

# Himachal Pradesh Budget Analysis 2021-22

The Chief Minister of Himachal Pradesh, Mr. Jai Ram Thakur, presented the Budget for the state for the financial year 2021-22 on March 6, 2021. Due to the impact of COVID-19, 2020-21 was not a standard year with respect to the performance of the economy and government finances. In this note, 2021-22 budget estimates have been compared to the actuals for 2019-20 (in terms of compounded annual growth rate or CAGR). A comparison of the revised estimates for 2020-21 and budget estimates for 2021-22 has been provided in the Annexure.

## Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Himachal Pradesh for 2021-22 (at current prices) is projected to be Rs 1,72,174 crore. This is an annual increase of 3% over the GSDP in 2019-20. As per the revised estimates, in 2020-21, GSDP is estimated to contract by 3.9% over the previous year (as compared to a growth of 10% estimated at the budget stage).
- **Total expenditure** for 2021-22 is estimated to be Rs 50,192 crore, an annual increase of 8% over the actual expenditure in 2019-20. As per the revised estimates, total expenditure in 2020-21 is estimated to be 9% higher than the budget estimate (an increase of Rs 4,329 crore).
- **Total receipts (excluding borrowings)** for 2021-22 are estimated to be Rs 37,069 crore, an annual increase of 10% over the actual receipts in 2019-20. In 2020-21, total receipts (excluding borrowings) are estimated to fall short of the budget estimate by Rs 2,846 crore (a decrease of 7%).
- **Revenue deficit** in 2021-22 is estimated to be Rs 1,463 crore, which is 0.85% of the GSDP. In 2020-21 (revised estimate), the state has estimated a revenue deficit of Rs 423 crore (0.27% of GSDP).
- **Fiscal deficit** in 2021-22 is estimated to be Rs 7,789 crore (4.52% of GSDP). As per revised estimates, in 2020-21, fiscal deficit is estimated to be 4.12% of GSDP, higher than the budget estimate of 4% of GSDP.

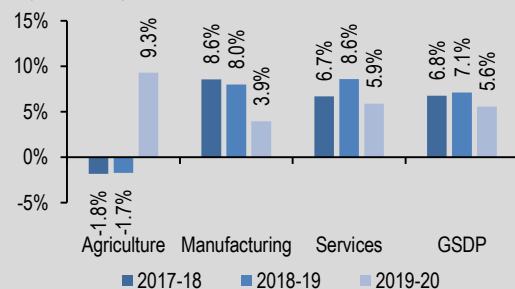
## Policy Highlights

- **New policies:** To promote forest conservation, a new policy will be formulated for increasing the survival percentage of new plantations and ensuring accountability. The state government will formulate the Swaran Jayanti Energy Policy in 2021-22 for the promotion of the energy sector.
- **Agriculture:** Legal framework will be amended to permit the marketing and trading of flowers through APMC Mandis. Swaran Jayanti Paramparagat Beej Suraksha Samvardhan Yojana will be started for the conservation and propagation of traditional seeds in the state. A research and development fund with an initial corpus of five crore rupees will be created for the agriculture and horticulture universities of the state.
- **Digitalisation of government services:** An integrated beneficiary database management system will be developed for the proper selection of beneficiaries under various schemes. 80 government services will be integrated with Himachal Pradesh Online Portal and made available through Lok Mitra Kendras.
- **Increase in honorarium:** The honorarium for ASHA workers will be increased by Rs 750 per month. The honorarium for anganwadi workers, mini-anganwadi workers, and anganwadi helpers will be increased by Rs 500, Rs 300, and Rs 300 per month, respectively.

## Himachal Pradesh's Economy

- **GSDP:** The growth rate of Himachal Pradesh's GSDP (at constant prices) was 5.6% in 2019-20, lower than the growth rate in 2018-19 (7.1%).
- **Sectors:** In 2019-20, the contribution of agriculture, manufacturing, and services sectors to the economy was 13%, 47%, and 41%, respectively.
- **Per capita GSDP:** The per capita GSDP of Himachal Pradesh in 2019-20 (at constant prices) was Rs 1,69,787, 4.9% higher than the corresponding figure in 2018-19.
- **Unemployment:** According to the Periodic Labour Force Survey (July 2018-June 2019), the unemployment rate in the state was 5.2%, lower than the all-India level (5.8%).

**Figure 1: Growth in GSDP and sectors in Himachal Pradesh at constant prices (2011-12)**



Note: These numbers are as per constant prices which implies that the growth rate is adjusted for inflation.  
Sources: MoSPI; PRS.

## Budget Estimates for 2021-22

- **Total expenditure** in 2021-22 is estimated to be Rs 50,192 crore. This is an annual increase of 8% over the actual expenditure in 2019-20. This expenditure is proposed to be met through **receipts (other than borrowings)** of Rs 37,069 crore and **borrowings** of Rs 11,731 crore. Total receipts for 2021-22 (other than borrowings) are expected to register an annual increase of 10% over 2019-20.
- For 2021-22, the state has estimated a **fiscal deficit** of 4.52% of GSDP. This is higher than the 4% limit allowed by the central government for fiscal deficit of states in 2021-22. In 2021-22, the state estimates a **revenue deficit** of Rs 1,463 crore. In comparison, the state had observed a revenue surplus in 2019-20 (Rs 12 crore).
- As per the revised estimates for 2020-21, the receipts (other than borrowings) are estimated to be 7% less than the budget estimate, while the total expenditure is estimated to be 9% higher. In 2020-21, Himachal Pradesh is estimated to have a revenue deficit of Rs 423 crore (0.27% of GSDP). In 2020-21 (as per revised estimate), the fiscal deficit is estimated to be 4.12% of GSDP, which is lower than the 5% limit allowed by the central government for the fiscal deficit of states in 2020-21.

**Table 1: Budget 2021-22 - Key figures (in Rs crore)**

Items	2019-20 Actuals	2020-21 Budgeted	2020-21 Revised	% change from BE 2020-21 to RE 2020-21	2021-22 Budgeted	Annualised Change (2019-20 to 2021-22 BE)
<b>Total Expenditure</b>	<b>43,063</b>	<b>49,131</b>	<b>53,460</b>	<b>9%</b>	<b>50,192</b>	<b>8%</b>
A. Receipts (except borrowings)	30,765	38,465	35,619	-7%	37,069	10%
B. Borrowings	10,847	7,554	15,556	106%	11,731	4%
<b>Total Receipts (A+B)</b>	<b>41,613</b>	<b>46,019</b>	<b>51,175</b>	<b>11%</b>	<b>48,800</b>	<b>8%</b>
<b>Revenue Balance</b>	<b>12</b>	<b>-684</b>	<b>-423</b>	<b>-38%</b>	<b>-1,463</b>	<b>-</b>
As % of GSDP	0.01%	-0.38%	-0.27%		-0.85%	
<b>Fiscal Deficit</b>	<b>5,597</b>	<b>7,272</b>	<b>6,445</b>	<b>-11%</b>	<b>7,789</b>	<b>18%</b>
As % of GSDP	3.44%	4.00%	4.12%		4.52%	
<b>Primary Deficit</b>	<b>1,363</b>	<b>2,340</b>	<b>1,822</b>	<b>-22%</b>	<b>2,772</b>	<b>43%</b>
As % of GSDP	0.84%	1.29%	1.16%		1.61%	

Note: BE is Budget Estimates; RE is Revised Estimates. A negative Revenue Balance indicates a deficit.

Sources: Himachal Pradesh Budget Documents 2021-22; PRS.

## Expenditure in 2021-22

- **Capital expenditure** for 2021-22 is proposed to be Rs 11,701 crore, which is an annual decrease of 3% over 2019-20. Capital expenditure includes expenditure affecting the assets and liabilities of the state, such as: (i) capital outlay, i.e., expenditure which leads to the creation of assets (such as bridges and hospitals), and (ii) repayment and grant of loans by the state government. The capital outlay in 2021-22 (Rs 6,013 crore) is estimated to increase at an annualised rate of 8% over 2019-20.
- **Revenue expenditure** for 2021-22 is proposed to be Rs 38,491 crore, which is an annual increase of 12% over 2019-20. This includes expenditure such as payment of salaries, pensions, interest, and subsidies.
- As per revised estimates, in 2020-21, while revenue expenditure is estimated to be 8% lower than the budget estimate, capital outlay is estimated to be 9% less. Debt repayment in 2020-21 at the revised stage is estimated to be Rs 11,396 crore, significantly higher (236%) than the budget estimate of Rs 3,394 crore. This has led to a substantial increase in capital expenditure (74%) from the budget to the revised stage in 2020-21.

**Table 2: Expenditure budget 2021-22 (in Rs crore)**

Items	2019-20 Actuals	2020-21 Budgeted	2020-21 Revised	% change from BE 2020-21 to RE 2020-21	2021-22 Budgeted	Annualised Change (2019-20 to 2021-22 BE)
Capital Expenditure	12,333	10,008	17,449	74%	11,701	-3%
of which Capital Outlay	5,174	6,255	5,692	-9%	6,013	8%
Revenue Expenditure	30,730	39,123	36,011	-8%	38,491	12%
<b>Total Expenditure</b>	<b>43,063</b>	<b>49,131</b>	<b>53,460</b>	<b>9%</b>	<b>50,192</b>	<b>8%</b>
A. Debt Repayment	6,701	3,394	11,396	236%	5,334	-11%
B. Interest Payments	4,234	4,932	4,623	-6%	5,018	9%
<b>Debt Servicing (A+B)</b>	<b>10,935</b>	<b>8,325</b>	<b>16,019</b>	<b>92.4%</b>	<b>10,351</b>	<b>-3%</b>

Note: BE is Budget Estimates; RE is Revised Estimates. Capital outlay denotes expenditure that leads to the creation of assets.

Sources: Himachal Pradesh Budget Documents 2021-22; PRS.

## Sectoral expenditure in 2021-22

The sectors listed below account for **60%** of the total expenditure on sectors by the state in 2021-22. A comparison of Himachal Pradesh's expenditure on the key sectors with that by other states can be found in Annexure 1.

**Table 3: Sector-wise expenditure under Himachal Pradesh Budget 2021-22 (in Rs crore)**

Sector	2019-20 Actuals	2020-21 BE	2020-21 RE	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)	Budget provisions 2021-22
Education, Sports, Arts, and Culture	6,423	8,304	7,523	8,272	13%	<ul style="list-style-type: none"> <li>Rs 289 crore has been allocated towards Sarva Shiksha Abhiyaan.</li> <li>Rs 81 crore has been allocated towards the Mid-Day Meal Scheme.</li> </ul>
Roads and Bridges	3,751	3,986	4,313	4,046	4%	<ul style="list-style-type: none"> <li>Capital outlay of Rs 1,989 crore has been proposed for the construction of roads and bridges.</li> </ul>
Health and Family Welfare	2,307	2,976	2,953	2,976	14%	<ul style="list-style-type: none"> <li>Rs 339 crore has been allocated towards National Rural Health Mission.</li> </ul>
Agriculture and Allied Activities	2,291	2,856	2,677	2,730	9%	<ul style="list-style-type: none"> <li>Rs 154 crore has been allocated towards food subsidies.</li> </ul>
Water Supply and Sanitation	1,541	2,357	2,080	2,243	21%	<ul style="list-style-type: none"> <li>Rs 1,138 crore has been allocated towards the rural water supply programme.</li> <li>Rs 457 crore has been allocated towards the urban water supply programme.</li> </ul>
Social Welfare and Nutrition	2,022	1,965	2,055	2,128	3%	<ul style="list-style-type: none"> <li>Rs 674 crore has been allocated towards pension under social security schemes.</li> <li>Rs 200 crore has been allocated towards integrated child care services.</li> </ul>
Police	1,205	1,541	1,501	1,527	13%	<ul style="list-style-type: none"> <li>Rs 784 crore has been allocated towards the district police.</li> </ul>
Rural Development	1,212	1,739	1,475	1,377	7%	<ul style="list-style-type: none"> <li>Rs 260 crore has been allocated towards MGNREGS.</li> <li>Rs 105 crore has been allocated towards the SwarnaJayanti Gram Swarajgar Yojana.</li> </ul>
Irrigation and Flood Control	1,100	1,042	823	842	-13%	<ul style="list-style-type: none"> <li>Capital outlay of Rs 378 crore has been proposed on various projects for irrigation and flood control.</li> </ul>
Urban Development	524	763	841	728	18%	<ul style="list-style-type: none"> <li>Rs 168 crore has been allocated towards assistance to municipalities and municipal council.</li> <li>Rs 74 crore has been allocated towards Smart City Mission.</li> </ul>
<b>% of total expenditure on all sectors</b>	<b>62%</b>	<b>61%</b>	<b>63%</b>	<b>60%</b>	<b>-2%</b>	

Sources: Himachal Pradesh Budget Documents 2021-22; PRS.

**Committed expenditure:** Committed expenditure of a state includes expenditure on payment of salaries, pensions, and interest. A larger proportion of the budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as capital outlay. In 2021-22, Himachal Pradesh is estimated to spend Rs 26,503 crore on committed expenditure, which is 72% of its revenue receipts. On average, states spend 50% of their revenue receipts on committed expenditure. Committed Expenditure of Himachal Pradesh in 2021-22 comprises spending on salaries (39% of revenue receipts), pension (19% of revenue receipts), and interest payments (14% of revenue receipts). In 2021-22, committed expenditure is estimated to increase at an annual rate of 11% over the actual expenditure in 2019-20.

**Table 4: Committed Expenditure in 2021-22 (in Rs crore)**

Items	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)
Salaries	11,669	14,836	13,231	-11%	14,403	11%
Pensions	5,490	7,266	6,000	-17%	7,082	14%
Interest	4,234	4,932	4,623	-6%	5,018	9%
<b>Total Committed Expenditure</b>	<b>21,393</b>	<b>27,034</b>	<b>23,854</b>	<b>-12%</b>	<b>26,503</b>	<b>11%</b>

Sources: Himachal Pradesh Budget Documents 2021-22; PRS.

## Receipts in 2021-22

- **Total revenue receipts** for 2021-22 are estimated to be Rs 37,028 crore, an annual increase of 10% over the actual receipts in 2019-20. Of this, Rs 12,036 crore (33%) will be raised by the state through its **own resources**, and Rs 24,992 crore (67%) will come **from the Centre**. Resources from the Centre will be in the form of the state's share in central taxes (15% of revenue receipts) and grants (53% of revenue receipts).
- **Devolution:** In 2021-22, receipts from the state's share in central taxes are estimated to be Rs 5,524 crore, an annual increase of 9% over 2019-20. In 2020-21, devolution is estimated to be 30% less than budgeted. This may be due to a 30% cut in the union budget for devolution to states, from Rs 7,84,181 crore at the budgeted stage to Rs 5,49,959 crore at the revised stage.
- **State's own tax revenue:** Total own tax revenue of Himachal Pradesh is estimated to be Rs 9,282 crore in 2021-22, an annual increase of 10% over 2019-20. The growth rate for own tax revenue is estimated to be higher than the growth rate for GSDP (3%). Hence, the own tax to GSDP ratio is estimated to increase from 4.7% in 2019-20 to 5.4% in 2021-22.

**Table 5: Break up of state government receipts (in Rs crore)**

Items	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)
State's Own Tax	7,624	9,090	7,917	-13%	9,282	10%
State's Own Non-Tax	2,502	2,410	2,268	-6%	2,754	5%
Share in Central Taxes	4,678	6,266	4,394	-30%	5,524	9%
Grants-in-aid from Centre	15,940	20,673	21,009	2%	19,468	11%
<b>Total Revenue Receipts</b>	<b>30,742</b>	<b>38,439</b>	<b>35,588</b>	<b>-7%</b>	<b>37,028</b>	<b>10%</b>
Borrowings	10,847	7,554	15,556	106%	11,731	4%
Other receipts	23	26	31	18%	41	33%
<b>Total Capital Receipts</b>	<b>10,870</b>	<b>7,580</b>	<b>15,587</b>	<b>106%</b>	<b>11,772</b>	<b>4%</b>
<b>Total Receipts</b>	<b>41,613</b>	<b>46,019</b>	<b>51,175</b>	<b>11%</b>	<b>48,800</b>	<b>8%</b>

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: Himachal Pradesh Budget 2021-22; PRS.

- In 2021-22, SGST collection is estimated to be Rs 4,142 crore, an annual increase of 8% over the actual SGST collected in 2019-20. SGST is estimated to be the largest source of the state's own tax revenue (45%) in 2021-22. In 2020-21, SGST is estimated to be 10% lower than the budget estimate.
- In 2021-22, Himachal Pradesh is expected to generate Rs 1,643 crore through Sales Tax and VAT, an annual increase of 19% over 2019-20. In 2021-22, taxes and duties on electricity and land revenue are estimated to be more than twice the 2019-20 level.
- As per revised estimates, in 2020-21, a higher shortfall is estimated in stamps duty and registration fees (28%) as compared to other own tax sources.

### GST Compensation

The GST (Compensation to States) Act, 2017 guarantees states compensation for five years (till 2022) for any revenue loss arising due to GST implementation. The Act guarantees states a 14% annual growth in their GST revenue, failing which compensation grants are provided to states to meet the shortfall. These grants are funded through the GST compensation cess levied by the centre. As the cess collection is not sufficient to meet the compensation requirement of states in 2020-21, a part of their requirement will be met through loans from the centre (which will be repaid using future cess collection). As per the revised estimate, Himachal Pradesh is estimated to receive Rs 3,546 crore as GST compensation grants. Estimates of GST compensation loans have not been provided. However, as per a press release by the Union Finance Ministry, Rs 1,651 crore has been availed by Himachal Pradesh as GST compensation loan.

The state estimates to receive Rs 3,834 crore as GST compensation grants for the year 2021-22, which is more than double the amount of compensation received in 2019-20 (Rs 1,877 crore). In 2021-22, GST compensation grants are estimated to comprise 10% of the revenue receipts. GST compensation grants are set to be discontinued after June 2022. This could create a notable gap in the revenue receipts of the state going forward.

**Table 6: Some of the major state's own tax revenue sources (in Rs crore)**

Head	2019-20 Actuals	2020-21 BE	2020-21 RE	% change from BE 2020-21 to RE 2020-21	2021-22 BE	Annualised Change (2019-20 to 2021-22 BE)	% of Revenue Receipts in 2021-22
State GST	3,550	3,855	3,451	-10%	4,142	8%	11%
Sales Tax/ VAT	1,170	1,685	1,467	-13%	1,643	19%	4%
State Excise	1,660	1,788	1,624	-9%	1,868	6%	5%
Taxes on Vehicles	466	457	372	-19%	488	2%	1%
Stamps Duty and Registration Fees	260	328	235	-28%	311	9%	1%
Taxes and Duties on Electricity	101	403	403	0%	431	107%	1%
Land Revenue	5	18	22	21%	23	118%	0%
<b>GST Compensation Grants</b>	<b>1,877</b>	<b>3,338</b>	<b>3,546</b>	<b>6%</b>	<b>3,834</b>	<b>43%</b>	<b>10%</b>

Sources: Himachal Pradesh Budget Documents 2021-22; PRS.

## Deficits, Debts, and FRBM Targets for 2021-22

The Himachal Pradesh Fiscal Responsibility and Budget Management (FRBM) Act, 2005 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

**Revenue Balance:** It is the difference between revenue expenditure and revenue receipts. A revenue deficit implies that the government needs to borrow to finance its expenses which do not increase its assets or reduces its liabilities. Once the revenue deficit is accounted for, only then the borrowings can be used for capital investments. A revenue surplus implies that the revenue receipts of the state are sufficient to meet the revenue expenditure requirements. The state estimates a revenue deficit of Rs 1,463 crore (0.85% of the GSDP) in 2021-22. This is after accounting for post-devolution revenue deficit grants worth Rs 10,249 crore in 2020-21 that the state is estimated to receive as per recommendations of the 15<sup>th</sup> Finance Commission. In comparison, the state had observed a revenue surplus of Rs 12 crore (0.01% of GSDP) in 2019-20. As per the medium-term fiscal plan, the revenue deficit is estimated to rise to 1.42% of GSDP by 2024-25.

**Fiscal deficit:** It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities. In 2021-22, the fiscal deficit is estimated to be Rs 7,789 crore (4.52% of GSDP). This is higher than the 4% limit allowed by the central government for the fiscal deficit of states in 2021-22. States have been allowed a higher fiscal deficit than the usual 3% limit under the FRBM Act for undertaking increased expenditure to support economic recovery. As per the medium-term fiscal plan, the fiscal deficit of the state is estimated to be higher than 4.5% in all three years between 2022-25.

**Enhanced borrowing limit in 2020-21:** Given the situation due to COVID-19, the central government permitted states to increase their fiscal deficit up to 5% of GSDP in 2020-21. All states are allowed to increase their fiscal deficit up to 4% of GSDP. The remaining 1% of GSDP is conditional on the implementation of reforms by states in the following areas (0.25% of GSDP for each reform): (i) one nation one ration card, (ii) ease of doing business, (iii) urban local body/utility, and (iv) power distribution. As of February 19, 2021, Himachal Pradesh has completed only the Ease of Doing Business reform, and consequently is eligible to borrow Rs 438 crore.

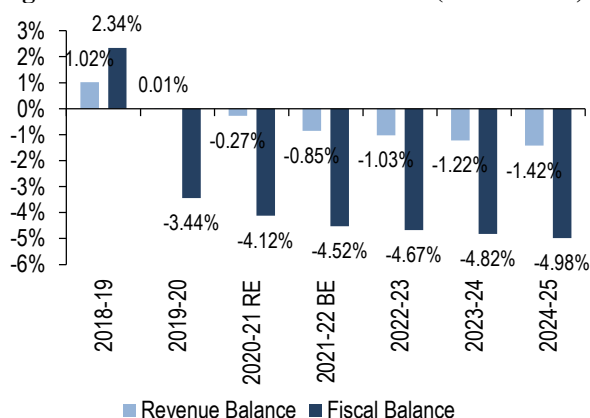
**Outstanding liabilities:** Outstanding liabilities are the accumulation of total borrowings (including any liabilities on public accounts) at the end of a financial year. The outstanding liabilities are estimated to increase from 33.98% of GSDP in 2018-19 to 40.26% of GSDP in 2021-22.

### Fiscal Roadmap for 2021-26

The 15<sup>th</sup> Finance Commission recommended the following fiscal deficit targets for states for the 2021-26 period (as a % of GSDP): (i) 4% for 2021-22, (ii) 3.5% for 2022-23, and (iii) 3% for 2023-26. The Commission estimates that this path will enable Himachal Pradesh to bring down its total liabilities from 39.8% of GSDP in 2020-21 to 34.7% of GSDP at the end of 2025-26.

If a state is unable to fully utilise the sanctioned borrowing limit as specified above in any of the first four years (2021-25), it can avail the unutilised borrowing amount in subsequent years (within the 2021-26 period). An additional borrowing worth 0.5% of GSDP will be allowed each year for the first four years (2021-25) upon undertaking certain power sector reforms including: (i) reduction in operational losses, (ii) reduction in revenue gap, (iii) reduction in payment of cash subsidy by adopting direct benefit transfer, and (iv) reduction in tariff subsidy as a percentage of revenue.

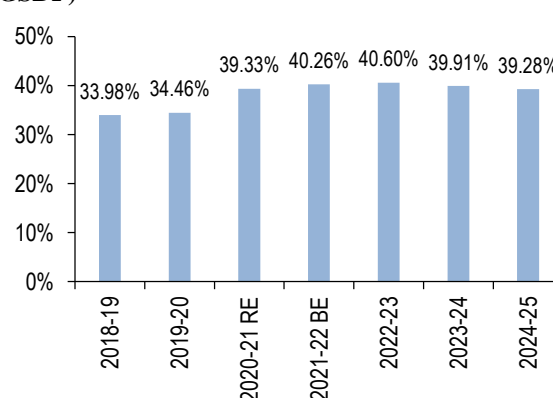
**Figure 2: Revenue and Fiscal Balance (% of GSDP)**



Note: RE is Revised Estimates; BE is budget estimates. Negative sign indicates a deficit, positive sign indicates a surplus. Numbers for 2018-19 and 2019-20 are actuals. Numbers for 2022-23, 2023-24, and 2024-25 are projections.

Sources: Himachal Pradesh Budget Documents 2021-22; PRS.

**Figure 3: Outstanding Liabilities targets (as % of GSDP)**



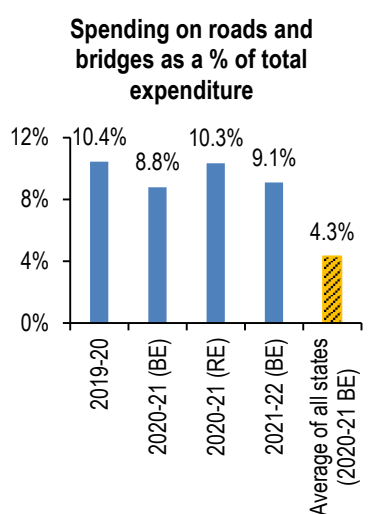
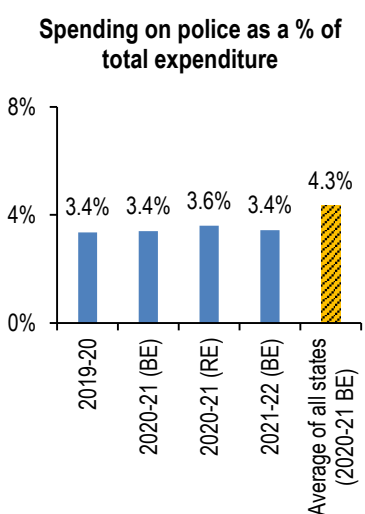
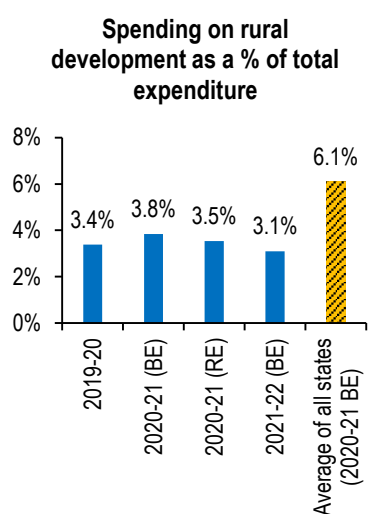
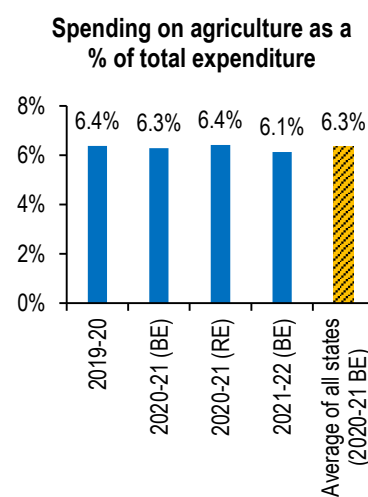
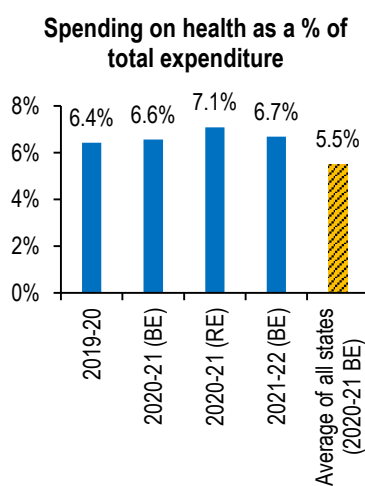
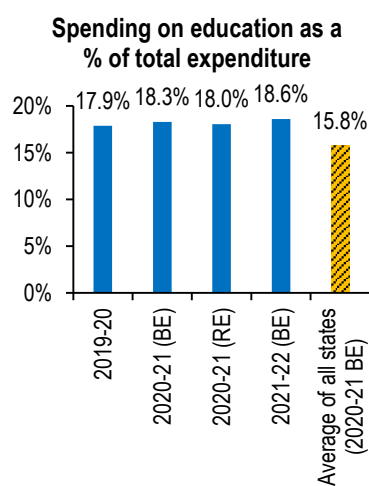
Note: RE is Revised Estimates; BE is budget estimates. Numbers for 2018-19 and 2019-20 are actuals. Numbers for 2022-23, 2023-24, and 2024-25 are projections.

Sources: Himachal Pradesh Budget Documents 2021-22; PRS.

## Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Himachal Pradesh's expenditure on six key sectors as a proportion of its total expenditure on all sectors. The average for a sector indicates the average expenditure in that sector by 30 states (including Himachal Pradesh) as per their budget estimates of 2020-21.<sup>1</sup>

- **Education:** Himachal Pradesh has allocated 18.6% of its total expenditure for education in 2021-22. This is higher than the average allocation (15.8%) for education by all states (2020-21 BE).
- **Health:** Himachal Pradesh has allocated 6.7% of its total expenditure on health, which is higher than the average allocation for health by states (5.5%).
- **Agriculture:** The state has allocated 6.1% of its total expenditure towards agriculture and allied activities. This is lower than the average allocation for agriculture by states (6.3%).
- **Rural development:** Himachal Pradesh has allocated 3.1% of its expenditure on rural development. This is significantly lower than the average allocation for rural development by states (6.1%).
- **Police:** Himachal Pradesh has allocated 3.4% of its total expenditure on police, which is lower than the average expenditure on police by states (4.3%).
- **Roads and bridges:** Himachal Pradesh has allocated 9.1% of its total expenditure on roads and bridges, which is significantly higher than the average allocation by states (4.3%).



Note: 2019-20, 2020-21 (BE), 2020-21 (RE), and 2021-22 (BE) figures are for Himachal Pradesh. Sources: Himachal Pradesh Budget Documents 2021-22; various state budgets; PRS.

<sup>1</sup> The 30 states include the Union Territory of Delhi and Union Territory of Jammu and Kashmir.

## Annexure 2: Recommendations of the 15<sup>th</sup> Finance Commission for 2021-26

The 15<sup>th</sup> Finance Commission's (FC) report for the 2021-26 period was released on February 1, 2021. For the 2021-26 period, the Commission has recommended the share of states in the divisible pool of central taxes to be 41%, same as that for 2020-21 (also recommended by the 15<sup>th</sup> FC in its report for 2020-21). This is 1% point lower than the 42% share recommended by the 14<sup>th</sup> FC (for the 2015-20 period) to separately provide funds for the newly formed union territories of Jammu and Kashmir and Ladakh. The 15<sup>th</sup> FC proposed revised criteria for determining the share of individual states (different from 14<sup>th</sup> FC). Based on the 15<sup>th</sup> FC's recommendations for the period 2021-26, Himachal Pradesh will have a 0.34% share in the divisible pool of central taxes. This implies that out of every Rs 100 of revenue in the divisible pool during the 2021-26 period, Himachal Pradesh will receive Rs 0.34.

**Table 7: Share of states in the divisible pool of central taxes under the 14<sup>th</sup> and 15<sup>th</sup> FC periods**

State	14 <sup>th</sup> FC	15 <sup>th</sup> FC	15 <sup>th</sup> FC	% change	
	2015-20	2020-21	2021-26	2015-20 to 2021-26	2020-21 to 2021-26
Andhra Pradesh	1.81	1.69	1.66	-8.2%	-1.6%
Arunachal Pradesh	0.58	0.72	0.72	25.2%	-0.2%
Assam	1.39	1.28	1.28	-7.8%	-0.1%
Bihar	4.06	4.13	4.12	1.6%	0.0%
Chhattisgarh	1.29	1.40	1.40	8.0%	-0.3%
Goa	0.16	0.16	0.16	-0.3%	0.0%
Gujarat	1.30	1.39	1.43	10.1%	2.4%
Haryana	0.46	0.44	0.45	-1.6%	1.0%
<b>Himachal Pradesh</b>	<b>0.30</b>	<b>0.33</b>	<b>0.34</b>	<b>13.6%</b>	<b>3.9%</b>
Jammu & Kashmir	0.78	-	-	-	-
Jharkhand	1.32	1.36	1.36	2.8%	-0.2%
Karnataka	1.98	1.50	1.50	-24.5%	0.0%
Kerala	1.05	0.80	0.79	-24.8%	-0.9%
Madhya Pradesh	3.17	3.23	3.22	1.5%	-0.5%
Maharashtra	2.32	2.52	2.59	11.7%	3.0%
Manipur	0.26	0.29	0.29	13.3%	-0.3%
Meghalaya	0.27	0.31	0.31	16.6%	0.3%
Mizoram	0.19	0.21	0.21	6.1%	-1.2%
Nagaland	0.21	0.24	0.23	11.5%	-0.7%
Odisha	1.95	1.90	1.86	-4.8%	-2.2%
Punjab	0.66	0.73	0.74	11.9%	1.1%
Rajasthan	2.31	2.45	2.47	7.1%	0.8%
Sikkim	0.15	0.16	0.16	3.2%	0.0%
Tamil Nadu	1.69	1.72	1.67	-1.0%	-2.6%
Telangana	1.02	0.88	0.86	-15.8%	-1.5%
Tripura	0.27	0.29	0.29	7.7%	-0.1%
Uttar Pradesh	7.54	7.35	7.36	-2.5%	0.0%
Uttarakhand	0.44	0.45	0.46	3.7%	1.3%
West Bengal	3.08	3.08	3.08	0.3%	0.1%
<b>Total</b>	<b>42.00</b>	<b>41.00</b>	<b>41.00</b>		

Note: Although the 15<sup>th</sup> FC recommended the same criteria for the 2020-21 and 2021-26 periods, the reference period for computation on some underlying indicators are different. This is why the share in the divisible pool in 2020-21 and 2021-26 differ for states. % share in the divisible pool has been rounded off up to two decimal places.

Sources: Reports of 14<sup>th</sup> and 15<sup>th</sup> Finance Commissions; PRS.

The 15<sup>th</sup> FC recommended grants worth Rs 10.3 lakh crore for states over five years (see Table 8). A portion of these grants will be conditional. 17 states will receive revenue deficit grants during this period. Sector-specific grants include grants for sectors such as health, agriculture, and education. Grants to local governments include: (i) Rs 1.2 lakh crore for urban local bodies, (ii) Rs 2.4 lakh crore for rural local bodies, and (iii) health grants worth Rs 70,000 crore through local bodies for healthcare infrastructure.

Grants recommended for Himachal Pradesh include: (i) Rs 37,199 crore as revenue deficit grants, (ii) Rs 3,049 crore as grants for local bodies, and (iii) Rs 1,420 crore as state-specific grants for purposes

**Table 8: Grants recommended for 2021-26 (Rs crore)**

Grants	Total	Himachal Pradesh
Revenue deficit grants	2,94,514	37,199
Local governments grants	4,36,361	3,049*
Sector-specific grants	1,29,987	2,987#
Disaster management grants	1,22,601	2,258
State-specific grants	49,599	1,420
<b>Total</b>	<b>10,33,062</b>	<b>46,913</b>

Note: This does not include competition-based grants including \*grants for incubation of new cities (part of local bodies grants), and #grants for school education, and aspirational districts and blocks.

Source: Report of 15<sup>th</sup> FC; PRS.

including expansion and upgradation of Kangda airport, construction of Mandi airport (Nagchalla), and upgradation and development of Jawalamukhi.

**Table 9: Taxes devolved to states as per Union Budget 2021-22 (in Rs crore)**

State	2019-20	2020-21 Revised	2021-22 Budget
Andhra Pradesh	29,421	22,611	26,935
Arunachal Pradesh	9,363	9,681	11,694
Assam	22,627	17,220	20,819
Bihar	66,049	55,334	66,942
Chhattisgarh	21,049	18,799	22,676
Goa	2,583	2,123	2,569
Gujarat	21,077	18,689	23,148
Haryana	7,408	5,951	7,275
<b>Himachal Pradesh</b>	<b>4,873</b>	<b>4,394</b>	<b>5,524</b>
Jammu & Kashmir	12,623	-38	-
Jharkhand	21,452	18,221	22,010
Karnataka	32,209	20,053	24,273
Kerala	17,084	10,686	12,812
Madhya Pradesh	51,584	43,373	52,247
Maharashtra	37,732	33,743	42,044
Manipur	4,216	3,949	4,765
Meghalaya	4,387	4,207	5,105
Mizoram	3,144	2,783	3,328
Nagaland	3,403	3,151	3,787
Odisha	31,724	25,460	30,137
Punjab	10,777	9,834	12,027
Rajasthan	37,554	32,885	40,107
Sikkim	2,508	2,134	2,582
Tamil Nadu	27,493	23,039	27,148
Telangana	16,655	11,732	13,990
Tripura	4,387	3,899	4,712
Uttar Pradesh	1,22,729	98,618	1,19,395
Uttarakhand	7,189	6,072	7,441
West Bengal	50,051	41,353	50,070
<b>Total</b>	<b>6,83,353</b>	<b>5,49,959</b>	<b>6,65,563</b>

Note: Actuals for 2019-20 and Revised Estimates for 2020-21 have been reported in the Union Budget after adjusting for excess or less devolution in previous years.

Source: Union Budget Documents 2021-22; PRS.

### Annexure 3: Comparison of 2020-21 Revised and 2021-22 Budget Estimates

The following tables compare the budget estimates for 2021-22 with the revised estimates for 2020-21.

**Table 10: Overview of Revised Estimates for 2020-21 and Budget Estimates for 2021-22 (in Rs crore)**

Particular	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
<b>Receipts (1+2)</b>	51,175	48,800	-5%
Receipts except Borrowings	35,619	37,069	4%
1. Revenue Receipts (a+b+c+d)	35,588	37,028	4%
a. Own Tax Revenue	7,917	9,282	17%
b. Own Non-Tax Revenue	2,268	2,754	21%
c. Share in central taxes	4,394	5,524	26%
d. Grants-in-aid from the Centre	21,009	19,468	-7%
<i>Of which GST compensation</i>	3,546	3,834	8%
2. Capital Receipts	15,587	11,772	-24%
a. Borrowings	15,556	11,731	-25%
<b>Expenditure (3+4)</b>	53,460	50,192	-6%
3. Revenue Expenditure	36,011	38,491	7%
4. Capital Expenditure	17,449	11,701	-33%
i. Capital Outlay	5,692	6,013	6%
ii. Debt Repayment	11,396	5,334	-53%
Revenue Balance	-423	-1,463	246%
<b>Revenue Balance (as % of GSDP)</b>	<b>-0.27%</b>	<b>-0.85%</b>	-
Fiscal Deficit	6,445	7,789	21%
<b>Fiscal Deficit (as % of GSDP)</b>	<b>4.12%</b>	<b>4.52%</b>	-

Note: A negative revenue balance indicates a deficit.

Source: Himachal Pradesh Budget Documents 2021-22; PRS.



**Table 11: Key Components of State's Own Tax Revenue (in Rs crore)**

Tax	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
SGST	3,451	4,142	20%
Sales Tax/VAT	1,467	1,643	12%
State Excise Duty	1,624	1,868	15%
Taxes on Vehicles	372	488	31%
Stamps Duty and Registration Fees	235	311	32%
Taxes and Duties on Electricity	403	431	7%
Land Revenue	22	23	5%

Source: Himachal Pradesh Budget Documents 2021-22; PRS.

**Table 12: Allocation towards Key Sectors (in Rs crore)**

Sector	2020-21 RE	2021-22 BE	% change from 2020-21 RE to 2021-22 BE
Education, Sports, Arts, and Culture	7,523	8,272	10%
Roads and Bridges	4,313	4,046	-6%
Health and Family Welfare	2,953	2,976	1%
Agriculture and Allied Activities	2,677	2,730	2%
Water Supply and Sanitation	2,080	2,243	8%
Social Welfare and Nutrition	2,055	2,128	4%
Police	1,501	1,527	2%
Rural Development	1,475	1,377	-7%
Irrigation and Flood Control	823	842	2%
Urban Development	841	728	-13%

Source: Himachal Pradesh Budget Documents 2021-22; PRS.

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