

**Government of Haryana
Finance Department**

**EXPLANATORY MEMORANDUM AS TO THE ACTION TAKEN ON
THE RECOMMENDATIONS MADE BY THE SIXTH STATE FINANCE
COMMISSION HARYANA IN ITS REPORT SUBMITTED TO THE GOVERNOR
ON DECEMBER 23, 2021.**

1. The Sixth State Finance Commission (6th SFC) [hereafter referred to as the Commission] was constituted on 22nd September 2020 by the Governor of Haryana vide order number 18/1/2020-POL. The Commission was mandated to make recommendations for sharing State's revenues with the Rural and Urban Local Bodies and to suggest measures for augmentation of their internal resources for the period 2021-22 to 2025-26. The Commission submitted its report to the Governor on 23rd December 2021.

2. To examine the recommendation of the Commission, the State Government has constituted a Cabinet Sub-Committee vide order number 1/5/2019-SBFM dated 17th February, 2022 under the Chairmanship of Chief Minister and Development & Panchayats Minister and Urban Local Bodies Minister as Members of the Committee. The Cabinet Sub-Committee agreed to adopt the recommendations of the Commission with some modifications.

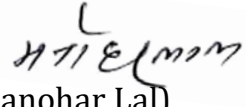
3. Accordingly, the State Government has accepted the financial recommendations of the Commission as under: -

- i. Financial devolution of 7 percent of the net State's Own Tax Revenue (actual basis) to Local Bodies in the ratio of 55:45 (PRIs : ULBs).
- ii. Distribution criteria for Gram Panchayats and Urban Local Bodies based on weightage of 75 percent to Population (as per data of population on Parivar Pehchan Patra Portal, as on 31st December each year) and 25 percent to Per Capita Own Revenue Distance.
- iii. Distribution criteria for Zila Parishad and Panchayat Samities based on Population (as per data of population on Parivar Pehchan Patra Portal, as on 31st December each year).
- iv. Not more than 30 percent of the devolved funds be utilised on pavement of streets by the local bodies.
- v. Actual revenue of local bodies must be minimum 85 percent of their budgeted revenue in audited accounts of the previous year (t-1), failing which, the noncompliant ULBs will face a 20 percent cut from recommended share from the SFC grant, due to those ULBs, in the current year (t).

4. The summary of the recommendations of the Commission relating to devolution of State taxes, grants-in-aid to the Local Bodies and other matters is contained in Chapter - 9 of the report of the Commission.

5. Necessary action for the amendments of relevant Acts/Rules introduction of Legislative measures, wherever necessary, for the implementation of the recommendations of the Commission will be taken up by the concerned department.

6. In pursuance of clause 4 of Article 243-I and clause 2 of Article 243-Y of the Constitution of India, the Explanatory Memorandum as to the action taken on the recommendations made by the Sixth State Finance Commission, Haryana for Local Bodies in the State is being laid on the Table of the Haryana Vidhan Sabha alongwith the Report of the Commission.


(Manohar Lal)
Chief Minister, Haryana

Dated Chandigarh, the 6th August, 2022.