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Analysis of revenues and expenditures of the budget of the Russian Federation's subject on the example of St. Petersburg

Abstract: Each Russian Federation's subject has its budget as part of the entire Russian Federation. This budget is intended to fulfil the entity's expenditure obligations. At the same time, it is not worth forgetting that any budget, regardless of its level, always consists of three elements: formation, distribution and execution. The activity of each entity is inextricably linked with cash, which is why it is so important to focus on its formation and distribution process. Knowing the current state of the budget of a constituent entity of the Russian Federation, including understanding its detailed structure of income and expenses, it is possible, if necessary, to redistribute budget funds in another direction. This, in turn, will allow you to use your funds as efficiently as possible. The purpose of the study is to analyse St. Petersburg's budget. Analytical, comparative, and statistical methods were used to achieve the goal and solve the tasks. The study used regulations and analytical articles from researchers and journalists in the Russian economy. The authors conclude that St. Petersburg's budget is currently in deficit, although in 2023, it was in surplus. However, while this entity has a huge public debt, discussing any surplus budget is impossible.

Keywords: St. Petersburg, regional budget analysis, revenue budget items, expenditure budget items.



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Анализ доходов и расходов бюджета субъекта РФ на примере Санкт-Петербурга

Аннотация: Каждый субъект РФ как часть всей Российской Федерации имеет собственный бюджет. Данный бюджет предназначен для исполнения расходных обязательств субъекта. При этом

следует не забывать, что любой бюджет независимо от его уровня всегда состоит из трех элементов: формирование, распределение и исполнение. Деятельность каждого субъекта неразрывно связано с денежными средствами, именно поэтому, так важно акцентировать внимание на процессе его формирования и распределения. Зная нынешнее состояние бюджета субъекта РФ, в том числе, зная, подробную его структуру доходов и расходов, представляется возможным при необходимости перераспределить бюджетные средства на другое направление. Это в свою очередь позволит использовать денежные средства максимально эффективно. Целью исследования является анализ бюджета Санкт-Петербурга. Для достижения цели и решения поставленных задач были использованы такие методы как аналитический, сравнительный и статистический. В ходе исследования были использованы нормативные акты и аналитические статьи исследователей и журналистов в области российской экономики. Авторы делают вывод, что в настоящее время бюджет Санкт-Петербурга является дефицитным, несмотря на то что в 2023 году он являлся профицитным. Но пока данный субъект имеет огромный государственный долг ни о каком профицитном бюджете говорить нельзя.

Ключевые слова: Санкт-Петербург, анализ бюджета региона, доходные статьи бюджета, расходные статьи бюджета.



Introduction

Each Russian Federation's subject has its budget as part of the entire Russian Federation. This budget is intended to fulfil the entity's expenditure obligations. At the same time, it is not worth forgetting that any budget, regardless of its level, always consists of three elements: formation, distribution and execution. The activity of each entity is inextricably linked with cash, which is why it is so important to focus on its formation and distribution process. Knowing the current state of the budget of a constituent entity of the Russian Federation, including understanding its detailed structure of income and expenses, it is possible, if necessary, to redistribute budget funds in another direction. This, in turn, will allow you to use your funds as efficiently as possible.

The study aims to analyse St. Petersburg's budget.

Based on the goal, the following tasks were developed:

- descript the budget of St. Petersburg for 2020-2022 generally;
- analyse St. Petersburg's budget revenues;
- analyse St. Petersburg's budget expenditures;
- make a summary analysis of St. Petersburg's budget;
- conclude on the evolution of the budget of St. Petersburg as the Russian Federation's subject.

Analytical, comparative, and statistical methods were used to achieve the goal and solve the tasks.

The study used the Russian economy's regulations and analytical articles of researchers and journalists.

The results of the study

General characteristics of the St. Petersburg's budget for 2020-2022

The selected subject of the Russian Federation is located in the Northwestern Federal District, a city of federal significance within Russia.

E.Y. Gracheva defines the budget as the financial basis for the functioning of the state and municipalities. It is the central link of society's economic system, with all its links connected (2021).

The appendix presents a summary analysis of St. Petersburg's budget for 2020-2022 (*Table 1*) (*On the Budget of St. Petersburg..., 2022*).

From the report on the execution of the city's budget, it can be seen that the city is developing systematically despite not providing for expenses (*On the Execution..., 2022*). Thus, planned revenues from 2020 to 2021 increased by 165,330.1 thousand rubles; as a percentage, this is an increase of 20.4%. Actual revenues grew in the same range.

There is a tendency to reduce costs when comparing planned and actual expenses. So, it is exciting to see the budget for 2022, surplus or deficit. As of December 2022, approximately 32.7% of the city's budget revenues remain unfulfilled. Undoubtedly, these funds are assumed to repay St. Petersburg's debt. For 2022, St. Petersburg's budget will exceed one trillion rubles for the first time (*Gryaznevich, 2023; Timofeeva, 2023*).

As part of developing transport infrastructure, according to the instructions of the President of the Russian Federation, the following activities have been identified in the city: construction of a high-speed latitudinal highway, Vitebsk interchange, development of transport infrastructure, construction of a road interchange near Poklonnaya Gora, development of the St. Petersburg railway junction, metro development, overpasses across railway tracks.

For 2022, revenues of 1,107,902.3 thousand rubles and expenses of 1,066,085.7 thousand rubles are planned. Thus, the trend towards a surplus budget continues, and the budget surplus will amount to 41,816.7 thousand rubles.

The appendix contains a diagram of the actual main parameters of St. Petersburg's budget (*Figure 1*). In general, the characteristics of the main parameters of St. Petersburg's budget have remained unchanged for 11 years. The dynamics of excess income over expenses continue. For example, in 2018, before the coronavirus pandemic, revenues exceeded expenses by about 10 million rubles. However, in 2019, we see the opposite situation, when expenses already exceed revenues by about 10 million rubles.

Analysis of St. Petersburg's budget revenues

When analysing the city's income, you should consider the structural part that makes them up. Thus, the bulk of income comprises two indicators: income tax and income for individuals. These two categories bring 71.2% of the city's total income. In 2021, the tax on individuals brought 41% of revenues to the city budget, and the income tax was 30.2%. The remaining positions make up a minor part of its revenue. The most unpopular ways to replenish the budget are state duty, fines, and income from the sale of property.

High growth rates (over 115%) in 2021 were observed for the following income sources: corporate income tax (144.9%), excise taxes (126%), corporate property tax (115.4%), personal income tax (115.1%) (*Figure 2*).

The actual gratuitous receipts from other budgets of the budgetary system of the Russian Federation to St. Petersburg's budget in 2021 amounted to 52,219.5 million rubles, including in

the form of grants of one billion rubles, subsidies of 7,828,651 million rubles and subventions of 16,387 million rubles.

Based on the presented statistical data on St. Petersburg's income for 2021, it is worth noting that taxes and fees account for 88.9% of all income, non-tax revenues bring only 4.9%, and revenues from the federal budget and budgets of other subjects of the Russian Federation amount to only 6.2%. St. Petersburg generally provides for itself through taxes; other receipts do not exceed 11.1% of all receipts. The structure of income formation in St. Petersburg, as in many different subjects of the Russian Federation, is formed mainly from tax revenues. Also, the low level of gratuitous receipts allows us to assert that such a Russian Federation subject as St. Petersburg can provide for itself while not forgetting about its economic growth.

Analysis of St. Petersburg's budget expenditures

Actual expenses for 2020 amounted to 710,317 thousand rubles; for 2021, they amounted to 796,487.6 thousand rubles. The increase in costs was 86,170.6 thousand rubles or 10.8%. It is premature to discuss the costs for 2022 since, as of December 2022, the percentage of unused income is 30.2%.

The structural characteristics of St. Petersburg's budget expenditures for 2021 are presented below. Thus, the following structural categories account for the most expenses: national economy, education, social policy, and health care. This concept of cost allocation does not change either in 2022 or in the planned 2023 (*Figure 3*).

The city's expenses can be divided into programme and non-programme expenses. Non-program expenses are only 7.5%, but program expenses are 92.5%. That is why we should focus on them in more detail.

As many as 18 government programmes have been adopted in St. Petersburg. After analysing the initial budget assignment with the actual execution, we can conclude that a single programme's implementation percentage is high. The total percentage of all programmes was 92.5%. It follows that the executive authorities have identified the most critical sectors of implementing state programmes and closely monitor their implementation.

Summary analysis of St. Petersburg's budget

Now, it is crucial to analyse the classification sections compared to the periods of previous years, which are presented in the appendix (*Table 2*). So, in almost all cases, there is a planned expenditure of funds. The increase in expenses by category varies slightly, according to needs. However, what is noteworthy is the cost of healthcare, which increased most significantly in 2020 and 2021. These changes are closely related to the Covid-19 epidemic. The second section, which will dramatically increase, is on servicing state (municipal) debt.

As of January 01, 2022, St. Petersburg's state debt amounted to 85,006.1 million rubles. The expenditure section dedicated to servicing the public debt has increased accordingly as part of the implementation of the programme to reduce the city's public debt.

Thus, expenses are an element of the budget based on the most important spheres of society's life. These areas include healthcare, education, social protection, and the economy. They are designed to ensure a systematic and qualitative improvement in citizens' lives.

The main goal of St. Petersburg's debt policy in 2020-2022 is to ensure the balance of the city's budget while maintaining a high degree of debt sustainability and timely fulfilment of debt obligations.

The amount of St. Petersburg's public debt as of 01.01.2022 corresponded to the restrictions established by Article 11 of the Law of St. Petersburg No. 549-114 (*On the Budget...*, 2020). The ratio of the volume of St. Petersburg's public debt as of January 01, 2022, to the actual annual volume of budget revenues, excluding gratuitous receipts, was 10.7% at the reporting date, with the limit value of this indicator set by the Budget Code of the Russian Federation (for subjects of the Russian Federation classified as a group of borrowers with high debt sustainability) at the level of 50%, respectively, which indicates about the high debt sustainability of St. Petersburg's budget. As part of implementing the program to reduce the city's public debt, the expenditure section dedicated to servicing the public debt has increased accordingly.

The appendix provides a summary graph of the public debt and a graph of expenses related to servicing the public debt (*Figure 4*). Unfortunately, there have been no trends towards reducing public debt over the past seven years and the planned next two years. It continues to grow steadily. At the same time, its ratio to the city's tax and non-tax revenues will also increase. In 2020, this figure was 25.4%. In 2021, it is already equal to 37.7%.

Nevertheless, the St. Petersburg Finance Committee is taking all possible measures to reduce it. However, as of December 01, 2022, the state debt of St. Petersburg already amounts to 94,675.4 million rubles. Thus, 1.4% of their expenses in 2021 were spent only on debt servicing. Moreover, in 2023, according to planned calculations, this figure may amount to 2.5%.

All 100% of the city's public debt consists of debt obligations on securities of St. Petersburg.

Conclusion

In summary, regarding the debt policy of the selected entity, it can be argued that the St. Petersburg budget is currently in deficit despite being in surplus in 2023. However, while this entity has a huge public debt, it is impossible to discuss a surplus budget.

When forming St. Petersburg's budget, many factors affecting the economy are considered, including the amount of income for the planned period. The city's budget is built with a deficit. This is done for the most efficient use of funds. In addition, the approved income and expenses do not match the actual value for the reporting period. The city's development is complex regarding the current economic, political, and social situation in the country and St. Petersburg. The budgets for 2021 and the planned 2022 and 2023 are in deficit. In the Budget Code of the Russian Federation, the concept of a "surplus budget" was withdrawn not long ago. This event will allow for more efficient use of funds. After all, in an ideal economic system, the city's budget should be neither in deficit nor in surplus.



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Appendix

Table 1. A summary analysis of St. Petersburg's budget for 2020-2022

Indicators	2020	2021	2022 (on December, 05)
Planned income	642,159.2	807,599.3	1,107,902.3
Actual income	670,691.0	843,344.7	982,324.7
Planned expenses	720,942.9	811,363.5	1,066,085.7
Actual expenses	710,317.0	796,487.6	660,308.4
Planned surplus/deficit	-78,783.7	-3,764.2	41,816.7
Actual surplus/deficit	-39,626.0	46,857.2	322,016.3

Table 2. The classification sections compared to the periods of previous years in percentage

Sections	2018	2019	2020	2021
National items	95.7%	96.8%	93.4%	84.0%
National defense	100.0%	98.6%	97.4%	97.7%
National security	99.1%	99.0%	98.9%	98.7%
National economy	91.3%	93.7%	98.3%	98.0%
Housing and communal services	96.7%	95.0%	97.8%	98.2%
Environmental protection	99.1%	89.0%	98.7%	99.3%
Education	98.9%	99.5%	99.8%	99.8%
Culture and cinema	99.0%	98.2%	99.2%	99.4%
Healthcare	98.3%	98.5%	98.1%	99.5%
Social policy	99.1%	99.1%	99.3%	99.4%
Physical culture and sports	97.2%	99.2%	99.3%	98.7%
Mass media	99.6%	99.1%	99.1%	99.4%
Servicing of state debt	90.0%	98.9%	99.2%	95.2%
Inter-budget transfers	94.8%	93.9%	88.2%	99.7%
<i>Total</i>	<i>96.7%</i>	<i>97.4%</i>	<i>98.5%</i>	<i>98.2%</i>

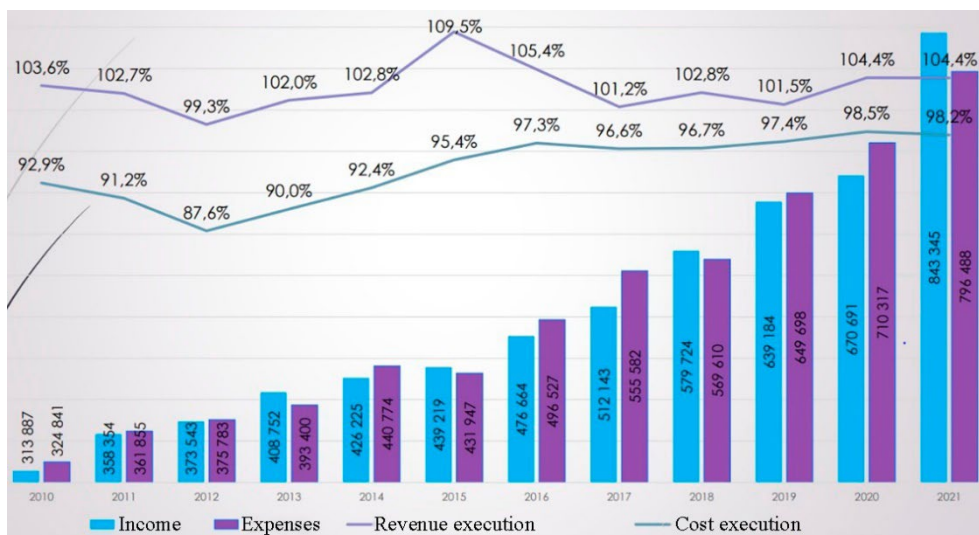


Figure 1. Actual main parameters of St. Petersburg's budget

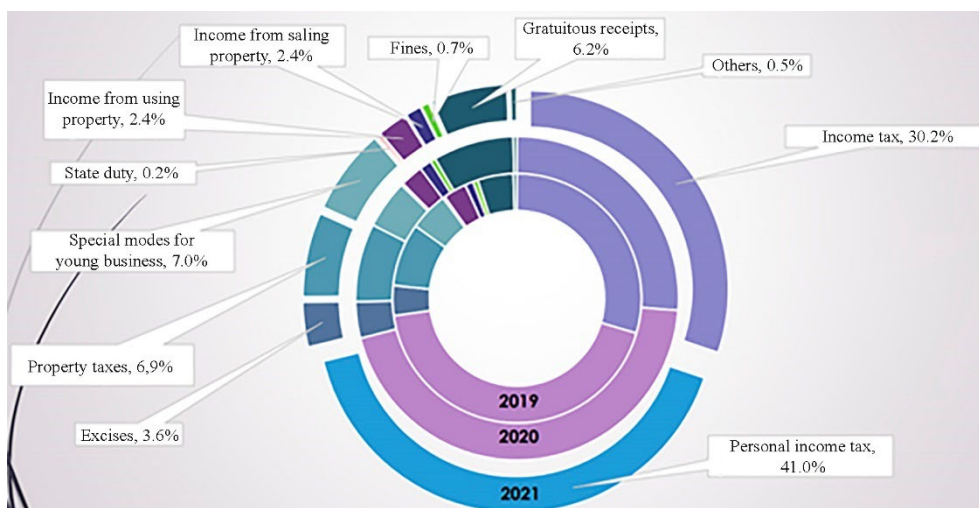


Figure 2. The income structure of St. Petersburg in 2020-2022

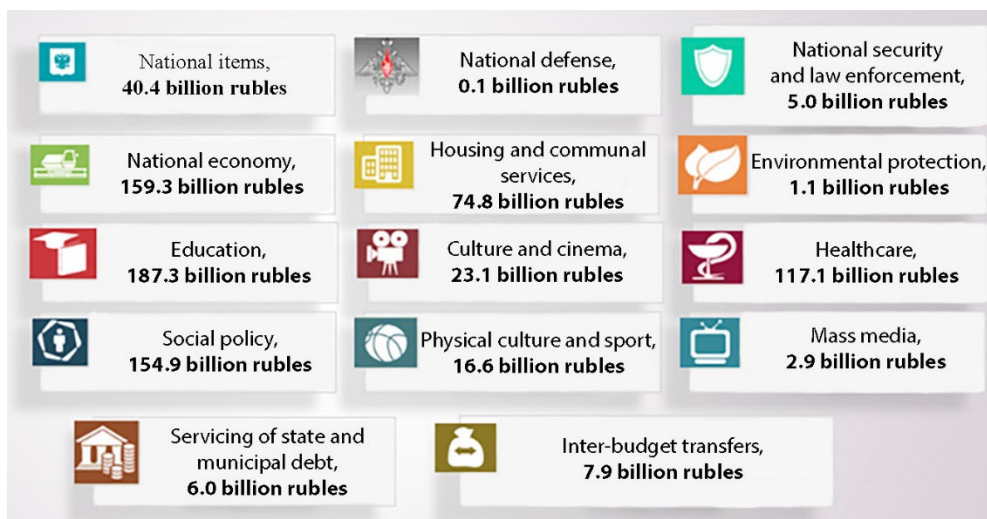


Figure 3. St. Petersburg's budget expenditures in the context of the functional structure of budget expenditures for 2021

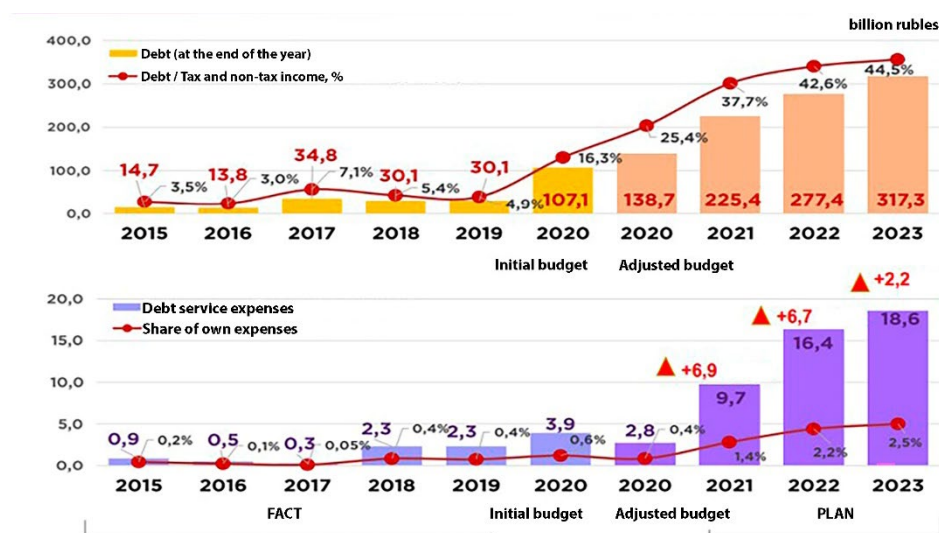


Figure 4. A summary graph of the public debt and graph of expenses related to servicing the public debt