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Manuscript

Krakovskaia Anna Konstantinovna

LEGAL REGULATION OF LOCAL FINANCES IN THE CONTEXT OF A UNIFIED SYSTEM OF PUBLIC AUTHORITY IN THE RUSSIAN FEDERATION

Dissertation Abstract for the Degree of Candidate of Law

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Supervisor:

Doctor of Law, Professor,

Honored Lawyer of the Russian Federation

S.M. Shakhrai

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Relevance of the dissertation topic.

One of the key aspects of the 2020 constitutional amendments[1]—the modernization of the system of public authority—has introduced legal certainty by precisely defining the elements that comprise this system. This constitutional amendment has necessitated an analysis of its impact on the budgetary sphere, as well as an examination of the legal regulation of local finances within the budgetary system of the Russian Federation.

The efforts of public authorities should be directed toward realizing the interests of society. The resources at the disposal of public authorities serve as an instrument for pursuing objectives of public significance. The axiological essence of local public finance lies in providing the material foundation necessary to carry out publicly significant tasks and functions at the local level of governance. At the same time, local finances can serve as a gauge for the importance—or priority—of the tasks facing local authorities, thereby helping to maintain a balance among constitutional principles.

The operating conditions of local self-government and its financial support have always been, and remain, the best barometer for the extent to which the interests of citizens—as consumers of the goods and services provided—are taken into account. As the level of governance closest to the population, and the one best positioned to capture the nuanced needs of citizens, local self-government creates a platform for public involvement in addressing various issues, including those of a financial and economic nature. Furthermore, achieving the national development goals of the Russian Federation is impossible without interaction and a collaborative effort between citizens and public institutions to find optimal solutions for the financial support of the life and functioning of society and the state.

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[1] Law of the Russian Federation on an Amendment to the Constitution of the Russian Federation dated March 14, 2020, No. 1-FKZ "On Improving the Regulation of Certain Issues Regarding the Organization and Functioning of Public Power" // Collected Legislation of the Russian Federation, 2020, No. 11, Item 1416.

Local self-government interacts directly with the state and influences its activities. At the same time, only an autonomous and effectively functioning system of local self-government can truly serve as a pillar of Russian statehood.

Federal Law No. 394-FZ of December 8, 2020, "On the State Council of the Russian Federation"[2] identifies financial and budgetary cooperation as a form of interaction within the system of public authority. In this context, the establishment of the principle of the unity of public authority necessitates the development of new, systemic relationships between state authorities and local self-government bodies as participants in the budgetary process. Such relationships should be guided by the principles of unity, coordination, and mutual assistance. Furthermore, the interaction between different levels of public authority hinges on the delineation of competencies and the degree of autonomy granted to administrative-territorial units.

The current imperative to ensure Russia's financial sovereignty requires the effective functioning of financial systems, which can only be achieved through appropriate legal regulation.

This dissertation examines the legal regulation of local finances, defines the principles governing local finances within a unified system of public authority, and analyzes how local budgets interact with budgets at other levels of the Russian Federation's budgetary system. It also explores the involvement of citizens in management decisions concerning local finances and examines the constitutional foundations of local finances—a subject rendered particularly relevant by the "constitutionalization" of all branches of law (a process reinforced by recent constitutional amendments and a defining feature of contemporary legal development, including the evolution of municipalism). Additionally, the study considers the influence of the doctrine of judicial constitutionalism on budgetary legal relations and the formation of the constitutional foundations of local finances. It is noted that the long-standing practice of the Constitutional Court of the Russian

[2] Collected Legislation of the Russian Federation, 2020, No. 50 (Part III), Item 8039.

Federation served, in many respects, as a precursor to the constitutional entrenchment of a unified system of public authority.

The inclusion of local self-government within this unified system of public authority entails the possession of specific governing characteristics. Furthermore, the legitimacy of exercising such authority is contingent upon having the requisite powers to do so, including within the financial and budgetary sphere. In this regard, the present dissertation examines the budgetary powers of municipalities.

The topic of this dissertation is highly relevant, given the ongoing transformation of the concept of "public authority" and the development of new systemic relationships between state authorities and local self-government bodies as participants in the budgetary process. As Russia is a federation, issues concerning the relationships and the distribution of financial powers among its constituent parts remain consistently significant. The findings of this research may be utilized for both theoretical and practical purposes.

Degree of scholarly exploration of the topic. Legal scholars have previously attempted to develop conceptual approaches to the legal regulation of the financial activities of local self-government. However, this study represents the first attempt to analyze the financial activities of local self-government through the lens of its constitutional foundations—specifically in light of the evolved constitutional and legal status of local self-government as a component of public authority.

The multifaceted nature of the issues under examination necessitated an analysis spanning several branches of law and academic disciplines. The author's line of reasoning and conclusions have been informed by the works of prominent Russian scholars—both constitutional law experts and specialists in financial and budgetary law.

In examining the constitutional and legal aspects, the author has drawn upon the works of: S.A. Avakyan, P.D. Barenboim, N.S. Bondar, I.V. Babichev, O.Yu. Boldyrev, N.V. Vitruk, O.A. Vorobyeva, G.A. Gadzhiev, V.V. Gladyshev, O.A. Ezhukova, A.V. Zinovyev, V.D. Zorkin, A.A. Klishas, V.A. Kochev, V.I. Kruss, V.A. Kryazhkov, O.E. Kutafin, L.V. Lazarev, V.L. Lyuttser, Zh.I. Ovsepyan, I.I.

Ovchinnikov, N.L. Peshin, E.V. Spektorsky, A.N. Stankin, B.A. Strashun, N.S. Timofeev, G.N. Chebotarev, V.E. Chirkin, S.M. Shakhray, D.G. Shustrov, and B.S. Ebzeeva, A.A. Yugov and others.

When studying theoretical and legal issues, the author was guided by the works of: M. Weber, B.B. Veselovsky, T. Hobbes, I. A. Ilyin, L.I. Kaska, N.M. Korkunova, V.I. Lenina, V.Ya. Lyubashitsa, M.N. Marchenko, A.Yu. Mordovtsev, V.S. Nersesyants, V.V. Rachinsky, M.M. Speransky, A.G. Khabibulina, V.F. Khalipov and others.

When studying budgetary and legal aspects, the author was guided by the works of: R.E. Artyukhina, Mst.P. Afanasyeva, O.V. Boltinova, E.A. Bochkareva, T.D. Bratko, E.Yu. Grachevoy, G. Jellinek, S.V. Zapolsky, N.G. Ivanova, S.I. Ilovaisky, N.A. Istomina, M.I. Kankulova, M.V. Karaseva, M.N. Kobzar-Frolova, D.L. Komyagina, Yu.A. Krokhina, S.P. Kuznetsova, I.I. Kucherova, S.I. Melnikova, G.V. Petrova, M.I. Piscotina, E.A. Rovinsky, E.V. Ryabova, S.V. Stepashina, A.A. Tedeeva, A.T. Tlipieva, A.N. Tulyaya, N.I. Khimicheva, I.A. Tsindaliani and many others.

The need for a comprehensive study of the constitutional-legal model of local finance, viewed through the lens of how the category of "public authority" is established in law, has defined the goals and objectives of this dissertation.

The objective of this dissertation research is to identify the essential characteristics of local finance and the specific features of its functioning within the context of a unified system of public authority.

To achieve this objective, the **following tasks** have been set:

– to examine theoretical and legal approaches to defining the concept of public authority;

– to define the concept and legal significance of local finance within the framework of a unified system of public authority;

– to review the history of local budget organization in Russia—specifically the *zemstvo* system (second half of the 19th century) and the local

soviets (during the New Economic Policy/NEP era)—in order to identify best practices for organizing local budgets to fulfill public functions;

– to determine the significance of the Constitution of the Russian Federation and the rulings of the Constitutional Court of the Russian Federation in establishing the constitutional foundations for the regulation of local finance;

– to define the principles governing the operation of local finance;

– to investigate the legal regulation of the budgetary powers of local self-government bodies and to formulate proposals for improving legislation in this area;

– to define the role of local finance within the system of inter-budgetary relations;

– to analyze the procedures for involving the local population in the decision-making process regarding budgetary matters;

– to determine the role of state (municipal) financial control in enhancing the efficiency of local financial management.

The object of this research is the mechanism by which local finance functions within a unified system of public authority.

The subject of this research comprises:

- the normative content of the Constitution of the Russian Federation and the rulings of the Constitutional Court of the Russian Federation, specifically regarding their regulatory impact on the formation of the constitutional foundations of local finance;

- the patterns and regularities of the legal regulation of local finance within a unified system of public authority.

The theoretical framework of this research is based on the scholarly works of domestic and foreign constitutionalists, theorists of state and law, and experts specializing in financial and budgetary law. The regulatory framework for this dissertation consists of the Constitution of the Russian Federation, the normative legal acts of the Russian Federation that govern the budgetary activities of

municipalities, and the municipal legal acts that also regulate such budgetary activities.

The empirical basis of the research comprises the practice of the Constitutional Court of the Russian Federation, as well as methodological documents issued by the Accounts Chamber of the Russian Federation, the Ministry of Finance of the Russian Federation, and the Federal Treasury of Russia.

The methodological foundation of the dissertation is determined by its object and subject matter. In examining the issues at hand, a range of general scientific methods was employed—including systems analysis, the historical approach, induction, deduction, analysis, abstraction, and analogy—alongside specialized methods characteristic of legal scholarship, such as the historical-legal, formal-legal, and system-structural approaches.

Methods of analysis and synthesis were applied to the study of legislation relevant to the research topic, while the logical method was used in formulating the study's conclusions.

Scientific novelty: Although existing legal scholarship addresses certain aspects of the issues explored here, this dissertation provides a comprehensive study of the legal status of local finances within the context of the constitutional entrenchment of a unified system of public authority, which encompasses local self-government.

The scientific novelty of this research is reflected in the following propositions submitted for defense:

1. The category of "public finance" constitutes a system of monetary relations—governed by legal norms—pertaining to the accumulation, distribution, and utilization of monetary funds intended to provide the material resources necessary for the fulfillment of public functions. Public authorities serve as the primary subjects within these relations. This approach logically necessitates the inclusion of local finance within Russia's public finance system, which is structured upon the principle of unity.

By their very nature, public finance possesses an imperative quality, stemming in part from the hierarchical relationships that exist between the participants in financial interactions. The essential value of public finance is revealed through the hierarchy of needs that it serves to satisfy. Finance acts as both an indicator and a metric for assessing the relative importance of the tasks undertaken by a public-law entity, thereby helping to establish their priority.

2. 2. The consolidation of the principle of the unity of public authority necessitates the development of new systemic relationships between state authorities and local self-government bodies as participants in the budgetary process. These relationships are founded on the principles of unity, coordination, and mutual assistance. Establishing this updated model involves defining how different levels of public authority interact and how financial resources are allocated to fulfill public functions and tasks—a process that requires a new conceptual framework for the legal regulation of these social relations. This objective must be addressed both through budgetary legislation and through the new Federal Law No. 33-FZ of March 20, 2025, "On General Principles for the Organization of Local Self-Government within a Unified System of Public Authority" (hereinafter referred to as the "New Law on Local Self-Government").

The legal regulation of the relationship between local self-government and other entities within the system of public authority—including in the financial and budgetary sphere—manifests in three dimensions: dependence, autonomy, and mutual assistance (interaction).

When local self-government bodies perform public functions in the financial and budgetary sphere alongside other public authorities, the aspect of dependence on the state level of public authority is most pronounced. Specifically, the federal legislature defines the scope of competence for local self-government bodies, as well as the procedures for allocating financial resources to support the exercise of their own powers, delegated state powers, and reallocated functions. Furthermore, local authorities are required to submit reports on the execution of any delegated powers; intergovernmental transfers constitute the predominant share of local

budget revenues; and regional legislation may mandate "compulsory" withdrawals from a local budget for the benefit of other municipalities ("reverse transfers"). Autonomy manifests itself in the right to independently exercise powers to address issues directly related to the daily life of the local population, as well as to carry out delegated (reallocated) powers and other authorities granted to local self-government bodies by federal or regional laws. This autonomy is reflected in the possession of an independent financial foundation—local finances, which are distinct within the broader system of public finance—as well as in the exercise of independent budgetary authority.

As a tier of public authority, local self-government interacts with state power, assisting in the resolution of tasks of public significance at the level closest to the population (this is evidenced, for instance, by the fact that certain matters of local importance are framed in terms of "participation"). Furthermore, there is an established obligation for higher-level budgets to provide financial support to lower-level budgets should the latter's own financial resources prove insufficient.

This interaction and unity with state power are reflected in a shared approach to goal-setting. Such unity in defining objectives, in turn, establishes a functional alignment among public authorities. The national development goals set by the President of the Russian Federation are pursued across all levels of government through the adoption and implementation of strategic planning documents, which serve as instruments for carrying out public functions. Within the framework of Russia's program-based budgeting and project management systems, national goals and state programs are cascaded down to the municipal level. Specifically, their target indicators are integrated into municipal projects and programs; regional project charters include outcomes that fall under the scope of local matters; and agreements are concluded with local authorities regarding the achievement of these outcomes and the provision of subsidies to local budgets.

3. An analysis of the amendments to Article 133 of the Constitution of the Russian Federation reveals the establishment of a specific guarantee for the financial resources required by local self-government bodies to carry out their

public functions. In essence, this amendment enshrines a form of subsidiary financial participation by the state level of public authority in the execution of such public functions.

The new law on local self-government, enacted to further this constitutional amendment, clarifies the powers of local self-government bodies regarding the provision of essential services for the daily lives of the population (Article 32, Parts 2 and 3, of the new law).

These constitutional provisions, combined with the new framework for the distribution of powers among local self-government bodies, necessitate the creation—within budgetary legislation—of an appropriate legal mechanism for allocating expenditures. Specifically, this requires the inclusion of inter-budgetary regulatory instruments designed to ensure that local self-government bodies have the means to exercise their mandated powers. In particular, the implementation of powers reallocated under Article 32, Part 7, of the new law on local self-government should be supported by the provision of a specific inter-budgetary transfer from the budget of a constituent entity of the Russian Federation.

4. The specific legal status of local self-government and its classification as a foundational element of the constitutional order of the Russian Federation necessitate an examination of this institution through a comprehensive approach—one that integrates the regulatory frameworks of three branches of law: constitutional, municipal, and budgetary law.

Constitutional regulation of local finance must be analyzed within the context of the constitutional foundations of this phenomenon. It is proposed that the concept of "constitutional foundations" encompass both the systematically integrated provisions of the Constitution of the Russian Federation and the rulings of the Constitutional Court of the Russian Federation, which expand the constitutional landscape while deepening and detailing the content of the Constitution's provisions. The fundamental principles enshrined in the Constitution, taken together with the interpretations of constitutional norms

provided in the rulings of the Constitutional Court, constitute the constitutional foundations of local finance.

A "legal position" serves as the normative-interpretive core of a Constitutional Court ruling, establishing the constitutional foundations of local finance by elucidating the constitutional meaning of specific statutory provisions. It is noted that, long before the formal constitutional codification of these concepts, the Constitutional Court's legal positions had already begun to shape the doctrine of a "unified system of public authority," while also highlighting the interconnectedness of local budgets with budgets at other levels for the purpose of fulfilling shared public functions.

Given the unique nature of legal relations in the sphere of public finance—which establish guarantees for the financial resources necessary to carry out public functions—the dissertation proposes defining the "legal position" of the Constitutional Court of the Russian Federation within the realm of budgetary relations as follows: a legal conclusion reached by the Court regarding the constitutional meaning of a provision in budgetary legislation. This conclusion is derived from an interpretation of both the letter and the spirit of the Constitution of the Russian Federation, as well as how its norms are reflected within budgetary legislation; it serves as the legal basis for the Court's ruling and possesses a binding and enduring character.

5. The public purpose for which budgetary funds are intended necessitates the involvement of citizens in determining the priorities for their expenditure.

The implementation of "participatory budgeting" (initiative budgeting) practices at the local level—the tier of public authority closest to the population—enables local self-government to facilitate the effective exercise of a constitutional right held by citizens of the Russian Federation: the right to participate in the administration of state affairs. This is achieved by engaging citizens in the budgetary decision-making process. The submission of "initiative projects" effectively acts as an indicator of specific local issues that the most active members of the local community believe should be addressed as a matter of priority.

Participatory budgeting has now been given a normative foundation within budgetary legislation through the formal establishment of the principle of citizen participation in the budgetary process (Article 28 of the Budget Code of the Russian Federation). At the same time, it would appear that the procedures for incorporating citizens' views into management decisions regarding local finances—through the implementation of participatory budgeting—should be regulated by the Budget Code of the Russian Federation as a distinct budgetary procedure.

The implementation of such mechanisms fosters greater engagement between the public and government authorities regarding participation in budgetary decision-making; it aligns with contemporary trends toward a human-centric approach and helps to increase public trust in government authorities, as well as to increasing the efficiency of budget expenditures at the local level of public authority.

6. The functioning of local finance is based on the following key principles: fiscal federalism, the unity of public authority in the conduct of budgetary activities, the autonomy of local budgets, subsidiarity, and citizen participation in the municipal budgetary process.

The key principles governing the organization of public authority and public finance—namely, the principle of federalism and the principle of the unity of public authority—are, by their very legal nature, in a dialectical relationship. Federalism entails the granting of autonomy in financial matters, as well as the delineation of powers, interests, competencies, and financial resources. Conversely, the principle of the unity of public authority aims to foster standardization, functional coordination, and the establishment of a unified financial and economic foundation for the purpose of executing public functions. Nevertheless, both principles—which hold constitutional and legal significance—are complementary; together, they facilitate the effective fulfillment of the tasks and functions of public authority.

7. Currently, the key vectors for transforming oversight activities include a focus on prevention, the development of partnerships between oversight bodies and the entities being overseen, the use of "digital" interaction, a risk-based approach, the application of analytical tools, and the coordination and synchronization of external and internal state (municipal) financial control. A unified system of approaches for classifying the unlawful or inefficient use of budget funds has been established across all levels of public authority, creating the conditions for making effective management decisions in the sphere of public finance.

The theoretical and practical significance of the dissertation research lies in the potential application of its key findings to the advancement of the science of financial law—specifically regarding the role of local finance within the budgetary system of the Russian Federation. The dissertation articulates a scientifically grounded perspective on the systemic interrelationships among public authorities within the budgetary sphere and examines the regulation of local budgets through the lens of constitutional foundations. It proposes an original interpretation of the term "constitutional foundations," offers recommendations for amending current legislation, and suggests ways to develop an updated regulatory framework for local self-government within the context of a unified system of public authority.

The author's personal contribution consists of conducting the theoretical and practical research presented in this dissertation and submitted for defense.

The reliability of the research findings is ensured by the use of methodologies appropriate to the subject, object, goals, and objectives of the study. This reliability is further supported by a comprehensive analysis of the relevant legal and regulatory framework, an examination of scholarly works by prominent legal experts, and a review of current judicial practice. Furthermore, the validity of the results is confirmed by their successful approbation.

Approbation of research results. The dissertation research was conducted during the author's postgraduate studies at the Higher School of State Audit (Faculty) of Lomonosov Moscow State University; it was subsequently finalized and discussed at the Department of Public Authority and the Legal Status of the

Individual (within the Faculty of State Law at the Institute of Legal Studies, Russian State University for the Humanities). Furthermore, specific aspects of the research were presented by the author at the following academic events: the International Youth Scientific Forum "LOMONOSOV-2022"; the All-Russian Scientific and Practical Conference with international participation, "Development of Legal Science in New Conditions: The Unity of Theory and Practice – 2021" (Southern Federal University); the 14th International Scientific and Practical Conference, "Interpretation and Concretization of Legal Norms: Theoretical and Practical Issues" (April 15–19, 2019, Russian State University of Justice); the International Scientific and Practical Conference, "State and Legal Institutions in the Context of a Modern Economy" (6th Maltsev Readings, April 26, 2019, RANEPA under the President of the Russian Federation); and the 3rd Scientific and Practical Conference, "Dynamics and Control in the Modern World: Issues of Law and Economics" (October 29, 2019, Lomonosov Moscow State University).

The core findings of the research are reflected in seven scholarly publications by the author in peer-reviewed academic journals, as well as in lectures delivered at the Financial University under the Government of the Russian Federation. Certain conclusions and results of the study have also been utilized in the operations of the Federal Treasury of Russia.

The structure of the dissertation is determined by the research objective, its specific tasks, and the logic of the presentation; it consists of an introduction, three chapters (comprising nine sections), a conclusion, and a list of sources and literature consulted.

List of works published in peer-reviewed scientific journals recommended by the Higher Attestation Commission (VAK) for the specialty 5.1.2 "Public Law (State Law) Sciences"

1. Krakovskaya A.K. Local Finances in the Context of the New Constitutional and Legal Status of Local Self-Government // State Service

(Gosudarstvennaya sluzhba). 2026. Vol. 28, No. 3. pp. 42–46. (0.63 printer's sheets)

2. Krakovskaya A.K. Selected Contemporary Aspects of Issues Concerning Local Public Finances // State Power and Local Self-Government (Gosudarstvennaya vlast' i mestnoye samoupravleniye). 2025. No. 10. pp. 7–10. (0.56 printer's sheets)

3. Krakovskaya A.K. Reflections on the Substantive Content of the Constitutional and Legal Foundations of Financial Law // Financial Law (Finansovoye pravo). 2022. No. 3. pp. 45–48. (0.56 printer's sheets)

4. Krakovskaya A.K. The 2020 Constitutional Amendments and the Concept of the Budgetary System // Bulletin of Moscow University. Series 26. State Audit (Vestnik Moskovskogo universiteta. Seriya 26. Gosudarstvennyy audit). 2021. No. 3. pp. 44–55. (1 printer's sheet)

Publications in other outlets:

5. Krakovskaya A.K. On the 2020 Constitutional Amendments and the Concept of the Budgetary System // Proceedings of the International Youth Scientific Forum "LOMONOSOV-2022" / Eds. I.A. Aleshkovsky, A.V. Andriyanov, E.A. Antipov, E.I. Zimakova. [Electronic resource] – Moscow: MAKS Press, 2022. pp. 1–3. (1 printer's sheet)

6. Krakovskaya A.K. The Legal Position as a Normative-Doctrinal Essence of a Constitutional Court of the Russian Federation Ruling for Establishing the Constitutional Foundations of Budgetary Relations // Journal "Legal Science: History and Modernity" (St. Petersburg), 2019, No. 2, pp. 136–141. (0.69 printer's sheets)

7. Krakovskaya A.K. On the Content of the Constitutional-Legal Foundations of Financial Law in the Practice of Constitutional Review Bodies in Russia and France // Bulletin of the Public Research Laboratory "Interaction of the Penal System with Civil Society Institutions: Historical-Legal and Theoretical-Methodological Aspects," Issue No. 15 (Scientific-Practical Journal).

Ryazan: Academy of the Federal Penitentiary Service of Russia, 2019, pp. 97–105. (0.56 printer's sheets)