

**Hon'ble Union Finance Minister,
Tmt. Nirmala Sitharaman,**

**Hon'ble Union Ministers of State for
Finance,**

**Hon'ble Finance Ministers of State
Governments and Union Territories,**

**Senior Officers of the Union Government
and State Governments,**

Vanakkam,

I thank the Hon'ble Union Finance Minister for organizing this meeting and seeking our suggestions for the upcoming Union Budget. This meeting is crucial in furthering the tenets of co-operative and fiscal federalism, given the uncertain global economic scenario caused by the Russia-Ukraine conflict and the possibility of a global recession. Considering the persistent macroeconomic challenges, the

Union Government should come forward and play a greater role to support the States in reviving economic growth in the country.

2. The practice of Union Government in continuously increasing the levy of cesses and surcharges is antithetical to the spirit of fiscal federalism. The cesses and surcharges, which do not form a part of the divisible pool of taxes, have adversely affected the transfer of resources to the States. Cesses and surcharges, as a percentage of gross tax revenue have increased manifold from 10.4% in 2011-12 to 26.7% in 2021-22. This has deprived the States of their legitimate share of revenue collected by the Union Government. I exhort the Union Government to merge the cesses and surcharges into the basic rates of tax

so that the States receive their legitimate share in devolution.

3. The State's fiscal autonomy has further been curtailed by the increasing ratio of Grants-in-aid to Share in Central Taxes. While the Share in Central Taxes offer discretion to the State Government in utilization of funds, the funds received as Grants-in-aid are tied and conditional. The ratio of Grants-in-aid to Share in Central Taxes has increased from 45% in 2012-13 to 94% in 2021-22 for Tamil Nadu. I urge the Union Government to provide greater untied funding to the states, rather than a one-size-fits-all homogenization through increasingly detailed Central Schemes.

4. The State joined the GST system introduced by the Union Government of India, accepting to forego their fiscal autonomy on the assurance of revenue neutral scenario in the long run. However, post the introduction of GST, there has been a wide gap between the actual revenues realized and the guaranteed revenues protected by the Act. The Covid pandemic further exacerbated the problem and the State's revenues are yet to recover fully. Considering the revenue shortfall that is expected, I urge the Union Government to release the pending compensation dues of Rs.11,185.82 crore at the earliest, which is pending due to certain procedural formalities. I also request that the GST compensation period be extended by at least two more years.

5. The Fifteenth Finance Commission has recommended a total amount of Rs.2,200 crore under State Specific Grants to Tamil Nadu for five specific schemes. In the Action Taken Memorandum, the Union Government has indicated that keeping in view the untied resources with the State Governments and the fiscal commitments of the Central Government, due consideration will be given to the above recommendation which creates ambiguity as to whether these grants would actually be released. We urge the Union Government to ensure that State Specific grants are released in full without imposing any conditions, respecting the convention wherein the recommendations of the Commission are treated as an award.

6. The 15th Finance Commission in its final report has recommended Rs.500 crore towards reducing the risk of urban flooding in Chennai for the period 2021-22 to 2025-26 under National Disaster Mitigation Fund. Even after a lapse of 2 years, the National Disaster Management Authority has not yet released this earmarked allocation and is still in the process of evolving guidelines. Such delay in release of funds hamper the efforts of the State in undertaking flood mitigation works. Chennai has already faced floods in the last two years and the State is constrained to spend from its limited resources on flood mitigation. I request the Union Government to ensure that the earmarked amount for Chennai is released at the earliest.

7. In many Centrally Sponsored Schemes, the unit costs and the Government of India's share of the cost are not in consonance with the ground realities. As a result, the State ends up undertaking additional financial burden to meet the legitimate aspirations of the people. Under the 'Affordable Housing in Partnership' vertical of Pradhan Mantri Awas Yojana (Urban), the Government of India contributes only Rs.1.5 lakh per unit whereas the State Government contributes Rs.7 lakh per unit. Similarly, under Pradhan Mantri Awas Yojana (Rural), the Government of India contributes Rs.0.72 lakh per unit whereas the State Government contributes Rs.1.68 lakh per unit. Under the National Social Assistance Programme, the Government of India

contributes only Rs.200 per month per beneficiary for Old Age Pension and Rs.300 per month per beneficiary for widows and differently abled. As this amount is highly inadequate to lead a dignified life, Tamil Nadu, like many other States, tops up the amount and provides a monthly pension of Rs.1,000 to each beneficiary. Therefore, the Union Government should enhance the unit costs to reflect the present-day requirements and increase its proportion in Centrally Sponsored Schemes.

8. It is also noted that the Union Government has reduced its share in Centrally Sponsored Schemes from the originally prescribed sharing pattern. Under the Pradhan Mantri Fasal Bima Yojana (PMFBY), the Union Government's decision to cap its subsidy on premium has shifted the

burden to State governments leading to an increase of 172% in the State's share. I request the Union Government to follow the original sharing pattern (49% each by Centre and State) that was followed before 2020-21 from the next financial year.

9. In order to spur economic growth in the rural areas, there is a need for greater investment in Agriculture and allied sectors. To complement the efforts of the State Government in these areas, I request the Hon'ble Union Finance Minister to enhance the allocation under 'Rural Infrastructure Development Fund' (RIDF) of NABARD, the 'Dairy Processing and Infrastructure Development Fund' (DIDF) and 'Fisheries and Aquaculture Infrastructure Development Fund' (FAIDF) in the upcoming Union Budget.

10. The Government of Tamil Nadu envisions a data-driven support infrastructure for ensuring targeted delivery of welfare schemes so that maximum benefits reach the deserving beneficiaries. Seamless sharing of datasets by the Union and State Governments will be mutually beneficial and help in better targeting and delivery of schemes. This will also ensure effective utilization of scarce resources by the Governments. In this regard, I request the Union Government to share the available datasets under various schemes and projects with the States so that data can be effectively used for better governance.

11. Tamil Nadu has set up the first International Furniture Park in the country. The furniture industry is a fast-growing industry with high potential for employment

generation. Reduction in duties on imported wood will support in attracting more investment in the sector. Further, it will increase India's competitiveness in the international furniture market and help in export promotion, employment generation and overall industrial development of the nation. I request the Union Government to reduce the duties on imported wood to attract investment in this important sector.

12. I also urge the Union Government to extend the Production Linked Incentive (PLI) scheme for leather and non-leather footwear sector and for Green hydrogen and electrolyzer manufacturers.

13. The Government of Tamil Nadu thanks the Union Government for recommencing the loan negotiations for

Chennai Metro Rail Phase II project as a state sector project, pending approval of the Union Cabinet for Government of India's participation in the project. I urge the Union Government to immediately sanction the project as a 50:50 equity share between the Government of India and Government of Tamil Nadu and ensure adequate provisions are made in the Union Budget 2022-23.

14. It is noted that successive Union Budgets have always under provided for Railway projects in Tamil Nadu. This continuous neglect has resulted in a skewed modal mix in the State. I request adequate fund allocation for railway projects in the State at least in the upcoming Union Budget. The rail infrastructure in suburban areas of Chennai has to be strengthened to cater to the needs of the burgeoning population.

There is also a need for new railway lines in industrial areas which will spur the economic growth in the State. I request the sanction of the following railway projects in Tamil Nadu in the upcoming Budget:

- (i) Tambaram - Chengalpattu 4th line - Rs.600 crore.
- (ii) Attipattu - Gummidipoondi 3rd and 4th lines - Rs.500 crore.
- (iii) New line from Tirupattur-Krishnagiri-Hosur - Rs.1,486 crore.
- (iv) Doubling of Arakanom- Kanchipuram Chengalpattu line – Rs.1,360 crore.
- (v) Vandhe Bharat Train from Chennai - Madurai
- (vi) Vandhe Bharat Train from Chennai - Coimbatore

15. The garment sector, particularly the Tiruppur cluster in Tamil Nadu, is a key foreign exchange earner for the country. The sector is undergoing a severe crisis and is witnessing a sharp decline in the month-on-month growth rate, as a result of the economic impact of Covid-19, the Russia-Ukraine War and the anticipated economic slowdown in the West. Lakhs of jobs, particularly for rural women who form a significant chunk of the workforce, are in danger. Hence, I urge the Union Government to announce a special Emergency Credit Line Guarantee Scheme (ECLGS) for the MSMEs in the garment sector with twenty per cent additional collateral-free credit in the upcoming budget.

16. I request the Union Government to expeditiously commence the establishment of All India Institute of Medical Sciences (AIIMS) at Madurai. This institution is crucial for providing quality tertiary care to people in the southern districts of Tamil Nadu. Though it has been more than three years since the announcement by Government of India, there has been very little progress in establishment of the institution. The first batch of students have been admitted and from February, 2022, the State Government has given permission to use the premises of Government Medical College, Ramanathapuram to temporarily accommodate 50 students of AIIMS, Madurai at the request of the Union Government. I request the Government of India to form

a dedicated team of officers with adequate financial and administrative powers to expedite the construction work for establishment of a full-fledged AIIMS at Madurai. The State Government will extend full co-operation for immediate commencement and early completion of the project.

17. I thank you once again for giving this opportunity and hope that the various suggestions offered by the States will be considered and factored in the Union Budget to ensure a strong and sustained revival of the economy.

Nandri
Vanakkam