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GOVERNMENT OF ORISSA

ACTION TAKEN REPORT

ON

THE RECOMMENDATION OF ORISSA FINANCE COMMISSION

FINANCE DEPARTMENT

1999

ACTION TAKEN REPORT BY GOVERNMENT OF ORISSA ON THE RECOMMENDATION OF ORISSA FINANCE COMMISSION.

Introduction

1. In pursuance of Article 243 – I of the Constitution of India read with Sections 3 and 8 of the Orissa Finance Commission (Miscellaneous Provision) Act, 1993 the First Orissa Finance Commission was constituted vide Notification No.48704/F, dated 21.11.1996 of Finance Department with Justice S.K. Mohanty as the Chairman and four others as Members. The Commission was asked to submit its first report covering a period of one year commencing from 1st day of April, 1997 by 30.6.1997 and second report covering a period of four years commencing from 1st April, 1998 by 31.3.1998. Due to various reasons the said Commission could not complete its task even though the last date for submission of report was extended up 31.5.1998. Government in Finance Department Notification No.36091/F., dated 24.8.1998 reconstituted the Commission with Dr. Baidyanath Mishra as the Chairman. The Commission was asked to submit its report covering a period of five years commencing from 1st April, 1998, by 31st December, 1998. The Commission has submitted its report to State Government on 30.12.1998. Though the Commission was asked to submit its report covering a period of five years commencing from 1st April,1998 the commission has worked out revenue receipt and revenue expenditure of the Local Bodies for the period 1997-98 to 2004-05. The revenue receipt and revenue expenditure for the six years have been split into two parts i.e. for 3 years from 1997-98 to 1999-2000 and for five years from 2000-01 to 2004-05.

Cabinet Approval

2. The recommendation of the State Finance Commission was placed before the State Cabinet on 3.2.1999 and the Cabinet has accepted the recommendation of the State Finance Commission with some minor modifications. The action taken on various recommendations of the State Finance Commission has been indicated in the subsequent paragraphs.

Transfer of Fund

3.1 The Commission has reviewed the collection of cess on land revenue surcharge on entertainment tax, surcharge on Stamp Duty and Additional Stamp

Duty, profit on Kendu Leaf trade etc. and has worked out the arrears and current dues payable to the rural local bodies and urban local bodies.

Cess on land Revenue (Para 4.11 and 10.4)

3.2 The total amount of cess on land revenue collected during 1990-91 to 1996-97 is Rs.3260.05 lakhs. The amount due for payment to PRIs works out at Rs.2470.23 lakhs for that period. Against this, a sum of Rs.566.67 lakhs has been paid to the Gram Panchayat and Panchayat Samitis. The arrear payable has been worked out at Rs.1903.56 lakhs. The Commission has suggested that this arrear may be paid in five annual installments commencing from 1998-99 @ Rs.380.71 lakhs. Besides this, the cess at the level of collection in 1996-97 i.e. @ Rs.533.59 lakhs may be paid in each of the years starting from 1998-99 to 2002-2003. In other words the State Government should pay a sum of Rs.914.30 lakhs per annum (Rs.380.71 lakhs arrear + Rs.533.59 lakh current).

Action by State Govt.

3.3 The suggestion of the Commission has been accepted by the State Government.

Share in the profit from KL trade (Para 4.21 and 10.5)

3.4.1 The Commission has worked out that a sum of Rs.6854.00 lakhs is payable as arrear to rural local bodies from the period 1984-85 to 1989-90 for which accounts have been finalised. The Commission has suggested that the arrear should be paid in five installments starting from the year 1998-99. Besides this, the Commission has suggested that the current dues @ Rs.980.00 lakhs should be paid to rural local bodies provisionally subject to higher allocation after finalising the net profit. In other words as per the recommendation of the Commission State Government have to pay Rs.22.91 crores (arrear Rs.13.11 cr. + current dues Rs.9.80 crore) per annum starting from 1998-99.

Action by State Govt.

3.4.2 The suggestion of the Commission has been accepted by the State Government.

Surcharge on admission fees for entertainment (Para 4.27)

3.5.1 At present surcharge on entertainment tax is levied under Orissa Entertainment Tax Act, 1946 and Orissa Entertainment Tax Rules, 1947 as follows :

i) In Municipal areas of Cuttack, Bhubaneswar, Puri, Berhampur, Sambalpur and Rourkela – Ranging from 50 paise to Rs.1.50 depending on the admission fees excluding the entertainment tax.

ii) In Municipal areas other than Cuttack, Bhubaneswar, Puri Berhampur, Sambalpur and Rourkela – Ranging from 50 paise to Rs.1/- on every admission depending on the admission fees excluding the tax.

iii) In the areas other than the Municipal areas – 25 paise on every admission.

3.5.2 Out of the surcharge collected in urban areas, 15 paise is retained by State Government for the purpose of establishment of low-cost cinema hoses and development of film industry and the balance amount from the surcharge collected is paid to the respective urban local bodies. 15 paise retained by State Government is passed on the Orissa Film Development Corporation for the aforementioned purpose. However the entire proceeds of surcharge of 25 paise collected from rural areas are passed on to the Orissa Film Development Corporation for the purpose of establishment of low- cost cinema houses and development of Oriya Film Industry.

3.5.3 The Commission has made the following recommendations ;

i) During 1994-95 Rs.44.85 lakhs was released on account of surcharge on entertainment tax for urban local bodies. The Commission has recommended that Rs.44.85 lakhs be released to urban local bodies per annum from 1998-99. This should not include

surcharge payable by six Municipalities namely, Cuttack, Bhubaneswar, Puri Berhampur, Sambalpur and Rourkela.

ii) The surcharge collected through compounding system in Cuttack, Bhubaneswar, Puri Berhampur, Sambalpur and Rourkela should be assessed and paid to these six urban local bodies from the year 1998-99.

iii) At present surcharge @ 25 paise is being levied on each admission to entertainment in rural areas. The Commission has suggested that it should be raised to 50 paise and the entire amount should be given to Gram Panchayats on the basis of origin. Till that time the present level of surcharge of Rs.13.40 lakh released in favour of Orissa Film Development Corporation should be given to Gram Panchayat from 1998-99 onwards instead of the OFDC.

Action by State Govt.

3.5.4 The suggestion of the Commission has been accepted by the State Government.

Surcharge on Stamp Duty

3.6.1 As per Section 83(1) of the Orissa Town Planning and Improvement Trusts Act, 1956 surcharge on stamp duty is collected @ 3% on deeds of transfer of immovable property situated within the areas covered under Town Planning Authority and Improvement Trust. After deducting 4% towards collection and incidental charges the balance amount is paid to the concerned Special Planning Authorities and Improvement Trusts. Similarly as per Section 78(1) of the Orissa Development Authority Act, 1982 surcharge @ 2% on the stamp duty on the deeds of transfer of immovable property within the areas of Development Authority is levied. Collection and incidental charges @ 2% of the surcharge collected is deducted and the balance amount is passed on to the Development Authorities concerned.

3.6.2 In this connection the Commission has made the following suggestions :

i) Surcharge on Stamp Duty should be levied at a uniform rate of 3% both in the areas under Special Planning Authorities, Improvement Trusts and Development Authorities. This may also be extended to the areas not covered by any Planning Authority, Improvement Trust or Development Authority. In other words surcharge on Stamp Duty should be at a uniform rate of 3% both in urban areas and rural areas and not necessarily confined to the areas coming under the Planning Authorities/Improvement Trust/ Development Authorities.

ii) Collection and incidental charges should be at uniform rate of 2% for all the areas.

iii) During 1995-96 a sum of Rs.245.46 lakhs was collected towards surcharge on Stamp Duty and Rs.200.91 lakh was assigned to different Development Authorities/Planning Authorities. The Commission has recommended that pending amendment of the Acts and Rules and revision of the rate a sum of Rs.200.91 lakh per annum may be paid to different Development Authorities/Planning Authorities from the year 1998-99 onwards.

Action by State Govt.

3.6.3 The suggestions of the Commission as indicated in para-3.6.2 has been accepted. The implied suggestion of the commission is that proceeds of the proposed new levy of surcharge on stamp duty in rural areas should be passed on to the Gram Panchayats. This suggestion of the Commission has also been accepted.

Suggestion for sharing of revenue and new levies.

4.1 Commission has recommended sharing of Motor Vehicle (M.V.) Tax, collection of royalty on minor forest produce etc., indicated below :-

Apportionment of M.V.Tax (Para-10.14)

4.2.1 There was collection of Rs.128.25 cr. under M.V. Tax during 1996-97. The Commission has recommended that 10% of the collection level of 1996-97 of MV Tax i.e. Rs.1282.00 lakh per annum be given to Urban Local Bodies in the ratio of 60:40 to Municipalities and N.A.Cs respectively as additional resources for improvement and maintenance of roads each year starting from 1998-99 onwards.

Action by State Govt.

4.2.2 In order to avoid the unnecessary complication of linkage between collection of M.V. tax and its devolution State Government has decided to fix the annual grant of road maintenance for Urban Local Bodies at Rs.15.00 crore Rs.9.00 cr. would be earmarked for Municipalities and remaining Rs.6.00 cr. for Notified Area Councils. The ratio works out to 60:40. The inter-se distribution among the Municipalities/N.A.Cs would be in proportion to the relative share of the road length to the total road length maintained by the Urban Local Bodies.

Collection from Sairat (Para 10.15)

4.3.1 The commission has recommended that the entire revenue collected from Sairat Sources in the districts should be distributed to the Gram Panchayats in the said districts.

Action by State Govt.

4.3.2 It is noticed that the collection from Sairat is not very often entirely reflected in the accounts maintained by Accountant General. It would, therefore, be difficult to assess the amount payable to Grampanchayats on account of collection from Sairat source. It is estimated that the present level of collection from Sairat source would be of the order of Rs.1.00 cr. This amount of Rs.1.00 cr. would be assigned to Gram Panchayats as a fixed amount from the year 1998-99 till it is reviewed by the next Finance Commission. This would be distributed among the G.Ps on basis of population as it would be difficult to determine the share of the G.Ps on the basis of sources.

Distribution of royalty collected from Minor Forest Produce (MFP) (Para 10.16)

4.4.1 The Commission has recommended that the entire amount collected from royalty on MFP be given to Panchayat Samitis and Gram Panchayats coming under the Tribal Sub-Plan (TSP) areas in the ratio of 60:40 respectively. The amount released should be tied grant for improvement of forests in those areas.

Action by State Govt.

4.4.2 The level of collection of royalty form MFP during 1996-97 was Rs.202.34 lakh. It takes a lot of time to ascertain the actual collection from MFP. Govt. has, therefore, decided that a fixed amount of Rs.2.00 cr. would be assigned to Panchayat Samitis and Gram Panchayats of TSP areas and inter-se distribution be made on the basis of population.

New levy of house tax in G.Ps (Para 10.8 to 10.10)

4.5.1 The Commission has recommended that by amending the Gram Panchayat Act, 1964, house tax at the rate of 4% as the minimum and 8% as the maximum be levied on the annual rental value of buildings in Grampanchayats after deducting 15% towards maintenance cost.

Action by State Govt.

4.5.2 Detailed modalities would be examined by Panchayati Raj Department and follow up action taken.

Levy of Profession Tax (Para 10.11)

4.6.1 Under Section 131(g) of Municipal Act. 1950, Urban Local Bodies are empowered to levy tax on Profession, Art and callings and appropriate the tax in full as one of the major sources of internal revenue. The State like Andhra Pradesh has assumed the responsibility of collecting this tax and is assigning a portion of revenue to Urban Local bodies which is a substantial amount. The Commission has recommended that Government may impose profession tax in the light of Andhra Pradesh Profession Tax Act, 1987 and 50% of the gross collection be assigned to ULBs to improve basic services.

Action by State Govt.

4.6.2 Govt. has decided that this would be examined in detail by the H & U.D. Department in consultation with Finance Department and follow up action taken.

Imposition of entry tax (Para 10.12)

4.7.1 At Present Urban Local Bodies are levying octroi tax on entry of good tax on entry of goods into their respective areas. The Commission has recommended that Government may impose entry tax in lieu of octroi. The Commission has, further, recommended that in case octroi is abolished, Government should devolve requisite fund to Urban Local bodies in the first week of each month & increasing it 10% each year over 1998-99 level.

4.7.2 As per the information furnished by H & U.D. Department, the collection level of octroi tax during 1996-97 and 1997-98 was of the order of Rs. 52.60 cr. and Rs.58.34 cr. respectively as per the details indicated below:

(Rs. in Crore)

U.L.Bs	Collection of octroi tax during 1996-97	Collection of octroi tax during 1997-98	Annual increase
Municipal Corporation.	22.73	26.34	15.88%
Municipalities.	22.50	24.01	6.71%
N.A.Cs	7.37	7.99	8.41%
TOTAL :-	52.60	58.34	10.9%

Action by State Govt.

4.7.3 Since octroi tax is a buoyant and elastic source of revenue to the ULBs, its abolition and substitution by entry tax may have to be carefully studied to ensure that there is overall net addition of revenue not only to the ULBs but also to the State Government. Govt. have decided that the follow-up action would be taken by Finance Department in consultation with H & U.D. Department. It is expected that the relevant legislation would be enacted in the next session of the Orissa Legislative Assembly.

Grants-in-aid

5.1 The Commission has reviewed the present scale of grant-in-aid given to both urban local bodies and rural local bodies. The recommendations and observations of the Commission in this regard have been indicated below :

Grant-in-aid to ULBs. (Para10.18.1 to 10.18.3)

5.2 There are 19196 employees deployed in 102 ULBs as per the detailed break-up indicated below :

Permanent	-	2865
Temporary	-	11909
Adhoc/NMR/DLR	-	4422

The permanent and temporary employees as well as the employees appointed on adhoc basis are getting scale of pay, DA & other allowances admissible to their counterparts in Government. Out of 19196 employees, the sanctioned number is 14774 and the rest 4482 are continuing without sanction. The annual requirement in the revised pay and the present rate of D.A. has been assessed at Rs.74.57 cr. Besides this the expenditure liability on terminal benefits for 3124 retired employees of the ULBs is Rs.0.69 crore. Thus the total requirement per annum for 102 ULBs on account of pay and allowances including the terminal benefits is Rs.75.24 cr.

5.2.1 Government have agreed to bear 53% of the pay and 50% of D.A. for the non-teaching posts approved prior to 1.1.74 and for the teaching posts approved prior to 1.11.76. The total staff strength approved prior to 1.11.76 is 8494 as per the break-up given below :

Other staff sanctioned prior to 1.1176.	-	6984
Teaching staff sanctioned prior to 1.11.76.	-	1510

These sanctioned posts belong to 80 ULBs and the remaining 22 ULBs are not eligible for any salary or DA grant either for teaching and other staff since they came into existence after 1.1.74 and 1.11.76. It has been calculated that the share of the State Government in the expenditure liability for pay and allowances of the posts as per the agreed pattern for the period 1992-93 to 1997-98

(1.4.92 to 28.2.98) sanctioned upto 1.1.74 and 1.11.76 comes to Rs.5187.04 lakhs. Due to paucity of fund Government have provided only Rs.3966.36 lakhs during the period 1992-93 to 1997-98. As per the policy decision the Government has to provide Rs.1220.68 lakhs to 80 ULBs by way of grant-in-aid towards the arrear pay and D.A. in the pre-revised scale of pay.

5.2.2 The Commission have recommended that Government is under obligation to pay the salary cost in the agreed ratio in respect of the posts approved by Government. It is left to Government to consider further claim of the ULBs towards salary and other liability to a reasonable level according to the economic capacity of the Government since 22 ULBs emerged only after 1.1.74 and 1.11.76.

Grant to Rural Local Bodies. (Para 5.2 to 5.3 - Gram Panchayats)

5.3.1 In respect of the rural local bodies the Commission has recommended as under :

The remuneration of G.P. Secretaries and the sharing of expenditure by State Government from time to time was as follows :

Period	Monthly consolidated salary of GP Secretaries	Sharing pattern by State Govt. and Gram Panchayats.
1.4.88 to 31.3.95	Rs.500/- p.m.	Subsidy @ Rs.400/- p.m. per G.P. whose annual income was below Rs.10,000/- and @ Rs.200/- p.m. per G.P. whose annual income was between Rs.10,000/- and Rs.20,000/-.
1.4.95 to 31.10.98	Rs.1,000/- p.m.	60% of the remuneration for each G.P. whose annual income is below Rs.10,000/- and @ 40% of the remuneration for each GP whose annual income is between Rs,10,000/- and Rs.20,000/- and @ 20% of the remuneration for each GP whose annual income is above Rs.20,000/-.

5.3.2 State Government in Panchayati Raj Department vide Resolution dated 31.10.98 have decided that the remuneration of G.P. Secretaries would be raised to Rs.2,200/- p.m. with effect from 1.11.98 and Government would bear the expenses on this account in full. The expenditure liability on this account per annum has been estimated at Rs.13.88 cr. as against the budget provision of Rs.2.57 cr. in the current financial year 1998-99. The Commission is of the view that since the State Government has already taken a substantial liability on this account it does not want to recommend any further on this account.

Grant to Panchayat Samitis (Para 10.20)

5.4.1 Government is bearing the full salary and other recurring and non-recurring cost of the staff deployed by various line Departments in Panchayat Samitis. Panchayati Raj Department alone has deployed 9085 no. of employees in 314 Blocks as per the detailed break-up given below :

Block Development Officer	314
Addl. Block Development Officer	178
Junior Engineer	314
Addl. Junior Engineer	243
Stipendiary Engineer	314
Progressive Assistant	314
Head Clerk	314
Senior Clerk	628
Junior Clerk	314
Driver	314
V.L.W.	3140
Lady V.L.W.	809
Class-IV staff	1570
Choukidar	315
Mali	1
Boatman	3

5.4.2 The Salary expenditure in the pre-revised scale for the above posts has estimated at Rs.44.67 crore for the year 1998-99 and on account implementation of the revised scale, the expenditure level would go up to ne Rs.55.00 crore excluding the arrears of Rs.20.00 crore from 1.1.96 to 28.2 Including the arrears the total requirement for the year 1998-99 in the revised would be nearly Rs.75.00 crore. The Commission has observed that this quant of money should be treated as direct devolution to Panchayat Samitis.

Grants to Zilla Parishad (Para 10.21.1 to 10.21.2)

5.5.1 Presently the Zilla Parishads have skeleton staff and the entire recurri and non-recurring expenses including the honorarium to Presidents, Vice Presidents, Members and other ancillary expenses are borne by State Governmen The budget provision for 1998-99 for this purpose is Rs.209.38 lakh. The Commission has observed that it does not favour to alter the present arrangements. On the other hand the Commission has recommended that the Zilla Parishads are expected to assume a bigger role after constitutional amendment and they should be backed by a full-fledged Secretariat. But the present resource position of the State would be hardly able to bear additional financial burden for extra man power for a full-fledged Secretariat of Zilla Parishad. As such the Commission has recommended that D.R.D.A. should be merged with Zilla Parishad and the existing D.R.D.A. should function as Secretariat of Zilla Parishad without any financial burden on account of such merger.

Untied grant to Zilla Parishad

5.5.2 During 1998-99 a sum of Rs.7.00 crore has been provided as grant-in-aid by way of Untied Fund. This is distributed among all the 30 District Planning Units to enable them to take up small works to meet the local needs which otherwise cannot be met from JRY or other tied funds. The Commission has recommended that instead of allocating untied fund to District Planning Units, it should be distributed among Zilla Parishads on the basis of the present principle for utilisation on creation of capital assets in deficient areas.

5.6.1 The Commission has observed that for all rural local bodies for the period 1998-99 to 2004-2005 the income excluding the grants is projected to be about Rs. 158.87 cr. The expenditure including the agency function is projected to be about Rs.8480.58 cr. The deficit is projected to be Rs.8321.71 cr. of which , the deficit during the period 2000-2001 to 2004-2005 is Rs.6895.65 cr. The State Commission expects Rs.2092.94 cr. as grants form the Eleventh Finance Commission to partly cover the deficit of Rs. 6895 cr.

5.6.2 The projection worked out by the Commission on the basis of the projection made by Panchayati Raj Department show a substantial increase in expenditure. This is because the expenditure on different core services has been assumed on a higher scale compared to the present level of expenditure. This has been analysed by the Commission in their report from para 9.87 to para 9.92.

5.7.1 The commission has worked out the deficit of the ULBS for the period 1998-99 to 2004-2005 at Rs.1378.29 cr. on the basis of the projected receipt and expenditure furnished by H&U.D. Department. Of this deficit of Rs.1378.29 cr. only Rs.168.82 cr. relates to the year 1998-99 and 1999-2000 and the balance deficit of Rs.1209.47 cr. relates to the period 2000-2001 to 2004-2005. The huge gap is mostly due to projection of expenditure on higher rate (20%) than that income (10%). The high growth of projected expenditure of ULBs has been made in order to meet the expectation of better services than the existing level of poor services now that the popularly elected representative have assumed office. The Commission has made a detailed analysis in their report form Para 9.93 to Para 9.104.

Action by State Government

5.8 The State Government is of the view that there is need to provide better basic core service both in urban and rural areas. However, it will depend on the revenue raising capacity of local bodies and capacity of State Government to assist the local bodies. Because of resource constraint State Government can not provide such huge amount to the local bodies as worked by the State Finance

Commission. The expenditure has to be regulated depending on the rev raising capacity of the local bodies, paying capacity of State Government assistance that may be provided by Govt. of India through the recommendatio the Eleventh Finance Commission.

Utilisation of TFC grant (Para 6.1 to 6.14.7)

6.1. The Tenth Finance Commission had recommended a sum of Rs.220.10 in favour of Rural Local Bodies and Urban Local Bodies of Orissa for the peri 1996-97 to 1999-2000 to enable the Local Bodies to take up basic services. T yearwise break up of the grant is as follows :-

Year	Grant recommended for Rural Local Bodies (RLBs)	Grant recommended for Urban Local Bodies (ULBs)	Total grant recommended b RLBs. and ULI
1996-97	50.25	4.78	55.03
1997-98	50.25	4.78	55.03
1998-99	50.25	4.78	55.03
1999-2000	50.24	4.77	50.01
TOTAL	200.99	19.11	220.10

6.2 Another stipulation for utilisation of the award of the TFC by the Local Bodies is that the Local Bodies would be required to provide suitable matching contribution by raising additional resources and in case the Local bodies are unable to provide matching contribution, State Government should provide the required matching contribution so that the contribution both by the Local bodies and the State Government taken together should be at least equal to the grant recommended by TFC.

6.3 The State Finance Commission has made detailed analysis regarding the scope and manner of utlisation of the award of the TFC by the Local bodies in

Chapter-VI. The recommendations of the State Commission in this regard are summarised below:-

Para 6.8 (b)

i) The ULBs should utilise the award of the TFC for setting up or overhaul waste management system (Sewerage treatment), drainage, bio gas plant, compost plant, purchase of loaders and dumpers.

Para 6.12.5.

ii) Excluding the amount already released for construction of buildings for G.Ps., DRDA and Zilla Parishad, the entire balance amount should be utilised for rural connectivity programme only.

Para 6.10.2.

iii) The inter-se distribution of fund among the ULBs should be based on the following criteria.

a) Population	-	50%
b) Area	-	25%
c) Slum population	-	25%

Para 6.13.3.

iv) In case of RLBs. The allocation should be made Zilla Parishadwise and it should not be thinly spread by distributing the grant among the Panchayat Samities and Grampanchayats. The inter-se distribution among the Zilla Parishad should be based on the following criteria:

Para 6.13.2.

a) Size/Area of the district	-	50%
b) Total rural population of the District.	-	25%
c) Lack of rural connectivity in the district.	-	25%

Para 6.11.3.

v) In case of ULBs 1/3rd of the matching contribution should made by the Local bodies themselves, and 2/3rd may be provided State Government.

Para 6.14.7.

vi) As regards the matching contribution by RLBs, since G.P have very meagre source of internal income, 1/3rd of the J.R.Y. fun which is otherwise treated as the own source of G.P. should be th matching contribution by G.Ps. for such rural connectivity programme. 2/3rd of the matching contribution would be made by State Government.

Action by State Govt.

6.4.1 The recommendation of the State Finance Commission has been accepted by State Government except in regard to the matching contribution by RLBs as mentioned in item (vi) of para 6.3 above. The U.L.Bs. as a whole should provide 1/3rd of the matching contribution as the minimum and the State Govt. would provide the balance 2/3rd of the matching contribution . State have provided Rs.9.56 crore as matching contribution for ULBs during 1998-99.The recommendation of SFC as regards the matching contribution by RLBs may not be acceptable to Govt. of India. In the near future the RLBs. would not be able to raise resources to provide matching share to the extent of 1/3rd out of their own income. It has been decided that State Government would provide the matching contribution for enabling the RLBs to make full utilisation of the grants recommended by TFC. In fact, State Government have already provided Rs.50.00 cr. for the RLBs as matching contribution in the second supplementary Statement of expenditure of 1998-99.

6.4.2 Thus, the liability of the State Government on account of providing matching contribution to ULBs and RLBs for enabling them to make full use of

the grant recommended by TFC would be of the order of Rs.213.73 cr. as indicated below:-

2/3rd of the matching contribution by State Govt. to the ULBs. (1/3 of Rs. 19.11 crore	Rs.12.74 crore
100% contribution by State Govt. towards matching share of RLBs.	Rs.200.99 crore
TOTAL :-	**Rs.213.73 crore**

6.4.3 Since State Government have already provided Rs.59.56 cr. (ULBs Rs.9.56 cr. + RLBs Rs.50.00 cr.) during 1998-99 , the balance of Rs.154.17 cr. has to be provided by State Government in the Budget Estimate of 1999-2000/2000-2001.

Other recommend-ations.

7.1 Besides the devolution of fund by way of assigning of revenue and grant-in-aid, the Commission has also made certain recommendations . These, in brief, have been indicated below :

Para 4.11

i) At present the cess on land revenue is apportioned between G.Ps. and P.Ss. in the ratio of 80:20 . The Commission has recommended that with establishment of Zila Parishad , alongwith G.P., P.S. , Zila Parishad should also be a claimant in the share of cess collected and accordingly sections 10(1) and 10(2) of the Orissa Cess Act , 1962 as amended from 1.4.94 may be further amended to include Zila Parishad as a claimant. The appointment of cess among the Zila Parishad , P.S. and G.P. would be in the ratio of 20:20:60 respectively. The collection and distribution should be districtwise. The inter-se distribution among the

Para 4.11 (C)

P.S. and G.P. in a district will be on population basis as pe the latest census figure.

Para 4.5

ii) As per the amendment of section 10(2) of the Orissa Cess Act, 1962 , which came into effect from 1.4 .94 , the proportion in which the amount collected as cess is to be distributed between the G.Ps. and P.Ss. shall be as may be prescribed. But the existing rule 6 of the Orissa Cess Rule, 1963 , which was incorporated through a Notification dated 29.9.70 provides that 50% of the total amount of cess collected shall be utilised for primary Education and remaining 50% shall be divisible between the G.P.s and P.Ss in the ratio of 4:1 . This rule is inconsistent with the section 10(1) of the Orissa Cess Act, 1962 in its present form which does not allocate any share of the amount of cess collected for the purpose of Primary Education. The Commission , therefore , has recommended that the existing rule 6 should be amended to make it consistent with sections 10(1) and 10(2) of the Orissa Cess Act, 1962.

Para 10.21.2

iii) The DRDA should be merged with Zila Parishad and it should function as its Secretariat. The schemes now executed by DRDA should be executed by Zilla Parishads.

Para 10.22

iv) A portion of E.A.S. fund should be utilised to create permanent assets like Pisciculture tanks to generate permanent income.

Para 10.23

v) G.Ps./U.L.B.s. should be empowered to issue no dues certificate to the aspirant loanee before availing any loan

from Government, Semi-Government and any recognised Financial Institutions.

Para 10.26

vi) Maintenance of Roads :- Government should transfer the roads to ULBs owned by various line Departments alongwith proportionate maintenance grant each year.

Para 10.27

vii) Drinking water :- maintenance of Drinking Water projects both Tube-wells and pipe-water should be transferred to Z.Ps. alongwith proportionate maintenance grant and the employee and their salary cost.

Para 10.28

viii) Health :- the administrative control and the salary cost etc. of health staff working in ULBs be transferred to the ULBs.

Para 10.29

ix) Electricity :- Maintenance of electricity alongwith requisite maintenance grant and the personnel be placed with ULBs for maintenance of street lighting.

Para 10.30

x) Sewerage Line :- Maintenance of Sewerage lines should be transferred to ULBs by retaining only new construction and upgradation with the State P.H. Organisation.

Para 10.31

xi) Sanitation :- Garbage disposal and improvement of sanitation in ULBs should be privatised.

Para 10.32.1 and Para 10.32.2

xii) Improvement of Cultural, Physical facility in ULBs :- Library, Play-ground, Slum re-settlement and rehabilitation centres, market places should be put up for which neither the ULBs nor the State Government have

adequate resources to meet. So, Govt. of India should
approached to upgrade such facilities.

Para 10.33

xiii) Primary Education :- The entire Primar
Education scheme alongwith the teachers, their salar
and administrative control, except creation of posts
should be transferred to Z.Ps. alongwith some mino
supervisory functions to G.Ps.

Para 10.35

xiv) Training :- H. & U.D. Department and P.R. Deptt.
should provide minimum Rs.5.00 lakh each year to impart
training to officials and elected representatives of RLBs and
ULBs and Nabakrushna Choudhury Centre for Development
Studies should be preferably engaged.

Para 10.36

xv) Date Bank :- Rs.5.00 lakh should be placed with each
collector for setting up a Data Bank. Similarly at the State
Headquarters a Data Bank should be set up in collaboration
with the Directorate of Economics and Statistics.

Action proposed by State Govt.

7.2 The suggestions of the SFC indicated in Para 7.1 are under examination by Panchayati Raj Department and H & U.D. Department in consultation with Finance Department and Administrative Department concerned. Appropriate Government order would be taken on each of the suggestions by 31.03.2000.

sd/-

(K.B. Verma)

PRINCIPAL SECRETARY TO GOVERNMENT

OGP—MP—PTS (Finance) 63—400—25-6-1999