



REPORT
OF
THE ASSAM FINANCE COMMISSION

For
1996-2001

29TH FEBRUARY, 1996

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CHAPTER-I

INTRODUCTION

- 1.1 The 73rd and the 74th amendments of the Constitution of India provides –
- “243-I (1) The Governor of a State shall, as soon as may be within one year from the commencement of the Constitution (Seventy-third Amendment) Act, 1992 and thereafter at the expiration of every fifth year, constitute a Finance Commission to review the financial position of the Panchayats and to make recommendations to the Governor as to-
- (a) The principles which should govern-
 - (i) the distribution between the State and the Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under this part and the allocation between the Panchayats at all levels of their respective shares of such proceeds;
 - (ii) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by the Panchayats;
 - (iii) the grants-in-aid to the Panchayats from the Consolidated Fund of the State;
 - (b) The measures needed to improve the financial position of the Panchayats;
 - (c) Any other matter referred to the Finance Commission by the Governor in the interest of sound finance of the Panchayats;”
2. The Legislature of a State may, by law, provide for the composition of the Commission, the qualifications which shall be requisite for appointment as members thereof and the manner in which they shall be selected.
3. The Commission shall determine their procedure and shall have such powers in the performance of their functions as the Legislature of the State may, by law, confer on them.
4. The Governor shall cause every recommendation made by the Commission under this article together with an explanatory memorandum as to the action taken thereon to be laid before the legislature of the State.”
- “243-Y (1) The Finance Commission constituted under article 243-I shall also review the financial position of the Municipalities and make recommendations to the Governor as to:
- (a) The principles which should govern-
 - (i) the distribution between the State and Municipalities of the net proceeds of the taxes, duties of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between

- them under this part and the allocation between the Municipalities at all levels of their respective shares of such proceeds;
- (ii) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the Municipalities;
 - (iii) the grants-in-aid to the Municipalities from the consolidated Fund of the State;
- (b) The measures needed to improve the financial position of the Municipalities;
 - (c) Any other matter referred to the Finance Commission by the Governor in the interests of sound finance of the Municipalities.
2. The Governor shall cause every recommendation made by the Commission under this article together with an explanatory memorandum as to the action taken thereon to be laid before the Legislature of the State;”

1.2 The State Finance Commission being the first of its kind was constituted under Article 243-I and Article 243-Y of the Constitution. The Assam Finance Commission (Miscellaneous and Provision) Act, 1995 was enacted by the Assam Legislative Assembly vide Assam Act No. VI of 1995 with the assent of the Governor of Assam on 18th April, 1995 and Act came into force with effect from 23rd June, 1995. The order of the Governor (No. FEA.58/93/Pt/6 dated 23rd June, 1995) constituting the Assam Finance Commission is reproduced below :-

“In pursuance of the provisions of Article 243-I and Article 243-Y of the Constitution of India, read with the provision of Section 2(I) of the Assam Finance Commission (Miscellaneous Provision) Act, 1995, the Governor of Assam is pleased to constitute the Assam Finance Commission consisting of Shri M.M. Taimur, IAS (Retd), Guwahati as the Chairman and the following four other Members namely:

- | | | | |
|----|--|---|------------------|
| 1. | Dr. Haren Das, M.A, LL.B, Ph.D,
Advocate | - | Member |
| 2. | Prof. Anil Kr. Sarma,
Formerly Head of Commerce &
Business Administration Department
Gauhati University,
Guwahati. | - | Member |
| 3. | Shri Bhupendra Kr. Barooah, IAS (Retd.)
Guwahati | - | Member |
| 4. | Secretary to the Government of Assam
Finance Department | - | Member-Secretary |
2. The Chairman shall hold full time office and the other Members of the Commission shall hold part-time office from the date on which they assume office. The tenure of the Commission shall be one year from the date of its constitution.”

1.3 The order of the Governor of Assam communicating the terms of reference (No. FEA. 58/93/pt/18 dated 16th September, 1995) is as follows and reproduced below :-

“The Governor of Assam is pleased to state that the Assam Finance Commission, constituted under Notification No. FEA. 58/93/Pt/6, dated 23rd June, 1995 shall review the financial position of the Local Bodies namely the Panchayats/ Municipalities and make recommendations relating to the following matters :

- (a) The principles, which should govern-
 - (i) the distribution between the State of Assam and the Panchayats/ Municipalities of the net proceeds of the taxes, duties, tolls and fees, leviable by the state which may be divided between them and the allocation between the Panchayats/ Municipalities at all levels of their respective share of such proceeds;
 - (ii) the determination of the taxes, duties, tolls and fees, which may be assigned to, or appropriated by the Panchayats/ Municipalities;
 - (iii) the grant-in-aid to the Panchayats/ Municipalities from the Consolidated Fund of the State.
 - (b) The measures, needed to improve the financial position of the Panchayats/ Municipalities;
The expression ‘Municipalities’ includes Municipal Corporation and Town Committees.
2. The Commission may make an assessment of-
- (a) the actual debt position of each of the Local Bodies as on 31st March, 1995;
 - (b) estimated debt position of each of the Local Bodies as on 31st March, 1996 and suggest suitable measures relating to the debts as deemed necessary, keeping in view also the financial requirements of the State Government.
3. In making its recommendations, the Commission shall have regard, among other considerations, to :-
- (i) the objective of balancing the receipts and expenditure on revenue account of both the Local Bodies as a whole and the State Government and each Local Body;
 - (ii) the resources of the State Government and the demands thereon, in particular, on account of expenditure on maintenance of law and order, civil administration, debt servicing and other committed expenditures;
 - (iii) the revenue resources of the Local Bodies for the five years commencing on 1st April, 1996 on the basis of the level of collection made during 1994-95 from taxes, duties, tolls, fees, cess etc., levied by them;
 - (iv) the potential for raising additional revenue from the existing sources, available to them; and
 - (v) the scope for better financial management, consistent with efficiency and economy in expenditures.

4. In making its recommendations on the various matters aforesaid, the Commission shall adopt the population figures of 1971 Census in all cases, where population is regarded as a factor for determination of devolution of taxes and duties and grants-in-aid.
 5. The Commission shall indicate the basis, on which it has arrived at its findings and make available the Local Body wise estimates of receipts and expenditure.
 6. The Commission shall make its report available to the Governor of Assam by the 31st December, 1995 on each of the matters aforesaid, covering a period of five years commencing on the 1st day of April, 1996.”
- 1.4. The Commission practically started functioning from September, 1995 after setting up its office at a rented house at Sundarpur, Guwahati-5. The first meeting of the Commission was held on 14.9.95. The Commission issued a press note as appended below in the month of September, 1995 emphasising the responsibility entrusted to the Commission to look into the needs of the Local Bodies. The purpose of the press note was mainly for the awareness of the people of the Local Bodies for whom the Commission was constituted.

Press Release

“The second meeting of the Assam Finance Commission has been scheduled to be held at 10.00 AM, on 7-10-95 in the office of the Assam Finance Commission at Sundarpur, Zoo Road Guwahati. The meeting will be attended by the Members of the Commission, Dr. Harendra Nath Das, Prof. Anil Sarma, Shri Bhupendra Kumar Barooah and Member Secretary Shri Niranjan Ghose, which shall be presided over by Shri M.M. Taimur, Chairman of the Commission.

The Assam Finance Commission has been constituted by the Governor of Assam, on 23rd June, 1995, to review the financial position of the Local Bodies namely the Panchayats and Municipalities and put forward to the Government the recommendations relating to the distribution between the State of Assam and the Panchayats/ Municipalities of the net proceeds of the taxes, duties, tolls and fees. Also the Finance Commission will determine the taxes, duties, tolls and fees to be appropriated by the Panchayats/ Municipalities and determine the grants-in-aid to the Panchayats/ Municipalities from the Consolidated Fund of the State.”

- 1.5. The Commission did not received information sought for from Municipalities and Panchayats timely. The concerned Departments of the State Government were also persued for submission of the information in respect of the receipts and expenditure of the local bodies expeditiously. The entire position was reviewed by the Commission in its meeting held on 16.12.95 and it felt that it would not be possible to submit its report by 31st of December, 1995 as per terms communicated vide order of the Governor dated 16.9.95. The Commission therefore, decided to request the Governor for extension of the time for submission of the Report upto 31st January, 1996 and the same was granted by the Governor. The order bearing No. is FEA 58/94/pt-II/67 dated 30.12.95 reproduced below –

“In continuation of Notification No. FEA. 58/93/Pt/18, dated 16th September, 1995 the Governor of Assam is pleased to extend the date of submission of the Report of the Assam Finance Commission to the Governor of Assam upto 31st January, 1996.”

The tenure of the Commission will however expire on 23rd June, 1996.

- 1.6. The Government of India, Ministry of Urban Affairs and Employment organised a workshop at Vigyan Bhavan, New Delhi on 3rd and 4th November, 1995 which was attended by the Chairman and the Member-Secretary of the Commission. The Workshop circulated the Reports of the working groups along with the guide points for the State Finance Commissions which were found to be very helpful to the Commission in its work. The Chairman and the members of the Commission also visited some of the Municipal Boards, Town Committees and Anchalik Panchayats during the month of December, 1995. The visits provided the commission with an opportunity to discuss and know about the actual functioning of the Local Bodies and the problems faced by them. The Commission is grateful to the district authorities of the State Government who extended necessary help to this Commission.
- 1.7. The Commission further reviewed the position in its meeting held on 12.1.96 and again on 30.1.96 and found that information in respect of population of Gaon Panchayats as per 1971 Census was not yet available and the Commission felt that in the absence of population figure as per 1971 Census, it would not be possible to submit the Report to the Governor of Assam by 31st January, 1996 and therefore, decided to move the Government for further extension of time. The Government having extended the time till 29th February, 1996 the Commission submit its report today.
- 1.8. The Commission expresses its thankful gratitude to the entire staff attached to the Assam Finance Commission. However, it would like to mention the names of the following persons who contributed considerably in preparation of the report – Sri Kanan Chakraborty, Officer on Special Duty, Finance Department, Sri Sujit Kr. Dutta, Director, Finance (EA) Department, Sri Girindra Nath Deka, Assistant Research Officer, Assam Finance Commission, Sri Jogen Chandra Bora, Research Assistant, Assam Finance Commission, Sri Jogesh Ch. Malakar, Research Assistant, Assam Finance Commission.

CHAPTER-II

LOCAL FINANCE – DATA BASE

- 2.1 The spirit of the Constitution. (Seventy Third and Seventy Fourth Amendment) Act, 1992 envisages the base for a strong local self government at the various levels of urban and rural areas opening a new era for decentralized planning and participation in the development programmes as well as for organizing essential services to the people of these areas. Now in order to make an assessment of the financial requirement and potentials of these Local Bodies by the State Government and also by the State Finance Commission, it is essential to maintain a reliable, systematic and regular data base with minimum level of information. Most of the information like revenue collected as taxes, tolls, fees from property (House), Ferry, Street-light, Shops, Rickshaws, Bi-cycle, Hats etc. and the expenditure on salary of staff, stationery, postage, rent, electricity charges, etc. may be available but since no standard format for data maintenance exists for the present, it becomes difficult to compile such information in the State Level as well as in the National Level. The matter was discussed in the meetings of the State Finance Commissions held at Delhi and it felt the need was felt for standardized and comparable local finance data.
- 2.2 Further, lack of uniformity in the maintenance of Accounts and the lack of regular audit of Accounts, specially of the Panchayat also lead to complexities of available local finance data. Accountability is also one of the reasons for having a sound data base.
- 2.3 Considering all these factors and keeping in view the present system of maintenance of Accounts by the Local Bodies, the Assam Finance Commission came to a conclusion that the following minimum level of data to be maintained by the Local Bodies which will then serve as the base for active local finance data base in the country :
- (a) Receipts and expenditure under major heads and deficit/ surplus balance.
 - (b) Details of demand, collection and balance in respect of various tax, non-tax revenues of Local Bodies.
 - (c) Basis of taxation, rates, duties and Tolls.
 - (d) Assets created during each year.
 - (e) Details of services provided year wise and expenditure thereon.
 - (f) Liabilities of the Local Bodies on loans, on repayment due but not paid, on staff payment including Provident Fund, pension and deposits and advances; and
 - (g) Grants/ arrear revenues paid by government and balance due from government on assigned taxes and other revenues of the State.

This minimum level of data as listed above should be maintained by the Local Bodies in the following detailed registers.

- (i) Assessment and collection registers for various taxes and non-tax revenues.

- (ii) Annual Accounts Register, Cash Book Register, Posting Register.
- (iii) Expenditure Register, Register of bills passed, Estimates and Allotment Register.
- (iv) Register of properties of Local Bodies, Register of other assets and liabilities, Register of Roads, Wells, Lights, Drains, Sewerage and Water Supply, Buildings (Schools, etc.) separately.
- (v) Register of Loans, Register of Provident Fund and Register of Pension.
- (vi) Miscellaneous demand Register and Register of Grants.
- (vii) In addition, Panchayats should maintain a Register which deals with flow of funds on account of agency functions.

2.4 It is also the views of the Commission that the Local Bodies should maintain data on the basis of functional classification in the Panchayats and Municipalities by the type of function they perform.

2.5 The Commission is also of the view that massive efforts will be required on the part of the Municipalities and the Panchayats in order to make the establishment of Local Finance data base a reality and they would require fund for the purpose. In the opinion of the Commission, these Local Bodies are neither in a position to spare any fund nor are they capable of hiring technical expertise with their own resources to undertake this job. The commission therefore recommends that the initial funding and technical expertise for the purpose of establishing a local finance data base be provided through a plan scheme of the State. Due to lack of infrastructure specially in the rural local body levels, it may not be possible to complete maintenance of the Registers by 1996-97. The Commission however, suggests that these Registers are maintained properly and effectively invariably from the beginning of the 9th Plan period i.e. from 1997-98. The initial expenditure for the purpose may be Rs.1000.00 (one thousand) per local body for the 1st year and 50% of this amount in subsequent year and these fund may be provided as grants to Local Bodies by the State Government within the Plan Outlay.

2.6 Formats of Register for Rural Local Bodies and Urban Local Bodies are furnished in **Annexure I & II** respectively.

CHAPTER-III

DEVOLUTION OF TAXES AND DISTRIBUTION

- 3.1 Transfer of fund by the State Government by way of share of State taxes plays a vital role in the functioning of the local bodies and constitutes a major component of the total revenues of the local bodies. The purpose of transfer is to provide a satisfactory level of service to the community. Services to the community may differ from Urban local bodies to those of rural local bodies and share of taxes also differ from urban to rural local bodies. Share of taxes may not fulfill the needs of the local bodies and dependence of the local bodies on State Government is also not desirable. It is desirable that the local bodies should explore all possibilities to generate their own resources and minimize their expenditure on revenue account maintaining optimum number of staff so that the expenditure can balance the earnings. The gap, if any, can only be partially met by the transfer of fund by way of share of State taxes to meet only the obligatory liabilities of the local bodies to cover services to the locality.
- 3.2 The information as to the revenue collection by the local bodies as well as the revenue expenditure by them for each of the years from 1992-93, to 1995-96 has been asked for by the Commission. Such information in respect of rural local bodies has not been made available to the Commission inspite of sincere efforts made by the Commission even after associating the Director of Panchayat and Rural Development Department of the Government in the matter. So far as the information in respect of urban local body is concerned, the same as furnished by the Director of Municipal Administration Department in respect of each Municipal Board and Town Committee is placed at Annexure-III. On examination of the figures furnished by the local bodies it is found that there is no uniformity. Both the receipts and expenditure of the period from 1992-93 to 1995-96 show such a trend which cannot be taken as the base for future projection. The receipt in a particular year comprises both current and arrear collection. Similarly the expenditure also fluctuates from year to year to such an extent that it is difficult to follow the trend. Even the liability of salary for the entire year has not been reflected in a particular year. This being the position, the Commission finds it difficult to make any forecast of normal receipts and normal expenditure annually because the local bodies neither have any base nor means to determine the revenue gap or the revenue surplus. Whatever has been furnished by the local bodies in a particular year is not the actual position in reality.
- 3.3 The Commission would therefore, like to recommend that the present system of transfer of share of State taxes to the local bodies may continue with minor exception of allocating the Rural Bodies a share of Motor Vehicle Tax to the extent of 10%. Considering the resource position of the State, the Commission feels that it may not be possible for the State Government to transfer more fund to the local bodies than the existing level. The Commission, therefore, recommends that the present rate and the present units of taxes may remain unchanged for transfer by way of share till the end of the financial year 2000-2001 i.e. the period covered by the Report of this Commission with the following exception. Considering the genuineness and practical aspect, the Commission recommends that a part of the Motor Vehicle Tax may also be transferred to the rural local bodies i.e. the Gaon Panchayats in addition to urban local bodies so as to enable the rural local bodies to maintain rural roads to the extent

required. In view of this the Commission recommends that the existing rate of 30% of the net proceeds of the Motor Vehicle Tax to be shared by the urban local bodies may be enhanced to 40% to cover the rural local bodies to form the divisible pool. Out of the divisible pool, 75% may be transferred to the urban local bodies and the balance 25% may be transferred to the rural local bodies. The inter-se distribution among the Urban local bodies may be made on the basis of number of Vehicles of each urban body and among the rural local bodies as per population of the latest census. The change in the existing rate in respect of the Motor Vehicle Tax is not likely to affect the urban local bodies adversely as the amount of total collection in future years is also likely to grow at a faster rate in view of faster growth in number of vehicles. The recommendation will of course bring an additional burden on the State Government which will be of the order of Rs.4.00 crores annually on the basis of budget estimates for 1995-96. But this amount is not too heavy on the Government compared to the extent of benefit intended for the rural area the quantum of share of each Gaon Panchayats will be very roughly Rs.16, 000 per year.

- 3.4 The Motor Vehicle Tax proposed to be shared by rural local bodies, will increase the percentage share of total state taxes by 0.50% only based on budget estimate for 1995-96. The total Tax Revenue of the State of Assam as per budget for 1995-96 is Rs.82141.00 lakhs and the amount of share of taxes for transfer to local bodies is Rs. 1211.32 lakhs.
- 3.5 To sum up the total percentage of share of State Taxes for transfer to local bodies both urban and rural should be 2% in each financial year from 1996-97 to 2000-2001 i.e. the period covered by the Report of this Commission.
- 3.6 As per assessment made by the Tenth Finance Commission the total tax revenue of the State of Assam for the period from 1996-97 to 1999-2000 has been fixed as follows:

	(Rs. in crores)				
	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-2000</u>	<u>2000-2001</u>
Total tax Revenue	891.75	1002.94	1124.98	1258.04	1410.00

- 3.7 The average annual growth appears to be 12%. So with an annual growth of 12%, the figure for 2000-2001 comes to Rs.1410.00 crores as shown above.
- 3.8 On the basis of 2% of total state taxes, the yearwise amount for devolution of taxes to local bodies comes as under:

	(Rs. in crores)				
	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-2000</u>	<u>2000-2001</u>
Share of Taxes to be provided for transfer to local bodies under the Head of Account "3604-Compensation and Assignments"	17.83	20.06	22.50	25.16	28.20

CHAPTER-IV

EXPENDITURE NORMS AND GRANTS-IN-AID

(Norms and Standards for Provision of Basic Infrastructure and Services)

4.1 It is the primary responsibility of the local bodies to provide and maintain certain basic infrastructure. Due to limited resources and lack of technical expertise, these responsibilities have not been left with the local bodies in the past. But in view of the present national policy the developmental programmes should initiate from the grass root level and the people of these areas should also participate in the developmental activities. The Finance Commission desires that the devolution of fiscal powers to the local bodies would enable latter to discharge effectively the responsibility in implementation of the following core subjects:

- (i) Water Supply covering Tube well and Ring Well
- (ii) Sanitation/Sewerage
- (iii) Solid Waste collection and disposal
- (iv) Primary Education covering Primary Schools
- (v) Primary health covering Public Health Sub-Centre
- (vi) Village roads and culverts
- (vii) Housing

4.2 Article 243 W of the Constitution (74th Amendment) Act, 1992 however envisages that the State Legislature may by law endow the performance of functions and the implementation of schemes as may be entrusted to urban local bodies including those in relation to matters listed in the twelfth schedule.

“Twelfth Schedule (Article 243 W):

- (1) Urban planning including town planning,
- (2) Regulation of land-use and construction of buildings,
- (3) Planning for economic and social development,
- (4) Roads and bridges.
- (5) Water supply for domestic, industrial and commercial purposes,
- (6) Public health, sanitation, conservancy and solid waste management,
- (7) Fire services,
- (8) Urban forestry, protection of the environment and promotion of ecological aspects,
- (9) Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded,
- (10) Slum improvement and upgradation,
- (11) Urban poverty alleviation,
- (12) Provision of urban amenities and facilities such as parks, gardens, playgrounds,
- (13) Promotion of cultural, educational and aesthetic aspects,
- (14) Burials and burial grounds, cremations, cremation grounds and electric crematoriums,
- (15) Cattle ponds, prevention of cruelty to animals.

- (16) Vital statistics including registration of births and deaths,
- (17) Public amenities including street lighting, parking lots, bus stops and public conveniences,
- (18) Regulation of slaughter houses and tanneries”.

- 4.3 In order to arrive at the norms and standards for functioning of the above subjects report of various Committees and agencies like Central Public Health and Environmental Engineering Organisation (CPHEEO)/ Zakaria committee on augmentation of financial resources of urban local bodies Town and Country Planning Organisation (TCPO) the Planning Commission, Committee on Plan Projects for Industrial Township (COPP), Ministry of Urban Affairs and Employment and National Institution of Urban Affairs (NIUA) have been consulted and the Commission considered that the following minimum physical standard of basic services might be attained by each local body in the near future and also suggests that by 2000-2001 each local body should achieve the target (as at table A attached). It is a fact that services to the community and the amenities to be provided in urban and rural areas depend on number of factors like number and composition of population by age group, occupation and income and the rate of growth of population and on the other hand the availability of fund for capital and operation and maintenance. The prerequisite for providing any service effectively is the availability of operational funds on a recurring basis. In addition, the local factors like topography, type of region will also determine the particular standard of service.
- 4.4 Now, on the shifting of the responsibilities for implementation of the schemes on the above subjects to the local bodies the question will arise as to how to implement the schemes and what will be the arrangements for providing fund for the purpose since the local bodies do not have such resources of their own nor do they have expertise to execute the schemes through their own man-power.
- 4.5 Considering all these factors, the Commission recommends that in order to implement the Schemes the staff of the concerned Departments of the State Government executing the schemes presently may continue to execute the schemes on behalf of the local bodies without their services being placed at the disposal of the local bodies. The staff will remain with the concerned Department of the state Government so that the liability for their salary, TA, etc., does not fall on the local bodies. The authority of the local bodies will however, decide the priority, location and need of the schemes in their respective areas and allocate the fund for each scheme in consultation with the executing authority. The executing officials shall be responsible for executing the schemes. The fund will be placed at the disposal of the local bodies who will maintain the account and place the same for audit. The local body will be responsible for utilisation of the fund properly. So far as the allocation of fund for the purpose to the local bodies is concerned, the Commission finds that the Government of India under the award of the Tenth Finance Commission have provided the fund to the state Government as grants to local bodies. Accordingly, the Government of Assam will be receiving to a sum of Rs.147.56 crores for the period from 1996-97 to 1999-2000, out of which a sum of Rs.133.36 crores will be meant for the rural local bodies under 73rd amendment of the Constitution and Rs.14.20 crores for urban local bodies under 74th amendment of the Constitution of India. The yearwise breakup along with the extract of recommendation of the 10th finance Commission in Chapter X of their report is shown in Annexure-IV.

- 4.6 Since the award of the Tenth Finance Commission covers the period upto 31st March 2000, the Commission recommends that an equivalent annual amount as in 1999-2000 may be made available for the 1st year of the subsequent Finance Commission of Govt. of India i.e. for 2000-2001. This amount may be provided out of State Plan fund.
- 4.7 Now in order to distribute the amount by the State Government to the local bodies with effect from 1996-97, the Commission recommends that the amount may be distributed between the local bodies both urban and rural on the basis of the population of each local body as per 1971 census.
- 4.8 Any other grants to the local bodies by the State Government for general purpose grant or for any other purpose may be considered by the Government to be met out of the plan allocation keeping in view the priority for rural development. The Commission however, does not consider any transfer of fund to the local bodies out of non-plan provision, other than that for share of State taxes, in view of the resource position of the State.
- 4.9 To facilitate the State Government for making provision in the Budget for 1996-97 and also for the subsequent years till 2000-2001, the Commission would like to indicate below the distribution of grant to the local bodies year wise.

(Rs. in lakhs)

		<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-2000</u>	<u>2000-2001</u>	<u>Remarks</u>
I	Grants to Rural Local Bodies. (73 rd Amendment)						
	(a) For execution of schemes against the core subjects out of the fund under the award of the Tenth Finance Commission.	3334.00	3334.00	3334.00	3334.000	3334.00	To be distributed strictly on the basis of population as per 1971 census to each Gaon Panchayat as per list at Annexure-V. @Rs. 25.88 per head annually 1996-97 to 2000-2001.
II	Grants to Urban Local Bodies. (74 th)						

	Amendment)						
	(a) For execution of schemes against the core subjects out of the fund under the award of the Tenth Finance Commission.	355.00	355.00	355.00	355.00	355.00	To be distributed strictly on the basis of population as per 1971 census to each Urban Local body as per list at Annexure VI. @Rs. 27.59 per head annually from 1996-97 to 2000-2001.

Grants for other purpose

	To Urban local bodies (b) For preparation of registers and forms.	-	0.65	0.325	0.325	0.325	The amount may be distributed to each Urban Local body @ Rs.1000/ (One thousand) during 1997-98 and @ Rs.500/ (five hundred) per year during 1998-99 to 2000-2001
	To Rural Local Bodies (a) For preparation of registers and forms.	-	24.89	12.445	12.445	12.445	The amount may be distributed to each Rural Local body @ Rs.1000/ (one thousand) during 1997-98 and @ Rs.500/ (five hundred) during 1998-99 to 2000-2001.

Table A
Minimum Physical Standards of Services

Service	Sector	Minimum levels of services to be obtained in next 5 years		Remarks
		Population/Area target	Service Level Target	
I. Water Supply	Urban	*100% population to be covered	* Piped water supply with sewerage : 150* lpcd * Piped water supply without sewerage 70* lpcd * 40 lpcd with spot sources/ stand posts *(Including wastage of water roughly 20%)	* Public stand posts in the low income settlements. * One source for 20 families within a walking distance of 100 meters
	Rural	* 100% population to be covered including “No Source” hard core problem villages in some states.	* 40 lpcd of safe drinking water. * Additional 30 lpcd in DDP/ DPAP areas cattle needs.	* One hand pump/ spot source for 250 persons in a walking distance of 1.6 km or elevation difference of 100 mt. in hilly area to be relaxed as per field condition applicable to arid, semi arid and hilly areas.
II. Sanitation/ Sewerage	Urban	* 100% city area to be covered by sewerage system with treatment facilities in large urban centers. * Low cost sanitation methods for other urban areas	* <u>Large city</u> : Full coverage by sewerage with treatment. * <u>Medium town</u> : Public sewerage with partial coverage by septic tanks.	* In low income areas of large cities community latrines may be provided.

	Rural	<p>* All households to be provided access to safe sanitation.</p> <p>* Elimination of manual scavenging by using low cost sanitary methods.</p>	<p>* Low cost sanitary methods of disposal : Sanitary latrines of different models may be used such as round concrete plate with lining (single pit), square brick/ concrete plate with/ without lining (single pit with provision of double pit) etc.</p>	
III. Solid Waste Collection Disposal	Urban	<p>* All the solid waste generated should be collected and disposed.</p>	<p>* 100% collection of generated waste, with its proper disposal.</p> <p>* Hazardous waste such as hospital waste must be incinerated in all cases. Whereas mechanized composting and incinerated is recommended for large urban centers, sanitary land fill method of disposal may be used in small and medium towns.</p>	<p>Keeping in view the refuse generation level and its composition, each local body should determine the requirements of collection bins/ collection centers, kind of transport vehicles to be used, staff deployment for various activities, type of treatment to be given to the collected wastes, etc.</p>
	Rural	<p>All the solid waste generated should be collected and disposed</p>	<p>* Composting or bio-gas generation from organic waste</p>	

IV. Primary Education	Urban and Rural Both	Fulfilment of national goal of universalisation of elementary education of children upto 14 years of age	<p>* Provision of primary school in all areas of country as per the following guidelines:</p> <ul style="list-style-type: none"> - At least three reasonably large all weather rooms with teaching material - At least one teacher per class room/ section - One primary school for every 3000-4000 population, - Area : 3 acres; seats/ school : 300-400 	In order to improve enrolments at the upper primary stage specially for girls, the walking distance of school should normally be 2 Kms, In case of primary schools this standard is 1 km.
V. Primary Health Care	Urban and Rural Both	Fulfilment of national goal of health for all by 2000 AD	<ul style="list-style-type: none"> * One PHC for 20,000-30,000 pop. * One sub centre for 3000-5000 pop. * One community health center for one lakh population 	Primary health care has been accepted at the main instrument for achieving the goal of "Health for All".

lpcd=litre per capita per day

CHAPTER-V

AUGMENTATION OF RESOURCES: MEANS AND MEASURES

- 5.1 The current tax domain of the local bodies is very narrow and relatively inelastic. Taxes levied and collected by the local bodies do not yield substantial revenue and therefore, they depend on higher transfer from Government level. Considering the wide range responsibility like social, economic and administrative and the Government as well as the resource position of the state, the possibility of transfer of fund of any higher magnitude appears to be bleak and therefore, it is expected that the local bodies will have to generate their won resources by exploring the untapped areas to match with the additional responsibility they are vested with for ensuring basic services and amenities to the people.
- 5.2 So far as the urban local bodies are concerned the property tax happens to be the most universal and stable local tax. This source so far has become not only non buoyant but also has run into serious problems of record keeping, assessment, valuation, administration and enforcement resulting in decline in revenue in number of cities and towns. Large number of properties have remained unassessed and under assessed. Further, lower assessment of mixed type of construction of which only a part attracts low rate is also one of the factors for low collection. Government properties are outside the purview of property tax though there is no specific constitutional provisions for such exemption. Other taxes such as advertisement tax, entertainment tax, professional tax, tax on non-motorised vehicles and animals contribute little to the revenues of the local bodies. Considering the present yield and having scope for better collection the Commission thinks that the property tax being the stable source of revenue having buoyancy needs reforms involving :
- (a) Tax mapping and record keeping.
 - (b) Change in the present method of assessment.
 - (c) Periodic revision in assessment in every 5 years and consequently in the demand for property tax.
 - (d) Simplification in administration and enforcement.
 - (e) Making Floor area should be the basis of assessment having regard to the variation of materials used.
 - (f) Making payment of full dues obligatory before accepting any complaint regarding assessment.
 - (g) Making exemption of tax liability and exception rather than the rule.
- 5.3 Commission suggests that local body should levy tax on vacant land.

- 5.4 The fees presenting charge on licences etc. need rational revision taking into consideration the prevailing cost structure.
- 5.5 As regards the rural local bodies the immovable property may constitute the most important base for their tax base. Taxes on building/ houses and / or non-agricultural land and on non-motorised vehicles may be rich source of contribution to Gaon Panchayat revenue. Thus, this base should immediately be built upon as to be the most promising avenue for additional resource mobilization.
- 5.6 The coverage of the building/ land tax where confined to residential structure should be extended to cover all structures. Structures should be differentiated and the levies accordingly graded to quality and use. Quality category may be kutchra, pucca and semi-pucca while the use may be for residential, non-residential, commercial and institutional. Conversion of the levy from a specific to an advalorem basis may be attempted for pucca commercial category.
- 5.7 Taxes should be levied by area (per square metre) rather than at a flat rate per structure.
- 5.8 The highest rate tax may be levied on the users of Community Halls, Marriage Halls, Food and lodging establishments, shops and factories.
- 5.9 There should be a use levy on agricultural pump sets since pump sets use ground water, a local common resource.
- 5.10 The Commission recommends the levying of user charges for the services rendered by the local bodies on parks, public toilets, Public Health Centre etc. The Commission also desires that such fund is necessary for maintenance of clean environment and for maintaining ecological balance.
- 5.11 Fees on weekly/ bi-weekly bazaars and markets are perhaps the most promising source of revenues of the Panchayats. The Commission urges up on the local bodies to make sincere efforts to enrich and enlarge this source of revenue. Fee for sale of animals being a village trade is also a source of revenue of the Panchayats.
- 5.12 The Commission strongly recommends that issue of birth and death certificate presently administered by the Health & Family Welfare Department, except in case of Gauhati Municipal Corporation should be the responsibility of the local bodies both urban and rural on the basis of the cases falling within their territorial jurisdiction. The local body may issue the certificate on the basis of the registration made by them and collect the registration fee. The State Government may issue necessary orders to that effect so that the matter is dealt with by the local bodies instead of by the Health & Family Welfare Department as at present. In case of rural local bodies such transfer from the Health & Family Welfare Department to the Gaon Panchayats may be affected after the Gaon Panchayat's functioning is stabilized.
- 5.13 The Commission suggests that the State Government should make necessary statutory provisions/ amendments to facilitate smooth implementation of the above recommendation made by the Commission.

CHAPTER-VI

DEBT POSITION OF THE LOCAL BODIES

- 6.1 The terms of reference envisage that the Commission is to make an assessment of the (a) actual debt position of each body as on 31st March, 1995 and (b) the estimated debt position of each local body as on 31st March, 1996 and suggest suitable measures as deemed necessary keeping in view the financial requirement of the State Government.
- 6.2 In order to assess the debt position of each local body namely Municipal Corporation, Municipal Board and Town Committee under urban local body and Mahkuma Parishad, Anchalik Panchayat and Gaon Panchayat under rural local body, the Commission called for the information from the concerned Departments of the State Government. Loans to the Municipalities/ Panchayats may be from the State Govt. and also from the financial institution like LIC, HUDCO etc. So far as the loans from the State Government is concerned the accounts are maintained by the Accountant General, Assam and these are reflected in the Account of the State Government viz. Finance Accounts of Government of Assam for each year. In this connection it may be mentioned that the final accounts of the State Government maintained by the Accountant General, Assam do not show the debt position local bodywise. The total loan outstanding against all the Municipalities to the State Government in each financial year is reflected in the accounts together with the total amount of loan disbursed by the State Government to all the Municipalities vis-à-vis the total amount repaid as instalment of principal by all the Municipalities in each financial year. Similarly the total State Government loan outstanding against all the Panchayats in each financial year together with the amount of loan disbursed by the State Government to all the Panchayats vis-à-vis the amount repaid by the Panchayats taken together is reflected in the accounts of State Government maintained by the Accountant General, Assam without showing any local bodywise break-up. The latest final accounts of the Government of Assam maintained by the Accountant General, Assam i.e. the Finance Accounts of the Government of Assam for the financial year 1992-93 shows that as on 31st March, 1993 the total outstanding loan of all the Municipalities was Rs.5538.99 lakhs while the total outstanding loan of all the Panchayats was Rs.46.40 lakhs. The accounts for the financial years 1993-94 and 1994-95 are yet to be finalised. Therefore, on the basis of the actuals of 1993-94, revised estimates of 1994-95 and budget estimates for 1995-96, the debt position of all the Municipalities and all the Panchayats that emerges as on 31st March, 1995 and also as on 31st March, 1996 is depicted below:

	<u>Debt position of Municipalities</u>	<u>Debt position of Panchayats</u>
As on 31 st March, 1995	Rs.7412.99 lakhs	Rs.46.40 lakhs
As on 31 st March, 1996	Rs.10357.83 lakhs	Rs.46.40 lakhs

- 6.3 The Department of Municipal Administration of the State Government has however, furnished outstanding position of loans local bodywise as on 31.3.95 and the estimated outstanding loan as on 31.3.96 as annexed at Annexure-VII which shows

the figure of Rs.1152.67 lakhs and Rs.1739.76 lakhs respectively. Since there is a wide variation between the budget documents of the State Government and the records maintained by the Department of Municipal Administration of the State government, this needs detailed examination to arrive at an accepted figure.

- 6.4 So far as the State Government loans to Municipalities are concerned it appears from the accounts that the amount of loan has mounted from year to year because the amount of recovery is very poor and not as per terms and conditions of the loan. Loans to Municipalities are for different purposes like Water Supply, Integrated Development of Small and medium Towns, construction of Market Complex, construction of low cost Sanitary Latrines, etc. Terms of loan also differ from scheme to scheme. Reasons for poor repayment may be many. In case of water supply schemes it may be that the amount of loan made available to a particular Municipality is not sufficient to complete the scheme within a reasonable time to enable to get the return from the beneficiaries. Similarly there may be many other reasons for other schemes. But even than the responsibility to repay the loan lies with the borrower. The table below shows the position during 1992-93 and 1993-94.

<u>Year</u>	<u>Amount advanced by the State Govt.</u>	(Rs. in lakhs) <u>Amount of recovery received from the Municipalities</u>
1992-93	256.11	0.42
1993-94	727.30	2.70

That means that the repayment of loan is not as per terms of the loan. Though recovery of loans and advances is one of the resources of the State, it is also a fact that the financial position of the Municipalities also may not permit them to repay the loans as per terms.

- 6.5 Considering all these factors the Commission feels that in order to meet both the ends it is necessary to have the actual outstanding position of the loans of each Municipality as on 31.3.96 after finalisation of the accounts of the financial year 1995-96 showing the amount due for repayment as instalment in each of the years from 1996-97 to 2000-2001 as per existing terms. Now having regard to the resource position both of the State Government as well as of the Municipalities the Commission recommends that the various types of State Government loans bearing different terms and conditions may be consolidated into a single Block Loan with effect from 1.4.96 and the terms of repayment of loan may be fixed at 30 annual equal instalment with 5% rate of interest per year. This change is recommended to extend some debt relief to the Municipalities but with the consideration that the repayment is made regularly so that the State Government also get the benefit regularly instead of getting very negligible amount as recovery every year. In the event of failure of repayment regularly, the amount of recovery may be adjusted against the dues from the State Government to the local bodies. The commission has not been favoured with detailed particulars in regard to outstanding loans of the Municipalities from the financial institutions like LIC, HUDCO etc, and the Commission does not like to suggest any change in the existing basis and conditions of debt servicing by the Municipalities and the responsibility for repayment of the loan to the Financial Institution will lie with the Municipalities, though the State Government is the

guarantor in case of failure in repayment of the due amount to the Financial Institutions by the Municipalities the State Government may adjust the same from their dues from the State Government to make payment to Financial Institutions.

- 6.6 As regards the loans to Panchayats it appears from the accounts of the State Government that the outstanding State Govt. loan of Rs.46.40 lakhs as on 31st March, 1996 as per budget estimates of 1995-96 has emerged on the basis of the loans disbursed beginning from 1953-54. The last loan of Rs.30,41,155.00 was disbursed in 1970-71. The present outstanding loan against the Panchayats though presently administered by the Directorate of Panchayat and Rural development has inherited the same from the erstwhile local self Government Department of the State Government. The present Department of Panchayat & Rural Development having no old records does not appear to have been maintaining any accounts on the outstanding loans. The amount of outstanding loan as on 31st March, 1996 is being carried over from 1981-82. The break-up of the loan being one of the assets of the State has to be reflected in the accounts of the State every year till the entire amount is recovered from the borrower. In view of the constitution of the new Panchayats in recent times numbering 2486 it is difficult to find out as to the amount of loan inherited by each of them. Considering the circumstances the Commission recommends that the outstanding loan of Rs.46.40 lakhs as estimated as on 31st March, 1996 may be written off in view of the fact that liability for repayment cannot be vested now to any particular Gaon Panchayat without knowing the amount of burden of loan it has inherited.
- 6.7 It is evident from the State Government accounts that the outstanding loan against the Municipalities is in high order and the same is mounting year after year. It also transpires that the amount of loan disbursed by the State Government to the Municipalities every year is out of the plan outlay of that year, the Plan is financed by the Centre as well as by the State Government. The pattern of assistance by the Centre for the plan is 90% grant and 10% loan and the major amount of the Plan is contributed by the Central Govt. The balance is also met by the State Government by borrowing from market, financial institutions. The contribution of the State to finance the Plan is about one third of a Plan and the major two third is contributed by the Centre. Considering this proportion, the distribution of Plan outlay for urban development between loan component and other than loan component i.e. between revenue account, capital account including loan appears to be disproportionate. So far as the Plan outlay of 1995-96 is concerned, it appears that the allocation of Plan outlay for Urban Development of Rs.27.57 crores has been distributed between loan component and other than loan component at Rs.23.24 crores and Rs.4.43 crores respectively. The percentage is 84.29 for loan and 15.71 for other than loan. This high percentage of loan is obviously one of the reasons of this big amount of debt against the Municipalities. The Commission feels that since the State Government is getting the benefit from the Central Government against the pattern of Central Assistance being 90% grant and 10% loan for the execution of development programmes under the Plan, this benefit should also be extended by the State Government to its units. The Commission therefore, recommends that henceforth distribution of Plan outlay between loan component and other than loan component should be at the ratio of 1:3.

CHAPTER-VII

GENERAL OBSERVATION

- 7.1 The Commission recommends that a Committee under the Chairmanship of Chief Secretary/ Addl. Chief Secretary in charge of P & D with Addl. Chief Secretary/ Secretary, Finance and concerned Secretaries of the Departments of Panchayat and Rural Development and Municipal Administration Department be constituted to review the flow of fund to the local bodies from the State Government and utilisation thereof properly at least in every six months.
- 7.2 The Commission also recommends that a permanent arrangement in the Finance (Economic Affairs) Department of the State Government may be made to monitor the follow up action on the recommendations of the Assam Finance Commission and to maintain the records of the present Finance Commission for reference for the future State Finance Commissions.
- 7.3 Though the Constitution (73rd Amendment) Act, 1992 envisages separate identity both of urban local bodies like Municipal Corporation, Municipal Board and Town Committees as well as rural local bodies like Mahkuma Parishad, Anchalik Panchayats and Gaon Panchayats as local self Government, the services of a minimum number of staff of the rural local bodies have been provincialised by the State Government and the cost of salaries of these employees is borne by the State Government. Considering the present financial position of the urban local bodies even after devolution of taxes, the scope and viability to generate more resources by the urban local bodies are found to be very weak, the Commission feels that the services of minimum number of staff with a standard norm of the urban local bodies should also be provincialised and the cost of salary of these employees may be met by the State Government out of State Plan fund.
- 7.4 Another vital issue which the Commission likes to mention in its Report is that the Commission has found with surprise that in Assam there are 65 urban local bodies consisting of 1 Municipal Corporation, 26 Municipal Boards and 38 Town Committees while under rural local bodies there are 43 Mahkuma Parishads, 202 Anchalik Panchayats and 2489 Gaon Panchayats. Out of 2489 Gaon Panchayats it transpires that many of the Gaon Panchayats have been constituted with population ranging from 236 to 4000 or so but below 6000. As per provisions of law a Gaon Panchayat can only be constituted having population ranging from 6000 to 8000. As such, the Commission finds that many of the Gaon Panchayats have no legal footing and such constitution has unnecessarily inflated the number of Gaon Panchayats. This has an adverse affect as the quantum of the fund available to a Gaon Panchayat is too meagre to take up any developmental works and any particular work cannot be taken up for inadequacy of fund which means the money available cannot be utilised properly to suit any developmental work. The Commission therefore, recommends that this erroneous constitution of the Gaon Panchayats may be corrected as per the provision of law.

- 7.5 Considering the present financial position of the Local Bodies the Commission recommends that no further recruitment should be made over the existing level of staff.
- 7.6 Since the information/ data called for by the Commission in respect of financial, functional and structural aspects of the local bodies, specially of the rural local bodies have not been furnished even after directly associating the Directorate of Panchayat and Rural Development of the State Government.
- 7.7 The Commission also likes to mention that functioning of the Panchayat Raj Institution cannot be effective unless the Zilla Parishads are constituted as per provisions of law and election in Panchayats is held regularly and on due time for transferring of power to the people for whom such institution is meant for. It may also be mentioned in this connection that State Election Commission has since been set up by the State Government for holding elections in the local bodies.
- 7.8 The Commission recommends that the State Government should set up a Tariff Commission for formulation and streamlining the pattern of rates, taxes etc. for the local bodies. The proposed Tarriff Commission may also look into the service conditions, staffing pattern and other ancillary aspect of the employees of the Urban Local bodies.
- 7.9 The Commission recommends that the State Government may considered posting of full time executive officer of appropriate rank to every Urban local body for effective functioning of the local bodies. Suitable statutory provisions may be made in this regard.
- 7.10 The report has been prepared within the bounds of data/ statistical information furnished by the Departments of the Government and within a short span of time. As such the report might not appear to be as comprehensive as the Commission would have desired.