



GOVERNMENT OF ANDHRA PRADESH

**Action taken Report  
on the Recommendations of the  
Third State Finance Commission**

**JANUARY - 2014**

**Panchayat Raj & Rural Development (Mdl.I) Department  
A.P. Secretariat, Hyderabad.**

## **ACTION TAKEN REPORT ON THE REPORT OF THE THIRD STATE FINANCE COMMISSION**

In consonance with the Constitutional provisions of the 73<sup>rd</sup> Amendment Act, 1992, and as per Section 235 of A.P. Panchayat Raj Act, 1994 the Governor of A.P. have constituted the Third State Finance Commission on 16.01.2003 to apportion Revenue, Assignment of Taxes and to suggest to grants-in-aid to the local self Government units vide reference 1<sup>st</sup> read above. Though, the Commission was constituted during the year 2003, then reconstituted in 2004, they submitted the report very belatedly during the year 2008 consisting of 63 recommendations pertains to the period from 2005 to 2010 co-terminus with 12<sup>th</sup> Finance Commission of Government of India. Subsequently, the Government of India have appointed two Finance Commissions i.e. 13<sup>th</sup> Finance Commission which is meant for the period 2010-15 whose recommendations are presently under implementation and 14<sup>th</sup> Finance Commission which is busy transacting business and likely to submit their report by the end 2014.

The Third State Finance Commission has submitted its report with 63 recommendations out of which 44 recommendations pertain to Rural Local Bodies and 19 recommendations pertaining to Urban Local Bodies involving 1274.34 crores and Rs.489.38 crores respectively. On receipt of the report of the TSFC, Government had constituted the committee of Ministers and Secretaries to examine the report of the TSFC and suggest to Government on various steps to be taken on the recommendations of the Commission vide G.O.Rt.No.379, PR&RD(Mdl.I) Department dated.10.3.2008. The said committee has

discussed the recommendations of the TSFC and considered the non-financial recommendations in principle.

As the financial recommendations and the quantum of the amount to be devolved to the Panchayat Raj Institutions were not decided, Government have reconstituted the committee of Ministers & Secretaries to suggest various steps to be taken on the financial recommendations of the Third State Finance Commission. The above said Committee has met on 7.6.2013 and after detailed discussions has decided to accept most of the recommendations of the Third State Finance Commission. As per the decision taken by the Committee of Ministers and Secretaries, the three member committee deliberated on the report and submitted detailed action plan as per the recommendations of the Committee of Ministers and Secretaries.

The total devolution of funds recommended by the Third State Finance Commission is to the tune of Rs.1274.34 crores for PRIs and Rs.489.38 crores for urban local bodies for the period 2005-2010. The period from 2010-2015 is covered by the recommendations of XIII Finance Commission, but unfortunately there is no parallel State Finance Commission appointed for this period as yet. Even if a Commission is appointed now, it would not be possible for them to give their report before the end of year 2014. Hence, the committee of Ministers and Secretaries felt that the recommendations of Third State Finance Commission could be applied for the period from 2010-15 also. Further, post XIII Finance Commission Report the total devolution to the local bodies already effected amounting to Rs.1597.04 crores for Panchayat Raj Institutions and Rs.515.24 crores for urban local bodies is exceeding the amount recommended by the Third State Finance

Commission. Thus it is held that the constitutional and legal requirement of devolution is fulfilled.

Under these circumstances, the recommendations of Third State Finance Commission proposed by the Committee of Ministers and Secretaries have been placed before the Council of Ministers on 03.12.2013 for its approval before placing the same before the State Legislature. The Council of Ministers have accepted the recommendations. Government have issued orders vide G.O.Ms.No. 461, PR & RD (MDL.I) Dept. dt. 13.12.2013 and G.O.Ms.No.512, Municipal Administration and Urban Development (Budget.2) Department, dated 31.12.2013. Hence this Action taken Report is submitted as per Section 241(2) of A.P. Panchayat Raj Act, 1994.

**K. JANA REDDY,**

**Minister for Panchayat Raj & Rural Water Supply**

# **Panchayat Raj & Rural Development Department**

# GOVERNMENT OF ANDHRA PRADESH

## ABSTRACT

Panchayat Raj and Rural Development Department – Third State Finance Commission – Finalization of the Recommendations of the Third State Finance Commission – Orders – Issued.

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### **PANCHAYAT RAJ & RURAL DEVELOPMENT (MDL.I) DEPARTMENT**

G.O.Ms.No.461

Dated:13.12.2013.

Read the following:-

1. G.O.Ms.No.13, PR&RD(Mdl.I) Deptt. Dt. 16.01.2003.
2. GO.Ms.No.390, PR&RD (Mdl.I) Deptt. Dt.23.12.2004.
3. G.O.Rt.No.379, PR & RD (Mdl.I) Deptt. Dated 10.03.2008.
4. G.O.Rt.No.515, PR & RD (Mdl.I) Deptt. Dated 06.04.2011.

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### **ORDER:**

In consonance with the Constitutional provisions of the 73<sup>rd</sup> Amendment Act, 1992, and as per Section 235 of A.P. Panchayat Raj Act, 1994 the Governor of A.P. have constituted the Third State Finance Commission on 16.01.2003 to apportion Revenue, Assignment of Taxes and to suggest to grants-in-aid to the local self Government units vide reference 1<sup>st</sup> read above. Though, the Commission was constituted during the year 2003, then reconstituted in 2004, they submitted the report very belatedly during the year 2008 consisting of 63 recommendations pertains to the period from 2005 to 2010 co-terminus with 12<sup>th</sup> Finance Commission of Government of India. Subsequently, the Government of India have appointed two Finance Commissions i.e. 13<sup>th</sup> Finance Commission which is meant for the period 2010-15 whose recommendations are presently under implementation and 14<sup>th</sup> Finance Commission which is busy transacting business and likely to submit their report by the end 2014.

2. The Third State Finance Commission has submitted its report with 63 recommendations out of which 44 recommendations pertain to Rural Local Bodies and 19 recommendations pertaining to Urban Local Bodies involving 1274.34 crores and Rs.489.38 crores respectively. On receipt of the report of the TSFC, Govt. had constituted the committee of Ministers and Secretaries to examine the report of the TSFC and suggest to Government on various steps to be taken on the recommendations of the Commission vide G.O.Rt.No.379, PR&RD(Mdl.I) Department dated.10.3.2008. The said committee has discussed the recommendations of the TSFC and considered the non-financial recommendations in principle.

3. As the financial recommendations and the quantum of the amount to be devolved to the Panchayat Raj Institutions were not decided, Government have reconstituted the committee of Ministers & Secretaries to suggest various steps to be taken on the financial recommendations of the Third State Finance Commission. The above said Committee have met on 7.6.2013 and after detailed discussions has decided to accept

most of the recommendations of the Third State Finance Commission. As per the decision taken by the Committee of Ministers and Secretaries, the three member committee deliberated on the report and submitted detailed action plan as per the recommendations of the Committee of Ministers and Secretaries, which may be accepted and implemented.

4. The total devolution of funds recommended by the Third State Finance Commission is to the tune of Rs.1274.34 crores for PRIs and Rs.489.38 crores for urban local bodies for the period 2005-2010. The period from 2010-2015 is covered by the recommendations of XIII Finance Commission, but unfortunately there is no parallel State Finance Commission appointed for this period as yet. Even if a Commission is appointed now, it would not be possible for them to give their report before the end of year 2014. Hence, the committee of Ministers and Secretaries felt that the recommendations of Third State Finance Commission could be applied for the period from 2010-15 also. Further, post XIII Finance Commission Report the total devolution to the local bodies amounting to Rs.1597.04 crores for Panchayat Raj Institutions and Rs.515.24 crores for urban local bodies is exceeding the amount recommended by the Third State Finance Commission. Thus it is held that the constitutional and legal requirement of devolution is fulfilled.

5. Under these circumstances, the recommendations of Third State Finance Commission proposed by the Committee of Ministers and Secretaries have been placed before the Council of Ministers on 03.12.2013 for its approval before placing the same before the State Legislature. The Council of Ministers have accepted the recommendations as described in Annexure-I & II. Government hereby decide to accept the recommendations of the Third State Finance Commission, both Financial and Non- Financial as annexed to this order.

6. The Departments in Secretariat/HODs noted in the address entries are requested to issue necessary follow up orders or instructions for implementation of these recommendations.

**(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)**

**V. NAGI REDDY,  
PRINCIPAL SECRETARY TO GOVERNMENT (PR)**

To  
The PR&RD (RD)/PR&RD(RWS) / MA&UD/TR&B/ Revenue (Excise)  
/Ind&Com/I&CAD (IW)/Agri &Coop. (Marketing)/EFS&T(Forest).  
The Concerned Sections in PR&RD Department.  
The Commissioner, Panchayat Raj and Rural Employment, Hyderabad.  
The Commissioner of Rural Development  
The Commissioner AMR-APARD  
The Commissioner of Excise  
The Commissioner of Transport  
The Commissioner of Marketing  
The Director of Mines & Geology  
The Chief Conservator of Forests  
The Engineer-in-chief, Panchayat Raj, Hyderabad.  
The Engineer-in-chief, RWS, Hyderabad.

All the District Collectors in the State.  
All the Chief Executive Officers of Zilla Parishads in the State.

Copy to :

The G.A.(Cabinet) Department

The Director, Local Fund Audit , Hyderabad.

All Audit Officers in the State.

The Accountant General, Andhra Pradesh, Hyderabad.

The Finance and Planning (FW. EXPR. PR.) Department,  
SF/SC.

**//FORWARDED::BY ORDER//**

**SECTION OFFICER**

## ANNEXURE-I

### **FINANCIAL RECOMMENDATIONS OF THE THIRD STATE FINANCE COMMISSION AS ACCEPTED BY GOVERNMENT**

#### **Recommendation No. 13**

The Per Capita Grant of Gram Panchayats may be enhanced from Rs.4/- to Rs.8/-, that of Mandal Parishads from Rs.8/- to Rs.16/- and of the Zilla Parishads from Rs.4/- to Rs.8/- from the year 2005-06 onwards. The additional commitment of Rs.88.64 crores in this regard may be released to the Panchayat Raj Institutions annually. (Para 5.37)

#### **Decision of the Government**

**Accepted.**

#### **Recommendation No. 14**

The Government may provide a special grant of Rs.18 crores per annum for five years for the construction of Gram Panchayat Office buildings. (Para 5.41)

#### **Decision of the Government**

Considering the alternate funding made available under MGNREGS the recommendation is treated as fulfilled.

#### **Recommendation No. 15**

The Government may provide a special grant of Rs.30.64 crores per annum at the rate of Rs.1.00 lakh to each of the 3,064 Gram Panchayats having a population upto 1000 for providing basic civic amenities. (Para 5.46)

#### **Decision of the Government**

Considering the grants already made under 13<sup>th</sup> Central Finance Commission the recommendation be treated as fulfilled.

#### **Recommendation No. 18**

An amount of Rs.42.08 crores per annum may be released from excise income to Panchayat Raj Institutions at least now. ( Para 6.11)

## **Decision of the Government**

**Not accepted.**

### **Recommendation No. 25 & 26**

Third State Finance Commission recommends to pay 5 percent of income of the Market Committees to the local bodies instead of levying 5 percent extra surcharge. (Para 7.4)

The income of the Market Committees for the year 2004-05 was Rs.203.58 crores and the commitment at five percent in this regard is Rs.10.20 crores per annum. It may be released to Local Bodies on population basis at Rs.7.40 crores to rural bodies and Rs.2.80 crores to urban bodies. (Para 7.5)

## **Decision of the Government**

To be examined in consultation with Marketing Department.

### **Recommendation No. 48**

An amount of Rs.200 crores may be provided towards requirements for core amenities and released to Gram Panchayats. (Para 10.6)

## **Decision of the Government**

Considering the devolvments made by the XIII Finance Commission and also adhoc grants provided under SFC head, the recommendation may be treated as fulfilled.

### **Recommendation No. 49**

The amount of Rs.3.63 crores incurred by the Zilla Parishads towards education contingent grant from their general funds may be reimbursed to the Zilla Parishads by the Education Department. (Para 10.9)

## **Decision of the Government**

Considering that the subject is very old and the amount is meager, the recommendation is **not accepted**.

**Recommendation No. 50**

An amount of Rs.220 crores may be provided annually to the Panchayat Raj Institutions for the Rural Water Supply Schemes. (Para 10.12)

**Decision of the Government**

**Not accepted** since considerable amounts are already released by GOI under XIII CFC, BRGF and State Government under SFC grants.

**Recommendation No. 51**

An amount of Rs.215 crores per annum may be released to the Panchayat Raj Institutions for Rural Sanitation. (Para 10.14)

**Decision of the Government**

Considering the grant provided under Nirmal Bharat Abhiyan, the recommendation is **not accepted**.

**Recommendation No. 52**

An amount of Rs.153 crores may be provided for the construction of Rural Roads and released to Panchayat Raj Institutions. (Para 10.18)

**Decision of the Government**

Considering the provision under budget estimates the recommendation be treated as fulfilled.

**Recommendation No. 53**

An amount of Rs.1.42 crores may be provided for providing drinking water facilities in the schools to the Panchayat Raj Institutions (Para 10.19)

**Decision of the Government**

Considering funds provided under SSA the recommendation be treated as fulfilled.

**Recommendation No. 54**

An amount of Rs.15 crores per annum may be sanctioned for the repairs to the school buildings and released to Panchayat Raj Institutions (Para 10.22)

**Decision of the Government**

**Accepted and fulfilled.**

**Recommendation No. 55**

An amount of Rs.5.35 crores per annum may be sanctioned for the maintenance of cyclone shelters under the control of Panchayat Raj Engineering Department and released (Para 10.24)

**Decision of the Government**

Considering the amount provided under the PR&RD head and disaster relief and mitigation the recommendation be treated as fulfilled.

**Recommendation No. 56**

An amount of Rs.200 crores per annum may be sanctioned for the maintenance of the Rural Roads (RRM) (Para 10.26)

**Decision of the Government**

Considered that an amount of Rs.161.61 Crores is provided under BE 2013-14, the recommendation be treated as fulfilled.

**Recommendation No. 57**

An amount of Rs.18 crores per annum may be sanctioned for maintenance of Mandal Office Buildings (Para 10.28)

**Decision of the Government**

**Accepted** to provide an amount of Rs.10 Crores per annum for the maintenance of Mandal Office Buildings

**Recommendation No. 58**

Rs.31.18 crores per annum may be released additionally for maintenance of Rural Water Supply Schemes (Para 10.30)

### **Decision of the Government**

Considerable amounts are provided under drought relief programme and hence the recommendation be treated as fulfilled.

### **Recommendation No. 59**

An amount of Rs.25.00 crores per annum may be provided in the budget for the maintenance of hand pumps and released to Gram Panchayats (Para 10.34)

### **Decision of the Government**

Considering BE of Rs.31 Crores, the recommendation be treated as fulfilled.

## ANNEXURE-II

### **NON-FINANCIAL RECOMMENDATIONS OF THE THIRD STATE FINANCE COMMISSION AS ACCEPTED BY GOVERNMENT**

#### **Recommendation No. 1**

An Officer be appointed three months before the constitution of the Fourth State Finance Commission to make all administrative arrangements for the functioning of the Commission from the date of its constitution. (Para 2.10)

#### **Decision of the Government**

**Accepted.**

#### **Recommendation No. 2**

A separate cell in PR & RD Department may be set up exclusively for the work of the State Finance Commissions (Para 2.24)

#### **Decision of the Government**

**Accepted.**

#### **Recommendation No. 3**

The Fourth State Finance Commission may be constituted by February, 2008. This will enable the Fourth State Finance Commission to make its recommendations available to XIII National Finance Commission by July, 2009. (Para 2.34)

#### **Decision of the Government**

Considering that the 4<sup>th</sup> State Finance Commission is not yet appointed it may be considered to advise the 4<sup>th</sup> State Finance Commission as and when appointed to submit the report by June 2014 so that the same can be made available to 14 Central Finance Commission as a reference to make their recommendations in turn.

#### **Recommendation No. 4**

While accepting the recommendations relating to devolution of finances to Rural and Urban Local Bodies, the Government may consider making budget provision covering all such recommendations (Para 3.11)

#### **Decision of the Government**

**Accepted** to make Budget provisions to the extent of recommendations **accepted** by the Government.

#### **Recommendation No. 5**

The amounts of devolution short released may be sanctioned to Panchayat Raj Institutions. The State Finance Commission grants should not be diverted for other purposes. (Para 3.14)

#### **Decision of the Government**

Partially **accepted** to the extent of Non-diversion of Finance Commission grants for other purposes.

#### **Recommendation No. 6**

Necessary instructions may be issued to levy maximum house-tax, as per the rules, to enhance revenue under this item. (Para 4.6)

#### **Decision of the Government**

**Accepted.**

#### **Recommendation No. 7**

Instructions may be issued to Gram Panchayats to levy and collect taxes on advertisements, drainage and lighting to augment their resources. (Para 4.9)

#### **Decision of the Government**

**Accepted.**

### **Recommendation No. 8**

Gram Panchayats may levy vehicle tax on all vehicles (other than motor vehicles i.e. which are being taxed by transport authorities) kept or used in the village so as to increase their revenue. (Para 4.10)

#### **Decision of the Government**

**Accepted** in so far as vehicles not covered by the Motor Vehicles Act are considered.

### **Recommendation No. 9**

Instructions may be issued to Gram Panchayats to levy non-taxes on the income of fruit bearing trees and other products, cart stands and other remunerative enterprises to augment their resources. (Para 4.11)

#### **Decision of the Government**

**Accepted.**

### **Recommendation No. 10**

Instructions may be issued to Gram Panchayats to levy the Special Tax on houses at the rates indicated in the Rules to augment the revenue of Gram Panchayats. (Para 4.13)

#### **Decision of the Government**

**Accepted.**

### **Recommendation No. 11**

Orders may be issued for the transfer of the subjects to Rural and Urban Local Bodies with funds, functions and functionaries so as to enable the next State Finance Commission to propose devolution of funds taking these subjects also into consideration. (Para 5.21)

#### **Decision of the Government**

**Accepted.**

**Recommendation No. 12**

The proposals to prioritise the (9) important subjects for devolution of the Functions, Functionaries and the Funds to Panchayat Raj Institutions may be finalized early. (Para 5.22)

**Decision of the Government**

**Accepted.**

**Recommendation No. 17**

Government may implement the orders issued in G.O.Ms.No.347 Rev.(LR) Department dated 21-04-1999 and release water charges at 10% to Gram Panchayats for all the major, medium and minor irrigation sectors. (Para 6.6)

**Decision of the Government**

**Accepted.**

**Recommendation No. 19**

Orders may be issued for apportioning the entire receipts under Seigniorage fee direct to the Local Bodies by the Assistant Director, Mines and Geology so that they may get their share fully and in time. (Para 6.17)

**Decision of the Government**

May be examined in detail

**Recommendation No. 20**

Orders may be issued to the Mandal Parishads and the Zilla Parishads to spend their share of the Seigniorage fee on the road works leading to the Gram Panchayats from where minor minerals are transported to other places, instead of spending it on some other activities. (Para 6.18)

**Decision of the Government**

**Accepted.**

### **Recommendation No. 21**

The Government may revert back to the procedure of adjustment of Profession Tax to both the Rural and Urban Local Bodies which existed prior to the issue of orders in G.O.Ms.No.317 Fin.(Exp.PR&RD Department dated 29-06-2001. (Para 6.22)

### **Decision of the Government**

To be considered after detailed examination.

### **Recommendation No. 27**

The exemptions granted to the educational institutions from payment of House Tax may be withdrawn and permit the Urban and Rural Local Bodies to levy House Tax on all such educational institutions. (Para 7.9)

### **Decision of the Government**

**Accepted**, however, reimbursement to be given to Local Bodies as and when any exemptions are granted by Government.

### **Recommendation No. 30**

The Government may expedite the orders permitting the Panchayat Raj Institutions to advertise the construction of complexes and construct them by taking advance money from the lessee. (Para 7.18)

### **Decision of the Government**

**Accepted**. A framework in line with that issued by MA&UD Department be considered.

### **Recommendation No. 34**

Necessary amendments may be issued to Clause (xx) of Section 74 (2) of the A.P. Panchayat Raj Act, 1994 restoring the percentage as existed under the provisions of 1964 Gram Panchayat Act. (Para 7.35)

### **Decision of the Government**

Considering the meager amounts involved, the recommendation is **not accepted**.

**Recommendation No. 35**

Action may be taken for the re-issue of the Rules for the levy of Kolagaram or Katarusum Tax on village produce sold in the village. (Para 8.3)

**Decision of the Government**

**Not accepted** as it could result into unbridled discretion for the officials at village level without any significant revenue for panchayats.

**Recommendation No. 36**

Clear and specific orders may be issued vesting all poramboke lands in Gram Panchayats. (Para 8.6)

**Decision of the Government**

**Accepted.**

**Recommendation No. 39**

Instructions may be issued on the procedure for the adjustment of the cable tax to the Urban and Rural Local Bodies. (Para 8.15)

**Decision of the Government**

**Accepted.**

**Recommendation No. 44**

The Government may issue necessary instructions to the Forest Department to provide necessary training contents to APARD under Social Forestry, for inclusion in the training modules of the Panchayat Secretaries. (Para 9.19)

**Decision of the Government**

**Accepted.**

**Recommendation No. 46**

Instead of collecting tariff rates for all the units consumed by the Minor Gram Panchayats the exemption from payment of current consumption charges previously existing to the Gram Panchayats upto 250 units may

be continued by enhancing the limit from 250 units to 400 units per month and also to meet the entire current consumption charges for Protected Water Supply. (Para 9.15)

**Decision of the Government**

Reserved for detailed examination in consultation with Energy Department.

**Recommendation No. 47**

Pre-audit system may be introduced in the 748 Gram Panchayats initially whose income is above ten lakhs per annum. (Para 9.30)

**Decision of the Government**

Panchayat Secretaries may be trained to discharge the pre-audit function with suitable responsibilities and liabilities.

**Recommendation No. 62**

The Third State Finance Commission generally recommends to implement all the recommendations of the First and Second State Finance Commissions which are not fully implemented or partially implemented. (Para 3.15)

**Decision of the Government**

**Accepted.**

**Recommendation No. 63**

The Third State Finance Commission recommends that the Government may consider to accept the above recommendations which are dealt in the relevant Chapters of the report since they are in consonance with the recommendations of the XII National Finance Commission.

**Decision of the Government**

Considering that an amount of Rs.2,112.28 Crores is provided under 13 Central Finance Commission as against Rs.1,763.72 Crores recommendation by 3<sup>rd</sup> State Finance Commission and also considering that an amount of Rs.500 crores is provided under State Finance Commission grants during the year 2013-14, the recommendation may be treated as fulfilled.

**Municipal Administration  
&  
Urban Development Department**

**GOVERNMENT OF ANDHRA PRADESH**

**ABSTRACT**

MA & UD Department – Third State Finance Commission – Finalization of the Recommendations of the Third State Finance Commission – Orders – Issued.

**MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT (BUDGET.2) DEPARTMENT**

**G.O.Ms.No.512,**

**Dated:31.12.2013.**

**Read the following:-**

1. G.O.Ms.No.13, PR&RD (Mdl.I) Deptt. Dt. 16.01.2003.
2. GO.Ms.No.390, PR&RD (Mdl.I) Deptt. Dt.23.12.2004.
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**ORDER:**

In consonance with the Constitutional provisions of the 73<sup>rd</sup> Amendment Act, 1992, and as per Section 235 of A.P. Panchayat Raj Act, 1994, the Governor of A.P. have constituted the Third State Finance Commission on 16.01.2003 to apportion Revenue, Assignment of Taxes and to suggest to grants-in-aid to the local self Government units vide reference 1<sup>st</sup> read above. Though, the Commission was constituted during the year 2003, then reconstituted in 2004, they submitted the report very belatedly during the year 2008 consisting of 63 recommendations pertaining to the period from 2005 to 2010 co-terminus with 12<sup>th</sup> Finance Commission of Government of India. Subsequently, the Government of India have appointed two Finance Commissions i.e. 13<sup>th</sup> Finance Commission which is meant for the period 2010-15 whose recommendations are presently under implementation and 14<sup>th</sup> Finance Commission which is busy transacting business and likely to submit their report by the end 2014.

2. The Third State Finance Commission has submitted its report with 63 recommendations out of which 44 recommendations pertain to Rural Local Bodies and 19 recommendations pertain to Urban Local Bodies and 3 recommendation pertain to both Rural and Urban Local Bodies involving grant of 1274.34 crores and Rs.489.38 crores respectively. On receipt of the report of the TSFC, Govt. had constituted the committee of Ministers and Secretaries to examine the report of the TSFC and suggest to Government on various steps to be taken on the recommendations of the Commission vide G.O.Rt.No.379, PR&RD(Mdl.I) Department dated.10.3.2008. The said committee has discussed the recommendations of the TSFC and considered the non-financial recommendations in principle.

3. As the financial recommendations and the quantum of the amount to be devolved to the Urban Local Bodies Institutions were not decided, Government have reconstituted the committee of Ministers & Secretaries to suggest various steps to be taken on the financial recommendations of the Third State Finance Commission. The above said Committee have met on 7.6.2013 and after detailed discussions has decided to accept most of the recommendations of the Third State Finance Commission. As per the decision taken by the Committee of Ministers and Secretaries, the three member committee deliberated on the report and submitted detailed action plan as per the recommendations of the Committee of Ministers and Secretaries, which may be accepted and implemented.

4. The total devolution of funds recommended by the Third State Finance Commission is to the tune of Rs.1274.34 crores for PRIs and Rs.489.38 crores for urban local bodies for the period 2005-2010. The period from 2010-2015 is covered by the recommendations of XIII Finance Commission, but unfortunately there is no parallel State Finance Commission appointed for this period as yet. Even if a Commission is appointed now, it would not be possible for them to give their report before the end of year 2014. Hence, the committee of Ministers and Secretaries felt that the recommendations of Third State Finance Commission could be applied for the period from 2010-15 also. Further, post XIII Finance Commission Report the total devolution to the local bodies amounting to Rs.1597.04 crores for Panchayat Raj Institutions and Rs.515.24 crores for urban local bodies is exceeding the amount recommended by the Third State Finance Commission. Thus it is held that the constitutional and legal requirement of devolution is fulfilled.

5. Under these circumstances, the recommendations of Third State Finance Commission proposed by the Committee of Ministers and Secretaries have been placed before the Council of Ministers on 03.12.2013 for its approval before placing the same before the State Legislature. The Council of Ministers have accepted the recommendations as detailed in Annexure-I & II. Government hereby decide to accept the recommendations of the Third State Finance Commission, both Financial and Non-Financial as annexed to this order.

6. The Heads of Departments noted in the address entry are requested to take necessary action to implement these recommendations.

**(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)**

**Dr S.K. JOSHI  
PRINCIPAL SECRETARY TO GOVERNMENT**

To,  
All the HoDs of MA & UD Deptt.  
All the Sections in MA&UD Deptt  
All the District Collectors in the State.  
The G.A.(Cabinet) Department  
The Director, Local Fund Audit,  
Hyderabad.  
All Audit Officers in the State.  
The Accountant General, Andhra Pradesh, Hyderabad.  
The Finance and Planning (Exp M&F) Department,

Copy to :

P.S. to Minister (MA & UD)  
P.S. to Chief Secretary  
P.S. to Principal Secretary (MA)  
P.S. to Principal Secretary (PR)  
SF/SC.

**//FORWARDED BY ORDER//**

**SECTION OFFICER**

## ANNEXURE – I

### FINANCIAL RECOMMENDATIONS OF THE THIRD STATE FINANCE COMMISSION AS ACCEPTED BY GOVERNMENT

#### **Recommendation No.16**

The Per Capita grant of the Municipalities and Municipal Corporations may be enhanced from Rs.8/- to Rs.12/- from the year 2005-06. The additional commitment of Rs.8.32 crores per annum in this regard may be released to urban bodies.

#### **Decision of the Government**

With the staff salaries of Municipal employees and teachers being paid by Government w.e.f. 2009 in lieu of Statutory and non-statutory grants, the recommendation is **not accepted**

#### **Recommendation No. 22**

An amount of Rs.11.92 crores per annum may be released from excise income to urban bodies.

#### **Decision of the Government**

**Not accepted.**

#### **Recommendation No. 23**

Orders may be issued on the recommendation **accepted** by Government for the release of Rs.98.72 crores per annum accounting to 10 percent of the income realized towards motor vehicle tax to Urban Local Bodies immediately.

#### **Decision of the Government**

**Not accepted** since tax on motor Vehicles is not assigned to ULBs. Therefore the Question of Compensation does not arise.

#### **Recommendation No. 26**

The income of the Market Committees for the year 2004-05 was Rs.203.58 crores and the commitment at five percent in this regard is Rs.10.20 crores per annum. It may be released to Local Bodies on population basis at Rs.7.40 crores to rural bodies and Rs.2.80 crores to urban bodies.

### **Decision of the Government**

To be examined in consultation with Marketing Department

### **Recommendation No. 37**

Rs.123.12 crores may be provided in the budget towards payment of arrears upto 31-03-2007 of Property Tax and Water Charges on Government Properties to Urban Local Bodies

### **Decision of the Government**

**Accepted** to pay the arrears from 2010-11 onwards

### **Recommendation No. 40**

Government may consider the acceptance of the proposal for the release of Rs.17.50 crores towards increase on half yearly D.A. and revision of scales of pay to Municipal Staff.

### **Decision of the Government**

In view of payment of salaries to Municipal Employees from 1-04-2009 by the Government the recommendation is no more relevant now.

### **Recommendation No. 41**

Rs.20 crores per annum may be released to the Municipalities towards Pension grants.

### **Decision of the Government**

In view of payment of salaries and pensions to Municipal Employees from 1-04-2009 by the Government the recommendation is no more relevant now.

### **Recommendation No. 42**

Rs.92 lakhs per annum recommended by the Second State Finance Commission and **accepted** by Government may be released to 15 Municipalities in Andhra Area towards salaries of Medical Officers and Staff and for medicines.

### **Decision of the Government**

In view of payment of salaries to Municipal Employees from 1-04-2009 by the Government the recommendation is no more relevant now.

**Recommendation No. 60**

An amount of Rs.6.08 crores per annum may be released to the Municipalities for the maintenance of Municipal Buildings

**Decision of the Government**

**Not accepted** since norms adopted by Third SFC for arriving at the figures is not acceptable.

**Recommendation No. 61**

An amount of Rs.200 crores per annum may be provided and released to the Municipalities for civic amenities

**Decision of the Government**

Not agreed to since data collected by SFC is only from 23 ULBs. Further there are Central Schemes such as JNNURM which are being implemented in Mission Cities as well as small and medium towns.

## ANNEXURE – II

### NON-FINANCIAL RECOMMENDATIONS OF THE THIRD STATE FINANCE COMMISSION AS ACCEPTED BY GOVERNMENT

#### **Recommendation No. 21**

The Government may revert back to the procedure of adjustment of Profession Tax to both the Rural and Urban Local Bodies which existed prior to the issue of orders in G.O.Ms.No.317 Fin.(Exp.PR&RD Department dated 29-06-2001.

#### **Decision of the Government**

To be considered after detailed examination.

#### **Recommendation No. 24**

Orders may be issued to the Regional Transport Authorities to adjust Motor Vehicle Tax Compensation direct to the Municipal Bodies.

#### **Decision of the Government**

**Not Accepted.**

#### **Recommendation No. 27**

The exemptions granted to the educational institutions from payment of House Tax may be withdrawn and permit the Urban and Rural Local Bodies to levy House Tax on all such educational institutions.

#### **Decision of the Government**

**Accepted**, however reimbursement to be given to local Bodies as and when any exemptions are granted by Government.

#### **Recommendation No. 28**

The State Government may address the Government of India to issue necessary instructions to the Guntakal Railway authorities to continue to pay the service charges and arrear charges from the year 1982-83 onwards

#### **Decision of the Government**

**Accepted.**

**Recommendation No. 29**

The State Government may request the Government of India to give necessary statutory orders covering the executive instructions issued by the Ministry of Finance and the Ministry of Urban Development for payment of Property Tax and the Service Charges to Local Bodies in the State in respect of Central Government properties.

**Decision of the Government**

**Accepted.**

**Recommendation No. 31**

The Government may permit the Municipal Bodies to advertise the construction of commercial complexes and construct them by taking advance money from the lessee.

**Decision of the Government**

**Accepted** as it is already fulfilled.

**Recommendation No. 32**

A provision similar to that of West Bengal Municipal Act, 1993 may be incorporated in the A.P. Municipal Act, 1965, to realize the amount due towards the Property Tax or any other tax under the Act, from the owner of any land or premises, whose whereabouts are not known.

**Decision of the Government**

**Accepted** as it is already fulfilled.

**Recommendation No. 33**

The Government may reconsider the amendments issued to the A.P. Municipalities (Assessment of Tax) Rules incorporating Rules 16 and 17 and take action to delete them.

**Decision of the Government**

**Accepted**

**Recommendation No. 38**

A separate Budget Head may be opened for the 13 Municipal Corporations to provide amounts towards payment of the Property Tax and Water Charges annually on Government Buildings.

**Decision of the Government**

**Accepted**

**Recommendation No. 39**

Instructions may be issued on the procedure for the adjustment of the cable tax to the Urban and Rural Local Bodies.

**Decision of the Government**

**Accepted**

**Recommendation No. 43**

The Commission recommends to accept the request for charging the rates existing prior to the upgradation of Gram Panchayats, after their conversion to Nagar Panchayats as III Grade Municipalities for a period of (2) years or in the alternative to consider exemption from payment of current consumption charges to such upgraded bodies also upto 400 units for street lighting and also to meet entire current consumption charges for protected water supply.

**Decision of the Government**

**Not Accepted**

**Recommendation No. 45**

A comprehensive drainage network may be taken up in 20 or 25 select Municipalities by entrusting the work to an expert committee.

**Decision of the Government**

**Not Accepted.**