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A GIST OF MAJOR RECOMMENDATIONS OF THIRD STATE FINANCE COMMISSIONS AND THEIR IMPLEMENTATION STATUS

V. N. ALOK

With the passage of 73rd and 74th Constitutional Amendments in 1993, the process of decentralisation got momentum with greater devolution and delegation of powers to panchayats at various rungs in rural areas and municipalities of different levels in urban areas. The state legislature is responsible to devolve functions, finances and functionaries to local governments enabling them to function as 'institutions of self-government'. New fiscal arrangements necessitate every state under Article 243 I and 243 Y to constitute, at regular intervals of five years, a finance commission and assign it the task of reviewing the financial position of local governments and make recommendations on the sharing and assignments of various taxes and non-taxes and grants-in-aid to be given to panchayats and municipalities from the consolidated funds of states (Alok, 2008).

AFTER about a quarter century of its inception, many State Finance Commissions (SFCs) have submitted their reports to their respective Governor of States. Similar to other government publications, reports of the SFCs are also difficult to obtain. An attempt was made to compile the key recommendations of the first and second generations SFCs (Alok, 2004). In that order, the present compilation attempts to present the major recommendations of the third SFCs. In addition, actions taken by states on these recommendations have also been presented along with each recommendation. Despite significant inter-state variations noticed in the approach and principles adopted by the SFCs, attempt has been made here to categorise the major recommendations of SFCs into the following six categories.

1. Global sharing – Recommendations related to global sharing have found place in this category.

2. Assignment of revenues – Recommendations regarding taxes fully or partly assigned to local governments and proceeds of individual tax(es) transferred to local governments both panchayats and municipalities are placed in this head.
3. Horizontal distribution – Recommendations regarding *inter-se* distribution between Panchayats and Municipalities and among different levels of local governments are listed under this heading.
4. Grants-in-aid – Major recommendations regarding specific purpose grants and general purpose grants to fill the revenue gaps of the local governments are listed here.
5. Functions & functionaries – Recommendations related to the transfer of functions to local governments and concomitant powers including functionaries are mentioned in this category.
6. Others measures – Recommendations which are administrative in nature and other guidelines for the efficient functioning of the system are listed under this head.

Though care has been taken, it is difficult to strictly classify the recommendations as per the above classification. Hence, some overlapping has occurred at few places.

Third Finance Commissions in States at a Glance					
Sl. No.	State	Constitution	Report Submission	ATR Submission	Award Period
1	Andhra Pradesh	Jan-03/ Reconstituted Dec-04	Jan-08	Dec-14	2005-06 to 2009-10
2	Arunachal Pradesh	Not Constituted			
3	Assam	Feb-06	Mar-08	Sep-09	2006-07 to 2010-11
4	Bihar	Jul-04	Nov-07	Mar-07	2003-04 to 2007-08
5	Chhattisgarh	Not Constituted			
7	Goa	Not Constituted			
8	Gujarat	Feb-11	Feb-14	NA	2010-11 to 2013-14
9	Haryana	Dec-05	Dec-08	Sep-10*	2006-07 to 2010-11
10	Himachal Pradesh	May-05	Nov-07	Jun-08*	2007-08 to 2011-12
11	Jammu & Kashmir	Not Constituted			
12	Jharkhand	NA	NA	NA	NA
13	Karnataka	Aug-06	Dec-08	Oct-09*	2011-12 to 2015-16
14	Kerala	Sep-04	Nov-05	Feb-06	2006-07 to 2010-11
15	Madhya Pradesh	Jul-05	Oct-08	Mar-09	2006-07 to 2010-11
16	Maharashtra	Jan-05	Jun-06	Dec-13	2006-07 to 2010-11
17	Manipur	May-13	NA	NA	NA
18	Meghalaya	Exempted under Article 243 M			
19	Mizoram	Exempted under Article 243 M			

20	Nagaland	Exempted under Article 243 M			
21	Odisha	Sep-08	Jan-10	NA	2010-11 to 2014-15
22	Punjab	Sep-04	Dec-06	Jun-07*	2006-07 to 2010-11
23	Rajasthan	Sep-05	Feb-08	Mar-08	2005-06 to 2009-10
24	Sikkim	Mar-09	Nov-09	Mar-10	2010-11 to 2014-15
25	Tamil Nadu	Dec-04	Sep-06	May-07	2007-08 to 2011-12
27	Tripura	Mar-08	NA	Mar-10	2005-06 to 2009-10
28	Uttar Pradesh	Dec-04	Aug-08	Feb-10	2006-07 to 2010-11
29	Uttarakhand	Dec-09	NA	NA	NA
30	West Bengal	Feb-06	Oct-08	Jul-09	2008-09 to 2012-13
* ATR (Action Taken Report), though submitted, is not available.					

Andhra Pradesh Third State Finance Commission
Award Period: 2005-06 to 2009-10

Constitution: December 2004*
Report Submission: January 2009
ATR Submission: January 2014

Global Sharing

- 6.7 % of the total tax and non-tax revenue of the state Government including the share of Central Taxes for the year 2004-05 would be devolved to the Panchayats and Municipalities, the share would be as 72.25 % to the Panchayats and 27.25% to the Municipalities.

[Not Considered]

Assignment of Revenues

- Necessary instructions may be issued to levy maximum house-tax, as per the rules, to enhance revenue under this item.
[Accepted]
- Necessary instructions may be issued to Gram Panchayats (GPs) to levy and collect taxes on advertisements, drainage, and lighting to augment their resources.
[Accepted]
- GPs may levy vehicle tax on all vehicles kept/used in the village (except motor vehicles – being taxed by transport authorities).
[Accepted]

*The Commission was initially constituted on 16.1.2003 but was not functional and could not collect required statistical data from local governments and the concerned departments and was reconstituted with entirely new team on 29.12.2004.

- GPs to levy non-taxes on the income of fruit bearing trees and other products, cart stands, and other remunerative enterprises.
[Accepted]
- GPs to levy special tax on houses at the rates indicated in the Rules.
[Accepted]
- The exemptions granted to the educational institutions from payment of house tax may be withdrawn and permit the Municipalities and Panchayats to levy house tax on all such educational institutions.
[Accepted]

Horizontal Distribution

- An amount of Rs. 42.08 crores per annum may be released from excise income to Panchayats and Rs. 11.92 crore per annum to Municipalities.
[Not Accepted]
- 10% of the income realised towards motor vehicle tax should be released to the Municipalities on an immediate basis.
[Not Accepted]
- 5% of the income of market committees should go to the local governments on the basis of the population, instead of levying 5% extra surcharge.
[Deferred]

Grants-in-Aid

- The per capita grant of GPs may be enhanced from Rs. 4/ to Rs. 8/, MPs from Rs. 8/ to Rs. 16/ and ZPs from Rs. 4/ to Rs. 8/ from 2005-06 onwards.
[Accepted]
- The Government should provide a special grant of Rs. 18 crore per annum for five years for the construction of GP office buildings.
[Treated as fulfilled]
- An amount of Rs.42.08 crore per annum may be released from excise income to Panchayats at least now.
[Not Accepted]
- A special grant of Rs. 30.64 crore per annum at the rate of Rs. 1 lakh to each of 3,064 GPs having population up to 1000, for providing basic civic amenities.
[Treated as fulfilled]

- The per capita grant of the Municipalities and Municipal Corporations may be enhanced from Rs. 8/ to Rs. 12/ from year 2005-06.
[Not Accepted]
- An amount of Rs.11.92 crore per annum may be released from excise income to Municipalities.
[Not Accepted]
- Rs. 20 crore per annum may be released to the Municipalities towards Pension grants.
[No Relevance]
- An amount of Rs. 200 crore may be provided towards requirements for core amenities and released to GPs.
[Treated as fulfilled]
- An amount of Rs.220 crore may be provided annually to the Panchayats for the Rural Water Supply Schemes.
[Not Accepted]
- An amount of Rs.215 crore per annum may be released to the Panchayats for Rural Sanitation.
[Not Accepted]
- An amount of Rs.153 crore may be provided for the construction of Rural Roads and released to Panchayats.
[Treated as fulfilled]
- An amount of Rs.1.42 crore may be provided for providing drinking water facilities in the schools to the Panchayats.
[Treated as fulfilled]
- An amount of Rs.18 crore per annum may be sanctioned for maintenance of Mandal Office Buildings.
[Accepted]
- An amount of Rs. 6.08 crore to be released per annum to the Municipalities for maintenance of Municipal Buildings and Rs. 200 crore per annum may be provided for civic amenities.
[Not Accepted]
- Provision of Rs. 123.12 crore in the budget towards payments of arrears.
[Accepted]
- Release of Rs. 17.50 crore towards increase of half yearly D.A. and revision of pay scale of Municipal Staff.
[No Relevance]

Functions and Functionaries

- The Government may expedite the orders permitting the Panchayat Raj Institutions to advertise the construction of complexes and construct them by taking advance money from the lessee
[Accepted]
- Actions may be taken to re-issue the Rules for the levy of Kolagaram or Katarusum Tax on village produce sold in village.
[Not Accepted]
- An officer to be appointed three months before the constitution of fourth SFC to make all administrative arrangements for the functioning of the Commission.
[Accepted]
- Regional Transport Authorities adjust Motor Vehicle Tax Compensation directly to the Municipal Bodies.
[Not Accepted]
- The Municipalities should have the permission to advertise the construction of commercial complexes and construct them by taking advance money from the lessee.
[Accepted]

Other Measures

- A separate cell in PR & RD Department should be set up exclusively for the work of the SFCs.
[Accepted]
- Necessary instruction may be issued to levy maximum house-tax, as per the rules, to enhance the revenue under this item.
[Accepted]
- Orders may be issued to the Regional Transport Authorities to adjust Motor Vehicle Tax Compensation direct to the Municipal Bodies.
[Not Accepted]
- Rs. 92 lakh per annum recommended by second SFC and accepted by Government may be released to 15 Municipalities in Andhra area for medicines and for the salaries of Medical Officers and staff members.
[Not relevant as already considered]
- Necessary training contents under Social Forestry (Forest Department) to be included in the training modules of the Panchayat Secretaries.
[Accepted]

- Pre-audit system may be introduced in the 748 GPs initially, whose income is above Rs. 10 lakh per annum.
[Panchayat Secretaries may be trained to discharge the pre-audit]
- Clear and specific orders may be issued vesting all poramboke lands in Gram Panchayats.
[Accepted]
- A comprehensive drainage network may be taken up in 20 or 25 select Municipalities by entrusting the work to an expert committee.
[Not Accepted]
- Instructions may be issued on the procedure for the adjustment of the cable tax to the Municipalities and Panchayats.
[Accepted]
- A separate Budget Head may be opened for the 13 Municipal Corporations to provide amounts towards payment of the Property Tax and Water Charges annually on Government Buildings.
[Accepted]

Assam Third State Finance Commission
Award Period: 2006-07 to 2010-11

Constitution: July 2006*
Report Submission: March 2008
ATR Submission: September 2009

Global Sharing

- 25% of the non-loan gross own tax revenue receipt, minus collection expenditure of Government of Assam, should form the divisible pool out of which allocations should be made to Panchayats and Municipalities during the financial years 2008-11.
[Accepted]
- Out of the total amount in divisible pool, 80% will be divided in proportion to actual urban and rural population and 20% would be divided in proportion to the population density of urban and rural areas.
[Accepted]

*Due to certain procedural inadequacies of the original notification dated 06.02.2006; the Commission had to be reconstituted with a fresh notification dated 03.07.2006.

Assignment of Revenues

- At least 50% of the cost of each service should be recovered by user charges (including minor irrigation and drinking water) on the facilities offered by local governments. [Accepted]
- A growth rate of 5% over the budget estimate of non-tax revenue for 2007-08 is recommended for the three financial years 2008-11. [Not Considered]
- An annual growth rate of 11% over the actual devolution of tax from GOI. [Not Considered]

Horizontal Distribution

- The horizontal distribution for the Panchayats between different districts shall be made on the basis of the weighted average of the following three parameters:

Population	50%
Geographical Area	25%
Per Capita District Domestic Product Net of Mining & Quarrying	25%

[Accepted]

- The vertical distribution between the three tiers of Panchayats, i.e, ZPs, APs and GPs will be in ratio of 20:30:50, respectively. [Accepted]
- In case of Municipalities the horizontal distribution among GMC and other municipalities shall be done on the basis of weighted composite index of following:

Population	50%
Area	25%
Index of Infrastructure	12.50%
Per Capita Tax Collection	12.50%

[Accepted]

Grants-in-Aid

- Grant-in-aid of Rs. 46.38 crore to respective ZPs from the state government for the purpose of clearing the arrear dues of Panchayat Secretaries. [Accepted]
- Rs. 204.58 lakh as grants-in-aid for capacity building of GMC and other Municipalities for three financial years 2008-11 at the

rate of Rs. 66.98 lakh for 2008-09, Rs. 66.97 lakh for 2009-10 and Rs. 70.63 lakh for 2010-11.

[*Not Considered*]

- Rs. 9.21 crore to be given as grants-in-aid for the three financial years 2008-11 for the purpose of training and capacity building in Panchayats.

[*Accepted*]

- A total of Rs. 100 crore may be provided as grants-in-aid to ZPs, as nodal agencies, for distribution to APs for construction of multipurpose halls.

[*Accepted*]

- A grant-in-aid of Rs. 12.60 crore to GMC and other Municipalities for construction of cremation and burial grounds.

[*Accepted*]

- Grants-in-aid at the rate of Rs. 1.86 crore per year for the three financial year 2008-11 should be provided to 72 Municipalities including GMC for the construction of public convenience.

[*Accepted*]

- An amount of Rs. 98.80 crore per year should be given as grants-in-aid to the ZPs for repair and maintenance of roads and buildings within their respective jurisdiction during each of the three financial years 2008-11.

[*Accepted*]

- A hike of 5% to non-plan grants from GOI for each of the three financial years 2008-11 over the actual for 2006-07.

[*Not Considered*]

- Revision of valuation of holdings should be regularised and the valuation procedure should be changed from Annual Rated Value to Unit Area Method. Enlargement of tax base should also be taken up.

[*Accepted*]

- Registration of births and deaths should be done by the local governments. They should issue the relevant certificates and realize the fees.

[*Accepted*]

- Decisions to spend money on felt needs should be taken by the local governments in formal meetings when majority of members are present.

[*Accepted*]

Other Measures

- Local governments not to spend devolution money or funds from other specific allocations for the purpose of payment of

honorariums, allowances or any other payments to the members or elected representatives.

[Accepted]

- The Panchayats may defray for office expenditure and other non-plan establishment expenditure out of their devolution and other revenues.

[Accepted]

- Since the local governments are autonomous under the Constitution, their allotted functions must be performed by their own staff and not by any 'provincialised' staff. Hence the system of 'provincialisation' should be completely abolished.

[Not Accepted]

- A quick management study to be initiated to determine the different category of staff required for GMC and other Municipalities.

[Accepted]

- A separate wing for auditing the accounts of local governments.

[Accepted]

- GPs should be reconstituted by merger and reorganisation and their population should not be less than 6000.

[Accepted]

- A Director General of Training should be appointed to supervise the activities of the Assam Administrative Staff College, the State Institute of Rural Development and the AIILSG Branch with the three Directors of the three Institutions assisting him.

[Accepted]

Haryana Third State Finance Commission

Award Period: 2006-07 to 2010-11

Constitution: May 2007*

Report Submission: December 2008

ATR Submission: September 2010

Global Sharing

- 4% of State Own Tax Revenue to be devolved to local governments.
- Own tax revenue has been adopted as the most acceptable component of divisible pool in the scheme of revenue sharing.

*The Governor of Haryana constituted the 3rd SFC of Haryana in four stages dated 22 December 2005, 16 January 2006, 4 December 2006 and 28 May 2007.

- The share of local governments in the divisible pool should be at 4% of the net own tax revenue.
- The local body share should be divided between the Panchayats and Municipalities in the ratio of 65:35.
- The unreleased funds belong to local governments and should be transferred to the Panchayats and Municipalities as per their respective shares in a phased manner.
- Profession tax should be levied and collected by the Excise and Taxation Department and shared with the local governments.

Assignment of Revenues

- Local Area Development Tax (LADT) is already being shared with Panchayats and Municipalities.
- 3% of Stamp Duty to be given to Panchayats.
- Tax on consumption of electricity at the rate of 5p per unit to be levied to the Panchayats.
- If LADT is restored by Supreme Court, its proceeds should continue to be shared with the local governments.
- If LADT is not restored, Entry Tax be levied and the net proceeds be distributed among Panchayats and Municipalities on 50: 50 basis.
- Share of municipalities in stamp duty should be increased to 3% from existing 2% and 3% of the net proceeds of stamp duties coming from rural areas should be the share of Panchayats.
- Tax @ of 5 paisa per unit on electricity consumption to be levied in Panchayat areas and transferred to Panchayats.
- Vacant Land Tax could be levied by Municipalities @ 1.0 to 1.5% of the capital value.

Horizontal Distribution

- Respective share of Panchayats and Municipalities in the total share of 65:35.
- Criteria of distribution of respective shares of Panchayats and Municipalities amongst the districts shall be as follows:

Composite Index	
Constituents	Weight
Population(rural/urban)	40%
BPL Population (rural/urban)	25%
Area	25%
Literacy Gap (rural/urban)	10%
Total	100%

- Share of Panchayats to be distributed among Gram Panchayats, Panchayat Samitis and Zilla Parishads in the ratio of 75: 15: 10.
- The share of Panchayats should be allocated between GPs, PSs and ZPs in the ratio of 75:15:10.
- The *inter se* shares of GPs and PSs within the district should be divided on the basis of natural criterion of population and area with 80% and 20% weight assigned, respectively.
- The *inter se* shares of municipalities at the district level should be worked out by the state government and be passed on to the local governments as untied funds in regular manner, based on their respective proportion of population and area assigning weightage of 80% and 20% respectively.

Grants-in-Aid

- The bulk of resource transfers to local governments should be done through tax sharing and the role of grants-in-aid should be supplementary only.

Functions and Functionaries

- Local governments should have full freedom to levy taxes and fees on advertisements, hoardings, cable operators, micro towers, public schools, coaching centres, technical and commercial institutions and other establishment like shops, restaurants, hotels, etc located in their jurisdiction.
- GPs should impose token tax on hawkers and other traders who sell their goods in the villages.
- Local governments should have full freedom to levy taxes and fees within limits prescribed by law subject to floor or ceiling rates fixed by the State government.
- Exemptions from property tax should be reduced and the property tax should also be levied on non-domestic properties and vacant lands.
- There should be an Assets Management System for municipal assets.
- The collection of taxes could be outsourced to private agencies on 5-10% commission basis.
- The power to levy tax on services must be given to Panchayats as it is an elastic source of revenue.

Other Measures

- The State Government should put in place some other viable alternative source of revenues to compensate the Panchayats for the loss due to abolition of house tax.

- The Government should review its policy of distributing village common lands to individuals, as this affects access of the poor to these common resources and reduces support areas needed by rural communities.
- Effects should be made for commercial exploitation of Shamlat lands by setting up commercial complexes, rural industries and industrial sheds, etc.
- Maximum possible area should be Panchayat for plantation, afforestation, fishing activities, horticulture, floriculture, etc. For augmenting income of Panchayats.
- An Incentive Fund should be created at the district level each for Panchayats and Municipalities. 10% of annual entitlement of Panchayats and Municipalities should be retained in the Incentive Fund.
- 50% of the annual accruals in the Incentive Fund to be allocated to local governments showing better revenue performance to be measured in terms of at least 10% higher growth in their own tax and non-tax revenue over the preceding year.
- The remaining 50% balance in the Incentive Fund should be allocated to local governments which show higher performance over the standard norms to be fixed by the State government.
- The State government should put in place some other viable alternative source of revenues to compensate the Panchayats for the loss due to abolition of house tax.
- The State government should double the rate of house tax on other buildings so as to compensate the local governments of their loss on account of abolition of the tax on residential buildings.
- User charges should continue to be updated periodically so as to boost revenues.
- In order to improve the financial position of Municipalities and the quality of services the State should target full cost of pricing of services.
- Training of officials and non-officials of local governments should be entrusted to HIPA & HIRD.
- Creation of Statistical Cells in the departments of Panchayats and Municipalities to overcome the problem of statistical data.
- Public private partnership should conserve municipal resources and bring latest technologies and managerial expertise for monitoring.
- Planning and implementation of infrastructure projects should be carried out through consultation process involving various stakeholders.

Himachal Pradesh Third State Finance Commission
Award Period: 2007-08 to 2011-12

Constitution: May 2005

Report Submission: November 2007

ATR Submission: June 2008

Global Sharing

- The total proceeds of cess on liquor to be pooled together and allocated to the GPs and Municipalities in proportion of the population according to 2001 census.
- Devolution of amount equivalent to 2.75% of the aggregate State's own tax and non-tax revenues between Panchayats and Municipalities.

Assignment of Revenues

- Collection of the cess on liquor at the rate of Rs. 2 per bottle should be transferred to the local governments.
- 50% of collection of water charges and collection of Abiana charges for irrigation to be collected by GPs. 50% of the charges collected on drinking water supply for private domestic connection be entrusted to GPs.
- GPs to collect Abiana charges and retain 50% of such collection at local level.

Horizontal Distribution

- The Panchayats should be entitled to the proceeds of stamp duty just as the Municipalities are under the section 65 of HP Municipal Act, 1994. For this, the HP Panchayati Raj Act may be amended to make the provisions on the lines similar to the Municipal Act.

Grants-in-Aid

- Grant of Rs. 2463.52 lakh to meet the obligations of committed expenditure and infrastructural support grants amounting to Rs. 201.70 lakh for augmentation of accommodation of Panchayat ghars and office infrastructure.
- For the year 2007-08, gap filling grant of Rs. 1759.39 lakh to the Panchayats to meet committed expenditures and infrastructural support grant of Rs. 201.70 lakh for Panchayat ghars and office infrastructures.

- For the year 2007-08, a developmental grant of Rs. 3052.05 lakh to be devolved to Municipalities.
- Supplementary grant of Rs. 704.13 lakh in current fiscal year to meet committed expenditure.
- Rs. 3052.05 lakh be devolved as developmental grants for Municipalities.
- A provision of Rs. 910 lakh be made through the supplementary demands for grants.
- Deficit of Panchayats and Municipalities, as assessed by SFC to be met by way of Developmental Grants (grants in lieu of Octroi) and Gap Filling Grants.

Functions and Functionaries

- GPs should be made responsible for preventive maintenance and upkeep of the water supply schemes.
- Activities related to primary education, mid-day meal programme, rural health functions and infrastructure upto the level of health sub-centre, ICDS programme upto the level of Anganwaris and animal husbandry programme upto the level of veterinary dispensaries and artificial insemination centres to be taken up by Panchayats.

Other Measures

- The recommended resource transfers to the local government institutions may not be passed on as grants-in-aid.
- State government to fix the resource transfers to the local government institutions as a percentage of the state own tax and non-tax revenues.
- The marriage registration fee and the fee for birth and death be fixed at Rs. 200 and Rs. 100 respectively with a provision for concessional registration for the IRDP families at the rate of Rs. 25 in both the cases.

Karnataka Third State Finance Commission

Award Period: 2011-12 to 2015-16

Constitution: August 2006

Report Submission: December 2008

ATR Submission: October 2009

Global Sharing

- 33% of Net Own Revenue Receipts of state should be distributed to Panchayats and Municipalities.
- Relative shares of Panchayats and Municipalities shall be in the ratio of 70:30 out of 33% of Net Own Revenue Receipts of the State. (23% of Net Own Revenue Receipts of the state is the share of Panchayats and 10% of Net Own Revenue Receipts of the state is the share of Municipalities).
- The divisible pool consists of the net proceeds of the taxes, tolls, duties and fees levied and collected by the State government.
- The indicators selected by the Commission which would determine the percentage of relative share between the Local governments are:

Sl. No.	Indicator	Weightage
1	Population	40%
2	Geographical Area	20%
3	SCs & STs Population	10%
4	Illiterates	10%
5	Population per Hospital Bed	10%
6	Density of Population	10%

- The following method has been adopted for calculating the indices to determine relative shares of the Local governments:

$$\text{Share of Panchayats} = \frac{pri\ 1-6}{100} \times w\ 1-6$$

$$\text{Share of Municipalities} = \frac{pui\ 1-6}{100} \times w\ 1-6$$

Where,

pri = proportion of rural indicator

pui = proportion of urban indicator

w = weightage assigned to 1th indicator

Assignment of Revenues

- Continuance of present system of assignment and appropriation of taxes, duties, fees and tolls to Panchayats and Municipalities has been recommended.

Horizontal Distribution

- 5% of fund is earmarked to encourage rural sports, youth development and folk arts.
- Out of the Plan Grants, 25% may be reserved for “Special Needs”.
- For equitable distribution of resources, different indicators have been adopted to determine the relative of each ZP, TP and GP. These indicators are:

Sl. No.	Indicator	Weightage
1	Rural Population	40%
2	Geographical Area	40%
3	SCs & STs Population	10%
4	Illiterates	10%

- The variable and weights used for upfront earmarking of funds to each of the Municipalities, is as below:

Sl. No.	Indicator	Weightage
1	Population	40%
2	Geographical Area	20%
3	SCs & STs Population	20%
4	Illiterates	20%

Upfront earmarking should not exceed 60% of the total devolution to the Municipalities.

Grants-in-Aid

- Maximum of Rs. 10,000 grant be provided to organise programmes at village level covering sanitation, health checkup, cultural and folk sports.
- Maximum of Rs. 1 lakh grant be given for construction of youth association buildings.
- Maximum of Rs. 2 lakh grant be given for conducting folk arts training programmes.
- Minimum of Rs. 1 crore be provided in ZP budget to take up youth development programmes at village, hobli, taluk and district levels.
- Distribution of statutory development grants to the above three categories of GPs in the following manner:

Category I : Rs. 9 lakh per GP per year (Population below 4000 [14%])

Category II : Rs. 12 lakh per GP per year (Population 4001 to 8000 [71%])

Category III : Rs. 15 lakh per GP per year (Population above 8000 [15%])

- Distribution of an additional amount over and above the statutory development grants to the GPs located in three categories of backward talukas in the following manner:
 - All GPs located in 'Backward Taluks': Rs. 1 lakh per GP per year
 - All GPs located in 'More Backward Taluks': Rs. 2 lakh per GP per year
 - All GPs located in 'Most Backward Taluks': Rs. 3 lakh per GP per year
- Rs. 3 lakh to be given as 'incentive grant' to a Gram Panchayat every year.
- 25% of the plan grants made available to the ZPs and TPs to be reserved for 'Special Needs'.
- Block Untied Grants have been recommended for the ZPs and TPs from the state consolidated fund.

Functions and Functionaries

- ZPs should have independent powers to utilise funds released under CFC grants.
- Preparation of development plans be taken up at all 3 levels of Panchayats as envisaged in Section 309 of Karnataka Panchayat Raj Act, 1993.
- Secretary and Adhyaksha should be made responsible for delay in implementation of development works and poor collection of taxes.
- EOs of TP should be responsible for implementation of works and for any irregularities.
- CEO of ZPs be given power for re-appropriation of grants (upto 10% of grants estimated to remain as unspent, from one sub-head to another sub-head within the same major head of accounts).

Other Measures

- As a supplement to transparency and responsibility, Jamabandhi should be held informing public and action taken on complaints should be displayed on notice board.
- Creation of the post of Accounts Assistant and recruitment under the same.

- Creation of an audit wing in the Rural Development & Panchayati Raj Department on similar lines of Co-operation department.
- A Rural Infrastructure Development and Finance Corporation should be created for mobilising capital for the development of rural roads, drinking water supply, streetlights, etc in rural areas.
- Monthly Programme Implementation Calendar be introduced to avoid heavy expenditures at the far end of financial year.
- The post of Field Extension Officer at taluk level should be included in the Cadre and Recruitment Rules.
- Ombudsman system to be introduced having jurisdiction over Panchayats and Municipalities.
- Every year an amount of Rs. 50 crore be set apart as Incentive Grants.
- Government should formulate clear and special yardsticks to identify the persons living below poverty line.
- A single window system should be created to integrate the works of different departments related to agriculture, horticulture, dairy and other activities at the village level.
- Release of Development grants through different boards, corporations should be stopped, and all funds should be released through ZPs only.
- Posts should be created for Taluk Planning Officers in remaining taluks where the posts have not been created.
- Posts of taluk level officers should be created for all the 176 taluks of the State.
- GP functions such as maintenance of drinking water supply, streetlights and cleaning should be given on annual contract basis. This will result in saving and instances of misutilisation also be reduced.
- Government should issue orders for identification of houseless and site less persons.
- For the effective implementation of public awareness program, a separate head of accounts be created by the govt. and funds should be released along with suitable instructions.
- Task force under each TP should be constituted to oversee the activities of GPs and GP accounts.
- Adhyaksha of ZP should be given grants for taking up developmental works of urgent nature.
- The govt. should give additional grants to provide ground drainage to all the urban areas.
- The post of Field Extension Officer should be included in the Cadre and Recruitment Rules.

Kerala Third State Finance Commission
Award Period: 2006-07 to 2010-11

Constitution: September 2004

Report Submission: November 2005

ATR Submission: February 2006

Global Sharing

- An amount of Rs. 2050 crore to be transferred to Local-self Governments (LSGs), as their share of state tax revenue in financial year 2006-07.
[Accepted]
- Out of this Rs. 300 crore will be for expenditure on their traditional functions, Rs. 350 crore for expenditure on maintenance of assets and Rs. 1400 crore for expenditure on developing and expanding services and infrastructure transferred.
[Accepted]
- The total amount to be so transferred during the five years 2006-07 to 2010-11 will be Rs. 12515 crore.
[Accepted]
- Additional resources of three types can be raise by LSGs, increase in tax and non-tax revenues and public contribution
[Accepted]

Assignment of Revenues

- No such recommendation.

Horizontal Distribution

- 1/3rd of state plan outlay to be given as plan grant to LSGs.
[Not Considered]
- Funds means for expenditure on traditional functions and maintenance will be distributed among the LSGs in the same ratio as applied to the distribution of 3.5% and 5.5% of state tax revenue.
[Accepted]

Grants-in-Aid

- The difference between funds available with LSGs and that share of outlay should be given to LSGs.
[Accepted]

Functions and Functionaries

- A new system of fiscal freedom should come into force in 2008-09 after necessary staff deployed, accounting details worked out and monitoring agencies formed.
[Accepted]
- Joint consultation, co-operation and mutual understanding is needed to solve the problems during release of funds.
- There should be four bank accounts for each LSG
 - a. For traditional functions expenditure
 - b. For maintenance expenditure
 - c. For expenditure on development of services
 - d. For agency functions
 [Accepted]
- Finance wing and secretary would be responsible to point out the pros and cons of a decision proposed to be taken. If higher authority overrules them they will have to own the responsibility for that decision.
[Accepted]
- Work of disbursement of welfare pensions may be transferred to concerned departments.
[Accepted]

Other Measures

- Funds meant for traditional functions expenditure should be released in twelve equal monthly installments from April to March.
[Accepted]
- Funds meant for maintenance expenditure should be released in ten equal monthly installments from April to January.
[Accepted]
- Funds meant for development expenditure should be released in ten equal monthly installments from May to February.
[Accepted]
- To have a framework of accounting and financial control, Finance and Accounts Wing to be established in Gram Panchayats.
[Agreed to in principle]
- Resource assessment of LSGs each year before finalizing the size of decentralised plan to be implemented by LSGs.
[Accepted]
- A 'Board of Fiscal research' headed by the chief Secretary may be constituted.
[Accepted]

Madhya Pradesh Third State Finance Commission
Award Period: 2001-02 to 2005-06

Constitution: July 2005
Report Submission: November 2008
ATR Submission: March 2009

Global Sharing

- 5% of the net divisible pool to be devolved to the Panchayats and municipalities.
[Accepted]
- 4% to be allocated to the Panchayats and 1 % to the municipalities.
[Accepted]

Assignment of Revenues

- Levy and collection of entertainment tax by the state government and assignment of the net proceeds to municipalities on the basis of collection from their jurisdiction.
[Accepted]
- Introduction of self assessment system regarding property tax.
[Accepted]
- Continuation of Cess on Passenger tax.
[Passenger Tax is abolished]

Horizontal Distribution

- Devolution of the net 4% of the divisible pool to the Panchayats would be as mentioned below:

Village with the population less than 500, total population 57.87 lakh	35%
Village with the population 501-1000, total population 116.63 lakh	26%
Village with the population 1001-1500, total population 86.42 lakh	21%
Village with the population more than 1500, total population 182.89 lakh	18%

[Accepted]

- Devolution of 1 % of the net divisible pool to be allocated to the municipalities would be as mentioned below:

District Panchayat	45%
Municipalities	40%
District Councils not covered under Jawaharlal Nehru Urban Scheme	10%
District Councils covered under Jawaharlal Nehru Urban Scheme	05%

[Accepted]

- 10% of the net divisible pool to be allocated to such municipalities where slum population in more than 10 % of their respective population, the remaining amount to be allocated among municipalities on the basis of their populations including that of slums, as per 2001 census.

[Accepted]

- Continuation of the distribution of the net receipts from land revenue and additional stamp duty to the Panchayats.

[Accepted]

Grants-in-Aid

- Grant of Rs. 110.95 crore per annum to 13040 Gram Panchayats on the basis of the population. This grant would be availed only by those Gram Panchayats those levy and collect the taxes on time.

[Accepted]

- The grant would be allocated on the basis of population. For general category GPs 50 % of the tax collection and for SC population category 100 % of tax collection would be allocated.

[Accepted]

- Block Panchayats would receive Rs. 20 Crore per annum as general purpose grants and Zila Panchayats would get Rs. 5 Crore per annum.

[Accepted]

- Continuation of establishment grants to Panchayats.

[Accepted]

- Grant of Rs. 50 crore as maintenance grants to Gram Panchayat on the basis of population in the Panchayat.

[Accepted]

- 100 % Compensation of electricity expanses of those GPs that are collecting water rates.

[Accepted]

- For Municipalities if the collection of property tax is
 - a. Less than 50% of demand, municipal councils may get general purpose grants per head of population may be Rs. 4 per capita and Nagar Panchayats at a rate of Rs. 5 per capita.
 - b. 50% and more but less the 75% of demand, rates of general purpose grants per head of population may be Rs. 4 for Municipal Corporations, Rs. 5 for Municipal Councils and Rs. 6 for Nagar Panchayats.
 - c. 75% or more of demand, the per capita grants may be Rs. 5 for Municipal Corporations, Rs. 6 for Municipal Councils and Rs.7 for Nagar Panchayats.

[Accepted]
- 5% of VAT to municipalities as grant.

[Accepted]
- If the municipalities collect water tax then they should receive financial assistance as mentioned below
 - o Provision of 50 % grant to the municipalities with the population is less than 10,000, as a compassion for electricity expenses
 - o Provision of 33 % grant to the municipalities with the population between 10,000 to 20,000, as a compassion for electricity expenses
 - o Provision of 25 % grant to the municipalities with the population between 20,000 to 50,000, as a compassion for electricity expenses

[Accepted]
- Provision of Rs 30 per head as maintenance grant to District Panchayats as well as corporations with the population of 50,000.

[Accepted]

Functions and Functionaries

- Formation of data collection units in Municipalities and Panchayats.

[Not considered]
- Inclusion of financial management natural resource management, human resource and disaster management in the training manuals.

[Accepted]
- Population and area should be the criteria to quantify Panchayats. Three to four Panchayats should be dissolved into one Panchayat. Water Conservation Area can also be a unit for the constitution of Panchayat.

[Rejected]

- At district level the technical expert's pool should be created to help the GPs in their work.
[*Rejected*]
- Provision of tax raising power to Panchayats.
[*Action will be taken separately*]
- Removal of division of taxes as compulsory and voluntary taxes as mentioned in the MP PRI Act.
[*Action will be taken separately*]
- ZPs and BPs can critically review the responsibilities of levy and collection of taxes given to GPs. In Case GPs are not performing properly ZPs and BPs should take the responsibility.
[*Action will be taken separately*]
- The officers of the BPs should have the right to transfer the Panchayat secretaries from one Panchayat to another. Similarly for ZPs.
[*Action will be taken separately*]

Other Measures

- Transparent display of the receipts and grant provided to the local governments by the state governments.
[*Accepted*]
- Constitution of auditing committee at district level.
[*Accepted*]
- Set up SFC cell.
[*Accepted*]
- Formation of a high level committee for devolution of functions and functionaries to Panchayats as per the XI Schedule.
[*Accepted*]
- Constitution of district level cadre of the secretaries of GPs.
[*Rejected*]

Maharashtra Third State Finance Commission Award Period: 2006-07 to 2010-11

Constitution: January 2005
Report Submission: June 2006
ATR Submission: December 2013

Global Sharing

- Total additional transfer to local governments to be around 7.8% of the revenues, without breaching Fiscal Responsibility rules.
[*Not Considered*]

- The motor vehicle tax will be shared with Municipalities through a grant equaling 17.75% of the net tax collection.
[Not Considered]

Assignment of Revenues

- 10% increase in rate of tax every three years to maintain buoyancy in tax receipts. A formula of grant to be devised so that the GP of limited capacity are not deprived of grants.
[Not Considered]
- GPs to levy and collect taxes on open lands, appropriately.
[Accepted]
- A five-fold increase from 15 paise per day in rate of tax on fairs, festivals and entertainments.
[Accepted]
- A ten time increase in rates on the tax on shop keeping and hotel keeping.
[Accepted]
- Five times increase on the rates of fees on markets and weekly bazaars.
[Accepted]

Horizontal Distribution

- Only 50% of the amount shown against Implementation of Development Plans, and 50% of the amount suggested for water supply and sewerage schemes be considered for release during the year 2006-07.
[Not Considered]
- Out of Rs. 550 crore available for devolution to Municipalities, it is proposed that Rs. 246 crore be given to Corporations and Rs. 304 crore to Councils, for carrying out activities indicated in the report.
[Not Considered]

Grants-in-Aid

- An annual grant of Rs. 40 crore for support to difficult villages for maintaining water supply schemes.
[Accepted]
- Rs. 40 crores annually to initiate a programme of low cost sullage disposal scheme in large size villages.
[Not Considered]
- Rs. 300 crore for maintenance of internal village roads to GPs.
[Not Considered]

- An annual grant of Rs. 100 crores to ZPs for for repair and maintenance of School rooms with the remaining 50% being provided as matching contributions by ZPs.
[Accepted]
- An additional annual grant of Rs. 25 crore for medicines and Rs. 17.25 crore for repair and maintenance of health service to ZPs.
[Not Considered]
- Grant in aid to ZPs for maintenance of the regional piper water supply scheme @50% of the expenditure on salary of employees engaged on the scheme.
[Not Considered]
- One time grant to meet 50% of the remaining outstanding amount of arrears of Maharashtra Jeevan Pradhikaran by GPs.
[Partially Accepted]
- Rs. 40 crores annually to those municipalities which cannot raise user charges to recover the cost of water supply to the town.
[Not Considered]

Functions and Functionaries

- ZPs should issue instructions for compulsory revision of the assessment list by the GPs every four years.
[Accepted]
- Government should take over hospitals for management if there are such requests from local governments.
[Partially accepted]
- Panchayats are responsible for primary education, communication, minor irrigation, health care, child care and nutrition services in the rural areas and extension services in veterinary care, agriculture and animal husbandry etc.
[Not Considered]

Other Measures

- Rural Development Department should carry out a review of section 124 of the Bombay Village panchayat Act 1958 and take steps to discontinue taxes/fees that are not capable of yielding sufficient revenue to panchayats or are difficult to administer.
[Accepted]
- GPs should receive the entire amount of cess/ grants in the first half of the year in which it falls due.
[Not Considered]

- Additional posts of extension officers, technical and accounting staff for larger GPs. Government to bear 50% of expenditure on these posts.
[Accepted]
- To supervise developmental programme in a close manner, an independent vehicle be provided to the President of the Panchayat Samities and the BDO.
[Not Considered]
- Local governments should be compensated by paying past arrears which has accumulated due to remission of cess of land holder who are liable to pay land revenue between Rs. 5 to Rs. 10.
[Not Accepted]
- The norms for supply of medicines to Primary Health Centres (PHCs) be increased from Rs. 60,000 to Rs. 2 lakh per PHC, for Petrol, Oil & Lubricants (POLs) be increased from Rs. 7,000 per vehicle to Rs. 25,000 per vehicle, medicines for sub-centers be increased from Rs. 6,000 to Rs. 10,000 per sub centre and miscellaneous grants be increased to Rs. 15,000 per PHC.
[Not Considered]
- Increase in maintenance grants to 35% of requirement.
[Not Considered]
- Dearness Allowance grant should be released based on standardized staffing pattern for the three categories of councils.
[Not Considered]
- Rateable value method for calculation of property tax be replaced by capital value method to ensure buoyancy, equity, transparency and simplicity in fixation of taxes.
[Not Considered]
- To introduce appropriate substitute of octroi, Govt. should stop payment of compensation.
[Not Accepted]
- Rs. 5.272 crore annually be allocated to YASHADA for arranging training and capacity building.
[Not Considered]
- The entire expenses on training of staff, capacity building, provision of computers and hardware in municipal councils be borne by the government.
[Accepted]
- A provision for imposition of up to 1 % tax on transfer in immovable properties is provided in BPMC Act 1949.
[Partially Accepted]

- To induce the municipalities to introduce an appropriate substitutes if Octroi, Government should stop payment of compensation
[Not Accepted]
- Set up Municipal Development Fund.
[Not Accepted]

Punjab Third State Finance Commission
Award Period: 2006-07 to 2010-11

Constitution: September 2004

Report Submission: December 2006

ATR Submission: June 2007

Global Sharing

- 4% of the State's net tax collection (minus compensation for abolished octroi) to be divided between Municipalities and Panchayats.
- Rs. 400 crore to be devolved on Municipalities every year, through the Municipal Development Fund.

Assignment of Revenue

- 16% of the Excise Duty on Indian Made Foreign Liquor (IMFL) and beer, and 10% of auction money from liquor vends continue to devolve on local governments.

Horizontal Distribution

- Division between urban and rural areas on the basis of population in 34%: 66% respectively.

Grants-in-Aid

- Downward percolation of grants at district level as per the recommendations of District Planning Committee (DPC).

Functions and Functionaries

- Responsibility for collection of house tax and other taxes levied by Gram Panchayats, particularly by Panchayat Secretaries.

Other Measures

- Use of GIS technology to ensure that no property escapes the tax net.

- An implementation committee under the chairmanship of Chief Secretary to be set up.
- Training programs for the elected representatives and staff of both Municipalities and Panchayats, delivered through reputed training institutes.
- Setting up of Municipal and Village Development Funds to focus on filling the infrastructure gaps in rural and urban areas.

Rajasthan Third State Finance Commission
Award Period: 2005-06 to 2009-10

Constitution: September 2005

Report Submission: February 2008

ATR Submission: March 2008

Global Sharing

- Devolution of 3.50 % of the net proceeds of State Own Tax Revenue to Panchayats and Municipalities. Out of this 0.50% shall be earmarked for incentive to these local governments for mobilizing revenue from their own resources.
[Accepted]
- Rs.34.40 crore representing 100 % net share of Entertainment Tax is to be devolved to the Municipalities in proportion to collection of entertainment tax from their respective areas.
[Accepted]
- Devolution of Rs 46.22 crore representing 1% of net royalty receipts from minerals to the Gram Panchayats in proportion of royalty collection in the concerned districts.
[Considered complied]

Assignment of Revenues

- No such recommendations.

Horizontal Distribution

- Distribution of Rs. 1843.15 crore representing share in net tax revenue (excluding entertainment tax) between the Panchayats and Municipalities on the basis of population ration of 75.7% and 24.3% respectively.
[Accepted]

- Panchayats share of net own tax revenue, amounting to Rs. 1395.27 crores distributed among Gram Panchayats, Panchayat Samitis and Zila Parishads in the ration of 85:12:3 respectively.
[Not considered]
- Following parameters and their weights have been recommended for district wise devolution of funds for onward devolution to Panchayats:

Sl. No.	Parameters	Weights
1	Population	60%
2	Geographical Area	20%
3	Poverty (No. of BPL families)	5%
4	Level of Literacy	5%
5	S C Population	5%
6	S T Population	5%

[Considered complied]

- For the inter-se distribution amongst the Municipalities, the following criteria has been adopted:

85%	On Population basis among all Municipalities
Additional 15%	On Population basis to class-II, class-III and class-IV Municipalities

[Not Considered]

- Distribution of 80% amount from share in tax revenue (except Entertainment Tax) among all the Municipalities on population basis and the balance 20% amount among all the three categories of Municipalities namely, viz., Class II, Class III and Class IV on population basis as an additional share to compensate their weak financial position to some extent. The share of II, III and IV class Municipalities has been raised from 15% to 20% in view of their pathetic financial position.
[Accepted]
- Distribution of the devolved amount of Rs. 2150.35crore representing net own tax revenue (excluding Entertainment Tax), between the Panchayats and Municipalities is to be made in the population ratio of 75.7% and 24.3% respectively.
[Accepted]

Grants-in-Aid

- Transfer of Rs. 32.20 crore out of the budget of irrigation department to the Panchayats as per the district –wise requirement of the tanks transferred to them.
[Compliance still waited]
- Grants of Octroi compensation with 10% annual increase.
[Implemented]
- Rs. 307.20 crore as incentive amount to Gram Panchayats and Municipalities for raising revenues from untapped sources by the Panchayats.
[Accepted]
- Rs. 74.65 crore from the incentive amount to the recovery of discretionary taxes not levied and collected so far by the Municipalities.
[No amount was released by the State Government as incentive with effect from 2008-09]

Functions and Functionaries

- Enable the Gram Panchayat to render services mainly for rural cleanliness and sanitation and other essential functions.
[Compliance awaited]
- Power of revision of rates conferred on Municipalities.
[Not Considered]
- Cleaning, scavenging, solid-waste management, maintenance of roads, street lighting and other civic facilities in urban areas has could be contracted out by Municipalities, to help cost saving and improving Municipal finances.
[Implemented]
- Transfer to the following core subjects along with funds, functions and functionaries to Panchayats:
 1. Agriculture
 2. Minor Irrigation
 3. Education
 4. Public Health
 5. Animal Husbandry
 6. Dairy and Poultry
 7. Social Forestry and Agro-forestry
 8. Miner forest produce[Transferred to Panchayats vide order dated 2.10.2010]
- An amendment in Sub Section (6) of Section 8 A of the Act, 1994, so that the resolutions of the Gram Sabha are not treated

as only “suggestions” but should be mandated to be obeyed in compliance to the extent feasible.

[The Provisions of the Act are being followed]

- Enable the Ward Panchas to effectively participate in the proceedings and decisions of the Gram Panchayat.

[Copies of the funds released to Panchayats are circulated upto Gram Panchayat level]

- The asset register of the Gram Panchayat is to be kept at both Gram Panchayat and Panchayat Samiti levels. Panchayat Samiti staff should carry out physical verification of such assets twice in a year.

[Provision has been made in rule 137 of Rajasthan Panchayati Raj Rules, 1996]

Other Measures

- Discretionary tax system or levying of tax by Municipalities on priorities basis.

[Powers to levy discretionary taxes have been given to Municipalities under Rajasthan Municipalities Act 2009]

- A full time qualified computer friendly graduate in each Gram Panchayat, besides qualified Gram Sewak is required and the payment to these personnel will be made out of the devolution amount recommended.

[Compliance is still awaited]

- Training of newly elected representatives, particularly for those who have been elected for the first time.

[Implemented]

- Funds to be placed at the disposal of Zila Parishad for organising training programmes for newly elected ward panchas/ sarpanchas, members of Panchayat Samities, Zila Parishads and other public representatives.

[Compliance is still awaited]

- The grants meant for maintenance of core civic services may be disbursed to GPs on the criteria of population, geographical area, poverty, illiteracy population of SC/ST.

[Not Considered]

- The outstanding amount of house tax needs to be recovered expeditiously by incentivising the staff.

[Not Considered]

Sikkim Third State Finance Commission
Award Period: 2010-11 to 2014-15

Constitution: March 2009

Report Submission: November 2009

ATR Submission: March 2010

Global Sharing

- 2% of the net proceeds of State revenue from the following sources which comes to Rs. 362.58 lakhs to be transferred to Panchayats:
 - i. Land Revenue
 - ii. Stamps and Registration
 - iii. Tax on Sale, Trade, etc.
 - iv. Animal husbandry
 - v. Forestry and wildlife
 - vi. Minor irrigation
 - vii. Village and small industries
 - viii. Tourism

[Accepted]

Assignment of Revenues

- GPs to collect the following taxes:
 - i. Household Tax @ Rs. 5, Rs. 10 and Rs. 15 per month from each household- small, medium and bigger respectively. For resorts, hotel, restaurant, guest houses @ Rs. 5000 per annum.
 - ii. Water and Sanitation Tax @ Rs. 1/month from each household.
 - iii. Village road and Environment Tax @ Rs. 2 per month from each household.
 - iv. Panchayat recommendation/ Clearance/ Certificate Fees @ Rs. 20 per case.
 - v. Sale of tender forms as per Government norms.
 - vi. Building, construction fees @ Rs. 2/ sq. feet for RCC building and @ Re. 1/ sq. feet for Egra / Kaccha Structure.
 - vii. Trade license fees and hawker licenses fees as UD and HD rates.
 - viii. Fees on Melas, picnic, etc. in rural areas.
 - ix. Fees for construction of temporary sheds of any kind of social gathering in public property.

- x. Fees for minor dispute redressal @ Rs. 20 per application/case.

[Accepted]

- The Commission has recommended that the proposed 7 nos. of Municipalities may impose & collect the following revenues:
 - a) Property Tax
 - b) Toll Tax
 - c) Other Taxes
 - d) Sanitation Charges
 - e) Parking fees
 - f) Rent from Premises
 - g) Other Charges
 - h) Blue print fee
 - i) License Fee
 - j) Other fees
 - k) Fines.

The anticipated collection for 2010-11 from above sources would be Rs. 316.00 lakhs and Rs. 1919.00 lakhs for five years (2010-15).

[Accepted]

Horizontal Distribution

- The distribution of share of revenue between ZPs and GPs will be in the ratio of 40:60.

[Accepted with modification in the ratio, i.e 30:70]

Grants-in-Aid

- Specific Purpose Grant of Rs. 46882.88 lakh for five years under 15 sectors (agriculture, horticulture, animal husbandry, HRDD, health, forest, commerce and industry, disaster management, irrigation, culture, rural management and development department, co-operative, social welfare, tourism & power) excluding teacher's salary.

[Accepted]

- General Purpose Grant of Rs. 14891.00 lakh for five years.

[Accepted]

- Special Incentive grant of Rs. 20.00 lakh to each of top 3 GPs and Rs. 30.00 lakh to the top ZPs annually.

[Accepted]

Functions and Functionaries

- Power to approve the rates for levying of taxes and fees to be delegated to the DPC.

[Accepted]

- Directorate of Panchayat should monitor the system of preparation of Annual Budgets, District Plans, and Annual Statement of Accounts.
[Not Considered]
- Creation of Directorate of Local Fund Audit (DLFA) under FRED. The DLFA shall be responsible for conducting audit of all the GPs, ZPs and Municipalities.
[Accepted]
- The DPC may constitute Sub-Committees to examine the budget of two or three GPs and Sub-Committee will submit their report to the General body of DPC, The member of the Sub-Committee may be selected in the DPC meeting for the period as determined by DPC. The DPC may invite Government officials of various departments with having knowledge of finance to be member of Sub-Committee.
[Accepted]
- All the fund whether pertaining to certain revenue, taxes etc. must be accounted for in the budget and no withdrawal from any of the GP account should be made which is not in consonance with the approved budget.
[Accepted]
- Every GP should prepare Annual budget which will take into consideration the Sectoral allocation for GPUs.
[Accepted]

Other Measures

- GPs be allowed to operate two accounts, one for receipts of grants from state govt. and another for depositing the fees, taxes or user charges collected by the GP.
[Accepted]
- Organization of regular training programs organized for GPs and ZPs.
[Accepted]
- GPs be empowered to select and appoint suitable candidate on suitable pay (one accountant and one chowkidar to each GP).
[Accepted]
- Submission of Utilization Certificates on annual basis to District Planning Officer by Panchayats.
[Accepted]
- Every GP and ZP shall have a separate account for Non-plan grant including collection of revenue.
[Not Considered]

- A permanent SFC cell within the Finance, Revenue and Expenditure Department be created to administer and monitor the functioning of SFCs and to maintain records/data.
[Accepted]
- The Financial Rules of Gram Panchayats and Zila Panchayats should be so amended to give full power to the GPs/ZPs for incurring expenditure within sanctioned annual budget provision under each item.
[Accepted]
- The salary of Rural Development Assistants/Gram Rojgar Sahayaks (under GPS), honorarium of GP members etc. should be paid through concerned GPs.
[Accepted]
- Quantum of grants for each GP/ZP should be predictable and specific.
[Accepted]
- Grants to Panchayats should be released in two installments.
[Accepted]
- SFC should be constituted in advanced so that their report is available for consideration of the Central Finance Commission.
[Accepted]

Tamil Nadu Third State Finance Commission

Award Period: 2007-08 to 2011-12

Constitution: December 2004

Report Submission: September 2006

ATR Submission: May 2007

Global Sharing

- Based on the State Own Tax Revenue (SOTR) as arrived at by the Commission by adopting Compounded Annual Growth Rate for major state taxes (*viz.* sales tax, motor vehicle tax, stamp duty and state excise etc.) the devolution transfer to local governments under Pool B shall be 10% for each year during entire award period of 3rd SFC (2007-12).
[Accepted with following modifications:]

Year	% of SOTR to local governments
2007-08	9
2008-09	9
2009-10	9.5
2010-11	10
2011-12	10

- The rural share shall be 50% on population and 50% on collection for which Section 175 of TN Panchayat Act, 1994 may be amended.

[Not accepted]

- Pool B devolution between Panchayats and Municipalities shall be at 58:42 respectively.

[Accepted]

Assignment of Revenues

- The Entertainment Tax dues from 1997-2002 and from 2002-2006 should be adjusted to Local governments in 2007-08 by the government, failing which Local governments are entitled for interest at the maximum.

[Accepted with modification that the arrears if any will be released but without interest]

- Collection charge shall be 1% of the tax proceeds and the balance 99% of the Entertainment Tax shall be transferred to Local governments with effect 1.4.2007.

[Not accepted]

- There should be separate detailed heads for Surcharge on Stamp Duty collections and apportionment to Local governments.

[Accepted]

- Ceiling on Local Cess may be enhanced from Re. 1 to Rs. 3 with a minimum of Rs. 2.

[Not accepted]

- Minimum Local Cess Surcharge may be enhanced from Rs. 5 to Rs. 10 and further enhancement of the same may be left to Panchayat Unions.

[Not accepted]

- With regard to the Profession Tax, the income slab rates for salaried class shall be revised and those in the higher income bracket shall be made to pay higher levy.

[Not accepted]

- No separate water tax/ sewerage tax needs to be collected by Municipalities except by Chennai Metropolitan Water Supply and Sewerage Board.
[Accepted]
- The education tax shall continue to be levied at the rate of 2.5% of Annual Rental Value or any other rate prescribed instead of as a percentage of Property Tax.
[Accepted]
- The government shall identify the places of archaeological/ historical interests and fix rates for different vehicles for the collection of tourist tax by Municipal bodies.
[Not accepted]
- The advertisement tax share should be apportioned to the Municipalities.
[Accepted]
- In all Municipal Corporations, parking areas may be identified and parking lots be developed and parking fees may be collected.
[Accepted]
- 100% proceeds of Fishery rental from VP ponds and 50% of the same from PU tanks should be credited to VP account.
[Accepted]
- The local governments should be empowered to levy property tax in the Housing Board notified area.
[Deemed to be accepted]
- Municipalities shall be permitted to levy tract rent on the land used for TN Electricity Board poles at the rates as prescribed by the government.
[Not accepted]

Horizontal Distribution

- Horizontal sharing among Panchayats shall be at 8% for District Panchayats, 32% for Panchayat Unions and 60% for Village Panchayats. In respect of Municipalities, 30% for Municipal Corporations, 41% for Municipalities and 29% for Town Panchayats.
[Accepted]

Grants-in-Aid

- Specific purpose grant under Pool C shall be 0.5% to 1% of the SOTR.
[Not accepted]

- 50% of the Rural Road Development fund shall be given to the DPs only.

[Not accepted]

Functions and Functionaries

- State government to plea Central Government for amending Article 285 to enable Local governments to levy service charges on Central Government buildings/properties.
[Accepted]
- The local governments should involve SHGs and NGOs in raising public awareness and also function as the watch dogs of the local body administration.
[Accepted]
- The Municipal Council shall be empowered to fix the rates with reference to the minimum and maximum prescribed by the government in such a way that is not too exorbitant for the tax payer.
[Accepted]
- All fee collecting institutions viz. schools, colleges, medical institutions, coaching centres etc. shall be subjected to House Tax.
[Accepted]
- The issue of birth and death certificates shall be entrusted to the VPs. The VP President shall be the issuing authority.
[Deferred]
- The devolution grant may be exclusively spent for development.
[Accepted]
- The following functions should be discharged by the TN State Pollution Control Board in close cooperation with Municipalities:
 - a. Regulation of sanitary filled sites
 - b. Scientific disposal of municipal solid waste

[Accepted]

Other Measures

- The State government may address Government of India to remove ceiling on the Profession Tax rates and let the States decide the same depending on the augmenting capacities of the local governments.
[Accepted]
- The loan deductions from devolutions in respect of Municipalities shall not exceed 25% of the gross devolution.

[Not accepted]

- Every year, alongwith the Budget, the government must place details of the transfer to the Local governments made during the year based on the decision taken by the government.
[Deemed to be accepted]
- A local body council should be constituted and its effective functioning be ensured.
[Not accepted]
- The creation of Ombudsman has been reiterated on the lines of Kerala and Karnataka.
[Not accepted]
- There should be no ceiling on collection of water charges and the minimum may be retained at Rs. 30/- per month for residential supply.
[Accepted with modification that Panchayats shall be allowed to revise the rates at appropriate intervals]

Tripura Third State Finance Commission
Award Period: 2005-06 to 2009-10

Constitution: March 2008

Report Submission: NA

ATR Submission: March 2010

Global Sharing

- Matching contribution in the ratio of 1:1 to be provided additionally to the below devolution to the concern Panchayats:

Recommendation for devolution of fund from share of taxes					
(Rupees in crore)					
Item	2010-11	2011-12	2012-13	2013-14	2014-15
For Panchayats only	26.80	29.25	31.95	35.00	38.50
For Panchayats of Sixth Schedule areas	19.60	21.52	23.86	26.03	28.52
TOTAL	46.40	50.77	55.81	61.03	68.82

[Accepted]

Assignment of Revenues

- Service charge at nominal rate ranging from Rs 5 to Rs. 50/- to be realised from the beneficiaries who are provided significant benefits of durable nature from the Panchayats.

[Not accepted]

Horizontal Distribution

- Development fund per capita ratio of 4:5 is maintained between Panchayats & ADC (autonomous district council) areas.

[Accepted]

- Fund devolved among rungs of Panchayats in sixth schedule areas based on population.

[Accepted]

Grants-in-Aid

- Matching amount of additional grant equal to the amount of revenue collected by the Panchayats to be provided from the state govt. as an incentive.

[Deferred]

- Grant may be provided for setting up of 3 more training institutes in the state along with its up keeping cost.

[Accepted]

- Grants may be provided for meeting expenditure for imparting training and capacity building of the elected representatives and staff of Panchayats.

[Accepted]

- Grants for meeting shortfall of fund in maintenance of assets and for establishment expenditure.

[Accepted]

Functions and Functionaries

- All village markets should be managed and controlled by the Panchayats so that they can levy and collect tolls and taxes from those markets.

[Accepted]

- Panchayats should utilise fisheries, horticulture farms etc assets for supply of inputs to various development schemes and raise their own revenue.

[Accepted]

- Panchayat Samitis may let their halls on rent.

[Accepted]

- Maintenance of Asset Register.

[Accepted]

Other Measures

- Rules for collection of taxes, tolls, duties & fees by the Panchayats to be framed & notified.
[Not considered]
- A scheme for providing incentive against collection of revenues by Panchayats may be introduced.
[Accepted]
- The records of providing benefits under various welfare and development schemes may be reflected and maintained in a family card.
[Deferred]

Uttarakhand Third State Finance Commission
Award Period: 2010-11 to 2015-16

Constitution: December 2009
Report Submission: NA
ATR Submission: NA

Global Sharing

- 10.5% of the State's own tax revenue to be distributed equally between the Municipalities and Panchayats in the ratio of 50:50.
[Accepted with modification]
- Grant-in-aid of 0.25% over and above 10.5% to be given to local governments depending on the quantum of arrears.
[Accepted with modification]

Assignment of Revenue

- Profession tax to be levied in the State and assigned to Municipalities in the urban areas and to ZPs in rural areas and Circumstances & Property (C&P) tax to be replaced by it.
[Deferred]
- C&P tax to be replaced by profession tax.
[Deferred]
- Municipalities to get conversion charges as per the changes in the land use of a master plan area.
[Deferred]

Horizontal Distribution

The distribution of devolution amount among various categories of

Municipalities shall be distributed as follows:

Nagar Nigams (NNs)	25%
Nagar Palika Parishads (NPPs) (30)	60%
Nagar Panchayats (NPs) (30)	15%

[Accepted]

- *Inter-se* distribution between Nagar Nigams would be based on the following criterion:

Population	75%
Area	10%
Tax Effort	10%
Special Circumstances	5%

[Accepted]

- *Inter-se* distribution of the devolution amount among NPPs & NPs would be based on the following criterion:

	Nagar Panchayat	Nagar Palika Parishads
Population*	65%	60%
Area**	10%	10%
Per capita on revenue	15%	15%
Special Circumstances	10%	15%
*Actual population subject to a minimum of 5000		
** For consideration of area, all NPPs would be placed in one of four bands, and all NPs in one of three bands with different weights assigned to these bands as under.		

NPPs	Area Bands (sq. km.)	0-10	11-20	21-30	above 30
	Weight	50%	70%	85%	100%
NPs	Area Bands (sq. km.)	0-10	11-20	above 20	
	Weight	65%	95%	100%	

[Accepted]

- The distribution of devolution amount among various categories of Panchayats shall be done as follows:

Gram Panchayats (7541)	50%
Kshetra Panchayats (95)	20%
Zila Panchayats (13)	30%

[Accepted]

- Devolution to different tiers of Panchayats would be based on separate formulae and weights assigned to different components would be as follows:

Population	50%
Area	20%
Remoteness	15%
Tax Effort	15%

[Accepted]

- The formula for devolution to the Kshetra Panchayats shall be as follows:

Population	60%
Area	15%
Remoteness	15%
No. of GPs	10%

[Accepted]

- In case of GPs, following two factors are to be taken into consideration for devolution:

Population	80%
Area	20%

[Accepted]

Grants-in-Aid

- Incentive grant to Municipalities in 2015-16 that have fully utilized the grants of 13th Finance Commission during 2010-15:

Nagar Nigams	50 lakhs
NPPs with population above 1 lakh	40 lakhs
50000 to 1 lakh	30 lakhs
20000 to 50000	20 lakhs
below 20000	10 lakhs
NPs	5 lakhs

[Accepted]

- Annual grant-in-aid of Rs. 15 lakhs has been recommended to ZP Uttarkashi.

[Accepted]

- Grant-in-aid of Rs. 1.68 crore in the year 2012-13 for construction of ZP building in Champawat.
[Accepted]
- A special annual grant of Rs. 5 lakh is recommended for institutional arrangement of solid waste in Kausani.
[Accepted]
- Grant-in-aid of Rs. 50 lakh is recommended for NPP Nainital for repairs, renovation and modernisation of Durga Sah Memorial Library in the year 2012-13.
[Accepted]
- Annual grant of Rs. 25 lakh to Uttarakhand Academy of Administration for capacity building/research work relating to urban issues has been recommended.
[Accepted]

Functions and Functionaries

- Outsourcing of functions should be seriously considered in order to compensate the lack of staff.
[Accepted]
- There is an urgent need to (a) develop and prescribe uniform budget formats for all Municipalities; and (b) identify and prescribe appropriate accounting software for use by Municipalities and make its adoption mandatory.
[Accepted]
- A beginning should be made, in selected Municipalities like the Nagar Nigam and the larger NPPs, for experimenting with on-line payment of property tax and license fees and public grievances. Gradually it should be extended to the other Municipalities.
[Accepted]

Other Measures

- 'Unit Area System' of computation of property tax based on self-assessment principle to be started in Dehradun, Hardwar, Haldwani, Nagar Nigams and Roorkee, Kashipur, NPPs and then gradually extended to other NPPs & NPs.
[Accepted]
- A regular system of recruitment and training to be introduced.
[Accepted]
- Integrated city/town planning should be implemented with greater focus on convergence and periodic revision of master plan.
[Accepted]

- Financial management systems at Municipalities level to be strengthened.
[Accepted]
- Both the directorates i.e. Municipalities and Panchayats need to be strengthened and e-enabled.
[Accepted]

Uttar Pradesh Third State Finance Commission
Award Period: 2006-07 to 2010-2011

Constitution: December 2004
Report Submission: August 2008
ATR Submission: February 2010

Global Sharing

- 15% of the state's net own tax and non-tax revenue to the local governments.
[Accepted with modification, i.e. devolution of 12.5%]
- The devolution would be in the ratio of 60:40 for Municipalities and Panchayats.
[Accepted]

Assignment of Revenues

- Trade tax should be assigned in four slabs as mentioned below

Raw martial	4%
Jewelry	1%
Motor Spirit Diesel	20%
Others	12%

- [Deferred]
- Pithead value of Mineral be increased from 20% to 25% in the context of royalty from minerals. The arrangement needs to be reviewed periodically.
[Deferred]
- Exemptions to women for stamp duty payment, at the time of the purchase of immovable properties, to be withdrawn.
[Deferred]
- Enhancement of the license fee to Rs. 2400 per annum from the cable operators.
[Deferred]

- The Gram Panchayats should levy the house tax.
[Deferred]
- The rate of profession tax should be increased by Rs 10000 from the running rate of Rs. 25000.
[Deferred]
- 50% of land revenue and 20% of house tax should be charged as flood safety fee from the farmers in the villages and residents in the cities whose agriculture land and buildings respectively are safe through flood safety measures.
[Deferred]

Horizontal Distribution

- An amount of Rs. 9686 crore would be devolved to the Panchayats for the award period. It would be distributed among the Zila Panchayat (ZP), Kshtra Panchayats (KPs) and Gram Panchayats (GPs) in the ratio of 20:10:70 respectively.
[Accepted]
- The inter-se distribution among Municipal Corporation, Municipal Council and Nagar Panchayat would be in the ratio of 40:40:20 respectively.
[Accepted]
- The criteria adopted for the inter-se distribution among Municipal Corporation, Municipal Council and Nagar Panchayat would be as mentioned below:

Parameter	Weight
Population	50%
SC/ST Population	10%
Index of Integrated Development	30%
Revenue Effort	10%

[Accepted]

- Funds meant for panchayats will be distributed among districts as per the formula mentioned below:

Parameter	Weight
Population	50%
SC/ST Population	10%
Index of District Integrated Development	30%
Revenue Effort	10%

[Accepted]

- Funds allocated to Blocks will be distributed as per the formula mentioned below. Similar formula will also apply for Gram Panchayats:

Parameter	Weight
Population	80%
SC/ST Population	20%

[Accepted]

- Entertainment show, recreation, sports and horse race should be included under the definition of Show Tax.

[Deferred]

Grants-in-Aid

- Additional Grant of Rs. 15729.95 crore to fulfill the necessary basic infrastructural needs for the award period.
[Not Accepted]
- Additional Grant of Rs. 5379.23 crore for the needs based on social justice for the award period of five years.
[Not Accepted]
- Grant of Rs 119.25 crore for the award period to assist Mid-Day Meal Scheme @.Rs. 45,000 per year.
[Accepted with modification of Rs 15,000 per year]
- One time grant of Rs. 42.12 crore and annual recurring grant of Rs. 28.45 crore to GPs for the construction of library and information center.

[Deferred]

Functions and Functionaries

- Appointment of staffs in panchayat to manage the piped water supply mechanism in rural areas.
[Deferred]
- Proper monitoring is needed at departmental head level to encourage ZP towards various ways to raise revenue.
[Considered]
- Only the GPs are permitted to do fisheries in the rivers. In this context necessary guidelines should be issued collectively by all the departments i.e., revenue, irrigation and fisheries.
[Accepted]
- GPs should be authorized to levy onetime fee in proportion to the market price of the land based on the nature of land use from such agricultural lands that are used for purposes other than farming.
[Deferred]

- ZP employees should be declared as state employees on the line of KPs and GPs. [Not Accepted]
- Shiksha Mitra could be appointed directly by GPs on the basis of Gradation Schedule. [Deferred]
- The services of the finance controller of District Rural Development Agency (DRDA) are required to strengthen the internal auditing mechanism of ZP. [Accepted]
- Director Panchayati Raj should be authorized to transfer the tax officers and junior engineers at ZP level. [Deferred]

Other Measures

- Units of local fund audit should be affiliated with the municipal corporations to strengthen the audit system. [Accepted]
- Establishment of a Police Cell in Municipalities [Deferred]
- Public Private Partnership (PPP) should be promoted. [Accepted]
- Post of Environment Engineer should be created in place of Sanitary Inspector. [Deferred]
- The process of determining water charges should be more rational. [Accepted]
- A research cell should be set up in the tax and registration department. [Deferred]

West Bengal Third State Finance Commission

Award Period: 2008-09 to 2012-13

Constitution: February 2006
Report Submission: October 2008
ATR Submission: July 2009

Global Sharing

- 5% of State's own net tax revenue to be devolved as an 'untied' entitlement to the LSGs for 2008-09 with a progressive increase of 12% per annum for the remaining four financial years. [Accepted]

- The total ‘untied’ fund allocation at the state level should be split into 2 segments: Municipalities & Panchayats, with the respective population ratio 24:76.
[Accepted]
- 2% ‘incentive fund’ to be raised for improvement of own resource mobilisation and participatory governance of the LSGs in the following departments:
 - i. Panchayat and Rural Development (76%)
 - ii. Municipal Affairs Department (24%)
 [Accepted]

Assignment of Revenues

- Rates and taxes to be transferred to the Panchayats with effect from the financial year 2010-11 are as follows:
 - i. Entertainment Tax
 - ii. Profession Tax
 - iii. Land Revenue
 - iv. Royalties on minor minerals
 - v. Collection of Irrigation rates
 [Deferred]
- Entertainment tax and profession tax to be assigned to Municipalities.
[Deferred]
- Incorporating a provision enabling Municipalities to collect at least Service Charges from the occupiers of unauthorised constructions.
[Left to Municipalities]
- Municipalities should collect outstanding property tax.
[Accepted]

Horizontal Distribution

- 12% of ‘untied’ fund is allocated to ZPs, 18% to PSs and 70% to GPS.
[Accepted]
- An allocation of 0.726% of the total ‘untied’ fund as the entitlement to the Hill area Panchayats.
[Accepted]
- 20% of ‘untied’ fund to be utilised for maintenance of assets by the LSGs, owned by or transferred to them.
[Not considered]

Grants-in-Aid

- A special fund named as a 'Pension Fund' to be granted to the Municipalities constituting of the amount received on account of arrear Property Tax and the Service Charges.
[Not considered]
- Municipalities to be given a share of proceeds from sale/lease of lands owned by parastatal agencies/State/Central Governments, within their jurisdiction.
[Deferred]

Functions and Functionaries

- Municipalities to be allowed to impose annual fees on the service providers like power utilities, telephone companies and cable T.V. companies.
[Deferred]
- All the Municipalities to introduce door-to-door garbage collection systems and impose necessary fees for the same.
[Implemented]
- Suitable rules to be framed empowering Municipalities to collect Non-Tax revenue on all the items mentioned in the act.
[Accepted in principle]
- Municipalities should be allowed to impose tolls at a higher rate for heavy trucks for use of municipal roads and on tourist/pilgrims.
[It requires further examination]
- Conversion of posts of Panchayat bodies into posts of Block and District Panchayat Cadres and then filled up by the respective local governments.
[Accepted]
- Municipalities should be empowered to issue trade licenses of shops and establishment of shopping mall at a higher rate.
[Accepted]

Other Measures

- Training Institutes to be set up in all district headquarters for year round training/refresher courses of all associated functionaries of the LSGs.
[Accepted]
- Geographical Information System (GIS) should be introduced in all Municipalities.
[Not considered]

- Ferries coming under the section 132 of the West Bengal Municipal Act, 1993, to be returned to the concerned Municipalities.
[Deferred]
- Water rates should be introduced on the basis of consumption in all Municipalities.
[Accepted]
- For proper accountability of the LSGs, double entry system of book keeping and accounting in order to speed up the system.
[Accepted]
- Instead of Rental Method of Valuation and Land and Building Method of Valuation, 'Unit Area' Method or 'Capital Value' Method to be introduced.
[Under Consideration]
- Impact fees should be introduced on shopping mall, multiplexes and residential-cum-shopping complexes.
[It requires further examination]
- Urgent rejuvenation of the District Planning Committees.
[Accepted]

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