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Mikhail A. Scriabin, Bachelor Student, Faculty of Training Specialists for the Judicial System, Russian State University of Justice. St. Petersburg, Russia.

Scientific Supervisor: Nina N. Gontar, Candidate of Science in Law (PhD), Associate Professor, Russian State University of Justice. St. Petersburg, Russia.

Analysis of the budget of St. Petersburg for 2022

Abstract: The relevance of the research topic is to consider the budget of the selected entity in the context of financial independence due to specific goals, objectives and development directions, which differ in each region. According to Article 10 of the Budget Code of the Russian Federation, the structure of the budget system of the Russian Federation includes the budgets of the subjects of the Russian Federation, which play an essential role in implementing the functions and tasks of regional authorities, ensure the socio-economic development of territories. The state is actively pursuing economic policy through the budgets of the regions. St. Petersburg is of particular interest in this study due to the importance of specific areas of industrial, scientific, and technical development both at the level of the subjects of the Russian Federation and at the state level. The study's object is to the budgetary and legal relations that develop in the process of fiscal activities of public authorities of the subject of the Russian Federation and municipalities. The key purpose is to identify the main parameters that objectively and reasonably describe the region's financial condition. Analytical, comparative and statistical research methods were used to achieve the goal and solve the problems. The study used regulations, statistical data, and data from open sources. The author concludes that the execution of the budget of St. Petersburg in 2022 is characterised by independence, sustainability and social orientation.

Keywords: budget of St. Petersburg, budget process, revenues of the subject, expenses of the subject.



Михаил Александрович Скрябин, студент бакалавриата, факультет подготовки специалистов для судебной системы, Российский государственный университет правосудия. Санкт-Петербург, Россия.

Научный руководитель: Нина Николаевна Гонтарь, кандидат юридических наук, доцент кафедры, Российский Государственный университет правосудия. Санкт-Петербург, Россия.

Анализ бюджета Санкт-Петербурга за 2022 год

Аннотация: Актуальность темы исследования состоит в рассмотрении бюджета выбранного субъекта в контексте финансовой самостоятельности, обусловленной конкретными целями, задачами и собственными направлениями развития, которые различаются в каждом регионе. В соответствии со ст. 10 Бюджетного кодекса РФ (1998) в структуру бюджетной системы РФ включены бюджеты субъектов РФ, которые играют важную роль в реализации функций и задач региональных органов власти, обеспечивают социально-экономическое развитие территорий.

Через бюджеты регионов государство активно проводит экономическую политику. Санкт-Петербург в данном исследовании представляет особенный интерес ввиду значимости специфических направлений промышленного и научно-технического развития как на уровне субъектов Российской Федерации, так и на государственном уровне. Объектом исследования выступают бюджетные правоотношения, складывающиеся в процессе бюджетной деятельности органов государственной власти субъекта Российской Федерации и муниципальных образований. Ключевой целью является выявление основных параметров, дающих объективную и обоснованную характеристику финансового состояния региона. Для достижения цели и решения задач применялись аналитический, сравнительный и статистический методы исследования. В ходе исследования использованы нормативные акты и статистические данные, а также данные из открытых источников. Автором сделан вывод, что исполнение бюджета Санкт-Петербурга в 2022 году характеризуется самостоятельностью, устойчивостью и социальной направленностью.

Ключевые слова: бюджет Санкт-Петербурга, бюджетный процесс, доходы субъекта, расходы субъекта.



Abbreviations:

PIT is personal income tax,

TCMI is territorial compulsory medical insurance.

Introduction

The relevance of the research topic is to consider the budget of the selected entity in the context of financial independence due to specific goals, objectives and directions of development, which differ in each region. According to Article 10 of the Budget Code of the Russian Federation (1998), the structure of the budget system of the Russian Federation includes the budgets of the subjects of the Russian Federation, which play an essential role in implementing the functions and tasks of regional authorities, ensure the socio-economic development of territories. The state is actively pursuing economic policy through the budgets of the regions. St. Petersburg is of particular interest in this study due to the importance of specific areas of industrial, scientific, and technical development both at the level of the subjects of the Russian Federation and at the state level.

The study's object is the budgetary and legal relations that develop in the fiscal activities of public authorities and municipalities in the Russian Federation.

The study aims to comprehensively research St. Petersburg's budget, determine its independence and sustainability, identify the main factors affecting the revenue and expenditure parts of the budget, and identify general trends in developing the region's budget policy. The key purpose is to identify the main parameters that objectively and reasonably describe the region's financial condition.

To achieve this purpose, the following tasks were supposed to be solved:

- consider the general characteristics of St. Petersburg;
- study the budget process of the selected region;
- analyse revenues and expenditures of the regional budget.

Analytical, comparative and statistical research methods were used to achieve the purpose and solve the problems.

The study used regulations, statistical data, and data from open sources.

The results of the study

General characteristics of St. Petersburg

St. Petersburg is a city of federal significance in the Russian Federation, a subject of the Russian Federation, the administrative centre of the Northwestern Federal District, and the location of the highest authorities of the Leningrad Region. It is located in the northwest of the Russian Federation. The city's area is 1,439 sq. km.

According to the law "On the Territorial Structure of St. Petersburg" (2005), St. Petersburg is divided into territorial units, which include administrative-territorial units and municipalities. St. Petersburg consists of 18 districts, divided into 111 municipalities, of which 81 are municipal districts.

St. Petersburg is Russia's significant economic, scientific and cultural centre and a central transport hub. The city's historical centre and its associated monument complexes are included in the UNESCO World Heritage List; it is one of the most important tourism centres in the country. Among the most significant cultural and tourist sites are the Hermitage, the Kunstkammer, the Mariinsky Theater, the Russian National Library, the Russian Museum, the Peter and Paul Fortress, St. Isaac's Cathedral, and Nevsky Prospekt. Among other things, the program for the preservation and development of the historical centre of St. Petersburg is aimed at preserving cultural heritage sites. The city's population as of 2020 is 5.4 million people.

St. Petersburg is a subject of the Russian Federation. It is an important industrial centre and a central transport hub with a developed infrastructure. The city has an international airport, three seaports, three river ports, twelve railways, and five main highways that approach it.

The economy of St. Petersburg is based on mechanical engineering and metalworking, electrical engineering, nuclear, energy, chemical, petrochemical, pulp and paper, light, food and other industries, shipbuilding and instrumentation. The production of structures made of metal, reinforced concrete and wood, wagon building, production of agricultural, road and construction machinery, garages, and fire-fighting equipment has been mastered. About eight thousand economic facilities are operating in St. Petersburg.

The budget process in St. Petersburg

The Russian Federation's Budget Code and the law "On the Budget Process in St. Petersburg" (2007) establish the region's budget process fundamentals.

Thus, according to Article 1 of the said Law, the budget process in St. Petersburg is the activity regulated by the legislation of the Russian Federation of the state authorities of St. Petersburg and other participants in the budget process in St. Petersburg for preparing and considering St. Petersburg's draft budget, the draft budget of TCMI, approval and execution of St. Petersburg's budget, the TCMI budget, control over their execution, implementation of budget accounting, compilation, external verification, review and approval of budget statements.

Article 2 of the Law establishes participants in the budget process in St. Petersburg who have budgetary powers. These include:

- the Governor of St. Petersburg; the Legislative Assembly of St. Petersburg; the Government of St. Petersburg;
- the financial authority of St. Petersburg;
- the Control and Accounting Chamber of St. Petersburg; the body of internal state economic control, which is the executive body of the state authority of St. Petersburg;
- the leading managers of funds from the budget of St. Petersburg; the management body of TCMI; the principal administrators of the budget revenues of St. Petersburg;
- the principal administrators of the sources of financing the budget deficit of St. Petersburg;
- recipients of budget funds.

The main stages of the budget process in St. Petersburg are divided into:

- (1) Drafting the budget and the TCMI budget;
- (2) Review and approval of the budget and TCMI budget;
- (3) Budget execution and TCMI budget;
- (4) Preparation, review and approval of budget statements;
- (5) Control over budget execution.

The procedure and deadlines for preparing the draft budget and the draft budget of TCMI are established by the Government of St. Petersburg in compliance with the requirements established by the Budget Code of the Russian Federation and the Law of St. Petersburg.

The Government of St. Petersburg prepares the draft budget and the draft budget of TCMI. The financial authority directly prepares the draft budget, and the TCMI management body directly prepares the TCMI budget.

The Legislative Assembly of St. Petersburg is considering the draft law of St. Petersburg on the budget (on the TCMI budget) in three readings. The Legislative Assembly of St. Petersburg believes the draft law of St. Petersburg on the budget (on the TCMI budget) in the first reading no later than 25 working days from the day following the day of submission of the said draft law of St. Petersburg to the Legislative Assembly of St. Petersburg.

The second reading of the draft law of St. Petersburg on the budget (TCMI budget) consists of voting on amendments to the specified draft laws of St. Petersburg.

The third reading of St. Petersburg's draft law on the budget (on the TCMI budget) includes voting on amendments submitted by the Budget and Finance Committee of the Legislative Assembly of St. Petersburg for the third reading to eliminate internal contradictions in the specified draft law of St. Petersburg or its contradictions with current legislation, and voting on St. Petersburg's draft law on the budget (on the TCMI budget) as a whole with all the amendments adopted to it. The third reading of St. Petersburg's draft law on the budget (on the budget of the TCMI) should take place no later than two weeks from the day following the day of its adoption in the second reading and no earlier than two calendar days from the day following the day on which deputies of the Legislative Assembly of St. Petersburg received the draft law of St. Petersburg on the budget (on the TCMI budget) prepared for voting as a whole, and amendments of the Budget and Finance Committee of the Legislative Assembly of St. Petersburg to the third reading of the said draft law of St. Petersburg.

The Government of St. Petersburg executes the TCMI budget based on the unity of the cash register and the subordination of expenses.

The municipality's financial body submits budget reports to the economic body according to the procedures and deadlines established by the monetary body. The monetary authority submits budget reports on executing the consolidated and TCMI budgets to the Federal Treasury and the Control and Accounting Chamber of St. Petersburg.

The Government of St. Petersburg submits the annual budget performance report to the Legislative Assembly of St. Petersburg no later than June 1 of the current year.

Every year, no later than April 15 of this year, the Government of St. Petersburg submits a report on executing the TCMI budget to the Control and Accounting Chamber of St. Petersburg to prepare an opinion on it.

The Control and Accounting Chamber audits the TCMI budget execution report, prepares an opinion on it within one and a half months and submits an appropriate opinion to the Legislative Assembly of St. Petersburg.

The TCMI budget execution report is submitted by the Governor of St. Petersburg to the Legislative Assembly of St. Petersburg for the reporting financial year no later than June 1 of this year, simultaneously with St. Petersburg's draft law on TCMI budget execution and other budget reports on TCMI budget execution.

Analysis of St. Petersburg's budget revenues

Budget revenues fund the budget receives, except for funds that, according to the Budget Code, are sources of financing budget deficits. Budget revenues include tax, non-tax, and gratuitous revenues to the regional budget (*Figure 1*).

According to the Law of St. Petersburg, dated June 21, 2023 (*On the Budget Execution..., 2023*), the total revenue of St. Petersburg amounted to 1,162,900.1 million rubles, which is 27% more than in 2021 (*On the Budget Execution..., 2022*).

The corporate income tax for 2022 amounted to 44.9% of the total revenue to the treasury, while the personal income tax is 37.8%. For the first time, income tax outstripped income from PIT in 2022.

In its report, the chairman of the Finance Committee, Svetlana Yenilina, noted that St. Petersburg received a record 76.5 billion rubles of non-tax revenues last year, which increased 5.7 times compared to 2021. Of this amount, 38.8% is income from the allocation of free budget funds, and another 26.3% is income from property management.

Analysis of St. Petersburg's budget expenditures

Budget expenditures are funds paid from the budget, except for funds that are sources of financing budget deficits according to the Budget Code. Budget expenditures are formed from expenditures according to three types of classification: by sections and subsections of the classification of expenditures, state programmes and non-programme areas, and departments (*Figure 2*).

According to the Law of St. Petersburg, dated June 21, 2023 (*On the Budget Execution..., 2023*), the total expenditure of St. Petersburg amounted to 1043,209.96 million rubles for the first time in history.

In absolute terms, expenses exceeded the figures for 2021 by almost 247 billion rubles. Budget expenditures for implementing national projects amounted to 35 billion rubles, also

exceeding the figures for 2021. In 2022, 973.4 billion rubles were allocated to finance government programmes.

The most significant amount of disbursed funds fell on the following state programmes:

- (1) “Development of the St. Petersburg Transport System” of 240.5 billion rubles (24.7% of the total execution of program expenses);
- (2) "Development of Education” of 209.6 billion rubles (21.5% of the total amount of program expenses);
- (3) “Development of Healthcare” of 169.2 billion rubles (17.4% of the total amount of program expenses);
- (4) “Social Support for Citizens” of 109 billion rubles (11.2% of the total amount of program expenses).

Conclusion

Based on the research, it can be concluded that the implementation of St. Petersburg’s budget in 2022 is characterised by independence, sustainability, and social orientation. The budget surplus amounted to 119.6 billion rubles. For the first time, budget revenues exceeded 1 trillion rubles.

The largest share of the budget was spent on developing education, healthcare, transport systems, and social support for citizens.

St. Petersburg is a developed region with a rapid pace of development, a reasonably large budget, and large expenditures, which are fully covered by no fewer significant revenues, resulting in a budget surplus. It is worth noting that St. Petersburg has excellent potential for cultural and industrial development and strengthening economic ties with other subjects of the Russian Federation.

As the Governor of St. Petersburg, Alexander Beglov, noted, “St. Petersburg ended 2022 with better financial performance than expected. For the first time, we broke the one trillion-ruble threshold and did it two years ahead of schedule. Our main economic achievements are the increase in budget revenues and industrial production growth. We have fulfilled all social obligations to St. Petersburg residents and significantly increased budget expenditures. We continued the construction of kindergartens, schools, healthcare facilities, infrastructure and road facilities, like a large-scale renovation of public transport.” (*Kolokoltsev, 2023*).



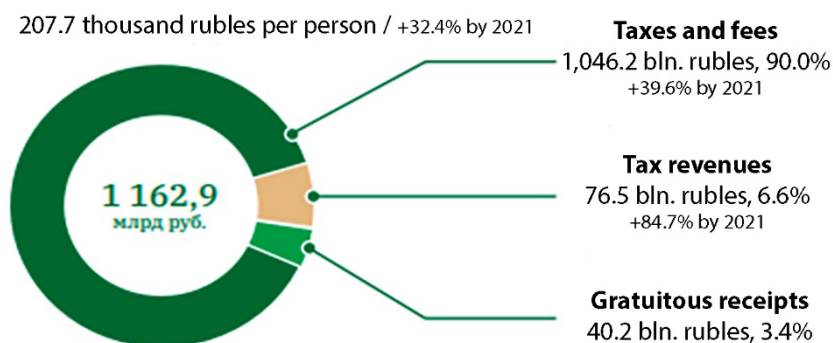
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Appendix



Taxes and fees as a percentage of tax revenue

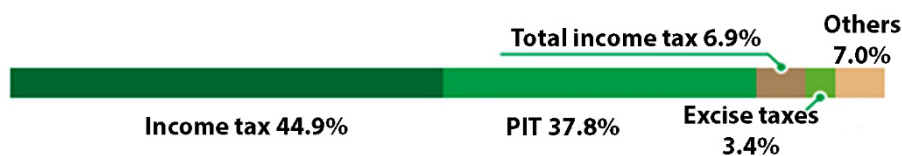


Figure 1. St Petersburg's budget revenues in 2022

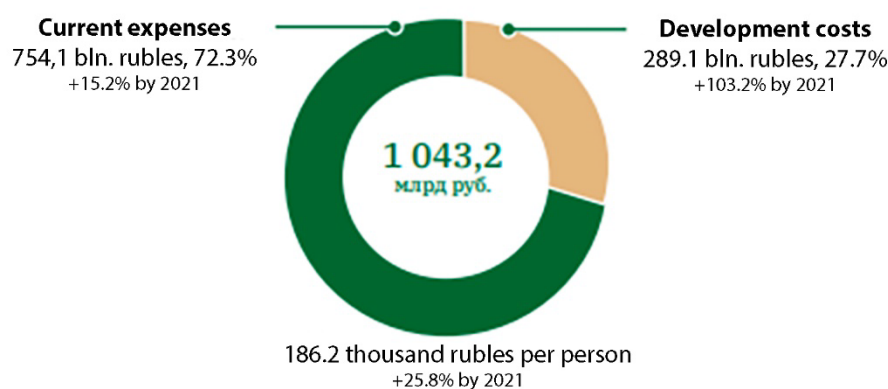


Figure 2. St. Petersburg's budget expenditures in 2022