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Opportunities for structural reforms and financial consolidation in the state of Upper Austria and its municipalities

Overview

- Financial Situation of the State of Upper Austria and its municipalities
- Basic financial framework
- Possibilities to improve financial results
- Selected results of the Upper Austrian court of audit
- Conclusion

Upper Austria - Characteristics



- 1.5 Mio. inhabitants und 11,982 square kilometers
- economy: industrialized zones (center), structurally weak zones (north), tourism in south (Salzkammergut)
- Budget of the federal state: 8.5 billion euros
- 438 independent municipalities (under supervision of the federal state)

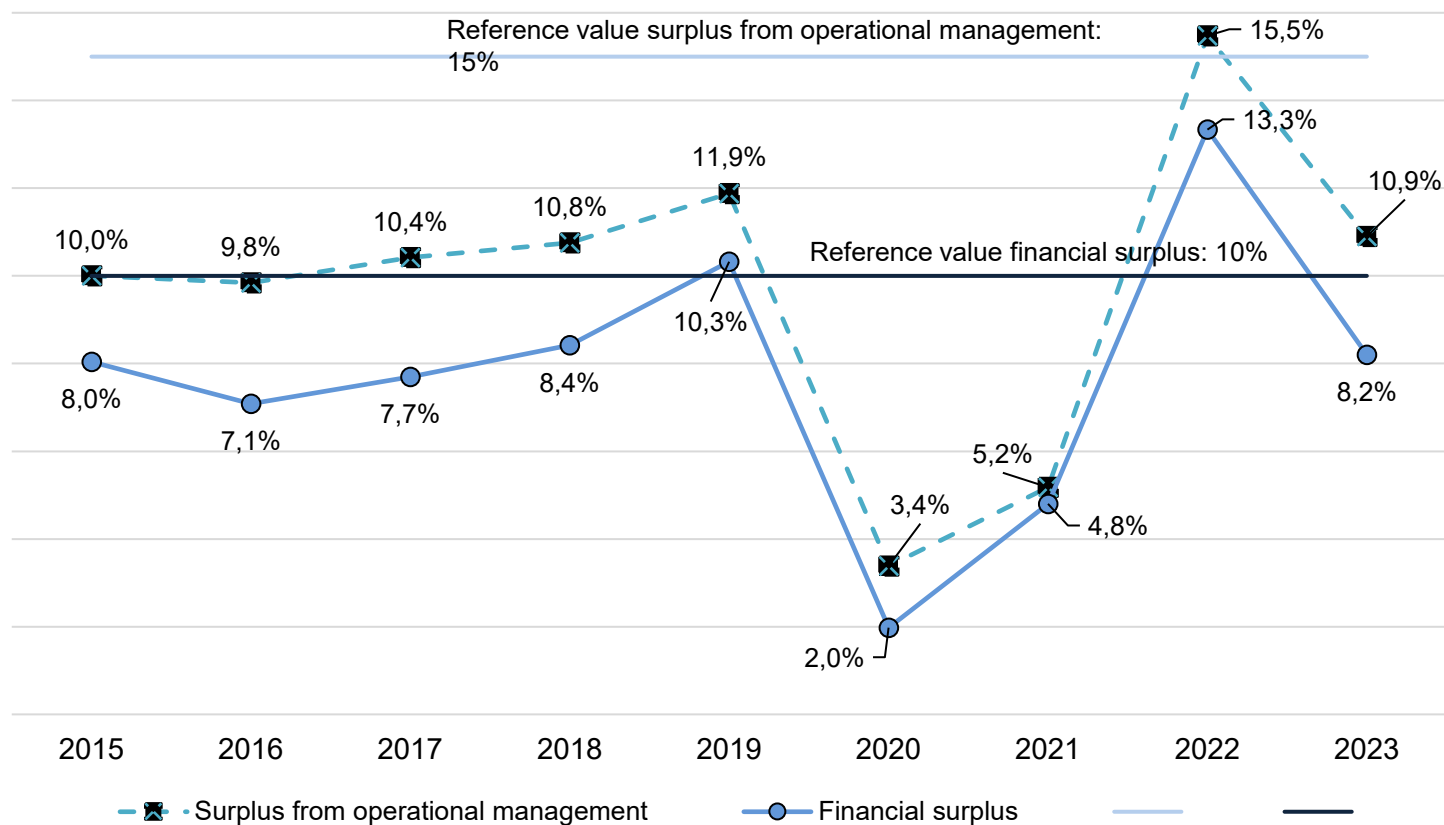
Upper Austria – Economic Situation

Figure	2022	
	Upper Austria	Austria
GDP in million euros	76,781.0	447,218.0
GDP real variation in %	3.6	4.8
GDP per inhabitant in euros	50,700.0	49,400.0
Figure	2023	
	Upper Austria	Austria
Employment Rate in %	77.7	74.1
Unemployment Rate in %	3.5	5.1

Budget of Upper Austria – Overview 2023

Term	Source	Result	Quote
		in M euros	in %
Net financing balance	Financial budget	84.3	
Surplus from operational management	Financial budget	836.9	10.9
Financial surplus	Financial budget	703.4	8.2
Net result	Outcome budget	-100.7	-1.2
Net worth	Asset budget	3,640.8	34.6 %
Financing balance ESVG 2010	ESVG 2010	-19.5	

Budget of Upper Austria – Operational Management



Upper Austrian Municipalities – Financial Overview

	2023	Trend
Debts	1,650 euros/inh.	↓
Surplus from operational management	7.4 %	↓
Financial surplus	2.1 %	↓
Municipalities in deficit	83	↑
Compensation payment of the state	34.7 M euros	↑

➡ **Federal State of Upper Austria covers deficits**

Financial framework for states and municipalities in Austria

- There are only a few possibilities to fix own taxes
- System of Financial Equalization between the authorities in main parts
 - Complex System of distribution
 - Fixed distribution without clear connection to public tasks
- Financial dependence on the Austrian federation is increasing
 - Pandemic was cushioned by funding programs
 - Energy crisis and inflation put pressure on public budgets
- Forecast
 - More financial pressure because of risen salaries in 2024
 - Reduction of tax income because of recession in 2024 and 2025
 - No real chance for reforms of the system of financial equalization

Options for the regional courts of audit

- Recommendations to consolidate the public budgets
- Optimization of administrative processes
- Structural recommendations within the legal possibilities of an auditing institution
 - Joint-Audit of state and municipal issues
 - Concentration on the interfaces of the local authorities

Selected Audits - Upper Austrian Court of Audit

- Annual Audit of the financial statement of the State of Upper Austria
- Audit of single municipalities focusing on consolidation
- Audit of several municipalities focusing on cooperation

<https://www.lrh-ooe.at/>

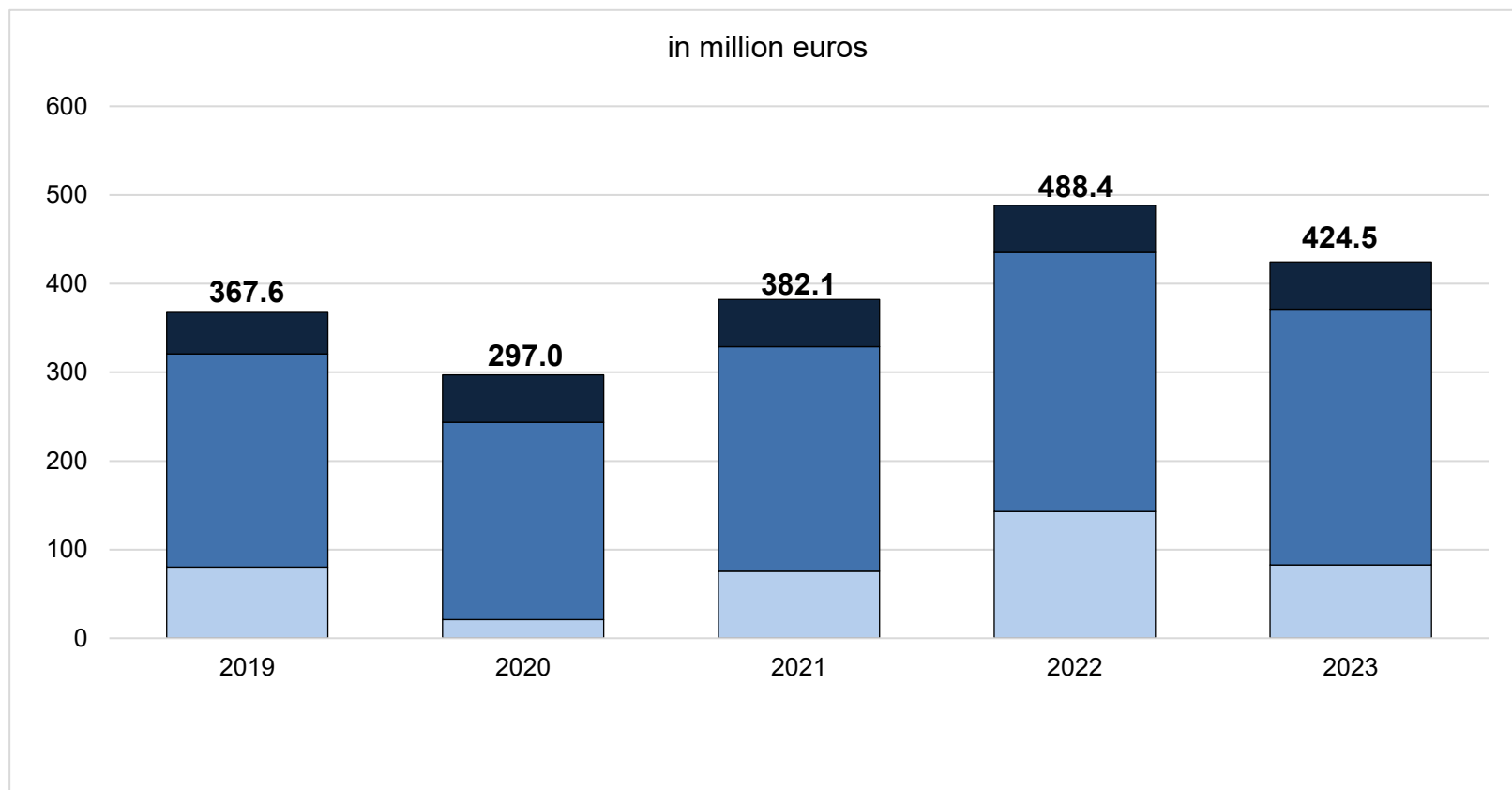
Audit of the financial statement of the state of Upper Austria

- Confirmation of Regularity and Completeness
- Objective presentation of financial situation
- Recommendations:
 - Budgetary discipline
 - Reduction of financial support
 - Acyclic investment policy
 - Simplification of transfer payments
 - Structural reforms

Transfer payments between state and municipalities

- State and municipalities pay each other high sums in form of transfers financing essential areas of life:
 - Healthcare
 - Social assistance
 - Childcare
- 2023: Municipalities to state 915 million euros vs. state to municipalities 833 million euros
- Economic transfer balance is clearly at the expense of the municipalities

Economic transfer balance: state vs. municipalities



Transfer payments between state and municipalities

- Criticism of Court of Audit refers to general complexity of transfer relationships and to constant increases of transfers
 - Points of Discussion:
 - Simplification of transfer relationships
 - Merge of public tasks and financing (e.g. healthcare vs. childcare)
 - Resolving small-scaled municipal structures and reinforce regional structures
- ➡ Only statewide reforms including the federal authority in Vienna can unite public tasks and financing in a sensible way!

Financial Consolidation in Municipalities

- Analysis of significant expenses
 - Financial support
 - Human resources area (more and more challenging)
- Exploitation of all revenue potentials
 - Complete collection of all own taxes and fees
- Synergies through cooperations and merger of municipalities

Audit of cooperation projects and merger of municipalities

- Court of Audit evaluates the effects of cooperation and merger
- Calculation of concrete financial advantages and depiction of the quality of performance (indicators):
- Positive financial effects:
 - Political Mandataries
 - Human resources area (limited potential)
 - IT-costs
 - Distribution of the taxes in the system of financial equalization

Audit of cooperation projects and merger of municipalities – Role of the state

- State of Upper Austria has developed a financial incentive system – its effectiveness is in need of improvement
- Planning of desired infrastructure is necessary – impact on distribution of fundings
- Risk, that high amount of different cooperations increases complexity
- Political decisions to be made by the state

Conclusion - Court of Audit....

- ... addresses a clear statement of financial situations
- ... convinces through professionalism and independence
- ... provides independent contributions to complex issues
- ... notes the essential connections of local authorities
- ... stands for frugality, thrift and usefulness in equal parts
- ... stays close to its recommendations and waits for a "window of opportunity"
- ... does not do politics but provides the basics

**Vielen Dank
für Ihre
Aufmerksamkeit!**