



Government Of Tamilnadu

ABSTRACT

Second State Finance Commission's Recommendations – Reserve, Equalisation and Incentive Fund to Urban Local Bodies – Sharing of funds between the Municipal Corporations, Municipalities and Illrd Grade Municipalities – Guidelines to be followed – Ordered – Financial sanction for the year – 2005-2006 – Accorded.

MUNICIPAL ADMINISTRATION & WATER SUPPLY (MA.II) DEPARTMENT.

G.O.(4D)No.3

DATED: 20.3.2006

READ:

1. G.O.Ms.No.284, Finance (FC.IV) Department, dated 12.8.2002.
2. G.O.(4D)No.5, Municipal Administration and Water Supply Department, dated 29.3.2004.
3. From the Commissioner of Municipal Administration, Letter Roc.No.62875/2005/LA3, dated 26.12.2005.

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 the total devolution 87% is earmarked as devolution grant and the balance 13% towards, Reserve, Equalisation and Incentive Funds.

2. In the Government Order second read above, guidelines have been prescribed for utilising the Reserve, Equalisation and Incentive Funds from 2003-2004.

3. The Provision Made in Budget Estimate 2005-2006 for the Urban Local Bodies which include the Portion for Special Village Panchayats is inclusive of a provision of 13% towards utilisation of incentive, equalisation and reserve funds which works out to Rs.8463.00 lakhs.

4. The Commissioner of Municipal Administration in his letter third read above has suggested some revised guidelines for the 13% of Reserve, Equalization and Incentive fund for the year 2005-2006. The Commissioner of Municipal Administration has also stated that taking into account of the present priority

of requirements of Municipalities, some modifications has to be effected for the existing guidelines so as to distribute the fund to the Urban Local Bodies on need basis. He has therefore suggested the revised guidelines to be followed for the release of fund for the year 2005-2006.

5. The Government after careful examination accord sanction for a sum of Rs.5137.0253 lakhs towards the Reserve, Equalisation and Incentive Funds in 2005-2006 as detailed below:

	(Rs.in lakhs)	(Rs.in lakhs)
RESERVE FUND (2%)	Rs.1036.3996	
i. Collectors Development Fund (50%)		Rs.518.1998
ii. Rainwater Harvesting (50%)		Rs.518.1998
EQUALISATION FUND (6%)	Rs.2236.7049	
i. IIIrd Grade Municipalities (6.93830433%)		Rs.215.7257
ii. Municipalities (34%)		Rs.1057.1276
iii. Corporations (31%)		Rs. 963.8516
INCENTIVE FUNDS (5%)	Rs.1863.9208	
i. IIIrd Grade Municipalities (6.93830433%)		Rs.179.7714
ii. Municipalities (34%)		Rs.880.9397
iii. Corporations (31%)		Rs.803.2097

6. In partial modification of guidelines issued in the G.O. second read above, the Government direct that the sum of Rs.5137.0253 lakhs sanctioned in para 5 above should be utilised, by adopting the guidelines, as detailed below, for the year 2005-2006.

A. RESERVE FUND:-

(i) The Reserved Fund will consists of two components:-

i) District Collector's Development Fund.

ii) Rain Water Harvesting, Water Supply Augmentation and Maintenance of Assets.

(i) District Collector's Development Fund.

1. 50% of the Reserve Funds shall be earmarked and placed at the disposal of the District Collectors (except Chennai) to take up community infrastructure development works based on priority needs.

2. Only capital works that result in new asset creation and is useful for the community at large shall be taken up 75% may be earmarked for capital assets creation. The balance 25% shall be for augmentation of drinking water supply and maintenance of assets.

3. Maintenance work shall be accorded lower priority and can be taken up by the Collector depending on emergent needs.

4. The share of the districts may be decided based on the number of Town Panchayats and Municipalities in each district and the Corporations. Inter-se-distribution between Urban Local Bodies will be on the discretion of the Collector based on needs of Urban Local Bodies and the priority of works to be taken up. The Commissioner of Municipal Administration will distribute the funds based on the above norms. The fund may be operated by the District Collector through separate Personal Deposit Account.

ii) Rain Water Harvesting:-

1. The balance 50% Reserve Fund shall be earmarked for Rain Water Harvesting, Water Supply Augmentation and Maintenance of Assets.

2. The apportioning of the Rain Water Harvesting fund shall be based on the number of Urban Local Bodies and Commissioner of Municipal Administration will distribute the funds to all Districts except Chennai.

3. The fund shall be utilised for desilting Tanks, Ponds, Ooranies and Kuttais and deepening of existing wells belonging to Urban Local Bodies.

4. The Commissioner of Municipal Administration will identify the nature of rain water harvesting work to be taken up in the Urban Local Bodies and accord sanction for the same.

B. EQUALISATION FUND:-

The equalisation fund shall be shared between Illrd Grade Municipalities, Municipalities and Corporations in the same ratio as the overall Second State Finance Commission devolution. The amount shall be divided as below:

i) Election Fund:

Actual amount spent in 2001 Local Bodies Elections + 25% to cover additional costs can be earmarked for an Election fund to be maintained by the Commissioner of Municipal Administration to provide for the conduct of Local Bodies Election in 2006.

ii) Urban Development Funds (Balance for the Equalisation Fund):

The balance amount after earmarking the requirement for the election fund may be distributed as follows:-

(a) 75% for capital grants for UGD Scheme for selected Municipalities.

(b) 12.5% for Urban Local Bodies with low population density and geographical disadvantages.

(c) 12.5% for Urban Local Bodies with low per capita tax base.

C. INCENTIVE FUND:-

The fund shall be apportioned to 3rd Grade Municipalities, Municipalities and Corporations in the same ratio as the overall Second State Finance Commission devolution.

(i) With regard to 3rd Grade Municipalities, Municipalities and Corporations the following formula shall be adopted.

(a) 50% may be allocated for sanitation, including storm water drainage. (since modified)

(b) 25% may be allocated as incentive for Property tax collections to Urban Local Bodies which achieves 85% of current collection and 60% arrears collection.

(c) 25% may be allocated for achieving prompt debt repayment.

GENERAL

(a) Any unspent amount, In any of the funds as on the last day of February of each year should be pooled in the last month of the financial year and taken to general devolution and distributed based on the formula.

(b) The funds should be utilised for the purpose for which it is sanctioned.

7. The Commissioner of Municipal Administration is authorised to draw and apportion the Collectors Development Fund under the Reserve Funds sanctioned 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 as per the guidelines prescribed in para 6 above. The Commissioner of Municipal Administration is also authorised to draw the reserve, equalisation and incentive funds other than Collectors Development Fund and to disburse it to the Urban Local Bodies.

8. The Reserve, Equalisation and Incentive Funds sanctioned above shall be debited to the following head of account.

Municipalities:

3604-00-compensation and assignments to Local Bodies and Panchayat Raj Institutions – 192-Assistance to Municipalities, Municipal Councils and Assignments – I.Non-Plan AA – Grants to Municipalities as per the recommendation of the State Finance Commission – controlled by Director of Municipal Administration – 09 – Grants –in-aid-09. Others (D.P.Code 3604 00 192 AA 0992).

Illrd Grade Municipalities:

3604-00-compensation and assignments to Local Bodies and Panchayat Raj Institutions – 192-Assistance to Municipalities, Municipal Councils I.Non-Plan AB-Grants as per the recommendation of the State Finance Commission to Illrd Grade Municipalities – Controlled by Commissioner of Municipal Administration – 09-Grants-in-aid-09. Others (D.P.Code 3604 00 192 AB 0990).

and

Corporations:

3604-00-compensation and assignments to Local Bodies and Panchayat Raj Institutions – 191-Assistance to Municipal Corporations – I.Non-Plan AA-Grants to Municipal Corporations as per the recommendation of the State Finance Commission – controlled by Director of Municipal Administration – 09 – Grants-in-aid-09-Others (D.P.Code 3604 00 191 AA 0994).

9. Necessary funds will be provided under the sub-detailed head of account by reappropriation from the provision made under the detailed head of account 09 Grants-in-aid in FMA/FSE 2005-2006, the Commissioner of Municipal Administration is authorised to incur expenditure under the sub-detailed heads of account mentioned in para 8 above.

10. This order issues in the concurrence of Finance Department vide its U.O.No.17461/Fin.(MAWS) Department, dated 17.3.2006.

(BY ORDER OF THE GOVERNOR)

**M. SHEELA PRIYA,
SECRETARY TO GOVERNMENT**

To

The Commissioner of Municipal Administration, Chennai - 5.

The Accountant General, Chennai - 18.

The Accountant General, Chennai - 35.

The Pay and Accounts Officer (North), Chennai-1.

The Pay and Accounts Officer (East), Chennai-5

Copy to :The Finance (FC.IV) / MAWS / Budget) Department, Chennai-9.

The MA & WS (Budget) Department, Chennai-9.

The Rural Development Department, Chennai-9.

// Forwarded by Order //

**sd/- xxxxx
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