



Erika Steiner dr.

Introduction to the Hungarian Local Government System



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Introduction to the Hungarian Local Government System

Constitutional basis

The **foundations** of local governance are provided by the **Fundamental Law of Hungary** (the Constitution). The Parliament adopted CLXXXIX Law of 2011 (Mötv. in Hungarian) on the Local Governments of Hungary as a cardinal law in accordance with the provision of the Fundamental Law.

In accordance with the Fundamental Law, the source of public power are the people, who exceptionally exercise their power directly through their elected representatives.

To manage local public administrative tasks and exercise local public power, local authorities are operated in Hungary.

Based on general and equal voting rights, voters **elect local government representatives (councilors) and mayors** directly and through secret ballot for five years.

In the local government system, following the first democratic local elections (on 30 September, 1990), the seventh general election took place in October, 2014.

While **the Fundamental Law** declares the constitutional foundations of local governments, it does not regulate the types of local governments and their spheres of operation. At the same time, **it determines the territorial division of the country in article F) of the part titled Foundations** as follows:

“(1) The capital of Hungary is Budapest.

(2) The territory of Hungary is divided into the capital, counties, towns and communes.

Districts may be created in the capital and in the towns.”

The territorial division of Hungary fundamentally determines the structure of the state and thus the operation of local authorities. Accordingly paragraph 3. § (1) states that the right of local governance belongs to the voters’ community in municipalities and counties. At the same time, the provision also clearly states that in our country **there exist two types of local authorities: municipal and territorial local authorities.**

There **does not exist any hierarchical relationships** between local authorities, they have equal rights, but their tasks and powers are different. The tasks and powers of local authorities are determined in a differentiated manner in relation to their specificities and strength.

The types of local authorities

1. Municipal local authorities

Local authorities in Hungary operate in communes, towns, township centers, in towns with county rank and capital districts.

Commune

A specificity of the Hungarian municipal structure is that the number of communes is the highest out of all local authorities in Hungary and among them municipalities with lower population also represent a considerable number.

„Commune-type” local authorities obligatorily undertake those tasks that provide for the basic living conditions of the local people and for the direct use of public services necessary for these basic living conditions. These tasks primarily connected to municipal management are: maintenance of public spaces, public lightening, GP service, basic social service-provision.

Large commune

It is not an independent local authority category, only a title that may be used by municipalities that already possessed this title before the coming into effect of the Act, furthermore by those municipalities the population of which is at least 3000 people.

Town

The category of town is primarily a title which is based on the population size, the economic and infrastructural development of the municipality, the services available in the town, the effect on and allurements of the town to neighboring municipalities. In the local government system, only the tasks undertaken differentiate the towns from the „commune type“ local authorities.

Township center towns

Township center towns represent a separate category within the category of towns (the township is primarily a state-administrative category, however the township center town determined in law also have a special role). Beyond their town function, township center towns provide for public services – determined in certain laws – in the whole area of the township.

Town with county rank

Thanks to their economic power and aptitude, these towns are capable of providing for those public services – except the ones determined by the law – that extend beyond their boundaries to the whole or large part of the county. These are county seat towns or those towns that were declared towns with county rank before the coming into effect of the law.

2. The county local government

According to the provisions of the Möt. in effect, the role of the current county local governments significantly changed. Its tasks are: territorial development, rural development, spatial planning, coordination tasks. County local authorities adopt the spatial planning plan, territorial development concept for the county and prepare a territorial development program.

3. Capital and its districts

The capital has a special role in the public administration of Hungary. One-fifth of the Hungarian population lives in Budapest. The public services provided by the capital are significant. In Hungary, there is a two-level local government system, the tasks and powers of the capital local authority and the district local authorities are, however, different. The capital local authority – which is a territorial local authority – undertakes all the territorial and municipal development, spatial planning, and urban management tasks that affect the whole of the capital or are related to the special status of the capital in the country, furthermore it undertakes the local government tasks affecting the whole of the capital or several districts. The capital district local authorities independently exercise all the task and powers that the law inscribes to municipal local authorities and that it does not inscribe to the tasks and powers of the capital local authority, they also undertake those municipal development, spatial planning and urban management tasks that do not belong to the sphere of the power of the capital local authority.

District mayors take up 23 mandates of the 33 of the capital General Assembly. The rest of the mandates are filled up based on a compensation list.

The division of the number and the population size of the Hungarian municipal local authorities in 2016 is shown in the table below.

Municipal local authority	The number of local authorities (pcs)	Number of local authorities (%)	Population of local authorities (capita)	Population of local authorities (%)
Commune type local authorities, with a population under 500 people	1 064	33,5	282 985	2,8
Commune type local authorities, with a population between 500 and 999 people	674	21,2	484 901	4,8
Commune type local authorities, with a population between 1000 and 2999 people	855	26,9	1 449 264	14,4
Commune type local authorities, with a population of 3000 people or above	110	3,5	416 493	4,2
Total number of communes	2 703	85,1	2 633 643	26,2
Large communes	106	3,3	395 726	4,0
Town local authorities with a population under 5000 people	89	2,8	305 802	3,0
Town local authorities with a population between 5000 and 9999 people	112	3,5	778 980	7,8
Town local authorities with a population of 10 000 people or above	121	3,8	2 222 010	22,1
Total number of town local authorities	322	10,1	3 306 792	32,9
Town with county rank local authorities	23	0,7	1 999 333	19,9
Capital and district local authorities	24	0,8	1 704 649	17,0
Total number of municipal local authorities	3 178	100,0	10 040 143	100,0

The tasks and powers of local authorities

The tasks undertaken by the local authorities and their bodies **may be divided into two groups:**

- local government and
- public administrative tasks.

Article 31 of the Fundamental Law determines the essence of the local governance as the management of local public administrative tasks that are related to the provision of public services to the citizens, and to the creation of the organizational, staff-related and financial conditions of the cooperation with the citizens.

1. The tasks and powers of the local government maybe:

- obligatory and
- voluntary

A. The obligatory local government tasks are:

- municipal development, spatial development, municipal management (public cemeteries, public lightening, chimney sweeping etc.),
- kindergarten services,
- social, childcare and child-welfare services and provisions,
- health care basic service (GP, dentist etc.), services aimed at the creation of a healthy life-style, environmental-health (e.g. public sanitation, disinsection),
- cultural service (library, public education, support of art and theatre etc.),
- local environmental and nature protection, water-management, water damage prevention, provision of drinking water, water-sewage disposal, treatment, purification (water-channel service) ,
- housing and space management,
- national defense, civil defense, rescue services (disaster management),
- cooperation in the provision of the public-safety of the municipality,
- local public-employment,
- tasks connected to local tax, economic management and tourism, ,
- tasks related to sport and youth,
- themes connected to minorities and ethnicities,
- waste-management
- district heating services,
- provision of sales opportunities, weekend sales for the selling of products – of small and primary producers – determined by the law.
- The law may prescribe the undertaking of a local public task, or locally performable public task beyond the ones listed here.
- In cases determined by law, the local authority may undertake state administrative tasks based on a separate agreement between the local authority and the state that also settles the question of financing.

B. Voluntary local authority tasks are

- The local authorities may undertake local public tasks that are not prescribed to the exclusive power of other bodies by the law.
- The undertaking of voluntary tasks may not endanger the undertaking of obligatory tasks. The source of their financing is primarily provided from the proper income of the local government, or from separate sources secured for this aim.

2. The public administration tasks and powers

Part of the basic public administration tasks is provided for the population locally by the organs of the local government. In the local government system, **the mayor, the notary or the administrator of the local government office** may have such sphere of power. Local government organs play a significant role in the handling of frequently occurring public administrative issues (e.g. social aid provision) and in the undertaking of national defense, civil defense and disaster management tasks. Financial support for the undertaking of state-administrative tasks is provided from the central budget. In the case of local government tasks the support is proportional to the tasks undertaken, in the case of public administrative tasks the support of the budget is necessary.

Following 2010, the structure of the state in Hungary changed significantly, as a result of the renewal of the local government system, the division of work between the state and the local governments also changed. In several areas, the state took up an even more significant role than before.

- the new Möt.v. presupposes a more differentiated task-management for municipal local governments than the previous,
- from 2013, a considerable part of tasks is provided directly by the state,
 - ♦ **From public education tasks** only the kindergarten service provision and the operation of schools in municipalities with a population of more than 3000 people remained a local government task. The professional maintenance of schools became a state task, the Klebelsberg Institution-Maintenance Center was created to this end.
 - ♦ **From health care tasks,** only basic service provision and outpatient care are local tasks, hospitals are maintained by the state.
 - ♦ **In the social field,** services based on individual need and the public health provision (see provision of medicine or medical devices by the state to those in need) were transferred to township offices, systematic and equity social provisions remained in the sphere of power of the body of elected representatives (council) of the local government.
 - ♦ **In the cultural area,** the libraries, museums, theatres were transferred to the towns with county rank, the management of county archives became a state task, the management of exposition areas, moving libraries and country houses remained local government tasks.
- In the future municipal local governments provide for those public tasks for the citizens that require real local task-organizational decisions,
- county local governments became key-actors of territorial development
- part of the state-administrative tasks and powers was transferred to the township offices,
- In municipalities with a population under 2000 people joint local government offices had to be created.

On the township system

Part of the public administrative task and powers was transferred to township offices from 1 January, 2013. The creation of the township system is one of the elements of the general transformation of the public administration.

Township (capital district) offices were set up as the organizational units of capital and county governmental offices.

The township office is an organization of double legal status. The township office is on the one hand the office of the county governmental office and together with it, it constitutes a unitary budgetary organ. On the other hand, it is an independent, first-level authority with general power.

The most important task of the township offices is the undertaking of the state-administrative task at a lower level than that of the county.

Based on this, **the following tasks were transferred to the township offices:**

- a part of the state administrative tasks formerly belonging to the notary.
- tasks and cases belonging to the sphere of power and tasks of the micro-regional offices, customer services and offices of the specialized administrative organs of the county governmental offices

Thus, from 2013 the role-taking and influence of the state has significantly increased and continues to grow, **whereas the main focus of local government activities is directed at the municipal management, the involvement of the local society and the self-organization of the local community.** The roles have changed accordingly. Whereas, the role of local governments as local administrative authorities is more and more secondary, the developments, the provision for a sustainable living place are more and more in the center of the concept of local

governance. Because of all this, the attitude of the notary as an officer was replaced by a municipal manager role. In the case of the mayor, the citizen interest-protective role becomes more and more important, as the first leader of the municipality, the mayor is the one who conveys the critiques concerning the quality of the public service provided by an external service provider that is not the local government towards the citizens.

The organs of the local governments and their operation

1. Local government elected representative

The mandate of the local government elected representatives **is for 5 years**. **The number of the elected representatives in the body of elected representatives** (council) of the local government **depends on the population of the given municipality**.

In municipalities with a population under 10 000 people, elected representatives **are elected through individual lists whereas in bigger municipalities and capital districts they are elected in a mixed elective system – in individual voting districts and through compensatory lists**.

County local government representatives are elected by voters through county lists.

2. The body of representatives

The most important organ of the local authority is the body of representatives, the members of which are elected by the voters through direct and secret ballot. **The primary addressee of local government tasks and powers** is the body of representatives that may in a legal framework transfer its powers to its organs. The body of representatives is **the principal decision-making body, the practitioner of public power, in this sphere it may create legislation and local government acts**.

The Möt. regulates the operation of the body of representatives in the form of a framework, the elaboration of this framework is undertaken in the Organizational and Operational Rules of the local government.

2.1 The Committee of the body of representatives

The committee has an outstanding status among the organs of the local government, it also functions based on the principle of the board. As a principal rule, the body of representatives determines the structure of the committee, its tasks, number of members, nature of composition and it may change all of these anytime.

The Möt. states that at the municipalities with a population larger than 2000 people **it is obligatory to create a financial committee** and it also prescribes that **the examination of property-statements** is undertaken by the committee determined in the Organizational and Operational Rules.

The law may call for the creation of other committees as well, for which it may also determine separate tasks and powers.

With regard to municipalities with a low population, the Möt. regulates their situation flexibly. At the municipalities with **a population lower than 100 people** the committee tasks are undertaken by the body of representatives, at the municipalities with a population lower than 1000 people the obligatory committee tasks and powers may be undertaken by a single committee. The body of representatives may create **a temporary committee** for the undertaking of the local government tasks.

2.2 The local government of one part of the municipality

Due to geographical characteristics or as a result of economic development, specific interests may arise in certain well-definable parts of the municipality. In order to represent these interests, the body of representatives may decide on the introduction of the legal institute of a **local government for one part of the municipality**. The local government for one part of the municipality functions as an **organ of the body of representatives**, its regulation takes place in the Organizational and Operational Rules.

2.3 The associated body of representatives

The associated body of representatives is a **specific**, rarely occurring, **form of local government cooperation**, the essence of which is that **two or more bodies of representatives create a (joint) body of representatives**. The associated bodies of representatives **maintain a joint local government office, jointly manage their institutions, they partially or completely merge their budget**.

3. The association/cooperation of local governments

Because of the fragmentation of the Hungarian municipal structure, it is very important **to strengthen the cooperation between the local governments**. One of its tools could be the legal institution of the cooperation/association, the essence of which is **the joint undertaking of tasks by the local governments for the sake of a more efficient use of resources, through an agreement**.

Based on agreement, the body of representative of the local government may create an association with legal personality for a more efficient and appropriate undertaking of the tasks and powers of the body of representatives of the local governments or the public administrative tasks and powers of the mayor and the notary.

The Law may order the undertaking of the obligatory task of local governments in association (**the legal institution of obligatory association**).

4. The mayor's office and a joint local government office

The office tasks may be undertaken in two ways: through the operation of an **independent mayor's office** (county local government, lord mayor's office) or **through a joint office** created by several local governments. As a main rule, **those communes, the population of which do not reach 2000 people** may not have an independent mayor's office, they have to create a joint local government office.

The decisions related to the office basically belong to the sphere of power of the body of representatives.

Based on the legal framework, the body of representatives decides upon the creation of the office. In case of the creation of a joint local government office, the decision should be incorporated into an agreement.

The financial sources necessary for the operation of the offices (the mayor and the joint offices) are financed by the state in a proportion determined in the law on the central budget of the given year.

The **main tasks** of the office are **to prepare the local government and state administrative decisions and the organization of the implementation of these decisions**.

The office does not have an independent power of decision. The office participates in the harmonization of the cooperation of local governments with each other and with the state organs.

The creation of the joint local government office is subject to conditions set by the law.

It is a legal prescription that the total population of the municipalities belonging to a joint office should **be at least 2000 people** or the number of local governments belonging to the joint office should be **at least seven**.

If one of the municipalities belonging to the joint local government office is a town, the rule concerning the obligatory size of the population is not applicable. In this case, one may ignore the condition of the population of 2000 people and also that of the minimum of seven municipalities.

Yet another condition of the creation of a joint local government office is that the municipalities making up the joint office should be situated **in one township**. Furthermore, joint offices may only be created from municipalities, the public administrative area of which is only separated by the public administrative area of one municipality.

If one of the constituting municipalities of **the joint local government office is a town**, then the seat **should be the town**. The office is the organ of the body of representatives of the local government. **Its activities are primarily connected to two task-groups: the local government and the state administrative cases.**

The officers of the local governments

1. The mayor

The mayor is the determining actor of the local government system, an elected leader that has received **its authorization from the voters directly** since 1994, thus he/she has a very strong authorization as the first actor of the local public life and a municipal manager.

There is not any prescriptions of qualification in the law for mayor-candidates in Hungary, however the activity of mayors require extensive skills and knowledge. Similarly to the mandate of the elected representative, **the mayor's mandate is also for 5 years**.

Independently of the size of the population, the post of the mayor may be fulfilled at any local governments **in full employment or in the form of a social authorization**. A mayor is in full employment if he/she was elected as a fully employed mayor. The mode of the fulfillment of the mayor's post may be changed once by the body of elected representative, with the consent of the mayor, along with the simultaneous modification of the Organizational and Operational Rules.

The room for maneuver of the body of representatives **concerning the question of salary, honorarium and payment of expenses of the mayor** was terminated compared to the earlier regulation. While defining the exact proportion of the remuneration in the case of the Lord mayor, the Möt. adjusted his/her salary to the ministerial salary and in the case of the mayors of the capital districts and the mayors of towns with county rank to the salaries of the deputy state secretaries'. The mayors of full employment receive a given percentage of the salary of the deputy-state secretary calculated in proportion of the size of population of the given municipality.

Mayors of social authorization receive 50% of the mayor's salary, he/she may partially or completely give up its salary. The proportion of the payment of expenses of the mayor is 15% of his/her honorarium.

The tasks and powers of the mayor and other licenses

Based on their characteristics mayors' tasks maybe organized around the task-groups below:

- tasks related to the body of representatives and to the committee;
- tasks related to the local government office;
- the undertaking of public administrative task and powers;
- tasks related to non-governmental organizations and citizens;
- exercise the employers' rights.

Mayors' licenses **related to the local government office** became stronger with the coming into effect of the new Act on Local Governments. One of its significant elements is that, contrary to the former practice, instead of the body of representatives it is **the mayor who appoints the notary** leading the office. The mayor **is leading** the local government office based on the decisions of the body of representatives and within its own power.

In the area of public administrative tasks, the mayor decides in cases belong to his/her sphere of power. He/she may transfer these powers to the deputy-mayor, the notary, or the administrator of the office.

The legal regulations do not name **the tasks related to civil organizations and the citizens**, but keeping contact with them, or being present at local events arise from the local public role of the mayor.

With respect to his/her **employers' rights**, apart from the appointment of the notary, the mayor may exercise his/her employers' rights related to the deputy-mayor or the leaders of local government institutions.

2. The deputy-mayor

Its primary function is **the substitution of the mayor and the support of his/her work**. According to the provisions of the law, it is obligatory to elect one deputy-mayor, a deputy-Lord-mayor, and a Deputy-President of the General Assembly, but it is also possible to choose several deputy-mayors.

It is an important rule that **one deputy-mayor has to** be chosen from the members of the body of representatives. Since 2010, it is also possible **to choose a deputy-mayor that is not member of the body of representatives**. **The legal status** of a deputy-mayor chosen in this way **is unique**: he/she may not substitute the mayor in his/her position as the president of the body of representatives, but may participate at the meetings of the body of representatives with consultation rights.

3. The notary and the deputy-notary

The legal status and the appointment of the notary

The notary is the **first professional** leader of the local government and as such it is important that he/she should have the adequate – primarily legal, administrative and organizational – knowledge and skills. The qualification prescriptions are also determined by law. The public service employment of the notary is not created through election but **by appointment** for an undetermined time period.

The prescriptions applied to the notary according to the provisions of the law may be applied to the **notary of the joint local government office** as well with the exception that for his/her

appointment and release a majority decision of the mayors of the affected local governments in proportion to the population size is needed. If the seat of the joint local government office is a town, in lack of a different agreement – the notary is appointed by the mayor of the town and the mayor practices the rights of the employer over the notary.

The tasks of the notary

The **notary leads** the mayor's office or the joint local government office. The tasks of the notary may be grouped around on the one hand, the tasks related to **the representing bodies** and on the other hand, around the tasks related to the professional task provision of the notary and to the office.

Apart from the body of representatives, the notary's closest relation is with the mayor. His/her task is to prepare the public administration tasks belonging to the sphere of power of the mayor for decision and make a decision in those administrative cases that are transferred by the mayor. Besides he/she decides in local government and local government administrative cases referred to his/her power.

The notary is the guardian of legality at the local government. In this respect, he/she indicates the body of representatives, to its organs and the mayor, if their decision and operation is unlawful. The notary is obliged to report on the activities of the office to the body of representatives on an annual basis. The **tasks related to the leading of the office** belong to the other large group of the responsibilities of the notary.

The notary **exercises the rights of the employer related to the civil servants and employees of the mayor's office, and the joint local government office**. This right is partially limited by the fact that for the appointment, the release, the promotion, the paying and the rewarding of the employee, the consent of the mayor is necessary. The notary takes care of the undertaking of tasks related to local government management.

4.The deputy-notary

The notary is substituted by the deputy-notary, he/she undertakes the tasks determined by the notary. His/her appointment is obligatory at municipalities with a population over 10 000 people and in joint local government offices. Based on the law, only one deputy-notary may be appointed. The only exceptions from this rule are, the office of the capital, the capital districts, the towns with county rank, the office of the county General Assembly, where several deputy-notaries may be appointed.

The financial and economic system of the Hungarian local governments

Basis and characteristics of local government economic management

1. The revenues of local governments may basically be divided into three groups:

a) Proper revenues

- local taxes;
The system of local taxes are detailed in point 4.
- revenues from proper activities, enterprises, utilization of local government property, profit, dividend, interests, rent;
- transferred liquid assets;

- fees, fines and duties assigned to local governments by law;
- other specific revenues of local governments and their institutions.

b) Transferred central revenue

The revenues belonging here are independent of the decision of the local government, however, this revenue type has specific local nature due to the fact that the revenues transferred are produced locally (at the operational area of the given local government). An additional important factor is that the use of these revenues is not limited.

Transferred revenue

- 40% of the vehicle tax collected by the local government, 100% of the revenue from the fine, allowance, enforcement cost related to this tax,
- 100% of the personal income tax deriving from the rental of the soil,
- 100% of the environmental fine set in a legally binding way by the notary of the local government,
- 30% of the fine set and collected by the environmental-, natural protection- and water inspectorate at the local government areas.
- 100% of the income coming from penalty fines and on the spot fine,
- 40% of public administration fine collected with regards to the breaching of traffic rules,
- 100% of the public administration fine set by the public space supervisor as a consequence of public rule breaches.

c) State contributions and supports

The vast majority of state supports and contributions reaches local governments through the task-based financing system.

Apart from the above, the **health insurance supports** arising from the Health Insurance Fund and belonging to the local governments maintaining the health care institution **are also important revenue sources in the local government sub-system of the national budget** that from 2013 only affect the basic health care provision.

Local governments may further extend their revenues through other development supports acquired through calls for proposals.

A part of this derives from the national budget, yet another part is a support from the European Union.

2. The expenditures of local governments

Depending of the local government type, the expenditure structure of each local government may be completely different from one another type.

In the last few years – as a consequence of the increase in the EU and domestic grant sources of local governments – **an increasing tendency in the sum of the cumulative and capital type expenditure of local governments may be perceived.** Further local government expenditure types are: **expenditures related to the provision of various public services, citizens contributions, transfers provided for organizations outside of the state budget and further expenditures.**

Naturally, the budget of local governments also contains **reserves and it is obligatory to create general and targeted reserves.**

3. The annual budget of the local governments

The following revenues are calculated as a local government revenue: the local tax revenues, the supports necessary for the general operation and the sectorial tasks of the local governments and that of the local minority governments, further grants deriving from the central budget, revenues from projects and programs financed from EU sources.

Furthermore, **it is also among the expenditures of the local governments** that the following indicator numbers are planned: expenditures of local government investments and renovations determined for each investment and renovation separately, support provided for the citizens by the local government, social aid and benefit for those in need, general and targeted reserves, expenditures for projects from EU sources, local government contribution to these projects.

Among the planned income and expenditure of the local government office, the expenditures and incomes related to the activities of the office itself should be planned in advance.

4. The system of local taxes

The income deriving from taxes is the income of the local government that determines this tax. It may only be used for development purposes and for the financing of social aid belonging to the sphere of power of the body of representatives of the municipal local government.

- Property-type taxes:
 - ◆ Property (edifice) tax (max. 1821 HUF/m², or 3,6% of the market value)
 - ◆ Land tax (max. 331 HUF/m², 3% of the market value)
- Communal tax of private persons (max. 28 145 HUF/year)
- Tax on tourism (max. 496 HUF/person/day)
- Local business tax:
 - ◆ Based on permanent activity (max. 2% of the net turnover)
 - ◆ Based on temporary activity (max. 5000 HUF/day)
- From 2015 it is possible to levy new types of local taxes, communal taxes that the local government may impose only on private persons, related to tax objects not taxed by other types of taxes.

5. The task-based financial system

- From 2013 – as part of the local government reform – for the remaining tasks a new type of financial system was introduced
- From 2013 those incomes previously remaining at a local level or central revenues assigned to local governments (Personal Income tax, duty fees, 61% of the tax on vehicles) serve the undertaking of the increased state tasks.
- The normative financing system based principally on the number of inhabitants, or number of people benefiting from the services was replaced by the task-based financial system.
- The supports provided in the new financial system are supports the use of which is predefined.
- The balancing mechanism (deduction system) is still operated within the financial system.

The financing structure of year 2016:

- 40% of the tax on vehicles prescribed to local governments,
- The IX. Chapter on Grants for Local Governments (based on the adopted budget) contains **661,7 billion HUF grants for local governments**

The developments of the grants of local governments from the central budget

Year	Data on accomplishments of Chapter IX. on Grants for Local Governments (billion HUF)
2008.	1 421 716,0
2009.	1 308 451,9
2010.	1 259 386,6
2011.	1 195 626,5
2012.	1 066 707,2
2013.	674 808,4
2014.	715 854,9
2015.	649 264,6
2016.	661,741,7

As the result of the program of the Government to renew local governments, the re-division of tasks between the state and the local government also meant the decrease of county local government tasks from 2012 and that of municipal tasks from 2013, thus this also meant the narrowing of central governmental grant resources for local governments.

6. The system of deduction and supplement

- The extraordinary differences of the local business tax capacity of local governments, necessitates **the operation of a balance system**.
- The sum of **certain budgetary supports may be reduced by the expected, calculated local tax income**.
- Those possessing low tax-income capacities (under 8500 HUF), instead of deduction receive a supplement (with a supplement support of a certain percentage based on the amount of general supports), above this sum, the deduction takes place in single zones.
- The calculated income to be reduced is 0,55% of the tax base (previously 0,5%), in the case of local governments with very high tax income it might reach 0,65%.

The levels are indicated in the next table.

No.	Categories in accordance with the tax power of local governments/inhabitant (HUF)		Decrease of support in proportion of the percentage of the calculated income	Supplement as a percentage of the supplement and deduction base
	Lowest limit	Highest limit		
1.	1	5 000	0	25
2.	5 001	8 500	0	15
3.	8 501	10 000	10	0
4.	10 001	12 000	20	0
5.	12 001	15 000	40	0
6.	15 001	18 000	60	0
7.	18 001	24 000	85	0
8.	24 001	36 000	95	0
9.	36 001	42 000	100	0
10.	42 001	60 000	105	0
11.	60 001	100 000	110	0
12.	100 001		120	0

7. Debt-consolidation of local governments and their inter-municipal cooperation

Between 2011. and 2014. all the debts of the local governments were overtaken by the government in the course of the renewal of the local government system

Scheduling	Number of effected local governments and co-operations	Amount of consolidation (in million HUF)
2011 – county local governments	20	197 600,7
2012 – local governments under 5000 inhabitants and multi-purpose co-operations	1 740	84 763,1
2013 – local governments above 5000 inhabitants	279	614 396,6
2014 – all local governments and co-operations	516	472 317,4
Sum	2 082	1 369 077,8

The government acknowledged the cost-efficient economic management by providing a determined amount of grant divided for four years for those local governments not affected by the debt-consolidation.

The possibilities of cooperation of local governments

1. On the local government associations

The Fundamental Law declares that the local government associations may create local government interest-representing associations. According to the current law, the interest-representing association may function as an associated type legal institution and provides for the protection of local government interests.

The Möt. makes the creation of several local government associations possible. The Möt. speaks about several national local government interest-representing associations, the local government associations in Hungary may be organized within a national framework.

On the one hand, the Möt. provides local government interest-representing associations with the opportunity to consult with the central legislator, on the other hand it makes the practice of the petition right and the making of legislative proposals possible. The other important certificate of the interest-representing local government associations is that they may consult the government on strategic questions related to public services undertaken by local governments and on those provisions of the central budget that concern local governments.

The Möt. determines which organizations can be considered national local government interest-representing organs. The minimum membership size is determined by the law according to local government type. Based on all this, an interest-representing local government association is regarded as a **national local government association** if:

- the association representing the county local governments has at least 13 member county local governments,
- the association representing towns with county rank has at least 15 members from towns with county rank,
- the association representing the capital has at least 15 capital district local government members

- the association representing towns and township center towns has more than half of the local governments that take up this role as members and within its membership more than half of the township center towns,
- the given integrative local government interest-representing associations have at least 400 local government members and at least 11 territorial (county) organizations.

2. The following local government associations function in Hungary

- National Association of County Local Governments (MÖOSZ)
- Association of Towns with County Rank (MJVSZ)
- Association of Budapest Local Governments (BÖSZ)
- National Association of Small Cities (KÖÖÉSZ)
- National Association of Communes and Small Municipalities (KÖSZ)
- Hungarian Association of Local Governments (MÖSZ)
- Hungarian Village Association (MFSZ)
- Hungarian National Association of Local Authorities (TÖÖSZ)

The relations of local governments and other state organs

1. The parliament

- regulates in law the legal status of local governments, their task and powers, obligatory tasks, obligatory body-types, guarantees of operation, financial means and basic rules of economic management.
- decides on the dissolution of those body of representatives that function in opposition of the Fundamental Law.
- decides on the territorial division of the state, the merging and separation of counties, the changing of county boundaries, the naming of counties, the seats of the counties and the creation of capital districts.

2. The President of the state

- decides the donation of the title of town, the creation and the merging of communes, the termination of the merging of communes, the naming of towns and communes.

3. The government

- under the leadership of the minister responsible for the legal supervision of local governments, the legal supervision of local governments is provided by the governmental offices.

4. The sectorial ministers

A. Regulatory tasks

- professional regulation of public administrative tasks
- professional rules of local government
- determination of qualification provisions
- control of task-provision and data-request.

B. Other tasks

- information-provision and handing in proposals
- determination of the aims of the politics of the given sector
- may provide financial support.

5. The minister responsible for local governments

- cooperation (preparation of legislation)
- harmonization (municipal development and management)
- decision (economic management, international affairs, office).

6. The minister responsible for the supervision of the legality of local governments

- preparation, initiation, giving opinion
- leads the supervision of legality,
- responsible for the organization of the public administration
- harmonization of public administrative tasks.

7. The government office

Territorial public administrative organ of the government with general power.

Structure: organizational units (functional and professional) and the township (district) offices

It takes up the following tasks:

- Coordination and supervisory tasks
- Public administrative tasks

Special tasks:

- preparation of decision, handing in proposals
- functional tasks
- authority supervision
- operation of customer service ("Government Window")
- provision for public administrative trainings
- practice of the surveillance of legality.

Sources

Legislation

Fundamental Law of Hungary

CLXXXIX Law of 2011 on the Local Governments of Hungary (Mötv.)

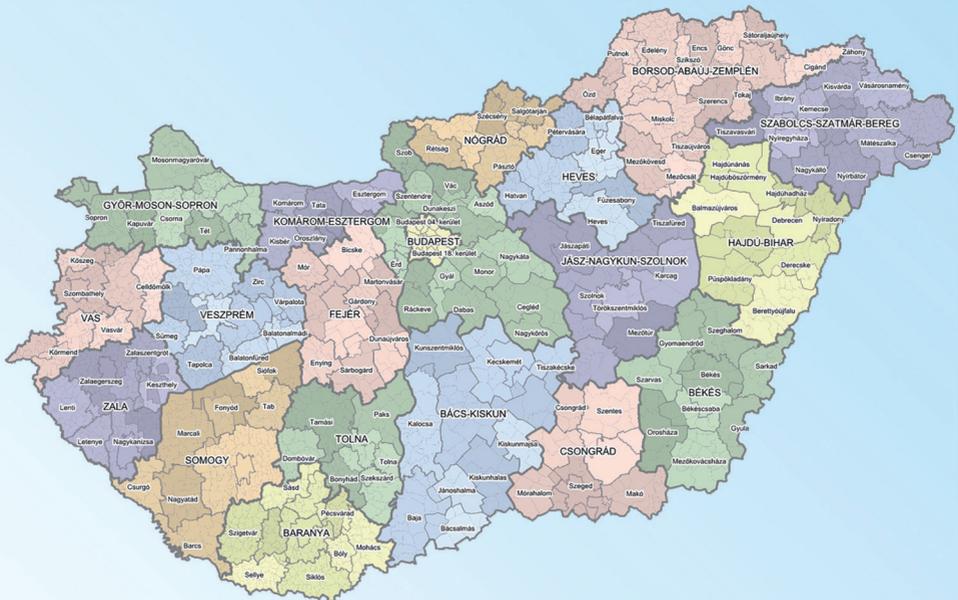
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Through the Norway Grants and EEA Grants, Norway contributes to reducing social and economic disparities and to strengthening bilateral relations with the beneficiary countries in Europe. Norway cooperates closely with the EU through the Agreement on the European Economic Area (EEA). For the period 2009-14, Norway's contribution is €1.7 billion. Grants are available for NGOs, research and academic institutions, and the public and private sectors in the 12 newest EU member states, Greece, Portugal and Spain. There is broad cooperation with Norwegian entities, and activities may be implemented until 2016. Key areas of support are environmental protection and climate change, research and scholarships, civil society, health and children, gender equality, justice and cultural heritage.



TELEPÜLÉSI ÖNKORMÁNYZATOK ORSZÁGOS SZÖVETSÉGE
Önkormányzati Információs és Koordinációs Központ

Hungarian National Association of Local Authorities
1071 Budapest, Damjanich u. 44. III/1. 1046 Budapest 76. Pf. 50,
Telefon: +36 1 321-24-96, +36 1 327-24-97 E-mail: toosz@toosz.hu