Bill Summary

The Himachal Pradesh Fiscal Responsibility and Budget Management (Amendment) Bill, 2023

- The Himachal Pradesh Fiscal Responsibility and Budget Management (Amendment) Bill, 2023 was introduced on January 5, 2023. It amends the Himachal Pradesh Fiscal Responsibility and Budget Management Act, 2005. The Act aims to ensure prudent fiscal management by the state government.
- **Elimination of revenue deficit:** The Act requires the state government to eliminate revenue deficit by 2011-12 and maintain a revenue surplus in subsequent years. Revenue deficit refers to the excess of revenue expenditure over revenue receipts. The Bill specifies that the state government must: (i) eliminate revenue deficit and (ii) maintain revenue surplus. It removes the target year for eliminating such deficit.
- **Limits for fiscal deficit:** Fiscal deficit is the excess of total expenditure (excluding debt repayment) over total receipts (excluding borrowings). It is typically measured as a percentage of the state gross domestic product (GSDP). The Act specifies the following targets for fiscal deficit as % of GSDP: (i) 3.5% or less by 2010-11, (ii) 3% or less by 2011-12, and (iii) maintain it at 3% or less in subsequent years. The Bill amends this to maintain fiscal deficit as % of GSDP at: (i) 6% or less in 2022-23, (ii) 3.5% or less in 2023-24, and (iii) 3% or less in subsequent years.
- The Bill specifies that 50-year interest free loans received by the central government for capital expenditure will not be accounted as borrowing for enforcing fiscal deficit and outstanding debt limits. Further, the Bill allows fiscal deficit to exceed the prescribed limit, if any unutilised borrowing of the previous year is carried forward to subsequent years.
- **Outstanding debt:** The Act provides annual targets for outstanding debt for the years between 2010-11 and 2014-15. Outstanding debt refers to the total accumulated borrowings of the state. The Bill removes these annual targets and specifies that it must be reduced as prescribed in the Rules.
- **Failure to adhere to targets:** The Act specifies that revenue deficit, fiscal deficit and debt targets may be exceeded if there are unforeseen demands on the state's finances due to national security concerns or natural calamity. Such concerns are declared by either the central government or the state government. A statement needs to be tabled in the Legislative Assembly, if any of the targets is exceeded. The Bill specifies the following as additional criteria for exceeding these targets: (i) increase in developmental and other unavoidable expenditure, or (ii) increase in the borrowing limit allowed by the central government.
- **Compliance mechanism:** The Act provides that the state government must establish an independent mechanism to review and monitor the fiscal reform path. The Bill amends this to specify that the state government may empower the Comptroller and Auditor General of India (CAG) to review compliance. Such reviews will be tabled in the Legislative Assembly.

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