



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)
DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT (DILG)

Joint Circular (JC) No. 1, s. 2024

March 1, 2024

TO : LOCAL CHIEF EXECUTIVES, MEMBERS OF THE LOCAL SANGGUNIANG, MEMBERS OF THE LOCAL FINANCE COMMITTEE; LOCAL ACCOUNTANTS; OTHER LOCAL GOVERNMENT OFFICIALS; COMMISSION ON AUDIT (COA) AUDITORS; AND ALL OTHERS CONCERNED

SUBJECT : **CLARIFICATION ON THE SPECIAL PROVISIONS (SPs) COVERING THE RELEASE AND REVERSION OF LOCAL GOVERNMENT SUPPORT FUND (LGSF) IN VARIOUS GENERAL APPROPRIATIONS ACTS (GAAs)**

1.0 **RATIONALE AND LEGAL BACKGROUND**

SP No. 4 of the LGSF under the FY 2023 GAA, Republic Act (RA) No. 11963 states that:

"Availability of Funds. The amounts appropriated as Local Government Support Fund shall be available for release, obligation and disbursement for the purpose specified until December 31, 2024. The released amount shall be deposited in a trust fund.

After the end of the validity period, any unreleased appropriations shall lapse, while undisbursed funds shall revert to the unappropriated surplus of the General Fund in accordance with Section 28, Chapter 4, Book VI of [Executive Order] E.O. No. 292, s. 1987."

The same provision of the SP was included under the LGSF from the FYs 2020, 2021 and 2022 GAAs, RA Nos. 11465, 11518 and 11639, respectively.

Section 28 of Chapter 4, Book VI of Executive Order (EO) No. 292, s. 1987,¹ as cited in SP No. 4, states that "[u]nexpended balances of appropriations authorized in the General Appropriation Act shall revert to the unappropriated surplus of the

¹ Administrative Code of 1987

General Fund at the end of the fiscal year and shall not thereafter be available for expenditure except by subsequent legislative enactment: x x x"

In 2019, EO No. 91, s. 2019,² was promulgated espousing the Cash Budgeting System. Sections 1 and 2 thereof state, in part:

"Section 1. Adoption of the Cash Budgeting System. x x x Appropriations covering financial subsidy to local government units (LGUs) shall be available for obligation and disbursement until the end of the succeeding FY. On the other hand, appropriations for the statutory shares of LGUs shall be available for obligation and disbursement until fully expended.

All funds transferred between or among government agencies and LGUs shall not be considered disbursed under this Section, until the transferred amounts have been actually utilized to pay for goods delivered and services rendered, inspected and accepted.

Section 2. Reversion of Unexpended Balances of Appropriation. x x x For financial subsidies to LGUs, reversion shall be made to the National Treasury after the end of the succeeding FY. Departments, bureaus and offices of the National Government, including constitutional offices enjoying fiscal autonomy, state universities and colleges, government-owned or -controlled corporations (GOCCs) and LGUs, shall strictly observe the validity of appropriations and comply with the reversion of funds."

Similarly, Sections 322⁵ and 328⁶ of RA No. 7160⁷ mandates the reversion of unexpended balances of appropriations to the unappropriated surplus of the general fund at the end of fiscal year, which shall not be thereafter be available for expenditure except by subsequent enactment.

However, Section 309 (b) of RA No. 7160 defines the nature of trust funds as that "consist of private and public monies which have officially come into the possession of the local government or of a local government official as trustee, agent or administrator, or which have been received as a guaranty for the fulfillment of some obligation. A trust fund shall only be used for the specific purpose for which it was created or for which it came into the possession of the local government unit." Section 305 (e) of RA No. 7160 sets the limitation by expressly providing that the "[t]rust funds in the local treasury shall not be paid out except in fulfillment of the purpose for which the trust was created or the funds received."

² Adopting the Cash Budgeting System Beginning Fiscal Year 2019, and for Other Purposes

⁵ **Section 322. Reversion of Unexpended Balances of Appropriations, Continuing Appropriations.** – Unexpended balances of appropriations authorized in the annual appropriations ordinance shall revert to the unappropriated surplus of the general fund at the end of the fiscal year and shall not thereafter be available for the expenditure except by subsequent enactment. However, appropriations for capital outlays shall continue and remain valid until fully spent, reverted or the project is completed. Reversions of continuing appropriations shall not be allowed unless obligations therefor have been fully paid or otherwise settled. xxx

⁶ **Section 328. Duration of Appropriation.** – Appropriations for ordinary administrative purposes not duly obligated shall terminate with the fiscal year and all unexpended balances thereof shall be automatically reverted on the thirty-first (31st) day of December of each year to the general fund of the local government unit.

⁷ Local Government Code of 1991

As trust funds, the rule on reversion of unexpended balances as contained in Sections 322 and 328 of RA No. 7160 is not applicable to LGSF.

Accordingly, this Circular is being issued to clarify the rules governing the release and reversion of LGSF under the pertinent SPs of the various GAAs.

2.0 **COVERAGE**

The provisions of this JC cover the LGSF SPs on availability of funds as found under the FYs 2021, 2022 and 2023 GAAs and subsequent years, as well as those LGSF SPs of the similar nature appearing in previous years' GAAs.⁹

3.0 **CLARIFICATION ON THE SPs REGARDING THE VALIDITY OF THE AMOUNTS RECEIVED BY LGUs FROM THE LGSF**

- 3.1 Pursuant to Item 4.2 of Department of Finance (DOF)-DBM JC No. 2016-1 dated January 4, 2016,¹⁰ "the BTr [Bureau of the Treasury] shall be the recipient of the Special Allotment Release Order (SARO) and Advice of Notice of Cash Allocation Issued (ANCAI) while the corresponding Notice of Cash Allocation (NCA) shall be issued to the [authorized government servicing banks] AGSBs. The BTr shall issue the disbursement document, i.e., Authority to Debit Account (ADA), so as to effect the transfer of IRA [Internal Revenue Allotment, now referred to as National Tax Allotment] and other funds to the LGUs from BTr's MDS [Modified Disbursement System] sub-account to the depository account of the LGUs, and issue the corresponding Notice of ADA Issued [NADAI] to advise the LGUs accordingly."
- 3.2 Upon receipt of the ANCAI from the DBM, the BTr shall release the corresponding ADAs to the MDS-AGSBs for crediting of the funds to the respective depository accounts of LGUs. Such funds are treated and booked as trust funds, which shall be subject to the fiscal provisions on budget, revenues, and expenditures under RA No. 7160.
- 3.3 Once the funds are credited to the respective depository accounts, the concerned LGUs shall use the same for the specific purpose for which the fund was created, consistent with the nature of a trust fund under RA No. 7160.
- 3.4 Since the funds received by the LGUs from the LGSF are treated and recorded as trust funds, the rule on reversion does not apply. The said rule will be applicable only to the BTr as a national government agency.
- 3.5 If, however, there are undisbursed funds that do not form part of the LGU trust fund account, such as those which are still with the BTr, the same

⁹ e.g., SP No. 7, LGSF of the FY 2018 GAA, RA No. 10964 which states:

7. Release of Funds. The funds shall be released directly by the BTr to the beneficiary LGU through authorized government servicing banks.

The amount released to the LGUs shall be recorded as trust fund to be used for the specified purpose. Funds which remain unutilized as of December 31, 2019 shall be reverted to the National Treasury.

¹⁰ Guidelines for the Direct Release of Funds by the Bureau of the Treasury (BTr) to Local Government Units (LGUs) in FY 2016 and Thereafter

shall be reverted to the National Treasury consistent with the LGSF SP on the reversion of undisbursed funds.

- 3.6 In line with the jurisdiction of the Commission on Audit (COA) under Section 26, Chapter 2 of Presidential Decree No. 1445¹² over the settlement of accounts pertaining to expenditures or uses of funds and property owned or held in trust by, or pertaining to, the government, the LGU concerned is encouraged to coordinate with the COA regarding the proper recourse for its remaining balances from the LGSF, subject to applicable budgeting, accounting, and auditing laws, rules and regulations.

4.0 **ITEMS FOR RESOLUTION**

Interpretation of the provisions of this Circular shall be referred to the DBM and/or DILG, as may be appropriate to their functional jurisdiction.

5.0 **SEPARABILITY CLAUSE**

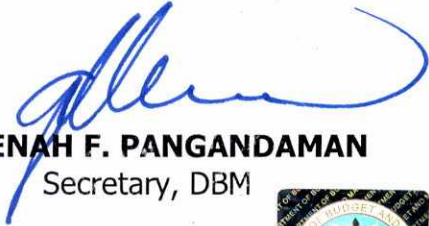
If any provision of this Circular is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

6.0 **REPEALING CLAUSE**

All provisions in previously issued guidelines and issuances on LGSF that are not consistent with this Circular are hereby revised, modified, and/or repealed accordingly.

7.0 **EFFECTIVITY**

This Circular shall take effect immediately after its publication.


AMENAH F. PANGANDAMAN
Secretary, DBM




BENJAMIN C. ABALOS, JR.
Secretary, DILG



¹² The State Audit Code of the Philippines