State Finance Commission

The 73rd and 74th amendment to the Constitution of India envisages transfer of certain functions to Panchayats and Urban Local Bodies. Article 243 I and 243Y provides for constitution of State Finance Commission every fifth year to review the financial position of rural and urban local bodies and make recommendation to the Governor regarding devolution of financial resources from the State Government to the Panchayati Raj Institutions and Urban Local Bodies and distribution of the shares of these bodies on an efficient and equitable basis.

In pursuance of these provisions, the State Government has been constituting State Finance Commission every fifth year.

The first State Finance Commission was constituted on 23rd April, 1994 under the Chairmanship of Shri K.K.Goel with three other members including the Member Secretary. This Commission in its final report submitted in December, 1995 recommended transfer of 2.18 per cent of States own tax revenue to the Panchayati Raj Institutions and Urban Local Bodies apart from other recommendations for strengthening these local institutions. The State Government accepted the recommendations of the Commission. The recommendations of the Commissions were for the award period 1995 - 2000.

The second State Finance Commission was constituted on 7th May, 1999 under the Chairmanship of Shri Hira Lal Devpura along with three other members including Member Secretary. This Commission gave its final report in August, 2001 for the award period 2000 – 2005. The Commission recommended transfer of 2.25 per cent of States own net tax revenue to the Panchayati Raj Institutions and Urban Local Bodies and 1 per cent of Royalty on minerals to Panchayats in whose areas the minerals are excavated. The State Government accepted and implemented the recommendations of the Commission.

The third State Finance Commission was constituted on 15th September, 2005 under the Chairmanship of Shri Manik Chand Surana along with three other members including Member Secretary. The Commission submitted its final report in February, 2008 for the award period
2005 – 2010. The Commission recommended transfer of 3.50 per cent of the net proceeds of State’s own tax revenue to PRIs and ULBs and 1 per cent of net royalty receipts from minor and major minerals to the Gram Panchayats of the area from where minerals are excavated/royalties recovered. The recommendations of the Commission were by and large accepted and implemented.

The fourth State Finance Commission was constituted vide order dated 13th April, 2011 under the Chairmanship of Shri B.D.Kalla, and consisting of Shri Raj Pal Singh Shekhawat, Shri J.P.Chandela as members and Dr. P.L.Agarwal as Member Secretary. The Commission gave its final report in September, 2013 for the award period 2010 – 2015. The Commission recommended transfer of 5 per cent of net own tax revenue (excluding entry tax and land revenue), 100 per cent of land revenue, 25 per cent of entry tax, 3 per cent of royalty on minerals, 2 per cent cess on excise duty and 10 per cent surcharge on stamp duty. The State Government instead of devolving share from different taxes combined the amount which worked out to 7.182 per cent of States’ own tax revenue, apart from 3 per cent royalty on major and minor minerals excluding hydrocarbons.

The Fifth State Finance Commission has been constituted vide Governor order dated 29th May, 2015 under the Chairmanship of Dr Jyoti Kiran and Shri S.C.Derashri as Member Secretary for the award period 2015 – 2020.

The Commission started functioning from June 1, 2015. In the process of its functioning the Commission has requested the Pr. Secretary, Panchayati Raj Department and Pr. Secretary, Local Self Government Department to send their memorandum to the Commission. The Commission also held consultation with the experts, academics and experienced civil servants on 6th July, 2015 to have their feedback on role and responsibilities of rural and urban local bodies, their funds requirement and constraints. Informal discussions were also held with Minister Rural Development and Panchayati Raj Department, Minister Local Self Government Department as also Pr. Secretary, Director and other officers of Local Self Government Department. The Chairperson visited Mumbai to participate in a presentation organized in University of Mumbai on functioning of local bodies in Maharashtra. The Chairperson also had detailed discussion with Mayor and officers of Nagar Nigam Jodhpur to understand the resource gaps and operational constraints as an random example of functioning of urban local bodies. We are
working on devolution based on deprivation index. The State Government has requested the Commission to give interim report for which the Commission is working.