Government of Karnataka

MEDIUM TERM FISCAL PLAN FOR KARNATAKA

2007-11

FINANCE DEPARTMENT

2007

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Finance Department

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STATEMENT OF COMPLIANCE

- This **2007-11 Medium Term Fiscal Plan** is tabled before the Legislature in compliance with **Section 3** of the **Karnataka Fiscal Responsibility Act (2002)**.

- **Section 3** of the Act requires the **MTFP** to include the following elements, all of which can be found in the document below:

1. The medium-term fiscal objectives of the Government (See Chapter 1, 4, 5, 6 and Chapter 7).

2. An evaluation of the performance of the prescribed fiscal indicators in the previous years (See Chapter 2 and Tables 1 and 2).

3. A Statement of recent economic trends and prospects for growth and development (See Chapter 3).

4. The strategic priorities and key fiscal policies of the Government, and an evaluation of their consistency (See Chapters 4 to 7).

5. Four-year rolling targets (See Chapter 7 and Tables 10.1 and 10.2).

6. An assessment of sustainability relating to the revenue deficit and the use of capital receipts for productive purposes.

Medium Term Fiscal Plan 2007-11

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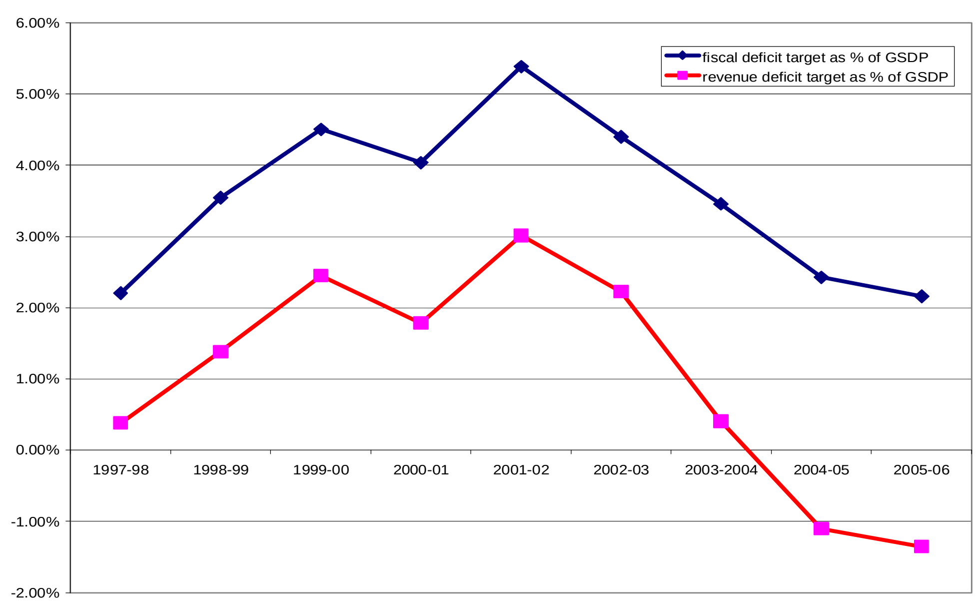
❶ Introduction

a) Fiscal Stress to Fiscal Consolidation

Fiscal Policy and strategy is an instrument for promoting economic growth and alleviating poverty. Financial position of Karnataka deteriorated during 1990s on account of stagnating tax revenues, high salary expenditure on account of implementation of Pay Commission Award, mounting deficits, off-budget borrowings and thereby increased interest servicing costs leading to lack of public investment in infrastructure and public goods which again led to poor tax revenues completing the vicious circle. From 2000 onwards, subsequent to presentation of white paper on State's finances, the State moved on to medium term fiscal strategy. Wide-ranging reforms were initiated during this period targeting corrective action for each of the components of fiscal framework. These included increasing revenues by discontinuation of tax based exemptions, rationalization of tax structure in stamp duty, checking excise duty evasion by canalization and curtailing expenditure by debt swapping and compression of wasteful expenditure.

These measures have not only helped the State in recovery but also have imparted robustness to the finances of the State. Graph 1 illustrates the position of fiscal deficit and revenue deficit during this period of reform.



At this juncture, the challenge before the Government is how to leverage this robustness of State's finances to facilitate high and equitable economic growth. While negotiating this growth path, State has to guard itself from influences, which have the potential to make State relapse into the earlier era of stagnation and deficits. Conviction with reforms strategy and clarity on policy framework is necessary to ward off complacency and build consensus for advancing on reform path. The underlying theme of this Medium Term Fiscal Plan is to consolidate upon State's current position aiming for highest and inclusive growth while reinforcing and strengthening the reform paradigm guarding against negative factors.

b) Fiscal Imperatives

The leitmotif of this plan is growth with equity. In this direction certain fiscal imperatives need emphasis. These are time tested principles of public finance which run like a common thread throughout fiscal strategy and plan. Strategies being adopted for this purpose can be classified into Expenditure oriented strategies and Resource mobilization strategies.

Expenditure oriented strategies

It is proposed to continue the existing path of increased allocation for High priority development expenditure in areas of Health, Education, Agriculture, Irrigation and Infrastructure. To vitalize service delivery system, Government is committed to provide adequate maintenance expenditure and staffing for service delivery areas of health and Education as well as regulatory areas like General Administration, Police, Forest etc. To improve effectiveness and efficiency of service delivery of basic necessities as well as creation of local assets increased devolution to both PRIs and ULBs would be the guiding principle. Phasing out of non-merit subsidies, better targeting of beneficiary oriented programmes and increased allocation for Special Component Plan and Tribal Sub Plan would be adopted for achieving all inclusive growth. To supplement State's investment in Infrastructure, Private partnership route for viable projects through transparent bidding procedure would be emphasized. Program budgeting would be introduced to monitor outcomes against outlays.

Resource Mobilisation

The State is committed to maintaining sustainable debt stock and therefore its fiscal deficit target of 3% as mandated in its Fiscal Responsibility Act. In order to meet the expenditure requirements of the State, surplus in revenue account is to be used for Capital formation. It is proposed to increase tax revenues through better tax administration and increasing the tax base. Use of information technology for Tax administration, rationalization of rates for increased compliance are some of the measures that are expected to bring in greater tax revenues. Non-tax revenues in form of user charges would be revised to reflect cost of delivery of the services and supplement tax revenues. Revenue expenditure on pre committed items like interest payments would be brought down further through debt swapping and pre payment of high cost debts. Debt consolidation benefit of GoI loans under Twelfth Finance Commission recommendations has already been extended to the State Government. Through its fiscal discipline, the State is confident of availing the benefit of Debt waiver scheme also. Both these benefits combined would free substantial resources for high priority expenditures.

❷ Evaluation of Fiscal Performance

a) Performance of fiscal indicators

The performance of the State for last four years with regard to various indicators may be seen in Table 1. There has been a healthy growth in revenue receipts. This has enabled State to provide more funds for operation and maintenance expenditure on assets and social services creating an enabling environment for better delivery of essential services.

Devolution to Urban Local Bodies has almost doubled in last two years. Despite of these increased revenue expenditures, revenue surplus has grown and the fiscal deficit has been kept within the 3% of GSDP. Devolution of taxes and grants from Government of India have increased on account of improved buoyancy of GoI taxes and TFC award.

Table 1

Rs. Crore

Item	2003-04 A/c	2004-05 A/c	2005-06 A/c	2006-07 RE
Revenue Receipts	20760	26570	30352	37996
of which				
State' Own Tax Revenues	12570	16072	18632	23888
Non Tax Revenues	2958	4472	3875	4297
Resources from the Centre - Devolution	3245	3878	4213	5010
- Grants	1987	2147	3632	4801
Revenue Expenditure	21285	24932	28041	35164
of Which				
Interest	3710	3794	3765	4232
Salaries	5523	5392	5750	6616
Pensions	1901	2157	2237	2666
Subsidies (Food, Transport, Housing & Industry)	525	1180	2099	1814
Power Subsidy	1675	1724	1821	2417
Devolution to ULBs	629	798	1159	1530
Major O&M (Roads,Buildings & Irrigation)	251	333	262	1034
Other O & M (Edn, Health,RD,WS,Agr, Forest)	1975	2498	2716	4130
Administrative Expenditure	440	478	557	852
Other Revenue Expenditure	4655	6577	7677	9873
Capital Receipt (Non Debt)	64	47	124	45

Item	2003-04 A/c	2004-05 A/c	2005-06 A/c	2006-07 RE
Revenue Deficit	**525**	**-1638**	**-2311**	**-2832**
Revenue Receipts (Net of Lottery Receipts)	**20760**	**26570**	**30352**	**37996**
Revenue Expenditure(Net of Lottery Expdr)	**21285**	**24932**	**28041**	**35164**
Revenue Deficit Excluding lottery	**525**	**-1638**	**-2311**	**-2832**
Expenditure on Capital Formation	2485	3409	3591	6546
Fiscal Deficit	**4501**	**3600**	**3687**	**5372**
Debt				
Total Debt Stock	42954	46563	56027	61443
Interest	3710	3794	3765	4232
Debt Services	7151	7823	4576	5147
Salary+Pension+Interest	11134	11343	11751	13514
Gross Off Budget Borrowings	**1129**	**838**	**1078**	**845**
Net Off Budget Borrowings	**374**	**-347**	**-816**	**-146**
Consolidated interest	4511	4485	4508	4943
Consolidated Revenue Deficit	**1326**	**-947**	**-1568**	**-2121**
Consolidated Revenue Deficit Excluding Lottery	**1326**	**-947**	**-1568**	**-2121**
Consolidated Fiscal Deficit	**4876**	**3253**	**2871**	**5225**
Consolidated Debt Stock	50596	53858	62506	66631

b) Sectoral Expenditure Trends

The sectoral expenditure trends in terms of expenditure on social services and economic services are brought out in Table 2. Social services is composed of outlays in the sectors of education, health, housing and urban development. Economic services mainly constitute outlays in the area of irrigation, agriculture and infrastructure creation. There has been an increase in share of economic and social services as a part of GSDP. It has increased from 5.88% in 2003-4 to 7.04% in 2006-7 in case of Ssocial services and 6.02% to 8.05% with regard to Economic services.

The emphasis of State has been to increase outlays in these sectors so as to ensure better service delivery and provide impetus to equitable growth. Expenditure on General services, which is composed of administrative expenditure and interest payments, has been kept under control. Development expenditure both as a % of Consolidated fund and GSDP has grown reflecting effort towards increasing outlay for promoting economic growth.

Table 2

Rs. Crore				
Item	**2003-04 A/c**	**2004-05 A/c**	**2005-06 A/c**	**2006-07 RE**
Social services	7648.73	8447.59	10146.81	13664.6
Economic Services	7834.49	10873.66	12586.96	15611.42
General Services	9213.25	10097.36	10269.69	12605.95
% of Consolidated fund				
Social services	22.08%	23.66%	29.01%	30.83%
Economic Services	22.61%	30.45%	35.99%	35.22%
General Services	26.59%	28.28%	29.36%	28.44%
% of GSDP				
Social services	5.88%	5.69%	5.94%	7.04%
Economic Services	6.02%	7.32%	7.37%	8.05%
Development Expdenditure	15342.79	19378.03	22542.35	29171.92
Non Development Expdenidture	9982.52	10838.93	11620.07	14240.34
GSDP	130127	148521	170741	194009
% Dev Exp/GSDP	11.79%	13.05%	13.20%	15.04%
% Non Dev Exp/GSDP	7.67%	7.30%	6.81%	7.34%
% Dev Exp/CF	44.28%	54.27%	64.46%	65.81%
% Non Dev/CF	28.81%	30.35%	33.23%	32.13%
Total Consolidated Fund	**34648.37**	**35709.15**	**34973.28**	**44326.72**

c) Areas of attention

Substantial revenue surplus and ploughing back of the same for Capital expenditure and asset creation requires ratcheting up of capacity in project appraisal, evaluation and execution. Adoption of new technologies for execution, project management are must for delivering quality assets without time and cost overruns.

The performance of State on issues pertaining to certain major subsidies needs review in terms of both quantum and targeting. As per Fiscal Restructuring Plan under Power sector reforms, rural electrification subsidy was to be eliminated by now. Table 1 shows that it is still the single biggest item of subsidy. The connected issues of unauthorized and unmetered IP sets and high Aggregate Technical & Commercial losses in power sector deserve attention. Further, the power sector deficit in terms of substantial receivables existing in the books of accounts of companies in generation, transmission and distribution has halted the expansion and modernization of power sector infrastructure.

Food subsidy bill has increased to more than Rs.700 crore in 2006-07. More than 60% of the population of the State is covered under the category of BPL. Surveys have pointed out existence of bogus and ghost cards. Food subsidy is amenable to reform through both price based and e-governance based targeting measures.

Though expenditure on education has increased the enrolment ratio, the issues of quality persist. Alternative financing models, even though proposed earlier in form of student-linked grant in aid have not made much headway. Improving quality of education through systemic amendments needs discussion and consensus.

❸ Macro Economic Outlook

a) GSDP and Inflation Outlook

As in the case of National Economy, the character of economy of the State is slowly transforming from primary to tertiary. Table 3 illustrates this transformation over last few years. This is a reflector of the move from developing to developed economy. This trend is expected to continue in medium term plan also, with manufacturing and services sector driving the growth.

Table 3

Rs.Crores

Industry	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06 Q.E	2006-07 A.E
I. Agriculture	26704	27984	23694	23312	21484	27233	32290	35306
II. Industry	23916	24657	27887	31593	35887	40753	46213	52663
III. Services	45608	50315	56352	62586	71185	80554	92237	106040
Total	**96229**	**102957**	**107933**	**117492**	**128556**	**148541**	**170741**	**194009**
Share of								
I. Agriculture	**27.75%**	**27.18%**	**21.95%**	**19.84%**	**16.71%**	**18.33%**	**18.91%**	**18.20%**
II. Industry	**24.85%**	**23.95%**	**25.84%**	**26.89%**	**27.92%**	**27.44%**	**27.07%**	**27.14%**
III. Services	**47.40%**	**48.87%**	**52.21%**	**53.27%**	**55.37%**	**54.23%**	**54.02%**	**54.66%**

As brought out in State Economic Survey 2006-07, the performance of State's economy in terms of growth in Gross State Domestic Product (GSDP) has improved over the last three years. The nominal GSDP has almost doubled in last 7 years. The State has also been a beneficiary of overall buoyant economic situation in the Country. Though agriculture growth rate has been below expectations, manufacturing and services sector have performed well. The upbeat mood of manufacturing and services sector is well reflected in the growth in figures of investment and also performance of capital markets. The growth trends appear to be well entrenched. However, the susceptibility of agriculture sector to vagaries of nature, declining productivity and performance of agriculture sector is a cause for concern. In back ground of these, the GSDP for the Medium Term Plan is forecasted to clock a real growth rate of 8%.

There were initial concerns on rising inflationary pressures and their possible impact on growth in the year 2006-07. However because of fiscal and monetary interventions by Government of India, the rate of inflation has again come into control. Reserve Bank of India and Government of India have on number of occasions stated the policy of benign inflation in coming years. Taking this into account, an inflation of 5% has been taken in the Medium Term Plan.

b) Policy Intervention

State with its budget of around Rs.50000 crore contributes a sizeable part towards State's GDP. In order to promote and reinforce high growth, policies and programmes, which eliminate inefficiency and foster productivity in the economy, need to be implemented. Transparent Regulation, speedy delivery of justice and stable and peaceful environment attract investment and promote growth. Further, essential public services like education, health, water supply, drainage etc that are prerequisite for well being of a citizen have to be ensured. Power, rail, road and irrigation infrastructure, which are the major items that can constrain or promote economic growth, need focused attention. Innovative financing mechanisms for channelising private investment need to be devised. The inclusiveness of growth needs to be ensured through enhanced outlay along with outcomes on social services.

❹ Revenue Reforms and Projections

a. Principles underlying revenue reforms

Revenue reforms were initiated in the State with constitution of Tax Reforms Commission. Substantial changes have been made in major sources of revenue in last five years. Some of these changes comprise of discontinuation of tax based concessions and moving on to VAT, introduction of canalization in Excise, rationalization of tax structure in Stamp duty and other taxes. Revenue reforms have been guided by the following principles:

1. Rationalize rate of taxes so as to improve tax compliance

2. Stepping up enforcement to detect evasion

3. Simplification of procedure and payment to make tax computation & payment citizen friendly

4. Building up of database of tax payers and returns information for the purposes of intelligence, monitoring and policy formulation

5. Implementing an e-governance interface between tax payer and collecting authorities.

b) Trend Growth rate and Buoyancy

The trend growth rates and buoyancy for major taxes for last five years has been deduced as shown in Table 3. As is evident, buoyancy movements are volatile and do not offer a good basis for projections. The trend growth rates, which smoothen the data for aberrations, are appropriate indicators for future projections. These growth rates have been taken note of while making assumptions for projections in the medium term plan period.

Table 4

Rs.Crores

Year	Commercial Tax			Excise		
	Actuals	Growth Rate	Buoyancy	Actuals	Growth Rate	Buoyancy
2002-03	6313.24	3.85%	0.38	2094.18	5.93%	0.59
2003-04	7733.30	22.49%	2.68	2333.96	11.45%	1.37
2004-05	10057.19	30.05%	2.13	2805.53	20.20%	1.43
2005-06	12357.49	22.87%	1.80	3347.72	19.33%	1.52
2006-07	14190.75	14.84%	1.28	4060.34	21.29%	1.84
	Trend Growth rate=16.94%			Trend Growth rate=16.55%		
Year	Motor Vehicle Tax			Stamps & Regn		
	Actuals	Growth Rate	Buoyancy	Actuals	Growth Rate	Buoyancy
2002-03	675.70	-5.15%	-0.51	1115.34	30.44%	3.00
2003-04	800.06	18.41%	2.20	1355.69	21.55%	2.57
2004-05	982.99	22.86%	1.62	1759.84	29.81%	2.11
2005-06	1158.00	17.80%	1.40	2180.00	23.88%	1.88
2006-07	1285.00	10.97%	0.95	2586.11	18.63%	1.61
	Trend Growth rate=16.05%			Trend Growth rate= 26.25%		

c) Projections for major taxes and areas of reform

i) Commercial Taxes

Sales Tax is one of the biggest components in Commercial Taxes. With the introduction of Value Added Tax from 01.04.2005, the effective rate of taxation has come down. Though there was almost zero growth in taxes during 2005-06 over 2004-05, the position has improved in 2006-07 with growth reaching almost 20%. Even if it is conceded that the growth is on account of general boom in the economy and on account of lower base effect, it does not take away the fact that growth has been possible even with the reduction of rate of taxes. Central Sales Tax which discourages inter state movement is expected to get reduced to nil as per Central Government road map to move towards common Goods and Service Tax. Government of India has proposed to reimburse States for losses under CST phase out by bringing tobacco and cigarettes sales under VAT, discontinuation of D-form sales, transfer of certain services for taxation purposes to State and through budgetary grants. Hence it is proposed to safeguard revenues through tax and non-tax based compensatory measures. Taking into the trend growth rates and recent growth rates in VAT scenario, buoyancy of 1.075 has been assumed for the purposes of projection. The areas that need focus in Commercial Tax administration: -

1. Increasing the tax base
2. Commodity wise data analysis and intelligence
3. Rigorous audit and enforcement
4. Incorporating Computerization in not only database maintenance but also improving and simplifying taxpayer services.
5. Strategy to be devised to ensure collection of arrears of taxes

ii) State Excise

The State Government has enjoyed buoyant revenue collection under Excise in last few financial years. The policy of canalization of IML and Rectified Spirit has yielded rise in revenues and has also tackled the menace of second's sale. From this excise year, taking into account the ill effects of country made liquor on health of its poor populace and vehement plea of women self-help groups in this regard, the State has made a paradigm shift in its excise policy by prohibiting sale of arrack/country liquor. This is bound to result in substantial revenue implications, which have been captured in budget estimates of 2007-8. Buoyancy of 1.075 has been assumed for medium term plan. The areas, which need focus in the medium term plan in Excise sector, are: -

1. Stepping up enforcement measures through effective coordination with Police and other Government authorities to prevent illicit distillation and sale of country made liquor. A combination of measures of appropriate staffing, modernization of Excise and Police departments and innovative methods of rewards, share in catch of illicit stock and intelligence gathering have to be employed. Stakeholders in addition to Government need to be developed and strengthened against illicit distillation and sale of prohibited liquor. The public sentiment against country made liquor needs to be effectively channelised to reinforce State's effort in enforcement.

2. The present excise duty structure is step based. There is an abrupt change in the beginning of each category. There is a need to rationalize the duty structure by replacing it with an advalorem duty structure. Also in modern excise administration, excise duties have been replaced with excise sales tax. This facilitates the refund of input tax credit and also ensures proper book keeping and accounting. It is envisaged to move in this direction in the medium term plan period.
3. KSBCL has taken over the wholesale business sales of IML. The same needs to be consolidated upon. With discontinuation of countervailing levy on imported liquor in compliance with WTO norms, replacement of the same through local levy needs examination.
4. The State has undertaken exercise to rationalize license fees and other user charges in 2007-08 budget. It is envisaged to review and adopt best practices in existing licensing regime so as to optimize the number in public interest while at the same time not making license beyond the reach of an entrepreneur.

iii) Stamps and Registration

Because of unexpected growth in housing sector in last few years, the revenue under stamps and registration has grown beyond budget estimates. This growth of revenue is more noteworthy on account of it being in the backdrop of State rationalizing the duty structure by removing additional stamp duty and bringing down the rate of stamp duty as per its commitment under JNNURM. The State reduced the levy by 0.5% in 2006-7. For documents with title insurance it has been further reduced by 0.5% in 2007-8. However in last few months the housing sector has come under strict vigil of Central Government and Reserve Bank of India. This has led to hardening of interest rates for housing loans. State Government noting large scale violation of land conversion norms has also prohibited registration and conveyance of revenue sites without requisite documents. The impact of both these has been felt on the stamp duty collection in last few months. However, on account of scarcity of housing stock in urban areas and irreversible move towards urbanization, it is expected to have a moderate growth in both value as well as number of documents to be submitted for registration. Taking this into account a buoyancy of 1.5-1.1 has been taken for medium term plan. The areas which need focused attention in the medium term plan are as follows:

1. The guidance values that form basis for recording registration are being periodically revised. The same needs to be continued so as to keep them in vicinity of market rates.
2. Number of documents on which stamp duty needs to be paid like rental agreements, deposit of title deeds, joint management agreement are not coming to Sub-Registrar office as registration is not compulsory. Documents like these have to be captured through other systemic arrangements like tie-up with Banks/financial institutions. Intelligence unit of stamps and registration also needs to be strengthened to track evasions under these instruments.
3. Dispensing of stamps and stamp paper was done away with in wake of stamp paper scam. The same is now being disbursed through the network of scheduled banks. However there is an issue of availability and accessibility of these documents in the banks. The system is also not a marked improvement over earlier system and is prone to similar misuse. To reduce public inconvenience and to establish a fool proof mechanism e-franking of documents is envisaged to be rolled out across the State.
4. At present registration of documents is to be compulsorily done with the jurisdictional sub-registrar. Though the back office process of registration has been computerized, there is scope for introduction of electronic interface between citizen and registering authority. This can usher in anywhere registration revolutionalizing the way registration is done.

iv) Motor Vehicle Taxes

Motor vehicle Taxes growth has been following the growth of economy. The rate of Motor vehicle tax on public transport needs to be maintained at benign level as any upward increases in the same may have a counter productive effect on public transport services. The rate of tax on private vehicles and current categorization however, need constant review in view of changes in the private transport sector and entry of large number of luxury brands in the market. The underlying principle of tax policy in this area would be to facilitate development of modern and efficient public transport and to wean away citizens from large space occupying private vehicles. A buoyancy of 1.025 has been assumed for making the projections.

d) Projections for Major Non Tax revenue and areas of reform

Collection under non-tax revenue (net of lottery flows) as seen in Table 5 has not kept same pace as observed in the growth of economy. Lack of revision of user fees and user charges has been one of the important reasons for that. The condition and quality of public services has made the task of making any appreciable changes in user fees difficult. Some of the important items for non-tax revenue collection are examined as follows:

Table 5

Collections under Non Tax Revenue table (Includes lottery receipts)

Rs.Crores

Year	Non Tax receipts		
	Actuals	Growth Rate	Buoyancy
2004-05	4472.34	51.18%	3.62
2005-06	3637.19	-18.67%	-1.47
2006-07	4088.43	12.41%	1.07

i) Royalty from Minerals

Royalty rates of major minerals are due for revision in 2007-08. It is expected that the current structure of absolute amount of royalty would be replaced by advalroem duty structure. The same is expected to yield substantial revenues from royalty on iron ore. Royalty collection is aligned to the growth in mineral exploration and mining. Strict enforcement and modernization of mechanism of collection is envisaged to detect evasion.

ii) Forest receipts

Receipts from forest sector have not been growing on account of lack of emphasis on revenue generation. Forest sector needs to be looked at from the point of conservation. However, there is a scope of utilizing vast tracts of unused forestland to meet the twin objectives of conservation with revenue generation. Leasing of forestlands with a prescribed working plan can not only bring in investment in afforestation but also generate revenue for the State. The same can be ploughed back in conservation activities. This model can be explored for its feasibility.

❺ Expenditure Management and Projections

a) High Priority Development Expenditure and strategy

The State is committed towards earmarking substantial outlays under both revenue and capital heads for high priority development expenditure. The principles guiding outlays under different sectors are examined as follows:

i) Education

Table 6

Total Expenditure on Primary and Secondary Education

Rs.Crores

Year	Total	Growth Rate
2001-02	3360.79	0.15%
2002-03	3406.35	1.36%
2003-04	3615.24	6.13%
2004-05	4189.79	15.89%
2005-06	4623.49	10.35%
2006-07	5415.01	17.12%

Right to Education enjoins State to commit itself towards the goal of primary and secondary education for all. Though there has been substantial progress in bringing out of school children to school as testified by increasing enrolment ratio, the same cannot be said of quality of education. State has till now used State owned schools and Grant in Aid model of financing to provide access to education. Substantial outlays are being provided under Sarva Shiksha Abhiyan programme towards improving government school infrastructure and staffing. It is expected that Sarva Shiksha Abhiyan Programme would be extended for High Schools in 11th Plan period. Free textbooks, uniform, bicycle and mid day meals are being provided to bring out of school children to school. Teachers training, Innovative methods of teaching by use of aids, Quality infrastructure, rejuvenation of accountability mechanism are all parts of strategy to improve quality of education. The option of providing quality Education by means of Satellite links to remote corners of the State, which is already being used for Higher Education, needs to be explored, as it would overcome the constraints of shortage of quality teachers and infrastructure in these areas. In 2007-8 budget it has been proposed to graduate to student centric Grant in Aid model. This model would link grants to student strength and their performance by means of an objective monitorable matrix. This is expected to incentivise setting up of quality private educational institutions in rural areas of the State. Voucher based education system, which is also essentially a student centric education system has been a success in some countries. The same deserves further examination.

ii) Health

Table 7

Expenditure on Health

Rs.Crores

Year	Total	Growth Rate
2001-02	1085.83	8.01%
2002-03	1004.99	-7.45%
2003-04	995.82	-0.91%
2004-05	1044.16	4.85%
2005-06	1146.54	9.81%
2006-07	1353.20	18.02%

Public expenditure on health has been a small proportion of total expenditure on health. To ensure well-being of citizens and avoid huge expenditure on curative care, emphasis on preventive care in coordination with urban and rural local bodies needs rejuvenation and remodeling. Though Primary health centers/ units and community health centers have been established throughout the State, the utilization of these facilities cannot be said to be satisfactory. Staffing of the remote and rural centers by qualified medical personnel has been an issue, which has been engaging constant attention of the State. Introduction of 24 hrs service and evening OPD are some of the measures, which have been introduced to put the facilities to optimum use. Strengthening of centers of Indian System of medicine is also part of strategy to provide comprehensive health care. The options of alternative models of service delivery like providing insurance cover to poor and put both Government and private health facilities on an even keel as part of this insurance arrangement is expected to promote competition and improve quality of service. This would be a paradigm shift and therefore needs thorough examination. Telemedicine, which is already in operation on pilot basis, needs to be explored for roll out and further strengthening.

iii) Roads and Bridges

Roads and bridges form an integral part of transport and communication network and have a multiplier effect on economic growth. Recognizing the need to overhaul road network, State Government has provided substantial outlays not only for maintenance of rural roads, district roads and State highways but also for rehabilitation and upgradation of the network. Karnataka State Highways Improvement Project has upgraded certain portion of State Highways on the basis of patches identified by means of strategic options studies. It is envisaged to take up phase-II of this project in medium term plan. A dynamic road database containing information about quality of roads, their utilization levels, their impact on economy and income levels and time and type of last work carried out is an important input for any upgradation and maintenance plan. Preparation of road database and prioritization of works as per this database is envisaged to impart effectiveness in works selection and also bring in accountability in expenditure. Karnataka Road Development Corporation had undertaken work of upgradation and maintenance of State Highways on a 3 year framework. The efficacy of this methodology would be reviewed and efforts would be made to move in the direction of output performance based maintenance contracts. These output performance based contracts would prescribe objective measurable indicators for quality of road surface and other related items and would ensure adherence of actual condition of road to these prescribed standards by linking payment of maintenance charges to it.

Table 8

Total Expenditure on Public Works

Rs.Crores

Year	Total	Growth Rate
2001-02	722.05	5.89%
2002-03	854.51	18.35%
2003-04	910.53	6.56%
2004-05	1502.74	65.04%
2005-06	1820.80	21.17%
2006-07	3043.76	67.17%

iv) Power

Energy is one of the vital inputs and has multiplier effect for economic growth. Power sector was unbundled and trifurcated into independent companies following power sector reforms. This was based on recognition that Power sector with its tariff structure and ability to pay is financially viable on its own. However substantial Aggregate Technical and Commercial Losses, infrequent and untimely revisions of tariff and policy pronouncements on waivers have resulted in huge power sector deficits. Coupled with these, the sector has not attracted private investment as envisaged on account of initial failures, insecure policy environment and long term financing needs of the sector. Gap in infrastructure has crippled the sector leading to power cuts and outages. It is therefore envisaged to provide some support for infrastructure creation especially in rural areas so as to revolutionize the rural economy. Rural load Management System in which supply to Irrigation pump sets at distribution level is separated from household power supply is a system to look forward to. It is also envisaged to link investment grants to financial restructuring plan so as to create robust foundations for future expansion.

v) Irrigation and Agriculture

Irrigation is the best drought proofing measure. The importance of it for the State with its vast tracts under arid zone cannot be overemphasized. All surface flowing sources therefore need to be tapped for their full potential to provide assured irrigation. It is also important to review economic, environmental and social impact of substantial investments made in major irrigation projects so as to take corrective action if required. Needless to say, the investments in irrigation would have to be shared among menu of options consisting of minor irrigation, major irrigation, watershed and ground water improvement works. Agriculture needs quality inputs in form of improved seed variety, timely, reasonably priced and adequate credit, assured irrigation, fertilizers and modern agricultural techniques to improve productivity and increase production. This production then needs to fetch remunerative prices. These prices should be such as to incentivise investment and growth in agriculture. Current holding structure, Seed variety, Pricing and marketing mechanism need review and reengineering.

Allocation to Major, Medium & Minor Irrigation

Year	Major/Medium Irrigation	Minor Irigation	Total
2003-4	2296.08	109.88	2405.96
2004-5	3248.22	197.29	3445.51
2005-6	3625.53	177.22	3802.75
2006-7	3798.37	566.18	4364.55

vi) Social Welfare

State Government has made concerted efforts towards increasing outlays for Social Welfare programmes for meeting its objective of inclusive growth. The expenditure in Social Welfare sector has been strategically concentrated in areas of improvement of economic status, employment creation and educational upliftment to meet this goal. Schemes like Land Purchase and Ganga Kalyan have been targeted towards marginal and landless farmers. Micro credit schemes and number of loan schemes of SC/ST Corporation, Backward Classes Corporation and Minority's Corporation aim at helping economically weak but budding entrepreneurs. Hostel facilities, residential schools, scholarships and fee reimbursement programmes are targeted towards educational upliftment. Outlay on social welfare programmes has more than doubled in last few years as may be seen from accompanying table. The State is committed on this path of providing increasing outlays for Social Welfare programmes.

Year	Total	Growth Rate
2004-05	933.03	15.70%
2005-06	1131.59	21.28%
2006-07	2020.73	78.57%
2007-08	2875.78	42.31%

Projections on High Priority Development expenditure (Capital Side) are shown in Table 9

Table 9.

High Priority Development Expenditure (Capital)

Rs.Crores

Item	2007-08	2008-09	2009-10	2010-11
	BE	Proj	Proj	Proj
PRY & SEC EDUCATION	156	250	600	650
Growth		60%	140%	8%
HEALTH	284	290	500	600
Growth		2%	72%	20%
ROADS	806	810	1200	1600
Growth		1%	48%	33%
WATER SUPPLY	1406	1410	1650	1950
Growth		0%	17%	18%
IRRIGATION	3044	3239	4310	4900
Growth		6.4%	33.1%	13.7%
TOTAL	5697	5999	8260	9700
Growth		5%	38%	17%

b) Major Subsidies and areas of reform

I. Power subsidy and Power sector deficit

Power subsidy is one of the important inputs for farmers utilizing irrigation pump sets for the purpose of agricultural operations. The weakest link in this subsidy dispensation is the absence of 100% metering of irrigation pump sets and existence of unauthorized irrigation pump sets. 100% metering of irrigation pump sets can only provide the exact power consumption and therefore the subsidy amount admissible. The present methodology of estimated subsidy is inefficient and also incentivises losses to be shown as dues towards subsidy. Further the present methodology does not take care of change in circumstances from the one assumed for the purposes of estimating subsidy requirement. As per KERC guidelines tariff fixation has moved on to multi-year framework and therefore subsidy projections made in the plan are in accordance with this. However the mechanism of subsidy dispensation needs a review. A Purchaser Provider Model between Government and ESCOMs taking into account various scenarios contemplated earlier can be one of the solutions towards streamlining this mechanism. However any solution would require complete metering of IP sets and tackling the issue of unauthorized IP sets.

II. Food Subsidy

Food subsidy Bill which meets difference between the cost price of food grains and issue price from the Public Distribution System has risen sharply in the last few years. This rise though appears paradoxical at first instance in the background of declining poverty, the same is explained by reduction in issue price of food grains and also non-decline in the absolute number of BPL cards. It is important to evaluate the issue of low issue prices and whether the same has enhanced food security or has resulted in greater diversion of food grains to the market. To ensure proper targeting of this subsidy, the State has already embarked on the plan of computerizing the entire data base of beneficiary and disbursement of food grains by means of food coupons readable through biometric interface. In the face of expected decline in poverty levels as also possible review in issue price, the food subsidy for the medium term plan has been maintained at the constant level.

III. Transport subsidy

Transport subsidy goes mainly towards meeting the difference of actual expenditure on student bus passes and that paid by the beneficiary. In the absence of mechanism to determine exact actual expenditure, it is proposed to streamline subsidy disbursement by linking the subsidy amount to the collection made from the beneficiary instead of difference from actual cost. However in case of introduction of Smart Card to capture actual expenditure, the exact amount can be disbursed. A move is contemplated in this direction.

c) Salary and Pension expenditure

State has in the financial year 2007-08 implemented the 5th State Pay Commission Award and has also provided for the monetary benefits from 1.4.2007. The arrears of benefits for period 1.4.2006 to 31.3.2007 have to be disbursed in financial year 2008-09. The Medium Term Plan has taken into account the requirement for payment of these arrears in its projections under Salary and Pension expenditure head. The policy of State Government for abolition of vacant and redundant posts continues to be in operation. The functional review of large number of departments is still to be completed. It is envisaged to expedite the same in the medium term plan. The salary projections have been made with the basic growth of 2.75% and DA growth of 10% in every financial year. The pension projections have been made at historical growth of 9.7 % for the medium term plan.

d) Regional imbalances

2007-08 budget has addressed the issue of regional imbalances on the basis of Dr. Nanjundappa Committee Report on Regional Imbalances for the first time. It is envisaged to keep it as a guiding light while formulating expenditure plans in the medium term plan.

❻ PFMA system and Debt reforms

a) Off Budget borrowing

As a part of budgetary reforms, the State has made constant efforts to bring down its off budget borrowing as well as debt stock. Total off-budget debt stock has reduced from Rs.7295 Cr in 2004-5 to Rs.4731 Cr in 2007-8. It is proposed to phase out off-budget borrowing from 2008-09 by bringing them on budget.

b) Integrated Financial System

The Treasury Computerization System has stabilized and has yielded good results in reporting and monitoring the public expenditure. The problem of excess expenditure has been tackled to a large extent for drawls made through treasury system on account of introduction of budget control system. It has also streamlined cash management and preparation of accounts. It has been the objective of the Government to bring all financial transactions pertaining to State's Consolidated Fund on the treasury system. In this direction letter of credit system for Forest Works and Zilla Panchayat's certain transactions has been done away with. It is envisaged to bring remaining departments like PWD and Minor Irrigation also within the treasury fold in the medium term plan.

c) Program Budgeting

Program Budgeting is a methodology in which expenditures of departments are organized on lines of program and sub-programs in accordance with departmental medium term plan. There are clearly defined objectives, outlays, outcome, input and constraints for these programs and sub-programs. This organization of public expenditure not only helps in assessing outcomes against outlays but also facilitates determination of effectiveness and efficiency of programs. It gives clear direction to the department and also enables accountability. The exercise for preparation of program budget documents for health and education is almost nearing completion. It is expected to roll out this program budget format to major expenditure oriented departments during the medium term plan.

d) Accrual Accounting

Government accounting is carried out on cash basis recording the transaction only when cash is paid or received. The transactions which have future liability or anticipated revenue streams are not captured in the present methodology of accounting. This does not give snap shot of complete financial position at any particular point of time. Government of India through Government Accounting Standards and Advisory Board has taken up the exercise of introduction of accrual accounting in Government. State Government has also identified Education and Public works as pilot departments in this regard and it is envisaged to move forward on this accrual accounting framework over a medium term.

e) Public account reforms

At present corpus of number of savings schemes and insurance schemes pertaining to State Government employees are part of public account of the State. The benefits under these schemes are defined and de-linked from the returns earned on this corpus. State Government on its part has limited avenues to derive returns from this corpus. It is therefore in fitness of things that as a first step this corpus is utilized through investment entities for deriving maximum possible return. In the next step the benefits under the schemes can be linked to returns derived by the investment entity.

f) Debt reforms

The average debt servicing cost for the State is ranging from 7 to 8%on account of benefit to the State from debt swap scheme of the Government of India and lower cost of Open Market Borrowings. There are few high cost negotiated loans of LIC, GIC and NCDC which need to be pursued for pre-payment. It is proposed to improve upon the current data base on State's debt by introducing

Commonwealth Secretariat's Debt Reporting and Management Software. This software would not only enable monitoring and supervision of State's debt but would also assists in generating management information reports. These reports would lend sophistication to debt stock management and monitoring.

g) Government Guarantee

The State Government is working on prescribing a protocol to be followed with regard to extension of Government guarantee. This would filter incomplete and perfunctory proposals. In addition at present Government guarantees reside with the administrative departments executing Government guarantee. This has led to problems of monitoring of contingent liability. Further it is also appropriate to classify the guarantees in terms of their proneness to risk and review them selectively and take corrective action if required. Thus it is envisaged to create a central data base of all Government guarantees extended by State Government till now and get them rated through a professional rating agency to assess associated risk.

❼ Medium Term Fiscal Plan Projections 2007-11

Table 10.1

Item	2005-06 A/c	2006-07 RE	2007-08 BE	2008-09 Proj.	2009-10 Proj.	2010-11 Proj.
Revenue Receipts	30352	37996	40762	45782	51403	57670
of which						
State' Own Tax Revenues	18632	23888	26691	30772	35311	40399
Non Tax Revenues	3875	4297	1857	2054	2244	2447
Resources from the Centre - Devolution	4213	5010	6300	6930	7623	8385
- Grants	3632	4801	5914	6027	6225	6438
Revenue Expenditure	28041	35164	39135	44768	47530	52625
of Which						
Interest	3765	4232	4818	5478	6291	7330
Salaries	5750	6616	8547	10528	10200	11152
Pensions	2237	2666	3416	4257	4106	4501
Subsidies (Food, Transport	2099	1814	2517	2609	2710	2867
Housing & Industry)						
Power Subsidy	1821	2417	2150	1800	1800	1800
Devolution to ULBs	1159	1530	1904	2411	2942	3357
Major O&M (Roads,Buildings & Irrigation)	262	1034	810	872	943	1026
Other O & M (Edn, Health,RD,WS,Agr, Forest)	2716	4130	5421	5022	6063	7152
Administrative Expenditure	557	852	799	841	886	933
Other Revenue Expenditure	7677	9873	8753	10950	11588	12508
Capital Receipt (Non Debt)	124	45	749	100	100	100
Revenue Deficit	**-2311**	**-2832**	**-1627**	**-1014**	**-3873**	**-5044**
Revenue Receipts (Net of Lottery Receipts)	**30352**	**37996**	**40762**	**45782**	**51403**	**57670**
Revenue Expenditure(Net of Lottery Expdr)	**28041**	**35164**	**39135**	**44768**	**47530**	**52625**
Revenue Deficit Excluding lottery	**-2311**	**-2832**	**-1627**	**-1014**	**-3873**	**-5044**
Expenditure on Capital Formation	3591	6546	7523	7210	10583	12441
Fiscal Deficit	**3687**	**5372**	**6305**	**6861**	**7780**	**8823**
Debt						
Total Debt Stock	56027	61443	67725	71010	78790	87613
Gross Off Budget Borrowings	**1078**	**845**	**720**	**0**	**0**	**0**
Net Off Budget Borrowings	**-816**	**-146**	**-58**	**-292**	**-576**	**-768**
Consolidated interest	4508	4943	5198	5952	6900	8250
Consolidated Revenue Deficit	**-1568**	**-2121**	**-1247**	**-541**	**-3265**	**-4124**
Consolidated Fiscal Deficit	**2871**	**5225**	**6247**	**6569**	**7205**	**8054**
Cnsldtd Rev Deficit/ GSDP	**-0.92%**	**-1.09%**	**-0.57%**	**-0.22%**	**-1.15%**	**-1.29%**

Table 10.2

Item	2005-06 A/c	2006-07 RE	2007-08 BE	2008-09 Proj.	2009-10 Proj.	2010-11 Proj.
GSDP at Current Prices	170741	194009	220006	249487	282918	320829
INFLATION	5.00%	4.00%	5.00%	5.00%	5.00%	5.00%
GSDP Annual Real Growth	7.00%	7.00%	8.00%	8.00%	8.00%	8.00%
Revenue Receipts	17.78%	19.58%	18.53%	18.35%	18.17%	17.98%
of which						
State' Own Tax Revenues	10.91%	12.31%	12.13%	12.33%	12.48%	12.59%
Non Tax Revenues	2.27%	2.21%	0.84%	0.82%	0.79%	0.76%
Resources from the Centre - Devolution	2.47%	2.58%	2.86%	2.78%	2.69%	2.61%
- Grants	2.13%	2.47%	2.69%	2.42%	2.20%	2.01%
Revenue Expenditure	16.42%	18.13%	17.79%	17.94%	16.80%	16.40%
of Which						
Interest	2.20%	2.18%	2.19%	2.20%	2.22%	2.28%
Salaries	3.37%	3.41%	3.88%	4.22%	3.61%	3.48%
Pensions	1.31%	1.37%	1.55%	1.71%	1.45%	1.40%
Subsidies (Food, Transport	1.23%	0.93%	1.14%	1.05%	0.96%	0.89%
Housing & Industry)						
Power Subsidy	1.07%	1.25%	0.98%	0.72%	0.64%	0.56%
Devolution to ULBs	0.68%	0.79%	0.87%	0.97%	1.04%	1.05%
Major O&M (Roads,Buildings & Irrigation)	0.15%	0.53%	0.37%	0.35%	0.33%	0.32%
Other O & M (Edn, Health,RD,WS,Agr, Forest)	1.59%	2.13%	2.46%	2.01%	2.14%	2.23%
Administrative Expenditure	0.33%	0.44%	0.36%	0.34%	0.31%	0.29%
Other Revenue Expenditure	4.50%	5.09%	3.98%	4.39%	4.10%	3.90%
Revenue Deficit	**-1.35%**	**-1.46%**	**-0.74%**	**-0.41%**	**-1.37%**	**-1.57%**
Capital Receipt (Non Debt)	0.07%	0.02%	0.34%	0.04%	0.04%	0.03%
Expenditure on Capital Formation	2.10%	3.37%	3.42%	2.89%	3.74%	3.88%
Fiscal Deficit	**2.16%**	**2.77%**	**2.87%**	**2.75%**	**2.75%**	**2.75%**
Administrative Expdr as % of RR	**1.83%**	**2.24%**	**1.96%**	**1.84%**	**1.72%**	**1.62%**
Debt						
Total Debt Stock	32.81%	31.67%	30.78%	28.46%	27.85%	27.31%
Consolidated Interest/revenue	14.85%	13.01%	12.75%	13.00%	13.42%	14.30%
Off Budget Borrowings/GSDP	**0.63%**	**0.44%**	**0.33%**	**0.00%**	**0.00%**	**0.00%**
Consolidated Revenue Deficit/GSDP	**-0.92%**	**-1.09%**	**-0.57%**	**-0.22%**	**-1.15%**	**-1.29%**
Consolidated Capital expenditure/GSDP	2.73%	3.81%	3.75%	2.89%	3.74%	3.88%
Consolidated Fiscal Deficit/GSDP	**1.68%**	**2.69%**	**2.84%**	**2.63%**	**2.55%**	**2.51%**
Consolidated Debt Stock/GSDP	**36.61%**	**34.34%**	**32.93%**	**30.24%**	**29.26%**	**28.39%**

Table 10.3

DMTFP Allocations

Sl No	Major Head of A/c	Department	BE 2007-08			Projections 2008-09			2009-10			2010-11		
			Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
		Revenue Expenditure												
1	2011	Legislature		59.42	59.42		67.01	67.01		67.68	67.68		72.38	72.38
2	2012	Governor		2.91	2.91		3.51	3.51		3.47	3.47		3.77	3.77
3	2013	Council of Ministers		10.86	10.86		11.47	11.47		11.96	11.96		12.69	12.69
4	2014	Law	10.00	228.86	238.86	10.40	284.65	295.05	10.92	278.20	289.12	11.48	303.28	314.76
5	2014	Elections		37.17	37.17		41.69	41.69		102.37	102.37		45.38	45.38
6	2020	Colln of Taxes on Inc & Exp		3.65	3.65		4.58	4.58		4.45	4.45		4.85	4.85
7	2029	Land Revenue		117.62	117.62		143.44	143.44		142.00	142.00		154.76	154.76
8	2030	Stamps & Regn Fees		32.74	32.74		38.36	38.36		38.41	38.41		41.50	41.50
9	2039	State Excise		109.16	109.16		73.58	73.58		72.50	72.50		78.51	78.51
10	2040	Sales Tax	20.00	114.79	134.79	20.80	140.88	161.68	21.84	137.09	158.93	22.93	148.58	171.51
11	2041	Vehicles	0.77	48.34	49.11	0.71	58.65	59.36	0.72	58.27	58.99	0.77	63.05	63.82
12	2045	Other Taxes & Duties		5.44	5.44		6.29	6.29		6.28	6.28		6.74	6.74
13	2047	Other Fiscal Services		33.15	33.15		35.47	35.47		36.82	36.82		39.22	39.22
14	2049	Interest Payments		4818.00	4818.00		5478.09	5478.09		6291.07	6291.07		7329.66	7329.66
15	2051	Public Service Commission		10.89	10.89		12.22	12.22		12.41	12.41		13.25	13.25
16	2052	Secretariat General Services	5.70	67.22	72.92	5.93	80.34	86.27	6.22	79.45	85.68	6.60	85.96	92.56
17	2053	District Admistration		196.17	196.17		246.24	246.24		241.06	241.06		263.80	263.80
18	2054	Treasury Accunts & Admn	5.03	55.20	60.23	5.34	67.52	72.86	5.53	66.49	72.02	5.88	72.33	78.21
19	2055	Home	38.00	1330.90	1368.90	39.52	1627.19	1666.71	41.50	1600.52	1642.01	43.57	1737.72	1781.29
20	2056	Jails	1.78	58.36	60.14	1.85	66.05	67.90	1.94	67.13	69.07	2.04	71.87	73.91
21	2057	Supplies & Disposal												
22	2058	Stationery & Printing	1.10	82.43	83.53	1.14	90.25	91.39	1.20	92.53	93.73	1.26	98.21	99.47
23	2059	Public Works	2.00	385.42	387.42	2.08	478.99	481.07	2.18	493.24	495.43	2.29	548.08	550.37
24	2070	Other Admn Services	17.33	420.42	437.75	18.10	849.36	867.46	18.97	1476.29	1495.26	19.94	2218.65	2238.59
25	2071	Pensions		3415.82	3415.82		4257.33	4257.33		4105.81	4105.81		4501.44	4501.44

Sl No	Major Head of A/c	Department	BE			Projections								
			2007-08			2008-09			2009-10			2010-11		
			Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
26	2075	Misc General Services		25.49	25.49		26.51	26.51		27.84	27.84		29.23	29.23
27	2202	Education	1308.48	5231.69	6540.17	1379.25	6493.15	7872.40	1441.27	6403.48	7844.75	1519.12	6992.91	8512.02
28	2203	Technical Education	101.26	92.00	193.26	106.60	108.65	215.26	111.44	108.66	220.10	117.35	117.24	234.59
29	2204	Youth Services	18.82	55.11	73.93	18.36	62.06	80.42	19.26	63.79	83.05	20.25	67.79	88.03
30	2205	Kannada & Culture	79.40	63.48	142.88	93.92	70.12	164.04	98.60	71.06	169.67	103.55	76.08	179.63
31	2210	Expdr on Health	344.41	1090.38	1434.78	453.63	1438.00	1891.63	518.60	1529.17	2047.77	638.86	1792.82	2431.68
32	2211	Family Welfare	206.91	9.96	216.86	354.83	29.74	384.57	395.86	34.03	429.89	468.25	40.39	508.63
33	2215	Water Supply	220.69	10.82	231.51	248.75	12.84	261.59	280.16	13.16	293.33	315.83	14.42	330.25
34	2216	Housing	280.63	50.01	330.64	292.27	56.85	349.13	306.89	64.73	371.61	322.23	72.60	394.83
35	2217	Urban Development	2011.83	81.56	2093.39	2092.30	87.86	2180.16	2196.92	90.93	2287.84	2306.76	96.21	2402.98
36	2220	Information	6.06	22.24	28.30	6.30	21.97	28.28	6.62	22.15	28.76	6.95	23.85	30.80
37	2225	Social Welfare	1572.25	1580.03	3152.28	1618.88	1751.04	3369.92	1666.26	1877.12	3543.38	1754.61	2056.84	3811.44
38	2230	Labour	75.38	64.10	139.49	80.56	79.19	159.75	83.65	77.61	161.26	88.11	84.50	172.62
39	2245	Natural Calamity		126.41	126.41		131.47	131.47		136.73	136.73		142.19	142.19
40	2250	Other Social Services	24.05	41.13	65.18	25.01	43.58	68.59	26.26	45.40	71.67	27.58	47.87	75.44
41	2251	Secretariat Social Services		14.00	14.00		17.53	17.53		17.04	17.04		18.57	18.57
42	2401	Agriculture	592.77	369.87	962.63	699.57	428.45	1128.02	820.09	429.60	1249.69	960.17	461.18	1421.35
43	2402	Soil Convervation	226.93	51.03	277.96	236.64	64.66	301.30	248.19	62.93	311.12	260.76	68.91	329.67
44	2403	Animal Husbandry	120.82	163.41	284.23	111.67	201.62	313.29	114.32	198.56	312.88	120.90	216.42	337.31
45	2404	Dairy Development	79.50		79.50	82.68		82.68	86.81		86.81	91.15		91.15
46	2405	Fisheries	50.79	13.47	64.26	53.09	16.81	69.90	55.71	16.43	72.13	58.11	2.76	60.87
47	2406	Foresty & Wild Life	194.79	227.59	422.39	202.59	269.49	472.08	212.71	269.29	482.00	223.35	291.19	514.54
48	2408	Food	5.00	622.86	627.86	5.20	598.86	604.06	5.46	569.64	575.10	5.73	545.23	550.96
49	2415	Agriculture Reserch & Edn	80.00	78.43	158.43	83.20	81.56	164.76	87.36	85.64	173.00	91.73	89.92	181.65
50	2425	Co-operation	216.29	639.70	855.98	121.52	591.99	713.51	127.56	617.35	744.91	133.96	650.77	784.72
51	2501	RDPR	814.29	335.69	1149.98	845.24	380.14	1225.37	885.83	385.20	1271.04	930.63	411.71	1342.33
52	2506	Land Reforms	7.51	5.69	13.20	7.82	6.40	14.22	8.20	6.52	14.73	8.62	6.97	15.59
53	2575	Other Spl Area Programme	50.00	300.00	350.00	52.00	312.00	364.00	54.60	327.60	382.20	57.33	343.98	401.31
54	2701	Major Irrigation	9.51	73.29	82.80	10.26	110.90	121.17	10.61	125.94	136.56	11.24	150.61	161.85

Sl No	Major Head of A/c	Department	BE			Projections								
			2007-08			2008-09			2009-10			2010-11		
			Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
55	2702	Minor Irrigation	27.84	95.17	123.01	34.61	110.74	145.35	34.16	112.90	147.05	37.16	120.48	157.64
56	2705	Command Area Development	57.79		57.79	60.13		60.13	63.12		63.12	66.29		66.29
57	2711	Flood Control		0.36	0.36		0.38	0.38		0.40	0.40		0.42	0.42
58	2801	Energy	18.32	2151.76	2170.08	19.05	1801.83	1820.88	20.01	1801.92	1821.93	21.01	1802.02	1823.02
59	2810	NCSE	7.91		7.91	8.30		8.30	8.68		8.68	9.13		9.13
60	2851	Village Industries	295.90	281.92	577.82	308.18	283.30	591.48	323.38	244.18	567.56	339.68	262.45	602.13
61	2852	Industries	12.96	19.29	32.25	13.47	21.62	35.09	14.15	22.02	36.16	14.85	23.54	38.40
62	2853	Mines & Geology	7.28	6.40	13.67	1.68	7.82	9.50	1.70	7.62	9.31	1.83	8.31	10.14
63	2885	Other Outlay on Ind & Minerals	4.20		4.20	4.37		4.37	4.59		4.59	4.82		4.82
64	3051	Ports & Light Houses		4.43	4.43		5.38	5.38		5.33	5.33		5.79	5.79
65	3053	Civil Aviation		0.98	0.98		1.13	1.13		1.12	1.12		1.20	1.20
66	3054	Roads & Bridges	589.52	677.24	1266.76	624.10	697.41	1321.51	666.81	715.66	1382.47	713.37	738.29	1451.66
67	3055	Transport		179.71	179.71		188.69	188.69		198.13	198.13		208.03	208.03
68	3056	Inland Water Transport		2.24	2.24		2.70	2.70		2.68	2.68		2.91	2.91
69	3425	Other Scientific Services	17.79	0.01	17.80	18.50	0.01	18.51	19.43	0.01	19.44	20.40	0.01	20.41
70	3435	Ecology & Environment	18.52		18.52	19.26		19.26	20.22		20.22	21.24		21.24
71	3451	Secretariat Economic Services	20.81	49.75	70.55	21.64	58.11	79.75	22.72	58.07	80.79	23.86	62.62	86.48
72	3452	Tourism	57.33	2.39	59.72	59.62	2.94	62.56	62.60	2.88	65.49	65.74	3.14	68.88
73	3454	Census Surveys & Statitistics	0.35	19.81	20.16	0.36	24.37	24.74	0.38	23.89	24.28	0.40	25.99	26.39
74	3455	Meteorology	0.70		0.70	0.73		0.73	0.76		0.76	0.80		0.80
75	3456	Civil Suplies	0.69	6.98	7.66	0.72	8.64	9.35	0.75	8.40	9.15	0.79	9.13	9.92
76	3465	Gen Financial & Trading Ins												
77	3475	Other Gen Economic Serv	43.61	666.63	710.24	416.23	484.70	900.93	470.42	504.82	975.24	531.99	532.43	1064.42
78	3604	Local Bodies		1904.39	1904.39		2412.63	2412.63		2942.29	2942.29		3356.61	3356.61
		Total	9981.57	29153.86	39135.43	10998.98	33769.02	44768.01	11714.18	35815.42	47529.60	12633.24	39992.18	52625.42
		Capital Expenditure												
1	4055	Home												
2	4059	Public Works	368.20		368.20	375.56		375.56	394.34		394.34	414.06		414.06
3	4070	Other Admn Services	1.50		1.50	1.53		1.53	1.61		1.61	1.69		1.69

Sl No	Major Head of A/c	Department	BE			Projections								
			2007-08			2008-09			2009-10			2010-11		
			Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
4	4202 01	Education	92.55	3.45	96.00	188.55		188.55	535.47		535.47	582.25		582.25
5	4202 2	Technical Education	56.00		56.00	57.12		57.12	59.98		59.98	62.97		62.97
6	4202 03	Sports & Youth Services	0.95		0.95	0.97		0.97	1.02		1.02	1.07		1.07
7	4202 04	Kannada & Culture	3.30		3.30	3.37		3.37	3.53		3.53	3.71		3.71
8	4210	Expdr on Health	283.40		283.40	288.87		288.87	498.82		498.82	598.76		598.76
9	4211	Family Welfare	1.00		1.00	1.13		1.13	1.18		1.18	1.24		1.24
10	4215	Water Supply	1406.05		1406.05	1410.00		1410.00	1650.00		1650.00	1950.00		1950.00
11	4216	Housing	228.00	130.00	358.00	238.70		238.70	300.64		300.64	315.67		315.67
12	4217	Urban Development	55.00		55.00	31.10		31.10	57.66		57.66	60.54		60.54
13	4220	Information	1.04		1.04	1.06		1.06	1.11		1.11	1.17		1.17
14	4225	Social Welfare	190.14		190.14	64.73		64.73	170.18			170.87		170.87
15	4250	Other Social Services	12.92		12.92	6.18		6.18	13.49		13.49	14.16		14.16
16	4401	Agriculture	13.30		13.30	6.57		6.57	13.89		13.89	14.59		14.59
17	4402	Soil Convervation	10.00		10.00	3.20		3.20	10.36		10.36	10.88		10.88
18	4403	Animal Husbandry	32.80		32.80	8.46		8.46	33.88		33.88	35.57		35.57
19	4405	Fisheries	17.35		17.35	7.70		7.70	18.08		18.08	18.99		18.99
20	4406	Foresty & Wild Life	1.54		1.54	1.57		1.57	1.65		1.65	1.73		1.73
21	4408	Food	6.50		6.50	3.63		3.63	6.81		6.81	7.15		7.15
22	4415	Agriculture Reserch & Edn	3.00		3.00	3.06		3.06	3.21		3.21	3.37		3.37
23	4425	Co-operation	7.97		7.97	3.13		3.13	8.29		8.29	8.70		8.70
24	4515	RDPR	107.44		107.44	9.59		9.59	110.07		110.07	115.57		115.57
25	4701	Major Irrigation	2329.47	4.65	2334.12	2529.97	4.15	2534.12	3595.65	4.35	3600.00	3995.43	4.57	4000.00
26	4702	Minor Irrigation	710.21		710.21	705.00		705.00	710.00		710.00	900.00		900.00
27	4705	Command Area Development	0.01		0.01	0.01		0.01	0.01		0.01	0.01		0.01
28	4711	Flood Control	12.56		12.56	12.82		12.82	13.46		13.46	14.13		14.13
29	4801	Energy	250.00	106.00	356.00	360.00		360.00	600.00		600.00	650.00		650.00
30	4851	Village Industries	22.58		22.58	3.03		3.03	23.18		23.18	24.34		24.34

Sl No	Major Head of A/c	Department	BE			Projections								
			2007-08			2008-09			2009-10			2010-11		
			Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
31	4852	Industries	101.63	31.00	132.63	23.66		23.66	104.85		104.85	110.09		110.09
32	4885	Other Outlay on Ind & Minerals												
33	5051	Ports & Light Houses	6.50		6.50	1.63		1.63	6.71		6.71	7.05		7.05
34	5054	Roads & Bridges	805.66		805.66	810.00		810.00	1200.00		1200.00	1600.00		1600.00
35	5055	Transport	5.00		5.00	5.10		5.10	5.36		5.36	5.62		5.62
36	5452	Tourism	100.00		100.00	15.50		15.50	100.28		100.28	105.29		105.29
37	5465	Gen Financial & Trading Ins	-14.32		-14.32									
39	7610	Misc General Services	3.00	15.90	18.90	3.06	20.62	23.68	3.21	490.66	493.87	3.37	626.33	629.70
		Total	**7232.25**	**291.00**	**7523.25**	**7185.56**	**24.77**	**7210.32**	**10257.97**	**495.01**	**10582.80**	**11810.05**	**630.90**	**12440.95**
B		**Add Off Budget Repayments**			**1157.46**			**765.49**			**1171.34**			**1526.71**
1		KBJNL 4701			455.91			210.24			386.54			346.98
2		KNNL 4701			296.56			70.94			100.51			332.91
3		KRDC 5054			120.00			139.92			171.02			202.11
4		Mahiti Bonds 5465			59.40			12.02			11.82			11.62
5		KREIS 4225			14.24			9.18			8.66			8.14
6		KPHCL 4055			55.00			156.90			187.69			189.41
7		KSCB 4217			39.50			38.00			35.00			34.00
8		KSIIDC 5465			18.66			17.57			16.62			15.67
9		KLAC 4215			34.18			28.54			28.54			28.54
10		Cauvery NNL 4701			60.56			78.56			221.34			354.10
12		Sarva Siksha Abhiyan-4202			3.45			3.62			3.60			3.23
13		Keonics-Hudco- 4851												
		Total Capital Expenditure			**8680.71**			**7975.81**			**11754.14**			**13967.66**