PART – IV

CHAPTER 18
Principles of Devolution

Introduction: Principles

18.1 We have outlined our broad approach to devolution in Chapter 2. Generally, in a 'gap filling' approach, an assessment is made of the total fiscal requirements of the local bodies for the discharge of their statutory responsibilities. This is possible only when reliable data relating to their revenues and expenditure are available. As we have already mentioned, inspite of our best efforts the necessary primary data could not be obtained, particularly from the PRIs. Even in the case of ULBs there is a question mark about reliability of the data collected from them. The data obtained from the Directorate of U&AD and the data directly collected from the ULBs do not tally. Under the circumstances, it was not possible for the Commission to estimate the revenue gap in a realistic manner. So far as ULBs are concerned, an assessment of the financial requirements, on some normative basis, and revenue gap have been made on the basis of secondary data, but not in case of the PRIs. The devolution recommended by us is largely on ad hoc basis, but keeping the needs of the local bodies in mind. We are, however, aware that even the marginally higher devolution that we have proposed, as compared to the first SFC, may not fully meet their needs, the present level of infrastructure and services being what they are.

18.2 One of the main principles of devolution is that it should ensure fiscal autonomy of the local bodies as envisaged in the Constitution. We have therefore recommended more funds but with less strings attached. As we have observed in this report, fiscal devolution by the State Govt. through the various State schemes do not take into account the local imperatives and do not leave room for provision for local needs. Besides, the focus of many schemes is not on basic services. **We have therefore recommended devolution to be largely untied.**

18.3 The TOR of this Commission, as notified by the State Govt., requires that the Commission, while recommending transfer of funds to local bodies should take into consideration the demands on the State Govt. in view of the provisions the FRBM Act. We have referred to the provisions of the Act in Chapter 4. Fortunately, the financial position of the State continues to be sound and is expected to remain so during the award period, unless there is a major setback which is not anticipated. The devolution proposed by us would not adversely affect compliance with the provisions of the FRBM Act.

18.4 Fiscal devolution will serve its purpose only if governance reforms and capacity development of the local bodies go hand in hand. The Commission is conscious of the fact that with their present capacity the local bodies are not be in a position to properly utilize the funds being transferred to them under various Central and State schemes and State devolution. At the same time, we would like to emphasize that presently internal resource mobilization by the local bodies does not appear to receive as much attention at their level, or at the level of the Govt. as it should. The local bodies must raise internal revenues, which should include service changes, to provide basic services to the citizens on a sustained basis. Raising own revenues gives them a sense of responsibility and a measure of financial autonomy. It also ensures greater accountability to the people. We have therefore recommended governance reforms, raising of internal resources, accountability, both functional and financial, and fiscal devolution, as a package and urge that it should be viewed as such.

18.5 In the Commission's interim report for the year 2012-13, we have adopted some principles for fiscal devolution. In order to maintain continuity, we propose to adopt the same principles for the remaining four years of the award period. However, wherever necessary we have made minor modifications.

18.6 The Commission has taken only the **net tax revenues of the State** to be shared with PRIs and ULBs. The net tax revenues have been arrived at by deducting from the SOTR the proceeds of three taxes i.e. 0029-Land Revenue, 0042-Tax on Goods and Passengers, 0055-other Taxes on Commodity and Services, which are transferred in full to the local bodies, and also the expenditure incurred in the collection of the remaining taxes. In the interim report, the net SOTR was arrived at on the basis of the budgetary figures which were available. For the remaining years of the award period i.e. 2013-17, we have relied on the projections of SOTR made by us in Chapter 4 of this report (para 4.15 and table 4.11). Similarly, we have made projection of the revenues of the three taxes, referred to above. We have analyzed the revenues realized under each of these in the last five years i.e. 2007-08 to 2011-12 to see if there is a trend in their growth. The figures unfortunately do not reveal any clear trend which may be adopted for projections for the next five years.

Table 18.1
Taxes proceeds of which are transferred in full to local bodies

(Rs. in crore)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
SOTR	5618.1	6328	7123.3	9005.14	10494.8	12175.6
OO42-Taxes on Goods and Passengers	510.72	485	696.1	675.14	700	805
OO29- Land Revenue	88.12	100	159.69	247.37	250	275
OO45-Other Taxes on Comm. & Serv.	6.25	6.22	6.41	10.68	6.84	7.82
Total	605.09	591.22	862.2	933.19	956.84	1087.82
Percentage of SOTR	10.8	9.3	12.1	10.4	9.1	8.9

As may be seen from Table 18.1 above, the yield of each vary from year to year. However, the revenues of the three taxes together constitute about 10% of the SOTR. We have therefore, projected 10% of the SOTR to be the proceeds of these three taxes. Similarly, for projection of cost of collection of taxes we have depended on the figures of the last five years. As may be seen from Table 18.2 below, the expenditure on collection of four major taxes of the State Govt. constitute about 2% of the SOTR. It varies between 1.9% in the year 2007-08 to 2.6% in the year 2011-12.

Table 18.2
Calculation of Cost of Collection

(Rs. in crore)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
2030-Stamp & Registration	42.18	45.97	58.81	57.78	81.01	102.02
2039-State Excise	45.17	49.27	59.41	97.41	108.27	77.48
2040-Commercial Tax	14.24	24.42	25.71	30	55.91	50.57
2041-Tax on Vehicles	7.48	17.86	10.83	12.14	23.44	28.24
Total Expenditure	109.07	137.52	154.76	197.33	268.63	258.31
Percentage of Exp. to SOTR	1.9	2.2	2.2	2.2	2.6	2.1

It was less than 2% as per the C&AG (Para 1.3.1, appendix-1.5 of the Report of the C&AG for the year ended 31st March, 2011). We have, however, projected 2% of the SOTR as the expenditure on collection for the above period.

18.7 The net SOTR for the five year period from 2012-13 to 2016-17 has been arrived at on the above basis. Table 18.3 gives the projected net SOTR. The net SOTR for the five year period comes to around Rs. 72,418.55 crore, which on an average, is about Rs. 14,484 crore per annum.

Table 18.3
Projections of Net SOTR

(Rs. in crore)

	2012-13 (Actual)	2013-14	2014-15	2015-16	2016-17
2nd CGSFC projections of SOTR	12175.59	14118.5	16165.8	18509.7	21193.6
Less- Transferred to ULBs (Estimated 10% of SOTR)	1087.82	1411.85	1616.58	1850.97	2119.36
Less-Expenditure on Collection (Estimated 2% of SOTR)	258.31	282.37	323.32	370.19	423.87
Net SOTR	**10829.46**	**12424.28**	**14225.9**	**16288.54**	**18650.37**

18.8 As against the first SFC's recommendations of 8.287%, the State Govt. agreed to only 6% of the net SOTR to be shared with the local bodies. In our interim report, we have recommended 8% of the net SOTR to be shared with the PRIs and the ULBs. **We have recommended higher devolution because of the following:**

(a) Upgradation of identified basic urban and rural infrastructure and adequate provision of basic civic services, more than anything else, help establish these institutions firmly on the ground, and earn the confidence of the people. The ULBs, and much more the PRIs, are weak in both these areas.

(b) Not many of the Central and State Govt. schemes cater to these basic requirements.

(c) While the Commission is in the favour of the PRIs and the ULBs raising their internal resources, because of certain institutional limitations and functional incapacity, they are not in a position to do so. This is especially true of the PRIs who also have even otherwise a very limited and narrow resource base. In fact, the PRIs in the Schedule V areas are in no position to raise much internal resources. **We have hence recommended in this report a more liberal tax regime for them.**

(d) As we have indicated earlier, a 'gap-filling' approach is not feasible because of lack of data. In any case, the gap is so large that a higher dose of devolution may be the only answer. We have noted that the State Govt. has transferred more than 6% of the SOTR to the local bodies during the last five years. **The Commission therefore recommends that the share of the local bodies should be 8% of the net SOTR of the State. We would thus, like to maintain the same level of fiscal devolution as was recommended by us in the interim report.**

18.9 Since the net SOTR of the five year period comes to Rs. 72,418.55 crore, the divisible pool i.e. 8% of the net SOTR, comes to Rs. 5,793.48 crore, which is about Rs. 1,158.6 crore annually. Table 18.4 below gives the divisible pool for each year of the five year award period:

Table 18.4
Divisible Pool: Distribution between PRIs and ULBs

(Rs. in crore)

	2012-13 (Budgets)	2013-14	2014-15	2015-16	2016-17	Total
Net SOTR	10829.46	12424.28	14225.90	16288.54	18650.37	72418.55
Divisible Pool: 8% of Net SOTR	866.36	993.94	1138.07	1303.08	1492.03	5793.48
PRIs (6.15%)	666.01	764.09	874.89	1001.74	1147.00	4453.73
ULBs (1.85%)	200.35	229.85	263.18	301.34	345.03	1339.75

18.10 Generally, in the total funds to be devolved on the local bodies, the share of the PRIs and the ULBs is determined on the basis of the percentage of rural and urban population respectively. As per the 2011 census, the rural population of the State is 76.8% and the urban population 23.2% of the total. **In the divisible pool therefore, the share of the PRIs will be 6.15% while that of ULBs 1.85%.** Their respective shares for each year of the award period are also given in table 18.4 above. **The share of the PRIs and ULBs in the net SOTR of Rs. 5793.48 crore for the five year award period, comes to Rs. 4453.73 crore and Rs. 1339.75 crore respectively.**

Devolution Formula:

Panchayat Raj Institutions

18.11 So far as PRIs are concerned the district-wise allocation of funds is recommended to be made on the same basis as in our interim report, which is as follows:

i) Population (2011 census) – weightage 60%

ii) Area – weightage 20%

iii) SC/ST population – weightage 10%

iv) Households below poverty line – weightage 10%

We would have liked to prepare a backwardness index of districts for district-wise allocation of funds to PRIs. This has not been possible because of lack of adequate and reliable data for all the 27 districts. However, the Commission feels, that the criteria adopted would largely meet the objective.

18.12 We have noted in our interim report that the number of households below poverty line has to be as per the survey conducted in 2002. A fresh socio-economic survey to identify households below poverty line is being undertaken in the State by the GOI. The revised number of households below poverty line, as and when available, should be considered for the purpose of devolution. The first SFC had given 10% weightage to per capita internal revenue mobilization. IRM takes place primarily at the level of the GP. From the primary data we have collected from more than 50% of the GPs in the State, as also the field studies made by 'Samarthan' and 'Pradan' on our behalf, we are convinced that weightage to IRM in fiscal devolution may not be very realistic. Such a conditionality will also place the PRIs in Schedule V Blocks at a disadvantage. We have, therefore, suggested weightage to number of households below poverty line in place of IRM. We have separately in Chapter-7 of this report sought to encourage IRM through incentives. On the basis of the above criteria, the district-wise allocation has been worked out and is given in table 18.5 below.

Table 18.5
District-wise Allocation to PRIs

(Rs. in crore)

S.NO	DISTRICTS	PER.	2012-13	2013-14	2014-15	2015-16	2016-17
1	BALOD *	3.27	21.76	24.97	28.59	32.73	37.48
2	BALODABAZAR *	5.16	34.39	39.46	45.18	51.73	59.23
3	BALRAMPUR *	3.83	25.48	29.24	33.47	38.33	43.89
4	BASTAR	4.01	26.72	30.65	35.10	40.18	46.01
5	BEMETARA *	3.32	22.11	25.36	29.04	33.25	38.07
6	BIJAPUR	2.07	13.77	15.79	18.08	20.71	23.71
7	BILASPUR	6.52	43.43	49.82	57.05	65.32	74.79
8	DANTEWADA	1.46	9.73	11.16	12.78	14.63	16.75
9	DHAMTARI	2.90	19.33	22.18	25.39	29.07	33.29
10	DURG	2.77	18.44	21.15	24.22	27.73	31.75
11	GARIABAND *	2.91	19.36	22.22	25.44	29.13	33.35
12	JANJGIR CHAMPA	6.18	41.16	47.22	54.06	61.90	70.88
13	JASHPUR	4.33	28.81	33.05	37.84	43.33	49.61
14	KABIRDHAM	3.53	23.53	27.00	30.91	35.39	40.52
15	KANKER	3.83	25.48	29.23	33.47	38.32	43.88
16	KONDAGAON *	3.10	20.65	23.69	27.12	31.06	35.56
17	KORBA	4.19	27.89	32.00	36.64	41.95	48.04
18	KORIYA	2.49	16.61	19.06	21.82	24.98	28.61
19	MAHASAMUND	4.59	30.59	35.10	40.19	46.01	52.69
20	MUNGELI *	2.87	19.09	21.90	25.07	28.71	32.87
21	NARAYANPUR	0.71	4.71	5.40	6.19	7.08	8.11
22	RAIGARH	6.43	42.83	49.14	56.27	64.42	73.77
23	RAIPUR	4.01	26.68	30.61	35.04	40.13	45.94
24	RAJNANDGAON	6.29	41.91	48.08	55.05	63.04	72.18
25	SUKMA *	1.77	11.80	13.54	15.50	17.75	20.32
26	SURAJPUR *	3.64	24.25	27.83	31.86	36.48	41.77
27	SURGUJA	3.83	25.51	29.27	33.52	38.38	43.94
	TOTAL	**100.00**	**666.00**	**764.09**	**874.89**	**1001.74**	**1147.00**

* Allocation of 3% in 2012-13 and 5% thereafter to ZPs of these 9 new districts shall be added to ZPs to which these are presently affiliated till ZPs are created in the new districts.

Allocation to PRIs: Vertical Distribution

18.13 The distribution of the 6.15% share as above of the PRIs, among the three tiers of the Panchayats, i.e. ZPs, JPs and GPs, should be made broadly on the basis of their statutory functions and other responsibilities. Of the three, the GPs are the most important institutions of rural self-Govt., with large responsibilities. The JPs, on the other hand, have very little direct responsibility and their role is largely supervisory and, to an extent, unclear. The role and functions of the ZP are more definite. They have been entrusted with the responsibilities of implementation of major programmes and schemes, co-ordination and supervision. All grants meant for JPs and GPs are routed through them. The DRDAs have merged in ZPs adding to their responsibilities. With these in view, we propose allocation of fund to the tiers of PRIs as under:

i) Gram Panchayats- 85%	Rs. 3785.68 crore
ii) Janpad Panchayats- 10%	Rs. 458.68 crore*
iii) Zila Panchayats- 5%	Rs. 209.37 crore*
Total 100%	**Rs. 4453.73 crore or**
	Rs. 4454 crore

*Including share in 2012-13 of JPs 12% and ZPs 3%

In our interim report we have recommended 12% for JP and 3% for ZP. In the mean time, the State Govt. has given a grant of Rs. 1 crore to each JP under the JP Sashaktikaran Yojna. We have therefore, reduced the share of JP to 10% and have increased the share of ZP to 5%. Thus the share of JPs and ZPs shall be 12% and 3% for 2012-13 and 10% and 5% respectively for the remaining four years of the award period.

18.14 The 5% share to ZPs shall be 5% of the allocation to their respective districts as per table 18.5. There are presently 18 ZPs, though the number of districts in the State has in the mean time gone up to 27. The allocation of the ZPs of nine new districts, where there are no ZPs at present, shall go to the ZPs to which they are presently affiliated for expenditure in the new Districts. As and when ZPs are created in these districts, the 5% allocation should go to them.

18.15 The 10% allocation to JPs and 85% to GPs in a district shall be distributed among them inter se on the basis of population. The net availability over the five year period for distribution among all GPs in the State shall be Rs. 3785.68 crore or say Rs.3786.00 crore. The allocation to a GP, on an average, will be Rs. 38.90 lakh for the five year period or Rs. 7.78 lakh per year and to GPs in Schedule areas shall be the same except for the additionality of Rs. 2 lakhs for the year 2012-13. In our interim report we had made a special allocation of Rs. 2 lakh each to the 4607 GPs in Schedule V Blocks, out of the total allocation to GPs. In view of their very low revenue base and poor infrastructure, we recommend the State Govt. may continue the same dispensation during the remaining four years of the award period as grant-in-aid and not make it a charge on the funds proposed to be transferred to GPs which are meagre. Thus the Rs. 2 lakh per GP in PESA area shall be an additionality for them. The average population of a GP in Scheduled areas being about 1900, the additionality will be about Rs. 100 per capita during the award period. However, in view of their lack of capacity, closer supervision is required to ensure that the funds are spent for the purpose of which these are meant. The projected devolution to the Panchayats is given in Table 18.6:

Table -18.6
Projected Average Devolution on each GP/JP/ZP per year

(Rs. in crore)

Years	GPs		JPs	ZPs
2012-13	PESA GP	0.069	0.55	0.74
	GP	0.049		
2013-14		0.067	0.52	1.41
2014-15		0.076	0.60	1.62
2015-16		0.087	0.69	1.86
2016-17		0.100	0.79	2.12
For Five years		**0.379**	**3.14**	**7.75**

* The devolution on GPs for the year 2012-13 is the average of devolution to PESA GPs and other GPs

18.16 The projected average devolution on PRIs per year, including GPs in PESA areas, may be seen in Table 18.6 above. The total fiscal transfer to a GP in the five year period will be Rs. 37.9 lakh, or say about Rs. 38 lakh while for a GP in PESA areas will be Rs. 48.0 lakh with an additionality of Rs. 10 lakh over five years. A JP will receive Rs. 3.14 crore and a ZP Rs. 7.75 crores in the five years. So far as GPs are concerned the allocation of about Rs. 7.60 lakh per year is not a very large sum. **The Commission recommends that the entire fund proposed for transfer to GPs should go to them untied. However, we would like the funds to be utilized for the purpose of putting up street lights/extension of street lights, piped water supply and its extension, rural sanitation and for maintenance of the GP's assets.** The funds may also be utilized for organizing social campaigns including national campaigns, in the villages, such as, pulse polio, adult literacy campaign, gender sensitivity campaign, prohibition, prohibition of child marriage, etc subject to a maximum of Rs. 50,000 per year.

18.17 The JPs which have a mainly supervisory role, will get larger funds as per the devolution formula. They should utilize these funds for maintenance of Janpad assets, for provision of technical support to GPs and for 'panch' level (not office-bearers) training and empowerment. The ZPs will get a much larger share of funds, more than rupees one crore per year. The Commission would like these funds to be utilized properly. We have already mentioned about the (i) creation of district Panchayat data bank in ZPs. The funds being transferred to them may be utilized for procurement of a computer and appointment of a separate computer operator exclusively for data bank. (ii) The funds may be utilized for *maintenance of the ZP's assets. The funds should also be utilized for empowerment of the* Panchayat Raj institutions by way of provision of services of a technical person to the GPs; organizing training of office bearers of GPs and ZPs and also Panchayat officials; and conducting district level seminars and awareness camps. (iii) There is a need for compilation and publication of a hand book containing all schemes of the Central and State Govt. meant for PRIs, including the procedure for accessing funds available under various Central and State schemes. We have already recommended about this in our interim report and would like to reiterate that the ZPs get this done and provide copies to all GPs/JPs. The State Govt. may ensure that this is carried out. **The ZPs may also prepare and fund plans/schemes which are the missing links in the schemes of the Central and State Govts. for rural development.** Such schemes should focus on provision of basic services and creation of rural infrastructure. The P&RD Deptt. may issue detailed guidelines and instructions for utilization of the funds proposed to be devolved on PRIs on the above lines and including the above elements.

Urban Local Bodies

18.18 In Chapter 15, we have made an assessment of the likely fiscal gap during the award period in respect of the ULBs. We have estimated a requirement of about Rs. 5777 crore (Table 15.1). After taking into account, the resources which may be mobilized by the ULBs themselves and the grants which may be received by them from the State Govt., there may still be a revenue gap of Rs. 2,253 crore to meet the investment needs in infrastructure. We have estimated that ULBs may mobilize additionally Rs. 648 crores through tax reforms. This leaves a gap of Rs. 1,600 crore which need to be met by State devolutions. As per our calculations, the share of ULBs in the divisible pool proposed by us shall be about Rs. 1,340 crore (Para 18.9). Thus after proposed devolution there may be gap of Rs. 260 crore only which may have to be filled by grant-in-aid from the State Govt. This includes Rs. 150 crore *for sanitation and* Rs. *50 crore for capacity development for which we have proposed grants-*in-aid from the State Govt. Thus the gap may be a mere Rs. 60 crore which we would like to leave unbridged and expect the State Govt. to provide higher grants through the State schemes and the ULBs to better their internal resource mobilization.

Allocation to ULBs-Vertical Distribution

18.19 The share of ULBs in the divisible pool comes to 1.85%, out of 8% of net SOTR, on the basis of population (Para 18.9 above and Table 18.4). The first SFC made inter se allocation among the ULBs, at all the three levels, on the following basis: population - weightage 80%; area – weighage 10%; slum population – weightage 10%. However, the State Govt. added a fourth criterion 'revenue effort' and assigned it a weightage of 10%, by reducing the weightage to population to 70%. We do not propose to change these criteria in the devolution of funds on ULBs. However, the Commission feels that **any weightage to slum population in Nagar Panchayats has little meaning.** The total population of all the Nagar Panchayats in the State is 12,85,665 and they constitute 21.70% of the urban population in the State. **The average population of a NP being about 10,000 slum population does not appear to have much relevance to the urban situation in the NPs.** Hence in so far as the NPs are concerned, the weightage assigned to population may be 80%, with no weightage assigned to slum population. Since there will be no uniform criteria for inter se allocation among ULBs, with a differential treatment being given to NPs, as proposed, the formula for inter se allocation needs to be decided. We propose that out of the share of the ULBs 22%, which is roughly the share of NPs in the urban population, should be earmarked for NPs only and distributed among them on the basis we have outlined above. Accordingly the allocation among the ULBs inter se is as proposed as under:

	M. Corp + M.C 78%	**NP 22%**
Criteria	**Weightage**	**Weightage**
Population (2011 census)	70%	80%
Area	10%	10%
Slum Population	10%	-
Revenue Effort	10%	10%

On the above basis the devolution on the ULBs from the divisible pool, during 2012-13 till 2016-17, the award period of this Commission, will be as under:

Table 18.7
Distribution among ULBs inter se

(Rs. in Crores)

	2012-13	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**Total of 2012-17**
Mcorp and MCs (78%)		179.28	205.28	235.04	269.12	
NP (22%)		50.57	57.90	66.29	75.91	
Total to ULBs	**200.345**	**229.85**	**263.18**	**301.34**	**345.03**	**1339.74**

Thus, the NPs share during the five year period will be about Rs. 300 crores (assuming the allocation during 2012-13 to be about Rs. 50 crore) in the total devolution proposed for ULBs. Thus on an average a NP shall receive more than Rs. 40 lakhs per annum under this award.

18.20 **The allocation proposed for ULBs should be untied and should be utilised primarily for urban infrastructure and basic civic services and should not be appropriated towards various State Govt. schemes.** The State Govt. may issue strict guidelines for the utilization of this amount for the purposes mentioned above. The Directorate of U&AD may monitor the expenditure on a quarterly basis and report to the High Powered Committee under the Chief Secretary, proposed for monitoring utilization of funds under SFC award. As such these funds are not very large and are not likely to meet the requirements of the ULBs for the purposes mentioned above. We have discussed in Chapter 15 the fund requirement of ULBs and to what extent the devolution proposed may meet it.

18.21 As the Commission has noted, transfer of funds to the local bodies recommended by the first SFC has been made by the State Govt. largely through various schemes by the State Govt. We have also noted that channelization of funds through Govt. schemes may have its own merits, but it does not provide any autonomy to the local bodies to meet local needs. We have brought out in this report that the State Govt. schemes, particularly for PRIs, do not provide for the basic services required in the villages. These schemes are also overlapping in their objectives. The position in respect of State schemes meant for ULBs is largely similar. The State schemes do not focus on the five basic services identified by the 13th FC. Thirdly, the practice of transfer of devolved funds through State schemes does not ensure certainty and predictability of flow of funds to local bodies and inhibits local planning. Lastly, this also militates against the principles of devolution and the spirit of the provisions in the Constitution regarding devolution. **We therefore reiterate that the entire amount proposed for transfer for PRIs and ULBs should be untied. However, the State Govt. may ensure that the funds are used for the purposes we have recommended. The State Govt. should issue detailed instructions regarding the utilization of these funds. We recommend that the monitoring committee chaired by the Chief Secretary to the Govt. which monitors utilization of funds provided under the recommendation of 13th FC, should also monitor utilization of the funds proposed for to local bodies by the second SFC.**

Transfer of funds by the State Govt.

18.22 The Commission is not recommending any additional assignment of revenue by the State Govt. than what is already assigned, which we have discussed in Chapter 8 and Chapter

13. The only recommendation made for consideration of the State Govt. is for sharing a small portion of royalty received from major minerals with GPs.

18.23 Presently, full/part of the proceeds of the following taxes are transferred to the PRIs and ULBs:

Table 18.8
Transfer of State's Revenues to Local Bodies

(Rs. in crore)

Compensation Grant to PRIs	Scheme Code	2012-2013
Land Revenue		275
Stamps & Registration Fees	4610	45
Minor Mineral Royalty Grant	6299	110
Entertainment Tax Grant	8879	1.9
Total		**432**
SOTR		12175.59
Percentage to SOTR		3.55
Compensation Grant to ULBs		
Entry Tax (Octroi) Grant	8018	668.25
Passenger Tax Grant	9436	8
FL Lincense Fees Grant	5061	15.5
Stamps and Registration Fees	4035	36.16
Entertainment Tax Grant	8850	7.76
Total		**735.7**
SOTR		12175.59
Percentage to SOTR		6.04

In Table 18.8 above we have also given the provision made in the budget for the current year to give an indication of the quantum of revenues being transferred by the State Govt. to the local bodies. In order to arrive at the likely transfer of revenues from the above taxes to the local bodies during the five year award period, we have looked at the data of the last five years in respect of the revenues from these taxes, to see if a trend growth rate can be arrived at for such projection. Unfortunately, no such trend is noticed. Therefore we have projected the revenues from these taxes likely to be transferred to the local bodies during the award period on the basis of the transfers in the budget for the year 2012-13 and its percentage of SOTR.The provision for PRIs comes to a little more than 3.5% of the SOTR and the provision for ULBs is about 6.0% of the SOTR. We have projected the transfer of revenues on the basis of the same percentage of the projected SOTR of the five years. In fact this has approximately been the percentage during the last three years also. On the above, basis the total fiscal transfer to the local bodies, including the devolution proposed by us, will be as given in the Table 18.9.

Table 18.9
Total Transfers to Local Bodies

(Rs. in crore)

	2012-13 (Actual)	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2012-17**
Devolution to PRIs (6.15%)	666.0	764.1	874.9	1001.7	1147.0	4453.7
Revenue Transfer to PRIs	431.9	494.1	565.8	647.8	741.8	2881.5
Total-PRIs	**1097.9**	**1258.2**	**1440.7**	**1649.6**	**1888.8**	**7335.2**
Devolution to ULBs (1.85%)	200.3	229.8	263.2	301.3	345.0	1339.7
Revenue Transfer to ULBs	735.7	917.7	1050.8	1203.1	1377.6	5284.9
Total-ULBs	**936.0**	**1147.6**	**1314.0**	**1504.5**	**1722.6**	**6624.6**

Thus the total transfer to PRIs during the award period is likely to be Rs.7335.2 crore and ULBs Rs. 6624.60 crore. The per capita transfer to the rural population in the State will thus be on an average Rs. 3741.8 over a five year period Rs. 748.4 annually. The average per capita transfer to people living in urban areas in the State will be Rs. 11,159 over a period of five years or Rs. 2231.8 annually.