



REPUBLIC OF THE PHILIPPINES

Department of Budget and Management

Malacañang, Manila



LOCAL BUDGET MEMORANDUM

No. 57
July 11, 2008

- TO :** The Provincial Governors, City and Municipal Mayors, Barangay Chairmen, Members of Local Sangguniang Bayan/Lalawigan and Local Finance Committees, Local Budget Officers, Treasurers and All Others Concerned
- SUBJECT :** **FY 2008 FINAL INTERNAL REVENUE ALLOTMENT (IRA) AND OTHER RELATED BUDGET PREPARATION MATTERS**
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1.0 PURPOSE

This Memorandum is issued to:

- 1.1 Inform local government units (LGUs) of their final share from the FY 2008 Internal Revenue Allotment (IRA) allocation to be used in the preparation of the FY 2009 local budgets; and
- 1.2 Prescribe the guidelines in the preparation of the FY 2009 local budgets.

2.0 GUIDELINES

2.1 Final Allocation of the FY 2008 IRA

- 2.1.1 Pursuant to Section 284 of R.A. No. 7160, the Local Government Code of 1991, the final IRA share of the LGUs out of the P210,730,203,000 IRA level shall be broken down as follows:

Level of LGU	No. of LGU	Share Equivalent to 1992 Cost of Devolved Functions/City-Funded Hospitals, as of 31 December 1992	Share Determined on the basis of Section 285 of R.A. No. 7160	Total IRA Shares
Provinces	82	P 2,845,490,826	P 46,978,374,892	49,823,865,718
Cities	136	1,002,929,252	46,978,374,892	47,981,304,144
Municipalities	1,485	2,627,979,042	69,446,293,320	72,074,272,362
Barangays	<u>41,884</u>	-	<u>40,850,760,776</u>	<u>40,850,760,776</u>
TOTAL	43,587	P 6,476,399,120	P 204,253,803,880	P 210,730,203,000

2.1.2 The IRA allocation to individual LGUs considered the following factors:

2.1.2.1 The CY 2007 Census of Population submitted by the National Statistics Office issued under Proclamation Order No. 1489 dated April 16, 2008.

2.1.2.2 Continued adoption of the CY 2001 Official Masterlist of Land Area submitted by the Department of Environment and Natural Resources – Land Management Bureau pursuant to Oversight Committee Resolution No. 1 s. 2005 dated September 12, 2005.

2.1.2.3 Creation/conversion of Municipalities:

- Municipality of Ungkaya Pukan, Basilan which was created under Muslim Mindanao Autonomy Act (MMAA) No. 190 dated December 20, 2005 and whose charter was ratified on May 22, 2006;
- Municipality of Sibutu, Tawi-Tawi which was created under MMA Act No. 197 dated May 9, 2006 and whose charter was ratified on October 21, 2006;
- Municipality of Omar, Sulu which was created under MMA Act No. 194 and was ratified on July 14, 2007.

2.1.2.4 Conversion of existing component cities to highly urbanized cities:

- Puerto Princesa City which was converted by virtue of Presidential Proclamation No. 1264, whose charter was ratified on July 09, 2007 and was officially proclaimed by the President of the Philippines;
- Lapu-Lapu City which was converted by virtue of Presidential Proclamation Order No. 1222, whose charter was ratified on July 21, 2007 and was officially proclaimed by the President of the Philippines;

2.1.2.5 Conversion of municipalities into cities:

City	RA No.	Date of ratification
San Juan, Metro Manila	9388	June 17, 2007
Navotas, Metro Manila	9387	June 25, 2007
Tabuk, Kalinga	9404	June 24, 2007
Batac, Ilocos Norte	9407	June 23, 2007
Tayabas, Quezon	9398	July 14, 2007
Bogo, Cebu	9390	June 16, 2007
Carcar, Cebu	9436	July 1, 2007
Naga, Cebu	9491	September 2, 2007
Guihulngan, Negros Oriental	9409	July 14, 2007
Baybay, Leyte	9389	June 16, 2007
Catbalogan, Samar	9391	June 16, 2007
Borongan, Eastern Samar	9394	June 20, 2007
Lamitan, Basilan	9393	June 18, 2007
El Salvador, Misamis Oriental	9435	June 24, 2007
Mati, Davao Oriental	9408	June 19, 2007
Bayugan, Agusan del Sur	9405	June 21, 2007
Cabadbaran, Agusan del Norte	9434	July 28, 2007
Tandag, Surigao del Sur	9392	June 23, 2007

2.1.3 Other significant developments taken into account in the allocation of the IRA are as follows:

- 2.1.3.1 Adjustment in the cost of devolved functions of the Province of Compostela Valley from P11,488,209 to P10,729,001, and the Province of Davao del Norte from P12,963,035 to P13,722,243 as agreed and entered into a Memorandum of Agreement between the two provinces.

- 2.1.3.2 Merger of Barangays Calabuso North and Calabuso South, both from Tagaytay City, to Barangay Calabuso under City Resolution No. 96-540 dated November 8, 1996 which was ratified on January 13, 2007.
- 2.1.4 The increase in the FY 2008 final IRA of the LGU as against the FY 2007 IRA shall be subject of a supplemental appropriations ordinance to be enacted by the respective LGU, pursuant to the provisions of the Local Government Code, using the following Supplemental Budget Preparation forms:
- Supplemental Budget Preparation Form No. 1 - Certified Statement of Funding Sources (Annex 1)
 - Supplemental Budget Preparation Form No. 2 - Statement of Supplemental Appropriation (Annex 2)
- 2.1.5 The complete listing of IRA shares of all LGUs can be accessed through this Department's official website (www.dbm.gov.ph). Likewise, the LGUs in the respective regions shall be notified of their individual IRA allocation by the DBM Regional Offices.

2.2 FY 2009 Preparation of Local Budgets

- 2.2.1 For the purpose of preparing the FY 2009 budget of local governments, the IRA for FY 2008 of P210.73 Billion will be used as the indicative IRA level for FY 2009.
- 2.2.2 LGUs are encouraged to include in the FY 2009 Annual Budget, programs and projects supportive of the 10-Point Legacy Agenda/SONA commitments. Likewise, the Millennium Development Goals (MDGs) which seeks to strengthen the foundation towards achieving sustainable prosperity and accelerate growth. Responsive to the MDGs are basic social services such as:
1. Poverty reduction projects;
 2. Nutrition services;
 3. Basic education services;
 4. Maternal and child health services;
 5. Health services to combat Human Immune-Deficiency Virus (HIV)/AIDS, malaria and other major diseases; and
 6. Safe drinking water.

2.2.3 The FY 2009 Annual Budgets of LGUs shall be prepared in accordance with the forms, procedures and schedules prescribed under the Budget Operations Manual (BOM) for LGUs, FY 2008 Edition which is anchored on Section 354 of the 1991 Local Government Code.

2.2.4 The annual budgets of LGUs shall be prepared in accordance with the Local Budget Preparation (LBP) forms prescribed in the BOM, FY 2008 Edition, as follows:

- LBP No. 1 - Certified Statement of Receipts (Annex 3)
- LBP No. 2 - Certified Statement of Receipts and Expenditures (Annex 4)
- LBP No. 3 - Programmed Appropriation and Obligation by Object of Expenditure (Annex 5)
- LBP No. 4 - Personnel Schedule (Annex 6)
- LBP No. 5 - Functional Statements, Objectives and Expected Results (Annex 7)
- LBP No. 6 - Statement of Debt Service (Annex 8)
- LBP No. 7 - Statement of Statutory/ Contractual Obligations and Budgetary Requirements (Annex 9)
- LBP No. 8 - Statement of Fund Operation (Annex 10)

2.2.4.1 For FY 2009 budget preparation, LGUs shall accomplish and submit the following budget documents:

- General Annual Investment Program (AIP)
- Budget Message
- Local Expenditure Program (LEP)
- Budget of Expenditures and Sources of Financing (BESF)

2.2.5 With regard to the comprehensive Annual Investment Program (AIP), while the Local Planning Development Officer (LPDO) will coordinate with the Local Development Council (LDC) in the lifting of the annual slice of projects from the Local Development Investment Plan (LDIP), the Budget Officer will assist in the translation of the projects into the financial requirement and integration of the other components of expenditures in the AIP.

2.2.6 During budget preparation, the local chief executive shall issue a "budget call" which shall contain the general objectives, specific sectoral objectives, policy decisions, strategies and prioritized P/A/Ps by sector/office/department calling for the submission of the following:

2.2.6.1 the physical accomplishments of LGUs taking into account clear and measurable performance or output indicators for each of their programs/projects to ensure that these contribute to their established medium-term and long-range goals consistent with the President's development agenda;

2.2.6.2 the income sources that will finance the proposal with emphasis on new and/or locally initiated revenue or income-generating measures;

2.2.6.3 the allocation of the proposed FY 2009 Annual Budget, including various levels of disaggregation, as follows:

- by sector;
- by object class of expenditure (Personal Services, Maintenance and Other Operating Expenses and Capital Outlay);
- by department/office;
- in terms of mandatory expenditures vis-à-vis expenditure for investment and/or expansion of existing service delivery;
- budget per capita;
- the staffing and compensation profile of the LGU.

2.2.7 The FY 2009 annual budget of LGUs shall likewise mainstream the following:

- Gender and Development (GAD) plan in their programs, activities and projects that specify women's needs and GAD concerns pursuant to R.A. No. 7192 and DBM-NEDA-NCRFW Joint Circular No. 2001-1.
- plans, programs, projects, activities and services that will address the needs of older persons and those with disabilities pursuant to the provisions of Section 32 of the FY 2007 GAA and R.A. Nos. 7432, 7876, and 7277;

- facilities that will enhance the mobility, safety and welfare of differently-abled persons, pursuant to R.A. No. 7277 and Batas Pambansa Blg. 344;
- activities for monitoring/surveillance of the magnitude, distribution and progression of Acquired Immune Deficiency Syndrome (AIDS) pursuant to R.A. No. 8504; and
- implementation of the programs of the Local Councils for the Protection of Children (LCPC) pursuant to R. A. No. 9344.

2.2.8 The general limitations under Sections 325(a) and 331(b) of the Code as implemented by Local Budget Circular (LBC) No. 75 (Guidelines on Personal Services Limitation) dated July 12, 2002; LBC No. 85 (Supplemental Rules and Regulations on Leave Benefits of Barangay Officials) dated April 23, 2007; LBC No. 86 (Rules and Regulations for the Grant of Ten Percent (10%) Salary Adjustments to Local Government Personnel effective July 1, 2007) dated June 18, 2007; and LBC No. 88 (Rules and Regulations on the Grant of Compensation Adjustments to Local Government Personnel Pursuant to Executive Order No. 719) dated June 20, 2008 pertaining to the determination of items falling under the 45% - 55% Personal Services (PS) limitations shall be strictly observed.

In addition, LGUs are reminded that before they can provide for non-mandatory PS items, they are directed to comply with the budgetary and statutory requirements such as the Twenty Percent (20%) Development Fund, Five Percent (5%) Calamity Fund, Twenty Percent (20%) Debt Service, One Thousand Pesos (P1,000.00) Aid to Barangays and the General Limitations under Section 325 of RA 7160, the 1991 LGC, and full provision must first be made for the following PS items and activities mandated by law:

- 2.2.8.1 creation of mandatory positions specified in the Code;
- 2.2.8.2 continued implementation of the Compensation Standardization Law authorized under R.A. No. 6758; and
- 2.2.8.3 continued payment and implementation of the Magna Carta benefits under R.A. No. 7305.

2.2.9 In line with the harmonization efforts advocated under DILG, NEDA, DBM and DOF Joint Memorandum Circular (JMC) No. 1, Series of 2007 (Guidelines on the Harmonization of Local Planning, Investment Programming, Revenue Administration, Budgeting and Expenditure Management) dated March 08, 2007, all local government units are encouraged to adopt:

2.2.9.1 the Revised Philippine Government Chart of Accounts (PGCA) in the FY 2009 budget of agencies, issued by the Commission on Audit under COA Circular No. 2008-001 (Prescribing a Revised Philippine Chart of Accounts) dated January 29, 2008.

2.2.9.2 the Revised Statement of Receipts and Expenditures (refer to Annex 11) which was jointly formulated by the Department of Budget and Management (DBM) and the Department of Finance (DOF) as concurred in by other Oversight Agencies.

- Consistent with Section 317 of the 1991 Local Government Code (RA 7160), the budget proposal for each department shall be categorized into either economic, social or general services.
- Integrate the reports of the Treasurers, Accountants and the Budget Officers of the LGUs as follows:
 - the treasurer shall provide the actual receipts and expenditures for the past year and the first two (2) quarters of the current year.
 - the Accountant jointly with the Treasurer shall certify the actual receipts and expenditure for the past year and for the two (2) quarters of the current year.
 - the Budget Officer in coordination with the Treasurer and Accountant shall estimate the receipts and expenditures of the last two (2) quarters of the current year and that of the budget year.

2.3 Use of the IRA

As mandated under Section 17(g) of the Local Government Code, the IRA and other local resources shall first cover the cost of providing basic services and facilities enumerated under Section 17(b) thereof, particularly those devolved by the Department of Health, Department of Social Welfare and Development, Department of Agriculture and the Department of Environment and Natural Resources as well as other agencies of the National Government before applying the same for other purposes.

2.4 Special Shares

2.4.1 In addition to the IRA, some LGUs are entitled to the following special shares in the proceeds from national taxes:

- Share in the proceeds from the utilization and development of national wealth within their territorial jurisdiction pursuant to Article 388 of the Implementing Rules and Regulations of R.A. No. 7160;
- Excise tax on Virginia Tobacco pursuant to R.A. No. 7171;
- Gross income taxes paid by all businesses and enterprises within the ECOZONES pursuant to R.A. No. 7227;
- Value Added Tax pursuant to R.A. No. 7643; and
- Franchise Tax pursuant to R.A. Nos. 7953 and 8407.

2.4.2 LGUs are advised to coordinate with the appropriate revenue collecting agencies and government corporations to determine the amount of their share from the above-mentioned taxes.

2.4.3 The revenue collecting agencies and the Bureau of the Treasury (BTr) are requested to submit to the DBM certification of tax collection on or before April 15 for purposes of budget preparation and provision of a budget cover.

3.0 SUBMISSION OF BUDGET SUMMARIES

Provinces, special, highly-urbanized and independent component cities, as well as municipalities in Metro Manila shall submit to the Department of Budget and Management (DBM), through the DBM Regional Offices concerned, for FY 2007 (actual), FY 2008 (current program) and FY 2009 (proposed program) using the forms indicated as Annexes 3 to 10 of this Memorandum. The budget summary that will be submitted by the province shall contain the consolidated budgets of cities and municipalities within its geographical coverage. In the same manner, the budget summary that will be submitted by the cities and municipalities to their respective province shall contain the consolidated budgets of the barangays (to include newly created barangays) within their geographical coverage.

4.0 PROVISION OF TECHNICAL ASSISTANCE

Technical assistance in the preparation of the FY 2009 Annual Budget may be requested from the DBM Regional Offices concerned.

5.0 The disbursement of funds out of the IRA allocation and Special Shares in the Proceeds of National Taxes shall be subject to pertinent budgeting, accounting and auditing rules and regulations. Likewise, all procurements shall be made in accordance with the provisions of RA 9184 (The Government Procurement Reform Act).

6.0 Please be guided accordingly.


ROLANDO G. ANDAYA, JR.
Secretary