

हिमाचल प्रदेश सरकार
वित्त विभाग

**GOVERNMENT OF HIMACHAL PRADESH
FINANCE DEPARTMENT**

व्याख्यात्मक विवरणिका बजट
2008-2009

हिमाचल प्रदेश सरकार

**EXPLANATORY MEMORANDUM
ON THE
BUDGET
OF THE**

**HIMACHAL PRADESH GOVERNMENT
FOR THE YEAR 2008-2009**

(हिमाचल प्रदेश विधान सभा में प्रस्तुत)
(Presented to the Himachal Pradesh Legislative Assembly)

**07 मार्च, 2008
07th March, 2008**

PRINTED BY THE CONTROLLER, PRINTING & STATIONERY, HIMACHAL
PRADESH, SHIMLA-5

CONTENTS

- I.** Understanding the Budget
- II.** Overall Indicators in Understanding the Budget
- III.** Analysis of Tax and Non-Tax Revenue
- IV.** Analysis of Expenditure
- V.** The Sectoral Break up of Plan
- VI.** Liabilities of the State
- VII.** Details of Guarantees extended by the State Government.
- VIII.** Statement showing Major Head-wise and Demand-wise allocation of Budget.

EXPLANATORY MEMORANDUM ON THE BUDGET

I. UNDERSTANDING THE BUDGET

In accordance with article 202 of the Constitution of India every State Government is required to present a statement of the estimated receipts and expenditure of the State for the financial year before the State Legislature. This statement of estimated receipts and expenditure is called "**Budget**". The estimates of expenditure show charged and voted items of expenditure separately and distinguish expenditure on revenue accounts, from other expenditure. Conventionally following documents form part of the budget set:

1. *Annual Financial Statement.*
2. *Estimates of Receipts.*
3. *Demands for Grants along with Schedule of New Expenditure.*
4. *Explanatory Memorandum on the Budget*
5. *Schedule of New Expenditure (Plan) Appendices.*
6. *Budget in Brief.*
7. *Forms under Fiscal Responsibility & Budget Management (FRBM) Rules, 2005.*
8. *Economic Review of Himachal Pradesh.*
9. *Report on Government Commercial Undertakings.*
10. *Chief Minister's Budget Speech.*

A brief description of the contents of above documents is given below:

1. **Annual Financial Statement (Budget):**

The core of the budget is called the Annual Financial Statement. The Annual Financial Statement (Budget) gives the statement of estimated receipts and expenditure of the State for each financial year running from April, 01 to March, 31. This Statement shows the receipts and payments of government under the three parts in which government accounts are kept:

- a) *Consolidated Fund.*
- b) *Contingency Fund.*
- c) *Public Account.*

a) **The Consolidated Fund:**

All revenues received by the government, loans raised by it and also its receipts from recoveries of loans granted by it, form the Consolidated Fund. All expenditure of the government is incurred from the Consolidated Fund and no amount can be withdrawn from the Fund without authorization from Legislative Assembly.

b) **The Contingency Fund:**

As the name suggests, this fund is placed at the disposal of the Government to enable it to meet urgent unforeseen expenditure pending authorization from the Legislative Assembly. The corpus of the fund authorized by the Vidhan Sabha at present is Rs. 5 crore.

c) **The Public Account:**

Besides the normal receipts and expenditure of the government which relates to the Consolidated Fund, certain other transactions enter government accounts in respect of which government acts in the nature of a banker, for transactions relating to provident funds, employees' group insurance and savings funds, other deposits, etc. The money thus received is kept in the Public Account. As the money, generally speaking, does not belong to the government and has to be paid back some time or the other to the persons and authorities who deposited it, the Legislative Assembly's approval for payment from the Public Account is not required.

The receipts in the Annual Financial Statement are shown Major Head-wise with actuals of the year before the immediately preceding year, the budget and revised estimates for the immediately preceding year and budget estimates for next year. Expenditure on the consolidated fund of the State is given demand-wise with voted and charged expenditure shown separately and revenue and capital accounts shown separately. The Annual Financial Statement also contains Major Head-wise details of budgetary allocations.

2. Estimates of Receipts:

While the Annual Financial Statement gives abstract estimates of receipts during the financial year for which the budget is under consideration, the statement of estimates on receipts accompanying the budget document provides details of receipts, department-wise and scheme-wise. The document helps in understanding the nature of the receipts of the State and the nature of change from one year to the next.

3. Demands for Grants along with Schedule of New Expenditure:

A Demand for grant is a proposal made to the legislature on the recommendations of the Governor for appropriation out of consolidated fund of the State, for expenditure other than charged expenditure. This is the form in which estimates of expenditure included in the Annual Financial Statement and required to be voted by the State Assembly, are submitted. The expenditure by all departments in the State being charged to the State budget is included in the document of Demands for Grants. There are 32 Demands for Grants in the budget of Himachal Pradesh. In addition to the statement of demand of funds for particular schemes, each demand for grants also contains a list of sanctioned posts, scheme-wise, along with pay scales.

4. Explanatory Memorandum on the Budget:

The Explanatory Memorandum contains the consolidated information required to assess the financial health of the State. It contains an analysis on various aspects of the budget e.g. revenue receipts and expenditure, revenue deficit and gross borrowings, capital expenditure, CSS expenditure etc. It also contains tables showing growth rates of tax revenues and non-tax revenues over the years. It also given tables on expenditure segregated in terms of Standard Objects of Expenditure (SOE), e.g. salaries, pensions, interest payments, wages, grant-in-aid, subsidies, etc. It also gives an analysis of the expenditure in terms of the percentage of total expenditure of the State contributed by important SOEs. The debt/liabilities position of the State, with details of the extent of debt taken from Government of India, financial institutions and interest bearing/non interest bearing public account, is shown in a tabular fashion. Details of guarantees extended by the State to various Public Sector Undertakings and Autonomous Bodies for obtaining loans from various institutions are exhibited. The Memorandum also lists out the consolidated details of expenditure by demand and major head and the sectoral break-up of plan expenditure.

5. Schedule of New Expenditure (Plan) Appendices:

The document contains list of works to be executed during the financial year. The list of works is given scheme-wise along with initial financial allocation. In the case of continuing schemes, details of estimated costs, year of sanction, etc. are also given.

6. Budget in Brief:

The document gives an overview of the provisions of the budget in a concise form.

7. Forms under Fiscal Responsibility & Budget Management Rules, 2005

In order to ensure greater transparency in its fiscal operations in the public interest, the State Government while presenting the Annual Budget, discloses information as provided under Rules 4, 5, 6 in four Forms. Form-1: Medium Term Fiscal Plan Statement, Form-2 : Accounting Policy and Practices of the State Government, Form-3 : Statement of Guarantees on Long Term Liabilities of State Government & Form-4 : Detail of Number of Employees as on 31st March 2007

8. Economic Review of Himachal Pradesh:

This document prepared by the Department of Economics and Statistics, given the over all picture of the economy of the State, during the year immediately preceding that for which the budget is being presented.

9. Report on Government Commercial Undertakings:

The document given a list of Public Sector Undertakings in the State along with their latest balance sheets and profit and loss accounts in a summarized format for the year preceding to that for which the budget is being presented. It depicts, in brief, the performance of all the State Public Sector Undertakings.

10. Chief Minister's Budget Speech:

The Chief Minister's Speech gives the statement on the policy of the Government along with the priorities of the Government for the financial year for which the Budget is being presented.

II. OVERALL INDICATORS IN UNDERSTANDING THE BUDGET

(Rs. in crore)

	ACTUALS 2006-07	BUDGET ESTIMATES 2007-08	BUDGET ESTIMATES 2008-09
A. REVENUE RECEIPTS			
(i) State's Own	2993.24	2754.17	3532.64
(ii) Central Transfers(including Central Taxes)	4550.33	4408.62	5579.70
(iii) CSS Grants (excluding CSS loans)	291.65	142.66	285.39
TOTAL REVENUE RECEIPTS	7835.22	7305.45	9397.73
B. REVENUE EXPENDITURE			
(i) Non Plan	6237.42	6282.02	8459.00
(ii) Plan	1099.42	1048.57	652.54
(iii) CSS	307.27	225.02	216.26
TOTAL REVENUE EXPENDITURE	7644.11	7555.61	9327.80
NET (Revenue Deficit/Surplus)	191.11	-250.16	69.93
C. CAPITAL RECEIPTS			
(i) Total Borrowings (<i>excluding W&M/ overdraft but includes net PF receipts</i>).	2364.28	2166.02	2924.09
(ii) Recovery of Loans	23.41	22.68	23.17
TOTAL CAPITAL RECEIPTS	2387.69	2188.70	2947.26
D. CAPITAL EXPENDITURE			
(i) Repayment of loans	1311.19	811.42	992.00
(ii) Non-Plan Capital Exp.	68.55	77.43	142.62
(iii) Plan Capital Exp.	894.85	1045.30	1737.64
(iv) CSS	172.16	4.39	152.09
TOTAL CAPITAL EXPENDITURE	2446.75	1938.54	3024.35

III. ANALYSIS OF OWN TAX AND NON-TAX REVENUE

Analysis of State's Own Tax and Non Tax Revenue is important for understanding the growth rates of various constituent of Tax and Non Tax Revenue and the contribution of each of them in State's Own Resources. The details are as under:

Components of State's Own Tax Revenue

(Rs. in crore)

	Actuals 2006-07	%age to Total Tax Revenue	Budget Estimates 2007-08	%age to Total Tax Revenue	Budget Estimates 2008-09	%age to Total Tax Revenue
Land Revenue	1.91	0.12	1.76	0.09	1.85	0.08
Stamp & Regd.	92.47	5.58	90.88	4.66	95.42	4.15
State Excise	341.86	20.64	362.69	18.59	428.61	18.63
Sales Tax	914.45	55.21	1115.00	57.15	1336.81	58.10
Taxes on Vehicles	106.35	6.42	120.00	6.15	136.50	5.93
Passenger's & Goods Tax	50.22	3.03	46.35	2.38	68.67	2.98
Electricity Duty	30.43	1.84	78.22	4.01	90.32	3.93
Other Taxes	118.69	7.17	136.00	6.97	142.80	6.21
Total Tax Rev.	1656.38		1950.90		2300.98	

Components of State's Own Non-Tax Revenue

(Rs. in
crore)

	Actuals 2006-07	%age to Total	Budget Estimates 2007-08	%age to Total	Budget Estimates 2008-09	%age to Total
Power	910.08	68.08	525.00	65.36	886.00	71.94
Forests	45.55	3.41	48.64	6.06	46.94	3.81
Mines & Minerals	48.39	3.62	42.00	5.23	54.53	4.43
Others	332.84	24.90	187.63	23.36	244.19	19.83
Total Non-Tax Rev.	1336.86		803.27		1231.66	

IV. ANALYSIS OF EXPENDITURE

SOE (Standard Object of Expenditure) wise break up of Expenditure of the State alongwith share of each SOE in total expenditure is given below:

S.O.E. WISE EXPENDITURE AS PERCENTAGE TO TOTAL

(Rs. in crore)						
SOE- WISE DETAIL	<u>Actuals</u> <u>2006-07</u>	<u>%age to</u> <u>Total</u>	<u>Budget</u> <u>Estimates</u> <u>2007-08</u>	<u>%age to</u> <u>Total</u>	<u>Budget</u> <u>Estimates</u> <u>2008-09</u>	<u>%age to</u> <u>Total</u>
1 SALARIES <i>(including regular work charged)</i>	2683.33	26.59	2294.60	23.69	3376.42	26.92
2 WAGES	92.44	0.92	95.06	0.98	128.78	1.03
3 GRANT IN AID	400.17	3.97	451.48	4.66	580.56	4.63
4 PENSIONS	911.77	9.04	880.00	9.09	1206.12	9.62
5 INTEREST	1673.85	16.59	1777.78	18.36	1834.40	14.63
6 MAINTENANCE	589.94	5.85	797.80	8.24	868.25	6.92
7 MAJOR WORKS	1001.95	9.93	881.34	9.10	1508.29	12.03
8 INVESTMENTS	21.51	0.21	36.74	0.38	113.33	0.90
9 LOANS/ADVANCES	1334.22	13.22	1182.61	12.21	1564.23	12.47
10 SUBSIDY	343.44	3.40	216.84	2.24	327.77	2.61
11 ESTABLISHMENT RELATED	175.57	1.74	138.44	1.43	157.23	1.25
<i>a) Travel Expenses</i>	25.03	<i>0.25</i>	19.07	<i>0.20</i>	21.19	<i>0.17</i>
<i>b) Office Expenses</i>	68.97	<i>0.68</i>	55.54	<i>0.57</i>	62.86	<i>0.50</i>
<i>c) Motor Vehicles</i>	24.12	<i>0.24</i>	20.99	<i>0.22</i>	22.53	<i>0.18</i>
<i>d) M.R</i>	46.84	<i>0.46</i>	34.56	<i>0.36</i>	39.58	<i>0.32</i>
<i>e) Liveries</i>	0.48	<i>Negligible</i>	0.40	<i>Negligible</i>	0.41	<i>Negligible</i>
<i>f) Rent Rates & Taxes</i>	10.13	<i>0.10</i>	7.88	<i>0.08</i>	10.66	<i>0.08</i>
12 OTHERS	862.66	8.55	931.46	9.62	876.77	6.99
TOTAL	10090.85		9684.15		12542.15	

V. THE SECTORAL BREAK-UP OF PLAN*Rs. in crore)***2008-09**

1	POWER	322.80
2	TRANSPORT	374.15
3	IRRIGATION AND FLOOD CONTROL	296.16
4	WATER SUPPLY	165.40
5	ELEMENTARY EDUCATION	118.02
6	HIGHER EDUCATION	145.90
7	HEALTH & AYURVEDA	132.44
8	AGRICULTURE AND ALLIED ACTIVITIES	251.97
9	RURAL DEVELOPMENT	116.68
10	OTHERS	476.48

TOTAL :**2400.00**

VI. EXPLANATORY NOTE ON DEBT LIABILITIES OF THE STATE GOVERNMENT

The Debt liabilities of the State Government comprises of the following broad categories:

- (i) **Internal Debt:** Internal Debt includes loans taken from market as SLR Borrowing NSSF, HUDCO, NABARD, HDFC, LIC, NCDC, GIC etc. Non SLR Borrowing and interest bearing funds placed in Public Account under Head “8448”
- (ii) **Loans from the Central Government:** These consist of (a) loan component of annual central plan assistance, (b) loan component under various centrally sponsored schemes.
- (iii) **Liabilities on the Public Account:** These include the liabilities outstanding on account of GPF advance of employees and Group Insurance Scheme collection. This is actually money kept in trust with the State Government in the Public Account. In strict definitions, these are trust funds and not debt. However, since the State Government use these funds and bear the interest on them and has to repay the same, it is appropriate to categorize them as debt also.
- (iv) **Other Debt liabilities:** These include liabilities of PSU's owned by the State Government.

VI. LIABILITIES OF THE STATE GOVERNMENT

(Rs. in crore)

Year	Internal* Debt	Loans & Advances from Central Govt.	Total Public Debt	GIS	GPF etc.	Other** Obligations	Total Liabilities
2002-03	6393.12	2521.38	8914.50	100.56	2383.86	1810.55	13209.47
2003-04	9490.41	1536.42	11026.83	109.08	2611.11	1230.54	14977.56
2004-05	12299.79	1097.61	13397.40	118.00	2863.02	1279.98	17658.40
2005-06	12868.46	1070.60	13939.06	127.20	3163.91	1442.81	18672.98
2006-07	13475.99	1019.57	14495.56	137.45	3475.69	1688.50	19797.20

*This figure includes loans taken from Market as SLR Borrowing, NSSF, HUDCO, NABARD, HDFC, LIC, NCDC, GIC etc., Non SLR Borrowing and interest bearing amount placed in Public Account under Head "8448" Non- SLR borrowings.

**It includes Liabilities of PSU's owned by the StateGovernmentccount.

VII. DETAILS OF GUARANTEES EXTENDED BY THE STATE GOVERNMENT

			<i>Rs. in crore</i>
S.No.	Name of Board/Corporation	Max. Amount Guaranteed as on 31.3.2007	Sums Guaranteed & outstanding as on 31.3.2007
1	H.P. Financial Corpn.	125.27	100.60
2	H.P. Handicrafts & Handloom Corpn.	0.60	0.60
3	HPSEB	3271.92	1681.23
4	HPMC	2.00	1.37
5	Agro Industries Corpn.	0.40	0.40
6	HRTC	17.89	17.89
7	Milkfed	7.04	6.41
8	HP Khadi & Vill. Ind. Board	12.00	3.66
9	H.P. SC/ST Corporation	27.00	15.86
10	H.P. Backward Classes Corpn.	15.00	7.24
11	Minorities Fin. Dev. Corporation	10.00	2.57
	Total (A):	3489.12	1837.83
	<i>Cooperation Deptt. (B):</i>	582.24	291.67
G. Total(A+B):		4071.36	2129.50