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LOCAL FINANCE ACT

Wholly Amended by Act No. 7663, Aug. 4, 2005

Amended by Act No. 8050, Oct. 4, 2006

Act No. 8174, Jan. 3, 2007

Act No. 8423, May 11, 2007

Act No. 8852, Feb. 29, 2008

Act No. 9926, Jan. 1, 2010

Act No. 10219, Mar. 31, 2010

Act No. 10221, Mar. 31, 2010

Act No. 10303, May 17, 2010

Act No. 10439, Mar. 8, 2011

Act No. 10898, Jul. 25, 2011

Act No. 10991, Aug. 4, 2011

Act No. 11690, Mar. 23, 2013

Act No. 11900, Jul. 16, 2013

Act No. 12687, May 28, 2014

Act No. 13283, May 13, 2015

Act No. 13638, Dec. 29, 2015

Act No. 14111, Mar. 29, 2016

Act No. 14113, Mar. 29, 2016

Act No. 14197, May 29, 2016

Act No. 14198, May 29, 2016

Act No. 14476, Dec. 27, 2016

Act No. 14619, Mar. 21, 2017

CHAPTER I GENERAL PROVISIONS

Article 1 (Purpose)

The purpose of this Act is to prescribe basic principles for the finance of local governments in order to ensure the sound and transparent operation and autonomy of local finance. <Amended by Act No. 14197, May 29, 2016>

Article 2 (Definitions)

The terms used in this Act shall be defined as follows:

1. The term "local government finance" means the revenue and expenditure activities of local governments and all activities for managing and appropriating assets and liabilities of local governments;
2. The term "revenue" means all incomes during a fiscal year;
3. The term "expenditure" means all disbursement during a fiscal year;
4. The term "claim" means the right of local governments for the purpose of paying money;
5. The term "debt obligation" means the obligation of local governments for the purpose of paying money.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 3 (Basic Principles for Operating Local Government Finance)

- (1) Local governments shall operate their finance in a sound and efficient manner in order to promote residents' welfare, and shall not make such financial operation violate

national policies or exert unreasonable influence on the finance of the State or other local governments.

(2) Local governments shall evaluate the effects of a budget on females and males, and endeavor to reflect the findings therefrom in the budgets of local governments.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 4 (Research, Development, etc. of Local Government Finance Systems)

The Minister of the Interior shall research, develop and implement the following matters in order to achieve the purpose of this Act: <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>

1. Plans for harmonious development among local finance coordination systems and local taxation systems;
2. Techniques to compile and manage budgets reasonably and efficiently and to check the operating status of local government finance;
3. Plans to ensure the soundness of local government finance;
4. Plans to improve systems guaranteeing autonomy in the operation of local government finance;
5. Plans to develop and disseminate computerized data processing systems in order to increase efficiency and transparency in operating local government finance;
6. The State's plan to support local government finance effectively;
7. Plans for gender-sensitive management and analysis of local government finance, such as the gender-sensitive budget and settlement of accounts;
8. Other matters necessary to improve local government finance.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 5 (Performance-Oriented Operation of Local Government Finance)

- (1) The head of a local government shall establish a performance management system of financial activities.
- (2) The head of a local government shall prepare a budgetary performance plan and performance report, as prescribed by Ordinance of the Ministry of the Interior. <Amended by Act No. 12844, Nov. 19, 2014>
- (3) The head of a local government may evaluate main financial activities and reflect the outcomes thereof in the financial management, as prescribed by Presidential Decree.
- (4) Other matters necessary to manage performance-oriented local government finance shall be prescribed by Ordinance of the Ministry of the Interior. <Amended by Act No. 12844, Nov. 19, 2014>

[This Article Wholly Amended by Act No. 12687, May 28, 2014]

Article 6 (Fiscal Years)

- (1) The fiscal year of a local government shall begin on January 1 and end on December 31 of each year.
- (2) Deleted. <by Act No. 14197, May 29, 2016>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 7 (Principle of One-Year Budget)

- (1) Expenses for a fiscal year shall be covered with revenues for the relevant fiscal year.
- (2) and (3) Deleted. <by Act No. 12687, May 28, 2014>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 8 Deleted. <by Act No. 14197, May 29, 2016>

Article 9 (Classification of Accounts)

- (1) The accounts of local governments shall be classified into a general account and a special account.
- (2) A special account may be opened pursuant to Acts or municipal ordinances only if a local government manages a local government-directly operated enterprise under the Local Public Enterprises Act, or performs a specific project or it is necessary to keep the accounting of specific funds, revenues or expenditures separate from that of general revenues and expenditures: Provided, That revenues and expenditures based on earmarked taxes shall be operated by establishing the special accounts except as otherwise expressly provided for in other Acts. <Amended by Act No. 12687, May 28, 2014>
- (3) Where a local government intends to establish special accounts, it shall specify the period of existence of special accounts within five years in the relevant local ordinance: Provided, That the foregoing shall not apply to special accounts established and operated mandatorily pursuant to Acts. <Newly Inserted by Act No. 12687, May 28, 2014>
- (4) Where the head of a local government intends to establish special accounts or extend the period of the existence thereof, he/she shall undergo deliberation by the local government finance plan deliberative committee under Article 33 (9) before he/she preannounces the legislation of the relevant local ordinance: Provided, That the foregoing shall not apply to special accounts established and operated mandatorily pursuant to Acts. <Newly Inserted by Act No. 12687, May 28, 2014>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 10 (Application of Matters concerning Education, Science, Physical Education, etc.)
With respect to matters concerning education, science and physical education provided for in this Act (excluding Article 59) or the special account for educational expenses, "head of a local government" or "Mayor/Do Governor" shall be construed as "superintendent of education", the "Minister of the Interior" as the "Minister of Education", the "Ministry of the Interior" as the "Ministry of Education" and "local government finance" as "local education finance", "Ordinance of the Ministry of the Interior" as "Ordinance of the Ministry of Education", respectively. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 11 (Issuance of Local Government Bonds)

- (1) Where necessary to raise funds for the following purposes, the head of a local government may issue local government bonds: Provided, That for subparagraphs 5 and 6, only a superintendent of education may issue those bonds: <Amended by Act No. 12687, May 28, 2014; Act No. 13283, May 13, 2015>
 1. Financial investment projects under his/her jurisdiction, such as the creation of public property, and making up for expenses directly incurred therein;
 2. Disaster prevention and recovery projects;
 3. Making up the unforeseen revenue deficit which has occurred due to a natural disaster;
 4. Conversion of local government bonds;

5. Making up the difference of subsidies under Article 9 (3) of the Local Education Subsidy Act;
 6. Making up for expenses additionally incurred in relation to voluntary retirement (referring to the voluntary retirement under Article 36 of the Educational Officials Act and Article 60-3 of the Private School Act; hereinafter the same shall apply) where the number of applicants for voluntary retirement exceeds 120/100 of an average number of the voluntary retirees in the immediately preceding three years.
- (2) The head of a local government that intends to issue local government bonds pursuant to paragraph (1), shall obtain a resolution from the local council within the limits of local government bonds prescribed by Presidential Decree, considering financial situation, scale of debt obligations, etc.: Provided, That where he/she issues foreign bonds, although within the limits of local government bonds, he/she shall obtain approval from the Minister of the Interior before obtaining a resolution from the local council. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>
 - (3) Notwithstanding paragraph (2), where the head of a local government has obtained approval from the Minister of the Interior, he/she may issue local government bonds in excess of the limits of the issuance of local government bonds under paragraph (2) within the approved limit following a resolution passed by the local council. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>
 - (4) Where it is necessary to raise funds for an investment project of the Association of local governments (hereinafter referred to as the "Association") under Article 159 of the Local Autonomy Act and urgent disaster recovery, or to lend money to a local government to support an investment project or disaster recovery project, the head of the Association may issue local government bonds. In such cases, the association shall obtain a resolution from local councils of member local governments within the limits approved by the Minister of the Interior. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>
 - (5) The association and member local governments shall be jointly liable for the repayment of the principal of, and interest on, local government bonds issued pursuant to paragraph (4).

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 11-2 (Restrictions on Issuance of Municipal Bonds)

No municipal bonds shall be issued unless the issuance thereof is in accordance with this Act and each of the following Acts: <Amended by Act No. 14111, Mar. 29, 2016; Act No. 14113, Mar. 29, 2016>

1. The Act on Assistance to the IAAF World Championships Daegu 2011, the 2013 World Rowing Championships Chungju, the 17th 2014 Incheon Asian Games, the 2014 Incheon Asian Para Games, and the 2015 Gwangju Summer Universiade;
2. The Act on Assistance to the 2015 Military World Games Korea;
3. The Special Act on Support for the 2018 PyeongChang Olympic and Paralympic Winter Games;
4. The Special Act on the Construction and Support of Innovation Cities Following Relocation of Public Agencies;

- 5.The International Athletic Games Support Act;
- 6.The National Land Planning and Utilization Act;
- 7.The Special Act on the Development of Enterprise Cities;
- 8.The Urban Railroad Act;
- 9.The Special Act on the Construction and Support of Cities for the purpose of Relocating Do Offices;
- 10.The Airport Facility Act;
- 11.The New Harbor Construction Promotion Act;
- 12.The Special Act on Support for Specialized Development of Fishing Villages;
- 13.The Act on Developing and Using Station Areas;
- 14.The Special Act on Projects for the Management of Disaster Risks and Relocation Measures;
- 15.The Special Act on the Establishment of Jeju Special Self-Governing Province and the Development of Free International City;
- 16.The Local Public Enterprises Act;
- 17.The Framework Act on the Management of Local Government Funds;
- 18.The Small and Medium Enterprises Promotion Act;
- 19.The Housing Site Development Promotion Act;
- 20.The Special Act on the Assistance to the Development of Abandoned Mine Areas;
- 21.The Act on Assistance to the 2010 Formula 1 Korean Grand Prix.

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 12 (Procedures for Issuing Local Government Bonds)

- (1)The issuance of local government bonds under Article 11, the repayment of the principal, the payment of interest, procedures for performing the clerical affairs involving securities, and agencies in charge of the clerical affairs therefor, shall be prescribed by Presidential Decree.
- (2)Articles 479, 484, 485 and 487 of the Commercial Act shall apply mutatis mutandis to local government bonds issued in the methods of issuing securities (hereinafter referred to as "local government debt securities") among the local government bonds under Article 11 (1) and (4). In such cases, the terms used in the Commercial Act, such as "bonds" shall be construed as "local government debt securities", "bondholder" as "local government bondholder" and "bond" as "security", and the terms referred to in Article 479 of the same Act, such as "registered bonds" shall be construed as "registered local government debt securities", "bond register" as "register of local government debt securities" and "companies" as "local government associations", respectively.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 13 (Assuming Guaranteed Obligations, etc.)

- (1)A person who intends to incur surety obligations guaranteed by a local government pursuant to Article 124 (3) of the Local Autonomy Act shall, beforehand, file an application with the head of the local government for guaranteeing the fulfillment of debt obligations by clearly stating the details of business, scope of debt obligations, etc. (hereinafter referred to as "principal debt obligations"), as prescribed by Presidential Decree.

- (2) Upon receipt an application for guaranty of the fulfillment of debt obligations filed under paragraph (1), when the head of a local government deems it necessary to guarantee the fulfillment of principal debt obligations, he/she shall obtain a resolution from the local council and notify the applicant in writing that the local government guarantees the fulfillment of the principal debt obligations, as prescribed by Presidential Decree.
- (3) If a creditor or debtor intends to change the details of business or guaranty he/she received, he/she shall obtain approval therefor from the head of the relevant local government. In such cases, where matters to be changed are related to the important term or condition of a contract, such as the scope of principal debt obligations, the head of the relevant local government shall, beforehand, obtain a resolution thereon from the local council.
- (4) The head of a local government shall report matters concerning the management of guaranteed obligations and the burden of obligation in addition to the budget under Article 39 (1) 8 of the Local Autonomy Act together with the accounts of revenues and expenditures to the local council each year. <Amended by Act No. 12687, May 28, 2014>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Articles 14 through 16 Deleted. <by Act No. 14197, May 29, 2016>

Article 17 (Restrictions on Donations or Subsidies)

- (1) Only where a donation, subsidy or the expenditure of public money falls under any of the following in relation to affairs under the jurisdiction of a local government or the local government makes a disbursement to a public institution, it may make donations, provide subsidies or make the expenditure of public money to individuals, corporations or organizations: Provided, That a disbursement under subparagraph 4 shall be limited to cases where grounds for disbursement to the relevant project are directly provided for in local ordinance: <Amended by Act No. 12687, May 28, 2014>
1. Where donations, subsidies or the expenditure of public money are provided for in Acts;
 2. Where donations are made, subsidies are provided or the expenditure of public money is made by government subsidies, designated by the State;
 3. Where purposes of donations have been designated;
 4. Where a project cannot be executed unless a subsidy is provided, which is deemed necessary for a project recommended by a local government.
- (2) The term "public institution" in the main sentence of paragraph (1) means any of the following institutions, which conducts business recommended by a local government in connection with affairs under the jurisdiction of the relevant local government: <Amended by Act No. 12687, May 28, 2014>
1. An institution, the purpose and establishment of which are prescribed in local ordinance pursuant to Acts and subordinate statutes or according to grounds prescribed by Acts and subordinate statutes;
 2. A public corporation, the members of which are local governments.
- (3) Deleted. <by Act No. 11900, Jul. 16, 2013>
- [This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]
- Article 17-2 Deleted. <by Act No. 12687, May 28, 2014>

Article 18 (Restrictions on Investment or Funding)

- (1) A local government may make investments only where grounds for investment are provided for in Acts and subordinate statutes. <Amended by Act No. 12687, May 28, 2014>
- (2) A local government may provide funding only where grounds for funding are provided for in Acts and subordinate statutes or only where grounds for funding to a public institution under Article 17 (2) are provided for in local ordinance. <Newly Inserted by Act No. 12687, May 28, 2014>
- (3) If a local government intends to make an investment or provide funding pursuant to paragraph (1), it shall, beforehand, obtain a resolution thereon from the local council. <Amended by Act No. 12687, May 28, 2014>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 19 (Advice on Operation of Local Government Finance)

- (1) Where necessary for efficiently operating local government finance, the Minister of the Interior may establish advisory councils for each field. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>
- (2) The composition and operation of the advisory councils referred to in paragraph (1) and other necessary matters shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

CHAPTER II ASSUMPTION OF EXPENSES

Article 20 (Expenses concerning Autonomous Clerical Affairs)

Expenses incurred in autonomous clerical affairs for the jurisdiction of a local government shall be fully assumed by the local government.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 21 (Liability Amount and Grant)

- (1) Where clerical affairs must be performed by a local government or its agencies pursuant to Acts and subordinate statutes, and the State and the relevant local government has interest in the clerical affairs each other, the State shall fully or partially assume such expenses that must be assumed by the State in order to perform the clerical affairs smoothly.
- (2) Where the State commissions to any local government or any of its agencies the clerical affairs that must be performed by the State, the State shall pay to the local government all expenses incurred in performing such clerical affairs.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 22 (Apportionment Rates, etc. of Expenses)

- (1) Pursuant to Article 21 (1), the expense items and the apportionment rate of expenses to be assumed by local governments among expenses to be assumed by the State and local governments shall be prescribed by Presidential Decree.
- (2) The heads of local governments shall preferentially earmark for other business the expenses assumed by them pursuant to paragraph (1) in their budgets for the relevant fiscal year.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 23 (Provision of Subsidies)

- (1) If deemed necessary for national policies or if deemed especially necessary in view of the financial situation of local governments, the State may provide subsidies to local

governments within budgetary limits.

(2) Where a Special Metropolitan City, a Metropolitan City, a Special Self-Governing City, a Do or a Special Self-Governing Province (hereinafter referred to as "City/Do") deems it necessary for policies or specifically necessary for financial conditions of Sis/Guns/autonomous Gus, a City/Do may provide subsidies to Sis/Guns/autonomous Gus within the budgetary limits. <Amended by Act No. 12687, May 28, 2014>

(3) Where subsidies are provided to local governments pursuant to paragraphs (1) and (2), the State and Cities/Dos shall not instruct local governments to assume financial burdens, except in cases prescribed by Acts, subordinate statutes and municipal ordinances prescribe or in inevitable cases for national policies.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 24 (Filing Applications, etc. for Government Subsidies)

Where the head of a local government files an application for appropriation of subsidies in the budget with the head of a central government agency (referring to a central government agency prescribed in Article 6 (2) of the Local Finance Act) pursuant to the Subsidy Management Act, he/she shall report the details thereof to the Minister of the Interior by April 30 of the year preceding the relevant fiscal year. In such cases, the head of a Si/Gun/autonomous Gu shall report the details thereof to the Minister of the Interior via the competent Special Metropolitan City Mayor, Metropolitan City Mayor, Special Self-Governing City Mayor, Do Governor or Special Self-Governing Province Governor (hereinafter referred to as the "Mayor/Do Governor"). <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014; Act No. 13283, May 13, 2015>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 25 (Bills Accompanied by Burdens on Local Governments)

Where the head of a central government agency intends to enact or amend an Act or subordinate statute concerning affairs under his/her jurisdiction, accompanied by expense burden on local governments, he/she shall, beforehand, hear the opinions of the Minister of the Interior. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 26 (Expenses Accompanied by Burdens on Local Governments)

With respect to matters accompanied by a burden on local governments among revenues and expenditures under the jurisdiction of the head of a central government agency and a request for acts burdening the National Treasury with debt obligations, the head of the central government agency shall consult with the Minister of the Interior before submitting documents referred to in Article 31 of the National Finance Act or detailed statements referred to in Article 51 (2) of the same Act to the Minister of Strategy and Finance. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 27 (National Subsidies Accompanied by Burden on Local Governments)

Where the head of a central government agency decides to provide a local government with subsidies, etc. from expenditure budget under his/her jurisdiction accompanied by a

burden on such local government and notify such local government thereof, he/she shall, immediately, notify the Minister of Strategy and Finance and the Minister of the Interior thereof: Provided, That where the head of a central administrative agency did not have consultation under Article 26 with the Minister of the Interior with regard to making a decision on providing a local government with subsidies, etc., he/she shall, beforehand, consult with the Minister of the Interior before notifying such decision. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 27-2 (Committee for Deliberation on Local Finance Obligations)

(1) A Committee for Deliberation on Local Financial Obligations (hereinafter referred to as "Committee") shall be established under the jurisdiction of the Prime Minister in order to deliberate on important matters among burdens on local finance prescribed in the following: <Amended by Act No. 11690, Mar. 23, 2013; Act No. 11900, Jul. 16, 2013; Act No. 12844, Nov. 19, 2014>

1. Matters concerning major expenses accompanied by burdens on local governments;
- 1- Important matters that become a burden on local finance among the adjustment of
2. items of taxation between the State and a local government;
2. Matters concerning adjustments to the apportionment rate of financial burdens of a project subsidized by the National Treasury among the State and local governments, or among Cities/Dos and Sis/Gun/Gus;
3. Matters submitted for discussion by the Prime Minister at the request of the Minister of the Interior among draft Acts, subordinate statutes or policies concerning the apportionment of financial burdens on local governments;
4. Matters submitted for discussion by the Prime Minister at the request of the Minister of the Interior among matters concerning the enactment and amendment of Acts and subordinate statutes relating to local tax having significant influences on local tax incomes, such as exceptions to local taxation and adjustment of tax rates;
5. Other matters concerning the apportionment of financial burdens, which are submitted for discussion by the Prime Minister at the request of the Minister of the Interior.

(2) The Committee shall be comprised of no more than fifteen members, including the Chairperson and Vice Chairpersons. <Amended by Act No. 11900, Jul. 16, 2013>

(3) The Prime Minister shall be the Chairperson of the Committee, and the Minister of the Interior and a non-governmental member shall be the Vice Chairpersons. The Vice Chairperson who is a non-governmental member shall be elected by the Committee from among its members. <Newly Inserted by Act No. 11900, Jul. 16, 2013; Act No. 12844, Nov. 19, 2014>

(4) The following persons shall be members of the Committee: <Newly Inserted by Act No. 11900, Jul. 16, 2013; Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014; Act No. 14691, Mar. 21, 2017>

1. The Minister of Strategy and Finance and the heads of related central government agencies prescribed by Presidential Decree;
2. One person recommended respectively by the National Conference of the Mayors and Do Governors, the National Conference of the Heads of Sis/Guns/Gus, the National Conference of the Chairpersons of City/Do Councils, and the National Conference of the

- Chairpersons of Si/Gun/Gu Councils. In such case, the National Conference of the Mayors and Do Governors, and the National Conference of the Heads of Sis/Guns/Gus shall recommend one person out of the heads of local governments which belong to the relevant National Conference;
3. Other persons commissioned by the Prime Minister at the request of the Minister of the Interior, who have scholarship and expert knowledge of local finance.
- (5) Meetings of the Committee shall be held at least once a year and convened by the Chairperson: Provided, That meetings may be held additionally in the following cases:
<Newly Inserted by Act No. 11900, Jul. 16, 2013>
1. Where the Chairperson deems it necessary to hold a meeting;
 2. Where the Conference of Local Governments requests the Chairperson to convene a meeting.
- (6) The Minister of the Interior shall immediately notify the head of each central government agency and the head of each local government, of matters resolved by the Committee; and the head of each central government agency and the head of each local government shall reflect such matters when he/she conducts his/her business: Provided, That, where the head of a central government agency or the head of a local government fails to reflect the resolved matters for unavoidable reasons, he/she shall notify the Minister of the Interior of the details of such reasons, and the Minister of the Interior shall report the details thereof to the Committee. <Newly Inserted by Act No. 13638, Dec. 29, 2015>
- (7) A working committee shall be established in the Committee to efficiently operate the Committee and professionally examine matters to be discussed by the Committee, and the Vice Minister of the Interior shall serve as the chairperson of the working committee. <Newly Inserted by Act No. 11900, Jul. 16, 2013; Act No. 12844, Nov. 19, 2014; Act No. 13638, Dec. 29, 2015>
- (8) Other matters necessary for the composition and operation of the Committee and the working committee shall be prescribed by Presidential Decree. <Amended by Act No. 11900, Jul. 16, 2013; Act No. 13638, Dec. 29, 2015>

[This Article Newly Inserted by Act No. 10991, Aug. 4, 2011]

Article 27-3 (Budget Compilation for Projects Subsidized by National Treasury)

- (1) Where a project subsidized by the National Treasury is accompanied by financial burdens on a local government, the budget of such local government shall be compiled pursuant to the plan for the subsidized project on which the head of the central government agency and the Minister of the Interior have consulted pursuant to Article 7 of the Subsidy Management Act. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>
- (2) The Minister of the Interior shall notify the heads of Ministries and local governments of the plan for the subsidized project under paragraph (1) by no later than October 15th of the year preceding the relevant fiscal year. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>

[This Article Newly Inserted by Act No. 10991, Aug. 4, 2011]

Article 27-4 (Administration of Government Subsidies)

- (1) The head of each central government agency shall notify the Minister of the Interior of

the results of government subsidies granted to local governments and the results of government subsidies used by the relevant local governments by the deadline prescribed by Presidential Decree. <Amended by Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>

- (2)The Minister of the Interior shall officially announce the results notified pursuant to paragraph (1), and necessary matters concerning methods, details, etc. of an official announcement shall be prescribed by Presidential Decree. <Amended by Act No. 12844, Nov. 19, 2014>
- (3)The head of each central government agency shall submit the results of inspection of subsidized projects executed by local governments among the results of inspection of the conditions of the execution of subsidized projects under Article 25 of the Subsidy Management Act to the Minister of the Interior by the end of March of the following year. <Newly Inserted by Act No. 13638, Dec. 29, 2015>
- (4)The Minister of the Interior shall consolidate the results submitted pursuant to paragraph (3) and disclose the consolidated results. <Newly Inserted by Act No. 13638, Dec. 29, 2015>

[This Article Newly Inserted by Act No. 11900, Jul. 16, 2013]

Article 27-5 (History Management of Government-Subsidized Projects)

- (1)The Minister of the Interior shall examine the applications for, and the status of executing Government-subsidized projects by local governments and manage the history thereof for each project. <Amended by Act No. 12844, Nov. 19, 2014>
- (2)Where the head of a local government or the head of a central government agency files reports or gives notification to the Minister of the Interior pursuant to Articles 24 and 27-4 hereof and Article 12 (2) of the Subsidy Management Act, he/she shall do so through an information system established under Article 96-2 (1) according to a classification system prescribed by the Minister of the Interior for the efficient management of Government-subsidized projects executed by local governments. <Amended by Act No. 12844, Nov. 19, 2014>
- (3)The Minister of the Interior shall establish an information sharing system between related information systems for the effective management of Government-subsidized projects executed by local governments. <Amended by Act No. 12844, Nov. 19, 2014>

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 27-6 (Assessment of Impacts on Local Government Finance)

- (1)Where the head of a local government intends to make a bid or file an application for a domestic or international sports competition, festival, event, public contest, etc., he/she shall assess the impact on finance of the relevant local government beforehand, and undergo screening by a local financial investment screening committee under Article 37-2 based on the result of such assessment. In such cases, matters subject to assessment shall be prescribed by Presidential Decree, giving due consideration to the kind of the local government provided for in Article 2 of the Local Autonomy Act, a type and nature of a project, the size of financial burden, etc.
- (2)Where the head of a central government agency hears opinions pursuant to Article 25 or holds consultations pursuant to Article 26, he/she shall submit the result of the assessment of the impact on local government finance (hereafter in paragraph (3)

referred to as "written assessment of the impact on local government finance") on matters accompanied by large-scale burden on local government finance to the Minister of the Interior, as prescribed by Presidential Decree. In such cases, matters subject to assessment shall be prescribed by Presidential Decree, giving due consideration to the required period of burden on local government finance, the required amount, etc. <Amended by Act No. 12844, Nov. 19, 2014>

(3)The head of a central government agency shall submit a written assessment of the impact on local government finance under paragraph (2) to the Minister of Strategy and Finance at the following timing: <Amended by Act No. 12844, Nov. 19, 2014>

1. Where he/she hears the opinion of the Minister of the Interior pursuant to Article 25, at the time he/she submits a written assessment of the impact on local government finance to the Minister of the Interior;
2. Where he/she holds consultations with the Minister of the Interior pursuant to Article 26, at the time he/she submits documents or detailed statements under the aforesaid Article to the Minister of Strategy and Finance.

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 27-7 (Conducting Affairs Following Transfer of Government-Subsidizing Affairs to Local Governments)

Where Government-subsidizing affairs have been transferred to local governments, the head of a central government agency shall not take measures which impair self-control over the financial management of local governments with regard to conducting the relevant affairs or have an unreasonable influence on local government finance.

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 27-8 (Management, etc. of Execution of Government-Subsidized Projects)

- (1)The Minister of the Interior may request the heads of local governments and related central government agencies to submit data on government-subsidized projects executed by local governments. In such cases, agencies in receipt of such request shall comply therewith.
- (2)The Minister of the Interior and the heads of related central government agencies may examine and inspect the conditions of implementation of government-subsidized projects executed by local governments, if deemed necessary for the efficient management of the government-subsidized projects.

[This Article Newly Inserted by Act No. 13638, Dec. 29, 2015]

Article 28 (Assuming Expenses Accompanying Clerical Affairs Entrusted by Cities/Dos)

If a City/Do or Mayor/Do Governor entrusts Sis/Guns/autonomous Gus or the heads of Sis/Guns/autonomous Gus with the performance of its or his/her clerical affairs, the City/Do shall assume expenses incurred in performing such affairs.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 28-2 (Restrictions, etc. on Local Tax Reductions and Exemptions)

- (1)The Minister of the Interior shall endeavor to keep the percentage of the aggregate of collected local tax at the closing of accounts for the year prescribed by Presidential Decree and the amount of local tax exemptions or reductions occupied by the amount of reduced and local tax exemptions or reductions below the percentage prescribed by Presidential Decree. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>

(2)Where the head of a central government agency requests new local tax reduction and exemption, under his/her jurisdictional affairs, he/she shall submit a proposal for local tax reduction and exemption under Article 181 (2) of the Restriction of Special Local Taxation Act, including any of the following matters, as a measure to supplement the reduced or exempted amount to the Minister of the Interior: <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014; Act No. 13638, Dec. 29, 2015>

- 1.Decreasing or abolishing the existing local tax reduction and exemption;
- 2.Increasing the share of financial burden to be borne by the National Treasury for projects subsidized by the National Treasury;
- 3.Matters necessary for the conservation of local government finance, such as budget support to local governments.

[This Article Newly Inserted by Act No. 10991, Aug. 4, 2011]

Article 29 (Grants-in-Aid for Adjustment among Sis/Guns)

(1)The Mayor/D^o Governor (excluding the Mayor of a Special Metropolitan City; hereinafter the same shall apply in this Article) shall secure an amount equivalent to 27 percent (47 percent in cases of a Si with a population of at least 500,000 and a Si in which a Gun, other than an autonomous Gu, is established) of the following amounts as funds for grants-in-aid for adjustment of the disparities in fiscal capacity among Sis/Guns under his/her jurisdiction: <Amended by Act No. 12687, May 28, 2014>

- 1.The total amount of the Metropolitan City tax and the D^o tax (excluding local resource and facility tax on thermal power generation and nuclear power generation, local resource and facility tax on specific real estate, and local education tax), which are collected by a Si/Gun;
- 2.The amount calculated by dividing the amount of local consumption tax of a relevant Si/D^o (excluding a Metropolitan City; hereafter the same shall apply in this Article) by the population of a relevant Si/D^o at the end of the preceding year, and then multiplying by the population of a Si/Gun at the end of the preceding year.

(2)The Mayor/D^o Governor shall allocate funds for grants-in-aid for adjustment under paragraph (1) to Sis/Guns located in the jurisdiction of the relevant Si/D^o according to population, the collection record (excluding local consumption tax), the financial situation of the relevant Si/Gun and other standards prescribed by Presidential Decree. <Amended by Act No. 12687, May 28, 2014>

(3)The Mayor/D^o Governor shall distribute the amount (referring to an amount subtracting such subsidies, if the collection subsidies under Article 17 (2) of the Local Tax Collection Act are granted) equivalent to 65 percent of the local resource and facility tax on thermal power generation and nuclear power generation to a Si/Gun where a thermal power plant or nuclear power plant is located. <Amended by Act No. 14476, Dec. 27, 2016>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 29-2 (Grants-in Aid for Adjustment among Autonomous Gus)

The Mayor of a Special Metropolitan City and the Mayor of a Metropolitan City shall secure a certain amount of normal tax revenue prescribed by Presidential Decree as grants-in-aid for adjustment and adjust the disparities in fiscal capacity among

autonomous Gus within the jurisdiction of the relevant local government, as prescribed by City Ordinance.

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 29-3 (Kinds and Purposes of Grants-in-Aid for Adjustment)

Grants-in-aid under Articles 29 and 29-2 shall be managed by dividing them into general grants-in-aid to meet general fiscal demands and special grants-in-aid to meet specific fiscal demands, and no special grant-in-aid shall be used as funds provided to the private sector for a subsidized project. <Amended by Act No. 13638, Dec. 29, 2015>

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 29-4 (Disclosure of Particular Details of Grants-in-Aid for Adjustment)

Each Mayor/Do Governor (excluding the Special Self-Governing City Mayor and the Special Self-Governing Province Governor) shall disclose the particular details of general grants-in-aid for adjustment calculated pursuant to Articles 29 and 29-2, on the homepage, etc. of the relevant City/Do (excluding the Special Self-Governing City and the Special Self-Governing Province) each year.

[This Article Newly Inserted by Act No. 13638, Dec. 29, 2015]

Article 30 Deleted. <by Act No. 12687, May 28, 2014>

Article 31 (Service Charges for State-Owned Public Facilities)

(1)With respect to State-owned public facilities managed by local governments or the heads of local governments and expenses incurred in managing them are borne by the local governments, the relevant local governments or the heads of the relevant local governments may collect service charges for using the State-owned public facilities, as prescribed by municipal ordinances or municipal rules, unless otherwise expressly provide for in other Acts and subordinate statutes.

(2)Service charges collected pursuant to paragraph (1) shall be the revenues of the relevant local governments.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 32 (Devolvement of Incomes, such as Administrative Fines Following Delegation of Clerical Affairs)

Where a local government imposes and collects an administrative fine or a penalty surcharge with regard to the clerical affairs delegated by the State or another local government, as prescribed by statutes, such incomes shall be the incomes of the local government delegated to perform such clerical affairs: Provided, That this shall not apply where other statutes prescribe otherwise or administrative fines are imposed and collected, as prescribed by the Non-Contentious Case Procedure Act.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

CHAPTER II-2 MANAGEMENT OF LOCAL SUBSIDIES

Article 32-2 (Compilation of Budget for Local Subsidies, etc.)

(1)An amount at an appropriate level shall be appropriated for local subsidies (referring to subsidies under Articles 17 (1) and 23 (2)) according to the nature of the relevant local government-subsidized project (referring to affairs or a project to which subsidies are disbursed or provided pursuant to Articles 17 (1) and 23 (2); hereinafter the same shall apply), the ability of a local government-subsidized project operator (referring to a person who executes a local government-subsidized project; hereinafter the same shall apply) to bear expenses. etc.

- (2) No local subsidy shall be provided (including disbursements under Article 17 (1); hereinafter the same shall apply) as operating expenses except cases where explicit grounds are provided for in statutes.
- (3) Where the head of a local government falls under any of the following, he/she shall undergo deliberation by a local subsidy deliberative committee under Article 32-3 beforehand:
1. Where he/she compiles a budget for local subsidies;
 2. Where he/she submits a draft municipal ordinance related to local subsidies to the local council;
 3. Where he/she submits his/her opinion on a draft municipal ordinance related to local subsidies to the local council pursuant to Article 132 of the Local Autonomy Act;
 4. Where he/she determines matters concerning the sharing of funding burdens between local subsidies and a local government-subsidized project operator in relation to a local government-subsidized project;
 5. Where he/she makes a decision on whether to maintain a local government-subsidized project under Article 32-7.
- (4) Local subsidies shall be provided to applicants based on procedures for application following deliberation by a local subsidy deliberative committee under Article 32-3: Provided, That the foregoing shall not apply to any of the following cases:
1. Where methods for selection of persons eligible for subsidies are differently provided for in statutes or local municipal ordinance under explicit delegation of statutes;
 2. Where a project is a Government-subsidized project and persons eligible for subsidies have been designated;
 3. Where purposes of donations have been designated;
 4. Where a project has been reflected in a budget at the request of a person who intends to execute a local government-subsidized project and the purpose of the relevant local government-subsidized project is deemed unachievable unless such applicant executes the project.
- (5) The head of a local government shall manage the history of subsidization, etc. systematically so that no local subsidy may be provided duplicate or to an ineligible person.
- (6) Other matters necessary for the compilation of a budget for local subsidies, application for the provision of local subsidies and determination of the provision thereof shall be prescribed by Municipal Ordinance of the relevant local government.

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 32-3 (Local Subsidy Deliberative Committee)

- (1) In order to professionally deliberate on matters concerning local subsidies, a local subsidy deliberative committee shall be established under the control of the head of the relevant local government.
- (2) A local subsidy deliberative committee under paragraph (1) shall be comprised of not more than 15 members including one chairperson, and gender shall be considered.
- (3) Nongovernmental members (including teachers of national and public schools under Higher Education Act) and public officials (referring to public officials in general service under Article 2 (2) 1 of the Local Public Officials Act) shall be appointed or

commissioned as members under paragraph (2), and members who are public officials shall not be more than a quarter of the total members.

- (4)The chairperson shall be elected by the local subsidy deliberative committee from among its nongovernmental members.
- (5)The terms of office of nongovernmental members shall be prescribed by local ordinance within three years, and they may be reappointed or recommissioned only once.
- (6)In addition to matters provided for in paragraphs (1) through (5), matters necessary for the organization and operation of a local subsidy deliberative committee shall be prescribed by local ordinance.

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 32-4 (Prohibition against Use, etc. of Local Subsidies other than Original Purposes)

- (1)A local government-subsidized project operator shall execute a local government-subsidized project conscientiously with his/her fiduciary duty according to the disposition of the head of a local government depending on details of the determination of providing local subsidies or under Acts and subordinate statutes, and shall not use the relevant local subsidies for other purposes.
- (2)Where a local government-subsidized project operator intends to change the details of a local government-subsidized project or the allocation of expenses incurred in conducting the local government-subsidized project due to changes in circumstances, he/she shall obtain approval from the head of a local government: Provided, That the foregoing shall not apply to changes in insignificant matters or the allocation of insignificant expenses prescribed by the head of the local government.
- (3)Where a local government-subsidized project operator intends to transfer a local government-subsidized project to another project operator, or discontinue or relinquish such local government-subsidized project due to changes in circumstances, he/she shall obtain approval from the head of a local government beforehand.

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 32-5 (Examination, etc. of Conditions of Local Government-Subsidized Projects Being Executed)

- (1)A local government-subsidized project operator shall report the conditions of a local government-subsidized project he/she executes to the head of a local government, as prescribed by the head of the local government.
- (2)Where necessary to understand the conditions of a local government-subsidized project being executed, the head of a local government may conduct an on-site inspection.
- (3)Where a local government-subsidized project operator fails to execute a local government-subsidized project pursuant to Acts and subordinate statutes and according to the disposition of the head of a local government depending on details of the determination of providing local subsidies or under Acts and subordinate statutes, the head of a local government may give necessary orders to a local government-subsidized project operator.
- (4)Where a local government-subsidized project operator violates orders under paragraph (3), the head of a local government may order him/her to temporarily suspend the execution of such local government-subsidized project.

- (5) A local government-subsidized project operator shall keep data related to the execution of a local government-subsidized project for a period prescribed by Presidential Decree within five years. <Newly Inserted by Act No. 13638, Dec. 29, 2015>
- (6) The scope of data to be kept pursuant to paragraph (5) and other necessary matters shall be prescribed by Presidential Decree. <Newly Inserted by Act No. 13638, Dec. 29, 2015>

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 32-6 (Performance Reports and Settlement of Accounts of Local Government-Subsidized Projects)

(1) Where a local government-subsidized project operator falls under any of the following, he/she shall submit a performance report of a local government-subsidized project he/she has executed to the head of a local government by a deadline prescribed by Presidential. In such cases, a performance report shall be accompanied by a statement specifying expenses incurred in conducting such local government-subsidized project provided by each financial resource and documents prescribed by the head of the local government:

1. Where he/she completes the local government-subsidized project;
2. Where he/she obtains approval for the discontinuance of the local government-subsidized project from the head of the local government;
3. Where the fiscal year ends.

(2) The head of a local government shall examine whether a local government-subsidized project complies with Acts and subordinate statutes and the disposition of the head of the local government depending on details of the determination of providing local subsidies or under Acts and subordinate statutes based on a performance report. In such cases, if necessary, the head of the local government may conduct an on-site inspection.

(3) Where the head of a local government deems a local government-subsidized project appropriate as a result of an examination under paragraph (2), he/she shall determine the amount of local subsidies and notify the relevant local government-subsidized project operator of the amount of local subsidies, and where he/she deems a local government-subsidized project inappropriate, he/she may order the relevant local government-subsidized project operator to take measures, such as corrections.

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 32-7 (Evaluation of Management of Local Government-Subsidized Projects)

- (1) The head of a local government shall conduct performance evaluation of local government-subsidized projects and reflect the results of such evaluation in the compilation of a budget unless justifiable grounds exist: Provided, That the foregoing may not apply to Government-subsidized projects.
- (2) The head of a local government shall evaluate the necessity of maintaining local government-subsidized projects being executed continuously every three years and take necessary measures as a result of the evaluation thereof following deliberation by a local subsidy deliberative committee.

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 32-8 (Revocation, etc. of Determination on Providing Local Subsidies due to Violation, etc. of Statutes)

- (1) Where a local government-subsidized project operator falls under any of the following, the head of a local government may revoke all or part of the determination on providing local subsidies:
1. Where he/she uses local subsidies for other purposes;
 2. Where he/she violates statutes or the disposition of the head of the local government, depending on details of the determination on providing local subsidies or under statutes;
 3. Where he/she receives local subsidies by fraudulent application or by other fraudulent means;
 4. Other cases where it is difficult for him/her to execute a local government-subsidized project, such as cases where he/she has reasons prescribed by local ordinance.
- (2) Where the head of a local government revokes the determination of providing local subsidies, when he/she has already provided local subsidies for the part of a local government-subsidized project revoked, he/she shall order a local government-subsidized project operator to repay local subsidies corresponding to the part revoked plus interest which has accrued therefrom.
- (3) Where the amount of local subsidies already provided and interest which has accrued therefrom exceed the amount of local subsidies determined pursuant to Article 32-6 (3) which the head of a local government should pay to a local government-subsidized project operator, the head of the local government shall order the local government-subsidized project operator to repay the amount of such excess within a fixed period.
- (4) The head of a local government may collect local subsidies a local government-subsidized project operator should repay pursuant to paragraph (2) or (3) by referring to practices of the collection of local taxes. In such cases, the collection of refunds shall take precedence over public charges except national taxes and local taxes.
- (5) Where a local government-subsidized project operator fails to repay local subsidies and interest under paragraph (2) or (3) though he/she has received an order to repay them, if there are local subsidies to be provided to him/her for the same kind of affairs or project, the head of a local government may temporarily suspend the provision of such local subsidies, or offset such local subsidies by the amount he/she has not repaid.
- (6) Where the head of a local government has revoked the determination on providing local subsidies pursuant to paragraph (1), he/she shall notify a local government-subsidized project operator of the details of the revocation of determination on providing local subsidies without delay.
- (7) The head of a local government may restrict the provision of local subsidies within five years to a person in whose case the determination on providing local subsidies has been revoked because he/she falls under any of paragraph (1) 1 through 3.
- (8) Matters necessary for the healthy and efficient disbursement of subsidies, such as post evaluation of local government-subsidized projects, shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 32-9 (Restrictions on Disposition of Property)

- (1) A local government-subsidized project operator shall make clear the current value of

and an increase or decrease, as prescribed by Presidential Decree, in important property (hereinafter referred to as "important property") prescribed by Presidential Decree, which has been acquired using local subsidies or the utility of which has been increased, and report the current status of important property to the head of a local government.

(2) Even after a local government-subsidized project operator has completed the relevant local government-subsidized project, he/she shall not perform the following acts on important property without obtaining approval from the head of a local government:

1. Using it for any purpose other than the purposes of providing local subsidies;
2. Transferring, exchanging or lending it;
3. Offering it as collateral.

(3) Where a local government-subsidized project operator falls under any of the following, he/she may perform acts referred to in the subparagraphs of paragraph (2) without obtaining approval from a local government:

1. Where he/she repays the amount equivalent to all local subsidies to a local government;
2. Where a period prescribed by the head of a local government in consideration of the purposes of providing local subsidies and the life of the relevant property elapses;
3. Where other reasons prescribed by Presidential Decree arise.

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 32-10 (Filing Formal Objections, etc.)

(1) Where a local government-subsidized project operator has an objection to the determination on providing local subsidies, the conditions of the provision thereof, the revocation of the determination on the provision thereof, an order to repay local subsidies or the disposition of the head of a local government on local subsidies, he/she may file a formal objection with the head of the local government in writing within 20 days from the date he/she receives such notification or disposition.

(2) Where the head of a local government receives a formal objection under paragraph (1), he/she shall take necessary measures after hearing opinions of the relevant persons and notify a person who has raised an objection of such fact. In such cases, where the person who has raised an objection to the details of the determination on providing local subsidies fails to express his/her intention of acceptance within 20 days from the date he/she receives notification of such fact, he/she shall be deemed to have withdrawn an application for providing such local subsidies.

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 32-11 (Payment of Rewards for Making Reports)

(1) The head of a local government may pay a reward to individuals who report or accuse local government-subsidized project operators who engage in the conduct provided for in any subparagraph of Article 32-8 (1) to a related administrative agency or investigative agency, within budgetary limits: Provided, That no reward shall be paid to any public official who makes a report in relation to his/her duties.

(2) Standards and procedures for the payment of the reward under paragraph (1) and other necessary matters shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 13638, Dec. 29, 2015]

CHAPTER III BUDGET

Article 33 (Formulation, etc. of Medium-Term Local Government Finance Plans)

- (1) In order to manage local government finance in a planned manner, the head of a local government shall formulate a medium-term local government finance plan each year for a period of at least five fiscal years from the next fiscal year and submit such plan to the local council along with a budget bill, and submit the plan to the Minister of the Interior 30 days prior to the beginning of the relevant fiscal year. <Amended by Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>
- (2) The head of a local government that formulates a medium-term local government finance plan (hereinafter referred to as "medium-term local government finance plan") under paragraph (1), shall ensure that such medium-term local government finance plan is correlated with State plans and regional plans under related Acts and subordinate statutes according to procedures for formulation of plans prescribed by the Minister of the Interior. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>
- (3) Medium-term local government finance plans shall include the following matters:
<Newly Inserted by Act No. 12687, May 28, 2014>
1. Basic direction setting for, and objectives of, financial management;
 2. Medium-term financial conditions and financial scale outlook;
 3. Relevant matters of related state plans and regional plans;
 4. Plans for allocation of funds for each field;
 5. Management directions of the budget and each fund;
 6. Rate of increase of mandatory spending (referring to expenditure which and the size of which are determined pursuant to Acts and subordinate statutes and interest expenditure, the specific scope thereof shall be prescribed by Presidential Decree; hereinafter the same shall apply) and details of calculation, and outlook on the rate of increase of discretionary spending (referring to spending other than mandatory spending; hereinafter the same shall apply) for each field and grounds therefor and a management plan;
 7. Outlook on, and grounds for, consolidated regional finance statistics under Article 59;
 8. Outlook on, and a plan for, the management of consolidated financial earnings and expenses (referring to consolidated finance statistics of general accounts, special accounts and funds, which is the amount calculated by subtracting net expenses from net earnings);
 9. Projects subject to investment appraisal and the issuance of municipal bonds;
 10. Other matters prescribed by Presidential Decree.
- (4) The Minister of the Interior may notify local governments of guidelines, including the following matters necessary to formulate a mid-term local government finance plan each year: <Newly Inserted by Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>
1. Finance management directions of the State;
 2. Related State plans and regional plans;
 3. Other information necessary to formulate the medium-term local government finance plan;

4. Criteria for the formulation of the medium-term local government finance plan.
- (5) The Minister of the Interior may request the head of a related central government agency to provide information necessary to prepare guidelines under paragraph (4). In such cases, the head of a related central government agency, in receipt of a request, shall provide cooperation to him/her. <Newly Inserted by Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>
- (6) The Minister of the Interior shall formulate a comprehensive medium-term local finance plan each year based on each local government's medium-term local finance plan formulated under paragraph (1) and report the comprehensive medium-term local finance plan to the Cabinet meeting. In such cases, the Minister of the Interior shall endeavor to fully reflect the opinions of local governments. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 11900, Jul. 16, 2013; Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>
- (7) Where the Minister of the Interior formulates a comprehensive medium-term local government finance plan pursuant to paragraph (6), he/she shall consult with the heads of related central government agencies so that he/she may enhance the connection with a national finance management plan under the National Finance Act. <Newly Inserted by Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>
- (8) Paragraphs (1), (2), (6) and (7) shall apply mutatis mutandis to revisions of a medium-term local government finance plan. <Amended by Act No. 12687, May 28, 2014>
- (9) A local government finance plan deliberative committee shall be established in each local government to advise the head of each local government on the formulation of the medium-term local finance plan. <Amended by Act No. 12687, May 28, 2014>
- (10) Matters necessary for the organization and operation of local finance plan deliberative committees under (9) and other matters shall be prescribed by ordinance of the relevant local government. <Amended by Act No. 12687, May 28, 2014>
- (11) The head of a local government shall not make a project not reflected in a medium-term local government finance plan eligible for investment appraisal or the issuance of municipal bonds under Article 37: Provided, That the foregoing shall not apply where the project cannot be reflected due to extenuating circumstances when a medium-term local government finance plan is formulated. <Newly Inserted by Act No. 12687, May 28, 2014>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 34 (Total Budget Principle)

- (1) All incomes during a fiscal year shall be revenues and all disbursement during a fiscal year shall be expenditures.
- (2) Both revenues and expenditures shall be incorporated into a budget.
- (3) Where any local government makes investments in kind and operates a Fund established under Article 142 (1) of the Local Autonomy Act and the Framework Act on the Management of Local Government Funds and any local government is liable to keep cash and securities in custody on the grounds prescribed by Presidential Decree, they may be operated as off-budget revenues and expenditures, notwithstanding paragraph (2).

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 35 (Financial Resources of Annual Expenditures)

Expenditures of local governments shall derive from the financial resources of revenues, other than local government bonds: Provided, That in the event of inevitability, expenditures may be met with local government bonds issued under Article 11.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 36 (Compilation of Budgets)

- (1) Local governments shall calculate expenses based on reasonable standards within the extent prescribed by Acts and subordinate statutes and their ordinances and earmark them in their respective budgets.
- (2) Local governments shall correctly ascertain their financial resources based on all available information, calculate their incomes in a manner compatible with the reality of the economy and earmark such financial resources in their respective budgets.
- (3) A local government shall compile a budget so that items of revenues and expenditures may be specified. <Newly Inserted by Act No. 12687, May 28, 2014>
- (4) When the head of a local government compiles a budget, he/she shall compile the budget based on a medium-term local government finance plan under Article 33 and the results of investment appraisal under Article 37. <Amended by Act No. 12687, May 28, 2014>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 36-2 (Preparation and Submission of Gender-Sensitive Budgets)

- (1) The heads of local governments shall prepare a report analyzing beforehand the impact of a budget on females and males (hereinafter referred to as "gender-sensitive budget bill").
- (2) A budget bill under Article 127 of the Local Autonomy Act shall be accompanied by a gender-sensitive budget bill.
- (3) Detailed matters concerning the preparation of gender-sensitive budget bills shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 10439, Mar. 8, 2011]

Article 37 (Investment Appraisal)

- (1) The head of a local government shall conduct appraisal on the necessity and validity (hereinafter referred to as "investment appraisal") of the following matters beforehand, as prescribed by Presidential Decree:
 1. Compilation of a budget bill on finance investment projects;
 2. Requesting the local council to pass resolutions on the following matters:
 - (a) Assuming debt obligations;
 - (b) Assuming guaranteed obligations;
 - (c) Burden of obligation in addition to the budget under Article 39 (1) 8 of the Local Autonomy Act.
- (2) The head of a local government shall undergo feasibility study on a new project with the total project cost of at least 50 billion won (including a project subject to burden under the items of paragraph (1) 2) by a specialized institution prescribed and announced by the Minister of the Interior and conduct investment appraisal based on the results thereof: Provided, That where he/she has conducted a preliminary

feasibility study under Article 38, he/she shall be deemed to have undergone feasibility study. <Amended by Act No. 12844, Nov. 19, 2014>

(3) Procedures and methods for conducting feasibility study under paragraph (2), procedures for the payment of expenses, and other necessary matters, shall be prescribed by Ordinance of the Ministry of the Interior. <Amended by Act No. 12844, Nov. 19, 2014>

(4) The head of a local government may enter into a contract for feasibility study under paragraph (2) by entrusting it to the Minister of the Interior. <Amended by Act No. 12844, Nov. 19, 2014>

[This Article Wholly Amended by Act No. 12687, May 28, 2014]

Article 37-2 (Local Government Finance Investment Appraisal Committee)

(1) A local government finance investment appraisal committee shall be established under the control of the head of a local government in order to provide any advice and suggestions on investment appraisal as requested by him/her: Provided, That where there is another committee that is suitable for serving functions of the local government finance investment appraisal committee and members of that committee have knowledge of and expertise in local government finance or investment appraisal, such committee may serve functions of the local government finance investment appraisal committee instead of it, as prescribed by local finance.

(2) Article 32-3 (2) through (5) shall apply mutatis mutandis to the organization and management of a local government finance investment appraisal committee. In such cases, "local subsidy review committee" shall be deemed "local government finance investment appraisal committee".

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 37-3 (Disclosure of Major Projects)

The head of a local government shall disclose the conditions of implementation of projects on which he/she conducts investment appraisal or which he/she executes by issuing municipal bonds and a list of persons in charge of such projects, as prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 38 (Manuals, etc for Operating Local Government Finance)

(1) The Minister of the Interior may prepare manuals for operating the finances of the local governments by fiscal year, comprised of information necessary to operate local government finance, such as the operational practices for the finances of the State and local governments and an outline of the financial system of the local governments, and provide the manual to each local government. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>

(2) The standards for local governments to compile their budgets by fiscal year with the aim of ensuring the sound operation of local government finance as well as the balanced operation of finances among local governments shall be prescribed by Ordinance of the Ministry of the Interior. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>

(3) The Minister of the Interior may prescribe standards necessary for healthy financial expenditure of local governments and notify them of such standards. <Newly Inserted by Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 39 (Residents' Participation in Budget Compilation Process of Local Governments)

(1)The heads of local governments shall prepare and implement procedures (referred to as "participatory budgeting process" hereafter in this Article) for residents to participate in the budget compilation process, as prescribed by Presidential Decree.

<Amended by Act No. 13283, May 13, 2015>

(2)The heads of local governments shall collect the opinions of residents participating in the budget compilation process pursuant to paragraph (1) and a budget bill sent to local councils shall be accompanied by such opinions. <Amended by Act No. 12687, May 28, 2014>

(3)The Minister of the Interior may evaluate the administration of the participatory budgeting process by local government, as prescribed by Presidential Decree. <Newly Inserted by Act No. 13283, May 13, 2015>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 40 (Details of Budgets)

(1)A budget is a general term for general provisions of budget, revenue and expenditure budget, continuing expenses, act of assuming debt obligations and specified carryover expenses.

(2)The general provisions of budget shall prescribe overall provisions governing the revenue and expenditure budget, continuing expenses, act of assuming debt obligations, specified carryover expenses, the limit of local government bonds and short-term loans and other matters necessary for the execution of budget.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 41 (Classification of Budget Items)

(1)The revenue budget of local governments shall be classified into chapters, sections and paragraphs, considering the nature and functions of the details thereof.

(2)The expenditure budget of local governments shall be classified into principal headings and subheadings according to the functions, projects or the nature of details. In such cases, principal headings shall be classified into fields, sectors and policy projects, and subheadings into unit projects, detailed projects and items.

(3)Matters necessary for the operation of budget items of local governments, such as the classification and establishment of budget items under paragraphs (1) and (2) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 42 (Continuing Expenses, etc.)

(1)With respect to construction works, manufacturing and other projects which require several years for completion, the heads of local governments may disburse expenditures over several years as continuing expenses after obtaining a resolution from local councils approving the total and annual amount of expenses to be incurred.

(2)The period during which continuing expenses can be disbursed pursuant to paragraph (1) shall not exceed five years from the relevant fiscal year: Provided, That such period may be extended after obtaining a resolution from local councils, if deemed necessary.

(3)Local governments shall endeavor to compile a budget for any of the following projects among projects requiring several years for completion as continuing expenses unless there is a special reason: <Amended by Act No. 12687, May 28, 2014>

1. A project to be promoted urgently, which is a project for the recovery from a disaster as defined in subparagraph 1 of Article 3 of the Framework Act on the Management of Disasters and Safety;

2. A project that must be implemented without cessation.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 43 (Reserve Funds)

(1) A local government shall appropriate an amount within one percent of the total amount of the general account budget for reserve funds in the budget in order to appropriate such amount for unpredictable expenditure outside of the budget or expenditure in excess of the budget: Provided, That in cases of special accounts (excluding special accounts for educational expenditures), it may choose not to appropriate funds for reserve funds. <Amended by Act No. 12687, May 28, 2014>

(2) Notwithstanding the provisions of paragraph (1), a local government may specially appropriate funds for reserve funds for purposes related to disasters or accidents in the budget. <Newly Inserted by Act No. 12687, May 28, 2014>

(3) No head of a local government shall use reserve funds for an expenditure item which has been eliminated or the amount of which has been reduced as a result of deliberation on a budget bill by the local council. <Newly Inserted by Act No. 12687, May 28, 2014>

(4) The head of a local government shall obtain approval for a detailed statement of the amount used as reserve funds from the local council pursuant to Article 134 (1) of the Local Autonomy Act. <Newly Inserted by Act No. 12687, May 28, 2014>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 44 (Assumption of Debt Obligations)

(1) Except in any of the following cases, if the head of a local government enters into a contract or does an act causing the local government to assume debt obligations, he/she shall, beforehand, include them in the budget and obtain a resolution thereon from the local council. In such cases, debt obligations incurred by the assumption of debt obligations shall be included in the calculation of the maximum amount of local government bonds to be issued pursuant to Article 11 (2):

1. One that complies with Acts, subordinate statutes or municipal ordinances;

2. One that is within the limit of expenditure budget, specified carry-over expenses or continuing expenses.

(2) Notwithstanding the provisions of paragraph (1), if the head of a local government has no time to convene a local council, he/she may enter into a contract for a project without obtaining a resolution thereon from the local council, which requires urgent promotion for recovery from a disaster and the total amount of which is below the amount prescribed by municipal ordinance within one billion won among contracts causing the local government to assume debt obligations.

(3) If the head of a local government enters into a contract without obtaining a resolution thereon from the local council pursuant to paragraph (2), he/she shall immediately file a report to the local council.

(4) Where the head of a local government has performed an act assuming debt obligations pursuant to paragraphs (1) through (3), he/she shall appropriate such debt

obligations in the expenditure budget for the fiscal year after next at the latest without fail, but shall not appropriate them in the expenditure budget for the other fiscal year.

<Amended by Act No. 12687, May 28, 2014>

(5) In the case of acts causing a local government to assume debt obligations pursuant to paragraphs (1) through (3), an act causative of disbursement spanning a relevant fiscal year and the following fiscal year may be done.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 44-2 (Documents to Accompany Budget Bills)

(1) Each budget bill shall be accompanied by the following documents: Provided, That all or some of the following documents may be omitted for a revised budget bill or revised supplementary budget bill:

1. Outline of the conditions of financial management;
2. Descriptions of revenue and expenditure budget for each project;
3. Descriptions on projects requiring continuing expenses, the conditions of spending and an investment plan;
4. Descriptions on assuming debt obligations, the conditions of spending and the expected amount;
5. A report on local tax expenditure (based on an estimate) under Article 5 of the Restriction of Special Local Taxation Act;
6. A report on consolidated regional finance statistics (based on a budget) under Article 59;
7. Gender-sensitive budgetary documents;
8. A performance plan;
9. A table of organization of public officials whose personnel expenses are appropriated in the budget and unit prices which are the basis for the organization thereof;
10. Detailed statements of specified carry over expenses;
11. Medium-term local government finance plans;
12. Documents related to public property;
13. Documents related to the transfer between accounting and funds;
14. Other documents prescribed by Presidential Decree.

(2) An outline of the conditions of financial management under paragraph (1) 1 shall include the following: <Amended by Act No. 12844, Nov. 19, 2014>

1. Financial indicators prescribed by Ordinance of the Ministry of the Interior;
2. Consolidated debts (referring to debts including debts of local public enterprises (hereinafter referred to as "local public enterprises") under the Local Public Enterprises Act and invested institutions or funded institutions (hereinafter referred to as "local government-invested or funded institutions") under Act on the Operation of Institutions Provided with Investments or Funds by Local Governments; hereinafter the same shall apply);
3. Contingent liabilities (referring to those that may be changed to liabilities of a local government according to a guarantee or agreement; hereinafter the same shall apply);
4. Ratio of mandatory spending to discretionary spending;
5. Results of audits conducted by the Board of Audit and Inspection of Korea, etc. related to financial management;

6. Matters concerning reductions in local allocation tax;
7. Details of financial analysis and financial diagnosis;
8. Current status of local tax expenditures;
9. Other matters prescribed by Presidential Decree.

(3) A local government may submit a report of consolidated regional finance statistics under paragraph (1) 6 within ten days after it submits a budget bill to the local council.

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 45 (Compilation, etc. of Revised Supplementary Budgets)

If necessary to alter an already established budget, the head of a local government may compile a revised supplementary budget: Provided, That the following expenses may be disbursed before a revised supplementary budget is established, which shall be included in the next revised supplementary budget for the same fiscal year:

1. Expenses, the use of which is designated by and the sum of needed money is delivered from the State in the case of a City/Do, and from the State or City/Do in the case of a Si/Gun/autonomous Gu;
2. Where a recovery plan with regard to recovery from a disaster and restoration is determined and notified by the State in the case of a City/Do, and by the State or City/Do in the case of a Si/Gun/autonomous Gu, expenses necessary therefor.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 46 (Execution of Budgets when Budgets Are Not Approved)

(1) Where no budget bill is approved by a local council until a fiscal year commences on inevitable grounds, the head of a local government shall execute a budget pursuant to Article 131 of the Local Autonomy Act.

(2) If the budget for a fiscal year is approved, the budget executed pursuant to paragraph (1) shall be deemed executed according to the approved budget.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 47 (Prohibition of Use of Budget for other Purposes and Budget Transfers)

(1) The heads of local governments shall be prohibited from disbursing expenses for purposes, other than those prescribed by an expenditure budget, or diverting funds for one public policy project determined by the budget to another public policy project: Provided, That they may divert funds where the heads of local governments have, beforehand, obtained approval from a local council as such is needed for budget execution.

(2) When changes are made in official authority or other matters among relevant agencies due to the enactment, amendment or repeal of Acts, subordinate statutes and municipal ordinances concerning the structure, organization or the fixed number of regular personnel of a local government, budget transfers may be made among them.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 48 (Payment, etc. of Performance Bonuses for Saved Budgets)

(1) Where budgets are saved or incomes increase due to improvements in the methods of budget execution, budget systems, etc., the heads of local governments may pay some of the saved budgets or increased incomes to persons who have contributed to saving budgets or increasing incomes as a performance bonus or use them for other projects.

(2) If the heads of local governments intend to pay a performance bonus under paragraph

(1) or use some of the saved budgets or increased incomes for other projects, such intentions shall be examined by the Budgetary Performance Bonus Examination Committee.

- (3) Matters necessary for the payment of bonuses and the use of some of the saved budgets or increased incomes for other projects pursuant to paragraph (1) and the composition and operation of the Budgetary Performance Bonus Examination Committee pursuant to paragraph (2) and other matter shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 48-2 (Residents' Surveillance of Illegal Disbursement and Dissipation of Budgets and Funds)

- (1) If a person executing a budget or fund of a local government, receiving financial support from a local government, or entering into a contract or having a transaction with the head of a local government or a fund managing entity (referring to an entity managing and operating funds pursuant to Acts, subordinate statutes or municipal ordinances: Provided, That a fund managing entity provided for in Article 8 of the National Finance Act shall be excluded; hereinafter the same shall apply) has apparently inflicted a loss on the local government for violating any provision of Acts and subordinate statutes, anyone may submit evidence on illegal disbursements to the head of the local government or fund managing entity responsible for execution and make a request for correction.
- (2) A person who has an opinion concerning saving budgets or increasing incomes may propose his/her opinion to the head of a relevant local government or a fund managing entity.
- (3) Upon receipt of a request for correction or proposal made under paragraphs (1) and (2), the head of a relevant local government or a fund managing entity shall submit the results of handling to the Minister of the Interior, as prescribed by Presidential Decree, and notify the person who made such request for correction or proposal. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>
- (4) If incomes increase or disbursements are saved as a result of handling a request for correction under paragraph (1), the head of a local government or a fund managing entity may pay a performance bonus under Article 48 to a person who has made a request for correction.

[This Article Newly Inserted by Act No. 10439, Mar. 8, 2011]

Article 49 (Diversion of Budgets)

- (1) The heads of local governments may divert money from a unit project or item to another unit project or item within the scope of budget of each policy project, as prescribed by Presidential Decree.
- (2) The amount of expenses diverted pursuant to paragraph (1) shall be clearly stated in the account settlement of revenues and expenditures and the grounds therefor shall be stated therein.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 50 (Carryover of Expenditure Budgets)

- (1) An amount of money in expenditure budget, on which a resolution is obtained from the local council after clearly stating its purpose in the revenue and expenditure

budget as a specified carryover expense because such amount of money is unexpected to be completely spent during a fiscal year in view of the nature of expenses, may be carried over to the following fiscal year for spending.

- (2) An amount of any of the following expenses in expenditure budget may be spent by carrying it over to the following fiscal year as an unusual carryover:
1. Expenses that cannot be disbursed and incidental expenses not disbursed within a fiscal year on inevitable grounds after an act causative of disbursement is done within the fiscal year;
 2. Expenses prescribed by Presidential Decree, which take a long time until an act causative of disbursement is done after a tender is announced among expenses for which a tender is announced for an act causative of disbursement;
 3. Expenses prescribed by Presidential Decree as compensation for loss necessary for the implementation of public interest projects and public projects;
 4. Current expenses of ordinary nature, as prescribed by Presidential Decree.
- (3) An amount of money undisbursed during a fiscal year among necessary expenses out of continuing expenses by fiscal year may be spent by carrying it over in regular sequence until the year in which a project running on such continuing expenses is completed.
- (4) If a budget is carried over pursuant to paragraphs (1) through (3), the amount by item being carried over shall be deemed allocated as a carry-over budget.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

CHAPTER IV ACCOUNT SETTLEMENTS (Articles 51 through 53-2) Deleted.

CHAPTER V FINANCIAL ANALYSIS AND PUBLICATION

Article 53-3 Deleted. <by Act No. 14197, May 29, 2016>

Article 54 (Reports, etc. on Financial Operation)

The head of a local government shall submit a financial report on the budget, settlement of accounts, investment, consolidated liabilities, contingent liabilities and other financial conditions to the Minister of the Interior, as prescribed by Presidential Decree. In such cases, a Si/Gun/autonomous Gu shall each submit such financial report to the Minister of the Interior via the competent Mayor/Do Governor. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 55 (Financial Analysis, Financial Examination, etc.)

- (1) The Minister of the Interior shall analyze the contents of financial reports submitted under Article 54, as prescribed by Presidential Decree. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>
- (2) The Minister of the Interior shall conduct an examination of the finances of a local government, the financial soundness and efficiency, etc. of which is found to be significantly inadequate based on the results of the financial analysis under paragraph (1), as prescribed by Presidential Decree. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>
- (3) The Minister of the Interior may recommend a local government to develop and implement a plan for financial soundness based on the results of a financial examination under paragraph (2) or direct matters necessary to achieve sound finances. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>

- (4)The Minister of the Interior may publish the results of financial analysis and financial examination conducted under paragraph (1) or (2) and shall report important matters concerning the results of financial analysis and financial examination to the relevant standing committee of the National Assembly and the State Council within three months from the implementation of annual financial analysis and financial examination. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>
- (5)In order to ensure the objectivity and expertise of analysis under paragraph (1), the Minister of the Interior may outsource such analysis to a specialized institution prescribed by Presidential Decree. <Newly Inserted by Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 55-2 (Designation of Local Governments in Financial Crisis and Revocation thereof)

- (1)The Minister of the Interior may designate a local government deemed in a serious financial risk based on the results, etc. of the financial analysis and financial examination conducted under Article 55 (1) and (2) as a local government in financial crisis following deliberation by the Local Financial Crisis Management Committee under Article 56. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>
- (2)Where a reason for designation of a local government in financial crisis pursuant to paragraph (1) has ceased, the Minister of the Interior may revoke the designation thereof following the Local Financial Crisis Management Committee under Article 56. <Newly Inserted by Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>
- (3)Criteria and procedures for the designation of a local government at a financial crisis, revocation thereof, and other necessary matters, shall be prescribed by Presidential Decree. <Amended by Act No. 12687, May 28, 2014>

[This Article Newly Inserted by Act No. 10439, Mar. 8, 2011]

Article 55-3 (Obligations, etc. of Local Governments in Financial Crisis)

- (1)The head of a local government designated as a local government in financial crisis (hereinafter referred to as "head of a local government in financial crisis") shall formulate a plan for financial soundness pursuant to Article 55 (3) and obtain approval from the Minister of the Interior. In such cases, the head of a Si/Gun/autonomous Gu shall submit a plan via the competent Mayor/Do Governor. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>
- (2)The head of a local government in financial crisis shall submit a plan for financial soundness formulated under paragraph (1) to the local council for resolution.
- (3)Where the head of a local government in financial crisis compiles a budget, it shall be based on a plan for financial soundness under paragraph (2).
- (4)The head of a local government in financial crisis shall report the status of implementation of a plan for financial soundness to the local council and the Minister of the Interior. In such cases, the head of a Si/Gun/autonomous Gu shall submit a report via the competent Mayor/Do Governor. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>
- (5)The Minister of the Interior may recommend or guide matters necessary for the formulation of a plan for financial soundness and the status of implementation of such

plan to a local government in financial crisis. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>

- (6)The head of a local government in financial crisis shall comply with the recommendation and guidance under paragraph (5) except in extenuating circumstances.
- (7)The head of a local government in financial crisis shall disclose a plan for financial soundness and the status of implementation thereof to the residents at least twice a year.

[This Article Newly Inserted by Act No. 10439, Mar. 8, 2011]

Article 55-4 (Restrictions, etc. on Issuance of Local Government Bonds by Local Governments in Financial Crisis)

- (1)Notwithstanding Articles 11 through 13 and 44, and Article 24 of the Local Accounting Act, the heads of local governments in financial crisis shall not issue local bonds, guarantee debt obligations, obtain temporary loans and assume debt obligations, unless such are based on a plan for financial soundness approved by the Minister of the Interior and decided on by the local council. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014; Act No. 14197, May 29, 2016>
- (2)Notwithstanding Article 37, the heads of local governments in financial crisis shall not compile a budget for projects requiring public investment in excess of the scale prescribed by Presidential Decree, unless such are based on a plan for financial soundness approved by the Minister of the Interior and decided on by the local council. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>

[This Article Newly Inserted by Act No. 10439, Mar. 8, 2011]

Article 55-5 (Giving Disadvantages to Local Governments Showing Poor Performance in Making Finance Healthy)

- (1)Where the Minister of the Interior deems that a plan for financial soundness and the performance of implementing such plan by a local government in financial crisis are noticeably poor, he/she may decrease local subsidies or give other financial disadvantages. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>
- (2)Where necessary for the achievement of purposes under paragraph (1), the Minister of the Interior may request the heads of relevant central government agencies and Mayors/Do Governors to provide cooperation, such as taking necessary measures. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12687, May 28, 2014; Act No. 12844, Nov. 19, 2014>
- (3)The heads of relevant central administrative agencies and Mayors/Do Governors requested to provide cooperation pursuant to paragraph (2) shall provide cooperation, except in extenuating circumstances. <Amended by Act No. 12687, May 28, 2014>

[This Article Newly Inserted by Act No. 10439, Mar. 8, 2011]

Article 56 (Establishment and Operation of Committee for Management of Local Government Financial Crisis)

- (1)The Minister of the Interior shall establish and operate a Committee for Management of Local Government Financial Crisis in order to deliberate on the following:
- 1.Matters concerning the management, etc. of local government financial crisis under

- Articles 54, 55, and 55-2 through 55-5;
2. Matters concerning the designation of an organization subject to emergency financial management and removal of such designation under Article 60-3;
 3. Matters concerning the appointment of an emergency financial manager under Article 60-4;
 4. Matters concerning the approval of, and an alteration to, an emergency financial management plan under Article 60-5;
 5. Matters concerning the evaluation of the conditions of the implementation of an emergency financial management plan and recommendations under Article 60-6 (4);
 6. Other matters prescribed by Presidential Decree, which are necessary for the management of local government financial crisis.
- (2) The Committee for Management of Local Government Financial Crisis (hereinafter referred to as the "Committee for Management of Local Government Financial Crisis") under paragraph (1) shall be comprised of no more than 15 members, including the chairperson, in consideration of gender makeup.
- (3) The following persons shall serve as members of the Committee for Management of Local Government Financial Crisis:
1. Vice Ministers of related administrative agencies prescribed by Presidential Decree, such as the Ministry of Strategy and Finance, the Ministry of the Interior, and the Office for Government Policy Coordination;
 2. One person each recommended by the Governors Association of Korea, the National Association of Mayors, the Association of Chairpersons of Metropolitan and Provincial Councils, and the National Association of Chairpersons of Municipal Councils;
 3. Other persons appointed by the Minister of the Interior, who have knowledge about, and expertise in, local public finance.
- (4) The chairperson shall be elected by the Committee for Management of Local Government Financial Crisis from among its civil members.
- (5) Each member referred to in paragraph (3) 2 and 3 shall hold office for a term of two years, and may be appointed consecutively only one further term: Provided, That the term of office of a member who fills a vacancy shall be the remainder of his/her predecessor's term of office.
- (6) A working committee shall be established in the Committee for Management of Local Government Financial Crisis in order to efficiently operate the Committee for Management of Local Government Financial Crisis and professionally examine matters to be discussed.
- (7) Except as otherwise expressly provided for in paragraphs (1) through (6), matters necessary for the composition and operation of the Committee for Management of Local Government Financial Crisis and the working committee shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 13638, Dec. 29, 2015]

Article 57 (Measures, etc. Taken Based on Results of Financial Analysis and Examination of Local Governments)

With respect to any local government found to record outstanding soundness and efficiency in its finances based on the results of financial analysis conducted under Article

55 (1) and any other local government found to have successfully implemented the recommended and directed matters under paragraph (3) of the same Article, the Minister of the Interior may separately grant such local government the special subsidy tax under Article 9 of the Local Subsidy Act. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 58 (Special Support, etc. for Local Government Finance)

With respect to any local government deemed to have special financial demand for developing substantially underdeveloped areas or due to various accidents or any other local government that is closely interested in State-initiated nationwide projects, the Minister of the Interior may develop and implement a separate financial assistance plan for them. <Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>

Article 59 (Preparation of Consolidated Regional Finance Statistics)

(1)The head of a local government shall prepare statistics (hereinafter referred to as "consolidated regional finance statistics") comprehensively indicating the conditions of the following based on the budgetary statement and statement of accounts each fiscal year: Provided, That the Mayor/Do Governor shall prepare special accounts for educational expenditure in consultation with the Superintendent of education based on data the Superintendent of education has submitted:

- 1.General accounts, special accounts (including special accounts for educational expenditure) and funds;
- 2.Financial standing of local public enterprises;
- 3.Financial standing of local government-invested or -funded institutions.

(2)The head of a local government shall submit consolidated regional finance statistics he/she has prepared pursuant to paragraph (1) to the Minister of the Interior, and the Mayor/Do Governor shall submit such statistics to the Minister of Education as well. <Amended by Act No. 12844, Nov. 19, 2014>

(3)The head of a local government and the Superintendent of Education may request related institutions to provide information necessary to prepare consolidated regional finance statistics. In such cases, any institution, in receipt of a request, shall comply with such request.

(4)The Minister of Education and the Minister of the Interior shall prescribe methods, criteria and procedures for preparing consolidated regional finance statistics after holding consultations between them. <Amended by Act No. 12844, Nov. 19, 2014>

[This Article Wholly Amended by Act No. 12687, May 28, 2014]

Article 60 (Public Announcement, etc. of Management Conditions of Local Government Finance)

(1)The head of a local government shall publicly announce the following matters to residents based on the budget statement and statement of accounts within two months after the determination on or approval for the budget or settlement of accounts is made or granted: <Amended by Act No. 14197, May 29, 2016>

- 1.Management conditions of revenue and expenditure budget (including a performance plan and performance report);
- 2.

- Financial statements;
3. Current status of debt management;
 4. Current status of the application of funds;
 5. Increase and decrease in and the current value of public property;
 6. Consolidated regional finance statistics;
 7. Information on the business management of local public enterprises and local government-invested or -funded institutions;
 8. Medium-term local government finance plans;
 9. Gender sensitive budget statement and gender sensitive statement of accounts under Article 36-2, and Article 18 of the Local Accounting Act;
 10. Management conditions for each criterion for compilation of budget under Article 38;
 11. Outlines of the conditions of financial management under Article 44-2 (1) 1;
 12. Plans for financial soundness under Article 55 (3) and the current status of the implementation thereof;
 13. Plans for management of financial soundness under Article 87-3 and the current status of the implementation thereof;
 14. Current status of activities to appraise investment, activities to issue municipal bonds, activities to attract private capital, activities to guarantee obligations;
 15. Current status of the following matters related to local subsidies:
 - (a) Current status of the provision of local subsidies;
 - (b) Results of performance evaluation;
 - (c) Changes in important property acquired with local subsidies;
 - (d) Details of important dispositions, such as the revocation of the determination on providing local subsidies;
 16. Other important matters concerning financial management prescribed by Presidential Decree.
- (2) The head of a local government shall prepare matters referred to in the subparagraphs of paragraph (1) so that residents may understand such matters easily, as prescribed by the Minister of the Interior, and shall publicly announce the matters on its web-site, etc. so that residents may read them or download data at any time, except in extenuating circumstances. <Amended by Act No. 12844, Nov. 19, 2014>
- (3) A local government finance public announcement deliberative committee shall be established under the jurisdiction of the head of a local government in order to deliberate on the appropriateness, etc. of the details of public announcement under paragraph (1), and Article 32-3 (2) through (5) shall apply mutatis mutandis to the organization thereof. In such cases, "local subsidy deliberative committee" shall be construed as "local government finance public announcement deliberative committee."
- (4) The head of a local government shall report the details of a public announcement made pursuant to paragraph (1) to the local council and the Mayor/Do Governor in cases of a Si/Gun/autonomous Gu, or the Minister of the Interior in cases of a City/Do. In such cases, the Mayor/Do Governor shall report the details thereof including the details thereof of a Si/Gun/Gu under his/her jurisdiction. <Amended by Act No. 12844, Nov. 19, 2014>
- (5) The head of a local government shall disclose the management conditions of the

revenue and expenditure budget thereof to residents every day except in extenuating circumstances, as well as making a public announcement under paragraph (1). In such cases, he/she shall allow residents to access the management conditions of the revenue and expenditure budget by detailed project through the Internet homepage.
<Newly Inserted by Act No. 13283, May 13, 2015>

(6) Except as otherwise expressly provided for in paragraphs (1) through (5), matters necessary for public announcement and disclosure shall be prescribed by Presidential Decree. <Amended by Act No. 13283, May 13, 2015>

[This Article Wholly Amended by Act No. 12687, May 28, 2014]

Article 60-2 (Consolidated Public Announcement)

(1) The Minister of the Interior may analyze and evaluate the details he/she has been reported pursuant to Article 60 (4), and make a public announcement on necessary items by dividing into each local government and also make a comparative public announcement between local governments based on the result of the analysis and evaluation thereof. <Amended by Act No. 12844, Nov. 19, 2014>

(2) Where the details of a public announcement reported pursuant to Article 60 (4) are wrong or prepared inappropriately, the Minister of the Interior may request the head of the relevant local government to make a revised public announcement. In such cases, the head of the relevant local government shall make a revised public announcement as requested by him/her, and where the head of the relevant local government fails to make a revised public announcement, the Minister of the Interior may make a public announcement directly. <Amended by Act No. 12844, Nov. 19, 2014>

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

CHAPTER V-2 EMERGENCY FINANCIAL MANAGEMENT

Article 60-3 (Designation, and Removal of Designation of, Organizations Subject to Emergency Financial Management)

(1) Where the Minister of the Interior deems that it is impracticable for a local government to overcome its financial crisis situation by its own efforts because it falls under any of the following, he/she may designate the relevant local government as an organization subject to emergency financial management. In such cases, he/she shall hear the opinion of the head of the local government which he/she intends to designate as an organization subject to emergency financial management and the local council in advance:

1. Where the level of financial crisis of the local government after three years have passed from the time it was designated as an organization under a financial crisis or thereafter worsens below the level prescribed by Presidential Decree compared to the time it was designated as an organization under a financial crisis though the local government designated as an organization under a financial crisis pursuant to Article 55-2 has implemented a financial soundness plan under Article 55-3 for three years;
2. Where the local government has failed to pay salaries to public officials under its jurisdiction for at least 30 days;
3. Where the local government has failed to pay the principal or interest of the debt whose repayment is due, for at least 60 days.

(2) Where the head of a local government deems that the relevant local government falls

under any subparagraph of paragraph (1) or requires emergency financial management because it faces an equivalent financial crisis, he/she may file an application for designation of an organization subject to emergency financial management under paragraph (1) with the Minister of the Interior after he/she hears the opinion of the local council.

- (3) Where the Minister of the Interior intends to designate an organization subject to emergency financial management pursuant to paragraph (1) or to designate an organization subject to emergency financial management based on an application filed by the head of a local government pursuant to paragraph (1), he/she shall designate an organization subject to emergency financial management following deliberation by the Committee for Management of Local Government Financial Crisis.
- (4) Where grounds for designation of an organization subject to emergency financial management have ceased, the head of a local government designated as an organization subject to emergency financial management (hereinafter referred to as "organization subject to emergency financial management") pursuant to paragraph (1) or (2) may file an application for removal of the designation thereof with the Minister of the Interior after hearing the opinion of the local council.
- (5) Where grounds for designation of an organization subject to emergency financial management have ceased or an application for removal of the designation thereof under paragraph (4) has been filed, the Minister of the Interior may remove the designation thereof following deliberation by the Committee for Management of Local Government Financial Crisis.
- (6) Where the Minister of the Interior designates a City/Do as an organization subject to emergency financial management pursuant to paragraph (1) or (2), he/she shall report the designation thereof to the State Council within 60 days from the date he/she designates the City/Do as the organization subject to emergency financial management.
- (7) Except as otherwise expressly provided for in paragraphs (1) through (6), the designation and the removal of the designation of an organization subject to emergency financial management and other necessary matters shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 13638, Dec. 29, 2015]

Article 60-4 (Appointment and Dispatch of Emergency Financial Manager)

- (1) The Minister of the Interior shall appoint a public official under the jurisdiction of a state agency or a person who has extensive knowledge about, and expertise in, affairs concerning financial management as an emergency financial manager and dispatch him/her to an organization subject to emergency financial management.
- (2) To appoint an emergency financial manager pursuant to paragraph (1), the Minister of the Interior shall first undergo deliberation and resolution by the Committee for Management of Local Government Financial Crisis.
- (3) Emergency financial managers shall conduct the following affairs:
 1. Establishment and examination of an emergency financial management plan under Article 60-5;
 2. Inspection, and request for the submission of reports and data, of the conditions of the implementation of an emergency financial management plan under Article 60-6;

3. Other affairs necessary to overcome a financial crisis of an organization subject to emergency financial management.

(4) Except as otherwise expressly provided for in paragraphs (1) through (3), methods and procedures for the appointment of an emergency financial manager, his/her affairs, and other necessary matters shall be prescribed by Presidential Decree.

[This Article Newly Inserted by Act No. 13638, Dec. 29, 2015]

Article 60-5 (Establishment of Emergency Financial Management Plan)

(1) The head of an organization subject to emergency financial management shall establish an emergency financial management plan including the following and obtain approval of the Minister of the Interior after undergoing an examination by an emergency financial manager and following deliberation by the local council: Provided, That, in cases prescribed by Presidential Decree where it is inappropriate for the head of an organization subject to emergency financial management to directly establish an emergency financial management plan, he/she shall require an emergency financial manager to establish an emergency financial management plan:

1. A plan for repayment of and reduction in the debt of an organization subject to emergency financial management;

2. A plan for restructuring expenditure, such as overhead expenses and working expenses;

3. A plan for increasing revenue of an organization subject to emergency financial management;

4. Other matters prescribed by Presidential Decree to overcome a financial crisis of an organization subject to emergency financial management.

(2) The head of an organization subject to emergency financial management shall, without delay, report to the local council, an emergency financial management plan (hereinafter referred to as "emergency financial management plan") approved by the Minister of the Interior pursuant to paragraph (1).

(3) Paragraphs (1) and (2) shall apply mutatis mutandis where any alterations are made to an emergency financial management plan.

[This Article Newly Inserted by Act No. 13638, Dec. 29, 2015]

Article 60-6 (Implementation, etc. of Emergency Financial Management Plan)

(1) The head of an organization subject to emergency financial management shall conscientiously implement an emergency financial management plan.

(2) The Minister of the Interior or an emergency financial manager may inspect the conditions of the implementation of an emergency financial management plan of an organization subject to emergency financial management or request the organization subject to emergency financial management to make a report or submit data. In such cases, the head of the organization subject to emergency financial management shall conscientiously comply with such request.

(3) The head of an organization subject to emergency financial management shall provide support in matters necessary for an emergency financial manager to perform his/her duties.

(4) The Minister of the Interior may conduct an evaluation of the implementation, etc. under paragraphs (1) through (3), and recommend necessary matters as a result of the

evaluation thereof.

- (5)The head of an organization subject to emergency financial management in receipt of recommendations under paragraph (4), shall take prompt measures and notify the Minister of the Interior of the results thereof.
- (6)The head of an organization subject to emergency financial management shall disclose an emergency financial management plan, the conditions of the implementation thereof, and the results of the evaluation of the implementation thereof conducted by the Minister of the Interior to residents at least twice a year.
- (7)Article 55-5 shall apply mutatis mutandis to the imposition of disadvantage on an organization subject to emergency financial management that poorly implements an emergency financial management plan. In such cases, "organization under a financial crisis" shall be construed as "organization subject to emergency financial management," and "financial soundness plan" as "emergency financial management plan."

[This Article Newly Inserted by Act No. 13638, Dec. 29, 2015]

Article 60-7 (Compilation, etc. of Budget of Organization Subject to Emergency Financial Management)

- (1)The head of an organization subject to emergency financial management shall compile a budget in accordance with an emergency financial management plan.
- (2)Where the head of an organization subject to emergency financial management should alter the budget already approved in accordance with an emergency financial management plan, he/she shall compile a revised supplementary budget in accordance with an emergency financial management plan and submit it to the local council within 60 days from the date the Minister of the Interior approves and notifies the emergency financial management plan pursuant to Article 60-5 (1).
- (3)The head of an organization subject to emergency financial management shall undergo an examination by an emergency financial manager as to whether a budget is in conformity with an emergency financial management plan before he/she compiles a budget and submits it to the local council pursuant to paragraph (1) or (2).
- (4)The head of an organization subject to emergency financial management shall submit a budget compiled pursuant to paragraphs (1) through (3) to the Minister of the Interior.
- (5)The local council shall adopt a resolution approving a revised supplementary budget submitted by the head of an organization subject to emergency financial management pursuant to paragraph (2) within 15 days from the date he/she submits such budget.

[This Article Newly Inserted by Act No. 13638, Dec. 29, 2015]

Article 60-8 (Restrictions, etc. on Issuance, etc. of Municipal Bonds by Organization Subject to Emergency Financial Management)

- (1)Notwithstanding Articles 11, 11-2, 12, 13, and 44, and Article 24 of the Local Accounting Act, no head of any organization subject to emergency financial management shall issue municipal bonds, guarantee debts, temporarily borrow money, or take the burden of debts without following an emergency financial management plan.
<Amended by Act No. 14197, May 29, 2016>
- (2)Notwithstanding Article 37, no head of any organization subject to emergency financial management shall compile a budget for a financial investment project larger than the

size prescribed by Presidential Decree without following an emergency financial management plan.

[This Article Newly Inserted by Act No. 13638, Dec. 29, 2015]

Article 60-9 (Support by Government, etc.)

- (1)The Government may provide financial and administrative support necessary for an organization subject to emergency financial management to implement its emergency financial management plan.
- (2)A local government that is not an organization subject to emergency financial management may provide support necessary for an organization subject to emergency financial management to implement its emergency financial management plan, such as the dispatch of public officials.

[This Article Newly Inserted by Act No. 13638, Dec. 29, 2015]

CHAPTER VI INCOMES (Articles 61 through 66) Deleted.

CHAPTER VII DISBURSEMENT

Articles 67 through 73 Deleted. <by Act No. 14197, May 29, 2016>

Article 74 Deleted. <by Act No. 12687, May 28, 2014>

Articles 75 and 76 Deleted. <by Act No. 14197, May 29, 2016>

CHAPTER VIII CASH AND SECURITIES (Articles 77 through 81) Deleted.

CHAPTER IX PRESCRIPTION

Article 82 (Extinctive Prescription of Monetary Claims and Debt Obligations)

- (1)The extinctive prescription of the rights of local governments, which are aimed at the payment of money, shall expire, unless exercised for five years, except as otherwise expressly provided for in other Acts.
- (2)Paragraph (1) shall also apply to any right on the local governments to the payment of money.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 83 (Discontinuation and Suspension of Extinctive Prescription)

- (1)Provisions governing the discontinuation and suspension of extinctive prescription under the Civil Act shall apply mutatis mutandis to the rights of local governments for the purpose of paying money, except as otherwise expressly provided for in other Acts.
- (2)Paragraph (1) shall also apply to any right on the local governments for the payment of money.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 84 (Effect of Payment Notices)

Payment notices issued by local governments pursuant to Acts, subordinate statutes or municipal ordinances shall have the effect of discontinuing the prescription.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

CHAPTER X CLAIMS MANAGEMENT

Article 85 (Management of Claims and Delegation of Duties)

- (1)The head of a local government shall manage claims under his/her jurisdiction, as prescribed by Presidential Decree, and may delegate the management thereof to public officials under his/her command. <Amended by Act No. 12687, May 28, 2014>
- (2)A public official to whom claims management has been delegated pursuant to paragraph (1) shall be referred to as "claims management official". <Amended by Act No. 12687, May 28, 2014>

(3)A claims management official shall not concurrently perform duties of receiving cash:
 Provided, That this shall not apply where an inevitable circumstance exists in which a
 person has to concurrently perform both duties because the workforce is minimal.
 <Amended by Act No. 12687, May 28, 2014>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 86 (Preservation of Claims)

Local governments shall be prohibited from exempting all or some of their claims and
 change the effects of their claims in a manner disadvantageous to them without
 resorting to statutes or their municipal ordinances.

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

Article 87 (Methods for Management, etc.)

- (1)Clerical affairs concerning the management of claims shall be performed according to
 the grounds for and details of the claims and for the best interests of the local
 governments.
- (2)When the claims accrue under their control, the heads of local governments shall first
 confirm, without delay, debtors, the amount of the claims, the period during which the
 claims are met and all other related facts and enter them in a register and manage
 them thoroughly.
- (3)Deleted. <by Act No. 12687, May 28, 2014>
- (4)The scope of claims subject to management, the preservation of claims and other
 matters necessary for the management of claims shall be prescribed by Presidential
 Decree. <Amended by Act No. 12687, May 28, 2014>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

CHAPTER X-2 DEBT MANAGEMENT

Article 87-2 (Debt Management)

- (1)The head of a local government shall manage debts under his/her jurisdiction and
 other debts, as prescribed by Presidential Decree, and may delegate the management
 thereof to public officials under his/her command.
- (2)A public official to whom debt management has been delegated shall be referred to as
 a "debt management officer".
- (3)A debt management officer shall concurrently perform duties of receiving cash:
 Provided, That the foregoing shall not apply where the same person cannot but
 concurrently perform such duties because the legally fixed number of official is too
 few.
- (4)When the head of a local government calculates or manages debts pursuant to this
 Act, he/she shall not exclude all or some of such debts from the debts owed by the
 local government under any pretext.
- (5)Article 87 shall apply mutatis mutandis to methods, etc. for debt management. In such
 cases, "claim" shall be construed as "debt".

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 87-3 (Management of Local Finance Soundness)

- (1)The head of a local government shall formulate and execute an annual plan for the
 management of financial soundness, including the following matters, as prescribed by
 the Minister of the Interior: <Amended by Act No. 12844, Nov. 19, 2014>

1.

- Changes in consolidated liabilities and contingent liabilities in the year before the preceding year and the preceding year;
2. Estimated amount of consolidated liabilities and contingent liabilities in the relevant fiscal year;
 3. Outlook on changes in consolidated liabilities and contingent liabilities for a period of at least five fiscal years from the relevant fiscal year, grounds therefor and a plan for the management thereof;
 4. Other matters prescribed by Presidential Decree.
- (2) The Minister of the Interior shall consider both consolidated liabilities and contingent liabilities in the operation of a local finance soundness management system, except in extenuating circumstances. <Amended by Act No. 12844, Nov. 19, 2014>
- (3) The Minister of the Interior shall notify local governments of matters necessary for the systematic management of consolidated liabilities and contingent liabilities. <Amended by Act No. 12844, Nov. 19, 2014>

[This Article Wholly Amended by Act No. 12687, May 28, 2014]

CHAPTER XI LOTTERIES

Article 88 (Distribution of Amount Transferred from Lottery Funds)

Local governments shall establish an administrative consultative council under Article 152 of the Local Autonomy Act, determine the share of lottery profits to be distributed to each local government pursuant to Article 23 (1) of the Lottery Tickets and Lottery Fund Act, and notify the Lottery Committee established under Article 13 of the same Act thereof after obtaining approval therefor from the Minister of the Interior. <Amended by Act No. 11690, Mar. 23, 2013; Act No. 12844, Nov. 19, 2014>

[This Article Wholly Amended by Act No. 10991, Aug. 4, 2011]

CHAPTER XII ACCOUNTING OFFICIALS (Articles 89 through 95) Deleted.

CHAPTER XIII SUPPLEMENTARY PROVISIONS

Article 96 Deleted. <by Act No. 14197, May 29, 2016>

Article 96-2 (Informatization of Local Government Finance)

- (1) Unless grounds prescribed by Presidential Decree exist, the head of a local government shall conduct all the affairs concerning local government finance through an information system prescribed by the Minister of the Interior. <Amended by Act No. 12844, Nov. 19, 2014>
- (2) The Minister of the Interior shall develop and operate an information system necessary for the disclosure of the management conditions of local government finance and consolidated public announcement under Article 60-2. In such cases, he/she may include the conditions of business management of local public enterprises and local government-invested or -funded institutions. <Amended by Act No. 12844, Nov. 19, 2014>
- (3) The Minister of the Interior may request related institutions to provide information necessary to conduct affairs under paragraph (2). In such cases, any institution, in receipt of a request, shall comply with such request. <Amended by Act No. 12844, Nov. 19, 2014>

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 96-3 (Education for Public Officials Related to Local Government Finance)

The Minister of the Interior and the head of a local government may conduct education for public officials related to local government finance, as prescribed by Presidential Decree, for the sound and efficient management of local government finance. <Amended by Act No. 12844, Nov. 19, 2014; Act No. 14197, May 29, 2016>

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

CHAPTER XIV PENAL PROVISIONS

Article 97 (Penal provisions)

- (1) A person who receives local subsidies by fraudulent application or by other improper means and a person who provides local subsidies though he/she knows such fact shall be punished by imprisonment for not more than five years, or by a fine not exceeding thirty million won.
- (2) A person who uses local subsidies for other purposes, in violation of Article 32-4 (1), shall be punished by imprisonment for not more than three years, or by a fine not exceeding twenty million won.
- (3) Each of the following persons shall be punished by a fine not exceeding ten million won: <Amended by Act No. 13638, Dec. 29, 2015>
 1. A person who changes the details of a local government-subsidized project or the allocation of expenses incurred in conducting the local government-subsidized project without obtaining approval from the head of a local government, in violation of Article 32-4 (2);
 2. A person who transfers a local government-subsidized project, suspends or discontinues such project without obtaining approval from the head of a local government, in violation of Article 32-4 (3);
 3. A person who violates an order to suspend a local government-subsidized project under Article 32-5 (4);
 - 3-2. A person who fails to keep related data, in violation of Article 32-5 (5);
 4. A person who prepares and submits a false performance report on a local government-subsidized project under Article 32-6 (1).

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

Article 98 (Joint Penal Provisions)

Where the representative of a corporation, or an agent, employee or other worker of a corporation or individual commits an offense falling under any of Article 97 relating to business of such corporation or individual, not only such offender shall be punished but also such corporation or individual shall be punished by a fine under the relevant provision: Provided, That the foregoing shall not apply where the corporation or individual has not neglected to pay considerable attention to and exercise supervision over the relevant business in order to prevent such offense.

[This Article Newly Inserted by Act No. 12687, May 28, 2014]

ADDENDA

- (1) (Enforcement Date) This Act shall enter into force on January 1, 2006: Provided, That Article 53 shall enter into force on January 1, 2007.
- (2) (Applicability to Issuance of Local Government Bonds) Article 11 shall apply, starting with the portion of local government bonds that are issued in 2006.
- (3) (Transitional Measures concerning Medium- and Long-Term Plan for Finances of Local

Governments) The medium- and long-term plan for the finances of local governments, which is established pursuant to the former provisions at the time this Act enters into force, shall be deemed the medium- and long-term plan that is established pursuant to Article 33.

(4)(Transitional Measures concerning Depositories of Local Governments) The depositories of local governments that are designated prior to the enforcement of this Act shall be deemed the depositories of local governments that are designated pursuant to Article 77.

(5)(Relationship with Other Acts and Subordinate Statutes) A citation of the former Local Finance Act or any provisions thereof in other Acts and subordinate statutes as at the time this Act enters into force shall be deemed a citation of this Act or the corresponding provisions of this Act, in lieu of the former Local Finance Act or the provisions thereof, if such corresponding provisions exist herein.

ADDENDA <Act No. 8050, Oct. 4, 2006>

Article 1 (Enforcement Date)

This Act shall enter into force on January 1, 2007. (Proviso Omitted.)

Articles 2 through 12 Omitted.

ADDENDA <Act No. 8174, Jan. 3, 2007>

(1)(Enforcement Date) This Act shall enter into force on the date of its promulgation.

(2)(Applicability to Allocation of Revenue Resources) The amended provision of Article 29 (2) shall apply to the regional development tax imposed and collected first and subsequently for nuclear power generation.

ADDENDA <Act No. 8423, May 11, 2007>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation. (Proviso Omitted.)

Articles 2 through 13 Omitted.

ADDENDA <Act No. 8852, Feb. 29, 2008>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation. (Proviso Omitted.)

Articles 2 through 7 Omitted.

ADDENDUM <Act No. 9926, Jan. 1, 2010>

This Act shall enter into force on January 1, 2010.

ADDENDA <Act No. 10219, Mar. 31, 2010>

Article 1 (Enforcement Date)

This Act shall enter into force on January 1, 2011.

Articles 2 through 12 Omitted.

ADDENDA <Act No. 10221, Mar. 31, 2010>

Article 1 (Enforcement Date)

This Act shall enter into force on January 1, 2011.

Articles 2 through 8 Omitted.

ADDENDA <Act No. 10303, May 17, 2010>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation. (Proviso Omitted.)

Articles 2 through 10 Omitted.

ADDENDA <Act No. 10439, Mar. 8, 2011>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation: Provided, That the amended provisions of Articles 55-3 through 55-5 shall enter into force on January 1, 2012, and the amended provisions of proviso to Article 77 (1) and of subparagraphs 1 through 5 of the same paragraph shall enter into force one year after the date of its promulgation.

Article 2 (Applicability to Preparation and Submission of Gender Sensitive Budget Bills and Account Settlements)

The preparation and submission of gender sensitive budget bills under the amended provisions of Article 36-2 and gender sensitive account settlements under the amended provisions of Article 53-2 shall begin to apply to the budget bill and account settlement for fiscal year 2013.

Article 3 (Applicability to Payment of Interest on Overpaid or Erroneously Paid Money)

The amended provisions of Article 66 (2) shall begin to apply to the overpaid or erroneously paid money to be first returned after this Act enters into force.

ADDENDA <Act No. 10898, Jul. 25, 2011>

Article 1 (Enforcement Date)

This Act shall enter into force three months after the date of its promulgation.

Articles 2 through 5 Omitted.

ADDENDA <Act No. 10991, Aug. 4, 2011>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation: Provided, That the amended provisions of proviso to Article 77 (1) and the amended provisions of subparagraphs 1 through 5 of the same paragraph shall enter into force on March 9, 2012, and the amended provisions of Article 29 (1) and (3) shall enter into force on January 1, 2014.

Article 2 (Applicability to Allocation of Annual Revenues)

The amended provisions of Article 29 (3) shall begin to apply to the first local resource and facility tax to be imposed and collected on thermal power generation after this Act enters into force.

ADDENDA <Act No. 11690, Mar. 23, 2013>

Article 1 (Enforcement Date)

(1) This Act shall enter into force on the date of its promulgation.

(2) Omitted.

Articles 2 through 7 Omitted.

ADDENDA <Act No. 11900, Jul. 16, 2013>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation: Provided, That the amended provisions of Articles 17 (3) and 17-2 shall enter into force three months after the date of their promulgation, and the amended provisions of Article 27-2 shall enter into force six months after the date of their promulgation.

Article 2 (Applicability to Repayment of Subsidies)

(1)The amended provision of Article 17-2 (2) shall apply beginning with the first subsidy the conclusion of granting of which is cancelled after the amended provision enters into force.

(2)The amended provision of Article 17-2 (3) shall apply beginning with the first subsidy the amount of which is concluded after the amended provision enters into force.

Article 3 (Applicability to Administration of Government Subsidies)

The amended provisions of Article 27-4 shall apply beginning with the budget for the fiscal year 2013.

ADDENDA <Act No. 12687, May 28, 2014>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation: Provided, That the amended provisions of Articles 17-2, 27-5 (2), 32-2 through 32-10, 33 (11), 74, 87-3, 97 and 98 shall enter into force on January 1, 2015.

Article 2 (Applicability to Performance Plans and Performance Reports)

Preparation of a performance plan and a performance report under the amended provision of Article 5 (2) shall apply, beginning with a budget bill for a fiscal year 2016 and the statement of accounts thereof.

Article 3 (Applicability to Deadline for Closing Receipt and Disbursement and Deadline for Completion of Receipt and Disbursement Affairs)

The amended provisions of Article 8 shall apply, beginning with the receipt and disbursement for a fiscal year 2015.

Article 4 (Applicability to Special Accounts, etc.)

(1)The amended provision of the proviso to Article 9 (2) shall apply, beginning with a budget bill for a fiscal year 2016.

(2)Among special accounts the deadline for existence of which should be prescribed pursuant to the amended provision of Article 9 (3), which are special accounts as at the time this Act enters into force, the deadline for existence of special accounts which has not been specially prescribed in the relevant local ordinance and the deadline for existence of special accounts which has been prescribed beyond December 31, 2018 shall be deemed December 31, 2018.

Article 5 (Applicability to Restrictions on Donations and Subsidies)

The amended provisions of Article 17 shall apply beginning with cases where donations are made, subsidies are provided and the expenditure of public money is made in fiscal year 2016.

Article 6 (Applicability to Restrictions on Investment or Funding)

The amended provisions of Article 18 shall apply, beginning with cases where investments are made and funding is provided in a fiscal year 2016.

Article 7 (Applicability to Assessment of Impacts on Local Government Finance)

(1)The amended provisions of Article 27-6 (1) shall apply, beginning with cases where a local government applies for attraction of a domestic or international sports competition, festival, event, public contest or makes a bid after this Act enters into force.

(2)The amended provisions of Article 27-6 (2) and (3) shall apply, beginning with a bill which begins procedures for holding consultations or hearing opinions or a proposal

for revenue, expenditure and assuming national debt obligations.

Article 8 (Applicability to Medium-term Local Government Finance Plans)

The amended provisions of Article 33 (3) 6 and 7 shall apply, beginning with a medium-term local government finance plan prepared in 2015.

Article 9 (Applicability to Restrictions on Serving Consecutive Terms of Nongovernmental Members)

Of the amended provisions of Articles 37-2 (2) and 60 (3), part on restrictions on serving consecutive terms of nongovernmental members shall apply, beginning with the first member commissioned after this Act enters into force.

Article 10 (Applicability to Compilation and Use of Reserve Funds)

The amended provisions of Article 43 (1) and (2) shall apply, beginning with a budget bill for a fiscal year 2015.

Article 11 (Applicability to Documents Attached to Budget Bills)

The amended provisions of Article 44-2 shall apply, beginning with a budget bill for a fiscal year 2015: Provided, That the amended provision of Article 44-2 (1) 8 shall apply, beginning with a budget bill for a fiscal year 2016.

Article 12 (Applicability to Statement of Accounts)

Of the amended provisions of Articles 51 and 51-2 and the amended provisions of Article 53 (4) and (5), part on the preparation of financial statements shall apply, beginning with the settlement of accounts for a fiscal year 2014: Provided, That the amended provision of Article 51 (1) 4 shall apply, beginning with the settlement of accounts for a fiscal year 2016.

Article 13 (Applicability to Preparation of Consolidated Regional Finance Statistics and Public Announcement of Management Conditions of Local Government Finance)

(1)The amended provisions of Articles 59 and 60 shall apply, beginning with the budget for a fiscal year 2015: Provided, That a performance plan and a performance report under the amended provision of Article 60 (1) 1 shall apply, beginning with the budget for a fiscal year 2016.

(2)Notwithstanding paragraph (1), the head of a local government shall submit consolidated financial information for 2014 to the Minister of Security and Public Administration pursuant to the former provision.

(3)Notwithstanding paragraph (1), the head of a local government shall publicly announce the management conditions of local government finance for 2014 pursuant to the former provision.

(4)The Minister of Security and Public Administration may publicly announce the consolidated management conditions of local government finance of each local government for a fiscal year 2014, as prescribed by Presidential Decree.

Article 14 (Transitional Measures concerning Issuance of Municipal Bonds)

Notwithstanding the amended provision of Article 11 (1), with regard to a plan for issuance of municipal bonds on which the head of a local government has obtained a resolution from the local council or which he/she has submitted to the local council for the resolution of the local council as at the time this Act enters into force, he/she may issue municipal bonds pursuant to the former provision.

Article 15 (Transitional Measures concerning Local Subsidies)

Notwithstanding the amended provisions of Articles 17-2, 32-4 through 32-10, the former provisions shall apply to local subsidies provided before the aforesaid amended provisions enter into force.

Article 16 (Transitional Measures concerning Financial Compensation)

Notwithstanding the amended provisions of Articles 29, 29-2 and 29-3, the former provisions shall apply to financial compensation, etc. paid in 2014.

Article 17 (Transitional Measures concerning Burdens of Si/Gun/Gu on Construction Projects, such as Civil Works, Executed by City/Do)

Notwithstanding the amended provisions of Article 30, the former provisions shall apply to a project in which a Si/Gun/Gu has agreed to bear expenses before this Act enters into force.

Article 18 (Transitional Measures concerning Feasibility Study)

Notwithstanding the amended provisions of Article 37 (2), the former provisions shall apply to a project on which the feasibility study has been completed or has been entrusted to a specialized institution as at the time this Act enters into force.

Article 19 (Transitional Measures concerning Act Assuming Debt Obligations)

Notwithstanding the amended provisions of Article 44 (4), the former provisions shall apply to an act assuming debt obligations on which the head of a local government has obtained a resolution from the local council or which he/she has submitted to the local council to obtain a resolution from the local council as at the time this Act enters into force.

Article 20 (Transitional Measures concerning Change of Names of Accounting-Related Officials)

A person who has been appointed as an accounting officer or debt management officer or official post designated as such pursuant to the former provisions as at the time this Act enters into force shall be deemed appointed or designated as a financier or debt management officer pursuant to Articles 67, 87-2 and 91.

Article 21 (Transitional Measures concerning Restrictions on Number of Treasuries)

Notwithstanding the amended provision of Article 77 (3), a local government may operate a treasury designated as at the time this Act enters into force as a treasury until the period of a contract with the relevant treasury is valid.

Article 22 Omitted.

ADDENDA <Act No. 12844, Nov. 19, 2014>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation: Provided, That any amendment of the Acts made under Article 6 of this Addenda, which were promulgated before this Act enters into force, but the enforcement date of which has yet to arrive, shall enter into force on the date the corresponding Act takes effect.

Articles 2 through 7 Omitted.

ADDENDA <Act No. 13283, May 13, 2015>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation: Provided, That the amended provisions of Article 11 (1) shall enter into force on the date of its promulgation.

Article 2 (Period of Validity for Issuance of Municipal Bonds)

The amended provisions of Article 11 (1) remain valid until December 31, 2017 from the enforcement date of this Act.

ADDENDA <Act No. 13638, Dec. 29, 2015>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation: Provided, That the amended provisions of Articles 27-2 (6) through (8), 28-2 (2), 29-3, and 29-4 shall enter into force on January 1, 2016.

Article 2 (Applicability to Keeping of Data Related to Execution of Local Government-Subsidized Projects)

The amended provision of Article 32-5 (5) shall apply, beginning with a local government-subsidized project operator who executes the first local government-subsidized project after this Act enters into force.

ADDENDA <Act No. 14111, Mar. 29, 2016>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation.

Articles 2 through 5 Omitted.

ADDENDA <Act No. 14113, Mar. 29, 2016>

Article 1 (Enforcement Date)

This Act shall enter into force one year after the date of its promulgation.

Articles 2 through 18 Omitted.

ADDENDA <Act No. 14197, May 29, 2016>

Article 1 (Enforcement Date)

This Act shall enter into force six months after the date of its promulgation. (Proviso Omitted.)

Articles 2 through 4 Omitted.

ADDENDA <Act No. 14198, May 29, 2016>

Article 1 (Enforcement Date)

This Act shall enter into force three months after the date of its promulgation.

Articles 2 through 3 Omitted.

ADDENDA <Act No. 14476, Dec. 27, 2016>

Article 1 (Enforcement Date)

This Act shall enter into force three months after the date of its promulgation. (Proviso Omitted)

Articles 2 through 5 Omitted.

ADDENDA <Act No. 14619, Mar. 21, 2017>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation.

Article 2 (Transitional Measure concerning Composition of Committee for Deliberation on Local Finance Obligations)

Notwithstanding the amended provisions of Article 27-2 (4), members of the Committee appointed pursuant to the previous provisions as at the time this Act enters into force shall be governed by the previous provisions.

