



REPUBLIC OF THE PHILIPPINES
Department of Budget and Management
Malacañang, Manila

LOCAL BUDGET MEMORANDUM

No. 65

Date June 27, 2011

TO : The Provincial Governors, City and Municipal Mayors, Barangay Chairmen, Members of Local Sangguniang Panlungsod/Bayan/Lalawigan and Local Finance Committees, Local Budget Officers, Treasurers and All Others Concerned

SUBJECT : **FY 2012 IRA LEVEL AND RELATED BUDGET PREPARATION MATTERS**

1.0 PURPOSE

This Memorandum is issued to:

- 1.1 Inform Local Government Units (LGUs) of the Internal Revenue Allotment (IRA) level for FY 2012 based on the certification of the Bureau of Internal Revenue on the computation of the share of LGUs from the actual national internal revenue taxes collected in FY 2009; and
- 1.2 Prescribe the guidelines in the preparation of the CY 2012 local budgets.

2.0 GENERAL GUIDELINES

2.1 Allocation of the FY 2012 IRA

2.1.1 In the computation of the IRA allocation of LGUs, the following considerations are taken into account:

2.1.1.1 The FY 2007 NSO Census of Population per Proclamation Order No. 1489 dated April 16, 2008.

2.1.1.2 Continued adoption of the FY 2001 Masterlist of Land Area submitted by the Department of Environment and Natural Resources – Land Management Bureau pursuant to the Oversight

Committee on Devolution Resolution No. 1, s. 2005 dated September 12, 2005.

2.1.1.3 Abolition of the Dinagat Islands as a province pending the issuance of an entry of judgment by the Supreme Court (SC) in G.R. No. 180050 dated April 12, 2011, Rodolfo G. Navarro et al., vs. Executive Secretary Eduardo Ermita et al., reversing the earlier issued entry of judgment declaring the creation of the Province valid and constitutional.

2.1.1.4 Reversion of the sixteen (16) cities to municipalities pending the issuance of an entry of judgment by the Supreme Court in the consolidated cases in G.R. Nos. 176951, 177499 and 178056, League of Cities of the Philippines vs. Commission on Elections, declaring the constitutionality of the 16 cityhood laws per SC Resolution dated February 15, 2011.

2.1.1.5 It is understood that in case of the issuance of entries of judgment in the cited Supreme Court cases per items 2.1.1.3 and 2.1.1.4 above within FY 2011, the IRA levels prescribed herein for provinces, cities and municipalities shall be adjusted accordingly in FY 2012, pursuant to Section 89 of the General Provisions of Republic Act (RA) No. 10147 (FY 2011 General Appropriations Act) which states, among others, that any adjustments that occurred, including final and executory court decisions rendered, and such other changes, modifications or alterations in any of the factors affecting the computation of IRA that occurred, rendered or happened in FY 2011 shall only be considered and implemented in FY 2012.

2.2 FY 2012 PREPARATION OF LOCAL BUDGETS

2.2.1 For the purpose of preparing the FY 2012 budget of LGUs, the magnitude shall be based on the ₱273.310 Billion IRA level per the certification of the Bureau of Internal Revenue on the actual national internal revenue taxes collected for CY 2009 as adjusted, which is ₱13.635 Billion or 4.8% lower than the FY 2011 IRA level.

2.2.2 Pursuant to Section 284 of Republic Act (RA) No. 7160, the Local Government Code of 1991, summarized below and detailed by region and by level of LGU in the attached Annex 1 is the FY 2012 IRA level of ₱273,309,592,000:

Level of LGU	No. of LGUs	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	80	₱ 2,845,490,826	₱ 61,371,634,362	₱ 64,217,125,188
Cities	122	955,162,166	61,371,634,362	62,326,796,528
Municipalities	1,500	2,675,746,128	90,723,285,579	93,399,031,707
Barangays	41,890		53,366,638,577	53,366,638,577
Total	43,592	₱ 6,476,399,120	₱ 266,833,192,880	₱ 273,309,592,000

2.2.3 The LGUs shall be notified of their IRA allocation by the concerned Department of Budget and Management (DBM) Regional Offices.

2.2.4 In view of Executive Order No. 43 dated May 13, 2011, LGUs are encouraged to align their programs, projects and activities (PPAs) to the following five (5) priority areas:

- Anti-Corruption/Transparent, Accountable and Participatory Governance;
- Poverty Reduction and Empowerment of the Poor and Vulnerable;
- Rapid, Inclusive and Sustained Economic Growth;
- Just and Lasting Peace and the Rule of Law; and
- Integrity of the Environment and Climate Change Adaptation and Mitigation

2.2.5 The FY 2012 Annual Budget of LGUs shall be prepared in accordance with the procedures, schedules and the following local budget preparation forms prescribed under the 2008 Edition of the Budget Operations Manual (BOM) for LGUs, which is anchored on Section 354 of RA No. 7160:

- LBP Form No. 1 – Statement of Receipts (Annex 2)
- LBP Form No. 2 – Statement of Receipts and Expenditures, as revised (Annex 3) to be based on the Treasurer's report on the actual revenue

collections and expenditures as submitted to Department of Finance - Bureau of Local Government Finance (BLGF) for the actual year.

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

2.2.6 Likewise, LGUs shall accomplish and submit the Annual Investment Program (AIP) which shall constitute the total resource requirements for the budget year including detailed annual allocation of PPAs in the annual slice of the Local Development Investment Program (LDIP) and the regular operational budget items broken down into Personal Services, Maintenance and Other Operating Expenses and Capital Outlay. The AIP form is hereto attached as Annex 11.

2.2.7 The FY 2012 annual budget of LGUs shall likewise include PPAs that can be attributed and is built-in within the budget level for the following:

- Gender and Development (GAD) plan pursuant to R.A. No. 7192;
- Senior Citizens and Persons with Disabilities pursuant to R.A. No. 9242, amending R.A. No. 7277;
- 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.

2.3 USE OF THE IRA

2.3.1 As mandated under Section 17(g) of RA No. 7160, 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 the 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;
- Excise tax on Burley and Native Tobacco products pursuant to R.A. No. 8240;
- Gross income taxes paid by all businesses and enterprises within the ECOZONES pursuant to R.A. No. 7922;
- Value Added Tax pursuant to R.A. No. 7643;
- Franchise Tax pursuant to R.A. Nos. 7953 and 8407 ;
and
- 2% Special Privilege Tax pursuant to R.A. No. 7156

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.

3.0 PROVISION OF TECHNICAL ASSISTANCE

LGUs may coordinate with the DBM Regional Offices for the necessary technical assistance in the preparation of their respective FY 2012 Annual Budgets.

- 4.0** All procurements shall be made in accordance with the provisions of R.A. No. 9184 (The Government Procurement Reform Act).
- 5.0** The disbursement of funds shall be subject to pertinent budgeting, accounting and auditing rules and regulations.
- 6.0** Please be guided accordingly.


FLORENCIO B. ABAD
Secretary

CY 2012 INTERNAL REVENUE ALLOTMENT FOR LGUs
By Region, By Level
(In P0.00)

Annex 1

LOCAL GOVERNMENT UNITS	AMOUNT				
	PROVINCES	CITIES	MUNICIPALITIES	BARANGAYS	TOTAL
NATIONAL CAPITAL REGION	219,955,421	13,569,542,764	71,895,071	4,847,497,313	18,708,890,569
CORDILLERA ADMINISTRATIVE REGION	2,754,150,650	441,527,353	3,698,000,252	1,167,813,271	8,061,491,526
REGIONAL OFFICE NO. I	3,617,422,729	2,203,514,504	5,892,113,966	3,368,531,956	15,081,583,155
REGIONAL OFFICE NO. II	3,841,892,887	1,548,135,686	5,885,445,951	2,327,554,130	13,603,028,654
REGIONAL OFFICE NO. III	6,735,809,548	5,089,072,048	9,232,780,409	5,012,001,818	26,069,663,823
REGIONAL OFFICE NO. IV.A	7,170,492,798	5,765,552,820	9,993,829,300	6,228,500,894	29,158,375,812
REGIONAL OFFICE NO. IV.B	3,440,362,310	1,820,413,246	5,003,189,770	1,681,824,267	11,945,789,593
REGIONAL OFFICE NO. V	4,450,296,932	2,326,761,028	6,534,690,204	3,670,434,746	16,982,182,910
REGIONAL OFFICE NO. VI	5,038,782,878	6,629,987,440	6,710,212,190	4,587,754,751	22,966,737,259
REGIONAL OFFICE NO. VII	3,936,261,687	4,915,203,852	6,300,884,570	3,853,166,278	19,005,516,387
REGIONAL OFFICE NO. VIII	4,055,335,198	2,041,838,860	6,560,013,902	3,779,904,278	16,437,092,238
REGIONAL OFFICE NO. IX inc. ARMM	4,234,098,549	3,072,043,878	6,304,946,647	3,197,402,228	16,808,491,302
REGIONAL OFFICE NO. X	3,372,682,921	4,362,517,451	4,621,169,602	2,455,079,327	14,811,449,301
REGIONAL OFFICE NO. XI	2,940,056,422	4,212,747,131	3,788,479,123	2,021,042,131	12,962,324,807
REGIONAL OFFICE NO. XII inc. ARMM	5,631,260,682	2,766,358,998	8,697,817,190	3,665,495,885	20,760,932,755
REGIONAL OFFICE NO. XIII (CARAGA)	2,778,263,576	1,561,579,469	4,103,563,560	1,502,635,304	9,946,041,909
GRAND TOTAL	64,217,125,188	62,326,796,528	93,399,031,707	53,366,638,577	273,309,592,000

LBP Form No. 1

STATEMENT OF RECEIPTS (As Revised)

Province/City/Municipality

General Fund

Particulars (1)	Account Code (2)	Income Classification (3)	Amounts		
			Past Year (Actual) (4)	Current Year (Estimate) (5)	Budget Year (Proposed) (6)
I. Beginning Cash Balance					
II. Receipts:					
A. Local (Internal) Sources					
1. Tax Revenue					
a. Real Property Tax					
b. Special Education Fund Tax					
c. Other Local Taxes					
Total Tax Revenue					
2. Non-Tax Revenue					
a. Regulatory Fees					
1. License Fees					
2. Permit Fees					
3. Other Fees					
b. Business and Service Income					
c. Other Income/Receipts					
Total Non-Tax Revenue					
B. External Sources					
1. Shares from National Internal Revenue Taxes (IRA)					
2. Share from GOCCs					
1. Other Shares from National Tax Collections					
a. Share from Ecozone					
b. Share from EVAT					
c. Share from National Wealth					
d. Share from Tobacco Excise Tax					
4. Extraordinary Receipts					
a. Grants and Donations					
b. Other Subsidy Income					
5. Inter-local Transfers					
a. Subsidy from LGUs					
b. Subsidy from Other Funds					
6. Capital/Investment Receipts					
a. Gain on Sale of Assets					
b. Gain on Investments					
C. Receipts from Loans and Borrowings					
Total Receipts					
Less: Special Education Fund Tax					
Total Available Resources for Appropriation					

We hereby certify that the foregoing estimated receipts are reasonably projected as collectible for the Budget Year.

LOCAL TREASURER

LOCAL BUDGET OFFICER

**LOCAL PLANNING
AND DEVELOPMENT
COORDINATOR**

LOCAL ACCOUNTANT

Approved by:

LOCAL CHIEF EXECUTIVE

LBP Form No. 2

STATEMENT OF RECEIPTS AND EXPENDITURES

Province/City/Municipality

General Fund

Particulars (1)	Account Code (2)	Past Year (Actual) (3)	CURRENT YEAR APPROPRIATION		
			First Semester (Actual) (4)	Second Semester (Estimate) (5)	TOTAL (6)
I. Beginning Cash Balance					
II. Receipts					
A. Local Sources					
1. Tax Revenue					
a. Real Property Tax					
b. Special Education Tax					
c. Other Local Taxes					
Total Tax Revenue					
2. Non-Tax Revenue					
a. Regulatory Fees					
1. License Fees					
2. Permit Fees					
3. Other Fees					
b. Business and Service Income					
c. Other Income/Receipts					
Total Non-Tax Revenue					
B. External Sources					
1. Share from National Internal Revenue Taxes (IRA)					
2. Shares from GOCCs					
2. Other Shares from National Tax Collections					
a. Share from Ecozone					
b. Share from EVAT					
c. Share from National Wealth					
d. Share from Tobacco Excise Tax					
4. Extraordinary Receipts					
a. Grants and Donations					
b. Other Subsidy Income					
5. Inter-local Transfers					
a. Subsidy from LGUs					
b. Subsidy from Other Funds					
6. Capital/Investment Receipts					
a. Gain on Sale of Assets					
b. Gain on Investments					
C. Receipts from Loans and Borrowings					
Total Receipts (I + II)					

Continuation of LBP Form No. 2

III. Expenditures					
A. General Public Services					
B. Economic Services					
C. Social Services					
D. Other Services					
TOTAL EXPENDITURE					
IV. Ending Balance (I = II) - III					
Certified Correct:					
_____		_____		_____	
LOCAL TREASURER		LOCAL BUDGET OFFICER		LOCAL ACCOUNTANT	
 Approved:					

LOCAL CHIEF EXECUTIVE					

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LBP Form No. 3

**PROGRAMMED APPROPRIATION AND OBLIGATION
BY OBJECT OF EXPENDITURE**

OFFICE / SPECIAL PURPOSE APPROPRIATIONS:

Object of Expenditure (1)	Account Code (2)	Past Year (Actual) (3)	Current Year (Estimate) (4)	Budget Year (Proposed) (5)
<p>1.0 Current Operating Expenditures</p> <p> 1.1 Personal Services Salaries and Wages – Regular Salaries and Wages – Others _____</p> <p> 1.2 Maintenance and Other Operating Expenses Travel Expenses Training and Scholarship Expenses _____</p> <p>2.0 Capital Outlay</p> <p> Buildings and Other Structures Office Equipment Land Transport Equipment _____</p> <p>3.0 Financial Expenses</p>				
Total Appropriations				

Prepared:

Reviewed:

Approved:

Department Head

Local Budget Officer

Local Chief Executive

LBP Form No. 3A

**PROGRAMMED APPROPRIATION AND OBLIGATION
BY OBJECT OF EXPENDITURE**

SUMMARY FOR ALL OFFICES / SPECIAL PURPOSE APPROPRIATIONS:

Object of Expenditure (1)	Account Code (2)	Past Year (Actual) (3)	Current Year (Estimate) (4)	Budget Year (Proposed) (5)
<p>4.0 Current Operating Expenditures</p> <p> 1.1 Personal Services Salaries and Wages – Regular Salaries and Wages – Others _____</p> <p> 1.2 Maintenance and Other Operating Expenses Travel Expenses Training and Scholarship Expenses _____</p> <p>5.0 Capital Outlay</p> <p> Buildings and Other Structures Office Equipment Land Transport Equipment _____</p> <p>6.0 Financial Expenses</p>				
Total Appropriations				

Prepared:

Reviewed:

Approved:

Department Head

Local Budget Officer

Local Chief Executive

This form is intended to reflect the summary of Programmed Appropriation and Obligation by Object of Expenditure for all offices as reflected in LBP Form No. 3

LBP Form No. 4

PERSONNEL SCHEDULE

Budget Year : _____

Province/City/Municipality: _____

OFFICE:

Item Number (1)	Position Title (2)	Name of Incumbent (3)	Current Year Authorized Rate/Annum		Budget Year Proposed Rate/Annum		Increase/Decrease (8)
			SG/Step (4)	Amount (5)	SG/Step (6)	Amount (7)	

Prepared:

Reviewed:

Human Resource Management Officer

Local Budget Officer

Approved:

Local Chief Executive

LBP Form No. 5**FUNCTIONAL STATEMENTS, OBJECTIVES and EXPECTED RESULTS**

Department/Office : _____

Budget Year _____

I. FUNCTIONAL STATEMENTS

II. OBJECTIVES

III. PROGRAMS/PROJECTS/ACTIVITIES

Reference Code (1)	Program/Project /Activity Description (2)	Cost ('000) (3)	Performance/ Output Indicator (4)	Annual Targets (5)	Implementation Schedule	
					FROM (6)	TO (7)

Prepared: _____

Reviewed: _____

Approved: _____

Department Head_____
Local Budget Officer_____
Local Chief Executive

Reviewed as to consistency with approved AIP.

LBP Form No. 6

STATEMENT OF DEBT SERVICE

Budget Year : _____

Province/City/Municipality: _____

FUND/SPECIAL ACCOUNT:

Creditor (1)	Date Contracted (2)	Term (3)	Principal Amount (4)	Previous Payments Made			Amount Due (Budget Year)			Balance of the Principal (7)
				Principal	Interest	Total	Principal	Interest	Total	
				(5)			(6)			
TOTAL										

Certified Correct:

Noted:

Local Accountant

Local Chief Executive

LBP Form No. 7

**STATEMENT OF STATUTORY/CONTRACTUAL OBLIGATIONS
AND BUDGETARY REQUIREMENTS**

Budget Year: _____
Province/City/Municipality: _____

<p>1. Statutory and Contractual Obligations</p> <p>1.1 5% MMDA Contribution for LGUs in NCR only (R.A. No. 7924)</p> <p>1.2 Prior Years' Obligation (if any)</p> <p>1.3 Terminal Leave and Retirement Gratuity Benefits (compulsory retirement age/end of term for elective officials)</p> <p>1.4 Debt Service</p>	<p align="center">A m o u n t</p>
<p>2. Budgetary Requirements</p> <p>2.1 20% of IRA for Development Fund</p> <p>2.2 5% Calamity Fund</p> <p>2.3 Financial Assistance to Barangays (P1,000 minimum aid)</p>	<p align="center">A m o u n t</p>
<p align="center">TOTAL</p>	
<p>Certified Correct: _____ Approved: _____</p> <p>Local Finance Committee:</p> <p>_____</p> <p>_____</p> <p>Local Budget Officer Executive Local Treasurer Local Planning and Development Officer Local Chief</p>	

LBP Form No. 8

STATEMENT OF FUND OPERATION

Budget Year: _____

Province/City/Municipality: _____

FUND/SPECIAL ACCOUNT:

Particulars (1)	Account Code (2)	General Public Services (3)	Social Services (4)	Economic Services (5)	Other Services (5)	TOTAL (6)
I. Beginning Cash Balance						
II. Receipts:						
Total Available Resources for Appropriations (I+II)						
III. Expenditures						
A. Current Operating Expenditures						
1. Personal Services						
Salaries and Wages – Regular						
Salaries and Wages – Others						
Personnel Economic Relief Allowance (PERA)						
Additional Compensation (AdCom)						
Representation Allowance						
Transportation Allowance						
Clothing Uniform Allowance						
Year-end Bonus						
Other Bonuses and Allowances						
Honoraria						
Life & Retirement Insurance Contributions						
PAG-IBIG Contributions						
PHILHEALTH Contributions						
ECC Contributions						
Pension Benefits – Regular						
Retirement Benefits – Regular						
Vacation and Sick Leave Benefits						
Other Personnel Benefits						
2. Maintenance and Other Operating Expenditure						
Travel Expenses						
Training and Scholarship Expenses						
Water						
Electricity						
Fuel						
Office Supplies Expenses						
Hospital Supplies Expenses						
Medical, Dental & Laboratory Supplies Expenses						
Fuel, Oil & Lubricants Expenses						
Other Supplies Expenses						
Postage and Deliveries						
Telephone Expenses – Landline						
Telephone Expenses – Mobile						

<p>Internet Expenses Cable, Satellite, Telegraphs & Radio Expenses General/Janitorial Services Security Services Repair and Maintenance – Buildings and Other Structures Repair and Maintenance – Office Equipment Repair and Maintenance – Furniture and Fixtures Repair and Maintenance – Land Transport Equipment Subsidy to National Government Agencies Subsidy to Local Government Units Other Subsidies Donations Confidential and Intelligence Expenses Extraordinary & Miscellaneous Expenses Taxes, Duties and Licenses Insurance/Reinsurance Premiums Membership Dues & Contributions to Organizations Awards and Rewards Indemnities and Other Claims Advertising and Marketing Expenses Printing Expenses Rent/Lease Expenses Representation Expense</p>					
<p>B. Capital Outlay Land Land Improvement Buildings and Other Structures Office Equipment Furniture and Fixtures Books Technical and Scientific Machinery Equipment Construction/Port Equipment Hospital Equipment Medical, Dental and Laboratory Equipment Land Transport Equipment Public Infrastructures</p> <p>C. Financial Expenses</p> <p>Total Appropriations</p> <p>Ending Balance = [(I+II)-III]</p>					
<p>Certified Correct:</p>			<p>Approved:</p>		
<p>_____ LOCAL BUDGET OFFICER</p>	<p>_____ LOCAL ACCOUNTANT</p>	<p>_____ LOCAL CHIEF EXECUTIVE</p>			