AS INTRODUCED IN THE RAJYA SABHA
ON THE 5TH DECEMBER, 2025

Bill No. XXV of 2025

THE CONSTITUTION (AMENDMENT) BILL, 2025

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further to amend the Constitution of India.

BE it enacted by Parliament in the Seventy-sixth Year of the Republic of India as follows:—

Short title and commencement.

1. *(1)* This Act may be called the Constitution (Amendment) Act, 2025.

(2) It shall come into force at once.

Amendment of article 282.

2. In article 282 of the Constitution, the following provisos shall be inserted, namely:—

"Provided that the devolution of grants by the Union to the States by way of Centrally Sponsored Schemes pertaining to subjects enumerated in the Concurrent List or State List shall be routed through the budgets of the

State Governments, and the States shall, independently of the Union, formulate the modalities for the implementation of the Schemes, including the branding and nomenclature criteria, with the overarching objective of tailoring initiatives to address local needs:

Provided further that the Union shall strive to bear complete financial responsibility under the Centrally Sponsored Schemes, and in no circumstance shall any State be mandated to contribute in excess of twenty-five per cent. of the total funding pattern and such an obligation shall only be countenanced in exceptional and compelling circumstances, with the concept of shared cost constituting an exceptional deviation:

Provided also that the formulation of the contours and general guidelines of the Centrally Sponsored Schemes referred to in the preceding provisos shall be culminated only subsequent to consultation and approval by not less than one-half of the States."

STATEMENT OF OBJECTS AND REASONS

Article 282 of the Indian Constitution enables the Central as well as the State Governments to make grants for any 'public purpose', even beyond their respective legislative competences. The execution of Centrally Sponsored Schemes (CSSs) falls within the purview of article 282, whereby the States undertake implementation of the CSSs. While the Central Sector schemes are directly funded and executed by the Centre, CSSs are funded jointly by the Centre and the State. The budget estimates for 2023-24 reveal that more than 20 per cent. of the total fiscal transfers to the States are designated for CSSs, amounting to over Rupees 3.6 lakh crore.

Numerous concerns afflict the framework governing CSSs in India. Unlike articles 270 (Taxes levied and distributed between the Union and the States) and 275 (Grants from the Union to certain States), the transfers effected by the Union to the States under article 282 are not based on the recommendations of the Finance Commission, thereby increasing the discretionary authority of the Union Government. These schemes pertain to subjects enumerated in the State or Concurrent Lists in the Seventh Schedule of the Constitution. However, the Union Government unilaterally determines the scope, nature, and design of the CSSs. Most States are currently constrained to contribute 40 per cent. of the outlay in majority of the CSSs, thereby straining their overall fiscal resources. CSSs are at present based on a 'one size fits all approach' often neglecting State-specific needs and contexts. The recent push by the Central Government to enforce Centrally decided branding and naming guidelines of CSSs further exacerbates the prevailing imbalance in Centre-State relations.

Successive Finance Commissions (FCs) have dealt with the issue of CSSs and highlighted the need for their restructuring. The Fourteenth Finance Commission recommended that the existing arrangements for transfers need to be reviewed with a view to minimise the discretion of the Central Government and to promote co-operative federalism. The Fifteenth Finance Commission expressed concern over the large number of CSSs and sub-schemes and the resultant lack of flexibility for the States. The Arvind Verma Committee (2005) recommended that all the CSSs should have terminal dates and targeted outcomes. The B.K. Chaturvedi Committee (2011) recommended that the States should have the flexibility to tailor schemes as per their own ground realities. The Sub-Group of Chief Ministers (2015) recommended rationalisation of schemes by grouping them into Core of Core, Core and Optional Categories. Despite all these measures, fiscal autonomy of the States are substantially eroded by the gradual increase in the States' share in CSS, lack of flexibility for States in the implementation of CSSs, etc.

In light of the above, there arises an imperative need to amend article 282 of the Constitution, affording greater autonomy to States for the implementation of CSSs in alignment with local needs and aspirations. To rectify the prevailing fiscal imbalance, the Central Government must also assume a heightened financial responsibility under Centrally Sponsored Schemes. Likewise, any formulation of guidelines in this regard necessitates consultation with the State Governments and their concurrence thereof.

The Bill seeks to achieve the said objectives.

JOHN BRITTAS.

FINANCIAL MEMORANDUM

Clause 2 of the Bill provides for making the Central Government responsible to bear the complete financial responsibility in Centrally Sponsored Schemes, and to ensure that States are insulated from contributing anything more than 25 per cent. of the total funding pattern, that too in exceptional and compelling circumstances.

The Bill, therefore, if enacted will involve expenditure from the Consolidated Fund of India. However, at this stage, it is not possible to quantify the recurring or non-recurring expenditure involved.

ANNEXURE

EXTRACT FROM THE CONSTITUTION OF INDIA

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Expenditure defrayable by the Union or a State out of its revenues.

282. The Union or a State may make any grants for any public purpose, notwithstanding that the purpose is not one with respect to which Parliament or the Legislature of the State, as the case may be, may make laws.

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RAJYA SABHA

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further to amend the Constitution of India.

(Dr. John Brittas, M.P.)

RS-P&PS-PMB(E)–315–08.12.2025.