

GOVERNMENT OF KARNATAKA
FINANCE DEPARTMENT

No. FD 07 BPE 2018

Karnataka Government Secretariat
Vidhana Soudha
Bangalore, Dated:19-11-2018

CIRCULAR

**Subject: Budget 2019-20 – General Guidelines and Preparation of
Expenditure Estimates (Other than Salary)**

For preparation of expenditure estimates for FY 2019-20, instructions are being issued in the following paragraphs.

A. General Guidelines:

- a. The Calendar for regulating the Budget work for 2019-20 is enclosed to this Circular - **Annexure-1**. Estimating Officers are requested to see that **TOP PRIORITY** is given to the Budget work and that the estimates are sent as soon as they are completed without waiting for the expiry of the prescribed date. The Departments may send the Estimates to Finance Department, addressed to Deputy Secretary to Government (B & R). In cases of Departments having Internal Financial Advisers, Estimates must be routed through concerned IFAs.
- b. The Chief Accounts Officers of Zilla Panchayats will act as Estimating Officers for District Sector Schemes. The Chief Accounts Officer is required to send the detailed Budget estimates to the concerned Head of Department and the IFA. The Heads of Department in turn should scrutinize and consolidate the estimates and forward them with their remarks to the Finance Department through the IFA before the due dates fixed.

- c. All the Estimating Officers are requested to forward to Finance Department only one set of consolidated Estimates in the prescribed forms which is complete in all respects. They may make special arrangements for obtaining information from the subordinate offices well in advance. It should be noted that the work of consolidation of the estimates received from the subordinate offices after scrutiny is the responsibility of the Chief Controlling Authority/Chief Accounts Officers of Zilla Panchayats who should see that no provision is omitted.

B. Receipt Estimates:

Separate Circular instructions will be issued on this.

C. Expenditure Estimates

1. General:

All Expenditure Estimates should be formulated with the greatest care and accuracy and also with due regard to sanctions and actual requirements. The Expenditure Estimates to be proposed for 2019-20 should be based on the actual for the preceding years and also on the Supplementary Grants approved for 2018-19. **All kinds of Committed Expenditure** like Subsidies, (Power, Food, Milk, Transport etc.) Maintenance (Buildings, Roads, Bridges, Hostels etc.), Boarding charges (Hostels), Social Security Pension are to be completely provided for. The concerned departments have to furnish the detailed calculation sheet in support of their calculation. It should contain the no. of beneficiaries and unit cost etc. in support of the calculation. This should also be sent along with the estimates of 2019-20. The Estimates for 2019-20 have to be furnished in the format as at **Annexure-2**. In addition to these, following points should be strictly adhered to.

- a. Estimates of expenditure should invariably be shown by Object Heads of account. The list of common Object Heads of account that would be operated for Budget 2019-20 is as shown in **Annexure-3**. At present each Object Head under a Scheme/line item in the budget is considered as a unit of appropriation irrespective of the provision made there under. This has led to a large number of Schemes under each Major Head and the Provision for several line items is between 0.10 to 1.00 cr. Government intends to reduce the number of line items in the budget so that re-appropriations and additionalities through Supplementary Estimates is avoided. The Budget Estimating Officers have to undertake a review of all the schemes coming under their control and arrange to merge Schemes with similar objectives into one scheme. No line item with a provision of less than Rs. 1.00 cr will normally be allowed in the budget estimates of 2019-20.

- b. Instances have occurred in the past, where substantial amounts are being surrendered either as a result of inclusion of provision in the budget in excess of the requirement or due to non-implementation of the schemes provided for in the Budget. There have also been cases where, in the very first quarter of the financial year, the departments have approached Government for provisions of additional funds for certain items which they had not originally anticipated. Instances have also come to the notice of Government where the Departments have spent a major portion of the entire Budget provision within a couple of months and have approached the Finance Department for additional allotment. These instances should be avoided and Budget Estimates have to be prepared with due care and forethought. Proposals should not, therefore, be based on hypothetical estimates but must be worked out on the basis of probable and realistic requirement of funds. This would avoid large variations between the Budget Estimates and the actual expenditure. The expenditure against the Budget provisions in all the months should be at an even rate and there should not be any abnormal expenditure in the last quarter of the financial year. Budget Control by Treasuries have been introduced. Hence, all the items of expenditure are to be classified properly under the relevant head of account. In the absence of proper classification, the treasuries will not be honoring the bills.

c. Public Accounts Committee has observed that many of the Departments are making provision under the Minor Head ‘800 – Other Expenditure’ and ‘Object Head-059-Other Expenses’ under the functional Major Head as a result of which correct nature of expenditure is getting lost. Hence, in order to bring transparency to the nature of expenditure, it has recommended that such a practice has to be discontinued forthwith. Departments while sending the proposal for Budget 2019-20 to Finance Department, has to judiciously examine the nature of expenditure and classify the expenditure under an appropriate Minor Head. Likewise, an exhaustive list of Object Heads is given in **Annexure-3**. The nature of expenditure has to be with reference to one of these Object Heads and provision under Object Heads 051-General Expenses and 059-Other Expenses should be as minimum as possible. Since mapping has been done in Khajane-2 on the basis of “Bill claim type – object code”, all departments has to classify their expenditure estimates under the relevant object heads as mentioned in Annexure-3 to this circular. If not, it is to be noted that bills submitted in Khajane-2 will be rejected.

2. Appendix-B Estimates:

Circular in this regard will be issued separately.

3. Salary/Terminal Leave Benefits:

Finance Department would be making use of the relevant fields available in HRMS data base to estimate the Terminal Leave Benefits admissible to the employees retiring during 2019-20. Hence, only High Court of Karnataka needs to furnish information regarding salary, pension/terminal leave benefits in prescribed format by contacting Computer cell, Finance Department.

4. Grants-in-Aid & Maintenance Expenditure:

Comptroller & Auditor General of India have been insisting that GiA and Maintenance Expenditure have to be explicitly exhibited so as to capture the correct purpose / nature of its expenditure. Hence, the Object Heads 101 for GiA-Salaries, 102 for GiA-Assets Creation, 103 for GIA-General, 115 for GIA-Outsource, 118 for GIA-Pension, 200 for Maintenance Expenditure and 202 for Salary/Wages for Maintenance, are to be made use of depending on the purpose / nature of expenditure. For all institutions covered under

HRMS, GiA Salary would be estimated using HRMS data base. But in respect of Universities and Autonomous Bodies under Education and Health Sectors, the present practice of finalizing the Block Grants based on the information furnished by them would continue. In addition to the detailed information being furnished hitherto, Universities have to furnish additional information as per **Annexure-4**. Autonomous Bodies have to furnish the relevant information as per the **Annexure-5 (A)** and **Annexure-5 (B)** appended to this Circular. This would facilitate Finance Department to have an accurate estimate of the Block Grants to Universities and Autonomous Bodies for 2019-20.

5. Rationalization or Merger of Schemes:

Several Departments have been undertaking the exercise of rationalization / merger of Schemes from the past several years. But, the final decision is communicated to FD during the end of February or first week of March when the Budget preparation is at its peak. At the peak period, it would be extremely difficult to give effect to the rationalization proposed by the Departments. Hence, it is instructed that the rationalization exercise should be under taken at the lean period and the final decision with the approval of Development Commissioner should be forwarded to Finance Department.

D. Additional Disclosures in MTFP:

As per the recommendation of the XIII Finance Commission, the State Government is bound to make certain additional disclosures in the Annual Budget/Medium Term Fiscal Plan. Hence in addition to the regular Budget Estimation for 2019-20, the Estimating Officers have to work out the following and submit to Finance Department.

a. Three year forward estimate: Along with the estimates of 2019-20, Estimating Officers should present a three year forward estimate of (2020-2021 to 2022-23) of all revenue and expenditure heads. The estimation should be accompanied by the details of how each of these estimates have been arrived at along with assumptions, if any. In order to have some degree of accuracy in projection, it is also expected that the department provide the band within which such estimates may vary. The Department may utilize the Medium Term Fiscal Plan 2018-22 document to decide on the broad growth rate employed while working out the forward estimate, so that the projections are within the probable budget availability in those years.

b. Compliance Costs of Major Tax Proposals: While major tax collecting departments estimate the tax receipts, the associated compliance cost and the methodology employed to estimate the same should be intimated. The projected tax receipt and associated compliance cost for next three years too should also be estimated and furnished. As stated above, here too the parameters underlying projections for receipts and associated expenditure and the band within which they can vary while remaining consistent with targets should be mentioned. Medium Term Fiscal Plan 2018-22 may be referred for the growth rate assumptions.

c. Revenue Consequences of Capital Expenditure (RCCE) to be projected along with related liabilities, physical and financial assets and vacant public land and buildings: Revenue Consequence of Capital Expenditure means revenue expenditure in the form of salaries, maintenance, vehicles and other administrative expenses to maintain the assets created out of capital expenditure to the end of previous financial year. Physical and financial assets means the stages completed and expenditure incurred on those respective works. In case of completed work/assets, fresh revenue consequences/requirements should be worked out on the assets put to use in that particular year. In case of incomplete works, the physical and financial progress made, the time limit for completion, the funds required thereon along with projections have to be furnished. In respect of vacant public lands and buildings, the Department owning public land and building have to furnish the location, the extent of vacant public land, Survey no. & present market value. Similarly, in respect of buildings owned by the Department, total area, the plinth area, age of the buildings and cost of maintenance will have to be furnished. The details sought above may be provided for ensuing three years.

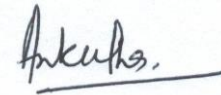
d. Future expenditure commitments on account of major policy changes: Departments are requested to indicate the future expenditure commitments on account of the major policy changes made by the Government in the financial year 2018-19. Along with estimates of 2019-20, information should be furnished for next three years (up to 2022-23).

e. Liabilities explicit and implicit in PPP: Those Department which have undertaken Projects under Public Private Partnership (PPP) must clearly indicate the explicit liability of the Government towards private partner like Government land made available, tax concessions provided, annuity payments to be made etc. along with details of other implicit liabilities if any.

The Heads of Departments, Regional Commissioners, Deputy Commissioners, Chief Engineers and other Estimating Officers are requested to bestow their personal attention to the preparation of these Estimates and ensure that they are sent on a '**TOP PRIORITY**' basis in complete and final form through the concerned Internal Financial Adviser / Secretaries to Government, to the Finance Department on or before the due date fixed. The Department may collect all the necessary particulars from the Subordinate Offices from now itself to ensure strict adherence of the due dates. The Estimates received after the due date will not be considered and estimates will be finalized on the basis of the information available in the Finance Department. Any short fall in the provision or omission in the Budget will be the responsibility of the Departments concerned and supplementary grants for such omissions will not be entertained during 2019-20.

The Expenditure estimates should reach Finance Department by 22nd December, 2018.

5. The Circular along with the Annexure are available on the Website www.finance.kar.nic.in



(ANIL KUMAR JHA)

Principal Secretary to Government (B&R)
Finance Department

To:-

1. The Principal Accountant General (A & E) / (G&SSA) / (E&RSA),
Karnataka, Bangalore.
2. All the Principal Secretaries and Secretaries to Government.
3. All the Regional Commissioners.

4. All the Heads of the Departments.
5. All the Deputy Commissioners.
6. All the Chief Executive Officers of Zilla Panchayaths.
7. All Addl. Secretaries/ Joint Secretaries/Deputy Secretaries/Under Secretaries/ Section Officers in Finance Department.
8. All the Internal Financial Advisors.
9. The Compiler, Karnataka Gazette, Bangalore.
10. Office Copies/Additional Copies.

Annexure-1

Calendar for Regulating Budget Activities for 2019-20

I. Dispatch of Budget Instructions by Finance Department

(i)	Instructions for Salary Estimates (Appendix –B)	All Estimating Officers	19 th Nov 2018
(ii)	Instructions for preparation of Revenue Estimates	All Estimating Officers	19 th Nov 2018
(iii)	General Instructions for preparation of Expenditure Estimates (Other than Salary)	All Estimating Officers	19 th Nov 2018

II. Receipt of Previous Years Actuals from the Accountant General (A&E)

(i)	Actuals for the year 2017-18 under Revenue Receipts, Revenue Expenditure Capital and Public Accounts	From The Accountant General (A&E) Karnataka, Bengaluru	21 st August 2018
(ii)	Actuals for first six months of 2018-19 under Receipt Heads	- do -	23-10-2018
(iii)	Actuals for First Six months of 2018-19 Expenditure heads	- do -	23-10-2018.

III. Receipt in Finance Department of the following Budget Estimates

(i)	Appendix "B" Estimates i.e. the Details of Salary Estimates	3 rd Dec 2018
(ii)	Revenue Estimates duly framed by the Departments	22 nd Dec 2018
(iii)	Estimates prepared by the Accountant General	22 nd Dec 2018
(iv)	Expenditure Estimates for both State and District Sector	29 th Dec 2018

IV. Finalization of Budget Activities by the Finance Department

(i)	Posting of AG's actuals for 2017-18	29 th Sept 2018
(ii)	Scrutiny and Finalization of Appendix - B Estimates	30 th Dec 2018
(iii)	Identification of Savings and Finalization of Revised Estimates	29 th Dec 2018
(iv)	Finalization of Revenue Estimates	07 th Jan 2019

Annexure-2

Expenditure Estimates

Major Head of Account

**Statement showing the Estimates for the year 2019-20 & variations
between Budget Estimates for the year 2018-19 and 2019-20**

Head of Account	Budget Estimates 2018-19	Budget Estimates 2019-20	Variations between Revised Estimates 2018-19 and Budget Estimates 2019-20 Increase / Decrease	Reasons for Variations	will be filled at Finance Department		
					Accounts 2017-18	Accounts for 6 months 2018-19	Opinion of Finance Department
1	2	3	4	5	6	7	8

ANNEXURE-3
ACTIVE OBJECT HEADS FOR 2019-20

Object Heads and Description Before Rationalization		Object Heads and Description After Rationalization	
1	2	3	4
001	Consolidated Salaries of Ministers, Speakers, Non-Official Members etc.,	001	Consolidated Salary
002	Pay-Officers	002	Pay of Officers
003	Pay-Staff	003	Pay of Staff
004	Interim Relief	004	Interim Relief
011	Dearness Allowance	011	Dearness Allowance
014	Other Allowances	014	Other Allowances
031	Wages	015	Subsidiary Expenses
063	Remuneration		
316	Rewards		
317	Training		
020	Medical Allowance	020	Medical Allowance
021	Reimbursement of Medical Expenses	021	Reimbursement of Medical Expenses
		032	Grants for Creation of Capital Assets
		033	Daily wages
		034	Contract/Outsource
041	Travel Expenses	041	Travel Expenses
050	Office Expenses	050	Office Expenses

Object Heads and Description Before Rationalization		Object Heads and Description After Rationalization	
1	2	3	4
075 080 120 122 171	Libraries and Periodicals Printing, Publications and Advertisement Hospitality Expenses Entertainment Expenses Computer Facilities	051	General Expenses
354 052	Telephone Charges-Council of Ministers Telephone Expenses	052	Telephone Expenses
053	Purchase of Furniture / Fixtures	053	Purchase of Furniture / Fixtures
059 130 298 308 424 425 500	Other Expenditure Tender Bulletin Expenses Prize Money Feed & Fodder Rural Water Supply Scheme Urban Water Supply Scheme Lumpsum	059	Other Expenses
060	Other Charges	060	Compensatory Cost
058 072	Electricity and Water Charges Rents, Rates and Taxes	071	Building Expenses
100 101 102 103 104 106	Financial Assistance / Relief Grants-in-Aid GIA – Assets Creation GIA – General Contributions Subsidies	100 101 102 103 104 106	Financial Assistance / Relief GIA- Salaries GIA Assets Creation GIA General Contributions Subsidies
-	-	115	GIA-Out source
-	-	116	Social Security pensions(SSP)

Object Heads and Description Before Rationalization		Object Heads and Description After Rationalization	
1	2	3	4
111 095 310	Scholarship and Stipend Text Books Payment of Commission to Agents	117	Scholarships and Incentives
131	Secret Services Expenditure	131	Secret Services Expenditure
		118	Grants-in-Aid-Pensions
125	Modernization	125	Modernization
137 145 154 165 166 167 169 171 459 381	Survey and Investigations Acquisition of Land Extensions and Improvements Reservoir Dam and Appurtenant Works Canals & Branches – Normal Distributaries – Normal Water Courses Capital Expenditure Normal	132	Capital Expenses
133	Special Development Plan	133 134 135 136	Special Development Plan SDP-NABARD SDP-SCP SDP-TSP
139 140	Major Works Minor Works	139 140	Major Works Minor Works
-	-	145	Acquisition of Land
147	Land and Buildings	147 154	Land and Buildings Improvements
172	Roads	160 172	Renewals Roads
173	Bridges	173	Bridges

Object Heads and Description Before Rationalization		Object Heads and Description After Rationalization	
1	2	3	4
180	Machinery and Equipment	180	Machinery and Equipment
182	Repairs and Carriages	182	Repairs and Carriages
186	HKRDP	186	HKRDP
187	HKRDP-SCSP	187	HKRDP-SCSP
188	HKRDP-TSP	188	HKRDP-TSP
189	HKRDP-SDP	189	HKRDP-SDP
191	Fuel and Oil Expenses	195	Transport Expenses
192	Repairs of Minor Vehicles		
193	Purchase of New Motor Vehicles		
140	Minor Works	200	Maintenance
150	Repairs, Special Repairs and Renewals		
201	GIA for Z.P.	-----	-----
-----	-----	202	Salary/Wages for Maintenance.
211	Investment	211	Investment
161	Furnishings	221	Materials and Supplies
229	Equipments and Clothing		
222	Drugs and Chemicals	222	Drugs and Chemicals
225	New Supplies	-----	-----
230	Hospital Accessories	230	Hospital Accessories
234	Diet Expenses	234	Diet Expenses
127	Repayment of Internal Debt	240	Debt Servicing
128	Repayment of Central Debt		
129	Assistance for Repayment		
241	Interest		
243	Interest on Capital	243	Interest on Capital
250	Pensionary Charges	250	Pensionary Charges

Object Heads and Description Before Rationalization		Object Heads and Description After Rationalization	
1	2	3	4
126 251 252 253 254	Terminal Leave Benefits Pensions Commuted Value of Pension Compassionate Allowance D.C.R.G.	251	Pension and Retirement Benefits
028 029 030 369 378	ETP Charges from 2059 Public Works ETP charges from 2701 Major & Medium Irrigation ETP charges from 2702 Minor Irrigation Deduct Amount Transferred to Other Departments or Governments deduct Amount Transferred to 4701 Capital Outlay on Major & Medium Irrigation	261	Inter Account Transfers
271 291 292	Depreciation Suspense Stock Debits	271 291 292	Depreciation Suspense Stock Debits
293	MPWA Debits	293	MPWA Debits
294	Stock Credits	294	Stock Credits
295	MPWA Credits	295	MPWA Credits
296	Stock	296	Stock
297	Miscellaneous Works Advances	297	Miscellaneous Works Advances
300	Lump sum for Zilla Panchayath	300	Lump sum for Zilla Panchayath
302	SDMF polled upfront	302	SDMF polled upfront
364	Deduct-Recoveries	364	Deduct-Recoveries
386	Construction	386	Construction
393	Advances	393	Advances
394	Loans	394	Loans
395	Loans to Public Sector Units	395	Loans to Public Sector Units
401	Bangalore (Urban)	401	Bengaluru (Urban)

Object Heads and Description Before Rationalization		Object Heads and Description After Rationalization	
1	2	3	4
402	Bangalore (Rural)	402	Bengaluru (Rural)
403	Chitradurga	403	Chitradurga
404	Kolar	404	Kolar
405	Shimoga	405	Shivamogga
406	Tumkur	406	Tumakuru
407	Mysore	407	Mysuru
408	Chikkamagalore	408	Chikkamagaluru
409	Dakshina Kannada	409	Dakshina Kannada
410	Hassan	410	Hassan
411	Kodagu	411	Kodagu
412	Mandya	412	Mandya
413	Belgaum	413	Belagavi
414	Bijapur	413	Vijayapura
415	Dharwad	415	Dharwar
416	Uttara Kannada	416	Uttara Kannada
417	Gulbarga	417	Kalburagi
418	Bellary	418	Ballari
419	Bidar	419	Bidar
420	Raichur	420	Raichur
421	Yadgir	421	Yadgir
422	Special Component Plan	422	Scheduled Caste Sub Plan
423	Tribal Sub Plan	423	Tribal Sub Plan
433	Examination expenses	433	Examination expenses
436	NABARD works	436	NABARD works
437	NABARD -SCSP	437	NABARD –SCSP
438	NABARD -TSP	438	NABARD –TSP
442	Deduct – SCP Pooled Unfront	442	---
443	Deduct – TSP Pooled Unfront	443	--
451	Davanagere	451	Davanagere
452	Ramanagara	452	Ramanagara
453	Chikkaballapura	453	Chikkaballapura
456	Chamarajanagar	456	Chamarajanagar
457	Udupi	457	Udupi
461	Bagalkot	461	Bagalkot

Object Heads and Description Before Rationalization		Object Heads and Description After Rationalization	
1	2	3	4
462	Gadag	462	Gadag
463	Haveri	463	Haveri
466	Koppal	466	Koppal

