

**ANNEXURE I-3**  
**(Ref - Para 8)**

Government of Tamil Nadu

2000



**MANUSCRIPT SERIES**

**FINANCE (RESOURCES) DEPARTMENT**

G.O.No. 103, Dated 3<sup>rd</sup> March, 2000

(Pramathi, Masi 20, Thiruvalluvar Aandu 2031)

COMMISSION - Second State Finance Commission - Constituted - To study the financial position of Municipal Corporations, Municipalities, Town Panchayats and Panchayats - Terms of Reference - Notified.

READ:

G.O.Ms. No. 518, Finance (Resources) Department, dated 01-12-1999.

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ORDER:

In the Government Order read above, orders have been issued constituting the Second State Finance Commission with a Chairman and four other Members to study the financial position of Municipal Corporations, Municipalities, Town Panchayats and Panchayats. The Government now issue the Notification covering the terms of reference of the Commission.

2. The appended Notification containing terms of reference will be published in an Extraordinary issue of Tamil Nadu Government Gazette, dated 3<sup>rd</sup> March 2000.

(BY ORDER OF THE GOVERNOR)

**P.V. RAJARAMAN,**  
SECRETARY TO GOVERNMENT

**NOTIFICATION**

In exercise of the powers conferred by Sub-clause (a) of Clause (1) of Article 243-I and Sub-clause (a) of Clause (1) of Article 243-Y of the Constitution and in pursuance of Sub-section (1) of Section 198 of the Tamil Nadu Panchayats Act, 1994 (Tamil Nadu Act 21 of 1994); read with Rule 6 of the Tamil Nadu State Finance Commission (Chairman and other members etc.) Rules, 1994; Sub-section (1) of Section 162-A of the Madras City Municipal Corporation Act, 1919 (Tamil Nadu Act IV of 1919); Sub-section (1) of Section 124-B of the Tamil Nadu District Municipalities Act, 1920 (Tamil Nadu Act V of 1920); Sub-section (1) of Section 193-A of the Madurai City Municipal Corporation Act, 1971 (Tamil Nadu Act 15 of 1971); Sub-section (1) of Section 193-A of the Coimbatore City Municipal Corporation Act, 1981 (Tamil Nadu Act 25 of 1981); read with Section 8 of the Tiruchirappalli City Municipal Corporation Act, 1994 (Tamil Nadu Act 27 of 1994); Section 8 of the Tirunelveli City Municipal Corporation Act, 1994 (Tamil Nadu Act 28 of 1994) and Section 8 of the Salem City Municipal Corporation Act, 1994 (Tamil Nadu Act 29 of 1994), the Governor of Tamil Nadu hereby direct that:

the period of office of the Chairman and other Members of the Second State Finance Commission, constituted with Finance Department Notification No. II (1)/FIN/112(a)/99, dated the 1<sup>st</sup> December 1999 published at page 1 of Part II - Section 1 of the Tamil Nadu Government Gazette Extraordinary, dated the 2<sup>nd</sup> December 1999, shall be upto the 31<sup>st</sup> day of October 2001; from the date on which they respectively assumed charges.

2. The Commission shall review the financial position of the rural and urban local bodies namely, village panchayats, panchayat union councils; district panchayats, municipal corporations, municipalities and town panchayats and make recommendations as to:-

- (a) the principles which should govern,
  - (i) the distribution between the State and the said local bodies of the net proceeds of the taxes, duties, tolls and fees leviable by the Government which may be divided between them and allocation between the said local bodies of their respective shares of such proceeds;
  - (ii) the determination of the taxes, duties, tolls and fees which may be assigned to or appropriated by the said local bodies;
  - (iii) the grants-in-aid to the local bodies, from the Consolidated Fund of the State.
- (b) the measures needed to improve the financial position of the local bodies taking into account interalia, their level of debt and their ability to service the debt.

3. In reviewing the financial position of the local bodies, the Commission shall assess the financial position of each of the local bodies as on 31<sup>st</sup> March 2000.

4. In making its recommendations, the Commission shall have regard, to the resources of the State Government, the demand thereon, in particular the expenditure of the State on debt servicing including the debt servicing on behalf of local bodies / other committed

expenditure or liabilities of the State Government and the need to generate adequate surplus on revenue account for State's commitments on capital account.

5. The Commission shall also have regard to: -
  - (i) The existing level of devolution and other resource transfer from the State and Central Governments and other agencies, including the award and recommendations of the Eleventh Finance Commission to the local bodies and their adequacy;
  - (ii) the requirement of the local bodies for meeting revenue expenditure including maintenance of capital assets, keeping in view the need for generating surplus for capital investment;
  - (iii) revenue resources of the local bodies for the five years commencing from 1<sup>st</sup> April 2002 on the basis of level of taxation reached in 1999-2000 and the potential for increase in revenue;
  - (iv) the status of implementation of the recommendations of the First State Finance Commission and the utilisation by the local bodies of the resources transferred;
  - (v) The scope for better fiscal management consistent with efficiency and economy in major components of recurring and non-recurring items of expenditure.
6. The Commission shall review the present system for assessing the accountability of the local bodies in utilising the resources raised or received from the State and Central Governments and other agencies.
7. The Commission may suggest changes, if any, on the basis of classification of local bodies as rural and urban.
8. The Commission shall also make suitable recommendations on the changes, if any, needed in the system for payment of pension to the retired employees of local bodies.
9. The Commission can also make suitable recommendations regarding any other issues having bearing on the terms of reference above in paras 2 to 8.
10. The Commission shall make its report available by 31<sup>st</sup> October 2001, covering the period of five years commencing on 1<sup>st</sup> April 2002.

February 18, 2000  
Chennai.

Sd/-

(M. FATHIMA BEEVI)  
GOVERNOR OF TAMIL NADU

**ANNEXURE II - 1**  
**(Ref - Para 1)**

**RULES OF PROCEDURE OF THE TAMIL NADU SECOND STATE FINANCE COMMISSION**

1. For the Commission:

Tamil Nadu Second State Finance Commission has been constituted vide State Government's Notification issued in G.O.Ms.NO.518, Finance (Resources) Department, dated 1.12.1999, under the provisions of Section 243 (I) and 243 (Y) of the Constitution and in pursuance of the provisions in the relevant Tamil Nadu Acts.

Section 243 of the Indian Constitution states that the Commission will decide its own procedure. Tamil Nadu Second State Finance Commission has accordingly devised its procedure, taking due note of the Terms of Reference, vide G.O.Ms.NO.103, Finance (Resources), dated 03.3.2000. Rules for the conduct of the Tamil Nadu Second State Finance Commission are as follows:

- i. Formal meetings of the Commission shall be held as and when necessary for hearing the evidence or for meeting the representatives of the State Government and Rural and Urban Local Bodies. The time and place of such meeting shall be fixed by the Chairman.
- ii. Internal meetings of the Commission shall be informal.
- iii. All meetings of the Commission shall be held in private session.
- iv. Meeting shall ordinarily be so arranged that all members are present. But, if for any unavoidable reason any member is unable to be present, meetings may still be held if at least three members including the Chairman are present. However, if for any reason, the Chairman is unable to join, he may designate the senior most member to chair the meeting.
- v. Such officers of the Commission shall be present at the meetings of the Commission as permitted by the Chairman.
- vi. Background notes for the informal meetings will be sent in advance wherever possible. No verbatim record shall be kept of the proceedings of the informal meetings of the Commission. But, if any decisions are taken at such a meeting, a record of the decisions shall be duly prepared by the Member Secretary and after approval by the Chairman, circulated to the Members of the Commission.
- vii. No verbatim record of the proceedings of the formal meetings of the Commission shall ordinarily be kept, but the Commission may direct that such a record be kept of the proceedings of any particular meeting or meetings. When no verbatim record is kept, minutes of the proceedings of the meeting shall be prepared as soon as possible by Member Secretary under the direction of the Chairman and circulated to the Members of the Commission including any member who may have been absent from such a meeting.
- viii. Minutes of the meetings with representatives of State Government, Rural and Urban Local Bodies, et al shall be prepared as soon as possible by Member Secretary under the direction of Chairman.
- ix. It shall be the endeavor of the Commission to evolve consensus. However, in exceptional cases, a member may, if he disagrees in respect of any decision, give a dissent note if he so desires. In such cases, the majority opinion will prevail.
- x. No information relating to the meetings or the work of the Commission shall be furnished to the press by any member except under the direction of Chairman.
- xi. Press conferences will be held by the Commission as a whole. In exceptional / emergent cases, the Chairman may hold such conference.
- xii. The Member Secretary, under the direction of Chairman, shall keep the Commission informed from time to time, of all-important matters involving the Commission.

- xiii. The Commission will hold its meeting at least once in two months to review the progress of work. If any proposal is so urgent that it cannot wait till the Commission's meeting, it can be approved by the Chairman, followed by an ex-facto approval of the Commission.
- xiv. The Commission shall call for relevant information and views pertaining to Terms of Reference from the various Secretariat departments of State Government, Heads of departments, line agencies, local bodies, elected representatives and reputed Non-Governmental Organisations.
- xv. All communications / orders and decisions of the Commission other than the final report will be signed by the Chairman / Member Secretary or by any officer authorized by the Chairman / Member Secretary. Any communication or interim report containing the views of the Commission shall be signed only after the views of all the members including the approval by Chairman are obtained. In emergent cases, the Chairman and Member Secretary may take a view and express their opinion.
- xvi. The Commission represented by Chairman and / or Member Secretary will conduct / participate in various state level as well as national level meetings, workshops, seminars, conference, etc.
- xvii. The Commission may engage suitable expert organizations / financial institutions, preference being given to those under the control of the Government, to study the various financial and functional aspects of local bodies and to give their reports to the Commission, within stipulated periods.
- xviii. The Commission will visit within the State so as to discuss and review the financial and functional devolution to the Rural and Urban Local Bodies with the concerned executive authorities / elected representatives.
- xix. The Commission may also visit other States in the country to study the extent and pattern of financial and functional devolution to local bodies.

**2. For State Finance Commission's Secretariat:**

- i. The Secretariat of Tamil Nadu Second State Finance Commission is headed by the Chairman, working under the immediate control of Member Secretary and assisted by Joint Secretary, Deputy Secretary, Officer on Special Duty, Senior Computer Programmer and five sections.
- ii. All the rules and procedure prescribed by the State Government will be generally followed, with suitable modifications and variations whenever and wherever necessary, in transacting the business and administration of the Commission's Secretariat.
- iii. All appointments to the gazetted posts of the Commission shall be made by the Chairman or on his behalf by Member Secretary including those made by transfer from other Government Departments, except those where the approval of the Government is required.
- iv. Appointment of staff other than those referred to above including staff obtained on transfer from other Government Departments shall be made by the Member Secretary or by an officer not below the rank of Joint Secretary duly authorized by him.
- v. The Chairman will grant leave, whether regular or casual, to a Gazetted Officer in the Commission. As regards the non-gazetted staff, the leave may be sanctioned by Member Secretary. On emergent occasions, the staff shall obtain prior permission of Member Secretary before proceeding on leave. In the case of personal staff of Chairman, he will be duly consulted before granting any leave.
- vi. The budget and the revised estimates of the Commission will be prepared by Member Secretary under directions of the Chairman and sent to Finance Department for making necessary provisions in the Budget of the State.
- vii. No information relating to the meetings / works of the Commission shall be furnished to the press or any outside persons by any staff except under the direction of Chairman.

Date: 27.6.2000

Chairman  
Second State Finance Commission

**ANNEXURE II-2(a)**  
**(Ref Para-5)**

1	Accountant General, Chennai.	
2	All District Collectors.	
3	All Tahsildars through all Collectors	
4	Chennai Corporation, Chennai 3.	
5	Commissioner of Agricultural Marketing, Chennai 5.	
6	Commissioner of Commercial Taxes, Chennai.	
7	Commissioner of Municipal Administration, Chennai 5.	
8	Commissioner of Revenue Administration, Chennai 5.	
9	Commissioner of Town & Country Planning, Chennai 2.	
10	Commissioner of Transport, Chennai.	
11	Director of Adi Dravidar / Tribal Welfare Department, Chennai 5.	
12	Director of Local Fund Audit, Chennai 108.	
13	Director of Rural Development Department, Chennai 15.	
14	Director of Town Panchayats, Chennai 108.	
15	Ex-Collectors	

- 16 Energy Development Agency, Chennai.
- 17 Inspector General of Registration, Santhome High Road, Chennai 28.
- 18 Institute of Engineers & Valuers Association, Chennai.
- 19 Madras Institute of Development Studies / MSE / Universities
- 20 MPs / MLAs (vide list enclosed)
- 21 New Tiruppur Area Development Corporation Ltd., Tiruppur.
- 22 Nodal Officers – All Districts
- 23 Non-Governmental Organizations
- 24 Regional Political Parties
- 25 Retired IAS Officers Association, Chennai.
- 26 Secretary to Government, Finance Department, Chennai 9.
- 27 Secretary, Education Department, Chennai 9.
- 28 Secretary, Labour Department, Chennai 9.
- 29 Secretary, MAWS Department, Chennai 9.
- 30 Secretary, Rural Development Department, Chennai 9.
- 31 Secretary, Transport Department, Chennai 9.
- 32 State Planning Commission, Chennai.
- 33 Tamil Nadu Chartered Institute of Public Auditors of India, Chennai.
- 34 Tamil Nadu Electricity Board, Chennai 2.
- 35 Tamil Nadu Energy Development Agency, Chennai.
- 36 Tamil Nadu Housing Board, Chennai 35.
- 37 Tamil Nadu Slum Clearance Board, Chennai 5.
- 38 Tamil Nadu Urban Finance and Infrastructure Development Corporation, Chennai.
- 39 Tamil Nadu Urban Infrastructure Financial Services Ltd., Chennai.
- 40 The Chief Engineer, Highways & Rural Projects, Chennai 25.
- 41 The Director, Geology & Mining, Guindy, Chennai 32.
- 42 The Managing Director, Chennai Metropolitan Water Supply & Sewerage Board, Chennai.
- 43 The Managing Director, Tamil Nadu Water Supply & Drainage Board, Chennai 5.
- 44 The Member Secretary, Chennai Metropolitan Development Authority, Chennai 8.
- 45 The President, Tamil Nadu Chartered Institute of Public Auditors of India.
- 46 The Principal Conservator of Forests, Chennai 15.

**ANNEXURE II - 2 (b)**  
**(Ref Para – 5)**

**List of Members of Parliament / Members of Legislative Assembly who have responded to our Questionnaire**

SI. NO.	Member of Parliament	Constituency
1.	Dr. A.D.K. Jeyaseelan, M.A.B.G.L., Ph.D.,	Tiruchendur
2.	Dr. C. Krishnan, MBBS.,	Pollachi
3.	Prof. M. Sankaralingam, M.A.,	Rajyasabha

SI. NO.	Member of Legislative Assembly	Constituency
1.	Thiru N.R. Alagaraja	Theni
2.	Thiru. Era. Bernard	Colachel
3.	Thiru. K. Duraichandrasekaran	Thiruvaiyaru
4.	Thiru. C. Gnanasekaran B.A. B.L.,	Vellore
5.	Thiru. P. Gopal B.Sc.,	Mettur
6.	Thiru. V. Govindan	Pernambut (SC)
7.	Thiru. K. Karupanna Odayar	Papanasam
8.	Thiru. Kulandhai Thamizharasan, M.A.B.L.,	Virudhachalam
9.	Thiru. S.S. Mani	Thiruvallur