

# HIGHLIGHTS OF KARNATAKA'S BUDGET 2008-09

## OVERVIEW OF THE BUDGET

- ❖ The Budget of Government of Karnataka for 2008-09 with an outlay of Rs.56542.15 crores from the State Consolidated fund has been presented in Parliament. The Budget focuses on promoting “Growth with Equity”.
- ❖ The emphasis in 2008-09 budget will be on sustaining the economic growth of the State while seeking to uplift the economically and socially weaker sections.
- ❖ In particular, the budget seeks to promote the development of human capital in the State by enhanced investments in education, health and social welfare. Further, the budget also seeks to initiate special steps to improve the productivity of the agricultural sector and the economic condition of the farmers.
- ❖ The total outlay of Rs.56542.15 crores for 2008-09 represents an increase of 12% over the budgeted outlay of the State for the year 2007-08 which was Rs.50465.60 crore. The State's annual plan for 2008-09 is to have an outlay of Rs.21751 crores which reflects an increase of about 22% over the 2007-08 annual plan outlay of Rs.17782.56 crores.
- ❖ As required under the Karnataka Fiscal Responsibility Act, 2002 the State's budget for 2008-09 has a revenue surplus which is estimated at Rs.2972.65 crores. This will maintain Karnataka's record of a revenue surplus financial position continuously since 2004-05.
- ❖ As required under the Fiscal Responsibility Act, the Fiscal Deficit for 2008-09 will be within 3% of the State's estimated GSDP (Gross State Domestic Product) of Rs.244043 crores. Again Karnataka has maintained a fiscal deficit of less than 3% of GSDP since 2004-05.
- ❖ By maintaining the revenue surplus position and limiting the fiscal deficit to less than 3% the State will continue to receive the benefits of

debt consolidation and wavier of central loans amounting to about Rs.650 crores per year.

- ❖ The Medium Term Fiscal Plan 2008-2012 presented with the budget will be the guide for moving forward on the path of fiscal prudence and sustainability.
- ❖ The State's GSDP is projected to grow at a real growth rate of 9%. Inflation is assumed to remain at 4% during 2008-09.

## **BUDGET ESTIMATES 2008-09**

### **❖ Receipts**

- The revenue receipts of the Government of Karnataka for 2008-09 are estimated at Rs.46188.70 crores. This represents a 13.31% increase over the budget estimates of Rs.40762.09 crores and 13.09 % over the revised estimates of Rs.40840.22 crores for 2007-08. The estimate of own tax revenues of the State for 2008-09 are Rs.31445.93 crores with a projected increase of Rs.4754.76 crores (17.81%) over the 2007-08 budget estimates of Rs.26691.17 crores. The devolution of central taxes and grants in aid to the State are estimated as Rs.12811.12 crores for the financial year 2008-09.
- Under own tax revenues, the total collection from Commercial Taxes is estimated to be Rs.19344 crores which represents a growth of 17.42% over the revised estimates of 2007-08. **No new taxes are proposed in the Budget.** To mobilize the resources as projected, the focus will be on rigorous enforcement, widening of tax base and recovery of arrears. Intensive use of Information Technology will be made for these purposes.
- The total collections from State Excise are estimated at Rs.5626.08 crores, which represents a growth of 20.51% over the revised estimates for 2007-08.

- It is estimated to mobilize an amount of Rs.269.97 crores under non-debt capital receipts. Out of this Rs.200 crores is estimated to be mobilized from the sale of land.

#### ❖ Expenditure

- The revenue expenditure of the Government of Karnataka for 2008-09 is estimated at Rs.43216.05 crores. This will result in a revenue surplus of Rs.2972.65 crores, which continues the record of Karnataka as a revenue surplus State since 2004-05. The capital expenditure for 2008-09 is estimated at Rs.10168.92 crores. The total expenditure (excluding repayment of loans) will be Rs.53384.98 crores as compared to Rs.47816.13 crores budgeted for 2007-08. The projected fiscal deficit for 2008-09 is Rs.6926.31 crores. As a proportion of the estimated Gross State Domestic Product of Rs.244043 crores, the fiscal deficit of Rs.6926.31 crores amounts to 2.84%, which is within the limit of 3% of GSDP stipulated in the Karnataka Fiscal Responsibility Act, 2002.

### MAJOR ALLOCATIONS

#### ❖ AGRICULTURE & ALLIED ACTIVITIES AND IRRIGATION

- The total allocation under Agriculture & Horticulture has increased to Rs.1564.51 crores as against Rs.1315.02 crores for 2007-08. An amount of Rs.220 crores is earmarked for special initiatives under Agriculture and Horticulture to improve the economic condition of farmers in the State. This is in addition to Rs.184 crores budgeted under the Rashtriya Krishi Vikas Yojana.
- Important programmes under Agriculture Department like supply of seeds at subsidized price, crop insurance, support for farm mechanization, and subsidy for drip irrigation would continue. It is proposed to avail maximum funds under the

National Horticulture Mission. An amount of Rs.108.35 crores is provided under the Comprehensive Watershed Development Project. A new initiative for recharge of Ground water is planned with an outlay of Rs.10 crores.

- The total allocation under Major, Medium & Minor Irrigation is budgeted at Rs.4542 crores. An additional amount of Rs.500 crores is expected under Government of India's Accelerated Irrigation Benefit Programme on account of the step up in outlay provided in Union Budget. The Emphasis is to be on completion of ongoing projects so as to bring more acreage under assured irrigation.
- The scheme of agricultural credit through cooperative credit institutions at the subsidized interest rate of 4% will continue. An allocation of Rs.112 crores is provided for the same. A similar scheme for fishermen and weavers will also continue.
- An amount of Rs.40 crores is provided as State support for Yashaswini Health Scheme for members of Cooperative societies.
- The allocation under Animal Husbandry and Fisheries has been increased from Rs.487.57 crores in 2007-08 to Rs.549.23 crores in 2008-09. An amount of Rs.39.60 crores is provided under Rashtriya Krishi Vikas Yojana and Rs.25 crores provided for new initiatives under Animal Husbandry in line with 11<sup>th</sup> plan objectives. Matsya Ashraya housing programme for fishermen is to be scaled up with an outlay of Rs.15 crores. Fisheries development under the Rashtriya Krishi Vikas Yojana is to be taken up at an outlay of Rs.26.40 crores. The existing programmes of strengthening of Veterinary services and distribution of milch animals through Karnataka Milk federation to destitute women will also continue.

- An outlay of Rs.138.45 crores is earmarked for Karnataka Sustainable Forest Management and Bio-Diversity Conservation project. Social Forestry works through Panchayats are planned with an outlay of Rs.20 crores.
- The existing scheme of providing foodgrains at Rs.3/- per KG to BPL beneficiaries through the Public Distribution System is to continue. New initiatives in Food security planned with an outlay of Rs.25 crores to undertake local procurement operations for coarse foodgrains and augment the availability of food grains in the Public Distribution System.

#### ❖ EDUCATION

- The outlay on education has increased from Rs.7004.31 crores in 2007-08 to Rs.8592.23 crores in 2008-09. Funds are allocated for the existing programmes of Akshara Dasoha (Mid day meal), free uniforms, free text books, and free bicycles. Allocation under Panch Soulabhya which aims to provide basic amenities like water supply, toilet facilities etc., to primary and secondary schools stepped up from Rs.8.60 crores to Rs.112 crores. Under this, Special emphasis will be on backward taluks with an outlay of Rs.80 Crore. Sarva Shiksha Abhiyan Programme is to be implemented with an outlay of Rs.940 crores in 2008-09.
- All New High schools, Polytechnics, Pre-University Colleges and First Grade Colleges and Engineering colleges opened in earlier years are to be adequately staffed and made fully functional. Construction of new buildings for these institutions has been given an outlay of Rs.200 crores in 2008-09
- An outlay of Rs.44 crores is provided for Industrial Training Institutes sanctioned in earlier years to meet the cost of raw material and staff. A new skill development programme

aligned with the objectives of Government of India's skill development mission is to be launched with an outlay of Rs.35 crores. Rs.10 Crore is also earmarked for upgradation of existing Industrial Training Institutes into Centres of Excellence.

#### ❖ HEALTH AND MEDICAL EDUCATION

- The outlay earmarked for the health sector has increased from Rs.1869.4 crores in 2007-08 to Rs.2122.87 crores in 2008-09. A Capital outlay of Rs.125 crore is planned for adequately equipping and scaling up of the Taluk level hospitals, Community Health Centres and Primary Health Centres. An additional amount of Rs.35 crore is provided as part of the new initiatives for improving service delivery in taluk level hospitals in backward taluks. An outlay of Rs.101 crores is also provided under the Karnataka Health Systems Development Project for strengthening the system of primary health care.
- The Existing scheme of free health kits to the mother of new born, telemedicine, support to autonomous medical institutes like VIMS, Kidwai Memorial Institute, KIMS, Jayadeva Institute of Cardiology, Indira Gandhi Institute of Child Health will continue. Janata health fund to be provided a corpus of Rs.10 crore. An outlay of Rs.15 crores provided for opening of Burns and Dialysis wards in District level Hospitals and Rs.25.25 crores is provided for the Suvarna Suraksha Scheme.
- Works on New Medical Colleges are to be expedited. An additional allocation of Rs.80 crores was already provided in 2007-08 for this purpose. Rs.70 Crore is earmarked for the next phase of these works in 2008-09.

## ❖ WELFARE OF WEAKER SECTIONS

- An outlay of Rs.1684.05 crores is earmarked for the welfare of Scheduled Castes, Scheduled Tribes, Backward Classes & Minorities as against an outlay of Rs.1425.47 crores provided in 2007-08.
- All existing schemes of Ganga Kalyana, Land Purchase and reimbursement of Scholarships for Scheduled Castes and Scheduled Tribes, Backward Classes and Minorities will continue with higher allocations. Monthly charges for hostels under Grant-in-aid are increased from Rs.350 per student to Rs.450 per student for pre-matric hostels and 450 per student to Rs.500 for post-matric hostels. Pooled funds corpus of the Special Component Plan and the Tribal Sub Plan (for Scheduled Castes & Scheduled Tribes) has also been increased from Rs.187.35 crores in 2007-08 to Rs.228.55 crores in 2008-09.
- An outlay of Rs.220 crores is earmarked for taking up capital works for construction of hostels and Morarji Desai Residential Schools sanctioned in earlier years.

## ❖ WOMEN & CHILD DEVELOPMENT

- The outlay on Women & Child Development has been increased from Rs.886.21 crores in 2007-08 to Rs.953.82 crores in 2008-09. The existing scheme of Bhagyalakshmi is to continue with an outlay of Rs.192 crores. Rs.9.77 crores is earmarked for providing support to Stree Shakthi Groups and Rs.17.50 crores for support for creation of marketing infrastructure for these groups. A total amount of Rs.478 crores earmarked for ICDS Scheme. Rs.25 crores is provided for construction of Anganwadi buildings.

- The existing social security pensions for old age persons, widows , physically handicapped and under Sandhya Suraksha Scheme will continue with the monthly pension of Rs.400/- per month.

#### ❖ **RURAL DEVELOPMENT**

- Total outlay on rural development will increase from Rs.3064.31 crore to Rs.3350.97 crore. In addition works in all the districts with a total outlay of Rs.1100 crores are planned under the National Rural Employment Guarantee programme. Rural roads maintenance is to be taken up with an outlay of Rs.350 crore. Further, an additional outlay of Rs.200 crore provided for taking up improvement, upgradation and new roads in backward taluks. Capital works under rural water supply are to be undertaken with an outlay of Rs.865 crore.
- Minor irrigation tanks under the purview of Panchayats are to be strengthened and their capacity augmented at an outlay of Rs.120 crores. Out of this, special focus will be on tanks in backward taluks for which an outlay of Rs.100 crores has been earmarked.
- Suvarna Gramodaya Programme with an objective of integrated development of 1200 villages will continue to be implemented with an outlay of Rs.300 crore.
- In keeping with the tradition of Karnataka in the matter of decentralized governance, the untied grants provided to each of the 5628 Grama Panchayatys in the State are proposed to be increased from Rs.5.00 lakhs to Rs.6.00 lakhs per annum. Gram Swaraj Project with an objective of strengthening Gram Panchayats provided with an outlay of Rs.160 crores.

## ❖ PUBLIC WORKS AND INFRASTRUCTURE DEVELOPMENT

- Public works (roads, bridges and public buildings) are provided with an outlay of Rs.3271 crore as against outlay of Rs.3106 crore for 2007-08. An amount of Rs.240 crore is also provided for important roads in and around Bangalore. Maintenance of Major district roads will be taken up at an outlay of Rs.300 crore. This is in addition to funds to the tune of Rs.145 Crore available for road maintenance under the Twelfth Finance Commission grants.
- State highways maintenance will be taken up under the new output based performance contracts at an outlay of Rs.50 crores. An outlay of Rs.250 crores is earmarked for the second phase of Karnataka State Highways improvement Project. Karnataka Roads Development Corporation will also take up construction and upgradation of major bridges and State Highways at a cost of Rs.300 crores.
- An outlay of Rs.50 crores earmarked for the construction of the Vidhana Soudha in Belgaum.
- Infrastructure development Department is given an outlay of Rs.449.21 crores as against an outlay of Rs.418.45 crores in 2007-08. Rs.100 crores out of this is earmarked for expediting works for setting up and upgradation of airports in Mangalore, Mysore, Hubli, Bijapur, Shimoga, Hassan, Gulbarga, Karwar, Bidar and Belgaum.
- Railway projects under cost sharing arrangement with Indian Railways to be taken up for which an amount of Rs.200 crores is earmarked as the State's share.

- An allocation of Rs.5 crores is provided for the State's initial equity in new Special Purpose Vehicle for undertaking the work of providing High Speed Rail Link to the Bangalore International Airport. An outlay of Rs.93 crores is also provided for the State's investment in the Bangalore International Airport.

#### ❖ HOUSING & URBAN DEVELOPMENT

- The outlay on housing for weaker sections has increased from Rs.756.93 crores in 2007-08 to Rs.875.3 crores in 2008-09. This will help to complete all the existing incomplete houses numbering more than 3 lakh in 2008-09 in different districts.
- The outlay on Urban Development has increased from Rs.4618 crores in 2007-08 to Rs.4923 crores in 2008-09. The devolution of funds to Urban Local Bodies has increased from Rs.1904 crores in 2007-08 to Rs.2419 crores in 2008-09.
- An outlay of Rs.100 crores is also earmarked for the North Karnataka Urban Infrastructure Development Project, Rs.250 crores for the Karnataka Municipal Reforms Project, Rs.161 crores for the Karnataka Urban Development and Coastal Management project and Rs.378 crores for the Cauvery Water Supply Project. The allocation under the National Urban Renewal Mission scheme is pegged at Rs.900 crores.

#### ❖ ENERGY

- Rs.1700 crores is provided for Rural Electrification subsidy in 2008-09. In addition an amount of Rs.330 crores is earmarked for providing capital support to transmission and distribution companies for taking up Rural Load Management System Project in backward taluks.

- The Karnataka Power Corporation Limited, the Karnataka Power Transmission Corporation limited and the Electricity Distribution Companies have planned to take up works with an outlay of about Rs.2000 crore in 2008-09 to augment Generation, Transmission and Distribution Infrastructure.

#### ❖ HOME & TRANSPORT

- The allocation for Home & Transport has been increased from Rs.1945.74 crores in 2007-08 to Rs.2442.59 crores in 2008-09. An outlay of Rs.95 crores out of this is earmarked for police force modernization. The work under the Karnataka State Accelerated Fire Reforms Project for construction and upgradation of Fire stations is to be continued at a cost of Rs.35 crores during 2008-09. The work on streamlining of traffic management in Bangalore under the Bangalore Traffic Improvement Project (B-Trac) is to be expedited. An outlay of Rs.38 crores earmarked for the same.
- The budget provides for the continuation of the scheme of subsidized bus passes facility for students, freedom fighters and the disabled. An allocation of Rs.189 crores is provided as reimbursement to Road Transport Corporations provided in 2008-09. Government is also to provide a Capital outlay of Rs.100 crores for improvement of bus transport infrastructure in the backward taluks.

#### ❖ INFORMATION, TOURISM & YOUTH SERVICES

- An allocation of Rs.205.41 crores is provided for Information, Tourism & Youth Services. Tourism infrastructure will be created on public private partnership model in important locations. Rs.20 crores is earmarked as the State's share for the

programme. Rs.40 crores is also earmarked for maintenance and rejuvenation of existing tourist facilities.

- An allocation of Rs.5 crores is earmarked for the conduct of National Youth Games in Bangalore. The existing programme of upgradation of taluk-level stadia will continue with an outlay of Rs.25 crores.
- An outlay of Rs.143.59 crores is provided for Kannada and Culture including a special allocation of Rs.41 crores is also earmarked for promotion of Kannada and culture. This is in addition to Rs.12.50 crores provided for Heritage Conservation and Rs.1 crores each for reprint of important works in Kannada literature and conduct of Janapada Jatre.

#### ❖ **COMMERCE & INDUSTRIES**

- The outlay on Commerce & Industries has increased from Rs.1421.25 crores to Rs.1484.86 crores. An additional amount of Rs.60 crores has been provided in 2007-08 itself to clear all backlog of investment subsidy. Thrust on creation of industrial infrastructure is to continue with an outlay of Rs.43 crores.
- An amount of Rs.50 crores is provided under the One time Settlement of loans upto Rs.10 lakh taken from KSFC as per the scheme announced in 2007-08. The existing Weavers' Package to continue with an outlay of Rs.50 crores.
- Employment generation in the Garment sector to be focused upon with an outlay of Rs.64 crores.

## ❖ REDRESSAL OF REGIONAL IMBALANCES

- Karnataka's budget for 2008-09 includes a provision of Rs.2489 crores for a Special Development Plan to develop backward areas in the State to redress regional imbalances within the State. This represents a 58% increase over the Special Development Plan of Rs.1571 crores which was initiated for the first time in 2007-08. The Special Development Plan outlay is mainly directed in the sectors of Rural Development, Irrigation, Education, Health, Roads and Transport and Welfare of weaker sections.

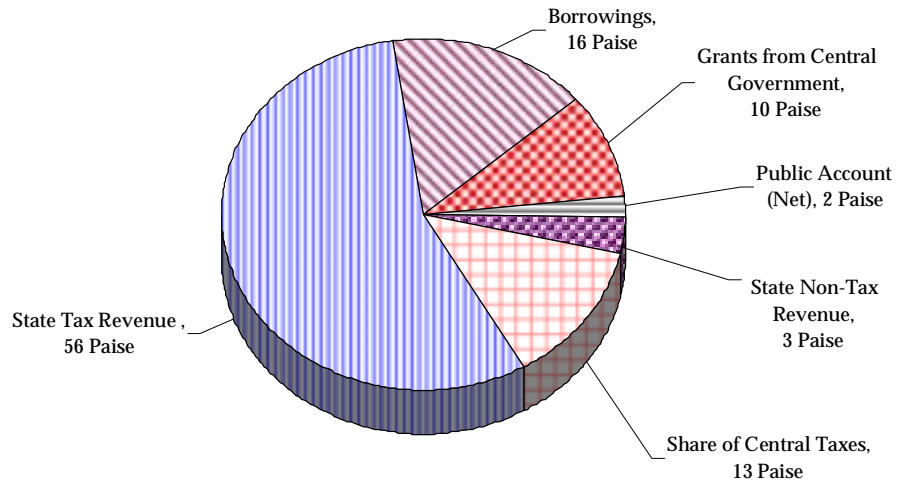
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## BUDGET AT A GLANCE

Rs.crores

Sl No	Item	A/c 2006-07	BE 2007-08	RE 2007-08	BE 2008-09
1	Revenue Receipts	37586.94	40762.09	40840.22	46188.70
1a	Own Tax Revenues	23301.03	26691.17	27218.32	31445.93
1b	Own Non Tax Revenues	4098.41	1857.10	1802.10	1931.65
1c	Devolution from GOI	5374.33	6300.00	6300.00	7344.20
1d	GIA & Contributions	4813.17	5913.82	5519.81	5466.92
2	Capital Receipts (Non-debt)	59.97	749.07	263.07	269.97
2a	Recovery of Loans and Advances	59.97	49.07	63.07	69.97
2b	Other Non-debt Capital receipts		700.00	200.00	200.00
2c	Disinvestment proceeds				
3	Total Receipts	37646.92	41511.15	41103.30	46458.67
4	Non -Plan Expenditure	25765.79	30559.96	30205.79	33020.85
4a	Non-Plan Revenue Expenditure	25582.89	29153.86	28711.09	31786.94
4a(1)	Interest Payments out of 4(a)	4236.40	4818.00	4718.21	5278.00
4b	Non-Plan Capital Expenditure	182.91	1406.11	1494.70	1233.91
4b(1)	Loans and Advances disbursed out of 4(b)	51.12	40.90	43.90	75.07
5	Plan Expenditure	16569.43	17256.17	16982.99	20364.13
5a	Plan Revenue Expenditure	7852.54	9981.57	9147.65	11429.11
5b	Plan Capital Expenditure	8716.89	7274.60	7835.34	8935.02
5b(1)	Loans and Advances disbursed out of 5 (b)	306.11	432.58	400.00	580.76
6	Total Expenditure (4+5)	42335.23	47816.13	47188.78	53384.98
7	Fiscal Deficit (6-3)	4688.31	6304.98	6085.48	6926.31
8	Revenue Deficit (4a+5a-1)	-4151.51	-1626.66	-2981.48	-2972.65
9	Primary Deficit (7-4a(1))	451.91	1486.98	1367.27	1648.31
	<b>GSDP at Current Prices</b>	<b>188274</b>	<b>220006</b>	<b>215282</b>	<b>244043</b>
	<b>Fiscal Deficit</b>	<b>2.49%</b>	<b>2.87%</b>	<b>2.83%</b>	<b>2.84%</b>
	<b>Revenue Deficit</b>	<b>-2.21%</b>	<b>-0.74%</b>	<b>-1.38%</b>	<b>-1.22%</b>
	<b>Primary Deficit</b>	<b>0.24%</b>	<b>0.68%</b>	<b>0.64%</b>	<b>0.68%</b>

### RECEIPTS 2008-09 - HOW THE RUPEE COMES



### EXPENDITURE 2008-09 WHERE THE RUPEE GOES

