



# Rajasthan

**Sixth State Finance Commission (2020-25)**

# Agenda

---

- **Overview of the Sixth State Finance Commission**
- **Compliance status with the recommendations of the 15th Finance Commission regarding SFCs**
- **Overview of Local Bodies in Rajasthan**
- **Government of Rajasthan's proposals to the 16th Finance Commission**



# Overview of the Sixth State Finance Commission

---

## Statutory provisions related to the State Finance Commission

- Article 243-I and 243-Y of the Constitution of India lays down that the Governor of state shall, as soon as may be within one year from the commencement of the Constitution (seventy third) Amendment Act, 1992, and thereafter **at the expiration of every fifth year, constitute a Finance Commission to review the financial position of the Panchayats and municipalities respectively and make recommendations to the Governor.**
- In pursuance of these constitutional articles, the Government of Rajasthan has made provisions in **Section 118 of the Rajasthan Panchayati Raj Act, 1994** and **Section 76 of the Rajasthan Municipalities Act, 2009** for constitution of State Finance Commissions
- In compliance with above, the Governor of Rajasthan **vide notification dated 12.04.2021 and 17.05.2021** had constituted the Sixth State Finance Commission consisting of the following members:
  - Sh. Pradyumn Singh, Chairman
  - Dr. Lakshman Singh Rawat, Member
  - Dr. Ashok Lahoti, Member
  - Sh. SC Derashri, Member Secretary

## Overview of Previous State Finance Commissions constituted till date in Rajasthan

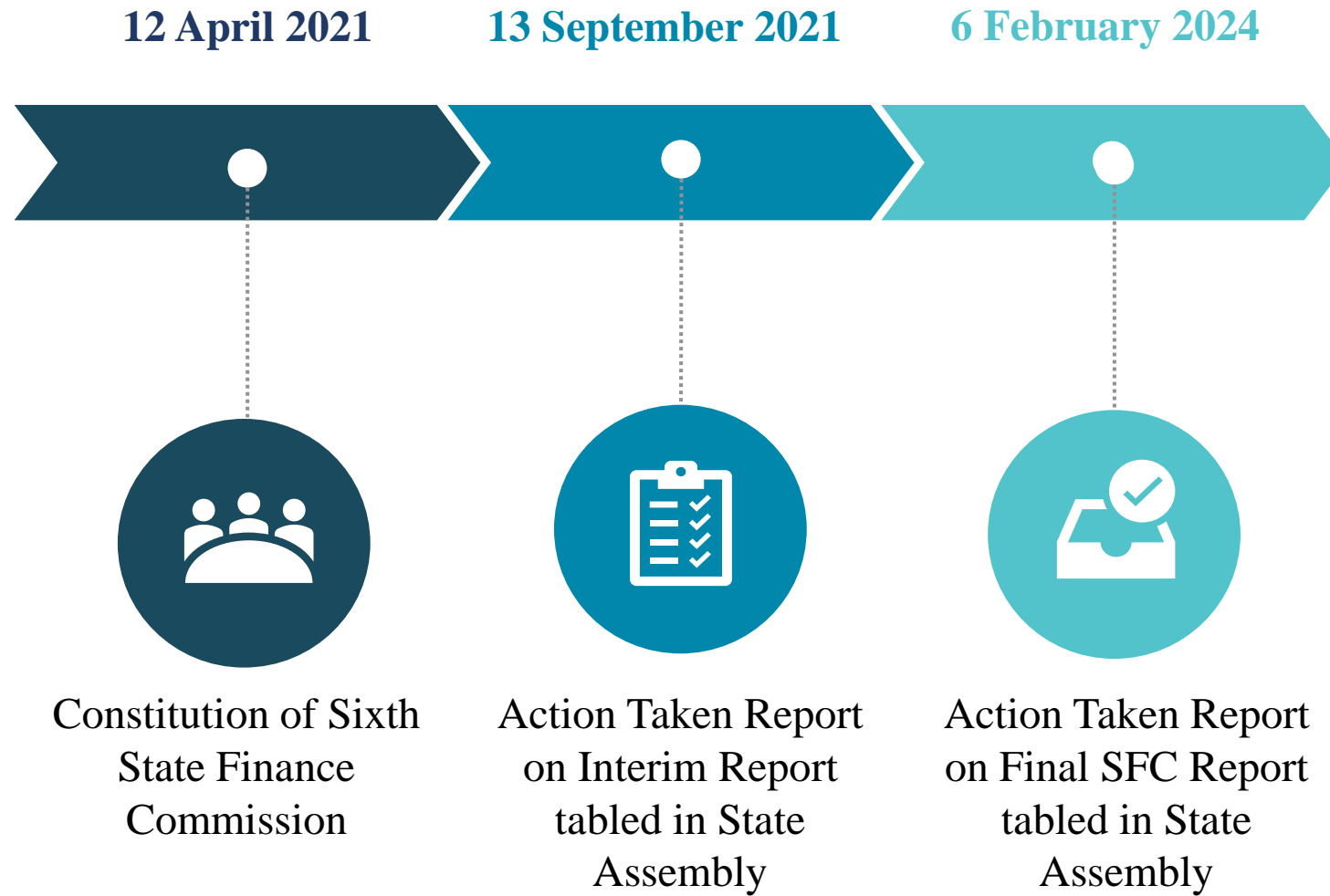
<b>State Finance Commission</b>	<b>Chairman</b>	<b>No. of members including Member Secretary</b>	<b>Award Period</b>
First	Sh. K. K. Goel	Three	1995-1996 to 1999-2000
Second	Sh. Hira Lal Devpura	Three	2000-2001 to 2004-2005
Third	Sh. Manik Chand Surana	Three	2005-2006 to 2009-2010
Fourth	Dr. B.D. Kalla	Three	2010-2011 to 2014-15
Fifth	Dr. Jyoti Kiran	Two	2015-2016 to 2019-2020
Sixth	Dr. Pradyumn Singh	Four	2020-21 to 2024-25



*The Sixth State Finance Commission was required to abide by the following terms of reference for making its recommendations:*

- **Review of financial position of Panchayats and municipalities suggest the principles which should govern:**
  - i. Percentage distribution of net proceeds of taxes, duties, tolls and fees leviable by the State to the Panchayats and Municipalities
  - ii. Determination of taxes, duties, tolls and fees which may be assigned to, or appropriated by, the Panchayats and Municipalities at all levels
  - iii. Grants-in-aid to the Panchayats and Municipalities at all levels from the Consolidated Fund of the State.
- **Measures needed to improve the financial position of the Panchayats and Municipalities**

# Timeline of Sixth State Finance Commission



## Actionable points in accordance with the recommendations of the Sixth State Finance Commission (1/3)

### 1. Regarding devolution out of State's own tax revenue and non-tax revenue

The Government of Rajasthan devolved 6.75% of its own net tax proceeds for the grant period of (2020-24) to Panchayats and Municipalities. This devolution percentage was increased to 7% for the year 2024-25

The ratio of distribution of funds between PRI and ULBs was 75.1; 24.9 for the grant period of 2020-24. This ratio was revised to 73.2, 26.8 for PRIs and ULBs respectively for the year 2024-25 considering the demographic change due to formation of new urban local bodies.

55 per cent funds of the total funds devolved to PRIs and 75 per cent funds of the total funds devolved to ULBs for local bodies should be earmarked for provision of basic services.

2% of the total funds devolved to local bodies (both PRIs and ULBs) were earmarked for schemes for social welfare for the grant period of 2020-2024. In 2024-25, this earmarking was specially designated for creating gender friendly spaces.

A 3% performance grant was made available for PRIs & ULBs for the grant period of 2020-24 which could be availed if a given local body maintained its accounts of income and expenditure, maintained records including 'asset register' or demonstrated an increase in own revenue. However, this performance grant was linked only to increase in own revenue for the year 2024-25.



## Actionable points in accordance with the recommendations of the Sixth State Finance Commission (2/3)

### 2. Panchayati Raj Institutions (PRI)

The total funds devolved to PRIs from state's consolidated fund was distributed as per the following ratio:

- i. 75 percent for Gram Panchayats
- ii. 20 percent for Panchayat Samitis
- iii. 5 percent for Zila Parishad

### 3. Urban Local Bodies

The total funds devolved to ULBs from state's consolidated fund was distributed as per the following ratio:

- i. Funds distributed to all three tiers of Urban Local Bodies:
  - 55 percent of all the funds devolved to the ULBs will be distributed based on population
  - 15 percent shall be distributed based on area
- ii. The remaining 30 percent fund shall be disbursed solely to the municipalities considering their weak financial base and limited own sources of revenue. This shall be distributed as follows:
  - 20 percent will be distributed among only the municipalities on the basis of population
  - 10 percent of the fund will be distributed in proportion to the deviation of average per capita own income of Municipalities measured from the municipality with the highest average per capita own income (based on data collected for 2015-20)

## Actionable points in accordance with the recommendations of the Sixth State Finance Commission (3/3)

### 4. Regarding utilization of State Funds

The Government of Rajasthan has emphasized in its priorities for local bodies funding to ensure separate toilet facilities for girls should be provided in schools and Anganwadi centers.

PRIs have been allowed to use state funds for arranging LED lighting on village roads wherever necessary.

Local bodies have been instructed to utilize state funds for expenses related to PRIASoft PFMS Interface (PPI) and e-Gram Swaraj portal and permission has been given to hire computer operator and machine with these funds.

An annual fund of Rs 1 lakh per Gram Panchayat, Rs 2 lakh per Panchayat Samiti and Rs 3 lakh per Zila Parishad has been provisioned for camps and campaigns related to social issues or for increasing civic participation

PRIs have been allowed to utilize state funds for construction of buildings for newly created Gram Panchayats/Panchayat Samitis and newly created Zila Parishads as well as undertake necessary repairs of Zila Parishad, Panchayat Samiti and Gram Panchayat buildings.

## Status of Property Tax Implementation in Rajasthan

➤ Rajasthan follows the Sixth State Finance Commission and 15th Finance Commission's mandate by implementing minimum property tax rates through the Urban Development Tax (UDT). Implemented Property tax in the State across all Municipal Corporations, Municipalities, Nagar Parishads vide Notification 9356 (dated 24.8.2016).

➤ In the Union Budget 2024-25, Hon'ble FM announced

***“100. Land records in urban areas will be digitized with GIS mapping. An IT based system for property record administration, updating, and tax administration will be established. These will also facilitate improving the financial position of urban local bodies”***

➤ The Government of Rajasthan has supported this initiative by the Central Government by announcing supporting provision for digitization of land records in its Modified Budget 2024-25 as follows,

***“59. The Central Government in its Budget 2024-25 has furthered land reforms through announcing the digitization of land records in urban and rural areas. Along the same lines, we are proposing to record Aadhar details of land holders in Jamabandi document (Record of Rights) and record Bhu-Aadhaar details in Khasra documents (land revenue records). GIS mapping will be likewise implemented in rural and urban areas”.***

## Compliance status with the recommendations of the 15th Finance Commission regarding SFCs

Parameter of 15 <sup>th</sup> FC	Compliance Status
States must constitute SFCs and act on their recommendations by March 2024.	Compliant. SFCs have been duly constituted in Rajasthan every five years as mandated
Submit an explanatory memorandum on actions taken to the State legislature by March 2024.	Compliant. Action Taken Reports are tabled in the State Assembly on a timely basis (within six months of submission of the report) The Action Taken Report on Sixth SFC report was tabled in Rajasthan State Assembly in February 2024.
No grants will be released to non-compliant States after March 2024.	Compliant The state has received its Central Finance Commission grants as per schedule.



# Overview of Local Bodies in Rajasthan

---



## Status of Local Bodies in Rajasthan

Local Bodies	Number
Rural	
Total rural population (in crore)	5.51
Gram Panchayats (Village level)	11214
Panchayat Samitis (Block Level)	365
Zila Parishads (District Level):	33

Local Bodies	Number
Urban	
Total Urban population (in crore)	1.7
Municipalities (Nagarpalika)	220
Municipal Councils	51
Municipal Corporations	11

- Rajasthan was a pioneer state, the first to implement the Panchayati Raj system through the Rajasthan Panchayati Raj Act, 1959.
- 25 functions (out of 29 functions listed in 11th Schedule of the Constitution) have been devolved to the Rural Local Bodies, also known as Panchayati Raj Institutions (PRIs).
- For Urban Local Bodies, 16 functions have been devolved (out of the 18 functions listed in the 12th Schedule of the Constitution)

### Source:

1. Data of Rural Local Bodies and Urban Local Bodies has been received from LSG Department, Rajasthan (other than Panchayat Samitis and Zila Parishads)
2. Source of No of Panchayat Samitis and Zila Parishads: Economic Review 2023-24, Rajasthan
3. Source for devolution of functions of PRIs: RBI Report 2024 on Panchayati Raj Institutions. Accessed from: <https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/0PANCHAYATIRAJINSTITUTIONS9A271AFF9FE743D283550CA17595FCC6.PDF>
4. Source for devolution of functions of ULBs: Chapter IV Empowerment of Urban Local Bodies and their functioning, CAG Audit Report No. 5 of 2021. Accessed from: [https://cag.gov.in/uploads/download\\_audit\\_report/2021/7.Chapter-4-0622b24e8ecf8a5.61759250.pdf](https://cag.gov.in/uploads/download_audit_report/2021/7.Chapter-4-0622b24e8ecf8a5.61759250.pdf)



## Finances of Panchayati Raj Institutions – Receipts and Expenditure

### Components of Revenue generated by PRIs

Total Revenue Earned for Panchayati Raj Institutions as on 31st March of each fiscal year (Rs. in crore)			
	Own Revenue Receipts	CFC Grants	Total Receipts
2019-20	99.54	3,699.95	24,535.29
2020-21	109.49	3,862.00	26,988.82
2021-22	120.44	2,854.00	29,687.70
2022-23	99.54	3,699.95	32,656.47
2023-24 (RE)	109.49	3,862.00	35,922.12

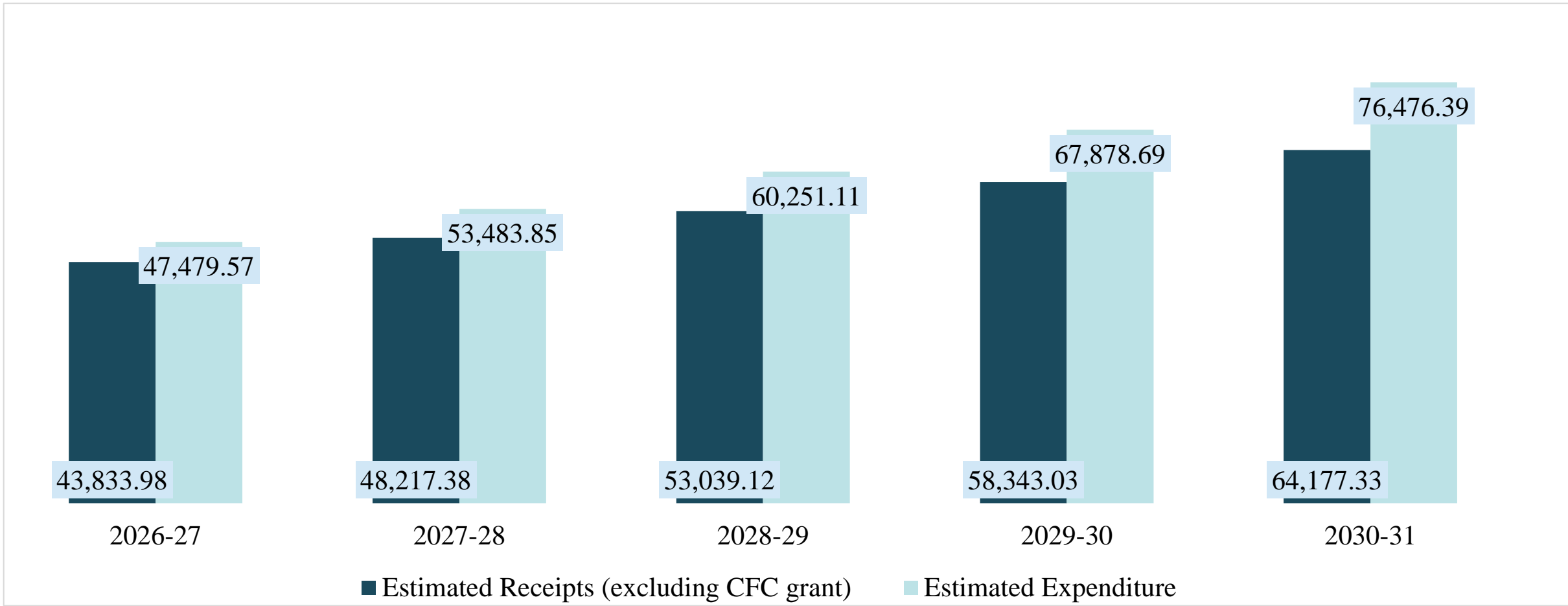
Note: Major Receipts Heads for PRIs are: Own Revenue Receipts, Grants-in-aid (excluding CFC grant), Development scheme receipts, Other receipts

### Components of Expenditure Incurred by PRIs

Total Expenditure Incurred for Panchayati Raj Institutions as on 31st March of each fiscal year (Rs. in crore)				
	Salary Expenditure Incurred by the State Govt.	Non-salary Expenditure Revenue incurred by Panchayati Raj Institutions	Capital Expenditure	Total Expenditure
2019-20	1,184.36	2,899.31	18,612.51	22,696.18
2020-21	1,284.50	3,207.54	20,473.76	24,965.80
2021-22	1,785.86	3,155.38	22,521.14	27,462.38
2022-23	2,600.73	2,834.63	24,773.25	30,208.61
2023-24 (RE)	2,730.70	3,248.20	27,250.58	33,229.48

Note: Major Expenditure Heads for PRIs are: Revenue Expenditure (Salary and non-Salary) and Capital Expenditure

# Estimated Shortfall between Revenue and Expenditure of PRIs during XVI FC award period (Rs. in crores)



Source: PR Dept., GoR

**State requests XVI FC for a grant of Rs. 37,958.79 crores for PRIs**



## Growth in Urban Population of Rajasthan



Parameter	2011	2016	2021	2026	2031
<b>Urban Population of Rajasthan</b>	1.72 crore	1.92 crore	2.10 crore	2.28 crore	2.43 crore
<b>As % of total population</b>	24.96%	25.70%	26.41%	27.12%	27.83%

### 2001 to 2011

- Total population growth- 21.44%
- Urban population growth- 29.26%



## Finances of Urban Local Bodies – Receipts and Expenditure

### Components of Revenue generated by ULBs

*In Rs. crore*

Year	Own Revenue	CFC Grants	Total Receipts
2019-20	798.37	1,283.43	4,788.65
2020-21	1,014.08	1,859.00	7,481.21
2021-22	1,204.01	1,510.30	6,938.95
2022-23	1,324.40	1,407.44	7,264.14
2023-24	1,460.35	1,123.43	7,531.09

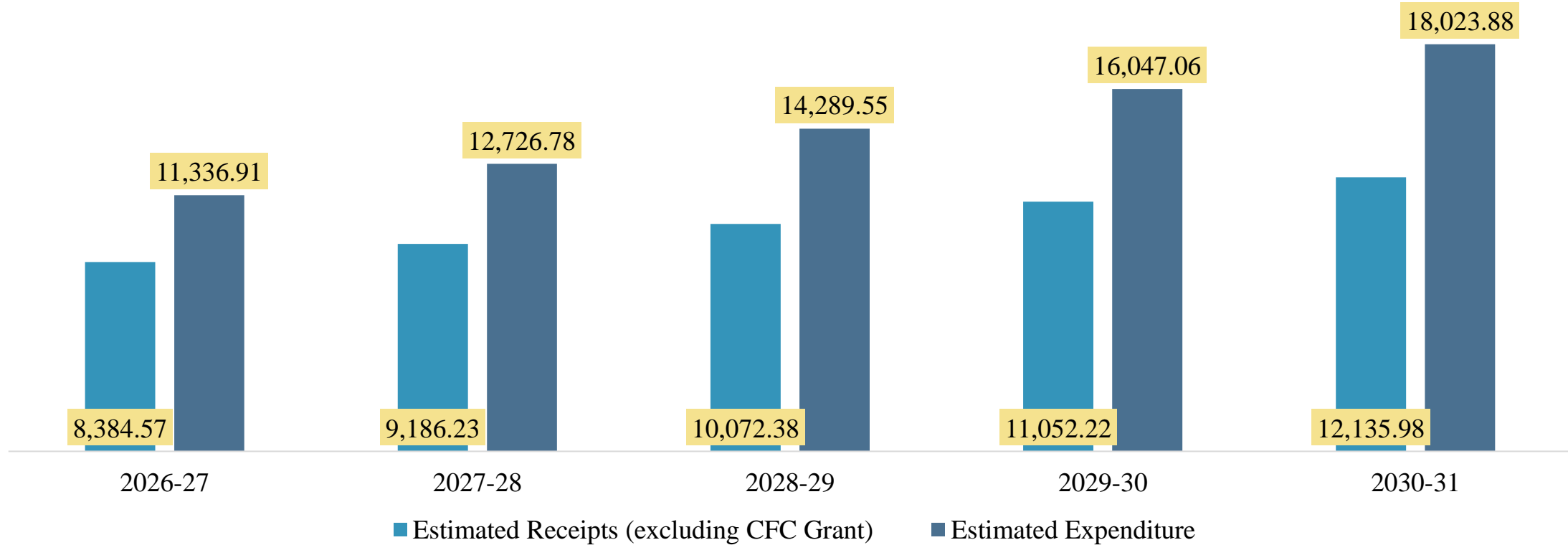
*Note: Major Receipts Heads for ULBs are: Own Revenue Receipts, CFC grants SFC grants, Octroi Compensation,, Other receipts*

### Year-wise expenditure of ULBs

S. No.	Expenditure	Year wise expenditure (Rs in crores)				
		2019-20	2020-21	2021-22	2022-23	2023-24
1	Salary Expenditure	1,950.23	2,212.62	2,533.07	3,751.25	3,443.53
2	Other Expenditure: (i) Infrastructure (ii) Solid Waste Management (iii) Sewerage (iv) Drinking water	2,990.23	3,389.60	3,022.42	3,981.34	4,578.54
Total		4,940.46	5,602.22	5,555.49	7,732.59	8,022.07

*Note: Major Expenditure Heads for ULBs are: Salary Expenditure and Non-salary expenditure (including capital expenditure)*

# Estimated Shortfall between Revenue and Expenditure of ULBs during XVI FC award period (Rs. in crores)



Source: LSG Dept., GoR

***State requests XVI FC for a grant of Rs. 21,592.81 crores for ULBs***



## Government of Rajasthan's proposals to the 16<sup>th</sup> Finance Commission (1/2)

Parameter		15 <sup>th</sup> FC	GoR Proposal to 16 <sup>th</sup> FC	Rationale
Inter-se distribution criteria for distribution of funds between panchayats and urban local bodies	Panchayats	Inter se distribution of the grants for rural and urban local bodies was recommended to gradually shift from 67.5:32.5 in 2020-21 to 65:35 in 2025-26.	Rs. 37958.79 crores were requested for PRIs out of a total grant demand of Rs. 59551.6 crores for Local Bodies, which is 63.7% of the total funds requested for local bodies.	<ul style="list-style-type: none"> <li>Panchayati Raj Institutions have multiple incoming streams of income through major central and state development schemes. However, Urban Local Bodies face an immense pressure for service delivery with an increasing population base but stagnant share in both CFC and SFC grants.</li> <li>The urban population of Rajasthan increased by 29.01% during 2001-2011 period and the average rate of urbanization for Rajasthan is 24.87% as per Census 2011, with the 3 districts of Jaipur, Ajmer and Kota being significantly more urbanized than the national average.<sup>1</sup></li> <li>The growth in the total expenditure of ULBs has outpaced the total revenue growth of the ULBs with an average annual growth rate of 13.93%.<sup>2</sup></li> <li>ULBs are heavily reliant on grants-in-aid and assigned compensation received in lieu of octroi. As a result, there exists a fiscal gap in the finances of the ULBs for which the ULBs also resort to borrowings. This gap is expected to increase in the coming years.</li> </ul>
	Urban Local Bodies		Rs. 21,592.81 crores were requested for ULBs out of a total grant demand of Rs. 59551.6 crores for Local Bodies, which is 36.3% of the total funds requested for local bodies.	

Source:

1. <https://www.janaagraha.org/files/ASICS2023-databook.pdf>

2. LSG Department, GoR



## Government of Rajasthan's proposals to the 16th Finance Commission (2/2)

Parameter	GoR Proposal to 16 <sup>th</sup> FC	Rationale
<b>Earmarking of Grants for Departmental and area requirements</b>	<ul style="list-style-type: none"><li>• 5% from the total grant amount for both ULBs and PRIs should be allocated for e-governance reforms</li><li>• 15% of total grant allocated to Rural Local Bodies to be earmarked to State Government for engagement of personnel</li><li>• 8% of total grant allocated to be earmarked to State Government for engagement of personnel for sanitation and waste management duration of atleast five years after formation of the ULBs</li><li>• Provision of additional funds to support initiatives specifically targeting the needs of peri-urban areas, allowing to center them in the urban planning agenda.</li></ul>	<ul style="list-style-type: none"><li>• PRI and LSG Departments reported a severe need for funding for e-governance reforms and covering salary expenditure of essential personnel over and above the scheme linked funds disbursed through SFC and CFC.</li><li>• ULBs are generally unable to recover operations and maintenance (O&amp;M) costs, let alone capital costs, of providing services such as water supply and sewerage on a large scale, creating both health and environmental hazards for the peripheral areas.</li><li>• Most recently, the State has undertaken development of the 'Rajasthan Regional and Urban Planning Bill-2024', as announced in the Rajasthan their Modified Budget 2024-25 to support the planned development of peri-urban areas. Additional support in the form of CFC grants would help boost this integrated planning approach.</li></ul>



***Thank You***