



LEAGUE OF CITIES OF THE PHILIPPINES

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Official Position Paper of the League of Cities of the Philippines (LCP) on the Local Budget Memorandum No. 74- A Dated 09 September 2016 Entitled, "Adjusted FY 2017 Internal Revenue Allotment and Additional Guidelines on the Preparation of the FY 2017 Annual Budgets of Local Government Units"

The League of Cities of the Philippines (LCP) acknowledges the authority of the Department of Budget and Management (DBM) in the issuance of LBM 74-A for the main reason that the said issuance is in accordance with law and is already in effect for the fiscal year 2017.

While we subscribe in principle with the contention of the League of Provinces (LPP) that LBM 74-A results in tedious adjustment of the approved local budget ordinances of all the local government units, we do not support its request to revoke the same because DBM, as legally mandated, complied with the requirements of the law when it issued LBM 74-A.

Moreover, by virtue of the passage of Republic Act No. 10924 (FY 2017 General Appropriations Act), which adopted the 2015 Census of Population indicated in LBM 74-A, the controversy is already moot and to revoke LBM 74-A is impracticable.

BACKGROUND

The Department of Budget and Management (DBM) issued Local Budget Memorandum No. 74 (LBM 74) on June 15, 2016 to inform the Local Government Units (LGUs) of their Fiscal Year (FY) 2017 Internal Revenue Allotment (IRA) level and to provide guidelines on the preparation of their FY 2017 annual budgets.

Under LBM 74, DBM computed the individual IRA allocation of LGUs using the 2010 Census of Population (POPCEN) approved under Proclamation No. 362 dated March 30, 2012.

After LBM 74 was released and by virtue of Proclamation No. 1269 dated 19 May 2016, the 2015 POPCEN has been declared official for all purposes. The DBM was informed by the Philippine Statistics Authority (PSA) of the approval of the said proclamation on 2 August 2016.

In compliance therewith, the FY 2017 IRA shares of LGUs based on the population factor were recomputed and adjusted based on the results of the 2015 POPCEN.

DBM issued LBM 74-A informing the LGUs of the adjusted IRA shares and additional guidelines on the preparation of the FY 2017 annual budgets. LBM 74-A was issued in accordance with Section 93 of RA 10717, General Provisions of the FY 2016 General Appropriations Act (GAA), which provides, "All valid adjustments, changes, modifications or court decisions made effective, during the current fiscal year, shall only be considered and implemented by the DBM in the subsequent fiscal year from receipt by the DBM of the notice of said change."



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The League of Provinces of the Philippines (LPP) adopted a Resolution respectfully requesting President Rodrigo R. Duterte to direct DBM to immediately revoke LBM 74-A. LPP posits that the said issuance is invalid and has no binding effect since it contravenes existing laws and has massive and irreversible repercussions to LGUs.

DISCUSSION

The LBM 74-A issuance by the DBM is in accord with General Appropriations Act for FY 2016

1. The DBM is legally mandated to use the 2015 POPCEN in the allocation of the FY 2017 IRA.
2. The DBM, when issuing LBM 74-A, applied the provisions of FY 2016 GAA which states, "All valid adjustments, changes, modifications or alterations in any of the factors affecting the computation of IRA that occurred or happened, including final and executory court decisions made effective, during the current fiscal year, shall only be considered and implemented by the DBM in the subsequent fiscal year from receipt by the DBM of the notice of said change."
3. The 2015 POPCEN was declared official for all purposes in 19 May 2016 and notice thereof was received by DBM only in 02 August 2016. At this time, the applicable law to be adhered to is the FY 2016 GAA. Thus, the adjustments, changes or modifications in the population requirement for computing IRA shares happened in the current fiscal year 2016. It follows that such changes or modifications shall be made effective and implemented in the subsequent fiscal year 2017 from the date of receipt of the notice in 02 August 2016.

LBM 74-A does not affect nor change the total IRA share for all LGUs

4. The total IRA share for the 145 cities remains the same at P111.525 Billion. The change is only as to the respective shares of each city relative to the 2015 POPCEN results. Therefore, there is no adverse impact to all the cities as a whole.
5. Narrowing down to individual cities, there will indeed be cities that will be having a decrease in their IRA shares. This is because the change of their POPCEN is relatively lower as compared to the total POPCEN change from 37,167,481 in year 2010 to 40,893,319 in year 2015.



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The highest decrease in IRA share is at -5.8% with the city only having a nearly flat change in POPCEN from 249,131 in year 2010 to 249,463 in year 2015. The extent of the effect of the -5.8% change on the operations of the city is beyond the scope of this discussion. However, it demonstrates that the change is based on factual data and not arbitrary nor oppressive.

To revoke LBM 74-A is impracticable since FY 2017 GAA has already been approved and signed into law

6. FY 2017 GAA was signed into law as R.A. 10924 on 22 December 2016. The said law provides, among others:

“Sec. 85. Internal Revenue Allotment for LGUs. The IRA, which is automatically appropriated, shall be apportioned among LGUs, including provinces, cities and municipalities created, approved and ratified in 2016 in accordance with the allocation formula prescribed under Section 285 of R.A. No. 7160, taking into consideration the following:

(a) *x xx*

(b) *The population shall be based on the FY 2015 Census of Population by Province, City, Municipality and Barangay, as approved under Proclamation No. 1269 dated May, 2016.*

x xx ”

7. In order to revert to the LBM 74, Sec. 85 (b) of R.A. 10924 would have to be amended, wherein FY 2010 Census of Population would be used instead of the FY 2015 Census of Population. The process of amendment would take at least several months. Given that the 1st quarter of 2017 is nearly completed, it would be impracticable to amend the said law at this point in the year 2017.

CONCLUSION

While LCP agrees with the position of LPP that it would be tedious for the LGUs to adjust their 2017 expenditures based on the LBM 74-A issuance, the LCP submits that the issuance adheres to existing laws and would be impracticable to amend it at this point in time.

To prevent recurrence of a similar situation, LCP recommends the following amendment in the provision of the succeeding GAA:

From:

“All valid adjustments, changes, modifications or court decisions made effective, during the current fiscal year, shall only be considered and



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implemented by the DBM in the subsequent fiscal year from receipt by the DBM of the notice of said change."

To:

"All valid adjustments, changes, modifications or court decisions made effective until 15th of June of the fiscal year, shall only be considered and implemented by the DBM in the subsequent fiscal year from receipt by the DBM of the notice of said change."

In case amendment of the same in the succeeding GAA is not feasible, at least an IRR be drafted indicating the said deadline.

The change of the deadline from the end of fiscal year to 15th of June of the fiscal year is to coincide with the deadline for DBM to compute the IRA share of LGUs for the succeeding fiscal year, in compliance with the DBM Budget Cycle process.

~Nothing follows~