BRIEF ON FINANCIAL IMPLICATIONS OF RIGHT TO EDUCATION BILL, 2005

The total annual public expenditure incurred currently on elementary education in the entire country is about Rs. 40,000 crore. Of this, the Central Government is spending about Rs. 9,000 crore annually under the SSA. The balance (about 80%) is being spent by the State Governments from their own resources.

2. The present pattern of funding between the Centre and the States under the SSA is 75:25. It is proposed to change this to 50:50 during the 11th Five Year Plan. Under the SSA the Centre only assists the States in filling gaps and for providing incremental infrastructure and activities for elementary education.

3. Under Section 9 (i) of the Draft Right to Education Bill, 2005 it has been laid down that the Centre shall provide financial assistance to State Governments in accordance with such formula regarding sharing of costs of implementation of this Act, as the Central Government may determine from time to time. The CABE Sub Committee has recommended that the financial responsibility should be largely shouldered by the Central Government in view of the poor financial condition of the States. The HRD Ministry has favoured a 90:10 pattern of cost sharing for elementary education under the Right to Education Act for Special Category States and 75:25 for other States.

4. Planning Commission, in consultation with NIEPA, has prepared an estimate of the financial implications for implementation of the Right to Education Act. According to these estimates, with a student-teacher ratio of 40, the annual expenditure on elementary education upto the end of 11th Plan period (i.e. up to 2011-2012) would be Rs. 53,532 crore, if teachers' salaries are paid as per average State scales. The expenditure would be Rs. 57,716 crore per year if teachers' salaries are paid as per KVS scales. Since the financial arrangements envisaged under the Act suggest that most of the Non-Plan liability currently being discharged by the State will also be

transferred to the Central Government, the Central Government would have to pay a bulk of this amount.

5. Planning Commission has stated that this would mean that almost half the Gross Budgetary Support (GBS) available with the Planning Commission would have to be invested in the Elementary Education sector alone. **Both Planning Commission and Finance Ministry have unequivocally stated that at the present stage such a huge financial burden is simply not feasible unless there is a drastic pruning in other areas, including the major subsidies.**

6. Prime Minister has set up a High-level Committee to examine the various options. These options include any or all of the following as well as any other via media the Committee may think of :-

(a) Passing the Right to Education Bill as a Model Bill and asking the States to adopt the same through their own legislatures. The Centre would then be able to incentivize the States through Special Central Grants or expanded assistance under the SSA or through a new Centrally Sponsored Scheme.

(b) Allowing the States and local bodies to decide on the levels of teachers' salary and not insisting that teachers should be paid a nationally uniform scale of the level of Kendriya Vidyalya teachers. The States have expressed fear that the moment they enhance teachers' salaries (which itself they cannot afford to do), other categories of State Govt employees will immediately demand pay hikes.

(c) As per the Draft Bill, free education is defined to cover any fee or charges payable to the school and any other such expenses which are likely to prevent the child from participating and completing elementary education. Section 14 (2) of the Draft Bill says that the appropriate government shall reimburse to the school at a rate which is equal to the per child expenditure or equal to the actual amount charged per student. These provisions clearly imply that all and every expenditure related to elementary education is to be borne by the State. This would not only include tuition fee but also all other expenditures like books, uniforms, sports equipments, etc. Therefore, one option could be to define the elements of free entitlement more narrowly and therefore, reduce the financial burden on the State.

(d) Section 5 (1) of the Draft Bill requires that the State Government will ensure the availability of a neighbourhood school for every child within a period of three years from the commencement of the Act. One option could be to extend this period to five or more years in order to stagger the expenditure.

7. The recommendations of this High-level Committee are awaited.

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