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## The importance of revenues from spa fee in financing municipalities in Poland

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### Abstract

**Motivation:** The subject of interest presented in this study is the problem of spa fee and the resulting municipal revenues. In accordance with the international and constitutional standard of financial adequacy, including this fee in the revenue catalogue of only some municipalities should result from their specificity, i.e. generating additional budgetary expenditure not incurred by other municipalities.

**Aim:** The purpose of this paper is to address the systemic differences of spa municipalities, and primarily the additional tasks imposed on them, as well as to analyse and assess the importance of spa fee in the financial management of municipalities. Based on the analysis of this fee legal structure, and in particular its subject, an attempt was made to indicate the factors influencing its fiscal efficiency and significance.



**Results:** The fiscal efficiency of the discussed fee, as compared to other revenue categories, and its importance in the municipal financing structure are small (approx. 0.028% of the total municipal revenues and 1.47% of the total revenues generated by spa municipalities). The main factor influencing the amount of revenues from the fee and its share in the revenue structure is related to tourist activity in the municipality, mainly referring to a therapeutic treatment of natural persons. In the municipalities characterized by high tourist traffic, which results in an extensive accommodation offer corresponding to the demand, the importance of the fee in terms of financing is at a significant level, reaching even 7.1% of total revenues in the entire analysed period, i.e. 2017–2022 and over 8.8% in 2017. The occurrence of such cases is an argument proving the significant revenue potential of the fee. Increasing its use, in addition to developing both therapeutic and accommodation infrastructure in a municipality also requires taking action aimed at ensuring better efficiency of the spa fee collection.

**Keywords:** local self-government, local finance, public revenues, public fee, spa fee

**JEL:** H20, H71, K34

## 1. Introduction

A large and diverse catalogue of revenues regarding local government units (LGUs) in Poland raises frequent doubts from the standpoint of transparency of the public finance system, due to its greater complexity, as well as the costs of collecting public revenue, the fiscal efficiency of which remains low. However, the LGU financing system should be based on certain standards defined by the science of finance and resulting from the provisions of financial law. They include, e.g., the principle of financial adequacy (relevance) and the principle of diversification and flexibility of financial resources, which are included in both the *Constitution of the Republic of Poland* (1997) and the *European Charter of Local Self-Government* (ECLSG) (Council of Europe, 1985). The essence of the first principle is that the distribution of public revenues between the central and local authorities corresponds to the division of tasks. Moreover, it should be approached in a continuous manner, which means the need to ensure financial means adequate to the incurred expenditure in the event of new tasks being imposed or accepted by the local government (Miemiec, 1997, p. 67). In turn, a properly diversified and flexible catalogue of revenues collected by local government units should ensure the stability of their tasks financing in the changing economic conditions.

The aforementioned financial standards justify the inclusion of a wide catalogue of revenues, also covering levies, in the financing system of local government units, which is both diversified and directly related to specific tasks. One of them takes the form of the spa fee, to which the so-called spa municipalities are entitled. The purpose of the article is to analyse the amount of spa fee revenue collected by the indicated municipalities and to



assess its significance, both in the financing structure of these municipalities and in relation to the entire municipal sector revenues. In addition, the article presents the specificity of spa resort municipalities and their systemic (legal) distinctiveness against other municipalities, resulting from additional legal regulations, which may serve as a substantive justification for the introduction of this source of revenue.

## 2. Literature review

The problem of Polish practice compliance with the financial standards provided by the ECLSG and the Constitution is the subject matter of scientific studies undertaken by numerous authors. Having narrowed down the below review of the source literature to the above-mentioned financial adequacy standard, the following studies can be indicated, e.g., by A. Wyszowska (2014), K. Wójtowicz (2015), E. Kornberger-Sokołowska (2013), M. Kłosowiak (2020), B. Filipiak (2014). Various analyses conducted in these publications usually lead to a unanimous conclusion about the widespread practice of violating the principle of adequacy and the declining scope of its implementation in the Polish system of financing local governments. It is worth highlighting that the source literature points to Polish practice being also inconsistent regarding other standards included in the ECLSG (Ofiarska, 2015; Misiąg, 2006, pp. 560–561).

The issue of local fees along with local taxes is often discussed in the legal literature, mainly in the form of comments to legal acts. A public fee is defined by listing the features of this levy, such as its pecuniary, compulsory, non-refundable nature, the obligation of paying it to public associations and its payment (equivalence) (Owsiak, 2017, p. 241). The latter quality distinguishes a fee from a tax, as it also provides the fee with an individual character since it is charged by public authorities for a specific activity or service from a particular entity that obtains its own, individual benefit (Gomułowicz & Małecki, 2013, p. 129). Systemic solutions, however, do not always correspond to the theoretical model of the fee because in reality the reciprocity may not occur or may be of negligible value in relation to the amount of the fee. Then such a tribute, in legal provisions referred to as a fee, in fact represents a tax (Etel et al., 2020, p. 21).

There are not many studies addressing exclusively the spa fee, and the relatively low interest in this subject matter among the representatives of science can be explained by the low importance of the fee in the financing structure of local government units. The analysis of legal regulations concerning the spa fee can be found, e.g., in the studies by R. Dowgier (2010) and K. Święch-Kujawska (2016), in which the authors emphasize numerous interpretation discrepancies and difficulties in applying legal regulations along with proposing the desired directions of change.



Such proposals are also included in the analysis by B. Michalak-Trybuś (2019) who, in addition, presents the genesis and historical evolution of the spa fee starting from the 19th century. An outline of the fee history is also addressed by S. Czarnecki (2017), who additionally attempts to compare the local fee with the spa fee, concluding that despite their construction similarity and common origin, there are a number of details which separate these fees from each other. The study by T. Wołowiec, D. Reśko and J. Soboń (2016), in turn, confronts the structure of the spa fee and local fee with the principles of a rational and effective system of public levies. Detailed issues concerning the collection of spa fee and its accounting records are discussed in the paper by T. Wołowiec and M. Stefański (2018). In some studies, the legal analysis is focused on a specific substantive problem, such as, e.g., collecting the fee from people staying in hospitals (Wantoch-Rekowski, 2016).

The analysis of revenues generated by the spa and local fee, based on the example of municipalities in the Kujawsko-Pomorskie Voivodship is provided in the study by R. Kwaśniewski and I. Majewska (2017). In conclusion, the authors state that these fees, in the majority of surveyed municipalities, are insignificant and pose a question about the sense of listing them in the catalogue of local fees.

This article fills the research gap which, in the opinion of the authors, occurs in terms of a detailed analysis covering the formation and importance of spa fee in the structure of municipal revenues. The conclusions arising from the conducted analysis imply the need for further research addressing this levy and may offer a contribution towards undertaking legislative measures to increase its fiscal efficiency.

### 3. Methods

The paper has been divided into two parts. In the first one, addressing the special status of a spa municipality and the legal structure of the spa fee, the realization of the adopted goal required applying the method of source literature review and the analysis of legal acts referring to the discussed problem. The second part, referring to the importance of the fee in financing municipalities, includes a multi-faceted statistical analysis of the quantitative and value-based use of the fee by municipalities in Poland, both in absolute terms and in relation to total revenues. The factors influencing the significant variation in the amount of revenue generated from the fee in municipalities found in the statistical analysis were also identified, and the presumed relationships were confirmed using correlation indicators. The reports on the implementation of the LGU budgets published by the Ministry of Finance and the data from the Local Data Bank of the Statistics Poland constituted the source of numerical data necessary to carry out the analyzes. The temporal scope of the research



in its empirical part covers the years 2017–2022, which allows noticing certain trends and regularities and can become the basis for formulating conclusions, while the subjective scope refers to all municipalities (including cities with county rights) functioning in Poland in the relevant period.

## 4. Results

### 4.1. Systemic separation of a spa municipality as the justification for introducing the spa fee

The possibility of introducing a certain systemic separation for these municipalities which perform tasks of a special nature has been provided in Art. 38 of the *Act on Municipal Self-Government* (1990), referring to the relevant acts. This applies in particular to spa municipalities. The legal act introducing such separation of spa municipalities is the *Act of 28 July 2005 on spa treatment, spa resorts and spa protection areas and also spa municipalities*.

A spa municipality is the one whose area or its part has been granted the status of a spa resort in accordance with the procedure specified in the Act, whereas a spa resort is an area where spa treatment is provided, separated for the purpose of using and protecting natural curative treatment resources located in its area and meeting certain provisions set out in the Act.

One of the factors determining the systemic separation of such municipalities is the presence of additional own tasks, which go beyond the standard tasks specified in the *Act on Municipal Self-Government* (1990). They are related to maintaining the therapeutic functions of a spa resort and refer to the following:

- 1) land management, taking into account the needs of spa resort treatment, protection of the deposits of natural curative resources and construction works or other activities prohibited in individual spa resort protection zones;
- 2) protection of the natural conditions in a spa resort or a spa resort protection area and meeting the requirements regarding the permissible standards of air pollution, noise intensity, discharge of sewage into waters or into the ground, waste management, emission of electromagnetic fields referred to in separate regulations;
- 3) creating conditions for the functioning of spa treatment facilities and equipment as well as the development of municipal infrastructure in order to meet the needs of people staying in a municipality for spa treatment;
- 4) creating and improving municipal and technical infrastructure for spa resorts or spa resort protection areas, related to meeting the conditions for granting the status of a spa resort to the area.



Additional tasks are associated with the need to incur increased expenses for their implementation. The *Act on spa treatment* (2005) points directly to the spa fee as the source of their financing. In addition, the municipalities carrying out the indicated tasks are entitled to receive subsidies from the state budget in the amount equal to the proceeds from the spa fee collected in the spa resort in the year preceding the base year.

It is also worth pointing out other specific obligations of spa resort municipalities, the occurrence of which may sometimes generate increased budget expenditure. They concern, e.g., the obligation to prepare the so-called spa resort report, both at the stage of applying for the status of a spa municipality, and after it has been granted, with a frequency of once every 10 years, in order to determine or confirm the possibility of conducting spa treatment in this area. One of the report elements takes the form of, i.a., a certificate documenting the confirmation of the therapeutic qualities of natural curative raw materials and the healing properties of the climate, which the municipality has to obtain from an authorized entity based on the conducted tests.

It is the responsibility of the municipality to separate three types of protection zones in the spa resort area with a clear-cut, required share of greenery (marked with the letters A, B, C) covered by specific restrictions on the use of land located within such territory (including conducting business activity). A municipality which, by the decision of the minister responsible for healthcare issues, obtains confirmation of the possibility for providing spa treatment in its area has to draw up and adopt a local spatial development plan for zone A. Within 30 days from the date of granting the status of a spa resort to a given area, the municipality is obliged to adopt a spa resort statute, which in terms of its substantive content should meet the statutory requirements and remain consistent with the report prepared by a spa resort.

The systemic differences of spa resort municipalities also refer to area issues related to the municipality division into auxiliary units. Basically, the borders of the area which has been granted the status of a spa resort coincide with the administrative borders of municipalities, towns or auxiliary units of municipalities. Therefore, if the area having the status of a spa resort does not coincide with the area of a municipality or a town within the municipality area, the municipal council should establish an auxiliary unit for this area.

The systemic separation of a spa municipality having an institutional nature remains an obligation of the municipal council which appoints a permanent spa resort commission. It is a consulting and advisory body of the municipal council in matters relating to the spa resort and the spa resort area protection.

As results from the review of these specific features, obtaining and maintaining the status of a spa resort by a municipality is not only time-consuming, but also expensive. Currently (September 2022), according to the register





of the Ministry of Health, 44 municipalities were granted this status, with 46 spa resorts functioning in their area. There is usually one spa resort in one municipality, with the exception of the Świeradów-Zdrój municipality, which covers two spa resorts (Świeradów-Zdrój and Czarniawa-Zdrój) and also Muszyna, which includes three spa resorts – Muszyna, Żegiestów-Zdrój and Uzdrowiska Złockie. In one case, the spa resort operates in the area of two neighboring municipalities, namely the urban municipality of Ustka and the rural municipality of Ustka. The majority of spa resorts are located in the Dolnośląskie Voivodship (11 spa resorts in 10 municipalities) and the Małopolskie Voivodship (10 spa resorts in 8 municipalities). The following voivodships do not cover areas having the status of spa resorts: Opolskie, Wielkopolskie and Lubuskie.

#### 4.2. Legal structure of the spa fee

The spa fee in its current form was introduced into the municipal financing system starting from 2006, by separating it from the previously applicable local fee. According to Art. 17 sec. 1a of the *Act on Local Taxes and Fees* (1991), the municipal council may introduce a spa fee, which is charged to natural persons staying for more than 24 hours for curative, tourist, recreational or training purposes, in the locations situated in the areas which were granted the status of a spa resort, for each commenced 24-hour stay.

This fee may cover the entire municipality or only some of its auxiliary units, such as towns located within the municipality, districts, village councils and housing estates. According to the provisions of the Act, this fee is optional, as it may be introduced by the municipal council by way of a resolution, however, there is no such obligation.

The rate of the spa fee is determined by the municipal council, but it cannot exceed the maximum rate specified in the Act. The maximum rates applicable in the years covered by the analysis ranged from PLN 4.24 (2017) to PLN 4.82 (2022) per person per day. If the rates are not adopted by the municipal council, the rates applicable in the year preceding the tax year shall apply. The maximum rates are indexed annually with the inflation rate.

The Act introduces subjective exemptions from the spa fee, which is not collected from staff members of diplomatic representations and consular offices (subject to reciprocity), from people staying in hospitals, from the blind and their guides, from property tax payers on account of owning summer houses, from organized groups of children and school youth. The municipal council may also introduce exemptions from the spa fee other than those listed in the Act, but only of a subject-related nature. Another executive authority of the municipal council is the ability to order charging the fee by way of collection and to appoint collectors as well as the amount of remuneration for the collection.



The legal structure of the spa fee has been quite stable since its introduction. The only amendment to the respective regulations entered into force on 1 January 2016. It eliminated the obligation to pay the fee, leaving the decision regarding its introduction to the municipal council. The second change, important from the perspective of the spa fee collection was the specification of the period for which it is paid.

#### 4.3. Analysis of the spa fee use by municipalities

The analysis of reports presenting the implementation of municipal budgets shows that 41 units municipalities reported regular revenues from the spa fee in the analysed period. The only spa municipality which did not introduce the fee was the municipality of Konstancin-Jeziorna in the Mazowieckie Voivodship. In addition, the municipality of Niemcza (Dolnośląskie Voivodship) planned revenues from the fee only in 2017, but did not implement them. The city of Krakow, on the other hand, did not generate revenue from the fee in 2020, and in 2021 it did not even include it in the budget plan<sup>1</sup>. It can, therefore, be concluded that the spa fee, despite its optional nature, is a levy commonly used by the eligible municipalities, constituting an additional source of their own revenue.

In the entire analysed period of 2017–2022, municipal revenues from the spa fee amounted to PLN 407.2 million. In 2017–2019, they showed an upward trend, both in nominal and real terms. In 2019, these revenues amounted to over PLN 73.9 million, while in 2017 it was PLN 65.9 million (Table 1), which means a nominal increase by over 12%. However, this dynamics did not exceed the dynamics of the total revenues generated by the municipal sector in this period (increase by 20.7%), as well as the dynamics of the total revenues earned by spa municipalities, which went up by 19.7%.

The annual increase in revenues from the spa fee came to a halt in 2020, when the fee amounted to PLN 48.8 million, which means a nominal decrease by over 34%, i.e. PLN 25.15 million as compared to 2019. In real terms, with average annual inflation rate at the level of 3.4% in 2020, the recorded decline is even higher. The reasons for such a reduction in the proceeds from the local fee should be sought in the reduction of tourist traffic and the introduction of restrictions in spa treatment due to the COVID-19 pandemic, along with the cessation of therapeutic services in the periods from March

<sup>1</sup> The city of Krakow was excluded from further analysis, which formally can be considered a spa municipality, as the Swoszowice spa resort operates in its area. There is no doubt, however, that the spa function plays a marginal role in such a large city. This is confirmed by the insignificant share of the spa fee in the city total revenue (0.0003%), as this revenue exceeds revenues of all other spa municipalities by over 30%. Including the importance of the spa fee for the city of Krakow revenue in the analysis significantly reduces the assessment of this importance in municipal financing.



14 till June 14, 2020 and from October 24, 2020 till March 10, 2021. According to the Statistics Poland report, the decrease in the number of inpatient spa patients treated in spa treatment establishments in 2020 was at the level of 50% comparing to 2019. In the subsequent 2021, the revenues from the spa fee were already higher by 19.9% as compared to 2020 and amounted to almost PLN 58.5 million, which still means lower results than the record-breaking 2019 by PLN 15.5 million, i.e. by 20.9%. The upward trend in revenues was sustained in 2022, when they reached a record high of PLN 89.5 million, after an impressive 53% increase over the previous year.

The importance of revenues from the spa fee can be considered through the prism of their share in broader revenue categories, i.e. in total revenues and own revenues. The analysis of aggregated data covering the entire municipal sector indicates a marginal importance of the discussed fee in the financing structure, with an average share of 0.028% in total revenues (Chart 1). Taking into account only spa municipalities in this analysis, the share of the spa fee in total revenues was on average 1.41% in the period under study, decreasing from 1.82% in 2017 to 0.98% in 2020. In the analysed period, therefore, a downward trend of these shares can be observed, with a clear decline in 2020, when, for the reasons already indicated (COVID-19 pandemic), they dropped to the lowest level. This trend reversed in 2022, when the dynamic growth in revenue from the fee was also accompanied by an increase of its share in total revenues, which returned to the pre-pandemic levels (1.72%). Regardless of the trends influencing the examined indicator, its level confirms the insignificance of the spa fee in the revenue structure of spa resort municipalities in Poland.

This general conclusion, drawn based on the analysis of aggregated data, does not necessarily refer to individual units. The question arises whether there are municipalities where the spa fee plays a more important role. In order to answer this question, the share of revenue from the fee in total revenues was calculated for each municipality which collects the spa fee, and the descriptive statistics calculated for this share were analysed (Table 2). Some of them (range, standard deviation, coefficient of variation) of the examined relationship suggest a large differentiation of the spa fee importance in municipal budgets.

The Ciechocinek municipality was distinguished by the highest ratio of the spa fee to total revenues reaching the level of 7.07% throughout the period under study. At the beginning of the analysed period, in the years 2017–2019, this relationship was even higher (from 8.83% in 2017 to 8.33% in 2019). The following municipalities were also distinguished by a relatively high share of the fee (above 3%) in their revenue structure: Kołobrzeg (5.16%), Świeradów-Zdrój (4.68%), Krynica-Zdrój (3.97%), Polanica-Zdrój (3.77%) and Darłowo (3.52%). In each of the years, the importance of the discussed fee was also the greatest in the listed municipalities. Generally, in



the entire analysed period, in 23 municipalities (52% of spa municipalities), the share of the fee in total revenues exceeded 1%. At the other extreme of this analysis, there are few entities with a marginal share of the fee in total revenues, i.e. close to 0%.

The median value of the share, in the entire period, was at the level of 1.31%, and in individual years it ranged from 0.72% in 2020 up to 1.68% in 2018. The values of the first quartile ranged from 0.291 to 0.59% (0.38% for the entire period), and in the third quartile between 1.63% and 2.97%. (2.34% for the entire period). This means that with the average value of the share for all municipalities at the level ranging between 1.12% and 1.99% (1.6% for the entire period), the distribution of this relationship is strongly right asymmetrical, i.e. the majority of municipalities recorded the indicator value below the average value for the whole population. It is worth noting that the standard deviation of the share in each year was close to its arithmetic mean, which confirms high differentiation of the analysed feature.

The presented data lead to a question about the determinants affecting the significant differentiation of both the amount of revenues generated by the spa fee and its share in the municipal revenue structure. Taking into account the legal construction of the fee, and especially its subject matter, the size of the infrastructure serving the purposes of spa curative treatment should primarily be mentioned among such factors, as the possibility of accepting patients paying the fee depends on it. The number of spa treatment establishments and the number of beds in these establishments were adopted as the measure of this factor.

These determinants also include tourist attractiveness presented by the municipalities, inducing the subjects of the fee (natural persons), not residing permanently in the municipality, to stay for more than 24 hours on its territory for the purposes other than spa treatment. The number of tourist accommodation facilities and the number of beds offered by the municipality (excluding spa treatment establishments) were adopted as a measure of tourist attractiveness. Tourist facilities are created to match the demand for their services, primarily accommodation, i.e. in the areas attractive for various types of tourism (including training, leisure, sightseeing, sports, etc.).

In order to demonstrate this relationship and its strength, Pearson linear correlation coefficients were calculated based on the amount of revenue from the local fee earned by the municipalities and the share of this fee in total revenues, and the indicated measures of determinants for each spa municipality (excluding the city of Krakow for the reasons given above). The correlation coefficients presented in Table 3 confirm a positive relationship between the adopted features. The highest correlation, in the entire analysed period covering the years 2017–2022, was recorded between the number of beds in spa treatment establishments and the absolute value of revenues from the spa fee. In this case, the calculated correlation coefficient was



0.84, which, in accordance with the standards usually adopted in statistical analyses, indicates a significant correlation (Ostasiewicz et al., 1999, p. 276). A slightly lower, however, also significant correlation (0.81) was observed between the amount of revenues generated by the fee and the number of spa treatment establishments. The correlation analysis has also shown a significant relationship between the revenues from tourist tax and the number of non-spa tourist accommodation facilities and also the number of beds they offer (correlation coefficients 0.72 and 0.81, respectively). A slightly lower correlation, comparing to the one for spa treatment establishments, proves that although in these municipalities the main generator of revenue from the fee is probably connected with curative treatment stays, other types of tourism also play an important role. Spa resorts, in addition to their therapeutic values, are usually characterized by high natural and sightseeing attributes.

When examining the relationship between the share of revenue from the spa fee in total revenues and the number of facilities and also the number of beds, a positive correlation was observed but of moderate strength. The explanation for this lower correlation is the low, and frequently even marginal, share of the spa fee in the total municipal revenue structure, which means that this share is influenced, to a greater extent, by other financing sources affecting total revenues to a larger degree. A higher correlation was also noted in the case of the number of spa treatment establishments and the number of beds they provided (0.74 and 0.69, respectively), whereas the role of non-spa tourist facilities in shaping the importance of the spa fee was much smaller (correlation coefficients 0.47 and 0.40). This supports the conclusion about the predominantly therapeutic functions played by tourism in these municipalities. The indicated correlations presented a similar strength in individual years.

The spa fee is characterized by a very small scale of use by the municipal authorities of their governance in the field of shaping its structural elements. The analysis of budget reports shows that, in the analysed years, the municipality of Krynica-Zdrój alone showed a decline in revenues from the spa fee as a result of introducing rates lower than the maximum ones. The fiscal effects of this tax policy tool application for the entire 6-year period amounted to 11.5% of the revenue earned from the fee, while in the period 2017–2019 it exceeded 21%, to reach less than 0.64% in the years 2020–2022. The analysed municipalities did not introduce any additional exemptions from the spa fee, and only in individual cases applied the competences vested in the tax authority under the *Tax Ordinance*, which brought about marginal effects both in absolute terms and in relation to revenues generated by the fee. A conclusion can be drawn that spa municipalities approach the fee mainly through the prism of its fiscal function and are not willing to apply preferences in the fee for non-fiscal purposes.

## 5. Conclusion

In Poland, there are 44 municipalities having the status of spa municipalities. This special status imposes a number of the “above standard” own tasks on such a municipality related to obtaining and maintaining the spa resort therapeutic functions. In accordance with the constitutional and international principle of financial adequacy, incurring extra expenditure for these tasks justifies the existence of an additional source of revenue, such as, e.g., the spa fee. It was directly indicated in the Act on spa treatment as a source of covering expenses for these specific tasks.

Spending funds on the tasks related to maintaining spa resort functions was the subject of the audit carried out by the Supreme Audit Office. The conclusions, although covering earlier years (2014–2016) than the period adopted in this study, indicate that the revenues from the spa fee earned by the municipality were spent on various municipal own tasks, including spa treatment, while some municipalities approached them as funds to be used for any purpose. At the same time, no municipality kept a separate record of expenses financed from the spa fee. It should be simultaneously emphasized that the freedom to spend funds related, as a rule, to local self-government units’ own revenue, in this case is limited by the Act on spa treatment to the tasks connected with maintaining therapeutic functions performed by a spa resort. In the opinion of the Supreme Audit Office, any shortcomings in this respect resulted in the absence of openness and transparency regarding the financial management of municipalities (Najwyższa Izba Kontroli, 2016, p. 39). In the context of the principle of adequacy, separating the spa fee in 2006 from the local fee as a source of revenue for spa municipalities and setting a higher maximum rate for this fee should, therefore, be assessed positively. However, taking into account the practice demonstrated by the Supreme Audit Office, it is difficult to evaluate to what extent the revenue generated by this fee is adequate (relevant) in relation to the expenditure on additional tasks specific to spa municipalities.

Taking this into account, as well as the legal structure of the spa fee, it can be classified among the so-called compensation and indemnity fees representing a source of funds to repair damage or cover losses incurred by the society as a result of the activities performed by the entities paying the fee (Budzeń & Kańduła, 2021, s. 206). It can take the form of fees for using goods subject to special protection due to public interest (e.g. using the natural environment and the cultural environment). Taking advantage of them by people, especially to an excessive extent, may cause damage, the compensation of which takes the form of fees paid by the environment users. They should constitute the source for covering the additional public expenditure indispensable to keep the environment and infrastructure in the same good condition. In the case of



spa municipalities, an additional aspect is reflected by the statutory restrictions on the activities carried out in the spa resort area, which results in the loss of potential revenues from other levies (e.g. real estate tax, income taxes), which are to be compensated by the revenue from the spa fee.

Based on the analysis of budget figures, the widespread use of the spa fee should be positively assessed, as it is regularly collected by almost all eligible municipalities (41 units). Fiscal efficiency of the fee, compared to other revenue categories, and its importance in the municipal financing structure remains small. Similar conclusions resulting from other published studies are sometimes the reason for questioning the sense of keeping this levy in the catalog of municipal revenues (Kwaśniewski, Majewska, 2017, p. 119). Indeed, the levy accounted for approx. 0.028% of total municipal revenues and 1.47% of total revenues of spa resort municipalities in the period 2017–2022. Despite the increase in nominal revenue from the fee in the period 2017–2019, its share in the structure of total revenues earned by spa municipalities decreased from 1.82% to 1.7%, which means a slight decline of its importance in financing municipal tasks. This trend was intensified by the COVID-19 pandemic in 2020, when the restrictions imposed by the government on the functioning of not only spa resorts, but the entire tourism industry, resulted in a significant drop in the amount of revenues from the spa fee and its share in the financing structure. Lifting these restrictions in 2022 raised the levy share in total revenues back to the pre-pandemic levels. This proves high correlation between the level of revenues from the fee and other economic phenomena substantially shaping its fiscal efficiency.

Tourist activity, primarily of a therapeutic nature provided to natural persons is the main factor influencing the amount of revenue from the spa fee. It results from the legal construction in terms of determining its subject. This is confirmed by the demonstrated high correlation both between the number of spa treatment establishments and the number of beds they offer, as well as non-spa accommodation facilities and the amount of revenue coming from the spa fee and its share in total revenues. In the municipalities characterized by high tourist traffic, which results in a wide accommodation infrastructure corresponding to the demand, the importance of the fee in financing municipal tasks is significant, reaching 6.8% of total revenues in the entire period and over 8.8% in 2017.

The occurrence of such cases is an argument justifying the existence of the spa fee in the system of financing municipalities and proving its significant revenue potential. Increasing its use, in addition to developing both therapeutic and accommodation infrastructure in a municipality, also requires taking action to ensure efficiency in the spa fee collection. Determining this efficiency has been a major limitation of quantitative analyses, however, it could be an important research problem for further studies and result in taking up practical actions.



Some conclusions in this matter can be drawn from the content of the Report on the activities performed by the Regional Accounting Chambers. It indicated that the municipal tax authorities who adopted the local fee experience difficulties in collecting it, because they have no legal possibility to enforce collection activities from the fee collectors. Many collectors, i.e. currently mainly tourist accommodation facilities, intentionally and consciously do not collect the local fee due to the municipality. The possible choice, made by the municipality, of the collectors not dependent on tourist facilities, with a large dispersion of those obliged to pay these fees, results in their collection being unprofitable. At the same time, the National Council of the Regional Accounting Chambers proposes to introduce a statutory obligation to charge fees by the entities providing accommodation services as payers of these fees and to keep records of the persons obliged to pay the fee. This is supposed to enable municipalities to enforce the obligation of collecting fees by these entities and contribute to the improvement of the whole collection system functioning (Krajowa Rada Regionalnych Izb Obrachunkowych, 2021, p. 147).

So far, municipalities have been applying only economic motivation for the collectors in the form of commission remuneration on the collected fee. However, the problem encountered by the collectors is the absence of effective tools aimed at the fee enforcement from its payers in the event of refusal to pay. Legislative changes in this respect could contribute to the tightening of the fee collection system.

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## Appendix

Table 1. Revenues from the spa fee at the background of total municipal revenues in the years 2017–2022 (PLN million)

Year	Total revenues	Total revenues of spa municipalities (excluding the city of Krakow)	Revenues from the spa fee (excluding the city of Krakow)
2017	189 718.82	3 626.94	65.93
2018	206 933.39	4 063.84	70.65
2019	229 055.90	4 339.87	73.90
2020	249 404.90	4 973.04	48.78
2021	274 529.27	5 586.63	58.47
2022	282 009.80	5 194.19	89.48
2017–2022	1 431 652.08	27 784.51	407.21

Source: Own preparation based on Ministry of Finance (2018–2023).



Table 2. Descriptive statistics of the spa fee share in total revenues of spa municipalities in the years 2017–2022 (%)

Specification	2017	2018	2019	2020	2021	2022	2017–2022
Max.	8.829	8.562	8.325	4.654	4.981	8.137	7.069
Min.	0.000	0.000	0.000	0.000	0.003	0.003	0.000
Quartile 1	0.566	0.587	0.484	0.286	0.300	0.403	0.408
Median	1.370	1.682	1.448	0.717	0.987	1.418	1.306
Quartile 3	2.892	2.974	3.004	1.634	1.934	2.554	2.415
Arithmetic mean	1.992	1.937	1.927	1.116	1.236	1.790	1.600
Standard deviation	1.970	1.775	1.886	1.149	1.173	1.781	1.559

Source: Own preparation based on Ministry of Finance (2018–2023).

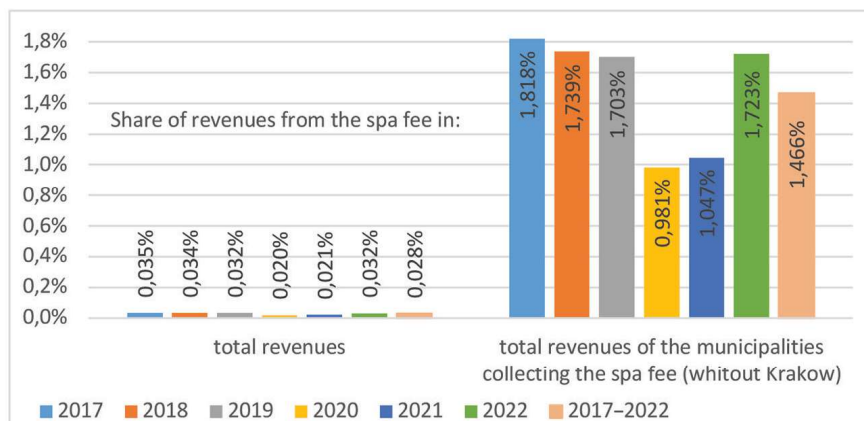
Table 3. Pearson linear correlation coefficients between the features selected for municipalities in the years 2017–2022

Correlation between:	2017	2018	2019	2020	2021	2022	2017–2022
1. the amount of revenue from spa fee and:							
a) the number of spa treatment establishments	0.80	0.79	0.82	0.80	0.81	0.84	0.81
b) the number of beds in spa treatment establishments	0.85	0.84	0.85	0.78	0.84	0.83	0.84
c) the number of tourist accommodation facilities, excluding spa treatment establishments	0.74	0.71	0.70	0.69	0.71	0.68	0.72
d) the number of beds in tourist accommodation facilities, excluding spa treatment establishments	0.79	0.79	0.81	0.81	0.82	0.82	0.81
2. the share of revenue from spa fee in total revenues and:							
a) the number of spa treatment establishments	0.75	0.78	0.76	0.64	0.66	0.77	0.74
b) the number of beds in spa treatment establishments	0.68	0.71	0.69	0.60	0.65	0.71	0.69
c) the number of tourist accommodation facilities, excluding spa treatment establishments	0.46	0.43	0.49	0.48	0.46	0.44	0.47
d) the number of beds in tourist accommodation facilities, excluding spa treatment establishments	0.38	0.35	0.43	0.42	0.42	0.42	0.40

Source: Own preparation based on Ministry of Finance (2018–2023) and Statistics Poland.



Chart 1. Revenues from the spa fee in the structure of municipal revenues in the years 2017–2022



Source: Own preparation based on Ministry of Finance (2018–2023).