

## ANNEXURES

### 1. Targets to be achieved by 2005-2006, 2006-07 & 2007-08.

- Fiscal deficit is to be capped at 3% of GSDP.
- Consolidated fiscal deficit is to go down to 3% of GSDP.
- Revenue deficit is to be eliminated. Revenue balance to be enhanced.
- Consolidated Revenue Deficit to be eliminated.
- Debt stock is to be stabilized.
- Off-budget borrowings to be eliminated by 2007-08.

### 2. Definitions

- Fiscal deficit = Revenue deficit + Capital expenditure + Net of loans advanced.
- Actual capital expenditure = Capital expenditure – repayment towards off-budget borrowings (e.g., by KBJNL, KNNL etc.)
- Primary deficit = Fiscal deficit – Interest payment.
- Fiscal deficit is financed by increase in public debt, net from public account and difference in cash balance.
- Total debt stock = public debt stock + public account liabilities.
- Consolidated figures for deficit, interest and debt stock are obtained by adding the budgetary figures and off-budget borrowings i.e., borrowings by Govt. agencies and undertakings the debt servicing of which will fall onto the budget, e.g., borrowings by KBJNL/KNNL. The following relationships hold:
  - (a) Consolidated Revenue Deficit = Budgetary Revenue Deficit + Interest payments towards off-budget borrowings;
  - (b) Consolidated Fiscal Deficit = Budgetary Fiscal Deficit + Off-budget capital expenditure – Principal repayments towards off-budget loans;
  - (c) Consolidated capital expenditure = Budgetary capital expenditure + Off-budget capital expenditure;
  - (d) Consolidated Interest = Interest payments both for budgetary and off-budget loans;
  - (e) Consolidated debt stock = Budgetary debt stock + Off-budget debt stock.
  - (f) Consolidated fiscal deficit (including power) = Consolidated fiscal Deficit + Power sector subsidy gap.

### 3. Basic Assumptions

- GSDP Growth rate of 7% in 2004-05, 7% in 2005-06, 7.5% in 2007-08 and 7.5% in 2008-09.
- Inflation rate of 5% in 2004-05, 2005-06 and 2006-07, 5.5% in 2007-08.
- Fiscal deficit decreases from 5.36% in 2001-02 to 2.9% of GSDP in 2006-07.

### 4. Assumptions on Revenue Receipts

- Tax Devolution from Government of India is assumed to grow at 12.5% over the current year's level.
- State taxes viz., Commercial taxes, Excise, Motor Vehicle taxes, Stamps & Registration are expected to have buoyancies of 1.075, 1.075, 1.025, & 1.1 respectively.
- Incentive-linked grant from Government of India is based on fiscal correction programme as per EFC projections.

### 5. Assumptions on Cost Recovery

Cost Recovery	1999-00 A/c	2000-01 A/c	2001-02 A/c	2002-03 A/c	2003-04 RE	2004-05 BE	2005-06 Proj	2006-07 Proj	2007-08 Proj
Secondary Education	1.94%	3.49%	2.34%	3.42%	3.50%	3.36%	3.33%	3.31%	3.30%
Technical Education	3.4%	6.5%	7.2%	6.3%	12.7%	12.5%	12.5%	13.0%	13.7%
Health	1.15%	1.02%	0.83%	1.49%	1.05%	1.90%	1.58%	1.45%	1.27%
Water Supply (Rural)	0.74%	0.29%	0.63%	0.47%	0.49%	0.00%	0.00%	0.00%	7.00%
Irrigation	17.48%	24.14%	26.40%	30.33%	68.58%	72.16%	44.84%	80.00%	83.00%
Minor Irrigation	3.27%	4.11%	3.64%	4.28%	6.34%	4.46%	7.79%	20.00%	25.00%
Housing Loans	0.00%	0.00%	0.03%	0.00%	45.92%	25.76%	25.76%	24.80%	23.43%

### **6. Assumptions on other G.O.I. Grants**

- Calamity relief fund as per EFC projections. 5% growth rate.
- Special problems grant as per EFC projections. 10% Growth assumed for Twelfth Finance Commission projections.
- Block state plan grants from GOI to increase by 12% annually.
- CSS/CPS grants from GOI to increase by 8% annually.

### **7. Assumptions on Public Account**

- State provident fund receipts and disbursements increase at 10% each year till 2004-05 and at 5.39% (which is the growth rate of salary) in the subsequent years.
- Net from J,K,L,M public accounts to be Rs. 30 crores in 2004-05 BE, and subsequent years.

### **8. Assumptions on Salary & Pension**

- Basic salaries to grow at 2.75% per annum.
- D.A. to grow at assumed inflation rate per annum.
- Provision for vacant posts have been made to the extent of 80% for education, and 50% each for health, police and forest departments. For all other departments, 10% provision is made.
- 1/3<sup>rd</sup> of retiring posts (other than education, health, police and forests) are to be abolished every year.
- Basic for pensioners grows at 5%. D.A. for pensioners to have the same growth rate as D.A. in salary.

### **9. Assumptions on Subsidy**

- Industrial subsidy to be eliminated from 2005-06 except for backlog.
- Housing subsidy based on the target of 1 lakh houses every year so as to meet housing gap of 16 lakh houses by 2006-07.
- Number of children and number of nursing mothers in the Anganwadis to grow at 2% each.
- Number of students in SC/ST/BCM hostels to increase at the rate of 3% per annum.
- Transport subsidy to decrease at 15% per annum over the base level of 2003-04. The SRTC's to pay full motor vehicle taxes which would grow at 11.74%, the same as the growth rate for motor vehicle taxes paid by private vehicles.
- The food subsidy will be capped in nominal terms at Rs.300 Crore per annum for the MTFP period.

### **10. Assumptions for the Power Sector**

- Power Subsidy is to be based on existing FRP.
- T&D losses coming down from the existing level 30% in 2003-04 to 28% in 2004-05, 25% in 2005-06 and 22% in 2006-07.
- Tariff increase is assumed at 10% in 2004-05 and 7% thereafter.
- Growth in consumption per annum is assumed at 7.62% for domestic category, 3% for agriculture, 8.22% for commercial, 6.25% for LT industrial, 5.29% for HT, and about 5% on the average for all categories.

### **11. Assumptions on Other Revenue Expenditure**

- Non-salary revenue expenditure for Primary and Secondary Education as a percentage of salary expenditure for this sector is to grow from the existing level of 19% to 26% in the year 2006-07 and to 32% in 2007-08.
- Non-salary revenue expenditure for Health as a percentage of salary expenditure for this sector is to grow from the existing level of 60% to 110% in the year 2006-07 and 150% in 2007-08.
- Allocation for maintenance of roads, buildings and irrigation assumed at growth of 15% for roads, 12% for buildings and 15% for irrigation.
- SFC devolution to ULBs is as per the existing formula for the current year and share of ULBs is expected to grow to 20% over 5 years. The actual devolution formula from 2005-06 is to be based on the Second State Finance Commission recommendations and calculated as a percent of Non-Loan Net Own Revenue Receipts(NLNORR) where cess, collection costs and lottery receipts are netted out.

### **12. Assumptions on Borrowing & Capital Expenditure**

- Capital expenditure on roads, education, health, rural water supply increases by more than 31% on average per year.
- Market borrowings increase by 10% whereas small savings decline at 30% per annum till 2006-7 on account of debt swap.
- VRS payment of Rs. 350 Crore in the next 4 years beginning 2004-05.
- Interest payment on old loans is based on actuals and debt swap carried out till now.

- Future borrowings are to have the interest rates based on the prevailing interest rates for each of the items.
- LIC loans are to remain at the same level for 2004-05 and thereafter be reduced to nil because of higher interest rate.
- NABARD loans are at Rs. 400 Crore in 2004-05 and 2005-06 in view of the reduced Rates of Interest. Thereafter to grow at 10%.
- GOI loans are to grow at 12% per annum.
- The item “Expenditure on Capital Formation” in the main text is actual expenditure on capital formation, and excludes debt servicing of off-budget borrowing, which is included in capital expenditure under budgetary definitions.

### **13. Assumptions on Contingent Liabilities**

- Guarantee limits arising out of the Ceiling on Government Guarantees Act are. The calculation of the ceiling is proposed to be changed by taking revenue receipts as net of lottery and cess receipts as these are pass throughs and do not improve the state’s ability to meet invocations of guarantees:

(Rs. crores)

Item	1999-00 A/c	2000-01 A/c	2001-02 A/c	2002-03 A/c	2003-04 RE	2004-05 BE	2005-06 Proj	2006-07 Proj	2007-08 Proj
Guarantees Available	1266	1565	1807	2145	1664	2620	5138	3839	3127
as % of GSDP	10.3%	7.08%	7.76%	7.78%	7.09%	7.03%	7.42%	8.90%	9.14%

### **14. High Priority Development Expenditures Planned**

(Rs. crores)

Item	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
	A/c	A/c	A/c	A/c	RE	BE	Proj	Proj	Proj
<b>PRY &amp; SEC EDUCATION</b>									
Revenue Expenditure	2473	2745	2843	2850	3090	3657	3658	3988	4406
Capex	0	3	2	7	4	4	50	55	60
Total	2473	2748	2845	2857	3094	3661	3708	4043	4466
Growth		11%	4%	0.4%	8%	18%	1%	9%	10%
<b>HEALTH</b>									
Revenue Expenditure	868	904	986	954	1024	1085	1433	1717	2157
Capex	108	102	100	50	45	43	100	94	100
Total	976	1005	1087	1004	1069	1127	1533	1811	2257
Growth		3%	8%	-7.6%	6%	5%	36%	18%	25%
<b>ROADS</b>									
Maintenance	188	249	219	108	135	213	245	294	368
Capex	172	275	239	418	711	566	900	1000	1200
Total	360	524	458	526	847	780	1145	1294	1568
Growth		45%	-12%	14.8%	61%	-8%	47%	13%	21%
<b>WATER SUPPLY</b>									
Revenue Expenditure	325	257	289	275	237	236	238	263	291
Capex	290	330	277	201	363	420	700	653	700
Total	615	587	565	477	599	656	938	916	991
Growth		-4.6%	-4%	15.7%	26%	9%	43%	-2%	8%
<b>IRRIGATION</b>									
Capex	697	629	808	738	645	550	1300	1450	1700
Maintenance	71	86	72	34	50	66	76	87	103
Total	768	715	880	772	695	616	1376	1537	1803
Growth		-7.0%	23.1%	12.3%	-9.9%	11.3%	123.3%	11.7%	17.3%
<b>BUILDINGS</b>									
Capex	61.29	31.0	27.8	58.5	91.6	72.1	100.0	140.0	190.0
Maintenance	83	72	59	70	86	122	136	153	175
Total	144	103	87	128	177	194	236	293	365

Growth		28.6%	-16%	48.0%	38%	9%	22%	24%	25%
<b>TOTAL</b>	5337	5681	5923	5764	6482	7034	8936	9894	11450
Growth		6.4%	4%	-2.7%	12%	9%	27%	11%	16%

**15. Fiscal Results**

- Revenue balance increases from 0.05% of GSDP in 2004-05 to increase to cover the consolidated revenue deficit in 2006-07.
- Capital expenditure increases from 1.7% to 2.46% of GSDP in 2007-08.
- Expenditure on salaries decreases from 3.92% to 3.26% in 2007-08.
- Total debt decreases from 32.8% in 2004-05 and to 31.57% in 2007-08. Aimed to achieve 25% of GSDP by 2015.
- Consolidated debt stock decreases from 37.3% in 2004-05 to 33.3% in 2006-2007.

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