

**Government of Haryana
Finance Department**

**REVISED EXPLANATORY MEMORANDUM AS TO THE ACTION TAKEN
ON THE RECOMMENDATIONS MADE BY THE SIXTH STATE FINANCE
COMMISSION, HARYANA.**

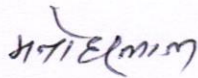
1. The Sixth State Finance Commission [hereafter referred to as the Commission] was constituted on 22nd September 2020 by the Governor of Haryana vide order number 18/1/2020-POL. The Commission was mandated to make recommendations for sharing State's revenues with the Rural and Urban Local Bodies and 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 of Haryana on 23rd December 2021.

2. In pursuance of clause 4 of Article 243-I and clause 2 of Article 243-Y of the Constitution of India, the Report of the 6th State Finance Commission together with Explanatory Memorandum as to the action taken on the recommendations made by the Commission, was laid on the Table of the Haryana Vidhan Sabha on 6th August, 2022.

3. On the request of both Development & Panchayats and Urban Local Bodies Department for change in distribution criteria as the authenticated data of Per Capita Revenue is not available with the Departments, the revision in criteria for distribution of local bodies grant has been approved by the Council of Ministers. Accordingly, approved financial recommendations under 6th SFC will be as under: -

- i. Financial devolution as 7 percent of the net State's Own Tax Revenue (SOTR) on 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 80 percent to Population (as per data of population on Parivar Pehchan Patra Portal, as on 31st December each year) and 20 percent to Area.
- 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. The 'Inter-se' share for Gram Panchayats, Panchayats Samities and Zila Parishads in the ratio of 75:15:10 respectively.
- v. Not more than 30 percent of the devolved funds be utilised on pavement of streets by the local bodies.

- vi. 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 revised Explanatory Memorandum as to the action taken on the recommendations made by the Sixth State Finance Commission, Haryana for local bodies is being laid on the Table of the State Legislature.


(Manohar Lal)
Chief Minister, Haryana

Dated Chandigarh, the 18th February, 2023.