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***Act LXV of 1990***  
***on Local Self-Governments***

In consideration of the progressive self-government traditions of our country and the basic requirements of the European Charter of Local Self-Government, Parliament recognizes and protects the rights of local communities to exercise self-government.

Local self-governance makes it possible for the local electorate to manage local affairs - directly or through its elected local self-government - independently and democratically.

By supporting the self-organizing independence of local communities, Parliament will help create the necessary conditions for self-governance and promote the democratic decentralization of public authority.

In order to realize these goals, Parliament enacts the following Act:

**Chapter I**

**General Rules of LOCAL SELF-Government**

**Municipal Rights**

*Section 1.*

(1) The self-governments of villages, towns, counties, the capital and the capital's districts (hereinafter referred to as "local self-government") shall act independently in local public affairs within their scope of responsibilities and jurisdiction (hereinafter referred to as "public affair").

(2) Public affairs constitute providing local residents with public utilities, locally exercising public power through self-government and creating the organizational, personnel and financial conditions for these.

(3) Local self-governments may - within the framework of this Act - independently regulate and in certain cases freely manage the public affairs that fall within their jurisdiction. Their decisions may be overruled by the Constitutional Court and the courts but only if such decisions involve an infringement of law.

(4) Local self-governments may - by decision of the elected council or by local referendum - independently and voluntarily undertake to resolve any public affair that is not allocated upon any other authority by statutory provision. In public affairs undertaken voluntarily, self-governments may do anything that does not violate the law. The resolution of voluntarily undertaken public affairs may not endanger the performance of the municipal powers and responsibilities statutorily prescribed by this Act.

(5) The statutory powers and responsibilities of local self-governments may be prescribed by an act of Parliament, in which case Parliament shall also designate the financial resources necessary for carrying out such powers and responsibilities and decide on the extent and method of the contribution from the central government budget.

(6) Within the framework of this Act, local self-governments:

a) may independently devise their organizational structure and operating procedures, create symbols of self-government and establish municipal decorations/medals and municipal titles/awards of recognition;

b) may independently dispose of their municipal property and their revenues; they shall operate a single budget from which they shall finance the performance of both voluntary and compulsory municipal responsibilities. They may pursue entrepreneurial activities on their own behalf. The local authorities in localities that are considered underprivileged through no fault of their own are entitled to additional state support;

c) may freely associate with other local self-governments, join regional or national associations for the representation and protection of their interests; within the scope of their powers and responsibilities they may cooperate with local self-governments abroad and join international self-government organizations.

#### *Section 2.*

(1) Local self-governments shall enforce the principle of the sovereignty of the people and, in public affairs, shall express and enforce the public will in a manner both democratic and open.

(2) Self-government decisions may be taken by the local self-government's council - and, if so authorized, its committees, bodies of self-government subdivisions, local minority self-governments, local self-government associations and the mayor - and by local referendums. Under special circumstances, the law may allocate municipal responsibilities and powers to the mayor, the Lord Mayor and the chairman of the county general assembly.

(3) Local self-governments may express their opinions and take an initiative in matters that concern the local community but do not fall within their powers and responsibilities. The competent decision-making authority shall convey its reply (decision) to the local self-government within the deadline set by statutory provision.

#### *Section 3.*

The rights of self-governments and the lawful exercise of the powers of self-governments are protected by the Constitutional Court and by courts of law.

#### *Section 4.*

The rights of self-governments conferred under Sections 1-3 are equal in respect of each local self-government.

#### *Section 5.*

The rights of local self-government belong to the polity of residents in a locality who have the right to vote (hereinafter referred to as 'voters'). Voters exercise their collective rights to self-government through their councilors who have been elected to self-government body and by participating in local referendums.

## **Powers and Responsibilities**

#### *Section 6.*

(1) The powers and responsibilities of the self-governments of villages, towns, counties, the capital and the capital's districts (hereinafter referred to as "local authorities") may vary:

a) local self-governments may undertake different powers and responsibilities as best suitable to local needs and capabilities;

b) the powers and responsibilities conferred upon the local self-governments of communities with greater population and capabilities may exceed those of smaller ones. The self-governments of localities with a smaller population may undertake to provide the public services statutorily prescribed for the self-governments of larger communities and/or county governments if they are able to provide them on their own or within their association. In such a case, a local self-government may request funds be appropriated for its budget in an amount that is consistent with the responsibilities it has undertaken.

(2) The powers and responsibilities of local self-governments, whether voluntary or mandatory, cover a wide range of public affairs. Under special circumstances, a public affair may be delegated to the powers and responsibilities of another organization by an act of Parliament.

(3) There is no correlation between local authorities and county self-governments; they shall, however, cooperate on the basis of mutual interests.

#### *Section 7.*

(1) Under special circumstances, state administrative authority may be conferred upon the mayor, the Lord Mayor, the chairman of the county general assembly by an act of Parliament or a government decree under authorization by an act. State administration responsibilities and/or regulatory authority may be conferred upon the town clerk, the chief clerk and - under special circumstances - also to the administrator of the council office.

(2) In cases prescribed by an act of Parliament or a government decree under authorization by an act, the mayor, the Lord Mayor and the chairman of the county general assembly shall participate in the direction and execution on local levels of national tasks of state administration relating to national defense, civil defense and emergency response actions.

(3) When carrying out assigned state administration responsibilities or under the regulatory authority conferred in Subsections (1) and (2), the council shall not be entitled to intervene in the actions of the mayor, Lord Mayor, the chairman of the county general assembly; nor may the council override their decisions.

## **Chapter II**

### **Local authorities**

#### **Responsibilities of Powers of Local Authorities, Bodies of Local Authorities**

#### *Section 8.*

(1) Local authorities shall be responsible for providing the following services to the local public: regional development, spatial planning, protection of the built and the natural environments, housing management, water resources planning and drainage, sewer system, maintenance of public cemeteries, maintenance of local public roads and public areas, providing parking facilities for road vehicles on local public roads, on private roads owned by the local municipal government which are open to the general public, as well as in squares, parks and other similar public land, local mass transit, public sanitation and ensuring the cleanliness of the locality; providing for local fire protection and public safety; participation in the local supply of energy, in employment related matters; provision of kindergartens, primary education, health and social services as well as other responsibilities concerning children and youth; provision of community space; support of public education, scientific and artistic activities, of sports; ensuring the enforcement of the rights of national and ethnic minorities; promotion of the community conditions of a healthy way of life.

(2) With respect of the responsibilities referred to in Subsection (1), the local authorities shall determine - in accord with what is required by the local population and with the financial strength of the community - the responsibilities they will undertake and the extent and manner in which they will be provided.

(3) Local authorities may be required by law to provide certain public services and local responsibilities of executive authority. These obligations may vary depending on the size of the locality, its population, and other criteria.

(4) It is the responsibility of the local authorities of municipalities to provide for the supply of safe drinking water, kindergarten education, primary school education, basic health and social benefits, public lighting, maintenance of local public roads and the public cemetery, to provide parking facilities for road vehicles on local public roads, on private roads owned by the local municipal government which are open to the general public, as well as in squares, parks and other similar public land; and to ensure the enforcement of the rights of national and ethnic minorities.

(5) Within the range of their responsibilities, local authorities shall support the activities of groups organized by local residents and shall cooperate with these groups. In its organizational and operational regulations, the council shall determine the local group or groups whose councilors shall be admitted to the meetings of the council and its committees.

#### *Section 9.*

(1) Self-governments are vested with legal personality. Municipal powers and responsibilities are the province of the council. The mayor represents the council.

(2) Municipal responsibilities are performed by the council and its offices and agencies: the mayor, the committees of the council, the self-government subdivision and the council office.

(3) The council may delegate certain of its powers to the mayor, its committees, self-government subdivisions, bodies of minority self-governments and, pursuant to the provisions set forth by law, to associations of self-governments. It may issue instructions for the exercise of such powers and may withdraw such powers. Delegated powers may not be delegated to other parties.

(4) The council may establish municipal institutions, enterprises, other organizations (hereinafter referred to collectively as "institution") for the purpose of providing public services within its jurisdiction, and it may appoint their directors. Companies can no longer be established following 31 December 1993; the council may establish a business association or may set up a cooperative, both for the purpose of an economic undertaking.

(5) The public service referred to in Subsection (4) of Section 8 for the provision of parking facilities for road vehicles on local public roads, on private roads owned by the local municipal government which are open to the general public, as well as in squares, parks and other similar public land may exclusively be provided by the municipal government, by a budgetary agency established solely for the provision of this particular public service, a business association vested with legal personality and owned exclusively by the municipal government, or by a business association vested with legal personality that is owned outright by such business association, or by associations of local authorities in accordance with the provisions laid down in the relevant legislation.

#### *Section 10.*

(1) The following council powers may not be delegated:

- a) regulation;
- b) the formation of its organization and the determination of its operation, furthermore, the elections, appointments and assignments assigned to its jurisdiction by law;
- c) calling for local referendums, determining municipal symbols, awarding decorations and honorary titles as well as regulating their use, and granting the title of honorary citizen;
- d) setting up the economic program and the budget, deciding to approve the report on their execution, levying local taxes, approving the general zoning plan, borrowing in excess of the limit set by the council; issuing bonds as well as receiving and handing over community endowments and foundation resources;
- e) establishing municipal associations, joining associations or interest representation organizations;
- f) agreement on cooperation with a foreign municipality, joining an international organization of self-governments;
- g) founding an institution;
- h) designating public areas, erecting memorials;
- i) initiating proceedings at the Constitutional Court;
- j) electing lay members of courts;
- k) taking a stand on the reorganization or termination of a county-government institution and the territorial competence of its services if it concerns the locality;
- l) giving an opinion in matters where the law prescribes consultation with the concerned self-government;

m) taking decisions in conflict of interest cases involving local councilors and mayors; taking decisions in connection with the consent specified in Paragraph b) of Subsection (2) of Section 33/A; taking decisions in connection with personal wealth statements;

n) all other matters delegated by law to the exclusive competence of the council.

(2) The council, in a decree, may assign powers of appointment, commission and foundation of institutions such powers having been assigned to it by law to its association, pursuant to the Act on Local Self-Government Associations and Cooperation between Local Self-Governments.

#### *Section 11.*

(1) The decisions of the council taken in official self-government matters may not be appealed.

(2) An appeal may be lodged with the council against an official decision made by the mayor (Lord Mayor) as well as a committee of the council, the self-government subdivision under municipal power of authority.

(3) A review of a council resolution passed on the basis of Subsections (1) and (2) may be requested from the court on the grounds of a violation of law within thirty days of the day on which the decision is announced. The action must be brought against the self-government.

## **Operation of the Council**

#### *Section 12.*

(1) The council shall convene as needed, as often as is called for in the organizational and operational regulations but at least six times a year. The meeting must be called when requested by a quarter of the councilors or by a committee of the council.

(2) The chairman of the council is the mayor, who calls and chairs the meetings of the council.

(3) The council's meetings are public.

(4) The council

a) shall convene in camera when discussing an election, appointment, dismissal, giving or withdrawing an executive assignment, initiating a disciplinary procedure, imposing of disciplinary punishment/fine and when discussing a personal matter that requires the taking of positions if the party concerned does not agree to a public discussion; as well as when discussing official matters of the municipality, conflicts of interests, honors and awards, or declarations of personal wealth;

b) may order an in-camera meeting when discussing the disposition of its property and tenders announced by it if a public discussion would infringe any business interests.

(5) The members of the council, the spokesman for the minority, and the town clerk as well as the party concerned (if invited) and the expert shall participate in the in-camera meeting. The cases where the party concerned must be invited may be prescribed by law.

(6) The council shall adopt its decisions (resolutions, decrees) by open ballot. Secret ballots may be held in the matters referred to in Subsection (4). The provisions of Subsections (3)-(5) shall apply to the committee as well.

(7) The chairman of the minority local government of the municipality shall become the local spokesman of his minority. If he is not a member of the council, he may participate in its meetings in an advisory capacity. His other rights and entitlements are regulated by the Act on the Rights of National and Ethnic Minorities.

#### *Section 13.*

The council shall hold, at least once a year, a public hearing, announced in advance, in which the local voters and the councilors of organizations with an interest in the locality may ask questions and make proposals in matters of public interest.

*Section 14.*

(1) The council has a quorum if more than half the councilors are present at the meeting. The acceptance of the proposal requires the votes of more than half of the councilors in attendance.

(2) A person who - or whose relative - is personally affected by the matter may be excluded from the council's decision-making process. Councilors must disclose any personal involvement in the given matter. The council shall decide on the exclusion at the initiative of the councilor affected or at the proposal of any other councilor. Any councilor excluded in such a manner shall be regarded as being present for the purpose of quorum.

*Section 15.*

(1) A qualified majority is required for decisions in the matters under Paragraphs a), b), e), f) and g) of Section 10 as well as in the matters defined in the organizational and operational regulations in order to exclude a councilor [Subsection (2) of Section 14] or order an in-camera meeting as referred to in Paragraph b) of Subsection (4) of Section 12.

(2) "Qualified majority" means when more than half of the elected councilors vote in favor of an issue.

*Section 16.*

(1) Councils may pass municipal decrees in order to settle local social conditions that are not regulated by law or when so authorized by statute.

(2) Municipal decrees shall be published in the official gazette of the council and in the manner customary for the locality, as defined in the organizational and operational regulations.

(3) Municipal decrees shall be signed by the mayor and the town clerk and published by the town clerk.

*Section 17.*

(1) Minutes shall be prepared of the council meetings. The minutes shall contain the names of the councilors present as well as the persons invited, the agenda, the essence of the discussion, the numerical result of the voting, and the decisions adopted. The town clerk shall be responsible for having the minutes prepared.

(2) The minutes of the council meeting shall be signed by the mayor and the town clerk. The town clerk shall send the minutes to the body appointed by the Government in a decree (administrative authority) within fifteen days following the meeting.

(3) The voters - with the exception of in-camera meetings - may inspect the proposals of the council and the minutes of their meetings. Separate minutes shall be prepared for in-camera meetings. Access to information that is declared by specific other legislation to be information of public interest or public information shall be provided even in cases involving in-camera meetings.

**Section 18.**

**(1) Councils shall specify the detailed rules of their operation in their decrees on their organizational and operational regulations.**

**(2) Councils shall arrange forums (village or town policy forum, conference for a city-district, village meeting etc.) to inform local residents and civic organizations directly and to involve them in the preparation of important decisions. Councils shall be informed about the stands taken by these forums and the minority opinions that are expressed in them.**

(3) Before the expiry of its mandate, a council may pronounce its dissolution with a qualified majority as determined by a roll- call vote. The council shall carry out its responsibilities and exercise its powers until the inaugural meeting of a new council, as shall the mayor until the election of a new mayor. A council may not be dissolved within six months following the election, nor following the first day of October of the year preceding general local elections. The costs of interim elections shall be borne by the self-government.

## **Local Councilors**

### *Section 19.*

(1) Councilors shall represent the interests of their voters for the benefit of the entire locality. They may participate in the preparation of the decisions by the council, in the organization and supervision of their implementation. All councilors have the same rights and obligations. Councilors shall take the oath in accordance with Section 32 at the inaugural meeting or at the first meeting after the election.

(2) The councilor:

a) may, in council meetings, ask the mayor (deputy mayor), town clerk or committee chairman for details or clarification regarding municipal matters, and meaningful answers must be provided during the meeting or in writing within fifteen days;

b) may, at their request, have their remarks, if submitted in writing as well, appended to the minutes; and their opinions shall be recorded in the minutes at their request;

c) may attend and observe the meeting of any committee. They may propose to the chairman of the committee to debate any matter for which the committee has competence; this must be presented to the next meeting of the committee, to which the councilor must be invited. Councilors may initiate the review of a decision adopted in a municipal matter (delegated by the council) by a council committee, the mayor, a self-government subdivision or the local minority self-government.

d) may represent the council by authorization;

e) may demand of the council office the information and administrative assistance necessary for their work as councilors. In matters of public concern, they may request the council office to take the necessary measures; the office must respond to such requests within fifteen days;

f) are required to participate in the work of the council.

### *Section 20.*

(1) Councilors must be excused from work for the period required for their participation in the council's work. The council shall compensate councilors for income lost accordingly; local councilors shall also be entitled to the concomitant social security benefits. The council may also set a lump sum.

(2) Councils may decree - within the framework of law -honorariums or in-kind benefits to be given councilors, committee chairmen, committee members and aldermen.

### *Section 21.*

Upon recommendation by the mayor or any councilor, the council may elect aldermen from among the councilors. The aldermen shall oversee the execution of municipal responsibilities assigned by the council.

## **Council Committees**

### *Section 22.*

(1) The council shall determine its committee structure and set up its committees accordingly. A financial committee shall be created in localities with a population of over two thousand. The formation of other committees may be prescribed mandatory by law.

(2) Upon the initiative of those its members who have received a mandate as minority candidates, the council shall establish a committee dealing with the affairs of the minorities.

(3) Declarations of personal wealth shall be examined by a committee created under the organizational and operational regulations.

*Section 23.*

(1) Within their competence, the committees prepare the council's decisions and organize and oversee the implementation of the decisions. The council shall determine the proposals which shall be submitted by a committee and which may be submitted to the council with the opinion of a committee attached.

(2) The council may empower its committees with decision-making rights, and it may review the decision made by the committee; the council may confer regulatory authority upon its committee in a municipal decree.

(3) The rules applicable to the council shall apply to the quorum and decision-making of a committee.

*Section 24.*

(1) The chairman and more than half of the members of the committee shall be elected from among the local councilors. The mayor, the deputy mayor, the chairman of the minority local government of the municipality and employees of the council office cannot participate in committees as either chairman or member.

**(2) It is advisable to elect to the committee a member of the minority local government of the municipality, a councilor of a major organization that provides services in the area dealt with by the committee, the delegate of a civic organization, or another constituent who makes use of the service.**

*Section 25.*

(1) The committee shall be convened when requested by the mayor.

(2) The mayor may suspend the implementation of a decision made by a committee or a self-government subdivision if it is contrary to the decision of the council or infringes on the interests of the self-government. The council shall resolve the suspended decision at its next meeting.

*Section 26.*

Any person who - or whose relative - is personally affected by a case may be excluded from the committee's decision-making process. The party concerned shall report the personal involvement. Exclusion shall be decided by the mayor if it concerns the chairman or by the committee itself if it concerns a member.

*Section 27.*

Within its competence, the committee shall oversee the work of the council office in preparing and implementing the decisions made by the council. Should the committee perceive in the activities of the office any deviation from the official position of the council or its objectives, an infringement of the municipal interest or the failure to take a required measure; it may initiate action to be taken by the mayor.

*Section 28.*

(1) In its organizational and operational regulations, the council may establish self-governments for a district of the locality, comprising councilors and other constituents. The head of a district self-government shall be a local councilor.

(2) In matters concerning a specific district of a locality, the council may transfer certain areas of powers to the district self-government, to which it may give funds.

*Section 29.*

The administrative responsibilities of the committees are carried out by the council office. The council may set up satellite offices to assist in the work of district self-governments and provide customer services to local residents.

## **Mayor, Deputy Mayor, Town Clerk**

### *Section 30.*

The council shall hold its inaugural meeting within fifteen days of the election. The inaugural meeting is chaired by the oldest councilor of the locality, as the doyen.

### *Section 31.*

The organizational and operational regulations shall specify the manner in which the council is to be convened and chaired if the offices of mayor and deputy mayor are simultaneously vacant or if mayor and deputy mayor are unable to attend to their responsibilities for a prolonged period of time.

### *Section 32.*

The mayor is a member of the council; he shall be treated as a councilor for the purposes of quorum, decision-making and operation of the council. After his election, the mayor shall be sworn in before the council.

### *Section 33.*

The council shall exercise employer's rights over the mayor and shall determine his salary within the limits prescribed by law. The mayor is responsible for his state administration activities according to the rules of public service.

### *Section 33/A.*

- (1) A mayor may not
- a) serve as President of the Republic, a member of the Constitutional Court, ombudsman,
  - b) fill the office of president, vice president or auditor of the State Audit Office,
  - c) fill any office in the Government; be a state secretary, state secretary for public administration, deputy state secretary; or an officer of a central government agency,
  - d) be chairman or member of the board of directors or supervisory board, or an executive officer or employee of the Hungarian National Asset Management Zrt.,
  - e) be a judge, prosecutor, notary public or court bailiff,
  - f) be a professional member of the Hungarian Armed Forces or law enforcement agencies,
  - g) be the mayor or deputy mayor of another self-government,
  - h) be a member of the council of another local authority,
  - i) be the director or an officer of administrative agency; be an officer of a regional or local self-government agency vested with powers and jurisdiction over and in connection with the self-government in question,
  - j) be a town clerk (metropolitan clerk, district clerk), deputy clerk or an officer in an office of a council,
  - k) be an employee in the administrative unit of a regional development council responsible for the area in question,
  - l) be the director, deputy director or chief financial officer of a budgetary agency created by the council or a public officer as delegated or appointed by the council,

m) enter into a contract or agreement for the performance of work for the self-government - either in person or by way of a business association in which he participates - with the council or with any branch of the council,

n) be an officer in the administrative unit of a public foundation created by the council, with the exception of holding a seat on a board of trustees,

o) be the general manager, deputy general manager, director, deputy director or member of the board of directors or executive body of a company founded by the council and owned by the self-government,

p) be an executive officer or member of the board of directors, executive board or executive body of a business association in which the self-government holds a share or the director (general manager) in the employment of or in another work-related legal relationship with such company,

r) be the general manager, deputy general manager, director, deputy director or member of the board of directors, executive board or executive body of a business association founded by a business association in which the self-government holds a share,

s) be the director, managing director or member of the executive body of a local or regional broadcasting company, publisher or distributor or the executive officer of such a company.

(2) A full-time mayor may not

a) enter into any contractual relationship to provide services, with the exception of activities within the areas of science, education, copyediting, editing, art and other intellectual activities subject to legal protection; this provision shall not apply if the mayor has been elected as a member of Parliament;

b) be the following without the consent of the council

ba) the general manager, deputy general manager, director, deputy director or member of the board of directors, executive body or supervisory board of a business association,

bb) an executive officer or member of the board of directors, executive board, executive body or supervisory board of a business association or the director (general manager) in the employment of or in another work-related legal relationship with such business association,

bc) an officer of a cooperative,

bd) a member or officer in the administrative unit of a public foundation.

(3) The mayor shall terminate the reason for any conflict of interests within thirty days of the day on which he is elected or of the day on which the cause of the conflict of interests emerges.

(4) In the event of the mayor's failure to comply with the obligation set forth in Subsection (3) above, the council shall address the issue at its next meeting, or, if no meeting is scheduled, it shall convene within 30 days of the day on which the motion is filed by any councilor - based on the proposal of a committee of three members elected from among the councilors with the exception of villages that have less than one hundred inhabitants - and the council shall resolve whether the conflict of interests is substantiated and declare the existence of a conflict of interests and/or grant its consent based on its findings, if so allowed by this Act. The resolution of the council shall be delivered by service of process to the mayor on the day following the meeting.

(5) The mayor may file for review of the resolution concerning the conflict of interest or termination of his office - on the grounds of violation of law - at the Budapest or county court of jurisdiction within eight days of receiving the resolution.

(6) The court shall resolve the issue in non-judicial proceedings by convening a panel consisting of three professional judges within thirty days of the day on which the motion is filed. The court may hear the mayor, the member of the council that passed the contested resolution, and the person who filed the motion. The court's decision shall be final and shall not be subject to review.

(7) The administrative authority shall have powers to file a motion with the Budapest or county court of jurisdiction to declare a mayor's conflict of interest, if the respective council fails to do so or if its resolution is in violation of the law. The provisions of Subsection (6) shall apply to court's proceedings, with the exception that the mayor or administrative authority affected may lodge an appeal against the court's decision within eight days following the date of receipt. The court shall hear the appeal in non-judicial proceedings by convening a panel consisting of three professional judges within three days from the day of receipt. The court's decision shall not be subject to review.

*Section 33/B.*

The mayor shall deposit his declaration of personal wealth when he is elected and shall do so annually thereafter according to the provisions requiring local self-government councilors to declare their personal wealth.

*Section 33/C.*

(1) If the mayor commits repeated infringements, intentionally fails to declare his personal wealth as required, or supplies misleading or false information in such declaration; the council may - on the basis of a decision passed with a qualified majority - file charges against the mayor at the county or Budapest court that has jurisdiction according to the seat of the local self-government in order to terminate the duties of the mayor. At the same time, the council may request the suspension of the mayor from this office. The court shall hear the case on a priority basis.

(2) In the course of the court's proceedings, the provisions of Act III of 1952 on the Code of Civil Procedure shall apply subject to the exception that no counterclaim, discontinuance or compromise shall be permitted in this action.

*Section 34.*

(1) Upon the mayor's proposal, the council shall elect a deputy mayor or deputy mayors by secret ballot from among its members in order to assist or, if necessary, replace the mayor. The term of office of the deputy mayor shall commence upon election; if the deputy mayor is elected as a local councilor in a self-government election, his term of office shall end when the inaugural meeting of the new council is opened. If the deputy mayor is not elected as a local councilor in a self-government election, his term of office shall end on the day on which the election is held.

(2) The deputy mayor shall fulfill his responsibilities under the direction of the mayor.

*Section 35.*

(1) The mayor shall perform his municipal and state administration responsibilities, and he shall exercise such powers [Subsections (1) and (2) of Section 7] with the assistance of the council office.

(2) The mayor shall direct the office in accordance with the decisions of the council, and within his own municipal competence. The mayor

a) shall, by taking into account the proposals of the town clerk, define the responsibilities of the office in organizing the work of the self-government and in preparing and implementing decisions,

b) shall take decisions in the state administration matters delegated to his jurisdiction by law and in matters falling within his jurisdiction; he may assign specific responsibilities to be exercised by others,

c) shall, upon the recommendation of the town clerk, submit a proposal to the council for determining the internal organizational division, the work schedule, as well as the office hours of the office,

d) shall regulate the issuance of official copies of decisions in matters under his competence,

e) shall exercise other employer's rights in respect of the deputy mayor, the town clerk, and the heads of municipal institutions.

(3) If the mayor finds the decision of the council to be injurious to the interests of the self-government, he may - once in any given matter - initiate a second debate of the decision. The initiative shall be submitted within three days following the meeting, and the council shall decide within fifteen days of submission.

*Section 36.*

(1) The council shall - by way of tender - appoint a town clerk who has the academic credentials prescribed by law. On the recommendation of the town clerk or the chief clerk, the council may - in

accordance with rules pertaining to the town clerk - appoint a deputy town clerk in the village or it may appoint a deputy town clerk in another self-government to substitute for the town clerk and carry out the responsibilities defined by the town clerk. The appointment shall be for an unspecified period of time.

(2) The town clerk shall direct the council office and

a) shall provide for carrying out the responsibilities connected with the functioning of the self-government;

b) shall regulate the issuance of official copies of decisions in the matters within his competence and exercise employer's rights in respect of the civil servants in the council office. In the areas defined by the mayor, the mayor's consent is required for nominations, executive appointments or dismissals, the recall of executive appointments, and issuing rewards;

c) shall prepare for decision the state administration affairs that fall within the mayor's competence;

d) shall decide in official matters transferred (to him) by the mayor;

e) shall attend the meetings of the council and of the council's committees;

f) shall decide in matters conferred under his competence.

(3) The town clerk must notify the council, the committees and the mayor if he finds any infringement of statutory provision in their decisions.

(4) In the office of district clerk, the district clerk shall appoint, dismiss and reward the employees of the office, and he shall exercise employer's rights with the consent of the mayors affected. The mayors may agree on who should exercise the right of consent. If they cannot agree, then a joint council meeting shall appoint the mayor who exercises the right of consent.

(5)

#### *Section 37.*

(1) In villages with less than three thousand residents, the office of mayor may also be filled as a community (voluntary) mandate. The mayor shall be regarded a full-time mayor if he is elected as a full-time mayor.

(2) The council may, with the consent of the mayor, change the manner in which the office of mayor is filled once within the duration of the mandate.

(3) A full-time deputy mayor may be elected in municipalities with more than three thousand residents.

### **Council Office**

#### *Section 38.*

(1) The council shall set up a single office - under the name of mayor's office - for carrying out the tasks connected with the functioning of the self-government, the preparation of state administration matters for decision, and the implementation of such decisions. The mayor's office shall discharge the duties specified in the Act on the Rights of National and Ethnic Minorities.

(2) In the villages within the jurisdiction of a district clerk, the responsibilities of the mayor's office shall be performed by the office of the district clerk, with the exception contained in Subsection (3).

(3) If the seat of the district clerk's office is a township or a city, the town clerk of the township or city shall perform the responsibilities of a district clerk with the involvement of the mayor's office.

### **District Clerk's Office**

#### *Section 39.*

(1) Villages with less than one thousand residents, located adjacent to each other in the same county, shall establish and maintain a district clerk's office to handle their administrative responsibilities. A village

whose population is between one and two thousand residents may also be part of district clerk's jurisdiction. The seat of a district clerk may be in a locality whose population is more than two thousand residents. Unless there is an agreement to the contrary, the district clerk's office shall be financed by the councils concerned in proportion to the population of their respective localities.

(2) The council of a village with less than one thousand residents may set up its own office if it appoints a town clerk who meets the qualification requirements.

(3) New members may be admitted to and existing members may depart from a district clerk's jurisdiction as of the first day of the calendar year. The decision to leave or join shall be made at least six months in advance.

#### *Section 40.*

(1) The councils of the localities concerned shall agree on the formation of a district clerk's jurisdiction. The district clerk shall be appointed by a joint council meeting. The appointment of a district clerk requires the unanimous decision of all of the councils belonging to the district clerk's jurisdiction adopted by qualified majority. Decisions on issues related to the work of the district clerk's office's office shall be made, as necessary, at a joint council meeting.

(2) The district clerk shall perform administrative responsibilities for the councils, the committees and the councilors, and he shall prepare and execute the state administration decisions that fall within the competence of the mayor.

(3) The district clerk or his representative must attend the meetings of each council and provide them with the information they require.

(4) The district clerk shall report annually to each council on the work of his office.

(5) The district clerk or his representative shall have facilities in each village to receive clients at least one day of the week with the frequency specified in the organizational and operational regulations of the councils involved.

(6) Supervision of the district clerk's office and the coordination of responsibilities shall be performed jointly by the mayors of the villages concerned.

### **Chapter III**

## **Associations of Local AUTHORITIES**

#### *Section 41.*

(1) The councils of local authorities may form associations in order to improve effectiveness and efficiency. Such associations may take forms other than those described in Sections 42-44. The central budget may provide financial incentives to encourage the creation of associations.

(2) An association may not violate the municipal rights of its members.

(3) Certain conditions of the agreement on association may be established by law.

(4) The court shall have jurisdiction to hear the issues disputed by the local authorities' councils that arise during the course of operation of the associations. Associated councils may agree that in disputed issues any council may request the opinion of the Conciliation Council consisting of the members delegated by the self-government interest group designated in the agreement and, furthermore, that the council shall request the opinion of the Conciliation Council prior to filing any lawsuits.

## **Official Administrative Associations**

#### *Section 42.*

(1) Councils may agree to create official administrative associations for the expert handling of certain official matters of administration.

(2) The agreement shall contain

- a) the name and address of the each member,
- b) the description of matters to be handled by the association,
- c) the manner in which the head and the employees of the association are to be appointed, the manner in which employer's rights are to be exercised and the distribution of costs,
- d) rules for joining and withdrawing from the association,
- e) the system of on-site administration, in the area under the association's field of competence.

(3) The agreement shall be sent to the administrative authority, where the authority shall have fifteen days to make any comments concerning legality.

## **Institutional Association**

### *Section 43.*

(1) The councils concerned may agree on the foundation, maintenance and development of one or more institutions attending to two or more villages or cities and villages. Failing an agreement to the contrary, the councils concerned shall contribute to the maintenance of common institutions in proportion to the population of their respective localities.

(2) The agreement shall specify

- a) the activities performed and the services provided by the common institution,
- b) the financial contributions to be provided by the various councils,
- c) the rights and obligations connected with running the institution and the manner in which they are to be exercised or met,
- d) the conditions for canceling the agreement.

(3)-(4)

## **Council Partnership**

### *Section 44.*

(1) The council of a locality may form a partnership with the council of another locality.

(2) The councils participating in partnerships shall, partly or completely, consolidate their budgets, maintain a common office and operate their institutions jointly.

(3) The matters that pertain to only one of the localities shall be independently decided by the council of that locality.

(4) At its inaugural meeting, the partnership of councils shall declare its foundation, its seat and a list of its constituent localities in a resolution. The partnership of councils shall decide on its organizational and operational order. The partnership of councils shall convene when requested by the mayor of any of the participating localities.

(5) Joint bodies may be established by concerned councils by choosing their members from among the councilors of the participating localities on the basis of population.

(6) A partnership of councils may undertake to organize public services on a regional level in compliance with the provisions of Subsections (2)-(4) of Section 69, provided it meets the conditions set out therein.

## **Chapter IV**

## Local Referendums, POPULAR Initiatives

### Section 45.

(1) Any person who is eligible to vote in the municipal elections may take part in local referendums and popular initiatives.

(2) A local referendum is

- a) valid if more than half of the constituents have cast their votes, and
- b) successful if more than half of those who voted have given the same answer to the question asked.

(3)-(5)

### Section 46.

(1) The council shall hold a local referendum on the following issues:

- a) transferring the locality to within the administrative limits of another, adjacent county,
- b) initiating the unification of villages and the termination of the unification,
- c) initiating the establishment of a new village,
- d) the transfer, acceptance or exchange of any inhabited territory,
- e) establishing a partnership of councils, terminating a partnership of councils, and
- f) in matters so determined in the municipal decree.

(2) In the cases referred to in Paragraphs *a)-d)* of Subsection (1), the residents of the section of the locality or village concerned may participate in the local referendum.

(3) The council may order a local referendum:

- a) in matters falling within the competence of the council,
- b) to confirm a municipal decree.

(4) No local referendum may be ordered:

- a) with regard to the budget,
- b) in respect of a decree levying local taxes and/or their rates,
- c) in organizational, operational and personal matters falling within the competence of the council, or concerning the declaration of the dissolution of the council.

### Section 47.

**(1) A request for a local referendum may be presented to the mayor by:**

- a) at least one quarter of the local councilors,
- b) the committee of the council,

**c) the managing body of the local civic organization,**

d) constituents of a number defined in the municipal decree but which may not be less than ten per cent of the constituents and may not be more than twenty-five per cent of the constituents.

(2) The council must call a local referendum if it has been initiated by the number of constituents defined in its municipal decree.

(3)

(4) In a village with a population of less than five hundred, the council may delegate local referendums to the competence of the village meeting on the condition that the decision of the village meeting qualifies as a local referendum decision if more than half of the constituents are in attendance.

### Section 48.

The outcome of a local referendum shall be binding on the council. If the local referendum is unsuccessful, the council may decide on the matter put to the referendum. No local referendum may be held on the same issue within one year, even if the local referendum was unsuccessful.

*Section 49.*

(1) All matters, in respect of which the council is competent, may be presented to the council through a popular initiative.

(2) A group of constituents whose number shall be defined in a municipal decree of the council (no less than five per cent and no more than ten per cent of the constituents) may submit a popular initiative to the mayor. The council must debate any popular initiative that has been presented by such a group of constituents.

*Section 50.*

(1)

(2) The council shall regulate other conditions and the procedural order of local referendums and popular initiatives in municipal decrees.

*Section 51.*

## Chapter V

### **Villages, Towns and THEIR Territories**

*Section 52.*

(1) Upon the initiative of local constituents, a new village may be established in a separate part of a locality with a population of at least three hundred, which - on the basis of its conditions and circumstances - is able to exercise self-government rights and perform the tasks set out in Subsection (4) of Section 8 without sacrificing the quality of services.

(2) In the event that a motion is filed for the incorporation of a new village, the village meeting shall elect a preliminary committee consisting of at least three members from among the councilors residing in the section of the locality concerned or from other constituents if there are not enough councilors or if they do not accept the appointment. The committee in charge of preparations shall draw up a proposal in respect of the territory of the new village, the name of the village based on experts' opinions, the division of assets and property rights and obligations and the distribution of costs. Upon the preliminary committee's request, the administrative authority shall provide professional assistance for drawing up the proposal; other offices and agencies may also provide professional assistance.

(3) The preliminary committee shall inform the population of its proposal. At the recommendation of the preliminary committee, the council shall pass a resolution on the motion to form a new village. The President of the Republic shall decide on an initiative to form the village, which shall contain any possible dissenting minority views.

(4) The incorporated areas of the new village shall comprise an adjacent territory with its outlying areas. Failing an agreement to the contrary, the unincorporated land of the locality shall be divided in proportion to the population of the incorporated areas.

*Section 53.*

In the event a union of villages is dissolved, the territories of the villages shall be restored as they had been prior to their unification, unless there is an agreement to the contrary. Dissolution of a union of villages may be initiated under the conditions and by the procedure set out in Section 52. An agreement

shall be reached to the contrary if restoring the territory of the villages to their pre-unification status is likely to result in an unreasonable disadvantage to the locality in question.

*Section 54.*

(1) On the basis of a local referendum, the councils concerned shall issue a resolution initiating the unification of villages or of a town and a village whose developed areas are adjoining, and the councils shall, at the same time, propose a name for the new locality. The former name of the village may be incorporated into the name of the unified locality.

(2) Following unification, all the rights and obligations of the villages shall devolve upon the new village or town.

*Section 55.*

The council may, on request, give the local residential community of a specific district self-government rights with respect to matters that only concern that district. Delegation of exclusive competence may not be denied to any district

- a) that was created through unification,
- b) that is an inhabited unincorporated area,
- c) that is a recreational area with a population of at least one quarter of the permanent residents of the locality.

*Section 56.*

(1) The councils of the local self-governments concerned - if adjacent and located within the limits of the same county - may agree on the transfer, acceptance, or exchange of parts of their territory (hereinafter referred to collectively as "territory transfer").

(2) The transfer of an inhabited territory may be requested by popular initiative of the resident constituents of the area in question.

(3) Where the transfer of an inhabited section of a locality is initiated, the councils concerned shall hold a joint session to elect a preliminary committee of three or more members of councilors or other constituents designated to effect preparations for the transfer. Over half of the members of the preliminary committee must be elected from among councilors or other constituents residing in the section of the locality concerned. The election of the chairman and members of the committee requires the votes of more than half of the councilors.

(4) On the basis of the proposal of the preliminary committee the councils concerned may conclude a preliminary agreement regarding the size of the territory to be transferred, its boundaries and the division of existing property.

(5) An inhabited territory can only be transferred if a majority of the constituents living there support it and express that support through a local referendum.

(6) The councils shall reach a final agreement - based on the preliminary agreement - concerning the details of transfer of the inhabited territory within ninety days following the local referendum. Failing an agreement the competent country court shall hear the case presented by the council affected on a priority basis. The court's decision shall serve as an agreement binding upon the parties.

(7) The transfer of an inhabited section may not be refused if agreed upon by the councils affected and the majority of its residents have expressed consent through a local referendum.

(8) Concerning the transfer of an inhabited unincorporated area the provisions governing the transfer of inhabited territories shall apply.

(9) The local council may, with a qualified majority resolution, initiate that Parliament annex the locality to the territory of another county adjoining its territory. The council of the county concerned shall take a stand on the acceptance of a locality intending to join it.

*Section 57.*

The costs of territorial changes shall be borne by the annexing village or town.

*Section 58.*

Villages and towns shall be named in such a manner that their names cannot be confused with the name of any other locality in the country. Following the dissolution of a union of villages, the (emerging) villages shall generally reacquire their pre-union names. The opinion of the agency responsible for geographical names shall be requested for every new village name before the name is presented to the population for debate.

*Section 59.*

A township may seek recognition as a city if the use of that title is justified by the degree of the town's development and the town's role in the region. The council shall submit its initiative to the President of the Republic through the minister in charge of local governments.

*Section 60.*

The jurisdictional area of a state agency that operates in a city but whose authority also extends to villages must be determined in a balanced manner that favors the populace.

## Chapter VI

### **CountIES of citIES**

*Section 61.*

(1) Parliament may, at the request of a council, declare a town with a population of more than fifty thousand a county of a city. The county seat of each county is automatically vested with county rank. The local authorities of a county of a city shall, within its own jurisdiction, fulfill the responsibilities and exercise the jurisdiction of the county government in its territory, with due regard to the differences.

(2) The council of a county of a city is the general assembly.

(3) In a county of a city, the general assembly may designate districts and set up district offices.

(4) The head of a district office of a county of a city is the supervisor who - on the authorization of the mayor of the county of a city - shall exercise certain official rights of the mayor.

(5) The general assembly of a county of a city shall appoint the heads of the district offices and may furthermore set up district councils from among the councilors elected in the territory of the district.

*Section 61/A.*

The general assemblies of the county of a city and of the county shall set up a reconciliation committee for the preparation and coordination of cooperation in joint responsibilities. The committee shall have ten members, five delegated by the general assembly of the county of a city and five by the general assembly of the county. The committee shall work out the detailed rules of its organization and operation. The committee shall be chaired - as agreed - in turns by the mayor of the county of a city and the chairman of the general assembly of the county. The reconciliation committee may also involve the councilors of other concerned counties in its work. At the proposal of either party, which must also contain an agenda, the reconciliation committee shall be convened within 15 days.

## Chapter VII

# **The Capital CITY**

## **General Provisions**

### *Section 62.*

(1) With regard to the special role that the capital plays in the country and its unique situation, the provisions of this Act shall apply to the self-government of the capital with due regard to the exceptions set out in this Chapter.

(2) The two-tier self-government of the capital city (hereinafter referred to as "government system of Budapest") is composed of the self-governments of the capital and of its districts.

(3) The capital's council is the Budapest City Council.

(4) District delegates commissioned by the district councils attend the meetings of the Budapest City Council, as defined in the organizational and operational rules of the Budapest City Council, in an advisory capacity.

(5) Districts are headed by mayors, and the chief executive of the capital city is the Lord Mayor. The Budapest City Council may elect Deputy Lord Mayors from among its members, by secret ballot.

(6) The office of a Budapest district council is headed by a district clerk, while the office of the Budapest City Council (the Office of the Lord Mayor) is headed by the metropolitan clerk. The Budapest City Council may appoint several deputy clerks in accordance with the rules contained in Subsection (1) of Section 36.

(7) A district council may set up self-governments for certain parts/quarters of the city in accordance with the rules of Section 28. Several district councils may also set up - jointly - such a self-government. In the formerly independent localities that were annexed to Budapest on 1 January 1950, such city-section self-governments are compulsory if the constituents have voted for the establishment of a city-section self-government in a referendum that is valid and successful according to the rules of local referendums.

(8) The Budapest City Council may, via a decree, delegate the election, appointment and mandate [Paragraph b) of Section 10] of the heads of its institutions listed in Subsection (4) of Section 9 to its committees and to the Lord Mayor; the Budapest City Council and the district councils may delegate the powers defined in Paragraph l) of Section 10 to their committees.

(9) If a minority local government is established in Budapest, the Budapest City Council shall set up a committee for minority matters in which the chairman of the minority local government of Budapest shall participate in a standing advisory capacity.

## **Division of Local Self-Government Powers and Responsibilities between the Metropolitan and District Self-Governments**

### *Section 63.*

(1) The City of Budapest and the Budapest districts are local authorities with separate powers and responsibilities, as defined by law. District governments shall, within the area of their jurisdiction, provide for kindergarten education, primary school education, basic health care and social benefits and shall be responsible for providing the supply of safe drinking water, the maintenance of local public roads, provide parking facilities for road vehicles on local public roads, on private roads owned by the local municipal government which are open to the general public, as well as in squares, parks and other similar public land, and ensure the enforcement of the rights of national and ethnic minorities.

(2) The Budapest metropolitan government shall fulfill the compulsory and voluntary powers and responsibilities that concern the entire city of Budapest or any part of the city in excess of any one district and that stem from the special role the capital city plays in the country; to these ends, the Budapest metropolitan government is empowered to issue decrees. The act governing the powers and responsibilities of self-governments shall, in accordance with Subsection (1), define whether a specific duty or

responsibility pertaining to Budapest is assigned to the Budapest metropolitan government or the district self-governments.

(3) A district council, in its jurisdiction, or one of the district councils or an association of councils, in respect of several districts, may - on the basis of an agreement between the councils concerned and the Budapest City Council - take over the organization of public services that are among the powers and responsibilities of the Budapest metropolitan government.

(4) The Budapest City Council may, under its own competence and authority, and on the basis of an agreement, transfer powers and responsibilities to the district self-governments. The Budapest City Council shall provide the district self-governments, or their associations with the necessary financial wherewithal for the fulfillment of such powers and responsibilities.

(5) The conditions for transferring and accepting responsibilities and the starting date thereof shall be laid down in an agreement; the agreement may also be concluded for a fixed period of time.

#### *Section 63/A.*

The powers and responsibilities of the Budapest metropolitan government shall include the following:

a) define the capital's development and rehabilitation program as well as its general development plan, draw up the zoning and development regulations for Budapest; decree the protection of those of the capital's architectural landmarks that are of key importance in terms of the capital's townscape or history (with special regard to the buildings, structures, and areas declared to be parts of the World Heritage), regulate the conditions of the upkeep, renovation and maintenance of these protected values;

b) perform the tasks related to housing, including drawing up a home building and home rehabilitation plan and coordinating its implementation; determine the system of subsidizing home building; establish the rental zones in respect of homes owned by the self-government; decide on the principles for setting rental rates and granting subsidies for home maintenance; and regulate the conditions for obtaining homes owned by the self-government and exchanging homes owned by the self-government;

c) provide for the fulfillment of municipal responsibilities related to the prevention of - and dealing with - natural disasters;

d) discharge the tasks - in areas covering more than one district - related to the supply of water, safe drinking water, gas and central/district heating service, water management, sewage and rainfall drainage, and sewer water treatment; take part in ensuring the capital's energy supply and its public lighting; provide for the capital's flood control, including in particular the maintenance and development of the capital's flood and water control facilities;

e) provide for the municipal tasks related to waste treatment; ensure locality hygiene; provide for the collection, disposal, treatment/neutralization and utilization of solid and liquid communal wastes; designate the areas required for disposal;

f) select areas suitable for the establishment and expansion of public cemeteries, provide for the maintenance and operation of the public cemeteries it owns;

g) function as the public transport and traffic control authority in the capital, designate the main thoroughfares and the routes used by mass transit, provide on the territory of Budapest for the operation, maintenance and development of the national public roads, bridges, underpasses and overpasses (other than motorways and major highways) that are owned by the Budapest metropolitan government, as well as for the operation, maintenance and development of the roads used by mass transit and owned by the district self-governments;

h)

i) define the capital's tourism scheme, set up and operate a tourist organization in the interest of carrying out the related tasks;

j) take part in the fulfillment of responsibilities related to consumer protection; designate the areas suitable for the establishment of market halls and markets, regulate, by decree - and carry out - the responsibilities related to the maintenance, development and operation of markets and market halls it owns whether in full or in part;

k) upon consulting the district councils, name the areas of the city, various public areas extending over several districts, or those bearing persons' names; assign persons' names to public areas, possibly change the name of such public areas, declare street names to become protected;

l) fulfill municipal responsibilities related to the protection of air and water quality; designate, develop and maintain, in ways set out in its decree, the natural environment, public green belts and parks to be protected for purposes of the capital's townscape;

m) take part in the solution of employment problems;

n) provide compulsory services in areas extending over more than one district or in areas beyond the limits of the capital in the field of secondary-school, vocational-school and student dormitory facilities if the district local-government does not undertake to perform these responsibilities; fulfillment of responsibilities related to the arts, general education and public collections; specialized health care provision and specialized social services beyond basic provisions; performance and development of child and youth protection activities; responsibilities related to physical education, sports organization and youth-related tasks; participation in the coordination of public education, cultural, scientific, art, sports, child and youth activities concerning more than one district;

o) provide for the educational, schooling and cultural tasks relating to national and ethnic minorities in areas covering more than one district or extending beyond the limits of the capital;

p) operate the capital's information system.

q) regulate - by authorization conferred under specific other legislation - by decree the parking system and the parking management system of Budapest, the controlled and strictly controlled parking zones, and the regime for the calculation of applicable parking fees;

r) regulate by decree the use of public areas and the order of public areas;

s) regulate by decree the organization and responsibilities of its inspectorate overseeing public areas.

## **Associations of the Capital's Self-Governments**

### *Section 63/B.*

(1) The Budapest district governments and the Budapest metropolitan government are free to form associations with each other or with local self-governments outside of Budapest.

(2) The Budapest metropolitan government and the district self-governments concerned may set up (conurbation) associations with local self-governments in the vicinity of Budapest, especially for drawing up plans for areas located just outside of Budapest, the coordination of public transport, water management, the sewage and rainfall water drainage and sewer treatment responsibilities, the prevention of natural disasters, protection of the architectural and natural environment, participation in the fulfillment of responsibilities related to energy supply, the coordination of infrastructure projects serving public and communal purposes, and the organization of providing educational, health care, and social benefit services in the vicinity of the capital.

(3) The provisions relating to the creation and operation of an association and the distribution of costs shall be laid down in an agreement.

## **Metropolitan Zoning Rules**

### *Section 63/C.*

(1) In the interest of ensuring a uniform locality policy in the capital, the Budapest City Council shall, upon consulting with the Government and the district councils, define the capital's general development plan and its development and rehabilitation program. The general development plan may contain areas designated for public services affecting several districts as well as the locations and tracts of projects. In such designated areas and tracts and in respect of facilities that provide public services, the town clerk's authority shall be exercised by the administrative authority.

(2) The district council shall, in accordance with and within the provisions of the capital's general development plan, define the detailed development program of the district, for the whole of the district, the basic district plan, the detailed planning concept of the district, and their regulations.

(3) The Budapest City Council shall decree the necessary requirements for coordinating the capital's general development plan, the basic district plans and the detailed planning concepts. It shall define the cases in which the district and Budapest metropolitan governments have the right of consulting and agreement in the planning process and the cases in which mutual cooperation in providing information and in planning is compulsory.

## **Financial Management of the Metropolitan and District Self-Governments**

### *Section 64.*

(1) Self-government revenues shall accrue to the city and district self-governments in proportion to the duties and responsibilities actually fulfilled and exercised by the city and district self-governments.

(2) If the law requires the Budapest metropolitan government to fulfill regional and national responsibilities that go beyond the capital's interests or economic possibilities, Parliament shall provide the financial means required for the fulfillment thereof and shall decide on the rate and manner of the central contribution.

(3) The following revenues shall accrue to the Budapest metropolitan government, and the district self-governments, independently and directly:

- a) normative central contributions provided for specific responsibilities;
- b) earmarked and target subsidies;
- c) profits, dividends, interest and rents from their own activities, enterprises and from the yields of self-government assets;
- d) funds received;
- e) fees payable for the utilization of public area owned by them.

(4) Revenues to be divided between the Budapest metropolitan government and the district self-governments:

- a) part of the income tax of private individuals due to the local authorities on the basis of the State Budget Act;
- b) other central taxes;
- c) central contributions related to the permanent population, except for those defined in Paragraph a) of Section 64/B;
- d) revenues from local taxes.

(5) The division of the revenues referred to in Subsection (4) between the Budapest metropolitan government and the district self-governments shall be determined by the Budapest City Council by decree, a draft of which shall be made available to the district governments at least thirty days in advance.

(6) For a better division of funds between the city and district governments, normative procedures shall be devised to reflect the duties and responsibilities for which they are provided. These normative procedures shall be defined in specific other legislation that is to contain the principles for the calculation formulas.

(7) The Budapest City Council may introduce a system of targeted and earmarked subsidies for the districts by decree. The City Council may decree the development objectives for which the district councils may request targeted and earmarked subsidies from the City Council.

(8) The city and district self-governments shall manage their own assets independently, and may appoint another organization to manage such assets.

### *Section 64/A.*

The district self-government shall retain as its exclusive revenue all fines for contraventions collected by way of garnishment.

*Section 64/B.*

Exclusive revenues of the Budapest metropolitan government are:

- a) normative central contributions for administrative and public education services;
- b) revenues from the lease of self-governments' hunting rights in the percentage agreed with the self-governments concerned, for specific areas of land;
- c) fines levied in connection with environmental protection and monument protection and received by the Budapest metropolitan government within the sphere defined by law;
- d) responsibilities, as defined in specific other legislation;
- e) central contribution(s) received under Subsection (2) of Section 64.

*Section 64/C.*

(1) The Budapest City Council and the district councils shall bring down their own annual budgets in accordance with the rules of the Government Finances Act.

(2) Until the Budapest City Council decides on the distribution of the resources involved among the self-governments in the capital, the treasury shall - after performance and locality of deductions and contributions charged on staff benefits and other similar payments - transfer the amounts of the normative central contributions that are proportional to the time periods and dependent on the whole of the permanent population, with the exception of Paragraph a) of Section 64/B, and the part due to self-governments from the central taxes directly to the Budapest metropolitan government and the district governments consistent with the percentages indicated in the previous year's decree on the distribution of funds.

## **Basic Principles of the Interest Protection of the City and District Self-Governments**

*Section 65.*

(1) The Budapest metropolitan government represents the interests of the capital as a whole. In questions concerning district structure, the districts shall be consulted. Before taking a position for the Budapest metropolitan government, the Lord Mayor shall ask the opinion of the district governments concerned and inform the City Council and the decision-making body. Only in extraordinary cases will a deadline of less than ten days be given to the districts for discussion and assessment.

(2) The Budapest metropolitan government shall be involved in due time in the preparation of legal provisions or governmental decisions that concern the economic bases, range of powers and responsibilities of the city and district self-governments.

## **Enactment of Decrees by the Budapest City Council and the District Councils**

*Section 65/A.*

(1) The implementation of an act shall be governed as to be decreed by the City Council or the district council.

(2) The City Council may authorize the district councils to pass a decree in connection with the implementation of a decree adopted by the City Council. Such decree of a district may not exceed the authorization conferred in the decree of the Budapest City Council. The decree of the district council may not contradict the decree of the City Council.

(3) The Lord Mayor shall send the drafts of decrees of the Budapest City Council to the district mayors for information purposes. The district mayors shall send the draft decrees of the district councils to the Lord Mayor for information.

(4) The decree of the district council - unless published in the official gazette of the self-government - shall be sent - for information purposes - to the Lord Mayor after publication. The mayor shall provide for conveyance.

## **Alteration of District Boundaries**

### *Section 66.*

(1) Within the city limits of Budapest, any district may put in a request to Parliament by way of its council for altering its boundaries; the Budapest City Council may also make such a request.

(2) The council of the district self-government or the Budapest City Council may submit an initiative to Parliament only together with the opinion of the councils of the other districts concerned by the alteration and with the opinion of the Budapest General Assembly.

(3) In case of an initiative for altering the district boundaries, the council of the self-government of the district in question shall hold a local referendum on the issue of altering the boundaries.

(4) If the alteration of district boundaries is initiated by the Budapest City Council, the local referendums shall be held by the councils of the districts affected by the planned territorial alteration. In such cases, the costs of the local referendums shall be borne by the Budapest metropolitan government.

(5) Annexation of a part of the territory of a Budapest district to another district may be initiated in Parliament by the councils of the self-governments of the districts concerned with the opinion of the Budapest City Council attached.

### *Section 66/A.*

(1) The council of a Budapest district whose boundaries coincide with the boundaries of the capital may initiate the secession of the district or the self-government of a town section from the capital and request that it be declared an independent self-government by local referendum.

(2) The council of a local authority wishing to join Budapest, provided its territory is adjoining, shall hold a local referendum in its own locality on the issue of joining.

### *Section 66/B.*

If the re-setting of district boundaries also affects the administrative boundaries of the capital, the initiative, together with the result of the local referendum, may only be submitted to Parliament together with the opinion of the Budapest City Council, the council of the local authorities concerned and the general assembly of any adjoining county affected by the alteration.

### *Section 66/C.*

The Government is also entitled to launch the initiative defined in Sections 66, 66/A and 66/B. In such cases, a local referendum shall be held by the local authorities directly affected by the planned territorial alteration. The costs of the referendum shall be borne by the Government.

### *Section 66/D.*

## **On the Exercise of the State Administration Responsibilities and Powers by the Lord Mayor of Budapest, the Mayors of the Districts of Budapest, the Metropolitan Clerk of Budapest and the District Clerks**

*Section 67.*

(1) In consideration of the special situation of Budapest, an act or a government decree may delegate certain official matters of state administration to the jurisdiction of the Lord Mayor instead of the mayor of a Budapest district, and in certain official affairs of state administration it may empower the metropolitan clerk with regulatory authority of first instance with a jurisdiction including the entire country or the whole of Budapest.

(2) The Budapest district councils may create associations for handling certain categories of official matters of state administration that involve several districts or the entire city.

(3) Where authorized by statute or government decree, the general assembly may require the formation of an association that includes several districts or the entire city for handling certain official matters of state administration; it may order that certain official services (e.g., customer service offices, one-stop, simplified and quicker case processing) be provided in a uniform and coordinated manner.

## **Rules Concerning the Property of the Budapest Metropolitan Governments**

*Section 68.*

(1) The Budapest metropolitan government must transfer property (part of a property) that belongs to an institution providing a basic public service (basic provision) to the use of the competent district government in whose ownership it was conveyed under Subsection (2) of Section 107 unless the district government cannot undertake the provision of the public service or the public service in question is the responsibility of the Budapest City Council.

(2) The Budapest metropolitan government must transfer any property (part of a property) that belongs to an institution providing a non-basic public service (non-basic provision) to the competent district government in whose ownership it was conveyed under Subsection (2) of Section 107 if

a) on the basis of Subsection (3) of Section 63 the district government undertakes to provide the non-basic service connected to the institution;

b) the Budapest metropolitan government transfers the municipal duty and competence to the district self-government on the basis of Subsection (4) of Section 63,

c) the public service provided in the institution is a compulsory task of the district government.

(3) Liability of the Budapest metropolitan government shall be reinstated with respect to a specific duty if the district government returns to the Budapest metropolitan government the property (part of a property) it has previously received, or an equivalent substitute property, in connection with the duty in question.

(4) The use of any property (part of a property) that serves the purposes of a compulsory public service and was conveyed under the ownership of the district government under Subsection (2) of Section 107 shall be transferred to the Budapest metropolitan government if the district government that owns the property in question does not or cannot undertake the provision of the public service or if the public service in question is the responsibility of the Budapest City Council.

(5) With respect to any property (part of a property) that is necessary for providing a public service that is not provided by the district government that owns the property, the provisions of Subsection (4) shall apply if the Budapest metropolitan government wishes to provide the given public service.

*Section 68/A.*

(1) The use of any property (part of a property) that, pursuant to Section 107, is owned by the Budapest metropolitan government and does not serve to exercise the powers and responsibilities of the Budapest self-governments that have been delegated to them by law or the powers and responsibilities of the Lord Mayor, the mayor, the town clerk, the metropolitan clerk, the administrator of the council office that have been delegated to them in an act of Parliament or government decree shall be transferred at the request of the minister to the agency that carries out its responsibilities prescribed by law.

(2) The minister may request the transfer of the use of any property (part of a property) that is necessary for the functioning of state administration agencies of central subordination or state institutions that fulfill the responsibilities of the offices and agencies referred to in Subsection (2) of Section 107 or their legal successors.

*Section 68/B.*

(1) On the basis of Sections 68 and 68/A, the owner self-government shall transfer the right of use without compensation.

(2) In case of a dispute, the metropolitan committee for transfer of property shall decide on the transfer of property for use.

(3) The property shall be transferred for use for its originally designated purpose.

(4) The public service for whose provision the property served as a condition on 10 July 1991 shall be considered the originally designated purpose of the property.

*Section 68/C.*

(1) The self-government acquiring the right of use on the basis of Act XXIV of 1991 on the Budapest Metropolitan Government and the Budapest District Governments may change the originally designated purpose of the property transferred for use with the consent of the owner self-government. Consent may not be denied if the user self-government continues to provide the public service corresponding to the originally designated purpose of the property.

(2) The provisions of Subsection (1) shall be applied *mutatis mutandis* if the property (part of a property) is used by the agency referred to in Subsection (2) of Section 68/A by virtue of law.

*Section 68/D.*

In Budapest, the ownership of local public roads and their fixtures and of squares and parks may be transferred between the city and district governments, including the shares held in the business association referred to in Subsection (5) of Section 9.

## Chapter VIII

### County Government

#### **Powers and Responsibilities of County Governments**

*Section 69.*

(1) The county government is a regional self-government, and it must carry out the responsibilities prescribed by law for which local authorities cannot be compelled. A county government may be compelled by law to provide public services of a regional nature that cover the entire county or a large section of the county. A county government may be compelled by law to provide public services of a regional nature whose users for the most part do not reside on the territory of the local authorities where the institution providing the service is located.

(2) If agreed by the county government, the self-government of the locality where the county institution providing public service of a regional nature is located may assume the maintenance, development and control of the institution from the county government.

(3) At the request of the local authorities where the county institution providing regional public services is located, the county government shall transfer the maintenance, development and control of the institution to the local authorities for a period of at least three years, if on an average of the preceding four years the majority of the users of the institutions services were the residents of that locality.

(4) The transfer and acceptance of the institution providing the public service shall be put in writing.

(5) With respect to the public services prescribed by law as compulsory county responsibilities, the local authorities may establish a new regional institution or organize a new regional service by itself or in an association as a self-government duty assumed voluntarily.

(6) In the cases governed under Subsections (2) and (3), the local authorities shall receive a revenue subsidy proportionate to the responsibilities taken over or assumed. The host locality may not claim any other supplementary state or county subsidy over and above the revenue subsidy received from the county government and/or from the state budget, and it must not refuse to satisfy demands from elsewhere for the public service it operates.

#### *Section 70.*

(1) County governments shall be compelled to provide for the following:

a) secondary school, vocational schooling and student dormitory facilities if they are not provided by the local authorities ensuring provision in accordance with specific other legislation; the collection, safekeeping, scientific processing of the county's natural and cultural relics and historical documents; as well as the services of a county library, consulting and services in the range of pedagogy and general education; tasks of physical training, sports organization, as well as the enforcement of the rights of children and youth;

b) education of children who are undergoing extended medical treatment in health care institutions; education, schooling and care of handicapped children who cannot be educated together with the other pupils; special health care exceeding basic care if this is not provided by the local authorities that are compelled to provide them under specific other legislation, as well as the provision of child and youth protection; regional coordination of specialized social services; as well as certain tasks falling within the scope of specialized provisions;

c) coordination of the responsibilities connected with the protection of the architectural and natural environment, regional planning, the exploration of the county's tourism values, setting objectives related to tourism in the county, coordinating the activities of those participating in the performance thereof; as well as the coordination of regional employment tasks and vocational training and participation in the development of a regional information system.

(2) If a county institution that provides the services referred to in Paragraphs a) and b) of Subsection (1) also provides the public service that is otherwise assigned to the powers and responsibilities of the local authorities and any other public service assumed voluntarily, the county government shall enter into an agreement or may establish an association for the joint maintenance, development and control of the institution at the request of the local authorities where the institution is located.

(3) Coordination of the responsibilities of regional development and of the regional development programs of the government shall be performed by the development council whose responsibilities and organizational structure are governed in specific other legislation.

(4) In addition to the performance of its legal responsibilities, the county government may freely undertake a public duty that is not delegated to the exclusive competence of another body by law and whose performance does not violate the interests of the villages and towns located in the county.

(5) County governments shall be liable to enforce the rights of national and ethnic minorities.

#### *Section 71.*

(1) The county government shall freely manage its revenues on the basis of its own plan and budget; it shall control the county government's property so designated by law and may pursue entrepreneurial activity. For better efficiency, the county government may freely associate with the government of another county and of any locality.

(2) The general assembly of the county government shall regulate its own responsibilities by decrees and may order county referendums in those matters over which it has the authority to make decisions.

# **Organization of the County Government**

## *Section 72.*

The county government is a legal entity. Its duties and responsibilities are performed by the general assembly. The county government is represented by the chairman of the general assembly.

## *Section 73.*

The chairman of the county general assembly is elected by secret ballot by the county general assembly from among its members for the period of its mandate.

## *Section 74.*

(1) The officers of the county general assembly are the chairman and the vice-chairman (vice-chairmen) elected from among its members, whom the general assembly elects by secret ballot.

(2) The county general assembly shall appoint its financial committee. Moreover, in order to perform its tasks more efficiently, the county general assembly may freely form committees, while ensuring a majority of county councilors elected as aldermen and other county councilors. The county general assembly shall elect other committee members from among the councilors of the providers and users of the service as well as from among people otherwise interested in the service. The chairman of the committee is a county alderman.

(3) If a regional minority local government is established in the county, the county general assembly shall set up a committee for minority matters in which the chairman of the minority local government of that county shall participate in a standing advisory capacity.

## *Section 75.*

(1) The work of the county's bodies and officers is assisted by a county government office whose duty is the preparation of the decisions and the organization and supervision of the execution of the decisions.

(2) The head of the office is the county chief clerk, who shall be appointed by the county's general assembly for an indefinite period of time.

(3) The county's general assembly shall determine the internal organizational and operational rules of the office and shall ensure the material conditions for operating the office.

## *Section 76.*

The issues not regulated in Sections 69-75 concerning the organization and operation of the county government shall be governed by the provisions relating to local authorities.

## **Chapter IX**

### **Funding of self-governments**

## *Section 77.*

(1) The self-government provides public services. It disposes of its own property and manages its budgetary revenues and expenses independently.

(2) The budget of the self-government is part of public finance; it is connected thereto with its entire cash flow. The self-government's budget is distinct from the state budget, but they are linked through state subsidies and other budgetary ties.

## **Assets of the Self-Government**

### *Section 78.*

(1) The assets of the local self-government consist of its property and other incorporeal rights, which are to be used for the realization of municipal objectives.

(2) The primary assets of a self-government shall constitute a separate part of its assets, and they must be handled and recorded separately from other assets. An income and expenditure account shall be prepared in accordance with specific other legislation for the annual closing accounts.

### *Section 79.*

(1) Primary assets shall comprise that property of the self-government that is used directly by the self-government to meet its compulsory duties and responsibilities or to enforce public rights and powers.

(2) Primary assets are non-transferable or subject to restrictions in terms of conveyance:

a) non-transferable primary assets are the local public roads and their structures, squares and parks, the shares held exclusively by the municipal government in the business association referred to in Subsection (5) of Section 9 - with the exception set out in Section 68/D - and any other property, movable or immovable, that is designated as such by law or by the municipal government. The state, in a manner regulated by law, shall be entitled to surrender the possession, use, and the right to collect the proceeds of a thing owned exclusively by the state to another person.

b) restricted primary assets are the public utilities, institutions and public buildings and other property, movable or immovable, so designated by the local self-government. Restricted primary assets may be conveyed in accordance with the conditions defined in statute or in a local self-government decree.

### *Section 80.*

(1) Subject to the exceptions stipulated in this Act, the local self-government shall have all of the rights and obligations of an owner. The council shall determine how to exercise owner's rights.

(2) The local self-government may render the sale, hypothecation, contribution to an enterprise, or utilization for other purposes of specific asset(s) (in whole or in part) conditional on a local referendum by a decree of the self-government.

(3) No enterprise of the local self-government shall be permitted to jeopardize the performance of its binding responsibilities. The self-government may participate in an enterprise provided its liability therein does not exceed its financial contribution.

(4) Unless prescribed in this Act to the contrary, the provisions of Section 95/A of Act XXXVIII of 1992 on Government Finance shall apply mutatis mutandis to any company under the majority control of a self-government.

(5) Unless otherwise provided for by law, the assets contributed by a local self-government to an association shall be recorded as the assets of the contributing local self-government; any growth in assets shall constitute the joint property of the associated local self-governments and be subject to the regulations of the Civil Code pertaining to joint ownership.

### *Section 80/A.*

(1) The council may register management rights over certain specific marketable and restricted assets of the local self-government, specified in a municipal decree, in connection with the transfer of the local self-government's public duties. Asset management rights may not be registered on residential buildings and mixed-purpose buildings of the local self-government, nor on condominium units and non-residential areas of the local self-government.

(2) The council may transfer asset management rights to a legal person or unincorporated organization (hereinafter referred to collectively as "administrator of assets") by means of an asset management contract.

The council shall have exclusive and inalienable competence to make decisions concerning the conclusion and the contents of asset management contracts.

(3) The transfer of asset management rights shall not concern the local self-government's obligation to discharge its public duties. Asset management rights may be transferred with a view to improve the effectiveness of municipal responsibilities, to preserve and protect the value and condition of the assets, or to increase its value.

(4) Asset management rights in connection with municipal public duties may be acquired by way of tender in exchange for consideration and may be exercised subject to the terms and conditions laid down in specific other legislation on public duties, or in the absence of such - with the exception of the assignment case in Subsection (5) - by way of public tender governed in the Public Finances Act (hereinafter referred to as "PFA"). Prior to the publishing of the tender notice the local self-government must have the value of the assets appraised. Asset management rights may be transferred at fair value to the tenderer making the most economically advantageous offer, also in view of the guarantees provided for carrying out the public duties.

(5) Management rights concerning the marketable and restricted assets of the local self-government may be conveyed by way of assignment, subject to undertaking municipal public duties, to:

*a)* another local self-government or association of local self-governments;

*b)* a business association or nonprofit company under the majority control of the local self-government or several local self-governments or minority self-governments, or a business association founded jointly by the State and the local self-government or a business association or nonprofit under majority state ownership, if these organizations discharge the public duties in question on behalf of the local self-government not as a part of profit-oriented business operations, on condition that majority ownership by the State or the local self-government must be maintained throughout the life of the asset management contract.

(6) The transfer of asset management rights by way of assignment must not involve any valuable consideration.

(7) With respect to any protected natural habitat and area owned by the local self-government, forests, forest belts, historical buildings and monuments, protected cultural goods, and historical (archaeological) sites, the consent of the competent minister, or the competent body in connection with protective and control facilities, is required for the transfer of asset management rights.

(8) The right and obligations of the owners shall be conferred upon the administrator of assets, unless otherwise provided by law, including the requirement of accounting and filing an annual report prescribed by the Accounting Act, however, the administrator shall not be authorized to alienate or encumber the assets, and may not transfer the asset management rights over to third parties.

#### *Section 80/B.*

The provisions of this Act and the PFA shall apply to the acquisition and termination of asset management rights, the terms and conditions of asset management contracts, the rights and obligations conferred upon the administrator of assets, and the supervision of administrators of assets by the owners. The matters not regulated in this Act shall be governed by the provisions of the Civil Code. The detailed regulations concerning the acquisition and exercise of asset management rights and the oversight of asset management practices shall be decreed by the local self-government concerned.

## **Self-Government Revenues**

#### *Section 81.*

(1) The self-government shall perform the tasks that stem from the needs of the local population and the requirements of legal regulation; it shall do so through its own budgetary agency, with the support of other economic organizations, by purchasing services and by other means. The self-government shall select the forms of (financial) management suited to its responsibilities, and it shall - within the framework of financial regulations - independently formulate the rules of interest.

(2) The self-government accumulates funding for its responsibilities from its own revenues, assigned central taxes, revenues received from other economic organizations, the normative contributions of the central budget as well as subsidies.

*Section 82.*

- (1) The self-government's own revenues are:
- a) local taxes assessed and levied by the local authorities in compliance with the law;
  - b) profits, dividends, interest and rents resulting from its own activities, business ventures and yields on self-government properties;
  - c) duties, as defined in specific other legislation;
  - d) funds received;
  - e) a portion - fixed in specific other legislation - of the fines imposed for any violation of environmental protection and monument protection rules on the territory of the self-government, and collected therefrom;
  - f) revenues from the lease of the self-government's hunting rights;
  - g) other revenues of the local self-government.

(2) A part, as determined in a separate act, of the amounts resulting from the sale by the State Property Agency of non-public-utility enterprises founded and formerly supervised by the councils shall also be treated as own revenues.

*Section 83.*

Central taxes assigned in a separate Act by Parliament are the following:

- a) a specific part of the income tax of private persons,
- b) other divided taxes.

*Section 84.*

(1) Parliament shall assess a normative budgetary contribution according to the population of the localities, certain age groups, those provided for by institutions and on the basis of other indices.

(2) The amount determined in the central budget shall be allotted directly to the self-government - after the performance and settlement of deductions and contributions charged on staff benefits and other similar payments made by the self-government - without any restriction as to utilization, or to the local self-government that performs the duties mandated by law.

*Section 85.*

(1) Parliament defines the objectives of social priority. The extent of subsidies and the respective conditions for any particular objective is contained in specific other legislation.

(2) The local self-governments may claim target subsidies both individually and jointly. Any self-government that meets the conditions is entitled to a target subsidy.

(3) A target subsidy may be used solely for the purpose for which it was granted.

*Section 86.*

(1) Parliament may grant earmarked subsidies to selected local self-governments for the realization of certain cost-intensive investment projects.

(2) An earmarked subsidy may only be spent for the specified purpose.

*Section 87.*

(1) Local authorities that are disadvantaged through no fault of their own are entitled to a complementary state subsidy in order to protect their independence and viability. Parliament shall fix the terms and amount of the subsidy in the State Budget Act.

(2) In case Parliament sets a new task for a self-government, it shall simultaneously allocate the funds necessary to accomplish it.

(3) The amount of the state subsidies defined in Section 84 may not be reduced during the fiscal year.

## Financial Management of Self-Governments

### Section 88.

#### (1) Local self-governments:

**a) may establish public foundations and undertake commitments in the public interest; founders' rights relating to a public foundation established by a local self-government may be transferred only to the persons, organizations or bodies referred to in Subsection (3) of Section 9;**

b) may raise loans and issue bonds; the self-government's primary assets and normative state contributions - with the exception of liquid credit - may not be used to secure these, nor may state subsidies, personal income tax or revenues received from the state budget for operational purposes;

c) shall decide on depositing those of their resources, other than state subsidies, that are not earmarked for a specific purpose;

d) shall decide on the use of other banking services.

(2) The amount of liabilities arising from the commitments assumed by a local self-government for the year (loans and loan costs, bond issues, guarantees and sureties, leasing) may not exceed the local self-government's adjusted current revenues.

(3) For the purposes of this Section:

a) 'adjusted own revenue' shall mean 70 per cent of the own revenues estimated for the year, less short-term liabilities (principal and interest payments, leasing charges) paid for the year, plus any income from collecting previously unpaid participation contributions taken over for defunct public water utilities;

b) 'own revenue' shall mean local taxes, duty revenue of local self-governments, motor vehicle taxes collected by the local authorities, interest income, the fines payable to the local self-government under specific other legislation, income from dividends, income from the rental or lease of or concession fees charged on assets owned by the local self-government in connection with which the local self-government is committed to utilize the same property by way of refurbishing and retaining it, furthermore, other special income of the local self-government,

c) 'short-term liability' shall mean loans and credit received for a term of one year or less, including interest (other than liquid credit and interest), and the installment payments on long-term obligations that fall due during the year (installment payments and other similar charges on long-term loan and credit that fall due during the year; repayment of principal and interest in connection with bond issue; leasing charges; annual liabilities stemming from guarantees and sureties; and debts related to bills of exchange shown as liabilities for several years and the amount of repayment due for the year from accounts payable for which payment was deferred for several years), not including the liabilities guaranteed by the Government, and loans provided in advance for Community support for development;

d) 'liquid credit' shall mean any loan that is borrowed for financing public services and administrative services and repaid in the same year.

(4) The limits referred to in this Section shall not apply to liquid credit.

### Section 89.

(1) The local self-government shall subsidize its institutions. It may not deduct or offset against the subsidy any income of the institution received over and above its compulsory service fees.

(2) The institution shall use the subsidy and its own revenues independently, and it may utilize the movable and immovable property placed under its control for gainful purposes, provided it does not violate its basic duty.

(3) Local self-governments may support the functioning of institutions maintained by others.

#### *Section 90.*

(1) The council shall oversee the prudent management of the local self-government's finances, while the mayor is responsible for the legality of management.

(2) Any losses resulting from poor management shall be financed by the self-government; the state budget shall not be liable for the self-government's liabilities.

(3) The debt consolidation of local self-governments is governed in specific other legislation.

(4) In order to restore solvency, a self-government must suspend the funding of its responsibilities and duties, with the exception of official and basic services for the local residents.

## **Planning, Accounting and Information**

#### *Section 91.*

(1) Each self-government shall determine its economic program and budget.

(2) The detailed rules for drawing up the budget are set out in the Government Finance Act; the order of financing and the amounts of state subsidies are defined in the State Budget Act.

(3) The tasks of planning the state budget - as it concerns self-governments - are carried out by the minister in charge of public finances and the minister in charge of local governments.

(4) Decisions concerning the central budget shall be made by Parliament upon consulting with self-government associations, taking into consideration their expressed opinion.

(5) Local self-governments shall publish the data and information prescribed in specific other legislation concerning the budget and the financial management, and for the demonstration and evaluation of their activities annually, in the manner customary for the locality.

(6) The economic program shall be drawn up to cover the mandate of the council, or shall extend beyond it. The economic program shall contain the local objectives and duties for the local self-government(s), aiming to promote the fulfillment of voluntary and compulsory municipal responsibilities in tune with the financial strength of local self-government or local self-governments, and in due observation of social, environmental and economic characteristics of the locality, adjusted to the micro-region development concept. The economic program shall contain, in particular, development prospects, schemes to promote the creation of new jobs, objectives within the regional development policy and tax regimes, solutions for ensuring public services and to increase their quality, furthermore, in connection with cities, investment support policy objectives and city management concepts.

(7) The council shall adopt an economic program within six months following its inaugural session, covering an entire election cycle. If an existing economic program extends beyond the previous election cycle, the newly elected council shall review it within six months following its inaugural session, and shall supplement or amend it at least up to the end of the cycle.

## **Control and Supervision**

#### *Section 92.*

(1) The financial management of local self-governments (including the appropriation of European Union financial aid and other international support, and the related budgetary subsidies) is monitored by the State Audit Office.

(2) The appropriation of European Union financial aid and the related budgetary subsidies provided to local self-governments shall be supervised by the European Court of Auditors and the competent bodies of the European Commission, the agency designated by the Government, the oversight bodies of budgetary chapters, the treasury, the agencies monitoring the protection of the European Union's financial interests and representatives of the paying authority.

(3) The internal control of the financial management of local self-governments shall be provided by way of an internal control regime embedded in the process in accordance with specific other legislation, and by prior and subsequent management control (financial management and control).

(4) The notary shall contrive a financial management and control regime so as to ensure the proper appropriation of the local self-government's resources in a regulated, economically feasible, effective and useful fashion.

(5) The notary shall operate the internal control regime along the guidelines published by the minister in charge of public finances and international standards for internal control. The internal control regime of local self-governments shall also cover the supervision of the budgetary agencies financed by the local self-government.

(6) The council shall approve the local self-government's annual plan for internal control by 15 November of the previous year.

(7) The internal control regime of the City of Budapest and that of the districts, and those of the county governments and the local self-governments of cities of county rank must be approximated, except where internal control is carried out by way of an association.

(8) For those local self-governments to which Subsection (7) does not apply, internal control may be performed, by decision of the council, by:

- a) the office of the council;
- b) a person or organization under contract with the local self-government;
- c) the association of local self-governments.

(9) The person or organization performing internal control shall monitor compliance with statutory provisions and internal regulations, as well as financial management, cost effectiveness and efficiency, and shall present its findings and recommendations to the notary and the mayor, which may be tabled by the mayor if necessary at the next session of the council.

(10) The mayor shall - as laid down in specific other legislation - present to the council the annual audit report, and the consolidated audit report compiled based on the audit reports of the budgetary agencies controlled by the local self-government, following the year to which they pertain, together with the drafts of the annual closing accounts.

(11) The person or organization performing internal control of the local self-government:

a) shall inspect the office of the council and in connection with the responsibilities relating to the functions of the local self-government;

b) may examine the budgetary agencies controlled by the local self-government, the business associations and nonprofit companies under the majority control of the local self-government, administrators of assets, and the organizations receiving any appropriated subsidies from the local self-government for certain specific purposes.

(12) The detailed regulations for the internal control of local self-governments and their budgetary bodies shall be laid down in specific other legislation.

(13) The financial committee shall inter alia do the following for the self-government and its institutions:

a) give its opinion on the annual budget proposal and the draft of the semi-annual and annual reports on its implementation;

b) monitor the flow of budgetary revenues, with particular regard to the municipality's own revenues, and any variation in assets (increase or decrease), and evaluate the reasons therefor;

c) examine the reasons for borrowing and its economic justification; it may check compliance with the regulations for handling cash, the implementation of the documentary system and documentary discipline.

(14) The financial committee shall convey its findings from the inspection to the council without delay. If the council does not agree with the findings, it shall send the inspection report together with its comments to the State Audit Office.

*Section 92/A.*

(1) The councils of county governments, counties of cities, the Budapest metropolitan government, Budapest district governments shall be required to appoint an auditor and publish (in the Gazette of the Ministry of the Interior and the Companies Gazette) their annual cash flow reports with the simplified contents specified by the minister in charge of public finances and the minister in charge of local governments (which shall provide the data pertaining to the local self-government and its institutions in a consolidated manner), their balance sheets, cash surplus statements and profit and loss accounts. The councils shall call for applications within 60 days of the entry into force of this provision and evaluate them; the mayor shall appoint the auditor chosen in this manner.

(2) If a local self-government's expenses exceeded HUF 300 million in the previous year and the local self-government has any outstanding loan, it shall have an auditor perform the reviews referred to in Subsection (1) each year for the entire life of the loan and the self-government shall publish the results of the audit.

*Section 92/B.*

(1) An auditor certified to audit public budgets may be appointed to audit accounting documents and to review budget reports.

(2) The local self-government's mayor, council members, financial department employees and their close relatives [Paragraph b) of Section 685 of the Civil Code] may not be auditors while in office and for three years from the termination thereof.

(3) The auditor's responsibilities may also be fulfilled by a duly authorized audit firm. The natural person appointed to conduct audits (registered auditor) shall also be designated in the contract for the appointment of the audit firm. In this case, the provisions referred to in Subsection (2) shall apply to the natural person (registered auditor).

*Section 92/C.*

(1) The auditor shall have access to the local self-government's books and may request information from the mayor and the employees of the local self-government's financial department. His responsibilities shall include the examination of the local self-government's invested assets, inventories, liquid assets, receivables and liabilities, surplus cash and profits. The auditor may attend the public and closed meetings of the council in an advisory capacity. The mayor shall be required to invite the auditor to council meetings regarding subjects on which the auditor is competent to give advice.

(2) For the local self-governments referred to in Subsection (1) of Section 92/A, the auditor shall be obliged to examine the draft bills regarding the budget and the annual closing accounts presented to the council as to whether the data they contain is authentic and in compliance with the provisions of the legal regulations; the auditor shall, furthermore, analyze the financial situation particularly in respect of commitments resulting in debts.

(3) In a separate contract entered into with the auditor, the council may request the auditor to examine other proposals that have an economic impact.

(4) The auditor shall supply his opinion to the council in writing.

(5) No valid decision on a proposal that requires the auditor's opinion may be made without the auditor's written opinion.

(6) If it comes to the auditor's attention that the self-government's assets are expected to decline significantly or if the auditor learns of any other circumstance to implicate an officer of the self-government in legal liability, the auditor shall request the mayor to convene the council. If the mayor fails to call a council meeting, the administrative authority shall convene the meeting at the auditor's request. If

the council fails to adopt the necessary decisions, the auditor shall notify the administrative authority accordingly.

*Section 92/D.*

(1) Where the auditor deems that he will not be able to carry out the responsibilities defined in Subsections (1) and (2) of Section 92/A and in Subsections (2) and (3) of Section 92/C by the contract deadline, the local self-government must be notified in writing at least 30 days before the deadline - or if the reason of impediment occurs in the meantime, within three working days from the day of occurrence. Upon receipt of such notice, the council of the local self-government shall fix a new deadline for subsequent performance or shall immediately appoint a new auditor bypassing the tender procedure, depending on the applicable circumstances.

(2) If the auditor fails to file the notification as required following his failure to carry out his contractual responsibilities, the council of the local self-government shall take the measures prescribed in Subsection (1) and charge all extra costs to the defaulting auditor. At the same time, the local self-government shall sue the auditor for failure to meet his obligation of notification and for non-performance of contract without proper excuse

- a) for damages under the general rules of civil liability, and
- b) for having the auditor's certificate to audit public budgets revoked.

(3) The local self-government that satisfies the obligations laid down in Subsections (1) and (2) shall not - for any subsequent delay - be exposed to the legal consequences attached to non-compliance with the conditions for the financing of normative state contributions specified in the Budget Act.

## Chapter X

### **Local SELF-Governments and Central State AGENCIES, Protection of RIGHTS OF SELF-GOVERNANCE**

#### **Powers and Responsibilities of Central State Organs in Connection with Local Self-Governments**

*Section 93.*

(1) Parliament shall regulate by law the

a) legal status, exclusive powers and responsibilities of local self-governments, the statutory duties and types of organs of local self-governments, guarantees of operations, financial resources, and the basic rules of their financial management;

b) the legal status of councilors, their rights and obligations, and the manner in which they are elected.

(2) At the initiative of the Government, submitted after having consulted the Constitutional Court, Parliament shall dissolve any council that operates in violation of the Constitution [Point 1 of Subsection (3) of Section 19 of the Constitution]. Following dissolution of a council, Parliament shall set the date of interim elections within three months of the dissolution.

(3) Parliament shall debate the dissolution at its forthcoming session, to which the mayor of the local self-government concerned shall also be invited. The mayor is entitled to present the position of the council in connection with the proposal for its dissolution before a decision is taken thereon.

(4) Parliament shall have competence to decide the territorial division of the state and, after having consulted the local self-governments concerned, the merger and separation of counties; changes in their boundaries, their names and capitals; the designation of a county of a city; and the formation of Budapest districts.

*Section 94.*

The President of the Republic

- a)
- b) shall decide, at the initiative of the local self-governments concerned, on the award of the title of town/city, as well as on the formation and merger of villages, the dissolution of their union, and the naming of towns and villages;
- c)
- d) shall appoint a Commissioner of the Republic to direct the implementation of specific duties of the local self-government and the state for the period until the new council is elected following dissolution of the former council by decision of Parliament.

*Section 95.*

The Government

- a) shall, with the participation of the minister in charge of local governments, provide for the legal supervision of local self-governments through the administrative authority, as appropriate;
- b) shall make proposals to Parliament for the dissolution of any council that operates in violation of the Constitution;
- c) shall decree the rules of qualification for public service in local authorities;
- d) shall govern the carrying out of state administration responsibilities and shall provide for the means of their execution;
- e) shall resolve disputes arising between a state administration organ and a local self-government that do not fall within the purview of other legally regulated proceedings.

*Section 96.*

The minister in charge of local governments

- a) shall prepare the decisions on territorial issues that fall within the jurisdiction of Parliament and the President of the Republic;
- b) shall lodge a motion for the Government to present to Parliament for the dissolution of a council that operates in violation of the Constitution,
- c) shall take part in the preparation of the drafts of statutes, other legal instruments of state administration and of specific state decisions, concerning the powers and responsibilities of local self-governments, and the activities of mayors, the Lord Mayor, and the public administration offices;
- d) shall coordinate the Government's responsibilities concerning the development of localities and the development, planning and financial management operations of county governments;
- e)

*Section 97.*

The Minister

- a) shall decree the technical rules to be observed by mayors, the Lord Mayor, the chairman of the county assembly, town clerks, the chief clerk, and the administrative authority, and shall monitor their enforcement;
- b) shall decree the requirements of the operation of institutions maintained by local self-governments, the qualification requirements for the employees of such institutions, and shall monitor the enforcement of such rules;
- c) shall inform the local self-government of the findings of the monitoring procedures referred to in Paragraphs a) and b), make proposals for the elimination of any discrepancies, may request that the council

debate the findings of the monitoring procedure, and shall notify the legal oversight agency in the case of any infringement;

d) shall inform local self-governments of centralized sectoral objectives and regulatory instruments and shall provide the information required for fulfilling their sectoral duties;

e) may request local self-governments to provide data and information in respect of his sectoral tasks, and the local self-governments shall satisfy such requests;

f) may provide financial support for a local self-government on the grounds and under the terms set out in the State Budget Act.

## **Administrative Authorities**

### *Section 98.*

(1) Budapest and county administrative authorities (hereinafter referred to as “administrative authorities”) are budgetary agencies handling administrative duties under the supervision of a minister delegated by the government in a decree. Financing for administrative authorities is provided by Parliament, allocated in the Chapter for the minister in charge of administrative authorities in the Budget Act.

(2) The administrative authority shall

a) exercise legal oversight over local self-governments, and may investigate local self-government decisions taken with deliberation in terms of legitimacy only;

b)

c) perform the state administration duties, powers and responsibilities conferred under his authority by law or by the Government;

d)

e) may convey the findings of a legal oversight proceeding to the State Audit Office, which may serve as the basis for conducting an investigation of the financial management of a local self-government;

f) call the meeting of the council if the mayor fails to comply with the request referred to in Subsection (1) of Section 12 within fifteen days;

g) provide technical assistance in matters falling within the scope of his powers and responsibilities at the request of a local self-government.

(3) The administrative authority shall, within his legal oversight authority, investigate whether

a) the organization, operation, decision-making procedure,

b) decisions (decrees, resolutions),

c) the municipal decisions passed by committees, local self-government subdivisions, the mayor, the Lord Mayor, the chairman of the county assembly or associations of local self-governments are in compliance with legal regulations.

(4) With the exception set out under Subsection (5), the legal oversight competence of the administrative authority shall not extend to those resolutions of the local self-government - or those adopted by its organs - on the basis of which

a) a labor dispute, or a dispute arising from the public service legal relationship,

b) court or state administration proceedings as stipulated in specific other legislation may take place.

(5) The legal oversight competence of the administrative authority shall also apply to the resolutions referred to in Subsection (4) within the sphere outlined in Paragraph a) of Subsection (3), and in the case of Paragraph a) of Subsection (4) if such resolutions constitute an infringement for the benefit of employees.

### *Section 99.*

(1) Within his legal oversight authority, the administrative authority shall call upon the party concerned to eliminate the infringement within the specified deadline. The concerned party shall investigate the facts

referred to in the above notice and shall, within the deadline, inform the administrative authority of the measures taken on the basis thereof or of his disagreement.

- (2) If no measure is taken within the specified deadline, the administrative authority may
- a) request the Constitutional Court to review and annul the unlawful local self-government decree;
  - b) lodge a request for the court review of the unlawful resolution;
  - c) request the convening of the council for the elimination of the infringement and, furthermore, request that the responsibility of the officer of the council be established.

(3) Legal proceedings for the elimination of the infringement may, within thirty days following the specified deadline, be instituted against a local self-government or against the mayor. Starting the action shall have no effect on the implementation of the decision; however, suspension of execution may be requested in court. If execution of the unlawful decision would cause serious prejudice to public interests or result in insurmountable damage, the court must be requested to suspend its execution, and the concerned party must be notified.

#### *Section 100.*

The Government is hereby authorized to decree the detailed regulations for the operation of administrative authorities.

### **Right to Petition**

#### *Section 101.*

(1) In any matter concerning self-government rights or concerning the powers and responsibilities of the local self-government, the council may turn to the head of the competent state agency, directly or through its interest representation organization, and

- a) request information, data, and the interpretation of technical and legal issues (hereinafter referred to collectively as "disclosure of information");
- b) submit proposals and initiate measures;
- c) voice its opinion regarding the operation of the body it controls, as well as on legal provision, legal instrument and other decisions, issued by it or may raise objections thereto, and may initiate its amendment or repeal.

(2) The agency contacted shall be required to respond to the petition within thirty days.

(3) If the agency contacted is not competent to supply the information, reply or take any measures, it shall forward the petition within three days to the proper agency and simultaneously inform the petitioning local self-government.

### **Interest Representation of Local Self-Governments**

#### *Section 102.*

(1) Local self-governments may create interest representation organizations for the promotion of the collective representation, protection and enforcement of local self-government rights and interests and the improvement of the operation of self-governance facilities.

(2) National self-government interest representation organizations shall be consulted regarding the drafts of legal regulations and other state decisions concerning self-governments. The central decision-making body shall be informed of the opinion of the interest representation organizations.

## **Chapter X/A**

## **Minority local government**

*Section 102/A-F.*

*Section 102/E.*

The minority local government shall elect from among its members a volunteer chairman and a vice-chairman to assist in the chairman's work or substitute for him. The chairman shall represent the minority local government and may attend the meeting of the council of the local self-government in an advisory capacity.

*Section 102/F.*

(1) The minority local government is free to associate with another local government in order to attend to its duties more efficiently. The terms of association shall be laid down in an agreement.

(2) In the case of forming a joint body of minorities, the councils of the concerned neighboring local self-governments shall, having regard to the opinion of the joint body of minorities, and as agreed, determine which mayor's office shall assist in the administration of the joint body of minorities.

## **Chapter XI**

### **Closing Provisions**

*Section 103.*

(1) For the purposes of this Act:

a) the right of electing, appointing and commissioning senior officers, which falls within the competence of the council - with the exception of the election of the deputy-mayor, the Deputy Lord Mayor, the chairman and the vice-chairman of the county assembly - includes the right of dismissal and the right to revoke such commission;

b) other employer's rights shall be construed as all employer's rights other than appointment, managerial promotion, dismissal, revoking of managerial promotion, declaration of incompatibility, instituting disciplinary proceedings, and imposing disciplinary penalties;

c) the right to found institutions includes the right to terminate and reorganize institutions;

d) the employer's right mentioned in Paragraph b) of Subsection (2) of Section 36 includes the employer's right in respect of the administrative staff and manual laborers of the council office.

(2) For the purposes of Sections 33/A, 33/B and 33/C, "mayor" shall also be construed as deputy-mayor, chairman and vice-chairman of the county assembly, Lord Mayor and Deputy Lord-Mayor, with the exception that the mayor of a Budapest district may be a member of the Budapest City Council.

(3) The public administration offices are the legal successors of the Commissioner of the Republic and his office.

(4) The legal successors of the abolished local directorates and their organs are the local self-governments.

*Section 103/A.*

(1) Failing an agreement to the contrary, the unincorporated land of a section of the locality shall be determined - taking into account the preliminary agreement referred to in Subsection (4) of Section 56 - in proportion to the population of the incorporated areas.

(2) Failing an agreement to the contrary, the property of the inhabited territory shall be determined - taking into account the preliminary agreement referred to in Subsection (4) of Section 56 - in proportion to responsibilities and the population.

*Section 104.*

(1) The new council of the joint directorates of associated villages (hereinafter referred to as "joint directorate") existing at the time this Act enters into force shall decide by 30 November 1990

- a) whether it will maintain its institutions independently or jointly with another council;
- b) whether it will establish a district clerk's office (including the partner villages and the location of the office) or establish an autonomous office, and appoint a town clerk;
- c) whether it will form an associated council (including the partner villages and the location where it will be seated).

(2) The associate villages of a joint directorate shall agree on the division of the existing property, unless they form an associated council.

(3) The council of the seat of a joint directorate may not refuse the settlement becoming the seat of the district clerk's office.

*Section 105.*

If the parties concerned fail to come to an agreement, the administrative authority shall designate the villages under the jurisdiction of a district clerk. The council may appeal to the minister in charge of local governments against any appointment prejudicial to the interests of the population.

*Section 106.*

An institution founded by a joint directorate to serve several villages shall pass into the joint ownership of the villages concerned. If the joint institution can be divided among the villages, the councils concerned may agree as to the division, effective 31 December, 1990.

*Section 107.*

(1) Assets to be transferred from state ownership to the ownership of local self-governments include the following:

- a) the real estate, forests and waters that are specified by law and located within the administrative limits of the local self-government;
- b) state economic organizations founded and controlled by local directorates serving public utility purposes - including pharmaceutical centers located in Budapest and in the counties - as well as the assets of the state-owned factories and the state's share in the capital of the business association created from such organizations;
- c) building structures, pipelines and conduits, fixtures and equipment of public utilities serving the population within the incorporated limits of the locality, with the exception of those owned exclusively by the state;
- d) assets of educational, cultural, health care, social, sports and other institutions managed or owned by the local directorates;
- e) state-owned rental units managed by the local directorates or by their property management departments;
- f) public buildings and the lands on which they stand, with the exception of buildings serving central state functions;
- g) all funds, securities and other property of the local directorates.

(2) The state-owned real properties, forests and waters (other than designated nature preservation areas and historical buildings and monuments), funds and securities managed by the local directorates or their agencies and institutions shall be transferred on the strength of this Act to the proper local self-governments on the day this Act enters into force.

(3) The Government shall set up property transfer committees in Budapest and the counties to handle the transfer of lands, forests, other real properties and waters as designated in specific other legislation, as well as all nature preservation areas and historical buildings and monuments, public utility facilities, and the assets of the organizations mentioned in Paragraph b) of Subsection (1) to the proper self-government and for their division between self-governments and companies; these committees shall decide on the transfer of these things to the self-governments and on settling any encumbrances. The representatives of the national organizations responsible for the protection of the built and natural environments shall also participate in the property transfer committees.

(4) Until the conveyance of ownership, the assets specified in Subsection (3) may be transferred solely upon the consent of the property transfer committee or the competent authority of nationwide jurisdiction with respect to nature preservation areas and historical monuments.

(5) Land owned by the state that is located within the incorporated area of a locality on the day on which this Act is promulgated shall be transferred to the ownership of the self-government by the decision of the property transfer committee, with the exception of lands designated for exclusive state ownership.

(6) The public utility and communal companies serving several localities, their building structures, pipelines and conduits, facilities and equipment of the infrastructure situated between the localities as well as the public roads connecting these localities shall be transferred to the ownership of the county government or the joint ownership of the local self-governments of the localities concerned on the basis of the decision of the property transfer committee, unless the concerned local self-governments agree otherwise.

(7) Local self-governments may present their property claims to the property transfer committee by 31 March 1995, after which the property claims of self-governments can be enforced through court proceedings.

#### *Section 107/A.*

(1) The electric or gas public utility property due to the local self-governments pursuant to Paragraph c) of Subsection (1) of Section 107 shall comprise part of the assets of the business association operating the public utilities.

(2) On the share of property due to the concerned local self-governments

a) in case of electricity utilities 25% of the state-owned property share of the operator business association,

b)

shall be provided under the strength of this Act in the form of shares to the self-governments of the localities served by the said utility.

(3) The shares due to the local self-governments under specific other legislation shall be included in the property share in accordance with Paragraph b) of Subsection (2).

(4) The property share defined in Paragraph a) of Subsection (2) shall be conveyed in the capital to the Budapest city government, to other local self-governments in proportion to their population as on 1 January 1995.

(5)

(6) The property share defined in Paragraph b) of Subsection (2) and in Subsection (4) may not be less than the business share due to the local self-government on the basis of specific other legislation.

#### *Section 108.*

The councils of localities that are township directorates at the time this Act enters into force as well as those with populations of at least five thousand may use the title "township".

*Section 109.*

Act I of 1981 on the General Rules of State Administrative Procedures shall apply to procedures instituted in official self-government matters with due regard to the exceptions set out in this Act.

*Section 110.*

For the purposes of Subsection (2) of Section 14 and Section 26 of this Act "relative" shall mean lineal relatives and their spouses, brothers, sisters, spouses and domestic partners.

(2)

*Section 111.*

The provisions of Chapter XX of Act III of 1952 on the Code of Civil Procedures shall apply in lawsuits filed on the basis of this Act (with the exception of Section 33/B).

*Section 112.*

In every village, the guaranteed supply of safe drinking water prescribed under Subsection (4) of Section 8 of this Act shall be provided for by the end of the term of the local self-government council elected in 1990.

*Section 113.*

This Act shall enter into force on the day of the 1990 election of the members of local self-government councils.

*Section 114.*

By request of the Government, the Constitutional Court shall voice its opinion on the unconstitutionality of the operation of local councils.

*Section 115.*

(1)

(2)

(3)

(4) The county development council referred to in Subsection (3) of Section 70 shall be set up in accordance with the provisions of the Regional Development Act, by 30 June 1995 at the latest.

(5) If the council of a local self-government refuses to undertake the responsibilities defined in Subsection (1) of Section 70, it shall notify the general assembly of the county government concerned of its decision thereon within six months of being elected. This decision shall remain valid for the term of the local self-government. Failing a provision of the law or of an agreement to the contrary, the date of the transfer of responsibilities is the first day of January of the year following the decision of the local self-government.

(6) Subsection (1) of Section 92/A shall enter into force on the 120th day following the promulgation of Act XLVIII of 1995 on the Amendments of Certain Acts Serving Economic Stabilization.

*Section 116.*

(1) The decree on the division of revenues between the Budapest city government and the district local governments shall be adopted only if supported by the majority of the district councils until the entry into force of the act on the normative methods for the distribution of resources.

(2) Under Subsection (1), the Budapest city government shall submit its draft version of the decree on the division of revenues to all district councils before 15 January of the year to which it pertains. The district councils shall have until 15 February of the year to convey their consent to the Budapest city government; any district council's failure to respond by this deadline shall be construed as its consent having granted.

(3) The Budapest city government shall subsequently recalculate and adjust the results of the division of resources for 2003 using the normative methods defined in specific other legislation following the date this act enters into force.

(4) The Budapest city government shall allocate funds in its 2003 budget to finance the adjustment referred to in Subsection (3).

(5) The normative methods contained in specific other legislation for the division of resources shall be first applied in the decree on the division of revenues between the Budapest city government and the district local governments in 2004.