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TENTATIVE ALLOCATION OF THE 1996 INTERNAL REVENUE ALLOTMENT (IRA) AND OTHER RELATED BUDGET PREPARATION MATTERS

DBM LOCAL BUDGET MEMORANDUM NO. 24, June 15, 1995

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1.0

The Internal Revenue Allotment (IRA) for 1996 is P56.594 billion, equivalent to forty percent (40%) of 1993 national internal revenue tax collection as certified by the Bureau of Internal Revenue pursuant to Article 376 of the Rules and Regulations Implementing R.A. 7160, otherwise known as the Local Government Code of 1991.

2.0

For purposes of preparing the 1996 local Annual Budgets, this P56.594 billion has been tentatively allocated as follows:

P3.310 billion,

equivalent to fifty percent of the cost of devolved national functions and city-funded hospitals as of 31 December 1992, in direct proportion to the cost of such devolved functions and city-funded hospitals; and

P53.284 billion,

representing the balance after deducting said fifty percent of the cost of devolved functions and city-funded hospitals, on the basis of the formula prescribed under Section 285 of the Local Government Code of 1991

3.0

The above funding distribution is based on the compromise formula agreed upon by the Senate and the House of Representatives in the allocation of the 1995 IRA under the 1995 General Appropriations Act (GAA) pending completion of the legislative action on the amendment of Section 285 of the Code. The tentative allocation of the P56.594 billion IRA among the levels of local government is shown below:

Level of LGU (No.)	Amount
Provinces (77)	P 12.255
Cities (65)	12.255
Municipalities (1,540)	18.117
Barangays (41,884)	10.657

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Total P 53.284

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4.0

The tentative IRA share of the province/city/municipality/barangay concerned indicated in the Annex hereof may likely change in the event that Section 285 of the Code will be amended as proposed under the Administration bill, filed as HB 6346 in the House of Representatives and SB 1257 in the Senate, which seeks to include the full P6.6 billion 1992 cost of devolved national functions and city-funded hospitals, plus yearly ten percent (10%) increases effective 1994, among the factors to be considered in the IRA determination. On the otherhand, Congress may for 1995 instead direct the strict enforcement of the formula prescribed under Section 285 of the Code. In either case, the LGUs will be duly notified of their final IRA shares as soon as the 1996 GAA is enacted into law by Congress.

5.0

Any notice of adjustment in the land area measurements of LGUs, based on the certification issued for the purpose by the Land Management Bureau, received by DBM after 15 December 1995 shall be reflected in the 1997 IRA allocation. Notices of adjustments in land area measurements received before said 15 December 1995 shall be considered in the finalization of the 1996 IRA allocation.

6.0

The financial requirements for the initial year of existence of provinces, cities and municipalities created after the effectivity of the Local Government Code shall be specified in the law creating said provinces, cities and municipalities. However, the financial requirements of barangays created after the effectivity of the Local Government Code shall be responsibility of the local government creating said barangays.

7.0

Notwithstanding possible revisions in the final allocation of the IRA, the amount indicated in the Annex shall be reflected in the estimates of income for 1996 to be used as basis in the preparation of the 1996 Annual Budget. Should the final IRA share be greater than the amount indicated in the Annex hereof, then the LGU concerned may within 1996 pass upon a Supplemental Budget to cover the increase in actual available income. If on the otherhand, the final IRA share is less than the amount reflected in the Annual Budget, then the LGU concerned will have to have unutilized appropriations by the end of 1996 corresponding to the unrealized income.

8.0

As mandated under Section 17 (g) of the Code, LGUs shall first allocate the IRA and other local resources to cover the cost of providing basis services and facilities, particularly those which have been devolved by the National Government, before applying the same to other purposes. In addition, LGUs are enjoined to provide in their Annual Budgets not less than seventy-five percent (75%) of the total 1996 funding requirement for the implementation of the magna carta benefits of the devolved public health workers authorized under R.A. 7305. For said 1996, subject to Congressional approval, the National Government may still be able to subsidize the following magna carta benefits: P225 of the monthly subsistence allowance and P12 of the monthly laundry allowance of each of devolved health worker and P550 of the monthly representation and transportation allowances and P834 of the monthly salary of each devolved rural health physician. The national government subsidy representing magna carta benefits of devolved public health workers shall be taken up as trust fund of the recipient local government units.

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9.0

In addition to IRA, some LGUs are entitled to share in the proceeds from the utilization and development of national wealth within their territorial jurisdiction, based on the preceding year's actual collection. Article 409 of the IRR directs concerned revenue collecting agencies and government corporations to provide LGUs, not later than 15 June, information as to their allocation of, and shares from, the utilization and development of national wealth, if any for the budget year. It may therefore be advisable on the part of the LGUs to take the initiative of coordinating with the said revenue collecting agencies and government corporations to determine how much to incorporate in their 1996 Annual Budgets for their share in the national wealth proceeds.

10.0

The 1996 Annual Budgets shall be prepared in the forms and in accordance with the procedures and schedules prescribed under the Budget Operations Manual for LGUs issued under cover of DBM-COA Joint Circular No. 93-2 dated 8 June 1993 pursuant to Section 354 of the Local Government Code.

11.0

By way of supplementing the information provided in the basic prescribed forms, local chief executives shall include the following essential points in the "budget calls" or budget preparation directives to the departments and other instrumentalities of LGUs, in their budget messages to the sanggunian as well as in their budget briefings for their constituents and the public at large:

11.1 The objectives intended to be realized in 1996 in relation with the established medium-term and long-range goals and in light of actual past performance and accomplishments of the incumbent LGU administration;

11.2 The financing mix for 1996 with which to carry out the said objectives, with emphasis on new and/or locally initiated revenue/income-generating measures.

11.3 The allocation and the rationale for such allocation of the proposed 1996 Annual Budget -

11.3.1 by sector;
11.3.2 by object of expenditure;
11.3.3 by department/office;
11.3.4 by geographical subdivisions;
11.3.5 per capita;
11.3.6 in terms of mandatory expenditures vis-a-vis expansion of existing service delivery;

11.4 The staffing and compensation profile of the local government, citing the effects of the devolution mandated under the Code; and

11.5 The reason why approval of the proposed 1996 Annual Budget should benefit the LGU.

12.0

It may be advisable on the part of each LGU to prepare a 1996 Annual Budget of expenditures which is less than the projected 1996 income. The unappropriated surplus may then be used for the Supplemental Budget for the implementation of the 1996 component of the salary increases mandated to be granted within the 1994-1997 period under Executive Order No. 164 once the guidelines for the purpose are approved and issued.

13.0

As mandated under Article 420 of the IRR, the total appropriations for personal services of a local government unit (LGU) for one (1) fiscal year shall not exceed forty-five percent (45%) in the case of first to third class

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provinces, cities and municipalities, and fifty-five percent (55%) in the case of fourth class or lower, and barangays, of the total annual income from regular sources realized in the next preceding fiscal year. In the determination of the same, the guidelines prescribed under Local Budget Circular No. 57 shall be strictly observed.

14.0

Appropriations for "Prior Year's Obligations" which are to be included in the 1996 Annual Budgets shall be in accordance with the provisions of Section 157, Volume 1 of the Government Accounting and Auditing Manual.

15.0

To assess the local fiscal position vis-a-vis the total public sector resource budget, each local government unit is enjoined to submit to this Department, through the concerned Regional Office, a comparative statement of income and expenditures for 1994 (actual), 1995 (programmed) and 1996 (as budgeted) using the form indicated as Annex B of this Memorandum.

16.0

Technical and other assistance in the preparation of the 1996 Annual Budget may be requested from the Regional Office concerned of this Department.

Please be guided accordingly.

Adopted: 15 June 1995

(SGD.) SALVADOR M. ENRIQUEZ, JR.
Secretary

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