

Annex 2: Fiscal Responsibility Legislation of States

Item/State	Jammu and Kashmir	Mizoram	Jharkhand
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1. Month/Year of Enactment	August 2006	October 2006	May 2007
2. Gross Fiscal Deficit (GFD)	<ul style="list-style-type: none"> 3 per cent of GSDP by March 2010. Reduce GFD/GSDP by 0.5 per cent in each financial year beginning April 2006. 	<ul style="list-style-type: none"> 3 per cent of GSDP by March 2009. Reduce GFD/GSDP by such percentage points in each financial year so as to achieve 3 per cent of GSDP in March 2009. 	<ul style="list-style-type: none"> 3 per cent of GSDP by March 2009. Reduce GFD/GSDP by such percentage points in each financial year so as to achieve 3 per cent of GSDP in March 2009.
3. Revenue Deficit (RD)	<ul style="list-style-type: none"> Maintain revenue surplus. Initiate steps to strengthen revenue surplus. 	<ul style="list-style-type: none"> Nil by March 31, 2009. 	<ul style="list-style-type: none"> Nil by March 31, 2009.
4. Guarantees	<ul style="list-style-type: none"> Limit the amount of annual incremental risk weighted guarantees to 75 per cent of the total revenue receipts (TRR) in the year preceding the current year or at 7.5 per cent of GSDP in the year preceding the current year, whichever is lower. 	<ul style="list-style-type: none"> Risk weighted outstanding guarantees in a year shall not exceed twice that of the estimated receipts in the consolidated fund of the State at the close of the financial year. 	—
5. Liabilities	<ul style="list-style-type: none"> The total outstanding liabilities shall not exceed 55 per cent of estimated GSDP in 2010. Annual reduction in the outstanding liabilities / GSDP ratio by 500 basis points every year. 	<ul style="list-style-type: none"> Total outstanding debt, excluding public account, in a year shall not exceed twice that of the estimated receipts in the consolidated fund of the State at the close of the financial year. 	<ul style="list-style-type: none"> The total debt stock should be limited to 300 per cent of the TRR of the State by 2007-08. In order to bring the debt stock to a sustainable level, interest payments (IP) to revenue receipts (RR) ratio is to be limited to 18 to 25 per cent.
6. Expenditure	<ul style="list-style-type: none"> Pursue expenditure policies that would provide impetus to economic growth, poverty reduction and improvement in human welfare. Lay down norms for prioritisation of capital expenditure. 	<ul style="list-style-type: none"> Pursue expenditure policies that would provide impetus to economic growth, poverty reduction and improvement in human welfare. Lay down norms for prioritisation of capital expenditure. The Government may, by notification in the Official Gazette, appoint a committee to be called the Public Expenditure Review Committee. 	<ul style="list-style-type: none"> Pursue expenditure policies that would provide impetus to economic growth and poverty reduction. Management of expenditure consistent with the level of revenue generated.

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7. Medium Term Fiscal Plan (MTFP)	<ul style="list-style-type: none"> The MTFP would include three years rolling targets for the prescribed fiscal indicators. Assessment of sustainability relating to <ul style="list-style-type: none"> the balance between the revenue receipts and revenue expenditure. the use of capital assets for generating productive assets. the estimated yearly pension liabilities worked out on actuarial basis for the next ten years. 	<ul style="list-style-type: none"> Assessment of sustainability relating to <ul style="list-style-type: none"> the balance between the revenue receipts and revenue expenditure. the use of capital assets for generating productive assets. the estimated yearly pension liabilities worked out on actuarial basis for the next ten years. 	<ul style="list-style-type: none"> The MTFP would include three years rolling targets for the prescribed fiscal indicators with specification of underlying assumptions. Assessment of sustainability relating to <ul style="list-style-type: none"> the balance between the revenue receipts and revenue expenditure. the use of capital assets for generating productive assets. the medium term fiscal objectives of the State Government. the evaluation of performance of the prescribed fiscal indicators in the previous year <i>vis-à-vis</i> the targets set out earlier and the likely performance in the current financial year as per the revised estimates. the strategic priorities of the State Government in the fiscal area for the current financial year in form of a Fiscal Policy Strategy. the policies of the State Government for the current financial year relating to expenditure, borrowings and other liabilities, lending and investments and description of other activities, such as guarantees and activities of Public Sector Undertakings which have potential budgetary implications.
8. Compliance	<ul style="list-style-type: none"> Quarterly review of the trend in receipts and expenditure in relation to budget estimates. May set up an independent agency to review the compliance provisions of the Act. Whenever there is a shortfall in revenue or excess of expenditure over targets, appropriate 	<ul style="list-style-type: none"> Half yearly review of the trend in receipts and expenditure in relation to budget estimates. 	<ul style="list-style-type: none"> Review of the trend in receipts and expenditure in relation to budget estimates. Whenever there is a shortfall in revenue or excess of expenditure over targets, appropriate measures to be taken for increasing revenue and/or reducing expenditure. Supplementary estimates will be accompanied by statement of curtailment of expenditure and/or augmentation of revenue.

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	<p>measures to be taken for increasing revenue and/or reducing expenditure.</p> <ul style="list-style-type: none"> A statement in both Houses of the Legislative Assembly for any measure proposed in the course of the financial year, which may lead to an increase in revenue deficit, which shall be accompanied by a statement of remedial measures, proposed to neutralise such increase or loss. 		<ul style="list-style-type: none"> No liability shall be created outside the budget provision in a financial year without the approval of Government in Finance Department. In the case of natural calamity, Government shall identify the net fiscal cost of the calamity and such cost would provide ceiling for extent of non-compliance to the specified limits.
9. Pension	<ul style="list-style-type: none"> Estimated yearly pension liabilities worked out on actuarial basis for the next ten years. If the above is not possible for the first 3 years, then forecasts based on trend growth rates may be made. 	<ul style="list-style-type: none"> Estimated yearly pension liabilities worked out on actuarial basis for the next ten years. If the above is not possible for the first 3 years, then forecasts based on trend growth rates may be made. 	<ul style="list-style-type: none"> Estimated yearly pension liabilities worked out on realistic basis for the next ten years.
10. Fiscal Transparency	<ul style="list-style-type: none"> Measures to ensure greater transparency in fiscal operations. Disclosure of significant changes in the accounting standards, policies and practices. Disclosure of details of WMA/OD from RBI. Whenever the State undertakes to repay principal and/or interest of any separate legal entity, it has to reflect such liability as the borrowing of the State. 	<ul style="list-style-type: none"> Measures to ensure greater transparency in fiscal operations. Disclosure of significant changes in the accounting standards, policies and practices. Disclosure of details of WMA/OD from RBI. 	<ul style="list-style-type: none"> Measures to ensure greater transparency in fiscal operations. Disclosure of significant changes in the accounting standards, policies and practices. The statement indicating the institution-wise State Government guarantees given, default by these organisations in discharging debt servicing liabilities and contingent liability created in the State Government account on account of default of these organisations shall be placed in the Jharkhand Legislative Assembly. The State Government shall publish full information on the level of its debt and financial assets. The information on debt shall disclose maturity profile and interest rate.
11. Others	<ul style="list-style-type: none"> RD and GFD may exceed the limits specified under this Act due to ground/s of unforeseen demands on the finances. 	<ul style="list-style-type: none"> RD and GFD may exceed the limits specified under this Act due to ground/s of unforeseen demands on the finances. 	<ul style="list-style-type: none"> RD and GFD may exceed the limits specified under this Act due to ground/s of unforeseen demands on the finances.

Annex 2: Fiscal Responsibility Legislation of States (Concl.d.)

Item/State	Jammu and Kashmir	Mizoram	Jharkhand
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	<ul style="list-style-type: none"> Pursue policies to raise non-tax revenue with due regard to cost recovery and equity. The State Government may, by notification in the official Gazette, make rules for carrying out the provisions of this Act. If any difficulty arises in giving effect to the provisions of this Act, the State Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act as may appear to be necessary for removing the difficulty. Reduce pre-devolution non-plan revenue deficit by an amount equivalent to one percentage point as compared to the previous financial year beginning from April 1, 2006 so as to bring it down by 20 per cent of GSDP by March 31, 2010 and to maintain the level thereafter. 	<ul style="list-style-type: none"> Pursue policies to raise non-tax revenue with due regard to cost recovery and equity. The State Government may, by notification in the official Gazette, make rules for carrying out the provisions of this Act. If any difficulty arises in giving effect to the provisions of this Act, the State Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act as may appear to be necessary for removing the difficulty. Bring out special statement along with the annual budget giving in detail, number of employees in Government, public sector and aided institutions and related salary. 	<ul style="list-style-type: none"> Pursue policies to raise non-tax revenue with due regard to cost recovery and equity. The State Government may, by notification in the official Gazette, make rules for carrying out the provisions of this Act. If any difficulty arises in giving effect to the provisions of this Act, the State Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act as may appear to be necessary for removing the difficulty. Generate a primary surplus of over 3 per cent of GSDP by 2008. The ratio of salaries to State's own revenue to be reduced to 80 per cent by 2008. The ratio of non-interest committed revenue expenditure to State's own and mandated revenue to be reduced to 55 per cent by 2008.

- Note :** 1. Summary of Fiscal Responsibility Legislations (FRLs) for 16 States (*viz.*, Karnataka, Kerala, Tamil Nadu, Punjab, Uttar Pradesh, Orissa, Maharashtra, Rajasthan, Assam, Gujarat, Himachal Pradesh, Haryana, Chhattisgarh, Madhya Pradesh, Tripura and Andhra Pradesh) were published in Annex 2 (Pages 79-88) of the 'State Finances – A Study of Budgets of 2005-06' and summary of FRLs for 7 States (*viz.*, Manipur, Nagaland, Uttarakhand, Arunachal Pradesh, Meghalaya, Bihar and Goa) were published in Annex 2 of the 'State Finances – A Study of Budgets of 2006-07'.
2. Some of the States have amended their FRLs subsequently. This Annex is, however, based on the latest information available and may not reflect the amendments.