

11. STATE FINANCE COMMISSION

11.18 Sharing of funds between the Village Panchayats and Panchayat Unions from Reserve, Equalisation and Incentive funds to Rural Local Bodies for the year 2005-06

Rural Development (C2) Department

G.O. (Ms) No. 30

Dated : 27.3.2006

Read :

1. G. O. Ms. No.284 Finance (FCIV) Department dated 12.8.2002
2. Director of Rural Development Lr. No.50046/o5/PRI.III.4. dated 2.3.2006

ORDER

In the G. O. first read above it has been ordered that 8% of the total tax revenue (except Entertainment Tax) of the State Government will be devolved to Rural and Urban local bodies with effect from 2002-2003 to 2006-2007. Out of this 8% devolution, 87% is earmarked as devolution grant and the balance 13% toward Reserve Equalisation and incentive Funds. Besides, it has also been ordered among others that guidelines to be followed for utilizing the Reserve, Equalisation and Incentive Funds will be issued separately.

2.The Director of Rural Development has sent the guidelines to be followed for utilizing the Reserve Equalisation and Incentive Fund for 2005-2006.

1. Reserve Fund (2%) This will consist of
 - (i) District Collector's Development fund (1%)
 - (ii) Rain Water Harvesting (1%)

(I) District Collector's Development Fund

- (a) 50% of the Reserve Fund shall be earmarked and placed at the disposal of the District Collectors except Chennai to provide for the grievance of the public.
- (b) These funds shall be utilized by the Collectors to take up community infrastructure development works based on the priority needs.
- (c) Only capital work that result in new asset creation and is useful for the community at large shall be taken up.
- (d) Maintenance works shall be accorded least priority and can be taken up by the Collectors depending only on emergent needs.
- (e) The share of the districts may be decided based on the number of village Panchayats in each district, inter-se distribution between village panchayats will be on the discretion of the collectors based on the needs of Village panchayats and the priority of works to be taken up. The Director of Rural Development will distribute the funds based on the number of village panchayats in the District.

Rain Water Harvesting

- (a) The balance 50% Reserve Fund shall be earmarked for Rain Water Harvesting.
- (b) The apportioning of the Rain Water Harvesting fund shall be based on the number of village panchayats and Director of Rural Development will distribute the funds to all district except chennai.
- (c) The funds shall be utilized for desitling of Tanks, Ponds, Ooranies and Kuttai and deepening of existing wells beionging to village panchayts and panchayats Unions
- (d) The Collectors will identify the nature of rain water harvesting work to be taken up in the district and accord sanction for the same

(II) Equalisation Fund (6%)

(a) The Equalisation funds shall be apportioned to needy village panchayats and panchayats Unions in the ratio of 55:45.

(b) Village Panchayats

The identification of the needy village panchayats shall be decided by Director of Rural Development based on the annual per capita own Tax revenue (excluding Assigned Revenue) of the previous year. The per capita limit may be fixed annually by the Director of Rural Development. Equalisation Fund allotted to village panchayats shall be utilized by the concerned village panchayats to meet the debt and non-debt dues including Electricity Consumption charges to Tamil Nadu Electricity Board and Water Supply Maintenance charges to TwAD Board.

(c) Panchayat Unions

The identification of the needy panchayat Unions shall be decided by the Director of Rural Development based on the annual receipt and expenditure for the previous year actuals showing deficit. This fund may be released to the above deficit Panchayat Unions to meet out general administration and maintenance of panchayat Union assets such as roads, school buildings etc.

(III) Incentive Fund (5%)

(a) The Director of Rural Development shall apportion the fund to all the village panchayats based on the collection of house tax for the previous year after getting the report from Collectors.

(b) The following shall be the criteria for the release of matching grant to village panchayats as incentive fund.

Collection 49% and below	:	50% matching Grant
Collection 50% to 74%	:	75% Matching Grant
Collection 75% to 90%	:	100% Matching Grant
Collection 91% and above	:	125% Matching Grant

(c) The above slabs recommended by Second State Finance Commission may be adopted for giving incentive Fund on the collection of House Tax to Village Panchayats which have effected House Tax revision during 1999-2000 to 2001-2002. However, the revision effected by the village panchayats up to 2004-2005 may be given incentive fund on the above norms. For those which have not revised yet, the incentive Fund shall be 50% irrespective of collection level as recommended by Second State Finance Commission.

3. The Director of Rural Development has also requested to release the Reserve Equalisation and Incentive Funds for the year 2005-2006 as detailed below:

		Rs. In lakhs
I. RESERVE FUND (2%)		
(i) Collectors Development Fund (50%)		994.75
(ii) Rainwater Harvesting (50%)		994.75
Total		1989.50
II. EQUALISATION FUND (6%)		
(I) Village Panchayats (55%)		3282.69
(ii) Panchayats Union (45%)		2685.84
Total		5968.53

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4. The Government have carefully examined the proposal of Director of Rural Development and sanction is accorded for a sum of Rs. 12931.80 lakhs (Rupees one hundred twenty nine crores thirty one lakhs and eighty thousand only) towards the Reserve Equalisation and Incentive fund as detailed below :

	Rs. In lakhs.
I. RESERVE FUND (2%)	
(i) Collector Development Fund (50%)	994.75
(ii) Rainwater Harvesting (50%)	994.75
Total	1989.50
II. EQUALISATION FUND (6%)	
(I) Village panchayats (55%)	3282.69
(ii) Panchayats Unions (45%)	2685.84
Total	5968.53
III. INCENTIVE FUND (5%)	
Village Panchayats	4973.77
GRAND TOTAL	12931.80

5. The Director of Rural Development is authorized to draw and apportion Reserve, Equalisation and incentive Funds sanctioned in para 4 above to the District Collectors except Chennai. The Collectors are requested to keep the same in the Personal Deposit Account and incur expenditure there from only for payment of salaries routine maintenance works charges to Tamil Nadu Electricity Board and Water Supply dues to Tamil Nadu water Supply and Drainage Board etc. and no fresh works/ schemes which have not actually started on the ground should be permitted till the completion of General Election 2006.

6. The Reserve, Equalisation and incentive Funds sanctioned above shaii be debited to the following heads of Account:

The Collectors Development fund of Rs. 994. 75 lakhs and Equalistion fund of Rs. 2685.84 lakhs in respect of panchayat Unions.

∨ 3604-00- Compensation and assignments to Local Bodies and Panchayat Raj Institutions- 197. Assistance to Block panchayats/ Intermediate Level Panchayats- I Non-Plan AA Grants to Panchayats Unions as per the recommendations of State Finance Commission-Controlled by Director of Rural Development-09 Grants-in aid-02. Grant for capital Expenditure (DPC 3604-00-197-AA-0929)

The fund for Rain water Harvesting Rs.994.75 lakhs Equalisation fund Rs.3282.69 lakhs and incentive fund Rs.4973.77 lakhs in respect of Village panchayats.

∨ 3604-00-Compensation and assignments to Local Bodies and panchayat Raj Institutions- 198. Assistance to gram Panchyats- 1 Non Plan-AA Grands to villages Panchayats as per the recommendations of state Finance Commission-Controlled by Director of Rural Development-09 Grants –in –aid –02 Grants for capital Expenditure (DPC 3604-00-198-AA-0927)

7. This order Issues in the concurrence of Finance Department vide its U.O. No.15207/ RD/06 dated 13.3.2006.

(By order of the Governor)

SANTHA SHEELA NAIR
SECRETARY TO GOVERNMENT