

Seminar on Strengthening of the Finances of Municipalities in
Gujarat: Issue before the 3rd State Finance Commission
at Nirma University
on 1st September, 2012

- The Present status of Municipal Finance: State's Fund Flow to the municipalities, present status and suggestions for self revenue generation.

By

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Status of state's Fund flow to municipalities

	Municipal Corporation	Municipalities	Notified Areas	For Schemes at State Level Only (If any)	Total	
	Rs in crore	Rs in crore	Rs in crore	Rs in crore	Rs in crore	
2011-12	2915.4797	1682.7896	4.3018	846.2636	5448.8347	
2012-13	3134.1633	3059.8917	145.2350	207.8674	6547.1574	

source: Abstract of District wise Allocation for all tiers of Urban Area

- Total estimate for fund flow to municipalities is Rs. 6547.1574 and the fund flow to Municipalities is Rs. 3059.8917 crore.
- The fund flow to municipalities in year 2011-12 was Rs. 1682.78 crore, the fund flow has been nearly doubled from 2011-12 to 2012-13.
- out of total state's fund flow to urban local bodies, the municipalities' share is around 46.87%

District wise Allocation for all tiers of Urban Area in %

	Municipal Corporation	Municipalities	Notified Areas	For Schemes at State Level Only (If any)	Total	
2011-12	53.51	30.88	0.08	15.53	100.00	
2012-13	47.87	46.74	2.22	3.17	100.00	

Fund flow in percentage

Allocation for Municipalities

	Normal	TASP	SCP	Total		
	Rs in crore	Rs in crore	Rs in crore	Rs in crore		
2011-12	1484.8287	130.3818	67.3290	1682.5395		
2012-13	2521.20	337.70	200.97	3059.86		

TASP Tribal Area Sub Plan

SCP Special Component Plan for schedule Caste

Allocation for Municipalities in %

	Normal	TASP	SCP	Total		
	Rs in crore	Rs in crore	Rs in crore	Rs in crore		
2011-12	88.25	7.75	4.00	100.00		
2012-13	82.40	11.04	6.57	100.00		

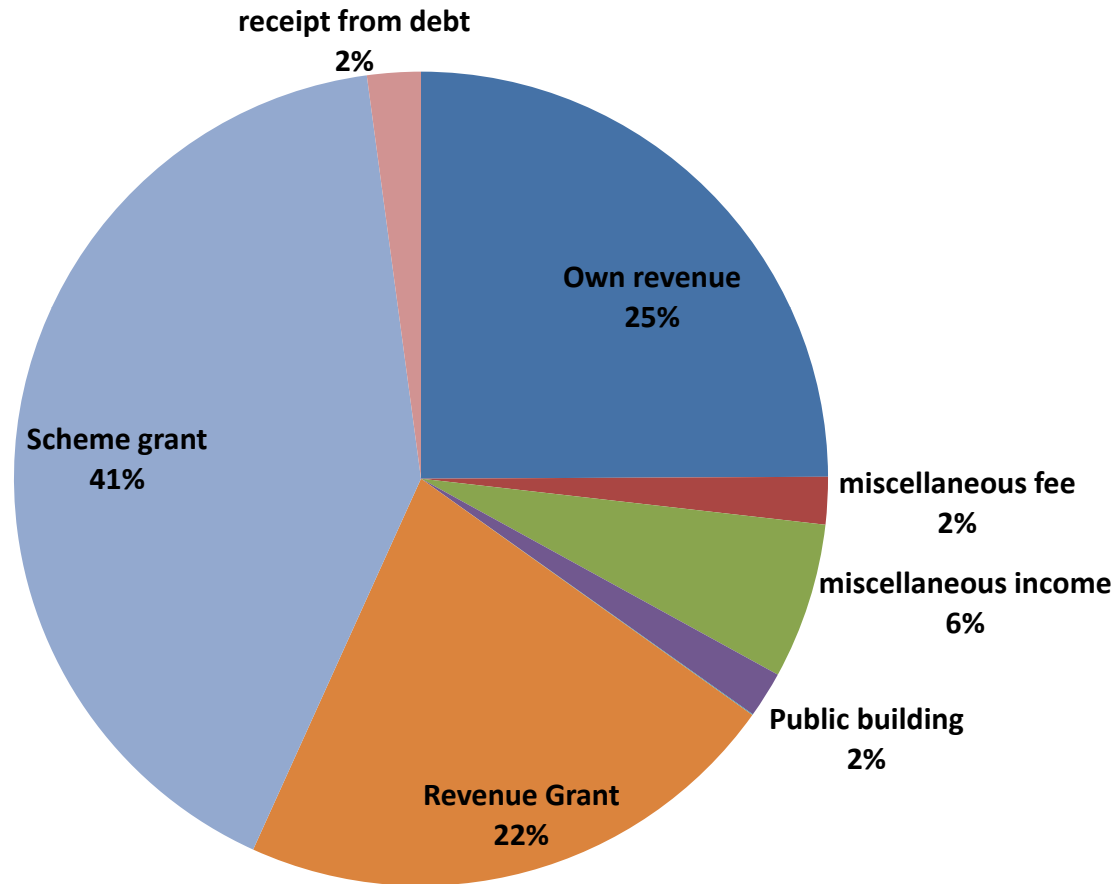
- Budget of Dakor Municipality in Kheda district

Receipt of Dakor Nagar Palika

Dakore Nagar Palika (D)	Rs in Lac	Rs in Lac	Rs in Lac	Rs in Lac	
Details of Receipt	2010-11 Actual Expenditure	2011-12 Budget Estimate	2011-12 Revised Estimate	2012-13 Budget Estimate	% of 2012-13
1) Own revenue	67.42	79.03	78.36	92.74	12.31
2) Miscellaneous fee	8.57	11.85	5.43	7.00	0.93
3) Miscellaneous income	16.74	21.02	39.61	23.03	3.06
4) Public building	14.68	8.88	8.06	6.82	0.90
5) Policy	0.00	0.12	0.12	0.12	0.02
6) Revenue Grant	79.90	75.58	79.57	81.50	10.82
A- sub total (1 to 6)	187.32	196.48	211.15	211.20	
B- Scheme grant	198.59	78.42	316.38	152.95	20.30
C= (A+B)	385.90	274.90	527.53	364.15	
D-receipt from debt	45.53	8.64	13.33	7.91	1.05
E= C+D	431.43	283.55	540.86	372.06	
1/4/2012 opening balance F	344.09	427.43	519.36	381.51	50.63
Total Receipt of Dakor Nagarpalika (E+F)	775.53	710.98	1060.21	753.57	100.00

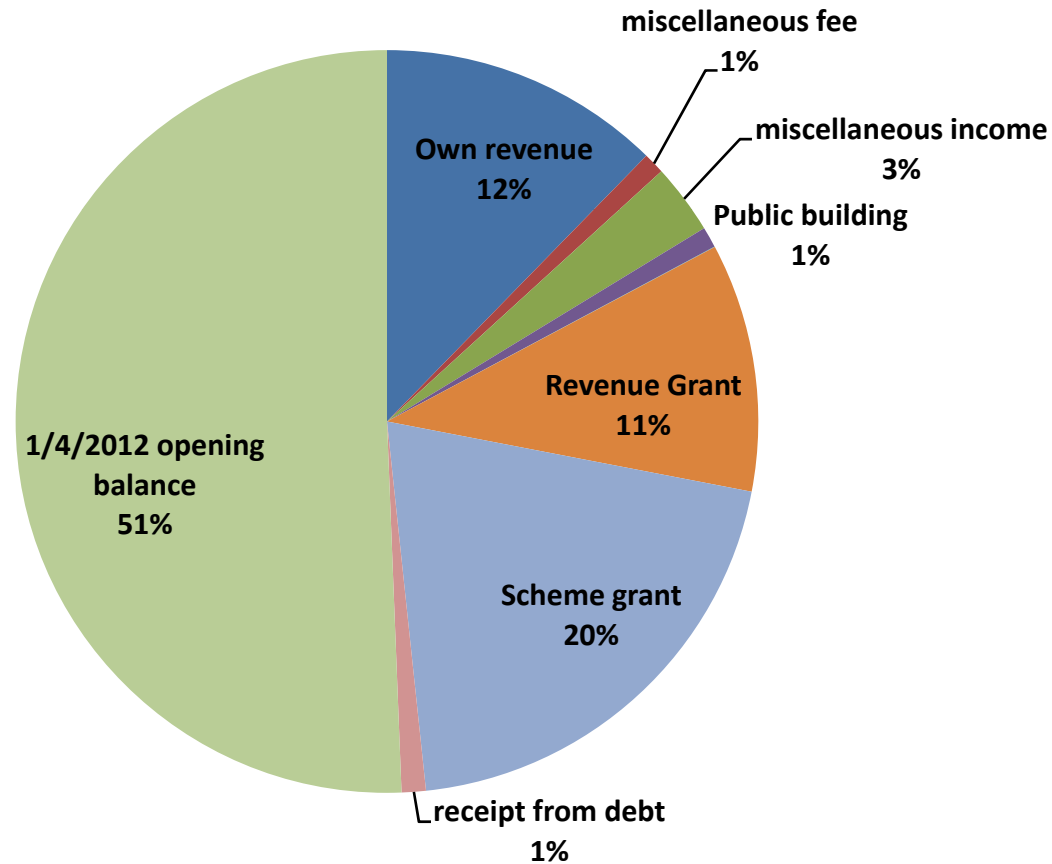
Dakor Nagar Palika's own Revenue Receipt-2012-13 BE

Dakor Nagar Palika's Revenue Receipt-2012-13 BE



Dakor Nagar Palika's total Receipt -2012-13

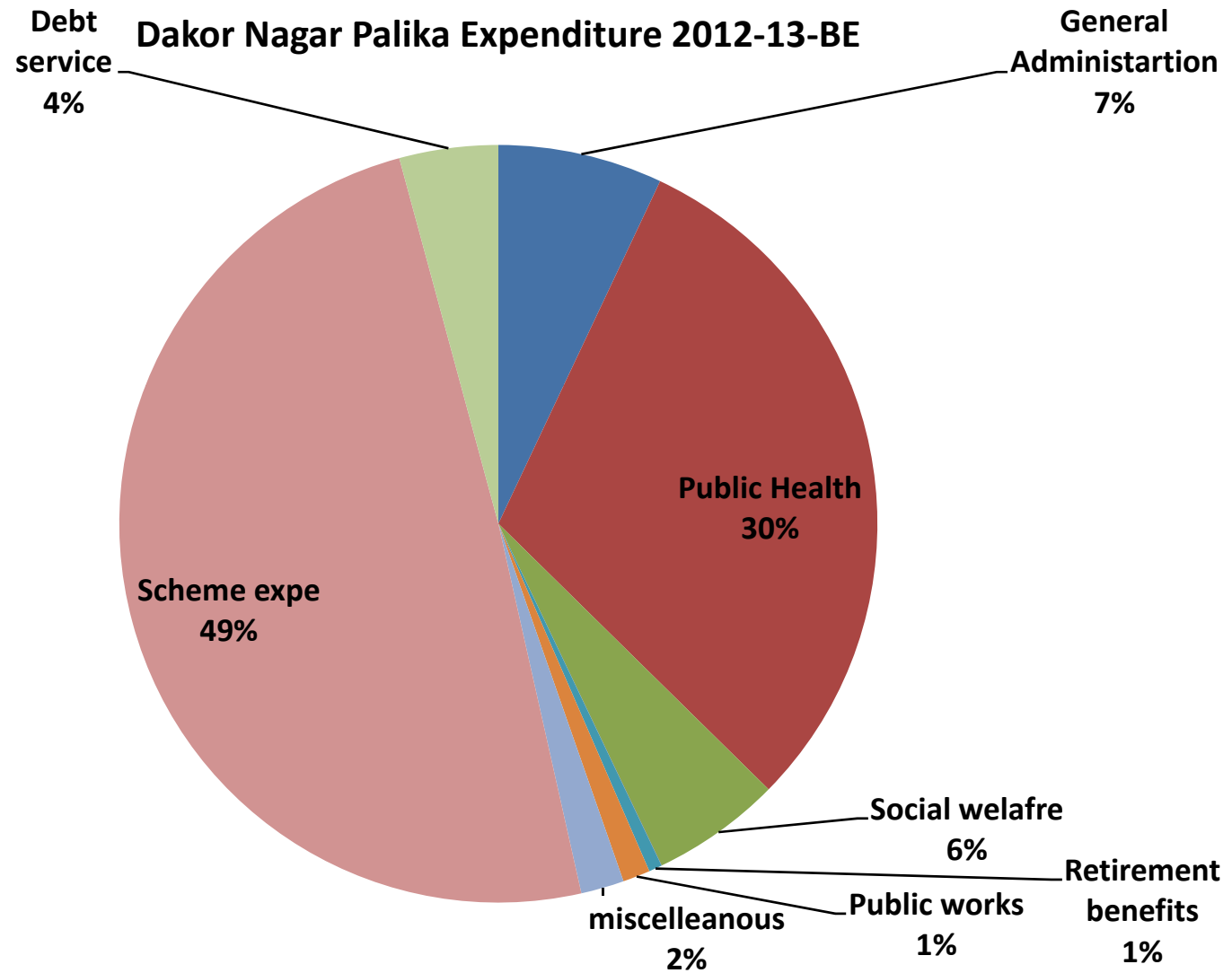
Dakor Nagar Palika Receipt -2012-13



Dakor Nagar Palika Budget Expenditure

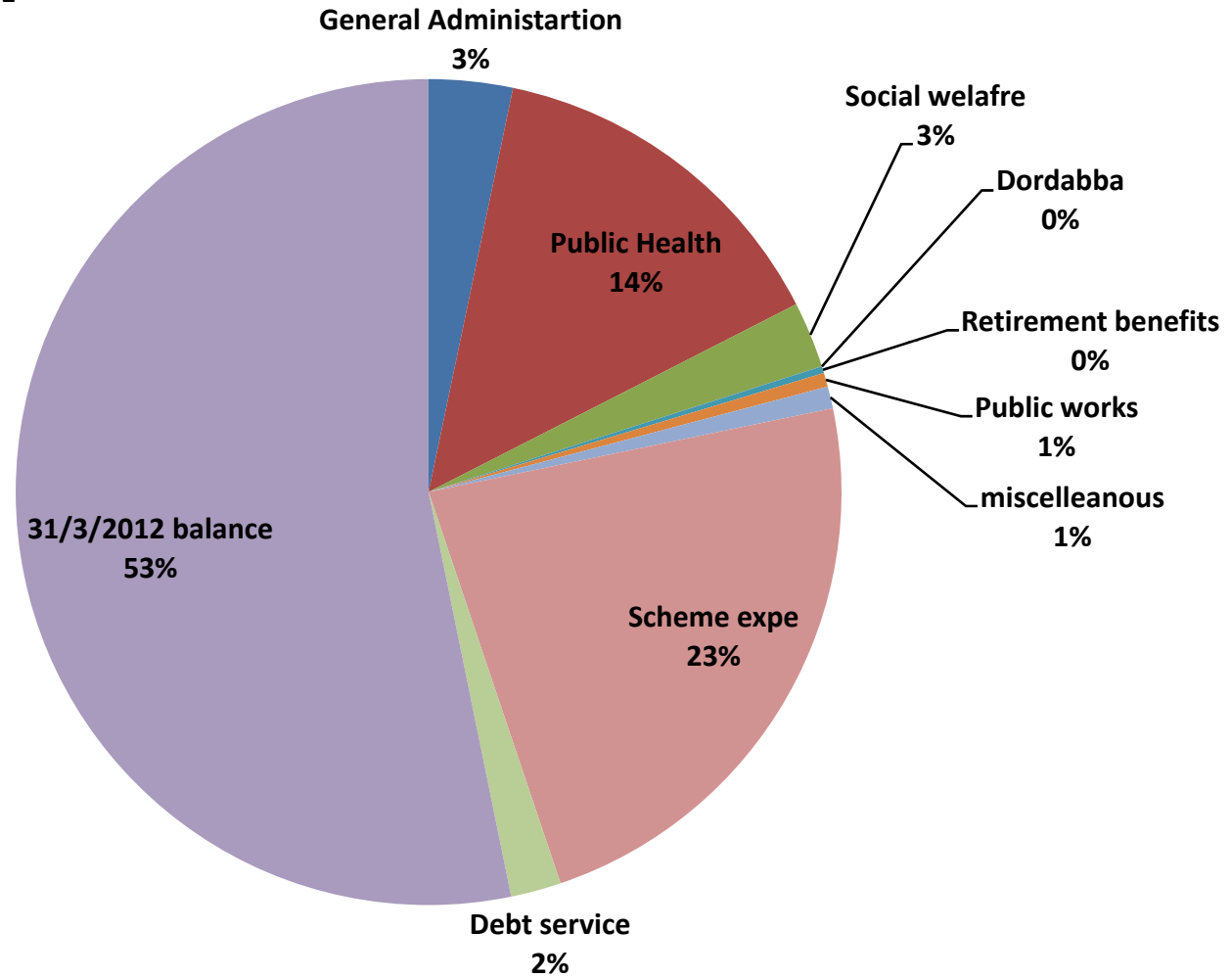
	2010-11 ACTUAL EXPENDITURE	2011-12 Budget Estimate	2011-12 Revised Estimate	2012-13 Budget Estimate	% of 2012-13 expenditure	% of 2012-13 of Total Budget with balance
General Administartion	35.30	33.00	29.05	24.75	7.02	3.28
Public Health	78.75	104.27	111.90	107.00	30.35	14.20
Social welafre	18.43	18.27	20.02	19.52	5.54	2.59
Dordabba	0.00	0.10	0.03	0.03	0.01	0.00
Retirement benefits	2.19	2.50	2.00	2.00	0.57	0.27
Public works	2.21	5.35	5.60	4.10	1.16	0.54
miscelleaneous	7.38	5.96	8.40	6.49	1.84	0.86
Total	144.25	169.45	177.00	163.89	46.48	
Scheme expe	103.87	79.03	475.77	173.84	49.31	23.07
debt service	50.29	14.49	25.94	14.85	4.21	1.97
Total	298.41	262.97	678.70	352.58	100.00	
31/3/ balance	477.11	448.01	381.51	400.99		53.21
Total	775.53	710.98	1060.21	753.57		100.00

Dakor Nagar Palika Expenditure 2012-13-BE



Dakor Nagar Palika 2012-13 BE

Dakor Nagar Palika 2012-13 BE



Suggestions-1

- The municipalities should utilize the finances for providing services to citizens, instead of keeping funds in banks.
- The state government should allocate more funds to urban local bodies by sharing the taxes collections.
- RTO tax to be shared with local bodies.
- The state government should facilitate the policy for strengthening the revenue generation capacity of municipalities

Suggestions-2

- Municipalities should be empowered to make provision of user charges to be levied from electricity company, telephones, etc. for laying cables, erecting poles, etc.
- If any municipality runs transport service, it should be made self sufficient. Municipalities should be free to formulate committee for revision of tariff need not be required.

User's fee-1

- Prescribing of minimum user charges through legislation, which should not be less than 25% of the O&M cost. Local bodies to have freedom to raise minimum and the user charges to cover the cost. No government sanction necessary.
- User fees to be recovered from government and non government institutions and individuals. No exemptions
- Parking facilities to be adequately provided and charged

User charges-2

- At present, the cities spend a lot more to provide the services and able to recover only partial costs making it imperative to move towards full cost recovery through user charges/fees.
- The charges should depend on level of consumption, location, type and size of connection. And The charges should be linked to inflation

Users' Charges-3

- All public amenities to be converted into “pay and use” facilities with concept of social justice.
- Entry to selected well developed gardens and parks with amusement facilities to charge fees with exemption for kids.
- Any public and private property, when utilized for public assembly, expenses incurred by the local body for maintaining the sanitation and other services to be charged.

Strong program to collect revenues

- As a general rule, the local governments, responsible for collecting taxes are required to achieve at least a 95% collection rate and no more than 5% default should be permitted. The local governments should adopt aggressive strategies for improving the collection of current taxes and collection of tax arrears.
- creating high density zones where an additional FSI is available on payment of an impact fee and delineating Special Development Districts (SDD's), this requires state level policy facilitation. Vertical growth of urban areas should be encouraged and not horizontal spread.
- Tax concessions and waiving of interest for tax defaulters should not be allowed.

Development charges

- “Special Development Fees” to be charged on the sale of new properties in areas where fresh service infrastructure needs to be provided.
- Establishing an Asset Management System

Thank You