



सत्यमेव जयते

Government of Maharashtra

PRESENTATION TO THE 15TH FINANCE COMMISSION

19th September, 2018

CONTENT

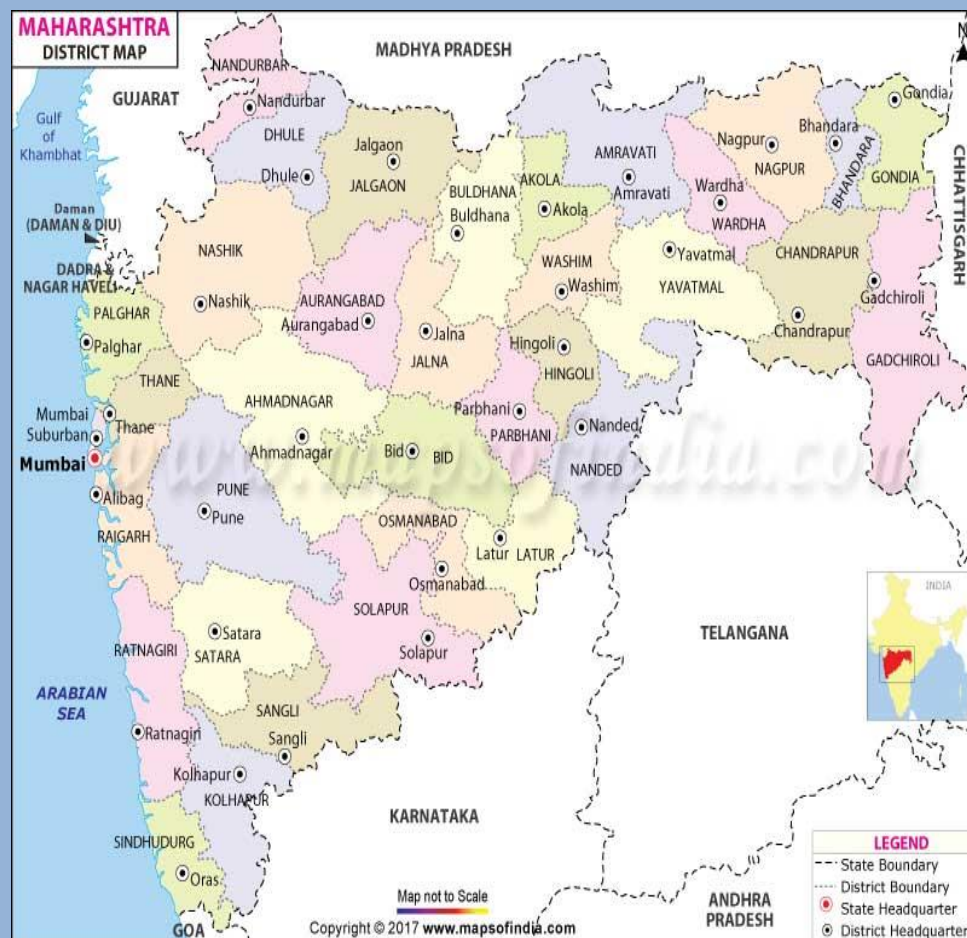
Sr. No.	Topic
1.	<u>Overview of Maharashtra's Socio-Economic Profile</u>
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MAHARASHTRA' SOCIO ECONOMIC PROFILE

MAHARASHTRA – FACT FILE

Demography & Geography

Fact File	2011
No. of Districts	36
Population, total (crore, 9.3% of India's population)	11.24
Population Growth (Decennial %)	15.99%
Rural (54.8%) (crore)	6.16
Urban (45.2%) (crore)	5.08
Scheduled Caste (11.8%) (crore)	1.33
Scheduled Tribe (9.4%) (crore)	1.05
Literacy Rate	82.34%
Density (Sq. Km.)	365
Sex Ratio	925



REPLACEMENT RATE

Maharashtra reached the national replacement rate of 2.2 (total fertility rate) in 2005 which has further declined to 1.8 in 2016

Total Fertility rates of India and Maharashtra, 2000-2016

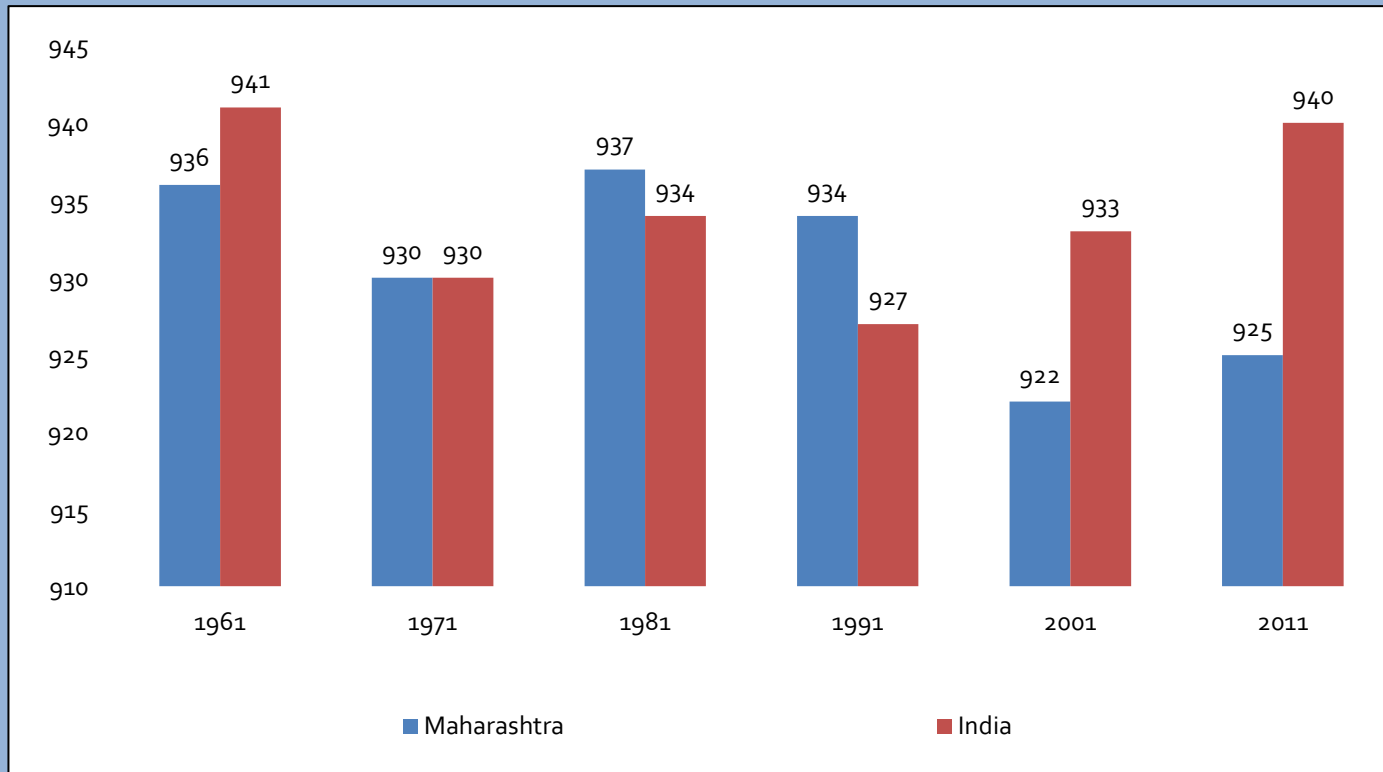


Source: Niti Aayog

LOW SEX RATIO

Maharashtra has taken steps to arrest this trend and is in the forefront of implementation of the pre conception and pre-natal diagnostic (prohibition of sex selection) act, 1994

Trends in Maharashtra's Sex Ratio (1961-2011)

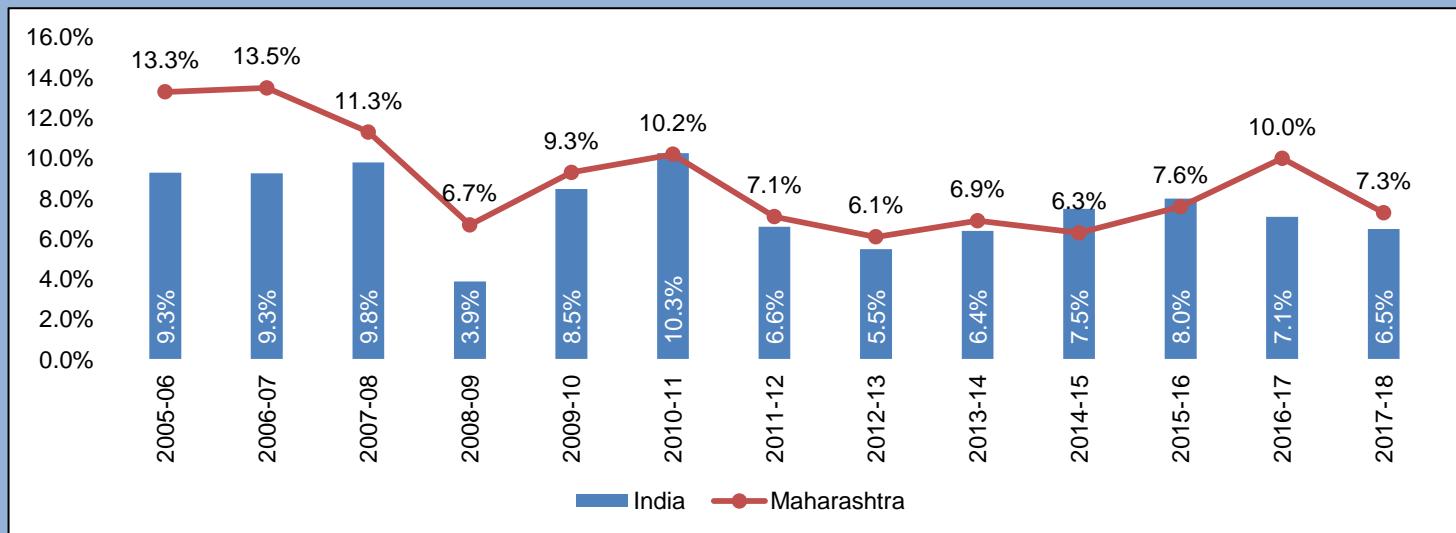


STATUS OF THE ECONOMY

Economic Growth: Real GSDP of the State grew at a CAGR of 8.3% since 2014-15

- Maharashtra has the highest GSDP among all States, **accounting for almost 15.1% of India's GDP**
- Maharashtra has contributed significantly to India's growth **with State GSDP growing higher than that of the national GDP** for most of the years

Comparison of Maharashtra's GSDP with India's GDP (% , Base 2011-12)



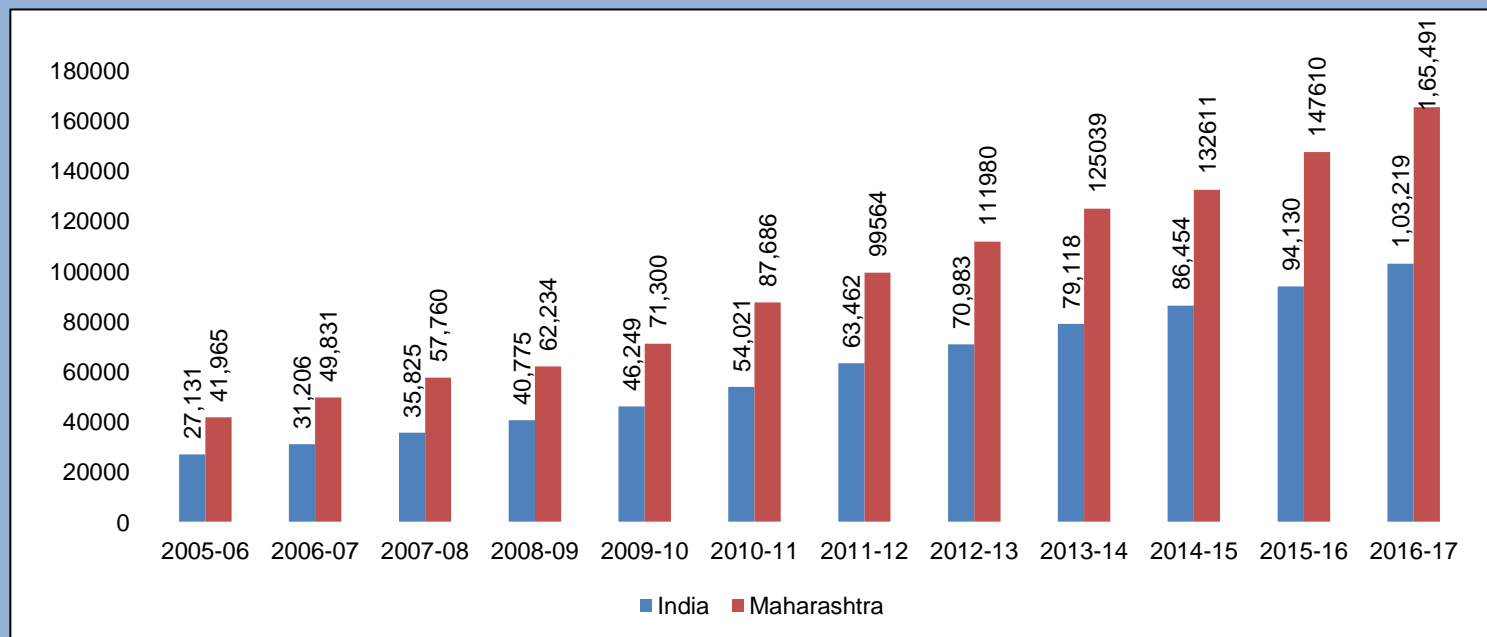
Removal of bottlenecks for Maharashtra and its economic growth will have a significant impact on the Indian economy.

STATUS OF THE ECONOMY

Per-Capita Income: High GSDP growth of the State is also reflected in the per capita net state domestic product (NSDP)

- During the period 2005-06 to 2016-17, Maharashtra's Per Capita NSDP grew from Rs.41,965 to Rs.1,65,491 as against all India Per Capita NDP at Rs. 27,131 and Rs.1,03,219 during the same period

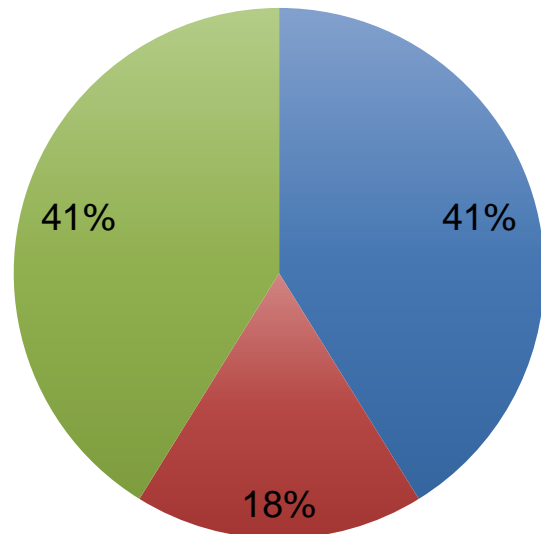
Comparison of Maharashtra's Per Capita NSDP with India's Per Capita NDP (% , Base 2011-12)



STATUS OF THE ECONOMY

District Per-Capita Income: High inter district disparities (per capita Gross District Value Added)

Per Capita GSDP Variation

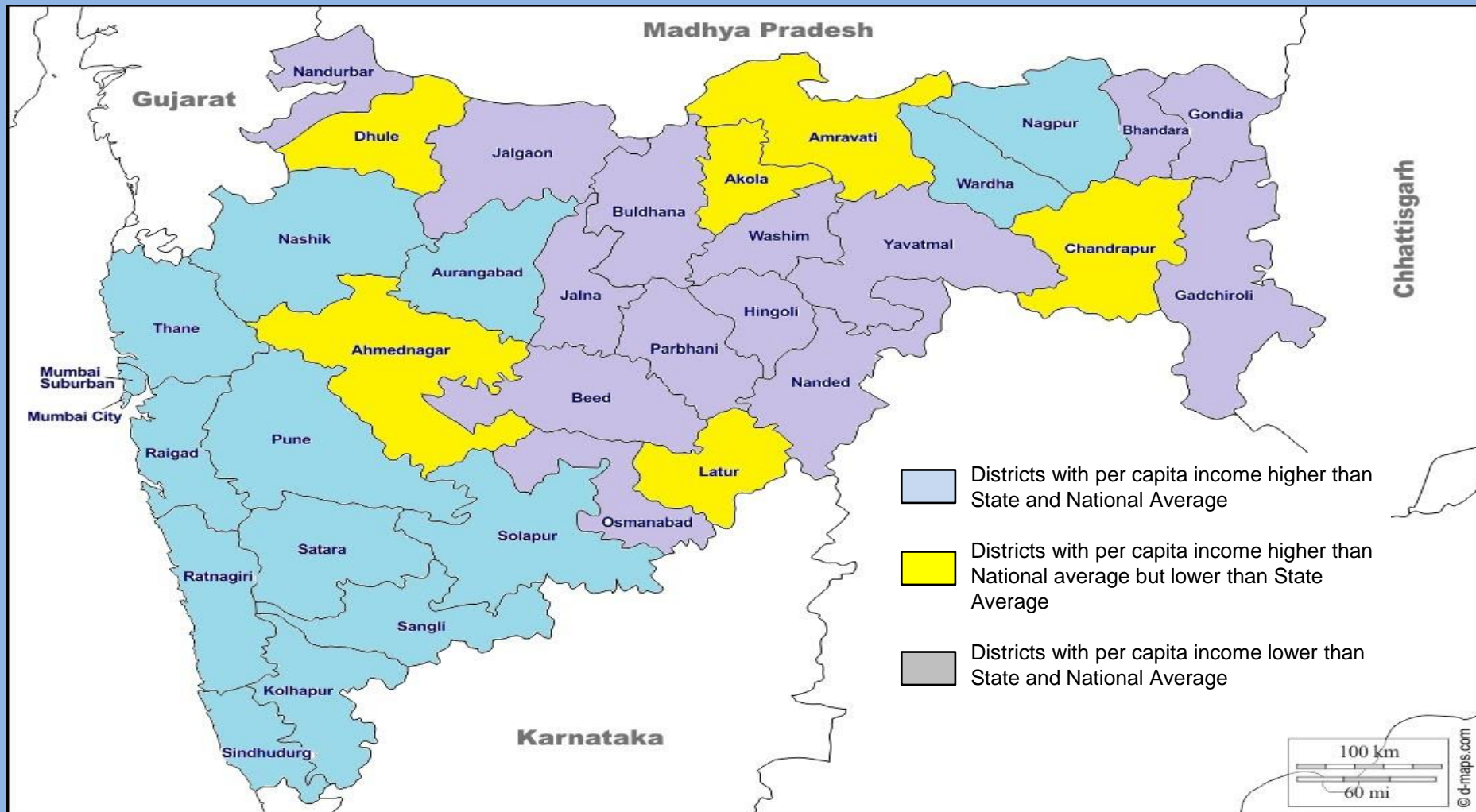


- 14 Districts > State Average
- 6 Districts < State Average & > National Average
- 14 Districts < State & National Average

- 40% Population living in districts with GDVA below State average
- Top 3 districts with 30% of population contribute 45% to GDVA
- Bottom 10 districts with 18% of population contribute only 10 % to GSDP

STATUS OF THE ECONOMY

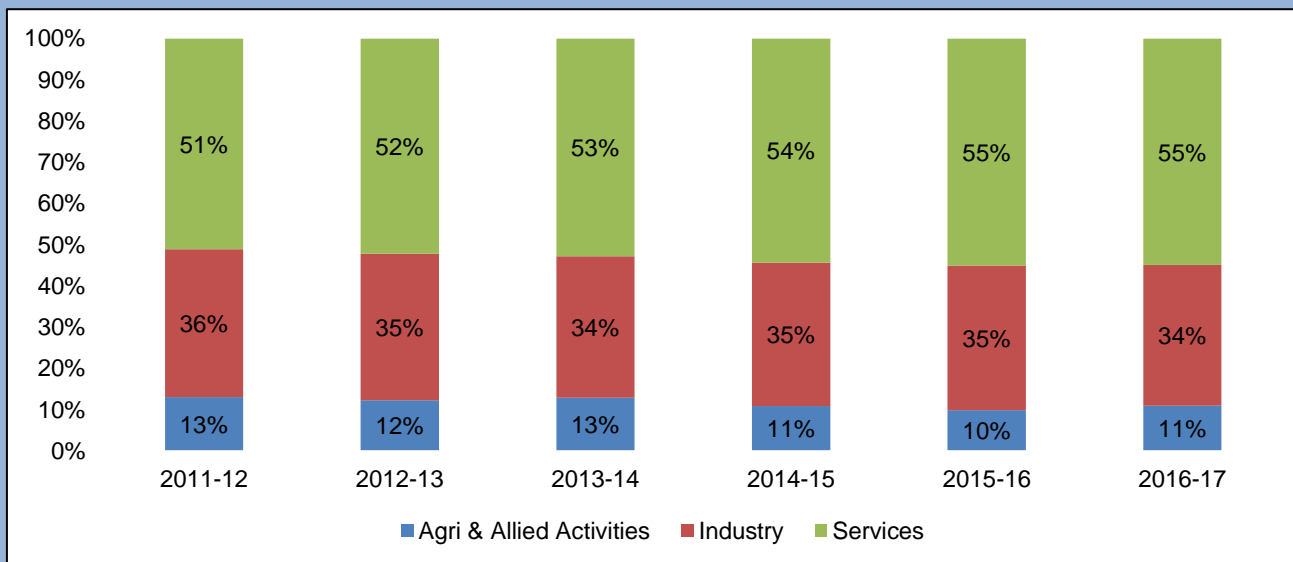
District Per-Capita Income: High inter district disparities (per capita Gross District Value Added)



STATUS OF THE ECONOMY

Structure of the Economy: Share of agriculture and allied activities and industry sector in State's economy has declined over the years, as against services sector

Trends in structural composition of Maharashtra's GSDP (%)



- Share of agriculture and allied activities in State's total GSVA has declined marginally from 13% in 2011-12 to 11% in 2016-17
- Share of industry has also declined from 36% to 34% in the aforesaid period.
- Share of services has grown from 51% in 2011-12 to 55% in 2016-17.

[Agriculture](#)

[Industry](#)

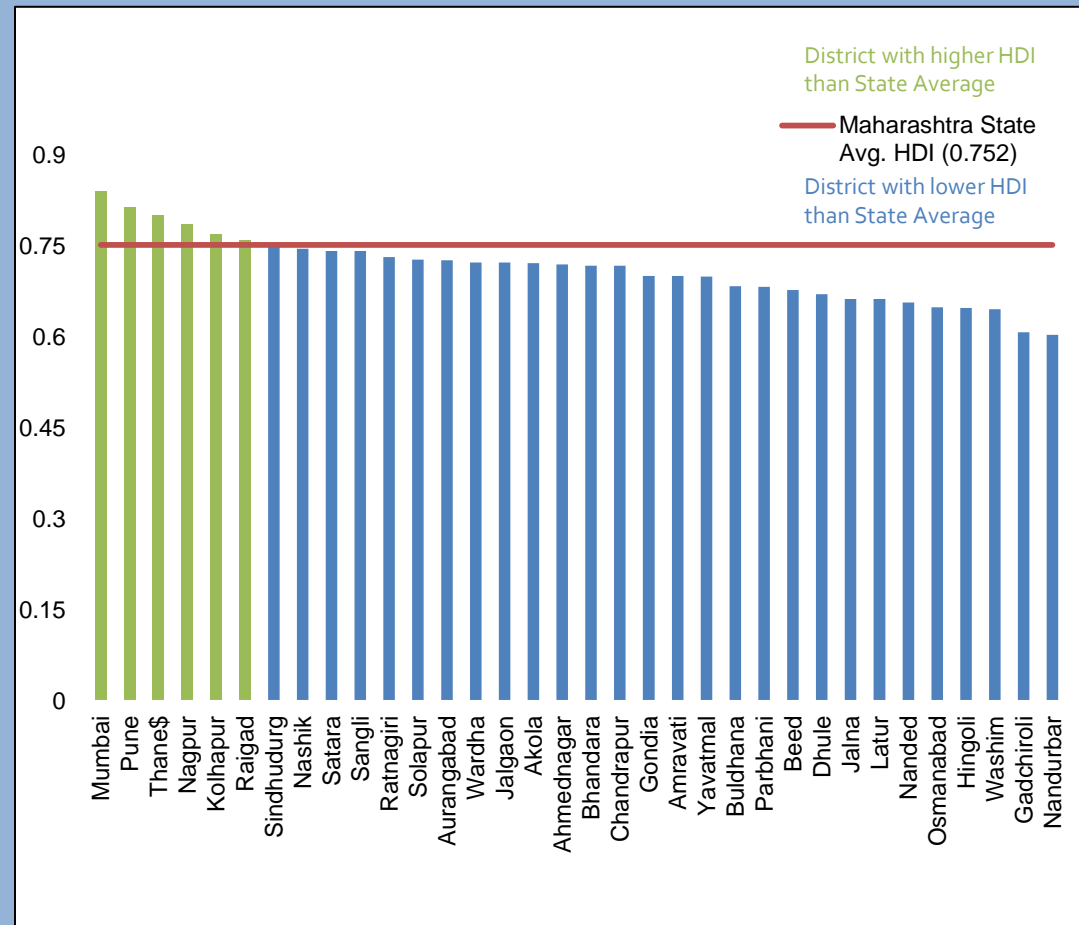
[Services](#)

SOCIAL INDICATORS

Human Development Index: Mumbai (Mumbai city and Mumbai suburban districts together) tops the list with HDI (0.841), followed by Pune (0.814), whereas Nandurbar (0.604) is at the bottom

- Maharashtra human development programme is being implemented in rural areas and all 'C' class municipal councils of 125 most backward talukas
- Under this programme, various schemes focussing on improvement in education, health and income are being implemented
- An expenditure of Rs.231.5 crore has been incurred on the human development programme in 2017-18

Performance of Districts in Maharashtra HDI 2011



SOCIAL INDICATORS

Health Indicators: Maharashtra has performed well in terms of key health indicators

Indicator	All-India	Maharashtra
Crude Birth Rate per '000 (2016)	20.4	15.9
Crude Death Rate per '000 (2016)	6.4	5.9
Life expectancy at Birth (2011-15)	68.3	72

3-tier health infrastructure to provide comprehensive health services:

- Primary tier - Sub-centres (10,580), Primary Health Centres (1,814) and Community Health Centres (360)
- Secondary - Sub-district hospitals (86) and District Hospitals (23)
- Tertiary - Well equipped medical colleges and super-speciality hospitals in major cities

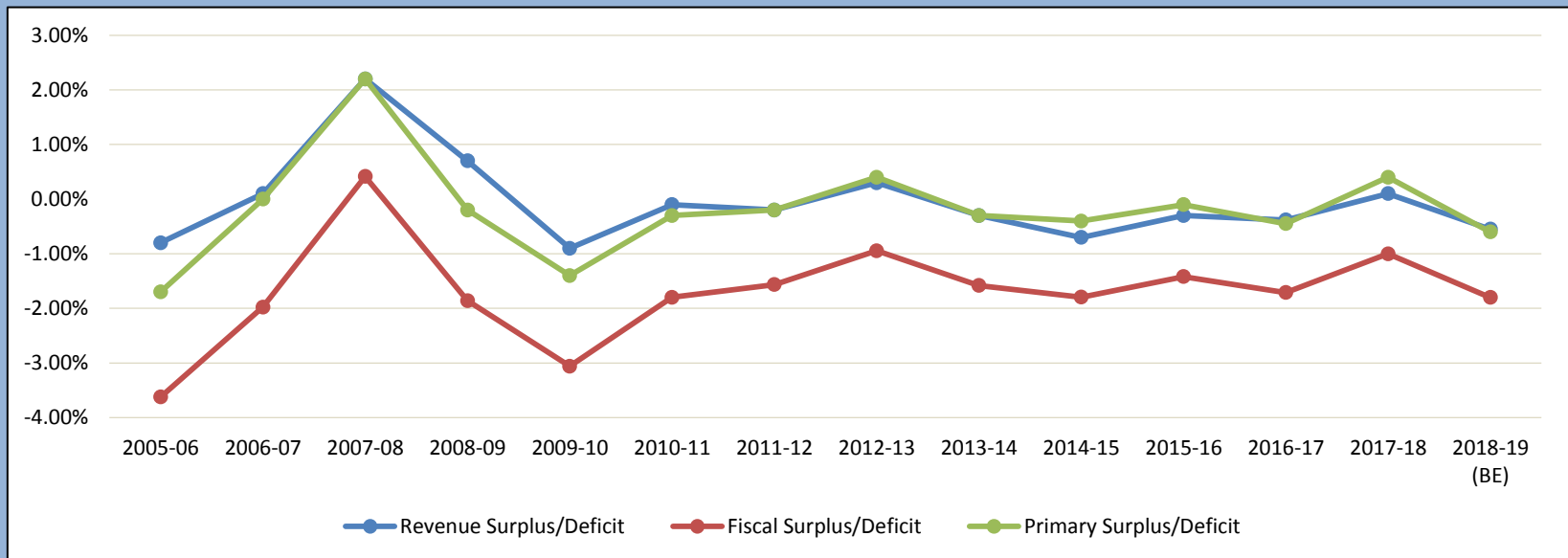
MAHARASHTRA' FISCAL PROFILE

FISCAL PROFILE

Fiscal Deficit of the State remains under control

- The Government has been able to curtail its Fiscal Deficit from a peak of 3.1 % of GSDP in 2009-10 to 1.0% in 2017-18
- Reduced growth in committed expenditure has resulted in a revenue surplus in 2017-18

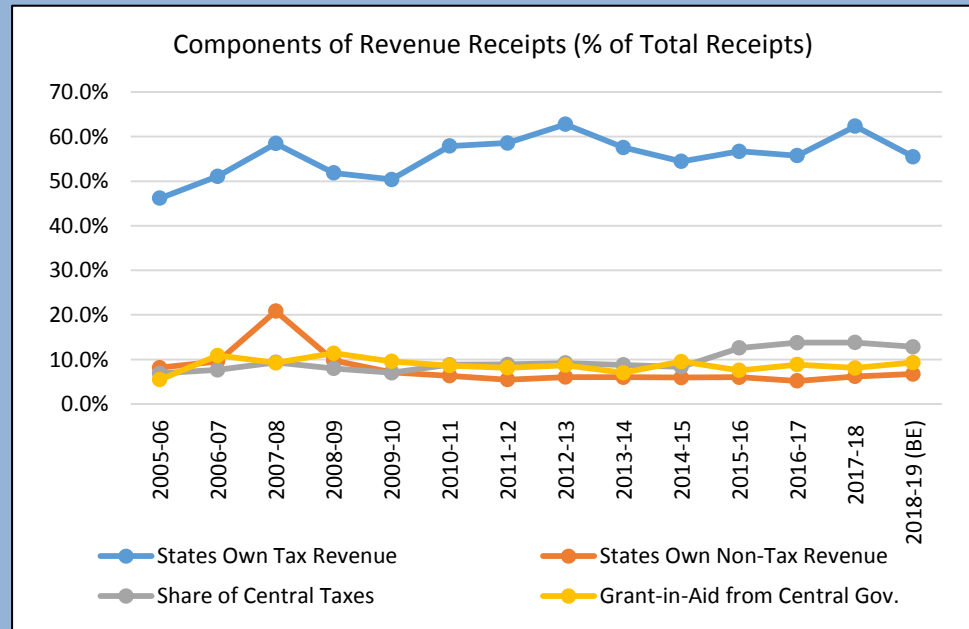
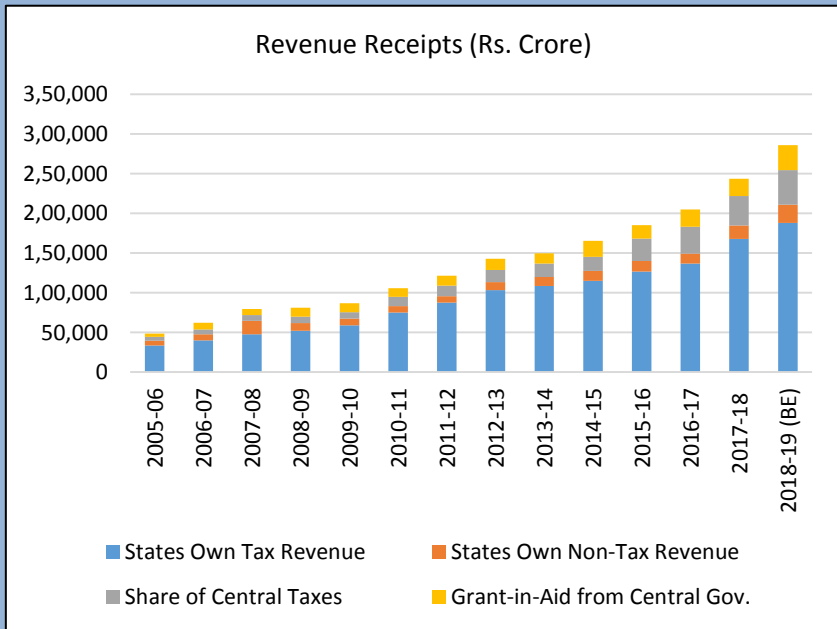
Fiscal, Revenue and Primary Deficit (2005-06 to 2018-19 B.E)



FISCAL PROFILE

Revenue Receipts: Share of tax revenue as a % of GSDP has declined over the years. It is expected to recover with the implementation of GST

- The revenue receipts grew from Rs.48,438 crore in 2005-06 to almost 5 times to Rs. 2,43,654 crore in 2017-18.
- The share of own tax revenue to GSDP of the State has declined from 8.2% in 2012-13 of GSDP to 6.1% in 2016-17. After the implementation of GST, the share went up in 2017-18 to 6.7% and is expected to rise further in 2018-19.

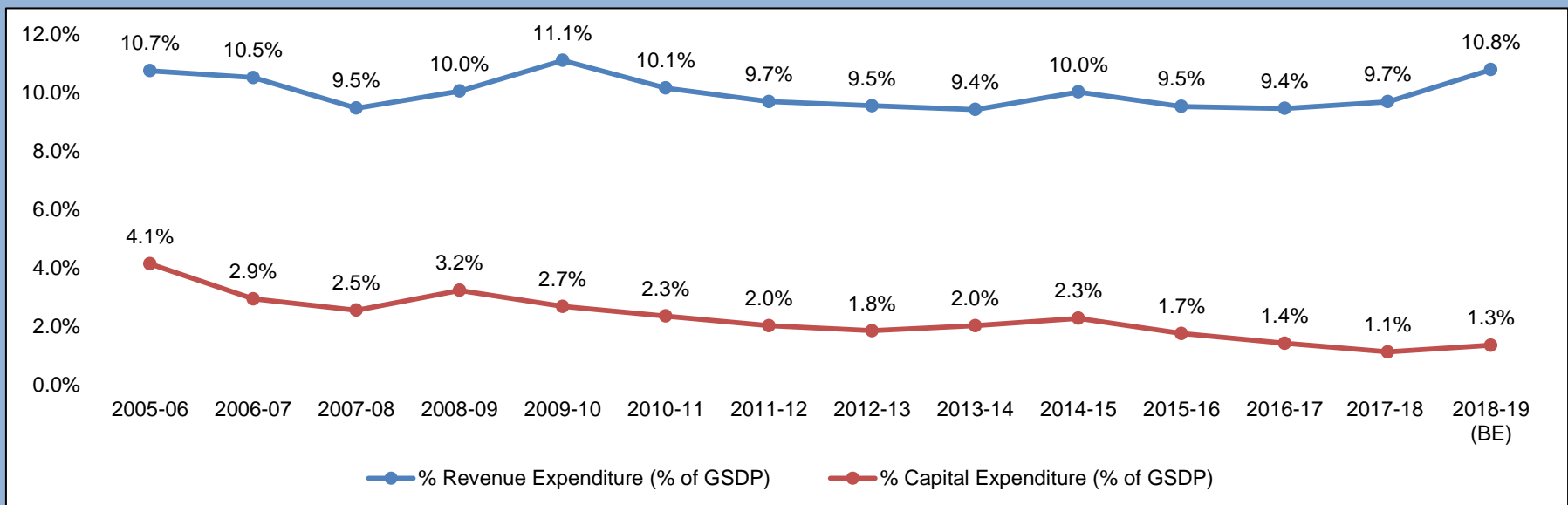


FISCAL PROFILE

Total Expenditure: Share of revenue expenditure continues to increase in the total expenditure of the State

- The State's Total Expenditure grew from Rs. 72,362 crore in 2005-06 to Rs.3,06,063 crore in 2017-18
- The share of capital expenditure has almost halved in the last 10 years, while the revenue expenditure has risen from 76% in 2008-09 to 89% in 2018-19 (B.E)

Revenue and Capital Expenditure (% of GSDP)



FISCAL PROFILE

Huge capital expenditure being carried out by Parastatal bodies in Maharashtra



Maharashtra State
Road Development
Corporation
Rs. 70,261 crore
(2013-19)



Mumbai Metropolitan region Development
Authority (MMRDA)

Mumbai Metropolitan
Region Development
Authority
Rs. 1,07,736 crore
(2016-20)



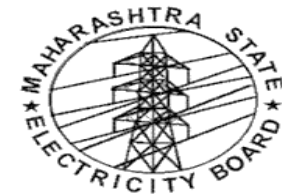
Maharashtra Industrial
Development
Corporation
Rs. 6,093 crore
(2013-19)



City and Industrial
Development
Corporation
Rs. 10,813 crore
(2012-18)



Maharashtra Housing
and Area Development
Authority
Rs. 8,236 crore
(2015-18)



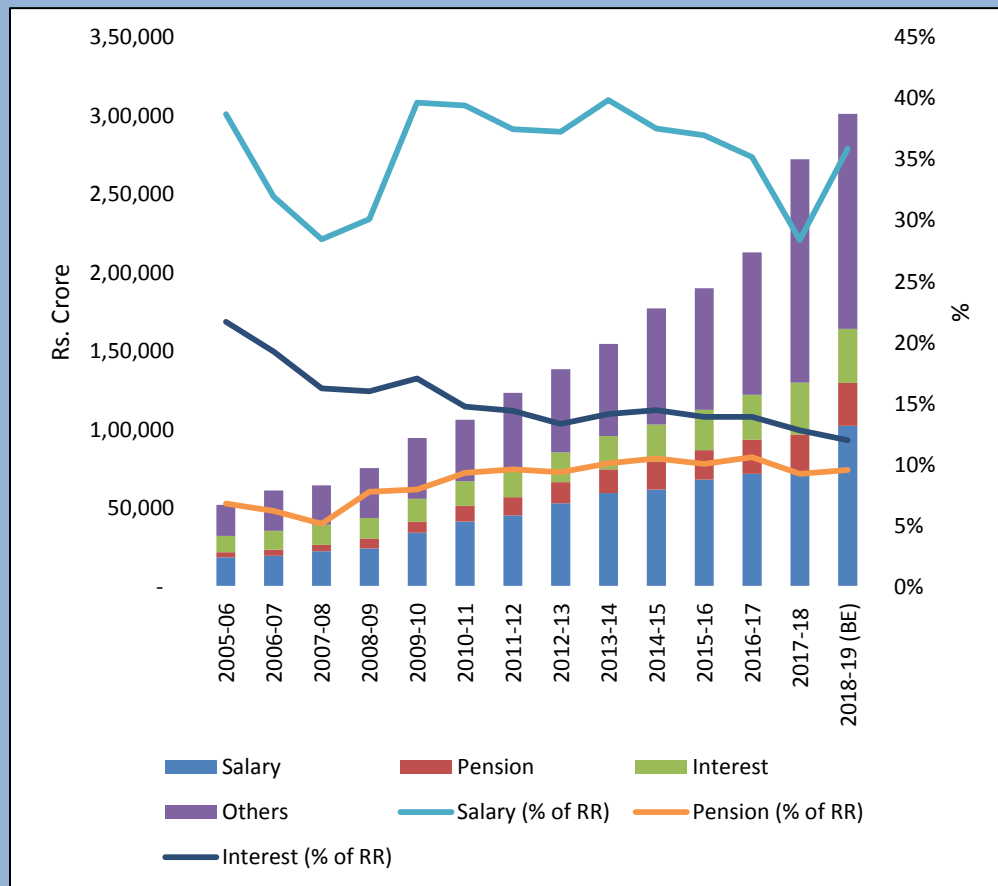
MSEDCL- Rs. 20,336 crore
TCL - Rs.6,481 crore
PGCL - 16,312 crore
Total - Rs. 43,129 crore
(2013-18)

FISCAL PROFILE

Revenue Expenditure: Growth in expenditure on salary, pension and interest expenditure slows down

- Share of committed expenditure has come down from 64% in 2013-14 to 54% in 2017-18
- Interest payment as a proportion of revenue receipt has been on a downward trend. It has declined from 22.0% in 2005-06 to 12.0% in 2018-19 (B.E)
- However, expenditure on salary is expected to rise again due to the implementation of 7th pay commission

Trends in Revenue Expenditure

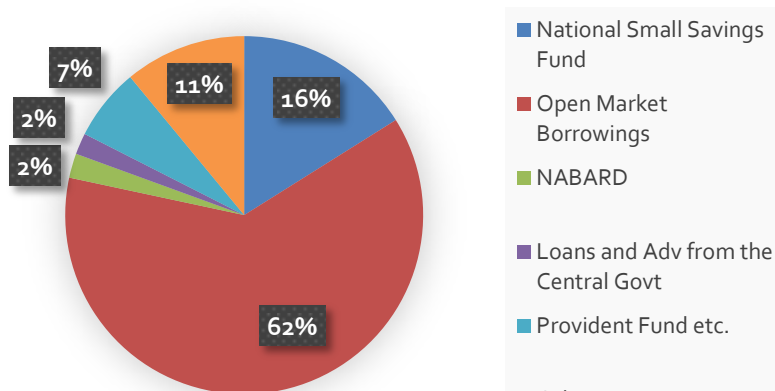


FISCAL PROFILE

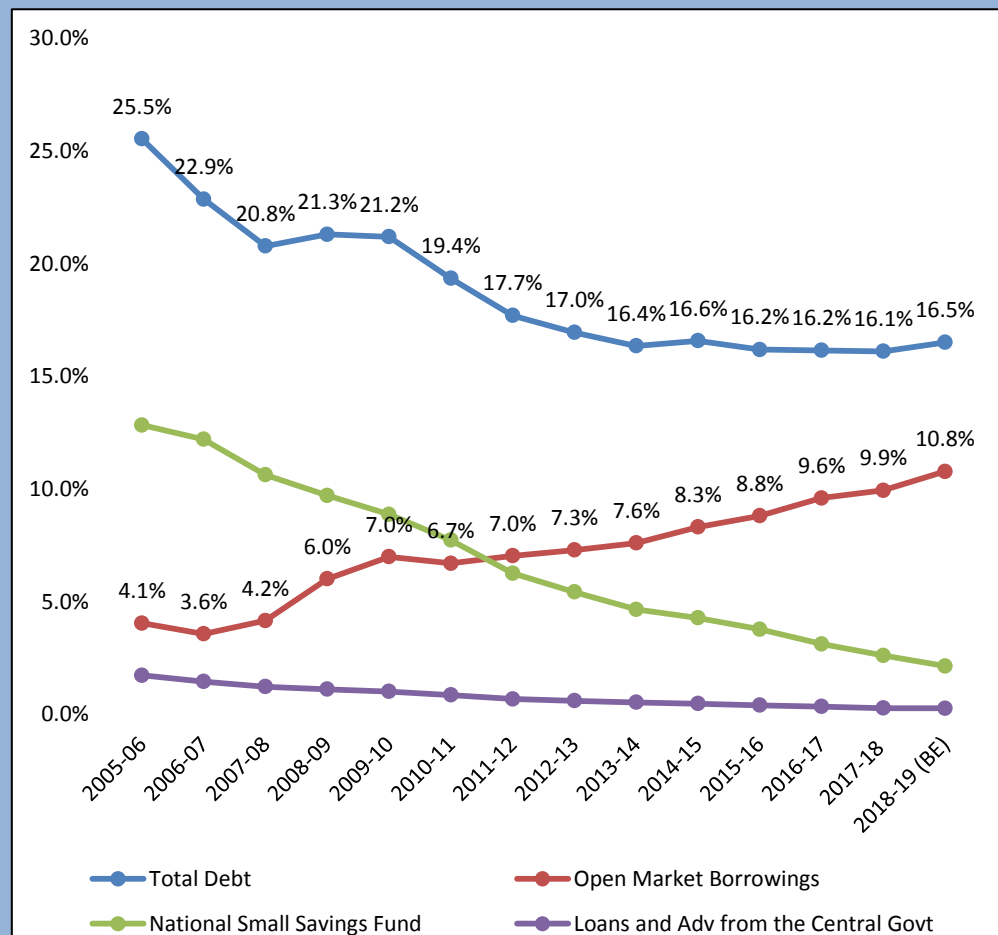
Debt Profile: State's debt position has improved in the last decade with better debt management

- The total debt to GSDP ratio declined from 25.5% in 2005-06 to 16.1% in 2017-18 with public debt being the main component of debt stock
- Huge compositional shift away from loans from Central Government towards internal debt (issuance of SDLs)
- Reduced borrowings from long term to short term debt to reduce interest burden.

Debt Composition (% , 2017-18)



Total Debt and its components as % of GSDP



FISCAL PROJECTIONS

FISCAL PROJECTIONS

Fiscal Projections for 2019-20 to 2024-25 (Rs. Crore)

	2016-17	2017-18	2018-19 (B.E)	2019-20 (F)	2020-21 (F)	2021-22 (F)	2022-23 (F)	2023-24 (F)	2024-25 (F)
Nominal GDP	22,57,032	24,96,505	27,96,086	31,31,616	35,07,410	39,28,299	43,99,695	49,27,658	55,18,977
Total Revenue Receipts	2,04,693	2,43,654	2,85,968	3,18,843	3,55,526	3,96,459	4,42,139	4,93,121	5,50,023
State Own Tax Revenue	1,36,616	1,67,932	1,88,040	2,10,978	2,36,714	2,65,590	2,97,989	3,34,339	3,75,124
State Non Tax Revenue	12,709	16,680	22,785	25,206	27,885	30,849	34,127	37,754	41,767
Share in Central Taxes	33,715	37,219	43,515	47,866	52,653	57,918	63,710	70,081	77,089
Grants-in -Aid from the Centre	21,653	21,823	31,629	34,793	38,273	42,102	46,314	50,947	56,044
Revenue Expenditure	2,13,229	2,41,571	3,01,343	3,33,802	3,81,646	4,08,227	4,55,637	5,08,776	5,68,501
Salaries	72,225	73,250	89,475	1,09,607	1,19,252	1,33,562	1,49,590	1,67,540	1,82,126
Pension	16,858	23,853	20,720	23,895	26,499	29,388	32,591	36,143	40,119
Interest	28,532	33,018	34,385	38,255	42,562	47,353	52,684	58,614	65,212
Total Capital Receipts	40,413	25,739	52,952	59,406	66,680	74,883	84,106	94,474	1,06,134
Capital Expenditure	31,806	27,821	37,477	39,622	41,893	44,298	46,845	49,542	52,398



FISCAL PROJECTIONS

Fiscal Projections for 2019-20 to 2024-25 (% of GSDP)

	2016-17	2017-18 (R.E)	2018-19 (B.E)	2019-20 (F)	2020-21 (F)	2021-22 (F)	2022-23 (F)	2023-24 (F)	2024-25 (F)
Revenue Deficit (% of GSDP)	0.40%	(+) 0.1%	0.50%	0.5%	0.7%	0.3%	0.3%	0.3%	0.3%
Fiscal Deficit (% of GSDP)	1.70%	1.0%	1.80%	1.7%	1.9%	1.3%	1.3%	1.2%	1.2%
Primary Deficit/Surplus (% of GSDP)	0.40%	(+) 0.40%	0.60%	0.4%	0.6%	0.1%	0.1%	0.0%	0.0%
Debt Stock (% of GSDP)	16.20%	16.1%	16.50%	16.6%	16.8%	16.9%	17.0%	17.1%	17.2%
Interest as a % of Total Revenue Receipts*	13.90%	13.6%	12.00%	12.0%	12.0%	11.9%	11.9%	11.9%	11.9%



VERTICAL DEVOLUTION

VERTICAL DEVOLUTION

Share of tax devolution to the State was increased from 32% in FC-XIII to 42% in FC-XIV

Based on the demand from all States, FC-XIV increased the divisible pool by 10%.

FC	Recommended percent for states	Maharashtra received (Rs. cr)
XIII (2010-15)	32%	Rs.74,107
XIV (2015-20)	42%	Rs.99,021*

* Data from 2015-16 to 2017-18

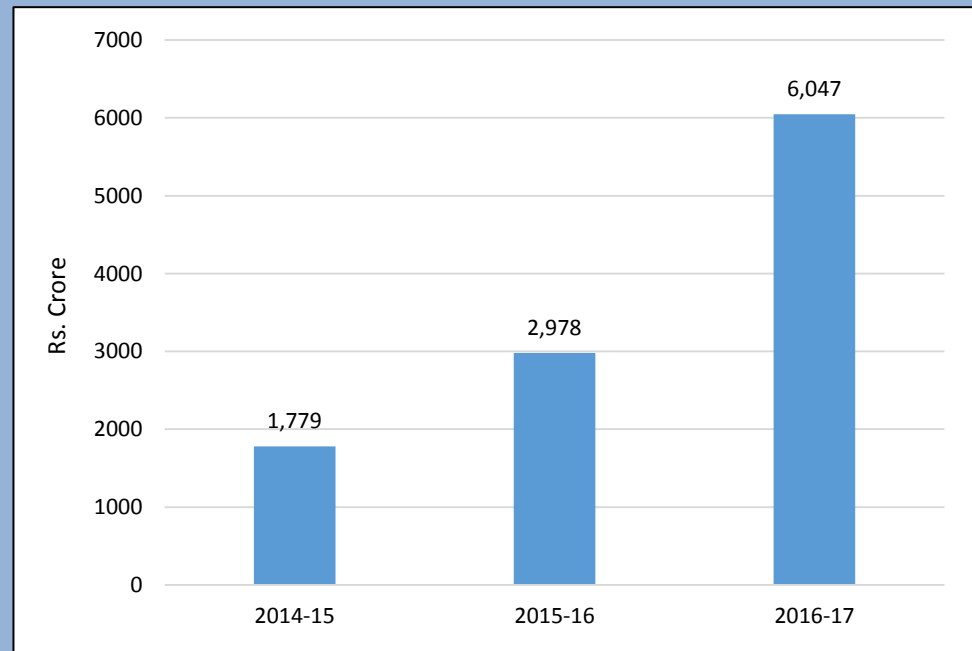
VERTICAL DEVOLUTION

However, net gain to the State was only marginal

- Increased tax devolution in 2015-16 was immediately **offset by a sharp change in the Centre: State sharing ratio of Centrally Sponsored Schemes**
- This increased the expenditure of the State on CSS and ACA
- **As per RBI's analysis**, instead of increasing the funds available to state governments, **these changes have led to a decline in central transfers to states by 0.3% of GDP**

Additionally, the Centre has enacted a slew of progressive or 'entitlement' legislations which has put financial burden additional financial burden on the State. For example RTE, National Food Security Act, etc.

Trends of Maharashtra's Share in CSS and ACA (Rs. Crore)



7th Pay Commission: Anticipated burden of the 7th pay commission is expected to be around Rs.41,000 crore in the near future if it is implemented from 2016.

**OUR SUBMISSION FOR VERTICAL
DEVOLUTION**

VERTICAL DEVOLUTION

Increase in Tax Devolution Share from 42% to 50% for the FC-XV period

- **With increasing expenditure burden, the State Government would request the FC-XV to recommend increase of the tax devolution share from 42% to 50%**

- In addition, the Finance Commission also needs to increase the kitty size of the tax devolution.
- **The States should also be given proportionate share of the additional funds generated by cesses and surcharges, spectrum sales, license fees and disinvestment.**



HORIZONTAL DEVOLUTION OF TAX DEVOLUTION

HORIZONTAL DEVOLUTION

Criteria used by FC-XIV was purely based on equity

- **Equity is the major principle** for *inter se* distribution of taxes
- Some FC's, however, also considered the efficiency criteria
- Devolution of central taxes in the **FC-XIV was purely based on the equity criteria**
- In our view, FC-XIV suffers from two major infirmities:
 - ***Element of equity is overwhelmingly dominant***
 - ***The methodology used for calculating the income distance is flawed***

- **We hold strong view** that for determining the *inter se* distribution of funds as tax devolution between the States, the Finance Commission should give **due weightage to both equity and efficiency parameters**
- Considerable time has elapsed since the earlier Finance Commission made transfers based on the 'need' argument
- ***Time has come to review the utility and efficacy of such an approach.***

**OUR SUBMISSION FOR ADOPTION
OF FORMULA FOR HORIZONTAL
DEVOLUTION**

HORIZONTAL DEVOLUTION

Population: Weight for population as a criterion needs to be increased from 30% to 35%

- Use of population as criteria is unexceptionable as most of the services especially social services, are provided based on some kind of per capita norm
- Maharashtra is moving forward along the demographic transition curve with the **proportion of the aged population growing**
- A large population in the **age group of 15-25 years** requires special attention for developing skill sets for improving employability
- *Population is a simple, basic, neutral and transparent criteria*
- *We are of the view that the weightage for population needs to be enhanced from what was given in the FC-XIV*

We propose a weightage of 35% to 2011 population as a criterion.

HORIZONTAL DEVOLUTION

Area: 15% weight for area criterion

- Area is another neutral and transparent parameter
- Many infrastructure facilities need to be provided on an area basis
- There is an increasing need to strengthen quality of road networks, water supply and sanitation service and electricity network.

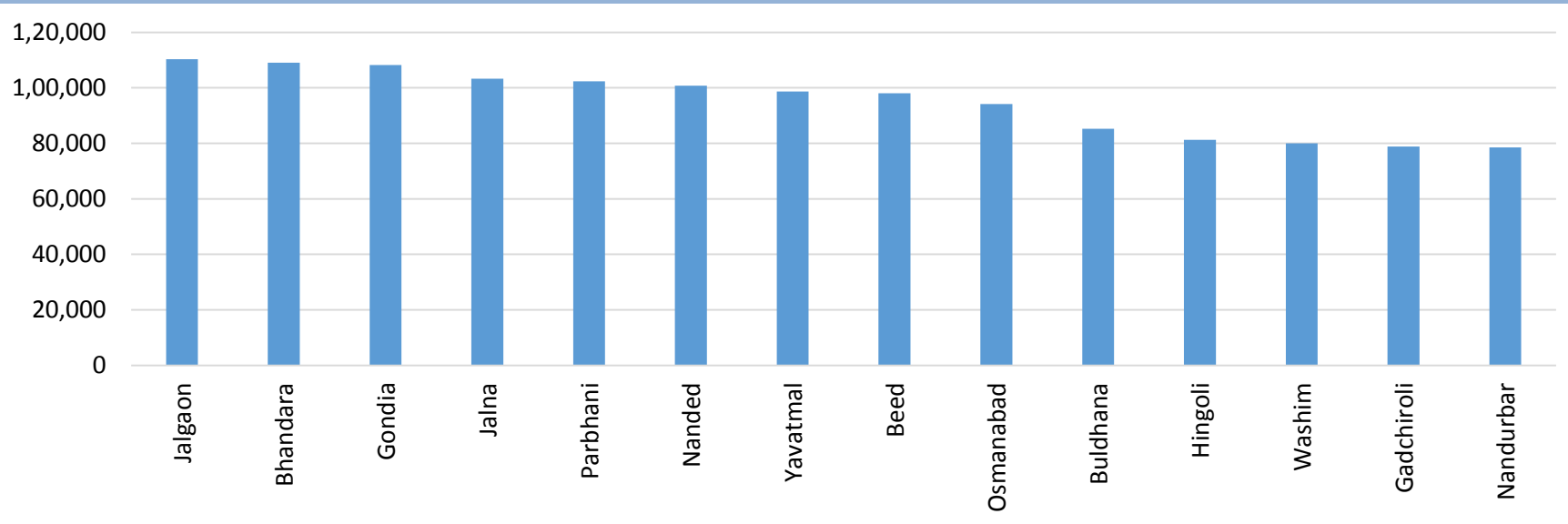
We propose a weightage of 15% to the area criterion.

HORIZONTAL DEVOLUTION

(1) Income Distance: Formula for measuring income distance needs to be revisited

- The way income distance is computed is fundamentally flawed and leads to a situation of 'winner's curse'.
- Maharashtra is deemed (incorrectly) as a 'rich' State on the basis of its overall State level GSDP overlooking certain factors.
 - 14 districts are languishing below the average national per capita income.
 - 20 districts below the average State per capita

Districts with per Capita Income Below both the State and National Average (2016-17)



HORIZONTAL DEVOLUTION

(2) Income Distance: Weightage for income distance criterion should be reduced from 50% to 15%

- It is unexceptionable that States with a low per capita should receive a higher share in the resources
- However, if only equity criterion like Income Distance is given over-weightage, it can lead to a situation where the incentive for performance of even the better placed States may be compromised

Thus, we feel the present weightage of 50% to equity through income distance is excessive and this needs to be reduced to a reasonable
15%

HORIZONTAL DEVOLUTION

Deprivation: Rural Deprivation should be considered as a more suitable option based on SECC data

Comparative HH which are in deprived category

- **Since the bulk of poverty is still in rural areas, the rural SECC data can be safely used as a measure of deprivation of the entire State.**
- **SECC survey is used for key flagship schemes** of the Union Government like *Prime Minister Awaz Yojana (Rural), Pradhan Mantri Ujjwal Yojana, Ayushman Bharat, Ujala Yojana (LED bulbs) and Saubhagya Yojana*

States	Total Rural Households	Total Deprived Rural Households	Share in All India
Bihar	1,78,29,066	1,08,76,054	12.5%
Uttar Pradesh	2,60,15,592	1,03,81,355	11.9%
West Bengal	1,57,56,750	1,00,56,266	11.5%
Madhya Pradesh	1,12,88,946	67,48,026	7.7%
Maharashtra	1,38,41,960	60,64,157	7.0%
Odisha	86,77,615	57,30,372	6.6%
Rajasthan	1,02,23,073	51,65,212	5.9%
Andhra Pradesh	93,44,180	48,22,104	5.5%
Tamil Nadu	1,00,88,119	47,04,939	5.4%
Chhattisgarh	45,40,999	31,79,327	3.6%
All India	17,97,87,454	8,71,20,821	

We proposes a weightage of 15% for share of total deprived rural households of the State as a % of total deprived rural households in India using the SECC data.

HORIZONTAL DEVOLUTION

Urbanization: 10% weight should be assigned to the urbanization criteria

- Pace of urbanization has been much faster in some States of India
- **Maharashtra is urbanizing rapidly** due to migration
- **50% of the State's population** is residing in urban areas
- **10 cities with million-plus population** in Maharashtra
- **More cities expected in this list** during the 2021 census
- **Increasing load on the city's finances** due to increasing cost of services
- **The changing economic and population profile (now more urban than rural) of Maharashtra (and other similar States) needs to be appropriately factored in any pattern of devolution**

The State proposes a weightage of 10% in the horizontal devolution formula.

- Percentage of urban population of a State in India's total urban population (as per 2011 census)
- Total population in million plus cities of a State as a share in India's total population in million plus cities (as per 2011 census)

HORIZONTAL DEVOLUTION

Fiscal Efficiency: Efficiency criteria needs to be given a weight of 7.5%

- Efficiency parameter should be made a part of the devolution criteria to ensure that **resources are prudently used** for providing welfare
- Incentives **encourages the States to do well**

We propose that the States be incentivised on two criteria and a weight of 7.5% assigned to the same

- *Adhering to the generally accepted Fiscal Deficit norm (as mandated by FRBM)*
- *Tax Effort:*
 - $\text{Tax Effort} = \frac{\text{3 year average of own tax revenue}}{\text{3 year average (GSVA-Services)}}$

- However, we would request FC to **avoid from using the revenue deficit as an indicator** as
 - Differentiating between revenue and capital expenditure is difficult most of the times
 - States cannot reduce expenditure on social sectors

HORIZONTAL DEVOLUTION

Tree Cover: We propose a weight of 2.5% for tree cover

- Adverse impact of climate change and warming of the earth
- State Governments need to be incentivized for taking steps in increasing tree cover
- Finance Commission must consciously mainstream environmental concerns in the formula as it is both timely and relevant
- It will also be a measure of equity, because increase of tree cover specifically helps the farmers and other marginalized sections of society who depend on nature for their sustenance
- *We propose a tweaking of the weight given by FC-XIV to forest cover*
- The Finance commission can use data on **tree cover in non-forested lands (Forest Survey of India)**

We propose a small weightage of 2.5% for this innovate initiative

HORIZONTAL DEVOLUTION

Summary

To summarise, we submit to the FC-XV to consider the following formula for horizontal tax devolution:

Sr. No.	Criteria	Weightage
1.	Population (2011)	35%
2.	Area	15%
3.	Income Distance	15%
4.	Deprivation (SECC Rural)	15%
5.	Urbanization	10%
6.	Fiscal Efficiency (Fiscal Deficit + Tax Effort)	7.5%
7.	Tree Cover	2.5%
	Total	100%



LOCAL BODIES

GRANTS-IN-AID FOR LOCAL BODIES

Amount Received by all the local bodies in India through Grants-in-Aid

FC	Rural	Urban	Total	Remarks
X	4,000 (80%)	1,000 (20%)	5,000	1.38% of divisible pool
XI	8,000 (80%)	2,000 (20%)	10,000	0.78% of divisible pool
XII	20,000 (80%)	5,000 (20%)	25,000	1.24% of divisible pool
XIII	63,067 (72%)	23,111 (28%)	87,109	This was projection. Actual amount Rs.74,107 2.28% of divisible pool
XIV	2,00,293(70%)	87,143 (30%)	2,87,436	

URBAN LOCAL BODIES

URBAN LOCAL BODIES

Urban local bodies: Profile

- As per 2011 census, Maharashtra's urban population is 5.08 crore.
- Urban population constitutes 45% of the total State population as compared to the national urban population of 31.2%

ULB category	Population	Numbers
Municipal Corporations	3 lakhs +	27*
Municipal Councils	25,000 to 3 lakhs	364
Total		391

- Around **140 ULBs** have been created in the last 3 years
- 27 Municipal Corporations are classified into 5 categories based on population (2011 census) and own per-capita income
- Out of the 27 Corporations, 9 are situated in the vicinity of Mumbai

URBAN LOCAL BODIES

Classification of Urban Local Bodies

Classification of Municipal Corporation

Sr. No.	Population	Own income of ULB per capita	Number of cities	Remarks
1	More than 1 crore	Exceeding Rs. 50,000	1	Mumbai
2	25 lakhs to 1 crore	Between Rs. 8000 and Rs. 50,000	2	Pune and Nagpur
3	15 lakhs to 25 lakhs	Between Rs. 5,000 and Rs. 8,000	3	Pimpri Chinchwad, Nashik and Thane
4	10 lakhs to 15 lakhs	Between Rs. 3,000 and Rs. 5,000	4	Navi Mumbai, Vasai-Virar, Kalyan Dombivali and Aurangabad
5	3 lakhs to 10 lakhs	Less than Rs. 3,000	17	
	Total		27	

Classification of Municipal Councils

Category of Municipal Council	Population range	Number
A	1-3 lakh	17
B	40,000 -1,00,000	73
C	25,000 – 40,000	141
Nagar Panchayat	less than 25,000	133
Total		364

URBAN LOCAL BODIES

Sources of revenue of Municipal Corporations

- Own revenues of the municipal corporations have grown at CAGR 5.7% during 2010-11 to 2017-18
- Own tax revenue of the Municipal Corporations in FY 2017-18 is 37% of the total revenues.

Rs. Crore	Own Revenue			Transfer from Central Govt.	Transfer from 13th/FC-XIV	Grant-in-Aid + Devolution (GoM)	Others
	Tax Revenue		Non Tax				
	Property Tax	Other Taxes					
2010-11	4983	8137	6980	917	136	425	420
2011-12	4913	10688	7515	471	262	856	775
2012-13	5258	12568	10326	490	292	825	783
2013-14	5702	12309	12484	146	274	1478	922
2014-15	6532	12778	13981	358	68	1066	989
2015-16	8156	12550	16047	107	448	2773	1010
2016-17	8211	12442	14022	189	628	3652	1097
2017-18	7770	7366	14396	147	632	3116	7249

URBAN LOCAL BODIES

Sources of revenue of Municipal Councils

- Own revenues of the municipal councils have grown at CAGR 9.3% during 2010-11 to 2017-18
- Own tax revenue of Municipal Councils in FY 2017-18 is 17% of the total revenues

Rs. Crore	Own Revenue			Transfer from Central Govt.	Transfer from 13th/FC-XIV	Grant-in-Aid + Devolution (GoM)	Others
	Tax Revenue		Non Tax				
	Property Tax	Other Taxes					
2010-11	393	160	599	160	148	900	170
2011-12	320	160	687	253	285	936	286
2012-13	332	185	801	244	344	1195	330
2013-14	367	198	863	185	348	1300	417
2014-15	429	246	1103	325	409	1241	404
2015-16	542	300	1167	211	748	1278	463
2016-17	589	335	1304	243	1507	1491	482
2017-18	588	350	1202	169	1273	1472	422

URBAN LOCAL BODIES

Measures taken to improve the performance and governance of ULBs



GIS tagged properties in the State.



Implemented a web-based online building plan management system in the State.



Accrual based, double entry accounting system introduced in all ULBs



Enacted the Maharashtra Right to Delivery of Public Services Act, 2016. The Urban Development Department has notified 13 services for Municipal councils and 15 services for Municipal Corporations



Initiated steps to optimize energy consumption in street lights by using energy efficient lights.



Achieved open defecation free (ODF) status for all its urban areas in October 2017.

URBAN LOCAL BODIES

Fund Requirement of ULBs

- **Funds Needed for Capital Investments:** Additional funds required for capital investment and towards operations and maintenance of water supply, underground sewerage and solid waste management projects.
 - Particularly for the new municipal established in the last 3 years.
 - ❑ *The estimated cost of the water supply and underground sewerage projects in these 140 new cities is expected to be around Rs. 4,200 crore over the next 3-5 years.*
-
- **Funds Required for 7th Pay Commission:** The ULBs will face huge impact of implementation of the 7th Pay Commission scales in the FC-XV period.

RURAL LOCAL BODIES

RURAL LOCAL BODIES

Rural Local Bodies: Profile and Classification

- Maharashtra has promoted strong 3 tier Panchayat Raj Institutions ever since the State was formed in 1960
- As per 2011 census, 54.8% of the population is rural

Sr.No	Types of PRIs	No. of ZP/PS/GP	Members	Average Population per ZP/PS/VP
1	Zilla Parishads	34	1,955	18,39,789
2	Panchayat Samitis	351	3,910	1,78,213
3	Village Panchayats	27,854	1,90,691	2,246

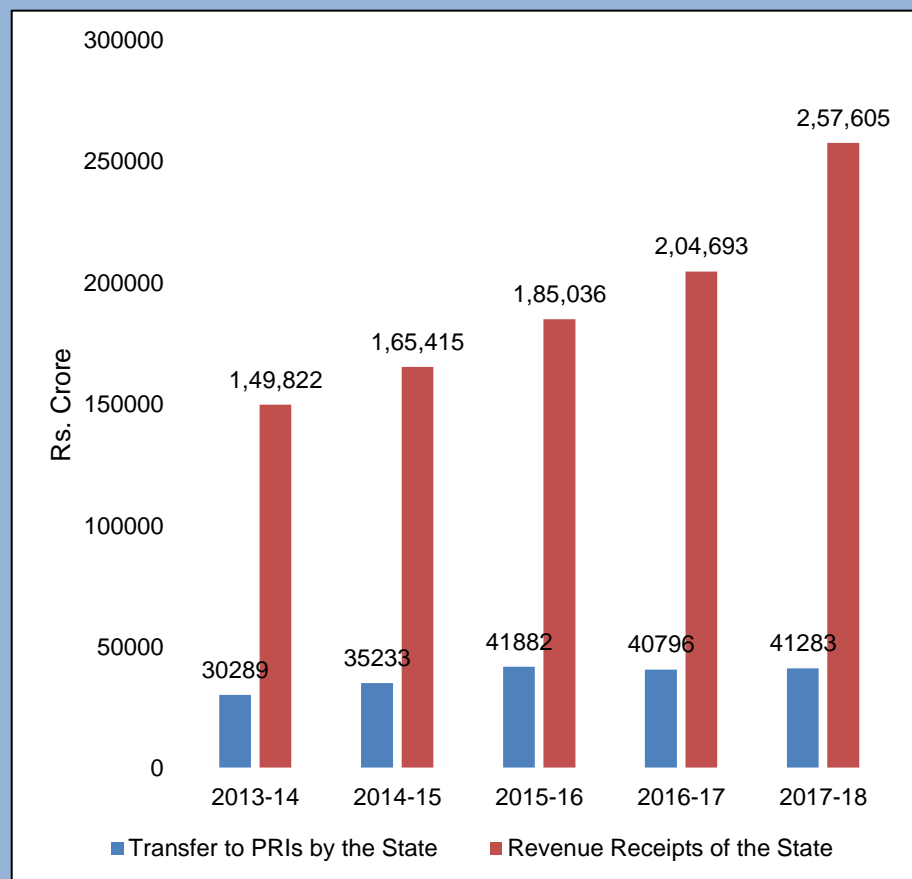
RURAL LOCAL BODIES

Transfers to PRIs have grown at CAGR 8.0% in the last five years

Transfers to Panchayat Raj Institution (Rs. Crore)

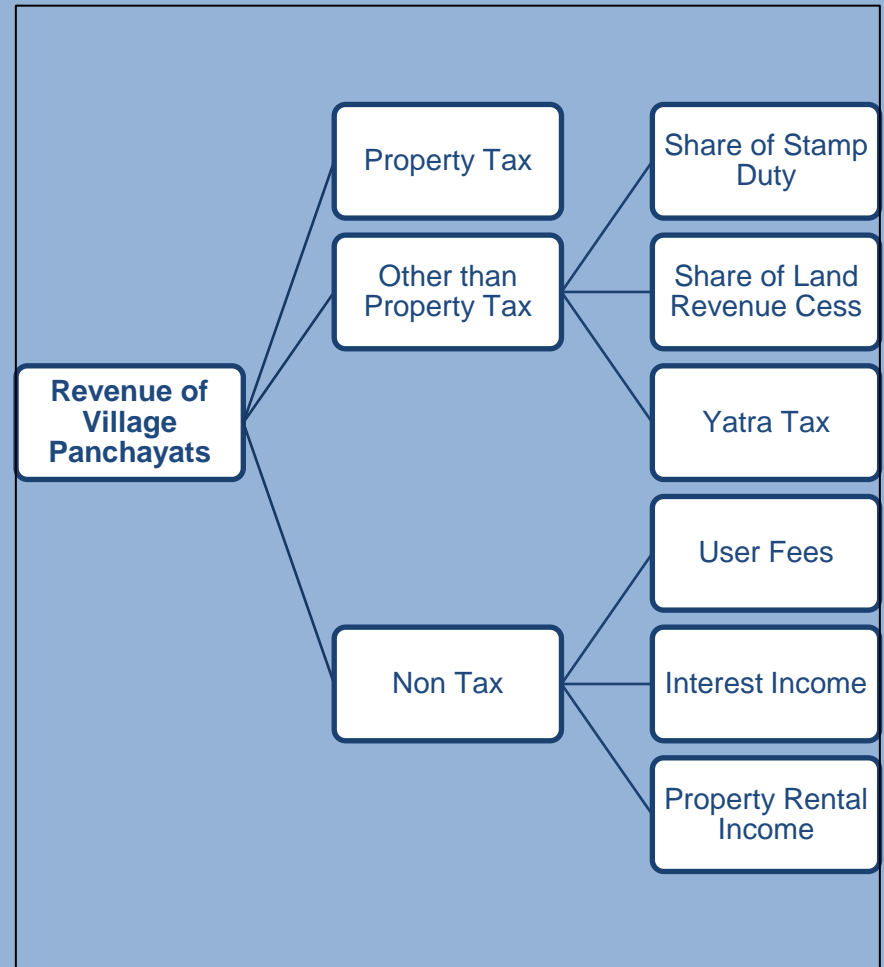
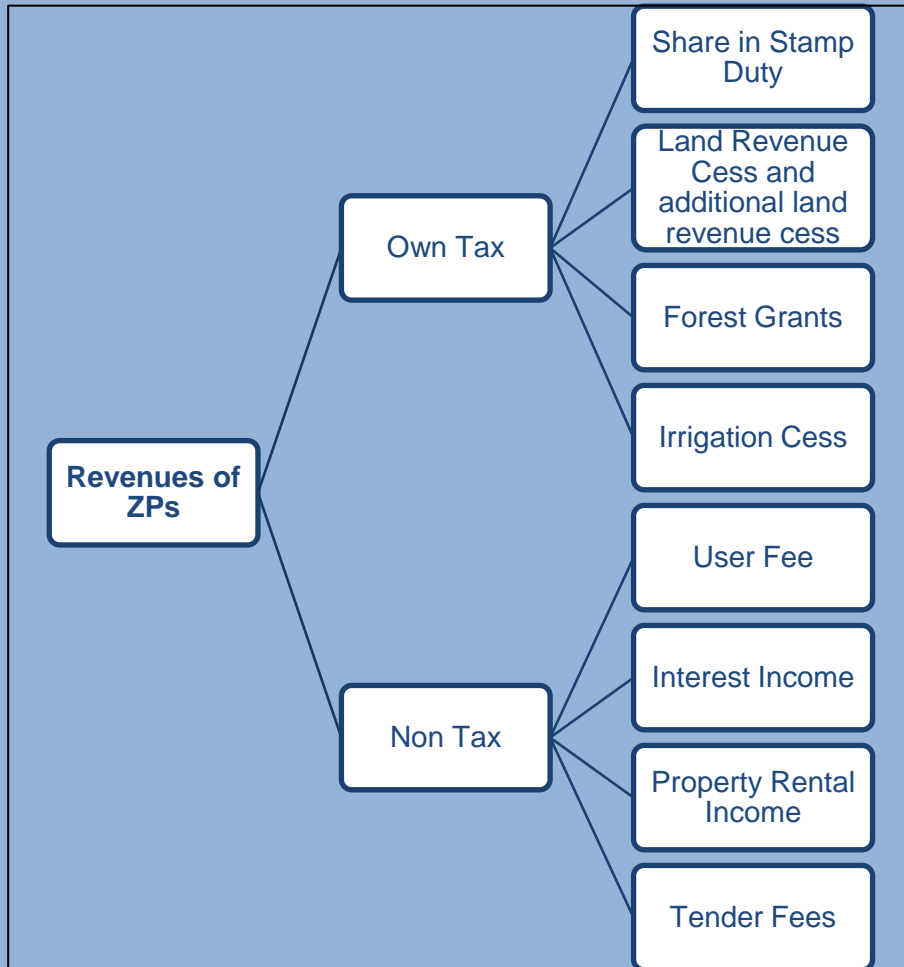
Sr. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1	Finance Commission Grants (Only to Gram Panchayat from 2015-16 to 2017-18)	849	2032	1623	2543	2599
2	Transfer under Central Schemes	4251	4771	4964	6235	5662
3	Transfer under State Schemes (includes salary transfer for State Schemes covering primary education etc.)	25189	28430	35295	32018	33022
	Total	30289	35233	41882	40796	41283

Trends in transfer of funds to PRIs as (Rs. Crore)



RURAL LOCAL BODIES

Sources of revenue for PRIs



RURAL LOCAL BODIES

Measures taken to improve the performance and governance of PRIs



Introduction of e-tendering for all works and purchases above Rs.1 lakh.



Direct Benefit Transfers (DBT) to beneficiaries under various State Government schemes and own schemes of PRIs



e-Panchayat Project



About 22,800 of the 28,000 Gram Panchayats in the State (82 %) have their own Panchayat buildings.



System of regular audit of Panchayat Raj Institution by the Local Fund Audit, and their report is placed before the legislature



Right to Services Act has been implemented



Smart Gram Yojana for awarding the best performing PRIs

OUR SUBMISSION FOR GRANTS-IN-AID FOR LOCAL BODIES

OUR SUBMISSION FOR GIA FOR LOCAL BODIES

Adequate weightage should be given to urban population in India

- Earlier FCs had given ULBs a proportion much lower than the percentage of all India urban population
- The last two FCs have corrected the imbalance and the PRIs: ULBs *inter se* allocation has now come closer to actual ratio of rural urban population of India (2011)
- The pace of urbanisation is increasing
- **It would be fair to ask FC-XV to capture the fast changing ratio of rural: urban population**
- ***We would urge the 'grant-in-aid' be distributed between rural : urban in the ratio of 65:35 at all India level***
- ***This ratio will be in alignment with the likely urban population in 2021-25 in India***

OUR SUBMISSION FOR GIA FOR LOCAL BODIES

Total Grants to be a percentage of divisible pool

- FC-XIII had rightly recommended that the local bodies be transferred **a percentage of the divisible pool of the previous year, after converting their share as 'grant-in-aid'**.
- The State would submit to FC-XV to go by the same approach adopted by FC – XIII for grant-in-aid.
- **Therefore, the formula of FC-XIII –that is a 'share of the divisible pool converted to grant-in-aid' may be adopted by FC -XV also.**

OUR SUBMISSION FOR GIA FOR LOCAL BODIES

Formula for Horizontal Distribution of Grants

- FC XIV worked out a formula: 90% weight to population and 10% to area
- While our State would have no objection to retain the same horizontal distribution formula used by FC XIV, ***it would also request the FC to incentivize the States performing better in local body resources management***
- **'Own tax income' collected (per capita) by the LBs could also be considered for an appropriate weightage in the horizontal formula**

OUR SUBMISSION FOR GIA FOR LOCAL BODIES

Revisit of area concept for Panchayat Raj

- The FC XIV gave 10% weightage to 'area' for horizontal devolution and also for *inter se* distribution among the local bodies within the state
- Our State would like to point out that while there is no difficulty in using 'area' as a measure at state, district, block/ intermediate Panchayat level, there are practical difficulties in measuring area at village Panchayat level
- **Hence 'area' as a measure for distribution of resources may be dispensed with at the Village Panchayat level**

OUR SUBMISSION FOR GIA FOR LOCAL BODIES

Suitable % of funds need to be earmarked for district panchayat and intermediate panchayat

Approach of Various Finance Commission on Fund Distribution to Local Bodies

FC	Approaches
12 th	The inter se guidelines were left to states
13 th	The inter se formula was left to states. Ministry of Panchayat Raj issued some guidelines.
14 th	A reserve formula of 90: 10 (population: area) was given in case the SFC did not prescribe any formula. FC directed to give grants only to Village Panchayats.

- It is submitted that while Village Panchayats do need funds, the district and intermediate panchayats should not be totally deprived of funds as there are many initiatives, which go beyond one Village Panchayats
- **Therefore, it is submitted that the inter se allocation of funds among LB's should be left to the states. They could use the latest State SFC's formula or if that is not available then the concerned ministry can formulate suitable guidelines**

OUR SUBMISSION FOR GIA FOR LOCAL BODIES

Requirement of funds for capacity building, administrative control and supervision

- 391 urban bodies and about 28,000 rural bodies (three levels) receive grants from the Finance Commission over 5 years.
- The expenditure has to be monitored.
- However, no additional administrative funds available for the directorates at state level for both ULBs and PRIs, even though it is such a massive task for 5 years.
- **It is requested to allow for a small percentage of 0.5 % at state level. These funds can also be used for capacity building, including use of IT based MIS**

OUR SUBMISSION FOR GIA FOR LOCAL BODIES

Themes for incentivization for performance based grants

The State would suggest continuing the performance based grants on the lines of FC-XIII and XIV for the FC-XV period also, as the 'nudge' based approach has helped.

Sr. No.	Indicators for Performance Measurement
1.	Maintenance of proper and updated financial record for facilitating easy data analysis
2.	Solid and liquid waste management, and using it for revenue generation
3.	Drinking water- recovery of operational costs and using of electronic meters in ULBs
4.	Use of IT and IT enabled services at GP level

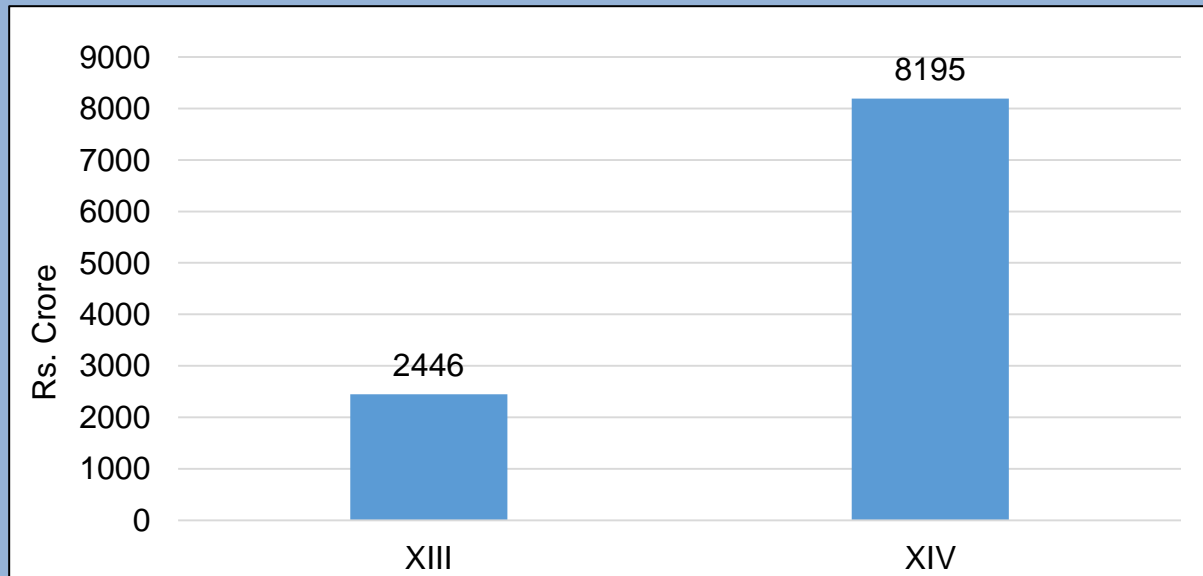


DISASTER MANAGEMENT

DISASTER MANAGEMENT

- Maharashtra is a multi- hazard prone State
- Some natural calamities (like drought) spread across regions and districts, while others (like hailstorms) are localized resulting in intense damages

Funds Received by Maharashtra for Disaster Management



DISASTER MANAGEMENT

Huge own contribution of Maharashtra on disaster management

Sr. No.	Fin. Year	CRF/ SDRF (75% Centre share) received	CRF/ SDRF (25% State share) received	Total (3+4)	NCCF/ NDRF releases by GOI	Total (5+6)	Actual Expenditure 2245 (Non plan) (as per Whit4 Book)	Addl. Amount spent by State Govt. (7-8)
1	2	3	4	5	6	7	8	9
1	2013-14	384.4	128.1	512.5	1269.1	1781.6	4519.0	2737.4
2	2014-15	403.6	134.5	538.1	1427.0	1965.0	6241.9	4276.9
3	2015-16	1112.3	370.1	1482.4	1593.0	3076.0	4296.1	1220.2
4	2016-17	1168.5	389.5	1558.0	2224.8	3782.8	4562.3	779.5
5	2017-18	1226.3	408.8	1635.0	0.0	1635.0	1044.0	
Total		4294.9	1431.0	5725.9	6513.8	12240.4	20663.2	9014

- Maharashtra has spent additional Rs.9,014 crore from own resources in the last five years over and above what was received under SDRF (including State share)

DISASTER MANAGEMENT

Disaster Risk Index

Recently, Ministry of Home Affairs(MHA) has released the **draft Disaster Risk Index** **which** vindicates Maharashtra's stand on being the most disaster prone State in the country

Category	Maharashtra's position vis a vis other States
Hazard Index	3
Vulnerability Index	2
Exposure Index	1
Composite Disaster Risk Index	1

OUR SUBMISSION FOR GRANTS-IN-AID FOR DISASTER MANAGEMENT

DISASTER MANAGEMENT

The State Submission for Grants under Disaster Management

Increase the overall allocation

- Increase the overall grant in aid for Disaster Management

Revisit the Centre: State SDRF contribution ratio:

- Sharing ratio between Centre and State should be revised to 90:10 as earlier recommended by FC XIV.

Horizontal Distribution Formula

- We propose 75% for time tested 'previous seven year's expenditure' formula and 25% to the newly developed Disaster Risk Index
- Thus it will be a good blend of old and new formula

Additional Support for Disaster Mitigation and Capacity Building

- Every year a new set of field officials have to be trained and relief equipment have to be purchased, maintained and repaired. **State therefore seeks a separate support of 5% of the SDRF for disaster mitigation and capacity building.**



SPECIAL GRANT

THEMATIC GRANTS

ADMINISTRATION OF JUSTICE

Special grants request for Rs.1,700 crore for Judiciary

A ring fenced grant-in-aid is required for 'Improvement in Justice Delivery' from the FC-XV similar to that of FC-XIII on the following activities

Court Complex Renewal

- Many of 460 court complexes are more than 30 years old with some belonging to the British era. Rs.1,000 crore is required to strengthen the existing judicial infrastructure

Increased use of Information Technology

- Rs.300 crore required for digitilisation and advanced IT enablement, helping in expeditious disposal of cases

Capacity Building

- Capacity building of the judicial officers, prosecutors, etc. needs Rs.200 crore

Alternate Dispute Resolution System (ADR)

- Rs.200 crore is required to promote, strengthen and develop ADR system to reduce the burden of judiciary.

SUPPORT FOR CONSERVATION OF FORESTS, WILDLIFE AND INCREASING GREEN COVER

Special grants request for Rs.1,177 crore

- Forestry, wildlife, green cover expansion are areas without any immediate pay offs in the absence of a 'constituency'. Hence their genuine requirements get squeezed in routine budgeting exercise in all States.
- In this background, the State solicits support through thematic funds route:

Heading	Amount required (Rs. crore)	Remarks
Working Plan support	88	Fire protection, regeneration and proper demarcation of forest borders
Greening Maharashtra	805	Artificial regeneration, roadside plantations
Quarters for frontline staff	56	
Mangrove development	30	
Wildlife conservation	124	Reducing man animal conflict, scientific wildlife management and rehabilitation of villages from protected areas
State of Art Forest Academy	75	Capacity building
Total	1,177	

SUPPORT FOR ENVIRONMENTAL MANAGEMENT

Special grants request for Rs.1,400 crore

Rs. 200 crore

- Ecosystem conservation and protection and wetland conservation and protection of biodiversity

Rs. 1,000 crore

- Conservation and protection of river and lake ecosystems through restoration of water quality.

Rs.200 crore

- Coastal biodiversity conservation

PRESERVATION FOR CULTURE AND HERITAGE

Special grants request for Rs.825 crore

Rs. 600 crore

- Conservation, repairs and development of protected monuments and museums at 44 locations

Rs. 100 crore

- Conservation, Repairs of Forts under protection of Government of India

Rs.125 crore

- Upgradation of publicly owned auditoriums and theatres

STATE SPECIFIC GRANTS

SUPPORT TO CLEAR THE BACKLOG OF ECONOMIC AND SOCIAL DEVELOPMENT (1)

Special grants request for Rs.25,000 crore for Vidharbha and Marathwada

- To facilitate smooth integration of Vidharbha and Marathwada in the State, a special Article **371(2)** was introduced.
- This constitutional arrangement also seeks to provide, inter alia, 'equitable allocation of funds for development expenditure over the said areas subject to the requirements of the State as a whole'.
- Agricultural distress in the rain fed cotton belt of Vidharbha and Marathwada
- Out of the 36 districts in State, 16 districts of Vidharbha and Marathwada are still below the State average.
- 14 of the above 16 districts are below the National per capita average.
- Out of 351 development blocks in the State, 125 blocks have been identified as socially backward on Human Development Index developed by the State.
- Most of the backward blocks are also in these two regions of Vidharbha and Marathwada.

SUPPORT TO CLEAR THE BACKLOG OF ECONOMIC AND SOCIAL DEVELOPMENT (2)

Special grants request for Rs.25,000 crore for Vidharbha and Marathwada

There are two challenges the State is facing in reducing the regional imbalances speedily.

- 'Vagaries of nature' compounded by climate change which is now being felt year after year in these regions
- Availability of fiscal space. Thus, while the backlog is indeed getting mitigated, it is at a much slower pace due to inherent funds constraint

Hence, a strong push is required in terms of resources to clear this development deficit.

It is therefore submitted to the Finance Commission to consider a state specific grant of Rs.25,000 crore, to clear the development deficit.

SUPPORT FOR INFRASTRUCTURE PROJECTS IN MUMBAI

Special grants request for Rs.50,000 crore

- Mumbai is the **most populous city** in India with a population of 12.47 million and increasing number of million plus satellite cities
- The city is also the commercial and financial capital **contributing around 2.5% to India's GDP and around 30% to the total income tax collection** in the country
- To meet the ever growing challenges of the city, the State is investing **above Rs.2 lakh crore** in infrastructure projects
- The nature of Mumbai Metropolitan Area is such that it needs grant support, of the kind Delhi NCR has received.
- Since MMR is the commercial capital of the country, its growth and prosperity will definitely have ripple effect on the rest of the country

Support of Rs.50,000 crore is needed considering Mumbai Metropolitan Region's importance in India's economic growth.

SUMMARY

SUMMARY OF SPECIAL GRANTS

Sr. No.	Thematic and State Specific Grants	Rs. Crore
	Thematic Grants	
1.	Administration of Justice	1,700
2.	Forest, Wildlife and Green Cover	1,177
3.	Environment Conservation and Management	1,400
4.	Preservation of Cultural Heritage	825
	Total	5,102
	State Specific Grants	
4.	Funds for Reducing Regional Imbalances	25,000
5.	Support for Infrastructure Development of Mumbai Metropolitan Area	50,000
	Total	75,000



SUGGESTIONS FOR PERFORMANCE INDICATORS

SUGGESTIONS FOR PERFORMANCE INDICATORS

ToR-para7-sub para reference	Area	Suggested measurable performance indicator for incentives
1.	Efforts made by the States in expansion and deepening of tax net under GST	<ul style="list-style-type: none"> a) Number of new registrations in a year b) Number of new tax payers out of new registrations (ratio) c) Amount of tax from new registrations d) Speed of refund
2.	Efforts and progress made in moving towards replacement rate of population	<ul style="list-style-type: none"> a) Number of years prior to 2018 when the State reached replacement level of population b) Fertility rate of the State at present (2018) and how many percentage points it is below replacement level
3.	Achievements in disaster resilient infrastructure	<ul style="list-style-type: none"> a) Provision of dedicated human resource support for disaster management b) Setting up standalone State Disaster Response Force c) Framing Rules to the Disaster Management Act, 2005
4.	Power Sector- Progress made in increasing capital expenditure, eliminating losses of power sector and improving the quality of such expenditure in generating future income streams	<ul style="list-style-type: none"> a) Reduction in distribution losses b) Reduction in transmission losses c) Capacity added to generation d) Performance in wind energy generation e) Biomass based co-generation f) LED bulb distribution – achievements
5.	Progress made in sanitation, solid waste management and bringing in behavioral change to end open defecation	<ul style="list-style-type: none"> a) % of Urban Bodies that have achieved Open defecation free-ODF status b) % of Districts /Blocks /Village panchayats which are ODF c) % of Urban Bodies that regularly publish the service level benchmarks for sanitation and solid waste disposal

SUGGESTIONS FOR PERFORMANCE INDICATORS

ToR-para7-sub para reference	Area	Suggested measurable performance indicator for incentives
6.	<p>Progress made in increasing tax/non tax revenues</p> <p>Promoting savings by adoption of Direct Benefit Transfers and my removing layers between the government and the beneficiaries</p>	<p>a) Per capita own tax income by Urban Local Bodies</p> <p>b) Per capita own tax income by Rural Local Bodies</p> <p>a) Number of individual benefit schemes where expenditure is above Rs 1000/500 crore where funds are now reaching beneficiary account directly</p> <p>b) Total Value of individual benefit schemes (above Rs.500 crore) where beneficiaries are receiving benefit directly</p>
7.	<p>Progress made in ease of doing business by effecting related policy and regulatory changes and promoting labour intensive growth</p>	<p>Labour Reforms related:</p> <p>a) Number of online services being provided by Labour Department</p> <p>b) Number of simplification measures initiated to facilitate easy commencement /closure of business establishments</p> <p>c) Number of areas where discretion has been reduced</p>
8.	<p>Provision of grants to local bodies for basic services, including quality human resources and implementation of performance grant system in improving delivery of services</p>	<p>a) % of Urban Bodies that regularly publish and monitor the service level benchmarks for water supply, sanitation and solid waste disposal</p> <p>b) States which have a dedicated cadre for various types of municipal services</p> <p>c) % of Urban Bodies that have recorded an increase in taxation income over previous year</p> <p>d) % of Urban Bodies that have prepared their accounts using double entry accounting system</p>

CHALLENGES FOR MAHARASHTRA

CHALLENGES FOR MAHARASHTRA



Challenges of Rain-Fed Agriculture
Aggravated by Climate Change



Balance Regional Development



Challenges of Urbanization



Management of Revenue Deficit



THANK YOU

RURAL LOCAL BODIES

Average own tax revenue of ZPs per year is around Rs.819 crore, while average property tax of Village Panchayats is around Rs.657 crore

Revenue of PRIs (Rs. Crore)

Sr. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18	Average Per Year	Average Per ZP/VP
1	Own Tax (ZP)	841	984	651	803	815	819	24
2	Non Tax (ZP)	365	378	413	435	423	403	12
3	Property tax collections by (Village Panchayats)	548	573	487	820	859	657	2.35 (Lakhs)
4	Other than Property Tax (VP)	202	143	168	179	192	177	63 (Thousands)
5	Non Tax (VP)	400	481	421	437	451	438	1.57 (Lakhs)

FISCAL PROJECTIONS

Fiscal Projections for 2019-20 to 2024-25 (Rs. Crore)

	2016-17	2017-18	2018-19 (B.E)	2019-20 (F)	2020-21 (F)	2021-22 (F)	2022-23 (F)	2023-24 (F)	2024-25 (F)
Nominal GDP	22,57,032	24,96,505	27,96,086	31,31,616	35,07,410	39,28,299	43,99,695	49,27,658	55,18,977
Total Revenue Receipts	2,04,693	2,43,654	2,85,968	3,07,581	3,37,039	3,68,516	4,02,720	4,39,841	4,81,053
State Own Tax Revenue	1,36,616	1,67,932	1,88,040	2,08,931	2,31,064	2,54,609	2,80,222	3,08,032	3,39,150
State Non Tax Revenue	12,709	16,680	22,785	17,574	18,452	19,375	20,344	21,361	22,429
Share in Central Taxes	33,715	37,219	43,515	47,866	52,653	57,918	63,710	70,081	77,089
Grants-in -Aid from the Centre	21,653	21,823	31,629	33,210	34,871	36,614	38,445	40,367	42,385
Revenue Expenditure	2,13,229	2,41,571	3,01,343	3,24,445	3,59,809	3,99,029	4,42,523	4,90,758	5,44,741
Salaries	72,225	73,250	89,475	1,09,607	1,19,252	1,33,562	1,49,590	1,67,540	1,82,126
Pension	16,858	23,853	20,720	23,895	26,499	29,388	32,591	36,143	40,119
Interest	28,532	33,018	34,385	39,652	43,975	48,768	54,083	59,979	66,576
Total Capital Receipts	40,413	25,739	52,952	60,366	69,119	79,486	91,409	1,05,121	1,20,889
Capital Expenditure	31,806	27,821	37,477	43,218	45,379	47,648	50,030	52,532	55,158



FISCAL PROJECTIONS

Fiscal Projections for 2019-20 to 2024-25 (% of GSDP)

	2016-17	2017-18 (R.E)	2018-19 (B.E)	2019-20 (F)	2020-21 (F)	2021-22 (F)	2022-23 (F)	2023-24 (F)	2024-25 (F)
Revenue Deficit (% of GSDP)	0.40%	(+) 0.1%	0.50%	0.50%	0.60%	0.80%	0.90%	1.00%	1.20%
Fiscal Deficit (% of GSDP)	1.70%	1.0%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%	2.10%
Primary Deficit/Surplus (% of GSDP)	0.40%	(+) 0.40%	0.60%	0.60%	0.60%	0.70%	0.70%	0.80%	0.90%
Debt Stock (% of GSDP)	16.20%	16.1%	16.50%	16.60%	16.70%	16.80%	17.00%	17.20%	17.50%
Interest as a % of Total Revenue Receipts*	13.90%	13.6%	12.00%	12.90%	13.00%	13.20%	13.40%	13.60%	13.80%



FISCAL PROFILE

Total Receipts: Growth in receipts do not keep pace with the economic growth of the State

- Total receipts have grown at a CAGR of 12.7% during 2005-06 and 2017-18
- However, the share of total receipt as % of GSDP has been on a declining trend.
- It indicates that the growth in receipts has not kept pace with economic growth of the State.
- **The reason for this can be attributed to the fact that services sector in the State is the major growth driver and before the implementation of GST, taxation on services was under the ambit of the Central Government.**
- The share of capital receipts in total receipts has been around 20-24 %.

