THE EFFECT OF THE LAW NO.6360 ON THE FINANCIAL SYSTEM OF METROPOLITAN MUNICIPALITIES: THE CASE OF TR62 CITIES

Zuhal ÖNEZ ÇETİN
Uşak University, Faculty of Economics and Administrative Sciences, Public Administration, Turkey, zuhal.cetin@usak.edu.tr

Neslihan YILMAZ
Uşak University, Faculty of Economics and Administrative Sciences, Finance, Turkey, neslihan.yilmaz@usak.edu.tr

Abstract
The metropolitan municipalities’ public income composed both from their capital and the contribution of the central government for an effective and efficient provision of the public services to the local citizens in Turkey. In that regard, the Law No. 3030 that enforced in the year 1984 was a regulation that encompassing a starting point for metropolitan municipalities in related with the financial allocated pies. In this way, the first objective of the article is to examine the transition of the financial pies of the metropolitan municipalities before the enactment of the Law No 6360 entitled ‘The Establishment of Fourteen Metropolitan Municipalities and Twenty-Seven Districts and Amendments at Certain Law and Decree Laws’. The second objective of the study is examining related items of the Law No. 6360 about the financial system that creating changes on the allocated pies of the metropolitan municipalities for putting forth the effects of the Law No. 6360 on the transition of the financial system of the metropolitan municipalities. Finally, new regulations of metropolitan municipalities after the enforcement of the Law No. 6360 is analyzed within the framework of the TR62 cities of Adana and Mersin regarding G.B.V.G. and per capita income.

Keywords: Metropolitan Municipality Income, Law No.6360, TR 62 cities, G.B.V.G., per capita income

JEL Classification codes: H7, K4, P41

I. INTRODUCTION

The Municipal Law No. 6360 on The Establishment of Fourteen Metropolitan Municipalities and Twenty-seven Districts and Amendments at Certain Law and Decree Laws” enforced with the published Official Gazette dated 06.12.2012, and that relevant law led to the establishment of new metropolitan municipalities. By the enforcement of the law, lots of amendments occurred at the administrative and financial aspects of the metropolitan municipalities in Turkey. Within the context of the study, firstly the Law No.6360 has been examined with administrative and financial aspects. The new arrangements, the justifications and the main objectives of that relevant Law are examined, and that relevant Law’s effect on the administrative and financial formation has been analyzed in detail. At the second phase, the metropolitan municipalities’ general budget tax revenue transformation has been examined in a historical perspective. Lastly, by the help of the TR62 region cities case; the arrangements towards the financial structure of the metropolitan municipalities of TR62 region cities have been analyzed.

II. THE ADMINISTRATIVE AND FINANCIAL CONTEXT OF THE LAW NO. 6360 ON ‘THE ESTABLISHMENT OF FOURTEEN METROPOLITAN MUNICIPALITIES AND TWENTY-SEVEN DISTRICTS AND AMENDMENTS AT CERTAIN LAW AND DECREE LAWS’

II.1. The Administrative Framework of the Law No.6360

The Municipal Law No. 6360 on The Establishment of Fourteen Metropolitan Municipalities and Twenty-seven Districts and Amendments at Certain Law and Decree Laws” enforced with the published Official Gazette dated 06.12.2012 and numbered 28489. By the Law No.6360, the metropolitan municipality numbers increased from 16 to 30, and all metropolitan municipality borders were expanded to the provincial borders (Zengin, 2013: 5). By March 31, 2014 onwards, metropolitan municipalities are established at Aydın, Balıkesir,
Denizli, Hatay, Malatya, Manisa, Kahramanmaraş, Mardin, Muğla, Ordu, Tekirdağ, Trabzon, Şanlıurfa and Van provinces, and their borders as provincial administrative borders and province municipalities of those related provinces are transformed to metropolitan municipality with the Law No. 6360 (Law No. 6360 Article 1).

Furthermore, with those new provinces, the total number of metropolitan municipality number reached to 30. The village and the first-tier municipalities’ legal personalities have been abrogated, that are located within the territorial boundaries of districts that are tied to the provinces being a metropolitan municipality; and the districts as neighborhoods; and the municipalities as a single neighborhood joined to the district’s municipality that they are tied to (Law No. 6360 Article 3). The abolished municipality and village personnel’s all kind of movable and immovable goods, rights, assets and debts; by the commission decisions’ according to its relevance transferred to the ministries, metropolitan municipality, tied institution or district municipality and that transition is foreseen to be implemented at the first local government general election (Temporary Article 1/3). In that context, the new metropolitan system originated structural changes within the aspect of administrative, financial, zoning and planning. By the Law No. 6360, at the administrative formation; the removal of public legal personalities, the establishment of new public legal personalities, the amendment at administrative commitment, the changes at borders and division of powers have occurred. Furthermore, the local governments’ shares have been re-determined at the financial system which is critical for that study. Likewise, the political geography is also affected by the amendment at the dimension of representation and participation with the change at election zones. Lastly, there have also been changes in the development and planning order (İzci and Turan, 2013, pp. 119).

The Law No. 6360 that came into force after 30 March 2014 General Elections for Local Governments put forth those following issues listed below:

- 14 provincial municipality gained the status of new metropolitan municipality, the metropolitan municipalities that their numbers raised to 30; their borders’ were expanded to the provincial borders; metropolitan district municipalities boarders’ also overlaid with the district administrative borders.
- 559 municipality having the population below 2000 transformed to the status of village; 1076 first-tier municipality and 16,500 village that their borders remained at the new metropolitan municipality lost their legal personalities and transformed to a neighborhood; and in addition to that the population threshold at the establishment of a neighborhood determined as 500.
- The provision of being a metropolitan municipality that was exceeding the municipal population of 750,000 replaced with the determination of the province’s population over 750,000.
- At the 14 provinces having new metropolitan municipality; 26 new districts established within the borders of the metropolitan municipalities; and the number of the metropolitan municipality district municipality raised from 143 to 549.
- The population criterion is rearranged as 20,000 at being a district municipality of metropolitan municipality.
- Liquidation and sharing commissions have been foreseen for the municipalities and villages closed and transformed into the neighborhood.
- Special provincial administrations are abolished at 30 metropolitan municipalities.
- Local governments go to liquidation whose targets have been eliminated by the abolition of the special provincial administrations and by the transformation of the villages to the neighborhoods.
- The municipalities transferred shares from the general budget tax revenue were rearranged.
- At the provinces gained the metropolitan municipality status; “Investment, Monitoring, and Coordination Directorates” have been established that are tied to the Governorates (Zengin, 2014, pp. 103; İzci and Turan, 2013, pp. 132-133; Genç, 2014, pp. 4-5).

At the justification of the Law No.6360; one of the reason at the establishment of 14 metropolitan municipality is explained with those clarifications “as giving the authority to the lots of local administration in a specific geographic area led to not the provision of the planning and coordination of the local services and not facilitating from the economy of scale that causes the waste of resources”. In this context, there is a need of a strong local administration formation that can provide local services in an optimal scale from the aspect of administration, planning and coordination (Aksu, 2012, pp. 1). In that framework, as a result of the enforcement of the Law, not only 20 special provincial administrations’ legal personalities, but also 1591 first-tier municipalities and 16,082 village administrations and municipalities legal personalities having population below 2000 were abolished (Duru, 2013, pp. 33). By the abolition of the public corporate entities and the establishment of new ones; at the national scale %36 of the special provincial administrations, %53 of the municipalities and %47 of villages were abolished. In addition to that, the removal of the legal entities of hundreds of small local government units; approximately 50,000 officials that came to power by election, statutes have been abrogated.

---

10 The province of Ordu by the Law No. 6447 dated 22.03.2014 became a metropolitan municipality.
In that scope, the Law No. 6360 brings a new administrative systematic and targeted to solve the following problems listed below:

1. Not the provision of planning and coordination,
2. Not benefiting enough from the economy of scale;
3. The difficulty at the solution of the industrialization, transportation and environment based problems by the small scale local government units,
4. The provision of the prevention of the waste of resources and their effective and appropriate usage,
5. The meeting of the public services in a qualified, effective and efficient manner,
6. The emergence of lack of coordination problems at the provision of public services,
7. The requirement of the existence of strong local government formations that produce services at optimal scale,
8. Insufficient financial resources,
9. Inefficiency at the solution of environment, transportation, and similar problems by small scale municipality or villages (Çelikyay, 2014, pp. 11).

The metropolitan municipality model that provide local services at the provincial border is hoped to reveal those following positive developments; the local government units that provide services in a large scale can be equipped with advanced technology, qualified technical personnel can be employed at those local government units, and the efficiency will be raised by the specialized labor; the resources ensured from the central government can be used efficiently with the local government system formed by large scale local government units, effective usage of resources among local government units will be ensured with the city borders, a more fair structure can be formed in terms of newly gained opportunities, efficiency can be provided at the provision of the public services that required to be carried out in cooperation and unity such as zoning, planning, transportation (Çelikyay, 2014, pp. 12). The Law No. 6360 has also an influential impact on financial structure; such as re-determination of the share of the local governments; at the following sub-heading the financial share of local governments has been deeply analysed.

II.2. The Financial Context of the Law No. 6360

II.2.1. The Change at the General Budget Tax Revenue

The principles and procedures about the allocation of the general budget tax revenue to the local governments have been determined at the Law No. 2380 titled “Granting of General Budget Tax Revenue to the Municipalities and Special Provincial Administrations” dated 1981. By that related Law, some of the allocated pies from the government tax to the municipalities and special provincial administrations have been removed (Toprak, 2006, pp. 164-165). The first arrangement concerning the metropolitan municipalities launched at the Metropolitan Municipality Law No. 3030 dated 1984 and pies of the metropolitan municipalities identified as %3, and the Council of Ministers authorized at the augmentation of the pie to the proportion of %.6. In that scope, with the 85/9382 numbered and 1985 year dated Council of Minister’s decision that relevant ratio launched to be implemented as %.5. The allocated pies towards the metropolitan municipalities, municipalities and special provincial administrations amended in years and those pies at the Law No. 2380 have been redefined with the Laws numbered 3004, 3239, 3986, and 4629.

By the Law No. 3004 that entered into force in 1984 titled “Amendment at the Allocation of General Budget Tax Revenue to the Municipalities and Special Provincial Administrations” made changes at the Law No.2380. By that relevant Law; the financial shares allocated from the general budget for the municipalities connected to a four-year development phase; and the proportions determined as %7.15 for the year 1984, %8.15 for the year 1985, %9.30 for the year 1986 and %10.30 for the year 1987. As it is seen from the allocated shares for the four years period; the general budget tax revenue allocated ratio increased from %5 to %10.30 (Uzun, 2008, pp. 41-42; Çınar, 2007, p. 15). In addition to that, by the Law No. 3239 that entered into force in the year of 1985, led to changes at the Law No. 3004. By this Law the municipality share is identified as %8.55; special provincial administration share determined as %1.20 for the year 1986; and the municipality share is identified as %9.25 for the year 1987 (Çınar, 2007, p.15; Akço, 2014, p.37).

Furthermore, by the enforcement of the Law No. 3986 titled “Economic Balance Tax Law” the municipality share is also amended and reduced to 7.55%. In that scope, by the Council of Ministers’ 2002/3548 numbered decision titled “The Allocated Pies to the Metropolitan Municipalities from the Total of the General Budget Revenue”, the ratio is applied as %4.1 for the year of 2002. The metropolitan municipality pie is determined as %5 at the Metropolitan Municipality Law No.5216. The metropolitan municipalities have received %5 of that share between 1985-2001 years; that proportion reduced to %4.1 by the Law No.4626 in the year of 2002, but it increased to %5 by the Metropolitan Municipality Law No. 5216. That ratio had not been changed.

until the enforcement of the Law No. 5779 dated 2008 titled “The Law Related to the Allocation of Pies from the General Budget Tax Revenue to the Special Provincial Administrations and Municipalities”. By the enactment of the Law No. 5779; it was determined that %2.85 of the general budget tax revenue allocated to the municipalities aside from metropolitan municipalities; %2.50 to the metropolitan district municipalities, and %1.15 to the special provincial administrations. The %5 of the total of the general budget tax revenue within the border of the metropolitan municipality and %30 of the metropolitan district municipality pie from the total of the general budget tax revenue were allocated as metropolitan municipality share. At that allocation and distribution, calculated on a monthly basis by the Ministry of Finance, only the population criterion was taken into consideration (İzci and Turan, 2013, p.134; Demircan, 2009, p.350). 

By the enactment of the Law No.6360, the change of municipal border led to the augmentation of the responsibility and authority of the local governments; in that scope at the general budget tax revenue pies have been altered within the framework of the metropolitan municipalities. One of the most significant changes within context of that related Law is the re-arrangement of the local government shares (İzci and Turan, 2013, p.134). The enforcement of the Law No. 6360 led to some critical financial changes; such as within the context of the Article 25 (item 2), that following determination has been put forth concerning the local government shares “%1.50 of the general budget tax revenue allocated to the municipalities aside from metropolitan municipalities; %4.50 to the metropolitan district municipalities and %0.5 to the special provincial administrations”. An increase in the financial allocations has been provided to the new metropolitan municipalities, and the metropolitan and district municipalities whose borders have been expanded for their provision of effective service provision (Çelikyay, 2014, p.18).

III. THE CASE OF TR62 REGION CITIES

TR62 Region including Adana and Mersin cities having similar economic, social and geographical characteristics’ stands out as a region that its two related cities gained the status of being a metropolitan municipality by the enforcement of the Law No.6360. Therefore, from this date the whole population of the region has now turned a city (urban) population. The selected sample is significant in terms of the "General Budget Tax Revenue" (G.B.V.G.) shares of transfer because the cities within the boundaries of the region reached the status of being a metropolitan municipality. The provinces of TR62 Region have been subject to new financial arrangements with the metropolitan municipality status since 2014. One of those new financial arrangements is their allocated pies from General Budget Tax Revenue. By the Law No. 6360; there is no change in terms of tax revenue of municipalities, factor and non-tax revenue; only general budget tax revenue pies changed proportionally. For this reason within the context of the study, Adana and Mersin Metropolitan Municipalities allocated general budget tax revenue pies proportional change with the last legal arrangements will be examined in detail.

Within the framework of the arrangements put forth by the Law No. 6360; there is no change at the rate of %6 of the transferred pies to the local governments from the general budget tax revenue, but an increase is observed at the metropolitan municipality pies. In the scope of the study, the related proportional change will be analyzed in three-year periods such as the enforcement of Law No 6360, its prior and subsequent years, and this analysis is made around the proportion and percentage change of their received pies from the general budget tax revenue within the metropolitan municipalities total revenue.

In this regard, firstly at the Figure 1. that is prepared from the Activity Reports of Ministry of Interior General Directorate of Local Authorities, the proportion and percentage of metropolitan municipalities received pies from the general budget tax revenue within their total revenue is illustrated.

![General Budget Tax Revenue within the Total Income of Metropolitan Municipalities](Figure 1. General Budget Tax Revenue Percentage at the Total Income of Metropolitan Municipalities)
As it is seen at the figure 1, the metropolitan municipalities received pie from the general budget tax revenue is composed their %55 of their total income for the year 2009; the same pie raised to the %60 at their total income for the year 2010. In addition to that, %63 of their total income is composed of general budget tax revenue by the year 2011. As it can be seen from the figure, the general budget tax revenue ratios respectively increased as %1.2 and %1.5 before the enforcement of the Law No. 6360. Besides, between the years of 2014 and 2015, the proportion of received general budget tax revenue at their total income was %67 at the first year of the application of the Law No. 6360 and %69 for the year of 2015. And lastly, for the year of 2016 this proportion is estimated as %73. In the light of these clarifications, it can be stated that the received general budget tax revenue weight in the total income continually increased within the years of 2009-2016. A sharp increase is not observed at the received general budget tax revenue, and this can be explained as the change in the area and population criteria at the Law No. 6360.

By the Law No 6360 with the first Article, it was determined that at the first general elections of local governments dated 30 March 2014 after the enforcement of the Law No. 6360, Adana and Mersin municipalities gained the status of being a metropolitan municipality. Within the framework of the study, the proportional change in the received general budget tax revenue is evaluated in the context of TR62 cities. Therefore, firstly the proportional change in the received general budget tax revenue of Adana and Mersin provinces between the years 2009-2012 will be examined. At the figure 2, Adana and Mersin cities general budget tax revenues proportions between the years of 2009-2016 have been demonstrated. The Law No. 6360 started to be applied in April 2012 that before the application period of 2009-2012 March; TR62 cities have been examined with taking into account of their general budget tax revenue pies. As it is seen in the figure 2, the general budget tax revenue of Adana until the March of 2012 increased, whereas Mersin city ratio has an unbalanced characteristic, that relevant ratio firstly increased, but after March 2010 that proportion decreased. After the enforcement of the Law this ratio for Adana city has increased and that ratio has started to increase in April 2013 but has launched to decrease after April 2014 to the April 2016 for Mersin city.

Figure 2. TR62 Cities General Budget Tax Revenue Proportion between the years of 2009-2016
Source: muhasebat.gov.tr.

After the enactment of Law No. of 6360, TR62 cities having the metropolitan municipality status general budget tax revenue pies and annual per capita income were calculated. Thus, the following table shows the transformation of general budget tax revenue pies and annual per capita income before the enforcement of Law No. of 6360 and after its implementation period. For the analysis of this transformation annual per capita income rates of 2009, 2014 and 2016 have been also demonstrated at the following table.

Table1. 2009-2016 Balance of general Budget Tax Revenue Pies, Population and Annual Per Capita Income

<table>
<thead>
<tr>
<th>Years</th>
<th>Provinces</th>
<th>General Budget Tax Revenue Shares (TL)</th>
<th>Population of the Metropolitan Municipalities</th>
<th>Annual Per Capita Income (TL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>ADANA</td>
<td>1.027.000</td>
<td>2.062.226</td>
<td>0.49</td>
</tr>
<tr>
<td></td>
<td>MERSİN</td>
<td>1.878.000</td>
<td>1.640.888</td>
<td>1.14</td>
</tr>
<tr>
<td>2010</td>
<td>ADANA</td>
<td>2.231.000</td>
<td>2.085.225</td>
<td>1.06</td>
</tr>
<tr>
<td></td>
<td>MERSİN</td>
<td>2.477.000</td>
<td>1.647.899</td>
<td>1.50</td>
</tr>
<tr>
<td>2011</td>
<td>ADANA</td>
<td>5.190.000</td>
<td>2.108.805</td>
<td>2.46</td>
</tr>
<tr>
<td></td>
<td>MERSİN</td>
<td>1.638.000</td>
<td>1.667.939</td>
<td>0.98</td>
</tr>
<tr>
<td>Year</td>
<td>Location</td>
<td>Population</td>
<td>Tax Revenue</td>
<td>Tax Rate</td>
</tr>
<tr>
<td>------</td>
<td>----------</td>
<td>------------</td>
<td>-------------</td>
<td>----------</td>
</tr>
<tr>
<td>2012</td>
<td>ADANA</td>
<td>5,697,000</td>
<td>2,125,635</td>
<td>0.68</td>
</tr>
<tr>
<td></td>
<td>MERSİN</td>
<td>1,542,000</td>
<td>1,682,848</td>
<td>0.91</td>
</tr>
<tr>
<td>2013</td>
<td>ADANA</td>
<td>6,238,000</td>
<td>2,149,260</td>
<td>2.90</td>
</tr>
<tr>
<td></td>
<td>MERSİN</td>
<td>2,284,000</td>
<td>1,705,774</td>
<td>1.33</td>
</tr>
<tr>
<td>2014</td>
<td>ADANA</td>
<td>7,729,000</td>
<td>2,165,595</td>
<td>3.56</td>
</tr>
<tr>
<td></td>
<td>MERSİN</td>
<td>11,242,000</td>
<td>1,727,255</td>
<td>6.50</td>
</tr>
<tr>
<td>2015</td>
<td>ADANA</td>
<td>8,970,000</td>
<td>2,183,167</td>
<td>4.10</td>
</tr>
<tr>
<td></td>
<td>MERSİN</td>
<td>8,054,000</td>
<td>1,745,221</td>
<td>4.61</td>
</tr>
<tr>
<td>2016</td>
<td>ADANA</td>
<td>11,942,000</td>
<td>2,194,083</td>
<td>4.44</td>
</tr>
<tr>
<td></td>
<td>MERSİN</td>
<td>4,173,000</td>
<td>1,758,310</td>
<td>2.37</td>
</tr>
</tbody>
</table>

Source: TUİK 2009-2015 years data and Activity Reports used at the preparation of the table.

According to the Table 1, after the enforcement of the Law No of 6360, annual per capita income rates have a remarkable increase in fiscal years of 2014 and 2015. General budget tax revenue which has a significant pie at the total income of metropolitan municipalities has different rates for each TR62 city. In addition to that, it has found out that, the balance of the annual per capita income periodically increase and decrease in those years. And each city has a different service area in proportion to their population and area, and the variability of costs at the provision of those related services results in benefiting of each city from the proportional increase at general budget tax revenue in different size.

IV. CONCLUSION

By March 31, 2014 onwards, metropolitan municipalities are established at Aydın, Balıkesir, Denizli, Hatay, Malatya, Manisa, Kahramanmaraş, Mardin, Muğla, Ordu, Tekirdağ, Trabzon, Şanlıurfa and Van provinces, and their borders as provincial administrative borders and province municipalities of those related provinces are transformed to metropolitan municipality with the Law No. 6360 (Law No. 6360 Article / 1. Item). In that context, the new metropolitan system originated structural changes within the aspect of administrative, financial, zoning and planning. By the Law No. 6360; at the administrative formation; the removal of public legal personalities, the establishment of new public legal personalities, the amendment at administrative commitment, the changes at borders and division of powers have been occurred. Furthermore, at the financial system which is critical for that study; the local governments’ shares have been re-determined. Likewise, the political geography is also affected by the amendment at the dimension of representation and participation with the change at election zones. Lastly, there have been also changes at the development and planning order). By the enactment of the Law No.6360, the change of municipal border led to the augmentation of the responsibility and authority of the local governments; in that scope at the general budget tax revenue pies have been altered within the framework of the metropolitan municipalities. One of the most significant changes within context of that related Law is the re-arrangement of the local government shares (İzci and Turan, 2013, pp.119-134).

General budget tax revenue pies have a significant proportion at the local governments’ income resources. General budget tax revenue transfers have also a significant rate in the categorization of tax revenues and non-tax revenues. Thus the study aimed to examine the transformation of general budget tax revenue pies and their effects on the fiscal structure after the enforcement of the Law No of 6360 in TR62 cities. The transfers from the general budget tax revenues’ proportions development before the arrangements of area and population criteria and after the enactment of the Law and its arrangements analyzed with the accrual based data of TR62 cities. In this context, the observed increase is also confirmed with the increase at the general budget tax revenue pies within the budget realizations of metropolitan municipalities. In that framework, the increase at the metropolitan municipalities’ proportion of pies from the general budget tax revenue is also an indicator of the dependency of the metropolitan municipalities to the transferred resources from the central government. As shown in the tables and data of the relevant years, by the enforcement of the Law No of 6360, the balance of the annual per capita income periodically increases. In this regard, the increasing of general budget tax revenue shares, annual per capita income rates and population data only examined in particular within the context of TR 62 provinces. So these rates and ratios cannot be generalized to other metropolitan municipalities. Consequently, regional studies and data analysis have been required encompassing all regions to identify the impact of the Law No. 6360 on the financial structure of the municipalities.
V. REFERENCES

16. 2380 numbered Law “Granting of General Budget Tax Revenue to the Municipalities and Special Provincial Administrations”.
17. 6360 numbered Law “The Establishment of Fourteen Metropolitan Municipalities and Twenty-Seven Districts and Amendments at Certain Law and Decree Laws”.