

**FORMING OF LOCAL BUDGETS: BETWEEN FISCAL  
DECENTRALIZATION AND SOCIAL SOLIDARITY**

**Brîndușa GOREA\***

**Oana Voica NAGY\*\***

**Ioana Raluca TONCEAN-LUIERAN\*\*\***

**ABSTRACT:** *Financial decentralization is an essential part of the administrative and financial decentralization process, because it represents the most important source that fuels the public budgets. The transfer of administrative competences from the center towards the periphery, meaning from the central public administration to the local ones, must be accompanied by the increase of the local budget revenues, which is in direct dependence of financial decentralization, by increasing the amount of taxes entering the local budgets (without increasing the tax burden). Increasing the local budget revenues is also possible by allocation of additional amounts from the national budget, but this doesn't represent a real decentralization, rather a disguised centralization, where the state decides how much, from where and under what form they are allocated to the local authorities, and this last one is in a continuous uncertainty and dependency to the center. This study proposes a modern conception on the financial decentralization in Romania, in accordance with the majority of the direct financial revenues (income tax and profit tax) that must enter in the budget of the localities, from where these will turn – in order to respect the financial equality and solidarity principle – odds to the county budget and to the state budget.*

**KEYWORDS:** *local budgets; fiscal decentralization; social solidarity; financial balance; transparency; quality public services.*

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\* Professor, PhD, "Dimitrie Cantemir" University of Tirgu Mures, ROMANIA.

\*\* University Assistant, PhD, "Dimitrie Cantemir" University of Tirgu Mures, ROMANIA.

\*\*\* University Assistant, PhD, "Dimitrie Cantemir" University of Tirgu Mures, ROMANIA.