



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
GENERAL SOLANO STREET, SAN MIGUEL, MANILA

LOCAL BUDGET MEMORANDUM

No. 74
June 15, 2016

To: Local Chief Executives, Members of the Local Sanggunian, Local Budget Officers, Local Treasurers, Local Planning and Development Coordinators, Local Accountants, and All Others Concerned

Subject: **FY 2017 INTERNAL REVENUE ALLOTMENT AND GUIDELINES ON THE PREPARATION OF THE FY 2017 ANNUAL BUDGETS OF LOCAL GOVERNMENT UNITS**

1.0 PURPOSE

- 1.1 To inform the local government units (LGUs) of their Internal Revenue Allotment (IRA) shares for FY 2017 based on the certification of the Bureau of Internal Revenue (BIR) on the computation of the share of LGUs from the actual collection of national internal revenue taxes in FY 2014 pursuant to Article 409 of the Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 7160;¹ and
- 1.2 To prescribe the guidelines on the preparation of the FY 2017 annual budgets of LGUs.

2.0 GUIDELINES

- 2.1 Allocation of the FY 2017 IRA
 - 2.1.1 In the computation of IRA allocation of LGUs, the following factors are taken into consideration:
 - 2.1.1.1 The FY 2010 National Statistics Office Census of Population per Proclamation No. 362 dated March 30, 2012; and
 - 2.1.1.2 The FY 2001 Master List of Land Area certified by the Land Management Bureau pursuant to Oversight Committee on Devolution Resolution No. 1, s. 2005 dated September 12, 2005.

¹ The Local Government Code of 1991

2.1.2 Any valid adjustments, changes, modifications or alterations in any of the factors affecting the computation of the IRA that occurred or happened during the year, including final and executory court decisions, shall be governed by the applicable General Provision in the FY 2017 General Appropriations Act.

2.2 Preparation of the FY 2017 Annual Budgets of LGUs

2.2.1 For the purpose of preparing the FY 2017 annual budgets, the IRA shares of LGUs shall be P486.885 Billion per certification of the BIR on the actual national internal revenue taxes collected in FY 2014. The FY 2017 IRA level is P58.266 Billion or 13.59% higher than the FY 2016 IRA level.

2.2.2 Pursuant to Sections 284 and 285 of RA No. 7160, summarized below are the total shares by level of LGU in the FY 2017 IRA.

Level of LGU	No. of LGUs	Share Equivalent to the Cost of Devolved Functions/City-Funded Hospitals, as of December 31, 1992	Share Determined on the Basis of Section 285 of RA No. 7160	Total IRA Shares
Provinces	82	2,845,490,826	110,493,979,352	113,339,470,178
Cities	145	1,031,550,030	110,493,979,352	111,525,529,382
Municipalities	1,477	2,599,358,264	163,338,926,000	165,938,284,264
Barangays	41,889	-	9,6081,721,176	96,081,721,176
TOTAL	43,593	6,476,399,120	480,408,605,880	486,885,005,000

2.2.3 The details by region and by level of LGU are reflected in Annex A hereof. The LGUs shall be notified of their individual IRA allocation by the Department of Budget and Management Regional Offices (DBM ROs) concerned.

2.2.4 In addition to the IRA, some LGUs are entitled to the following Special Shares in the Proceeds of National Taxes:

- Share in the proceeds from the utilization and development of national wealth within their territorial jurisdiction pursuant to Sections 289 to 291 of RA No. 7160;
- Excise tax on Virginia Tobacco cigarettes pursuant to RA No. 7171;²
- Excise tax on Burley and Native Tobacco products pursuant to RA No. 8240,³ as amended by RA No. 10351;⁴

² An Act to Promote the Development of the Farmers in the Virginia Tobacco-Producing Provinces

³ An Act Amending Sections 138, 139, 140, and 142 of the National Internal Revenue Code, as amended, and for Other Purposes

⁴ The Sin Tax Reform Law



- Gross income taxes paid by all businesses and enterprises within the ECOZONES pursuant to RA No. 7922,⁵ as amended by RA No. 9400,⁶
- Value Added Tax pursuant to RA No. 7643;⁷ and
- Value-Added Tax in lieu of Franchise Tax pursuant to RA Nos. 7953⁸ and 8407.⁹

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

2.2.5 Priorities in the Use of the IRA and Other Local Resources

- 2.2.5.1 Pursuant to 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.
- 2.2.5.2 Each LGU shall appropriate in its Annual Budget no less than twenty percent (20%) of its IRA for development projects as mandated under Section 287 of RA No. 7160. The same shall be utilized in accordance with Department of the Interior and Local Government (DILG)-DBM Joint Memorandum Circular (JMC) No. 2011-1 dated April 13, 2011.¹⁰
- 2.2.5.3 As provided under Section 21 of RA No. 10121,¹¹ and Rule 18 of its IRR, not less than 5% of the estimated revenue of LGUs from regular sources¹² shall be set aside as the Local Disaster Risk Reduction and Management Fund and shall be utilized in accordance with the pertinent provisions of laws, rules and regulations.

⁵ Cagayan Economic Zone Act of 1995

⁶ An Act Amending RA No. 7227, as amended, otherwise known as the Bases Conversion and Development Act of 1992, and for Other Purposes

⁷ An Act to Empower the Commissioner of Internal Revenue to Require the Payment of the Value-Added Tax (VAT) Every Month and to Allow LGUs to Share in VAT Revenue, Amending for this Purpose Certain Sections of the National Internal Revenue Code

⁸ An Act Amending RA No. 6632, entitled, An Act Granting the Philippine Racing Club, Inc., a Franchise to Operate and Maintain a Race Track for Horse racing in the Province of Rizal, and Extending the said Franchise by Twenty-Five Years from the Expiration of the Term Thereof

⁹ An Act Amending RA No. 6631, entitled, An Act Granting the Manila Jockey Club, Inc., a Franchise to Construct, Operate, and Maintain a Racetrack for Horse Racing in the City of Manila or Any Place within the Provinces of Bulacan, Cavite or Rizal" and Extending the said Franchise by Twenty-Five Years from the Expiration of the Term Thereof

¹⁰ Amending DILG-DBM Joint Memorandum Circular No. 1 dated September 20, 2005, entitled, Guidelines on the Appropriation and Utilization of the 20% of the Annual IRA for Development Projects: and DILG Memorandum Circular No. 2010-138 dated December 2, 2010, entitled, Use of the 20% Component of the Annual Internal Revenue Allotment Shares

¹¹ Philippine Disaster Risk Reduction and Management Act of 2010

¹² Based on the Bureau of Local Government Finance Memorandum Circular No. 16-2015 dated June 19, 2015 re Local Public Financial Management (PFM) Tools for the Electronic Statement of Receipts and Expenditures (which include the Guidebook for the New Local Government Financial Performance Monitoring System), regular revenues refer to taxes, fees and receipts actually realized, including the IRA and other shares provided for in Sections 284, 290 and 291 of RA No. 7160, but exclusive of non-recurring receipts such as national aids, grants, financial assistance, loan proceeds, sales of assets, miscellaneous income/receipts and other similar receipts

- 2.2.6 Pursuant to Section 305 (h) of RA No. 7160, local budget plans and goals shall, as far as practicable, be harmonized with national development plans, goals, and strategies in order to optimize the utilization of resources and to avoid duplication in the use of fiscal and physical resources. To this end, LGUs are encouraged to align their programs, projects and activities (PPAs) with the priorities of the national government.
- 2.2.7 Section 305 (i) of RA No. 7160 provides that local budgets shall operationalize approved local development plans. For this purpose, LGUs shall prepare the total resource Annual Investment Program (Annex B) for the budget year, which shall be culled-out from the Local Development Investment Program, which in turn shall be based on the approved Comprehensive Development Plan in the case of cities and municipalities, and Provincial Development and Physical Framework Plan in the case of provinces.
- 2.2.8 The FY 2017 Annual Budgets of LGUs shall be prepared in accordance with the procedures and schedules prescribed under RA No. 7160, and the following local budget preparation forms:
- LBP Form No. 1 – Budget of Expenditures and Sources of Financing (Annex C)
 - LBP Form No. 2 – Programmed Appropriation and Obligation by Object of Expenditure (Annex D)
 - LBP Form No. 2A – Programmed Appropriation and Obligation for Special Purpose Appropriations (Annex E)
 - LBP Form No. 3 – Personnel Schedule (Annex F)
 - LBP Form No. 4 – Mandate, Vision/Mission, Major Final Output, Performance Indicators and Targets (Annex G)
 - LBP Form No. 5 – Statement of Indebtedness (Annex H)
 - LBP Form No. 6 – Statement of Statutory and Contractual Obligations and Budgetary Requirements (Annex I)
 - LBP Form No. 7 – Statement of Fund Allocation by Sector (Annex J)
- 2.2.9 In accordance with the DBM-Climate Change Commission-DILG JMC No. 2015-01 dated July 23, 2015,¹³ LGUs shall identify, tag, and prioritize their respective climate change PPAs.
- 2.2.10 Together with the Annual Budget, LGUs shall prepare and submit their respective Local Disaster Risk Reduction Management Plans, Local Climate Change Action Plans, and DILG-approved Gender and Development Plan and Budget.

¹³ Revised Guidelines for Tagging/Tracking Climate Change Expenditures in the Local Budget (Amending JMC 2014-01, dated August 7, 2014)

2.2.11 The FY 2017 Annual Budgets of LGUs shall be prepared consistent with the Revised Chart of Accounts for LGUs, as prescribed under Commission on Audit Circular No. 2015-009 dated December 1, 2015.¹⁴

2.2.12 The FY 2017 Annual Budgets of LGUs shall likewise include PPAs that can be attributed and built-in within the budget level for the following:

- Gender and Development pursuant to RA No. 7192,¹⁵ RA No. 9710,¹⁶ and Philippine Commission on Women-DILG-DBM-National Economic and Development Authority JMC No. 2016-01 dated January 12, 2016;¹⁷
- Senior Citizens and Persons with Disabilities pursuant to RA No. 9994¹⁸ amending RA No. 7432,¹⁹ and RA No. 9442²⁰ amending RA No. 7277;²¹
- Acquired Immune Deficiency Syndrome pursuant to RA No. 8504;²² and
- Implementation of the programs of the Local Councils for the Protection of Children pursuant to RA No. 9344.²³

3.0 LGUs may coordinate with the DBM ROs for the necessary technical assistance in the preparation of their respective FY 2017 Annual Budgets.

4.0 It is understood that the disbursement of funds shall be in accordance with pertinent budgeting, accounting and auditing rules and regulations.

5.0 Please be guided accordingly.


FLORENCIO B. ABAD
Secretary



¹⁴ Prescribing the Revised Chart of Accounts for Local Government Units

¹⁵ Women in Development and Nation Building Act

¹⁶ The Magna Carta of Women

¹⁷ Amendments to PCW-DILG-DBM-NEDA JMC 2013-01: Guidelines on the Localization of the Magna Carta of Women

¹⁸ Expanded Senior Citizens Act of 2010

¹⁹ An Act to Maximize the Contribution of Senior Citizens to Nation Building, Grant Benefits and Special Privileges and for Other Purposes

²⁰ An Act Amending RA No. 7227, Otherwise Known as the "Magna Carta for Disabled Persons," and for Other Purposes

²¹ Magna Carta for Disabled Persons

²² Philippine AIDS Prevention and Control Act of 1998

²³ Juvenile Justice and Welfare Act of 2006

CY 2017 IRA OF LGUs
(In P0.00)

Annex A

REGION	PROVINCES	CITIES	MUNICIPALITIES	BARANGAYS	GRAND TOTAL
NATIONAL CAPITAL REGION	387,179,863.00	21,406,004,885.00	130,062,384.00	8,615,404,595.00	30,538,651,727.00
CORDILLERA ADMINISTRATIVE REGION	4,809,721,368.00	1,552,068,291.00	6,514,547,302.00	2,106,272,928.00	14,982,609,889.00
REGIONAL OFFICE NO. I	6,317,136,863.00	3,809,626,090.00	10,726,670,246.00	6,035,094,380.00	26,888,527,579.00
REGIONAL OFFICE NO. II	6,775,338,738.00	3,589,435,589.00	10,495,644,759.00	4,192,302,300.00	25,052,721,386.00
REGIONAL OFFICE NO. III	11,848,901,959.00	8,487,248,729.00	16,826,174,826.00	9,105,918,799.00	46,268,244,313.00
REGIONAL OFFICE NO. IV.A	12,895,111,961.00	13,282,515,833.00	16,271,181,844.00	11,510,349,065.00	53,959,158,703.00
REGIONAL OFFICE NO. IV.B	6,086,897,796.00	2,761,547,009.00	9,328,593,533.00	3,069,365,536.00	21,246,403,874.00
REGIONAL OFFICE NO. V	7,832,652,264.00	3,601,753,653.00	12,175,202,300.00	6,636,055,043.00	30,245,663,260.00
REGIONAL OFFICE NO. VI	8,781,297,747.00	10,151,165,665.00	12,413,448,227.00	8,218,449,056.00	39,564,360,695.00
REGIONAL OFFICE NO. VII	6,917,582,382.00	9,614,613,386.00	10,906,860,859.00	7,026,871,630.00	34,465,928,257.00
REGIONAL OFFICE NO. VIII	7,041,612,070.00	4,949,818,741.00	11,429,494,208.00	6,727,824,051.00	30,148,749,070.00
REGIONAL OFFICE NO. IX inc. ARMM	7,183,956,550.00	5,256,824,638.00	10,966,476,365.00	5,530,131,497.00	28,937,389,050.00
REGIONAL OFFICE NO. X	6,028,854,564.00	7,096,726,565.00	8,571,018,765.00	4,527,017,579.00	26,223,617,473.00
REGIONAL OFFICE NO. XI	5,606,960,892.00	7,455,245,851.00	6,802,492,327.00	3,760,083,094.00	23,624,782,164.00
REGIONAL OFFICE NO. XII inc. ARMM	9,612,023,801.00	4,303,723,613.00	15,379,587,417.00	6,298,829,212.00	35,594,164,043.00
REGIONAL OFFICE NO. XIII	5,214,241,360.00	4,207,210,844.00	7,000,828,902.00	2,721,752,411.00	19,144,033,517.00
GRAND TOTAL	113,339,470,178.00	111,525,529,382.00	165,938,284,264.00	96,081,721,176.00	486,885,005,000.00
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CY _____ Annual Investment Program (AIP)
By Program/Project/Activity by Sector
As of _____

Province/City/Municipality: _____

☐ No Climate Change Expenditure (Please tick the box if your LGU does not have any climate change expenditure)

AIP Reference Code (1)	Program/Project/ Activity Description (2)	Implementing Office/ Department (3)	Schedule of Implementation		Expected Outputs (6)	Funding Source (7)	AMOUNT (In Thousand Pesos)				AMOUNT of Climate Change expenditure (In Thousand Pesos)		CC Typology Code (14)
			Start Date (4)	Completion Date (5)			Personal Services (PS) (8)	Maintenance and Other Operating Expenses (MOOE) (9)	Capital Outlay (CO) (10)	Total (11) 8+9+10	Climate Change Adaptation (12)	Climate Change Mitigation (13)	
General Services (1000)													
Social Services (3000)													
Economic Services (8000)													
Other Services (9000)													

Prepared by:

 Planning Officer
 Date: _____

 Budget Officer
 Date: _____

Attested by:

 Local Chief Executive
 Date: _____

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BUDGET OF EXPENDITURES AND SOURCES OF FINANCING

LGU: _____

GENERAL FUND

Particulars 1	Account Code 2	Income Classification 3	Past Year (Actual) 4	Current Year Appropriation			Budget Year (Proposed) 8
				First Semester (Actual) 5	Second Semester (Estimate) 6	Total 7	
I. Beginning Cash Balance							
II. Receipts							
A. Local Sources							
1. Tax Revenue							
a. Real Property Tax (RPT)							
i. Basic RPT							
ii. Special Education Fund							
b. Business Tax							
c. Other Local Tax							
Total Tax Revenue							
2. Non-Tax Revenue							
a. Regulatory Fees							
b. Service/User Charges							
c. Receipts from Economic Enterprise							
d. Other Receipts							
Total Non-Tax Revenue							
Total Local Sources							
B. External Sources							
1. Internal Revenue Allotment							
2. Share from GOCCs (PAGCOR and PCSO)							
3. Other Shares from National Tax Collection							
a. Share from Ecozone							
b. Share from EVAT							
c. Share from National Wealth							
d. Share from Tobacco Excise Tax							
4. Inter-Local Transfer							
5. Extraordinary Receipts/Grants/Donations/Aids							
Total External Sources							
C. Non-Income Receipts							
1. Capital Investment Receipts							
a. Proceeds from Sale of Assets							
b. Proceeds from Sale of Debt Securities of Other Entities							
c. Collection of Loans Receivable							
Total Capital Investment Receipts							
2. Receipts from Loans and Borrowings							
a. Acquisition of Loans							
b. Issuance of Bonds							
Total Receipts from Borrowings and Loans							
Total Non-Income Receipts							
Total Receipts							
III. Expenditures							
Personal Services							
Salaries and Wages							
Salaries and Wages - Regular							
Other Compensation							
Personal Economic Relief Allowance (PERA)							
Personnel Benefit Contributions							
Other Personnel Benefits							

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Particulars 1	Account Code 2	Income Classification 3	Past Year (Actual) 4	Current Year Appropriation			Budget Year (Proposed) 8
				First Semester (Actual) 5	Second Semester (Estimate) 6	Total 7	
Maintenance and Other Operating Expenses Traveling Expenses Training and Scholarship Expenses Supplies and Materials Expenses Utility Expenses Communication Expenses Awards/Rewards Expenses Survey, Research, Exploration and Development Expenses Demolition/Relocation and Desilting/Dredging Expenses Generation, Transmission and Distribution Expenses Confidential, Intelligence and Extraordinary Expenses Professional Services General Services Repairs and Maintenance Financial Assistance / Subsidy Financial Expenses Capital Outlays Investment Property Land and Buildings Property, Plant and Equipment Land Land Improvements Biological Assets Intangible Assets Special Purpose Appropriations (SPAs) Appropriation for Development Programs/Projects (20% Development Fund) Appropriation for Local Disaster Risk Reduction and Management (LDRRM) Programs/Projects (5% LDRRM Fund) Appropriations for Debt Service Advances/Loans to Local Economic Enterprises/Public Utilities Aid to barangays Other Authorized SPAs Total Expenditures IV. Ending Balance							

We hereby certify that the information presented above are true and correct. We further certify that the foregoing estimated receipts are reasonably projected as collectible for the Budget Year.

Local Treasurer

Local Budget Officer

Local Planning Development Officer

Local Accountant

Approved:

Local Chief Executive

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LBP Form No. 2

PROGRAMMED APPROPRIATION AND OBLIGATION BY OBJECT OF EXPENDITURE

LGU: _____

Office: _____

Object of Expenditure 1	Account Code 2	Past Year (Actual) 3	Current Year (Estimate)			Budget Year (Proposed) 7
			First Semester (Actual) 4	Second Semester (Estimate) 5	Total 6	
Personal Services						
Salaries and Wages						
Salaries and Wages - Regular						
Other Compensation						
Personal Economic Relief Allowance (PERA)						
Personnel Benefit Contributions						
Other Personnel Benefits						
Maintenance and Other Operating Expenses						
Traveling Expenses						
Training and Scholarship Expenses						
Supplies and Materials Expenses						
Utility Expenses						
Communication Expenses						
Awards/Rewards Expenses						
Survey, Research, Exploration and Development Expenses						
Demolition/Relocation and Desilting/Dredging Expenses						
Generation, Transmission and Distribution Expenses						
Confidential, Intelligence and Extraordinary Expenses						
Professional Services						
General Services						
Repairs and Maintenance						
Financial Assistance / Subsidy						
Financial Expenses						
Capital Outlays						
Investment Property						
Land and Buildings						
Property, Plant and Equipment						
Land						
Land Improvements						
Biological Assets						
Intangible Assets						
Total Appropriations						

Prepared:

Department Head

Reviewed:

Local Budget Officer

Approved:

Local Chief Executive

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LBP Form No. 2a

Programmed Appropriation and Obligation for Special Purpose Appropriations

LGU: _____

AIP Reference Code 1	Sector 2	Program/Project/Activity 3	Past Year (Actual) 4	Current Year		Budget Year (Proposed) 7
				Actual 5	Estimate 6	

Prepared:

Department Head

Reviewed:

Local Budget Officer

Approved:

Local Chief Executive

for

Personnel Schedule CY _____
 LGU: _____

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

Prepared:

 Human Resource Management Officer

Reviewed:

 Local Budget Officer

Approved:

 Local Chief Executive

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LBP Form No. 4

Mandate, Vision/Mission, Major Final Output, Performance Indicators and Targets CY ____
LGU: _____

Mandate :
Vision :
Mission :
Organizational Outcome :

AIP Reference Code 1	Program/Project/Activity Description 2	Major Final Output 3	Performance / Output Indicator 4	Target for the Budget Year 5	Proposed Budget for the Budget Year			
					PS 6	MOOE 7	CO 8	Total 9

Prepared:

Reviewed: Local Finance Committee

Department Head

Local Planning and Development Coordinator

Local Budget Officer

Local Treasurer

Approved:

Local Chief Executive

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Statement of Indebtedness

LGU: _____

Creditor 1	Date Contracted 2	Term 3	Principal Amount 4	Purpose 5	Previous Payments Made			Amount Due			Balance of the Principal 12
								(Budget Year)			
					Principal 6	Interest 7	Total 8	Principal 9	Interest 10	Total 11	

Certified Correct:

Noted by:

Local Accountant_____
Local Budget Officer_____
Local Chief Executive

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LBP Form No. 6

Statement of Statutory and Contractual Obligations and Budgetary Requirements CY _____

LGU: _____

Description 1	Amounts 2
1. Statutory and Contractual Obligations 1.1 5% MMDA Contribution for LGUs in NCR only (R.A. 1.2 Retirement Gratuity 1.3 Terminal Leave Benefits 1.4 Debt Service 1.5 Employees Compensation Insurance Premiums 1.6 PhilHealth Contributions 1.7 Pag-IBIG Contribution 1.8 Retirement and Life Insurance Premiums 2. Budgetary Requirements 2.1 20% of IRA for Development Fund 2.2 5% Local Disaster Risk Reduction and Management 2.3 Financial Assistance to Barangays (Php 1,000.00 minimum aid) TOTAL	

Certified Correct:

Local Budget Officer_____
Local Treasurer_____
Local Accountant_____
Local Planning and Development
Coordinator

Approved:

Local Chief Executive

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Statement of Fund Allocation by Sector CY _____

LGU: _____

Particulars 1	Account Code 2	General Public Services 3	Social Services 4	Economic Services 5	Other Services 6	Total 7
TOTAL APPROPRIATIONS						

Certified Correct:

Approved:

Local Budget Officer_____
Local Accountant_____
Local Chief

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