



## Rebudgeting in Czech towns

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### Abstract

About one-fifth of municipal budgets is approved during the course of the fiscal year through budget amendments. The aim of this paper is to explore the rebudgeting process in medium-sized Czech towns in regard to its magnitude and character. Budget data are analysed for all 95 towns with 10 to 30 thousand inhabitants as well as information about the approved budget amendments and responsibility-sharing arrangements in 13 towns in 2012. Our analysis shows that the rebudgeting process is different for revenues and expenditures. Most of the revenues are included in the revised budget as soon as they materialize and the volume of the collected revenues is in line with the revised budget. On the other hand, substantial expenditure changes are approved through the budget amendments but the real spending is very close to what was originally budgeted for all types of expenditure. The comparison of the praxis in the individual towns shows significant differences among them regarding the number of budget amendments, their extent and the arrangement for sharing responsibility between the municipal council and the commission.

### Keywords

Budget amendments, budgetary process, local government, rebudgeting.

**JEL Classification:** H61, H72

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## 1. Introduction

A significant share of Czech municipal budgets is not approved during the regular budgetary process, ideally before the beginning of the fiscal year, but through the budget amendments in the course of the year. In the last four years, the budget amendments increased the approved budgets on average by 23% in the case of expenditure and 24% in the case of revenues. This raises the question of what kind of budget decision making, namely rebudgeting, takes place during the fiscal year.

Rebudgeting, specifically the revision and updating of the adopted budget (Forrester and Mullins, 1992), receives only limited attention in the literature. Most of the existing studies dealing with local governments are explorative and deal with US cities (e.g., Forrester and Mullins, 1992; Klase et al., 2001; Dougherty et al., 2003). Recent studies of rebudgeting in Italian local governments by Anessi-Pessina et al. (2012, 2013) have a somewhat broader and explanatory focus.

The existing literature on budget execution in local governments offers two contrasting views. The first one views this phase of the budgetary process as relatively unimportant compared with the former phases and attributes budget amendments primarily to managerial necessity. The second one supposes that a *virtual politics of the budget execution process has arisen* (Klase et al., 2001). This is because underestimation of revenues and economic expansion creates *surpluses* that become part of the political and administrative bargaining (Rubin, 2000).

We know very little about the execution phase of the budgetary process in Czech municipalities. What type of decision making takes place during the course of the budget year? Are the budget changes caused by external factors or does a second round of decision making take place in the case of some windfall revenues? Is there significant space for opportunistic allocations? All of these questions are closely related to the accountability and transparency of public governance.

The objective of this paper is to explore the rebudgeting process in medium-sized Czech towns in regard to its magnitude, character, frequency, timing and responsibility sharing. We apply a cross-sectional approach and deal with the 2012 fiscal year. We use financial data for all 95 towns with 10 to 30 thousand

inhabitants and information about the approved budget amendments and responsibility-sharing arrangements in 13 towns.

The first part of the paper defines the term rebudgeting, presents the contrasting opinions on it and describes the related Czech legal regulation. The second part delineates our sample, data sources and methods. The third part presents and discusses the results of the empirical analysis of rebudgeting.

## 2. Rebudgeting as part of the budgetary process

Budgeting is a process through which resources are allocated to public programmes (Gianakis and McCue, 1999) and it is the single most important decision-making process in governments (Hyde, 1992). A government budget is a financial plan approved and authorized by the legislative body. It is assumed that the approved budget reflects the most efficient allocation of the disposable resources as it was carefully prepared and debated (Kameníčková, 2013). In order to manage unforeseen events during the course of the fiscal year, the approved budget can be modified.

While both budgeting (i.e., decision making before budget approval) and rebudgeting (decision-making after budget approval) set a specific resource allocation, there are significant differences between them. Budget preparation (i.e., budgeting) is a standardized process, often regulated by internal regulation, such as the budget calendar or budget guidelines, with clearly defined actors, roles and timeline. On the other hand, rebudgeting is *an informal and elusive process* (Alesani, 2012). The strengths of individual actors during budgeting and rebudgeting differ: Alesani (2012) sees in rebudgeting *space for bottom-up bureaucratic negotiation* and Rubin (2000) points out the extreme situation of the creation of a *shadowy second budget process* in the case of wide discretion to make changes to the approved budget given to agency heads or chief executives.

Rebudgeting is less transparent than budgeting (Anessi-Pessina et al., 2012) as it is composed of several (many) small amendments, which are difficult to monitor and control both for the council members and for the public. The allocation of unexpected resources during the course of the fiscal year may be subject to the *parochial interest of politicians and bureaucrats* (Anessi-Pessina et al., 2012).

Several studies, such as Forrester and Mullins, (1992), Dougherty et al. (2003) or Anessi-Pessina et al. (2013), stress the managerial and environmental reasons for rebudgeting, but at the same time they are aware of the political concerns in the rebudgeting process.

The municipal budgetary process in the Czech Republic, including budget amendments, is regulated by the budgetary rules for local governments (250/2000 Coll.). The law on municipal establishment (128/2000 Coll.) specifies the roles that different subjects play in the budgetary process and the regulation on budget classification (323/2002 Coll.) sets a detailed, unified and binding economic and functional classification of the revenues and expenditure of public budgets.

Budget amendments can take place only in the case of organizational, methodical or subject changes. There are three types of budget amendments:

- shifts in line items (i.e., accounting lines) so that the total revenues and total expenditure remain unchanged,
- the inclusion of new revenues, which increases the expenditure,
- expenditure cuts as a result of lower than expected revenues.

The authority to realize budget amendments is divided between the municipal council (i.e., the legislative body) and the municipal commission (i.e., the executive body), in the case that it exists, or the mayor. The specific arrangements in each municipality differ as the municipal council approves the delegation of the authority to the commission or the mayor (see Češková and Kinšt, 2011).

Individual budget amendments are numbered gradually. The budgetary rules for local governments do not require budget amendments to be published, either before or after the approval. Only the regulation on the structure of information published on the Internet (442/2006 Coll.) requires the approved budget, including all the amendments, to be published, but this requirement is rarely fulfilled (see e.g. Sedmihradská, 2014). The publication of budget amendments can be considered as a manifestation of greater transparency of the municipal management as it increases the monitoring possibility of the municipal management from the external perspective.

### 3. Data and methods

We focus on medium-sized towns with a population between 10 and 30 thousand as of 31 December 2012. There are 95 such towns in the Czech Republic. Towns of this size were chosen because we expect them to have a certain level of administrative expertise and a complete range of functional activities.

This exploratory research combines two approaches. First, we explore the budget data provided by the Ministry of Finance through its database Monitor. It provides detailed data for all municipalities classified according to the detailed budget classification. For each line item, three values are available: the value approved in the budget (*B*), the value revised through the budget amendments in the course of the budget year (*R*) and real execution or collection (*E*). This part of the analysis builds on Dougherty et al. (2003) and uses descriptive statistics and the difference of means test.

In our analysis, we deal with total revenues (*REV*) and total expenditure (*EXP*) and with their major components as defined by the budget classification. In the case of revenues, these are tax revenues – class 1 (*TAX*), non-tax revenues – class 2 (*NON\_TAX*), capital revenues – class 3 (*CAPREV*) and transfers – class 4 (*TRANSF*). In the case of expenditure, we use two major categories: current expenditure – class 5 (*CUREXP*) and capital expenditure – class 6 (*CAPEXP*). We also deal with the major categories of current expenditure: wages, remuneration and compulsory insurance – item 50 (*WAGE*), purchases of material and services – item 51 (*PURCH*), current transfers to private law subjects – item 52 (*PRIV*) and current transfers to public law subjects including transfers within the town itself – item 53 (*PUB*). The current expenditure included in these four items accounts on average for more than 98% of the current expenditure.

Next we examine the lists of approved budgetary amendments in order to determine the frequency, timing and types of the realized budget amendments. We also compare the responsibility-sharing arrangements, that is, in which cases the commission can approve budget amendments and which cases remain in the competence of the council. The collection of these documents was very laborious. This information is rarely available on the towns' web pages. Therefore, we had to send requests based on the Freedom of Information Act. However, the format, extent and content of the collected information differ considerably in the individual towns. Altogether, we use information from 13 towns: Chrudim (23,182), Klatovy (22,424), Krnov (24,518), Kutná Hora (20,470), Litoměřice (24,316), Milovice (10,042), Náchod (20,434), Ostrov (17,235), Strakonice (22,961), Šumperk (26,870), Turnov (14,342), Vyškov (21,496) and Žďár nad Sázavou (21,845). The number of inhabitants as of 31 December 2012 is shown in parenthesis.

### 4. Discussion and results

First we analysed the data for all 95 towns in order to determine the magnitude and character of rebudgeting

of individual revenue and expenditure types. Then we explored the frequency, timing and types of budget amendments.

#### 4.1 Magnitude and character of rebudgeting

There are three stages in the budget execution process. At the beginning, there is the approved budget ( $B$ ). During the fiscal year, a number of budget amendments take place. The final revised budget ( $R$ ) comprises all of these amendments. At the end of the fiscal year, the final collection of revenues or execution of expenditure ( $E$ ) is reported.

Therefore, we can observe three types of budget changes: between the approved and the amended budget ( $B \cdot R$ ), between the revised budget and the execution ( $R \cdot E$ ) and between the approved budget and the execution ( $B \cdot E$ ). Municipal final accounts typically focus only on the difference between the revised budget and the execution. The interest in the amendments approved during the year or the difference between the approved budget and the execution is very limited.

The comparison of the three types of changes differs significantly in the case of revenues and expenditure and their categories (see Table 1). The high standard deviation in the case of *CAPREV*, *TRANSF*, *PRIV* and *CAPEX* is caused by extremely high values of the  $R/B$  or  $E/B$  indicators in a few towns.

**Table 1** Changes between budgeted, revised and real revenues and expenditure

	$R/B$		$E/R$		$E/B$	
	Mean	St.D.	Mean	St.D.	Mean	St.D.
<i>REV</i>	1.118	0.149	1.001	0.054	1.120	0.167
<i>TAX</i>	1.043	0.054	1.024	0.033	1.068	0.065
<i>NON_TAX</i>	1.079	0.254	1.052	0.151	1.141	0.322
<i>CAPREV</i>	2.468	5.491	1.244	1.238	2.832	6.068
<i>TRANSF</i>	2.452	5.814	0.958	0.127	2.395	5.808
<i>EXP</i>	1.147	0.197	0.880	0.087	1.003	0.167
<i>CUREAP</i>	1.090	0.116	0.927	0.068	1.007	0.099
<i>WAGE</i>	1.049	0.111	0.968	0.028	1.015	0.111
<i>PURCH</i>	1.123	0.214	0.891	0.079	0.993	0.151
<i>PRIV</i>	1.565	2.777	0.970	0.056	1.522	2.773
<i>PUB</i>	1.200	0.238	1.024	0.432	1.190	0.230
<i>CAPEXP</i>	2.308	4.952	0.772	0.217	1.735	3.523

Source: Monitor, own calculations and presentation

The vast majority of revenues that materialize during the course of the fiscal year is included in the revised budget. The collected revenues are about the same as those included in the revised budget ( $REV_E/REV_R = 1.001$ ). Decomposition of the individual revenue sources shows that this general characteris-

tic holds for *TAX*, *NON\_TAX* and *CAPREV*. In the case of *NON\_TAX* and *CAPREV*, the collected revenues exceed the revised budget at a higher rate, but the unanticipated amounts are too small to influence *REV*. The situation in the case of *TRANSF* is slightly different: the towns include all the acknowledged transfers in the revised budget; however, in some cases (4%), the real receipt of these funds is either delayed or not realized at all.

In the case of expenditure, we can observe the *increase-then-decrease* pattern described by Dougherty et al. (2003): towns increase the budget through budget amendments ( $R > B$ ) but subsequently make downward adjustments between the final revision and the end of the fiscal year ( $E < R$ ). They explain this kind of budget behaviour as a strategy to ensure that the expenditure never exceeds the budgeted (or revised) amount, even when unanticipated invoices arrive at the end of the fiscal year (Dougherty et al., 2003).

This general pattern is followed in the case of most expenditure categories with the exception of *PUB*, for which the realized expenditure exceeds the revised budget. We suppose that this is caused by the fact that expenditure line 53 also includes some transfers inside the organization that are realized at the end of the year.

Next we wanted to find out whether the changes described above are significant. Therefore, we analysed the differences between budgeted, revised and real amounts of the individual budget categories in per capita terms (see Table 2) and their shares in the total revenues, expenditure or current expenditure (see Table 3). Instead of the standard deviation, the coefficient of variation (VC) is presented in order to highlight the budget categories with significant differences among the individual towns (i.e., the per capita amounts of *NON\_TAX*, *CAPREV*, *CAPEXP* and *PRIV* or  $CAPREV/REV$  and  $PRIV/CUREXP$ ).

The large difference in the coefficient of variation of  $TRANSF_B$  and  $TRANSF_R$  or  $TRANSF/REV_B$  and  $TRANSF/REV_R$  suggests that different approaches to the way in which transfers are approved in the original budget are used. While at the beginning of the year there are big differences in both the per capita amount and the share of transfers among the towns, these differences significantly decrease during the rebudgeting process. We suppose that this is influenced by the time of budget approval: budgets approved later (at the beginning of the fiscal year) can contain more transfers, as they have already been approved by another public authority. On the other hand, budgets approved in early December cannot include not-yet-approved transfers and these transfers are only included through the budget amendments.

The difference of means test of per capita amounts of the individual budget categories and their shares in the total revenues, expenditure or current expenditure confirms the initial findings presented above: almost all unbudgeted but collected revenues are included in the revised budget. Newly acknowledged/received transfers meaningfully influence the revenue structure, so that the structure of the revised budget differs significantly from that of the approved one. The real revenue structure is about the same as the revised one.

Expenditure (*EXP*, *CUREXP*, *CAPEXP* and *PURCH*) follows the *increase-then-decrease* pattern: budget amendments increase the budget ( $R > B$ ) but then not all expenditure is executed ( $R > E$ ) and the real expenditure is very close to the approved budget ( $E \approx B$ ).

The biggest surprise is the development of the structure of current and capital expenditure. In the approved budget, *CAPEXP* accounts for 24% of *EXP*. During the course of the fiscal year, the share increases to 27%, but due to slower than expected realization of the investments, the share of *CAPEXP* in the realized budget is only 23%. A more detailed analysis would be necessary to confirm the assertion that if an investment is approved in the course of the year it is too late to finalize it before the end of that year.

Tables 2 and 3 show the same dissimilarity of *PUB* in regard to the total expenditure or other expenditure categories as Table 1. Further disaggregation of this expenditure category would be needed to reveal reasons of it.

**Table 2** Budgeted, revised and real per capita revenues and expenditure (CZK)

	<i>B</i>		<i>R</i>		<i>E</i>		$R \cdot B^*$	$E \cdot R^*$	$E \cdot B^*$
	Mean	CV	Mean	CV	Mean	CV			
<i>REV</i>	17,659	0.268	19,391	0.211	19,348	0.196	0.008		0.007
<i>TAX</i>	10,175	0.088	10,599	0.087	10,846	0.084	0.002	0.064	0.000
<i>NON_TAX</i>	2,753	0.684	2,793	0.671	2,865	0.648			
<i>CAPREV</i>	954	1.603	967	1.513	907	1.325			
<i>TRANSF</i>	3,776	0.985	5,032	0.519	4,730	0.520	0.008		0.038
<i>EXP</i>	19,060	0.281	21,368	0.224	18,693	0.228	0.002	0.000	
<i>CUREXP</i>	14,007	0.181	15,135	0.155	13,998	0.158	0.002	0.001	
<i>CAPEXP</i>	5,053	0.871	6,234	0.667	4,695	0.745	0.059	0.006	
<i>WAGE</i>	3,717	0.219	3,900	0.190	3,773	0.191			
<i>PRUCH</i>	5,502	0.313	6,037	0.284	5,374	0.291	0.033	0.006	
<i>PRIV</i>	743	0.720	862	0.604	840	0.612			
<i>PUB</i>	3,306	0.397	3,840	0.353	3,829	0.364	0.007		0.008

Note: \* shows the p-value of the difference of mean test of the indicated variables

Source: Monitor, own calculations and presentation

**Table 3** Budgeted, revised and real share of revenue and expenditure categories

	<i>B</i>		<i>R</i>		<i>E</i>		$R \cdot B^*$	$E \cdot R^*$	$E \cdot B^*$
	Mean	CV	Mean	CV	Mean	CV			
<i>TAX/REV</i>	0.604	0.192	0.563	0.167	0.576	0.156	0.010		0.071
<i>NON_TAX/REV</i>	0.153	0.569	0.139	0.554	0.143	0.538			
<i>CAPREV/REV</i>	0.049	1.224	0.046	1.043	0.044	1.023			
<i>TRANSF/REV</i>	0.194	0.634	0.252	0.357	0.237	0.354	0.000		0.005
<i>CUREXP/EXP</i>	0.760	0.174	0.727	0.160	0.766	0.149	0.065	0.020	
<i>CAPEXP/EXP</i>	0.240	0.550	0.273	0.425	0.234	0.487	0.065	0.020	
<i>PURCH/CUREXP</i>	0.392	0.237	0.398	0.206	0.383	0.219			
<i>WAGE/CUREXP</i>	0.268	0.213	0.260	0.177	0.272	0.169		0.081	
<i>PRIV/CUREXP</i>	0.053	0.698	0.057	0.561	0.060	0.567			
<i>PUB/CUREXP</i>	0.240	0.400	0.254	0.327	0.273	0.322			0.014

Note: \* shows the p-value of the difference of mean test of the indicated variables

Source: Monitor, own calculations and presentation

Besides the analysis of the whole sample, we also focused on individual towns. Table 4 shows the number of towns with a particular character of budget changes for each of the examined revenue or expenditure types. In the case of *REV*, *TAX* and *NON\_TAX*, in most of the towns, the revised volume is higher than the approved one and the collected revenues exceed the revised budget. In the case of *CAPREV*, most of the towns revise the budget downward, but a significant number of towns follow the pattern described in the case of other revenue types. The revised budget of *TRANSF* exceeds the approved budget in 86% of towns, but in more than half of them the really received transfers are lower than the revised budget.

**Table 4** Number of towns with given characteristics of budgeted (B), revised (R) and executed (E) budget lines

Budget line	$B < R$	$B > R$ and $E > R$	$B > R$ and $E < R$	
<i>REV</i>	15	52	28	29%
<i>TAX</i>	20	57	18	19%
<i>NON_TAX</i>	27	59	9	9%
<i>CAPREV</i>	42	32	21	22%
<i>TRANSF</i>	13	37	45	47%
<i>EXP</i>	15	1	79	83%
<i>CUREXP</i>	9	6	80	84%
<i>WAGE</i>	11	2	82	86%
<i>PURCH</i>	15		80	84%
<i>PRIV</i>	15	5	75	79%
<i>PUB</i>	8	13	74	78%
<i>CAPEXP</i>	27	1	67	71%

Source: Monitor, own calculations and presentation

In the case of *EXP* and all its categories, the *increase-then-decrease* pattern clearly dominates.

Thanks to the recently launched Monitor database, we could analyse exactly the same type of data as Dougherty et al. (2003) did in the case of 15 West Virginian cities 15 years ago (2012 versus 1997). Replication of their analysis led to surprisingly similar results: substantial changes often occur during expenditure revisions, but the spending levels end up being very close to what was originally budgeted (Dougherty et al., 2003). They focused only on expenditure, so we cannot compare the results related to revenues.

## 4.2 Frequency and timing

The information collected on budget amendments shows a wide range of practices. The budgetary rules require the budget amendments to be numbered chronologically, but they do not specify how vast one amendment is, that is, if one amendment is a change in one or a few related budget lines or if it comprises more budget lines. In order to distinguish these two

approaches, we will further label the former approach as *individual amendment* and the latter one as *bulk amendment*. For example, budget amendment no. 5/2012 in Turnov comprised 71 line item changes.

The number of budget amendments approved in 2012 in the 13 towns in our sample varies between 6 in Turnov and 334 in Náchod. The bulk amendments approach is used in 5 towns and the individual amendments approach in 8 towns (see Table 5 for more details).

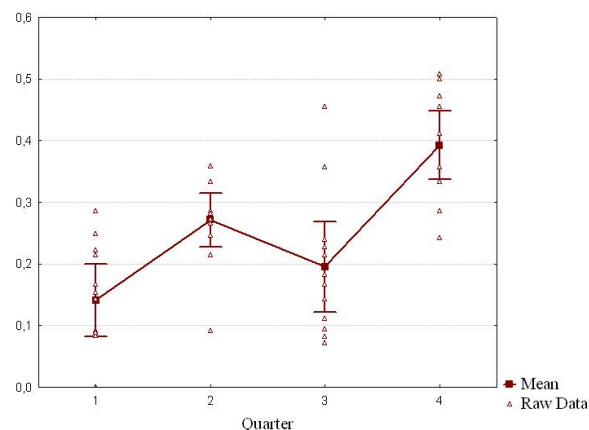
At the same time, some towns use separate numbering for different types of budget amendments; for example, Vyškov uses three series according to the authority responsible for its approval.

Furthermore, some of the budget changes are treated differently in the individual towns; for instance, Náchod even classifies a correction of a wrong budget line code as a budget amendment, allocating it a number, but in Kutná Hora shifts between individual accounting lines within one department and without a change of the total departmental revenues and expenditure are approved by the financial director and are not considered as a budget amendment.

The number of amendments grows as the year proceeds. While in the first quarter amendments are quite rare, in the last quarter the majority of the amendments take place. In the case of five towns (Chrudim, Milovice, Šumperk, Ostrov, Strakonice), the last budget amendments were approved in January 2013. These amendments concerned the inclusion of received transfers or shifts between budget lines. For the sake of the analysis, we consider these January amendments to belong to the fourth quarter.

Figure 1 shows the share of budget amendments that take place in the individual quarters of the year.

**Figure 1** Distribution of budget amendments in the individual quarters of the year (as a % of the total)



Note: Vyškov is not included

Source: Overview of the budget amendments provided by the individual towns

The mean of the share, 95% confidence interval and raw data are shown.

The least significant difference (LSD) test revealed at the 95% confidence level significant differences in the share of the amendments between the fourth and all the preceding quarters and between the first and the second quarter. These conclusions are almost identical to our previous research on seven smaller municipalities between 2010 and 2012 (Sedmihradská and Hruža, 2013).

### 4.3 Categorization of budget amendments

The law on budgetary rules distinguishes three types of budget amendments: (1) shifts in line items when the total revenues and total expenditure remain unchanged, (2) the inclusion of new revenues resulting in expenditure increases and (3) expenditure cuts as a result of lower than expected revenues. The division of the individual amendments among these categories in the individual towns is shown in Table 5.

There is a clear difference in the structure of budget amendments in towns that use the individual or bulk amendments approaches. In the case of the bulk amendments approach, only a few amendments are made that have purely a shift character. Most of the realized shifts are *hidden* in the other two types of budget amendments. On the contrary, in the towns following the individual amendments approach, shifts account for the majority of the amendments, with the exception of Strakonice.

The number of expenditure cuts amendments is very limited in all the towns, regardless of the budget

amendments approach that they use. The expenditure increases amendments form the vast majority in towns with the bulk amendments approach and the number of these amendments in towns with the individual amendments approach is high.

The subsequent division of the expenditure increases amendments is based on the balanced budget requirement related to the budget amendments: new expenditure must be covered either by new revenues or by other means, so called financing. In the case that the new revenues exceed the new expenditure, the excess revenues are saved, referred to as negative financing. This allows further division of the expenditure increases amendments: (1)  $REV = EXP$  and financing is zero, (2)  $REV > EXP$  and financing is negative, meaning that there are savings, or (3)  $REV < EXP$  and financing is positive, meaning that either accumulated or borrowed funds are used.

In most of the seven towns where enough information was available, the first approach, i.e.  $REV = EXP$ , dominates. Klatovy and Šumperk use mostly financing to balance the budget amendments.

### 4.4 Sharing of responsibility

The possibility to realize changes in the approved budget during the course of the fiscal year enables towns to manage unforeseen events without sacrificing control and accountability (Forrester and Mullins, 1992).

The budget is approved by the council, but it would be too inflexible to require all budget amend

**Table 5** Types of budget amendments and their frequency

	Total	Shifts		Expenditure cuts		New expenditure					
						total		Of them			
								EXP = REV	Savings	Use of funds	
Turnov	6			3	50%	3	50%	3	100%		0
Klatovy	7					7	100%				7
Litoměřice	9			1	11%	8	89%	4	50%	3	1
Milovice	11	4	36%	1	9%	6	55%	0	0%	6	0
Žďár nad Sázavou	11	1	9%			10*	91%				
Chrudim	14	1	7%			13	93%	7	54%	4	2
Krnov	14	1	7%			13*	93%				
Šumperk	14			1	7%	13	93%	1	8%	7	5
Strakonice	159	39	25%	9	6%	112*	70%				
Ostrov	192	101	53%	2	1%	89*	46%				
Kutná Hora	203	129	64%	1	0%	73	36%	68	93%	1	4
Vyškov	209	129	62%	6	3%	74*	35%				
Náchod	334	192**	57%	10	3%	132	40%	131	99%	1	0

Note: \* the available data did not allow further classification, \*\* includes 33 corrections

Source: Overview of budget amendments provided by the individual towns

ments to be approved by the council as well, as the council does not meet very often. Therefore, the council can delegate some of the authority to the commission or the mayor (see Češková and Kinšt, 2011).

In our sample, the largest share of budget amendments approved by the commission was in Šumperk (13 out of 14 budget amendments). On the other hand, the town council approved all the budget amendments in 2012 in the following four towns: Klatovy, Litoměřice, Náchod and Turnov.

The specific arrangements in the individual towns differ considerably. More common than a numerical limit, for example all amendments under a certain amount, is the specification of cases in which the commission can approve the budget amendment. The most common is the inclusion of conditional transfers and shifts within a specified level of the budget (e.g., within a department, within an indicator, within a particular level of the budget classification). In the case of shifts, there may be a maximum amount.

## 5. Conclusion

Decision making on the allocation of resources takes place both before the approval of the annual budget – budgeting – and after its approval during the course of the fiscal year – rebudgeting. Research on rebudgeting is quite scarce, especially when focusing on local government, and this study is the first attempt to explore rebudgeting in Czech municipalities.

We focused on medium-sized Czech towns and analysed budget data for all 95 towns with 10 to 30 thousand inhabitants and documents related to budget amendments from 13 towns.

Our analysis proved a high number and volume of the realized budget amendments. Somewhat surprisingly, our results are about the same as the results of a 15-year-old study realized in 15 West Virginian cities by Dougherty et al. (2003): substantial changes often occur during the expenditure revisions but the spending levels end up being very close to what was originally budgeted. This is true not only for the current expenditure and its components but for capital expenditure as well. The approved increase in capital expenditure is not realized by the end of the fiscal year and the investment is postponed, that is, it is included in the approved budget of the subsequent fiscal year.

Most of the new or increased revenues are included in the revised budget as soon as they materialize and the volume of the collected revenues is in line with the revised budget with the exception of transfers, as a small share of the expected transfers does not arrive by the end of the fiscal year.

The detailed analysis of the documents provided by 13 towns revealed that there are significant differ-

ences regarding the number of budget amendments, their extent and the arrangement for sharing responsibility between the municipal council and the commission. The most common type of budget amendments are shifts among revenues or expenditure that do not affect their total volume. They are followed by increases in expenditure caused by new or increased revenues. Expenditure cuts are quite rare.

The quite small amount of unconditional windfall revenues limits the space for opportunistic allocations. Our analysis did not confirm any significant changes in the structure of the expenditure during the course of the year. The growth of the share of transfers between the approved and the executed budget is not surprising, but due to the conditionality of all of these transfers, they do not leave much space for the implementation of any parochial interests.

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#### **Additional resources**

Budgetary rules for local governments (250/2000 Coll.).

The Law on municipal establishment (128/2000 Coll.)

Regulation on budget classification (323/2002 Coll.)

Regulation on the structure of information published on Internet (442/2006 Coll.)

Information provided by the researched municipalities on Internet or based on a request

