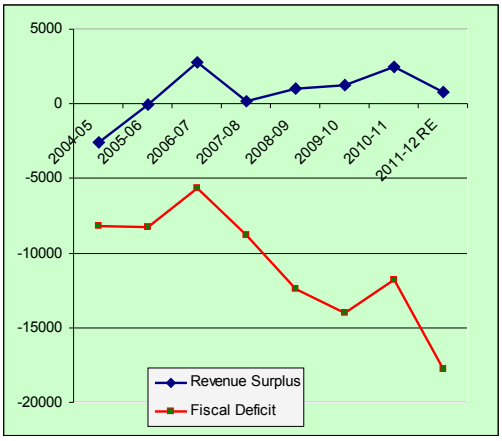
3. PUBLIC FINANCE

Public Finance management in the state has improved significantly since the enactment of the APFRBM Act, 2005. The Act stipulates that the State Government shall maintain a revenue surplus in a financial year and ensure that fiscal deficit does not exceed 3% of GSDP. The Thirteenth Finance Commission has further recommended that the total outstanding liabilities of the state government shall not exceed 27.6% of the GSDP at the end of the financial year, 2014-15.

State Government has accordingly formulated a clear plan of action to achieve the targets on fiscal reforms. The state has maintained revenue surplus, and contained fiscal deficit to well within the FRBM target of 3 percent of GSDP from the year 2006-07.



Government amended the FRBM Act in May 2011 to set the year-wise targets on outstanding liabilities from 30.3 percent in 2010-11 to 27.6 percent in 2014-15.

Government has made efforts to reduce revenue expenditure and improve the revenues by plugging loopholes in the collection of tax revenues. The revenue collections have been increased satisfactorily. But, the revenue expenditure has increased abnormally due to cyclone and untimely heavy rains during the year 2010-11. The main reasons for increase of revenue expenditure are implementation of Revised Pay Scales 2010 to the State Government employees, increase in scholarships and tuition fees to the SCs / STs / BCs.

Revenue Mobilization

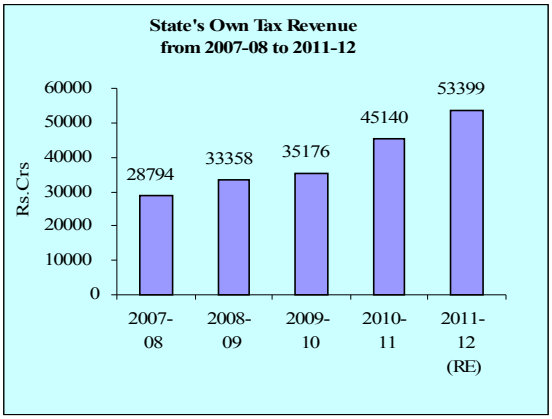
Tax collections increased at 28.33% during the year 2010-11 over the year 2009-10 due to strengthening of tax collection mechanism. The average rate of growth of tax revenue stands during last 3 years at 16.54%. Introduction of VAT resulted in initial hiccups in the year 2005-06, but 2006-07 to 2010-11 have seen good growth rate in VAT and APGST collections.

Restructuring Expenditure

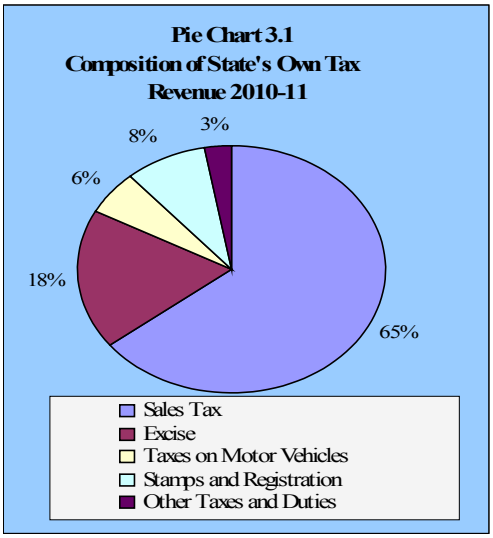
During the year 2010-11, capital expenditure constituted 11.99 % of the total expenditure. Out of the provision of Rs.17855 crores made in BE 2010-11, the capital expenditure was Rs.11123 crores. The major part of the capital expenditure was allocated to Irrigation sector, to ensure quick completion of major irrigation projects undertaken by the Government. The State is implementing the schemes like subsidy rice, power subsidy, old age pensions, Pavala Vaddi to SHGs, INDIRAMMA Housing Programmes etc., in the State continuously without hindrance in implementing social sector schemes which are very useful to the citizens who are below poverty line in the State.

Own Tax Revenues

The State's own tax revenues have grown by 28.33% in the year 2010-11 over the previous year i.e. 2009-10 and stood at Rs.45140 crores. The Composition of the Own Tax Revenue from 2007-08 to 2011-12 (RE) is given in the following bar diagram and in Annexure 3.1.



The composition of own tax revenue in 2010-11 is depicted in Pie Chart 3.1, which shows that Sales Tax, Excise, Motor Vehicle Tax and Stamps and Registration contribute the bulk of the Tax Revenues.



Own Non-Tax Revenue

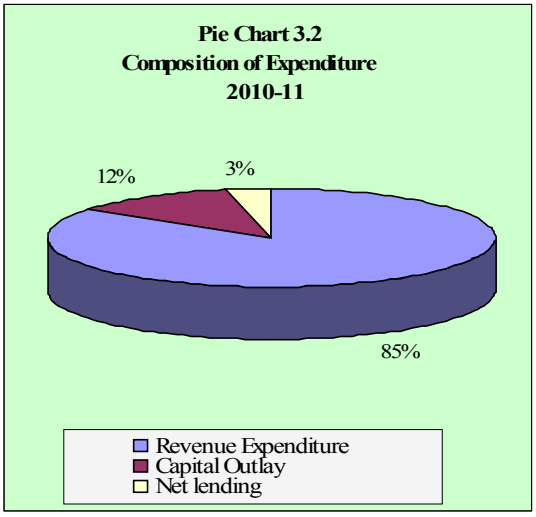
The own non-tax revenue has been increased to Rs.10720 crores in the year 2010-11 where as the actuals for the year 2009-10 was Rs.7803 crores. The major components of State's own non-tax revenue from 2003-04 to 2011-12 (RE) are indicated in Annexure 3.2.

Central Transfers

The receipts under Central Tax Devolution for the fiscal year 2010-11 stood at Rs.15237 Crores, which is an increase of Rs.3095 Crores over 2009-10. The flow of Total Central resources to the State from 2003-04 to 2011-12 (RE) is given in Annexure 3.3.

Expenditure

The composition of total expenditure in 2010-11 is depicted in Pie-Chart 3.2 and details of the expenditure from 2000-01 to 2011-12 (RE) are given in Annexure 3.5.



Debt and Interest Payments

Interest payments against Government debt have gone up from Rs.8914 Crores in 2009-10 to Rs.9675 Crores in 2010-11. The interest payment during 2010-11 increased by 8.5 per cent over previous year.

The total outstanding debt by the end of March 2010-11 was Rs. 121743 Crores, which comes to 20.67% of GSDP. The State Government is well within the limits of the outstanding debt fixed in the APFRBM Act. The Outstanding Central Loans as a proportion of the total debt comprise 12.73% and market borrowings constitute another 50.91%. The composition of Outstanding Debt from 2000-01 to 2011-12 (RE) is given in Annexure 3.7

Fiscal Deficit

In the year 2010-11, the actual percentage of fiscal deficit to GSDP is at 2%. Thus, the State Government is within the percentage of fiscal deficit limits (3%) prescribed by Government of India.

The Interest Payments and Fiscal Deficit from 2004-05 to 2011-12(RE) are given in Annexure 3.6.

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