Press Release No. 627 **Date: 06.09.2018**

SALIENT POINTS OF THE MEMORANDUM PRESENTED TO THE 15TH FINANCE COMMISSION BY THE HON'BLE CHIEF MINISTER OF TAMIL NADU

Tamil Nadu is **the only State which has seen its inter se share in devolution decline in *every single Finance Commission since the 9th*. Criteria have come and criteria have gone - but regardless of which criteria were adopted by which Commission, Tamil Nadu always ended up with a reduced inter se share of devolution**. This has led to a crisis of confidence in the polity, and among the people, in the core institutions of fiscal federalism. The **78 million people of Tamil Nadu are looking to this Commission to undo the unfair and unscientific treatment this State received from the 14th and earlier Finance Commissions**.

The Commission has been constituted at a time when the Union and the States are facing volatile growth in economy. The era during which fiscal indicators of the Union and the States steadily improved has ended. In the GST regime, the resource stream is less predictable due to instability in the taxation and collection system. Being closer to the people and having a greater responsibility to protect them from the rigours of economic fluctuation, the State Government is forced to balance between fiscal prudence and welfare measures.

It is a tragedy that successive Finance Commissions assessed Tamil Nadu as having a post devolution surplus based on undue assumptions of a higher rate of revenue growth, whereas the actual scenario turned out to be different.

Despite its deficit, the State has not received any compensation or revenue deficit grant during the 14th Finance Commission award period. It is therefore clear that the 14th Finance Commission has erred

seriously in making its projections relating to Tamil Nadu which had a debilitating effect on the State's fiscal stature.

Tamil Nadu has not benefited from the increase in Share of Central Taxes form 32% to 42% by the Fourteenth Finance Commission because of the drastic cut in the horizontal share among States. Instead, Tamil Nadu has lost Rs.6000 crore per annum in the 14th Finance Commission alone.

Realistic projections which anticipate economic trends are essential, if the 15th Finance Commission is to enable a fair distribution between the Union and the States of the net proceeds of taxes, a just allocation amongst the States of such proceeds, and a reasonable set of recommendations on grants to the States.

Failure to meet investment needs in progressive states like Tamil Nadu will choke growth in the very states which are most capable of pulling the nation upward. Thus, **the present trend in transfer of resources—of rewarding those who use resources inefficiently and do badly, and punishing those who use resources efficiently and do well—has to be reversed. The flow of resources to States like Tamil Nadu has to increase substantially, not only on grounds of fairness, but also to sustain growth in India as a whole and thereby help all states**.

The 15th Finance Commission needs to keep in mind three critical aspects in formulating its recommendations:

- Firstly, as emphasised above, the **inherent imbalance in the Constitutional scheme where the States have been entrusted with responsibilities far in excess of the financial resources endowed on them;** the Finance Commission as a Constitutional mechanism is intended to correct this basic imbalance;

- Secondly, the need for realistic rather than optimistic projection of States' revenue and expenditure;

- Thirdly, adoption of **pragmatic, fair and scientific** criteria which encourage developed states to accelerate growth further, rather than dampen their spirit and enthusiasm, while also stimulating the backward States to bestow more attention on rapid economic and social changes.

The State Government put forward major recommendations like adopting the criteria of Population of 1971, Population control based on inverse population growth from 1971 to 2011 with equal weightage to counter each other, Income distance measured from minimum level of Upper Middle countries and Contribution to Central Taxes, each with weightage of 25% for deciding the horizontal distribution among States. It was also emphasized to compensate the State for the revenue loss faced by Tamil Nadu due to unfair recommendations of Fourteenth Finance Commission.

Grants-in-aid and State Specific Needs Grant sought for by the Tamil Nadu Government

- **A grant of Rs.4800 crores as a state specific need, albeit one of national importance considering the economic importance of Chennai metropolis.**
- **Rs.260 Crores towards Prevention of Sea water intrusion into the coastal aquifers of Tamil Nadu**
- **Rs.1000 crores towards anti sea-erosion works.**
- **Rs.1900 crores for Eastern Ghats Development Project consisting Sub-Project on Eco-restoration and Resource Management, Sub-Project on Preservation of Traditional Knowledge and Sub-Project on Heritage Conservation and Eco-tourism**
- **A special grant of Rs.5000 Crores may be given to further expand coverage of Zero Liquid Discharge based Common Effluent Treatment Plant.**

- **A grant of Rs.300 Crores for a grant towards Revamping of Chennai Water Bodies**

- **A special grant for development of Key Towns of Tourist Importance viz., Rameswaram (Rs.200 Crores), Madurai (Rs.500 Crores), Palani (Rs.100 Crores), Tiruchendur (Rs.75 crores), Srirangam (Rs.100 crores),**

- **Rs.7800 crore grant towards Inter-linking of Cauvery - Agniyar - South Vellar - Manimuthar - Vaigai - Gundar canal scheme**

- **Rs.400 crores towards Renovation of Historically Important Ancient Temples**

- **A grant of Rs.23465 crores towards maintenance of 58326 single, inter-mediate lane, double lane, multi lane roads in the State.**

- Rs.1000 crores grants-in-aid for maintenance of 30952 sq.km forests.

- Rs.7875 crores grant for augmenting Police infrastructure viz., Construction of Police Stations Buildings, Construction of Police Quarters, Equipment and Infrastructure for added strength, Upgradation of Tamil Nadu Police Academy and Urban Law and Order Management Training.

- A grant of Rs.1500 crores towards Improvement of Judiciary in the State viz., Construction of own buildings for existing courts, Construction of own buildings for new courts, Construction of residential quarters for judges of sub-ordinate judiciary and Upgradation of IT infrastructure for High Court and Subordinate Judiciary.

- Rs. 5000 crores to meet the funding for Urbanisation, Migration and Slum Development in Tamil Nadu.

- A one-time grant of Rs.1500 crores exclusively for Restoration of Traditional Water Bodies.

- A grant of Rs.1000 crores, towards Support for Health Care Institutions in the State, Rs.600 crores for construction of new building / revamping of old buildings existing in the old Government Medical Colleges and Rs.400 crores to upgrade all the tertiary institutions with necessary infrastructure for better patient care.

- A grant of Rs.250 crores for preservation and restoration of heritage structures in Chennai such as Fort St. George, High Court of Madras, Government Museum, single – storey building next to Kalas Mahal, PWD Complex in Chepauk, Humayun Mahal, are illustrative of some of the heritage buildings which require renovation.

- Rs.80 crore for developing infrastructure facilities in Juvenile Justice System.

- A grant of Rs.6000 crores towards maintenance of public local body buildings.

Issued By :- DIPR, Secretariat, Chennai - 9.