ADR/NEW State Budget Analysis for Uttarakhand

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Introduction

Uttarakhand is a Special Category State because of its mountainous terrain, due to which there are higher infrastructure and transaction costs, as well as higher costs of governance. This means that special privileges are given to Uttarakhand, including financial assistance from the Centre in the ratio 90% grant and 10% loan, unlike non-special category states which get 70% grant and 30% loan.

Key Financial Indicators

Table 1 summarizes the main financial indicators for the Uttarakhand State Budget from 2005-2010. The points to be noted are as follows:

- Revenue Receipts were short by 13% in 2009-10 due to less receipt under Non-tax Revenue. The State Government, in its Mid Term Policy Statement attributed the shortfall revenue collection to the recession in the economy and financial burden that arose by Rs. 2,500 crore after the implementation of Sixth Pay Commission recommendations.
- Capital Expenditure in 2009-10 remained unutilized to the extent of 16%, due to less disbursement under education, rural development and irrigation sector.
- Over the last 5 years, the budget projections for Revenue Deficit and Fiscal Deficit have not been achieved. The State could not achieve the fiscal deficit target of 4% of Gross State Domestic Product as prescribed in the Fiscal Responsibility and Budgetary Management (FRBM) Act, 2005 for the year 2009-10 which stood at 5.94%.

Table 2: Key Financial Indicators for Uttarakhand

All figures in Rs. Crore	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
Revenue Receipts	5,537	7,373	7,891	8,635	9,486
Revenue Expenditure	5,610	6,476	7,254	8,394	10,567
Revenue Deficit	-73	897	637	241	-1,081
Capital Accounts Receipts	1,793	1,248	1,466	1,598	1,747
Capital Expenditure	1,705	1,699	2,235	2,016	1,647
Fiscal Deficit	-1,878	-885	-1,744	-1,843	-2,783

Revenue Receipts

Table 2 gives the break-up of Revenue Receipts for the State government, indicating that more than 50% of the revenue income of the State comes from central sources in the shape of either grants from the Government of India or share of Union Taxes.

It should be noted that the Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies for the implementation of various schemes/programmes in social and economic sectors recognized as critical. These funds are not routed through the State Budget/State Treasury System

Table 2: Break-up of Revenue Receipts

All figures in Rs. Crore	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
Total revenue receipt	5,537	7,373	7,891	8,635	9,486
Tax receipt of State	1,785	2,514	2,739	3,045	3,559
Non-Tax receipt of State	650	647	668	699	632
Share of Union Taxes	1,010	1,132	1,428	1,506	1,550
Grants from Government of India	2,092	3,081	3,056	3,384	3,745
% of revenue receipt from Central sources	56%	57%	57%	57%	56%

Committed Expenditure

Table 3 gives the amounts for the committed expenditure of the State as a percentage of its revenue expenditure. Committed expenditure is defined by the Comptroller and Auditor General as the expenditure on interest payments, salaries and wages, pensions and subsidies. The points to be noted are –

- Salaries, pensions and interest payments together consist of 71% of the total revenue expenditure of the Government in 2009-10, leaving a much smaller amount (Rs. 2424 crore) of revenue expenditure to be spent on new social welfare schemes. This amounts to less than Rs. 2500 per person.[1]
- The Twelfth Finance Commission norms prescribe that expenditure under the salaries head should

[1] According to Interim Census data Uttarakhand has a current population of over 1 crore (1,01,16,752)

be 35% of revenue expenditure while actual expenditure on salaries accounted for 53% in 2009-2010

- Expenditure on salaries increased by 44% from 2008-09 to 2009-10 due to the implementation of the Sixth Pay Commission.

Table 3: Committed Expenditure for Uttarakhand

All figures in Rs. Crore	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
Salaries and Wages	1,381	1,551	2,232	3,045	4,388
Interest Payments	808	964	1,096	1,188	1,338
Pensions	453	527	623	828	1,047
Subsidies	--	--	--	42	42
Other components	1,549	1,858	1,470	1,117	1,543
Total	4,191	4,900	5,421	6,220	8,358
% of revenue receipt	**76%**	**66%**	**69%**	**72%**	**88%**

Appendix

Definitions

Term	**Definition**
Revenue Receipt	Revenue receipt consists of state tax receipts + state non-tax receipts + share of Union taxes + grants from Government of India
Capital Receipt	Capital receipts consist of borrowing and other liabilities as well as recoveries of loans. Capital receipts create liabilities or reduce assets
Revenue Expenditure	Expenditure that does not result in the creation of long term assets, but is instead used in the day-to-day running of the government
Capital Expenditure	Any expenditure other than operating expenditure, the benefits of which extend over a period of time exceeding one year. It is expenditure on the creation of assets.
Revenue Deficit	Revenue Deficit denotes the difference between revenue receipts and revenue expenditure
Gross Fiscal Deficit	A fiscal deficit is the total accumulated amount by which government expenditure exceeds receipts. It is defined by the CAG as Revenue Expenditure + Capital Expenditure + Net Loans and Advances - Revenue Receipts - Miscellaneous Capital Receipts

Net Fiscal Deficit	Gross fiscal deficit less net lending of the Central Government.
Planned expenditure	Expenditure on programs/projects recommended by the Planning Commission
Non-plan expenditure	All expenditures by the Government not included in the Plan, mainly consisting of interest payments and subsidies