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Panel for abolition of posts, merger of departments to cut expenditure

This was the first revenue deficit Budget since 2004-05

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With 2020-21 marking the first revenue deficit Budget in the last 16 years and COVID-19 rendering a severe blow to the State's revenue, the Fiscal Management Review Committee headed by the Chief Secretary has recommended drastic measures such as rationalisation of subsidy schemes, abolition of posts, merger of some departments, and revision of user charges to contain expenditure commitments.

Karnataka has continuously maintained revenue surplus since 2004-05. The estimated revenue surplus in the 2020-21 Budget was ₹143 crore.

But the slowdown due to the pandemic resulted in a reduced revenue collection of the State and the revenue deficit is estimated to be ₹15,133.60 crore in 2020-21.

KEY RECOMMENDATIONS

Review and revision of user rates	Rationalisation of subsidy schemes	Merger of certain departments	Abolition of unnecessary posts across departments

SHORTFALL

Committed expenditure in 2020-21 **₹1,62,359 crore**

Revenue **₹1,59,709 crore**

Committed expenditure as a percentage of revenue receipt **102%**

Long way off

In the Medium Term Fiscal Plan (MTFP) 2021-25 of the State government, the Fiscal Management Review Committee (FMRC) said: "Despite recovery, reaching pre-lockdown levels will take time." It suggested some measures to contain committed expenditure. Noting non-revision of user charges by some departments for more than three years, it said that "irregular and non-revision of charges periodically" led to slow growth in non-tax revenue of the State.

The non-tax revenue largely comprise royalty from major and minor minerals, interest receipts and dividends and user charges for delivery of services.

The non-tax revenue is estimated at ₹7,730 crore in 2020-21.

- The panel suggested that one of the ways to reduce expenditure was by removal of schemes whose size was less than ₹20 crore from the next financial year (2021-22).

Loan recovery

The FMRC has suggested that all departments review and revise user rates wherever the rates have not been revised for more than three years. The government's recovery of loans and advances made to boards/corporations and its own agencies has also been slow, it said.

The MTFP said: "It will be difficult to adhere to Fiscal Responsibility and Budget Management Act parameters unless long term reforms are taken up." Besides rationalisation of subsidy schemes for various sectors, the committee recommended merger of certain departments, abolition of unnecessary posts across various departments.

Subsidy share

According to Budget documents, subsidies constituted nearly ₹20,000 crore in 2020-21.

The panel suggested that one of the ways to reduce expenditure was by removal of schemes whose size was less than ₹20 crore from the next financial year (2021-22). According to the Planning Department, nearly 50% of the schemes size was less than ₹20 crore and it recommended convergence of schemes.

> **It will be difficult to adhere to Fiscal Responsibility and Budget Management Act parameters unless long-term reforms are taken up.**
> FISCAL MANAGEMENT REVIEW COMMITTEE

Because of the shortfall in revenue, in 2020-21, the committed expenditure (₹1,62,359 crore) to the percentage of revenue (₹1,59,709 crore) was 102% against 87% in 2019-20.

Owing to the increased committed expenditure, part of the borrowings were used to fund the revenue expenditure and allocation for the capital expenditure (for undertaking various development works/projects) had come down from ₹46,512 crore to ₹39,125 crore in 2020-21.

Reduced revenue has resulted in increased borrowings and interest payments. The percentage of interest payments to revenue receipts increased from 9.3% in 2018-19 to 14.2% in 2020-21, the MTFP said.