

618 SE II-5
LAW ON STATE BUDGET

Chapter I
General provisions

§1. The purpose of the law.

The law on state budget determines the order for formulation, enactment and execution of the state budget.

(2) The order set forth by the present law regarding to ministries is also applicable to the formulation and execution of the budgets of the President's Chancellery, the State Assembly, the State Audit Office, the Legal Chancellor, the State Court, the State Chancellery and County Governments as the regulations for ministries and their governing areas, if not specified otherwise in the current law.

§2. The content of the state budget

(1) The content of the state budget is all the receipts of the state collected in fiscal year and based on them the expenditures determined in order to fulfil the tasks given by the state according to the laws.

(2) the state budget is composed of all the receipts and expenditures of the state in fiscal year.

(3) The receipts and expenditures in fiscal year are taken to the state budget as a gross accounting. The settlement of revenues and expenditures accounts is not allowed, except for the items established in current article paragraph 4.

(4) Receipts and expenses from state loans can be taken into the state budget as balanced.

§3 The fiscal year.

The state budget is composed for one fiscal year. The state fiscal year begins on January 1st and ends on December 31.

§4. Revenues and expenditures of the state budget.

(1) State revenues are the following:

- 1) receipts from state taxes in accordance with tax laws;
- 2) duties, fees, fines and other receipts set forth by legislation;
- 3) receipts from appropriation and rent of state assets;
- 4) receipts on shares, bonds and other securities owned by the state;
- 5) other receipts of the state institutions, if not specified otherwise in the law.
- 6) interests on loans and bank accounts;
- 7) other receipts set forth by law.

(2) State expenditures are the following:

- 1) assignments to finance expenditures of the President's Chancellery, the State Assembly, the State Audit Office, the Legal Chancellor, the State Court, the State Chancellery and the County Governments and administrative fields of ministries;
- 2) special assignments set forth by the law;
- 3) appropriations to municipal- and city budgets budget and other appropriations set forth by law;
- 4) subsidies from budget;
- 5) allocations to pay back state loans and payments of interests on state loans, and to cover liabilities arising from state guarantees and collateral, if not specified otherwise in the law;
- 6) other assignments specified by laws;
- 7) appropriations to the Estonian Government reserve for unforeseeable expenditures.

§5. The balance of the state budget.

(1) In case the state budget receipts exceed expenditures, appropriations are made to reserves regulated in articles 36 and 37 of the current law.

(2) In case the state budget expenditures exceed receipts, expenditures will be balanced by using reserves and by lending regulated in articles 36,37 and 39 of the current law, according to the Law.

§6. State budget classification.

- (1) State budget revenues are classified by the characteristics and sources into parts and chapters.
- (2) State budget expenditures are classified administratively into parts, functionally into chapters and economically into articles.
- (3) The parts of the budget expenditures classification are the President's Chancellery, the State Assembly, the State Audit Office, the Legal Chancellor, the State Court, the State Chancellery, County Governments, ministries' governing areas, Estonian Government reserve and expenditures regulated in the article 4 paragraph 2 sections 2,5 and 6 of the current law.
- (4) The chapters of the budget expenditures classification are unitary institutions or expenditure groups.
- (5) The articles of the budget expenditures are types of expenditures.
- (6) The state budget classification is a detailed division of revenues and expenditures that guarantees unity bases for the state budget composing, execution and execution accounting and analysis. State budget classification is determined by the Minister of Finance.

§7. Classification of revenues and expenditures in the state budget.

- (1) The detailization of the revenues and expenditures in the state budget draft is determined by the Estonian Government at the Minister of Finance's suggestion based on the state budget classification.
- (2) Expenditures which state determines confidential are not classified in the state budget.

(3) A usage plan can be foreseen for an expenditure article in the state budget, which determines allocations to certain objects and events.

§8. Types of state budget allocations.

(1) State budget allocations are distributed into fixed, accounted and transferable allocations.

(2) Fixed allocation is an allocation, which can not be exceeded and not transferred into the next fiscal year.

(3) Accounted allocation is an allocation, which can be exceeded during the fiscal year according to laws. The surpassing of the mentioned allocation are covered by the extra receipts or by the Estonian Government reserve.

(4) Transferable allocation is an allocation, which can be transferred into next fiscal year, but cannot be exceeded.

(5) The type of allocation is determined in the annual state budget. If the budget does not determine the type of allocation, then it is a fixed allocation.

§9. State budget relations with Local governments' budgets.

(1) The appropriations from the state budget into Local governments' budgets are determined by the laws.

(2) If after the adoption of the state budget other laws are ratified, which decrease the revenues of Local governments' budgets or increase expenditures, the corresponding amounts are compensated from the state budget.

Chapter II

Composing of the State Budget Draft and its presenting to State Assembly.

§10. Bases for the state budget draft for ministries' governing areas.

(1) Every year in addition to governing areas' draft budget the ministry composes the governing area's activity, economic development and investments plan for at least three following years, according to the regulations determined by the Minister of Finance.

(2) Taking into consideration the ministry's governing area's economic activity plan and Public Investments Plan for the previous fiscal year, the ministry's governing area's limit of expenditures in the draft budget is determined by the Estonian Government at the Minister of Finance's suggestion.

§11. The composing of the budget project for the ministry's governing area.

(1) The following has to be taken into account for the composing of the budget project for the ministry's governing area:

- 1) regulations established in the Article 10 of the current law;
- 2) ministry' budget project;
- 3) governing area institutions' budget project;
- 4) appropriations and subsidies applied from the state budget according to laws.

(2) If expenditures in the budget project are foreseen for a building or renovating program, which costs exceed 1 million kroons, as well for a program, then the calculations and justifications about the amount and its distribution over budget years have to be included to the budget project.

(3) For a new building or a renovating program, also the calculations for internal decorations and maintenance costs after the construction or renovating of the building is completed, have to be included in addition to the items mentioned in the previous paragraph.

(4) The ministry's governing area's project has to be presented for certain date determined by the Minister of Finance.

(5) The ministry's governing area budget project is presented with descriptive letter and a plan mentioned in Article 10 paragraph 1 to the Ministry of Finance.

§12. The examination of ministry's governing area budget project in the Ministry of Finance.

(1) The ministry's governing area budget project, the descriptive letter and the action- and economic development and investments plan are examined by representatives of the Ministry of Finance and the ministry which presented the budget project.

(2) The purpose of the examination is to control the justification, purposefulness and correspondence to laws of expenditures.

(3) A protocol is signed about the examination, in which the harmonised and unharmonised budget amounts between representatives are fixed, in the latter case also the disagreements are included.

(4) The Minister of Finance examines the ministry's budget project and the protocol mentioned in the current article 3 paragraph, and announces the results of the examination to the corresponding minister. The Minister of Finance has the right to delete or change amounts harmonised in the protocol.

§13. The solving of disagreements arisen during the examination of ministry's governing area budget project.

If the minister disagrees with the result of the ministry's governing area budget project examination, established in Article 12 paragraph 4, he applies to the Minister of Finance to solve the disagreements. If no agreement with the Minister of Finance is reached, then the minister has the right to propose an objection to the Estonian Government through the Minister of Finance.

§14. Drafting the state budget proposal.

After the solving of objections mentioned in Article 13 in the Estonian Government, the Ministry of Finance composes the state budget draft.

§15. The examination of the draft state budget in the Estonian Government.

During the examination of the draft state budget, the Estonian Government has the right to change or delete amounts in the draft state budget.

§16. The presentation of the draft state budget to State Assembly.

(1)The Estonian Government presents the draft state budget to State Assembly at least 3 months before the beginning of fiscal year.

(2) The following is included to the state budget draft:

1) overview of the state economic situation and the Estonian Government's goals in the economic policy;

2) state budget draft' explanatory letter according to classification of revenues and expenditures established in the Article 7 of the current law, including revenues and expenditures of the State Pension Fund and Medical Insurance Fund. In addition the overview of state loans taken and liabilities arising from state guarantees have to be included.

3) Public Investments Program, where investment plans for at least three following years are shown by ministries and investment projects or by their groups, as well the cost of projects and their co-financing from the extra-budgetary sources.

§17. Publishing the draft state budget.

At the time when proposing to State Assembly, the Estonian Government also publishes the state budget draft together with the explanatory letter.

Chapter III

State Budget Ratification

§18. The order of state budget ratification.

The ratification of State budget in the State Assembly takes part in accordance of the Law on Order of State Assembly, if not specified otherwise in the current law.

§19. State budget adoption.

(1) The state budget draft is discussed in State Assembly through 3 readings.

(2) Expenditures which are confidential are examined in a closed meeting of Financial Comity.

(3) If during the examination appears that the state budget draft is not correspondent with requirements to the law, the examination will be interrupted in accordance with the Law on Order of State Assembly.

(4) If the examination of the state budget draft is interrupted in reason mentioned in paragraph 3, the Estonian Government makes amendments to law insuring it's correspondence with requirements to the law. Amended state budget draft's examination continues in accordance of the Law on Order of State Assembly.

§20. Proposals to change the state budget draft.

(1) To the proposal to change the state budget draft, which results in revenue decrease, increase or redistribution of expenditures foreseen in the draft, the initiator included financial calculations showing the source of revenue to cover expenditures.

(2) State assembly must not cancel nor decrease state budget draft expenditures determined by other laws or expenditures arising from foreign contracts ratified by State Assembly.

§21. Enforcement of the state budget.

(1) State Assembly ratifies state budget as the law.

(2) The state budget ratified by State assembly enforces at the beginning of the fiscal year.

§22. Spending when the state budget has not been ratified by the beginning of the fiscal year.

(1) If State Assembly has not ratified the state budget by the beginning of the fiscal year, then money from the fiscal year's allocations, at the amount of one twelfth of last year's budget, can be spent every month until the state budget is ratified.

(2) From the allocations mentioned in the current article, paragraph 1, only those expenditures in the ministry's governing area can be carried out, which were foreseen in the previous year's budget as well as in the draft budget of the fiscal year started, and at the amount of smaller one from those two totals.

(3) Expenditures, which were not foreseen in the previous budget year, but are derived from laws, are carried out with the permission of the Estonian Government.

Chapter IV

Execution of State Budget

§23. Execution of planned state budget revenues.

- (1) Ministry of Finance monitors and controls the reception of state budget revenues mentioned in the current law Article 4, paragraph 1.
- (2) In case state institutions fail to transfer revenues mentioned in current law Article 4 paragraphs 3-5 to state budget, the Minister of Finance may propose to the Estonian Government that the state budget allocations of the state institutions be reduced by the amount not transferred to state budget.
- (3) Allocations mentioned in current article paragraph 2 may be reduced in the order established by the Estonian Government.

§24. Revenue reception from previous fiscal years.

State budget revenues are revenues from the fiscal year when they are received in the state budget, no matter for which year they are accounted for or when they had to be received. In reception of these revenues into the state budget, and making allocations from them, the basis and regulations of reception established in the reception year's effective laws, are applied.

§25. Changing the purpose of expenditures of state budget.

(1) Minister has no rights to change the purpose of expenditures of state budget.

(2) Purpose of expenditures of state budget can be changed only through changing the state budget.

§26. Additional distribution of state budget expenditures.

Ministry, following the amounts of the allocations foreseen in the state budget announces to the state institutions in its governing area their allocations for the starting fiscal year. Minister has the right to additional distribution of allocations.

About additional distributions minister has to report to Minister of Finance.

Additional distributions which are not reported in written to Minister of Finance are declared null and void.

§27. Distribution of state budget allocations.

(1) The minister ratifies and presents to the Ministry of Finance within two weeks from the State Budget Law publication, the ministry's and the ministry's governing area state institutions budgets, according to all articles of expenditures by months.

During the fiscal year the minister has right to make proposals to the Minister of Finance on changing the monthly distribution of expenditures.

(2) The Minister of Finance has the right, taking into account the dynamics of revenue reception into the state budget, to change the distribution of allocations according to months presented to the Ministry of Finance, mentioned in current article paragraph 1, and announcing it to the corresponding ministry.

(3) If minister disagrees with Minister of Finance's decision he has right to present proposal to the Estonian Government. The Government makes the final decision.

§28. Redistribution of state budget allocations.

(1) During the implementation of state budget, the Treasury has obligation to change the allocation of expenditures, mentioned in current law Article 27 paragraph 1, at ministries proposal and at Minister of Finance's approval.

(2) If during the implementation of state budget, the revenue collection is lower than expected, the Minister of Finance has right, at the proposal of the Treasury, to reduce temporally the allocation of expenditures mentioned in current law Article 27, announcing on it to the Government.

§29. Usage of state budget allocations.

(1) The ministry and its governing area's state institutions have the right to take obligations, which need financial expenditures, only when necessary allocations are foreseen to them in the state budget or in the budget ratified on the basis of the state budget.

(2) The ministry and its governing area's state institutions have the right to use allocations foreseen in the budget only during the corresponding fiscal year, except the usage of transferable allocations, which are established in the current law Article 8.

(3) The ministry and its governing area's state institutions are prohibited to take loans, give guarantees, including collateral, and also use the budget allocations to give loans, donations, buy stocks and other securities, if not specified otherwise by law.

(4) Fulfilling of obligations which were not executed by the end of fiscal year, except transferable allocations, established in the current law Article 8, will be fulfilled from allocations of the next fiscal year.

§30. Usage of the Estonian Government Reserve

(1) Allocations from the Estonian Government Reserve are made for expenditure, established in the current law Article 4, paragraph 2 sections 1-6, if those were unforeseeable during the composing of the state budget.

(2) Expenditures established in current Article paragraph 1 are direct funds and the Ministry of Finance accounts for their appropriating and usage.

(3) The Estonian government makes decision on transfers and the order of usage of the reserve.

§31. Entering contracts at the cost to next year's budget.

(1) The ministry and its governing area state institutions have the right to enter contracts about buying inventory or machinery at the cost of next year's budget allocations by an amount of 50% of the current fiscal year's foreseen corresponding allocations.

(2) Entering of a contract by an amount which exceeds the magnitude specified in the current article paragraph 1, is decided by the Estonian Government at the Minister of Finance's suggestion.

§32. State budget cash flow execution.

(1) State budget cash flow execution is the covering of state budget expenditures by state budget revenues, and the management of revenues and expenditures difference.

State budget cash flow execution is regulated by the Treasury.

(2) Treasury is a structural unit of the Ministry of Finance.

(3) Treasury has the right to control the accordance of payment order to laws and other legal acts, and refuse cash payment if the given document does not correspond to the laws.

(4) The Minister of Finance establishes the Decree on State budget cash flow execution.

§33. Closing of state budget allocations.

(1) Unused allocations at the end of the fiscal year, except transferable allocations, established in the current law Article 8, are closed on December 31.

(2) Transferable allocations can be used during the next fiscal year for the same purposes, for which they were determined in the budget.

§34. Usage of revenue which exceed expenditure by the end of the fiscal year.

Usage of revenues which exceed expenditures by the end of the fiscal year, from which the transferable allocations, established in the current law Article 8 paragraph 4, are deducted is decided by State Assembly at the proposal of the Estonian Government during the ratification of budget execution report.

§35. Control over usage of state budget allocations.

(1) State institutions report to Estonian Government on usage of state budget allocations at least once a quarter, in order established by Estonian Government.

(2) Minister controls execution of budgets of state institutions in the ministry's governing area, and establishes the regulations of control over the budget execution of the named state institutions.

(3) Minister has the right, according to the Law on Estonian Government (RT I 1995, 94, 1628; 1996, 49,953;88,1560;1997,29,447;40,622;52,833;73,1200;81,1361 and 1362;87,1468;1998,28,365; 36/37,552) Article 49 paragraph 1, to write a prescriptions to ministry's governing area's institutions in case of unpurposeful and non-direct usage of funds determined in their budget.

(4) The Commission of State Assembly has right to require from ministries the overview on fulfilling their governing area's budget.

Chapter V

State Budget Cash Reserve and Stabilization Reserve

§36. State budget cash reserve.

(1) The state budget cash reserve (further: cash reserve) is a reserve, which is used to finance expenditures exceeding the revenue reception according to Article 27 of the current law.

(2) Proposal to change state budget cash reserve is made by the State Assembly at the proposal of the Estonian Government.

§37. Stabilization reserve.

(1) Stabilization Reserve is established to reduce the macroeconomic risks.

Implementation, management and rules and conditions for usage of the stabilization reserve, as well the rules for reporting, will be stipulated by the law.

(2) Into stabilization Reserve will be transferred:

1) transfers of the State budget revenues exceeding expenditures according to the article 5 paragraph 1.

2) extra revenues of the State budget;

3) other receipts according to laws.

(3) Amounts transferred to the Stabilization Reserve from the revenue sources of the State budget will be shown in each year's state budget at the Government's proposal.

Chapter VI

Loans and guarantees

§38. State budgetary loan.

State budgetary loans are long-term loans used to balance state budget revenues and expenditures (further: state budget loan) and a cash reserve loan.

§39. State budget loan.

(1) The state budget loan cannot exceed amount of investments which are foreseen for the fiscal year in the state budget, and 10 percent of revenues.

(2) The limit of state budget loan is determined by the yearly State Budget Law.

(3) The necessity and the amount, based on the limit established in the previous paragraph, of state budget loan is decided by the Estonian Government.

(4) The state budget loan is taken through entering a loan contract or issuing state debt securities.

(5) The Minister of Finance:

1) determines the conditions of the state budget loan;

2) signs the loan contract in the name of the Estonian Government and organises its execution.

(6) The Estonian Government establishes the order and conditions of issuing state debt securities at the proposal of the Ministry of Finance.

§40. Cash reserve loan.

- (1) Cash reserve loan is loan taken for one fiscal year to finance expenditures of the state budget.
- (2) Cash reserve loan can be taken at the Estonian Government's decision in amount approved in the state budget, in case the revenue collection and cash reserve are not enough in certain period of the fiscal year to cover expenditures, in accordance to Minister of Finance' regulations, established in the current law, Article 27.
- (3) The cash reserve loan is taken through entering a loan or issuing treasury bills in order, established by the Minister of Finance.
- (4) Costs of servicing the cash reserve loan are covered by the Estonian Government reserve.

Chapter VII

Changing of state budget and Supplementary budgets

§41. Changing of the state budget.

- (1) The Estonian Government can make a proposal on changing allocations of expenditures no later than three months before the end of the fiscal year.
- (2) The draft law on changing the state budget is prepared by the Ministry of Finance.
- (3) The draft law on changing the state budget is discussed in State Assembly through 3 readings.

§42. Amendment of increasing state budget expenditures or decreasing revenues.

(1) To the amendment, which result in the yearly budget increase of expenditures or decrease of revenues, the initiator of the amendment includes financial calculations, which show the source of revenue to cover the expenditures.

(2) At the adoption of the law, established in current Article paragraph 1, the Estonian Government initiates the supplementary budget or proposes an amendment of changing the enforcement date of the adopted law.

§43. Supplementary budget.

(1) Supplementary budget proposal is proposed by the Estonian Government for expenditures, for which no allocations are foreseen in the state budget, as well as for increasing or decreasing expenditures. In the supplementary budget proposal also the allocations of expenditures can be changed.

(2) The supplementary budget proposal mentioned in the current Article paragraph 1, must be submitted to State Assembly no later than three months before the end of the fiscal year.

(3) The regulations for composing the supplementary budget are established by the Minister of Finance.

(4) To the supplementary budget proposal also the explanatory letter has to be included.

(5) The examination, presentation and the adoption of the supplementary budget proposal occurs according to regulations in the current law Articles 12-21, taking into account the differences established in current Article paragraphs 2-4.

Chapter VIII

Reporting for State Budget Execution and Accounting.

§44. Bases of accounting for state budget execution.

(1) The accounting of state budget execution is done by the state institutions, financed by the state budget according to the bookkeeping law and international bookkeeping standards in order, established by the Minister of Finance.

(2) Allocations received from the Estonian Government reserve have to be accounted separately.

§45. The report of the state budget execution.

The following is included into the state budget execution report:

- 1) state budget revenues and expenditures execution report;
- 2) state budget execution balance by the beginning and the end of period;
- 3) list of obligations taken by ministries, but which were not fulfilled by the end of the fiscal year;

- 4) overview about transferable allocations, established In Article 8 paragraph 4 and accounted allocations, established In Article 8 paragraph 3;
- 5) Estonian Government reserve usage report;
- 6) state pecuniary liabilities report;
- 7) reports of budget execution of the Pension Insurance Fund and the Medical Insurance Fund.

§46. Composing the report of state budget execution.

(1) state institutions financed by the state budget compose their budget execution bookkeeping reports and present them to the Ministry of Finance and their executive institutions in accordance to order and terms established by the Minister of Finance.

(2) Ministry of Finance composes the state budget execution report based on the reports determined in the current article paragraph 1.

§47. Presenting the state budget execution report.

The state budget execution report is presented by the Estonian Government to State Assembly for ratification by June 1 on the next year of the fiscal year.

§48. The bookkeeping of the State.

(1) The state bookkeeping is the accounting of state assets, capital and obligations.

(2) For organizing the state bookkeeping, the Minister of Finance has the right to establish bookkeeping regulations for local governments, for Estonian Government and for all kind of public institutions except the Bank of Estonia.

Chapter IX

Rules for implementation

§49. Changing the bookkeeping law.

The following changes will be made in the bookkeeping law (RT I 1994, 48,790; 1995, 26-28, 355; 92, 1604; 1996, 40, 773; 42, 811; 49, 953):

- 1) in Article 2 paragraph word “budgetary” will be left out;
- 2) In Article 3 paragraph 3 after the word “own capital” will be added “(in the case of state and municipal institutions - capital)”;
- 3) In article 3 paragraph 8, after words “income statement” will be added “(in the case of state and municipal institutions - statement of revenues and expenditures)”;
- 4) article 10 will be changed and worded as following:

“(1) Institution which is accountable, except state and municipal institutions, will prepare the list of accounts for economic and regulative transactions.

(2) List of accounts for state and municipal institutions will be established by the Minister of Finance”;

5) Article 16 paragraph 1' will be added, worded as following:

“(1') Accounting rules for the state and municipal institutions will be established by the Minister of Finance.”

§49' Management of the stabilization reserve

(1) Stabilization reserve resources are managed by the Ministry of Finance until the law mentioned in the article 37 paragraph 1 comes into force.

(2) The Stabilization Fund resources will be placed by the Ministry of Finance:

1) to securities quoted on the stock exchanges of the Organization for Economic Cooperation and Development member states that have the highest credit assigned by the international agencies;

2) to credit institutions of the Organization for Economic Cooperation and Development member states that have the highest credit assigned by the international agencies.

§50. Declaring null and void the law

The State budget law will be declared null and void (RT I 1993, 42, 614; 1994, 30, 464; 69, 1194; 1996, 22, 436; 49, 953).