

METHODOLOGICAL PECULIARITIES OF ASSESSING THE STATE OF REGIONAL BUDGETS

Increasing the budgetary potential is an important factor for the socio-economic development of a region. The budget capacity of region affects capabilities of providing budget-funded services to the public, which underscores the relevance of the topic selected for this study. The object of this study is the methodology used for assessing the state of regional budgets. The goal of the study is to develop the methodology for assessing the state of regional budgets. The subject-matter of the study are socio-economic relations arising with regard to the region's budget capacity usage. The hypothesis of the research is that the regional budget's situation reflects the use of the budget capacity of a territory in the current conditions. We consider the various definitions of "budgetary potential" category. The authors propose their own interpretation of the budgetary potential as a set of financial resources of a territory, which, under the optimal conditions, can be used for the realization of budget functions to achieve strategic and tactical targets for the development of a region. The authors elaborated the methodology that allows to assess the state of regional budget based on indicative analysis followed by determination of the level of territory's budget capacity usage. We selected a number of indicators and then divided them into five groups to assess specific area that affects the state of regional budget. The threshold limits of each indicator were assessed on the basis of regulatory or average Russian figures. The calculations for each group of indicators have allowed to define the budgetary situation of regions. On the basis of these cluster evaluations, we propose to classify territories by the degree of using the budgetary potential. This methodology was used to analyze the state of budgets in the Ural Federal District. The resulting integral estimates provided the basis to assign ranks to all territories and determine the level of the budgetary potential. This allowed to conclude that Chelyabinsk and Sverdlovsk Regions have the most favorable state of budget and, as a result, a high level of budget capacity usage. The results of the study can be used by public authorities to elaborate and implement socio-economic development programs in the territorial subjects of the Russian Federation, and to implement activities aimed at determining the state of budget and providing diagnostics of the quality of regional public finance management.

Keywords: budgetary potential, socio-economic development, public finance, deficit, budget indicators, financial resources, debt burden, state of budget, ranking, balanced state, gross regional product, tax and non-tax revenues

Introduction

The problem of regional budget capacity usage is becoming increasingly relevant amid the deterioration of the economic situation in Russia, growing risks of unstable socio-economic development and, as a result, stronger negative effects on regional budgets. The economic and financial position of some Russian regions is at a low level, which does not allow the authorities to exercise their powers and ensure a normal standard of living for the population.

The ability of the region to independently finance its expenditure obligations largely affects the level of its economic development. The budget system of the region is an important element of financial system characterized by a specific set of parameters that have different formation sources and expenditure areas. The budget capabilities of the subject of the Russian Federation determine the level of budget-funded services to the population, quality of implementing regional socio-economic programs, and general welfare of the population in the territory [1]. The elaboration and effectiveness of implementing the programs of socio-economic development of the region directly depend on the state of budget, because financial resources, the main characteristics of which are the amount and term of provision [2], are used by the authorities to create and maintain the financial base for such important areas as education, health care, and social security of the population.

The assessment of the state of the budget for different periods will allow to get timely information and develop measures to improve the level of budget capacity of the region. The obtained results will allow to determine reserves for raising funds to the budget.

Theory

Depending on the area of vital activities, we can identify different types of capacity, such as economic, production, innovation, financial, natural resource, socio-demographic, investment, labor, scientific, infrastructure capacity, etc.

The explanatory dictionary of S.I. Ozhegov defines the concept of “capacity” as “an aggregate of any means and capabilities”¹.

The economy is the most extensive area of vital activities, V.V. Mishchenko views the concept of “economic capacity of region” as the aggregate of four components, including natural resource capacity, population and labor resources, production capacity [3].

E.N. Zakharova and E.P. Avramenko defined the regional economic capacity through the achieved level of regional development and opportunities for its further growth [4].

Since any economic growth is possible only with the necessary financial resources, S.P. Sazonov, Yu. V. Gaponenko, and K.D. Weissbein argued that the financial capacity of region is an effective component of its economic capacity, which the authors understand as the pooling of financial resources necessary to ensure the reproduction and quality of life in the region [5].

Zh. G. Golodova considers the financial capacity of region as “the capability of the financial system of region to ensure long-term growth and development through combination of available resources, as well as conditions created by the state (first of all, this includes the mechanism of financial and banking system regulation), enterprises and organizations, the population of region to generate, distribute, and redistribute these resources in order to achieve specific financial results, ensure expanded reproduction and social development” [6].

The budget capacity acts as a component of financial capacity of the territory. The economic literature provides many different interpretations for the concept of “budget capacity”. For example, according to T.N. Zubkova, the budget capacity is “objective economically justified capability to accumulate money in a centralized fund of financial resources (state budget) for corresponding financial year” [7].

B.K. Zlobin and E.O. Belous define the budget capacity as a capability to estimate the inflow of money to a centralized monetary fund of a certain level [8].

The scientists also consider the budget capacity as available or raised resources, reserves, and sources of budgetary activities to achieve the established budget-funded goals [9].

The paper of O.S. Kirillova examined the budget capacity not only as an aggregate of financial resources concentrated in the budget, but also as the ability of the regional economy to generate revenue in the implementation of budgetary functions [10].

The budget capacity is also interpreted as an acceptable amount of expenditure obligations depending on the revenue [11].

In international literature, the concept of “budget capacity” is quite rare, as most of the studies relate to financial or tax capacity of the territory. The issues of financial and budgetary capacity were examined in the works of such international scientists as R.L. Zhebchuk [12], G. Reshina, A. Vocish [13], M.-O. Pinteá, S.A. Achim, V. Lacatus [14], I. Bostan [15], L. Ciurlău [16], P. Halmá, V. Vasary [17].

The budget capacity is an aggregate of financial resources of the territory which, under optimal conditions, can be used to implement the budgetary functions aimed at achieving strategic and tactical goals of the region.

The level of budget capacity of region may be influenced by a great number of factors that can be grouped by different classification criteria, including objective and subjective, external and internal, quantitative and qualitative, etc. In our view, the main factors are the quality of budget policy pursued by the regional authorities, level of investment and business activity in the region, sectoral orientation of the region, implementation of inter-budgetary relations, and existing regulatory framework.

The concept of “budget capacity” can be also revealed through some functions of the budget (Table 1).

The analysis of the state of the budget allows to identify the factors that negatively affect the budget sphere, as well as to determine the opportunities for further socio-economic development of the region. In this study, the state of the regional budget is considered as an opportunity to use the budget capacity of the territory in the existing environment.

¹ Tolkovyy slovar russkogo yazyka Ozhegova [Explanatory Dictionary of Russian Language by Professor S. Ozhegov]. Retrieved from: <http://slovarozhegova.ru/about.php> (date of access: October 11, 2017).

Functions of budget capacity and their manifestations

Function	Manifestation
Distribution and redistribution	It is manifested in the process of distribution and redistribution of GRP
Regulatory and stimulating	Budget revenues are a tool for regulating and stimulating the economy
Control	Control of deviations in the flow of financial resources
Social	It is manifested in the support to the least protected segments of population
Meeting the needs of society	Capability to finance public goods and services

Methods

The budget components have been analyzed by various methods, the most common of which are the coefficient, indicative, trend methods, etc. [18, 19].

The authors proposed a methodology that allows to assess the state of regional budgets based on indicative analysis.

The system of assessment indicators used in this methodology includes the following groups [20]:

- 1) Indicators assessing the balanced nature, stability, financial independence of regional budget.
- 2) Indicators assessing the quality of planning and implementing the regional budget.
- 3) Indicators assessing the state of debt obligations of the regional budget.
- 4) Indicators assessing the orientation of the regional budget.
- 5) Indicators assessing the impact of budget indicators on key economic indicators.

Group 1 includes the balanced nature of regional budget, the share of budget deficit in the regional revenues, and financial autonomy ratio. The assessment shows whether the region can cope with financial problems on its own. Budget deficit indicates the lack of balanced nature and, therefore, instability. The threat of unbalanced budget can lead to delays in funding.

Group 2 includes the rate of implementation of regional budget in terms of planned revenues, excluding non-repayable receipts, and the share of budget expenditures implemented under target-oriented programs in the total regional budget expenditures.

Inaccurate forecast of budget revenues and poorly planned expenditures under the programs will have a strong impact on the state of regional budget. A significant variance of actual data from the planned indicators will not allow to fully use the budget capacity of region.

Group 3 is assessed through the ratio of the public debt accumulated by the subject of the Russian Federation to its total revenues and the debt burden on regional budget.

Since many regions experience budget deficits, it is necessary to resort to borrowings which lead to the emergence of public debt. Therefore, monitoring and management of public debt accumulated by the subject of the Russian Federation is an urgent problem for many regions. Regional debt policy plays an important role in ensuring socio-economic development, as it allows to quickly address the problems with debt repayment and restructuring. Effective debt management should be based on a reasonable assessment and consideration of own liabilities [21].

The social orientation of regional budgets is confirmed by the structure and dynamics of the expenditure obligations. The priority of social policy is to support the least protected segments of population. Positive trends in the socio-economic indicators of the region are associated with the effective use of funds spent on the social sphere. Therefore, to assess the state of Group 4, we used such indicator as the "share of social items in the regional budget expenditures".

For assessment of Group 5, we selected such indicators, as the "share of main taxes in GRP" and "sufficiency rate of budgetary funds for population".

Socio-economic development of the region can be assessed through various macroeconomic parameters. According to many scientists, the main aggregating parameter describing the regional development is the gross regional product, which represents the results of production activities in the region. GRP reflects the development level and results of activities by all business entities in the territory. It also reflects the economic capacity of region. The level of budget allocations per resident of the territory shows the capability of fulfilling obligations towards the population.

The method of expert assessments allowed to select the estimates with their subsequent breakdown into groups that evaluate a specific area that affects the state of regional budget.

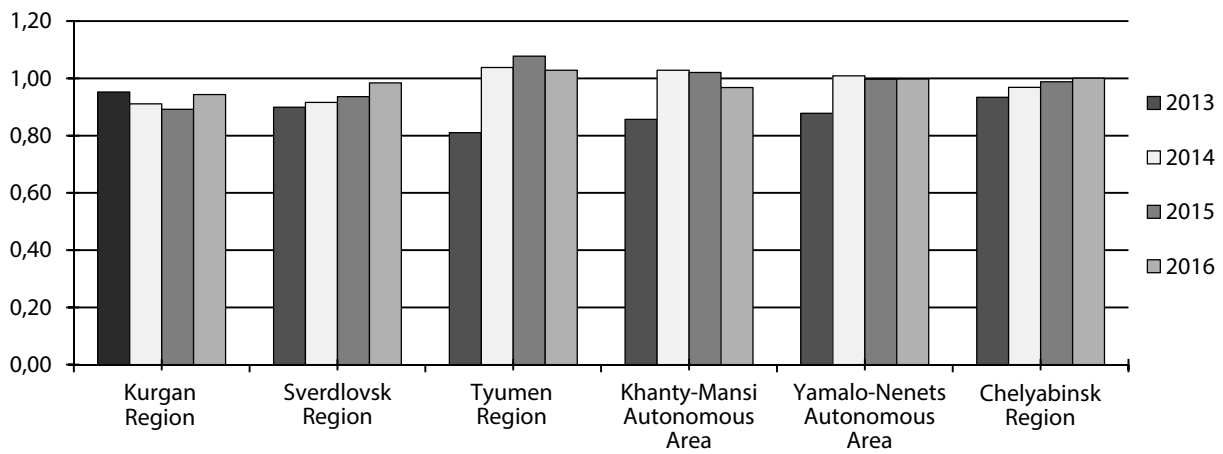


Fig. 1. Budget balance ratio in UFD regions in 2013–2016

For all indicators used in the assessment, we determined the threshold limits based on the regulatory or average Russian figures. Since all indicators have different units of measurement, our next step was to bring them to a comparable form, that is, to implement their normalization.

Depending on the ratio of the normalized assessment and threshold limits of selected indicator, we determined one of the following states of regional budget: normal, favorable, stable, satisfactory, unsatisfactory, crisis, depressive.

The next stage involves assessing the state of budget for each group of indicators by using the method of weighted normalized assessment, where a score estimate is established for each state of budget [22]. Unlike the qualitative assessment, the quantitative assessment obtained by this method will help to determine more accurately the state of regional budget.

At the final stage, each region is assigned a rank that ranges from 1 to 6 depending on the values obtained for each indicative group, which allows to build the rankings based on the level of budget capacity usage in the territory.

The average value of ranks based on the assessment of the state of regional budgets allows to provide the following classification describing the level of budget capacity usage in the territory:

- High (if the average rank for all groups ranges from 1 to 3.2);
- Medium (if the average rank for all groups ranges from 3.3 to 5.5);
- Low (if the average rank for all groups ranges from 5.6 to 6).

As sources of statistical information for this study, we used reports on the implementation of consolidated budgets in the subjects of the Russian Federation, data of the Russian Ministry of Finance and Federal Treasury, and annual statistical compilations “Regions of Russia: Socio-Economic Indicators”.

Obtained Results

The analysis and calculations under the proposed methodology were conducted by using the case of the regions included in the Ural Federal District (UFD). The stability of the budget depends primarily on its balanced nature. The budget policy pursued by the regional authorities considers the principle of balanced budget as one of the main factors, since this provides the basis for the normal functioning of territory [23].

The balance ratio of regional budget represents the ratio of budget revenues to budget expenditures and shows to what extent the revenues cover the expenditure obligations. The closer is the resulting value to 1, the more balanced is the regional budget. Figure 1 shows the value of budget balance ratio in UFD for 2013–2016.

The balanced nature of budgets in UFD regions deteriorated significantly in 2013, as the growth of budget revenues was much lower than the growth of expenditures. This period was also marked by the reduction of proceeds from income tax and amount of inter-budget transfers, and by the increase of expenditures on education. This led to a sharp increase of the budget deficit. Tyumen Region was the territory with the highest budget deficit in 2013, its share in the revenues increased by 29 % compared to 2012. This factor was the reason for the crisis state of the budget in 2013.

Results of assessing the balanced nature, stability, and financial autonomy of budgets in UFD regions in 2012–2016

Year	Results of assessing the state of budgets in UFD regions						
	UFD	Kurgan Region	Sverdlovsk Region	Tyumen Region	Khanty-Mansi Autonomous Area	Yamalo-Nenets Autonomous Area	Chelyabinsk Region
2012	0.247	0.793	0.12	0.217	0.141	0.754	0.26
	P-C1	P-C3	P-C1	P-C1	P-C1	P-C3	P-C1
2013	0.676	0.881	0.535	1.528	0.734	0.697	0.502
	P-C3	P-C3	P-C2	C2	P-C3	P-C3	P-C2
2014	0.193	1.032	0.502	0.02	0.024	0.221	0.436
	P-C1	C1	P-C2	P-C1	P-C1	P-C1	P-C2
2015	0.168	1.158	0.42	0.049	0.063	0.015	0.392
	P-C1	C1	P-C2	P-C1	P-C1	P-C1	P-C2
2016	0.145	0.913	0.233	0.063	0.151	0.01	0.391
	P-C1	P-C3	P-C1	P-C1	P-C1	P-C1	P-C2

Note: 1) N — normal, P-C1 — favorable, P-C2 — stable, P-C3 — satisfactory, C1 — unsatisfactory, C2 — crisis, C3 — depressive. 2) The closer the value is to 0, the more favorable is the state.

In Khanty-Mansi Autonomous Area, after the crisis which began in 2014, we observed a decrease in the budget balance ratio, which was associated with a reduction of revenues in the regional budget. In Sverdlovsk and Chelyabinsk Regions, the analyzed period was marked by a trend, in which the ratio was approaching its recommended value.

The worst budget balance ratio was observed in Kurgan Region. The revenues are not sufficient to cover expenditure obligations, which leads to lower budget balance ratio and higher budget deficit.

Table 2 provides the assessments and state of budget in terms of its balanced nature, stability, and financial autonomy.

The assessment revealed that the budget of Kurgan Region depends on the most on financial assistance. The calculations showed that about half of this regional budget is provided by non-repayable receipts. The budgets of the Khanty-Mansi Autonomous Area and Yamalo-Nenets Autonomous Area are virtually not dependent on financial assistance since a significant part of their budget revenues comes from the tax on profits of oil and gas producing companies.

The planning and implementation stages are important components of the budget process. Errors in the determination of planned indicators affect the quality of implementation in the future budget period. Therefore, the effectiveness and quality of these stages are very important (Table 3).

The assessment of budget implementation in terms of revenues in 2016 showed that the threshold limit (15 %) was exceeded in almost all regions, which is due to the difficult economic situation in Russia. Throughout the analyzed period, Sverdlovsk Region and Khanty-Mansi Autonomous Area demonstrated a normal and favorable state of planning tax and non-tax revenues.

The state of budget implementation in the analyzed territories was assessed as negative until 2014. But, in the later period, we observed a trend towards increasing the share of program-related expenditures across UFD. These results can be attributed to the period of transition to the program-based budget. Today, 193 state programs are being implemented in the Ural Federal District. The leader in terms of numbers is Kurgan Region (46 state programs), the lowest number of programs is in Khanty-Mansi Autonomous Area (25 state programs).

The debt policy is aimed at ensuring the balanced nature and stability of regional budgets. In order to keep the public debt at an economically safe level, it is necessary to comply with the requirements for its amount and maintenance costs established by the budget legislation [24].

Let us consider the change in the level of debt burden on the budgets of UFD regions in 2014–2016 (Fig. 2).

Figure 2 shows that the most critical situation was in Kurgan Region as a result of its increasing public debt. The lowest level of debt burden in the analyzed period was observed in Tyumen Region

Quality of budget planning and implementation in UFD regions in 2012–2016

Year	UFD	Kurgan Region	Sverdlovsk Region	Tyumen Region	Khanty-Mansi Autonomous Area	Yamalo-Nenets Autonomous Area	Chelyabinsk Region
2012	1.399	1.466	2.188	1.577	2.089	2.188	0.019
	C1	C2	C3	C2	C3	C3	P-C1
2013	0.103	0.064	0.	0.	0.	2.188	0.
	P-C1	P-C1	N	N	N	C3	N
2014	0.103	0.47	0.	0.192	0.125	1.145	1.05
	P-C1	P-C2	N	P-C1	P-C1	C1	C1
2015	0.009	1.357	0.	0.383	0.174	0.	0.282
	P-C1	C1	N	P-C2	P-C1	N	P-C1
2016	0.	0.001	0.	0.185	0.	0.288	0.156
	N	P-C1	N	P-C1	N	P-C1	P-C1

Note: N — normal, P-C1 — favorable, P-C2 — stable, P-C3 — satisfactory, C1 — unsatisfactory, C2 — crisis, C3 — depressive.

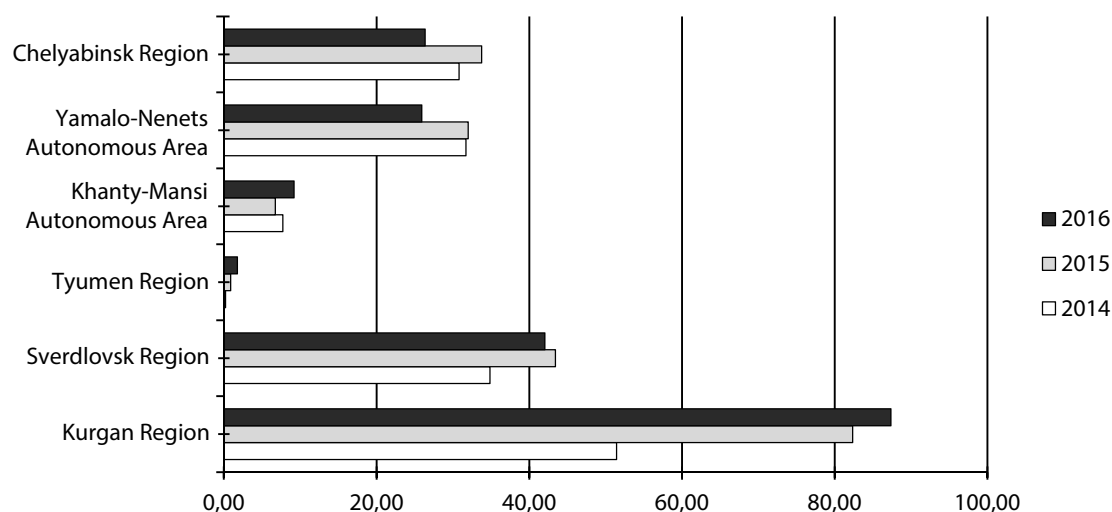


Fig. 2. Level of debt burden on the budgets of UFD regions in 2014–2016

and Khanty-Mansi Autonomous Area, because these territories have fairly high amounts of their own revenues.

Table 4 presents the results of assessing the state of debt obligations in the budget of UFD regions.

The state of debt obligations of UFD regions (except for Kurgan Region) is assessed as normal or favorable. The public debt of Kurgan Region increased in the analyzed period. This increase was due to the fact that, amid the slowing economic development, the growth of revenues in the regional budget was below the necessary level while the social expenditures increased.² In Sverdlovsk Region, the increase in government borrowing was associated with lower revenues amid unstable economic environment and higher cost of servicing the borrowed funds.³

Social policy holds a central place in the structure of budget expenditures. The difficult economic situation makes it more complicated for Russia to implement its adopted policy of establishing an innovative economy and improving the quality of human capital. The analysis of budget expenditure in this environment allows to draw conclusions about the effectiveness of implemented social policy in the region with different budgetary sufficiency [25]. Proper allocation of budget funds to social areas makes a significant impact on the quality of life and wellbeing of the population and allows to reduce

² On approval of the debt policy of Kurgan Region for 2016 and the planning period of 2017 and 2018. The Order of the Government of Kurgan Region No. 9-r of January 19, 2016. Retrieved from Garant, a reference and legal information system: <http://base.garant.ru/48362280/#ixzz54uDIK4Op> (date of access: December 4, 2017).

³ On approval of the debt policy of Sverdlovsk Region for 2016 and the planning period of 2017 and 2018. The Decree of the Government of Sverdlovsk Region No. 200-PP, of March 26, 2015. Retrieved from Garant, a reference and legal information system: <http://base.garant.ru/20960060/> (date of access: December 4, 2017).

Table 4

Results of assessing the state of debt obligations in the budget of UFD regions in 2012–2016

Year	Results of assessing the state of debt obligations in the budget of UFD regions, by region						
	UFD	Kurgan Region	Sverdlovsk Region	Tyumen Region	Khanty-Mansi Autonomous Area	Yamalo-Nenets Autonomous Area	Chelyabinsk Region
2012	0.	0.	0.017	0.	0.	0.	0.167
	N	N	P-C1	N	N	N	P-C1
2013	0.137	0.249	0.167	0.	0.	0.3	0.302
	P-C1	P-C1	P-C1	N	N	P-C1	P-C1
2014	0.208	0.906	0.397	0.	0.	0.364	0.286
	P-C1	P-C3	P-C2	N	N	P-C2	P-C1
2015	0.334	1.99	0.66	0.	0.	0.37	0.39
	P-C2	C3	P-C3	N	N	P-C2	P-C2
2016	0.262	2.01	0.576	0.	0.	0.3	0.133
	P-C1	C3	P-C2	N	N	P-C1	P-C1

Note: N — normal, P-C1 — favorable, P-C2 — stable, P-C3 — satisfactory, C1 — unsatisfactory, C2 — crisis, C3 — depressive.

Table 5

Results of assessing the budget expenditure orientation in UFD regions in 2012–2016

Year	Assessment of budget expenditure orientation in UFD regions						
	UFD	Kurgan Region	Sverdlovsk Region	Tyumen Region	Khanty-Mansi Autonomous Area	Yamalo-Nenets Autonomous Area	Chelyabinsk Region
2012	0.142	0.	0.	1.059	0.018	0.804	0.
	P-C1	N	N	C1	P-C1	P-C3	N
2013	0.023	0.	0.	0.802	0.	0.707	0.
	P-C1	N	N	P-C3	N	P-C3	N
2014	0.	0.	0.	0.799	0.	0.691	0.
	N	N	N	P-C3	N	P-C3	N
2015	0.	0.	0.	0.657	0.018	0.358	0.
	N	N	N	P-C2	P-C1	P-C2	N
2016	0.	0.	0.	0.513	0.	0.52	0.
	N	N	N	P-C2	N	P-C2	N

Note: N — normal, P-C1 — favorable, P-C2 — stable, P-C3 — satisfactory, C1 — unsatisfactory, C2 — crisis, C3 — depressive.

social injustice. To assess the budget expenditures, we selected the largest social expenditure items (education, health care, and social policy). The results of assessing budget expenditure orientation in UFD regions are presented in Table 5.

The obtained data indicate the social orientation of the budgets in UFD regions. Today, the largest share in the budget expenditure is held by such socially important area as education. This indicates the implementation of the May 2012 Decrees of the Russian President in terms of raising the salaries of employees in the area of education.

Next come the expenditures on health care and social policy. Since the population is the main labor resource, its state of health will determine the preservation and improvement of national labor capacity. The number of expenditures on health care and the level of medical care significantly affect the economic growth and socio-economic development of the territory [26].

Throughout the analyzed period, the lowest share of social expenditures among UFD regions was observed in Tyumen Region. In recent years, the budget resources of the region have been spent mostly in such areas as education and national economy.

The different level of socio-economic development in the territories is reflected in the actual amounts of tax receipts to the consolidated budget. The differences in the amounts of receipts are also reflected in the expenditures of territorial budgets [27, 28]. The revenues of the regional budget

Results of assessing the impact of budget indicators on key economic indicators of UFD in 2012–2016

Year	UFD	Kurgan Region	Sverdlovsk Region	Tyumen Region	Khanty-Mansi Autonomous Area	Yamalo-Nenets Autonomous Area	Chelyabinsk Region
2012	0.29	0.657	0.478	0.103	0.78	0.	0.348
	P-C1	P-C2	P-C2	P-C1	P-C3	N	P-C2
2013	0.376	0.525	0.212	0.58	0.848	0.472	0.125
	P-C2	P-C2	P-C1	P-C2	P-C3	P-C2	P-C1
2014	0.181	0.305	0.244	0.474	0.462	0.49	0.125
	P-C1	P-C1	P-C1	P-C2	P-C2	P-C2	P-C1
2015	0.149	0.338	0.185	0.687	0.401	0.542	0.
	P-C1	P-C2	P-C1	P-C3	P-C2	P-C2	N
2016	0.342	0.351	0.195	0.734	0.708	0.614	0.
	P-C2	P-C2	P-C1	P-C3	P-C3	P-C2	N

Note: N — normal, P-C1 — favorable, P-C2 — stable, P-C3 — satisfactory, C1 — unsatisfactory, C2 — crisis, C3 — depressive.

Table 7

Level of budget capacity usage in UFD regions in 2016

Region	Rank					Budget capacity level
	Group 1	Group 2	Group 3	Group 4	Group 5	
Kurgan Region	6	6	6	2	3	MBCU
Sverdlovsk Region	4	2	5	3	2	HBCU
Tyumen Region	2	5	1	5	6	MBCU
Khanty-Mansi Autonomous Area	3	3	2	4	5	MBCU
Yamalo-Nenets Autonomous Area	1	4	4	6	4	MBCU
Chelyabinsk Region	5	1	3	1	1	HBCU

Note: HBCU — high budget capacity usage, MBCU — medium budget capacity usage, LBCU — low budget capacity usage.

are generated mainly by allocations from the federal taxes, such as personal income tax and corporate income tax; most of receipts from regional taxes come from the property taxes of organizations. The tax burden can be determined by comparing the three main taxes of the territory with the amount of such key economic indicator as the Gross Regional Product (GRP). In 2015 and 2016, the highest share of taxes in GRP was reported in Chelyabinsk Region; the same period was marked by a significant decline of GRP compared to 2014. A fairly high assessment for Kurgan Region can be explained by its small GRP.

The assessment of the sufficiency of budgetary funds for the population showed that the highest results were demonstrated in Khanty-Mansi Autonomous Area and Yamalo-Nenets Autonomous Area. The amounts of revenues received in these territories, which are associated with mining, are high while their population is relatively small. Overall, the group assessment indicates that the diagnostics of UFD demonstrates that the situation there is at a favorable and stable level.

Based on assessments by groups of indicators, we assigned a rank to each territory and determined the level of its budget capacity usage (Table 7).

No territories with low budget capacity usage were identified among UFD regions.

Figure 3 illustrates the dynamics of budget capacity usage.

The results of calculations revealed a high level of budget capacity usage in Chelyabinsk and Sverdlovsk Regions. The assessment of the state of budget showed that these regions were better at planning and implementing their budgets. These regions also had the largest shares of expenditures on education, health care, and social policy.

Among UFD regions, the lowest budget usage capacity was in Kurgan Region, which is associated with a major lack of funds and small amounts of tax and non-tax receipts.

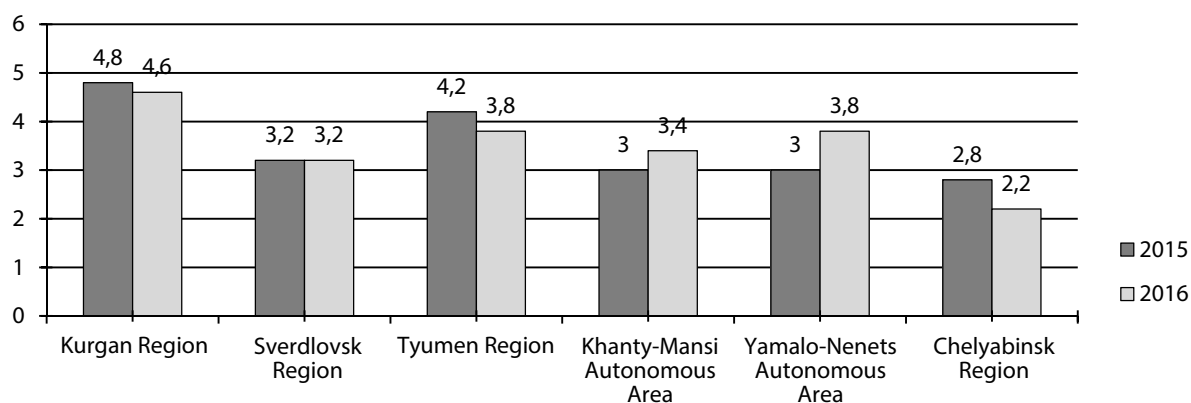


Fig. 3. Change in the level of budget capacity usage in UFD in 2016 compared to 2015

Budget capacity usage in Tyumen Region and autonomous areas is at the medium level. Due to the difficult economic situation in Russia and higher energy prices, the revenues of autonomous areas declined in 2015, which had a significant impact on their performance.

The assessment of the state of regional budgets allows to determine the level of region's budget capacity usage in the current environment. By monitoring the state of budget, we can identify problem areas and elaborate measures aimed at improving the level of socio-economic development. Timely identification of shortcomings and threats in the implementation of the budget process will help to adopt administrative decisions and allow to find additional reserves aimed at improving the budget sufficiency as a condition for economic growth and sustainable development of the region [29].

Conclusion

The article examined various definitions of the concept of "budget capacity". The authors view the budgetary potential as the aggregate of financial resources of the territory that can be used to implement budget functions aimed at achieving strategic and tactical goals of the region under the optimal conditions.

As the state of the regional budget is considered as an opportunity to use the budget capacity of the territory in the existing environment, the authors proposed a methodology to assess the state of the regional budget and identify the level of territory's budget capacity. The method of expert assessments allowed to select and group the indicative figures to evaluate specific area that affects the state of the regional budget. For each indicator used in the assessment, the authors proposed the thresholds and determined the state ranging from normal to depressive one.

The methodology was tested on the budget indicators of the Ural Federal District. Based on the assessment of the state of budgets, the territories were ranked by their level of budget capacity usage (high, medium, low).

These assessments revealed that Chelyabinsk and Sverdlovsk Regions have the most favorable state of the budget and, as a result, a high level of budget capacity usage. These territories demonstrated high results in planning and implementing the budget, as well as a large share of social expenditures.

The state of budgets in Tyumen Region and autonomous areas was assessed as mainly stable with the medium level of budget capacity usage. These results can be explained by lower revenues. The revenues of these regional budgets have been severely affected by the fluctuations of prices for petroleum products.

Among UFD regions, the lowest assessment of the state of the budget was for Kurgan Region. At the same time, this territory has a medium budget capacity usage. This situation in the regions can be explained by a fairly low level of its revenues and large borrowings in order to perform the budget-funding functions assigned to its authorities.

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