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Analysis of Kirov region's budget for 2021

Abstract: The budget of a constituent entity of the Russian Federation (regional budget) is a form of formation and expenditure of funds for the financial year intended to fulfil expenditure obligations of the relevant constituent entity of the Russian Federation. Regional budgets are the most critical indicator of the current state of affairs in the regions. They make it possible to assess the quality of the distribution of finances in the system, detect flaws and inconsistencies in the system, make adjustments and improve the efficiency of the system's current state. The study subject is the norms of law governing relations in forming and implementing the budget of the subject. The study object is the budget of the Kirov region. The study aims to study the budget execution of the Kirov region. To achieve this goal and solve the research tasks, scientific methods such as analytical, systematic, comparative and statistical were applied. The study used normative legal acts, statistical data and the work of researchers in regional economics. The author concludes that the approved and executed budget assignments 2021 vary greatly. It should be borne in mind that such a difference in indicators is caused by circumstances that could not have been predicted when drawing up the budget plan of the Kirov region for 2021.

Keywords: Kirov region, regional budget, budget execution, budget of a constituent entity of the Russian Federation.



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Анализ бюджета Кировской области за 2021 год

Аннотация: Бюджет субъекта Российской Федерации (региональный бюджет) – форма образования и расходования денежных средств в расчёте на финансовый год, предназначенных для исполнения расходных обязательств соответствующего субъекта Российской Федерации. Региональные бюджеты являются важнейшим показателем текущего состояния дел в регионах. Они позволяют провести оценку качества распределения финансов в системе, обнаружить недостатки и несоответствия в системе, внести корректировки и повысить эффективность текущего уровня состояния системы. Предметом исследования являются нормы права,

регулирующие отношения в процессе формирования и реализации бюджета субъекта. Объектом исследования является бюджет Кировской области. Целью исследования является изучение исполнения бюджета Кировской области. Для достижения поставленной цели и решения задач исследования были применены такие научные методы как аналитический, системный, сравнительный и статистический. В ходе исследования были использованы нормативно-правовые акты, статистические данные и работы исследователей в области региональной экономики. Автор делает заключение, что утверждённые и исполненные бюджетные назначения за 2021 год сильно различаются. Стоит учитывать, что такая разница в показателях вызвана обстоятельствами, которые невозможно было предугадать при составлении бюджетного плана Кировской области на 2021 год.

Ключевые слова: Кировская область, региональный бюджет, исполнение бюджета, бюджет субъекта Российской Федерации.



Introduction

The budget of a constituent entity of the Russian Federation (regional budget) is a form of formation and expenditure of funds for the financial year intended to fulfil expenditure obligations of the relevant constituent entity of the Russian Federation. Regional budgets are the most critical indicator of the current state of affairs in the regions. They make it possible to assess the quality of the distribution of finances in the system, detect flaws and inconsistencies in the system, make adjustments and improve the efficiency of the system's current state. They are used for:

- planning the distribution of finances;
- formation, approval and expenditure of state funds;
- forecasting the social and economic development of the subjects of the Russian Federation and the entire state;
- calculating the degree of security of citizens of the state in a particular territory.

The study subject is the norms of law governing relations in forming and implementing the budget of the subject.

The study object is the Kirov region's budget.

The study aims to research the Kirov region's budget execution.

To achieve this purpose, it is necessary to solve the following tasks:

- study the social and economic characteristics of the Kirov region;
- study the main provisions on education and budget execution;
- analyse the budget execution of a constituent entity of the Russian Federation using the example of the Kirov region.

To achieve this purpose and solve the study tasks, scientific methods such as analytical, systematic, comparative, and statistical were applied.

The study used regulatory legal acts, statistical data and the work of researchers in regional economics.

The results of the study

The main social and economic characteristics of the Kirov region

Kirov Region is the Russian Federation's subject. It is part of the Volga Federal District. It belongs to the Volga-Vyatka economic district. The territory of the region is 120.4 thousand sq. km.

On January 1, 2021, the population was 1.25 mln people. 77% of the region's population lives in cities and urban-type settlements, and 23% lives in rural areas. The population density is 10.66 people per sq. km. The main population is Russians (91.8%), Mari (2.6%), Tatars (2.2%), Udmurts (1.4%), and others (*The average...*, 2022).

The climate is moderately continental. The proximity to the Arctic Ocean allows cold air to invade, causing severe frosts in winter and sharp cold spells in the summer months. Kirov is the administrative centre of the Kirov region.

Kirov is located in the valley of the Vyatka River, in its middle course, in the northeastern European part of Russia, on the Russian plain, in the zone of taiga forests, in the belt of woodlands and opolias.

The distances to the nearest major cities are 409 km to Kazan, 471 km to Perm, 563 km to Nizhny Novgorod, 734 km to Ufa, and 770 km to Samara.

Kirov region, one of the largest in the Non-Chernozem zone of the Russian Federation, is located northeast of the Russian Plain in the central-eastern part of European Russia. Kirov region borders nine subjects of the Russian Federation (more than any other subject of Russia): in the east with the Perm Territory and Udmurtia, in the north with the Komi Republic and the Arkhangelsk region, in the west with the Vologda, Kostroma, Nizhny Novgorod regions, in the south with the republics of Mari El and Tatarstan.

The unique geographical location of the Kirov region provides opportunities for the active development of cooperation and integration ties in the economy, financial and social spheres. Nevertheless, the containment of socio-economic development is caused, among other things, by several key factors:

- the current settlement system, mainly associated with a large area of the Kirov region;
- the unfavourable demographic situation;
- sparsely populated and low population density in most of the region;
- the lack of city centres (apart from the regional centre) capable of “retaining” the population;
- long distances between settlements;
- weak transport infrastructure, which does not fully realise the advantages of a successful geographical location in the Kirov region.

The decrease in the Kirov region's population occurs due to a fairly high mortality rate and migration loss, with a predominance of working-age young people. These problems are challenges and key threats to the region's socio-economic development.

The mineral resource base is sufficient to meet the local needs of the region for widespread minerals. However, its narrow focus and the lack of highly liquid minerals on the foreign market stimulate the creation of a new resource-innovative model for developing the Kirov region. It is the low raw material resource that is a key challenge for developing the industrial potential of the region, as it creates opportunities for growth through new innovative directions, high-tech, knowledge-intensive and innovative industries, the introduction of modern scientific

developments, the development of specialised clusters that ensure the qualitative growth of productive forces and, as a result, an increase in the standard of living of the population. Developing priority sectors of the agro-industrial complex in the direction of dairy cattle and livestock breeding is also one of the serious resources for economic growth (*Table 1*).

One of the leading and promising places in the manufacturing industry of the Kirov region is occupied by chemical production. The Kirov region is one of Russia's leading mineral fertiliser producers, monopolising certain brands of fluoropolymers and fluorinated lubricants. About 30% of mineral fertilisers and synthetic ammonia are supplied to the CIS countries and other countries. Enterprises in aviation, electrical engineering, machine tools, the tool industry, lifting and transport and agricultural engineering represent mechanical engineering. The timber industry complex – the region occupies 8th place in Russia in terms of harvesting and exporting business timber and 5th place in the production of lumber (*Preliminary results...*, 2022).

In agriculture, the specialisation is animal husbandry, mainly dairy and meat production. The main crops grown are cereals, forage crops, potatoes and vegetables. Rye, barley, wheat and oats predominate in the grain structure (*Figure 1*).

Analysis of Kirov region's budget revenues

According to the data of the Ministry of Finance of the Kirov region, based on the Law of the Kirov Region No. 434-ZO, dated December 17, 2020, the main characteristics of the regional budget for 2021:

- The total regional budget's revenues is 66,357.5 mln rubles;
- The total expenditure of the regional budget is 67,492.4 mln rubles;
- The regional budget's deficit is 1,134.9 mln rubles.

Kirov region's draft law "On the Regional Budget for 2021 and the Planning Period of 2022 and 2023" (2020) increases the projected total revenue by 3,793.8 mln. rubles in 2021, expenditures by 3,082.1 mln rubles, and reduction of the regional budget's deficit by 711.716 mln rubles.

No changes are made to the parameters of the regional budget in the planning period for 2022 and 2023.

Following the draft law, the volume of the revenue part of the regional budget 2021 increases by 3,793.8 mln rubles due to an increase in tax and non-tax revenues by 1,607.15 mln rubles and gratuitous receipts by 2,186.65 mln rubles. As a result of the changes, the projected volume of regional budget revenues will increase by 4.9% and amount to 81,223.3 mln rubles.

In the tax and non-tax revenues structure, the most significant increase in the forecast is provided for corporate income tax by 1,970.03 mln rubles or 12.3%; as a result, the updated tax plan, according to the bill, will amount to 10,937.867 mln rubles. At the same time, the actual tax receipts for 11 months of the current year amounted to 12,007.346 mln rubles, which is more than 1,069.48 mln rubles (or 9.8%) of the revenue forecast proposed by the bill for 2021.

The main reason for the significant increase in corporate income tax revenues in 2021 is the improvement (relative to the initially projected) results of financial and economic activities of taxpayers, primarily enterprises in the chemical industry, the timber industry, wholesale and retail trade and the financial sector (due to an increase in production volumes and prices for certain types of products, as well as an increase in consumer activity of the population).

The forecast of tax revenues collected by applying the simplified taxation system is proposed to be increased by 100.358 mln rubles, or by 3.7%. As a result, the updated forecast of tax revenues in 2021 will amount to 2,800.36 mln rubles. As of December 01, 2021, the actual tax receipts amounted to 2,783.77 mln rubles, or 103.1% of the plan (2,7 bln rubles).

Generally, non-tax income parameters are proposed to be increased by 308.372 mln. rubles, mainly due to an increase in:

- fees for the use of forests by 149.752 mln rubles;
- income from operations to manage balances on a single treasury account (income from interest payments for using funds) by 79.16 mln rubles;
- income from fines, sanctions, and damages by 38,917 mln rubles;
- income in terms of compensation for government expenses (receipt of accounts receivable) by 25,68 mln rubles.

According to the results of the draft law's examination, the Control and Accounting Chamber notes that the actual receipts of fees for the use of forests for 11 months of 2021 amounted to 1,228.7 mln rubles, which is 43.413 mln rubles more than the forecast of receipts proposed by the bill for 2021 (1,185.28 mln rubles).

According to the bill, the total amount of gratuitous receipts increases by 2,186.65 mln rubles and will amount to 39,153.5 mln rubles in 2021, which is mainly due to an increase in receipts of inter-budgetary transfers to:

- Implement measures to prevent and eliminate the consequences of the spread of coronavirus infection by 1,326.454 mln rubles;
- Implement social payments by specific categories of citizens by 267.16 mln rubles;
- State support for the agro-industrial complex by 621.91 mln rubles.

Analysis of Kirov region's budget expenditures

Considering the proposed changes, the expenditure part of the regional budget 2021 will amount to 81,702.45 mln rubles, an increase of 3,082.1 mln rubles, or 3.9%.

The changes made to the expenditure part of the regional budget are mainly aimed at:

- ensuring expenditures in priority areas (to ensure social benefits, wages, purchase of medicines, implementation of measures to combat the spread of new coronavirus infection, compensation of costs in connection with tariff regulation, and provision of inter-budgetary transfers to municipalities of the Kirov region, etc.),
- changes in the volume of gratuitous receipts,
- redistribution of allocations according to the proposals of the leading managers of the regional budget funds.

The draft law's materials (documents) provide detailed information on the proposed spending directions of the regional budget in 2021. The Control and Accounting Chamber notes the following main areas of expenditure.

According to the draft law, expenses for implementing the state programme of the Kirov region "Development of Healthcare" in 2021 will increase by 1,613.4 mln rubles (by 10.7%), including funds from the federal budget of 1,311.93 mln rubles and from the regional budget by

301.463 mln rubles. As a result, the total amount of funds for implementing the state programme will amount to 16,642.1 mln rubles.

The increase in allocations from the federal budget is due to the receipt of funds from the reserve fund of the Government of the Russian Federation for the following activities:

- Purchasing medicines to treat new coronavirus infection (COVID-19) patients, receiving outpatient medical care for 174.38 mln rubles;
- Purchasing an oxygen concentrator, taking into account delivery and commissioning in the amount of 225.78 mln rubles;
- Provide inter-budgetary transfers to the budget of the territorial compulsory medical insurance fund for additional financial support for additional financial support for the provision of medical care, including to persons with a disease and (or) suspected of having a new coronavirus infection (COVID-19), as part of the implementation of territorial compulsory medical insurance programmes for 926.29 mln rubles.

Allocations for implementing the regional programme to modernise primary health care are decreasing by 14,38 mln. rubles, equal to the cost of motor transport transferred to the Kirov region by the Ministry of Industry and Trade of the Russian Federation.

The main volume of the increase in allocations from the regional budget (181.31 mln. rubles) is associated with the allocation of additional funds to provide healthcare institutions with medical oxygen and medicines to ensure the provision of medical care to patients being treated for infectious diseases hospitals, for the purchase of fuels and lubricants for the Kirov Ambulance Station to provide emergency medical care to citizens who have been diagnosed with a new coronavirus infection, and persons at risk of contracting a new coronavirus infection, as well as for the organisation of PCR testing for COVID-19 persons, involved in the implementation of the All-Russian Population Census in 2021.

Allocations totalling 88.876 mln rubles are provided to increase salaries for doctors and junior medical personnel of institutions funded from the regional budget.

Budget allocations in the amount of 20 mln rubles are increasing for the provision of medicines, medical products, protein-free food, and protein hydrolysers to regional beneficiaries.

To make one-time cash payments to medical workers upon admission to permanent employment in medical organizations of the Kirov region in rural settlements, urban-type settlements, and cities, budget allocations from the regional budget for a total amount of 8.5 mln. rubles are increased.

The draft law proposes increasing budget allocations for implementing the Kirov region's state programme, "Social Support and Social Services for Citizens," by 274.13 mln rubles, of which 265.9 mln rubles will come from the federal budget.

Due to their increased size, budget allocations for implementing monthly payments for children aged three to seven are increasing by 232.1 mln rubles (funds from the federal budget).

Also, at the expense of funds from the federal budget, budget allocations are increased for the implementation of a monthly cash payment, appointed in the event of the birth of a third child or subsequent children before the child reaches the age of three, in the amount of 33.8 mln. rubles, and for implementing an annual cash payment to citizens awarded the badge "Honorary Donor of Russia" – 3.38 mln. rubles (due to the increase in the number of recipients).

In connection with the clarification of the number of recipients, allocations for the provision of specific social support measures for citizens exposed to radiation, like for the implementation of monthly payments of 7.885 mln rubles in connection with the birth (adoption) of the first child, are decreasing.

It is proposed that funds be allocated from the regional budget of 1.7 mln rubles to provide subsidies to social service providers included in the Kirov region's register but not participating in the fulfilment of a state task (order) for social services provided to citizens provided by an individual programme for the provision of social services. As a result, the total amount of funds for these purposes will amount to 2.74 mln rubles.

The bill increases allocations for state support of the agro-industrial complex, including:

- 300.3 mln rubles for reimbursement of part of the cost of purchasing feed for dairy cattle (federal funds);
- 223.34 mln rubles for reimbursement to grain producers of part of the costs of production and sale of grain crops (federal funds);
- 98,26 mln rubles for reimbursement of part of the direct costs incurred for the creation and (or) modernisation of agro-industrial facilities (federal funds);
- 191,93 mln rubles for the provision of subsidies to reimburse part of the costs of purchasing modern agricultural machinery and equipment for the primary processing of agricultural products and (or) payment of lease payments under financial lease agreements from January to September 2021 (funds from the regional budget);
- 2.256 mln rubles to increase budget allocations to meet the conditions of co-financing to the federal budget to reimburse grain producers for part of the costs of production and sale of grain crops (funds from the regional budget).

Brief description of Kirov region's state debt in 2021

As a result of the changes made to the revenue and expenditure parts of the budget, the deficit of the regional budget 2021 is reduced by 711.7 mln rubles and will amount to 479.15 mln. rubles.

Repayment of budget loans (931.9 mln rubles) and loans from credit institutions (611.7 mln rubles), the repayment dates of which fall in 2021, is planned to be carried out at the expense of the regional budget's revenues.

In the Kirov region's programme of state internal borrowings for 2021, the volume of bank loans is reduced to zero every year. Due to the absence of facts on cash gaps in 2021, the volume of attraction (2.0 bln rubles) and repayment (2.0 bln rubles) of short-term budget loans to replenish budget balances is excluded.

It provides for the return of 100.0 mln rubles in funds previously borrowed for temporary use by the regional budget from the accounts of budgetary institutions.

Conclusion

Based on the above analysis of the budget of a constituent entity of the Russian Federation, the Kirov region, it can be concluded that the approved and executed budget assignments for 2021 vary greatly. It is worth noting that such a difference in indicators is caused by

circumstances that could not have been predicted when drawing up the Kirov region's budget plan for 2021.

The amendments to the expenditure part of the regional budget are mainly aimed at ensuring the costs associated with the allocation of additional funds to provide healthcare institutions with medical oxygen and medicines to provide medical care to patients being treated in infectious diseases hospitals, for the purchase of fuels and lubricants for the Kirov regional state budgetary healthcare institution "Ambulance Station Kirov City" to ensure the provision of emergency medical care to citizens.



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Appendix

Table 1. Production indices for the main types of economic activity in the Kirov region

	January and February 2021 by 2020	February 2021 as a percentage of	
		February 2020	January 2021
Industrial production	103.7	99.4	102.0
Mining	54.1	53.7	123.7
Manufacturing	102.4	97.4	103.8
Provision of electricity, gas and steam	114.3	115.4	93.9
Water supply, sanitation, waste disposal, pollution elimination	96.9	91.9	91.8

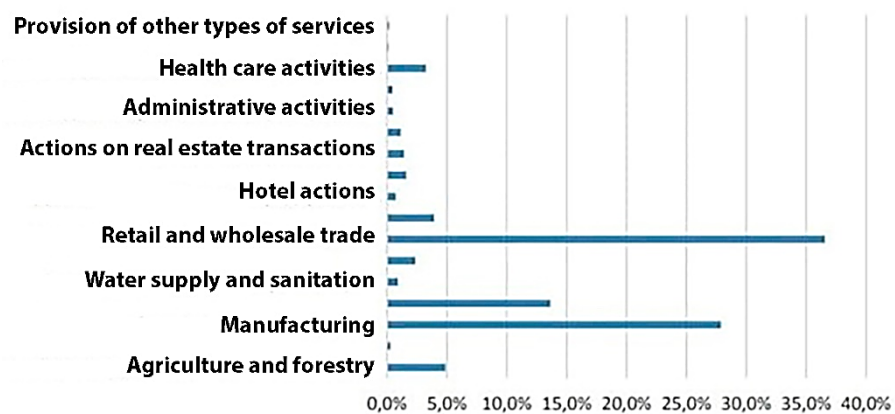


Figure 1. The structure of the Kirov region's economic sectors in January and February 2021