Annex-C

REPORT OF

SUB-GROUP

ON

EXPENDITURE OF STATES

FOR

11TH PLAN (2007-2012)

Report of the Sub-Group on

Expenditure of States

Contents

Report of the Sub-group (Non-Plan Expenditure)

The sub-committee on States' Financial Resources for the Eleventh Five Year Plan divided itself into three groups, one of which is the Sub-Group on (non-Plan) Expenditure.

Terms of Reference

The terms of reference of the Sub-group are:

To estimate the year-wise expenditure of the States (including Union Territories with legislature) separately and combined for the Eleventh Five Year Plan (2007-12), keeping in view the implementation of the recommendations of the Twelfth Finance Commission, FRBM requirements of Centre and States and Debt Restructuring, possible reform of SLPEs and devolution to the urban and rural local bodies

The Sub-Group was also requested to:

- Consider the existing expenditure classifications viz. Plan & non-Plan and Capital & Revenue and suggest rationalization; and
- Examine the scope for expenditure reforms, including right-sizing of various government departments, public-private partnerships etc. and recommend policy changes

Composition of Sub-Group

The Composition of the Sub-Group and its Members are as follows:

1. Shri Valluri Narayan – Chairman

Members:

2. Dr. N.J. Kurian, Director, Council for Social Development, New Delhi

1. Smt. Rita Mitra, Principal Director, CAG, New Delhi
2. Finance Secretary, Andhra Pradesh
3. Finance Secretary, Bihar
4. Finance Secretary, Chhattisgarh
5. Finance Secretary, Haryana
6. Finance Secretary, Jammu & Kashmir
7. Finance Secretary, Jharkhand
8. Finance Secretary, Kerala
9. Finance Secretary, Madhya Pradesh
10. Finance Secretary, Punjab
11. Finance Secretary, Rajasthan
12. Finance Secretary, Tamil Nadu
13. Finance Secretary, Uttaranchal
14. Convener: Shri S. Lakshmanan, Director (Financial Resources) Planning Commission

The Committee held two meetings on August 23, 2006 and September 12, 2006 to discuss the various issues. The list of Members/ Participants are at Annex.

1. Approach & Methodology

The guiding principle was to project as realistic estimates as possible within the constraints of time and ready availability of data rather than boost the plan size by projecting overly optimistic estimates of resources (by playing down expenditures). In fact, it is better to err on the side of caution and conservatism and have larger resources for the plan—should the estimates actually prove to have depressed available resources—than to project optimistic estimates which if proved wrong would result in curtailing the plan size.

The approach of the Committee was consensual based on discussions and recall of Twelfth Finance Commission's recommendations, tempered by the on-the-ground experience of finance secretaries.

The major items of expenditure of states are salaries, pension and interest, which claim an overwhelming proportion of states' revenues and account for the bulk of their expenditures, and even more so of non-plan expenditures. It makes sense therefore to project these expenditures separately. Maintenance expenditures are often neglected in view of their classification as non-plan expenditure and need to be protected, which the 12 FC also recognised and tried to provide for accordingly. The terms of reference of the Committee also require it to keep in mind the devolution to urban and rural local bodies. Therefore, estimates of maintenance and transfers to local bodies have also been separately estimated too. To these are added the residual non-plan revenue expenditure projected over the plan period to arrive at the estimates of the totality of non-plan revenue expenditure.

The states were also separately asked to provide estimates of these expenditures to cross-check, and rectify if justified and necessary, wide variations if any. However, it was decided that if states failed to provide the estimates within the requested time then the approach adopted by the Committee would stand without modification.

Base Year for Projections

The Committee deliberated on what base year to adopt for making the projections and estimates. Though the issue did come up at the meeting on July 15, 2006 of the main committee, no definitive view emerged.

Budget estimates of states are unreliable given that wide variations usually emerge between budget estimates and revised estimates, and also between revised estimates and actuals. So, 2006-07 as a base year should normally be discarded for that reason. Ideally, actuals should be adopted. But actuals are currently available for states only for 2004-05. Though actuals or pre-actuals for 2005-06 for most states may be available with CAG / RBI, they may not officially be available till after our work is scheduled to be completed. Adopting 2004-05 would be going too far back; besides, they would not reflect the effect of the Twelfth Finance Commission's (12 FC's) recommendations. 2006-07 would reflect the effect of 12 FC's recommendations in regard to debt restructuring (contingent on states enacting FRA), interest payments, maintenance expenditures, etc. The Committee, therefore, decided to go by 2006-07 BE figures (though suspect) but moderate them, if necessary, by observed variances between BE and actuals of recent years. It appears that projections / estimates for the Tenth Five Year Plan were also based only on BE figures (of 2001-02).

All things considered, the Committee was of the view that it would be best to adopt 2006-07 (Budget Estimates) as the base year for projections / estimates. Moreover, the terms of reference of the Committee require it to keep in view the implementation of the recommendations of the Twelfth Finance Commission.

The Twelfth Finance Commission's recommendation took effect only from 2005-06. Many states enacted the fiscal responsibility act (FRA) only in 2005-06 thus entitling them to the debt restructuring recommended by the Twelfth Finance Commission,

which has an impact on the interest expenditure of states. FRA also imposes a certain fiscal discipline on states to progressively eliminate revenue deficit by 2008-09 and to reduce fiscal deficit to 3 % of GSDP by 2008-09, which inevitably impacts on their expenditure. Maintenance and other expenditures flowing from the Twelfth Finance Commission's recommendations would find better reflection in 2006-07 than in earlier years. Further, 2006-07 would more accurately reflect the salary and pension expenditures of states. Besides, salary, pension and interest expenditure of states constitute an overwhelming proportion of states' non-plan expenditure, which would be better reflected in the budget estimates for 2006-07 than in earlier years.
Thus, all in all, the Committee veered round to the view that 2006-07 would be a better and more realistic basis for estimating the expenditure of states for the plan period.

2. Principles of estimation

Salary (Non-Plan)

The Committee noted that there were 3 categories of states: (i) those that had merged 50 percentage points of DA with basic salary, which many states had done; (ii) those that had yet to merge the DA into the basic salary; and (iii) states like Kerala, Andhra Pradesh, etc. which had set up their own pay commissions and also given effect to their recommendations. The salary expenditure projections would therefore need to be made accordingly.
It was decided to:

- Adopt 'zero attrition rate' as far as employee strength on the whole was concerned (using 2006-07 as base), considering that sizeable recruitment may have to made in some cadres like teachers, health workers etc., which would counter-balance any staff reductions achieved through natural attrition and freeze or cut-back on recruitment in other cadres;
- Compute police expenditure separately (both under salary and non-salary components) given security considerations (naxalite problem, terrorism, etc.) in many states; and
- Make projections for salary expenditure as under:
    - Current salary expenditure (on the base of 2006-07) to grow at 7 % per annum, which allows both for annual increments and periodic (six-monthly) DA increases to compensate for rising prices (this would apply both to states that have merged 50 percentage points of DA into basic pay and those that have not, since the percentage works out more or less to the same in both cases); and
    - ***Provide for likely impact of Sixth Pay Commission.***
- For states like Andhra Pradesh and Kerala, which have constituted and given effect to the recommendations of their own pay commissions, the estimates provided by these states would be adopted.

Impact of Sixth Pay Commission: It was decided to build into the estimates the likely impact of the Sixth Pay Commission as follows:

- *Interim Relief at 5 % of salary expenditure from 2007-08 onwards;*
- *20 % increase in salary expenditure from 2008-09 onwards to reflect the effect of the implementation of the Sixth Pay Commission's recommendations, which would subsume the Interim Relief of 5 % mentioned above. (Note: This percentage is only tentative. The actual percentage to be adopted would be the same as was observed in the case of the Fifth Pay Commission's recommendations, which the Planning Commission would ascertain before making the estimates.); and*

- *Expenditure on account of arrears relating to giving effect to the Pay Commission's recommendations would be spread out over the next 2 years.*

  However, it was subsequently decided (at a meeting of the Chairman of the Sub-committee on States' Resources and the Chairpersons of the Sub-groups) to work out the estimates for the Eleventh Plan period without including the impact of the assumptions made for revision due to Pay Commission recommendations as it would distort the normal growth path in the salary expenditure. The impact of increase in non plan revenue expenditure due to revision was worked out separately which provides the expenditure requirement for one percent increase during 2007-08 to 2010-11, depending on the time period when the interim relief, implementation of the Pay Commission's recommendations and payment of arrears is proposed by the different States.

Pension

As in the case of projections for salary expenditure, it was agreed that projections for pension expenditure would need to take note of three distinct components; viz. (i) projection of base pension expenditure; (ii) adjustment for periodic (six-monthly) grant of dearness allowance; and (iii) provision for likely impact of Sixth Pay Commission. However, in the case of pensions, there is an added dimension because of revised pension policy for new entrants into government.

Existing Pensioners: It was noted that some states had registered high growth rates in pension expenditure in recent years, one reason for which (as in the case of Tamil Nadu) was the skewed age-profile of employees with large numbers in the higher age-groups. It was therefore decided that the average of the last two years' growth rate be applied to the base year 2006-07. This would take care of increases on account of periodic DA revisions as it would be subsumed in the growth rate to be applied. Therefore, no further provision need be made for revisions in DA.

New entrants into government: With a new pension scheme (defined contributions instead of defined benefits) being adopted for new entrants in government, states would have to shoulder additional pension expenditure relating to pension-related contributions for such employees. Since on an average about 3 % of employees would retire every year (assuming of course even distribution in the age-profile of employees) and since new recruits to fill these vacancies would be entering at the lowest range of pay scales, it was agreed that provision be made for 3 % of the employee strength and for 10% of the average basic salary at the lowest of the scale— 10 % representing the contribution required to be made by the state. (The average basic salary is estimated at about Rs.4000 per month, 10 % of which comes to Rs.400 per month, which for 12 months would amount to Rs.4800, or say Rs.5000 per annum for 3 % of the current employee strength.). **However, as the information on number of employees could not be ascertained for each State it has not been worked out separately.**

Adjustment for impact of Sixth Pay Commission: The Committee was of the view that it would be difficult to second-guess whether the Pay Commission would, like its predecessor, re-align basic pensions for existing pensioners to correspond to revised salary scales for serving employees. It therefore decided not to make any provision for 'wage-indexation' of pensions. But provision would be made for periodic revisions of dearness allowance, which is subsumed in the growth rate discussed above.

However, though it is being assumed that there would be no 'wage indexation' for pensioners and no provision is explicitly being made on this account, there would still be an impact on pensions because of wage revisions of serving employees. For, serving employees on the verge of superannuation would benefit from the wage revisions of the Sixth Pay Commission, which would feed into the pension bill soon thereafter. States like Tamil Nadu and Andhra Pradesh, for instance, report that there would be large number of retirements in the next 4 to 5 years. The Committee was therefore of the view that all things considered it would safe to provide for 5 % Interim

Relief in 2007-08 as in the case of salaries above and for a jump of 15 % in the pension expenditure from 2008-09 onwards (as opposed to 20 % in the case of salaries).

However, as in the case of salary expenditure, in the actual calculations a departure has been made from the above agreed principles. In the case of pension expenditure too, the impact of the possible increase due to Pay Commission recommendations, which would be adopted by the individual States would vary depending on the time period when it is recommended. The possible increase in non plan revenue expenditure due to one per cent increase has been worked out similar to that for the salaries.

Interest

Ideally, interest expenditure should be calculated in two streams: first, on the outstanding stock of existing debt, which is known and on which the interest rates and repayments are known and hence possible to estimate precisely; and secondly, on fresh debt incurred each year which would be reflected in the fiscal deficit from year to year. But given the time constraint, the Committee thought that it would not be possible to carry out such a detailed exercise.

The Committee noted that (a) interest rates were firming up and (b) substantial portion of states' indebtedness was on account of small savings loans, which carried an interest rate of 9.5 % per annum. Further, the interest burden was generally observed to be about 10 % of outstanding debt. In the light of this, it was of the view that computing interest expenditure at 10 % of outstanding debt (at the end of the previous year) would be appropriate.

The Committee noted that barring 2 or 3 states, most states had passed fiscal responsibility legislation, which mandates progressive reduction of fiscal deficit to 3% of GDP / GSDP by 2008-09, with annual targets. The Committee therefore decided that the fresh debt to be incurred by states be pegged at these levels as percentages of their respective GSDP, and at 3% of GSDP from 2008-09 onwards, and interest expenditure be calculated at 10% of outstanding debt for each year. In regard to states that have not implemented FRA, the calculations were to be made assuming that there would be progressive reduction of fiscal deficit to 3 % of GSDP by 2008-09 from the current level of fiscal deficit.

Maintenance

Because of the invidious classification of plan and non-plan expenditure, maintenance expenditures have long been a casualty in the allocation of funds. The Twelfth Finance Commission (12 FC) has not only estimated the desirable levels of maintenance expenditures for different states under different heads but has also recommended grants to some states for different maintenance expenditures.

The Committee, therefore, decided to adopt the maintenance expenditures indicated by the 12 FC for different states and add the year-wise maintenance grants of 12 FC, if any, under that head. For the years beyond the period of the 12 FC report, a growth rate of 10 % would be applied each year.

(Non-Plan)Transfers to Local Bodies

Most, if not all States, periodically constitute state finance commissions for sharing of revenues with and transfer of resources to local bodies. Obviously, it is beyond the capacity of this Committee to estimate the desirable levels of transfers to the local bodies in different states. The Committee, therefore, decided to adopt the amounts of transfers in the different states (Major Head 3064) to local bodies in the base year (2006-07) and to project it by applying a growth rate of 12 % per annum (corresponding to the estimated average annual GSDP growth rate) every year.

It should, however, be noted that if any states have so far not yet given effect to or only given partial effect to the recommendations of their state finance commissions or have under-provided for any other reason, the projected transfers to local bodies would be under-estimated to that extent.

Committed Plan Expenditure

Some reservations were expressed by some states (notably Tamil Nadu and Andhra Pradesh) about adopting 30 % of the revenue plan expenditure of the terminal year of the previous five-year plan as committed non-plan expenditure in the first year of the next Plan, saying that their states had very high revenue component of plan expenditure.

Subsidies

States incur expenditure on different subsidies like food subsidies, power subsidies, transport subsidies etc. but there is no uniformity across states. The Twelfth Finance Commission (12 FC) took note of only food subsidies but did not make provision for any other subsidies of states.

The Committee noted that given the constraint of time it would not be possible to collect details of subsidies from all states, take a view on their desirability and appropriateness, and make suitable estimates thereafter. It was, therefore, decided not to estimate subsidies separately. A none-too-satisfactory consequence of this is that subsidies given by states would be subsumed in the residual non-plan expenditure of states and projected accordingly over the plan period.

This should not, however, be construed as an endorsement by this Committee of the desirability or the level of subsidies granted by states. As a general principle, the Committee recommends a phased reduction of subsidies, with non-merit subsidies being phased out as early as possible.

Residual Expenditure

For residual non-plan revenue expenditure, it was decided to increment the base year (2006-07) expenditure by applying a growth rate of 10 % every year during the plan period. This should provide an adequate cushion for inflation and a little extra for any under provisioning of expenditures because of fiscal constraints.

Other Issues

Plan / Non- Plan classification

The consensus among the Sub-group was that the present classification into Plan and non-Plan was leading to needless distortions in the allocation of resources in an effort to preserve the 'fiction' of a larger plan size and present successively larger Plans. Arguments in this regard are too well known to bear repetition here. The unanimous view was that this distinction should be done away with and instead expenditures be classified only as development and non-development expenditures, which classification is also in use.

Classification of Capital Expenditure

The Committee was given to understand (by representatives of the Comptroller & Auditor General) that this issue was recently examined by the C&AG and appropriate suggestions / recommendations were made. In view of this and also considering the fact that "the accounts of the Union and of the States shall be kept in such form as the President may, on the advice of the Comptroller and Auditor-General of India prescribe"[1] the Committee decided not to re-visit this issue.

Expenditure Reforms etc.

This Sub-group was also to examine the scope for expenditure reforms, including right-sizing of various government departments, public-private partnerships etc. and recommend policy changes.

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[1] Article 150, Constitution of India

The Committee, however, was of the view that this was well beyond its scope, given its tight time-frame. Besides, such an exercise calls for a much wider and detailed study, which in fact should form the subject matter of an independent and in-depth study. Therefore, since in the circumstances, the Sub-group can only give expression to sweeping well-known generalities, it decided not to address this issue.

3. Projections / Estimates of Non-Plan Revenue Expenditure

Though the principles for estimation of states' expenditure have been set out above there were some practical difficulties in faithfully applying these for want of requisite data and budget documents and figures for some states. In the circumstances, some best approximations had to be made using available relevant data (with the Planning Commission).

The Non-Plan Revenue Expenditure (NPRE) for states is presented in the following sub-sections, separately for non-special category states and special category states, for the base year 2006-07 (BE) and for each o f the years of the XI Plan period. *The detailed calculation sheets can be seen in the Appendices. Extracts from these are presented and briefly discussed below.*

First, an overall picture of NPRE is presented, both in rupees crore and as percentages of GSDP to permit meaningful cross-state and across-the-years comparison. The subsequent sub-sections present major components of (non-plan) revenue expenditure, both as percentages of GSDP and as percentages of (estimated) NPRE, separately for non-special category states and special category states. Figures in rupees crore for the major components of expenditure are not presented below for no meaningful comparative inferences can be drawn from these. However, if need be, these can be seen in the detailed calculation sheets in the appendices.

Non-special Category States: The estimated (weighted) average NPRE for non-special category states in the terminal year of the Plan is 10.7% of GSDP. Bihar, Goa, Orissa, and Punjab have considerably higher expenditures in relation to GSDP (ranging between 15 and 17%) than the average for this category. (Table 1). Gujarat has an NPRE to GSDP ratio of only 7.8 %, which is due mainly to its low salary to GSDP ratio, West Bengal is a surprising 'outlier'[2], with an NPRE to GSDP ratio almost two percentage points below the category average,. The figures of Maharashtra at 8.1% is also quite low compared to the average. The data has been included as per 2006-07 BE except a few States for which the information provided at the time of the Annual Plan 2006-07 discussions have been used due to non-availability of disaggregated information.

[2] The term 'outlier' has not been used in its strict statistical sense in this document. It has been loosely used to denote values at the outer end of the ranges under consideration.

Table 1 : Non-Plan Revenue Expenditure - Non Special Category States

Table 1: Non Plan Revenue Expenditure - Non Special Category States -

	Projections (Rs.crore) (excluding Pay Commission impact)						***As percent of GSDP (9% growth)***					
	2006-07 (BE)	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2006-07 (BE)**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Andhra Pradesh	32838	36353	39464	42867	46648	50792	12.4	12.2	11.8	11.4	11.1	10.7
Bihar	17608	18235	19589	21043	22640	24382	22.2	20.6	19.8	19.0	18.3	17.6
Chhattisgarh	6712	7532	8202	8935	9754	10651	13.5	13.6	13.2	12.9	12.6	12.3
Goa	2880	3178	3479	3810	4180	4589	18.4	17.8	17.1	16.4	15.7	15.1
Gujarat	**18455**	**27443**	**29837**	**32499**	**35513**	**38873**	7.5	9.7	9.1	8.6	8.2	7.8
Haryana	**11833**	**13475**	**14728**	**16106**	**17646**	**19342**	10.7	10.8	10.4	10.1	9.8	9.5
Jharkhand	6794	7349	7962	8616	9326	10096	11.9	11.4	10.9	10.5	10.0	9.6
Karnataka	26481	27137	30096	33376	37046	41120	12.1	10.8	10.4	10.0	9.6	9.3
Kerala	21398	23247	24967	26817	28847	31034	17.2	16.6	15.9	15.2	14.6	13.9
Madhya Pradesh	18000	19317	20895	22559	24416	26429	12.3	11.8	11.4	11.0	10.7	10.3
Maharashtra	50826	54804	59369	64514	70192	76412	10.6	10.0	9.5	9.0	8.6	8.1
Orissa	13115	14365	15409	16508	17837	19233	18.5	18.2	17.4	16.7	16.1	15.6
Punjab	20389	23446	25394	27529	29910	32523	16.8	17.2	16.6	16.0	15.5	15.0
Rajasthan	20295	22465	24208	26072	27880	30252	12.7	12.4	11.8	11.2	10.6	10.2
Tamil Nadu	33226	37745	41279	45165	49479	54230	12.6	12.6	12.2	11.8	11.4	11.0
Uttar Pradesh	44002	51778	55915	60442	65479	71000	13.5	14.1	13.6	13.1	12.7	12.3
West Bengal	30074	34471	37156	40117	43419	47068	10.3	10.4	9.8	9.3	8.9	8.5
Total Non Special Category States	***374924***	***422339***	***457948***	***496975***	***540212***	***588024***	***12.4***	***12.3***	***11.8***	***11.3***	***10.8***	***10.4***

	Impact on NPRE – Non Special Category States due to 1% increase due to Pay Commission in a particular year (Rs. Crore)						**Increase as per cent to GSDP**					
	2006-07 (BE)	2007-08	2008-09	2009-10	2010-11	2011-12	2006-07 (BE)	2007-08	2008-09	2009-10	2010-11	2011-12
Salaries		1277	1366	1462	1564			0.04	0.04	0.03	0.03	
Pensions		492	527	563	603			0.01	0.01	0.01	0.01	
Total		1769	1893	2025	2167			**0.05**	**0.05**	**0.05**	**0.04**	

Special Category States: The (weighted) average NPRE to GSDP percentage of special category states in not unsurprisingly much higher than that of non-special category states at 18.6 % in the terminal year of the plan. Jammu & Kashmir (29.3 %), Mizoram (29.5 %) and Sikkim (23.8 %) have considerably higher percentages than the category average.

Table 2 Non-Plan Revenue Expenditure - Special Category States

	Projections (Rs.crore) (excluding Pay Commission impact)						As percent of GSDP (9% growth)					
	2006-07 (BE)	2007-08	2008-09	2009-10	2010-11	2011-12	2006-07 (BE)	2007-08	2008-09	2009-10	2010-11	2011-12
Arunachal Pradesh*	816	900	963	1031	1107	1190	22.9	22.6	21.6	20.7	19.9	19.1
Assam*	9470	10289	11088	11953	12919	13969	16.3	15.9	15.4	14.9	14.5	14.1
Himachal Pradesh	5616	6232	6640	7085	7594	8151	19.6	19.1	17.9	16.8	15.8	14.9
Jammu & Kashmir	8857	9800	10579	11427	12363	13384	32.6	32.6	31.7	30.8	30.1	29.3
Manipur*	1450	1680	1792	1913	2050	2198	25.4	26.5	25.4	24.4	23.5	22.7
Meghalaya	1297	1433	1532	1632	1750	1875	18.4	18.3	17.6	16.9	16.4	15.8
Mizoram*	1041	1194	1270	1352	1444	1543	33.2	34.4	33.0	31.7	30.6	29.5
Nagaland	1592	1778	1901	2034	2184	2347	23.4	23.6	22.7	22.0	21.3	20.7
Sikkim	561	657	700	747	800	857	28.4	29.5	27.9	26.4	25.0	23.8
Tripura	2358	2712	2926	3158	3417	3699	18.4	18.8	18.1	17.5	16.8	16.3
Uttaranchal	5280	6416	6855	7333	7870	8454	23.0	25.1	24.0	23.0	22.2	21.3
Total Special Category States	***38338***	***43090***	***46245***	***49666***	***53499***	***57668***	***21.5***	***21.7***	***20.8***	***20.0***	***19.3***	***18.6***

Salary

Non-special Category States: The average salary to GSDP percentage of Non-special Category States is 3.2 % in the terminal year of the XI Plan. Bihar has a very high percentage of 7.0 % while Kerala and Orissa have percentages of more than 5%. Jharkhand and UP are also high at 4.1%. The ratio for Gujarat at 1.9% is the lowest in 2011-12.

As percentages of estimated / projected NPRE, the category average in the terminal year is 29.5 %. Gujarat has a salary to NPRE ratio of 27.9 % in the terminal year as against a group average of 29.5 %. Bihar (41.1%), Kerala (36.6%) and Orissa (32.7%) have higher salary to NPRE ratios.(Table 2).

Table 2: Salary - Non-Special Category States

State/UT	As percentage of GSDP (9% growth scenario) 2006-07 BE	2007-08	2008-09	2009-10	2010-11	2011-12	As percentage of projected NPRE 2006-07 BE	2007-08	2008-09	2009-10	2010-11	2011-12
Andhra Pradesh	4.2	4.0	3.8	3.6	3.5	3.3	34.0	32.4	30.4	28.9	27.8	27.3
Bihar	8.7	8.3	8.0	7.6	7.3	7.0	39.2	42.2	42.8	42.3	41.7	41.1
Chhattisgarh	4.6	4.4	4.2	4.0	3.8	3.7	33.7	31.7	29.7	28.3	27.1	26.6
Goa	3.7	3.4	3.2	3.0	2.8	2.6	19.9	19.1	18.2	17.4	16.8	16.4
Gujarat	**2.8**	**2.6**	**2.4**	**2.2**	**2.1**	**1.9**	**36.1**	**31.9**	**30.7**	**29.6**	**28.6**	**27.9**
Haryana	3.5	3.3	3.1	3.0	2.8	2.7	32.8	30.4	28.5	27.1	25.8	25.3
Jharkhand	5.4	5.1	4.8	4.6	4.3	4.1	45.3	42.7	37.8	36.2	35.5	34.8
Karnataka	2.9	2.6	2.5	2.3	2.1	2.0	23.5	24.3	22.6	21.2	20.1	19.5
Kerala	6.5	6.2	5.9	5.6	5.3	5.1	37.6	36.8	37.6	37.4	37.0	36.6
Madhya Pradesh	4.1	3.9	3.8	3.6	3.5	3.3	33.6	33.0	32.4	31.3	30.8	30.3
Maharashtra	3.8	3.6	3.4	3.1	2.9	2.7	36.2	35.5	34.7	32.0	30.3	28.6
Orissa	6.2	5.9	5.7	5.4	5.2	5.0	33.4	31.9	32.6	32.7	32.5	32.7
Punjab	4.6	4.4	4.2	4.0	3.8	3.6	27.5	25.2	24.0	23.1	22.3	22.0
Rajasthan	4.2	3.9	3.7	3.5	3.3	3.1	33.0	31.4	29.4	27.5	26.9	26.0
Tamil Nadu	3.6	3.4	3.2	3.1	2.9	2.7	28.8	26.8	25.1	23.7	22.7	22.2
Uttar Pradesh	5.2	4.9	4.7	4.5	4.3	4.1	38.5	34.4	32.5	31.0	29.8	29.5
West Bengal	3.8	3.6	3.4	3.2	3.0	2.8	37.0	34.0	32.1	30.7	29.5	29.2
Total Non Special Category States	**4.2**	**4.0**	**3.8**	**3.5**	**3.3**	**3.2**	**33.5**	**31.3**	**30.9**	**30.5**	**30.0**	**29.5**

Special Category States: The average salary–GSDP percentage of special category states (7.8 %) is about two and half times that of Non-special Category States (3.2 %) in 2011-12, the extreme outliers being Mizoram (14.9 %), Sikkim (11.9 %), Nagaland (11.0 %) and Manipur (10.5 %).

As percentages of projected NPRE the category average in the terminal year 2011-12 is 42.1 %, with highs of 44.3 % and 43.9 % of Meghalaya and Nagaland respectively and a low of 28.6 % of J&K. (Table 3)

Table 3: Salary - Special Category States

	As percentage of GSDP (9% growth scenario) 2006-07 BE	2007-08	2008-09	2009-10	2010-11	2011-12	As percentage of projected NPRE 2006-07 BE	2007-08	2008-09	2009-10	2010-11	2011-12
Arunachal Pradesh*	11.6	11.1	10.7	10.2	9.8	9.3	50.8	48.2	45.1	43.0	41.2	41.1
Assam*	8.3	8.0	7.7	7.4	7.1	6.8	51.0	49.1	45.5	43.0	41.0	40.6
Himachal Pradesh	8.1	7.6	7.2	6.7	6.3	5.9	41.4	39.2	37.2	35.8	34.5	34.5
Jammu & Kashmir	11.4	11.0	10.6	10.2	9.8	9.5	34.8	33.1	31.3	30.0	28.9	28.6
Manipur*	12.7	12.3	11.8	11.4	10.9	10.5	50.1	45.3	42.5	40.6	39.1	39.0
Meghalaya	9.4	9.1	8.8	8.5	8.2	7.9	51.4	42.5	43.0	43.6	46.0	44.3
Mizoram*	17.7	17.1	16.5	16.0	15.4	14.9	53.3	48.6	45.7	43.8	42.2	42.2
Nagaland	13.1	12.6	12.2	11.8	11.4	11.0	55.9	52.3	48.6	46.1	44.1	43.9
Sikkim*	15.5	14.7	14.0	13.2	12.6	11.9	54.6	48.7	45.8	44.0	42.2	42.1
Tripura	9.3	8.8	8.4	8.0	7.7	7.3	50.4	45.9	42.7	40.5	38.6	38.3
Uttaranchal	10.1	9.7	9.3	8.9	8.6	8.2	43.9	37.9	36.0	34.7	33.5	33.4
Total Special Category States	**9.7**	**9.3**	**8.9**	**8.5**	**8.2**	**7.8**	**45.1**	**43.0**	**42.8**	**42.7**	**42.4**	**42.1**

Pensions

The estimation of pension expenditure does not strictly follow the principles set out in section 0 for want of ready availability of data.

Non-special Category States: The pensions to GSDP percentage for Non Special category States is lower at 1.1% in the terminal year 2011-12, except for Bihar (2.8 %), Kerala (2.7 %) and Orissa (2.3%). Once again, Gujarat has the lowest percentage of 0.5 %.

Pensions account for 10.6 % of projected NPRE for the Non-special Category States as a whole, with the outliers on the upward side being Kerala 19.3 %, Bihar 16.5 %, Orissa 14.9 % and Tamil Nadu 13.8 %.

In the case of Special category states, Pension as percentage to GSDP is 2.1%, while as a percentage to NPRE it is 11.0 per cent in the year 2011-12.

Table 4: Pensions - Non- Special Category States

Pensions												
	As percentage of GSDP (9% growth scenario)						***As percentage of projected NPRE***					
State/UT	***2006-07 BE***	***2007-08***	***2008-09***	***2009-10***	***2010-11***	***2011-12***	***2006-07 BE***	***2007-08***	***2008-09***	***2009-10***	***2010-11***	***2011-12***
Andhra Pradesh	1.5	1.5	1.4	1.4	1.3	1.2	12.0	12.2	11.4	10.9	10.4	10.3
Bihar	3.8	3.4	3.2	3.1	2.9	2.8	17.1	17.4	17.2	17.0	16.8	16.5
Chhattisgarh	1.4	1.4	1.4	1.3	1.3	1.2	10.4	10.5	9.8	9.3	8.9	8.8
Goa	0.9	0.9	0.8	0.8	0.7	0.7	4.8	4.8	4.6	4.4	4.3	4.2
Gujarat	0.8	0.7	0.6	0.6	0.5	0.5	10.1	8.4	8.1	7.8	7.5	7.3
Haryana	1.0	1.0	1.0	0.9	0.9	0.8	9.7	9.5	8.9	8.5	8.1	7.9
Jharkhand	1.4	1.3	1.3	1.2	1.1	1.1	11.6	11.2	9.9	9.5	9.3	9.1
Karnataka	1.2	1.2	1.1	1.0	0.9	0.9	10.1	10.8	10.0	9.5	9.0	8.7
Kerala	3.3	3.2	3.1	2.9	2.8	2.7	18.9	19.4	19.8	19.7	19.5	19.3
Madhya Pradesh	1.2	1.2	1.1	1.1	1.0	1.0	9.8	9.9	9.7	9.4	9.2	9.1
Maharashtra	0.9	0.9	0.8	0.8	0.7	0.7	8.7	8.9	8.7	8.1	7.6	7.2
Orissa	2.7	2.7	2.6	2.5	2.4	2.3	14.7	14.5	14.8	14.8	14.8	14.9
Punjab	1.4	1.4	1.3	1.3	1.2	1.1	8.3	8.0	7.6	7.3	7.1	7.0
Rajasthan	1.5	1.5	1.5	1.4	1.3	1.2	12.2	12.2	11.5	10.7	10.5	10.2
Tamil Nadu	2.2	2.1	2.0	1.9	1.8	1.7	17.1	16.6	15.6	14.7	14.1	13.8
Uttar Pradesh	1.4	1.4	1.3	1.3	1.2	1.2	10.3	9.7	9.1	8.7	8.4	8.3
West Bengal	1.2	1.2	1.2	1.1	1.0	1.0	12.0	11.6	10.9	10.5	10.1	9.9
Total Non-Special Category States	***1.5***	***1.4***	***1.4***	***1.3***	***1.2***	***1.1***	***11.7***	***11.3***	***11.1***	***11.0***	***10.8***	***10.6***

Special Category States: In keeping with trend of salaries, the average pensions to GSDP percentage of special category states is about double that of Non-special Category States at 2.1 % in the terminal year 2011-12. The outliers on the upside are Manipur 3.5 %, Mizoram and Nagaland 3.0 % each. As percentage of projected NPRE it is 11.0 % as against 10.6 % of Non-special Category. (

Table 5)

Table 5: Pensions - Special Category States

State/UT	As percentage of GSDP (9% growth scenario) 2006-07 BE	2007-08	2008-09	2009-10	2010-11	2011-12	As percentage of projected NPRE 2006-07 BE	2007-08	2008-09	2009-10	2010-11	2011-12
Arunachal Pradesh*	2.2	2.2	2.2	2.1	2.0	1.9	9.8	9.7	9.1	8.7	8.3	8.3
Assam*	2.2	2.2	2.1	2.1	2.0	1.9	13.6	13.7	12.7	12.0	11.4	11.3
Himachal Pradesh	2.4	2.3	2.2	2.1	1.9	1.8	12.4	12.0	11.4	10.9	10.6	10.5
Jammu & Kashmir	2.8	2.8	2.7	2.6	2.5	2.4	8.6	8.6	8.1	7.8	7.5	7.4
Manipur*	4.0	4.1	3.9	3.8	3.6	3.5	15.8	15.0	14.0	13.4	12.9	12.9
Meghalaya	1.3	1.4	1.4	1.3	1.3	1.3	7.3	6.8	6.8	6.9	7.3	7.0
Mizoram*	3.4	3.4	3.3	3.2	3.1	3.0	10.2	9.7	9.1	8.8	8.4	8.4
Nagaland	3.4	3.5	3.3	3.2	3.1	3.0	14.6	14.3	13.3	12.6	12.1	12.0
Sikkim*	2.2	2.1	2.0	1.9	1.8	1.7	7.6	7.1	6.7	6.4	6.1	6.1
Tripura	2.3	2.3	2.2	2.1	2.0	1.9	12.3	11.8	10.9	10.4	9.9	9.8
Uttaranchal	2.3	2.3	2.2	2.1	2.0	1.9	9.9	9.0	8.5	8.2	7.9	7.9
Total Special Category States	***2.4***	***2.4***	***2.3***	***2.2***	***2.1***	***2.1***	***11.3***	***11.3***	***11.2***	***11.2***	***11.1***	***11.0***

Interest

Non-special Category States: Interest as a percentage of GSDP for Non-special Category States as a whole is estimated to be 2.8 % in the terminal year 2011-12. The outliers on the upside among Non-special Category States are Orissa 4.2 %, Bihar 3.9 %, Uttar Pradesh 3.6 % and West Bengal 3.5 %. Karnataka has the lowest interest to GSDP ratio of 1.6 % with no other state nearly as low.

As percentage of projected NPRE, the average Interest-GSDP ratio is 24.6 % in the terminal year. On the upside are Gujarat 43.0 % followed by West Bengal 36.1 %. Surprisingly, Maharashtra which is generally perceived to have high off-budget borrowings serviced from the budget has a percentage of only 23.0 %. (Table 6)

Table 6: Interest - Non- Special Category States

State/UT	As percentage of GSDP (9% growth scenario) 2006-07 BE	2007-08	2008-09	2009-10	2010-11	2011-12	As percentage of projected NPRE 2006-07 BE	2007-08	2008-09	2009-10	2010-11	2011-12
Andhra Pradesh	3.0	3.1	3.0	3.0	3.0	3.0	24.3	24.9	24.2	23.9	23.8	24.4
Bihar	5.3	4.6	4.4	4.2	4.0	3.9	23.9	23.8	23.5	23.3	23.0	22.7
Chhattisgarh	2.3	2.6	2.6	2.7	2.7	2.7	17.1	19.0	18.8	18.8	18.9	19.6
Goa	2.8	2.8	2.8	2.7	2.7	2.6	15.0	15.6	15.6	15.7	15.9	16.4
Gujarat*	2.8	3.5	3.3	3.2	3.0	2.9	36.7	43.0	42.5	42.3	42.4	43.0
Haryana	2.2	2.5	2.6	2.6	2.6	2.6	20.3	23.3	23.1	23.2	23.5	24.3
Jharkhand	3.2	3.1	3.0	2.8	2.7	2.6	26.8	25.7	23.1	22.5	22.4	22.4
Karnataka*	1.9	1.1	1.3	1.4	1.5	1.6	16.1	10.3	11.7	13.1	14.5	16.1
Kerala	3.6	3.4	3.2	3.1	2.9	2.8	20.7	20.2	20.7	20.6	20.4	20.1
Madhya Pradesh	2.8	2.7	2.6	2.5	2.4	2.4	23.0	22.4	22.3	21.7	21.7	21.7
Maharashtra*	2.6	2.5	2.4	2.3	2.3	2.2	24.2	25.2	25.2	23.9	23.5	23.0
Orissa	5.4	5.1	4.9	4.6	4.4	4.2	29.0	27.5	28.0	28.0	27.7	27.8
Punjab	3.4	4.2	4.1	3.9	3.8	3.7	20.5	24.2	23.3	22.7	22.2	22.3
Rajasthan	3.6	3.3	3.1	2.9	2.7	2.6	28.6	26.4	24.6	22.9	21.6	21.4
Tamil Nadu	2.0	2.4	2.4	2.5	2.5	2.5	16.1	19.0	18.9	19.1	19.5	20.2
Uttar Pradesh	3.1	4.1	4.0	3.8	3.7	3.6	23.3	28.6	27.3	26.5	25.9	26.1
West Bengal	3.8	4.1	3.9	3.8	3.6	3.5	36.5	39.2	37.5	36.4	35.7	36.1
Total Non-spl. Cat	*3.0*	*3.1*	*3.0*	*3.0*	*2.9*	2.8	*24.1*	*25.6*	*25.1*	*24.6*	*24.4*	*24.6*

Special Category States: While the average interest to GSDP percentage of special category states in the terminal year is 4.1 %, much higher than that of Non-special Category States, their average interest to projected NPRE is only 19.1 %, much lower that of Non-special Category States figure of 24.6 % (which probably reflects their very high proportion of grants relative to loans in central transfers). Among the states with higher than average interest burden are Mizoram (6.8 % of GSDP), Sikkim and Uttaranchal (5.5 % of GSDP), Himachal Pradesh (27.6 % of projected NPRE) and Uttaranchal (22.4 % of projected NPRE) in the terminal year 2011-12. (Table 7)

Table 7: Interest - Special Category States

	As percentage of GSDP (9% growth scenario)						As percentage of projected NPRE					
State/UT	2006-07 BE	2007-08	2008-09	2009-10	2010-11	2011-12	2006-07 BE	2007-08	2008-09	2009-10	2010-11	2011-12
Arunachal Pradesh*	5.0	5.3	5.0	4.8	4.6	4.4	21.9	22.8	21.2	20.2	19.3	19.3
Assam*	3.4	3.3	3.3	3.2	3.2	3.2	20.7	20.4	19.4	18.9	18.6	19.0
Himachal Pradesh	6.1	6.3	5.9	5.4	5.1	4.8	31.2	32.5	30.3	28.9	27.7	27.6
Jammu & Kashmir	5.0	5.4	5.2	4.9	4.8	4.6	15.3	16.3	15.3	14.6	14.0	13.9
Manipur*	4.7	6.3	5.9	5.6	5.4	5.1	18.5	23.1	21.3	20.1	19.2	19.0
Meghalaya	3.0	2.8	2.6	2.4	2.2	2.1	16.4	13.1	12.9	12.4	12.7	11.7
Mizoram*	7.0	8.7	8.2	7.7	7.2	6.8	21.0	24.8	22.6	21.1	19.8	19.4
Nagaland	4.1	4.7	4.6	4.4	4.3	4.2	17.6	19.6	18.2	17.4	16.7	16.7
Sikkim	5.3	7.3	6.8	6.3	5.9	5.5	18.5	24.2	22.3	20.9	19.8	19.5
Tripura	2.7	3.7	3.6	3.5	3.4	3.4	14.8	19.2	18.2	17.7	17.3	17.5
Uttaranchal	4.4	6.9	6.5	6.1	5.8	5.5	19.1	27.1	25.2	23.9	22.7	22.4
Total Spl.Category	***4.3***	***4.9***	***4.7***	***4.5***	***4.3***	4.1	***20.0***	***22.2***	***20.8***	***19.9***	***19.2***	***19.1***

Maintenance

Maintenance expenditures have mostly been adopted from the figures of the Twelfth Finance Commission. Maintenance expenditures are generally quite low in relation to both GSDP and projected NPRE, However, the maintenance expenditures of non-special category states both as percentages of GSDP and projected NPRE are seen to be lower than those of special category states. (Table 8 and Table 9)

Table 8: Maintenance - Non-Special Category States

	Non-special Category									
	As percentage of GSDP (9% growth scenario)					As percentage of projected NPRE				
State/UT	2007-08	2008-09	2009-10	2010-11	2011-12	2007-08	2008-09	2009-10	2010-11	2011-12
Andhra Pradesh	0.4	0.3	0.3	0.3	0.3	2.8	2.6	2.4	2.4	2.4
Bihar	0.7	0.7	0.6	0.6	0.6	3.6	3.5	3.4	3.4	3.5
Chhattisgarh	0.7	0.6	0.6	0.6	0.6	4.8	4.4	4.1	4.0	4.1
Goa	0.4	0.4	0.4	0.4	0.3	2.5	2.3	2.2	2.1	2.1
Gujarat	0.3	0.3	0.3	0.3	0.2	4.1	3.9	3.6	3.6	3.6
Haryana	0.4	0.4	0.3	0.3	0.3	3.6	3.3	3.1	3.0	3.0
Jharkhand	0.8	0.8	0.8	0.7	0.7	6.3	5.9	6.0	6.1	6.3
Karnataka*	0.3	0.3	0.2	0.2	0.2	2.6	2.4	2.2	2.2	2.2
Kerala*	0.5	0.5	0.4	0.4	0.4	3.1	3.1	3.0	3.1	3.1
Madhya Pradesh	0.3	0.2	0.2	0.2	0.2	2.1	2.1	2.1	2.1	2.1
Maharashtra	0.3	0.2	0.2	0.2	0.2	2.6	2.5	2.3	2.2	2.1
Orissa	1.6	1.5	1.4	1.4	1.4	8.4	8.5	8.3	8.9	9.4
Punjab	0.6	0.5	0.5	0.5	0.5	3.2	3.0	2.8	2.8	2.8
Rajasthan	0.3	0.3	0.3	0.2	0.2	2.2	2.1	2.0	2.0	2.0
Tamil Nadu*	0.3	0.3	0.2	0.2	0.2	2.2	2.1	1.9	1.9	1.9
Uttar Pradesh	0.5	0.4	0.4	0.4	0.4	3.2	3.0	2.8	2.7	2.8
West Bengal	0.2	0.2	0.2	0.2	0.2	2.0	1.8	1.7	1.7	1.7
Total Non-Spl. Cat	***0.4***	***0.4***	***0.3***	***0.3***	***0.3***	***3.1***	***2.9***	***2.8***	***2.7***	***2.7***

Table 9: Maintenance - Special Category States

	Special Category									
	As percentage of GSDP (9% growth scenario)					As percentage of projected NPRE				
State/UT	2007-08	2008-09	2009-10	2010-11	2011-12	2007-08	2008-09	2009-10	2010-11	2011-12
Arunachal Pradesh*	1.2	1.2	1.1	1.1	1.1	5.4	4.9	4.6	4.5	4.6
Assam*	0.8	0.7	0.7	0.7	0.7	4.8	4.3	4.0	3.9	4.0
Himachal Pradesh	1.2	1.1	1.0	1.0	1.0	6.3	5.9	5.6	5.5	5.7
Jammu & Kashmir	0.7	0.7	0.7	0.7	0.7	2.3	2.1	2.0	2.0	2.0
Manipur*	1.7	1.6	1.6	1.5	1.5	6.4	5.9	5.6	5.5	5.6
Meghalaya	1.5	1.4	1.3	1.3	1.3	6.9	6.9	6.8	7.4	7.3
Mizoram*	1.3	1.2	1.2	1.1	1.1	3.6	3.4	3.2	3.1	3.2
Nagaland	1.7	1.6	1.6	1.5	1.5	7.2	6.5	6.1	6.0	6.1
Sikkim	1.6	1.5	1.4	1.3	1.3	5.3	4.9	4.6	4.5	4.6
Tripura	0.7	0.7	0.6	0.6	0.6	3.8	3.4	3.2	3.1	3.2
Uttaranchal	1.3	1.2	1.1	1.1	1.1	5.0	4.7	4.4	4.4	4.5
Total Spl.Cat	***1.0***	***1.0***	***0.9***	***0.9***	***0.9***	***4.6***	***4.3***	***4.0***	***4.0***	***4.1***

Transfers to Local Bodies

Most if not all states have appointed state finance commissions periodically for recommending transfer of funds to local bodies, though they may have been tardy or negligent in transferring funds to local bodies in accordance with their recommendations. What the Sub-group suggested therefore was to adopt the budget figures of 2006-07 and to increment these each year by 12 %. However, for want of ready availability of figures the expenditure projections have been made having regard to the Twelfth Finance Commission's report, with the estimates for the terminal two years of the XI Plan being incremented by 12 % each year over the previous year.

The estimates give the following results.

Table 10: Transfers to Local Bodies - Non-special Category States

	Non-special Category											
	As percentage of GSDP (9% growth scenario)						As percentage of projected NPRE					
State/UT	2006-07 BE	2007-08	2008-09	2009-10	2010-11	2011-12	2006-07 BE	2007-08	2008-09	2009-10	2010-11	2011-12
Andhra Pradesh	0.1	0.2	0.2	0.2	0.2	0.1	1.2	1.2	1.2	1.2	1.2	1.2
Bihar	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chhattisgarh	0.5	0.5	0.5	0.5	0.5	0.5	3.7	3.6	3.6	3.6	3.6	3.7
Goa	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gujarat	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.6	0.6	0.6	0.6	0.6
Haryana	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.2	0.2
Jharkhand	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Karnataka	0.4	0.4	0.4	0.4	0.4	0.4	3.5	3.8	3.8	3.7	3.7	3.7
Kerala	0.1	0.1	0.1	0.1	0.1	0.1	0.5	0.5	0.5	0.5	0.6	0.6
Madhya Pradesh	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maharashtra	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Orissa	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Punjab	0.2	0.2	0.2	0.2	0.2	0.2	1.3	1.3	1.3	1.3	1.3	1.3
Rajasthan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tamil Nadu	0.6	0.6	0.6	0.6	0.6	0.6	4.7	4.6	4.6	4.5	4.5	4.7
Uttar Pradesh	0.5	0.5	0.5	0.5	0.5	0.5	4.0	3.8	3.7	3.8	3.8	3.9
West Bengal	0.1	0.1	0.1	0.1	0.1	0.1	1.3	1.2	1.2	1.2	1.2	1.3
Total Non-spl. Cat	***0.2***	***0.2***	***0.2***	***0.2***	***0.2***	***0.2***	***1.6***	***1.6***	***1.6***	***1.6***	***1.6***	***1.6***

Table 11: Transfers to Local Bodies - Special Category States

	Special Category											
	As percentage of GSDP (9% growth scenario)						As percentage of projected NPRE					
State/UT	2006-07 BE	2007-08	2008-09	2009-10	2010-11	2011-12	2006-07 BE	2007-08	2008-09	2009-10	2010-11	2011-12
Arunachal Pradesh*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assam*	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Himachal Pradesh	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Jammu & Kashmir	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manipur*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Meghalaya	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mizoram*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nagaland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sikkim	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tripura	0.4	0.4	0.4	0.4	0.4	0.4	2.1	2.0	1.9	1.9	1.9	2.0
Uttaranchal	0.3	0.4	0.4	0.4	0.4	0.4	1.5	1.4	1.4	1.4	1.4	1.5
Total Spl. Cat	***0.1***	***0.1***	***0.1***	***0.1***	***0.1***	***0.1***	***0.4***	***0.4***	***0.4***	***0.4***	***0.4***	***0.4***

It will be seen from the above (Table 10 and Table 11) that both in the case of non-special category and special category states the transfers by states to local bodies are quite meagre, whether measured as a percentage of GSDP or projected NPRE.

Committed Expenditure

By and large the figures given in the Twelfth Finance Commission report have been adopted, and suitably incremented each year over the previous year.

The estimates of expenditure as percentages of GSDP and projected NPRE for non-special category states and special category states can be seen in Table 12 and Table 13 respectively.

Table 12: Committed Expenditure- Non-special Category States

	Non-special Category									
	As percentage of GSDP (9% growth scenario)					As percentage of projected NPRE				
State/UT	2007-08	2008-09	2009-10	2010-11	2011-12	2007-08	2008-09	2009-10	2010-11	2011-12
Andhra Pradesh	1.0	1.0	0.9	0.9	0.8	8.1	7.6	7.3	7.0	6.9
Bihar	0.6	0.6	0.6	0.5	0.5	3.2	3.1	3.1	3.1	3.0
Chhattisgarh	1.2	1.1	1.1	1.1	1.0	8.6	8.1	7.7	7.4	7.3
Goa	0.3	0.3	0.2	0.2	0.2	1.5	1.4	1.4	1.3	1.3
Gujarat	0.4	0.4	0.3	0.3	0.3	5.0	4.8	4.7	4.5	4.4
Haryana	0.4	0.4	0.4	0.3	0.3	3.7	3.5	3.3	3.2	3.1
Jharkhand	0.5	0.5	0.5	0.5	0.5	3.9	3.6	3.6	3.7	3.8
Karnataka*	0.7	0.6	0.6	0.5	0.5	6.1	5.7	5.4	5.1	5.0
Kerala*	1.0	0.9	0.9	0.9	0.8	5.9	6.1	6.1	6.0	6.0
Madhya Pradesh	0.7	0.7	0.7	0.6	0.6	6.1	6.0	5.8	5.7	5.7
Maharashtra	0.2	0.2	0.2	0.2	0.2	2.4	2.3	2.2	2.1	2.0
Orissa	0.3	0.2	0.2	0.2	0.2	1.4	1.4	1.5	1.5	1.6
Punjab	0.4	0.4	0.4	0.3	0.3	2.2	2.1	2.0	2.0	2.0
Rajasthan	0.3	0.3	0.3	0.3	0.2	2.2	2.1	2.0	2.0	2.0
Tamil Nadu*	0.5	0.4	0.4	0.4	0.4	3.7	3.5	3.3	3.2	3.1
Uttar Pradesh	0.4	0.4	0.4	0.3	0.3	2.7	2.6	2.5	2.4	2.4
West Bengal	0.2	0.2	0.2	0.2	0.2	2.0	1.9	1.8	1.8	1.7
Total Non-sp..Cat	***0.5***	***0.5***	***0.4***	***0.4***	***0.4***	***3.9***	***3.8***	***3.6***	***3.5***	***3.4***

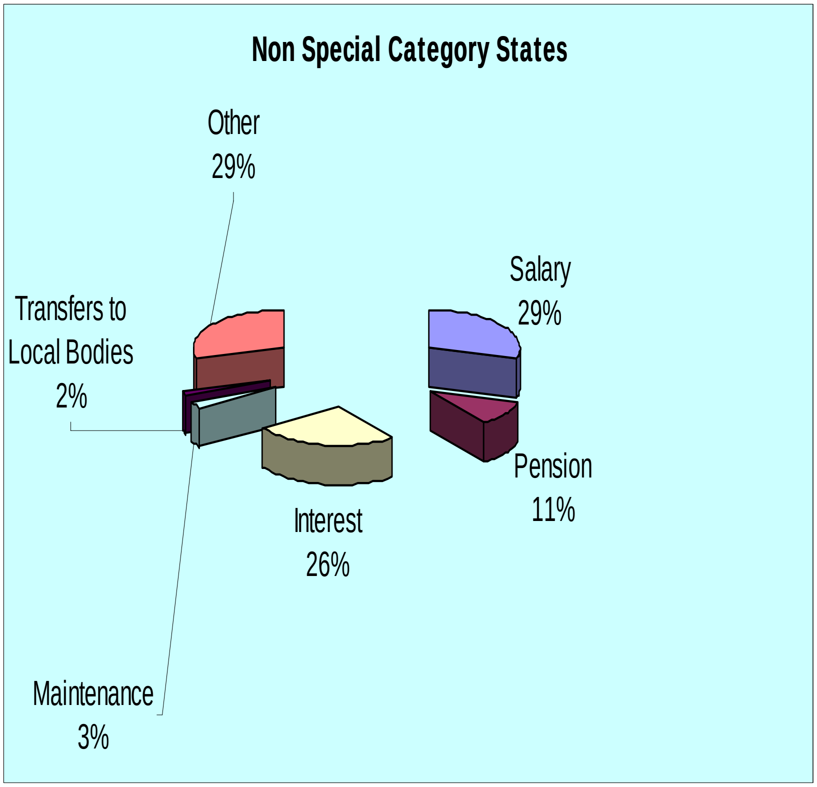
Table 13: Committed Expenditures - Special Category States

	Special Category States									
	As percentage of GSDP (9% growth scenario)					As percentage of projected NPRE				
State/UT	2007-08	2008-09	2009-10	2010-11	2011-12	2007-08	2008-09	2009-10	2010-11	2011-12
Arunachal Pradesh*	1.1	1.1	1.0	1.0	1.0	4.9	4.6	4.4	4.3	4.3
Assam*	0.5	0.5	0.5	0.5	0.5	3.3	3.0	2.9	2.8	2.8
Himachal Pradesh	0.3	0.3	0.3	0.3	0.2	1.6	1.5	1.5	1.4	1.4
Jammu & Kashmir	0.4	0.4	0.4	0.4	0.4	1.3	1.3	1.2	1.2	1.2
Manipur*	0.5	0.5	0.4	0.4	0.4	1.7	1.6	1.6	1.5	1.5
Meghalaya	0.7	0.7	0.7	0.7	0.6	3.4	3.4	3.5	3.7	3.6
Mizoram*	0.8	0.8	0.8	0.7	0.7	2.3	2.2	2.1	2.0	2.0
Nagaland	0.5	0.5	0.4	0.4	0.4	1.9	1.8	1.7	1.7	1.7
Sikkim	1.4	1.3	1.2	1.2	1.1	4.5	4.3	4.1	4.0	4.0
Tripura	0.2	0.2	0.2	0.2	0.2	1.2	1.1	1.1	1.0	1.0
Uttaranchal	0.6	0.6	0.6	0.6	0.5	2.5	2.4	2.3	2.2	2.2
Total Spl. Cat	***0.5***	***0.5***	***0.5***	***0.4***	***0.4***	***2.3***	***2.1***	***2.1***	***2.0***	***2.0***

Conclusion

The composition of Non-Plan Revenue Expenditure of Non-special Category States shows that Salary, Pension and Interest together claim 66 % of the projected expenditure in 2011-12, while maintenance and transfers to local bodies account for 3 % and 2 % respectively. (Chart 1)

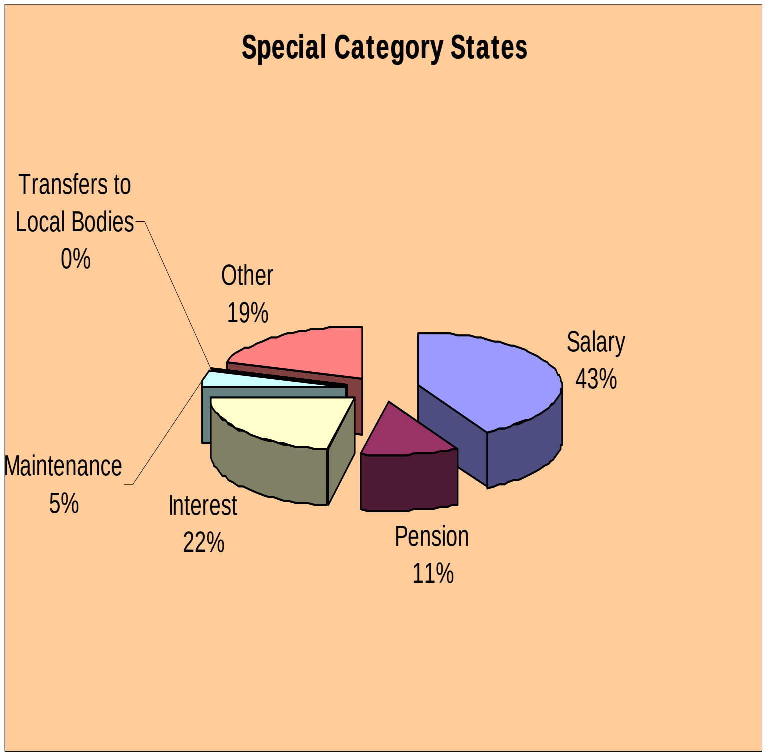
Chart 1: Expenditure Composition - Non-special Category States



Other expenditure would include establishment expenditure (besides salaries and pensions), subsidies, grants / transfers to state enterprises (to cover losses etc.) and so on.

As for Special Category States, the proportion of projected expenditure in 2011-12 claimed by Salary, Pensions and Interest is much higher at 76 %. While expenditure on maintenance is marginally higher than for non-special category states, that on transfers to local bodies is very negligible. (Chart 2).

Chart 2: Expenditure Composition - Special Category States.



As stated earlier, the approach of the Sub-group was to consider broad categories of non-plan expenditure which constitute an overwhelming proportion of non-plan expenditure rather than get into individual items of expenditure. The principles adopted by the group were consensually evolved with a view to arriving at as realistic estimates as possible, given the constraints of time and availability of data, rather than try to project optimistic estimates to boost the plan size. However, not all the principles of estimation decided on by the group could be fully applied, for want of timely availability of data.

Participants & List of Meetings