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SECRETARIAT
OF
THE ODISHA LEGISLATIVE ASSEMBLY
NOTIFICATION

The 24th September, 2014

No.8975/L.A.—The following Bill which has been introduced in the Odisha Legislative Assembly on the 24th September, 2016 is herewith published under Rule 68 of the Rules of Procedure and Conduct of Business in the Odisha Legislative Assembly for general information.

**THE ODISHA FISCAL RESPONSIBILITY AND BUDGET
MANAGEMENT (AMENDMENT) BILL, 2016**

**A
BILL**

FURTHER TO AMEND THE ODISHA FISCAL RESPONSIBILITY AND BUDGET
MANAGEMENT ACT, 2005.

BE it enacted by the Legislature of the State of Odisha in the
Sixty-seventh Year of the Republic of India as follows:—

Short title
and
commence-
ment.

1. (1) This Act may be called the Odisha Fiscal Responsibility and
Budget Management (Amendment) Act, 2016.

(2) It shall come into force on such date as the State Government
may, by notification, appoint.

Amendment
of section 5.

2. In the Odisha Fiscal Responsibility and Budget Management Act,
2005 after the second proviso to section 5, the following provisos shall be
inserted, namely:—

Orissa Act 6
of 2005.

"Provided also that for any given financial year for which the borrowing limits are to be fixed if the debt-GSDP ratio is less than or equal to 25 per cent in the preceding financial year, the fiscal deficit may go up further by 0.25 per cent on the GSDP, when there is no revenue deficit in the said year and the immediate preceding financial year :

Provided also that for a given financial year for which the borrowing limits are to be fixed if the interest payments are less than or equal to 10 per cent of the revenue receipts in the preceding financial year, the fiscal deficit may go up further by 0.25 per cent on the GSDP, when there is no revenue deficit in the said year and the immediate preceding financial year:

Provided also that if the Central Government requires the State Government to take over the debt of any State Public Sector Undertaking or Utility in a particular financial year, the fiscal deficit limit as fixed in this section may go up by the amount of debt taken over by the State Government in that financial year."

STATEMENT OF OBJECTS AND REASONS

The Odisha Fiscal Responsibility and Budget Management Act, 2005 (Odisha Act 6 of 2005) (in short the FRBM Act) came into force on 16th May, 2005. The FRBM Act was enacted on the basis of the recommendations of the 12th Finance Commission. Subsequently, amendment to the original FRBM Act was made as per Odisha FRBM (Amendment) Act, 2011 on the recommendations of the Thirteenth Finance Commission and the Road Map for State Fiscal Consolidation (2010-2015) communicated by the Government of India.

2. In the meantime, Fourteenth Finance Commission have submitted their report, which has been accepted by Government of India in terms of the Explanatory note on the Action Taken Report laid in the Parliament. Fourteenth Finance Commission in the Fiscal Consolidation Roadmap have set fiscal deficit targets and annual borrowing limits for the States (Para-14.62 to 14.64 of the report) during the award period as follows:—

- (i) Fiscal deficit of all States will be anchored to an annual limit of 3 per cent of Gross State Domestic Product (GSDP). The States will be eligible for flexibility of 0.25 per cent over and above this for any given year for which the borrowing limits are to be fixed if their debt-GSDP ratio is less than or equal to 25 per cent in the precedings year.
- (ii) States will be further eligible for an additional borrowing limit of 0.25 per cent of GSDP in a given year for which the borrowing limits are to be fixed if the interest payments are less than or equal to 10 per cent of the revenue receipts in the preceding year.

3. Thus, a State can have a maximum fiscal deficit-GSDP limit of 3.5 per cent in any given year. The flexibility in availing the additional limit under either of the two options or both will be available to a State, only if there is no revenue deficit in the year in which borrowing limits are to be fixed and the year immediately preceding. Our State needs the additional fiscal space to finance higher capital outlay to foster economic growth. Implementation of these recommendations outlined in the Fiscal Consolidation Roadmap necessitates amendment to FRBM Act as per Para-14.102 and Para 14.106 of the 14th Finance Commission Report.

4. Further, the Scheme Ujwal DISCOM Assurance Yojana (UDAY) has been launched by Ministry of Power, Government of India in Office Memorandum No.06/02/2015-NEF/FRP dated the 20th November, 2015 with an objective to turn around the finances of State owned Power Distribution Companies (DISCOMs) to improve operational and financial efficiency of the State DISCOMs. The Scheme necessitates that 75% of the DISCOMs debt as on the 30th September, 2015 will be taken by State over two/three years. This will result in additional borrowing by the

State Government during those years. As per Para-7.5 of the above OM, debt taken by the State would not be counted against fiscal deficit limit of the respective State in the financial years.

5. Taking the above facts into consideration, it is proposed to make provision for availing additional fiscal deficit of 0.25 per cent of GSDP, subject to limiting the debt-GSDP ratio at the level of less than or equal to 25 per cent in the preceding year and additional fiscal deficit of 0.25 per cent of GSDP, subject to limiting the interest payments to less than or equal to 10 per cent of the revenue receipts in the preceding year, if there is no revenue deficit in that year and the immediately preceding year and to increase the fiscal deficit limit as fixed in the Act by the amount of debt taken over by the State Government in a particular year, if the Central Government requires the State Government to take over the debt of any State PSU/ utility in that year.

The Bill seeks to achieve the above objectives.

PRADIP KUMAR AMAT

Member-in-Charge

A. K. SARANGI

Secretary

Odisha Legislative Assembly