

CHAPTER-IX

STRENGTHENING OF LOCAL BODIES AND THEIR SERVICES – URBAN BODIES

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CHAPTER – IX

STRENGTHENING OF LOCAL BODIES AND THEIR SERVICES

URBAN BODIES

GRANTS TO NON-TEACHING STAFF FOR PAY AND D.A.

- 9.1 During the District Meetings held by the Third State Finance Commission with the elected representatives and officials of Panchayat Raj Institutions they have made certain suggestions. They have been examined in the following paras and necessary recommendations have been made.
- 9.2 It is represented to the Commission that the financial position of the Municipalities is not sound and that they are not in a position to pay the salaries of the staff regularly. The financial burden on the municipalities is increasing every year due to half yearly increase in the Dearness Allowance and also revision of Scales of Pay to the municipal employees. They have, therefore, requested to recommend to Government for the payment of the salaries of the municipal staff from Government funds.
- 9.3 It is noticed that whenever the scales of pay of the Government employees are revised or D.A. is increased half yearly the Government are making applicable such increases to the Municipal employees also. However the expenditure on the revision of scales or increase in D.A. is ordered to be met by the Municipalities and Corporations from their own funds. This results additional expenditure to the Municipalities over the existing salary budget and it is difficult to meet the additional

expenditure. The expenditure towards the salaries of the employees for the year 2003-04 is Rs.174.17 crores. The increase due to revision of scales and increase in half yearly D.A. will be about 20% per annum. The Commission, therefore, recommends that the Government may provide atleast 10 percent of the expenditure on salaries i.e., Rs.17.5 crores per annum and release as grants-in-aid to the Municipalities.

PAYMENT OF PENSION TO NON-TEACHING EMPLOYEES:

- 9.4 It is represented that the pension to non-teaching Municipal employees of the Telangana Region are being paid from the Government funds, whereas in Andhra and Rayalaseema Areas the pensions are being paid from Municipal funds. As the Municipalities are not in a position to pay the pensions of the Municipal employees due to financial crunch they have requested to pay the pensions of the Municipal employees in Andhra and Rayalaseema Areas from the Government funds on par with the Telangana Municipal employees.
- 9.5 It has been observed by the Commission that the First State Finance Commission in Para 11.13.7 and 11.13.8 of its Report has already recommended that the Government should give grants-in-aid to Municipal Bodies towards the payment of pensions to non-teaching Municipal employees by following the procedure being adopted in the case of payment of salaries to Panchayat Raj Teachers. The Cabinet Sub-Committee agreed to the recommendation made by the Committee of Secretaries in this regard. The recommendation of the Committee of Secretaries is as follows :

“recommended to adopt uniform procedure for payment of pension in both the regions of the State, by meeting the expenditure from the consolidated fund of the State. All Municipal Bodies in Andhra Area may therefore be directed to contribute 1/7th (i.e. 14.28%) of the basic pay of the employees on the same basis as is being implemented in Telangana Area”.

- 9.6 The Commissioner and Director of Municipal Administration has informed that as a sequel to the Report of the First State Finance Commission, Government have been releasing pension grant to the Municipalities by making provision in the Budgets. The details of the amounts released since 1998-99 are given below :

Table 9.1

PENSION GRANT RELEASED TO MUNICIPALITIES

(Rs.in lakhs)

Year	Amount Released
1998-1999	725.00
1999-2000	750.00
2000-2001	750.00
2001-2002	600.00
2002-2003	660.00
2003-2004	660.00
2004-2005	726.00
2005-2006	798.60
2006-2007	926.38

- 9.7 The Commissioner and Director, Municipal Administration also informed that the commitment on pensions and other retirement benefits, for the 109 Nagar Panchayats / Municipalities is Rs.30 crores per annum and that the budgeted amount is not enough for the regular pensioners.

9.8 It will be seen from the above table that the budgeted amount during 2006-07 is only 1/3rd of the amount required i.e. Rs.30.00 crores. The Third State Finance Commission, therefore, recommends that atleast 2/3rds of the amount required i.e. Rs.20 crores per annum may be released to the Municipalities towards Pension Grants.

MEDICAL DISPENSARIES IN MUNICIPALITIES :

9.9 The Second State Finance Commission in Para 13.3.3 and 13.3.4 of its Report recommended that the Government may release grant-in-aid of Rs.92 lakhs per annum, to the 15 Municipalities in Andhra Area, who are maintaining medical dispensaries towards salaries of Medical Officers and Staff and also for purchase of medicines. The Cabinet Sub-Committee while accepting the recommendation observed as follows :

“The amount involved is not considerable. However in respect of Panchayat Raj Institutions, the dispensaries were taken over by the Government. On similar lines Government may take over Medical Dispensaries or release of grants-in-aid to the Municipality. The recommendation of the Second State Finance Commission is accepted in view of the slender financial position of most of the Municipalities”.

9.10 The Third State Finance Commission recommends that the amount of Rs.92 lakhs per annum recommended by the Second State Finance Commission and accepted by Government may be released to the 15 Municipalities in Andhra Area immediately.

ELECTRICITY CONSUMPTION CHARGES:

- 9.11 It is represented that the Minor Gram Panchayats may be exempted from the payment of electricity charges for the supply of water and the street lighting.
- 9.12 The Sathupally Municipality represented that Sathupally Gram Panchayat was upgraded to Nagar Panchayat during the year 2005. Prior to upgradation as Nagar Panchayat the Gram Panchayat used to pay Rs.1.00 Lakh per month towards electricity consumption charges to the TRANSCO, whereas with the same consumption of electricity the Nagar Panchayat is now paying Rs. 6.00 lakhs per month and the funds available with the Nagar Panchayat are not sufficient to meet the needs of the Municipality. In the case of a Gram Panchayat upgraded to Nagar Panchayat or III Grade Municipality, it takes nearly a year to revise the taxes and fees at higher rates as applicable to Municipalities and it may take more time to collect the higher rates of taxes to increase own revenues. They have, therefore, suggested to charge the electricity consumption charges existing prior to the upgradation of Gram Panchayats for a period of five years. As per the tariff rates fixed (vide Lr.No.4495/Pr.II(1)/2006-1 dated 06-06-2006) the rate for Major Panchayats was Rs.2.08 per unit whereas for Nagar Panchayats and for III Grade Municipalities it is Rs.2.74 per unit. The electricity department is charging the higher slab rate of Rs.2.74 per unit from the day the Gram Panchayat is upgraded as Nagar Panchayat or III Grade Municipality. Hence, there is heavy bill of electricity charges for the upgraded Gram Panchayat. Even though the Gram Panchayat is upgraded as Nagar Panchayat or III Grade Municipality, the financial

resources could not be increased to meet the heavy expenditure on electricity bills.

- 9.13 It is observed by the Commission that the Second State Finance Commission has recommended (Para 15.2.3) that the TRANSCO may charge the average purchase rate plus the overhead costs and transmission losses for electricity supply to Urban and Rural Local Bodies for water supply and street lighting so that the supply will be on "no loss, no profit" basis to the TRANSCO. The Cabinet Sub-Committee observed as follows :-

"This may be decided in consultation with the officials of A.P.TRANSCO".

"The independent Electricity Regulatory Commission is entrusted with the duty of finalizing tariff rates for different consumers. The Cabinet Sub-Committee is of the opinion that the matter should be examined further and action taken".

- 9.14 But the Government has neither accepted for supply of electricity to the Urban / Rural Local Bodies on a no-loss-no-profit basis nor continued the exemption granted to Gram Panchayats from payment of electricity charges upto 250 units and free public water supply as per the instructions issued in Memo No.33064/Pts.IV.A1/2002-2 PR & RD Department dated 01-08-2002. As per these instructions, the Government shall pay current consumption charges upto 250 units in respect of street lighting and also the entire current consumption charges in respect of Public Water Supply of Minor Gram Panchayats in the State (erstwhile non-notified Gram Panchayats)

- 9.15 The Third State Finance Commission considers that instead of collecting tariff rates for all the units of current consumed by the Minor

Gram Panchayats the exemption from payment of current consumption charges previously existing to 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 Public Water Supply.

- 9.16 As regards the request for charging the rates existing prior to the upgradation of Gram Panchayats, after their conversion into Nagar Panchayats or III Grade Municipalities, for a period of five years, the Commission does not consider it necessary to recommend the suggestion for a period of five years. However, the Commission recommends to accept the request for a period of two 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 for two years and also to meet the entire current consumption charges for Public Water Supply.

TRAINING TO PANCHAYAT SECRETARIES:

- 9.17 The District Forest Officer, Chittoor (Social Forestry) mentioned in the Commission meeting that the Forest Department is merely meant for growing nurseries and plantations in Gram Panchayats. After 10 years the profits earned from such plantations will have to be invested for growing another set of plantations. The survival or success rate of plantations is 50-52%. There is no technical support or competence to the Panchayat Secretaries who are the key persons in the Gram Panchayats. He suggested that Panchayat Secretaries may be imparted training in that direction, so as to improve the own resources of Gram Panchayats through Social Forestry.

- 9.18 The Commissioner of Panchayat Raj and Rural Employment has informed that Sri A.Madhava Reddy, A.P. Academy of Rural Development (APARD) is organizing training programmes for the functionaries of Panchayat Raj and Rural Development at District, Mandal and cluster level and also at its Extension Training Centres. The training Module of Panchayat Secretaries covers all the 64 functions entrusted to them as per their job chart. The Forest Department may therefore provide necessary technical support and training contents to APARD under Social Forestry, so as to include the same in the Training Modules of the Panchayat Secretaries.
- 9.19 The Commission recommends that the Government may issue necessary instructions to the Forest Department, to provide necessary training contents under Social Forestry to APARD, for inclusion in the training Modules of the Panchayat Secretaries.

INTRODUCTION OF SCIENTIFIC AND INTEGRATED NET WORK OF DRAINAGE SYSTEM IN SELECTED MUNICIPALITIES:

- 9.20 The Regional Deputy Director, Municipal Administration, Visakhapatnam has suggested that to avoid stagnation of water in low lying areas, along the roads and open lands and to connect all the sub-drains with the main drains, it is absolutely necessary to work out a scientific and integrated net work of the drainage system in the Municipalities.
- 9.21 The Third State Finance Commission has examined the suggestion. As per Section 147 of the A.P. Municipalities Act, 1965 the Council shall,

so far as the funds at its disposal permit, may provide and maintain a sufficient system of public drains. In most of the Municipalities and Municipal Corporations there are no underground drainage system. There are open drains, in most of the Municipal areas, which overflow in rainy seasons resulting in stagnation of drain water in low-lying areas giving vent for spreading Malarial and Viral diseases etc., apart from creating traffic problems. The financial position of the Municipalities in the State is not sound enough to take up underground drainage system which involves huge funds. There is need for chalking out a long term developmental programme of underground drainage system in Urban areas. This requires huge funds which cannot be borne by the State only and funds have to be raised from LIC, Housing and Urban Development Corporation (HUDCO), World Bank, Asian Development Bank etc., Government may entrust the work of constructing drainage system to an Agency and make the Municipalities to repay the loan by collecting drainage charges.

- 9.22 The Third State Finance Commission consider that there is need to take up a comprehensive drainage network duly undertaking a scientific study of the terrain of the Municipality. Latest technologies like Geological images of Satellite (G.I.S.) mapping may be adopted for this purpose. This may be taken up in 20 or 25 select Municipalities with modalities of funding and by entrusting the work to an expert committee. After taking into consideration the report of the Committee, Government may consider the implementation of the underground integrated drainage system in a phased manner.

ACCOUNTS AND AUDIT

INTRODUCTION OF PRE-AUDIT IN GRAM PANCHAYATS:

- 9.23 The Deputy Director, State Audit, Ongole informed at the meeting of the Commission that there are 69,000 objections pending in Prakasam District alone and majority of the objections relates to recording of M.Books. She suggested to introduce Pre-audit system in Gram Panchayats to get over these problems.
- 9.24 The Commissioner, Panchayat Raj and Rural Employment has informed that under Section 266 of A.P. Panchayat Raj Act, the Director of State Audit is conducting the post-audit of Gram Panchayats. He has further stated that, in case, pre-audit is preferable, the matter may be examined in consultation with the Director of State Audit.
- 9.25 The Director of State Audit has offered his views on introduction of pre-audit system in Gram Panchayats with expenditure over Rs. 50 lakhs. He has stated that most of the Gram Panchayats are grant-oriented institutions. Besides grants, the other sources of income are house tax, Water Tax etc., The introduction of pre-audit system would enable streamlining of the financial systems being followed in Gram Panchayats both on receipts and expenditure side as follows :
- 1) It can be ensured that the amounts are properly utilized duly following the procedures prescribed.
 - 2) The expenditure on purchases and salaries of staff etc., can be restricted to budget provisions, thus preventing unauthorized and unnecessary expenditure.

- 3) By proper watch of lodgment of funds by executive authorities of Gram Panchayats, thus preventing misutilization or misappropriation of funds. At present in some Gram Panchayats amounts are being drawn from P.D. Accounts relating to certain grants and are lodged either in banks or kept as cash on hand in violation of the instructions of Government. Such instances can be prevented by Pre-audit system.
- 4) Eliminate scope for drawal of unauthorized and unnecessary amounts through self cheques.
- 5) Scope for non-production of records would be minimized as hidden or tampered expenditure might not be as prevalent as it is at present.

9.26 The Director has expressed the view that the Gram Panchayats with expenditure exceeding Rs.50 lakhs might not be even 5% of the total Gram Panchayats in any district and trying to improve the financial discipline of a small proportion of the total Gram Panchayats would not solve the problem of financial impropriety. He has, therefore, suggested that it would be expedient to extend it to all the erstwhile notified Gram Panchayats to ensure the effective performance of the 29 functions being delegated to them. It is proposed initially to deploy the existing staff to conduct pre-audit of Gram Panchayats.

9.27 The Third State Finance Commission has examined the issue. It is observed by the Commission that the amount involved in the audit objections in Gram Panchayats is increasing year by year. Since the Gram Panchayat is a vital wing of three tier system of Panchayat Raj and as 29 functions, along with functionaries and funds are required to be devolved as per 73rd Constitution Amendment Act, it is incumbent

upon these institutions to have financial discipline. The following details indicate that the amount involved in the audit objections has increased threefold when compared to the year 2001-02 to 2004-05.

AUDIT OBJECTIONS RAISED IN GRAM PANCHAYATS

(Rs.in crores)

Year	Gram Panchayats	
	No of objections	Amount involved
(1)	(2)	(3)
2001-2002	85,050	71.74
2002-2003	1,20,344	105.14
2003-2004	1,57,205	205.16
2004-2005	1,19,010	211.52

Source – Director State Audit

- 9.28 The increase in audit objections (**Annexure-XXXV**) can be attributed to non-maintenance of proper accounts and non-production of records for auditing and reluctance to respond to the pending objections.
- 9.29 The Third State Finance Commission feels that the financial administration in Gram Panchayats is not satisfactory. To prevent the irregularities in Gram Panchayats and to maintain financial discipline the Commission considers it desirable to introduce pre-audit system in Gram Panchayats. The Director of State Audit has suggested to introduce Pre-audit system initially in Major Gram Panchayats whose expenditure is over Rs.50 lakhs and that it would be expedient to extend the pre-audit system to all the erstwhile Notified Gram

Panchayats to ensure that the Gram Panchayats effectively perform the 29 functions to be delegated to them. But the Third State Finance Commission considers that to begin with pre-audit system may be introduced in the Gram Panchayats whose income is above ten lakhs. The number of such Gram Panchayats is 748 (Statement at **Annexure-XXXVI**). These 748 Gram Panchayats cover all the districts in the State and is only 3.5% of the total 21,807 Gram Panchayats in the State.

- 9.30 The Third State Finance Commission, therefore, recommends that pre-audit system may be introduced in 748 Gram Panchayats whose income is over Rs.10 lakhs per annum.

CHAPTER-X

MODUS OPERANDI – DEVOLUTION OF FINANCES TO LOCAL BODIES

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CHAPTER – X

MODUS OPERANDI – DEVOLUTION OF FINANCES TO LOCAL BODIES

APPROACH TO DEVOLUTION:

- 10.1 The terms of reference to the Commission are to specifically suggest the principles governing the sharing of the net proceeds of the taxes, duties, tolls fee and other revenues levied by the State Government and the Grants-in-aid to Panchayat Raj Institutions and Urban Local Bodies. The exercise of recommending the devolution of finances is a complex one since the requirements of the Local Bodies have to be worked out keeping in view the functions entrusted to Local Bodies. Numerous obligatory and discretionary functions are laid down for the Local Bodies in the Local Acts. Apart from the above the 29/18 subjects mentioned in Schedules XI and XII to the Constitution have to be transferred to the Local Bodies. Although orders have been issued transferring 27 functions to the Panchayat raj institutions, all the programmes under the matters listed in Schedule-XI of the Constitution have not been transferred. Even in respect of those programmes transferred the funds and functionaries have not been transferred.
- 10.2 In the status report on Devolution of powers to Panchayat Raj Institutions under 73rd Constitution (Amendment) Act the Government have stated that in the First Round Table Conference held at Kolkata on 24th and 25th July, 2004 the States were requested to priorities their devolution programme. It is also stated therein that in Andhra Pradesh the devolution is patterned on the activity mapping for effective devolution of powers by linking the three “FS” i.e., Functions, Functionaries and the Funds. The following nine (9) important subjects

have been prioritized for devolution of the Functions, Functionaries and the Funds. Workshops at APARD have been conducted by involving the concerned line department officials at State, District, Mandal levels, elected representatives, NGOs etc., and the activity mapping have been firmed up.

1. Animal Husbandry, Dairying and Poultry and Fisheries.
2. Welfare of the Weaker Sections and in particular of the Scheduled Castes and Scheduled Tribes.
3. Agriculture including Agriculture Extension.
4. Education in Primary, Secondary and Adult Education.
5. Drinking Water.
6. Poverty alleviation programme.
7. Women and Child Development.
8. Health, Sanitation, Primary Health Centers, Dispensaries, Family Welfare.
9. Social Welfare including Welfare of the Handicapped and Mentally retarded.

10.3 The Government have constituted a Task Force Committee under the Chairmanship of Special Chief Secretary to Government along with other (3) Secretaries for discussion with all the departments concerned to make suggestive measures for devolution. The Task Force Committee have discussed the draft activity mapping in detail with the departments concerned. The departments are in the process of finalizing the exercise of devolution. They have been requested to submit G.Os clearly detailing the entire process and defining the role of

Panchayat raj institutions as well as Government functionaries. Thus the devolution of powers under 73rd Constitution (Amendment) Act for the 29 subjects to panchayat raj institutions is not yet done.

10.4 The Commission has, therefore, decided to examine the devolution of finances to panchayat Raj Institutions by obtaining statistical information from them. The Commission has sent a Questionnaire to the Sarpanchas of all the Gram Panchayats to indicate their requirements for providing civic amenities such as Drinking Water, Street Lighting, Sanitation and Cleaning of Streets etc., We have received information from 16,823 Sarpanchas covering Seventeen Districts (seven Coastal Districts, Four Rayalaseema Districts and Six Telangana Districts). As per the information of requirements furnished by the Gram Panchayats for the year 2005-2006 (**Annexure No.XXXVII**) an amount of Rs.1073.44 crores is required by 16,823 Gram Panchayats. The requirements indicated are not realistic and are not based on the norms or standards. On the basis of the above information, the requirements for 21,807 Gram Panchayats in the State would work out to Rs.1400 crores per annum.

10.5 The Commissioner of Panchayat Raj and Rural Employment has furnished a Memorandum of requirements of Gram Panchayats for an amount of Rs.1,051.50 crores for five years i.e., 2005-06 to 2009-10 as indicated below:

Table 10.1

(Rs.in cores)

1.	Construction of buildings for Gram Panchayats (for 10,310 buildings)	309.00
2.	Civic Amenities / Sanitation	350.00
3.	Street Lighting in Gram Panchayats	80.00
4.	Tree Plantation	25.00
5.	Maintenance of Office and School Buildings	187.50
6.	Training of elected representatives and officials	100.00
	Total	1,051.50

10.6 It is observed from the data furnished by the District Panchayat Officers and Commissioner of Panchayat Raj and Rural Employment regarding requirements of the Gram Panchayats that there is a large variation. In view of the non-availability of proper data the Commission has worked out the requirements for civic amenities, taking into account the per capita expenditure of the best performing Panchayats from all the three regions of the State. The total expenditure of the best Gram Panchayats has come to Rs.14.52 crores for 2000-05. The annual average expenditure is Rs.290.47 lakhs (**Annexure -XXXVIII**). The population in the best Gram Panchayat is 1,16,933. The per capita expenditure worked out to Rs.248. On this basis the total requirement for core amenities for the 21,807 Gram Panchayats for a population of 5.54 crores worked out to Rs. 1,374 crores. The amount of Rs. 1,374 crores per annum has to be allotted to Gram Panchayats towards provision of civic amenities. The total income of Gram Panchayats for the year 2004-05 of Rs.805.71 crores and the Eleventh Finance Commission grant of Rs.152.00 crores towards civic amenities may be

deducted from Rs.1,374.00 crores. If these amounts are deducted the balance will be Rs.416.00 crores. As it is difficult to provide such a huge amount for a single item, the Commission recommends that 50% of the balance of Rs.416.00 crores i.e. Rs.200 crores, may be provided and released to Gram Panchayats. The inter-se distribution among Gram Panchayats may be on 60:40 basis to the Gram Panchayats upto a population of 1000 and above respectively.

EDUCATION CONTINGENT GRANT:

- 10.7 Several Chief Executive Officers of Zilla Parishads have represented that large amounts have been spent previously towards Education Contingent grant for meeting contingent expenditure for the Schools maintained by the Local Bodies. Due to non-release of sufficient grants by the Director of School Education, the expenditure was met from the general funds of the Zilla Parishads subject to reimbursement of the same after receipt of the grants from Education Department. They have therefore requested to reimburse the amounts.
- 10.8 The details of the amounts due to the Zilla Parishads towards education contingent grant have been furnished by the Chief Executive Officers, Zilla Parishads and are given in the **Annexure No.XXXIX**. It is seen from the details that the total basic pay of teaching and non-teaching employees of the Educational Institutions for the years 1994-95 to 2002-03 is Rs.3,353.44 crores and 2% contingent grant works out to Rs.67.06 crores. But an amount of Rs.9.71 crores only has been released towards contingent grant. There was an expenditure of Rs.13.34 crores as against the release of Rs.9.71 crores, thereby incurring an excess expenditure of Rs.3.63 crores.

10.9 Due to short release of contingent grant the legitimate developmental activities of the Zilla Parishads to the extent of Rs.3.63 crores have been affected. The Commission recommends that the amount of Rs.3.63 crores incurred by the Zilla Parishads from their general funds may be reimbursed by the Education Department as per the details in the above **Annexure**.

DEVOLUTIONS TO PANCHAYAT RAJ INSTITUTIONS:

10.10 The Commission has called for the infrastructure requirements from the Engineer-in-Chief, Panchayat Raj, the Chief Executive Officers, Zilla Parishads and Superintendent Engineers. Most of them have not furnished the information due to non-availability of master plans. The Commission during their visits to the Districts held discussions with the elected representatives and officials of the Panchayat Raj Institutions about their requirements. Based on the discussions held and the requirements furnished by ENC (PR) and CE (RWS), the Commission has worked out the requirements of the Panchayat Raj Institutions which are given below.

RURAL WATER SUPPLY:

10.11 Water Supply Scheme in rural areas is implemented through bore-wells i.e. spot sources, Protected Water Supply Schemes for individual Villages and comprehensive PWS Scheme for a group of Villages. Funds for the execution of the schemes are released under Accelerated Rural Water Supply Schemes, Minimum Needs Programme, Sub Mission Projects, NABARD, PMGY and the Central Finance Commission grants. There are a total of 33,315 habitations consisting

of 30,328 partially covered habitations (PC). 2,423 No Safe Source Habitations (NSS) and 566 habitations not covered so far (as on 01-04-2005). For covering these habitations an amount of Rs.2,751.55 crores is required as indicated below :

Table :10.2

PROPOSED OUTLAY TO COVER THE HABITATIONS

(Rs.in crores)

2005-2006	268.54
2006-2007	360.88
2007-2008	465.50
2008-2009	672.00
2009-2010	984.63
Total	2,751.55

10.12 There is a budget provision of Rs.460.07 crores for the year 2004-05 for Rural Water Supply Schemes and a sum of Rs.49.45 crores under Swajaladhara Scheme. If these amounts are deducted the balance to be provided will be Rs.2,242.03 crores. The Commission, therefore recommends that 50% of the average additional amount of Rs.448 crores i.e., Rs.220 crores may be provided annually to the Panchayat Raj Institutions.

RURAL SANITATION:

10.13 The Rural Sanitation Programme is implemented under Total Sanitation Campaign (TSC) and Indiramma Programme. The Government of India have sanctioned 67,18,607 individual sanitary latrines for Below

Poverty Line (BPL) families with matching State share out of which 28,25,786 have been completed so far.

10.14 Under Indiramma Programme the State Government have proposed to construct 16,32,401 individual sanitary latrines in Weaker Section Housing colonies for which the States share is Rs.302.00 crores @ Rs.1,850/- per unit. It is also proposed to complete 25,850 toilets in Schools with matching State share of Rs.15.51 crores and 5099 toilets in Anganwadis with matching State share of Rs.0.77 crores under Indiramma Programme. For completion of the above works the share of the State Government would be Rs.1,076.08 crores as shown in (Annexure- XL). The Commission recommends that an amount of Rs.215 crores per annum may be released for this programme.

MINOR IRRIGATION:

10.15 Since all the Minor Irrigation Tanks under the control of Panchayat Raj Engineering Department are transferred to Irrigation & Command Area Development Department, no devolution is proposed.

RURAL ROADS – CONSTRUCTION:

10.16 The scheme "Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched in 2000-01. The objective of the programme is to provide road connectivity through all-weather roads to all the unconnected habitations and to upgrade the existing roads to the desired specification. As per the programme Habitations with a population above 1000 were proposed to be connected by 2003 and the habitations with a population below 1000 and upto 500 by the year

2007. The habitations to be connected and to be upgraded are 4,536 and 6,189 KMs and the amount required is Rs.168 crores per year.

MINIMUM NEEDS PROGRAMME (ROADS):

10.17 To have a minimum facility for surface transportation to all villages is one of the basic needs of the people. To achieve this objective all weather road connectivity to the villages having a population of 1000 and above is planned under Minimum Needs Programme (MNP) of the Central Government. 1,705 habitations with 5,089 KMs length of gravel road is planned to be upgraded with an amount of Rs.611 crores.

10.18 Thus an amount of Rs.779 crores (Rs.168 + 611 crores) is required for completion of the road works. The State Government is providing an amount of Rs.12 crores under this scheme. The balance amount of Rs.767 (Rs.779 – Rs.12 crores) crores is to be provided. The Commission recommends that an amount of Rs.153 crores may be provided per annum additionally in the budget and released.

DRINKING WATER FACILITIES IN SCHOOLS:

10.19 Sarva Shiksha Abhiyan Programme is being implemented by the Government of India to provide quality and useful education to all the children in the age group of 6-14 years, with matching contribution from the State Government. Under this programme civil works is one of the interventions aimed at by providing basic infrastructure facilities to all the Primary and the High Schools in a phased manner by allocating budget provisions every year. So far 6,986 works for providing drinking water facilities in the schools have been sanctioned upto 2006-07 and

completed. 760 more works have been sanctioned at an estimated cost of Rs.4.31 crores. The State Government have to provide 33% of estimated cost to the extent of Rs.1.42 crores. The Commission recommends to provide Rs.1.42 crores.

MAINTENANCE OF ASSETS:

10.20 Maintenance of assets created by the Panchayat Raj Institutions is an essential item but it is noticed that required attention is not being given by allotment of funds. Maintenance of assets created, is equally important as their creation. The following items are therefore proposed for specific allotment of funds.

10.21 It has come to the notice of the Commission that most of the School buildings are not in good condition because of lack of regular maintenance during the previous years. If the buildings are not maintained regularly the buildings will become unfit for occupation and they will be in a dilapidated condition very soon. There are 72,921 schools and the class rooms are 1,86,118. The Engineer-in-Chief, Panchayat Raj has proposed to take up 10,000 rooms in the schools at the rate of 2000 rooms each year during the five year period from 2005-06 to 2009-10 at a total cost of Rs.74 crores. The estimate is worked out to Rs.0.50 lakhs per building at 2003-04 prices with 10% increase every year towards escalation of rates.

10.22 The Commission recommends that an amount of Rs.15 crores per annum may be sanctioned for the repairs to the school buildings.

CYCLONE SHELTERS (MAINTENANCE):

10.23 There are 1,357 cyclone shelters under the control of Panchayat Raj Engineering Department. The Engineer-in-Chief, Panchayat Raj has proposed Rs.26.74 crores for their maintenance.

10.24 The Commission recommends that an amount of Rs.5.35 crores per annum may be sanctioned for a period of five years.

RURAL ROADS MAINTENANCE (RRM):

10.25 The main objective of the programme is to maintain the rural roads to make them traffic worthy. The rural roads are exposed to different types of traffic varying from trucks to bullock carts, so they need annual maintenance. The existing total length of the rural roads is 1,23,280 KMs out of which 1,682 KMs are CC roads, 22,543 KMs are BT roads, 27,884 KMs are WBM and 71,171 KMs are gravel roads. The cost for normal maintenance is Rs.0.25 lakhs per KM and for the periodic maintenance is Rs.1.50 lakhs per KM for every 3 years. For BT renewal is Rs.6.00 lakhs per KM after every 5 years.

10.26 The Engineer-in-Chief, Panchayat Raj has proposed Rs.2151.50 crores for maintenance of the roads for 5 years from 2005-06 to 2009-10. The amount provided in the budget during the year 2004-05 was Rs.94 crores. If this is deducted, the amount required will be Rs.2,057 crores. The annual requirement will be Rs.411 crores. Since it may not be possible to provide this huge amount, the Commission recommends that an amount of Rs.200 crores per annum may be sanctioned for maintenance of the rural roads.

**MANDAL PARISHAD, ZILLA PARISHAD AND OTHER BUILDINGS
(MAINTENANCE):**

10.27 The Engineer-in-Chief, Panchayat Raj has informed that all the Mandal Parishads will have permanent office buildings by 2007-08. The process of construction of buildings was started in the year 1986-87 and many of the buildings require regular maintenance. He has proposed maintenance of 200 buildings every year so as to cover all the Mandals in a period of 5 years from 2005-06 to 2009-10 at a total cost of Rs.89 crores. The amount is proposed at Rs.2.00 lakhs per building at 2003-04 prices with 10% increase every year towards escalation of rates.

10.28 The Commission recommends for sanction of an amount of Rs.18 crores per annum for maintenance of Mandal Office buildings.

RURAL WATER SUPPLY (MAINTENANCE):

10.29 The Chief Engineer (PR), Rural Water Supply has proposed a total amount of Rs.272.50 crores for maintenance of PWS schemes, CPWS Schemes, Satya Sai Projects, and water quality labs excluding the amount of Rs.177.75 crores required for maintenance of hand pumps for five years from 2005-10. Amounts for the maintenance of hand pumps has been proposed separately. The annual requirement for the maintenance of the PWS schemes is Rs.54.50 crores. The individual PWS schemes after completion are being handed over to the Gram Panchayats for maintenance. In case of major break downs the repairs are carried out by the Engineering Department. An amount of Rs.23.32 crores per annum is available in the budget for 2004-05 for

maintenance. After deducting the budget provision, the annual requirement will be Rs.31.18 crores (i.e. Rs.54.50 – Rs.23.32 crores).

10.30 The Commission, therefore recommends that an amount of Rs.31.18 crores per annum may be released additionally for maintenance of Rural Water Supply Schemes.

HANDPUMPS – MAINTENANCE CHARGES:

10.31 During the district meetings held by the Third State Finance Commission, almost all the elected representatives and the engineering officials of the Panchayat Raj Institutions in all the districts have suggested for the enhancement of maintenance and repair charges, to the hand pumps from Rs.600/- to Rs.1,000/- per annum. The reasons put forth by them is that the rate was fixed long ago and that the cost of spare parts, establishment charges of pump mechanics and helpers etc., are increased.

10.32 The Executive Engineer, Rural Water Supply, Visakhapatnam has suggested that the amount of Rs.600/- per year may be increased to Rs.1,000/- as per the details given below :

		Rs.
a)	Cost of spare parts per hand pump per year	640.00
b)	Maintenance of supporting vehicles including fuel and repairs for one vehicle to take care of 1000 hand pumps	175.00
c)	Establishment charges of Pump Mechanics, Drivers and Helpers	150.00

d)	Cost of maintenance of tools and fishing tools	35.00
	Total	1000.00

10.33 The Third State Finance Commission has examined the proposal. Orders were issued in G.O.Ms.No.301 PR & RD (RWS.I) Department dated 01-10-2001 fixing the maintenance charges of hand pumps at Rs.600/- per hand pump per annum. Hand pumps were transferred to the control of Gram Panchayats for maintenance in G.O.Ms.No.421 PR & RD (RWS.I) Department dated 21-11-2002. The amount provided in the budget @ Rs.600/- per bore-well is being released to Gram Panchayats from 2001-02 onwards. The amounts provided in the budget are given below :

(Rs. in lakhs)

Year	Amount provided in the Budget	Accounts as per Budget
2001-2002	481.15	800.02
2002-2003	481.15	419.56
2003-2004	563.27	330.47
2004-2005	563.27	497.50
2005-2006	563.27	280.07

10.34 There are 2,57,084 hand pumps and maintenance charges @ Rs.600/- per annum is Rs.15.42 crores and at the rate of Rs.1,000/- per pump, the maintenance charges works out to Rs.25.71 crores per annum. The amount provided in the budget for 2005-06 is Rs.5.63 crores which is very meagre. The Engineer-in-Chief (PR) has proposed a total amount of Rs. 177.75 crores for five years for maintenance of hand pumps i.e. Rs. 35.55 crores per annum. If the amount of Rs. 5.63 crores per annum is provided in the budget is deducted the balance

amount required will be Rs. 30.00 crores per annum. The Commission feels that as requested by the representatives in the district meetings, the maintenance charges may be fixed at Rs. 1,000/- per hand pump. At this rate the amount will work out to Rs. 25.00 crores per annum. The Commission recommends that an amount of Rs.25.00 crores per annum may be provided in the budget every year and the amount may be released to the Gram Panchayats accordingly. The additional commitment to Government on this account will be Rs.25.00 crores per annum.

URBAN LOCAL BODIES

MUNICIPAL BUILDINGS (MAINTENANCE):

10.35 The information called for from the Municipal Councils regarding their requirements have been received only from 23 Municipalities of the three regions as against 110 Municipalities in the State (**Annexure-XLI**). The year-wise requirements given by them are as follows :

Table 10.3

REQUIREMENTS OF MUNICIPALITIES

	Number of Municipalities	Year	(Rs. in crores)
1.	23	2005-2006	328.49
2.	23	2006-2007	165.14
3.	25	2007-2008	309.06
4.	24	2008-2009	242.58
5.	24	2009-2010	247.81

10.36 It is considered not proper to assess the requirements of the Municipalities on the basis of the above information. The Commission has, therefore, decided to adopt the procedure suggested by the Second State Finance Commission in Para 10.37.1 of its Report for recommending maintenance grants to the Municipal buildings. The Cabinet Sub-Committee while accepting the recommendation of the Second State Finance Commission observed that the maintenance grant is meagre when compared to the number of structures maintained by the Municipalities and that the desirability of increasing the grant is under consideration. Keeping in view the observations of the Cabinet Sub-Committee, the Commission proposes the maintenance grant at the following enhanced rates.

Table 10.4:

MAINTENANCE GRANT PROPOSED FOR THE MUNICIPALITIES

Sl.No.	Grade of the Municipality	No. of Institutions	Rs. in lakhs	Total (Rs. in lakhs)
1.	Nagar Panchayats & Third Grade Municipalities	25	3.00 each	75.00
2.	Second Grade Municipalities	33	5.00 each	165.00
3.	First Grade Municipalities	23	6.00 each	138.00
4.	Special Grade Municipalities	11	7.00 each	77.00
5.	Selection Grade Municipalities	17	9.00 each	153.00
		Total (Rs.)		608.00

10.37 The total commitment would be Rs.6.08 crores per annum. The Commission recommends that the amount of Rs.6.08 crores may be released to the Municipalities.

REQUIREMENTS OF MUNICIPALITIES FOR CIVIC AMENITIES:

10.38 According to the requirements given by 23 Municipalities for the year 2005-06 the total requirements is Rs.328.49 crores per annum. On this basis the requirements for all the 109 Municipalities works out to Rs.1,556.8 crores per annum.

10.39 The total revenue of the Municipalities is Rs.905.68 crores and the actual expenditure is Rs.784.79 crores during 2005-06. If the receipts of Rs.905.68 crores is deducted from Rs.1,556.8 crores the balance amount required would be Rs.651.12 crores (i.e. Rs.1,556.80 – Rs.905.68 crores) for 109 Municipalities. On this basis each Municipality will get Rs.5.97 crores or Rs.6.00 crores. Since the requirements of the Municipalities are worked out on the basis of the statistics furnished by 23 Municipalities, the requirements may not be taken as realistic.

10.40 The Third State Finance Commission, therefore, recommends that against Rs.651.12 crores an amount of Rs.200 crores per annum may be released to the Municipalities for civic amenities.

TOTAL DEVOLUTION:

10.41 The total devolution of funds recommended by the Commission by way of grants and assignments to the Rural and Urban Bodies is Rs.1,763.72 crores per annum. It works out to 6.77 per cent of the total Tax and Non-Tax Revenues of the State Government including the share of Central Taxes for the year 2004-05.

10.42 The details of the additional devolutions are as follows :

Table 10.5

AMOUNTS RECOMMENDED FOR DEVOLUTION (RURAL & URBAN BODIES)

(A) PANCHAYAT RAJ INSTITUTIONS

Sl.No.	Para No.	Programmes	Rs.in crores
1.	5.37	Per Capita Grant	88.64
2.	5.41	Construction of Gram Panchayat office buildings	18.00
3.	5.46	Strengthening of small Panchayats	30.64
4.	6.11	Excise Income	42.08
5.	7.5	Market Committee Funds	7.40
6.	10.6	Requirements for civic amenities	200.00
7.	10.9	Education Contingent Grant	3.63
8.	10.12	Rural Water Supply	220.00
9.	10.14	Rural Sanitation	215.00
10.	10.18	Rural Roads including Minimum Needs Programme	153.00
11.	10.19	Drinking Water Facilities in the Schools	1.42
		Total (A)	979.81

(B) MAINTENANCE REQUIREMENTS			
1.	10.22	Maintenance of School Buildings	15.00
2.	10.24	Maintenance of Cyclone Shelters	5.35
3.	10.26	Maintenance of Rural Roads	200.00
4.	10.28	Maintenance of Mandal Parishad Office Buildings	18.00
5.	10.30	Maintenance of Rural Water Supply	31.18
6.	10.34	Hand Pumps maintenance charges	25.00
		Total (B)	294.53
		TOTAL - (A) + (B) =	
		Rs.1,274.34 crores	
(C) URBAN BODIES			
1.	5.52	Per Capita Grant	8.32
2.	6.26	Excise Income	11.92
3.	6.30	Motor Vehicle Tax compensation	98.72
4.	7.5	Market Committee Funds	2.80
5.	8.13	Property Tax on Government Buildings	123.12
6.	9.3	Revised Scales of Pay and increase in D.A.	17.50
7.	9.8	Payment of Pension to Non-teaching employees of Municipalities	20.00
8.	9.10	Salaries to Medical Officers, Staff and purchase of medicines	0.92
9.	10.40	Requirements of Municipalities for civic amenities	200.00
		Total (C)	483.30

(D) MAINTENANCE REQUIREMENTS			
1.	10.37	Maintenance grant for Municipal buildings	6.08
		Total (D)	6.08
		TOTAL – (C) + (D) = Rs.489.38 <u>crores</u>	
Grand Total(A+B+C+D) Rs.1,763.72 crores			

10.41 The total additional devolution recommended by the Finance Commission is Rs.1,763.72 crores (i.e. Rs.1,274.34 crores for Rural Bodies and Rs.489.38 crores for Urban Bodies). It works out to 6.77 percent (i.e. 4.89 percent for Rural Bodies and 1.88 percent to Urban Bodies) in the total tax and non-tax revenues of the State Government including the share of Central Taxes for the year 2004-05. The present annual devolution to the Urban and Rural Local Bodies from State Revenues is Rs.6,354 crores. The total devolution comes to Rs.8,117.72 crores and it works out to 31.14% of the total Tax and Non-Tax Revenues of the State, including the Central share of Taxes.

CHAPTER – XI

SUMMARY OF RECOMMENDATIONS

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).
2. A separate cell in PR & RD Department may be set up exclusively for the work of the State Finance Commissions (Para 2.24).
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).
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).
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).
6. Necessary instructions may be issued to levy maximum house-tax, as per the rules, to enhance revenue under this item (Para 4.6).

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)
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).
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).
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).
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).
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).
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).

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).
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).
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 (Para 5.52).
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).
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).
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).

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).
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).
22. An amount of Rs.11.92 crores per annum may be released from excise income to urban bodies (Para 6.26).
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 (Para 6.30).
24. Orders may be issued to the Regional Transport Authorities to adjust Motor Vehicle Tax Compensation direct to the Municipal Bodies (Para 6.32).
25. 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).
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 (Para 7.5).

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).
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 (Para 7.13).
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 (Para 7.16).
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).
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 (Para 7.19).
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 (Para 7.26).

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 (Para 7.32).
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).
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).
36. Clear and specific orders may be issued vesting all poramboke lands in Gram Panchayats (Para 8.6).
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 (Para 8.13).
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 (Para 8.13).
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).

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 (Para 9.3)
41. Rs.20 crores per annum may be released to the Municipalities towards Pension grants (Para 9.8).
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 (Para 9.10).
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 (Para 9.16).
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).
45. A comprehensive drainage network may be taken up in 20 or 25 select Municipalities by entrusting the work to an expert committee. (Para 9.22).

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).
47. Pre-audit system may be introduced in the 748 Gram Panchayats initially whose income is above ten lakhs per annum (Para 9.30).
48. An amount of Rs.200 crores may be provided towards requirements for core amenities and released to Gram Panchayats (Para 10.6).
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).
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).
51. An amount of Rs.215 crores per annum may be released to the Panchayat Raj Institutions for Rural Sanitation (Para 10.14).
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).

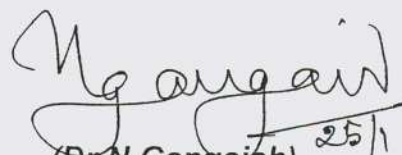
53. An amount of Rs.1.42 crores may be provided for providing drinking water facilities in the schools to the Panchayat Raj Institutions (Para 10.19).
54. An amount of Rs.15 crores per annum may be sanctioned for the repairs to the school buildings and released to Panchayat Raj Institutions (Para 10.22).
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).
56. An amount of Rs.200 crores per annum may be sanctioned for the maintenance of the Rural Roads (RRM) (Para 10.26).
57. An amount of Rs.18 crores per annum may be sanctioned for maintenance of Mandal Office Buildings (Para 10.28).
58. Rs.31.18 crores per annum may be released additionally for maintenance of Rural Water Supply Schemes (Para 10.30).
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).
60. An amount of Rs.6.08 crores per annum may be released to the Municipalities for the maintenance of Municipal Buildings (Para 10.37).

61. An amount of Rs.200 crores per annum may be provided and released to the Municipalities for civic amenities (Para 10.40).
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.
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.


(PROF. B.SATYANARAYAN)
CHAIRMAN


(C.N.V.Subba Reddy)
Member


(Yatam Anand Rao)
Member


(Dr.N.Gangaiah) 25/1
Member Secretary

ANNEXURES

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III	Resignation of Prof. C.Venkata Reddy as Member Secretary of the Reconstituted Third State Finance Commission and Appointment of Dr. N.Gangaiah, Regional Joint Director (Retd.) School Education Department as Member Secretary of the reconstituted Third State Finance Commission. (G.O.Ms.No.440, PR & RD (Mdl.I) Department, dt. 23.12.2005). (para 1.2)	157-
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ANNEXURE – I
(Para No. 1.2)

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

State Finance Commission – Constitution of Third State Finance Commission
– Orders – Issued.

PANCHAYAT RAJ & RURAL DEVELOPMENT (MANDAL-I) DEPARTMENT

G.O.Ms.No13

dated 16th January,2003

ORDER:

The annexed notification will be published in the Extraordinary issue of the Andhra Pradesh Gazette dated 16.1.2003.

The Commissioner, Printing, Stationery and Stores Purchase (Printing Wing) Department is requested to cause publication of the notification in Andhra Pradesh Extraordinary Gazette and furnish the copies of the Notification to Government in Panchayat Raj & Rural Development (Mandal.I) Department.

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

V. NAGI REDDY
Secretary to Government

NOTIFICATION

In exercise of the powers conferred on me by Article 243-I of the Constitution of India and Sub-Section (1) of Section 235 of the Andhra Pradesh Panchayat Raj Act, 1994 (Act No.13 of 1994), I.C. Ranga Rajan, Governor of Andhra Pradesh, hereby constitute a full time Third State Finance Commission and under sub-section (2) of the said section, do hereby appoint the following as Chairman and Members.

- | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------|----|----------|
| 1. Prof. D.L.Narayana,
Retired Professor of Economics,
S.V.University and Ex.Chairman,
Second State Finance Commission | .. | Chairman |
| 2. Sri K. Pichaiah,
Retired Financial Commissioner,
PR & RD Department and Ex.Member,
Second State Finance Commission | .. | Member |
| 3. Sri M.Venkatramaiah,
Formerly Deputy Secretary,
Revenue Department and
Ex.Member Secretary,
Second State Finance Commission | .. | Member |

The term (period) of the Commission will be notified separately.

RANGA RAJAN
GOVERNOR OF ANDHRA PRADESH

ANNEXURE – II
(Para No. 1.2)

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

State Finance Commission – Reconstitution of Third State Finance Commission –
Orders – Issued.

PANCHAYAT RAJ & RURAL DEVELOPMENT (MANDAL.I) DEPARTMENT

G.O.Ms.No. 390

dt. 23rd December,2004

ORDER

The annexed notification will be published in the Extraordinary issue of the
Andhra Pradesh Gazette dt. 27.12.2004.

The Commissioner, Printing, Stationery and Stores Purchase (Printing
Wing) Department is requested to cause publication of the notification in Andhra
Pradesh Extraordinary Gazette and furnish the copies of the Notification to
Government in Panchayat Raj & Rural Development (Mandal – I.) Department.

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

M. SAMUEL
Principal Secretary to Government

NOTIFICATION

In exercise of the powers conferred on me by Article 243-I of the Constitution of India and Sub-Section (1) of Section 235 of the Andhra Pradesh Panchayat Raj Act, 1994(Act No. 13 of 1994), I Sushil Kumar Shinde, Governor of Andhra Pradesh, hereby re-constitute the Third State Finance Commission and under sub-section (2) of the said section do hereby appoint the following as Chairman, Members and Member Secretary:

- | | | |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| 1) | Prof.B.Satyanarayana,
Emeritus Professor of Economics,
Osmania University,Hyderabad | Chairman |
| 2) | Sri C.N.V.Subba Reddy,
Retd.Director, Telugu Academy,
Ex.Registrar,
Dr. B.R.Ambedkar Open University,
Hyderabad. | Member |
| 3) | Sri Yatam Anand Rao
Anandapet, Perala,
Chirala, Prakasam District | Member |
| 4) | Sri Tankala Babji,
Managing Trustee & Programme
Director,
Swamybabu and Vajramma Charitable Trust,
Indiragandhi Smarak Bhavan,
Narasannapeta – 532421 | Member |
| 5) | Prof. C.Venkata Reddy,
Director,
SRK PG College,
S-204, Sri Sai Apartments,
SBI Colony, Nandyal (Post),
Kurnool District | Member Secretary |

The term of the reconstituted Third State Finance Commission shall be for a period of three (3) years from the date of functioning of the Commission.

Sushil Kumar Shinde,
Governor of Andhra Pradesh

ANNEXURE – III
(Para No.1.2)

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

State Finance Commission – Resignation of Prof. C.Venkata Reddy as Member Secretary of the reconstituted Third State Finance Commission – Accepted – Appointment of Dr. N.Gangaiah, Regional Joint Director (Retd.) School Education Department as Member Secretary – Orders – Issued.

PANCHAYAT RAJ AND RURAL DEVELOPMENT (MDLS.I) DEPARTMENT

G.O.Ms.No.440

dated: 23.12.2005

Read the following

1. G.O.Ms. No. 390, Panchayat Raj and Rural Development (Mandal.I) Department dt. 23.12.2004.
2. From the Chairman, TSFC,letter No TSFC/Chairman Peshi/2005-9, dt. 3.10.2005.

ORDER :

The appended notifications will be published in the extraordinary issue of the Andhra Pradesh Gazette dated 31.12.2005.

2. The Commissioner, Printing, Stationary and Stores Purchase (Printing Wing) Department is requested to cause publication of the notification in Andhra Pradesh Extraordinary Gazette and furnish 1000 copies of the Notification to Government in Panchayat Raj & Rural Development (Mandals-I) Department.

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

M. SAMUEL
PRINCIPAL SECRETARY TO GOVERNMENT

NOTIFICATION – I

In exercise of the powers conferred on me by Article 243-I of the Constitution of India and under proviso to section 239 of Andhra Pradesh Panchayat Raj Act, 1994 (Act No.13 of 1994), I, Sushil Kumar Shinde, Governor of Andhra Pradesh, do hereby accept the resignation of Prof.C.Venkata Reddy, Member Secretary of the reconstituted Third State Finance Commission, with effect from 3.10.2005.

Sushil Kumar Shinde,
Governor of Andhra Pradesh

NOTIFICATION – II

In exercise of the powers conferred on me by Article 243-I of the Constitution of India and sub-section (2) of section 235 of the Andhra Pradesh Panchayat Raj Act, 1994 (Act No.13 of 1994), I, Sushil Kumar Shinde, Governor of Andhra Pradesh, do hereby appoint Dr.N.Gangaiah, Regional Joint Director (Retired), School Education Department, as Member Secretary to the reconstituted Third State Finance Commission.

Sushil Kumar Shinde,
Governor of Andhra Pradesh

ANNEXURE – IV
(Para No.1.3)

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

APFC Volume – II – Declaration of Member Secretary of State Finance Commission as Head of the Department for exercising Financial Powers – Amendment to Appendix-I and Chapter II Article 6 of A.P. Financial Code Volume-II – Orders – Issued.

FINANCE (TFR 1) DEPARTMENT

G.O.Ms.No. 177

dated: 26.2.2004

Read the following

1. G.O.Rt.No.1262, PR & RD Dept., dated 29.8.2003.
2. From the Member Secretary, Third State Finance Commission, Hyd.letter No. 18/TSFC/2003-12, dt. 31.12.2003.
3. PR & RD (Mdl.I) Dept., U.O. No. 4519/Mdl.I/A1/04, dt. 27.1.2004.

ORDER :

In the reference 1st read above, orders were issued declaring the Member, Third State Finance Commission as Head of the Department.

2. In the reference 2nd read above, the Member, Third State Finance Commission, Hyderabad has requested the Government to issue necessary amendment to Article 6 of A.P. Financial Code Volume-II declaring Member, Third State Finance Commission as Head of the Department under subsidiary definitions.

3. Government after careful examination hereby declare that the Member, Third State Finance Commission as Head of the Department for exercising Financial Powers and issue the following amendment to Appendix-I (Chapter.II Article 6 of APFC Volume-II).

AMENDMENT

In the Appendix-I (Chapter-II, Article 6) of A.P.Financial Code, Volume-II, after the Serial No. 68, i.e. Secretary to State Election Commission, the following Head of the Department shall be added, namely

Sl.No. 69 Member Secretary, Third State Finance Commission.

(By ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

VEENA ISH
SECRETARY TO GOVERNMENT (IF).

ANNEXURE – V
(Para No.1.4)

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Prof.B.Satyanarayan– Appointed as Chairman, Reconstituted 3rd State Finance Commission, Government of Andhra Pradesh – Status of Minister of State – Accorded – Orders – Issued.

GENERAL ADMINISTRATION (POLITICAL – D) DEPARTMENT
G.O.Ms.No.3418 dated: 17.5.2005.
Read the following

1. G.O.Ms. No. 390, Panchayat Raj and Rural Development (Mandal.I) Department dt. 23.12.2004.
2. D.O.Letter from the Chairman, Reconstituted 3rd Finance Commission, dated 29.12.2004.

ORDER :

In the Government Order 1st read above, Prof. B.Satyanarayana, has been appointed as Chairman, Reconstituted 3rd State Finance Commission, Government of Andhra Pradesh. He has taken charge as Chairman, Reconstituted 3rd Finance Commission on 29.12.2004 F.N.

2. Prof. B.Satyanarayana, who has been appointed as Chairman, Reconstituted 3rd State Finance Commission, Government of Andhra Pradesh is hereby accorded the status of Minister of State from the date of assumption of charge.

3. The General Administration (OP.I /OP.II /OP.III/ OP.IV /OP.VI /SB/Accommodation) Department and the Director of Protocol shall take necessary action for creation of the posts and also to provide the facilities shown in the annexure to this Order for the purpose of drawal of salaries, etc

4. The expenditure shall be debited to "2013 – Council of Ministers – 101 – Salary of Ministers, Dy.Ministers – (04) – Salary of Ministers, Dy.Ministers – 010-Salaries".

5. This order issues with the concurrence of Finance (Finance Expr. GAD) Department, vide their U.O.No. 10993/82/A1/Expr.GAD/2005, dated 7.5.2005.

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

CHITTA RANJAN BISWAL
PRINCIPAL SECRETARY TO GOVERNMENT (POLL)

ANNEXURE TO G.O.RT.No. 3418, GA (POLL.D) DEPARTMENT, DATED 17.05.2005

PROVISION OF STAFF:

Sl.No.	Name of the Post	No. of posts	Scale of Post (Rs.)
1.	Private Secretary	1 Post Gazetted	5980-12100 with Spl.Pay of Rs. 300/- p.m.
2.	Addl. PS (Gazetted) / Personal Assistant (NGO)	2 posts	5980-12100 with Spl.Pay of Rs. 300, p.m. and Rs. 4550-9600 with Spl. Pay of Rs. 275/- p.m.
3.	Additional Driver	1 post	2990-5810 with Spl.Pay of Rs. 225/- p.m.
4.	Jamedar	1 post	Rs. 2870 – 5170 with Spl. Pay of Rs. 125/- p.m.
5.	Attenders	3 posts	2550 – 4550 with Spl. Pay of Rs. 100' p.m. and Conveyance Allowance of Rs. 10/-p.m.

FACILITIES PROVIDED:

- (1) Telephone with STD facility both at residence and office (to be provided by General Administration (OP.VI) Department.
- (2) Government Car (Director, Department of Protocol)
- (3) Accommodation for both residence and office to the Chairman (to be provided by General Administration (Accom.) Department / Panchayat Raj & Rural Development Department respectively.

CHITTA RANJAN BISWAL
PRINCIPAL SECRETARY TO GOVERNMENT (POLL)

// forwarded by order //

Sd/-
SECTION OFFICER

ANNEXURE – VI
(Para No.1.8)

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Reconstituted Third State Finance Commission – Fixing the Terms of Reference (functions) – Orders – Issued.

PANCHAYAT RAJ AND RURAL DEVELOPMENT (MDLS.I) DEPARTMENT

G.O.Ms.No. 124

dated: 26.04.2005

Read the following

G.O.Ms. No. 390, Panchayat Raj & Rural Development (Mandals.I) Department, dated 23.12.2004.

ORDER :

The following notification shall be published in the extraordinary issue of the Andhra Pradesh Gazette dated 30.04.2005:

NOTIFICATION

In G.O.Ms.No. 390, Panchayat Raj and Rural Development (Mds.I) Department, dated the 23rd December,2004 the Third State Finance Commission has been reconstituted in pursuance of Article 243-I and Section 235 of Andhra Pradesh Panchayat Raj Act, 1994. Under Article 243-I and 243-Y read with Section 235 of the Andhra Pradesh Panchayat Raj Act, 1994, the Government of Andhra Pradesh, hereby directs the State Finance Commission to review the financial position of the Gram Panchayats, Mandal Parishads, Zilla Parishads and of the Nagar Panchayats, Municipal Councils and Municipal Corporations in the State and make recommendations to the State Government as to :-

- (a) The principles which should govern:-
- (i) the distribution between the State and the Gram Panchayats, Mandal Parishads, Zilla Parishads, Nagar Panchayats, Municipal Councils and Municipal Corporations 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 said bodies 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 apportioned by the said Gram Panchayats, Mandal Parishads, Zilla Parishads, Nagar Panchayats, Municipal Councils and Municipal Corporations;
- (iii) the grants-in-aid to the said Gram Panchayats, Mandal Parishads, Zilla Parishads, Nagar Panchayats, Municipal Councils and Municipal Corporations from the Consolidated Fund of the State;
- (iv) the measures needed to improve the financial position of the said Gram Panchayats, Mandal Parishads, Zilla Parishads, Nagar Panchayats, Municipal Councils and Municipal Corporations including measures for improving the management of available resources;

2. The Commission shall also make recommendations on any other matter that may be referred to it, by the Governor, in the interest of sound finances of Panchayat Raj and Municipal Bodies referred to above.

3. In making its recommendations, the Commission shall have regard among other considerations to:-

- (i) the resources of the State Government and the demands thereon, in particular on account of expenditure on administration, debt servicing and other committed expenditure or liabilities;
- (ii) the revenue resources of the bodies, for the five years commencing on 1st April, 2005 on the basis of the levels of taxation possible to be reached in 2003-04 targets for additional resources mobilization and the potential for raising additional taxes;
- (iii) the requirements of the Panchayat Raj Institutions, and Municipal Bodies for meeting the non-plan revenue expenditure on staff and administration etc., also keeping in view the potential for raising their resources;
- (iv) the requirements of the bodies for capital expenditure for creating assets like, Water Supply Schemes, Roads, Bridges, Buildings, Minor Irrigation sources;
- (v) the maintenance and upkeep of capital assets like Buildings, Roads, Water Supply Schemes minor Irrigation sources by the Panchayat Raj Institutions, Municipal Bodies, Municipal Corporations and the norms on the basis on which specified amounts are recommended for the maintenance of assets;
- (vi) the requirements of the Panchayat Raj Institutions and Municipal Bodies in upgradation of standards in non-developmental sectors

and services particularly in respect of Institutions which are Backward;

- (vii) the provisions required for emoluments and terminal benefits of employees including teachers and other employees;
- (viii) the scope for computerization of accounts; and
- (ix) the incentives which may be provided for better realisation of taxes and non-taxes.

4. The Commission shall also indicate the manner in which the receipts and expenditure of the Panchayat Raj and Municipal Bodies can be monitored for better financial management.

5. The Commission may also make recommendations about the financial devolutions to the Panchayat Raj Institutions and Municipal Bodies for the functions devolved on them under Articles – 243-G and 243-W of the Constitution of India.

6. The Commission shall indicate the basis on which it has arrived at its findings.

7. In making its recommendations on the various matters aforesaid, the Commission shall adopt the population figures of 2001 in all cases where population is regarded as a factor for determination of devolution of taxes and duties and grants-in-aid.

8. The Commission may make an Interim Report available if so required by the Governor.

9. The Commission shall make its report available by the 28th December, 2007 on each of the matters aforesaid covering a period of Five years commencing on the 1st day of April, 2005.

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

M. SAMUEL
PRINCIPAL SECRETARY TO GOVERNMENT

ANNEXURE – VII
(Para No.1.10)

RULES OF PROCEDURE FOR THE THIRD STATE FINANCE COMMISSION:

I. MEETINGS

1. The Commission will meet as and when necessary at such time and place as the Chairman may decide.
2. There will be three types of meetings (1) Internal Meetings of the Commission (2) Meetings with individual officials and non-officials and (3) Meetings in the Districts with various officials / non-officials.
3. Meetings will be arranged in such a way that all the Members will be present. The quorum for the meetings will be three Members including the Chairman.
4. The meetings will be presided by the Chairman. But if for any unavoidable reason, the Chairman is not present, the senior most Member will preside.
5. The meetings of the Commission will be In-Camera. They will not be open to the press. Information relating to the meetings or proceedings shall not be furnished to the press or to any outside agency.
6. The names of the officers of the Commission who should be present at the meetings of the Commission will be decided by the Chairman.
7. The Internal meetings shall be informal only. Decisions will be recorded.

8. Even in respect of other meetings, verbatim record will not be taken, but a summary of the proceedings of the decisions taken will be recorded.
9. In all cases, the decisions / summary of the proceedings will be recorded by the Member Secretary or any officer authorized by him and by the Chairman.
10. A Member may give a dissent note, if he disagrees in respect of any decision.

II. ADMINISTRATION:

11. All the rules and procedure prescribed by the State Government will be followed in transacting the business and administration of the Commission / Commission's office.

III. GENERAL:

12. All proceedings of the Commission will be confidential.
13. Information which is likely to result in recommendations by the Commission in respect of any item shall not be revealed to any outside agency.
14. Press Conferences will be held by the Commission as a whole. In exceptional / emergent cases, the Chairman / Member Secretary may hold such Conferences.
15. All communications / orders and decisions of the Commission other than the Report will be signed by the Chairman / Member Secretary or by any officer authorized by the Member Secretary. Any

communication or interim report, containing the views of the Commission, shall be signed only after the views of all the Members, including the Chairman are obtained. In emergent cases, the Chairman and Member Secretary may take a view and express their opinion.

NOTE: In these rules, the word Member / Members includes Member Secretary.

Sd/-
CHAIRMAN

ANNEXURE – VIII
(ParaNo.2.6)

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Commission – Third State Finance Commission – Appointment of Sri M.Venkataramaiah, Member, Third State Finance Commission as Member Secretary and duration of the Third State Finance Commission – Orders – Issued.

PANCHAYAT RAJ AND RURAL DEVELOPMENT (MDL.I) DEPARTMENT

G.O.Rt.No. 135

dt. 22.4.2003
Read the following:

1. G.O.Ms.No. 13, PR & RD (Mandals.I) Department, dt. 16.1.2003.

ORDER:

The following Notification be published in the Extraordinary issue of Andhra Pradesh Gazette dated 30.4.2003.

NOTIFICATION

In exercise of the powers conferred on me by Article 243-I of the Constitution of India and under sub-sections (1) and (2) of Section 235 of the Andhra Pradesh Panchayat Raj Act, 1994, (Andhra Pradesh Act No. 13 of 1994). I, Surjeet Singh Barnala, Governor of Andhra Pradesh hereby nominate Sri M.Venkataramaiah, Member of the Third State Finance Commission as Member Secretary of the Third State Finance Commission.

2. The term of the Third State Finance Commission shall be for a period of one and half years from the date of functioning of the Commission.

SURJEET SINGH BARNALA
GOVERNOR OF ANDHRA PRADESH

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

V. NAGI REDDY
SECRETARY TO GOVERNMENT

ANNEXURE – IX
(Para No.2.6)

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

*Establishment – Temporary – Panchayat Raj and Rural Development Department
– Creation of certain temporary staff to the Third State Finance Commission –
Orders – Issued.*

PANCHAYAT RAJ AND RURAL DEVELOPMENT (MANDAL.I) DEPARTMENT

G.O.Ms. No. 55

dated 5.3.2003.

Read the

following

1. G.O.Ms.No. 13, Panchayat Raj and Rural Development (Mandal.I) Department, dt. 16.1.2003.
2. Letter from Prof. D.L.Narayana, Chairman, Third State Finance Commission D.O.Lr.No.TSFC/Chairman Peshi No.6, dt. 16.1.2003.

ORDER :

1. In the G.O.1st read above, orders have been issued constituting the Third State Finance Commission and it started functioning with effect from 16.1.2003 F.N. The Chairman, Third State Finance Commission has requested to sanction the staff to assist the Finance Commission.

2. Sanction is hereby accorded for the creation of following temporary staff to the Third State Finance Commission with effect from the date of their assumption of charge on contract basis to 15.07.2004 or till the need ceases whichever is earlier.

Sl.No.	Name of the Post	Scale of Pay	No. of posts	Mode of Recruitment
1	Joint Secretary	13450-19150	One	
2	Chief Accounts Officer	8400 - 16525	One	On contract basis (As was done in
3	Research Officer	6350-13000	one	Second State Finance Commission)
4	Section Officers	5980-12100	Two	
5	Assistant Section Officers	4550-9600	Two	
6	Senior Auditor / Senior Accountants	4190-8700	Two	
7	Senior Steno	4550-9600	One	

8	Typist-cum-Assistant	3750- 7650	Two	
9	Sweeper/Scavenger/Attenders		seven	From Surplus pool

3. The Chairman Third State Finance Commission is authorized to fill up the above posts.

4. The expenditure shall be debited to "3451 Secretariat Economic Services – MH 090-Secretariat-092-Other Offices-SH(05) Strengthening of monitoring and review wing SFC (Secretariat Establishment)".

5. This order issues with the concurrence of Finance (SMPC)Department vide their U.O.No.3119/98/A3/SMPC/03, dt 6.2.2003.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRDESH)

V. NAGIREDDY
SECRETARY TO GOVERNMENT

ANNEXURE – X
(Para No.2.6)

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Prof. D.L.Narayana, appointed as Chairman, 3rd State Finance Commission, Government of Andhra Pradesh – Status of Minister of State to the Chairman, 3rd State Finance Commission – Accorded – Orders – Issued.

GENERAL ADMINISTRATION (POLITICAL.C) DEPARTMENT

G.O.Rt.No. 1263

dt. 11.3.2003
Read the following

1. G.O.Ms.No. 13, PR & RD (Mdl.I) Department, dt. 16.1.2003.
2. Letter from Prof. D.L.Narayana, 3rd State Finance Commission, dated 16.1.2003.

ORDER:

In the Government Order 1st read above Prof. D.L.Narayana is appointed as Chairman, 3rd State Finance Commission, Government of Andhra Pradesh. He has taken charge as Chairman of 3rd State Finance Commission on 16.1.2003.

2. Prof.D.L.Narayana, who has been appointed as Chairman, 3rd State Finance Commission, Government of Andhra Pradesh is hereby accorded the status of Minister of State, from the date of assumption of his charge.

3. The General Administration (O.P.I / O.P.II / O.P.III / O.P.IV / Claims / SB / Accommodation) Departments shall take necessary action to provide personal staff, telephone with S.T.D. facility, Government Car, Driver, Accommodation for both office and residence to the Chairman, 3rd State Finance Commission, Government of A.P. and for drawal of salaries. The expenditure shall be debited to the relevant head of account.

4. This order issues with the concurrence of Finance and Planning (Fin. Exp.GAD) Department vide their U.O.No. 5768/56/EBS.I/A1/2003, dt. 10.3.2003.

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

BINOY KUMAR
SECRETARY TO GOVERNMENT (POLL)

ANNEXURE – XI
(Para No.2.6)

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Third State Finance Commission – Constitution of Functions etc., - Orders – Issued.

PANCHAYAT RAJ AND RURAL DEVELOPMENT (MANDAL.I) DEPARTMENT

G.O.Ms. NO. 322

Dated 8.10.2003.

Read:-

G.O.Ms.No. 13, PR & RD (Mandal.I) Department, dt. 16.1.2003.

ORDER:

In the G.O., read above, orders were issued constituting the Third State Finance Commission in pursuance of Article 243-I of the Constitution of India and Section-235 of the Andhra Pradesh Panchayat Raj Act, 1994.

2. The Third State Finance Commission shall attend to the functions detailed in the notification appended to this order.

3. The Commissioner of Printing and Stationery is requested to publish the notification in the Andhra Pradesh Gazette and supply 500 copies to Government.

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

M. SAMUEL
PRINCIPAL SECRETARY TO GOVERNMENT

NOTIFICATION

(Appendix to G.O.Ms. No. 322, Panchayati Raj and Rural Development (Mandal.I) Department, dt. 8.10.2003).

The Third State Finance Commission, constituted in pursuance of Article 243-I and 243-Y of the Constitution of India and Section 235 of the Andhra Pradesh Panchayati Raj Act, 1994 and Section 132-A of the A.P. Municipalities Act, 1965, as amended by the AP Municipal Laws (Second Amendment) Act,

1994, (Act. No.17 of 1994), shall review the financial position of the Gram Panchayats, Mandal Parishads, Zilla Parishads and of the Nagar Panchayats, Municipal Councils and Municipal Corporations in the State under Article 243-I and 243-Y and make recommendations to the State Government as to :-

- (a) The principles which should govern:-
 - (i) The distribution between the State and the Gram Panchayats, Mandal Parishads, Zilla Parishads, Nagar Panchayats, Municipal Councils and Municipal Corporations 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 said bodies 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 apportioned by the said Gram Panchayats, Mandal Parishads, Zilla Parishads, Nagar Panchayats, Municipal Councils and Municipal Corporations;
 - (iii) The grants-in-aid to the said Gram Panchayats, Mandal Parishads, Zilla Parishads, Nagar Panchayats, Municipal Councils and Municipal Corporations from the Consolidated Fund of the State;
- (b) The measures needed to improve the financial position of the said Gram Panchayats, Mandal Parishads, Zilla Parishads, Nagar Panchayats, Municipal Councils and Municipal Corporations including measures for improving the management of available resources;

2. The Commission shall also make recommendations on any other matter that may be referred to it, by the Governor, in the interest of sound finances of the Panchayat Raj and Municipal Bodies referred to above.

3. In making its recommendations, Commission shall have regard among other considerations to :-

- (i) the resources of the State Government and the demands thereon, in particular on account of expenditure on administration, debt servicing and other committed expenditure or liabilities;
- (ii) the revenue resources of the bodies for the five years commencing on (1st April,2005) 1.4.2005 on the basis of the levels of taxation possible to be reached in 2003-2004 targets for additional resources mobilization and the potential for raising additional taxes;
- (iii) the requirements of the Panchayat Raj Institutions and Municipal Bodies for meeting the non-plan revenue expenditure on staff and administration etc., also keeping in view the potential for raising their resources;

- (iv) the requirements of the bodies for capital expenditure for creating assets like Water Supply Schemes, Roads, Bridges, Buildings, Minor Irrigation Sources;
 - (v) the maintenance and upkeep of capital assets like buildings, roads, water supply schemes, minor irrigation sources by the Panchayat Raj Institutions, Municipal Bodies, Municipal Corporations and the norms, on the basis on which specified amounts are recommended for the maintenance of assets;
 - (vi) the requirements of the Panchayat Raj Institutions and Municipal Bodies in upgradation of standards in non-developmental sectors and services particularly in respect of institutions which are backward;
 - (vii) the provisions required for emoluments and terminal benefits of employees including teachers and other employees;
 - (viii) the scope for computerization of accounts; and
 - (ix) the incentives which may be provided for better realization of taxes and non-taxes.
4. The Commission shall also indicate the manner in which the receipts and expenditure of the Panchayat Raj and Municipal Bodies can be monitored for better financial management.
5. The Commission may also make recommendations about the financial devolutions to the Panchayat Raj Institutions and Municipal Bodies for the functions devolved on them under Articles-243 G and 243 W of the Constitution of India.
6. The Commission shall indicate the basis on which it has arrived at its findings.
7. In making its recommendations on the various matters aforesaid, the Commission shall adopt the population figures of 1991 in all cases where population is regarded as a factor for determination of devolution of taxes and duties and grants-in-aid.
8. The Commission may make an interim report available if so required by the Governor.
9. The Commission shall make its report available by the 15.7.2004 on each of the matters aforesaid covering a period of five years commencing on the 1st day of April,2005.

M. SAMUEL
PRINCIPAL SECRETARY TO GOVERNMENT

ANNEXURE – XII
(Para No. 4.6)

RECEIPTS AND EXPENDITURE OF PANCHYAT RAJ INSTITUTIONS FOR THE YEAR 2003-04 AND 2004-05

(Rs. in crores)

PRI	House Tax		Total Taxes		Total Non-taxes		Assigned Revenues		Grants		Total Receipts		Total Expenditure	
	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Zilla Parishads	..	..	..	..	115.92	124.91	1572.11	1360.33	1083.14	932.00	2771.16	2417.25	2842.19	2482.61
Mandal Parishads	..	..	..	..	102.48	108.84	1349.35	1283.53	1156.97	1099.80	2608.80	2492.18	2616.20	2433.63
Gram Panchayats	87.48	98.91	97.20	109.90	90.84	97.25	133.20	124.20	520.08	474.36	841.31	805.71	772.65	649.90
Total PRIs	87.48	98.91	97.20	109.90	309.24	331.00	3054.66	2768.06	2760.19	2506.16	6221.27	5715.14	6231.04	5566.14

Source : Director, State Audit

ANNEXURE – XIII
(Para No. 4.8)

DEMAND, COLLECTION AND BALANCE OF LIGHTING, DRAINAGE AND WATER TAXES (GRAM PANCHAYATS)

Year	Rs. in lakhs									
	Lighting Tax	Demand Water Tax	Drainage Tax	Lighting Tax	Collection Water Tax	Drainage Tax	Lighting Tax	Balance Water Tax	Drainage Tax	
	2	3	4	5	6	7	8	9	10	
2000-01	120.57	869.21	84.91	78.58 (65.2%)	664.28 (76.4%)	63.38 (74.6%)	41.99	204.94	21.53	
2001-02	182.30	996.03	135.47	115.04 (63.1%)	730.05 (73.3%)	91.62 (67.6%)	67.26	265.97	43.85	
2002-03	317.55	1117.84	180.51	174.77 (55.0%)	830.74 (74.3%)	112.86 (62.3%)	142.78	287.1	61.91	
2003-04	204.71	497.84	99.17	163.66 (79.9%)	424.93 (85.4%)	66.93 (67.5%)	41.05	72.91	32.24	
2004-05	327.11	592.08	158.79	157.61 (48.2%)	426.19 (72.0%)	92.84 (58.5%)	169.5	165.89	65.95	

Note : Figures in brackets indicate the percentage of collection as against the demand.

Source: DPOs

ANNEXURE – XIV
(Para No. 4.10)

(Rs. in lakhs)

STATEMENT SHOWING THE INCOME OF VEHICLE TAX OF GRAM PANCHAYATS IN THE STATE DURING THE YEAR

<i>Sl.No.</i>	<i>Name of the District</i>	<i>2001-02</i>	<i>2002-03</i>	<i>2003-04</i>	<i>2004-05</i>
	2	3	4	5	6
1	Srikakulam	..	..	..	..
2	Vizianagaram	0.04	0.03	0.06	..
3	Visakhapatnam	5.38	6.24	2.35	..
4	East Godavari	2.13	2.34	2.45	2.55
5	West Godavari	2.13	2.34	..	..
6	Krishna	4.05	4.49	4.29	5.05
7	Guntur	..	..	..	..
8	Prakasam	..	..	..	..
9	Nellore	..	..	..	..
10	Chittoor	0.47	..	0.03	..
11	Kadapa	..	..	..	..
12	Anantapur	..	..	..	..
13	Kurnool	..	..	..	..
14	Mahaboobnagar	..	..	..	..

Contd....

15	Nalgonda	0.24	0.22	0.22	0.22	0.26
16	Khammam	..	..	..	..	..
17	Warangal	..	..	..	..	..
18	Karimnagar	..	..	..	..	..
19	Adilabad	..	..	..	..	..
20	Nizamabad	3.26	2.96	3.77	4.71	
21	Medak	..	..	..	..	..
22	Rangareddy	0.39	0.42	..	..	..
	Total	18.09	19.04	13.17	12.57	

Source : District Panchayat Officers.