

LOCAL BUDGET MEMORANDUM

No. 61

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 2009 FINAL INTERNAL REVENUE ALLOTMENT (IRA) ALLOCATION AND OTHER RELATED BUDGET PREPARATION MATTERS**

1.0 Purpose

This Memorandum is issued to:

- 1.1 Inform local government units (LGUs) of their final share from the FY 2009 Internal Revenue Allotment (IRA) allocation to be used in the preparation of the FY 2010 local budgets; and
- 1.2 Prescribe the guidelines in the preparation of the FY 2010 local budgets.

2.0 GUIDELINES

2.1 Final allocation of the FY 2009 IRA

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 P249,988,867,000 IRA level shall be broken down by level of LGU 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	81	P 2,845,490,826	P 56,007,867,612	P 58,853,358,438
Cities	120	970,044,002	56,007,867,612	56,977,911,614
Municipalities	1,502	2,660,864,292	82,794,239,080	85,455,103,372
Barangays	41,890	-	48,702,493,576	48,702,493,576
Total	43,593	P 6,476,399,120	P 243,512,467,880	P 249,988,867,000

- 2.1.1 The IRA allocation to individual LGUs considered the following factors:
- 2.1.1.1 The CY 2007 Census of Population based on the final report submitted by the National Statistics Office to the Office of the President.
- 2.1.1.2 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 the Oversight Committee Resolution No. 1 s. 2005 dated September 12, 2005.
- 2.1.1.3 Creation of the following:
- Municipality of Tabuan Lasa, Basilan which was created under Muslim Mindanao Autonomy Act (MMAA) No. 187 dated July 10, 2007 and whose charter was ratified on March 29, 2008.
 - Barangay De Carabao, Culion, Palawan which was created by Republic Act (RA) No. 9032 and was ratified on July 15, 2002.
 - Barangay San Carlos, Binangonan, Rizal which was created by RA No. 9457 and was ratified on May 15, 2007.
 - Barangays Fortune and Tumana, both in Marikina City which were created by RA Nos. 9431 and 9432 respectively and were ratified both on April 10, 2007.
- 2.1.1.4 Conversion of Tacloban City from a component city to a highly urbanized city by virtue of Presidential Proclamation No. 1637 which was ratified and was officially proclaimed by the President of the Philippines on October 4, 2008.
- 2.1.1.5 Abolition of the Province of Shariff Kabunsuan pursuant to Entry of Judgment of the Supreme Court in the cases of Bai Sandra S. A. Sema vs. COMELEC and Didagen P. Dilangalen in G.R. No. 177597 and Perfecto F. Marquez vs. COMELEC in G.R. No. 178628, certifying that the July 16, 2008 decision declaring the unconstitutionality of the Muslim Mindanao Autonomy Act No. 201 creating the Province of Shariff Kabunsuan has on April 14, 2009 become final and executory.

2.1.1.6 Reversion of 16 newly-created cities to municipalities pursuant to Entry of Judgment of the Supreme Court in the case of League of Cities of the Philippines (LCP) et. al. vs. Commission on Elections (COMELEC) et. al. in G.R. No. 176951, certifying that the November 18, 2008 decision declaring the unconstitutionality of the following Cityhood Laws has become final and executory effective May 21, 2009:

City	RA No.	Date of Ratification
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

2.1.2 The CY 2009 final IRA by regions and by level of LGU is attached as Annex 1.

2.1.3 The complete listing of IRA shares of all LGUs can be accessed through this Department's official website (www.dbm.gov.ph). The LGUs in the respective regions shall be notified of their individual IRA allocation by the DBM Regional Offices.

2.1.4 The increase in the FY 2009 final IRA of the LGU as against the FY 2008 IRA shall be subject to the issuance 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 under the Budget Operation Manual (BOM) for LGUs (2008 Edition), to wit;

- Local Budget Preparation Form No. 9 – Statement of Funding Sources (Supplemental Budget) (Annex 2)

- Local Budget Preparation Form No. 10 –Statement of Supplemental Appropriation (Annex 3)

2.2 FY 2010 Preparation of Local Budgets

2.2.1 For the purpose of preparing the FY 2010 budget of local governments, the IRA for FY 2009 of P249.99 Billion will be used as indicative IRA level.

2.2.2 LGUs are encouraged to include in the FY 2010 Annual Budget, programs and projects supportive of the 10-Point Legacy Agenda/SONA commitments and the Millennium Development Goals (MDGs) which seek 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 2010 Annual Budgets of LGUs shall be prepared in accordance with the forms, procedures and schedules prescribed under the 2008 Edition of the BOM for LGUs, 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 forms prescribed in the said revised budget operating manual as follows:

- LBP Form No. 1 - Statement of Receipts (Annex 4)
- LBP Form No. 2 - Statement of Receipts and Expenditures (Annex 5)
- LBP Form No. 3 - Programmed Appropriation and Obligation by Object of Expenditure (Annex 6)
- LBP Form No. 3A – Consolidated Programmed Appropriation and Obligation by Object of Expenditure (Annex 7)
- LBP Form No. 4 - Personnel Schedule (Annex 8)
- LBP Form No. 5 - Functional Statements, Objectives and Expected Results (Annex 9)
- LBP Form No. 6 - Statement of Debt Service (Annex 10)

- LBP Form No. 7 - Statement of Statutory and Contractual Obligations and Budgetary Requirements (Annex 11)
- LBP Form No. 8 - Statement of Fund Operation (Annex 12)

2.2.5 Likewise, LGUs shall accomplish and submit the Annual Investment Program (AIP) which shall constitute the total resource requirements for the budget year including the detailed annual allocation of Program/Project/Activity (PPA) in the annual slice of the Local Development Investment Program (LDIP) and the regular operational budget item broken down into Personal Services, Maintenance and Other Operating Expenses and Capital Outlay. The AIP form is hereto attached as Annex 13.

2.2.6 The FY 2010 annual budget of LGUs shall likewise mainstream the following:

- Gender and Development (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 person and those with disabilities pursuant to the provisions of Section 31 of the FY 2009 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.

2.2.7 In line with the harmonization efforts advocated by the oversight agencies namely DILG, NEDA, DBM and DOF, all local government units are encouraged to adopt the Revised Statement of Receipts and Expenditures (refer to Annex 14) pursuant to the Department of Budget and Management (DBM) and the Department of Finance (DOF) Joint Circular No. 2, s. 2008 dated July 18, 2008.

2.2.7.1 Consistent with Section 317 of the 1991 Local Government Code (RA 7160), the expenditures to be reflected in the Statement of Receipts and

Expenditures (SRE) shall be categorized into economic, social and general services.

2.2.7.2 The reports of the Treasurers, Accountants and Budget Officers of the LGUs shall be integrated 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 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 Environmental 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 which shall be integrated in the total resource budget of the LGU:

- 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. 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 May 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 2008 (actual), FY 2009 (current program) and FY 2010 (proposed programs) using the forms as indicated in Annexes 1 to 14 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 ones) within their geographical coverage.

4.0 PROVISION OF TECHNICAL ASSISTANCE

Technical assistance in the preparation of the FY 2010 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