical Handbook on the State Budget), there is a line item, "local budget." This is the budgetary aggregate of all soviets below the fifteen republics and twenty autonomous republics of the former Soviet Union. In 1980, there were 50,991 locally drawn up budgets.¹

Although only a small percentage of the total, cities, oblasts and raions have constituted the most significant components of the aggregate local budget. For example, in 1980 they made up 9.4% of all local governments. However, during 1976-80, 92.3% of all local expenditures flowed through city, oblast and raion budgets (*Gosbyudzhet*, 1981-1985, pp.72-73).

There is a marked contrast in the conditions under which local

budgets were drawn up before and during perestroyka. During both periods, local soviets were publicly elected bodies. However, in the pre-perestroyka period, voting was a pro-forma exercise that often legitimized the choice of local Party officials. With the rise of multi-party elections in the perestroyka period, local voting assumes greater significance. Furthermore, under the system of dual subordination, local soviets must respond to the demands of both ministerial officials and higher level soviets. In formulating a local budget, meeting the requirements of external authorities may not be best for a district. In the pre-perestroyka period, evidence suggests that, "power over both the purse and personnel is controlled from above" (Hahn, 1991, p.93). The consensus is that local soviets did not conduct an independent fiscal policy (see Friedgut, 1983; Hill, 1983; Kolomiychenko and Parotikov, 1989; Pabat, 1985).

However, during perestroyka, the political and economic environment changed making it more conducive to an independent local fiscal policy. Because of the breakdown of Party and planning organs' authority and the increased importance of local voting, area officials saw the need to be more responsive to their constituents when determining expenditures. New laws on samoupravleniye (decentralized administration) legitimize a more independent local expenditure policy. Furthermore, because of the all-Union budget deficit and new laws on samofinansirovaniye (local self-financing), many local governments now had to finance current and capital expenditures with locally raised revenues rather than with higher-level budget transfers.

A problem with applying a budgetary analysis to the Soviet local sector is that money has played a passive role in Soviet state

resource distribution (see Garvey, 1977). Money alone is not sufficient to acquire goods through the state distribution network. For example, in a study of Soviet city budgets in the 1960's and 1970's, Lewis found that:

....problems in getting goods and materials which have been allocated are so great that great blocks of funds remain unused and plans stand unfulfilled year after year.

(Lewis, 1976, p.6)

Local revenues are held in a local bank (Gosbank) in the form of book rubles and cash rubles. Book rubles are used to get materials and capital goods through the state distribution system. Cash rubles are drawn to make payments for labor (see Garvey, 1977). Lewis describes a situation in which book rubles are not sufficient to obtain goods through the state distribution system. However, they are still necessary to acquire many state goods while cash rubles are necessary to meet local payroll obligations. Furthermore, cash rubles are an important exchange medium outside the state distribution system. Evidence suggests that local soviets historically have gone outside the state distribution system to purchase consumer goods and raw materials for industry (see Catell, 1983, p.172).

In both the pre-perestroyka and perestroyka periods all local governments drew up their own budgets. However, during the perestroyka, new economic laws and voting's greater power raise the possibility that local government officials would attempt to design budgets that would be more responsive to the their constituents' needs. Thus, local budget formation during 1976-1989 is a useful indicator of changes at the local level.

III. Fiscal Decentralization

This section summarizes local financial developments from 1976-1989. The available data suggests that the structure of expenditures is stable over the period. However, there are significant changes in local revenue sources. It is argued that this change in revenue sources is a reflection of growing local fiscal autonomy.

Table 1 demonstrates that local expenditures as a percentage of total state expenditures have remained more or less stable. Table 2 shows that the structure of local expenditures has also remained basically stable. Specifically, the social consumption fund is anywhere between 77%-89% of local budgetary expenditures.² It consumption fund includes quality of life items such as housing, restaurants, trade enterprises, entertainment/cultural centers, and sports and health facilities. The social consumption fund also includes passenger transport, water supply and sewage systems, primary and secondary education, and postal services (Osipenkov, 1983).

An analysis of the income structure of the local budget suggests that the local sector pursued a more autonomous tax policy during perestroyka. This is based on the fact that new local tax sources flowed directly into the local budget. Furthermore, there were more revenues from republican and all-Union enterprises located locally. This suggests that republics and the central government transferred - or simply ceded - more taxing power to local politicians. The data also shows that the republican and central governments transferred less money to the local sector over time. As a result, local officials were less beholden to republican and all-Union demands.

Table 3 presents a breakdown of local income. Soviet statistics (see Butakov, 1980, pp.150-152 or Gosbydzhet) define total income

(line 5) as own income (line 1) plus regulated income (line 2) plus supplements from higher budgets (line 3) plus gross funds (line 4d), which are funds received from both republican budgets (line 4a) and local budgets (line 4b). We define net income (line 7) as total income (line 5) net of the local transfer of funds into the republican budget (line 4c). Alternatively, net income is own income (line 1) plus regulated income (line 2) plus supplements (line 3) plus net funds (line 4d). Net transfers into the local budget (line 7) equals supplements from higher budgets (line 3) plus funds from the republics net of payments (line 4a - 4c).

Own income (line 1) is comprised of tax payments from enterprises and organizations under local jurisdiction and other funds which enter directly into the local budget (Butakov, 1980, p.152). Table 3, line 1a, illustrates that own income's most important source is the profit payments from enterprises and organizations under local jurisdiction. These include payments from local consumer goods industries, living and communal services, construction, cultural and sports organizations. In addition to these payments, own income includes production funds and normed deductions from rent income (line 1c) and surplus profits (line 1d). Local taxes and user fees (line 1b) include tax payments for transport, construction and land.

Regulated income (line 2) is a deduction from state taxes. It is allocated to the local level from the all-Union or republican budgets to cover indigenous expenditures. Regulated income's level and structure is determined periodically through negotiations between local and higher-echelon officials (Butakov, 1980, pp.156-159). The turnover tax (line 2a) is regulated income's major funding source. This highly varying rate is levied primarily on consumer goods, food,

and certain extractive and light industries. Another significant component of regulated income is profit taxes from republican enterprises and organizations (line 2b). It should be noted that, beginning in 1986, all-Union profit taxes were included in this line item. Income taxes from state enterprises and organizations (line 2c) and state taxes on the population (line 2d) are also sources of regulated income.

Net transfers to the local budget (line 6) include supplements from higher budgets (line 3) plus funds received from republican budgets (line 4a) net of payments into the republican budget (line 4c). Funds from republican budgets tend to be funneled into projects that are the joint responsibility of the locality and republic (Bahry, 1987, p.59). Funds from local budgets (line 4b) are a new source which first appears in 1988. These funds are all spent at the local level and are not included in net transfers to the local budget, since they are locally generated.

Several important trends are observed in Table 3. Although profit taxes from enterprises and organizations under local jurisdiction increase from 1976 to 1986, these payments fall annually in absolute terms beginning in 1987. In 1985, enterprise and organizations profits taxes account for 19.5% of net income. By 1989, this figure is 9.6%.³ This suggests that the Law on State Enterprises (see Pravda, July 1, 1987) giving local enterprises more profit control in order to finance autonomous investments weakened the local tax base.

However, there were several measures taken which effectively offset the impact of the Law on State Enterprises on local tax revenues. During the same 1985-1989 period, profit taxes from enterprises and organizations under all-Union and republican

jurisdiction increase. The net income share of these payments almost triples from 3.7% in 1985 to 10.7% in 1989. This is a result of the implementation of "stable normatives" by which a fixed share of republican and all-Union enterprise profits was guaranteed as local tax revenue.

The line item, "funds from local budgets", is entered as a new tax category in 1988. In that year, this figure accounts for 18.1% of net income and in 1989 it is 19% of net income. This new category reflects new official sources of local tax revenues which include the right to retain any surplus held over from the previous Fiscal year⁴, local income taxes, taxes on the wage funds of collective farmers, land rent and a land tax.⁵ All of these funds are spent locally. Like own income, funds from local budgets enter into local budgets directly. Thus, own income plus funds from the local budget represent the components of local income that are directly accessible to the local soviets.

Table 4 deconstructs net local income into shares of own income plus funds from local budgets, regulated income and net transfers. Table 4 is illustrated in figure 1. It strongly indicates a trend towards fiscal decentralization during the perestroyka period. With the exception of 1987, two substantial differences between the pre-perestroyka and perestroyka eras emerge. The first contrast is that the percentage share of own income plus funds from local budgets is higher. This clearly is a result of the importance of local funds during the perestroyka. The second variation is that the share of net transfers to the local sector sharply decreases during 1986-1989. In fact, during 1986 and 1988 it appears that the local budgets are net subsidizers of the all-Union and republican budgets! As local sectors

received less republican and all-Union financial support, local tax bases, and in particular, funds from local budgets became larger shares of local revenue. From the perspective of taxation, this is strong evidence of the decentralization of tax collecting responsibility.

Based on the preceding analyses of tables, it is safe to assume that the structure of local expenditures did not change much from the pre-perestroyka to the perestroyka periods. In both periods, the expenditure emphasis was on the local social consumption fund. However, during the perestroyka, new tax sources of funds from local budgets flowed directly into the local budget. Republican and all-Union enterprises paid more profit taxes to local soviets. This is evidence that the republics and center transferred -or at least tolerated -the transfer of more taxing powers to the local level. Furthermore, because the republics and center transferred fewer revenues to the local sector, local officials were less dependent upon higher echelon officials and were better positioned to run a more independent tax policy.

Beginning in 1989, anecdotal evidence abounds in the Soviet press regarding the insufficiency of local revenues to finance local social consumption expenditures. For example, a report states that education and health care are being underfunded in the Donetsk oblast (Podolev, 1989). Another report maintains that Moscow's hospital repair and maintenance programs, as well as its public catering programs, are insufficiently funded during perestroyka (Bystrov, 1989). Other reports present data showing that the need for expenditures in Moscow grows more quickly than tax payments (Chernik, 1989a; 1989b) A study of the Rostov oblast argues that local tax revenues do not cover local

payments for health and insurance guarantees (Borodin, 1990). These reports suggest that, despite the strengthening of the share of own income plus funds from local budgets during perestroyka, the increased powers of taxation of local governments were not sufficient to cover expenditure needs.

There are several possible explanations for this development. First, local soviets were under pressure to increase social consumption expenditures in order to satisfy their constituents. Thus, even if social consumption spending remained at a more or less constant level, it was no longer adequate to meet the demands of the local population. Second, there was a cut-back in net transfers from republican and all-Union budgets. Thus, even though own income plus funds from local budgets increased, it was not sufficient to make up for the deficit in net transfers. Third, with the acceleration of inflation, the real purchasing power of these new taxes depreciated. Finally, some of the new forms of local taxation that were part of the official budget were inadequate. The next section explores this final explanation.

IV. Local Responses to Fiscal Decentralization

This section argues that two forms of tax legislation enacted during the perestroyka failed to strengthen the local tax base. These two types of legislation were: a) more control over the taxation of republican and all-Union enterprises on local territory and b) local taxation of cooperatives. The failure of these tax policies is a factor leading to the emergence of uncoordinated and spontaneous attempts by local soviets to raise revenue in 1989 and 1990.

Enterprises and organizations under local jurisdiction present

local authorities with the realm in which they have the most autonomy to influence their revenue sources. These sources include services and industries which directly influence standards of living and quality of life for the local population. The law on state enterprises, as discussed in the previous section, weakened this traditional local tax source.

Regions with a high share of republican and all-Union enterprises on their territory have three options: First, they could work through the traditional system and try to increase regulated tax payments from these non-local enterprises. Second, they could try to get non-local enterprises transferred to local jurisdiction and thus increase own income. Third, they could try to develop new local tax sources.

The experience of the Rostov oblast illustrates the tax problems of regions with a poorly developed local industrial sector. In 1988, a little more than 3% of marketed output in Rostov oblast came from enterprises under local jurisdiction. Furthermore, since industries and organizations in Rostov oblast are primarily under republican and all-Union jurisdiction, approximately 72% of all revenues collected from them left the region in 1988. (Goskomstat RSFSR, 1991). Many laws introduced during perestroika were intended to strengthen the tax base of regions like the Rostov oblast. These laws, in principle, give local organs more control over the real and financial flows of the all-Union and republican enterprises on their territory. According to the 1987 Law on State Enterprises, profit tax payments flowing into the local budget from republican and all-Union enterprises were to be determined by long-run stable normatives instead of the traditional yearly negotiations between local and republican officials (Pravda, July 1, 1987).

Starting in 1981, local soviets were empowered to control the use of natural, labor and material resources by enterprises on their territories (Barabashev and Sheremet, 1989, p.109). Furthermore, they were given the right to issue orders to enterprises and organizations, irrespective of their subordination, to produce consumer goods with local resources and to distribute these consumer goods as they saw fit (Barabashev and Sheremet, 1989, p.114)

Evidence suggests, however, that local soviets have little control over republican and all-Union enterprises on their territory. In a survey conducted in 1988, 73% of the 110 heads of local soviet executive committees in large cities said that enterprises not under local jurisdiction had become less sensitive to local needs since 1987 (Andriushenko, 1988, cited in Hahn, p.93). Only 5% said that these enterprises had become more responsive to local needs. The lack of sensitivity displayed by representatives of higher administrative authorities toward local governments attests to the mounting and conflicting pressures which was felt by all levels of government. In budgetary analyses of Rostov (Borodin, 1990), Moscow (Chernik, 1989) and the Kondopol raikom (Pogrebnik, 1990), it is argued that stable long-term normatives on republican and all-Union enterprise profits do not strengthen the local soviets' tax base. These authors argue that republican and all-Union enterprises must be transferred to local jurisdiction. As a response to their inability to collect taxes from non-local enterprises, many local soviets during the perestroyka have become entangled in battles for jurisdiction with republican and all-Union officials (see Granberg, 1990).

Local governments have also looked to the growing cooperative and private sector as a source of income. For example, the fiscal council

of the Kharkov Regional Council of Peoples' Deputies decided that the local soviet should provide raw materials and re-usable waste parts from local industries in order to encourage the growth of cooperatives and small private businesses (v nalogovykykh insp., 1989). According to the Kharkov report, in some instances, cooperatives pay as little as 1% of their profits to a district. However, it was proposed that coops should get preferential tax treatment for two years and then pay a profits tax of 35% after this grace period.

Taxes on cooperative income begin to appear in the Moscow city budget planned for 1989 (chernik, 1989). Cooperatives account for a very small share of the local budget (1 million rubles out of a budget of approximately 3,965.5 million rubles in 1989). However, registration fees on cooperatives represent a good potential source of local income. Furthermore, between 1987 and 1989, many Muscovites became involved in individual (private) labor activity, which represents another potential tax base.

All-union legislation gave local soviets power to regulate and to tax cooperatives. The Law on Cooperatives went into effect on July 1, 1988. Since then, cooperative income taxes and registration fees have flowed directly into the local budgets (Tedstrom, 1989). Yet, during the period of July 1988 to February 1989, cooperative tax payments had made an insignificant contribution to local tax revenues.

In this section, it has been argued that legislation passed during the perestroyka that was intended to strengthen the local tax base had failed by 1989. Cooperative tax revenue was not a significant share of the local tax base. Stable normatives on the profits of republican and all-Union enterprises and legislated controls over these non-local enterprises did not satisfy local officials. Furthermore, the Law on

State Enterprises weakened one of the most significant local tax sources: profit payments from local enterprises and organizations. The data used to back this argument is limited. However, if the argument is correct, then the failure of tax legislation is an explanation for the explosion of non-traditional local tax instruments that begin to appear in 1989.

V. Conclusions.

By 1989, many new local forms of local tax collection appear (see Bahry 1989). For example, Tass reported that unprofitable state-owned shops selling consumer goods were being leased to entrepreneurs and would be granted economic independence (Report on the USSR, October 13, 1989, p.40). Similar shifting of shops, cafes and catering companies occurs in 1990 (Report on the USSR, January 18, 1990, P. 43). In 1990, Moscow city began to increase retail prices in subordinate retail establishments (Hanson, 1991). In forming its 1991 budget, the Yaroslavl' city government considered re-selling a share of its state delivered spirits at slightly below market prices as a means of collecting revenue.⁶ Local governments began to seek out joint enterprises (see Bahry, 1989). All of these locally initiated actions represent further attempts to generate tax revenues for the local budget.⁷ These methods of raising local taxes were often improvised and without regard for all-Union or even republican procedures. Thus, by 1991, it became impossible for all-Union officials to conduct its annual budgetary exercise (Stepevoi, 1991, p.1).

This paper has argued that an important cause of the current fiscal crisis is the changing political and fiscal environment of the

local soviets. During the perestroyka, not only did net transfers from higher budgets decrease; but also, the Law on State Enterprises resulted in a decline in receipts from enterprises under local jurisdiction. The tax on cooperatives and the new local control over republican and all-Union enterprises did not provide sufficient revenues to make up for this deficit. These factors led to a drive to increase the collection of revenues. Furthermore, since the traditional system of collection was insufficient to meet local needs, local authorities created new forms of local taxation in a somewhat ad hoc manner. This created serious problems for Union and republican officials who strove to maintain a coordinated fiscal policy.

Footnotes

1. The data in this and the next paragraph is from E. Jacobs, 1983, pp.4-6.

Each of these local soviets fit into a three-tiered administrative hierarchy. The highest tier is that of soviets directly subordinate to the republic or autonomous republic. It is composed of oblasts, raions and major cities. The intermediate tier includes smaller raions, city and borough soviets. The lowest level is made up of small cities, worker settlements and village soviets. The highest tier constitutes only 2% of all local soviets; the intermediate tier, 7.4%; and the lowest tier, 90.6%.

2. There is a sharp fall in the share of the social consumption fund in 1983. Otherwise, the shares are quite stable over time.

3. These figures are computed from the data in table 3.

4. Before perestroyka, the Ministry of Finance had the right to retain any of the surplus in the local budget (see Shaw, 1991, p.442).

4. Other tax sources include a tax on producer co-operatives, taxes on profits and natural resource use payable by local enterprises and organizations and rents for state property controlled by the local soviets (see Shaw, 1991, p.442). These tax sources flow directly into local budgets and are spent in the local budget. All of these tax instruments were formally legislated in the USSR Law "On the General Principles of Local Administration and the Local Economy in the USSR," which Gorbachev signed into power in April of 1990 (see Izvestiya,

Feb.16, 1991, p.2 as cited in Shaw, 1991, p.441). Many localites excercised these rights, for example holding over surpluses, before this law came into effect.

6. We thank Professor Jeffrey Hahn for telling us about this proposal. Hahn found this out while conducting a survey project in the Yaroslavl city.

7. It is not clear what share of these new tax sources are being reported. Some of them may be accounted for as part of the funds from local budgets.

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Table 1
Breakdown of State Budget Expenditures
Type of Budget

<u>Year</u>	<u>Union</u>	<u>Republican</u>	<u>Local</u>	<u>Total</u>
1976	52.8	29.7	17.5	100.0
1978	50.9	32.0	17.1	100.0
1980	53.6	30.3	16.1	100.0
1981	54.5	29.8	15.7	100.0
1983	52.7	31.3	16.0	100.0
1985	52.5	31.6	15.9	100.0
1986	53.4	31.1	15.5	100.0
1987	55.1	28.7	16.2	100.0
1988	53.4	30.7	15.9	100.0
1989	50.7	32.8	16.5	100.0

1989 data are taken from *Gos. Byudzhet* 1990, p. 15; 1988 data are from *Gosb.* 1989, p.15; 1986 and 1987 data are from *Gosb.* 1988 p.13; 1981 and 1983 data are from *Gosb.* 1981-1985, pp.12-13; 1976-1980 are from *Gosb.* 1976-1980, pp.20-21.

Table 2 (page 1 of 2)

Structure of Local Expenditures in the USSR
(Percentages)

<u>Expenditures</u>	<u>1976</u>	<u>1978</u>	<u>1980</u>	<u>1981</u>	<u>1983</u>
1. STATE ECONOMY	31.2	31.4	30.8	30.2	35.6
1a. agriculture	2.6	2.5	2.6	3.5	9.2
1b. housing	22.6	21.8	22.1	21.7	19.3
1c. trade	2.0	3.1	2.3	1.0	2.3
2. SOCIAL CULTURAL MEASURES AND SCIENCE	64.0	63.0	63.4	63.5	58.0
2a. education	36.3	34.7	34.2	34.2	30.8
2b. health and recreation	26.1	26.5	27.3	27.3	25.3
3. ADMINISTRATION	2.3	2.4	2.4	2.4	2.2
4. OTHER EXPENDITURES	2.5	3.2	3.4	3.9	4.2
5. TOTAL	100.0	100.0	100.0	100.0	100.0
6. SOCIAL CONSUMPTION FUND (lines 1b + 2)	88.6	84.8	85.5	85.2	77.3

1989 data are from *Gosbyudzhet 1990*, p. 49; 1988 data are from *Gosb. 1989*, p. 49; 1986 and 1987 are from *Gosb. 1988*, p. 47; 1981, 1983 and 1985 are from *Gosb. 1981-1985*, pp. 70-71; 1976, 1978 and 1980 is from *Gosb. 1976-1980*, p. 73.

Table 2 (page 2 of 2)

Structure of Local Expenditures in the USSR
(Percentages)

<u>Expenditures</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
1. STATE ECONOMY	35.1	35.3	35.3	30.7	29.1
1a. agriculture	8.7	9.1	9.9	5.8	4.8
1b. housing	21.4	21.0	20.9	20.2	19.1
1c. trade	1.0	0.9	0.8	0.5	0.4
2. SOCIAL CULTURAL MEASURES AND SCIENCE	59.3	59.3	60.2	64.7	65.5
2a. education	32.5	33.4	34.2	36.9	36.8
2b. health and recreation	24.8	24.2	24.2	25.9	26.6
3. ADMINISTRATION	2.1	2.0	1.9	2.0	2.1
4. OTHER EXPENDITURES	3.5	3.4	2.6	2.6	3.3
5. TOTAL	100.0	100.0	100.0	100.0	100.0
6. SOCIAL CONSUMPTION FUND (lines 1b + 2)	80.7	80.3	81.1	84.9	84.6

Table 3 (page 1 of 2)

Distribution of Local Income
(millions of current rubles)

	<u>1976</u>	<u>1978</u>	<u>1980</u>	<u>1981</u>	<u>1983</u>
1. OWN INCOME	10,574.2	11,581.0	13,867.7	14,571.2	15,128.8
1a. profit taxes of local enterprises	6,765.4	7,403.4	8,991.5	9,887.5	10,122.0
1b. local taxes and duties	982.6	1,074.4	1,129.6	1,142.9	1,128.6
1c. rent income	76.7	75.9	33.6	33.7	35.9
1d. additional income for covering expenditures	1,171.2	1,401.0	1,651.7	1,718.6	1,807.4
1e. other income	1,578.2	1,653.2	2,061.7	1,788.3	1,944.9
2. REGULATED INCOME SELECTED COMPONENTS	28,053.9	31,477.4	31,873.9	33,629.9	35,157.1
2a. turnover tax	16,031.9	18,162.8	17,402.0	18,678.0	18,353.3
2b. profit taxes of republican enterprises	1,469.2	1,654.1	1,833.4	1,895.8	2,124.5
2c. income taxes of enterprises and organizations	1,258.7	1,303.4	1,429.9	1,516.2	1,725.5
2d. state taxes on the population	8,398.2	9,465.5	10,318.3	10,683.3	11,601.1
3. SUPPLEMENTS FROM HIGHER BUDGETS	231.5	202.0	100.2	107.1	85.9
4. FUNDS					
4a. funds received from republics	4,121.5	6,494.0	6,034.9	5,272.1	11,623.9
4b. funds received from local budgets	-	-	-	-	-
4c. funds paid to republics	1,749.1	3,372.8	2,451.6	2,860.7	3,317.7
4d. gross funds (4a + 4b)	4,121.5	6,494.0	6,034.9	5,272.1	11,623.9
4e. net funds (4d - 4c)	2,372.4	3,121.2	3,583.3	2,411.4	8,306.2
5. TOTAL INCOME (1 + 2 + 3 + 4d)	42,981.1	49,754.4	51,876.7	53,580.3	61,995.7
6. NET TRANSFERS (3 + 4a - 4c)	+2,603.9	+3,323.2	+3,683.5	+2,518.5	+8,392.1
7. NET INCOME (5 - 4c = 1 + 2 + 3 + 4e)	41,232.0	46,381.6	49,425.1	50,719.6	58,678.0

1976, 1978 and 1980 are from Gosb., 1976-1980, p. 9; 1981, 1983 and 1985 are from Gosb., 1981-1985, pp. 4-5; 1986 and 1987 are from Gosb., 1988, p. 5; 1988 are from Gosb., 1989, p. 5; 1989 are from Gosb., 1990, pp. 44-45, p. 48.

Table 3 (page 2 of 2)
 Distribution of Local Income
 (millions of current rubles)

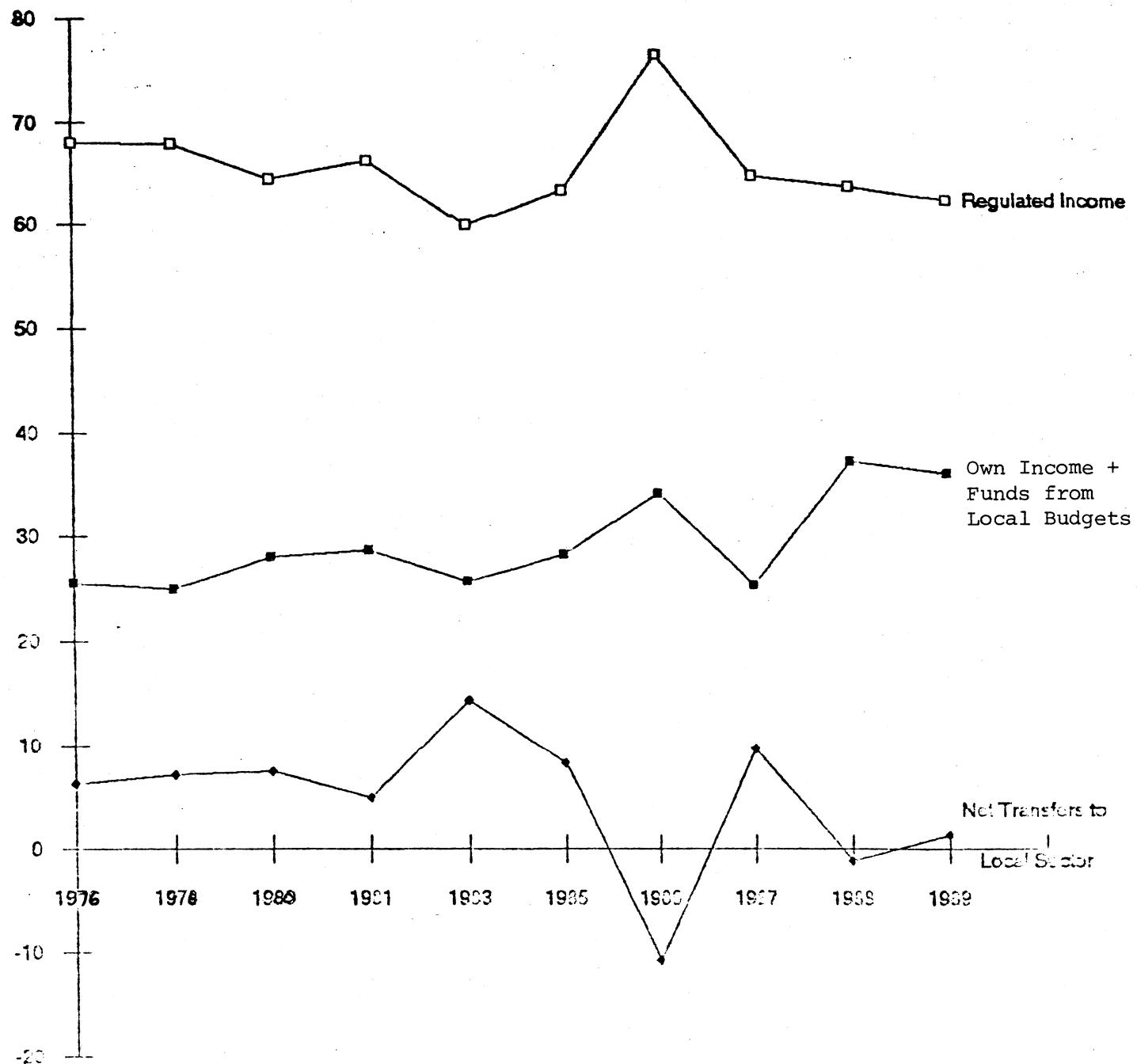
	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
1. OWN INCOME	17,786.6	18,467.5	18,348.3	35,230.4	39,087.0
1a. profit taxes	12,260.4	13,029.2	12,905.3	11,986.5	10,428.8
of local enterprises					
1b. local taxes and duties	1,336.3	1,348.6	1,435.7	1,566.0	1,584.4
1c. rent income	38.4	40.0	-	-	-
1d. additional	1,778.8	1,661.1	1,834.0	2,186.5	3,672.6
income for covering expenditures					
1e. other income	2,373.7	2,383.6	2,173.3	2,367.9	2,847.2
2. REGULATED INCOME	39,872.9	41,386.1	46,902.5	60,290.5	67,603.1
SELECTED COMPONENTS:					
2a. turnover tax	20,471.9	21,489.8	24,725.4	33,879.7	29,890.3
2b. profit taxes of republican enterprises	2,306.1	2,170.0	2,605.2	4,908.8	11,512.1
2c. income taxes of enterprises and organizations	1,957.1	2,059.5	2,285.9	2,243.2	3,767.9
2d. state taxes on the population	13,731.9	14,186.9	15,689.9	17,673.9	20,760.6
3. SUPPLEMENTS FROM HIGHER BUDGETS	254.1	1,144.6	606.0	874.0	1,744.6
4. FUNDS					
4a. funds received from republics	9,015.2	10,502.7	28,248.8	8,763.6	10,047.7
4b. funds received from local budgets	-	-	-	17,123.5	20,554.0
4c. funds paid to republics	4,079.0	17,446.1	21,847.7	10,739.9	10,399.8
4d. gross funds (4a + 4b)	9,015.2	10,502.7	28,248.8	25,887.1	30,601.7
4e. net funds (4d - 4c)	4,936.2	-6,943.4	6,401.1	15,147.2	20,201.9
5. TOTAL INCOME (1 + 2 + 3 + 4d)	66,929.8	71,500.9	94,105.6	105,158.5	118,482.4
6. NET TRANSFERS (3 + 4a - 4c)	+5,190.3	-5,798.8	+7,007.1	-1,102.3	+1,392.5
7. NET INCOME (5 - 4c = 1 + 2 + 3 + 4e)	62,850.8	54,054.8	72,257.9	94,418.6	108,082.6

Table 4
Distribution of Net Local Income
(Percentages)

	<u>1976</u>	<u>1978</u>	<u>1980</u>	<u>1981</u>	<u>1983</u>
1. Own income and funds from local budget	25.6	25.0	28.1	28.7	25.8
2. Regulated income	68.0	67.9	64.5	66.3	59.9
3. Net transfers to local sector	6.3	7.2	7.5	5.0	14.3
	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
1. Own income and funds from local budget	28.3	34.2	25.4	37.3	36.2
2. Regulated income	63.4	76.6	64.9	63.8	62.5
3. Net transfers to local sector	8.3	-10.7	9.7	-1.2	1.3

Figure 1

**Distribution of Net Local Income
(Percentages)**





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