

Vienna Austria

In recent years, work has been underway in Vienna on new sections of the subway and a highway bypass

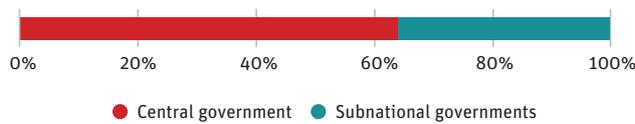
● **CITY:**
1.8 mil. inhabitants

● **METROPOLITAN AREA**
2.8 mil.
(+5.1% pop. change/5 years)

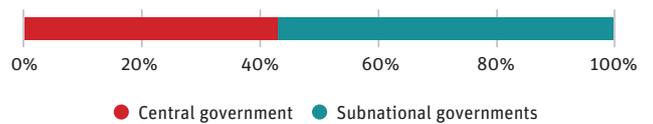
GDP: 134% of the average EU28 GDP
(-0.5% average annual change in GDP/5 years)

How local public finance systems work in Austria

PUBLIC REVENUE



CAPITAL EXPENDITURE



Austria has a **two-tier system of subnational governments** (SNG). It consists of 9 federal lands (Länder) and 2,098 municipalities (Gemeinden). Tax powers are defined by The Federal Constitutional Law and Fiscal Constitutional Law (both from 1948). The relations between individual public administrative bodies are defined by the Austrian stability pact (Österreichischer Stabilitätspakt) and the **Fiscal Equalisation Law (Finanzausgleichsgesetz – FAG)**. The FAG precisely defines how taxes and transfers are allocated and who bears costs in the public sector.

Despite being a federal country, the Austrian federal lands and municipalities are to large degree dependent on state transfers and both have little ability to obtain revenue directly. **The degree of fiscal autonomy does not correspond to the competences of individual SNGs.** Due to transfers from the state budget, SNGs have weak motivation to increase their own-source revenues. The federalism reform currently being prepared should also address the fiscal autonomy of municipalities.

Compared to other federal countries, the Austrian SNG is not responsible for the majority of public investment (average in OECD federal states: 62%, Austrian local government: 41%). In 2016, investment accounted for 4% of the budgets of federal lands and 10% of the municipal budgets. The greatest share (35%) of investment by the Austrian SNG in 2016 was directed towards the economy (maintenance of transportation, industrial and agricultural infrastructure). This was followed by health care, education and other public services.

Investment priorities are determined by the central government. In the future this will involve new technology, digital transition and “smart” production.

The Austrian tax system is characterized by a significant vertical fiscal imbalance. SNGs have competences and expenditures that significantly exceed their own-source revenue and ability to influence this revenue. **In 2016, own-source taxes accounted for 10% of SNG revenue in Austria (6% for federal lands and 15% for municipalities).** The OECD average for federal countries was 48%. **State transfers and grants** accounted for 82% of the revenue of the Austrian federal lands (Länder) and **65% of the municipal budgets.**

The remainder of SNG revenue comes from fees and to a lesser degree from the income of SNG assets and SNG companies. **Municipalities in particular have a relatively great degree of freedom in setting the amount of fees (16% of revenue in 2016)** for water, waste and sewage and entertainment.

After the reform of 2008 (implemented in 2014), shared taxes (personal income tax, corporate income tax, VAT, etc.) are not listed in SNG budgets as tax, but rather as state transfers.

The central government collects 95% of all taxes in Austria. However, 85% of these are shared taxes (which are considered transfers for SNGs, not taxes).

Federal lands collect less than 1% of tax. This primarily comes from the contribution to chamber of commerce by employees, the tourist tax and the fishing and hunting licenses.

Municipalities collect about 4% of taxes. Municipalities have the right to collect a municipal business tax (Kommunalsteuer) and property tax (Grundsteuer). The Kommunalsteuer accounts for 68% and the Grundsteuer 16% of the municipal tax revenue. **As part of the Kommunalsteuer, each month every company pays a sum corresponding to 3% of the wages paid.** The tax rate is determined centrally. The property tax that municipalities collect on land and buildings is also determined centrally. Municipalities are only marginally able to influence the rate.

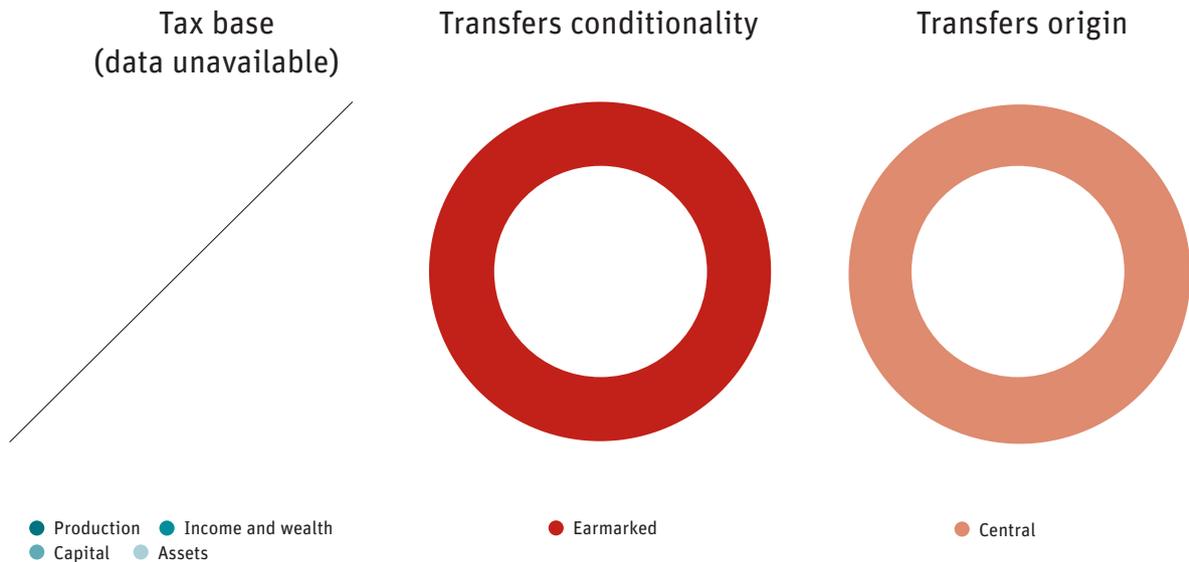
The system for redistributing tax revenue (shared taxes) between all three levels of public administration is determined by the FAG. 13% of the transfers for municipalities is redistributed by federal lands to the neediest municipalities and for specific infrastructure investment. **In 2016, the total tax revenue of Austria was allocated as follows: 56% to the state, 22% to federal lands (not including Vienna), 9% to Vienna and 9% to other municipalities.** In the future, the redistribution formula for municipalities should change depending on the level of child care services and education provided by the given municipality.

Source: <http://www.oecd.org/cfe/regional-policy/Observatory-on-Subnational-Government-Finance-and-Investment.html>

Finances of the City of Vienna

REVENUE SOURCES

Economic classification of revenue



Balance sheet and debt

±0%

BUDGET BALANCE

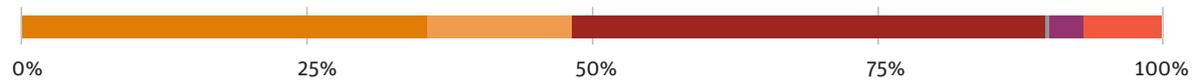
55%

DEBT AS A PERCENTAGE OF ANNUAL REVENUE

Finances of the City of Vienna

EXPENDITURE COMPOSITION

Economic classification of expenditure



● Current - staff ● Current - intermittent consumption ● Current - transfers ● Current - other ● Capital - investment ● Capital - transfers

Functional classification of expenditure



● General services ● Public order and safety ● Economic affairs ● Transportation ● Environment ● Housing and amenities ● Health ● Recreation and culture ● Education ● Social protection

Functional classification of capital expenditure



● General services ● Public order and safety ● Economic affairs ● Transportation ● Housing and amenities ● Health ● Recreation and culture ● Education

Source: Own questionnaire survey (2019)

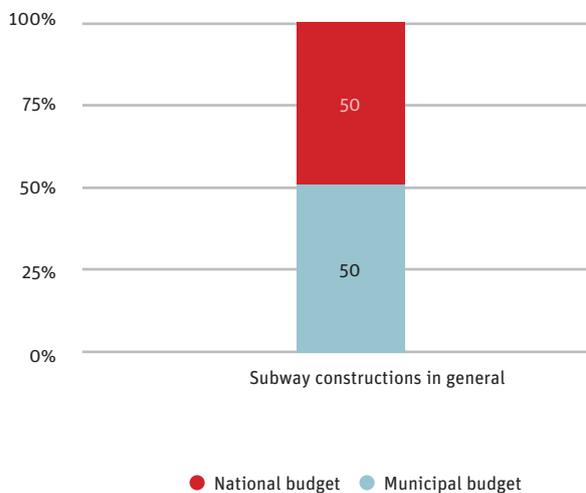
New sections of subway network in Vienna

Subway network constructions in general

Basically 50% of the subway construction is being funded by the City of Vienna and 50% by the Austrian state. This includes all costs arising during the course of construction of the new line (costs for development, costs for construction, initial furnishing of new vehicles, etc.). These costs may vary considerably during the individual phases of construction, but in principle adhere to the ratio above. Most recently in September 2017, the 4.6 km Reumannplatz - Oberlaa section was opened. A new section of the U5 line is being prepared between Karlsplatz and Frankhplatz, running roughly 2.5 km (from Karlsplatz - Rathaus it will run along the current U2 line) with full operations, which requires the expensive modification of platforms, costs not yet incurred for any subway extension.



New sections of subway network in Vienna



Source: Own questionnaire survey (2019)

Eastern ring road (since 2001)

The S1 expressway – Wiener Außenring Schnellstraße runs (roughly 47 km)

The eastern part of the Vienna bypass, intended to free up traffic capacity in the city.

1) The section between the Vösendorf and Schwechat junctions is 16.2 km long. Work was begun in the fall of 2001 and finished completely in the spring of 2006.

2) A 19 km section is planned between the Schwechat and Süßenbrunnem junctions. Part of the planned construction will include an 8.2-km-long tunnel under the Danube and adjacent Donauauen National Park. The construction is planned to begin in 2020 and open in 2025. The anticipated investment costs for this section are EUR 1.9 billion. Both sections are being constructed by the state highway company ASFiNAG.

3) The section between the Eibesbrunn junction and the Süßenbrunn exit is about 23 km long and was built from 2007- 2009. The route includes three tunnels with a total length of approx. 7 km. The concession for the construction and operation of this section is held by Bonaventura and a consortium of companies - Alpine (construction company), Hochtief (construction company) and Egis (infrastructure developer).



The S1 expressway – Wiener Außenring Schnellstraße



Source: Own questionnaire survey, <https://www.rsd.cz>, <http://www.praha.eu/>, Wikipedia