

## Annexure - 14

### Government Order regarding implementation of First SFC recommendations issued by Finance Department, GOK (G.O.No.FD 9 ZPA 94 Dated:31.3.1997)

#### PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

Subject: Devolution of funds to the Urban Local Bodies and the Rural Local Bodies on the recommendations of the State Finance Commission.

READ: 1) Govt. Notification No.RDP 313 ZPS 93 dated 10.6.1994

PREAMBLE: In the Government Notification read at (1) above, Government had constituted the State Finance Commission. The terms of reference of this Commission are detailed in the notification. Accordingly, the State Finance Commission has submitted its report in two volumes i.e. one volume relating to Urban Local Bodies and the other relating to Panchayat Raj Institutions. Under the scheme of Devolution, the State Finance Commission has made the Non-loan Gross Own Revenue Receipts of the State Government as the basis of devolution to the Local Bodies. Non-loan Gross Own Revenue Receipts has been defined as follows;

" Gross yield from all taxes duties and fees levied and collected by the State Government and interest receipts. It excludes grant-in-aid from Central Government and State's share in the net yield from Income Tax and Union Excise duties.

The State Finance Commission has recommended that the devolution to Local Bodies (both Urban Local Bodies and the Panchayat Raj Institutions) should be 36% of Non-loan Gross Own Revenue Receipts. Out of this amount, 15% is proposed to be given to the Urban Local Bodies and 85% to the Panchayat Raj Institutions. The Commission has also recommended that this pattern be adopted from 1996-97 upto 2000-01. However, 1996-97 budget had already been approved by the Legislature, by the time the final report of the State Finance Commission was received. Hence, the implementation of the report can be only for the period 1997-98 to 2001-02.

The implications of the acceptance of the State Finance Commission were discussed in the Cabinet. The Cabinet in its proceedings dated 21-2-1997 has authorised Hon'ble Chief Minister to take appropriate decision in consultation with the Dy.Chief Minister, Minister for Rural Development and Minister for Urban Development.

contd...

Accordingly, decisions were taken in the meeting held under the Chairmanship of the Hon'ble Chief Minister of Karnataka on 25-2-1997, on the issue of devolution of funds to the Urban Local Bodies and the Rural Local Bodies, on the recommendations of the State Finance Commission. It is proposed to issue a Government Order in this behalf. Hence, the following order :-

GOVERNMENT ORDER NO. FD 9 ZPA 94, BANGALORE DATED 31-3-1997

Government are pleased to order the following:-

- 1) To keep the total devolution to the Local Bodies (both the Urban Local Bodies and the Panchayat Raj Institutions) at 36% of the Non-loan Gross Own Revenue Receipts as recommended by the State Finance Commission from 1998-99 onwards.
- 2) To keep the 1997-98 plan size of the District Sector for Panchayat Raj Institutions at the same level as 1996-97(D.E) i.e. Rs 676 crores (excluding the devolution under the award of the Tenth Finance Commission which will be devolved in addition to Rs 676 crores) and to devolve Rs 290 crores to the Urban Local Bodies in the year 1997-98.
- 3) To achieve the ratio of 15 : 85 inter se devolution between the Urban Local Bodies and the Panchayat Raj Institutions by the year 2001-2002 instead of by the year 1999-2000 and based on this to devolve the funds as per annexure-1 appended to this order.

By order and in the name of the  
Governor of Karnataka

K.S. SHYLANIA  
(K.S. SHYLANIA),

Under Secretary to Government,  
Finance Department (Exp-5)

To:

The Compiler, Karnataka Gazette, Bangalore for publication in the Gazette Extraordinary and supply 200 copies of the above Government Order to the Finance Department (Exp-6), II Floor, Vidhana Soudha, Bangalore.

Copy to:

1. Chief Secretary to Government of Karnataka, Bangalore.
2. Additional Chief Secretaries to Government of Karnataka
3. Development Commissioner, Vidhana Soudha, Bangalore.
4. Accountant General, ( A & E ), Karnataka, Bangalore.
5. All Principal Secretaries to Government/Secretaries to Govt.,
6. Divisional Commissioners of all Divisions.
7. Chief Executive Officers of all Zilla Panchayats.
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ANNEXURE - 1

GOVERNMENT ORDER NO. FD 9 ZPA 94, DT: 31-3-1997.

( Rs. crores)

	1997-98	1998-99	1999-2000	2000-2001	2001-2002
1. Non Loan Gross Own Revenue Receipts ( N L G O R R )	8024	9064	10253	11595	13059
2. 36% of NLGRR	2889	3263	3691	4174	4701
3. Devolution to Panchayat Raj Institutions					
(a) Plan	676	731	894	1079	1297
(b) Non-plan	2021	2173	2336	2511	2699
(c) Total	2697	2904	3230	3590	3996
4. Devolution to ULBs	290	359	461	584	705
5. Proportion of ULB devolution in SFC recommended devln.	10%	11%	12.5%	14%	15%

NOTE : The projections have been made assuming 7.5% annual rate of growth in Non-plan expenditure of Panchayat Raj Institutions. To the extent, Non-plan expenditure of Panchayat Raj Institutions grows at higher rate, adjustments will have to be made in the projected plan expenditure figures for years after 1997-98.

K. S. Srinivasulu.

Under Secretary to Government,  
Finance Dept. (Exp-5)