Local Budget Memorandum (LBM) No. 94

Indicative FY 2027 National Tax Allotment (NTA) Shares of Local Government Units (LGUs) and Guidelines on the Preparation of the FY 2027 Annual Budgets of LGUs

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Allocation of the FY 2027 NTA

Factors Considered in the Computation of the FY 2027 NTA

- **2024 Census of Population**
  2024 Census of Population, as approved by Proclamation No. 973, in determining the population factor in the NTA allocation.
- **Land Area**
  2001 LMB-certified Master List of Land Area, unless a validated and duly endorsed master list is submitted to DBM on or before December 31, 2026.

Allocation of the FY 2027 NTA

Adjustments to NTA Computation

Changes affecting the computation of the FY 2027 NTA, including court decisions and updated certifications that become effective during FY 2026, shall be reflected through a subsequent LBM to be issued in December 2026.

Expiration of Carmona City's NTA Portability

The three-year NTA portability granted to the City of Carmona has expired; hence, its portability amount will no longer be deducted from the shares of municipalities.

Allocation of the FY 2027 NTA

Treatment of Lucena City
Lucena City remains a component city of Quezon Province; thus, its population and land area continue to form part of the Province's NTA computation.

Merger of Barangays in Calaca City
Implements the Supreme Court ruling (G.R. No. 234228 dated 25 February 2025) recognizing the merger of Barangay San Rafael with Barangay Dacanlao, with the former's population added to the latter for NTA computation purposes.

Allocation of the FY 2027 NTA

Newly Created or Converted LGUs
LGUs created or converted by Congress and approved by the President whose corporate existence commences in FY 2026 shall likewise be included in the allocation of the FY 2027 NTA.

Notification of Adjustments
The DBM shall issue a subsequent LBM in December 2026 informing affected LGUs of any authorized adjustments to their FY 2027 NTA shares.

Allocation of the FY 2027 NTA

Future Adjustments

Changes affecting the NTA computation occurring during FY 2027 shall be governed by the applicable General Provisions of the FY 2027 General Appropriations Act and not by the current LBM.

Preparation of the FY 2027 Annual Budgets of LGUs

Total FY 2027 NTA (based on FY 2024 national tax collections certified by the BIR, BOC, and BTr)

Collecting Agency	Amount (PhP)
BIR	990,680,014,000
BOC	329,090,948,000
Other agencies (as certified by the BTr)	63,595,000
TOTAL	1,319,834,557,000

10.86%

higher than the FY 2026 NTA shares of LGUs.

Preparation of the FY 2027 Annual Budgets of LGUs

Distribution of NTA (in accordance with the Local Government Code of 1991)

Level of LGU	No. of LGUs	Total NTA Shares (PhP)
Provinces	83 (including MMDA)	303,561,948,110
Cities	149	303,561,948,110
Municipalities	1,491	448,743,749,380
Barangays	41,912	263,966,911,400
TOTAL	43,635	1,319,834,557,000

Department of Budget and Management

Frequently-Asked Questions on Barangay Planning and Budgeting

1. Budget Preparation
2. Budget Authorization
3. Budget Review
4. Budget Execution
5. Budget Accountability
6. Creation of Positions and Compensation Concerns

Department of Budget and Management

Budget Preparation

1. How do we compute the PS Limitation of barangays?

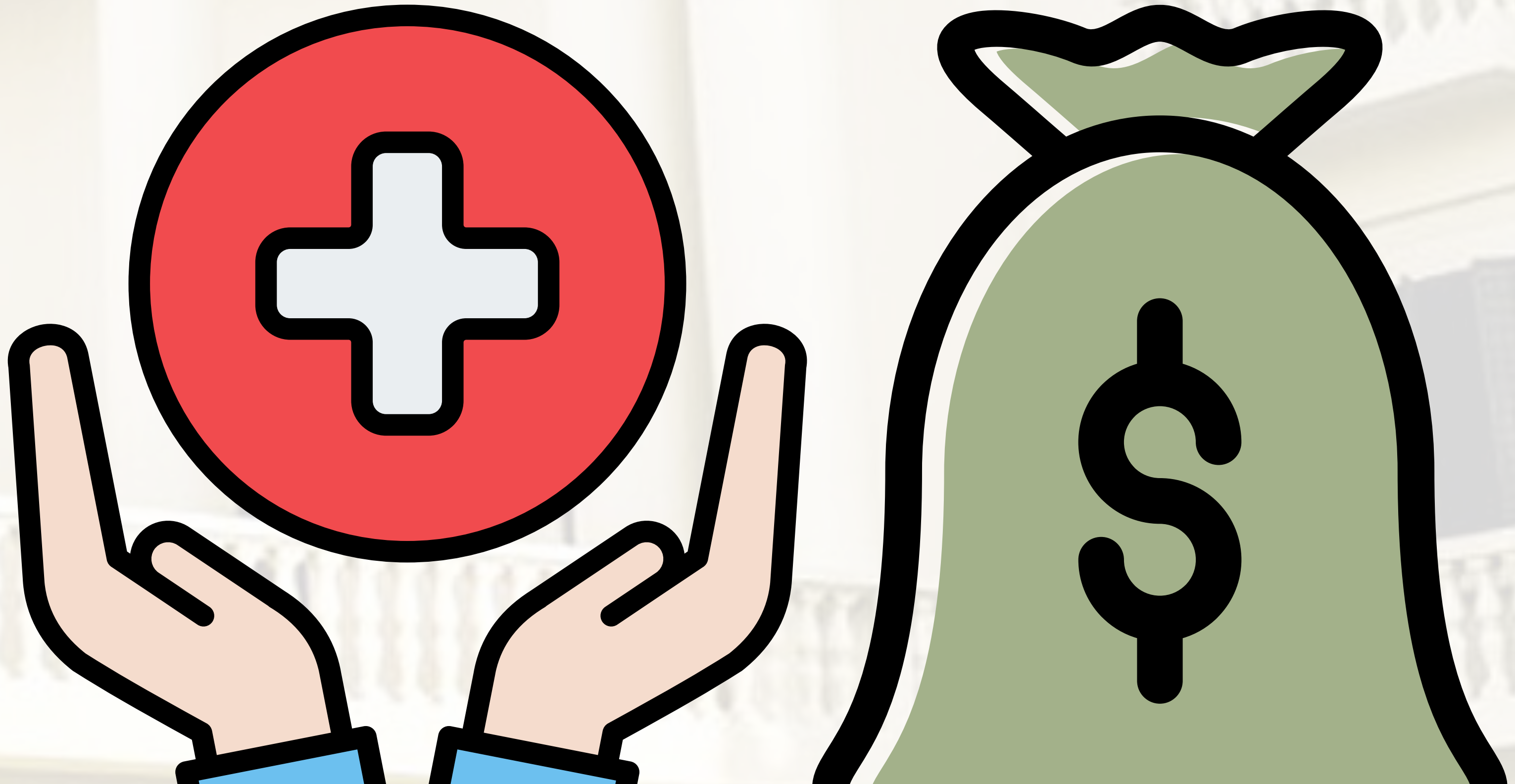
The PS Limitation of 55% of the total income actually realized from local sources (TILS) of a barangay for a budget year, consistent with Section 331 (b) of the LGC, shall be determined as follows:

- a. Compute the TILS during the next preceding fiscal year, based on the trial balance as of December 31 of said year.
- b. Compute the PS Limitation using the following formula:

  PS Limitation, Barangay = (55%) (TILS)

2. What is the expense classification of Barangay Health Workers (BHWs) and Barangay Nutrition Scholars (BNS) Honoraria?

The honoraria or salaries, allowances, and benefits for barangay personnel, e.g., BHWs, BNS, shall be classified under PS and shall be included in the computation of the total annual PS Budget pursuant to Item 5.3.1.2 (d) of LBC No. 171 dated May 18, 2026.



3. Can the barangay appropriate more than 20% of its National Tax Allotment (NTA) for Development Projects?

Yes. Section 287 of the RA No. 7160 or the Local Government Code (LGC) of 1991 provides that each local government unit shall appropriate in its annual budget no less than twenty percent (20%) of its NTA, formerly IRA.

4. Can the barangay prepare its annual budget even without an approved AIP?

No. Section 305 (i) of the LGC states that "[l]ocal budgets shall operationalize approved local development plans." Local budgets fund PPAs included in the approved AIP. Hence, the AIP shall be prepared and approved during the fiscal year before the calendar year for budget preparation. The approved AIP shall be the basis in the preparation of the local budgets.

5. Who determines the estimated income to be used as a source of funds in the budget?

Section 395 (e) (4) of the LGC and Article 423 (b) its IRR mandate the **Barangay Treasurer** to submit to the Punong Barangay a statement covering both the actual and estimates of income and expenditures for the preceding and ensuing calendar years, respectively, based on the **certified statements jointly issued by the city/municipal treasurer and the city/municipal accountant**.

6. Can a supplemental budget be passed in place of the annual budget?

No. Section 323 of the LGC explicitly provides that no ordinance authorizing supplemental appropriations shall be passed in place of the annual appropriations.

7. Can a barangay set aside in its budget a certain amount for contribution or any fees that may be requested by the *LIGA ng mga Barangay*?

Yes. The amount can be included in the appropriation for grants, donations/contributions under MOOE. Prior year unpaid contributions can also be considered.

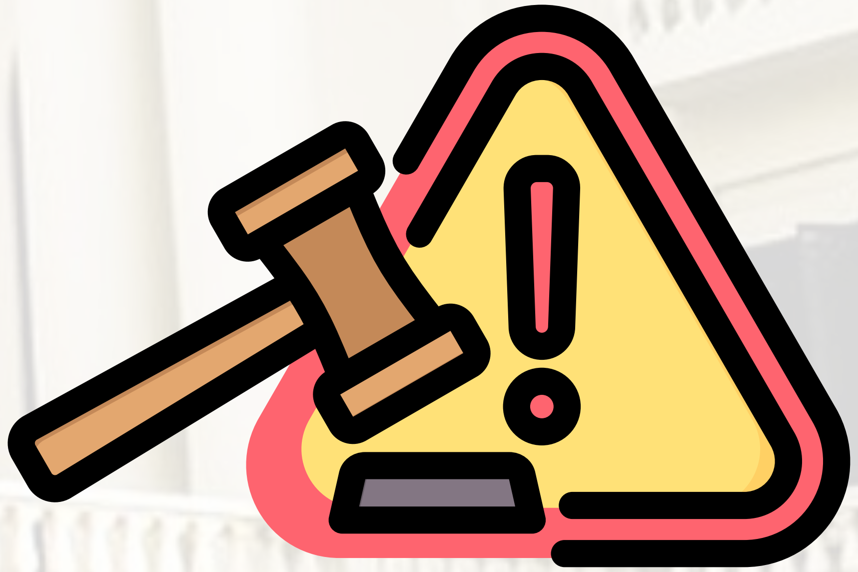
8. Can a barangay adjust its officials' honoraria if its income has improved due to the increased taxes and collections of the barangay?

Yes. The honoraria of barangay officials can be increased as long as the PS Limitation and the prescribed salary grade are not exceeded, and the increased honoraria can be sustained.

However, pursuant to Section 391 (a) (10) of the LGC, "no increase in the compensation or honoraria of the sangguniang barangay members shall take effect until after the expiration of the full term of all members of the sangguniang barangay approving such increase."

9. Is there any penalty for a Punong Barangay who fails to prepare and submit the annual barangay budget on time?

Yes. Section 318 of the LGC, states that "the local chief executive shall submit the said executive budget to the sanggunian concerned not later than the sixteenth (16th) of October of the current fiscal year. **Failure to submit such budget on the date prescribed herein shall subject the local chief executive to such criminal and administrative penalties** as provided for under this Code and other applicable laws."



Department of Budget and Management

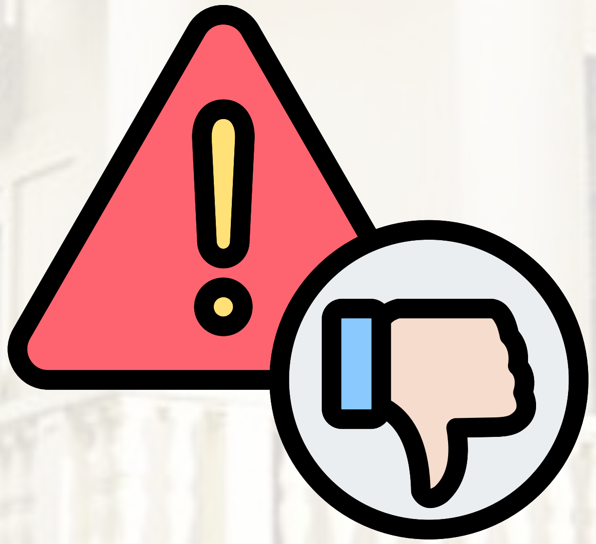
Budget Authorization

10. What happens if at the start of the year, the Barangay Expenditure Program is not yet approved by the Sangguniang Barangay?

Barangays who fail to pass their respective appropriation ordinance at the beginning of the ensuing fiscal year, the ordinance authorizing the appropriations of the preceding year shall be deemed reenacted and shall follow the provisions of Section 323 of the LGC.

11. Can the Sangguniang Barangay increase the items of appropriations in the BEP during the budget authorization phase?

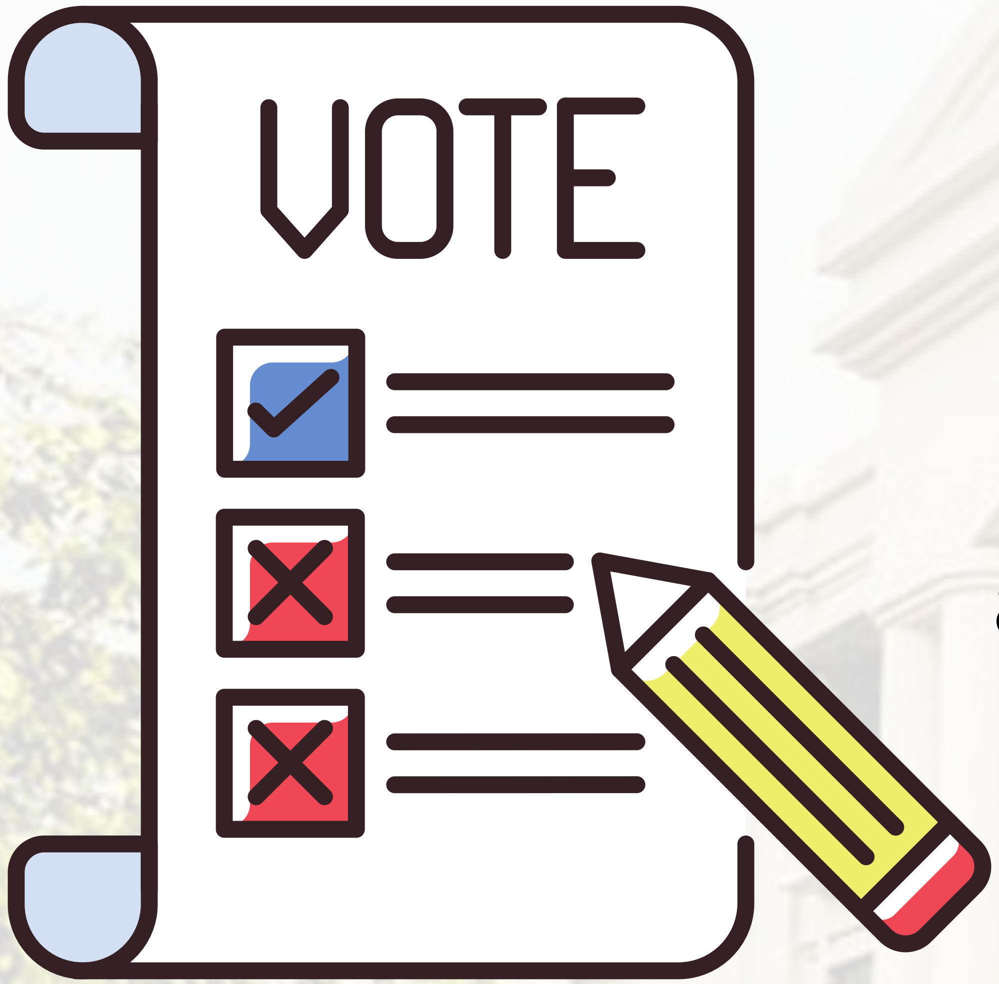
No, the Sangguniang Barangay cannot increase the proposed amount in the executive budget and include new items except to provide for statutory and contractual obligations but in no case shall it exceed the total appropriations in the BEP, pursuant to Article 415 (a) of the IRR of the LGC.



12. Does an appropriation ordinance need the approval of the Punong Barangay?

Yes. An Appropriation Ordinance enacted by the Sangguniang Barangay, upon approval by the majority of all its members, needs to be approved and signed by the Punong Barangay, pursuant to Section 54 (c) of the LGC and Article 108 (c) of its IRR.

13. Can the Punong Barangay vote on the proposed budget?



No. The Punong Barangay, as the presiding officer of the Sangguniang Barangay, shall vote only to break a tie, pursuant to Section 49 (a) of the LGC and Article 102 (a) and (b) of its IRR.

14. Does the Punong Barangay have veto power?

No. Only the provincial governor, city and municipal mayor have been granted the power to veto any particular item or items of an appropriations ordinance, an ordinance or resolution adopting a local development plan and public investment program, or an ordinance directing the payment of money or creating liability, pursuant to Section 54 (a) of the LGC and Article 415 (b) of its IRR.

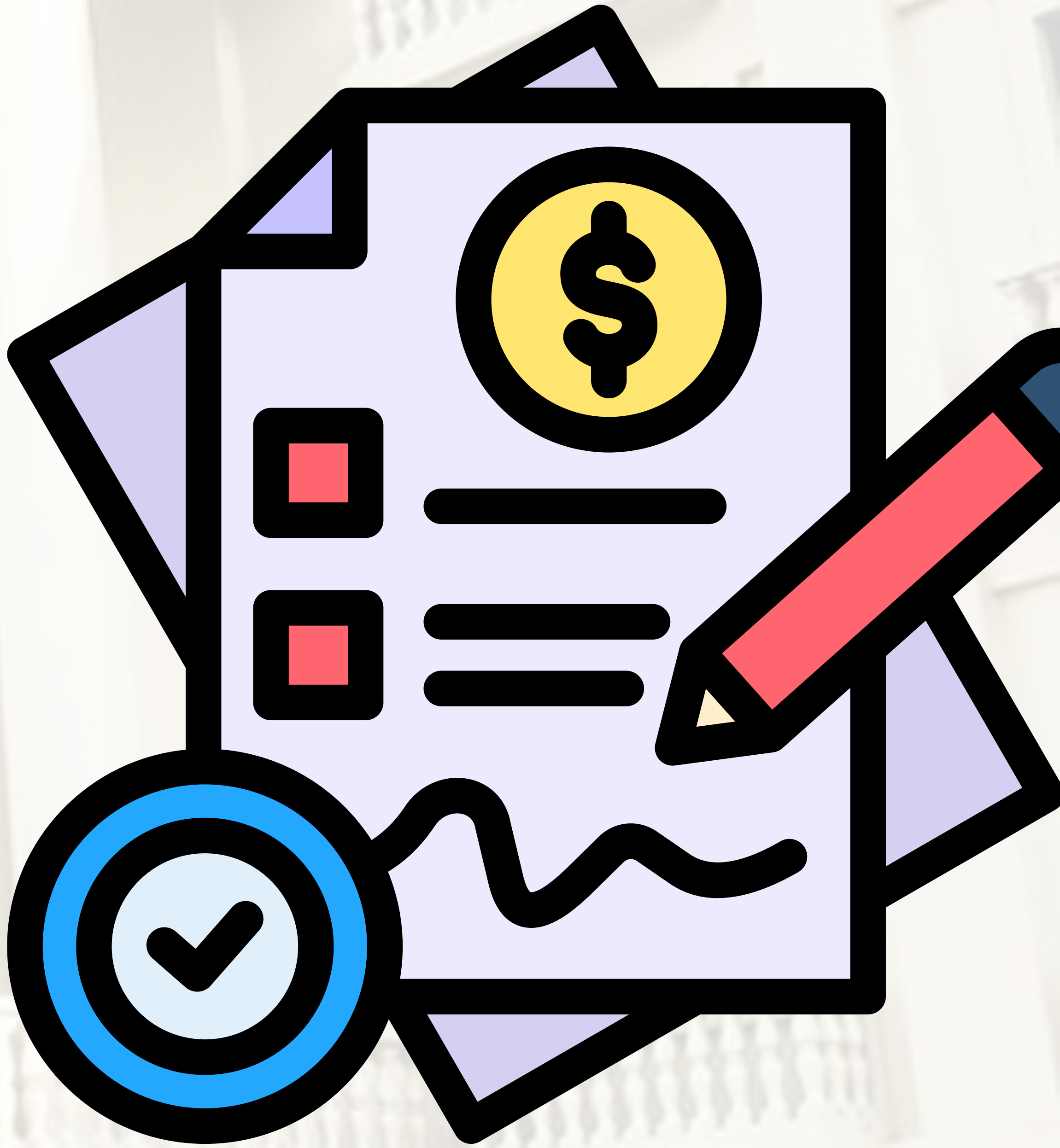
Department of Budget and Management

Budget Review

15. What happens if the barangay resolution approving the Barangay Annual Investment Program (BAIP) is not approved before the enactment of the Appropriation Ordinance (AO)?

Local budgets shall operationalize the approved local development plans, pursuant to Section 305 (i) of the LGC.

Hence, if the BAIP is not approved/adopted by the Sangguniang Barangay before the enactment of the AO, the Sangguniang Panlungsod or the Sangguniang Bayan shall declare AO inoperative in its entirety.



16. What would be the findings of the reviewing authority if the Certified Statement of Income was not signed by the City/Municipal Accountant?

The certified statement of income, which is issued by the city/municipality to the barangay, shall be duly signed by the City/Municipal Treasurer and the City/Municipal Accountant as the figures will be used as part of the receipts portion of the Barangay Budget Preparation (BBP) Form No. 1-A and Barangay Annual Budget.

In case during budget review, all items of appropriation were found to be in order, except for the Certified Statement of Income that was not signed by the City/Municipal Accountant, the reviewing authority can declare the Appropriation Ordinance operative in its entirety, subject to condition.

17. If a barangay submits a previous year's budget to the Sangguniang Panlungsod/Sangguniang Bayan through the City/Municipal Budget Officer, can the said Office still review it?

Generally, within ten (10) days from its approval, copies of the barangay ordinance authorizing the annual appropriations shall be furnished the sangguniang panlungsod or the sangguniang bayan, as the case may be, through the city or municipal budget officer in accordance with Section 333 (a) of the LGC.

However, the reviewing authority is not precluded from reviewing the previous year's barangay budget. Once the budget is received, the reviewing authority shall review within sixty (60) days to ensure that the provisions of the LGC are complied with.

18. What will happen if the Annual Budget of the Barangay was not reviewed by the *Sangguniang Panlungsod/Sangguniang Bayan* within sixty 60-day reglementary period?

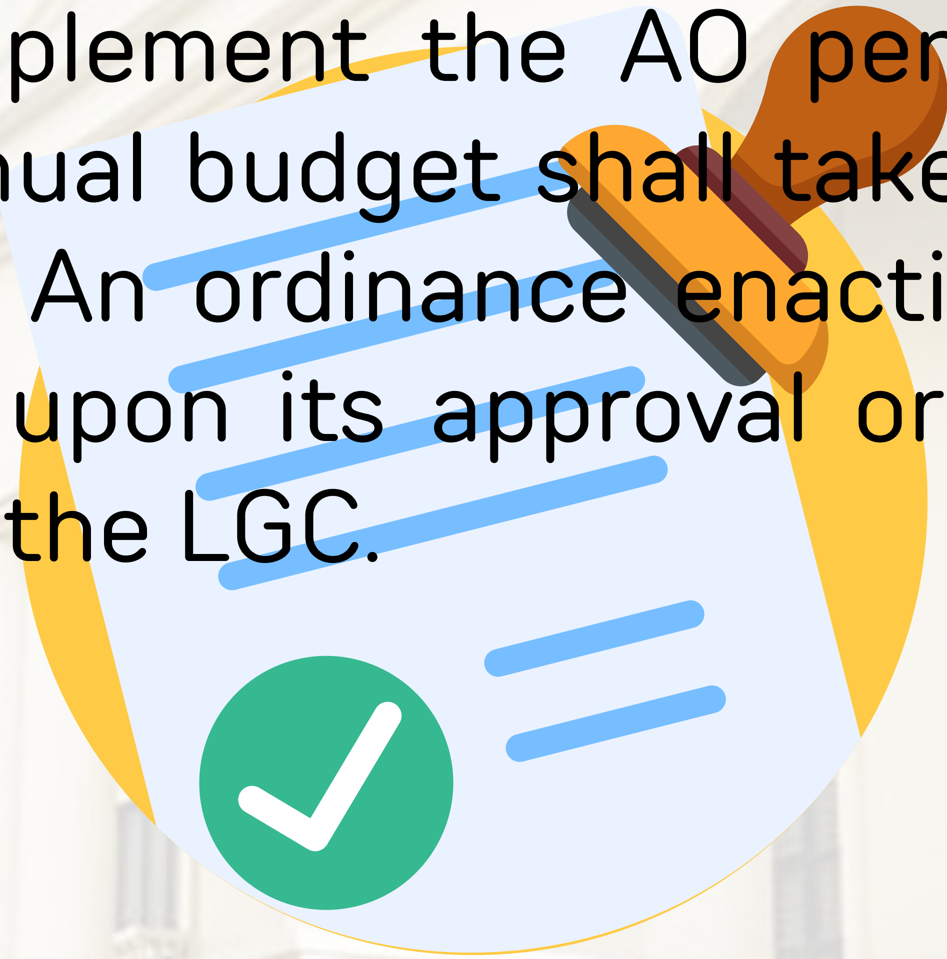
If within sixty (60) days after the receipt of the ordinance approving the annual budget of the barangay, the **Sanggunian Panlungsod/Bayan concerned takes no action thereon, the same shall continue to be in full force and effect**, pursuant to Section 333 (a) of the LGC.

Department of Budget and Management

Budget Execution

19. Can the barangay implement its Appropriation Ordinance while it is still pending review by the Sangguniang Panlungsod or Sangguniang Bayan?

Yes. The barangay can implement the AO pending the review since the ordinance enacting the annual budget shall take effect at the beginning of the ensuing calendar year. An ordinance enacting a supplemental budget, however, shall take effect upon its approval or on the date fixed therein, pursuant to Section 320 of the LGC.



20. What are the expenses allowed to be utilized if the barangay will be under a reenacted budget?

Only the annual appropriations for honoraria/salaries and wages of existing positions, statutory and contractual obligations, and essential operating expenses authorized in the annual and supplemental budgets for the preceding year shall be deemed reenacted and disbursement of funds shall be in accordance therewith, pursuant to Section 323 of the LGC.

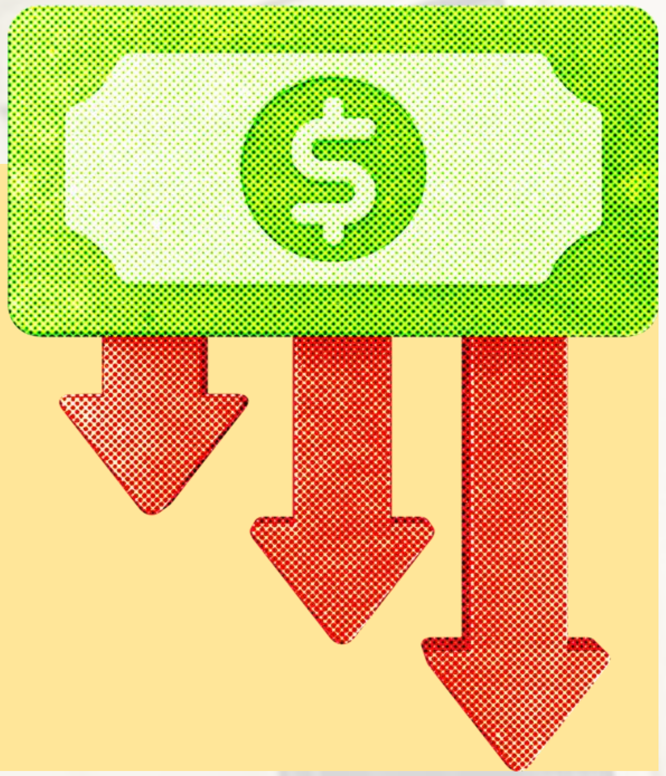
21. What should barangays do in cases of adjusted NTA shares?

An increase in the final NTA shares of a barangay shall require a supplemental budget to apply the necessary adjustments in the appropriate budgetary requirements. A decrease in the Final NTA shares, however, shall entail a prioritization in the implementation of items of appropriations. The said provisions are reiterated annually through the issuance of a Local Budget Memorandum indicating the final NTA shares of LGUs for the ensuing fiscal year.

22. What are the options of the barangay if there is a shortfall in income?

In case of revenue shortfall, barangay officials may take any of the following courses of action:

a. Prioritize expenditures or spend only what is necessary;
b. Intensify revenue collections;
c. Seek financial assistance; and
d. Resort to borrowings.

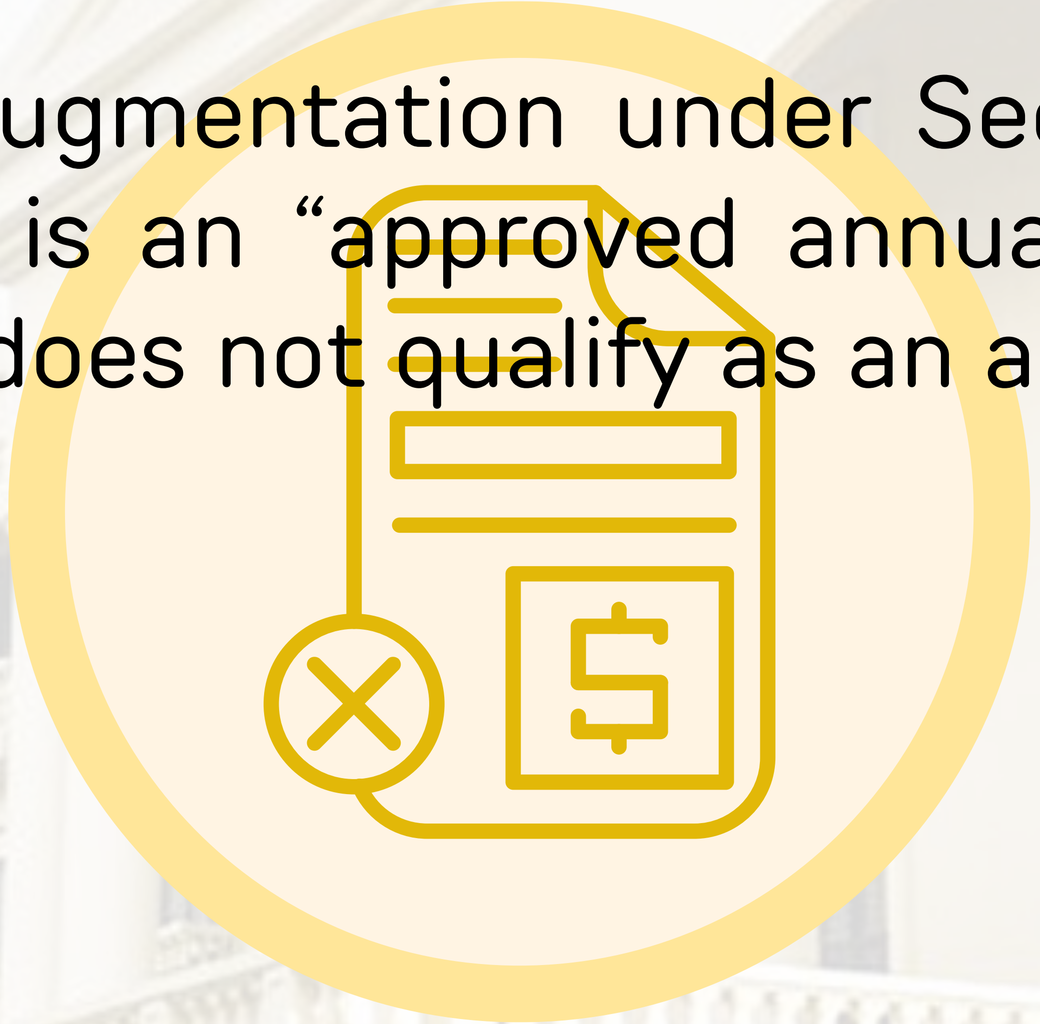


23. Under a reenacted budget, can the barangay continue to pay the honoraria of Barangay Health Workers?

Yes. Pursuant to Section 323 of the LGC, the annual appropriations for honoraria of existing positions in the barangay, statutory and contractual obligations, and essential operating expenses authorized in the annual and supplemental budgets for the preceding fiscal year shall be deemed reenacted.

24. Can the barangay pass an ordinance authorizing the use of savings and augmentation under Section 336 of the LGC when operating under a reenacted budget?

No. Use of savings and augmentation under Section 336 of the LGC are possible only when there is an "approved annual budget" for the current year. A reenacted budget does not qualify as an approved annual budget for the current year.



25. Is the appropriation for development projects of no less than twenty percent (20%) of the NTA included in the reenacted items?

No. There can be no implementation of new projects under a reenacted budget.

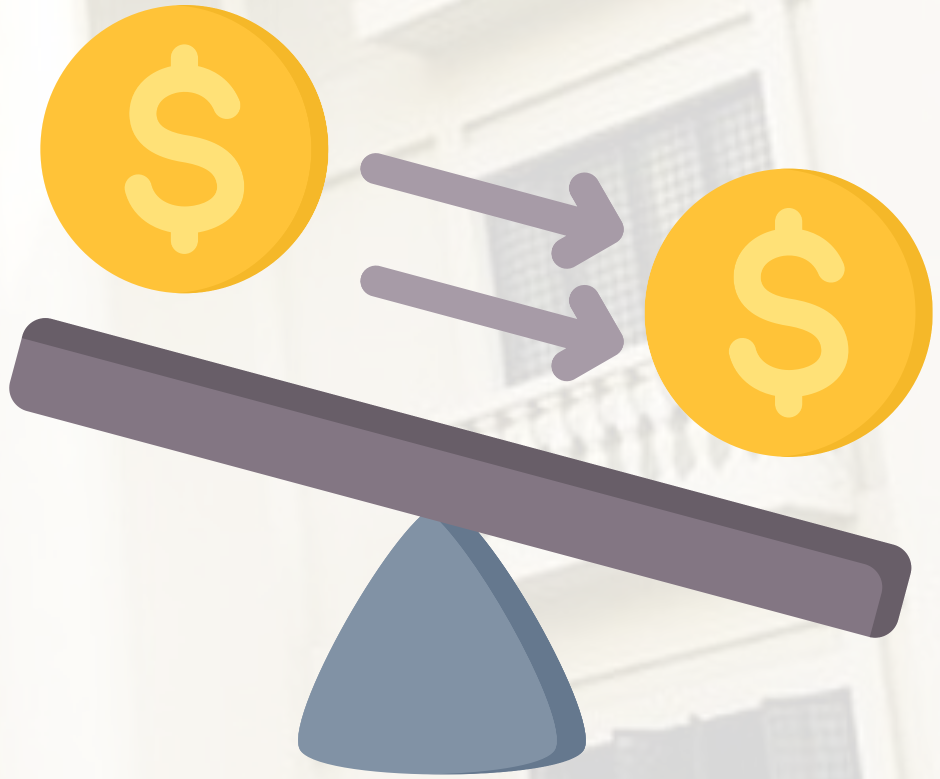
26. Can 20% Development Fund be reallocated to other expense items other than development projects?

No. Pursuant to Section 336 of the LGC, funds shall be available exclusively for the purpose for which they have been appropriated. Hence, the same cannot be reallocated to other expense items which are not intended for development projects.

27. What is the proper treatment and disposition of unexpended balances of the 20% Development Fund (DF)?

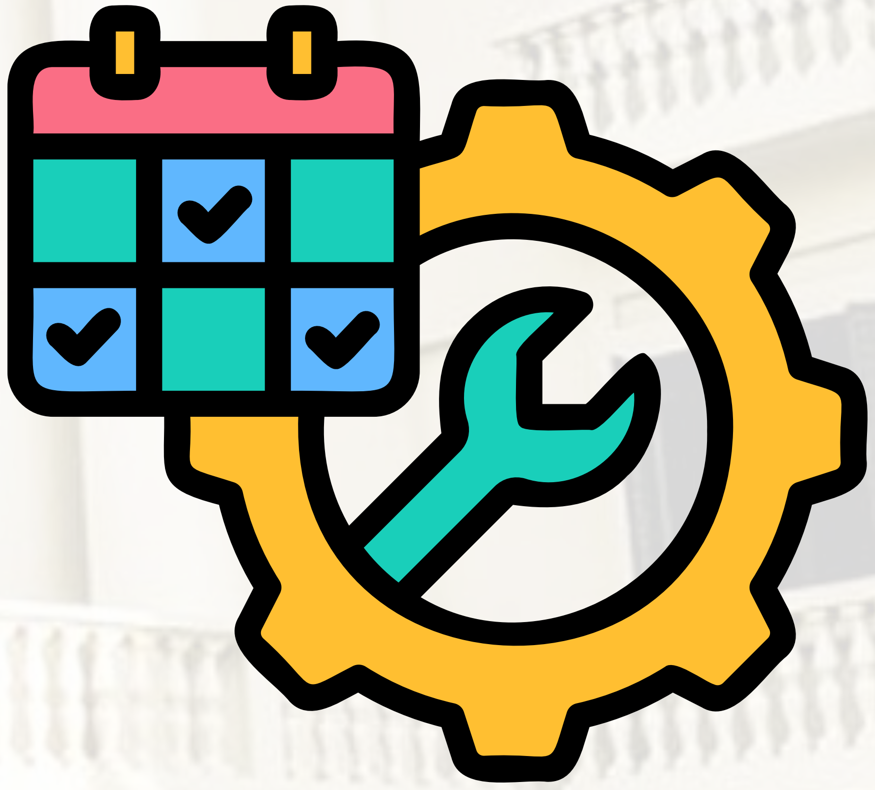
Unexpended balances of the 20% DF shall revert to the unappropriated surplus and shall thereafter be appropriated for other development projects.

Funds for capital outlay under the 20% DF shall be treated as continuing appropriations until the projects are completed or discontinued, in which case, the unexpended balances shall be reverted and appropriated for development projects.



28. Can repair and maintenance expenses of an office/unit in the barangay hall be charged to the 20% Barangay Development Fund (BDF)?

No, Item 3.2.5.5 of the DBM-DOF-DILG Joint Memorandum Circular (JMC) No. 1 dated November 4, 2020, **prohibits** charging the 20% BDF for the purchase, maintenance, or repair of administrative office's furniture, fixtures, equipment or appliances, among others.



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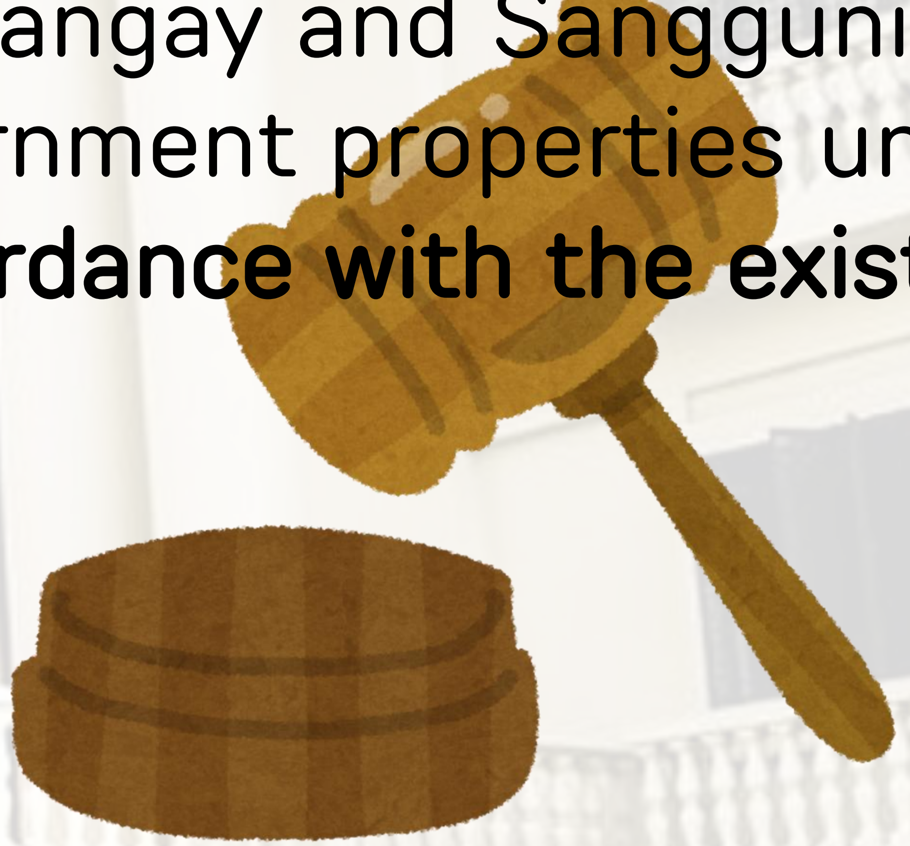
Budget Accountability

29. What is the liability of the former barangay officials who did not turnover the properties, as well as the pertinent records/documents, of the barangay to the new set of barangay officials?

Item 5.1 of the DILG Memorandum Circular No. 2023-047 dated March 21 2023 states that “[t]he concerned accountable Barangay and Sangguniang Kabataan Officials who failed to turn over the government properties under their possession/custody **may be held liable in accordance with the existing applicable laws, rules, and regulations.**”



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Creation of Positions and Compensation Concerns

30. Can the barangay create positions not included in Local Budget Circular (LBC) No. 137 dated July 13, 2021?

No, only those positions listed in the Index of Occupational Service in Local Government Units may be created by the barangay. Corollary, all positions in the barangay must be properly allocated to the appropriate position titles and salary grades per LBC No. 137, and any subsequent issuances of the DBM for the purpose.

Position titles not consistent with the Index shall be submitted to the DBM for evaluation and approval.

31. Can the barangay implement different salary schedules for elected and appointive positions?

No. The salary schedule to be adopted shall be applied to all positions in the LGU, whether elected or appointive,

If local funds are insufficient to grant the maximum honorarium or salary rates as prescribed, the Sanggunaing Barangay may adjust the honoraria/salary to lower rates but a uniform percentage of the applicable rates for all barangay officials and employees, pursuant to LBC No. 63 and. LBC No. 165 dated July 18, 2025.

32. Who are entitled to bonuses in the barangay? Are tanods and barangay staff eligible for bonuses?

Pursuant to Item 3.8 of LBC No. 63, barangay personnel paid on salary basis, and whose positions are classified in accordance with RA No. 6758 and issued appointments in accordance with the civil service law, rules and regulations, may be entitled to Personnel Economic Relief Allowance (PERA), Year-End Bonus (YEB) and Productivity Incentive Benefits (PIB), and other benefits provided by pertinent law or presidential authority.

In addition, barangay officials and personnel are also entitled to Mid-Year Bonus and Productivity Enhancement Incentive.

Item 3.4 of the said Circular provides that Barangay tanods and members of the Lupong Tagapamayapa may be granted honorarium, allowances or other emoluments provided the total amount shall not exceed the minimum salary rate for Salary Grade 1.

Item 3.9 of the same Circular provides that officials and employees other than those referred to in Item 3.8 thereof are not entitled to the aforementioned benefits except for the elective and mandatory appointive officials whose entitlement to the year-end benefits are specifically provided for by law.

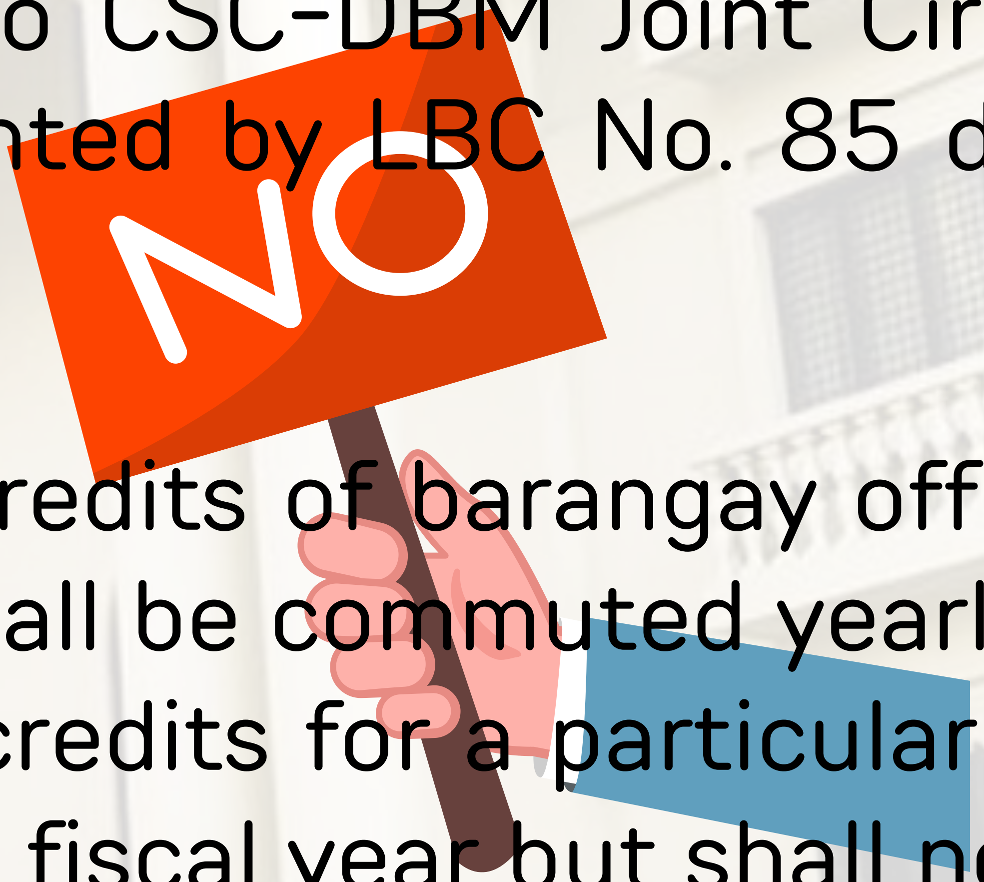
It is worth noting that the grant thereof shall still subject to the PS limitations under Section 331 (b) of the LGC.

33. Are Barangay Health Workers (BHWs) and Barangay Nutrition Scholars (BNS) entitled to incentives and benefits?

The BHWs and BNS may be entitled to incentives and benefits, subject to the existing laws, rules and regulations.

34. Are barangay officials entitled to Terminal Leave Benefits (TLB)?

No. Instead of TLB, barangay officials are entitled to the cumulation and commutation of their leave benefits pursuant to CSC-DBM Joint Circular (JC) No. 1 dated March 23, 2004, as supplemented by LBC No. 85 dated April 23, 2007.



Item 3.2 of the said JC provides that the leave credits of barangay officials shall be cumulated up to one (1) year only and shall be commuted yearly. As such, the funding for the monetization of leave credits for a particular year shall be included in the appropriation for the next fiscal year but shall not be carried over to the next succeeding fiscal year.

35. Is the Indigenous Peoples Mandatory Representative (IPMR) in the Barangay entitled to receive bonuses and leave credits?

Yes. As provided under Section 15 of the NCIP Administrative Order No. 3, s. 2018, the compensation, benefits, and other emoluments of the IPMR shall be the same with that of the regular members of concerned legislative bodies as prescribed in the LGC and other applicable laws, except for the Step Increment.

Thank you!