

Revenue collections and government expenditures of Barangay Zone II, Digos City

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ABSTRACT

The purpose of the study was to determine if the revenue collection and government expenditures of Brgy. Zone II, Digos City were properly allocated. Data gathering and profiling of records and their corresponding category using financial condition analysis determined the utilization of the calculated percentage of trends based on the past data. Also, an Input Process Output (IPO) type of research was used based on classic systems theory. This theory states that the general structure is as important in determining how effective it will function as its components. Furthermore, based on Local Government Code 1991 RA No. 7160, the surplus must not exceed 10% and all projects and activities funded from the Local Government Service Equalization Fund (LGSEF). Revenue/Collection allocation to the total expenditures of Barangay Zone II, Digos City, revealed that the year from 2013-2015 has positive results in terms of their variances which has a less than 10% surplus every year calculated. The year 2013 got a variance of P 179,537.36 and convert into a percentage of 4.00, and Year 2014 got a variance of P 18,230.00, and it was converted to a percentage of 0.4. Lastly, they don't have variances in the year 2015. In implementing or executing the barangay budget, barangay officials shall ensure the following: That the revenues as estimated are realized; That the approved programs and projects in the barangay development plan and the annual budget are implemented; That barangay funds are disbursed by the appropriation ordinance and reviewed annual budget; and That all financial transactions of the barangay follow accounting and auditing rules.

Keywords: revenue collections, government expenditures, Brgy. Zone II



INTRODUCTION

Local government units must have adequate revenues to finance their expenditure assignment for fiscal decentralization to achieve its objectives. Moving governance closer to the people, following a well-designed decentralization, making local policies and programs reflect local preferences, can generate a welfare gain (Bahl, 2008). This is the well-known economic efficiency argument for fiscal decentralization, as Oates (1972) pointed out. However, while local governments have the information advantage that is suitable for discovering and responding to local preferences, it is not obvious that all local governments can turn this "information advantage into an efficiency advantage the People's Constitutional Right to Information and the State Policies of Full Public Disclosure and Transparency in the Public Service. " Lack of technical and financial capacity to administer the local government, develop practicable local development plans, and implement projects may constrain the efficient delivery of services.

In the international context, domestic revenue mobilization in developing countries gained increasing prominence in the policy debate. Several factors explain this, including the potential benefits of taxation for state-building, independence from foreign aid; the fiscal effects of trade liberalization; the financial and debt crisis in the "West,"; and the acute financial needs of developing countries. Governments in developing countries face great challenges in mobilizing tax revenues, which result in a gap between what they could collect and what they collect. However, we know that significant contributors to tax gaps include tax evasion and avoidance, tax exemptions, and inequitable rent-sharing in the extractive sector. The report discussed European and international actions to improve revenue mobilization in developing countries, and it suggests some recommendations for the future. (Mascagni, 2014)

In the Philippine system of budgeting at a national level, special characteristics of the Philippine budget process are examined, such as a commitment to fiscal discipline and the national planning function. The three steps of the annual budget formulation cycle are described: the development of economic assumptions and revenue forecasts; the use of a medium-term expenditure framework to assess the continuing costs of existing programs; and identifying the resultant "fiscal space" through the Paper on Budget Strategy. The process for allocating resources is then described, including the "Budget Call," the submission and review of proposals, the role of the central ministry and the line ministries, and finally, Congress's role,

constitutional restrictions, and the nature of executive-legislative relations. (Blondal, 2010)

Population processes and outcomes in Tagum City (in this case, urbanization) influence and change an area's development and vice versa. In Tagum City's case, its growing economy is presumed to be attracting considerable movement of people, which proves to present both opportunities and challenges for the local government. The well-developed transportation network and the gold rush in the early 1980s have contributed to the City's development. Rapid urbanization soon ensued. Population increase has slightly slowed down in recent years but still above national and regional averages, with the increase mostly attributed to high birth rates. The City especially puts heavy emphasis on infrastructure, which has shaped its development. Tagum's local government is credited for taking bold steps to influence its development path – from massive infrastructure development right after its elevation to a City, to initiating fiscal discipline in its economic enterprises and improving measures in increasing local revenues undertaking a radical population management program. These efforts signify the local government's innovativeness in serving its constituents and meeting the increasing demand brought by high continuous population growth. Yet challenges remain in providing adequate manpower to social services, setting up a feedback mechanism on its various interventions, and increasing avenues for its constituents' participation in setting development priorities (Gerochi & Villacorta, 2004). Thus, this study determined the proper allocation of revenue collections and Barangay Zone II expenditures, Digos City using data gathering and profiling methods.

METHOD

This study made use of Input Process Output (IPO) and descriptive research methods. The research's IPO methods involve a dominant approach to understanding and explaining team performance and continue to exert a strong influence on group research today. The framework is based on classic systems theory, which states that the general structure is important in determining how effective it will function as its components. (Ilgen et al., 2005).

Likewise, this study utilized descriptive research. The descriptive method research involves gathering information about the present existing condition. Moreover, this method relies on observation to collect data; thus, when important new issues and questions arise during the duration of the study, further

investigation may be conducted. In this study, IPO and descriptive research were done in determining the proper allocation of revenue collection and government expenditures of Barangay Zone II, Digos City. The study used the method to determine how the Barangay Zone II, Digos City allocates their Revenue Collections and Expenditures. The study used the primary data to gather data gathered through the records of the revenue collections and government expenditures of Barangay Zone II, Digos City, from 2013 to 2015.

All information and gathered data were processed, analyzed, and interpreted using *financial condition analysis* to assess the ability of a local government to balance recurring expenditure needs with recurring revenue sources while providing services continually and *trend analysis* to determine the ability of a local government or school district to balance recurring expenditure needs with recurring revenue sources while providing services continually.

RESULTS AND DISCUSSION

The Total Revenue/Collections of Barangay Zone II, Digos City from 2013-2015

The following discussions focus on the relative importance of revenue collections and government expenditures of Brgy. Zone II, Digos City in terms of proper allocation. The relative importance of proper allocation of their total revenue collected to their expenditures based on the percentage regarding the RA No. 7160 of Local Government Code 1991 is shown in Figure 2. Importance measures are relative, meaning the range of the total revenue collected meets their total Expenditures.

Also, there are mandatory obligations that should be provided in the barangay annual budget. The barangay annual budget must include the following: (1) Appropriations for development projects of not less than 20% of the total IRA of the barangay for the budget year (Development Fund); (2) Appropriations for Sangguniang Kabataan (SK) programs, projects and activities equivalent to 10% of the general fund of the barangay for the budget year (SK Fund); (3) Appropriations for unforeseen expenditures arising from the occurrence of calamities at 5% of regular income for the budget year (Calamity Fund); and (4) Provision for the delivery of basic services according to Section 17 of RA No. 7160, and effective local governance (Local Government Code 1991).

Figure 1. *Budgetary Requirement as Mandated by the Local Government Code (1991)*

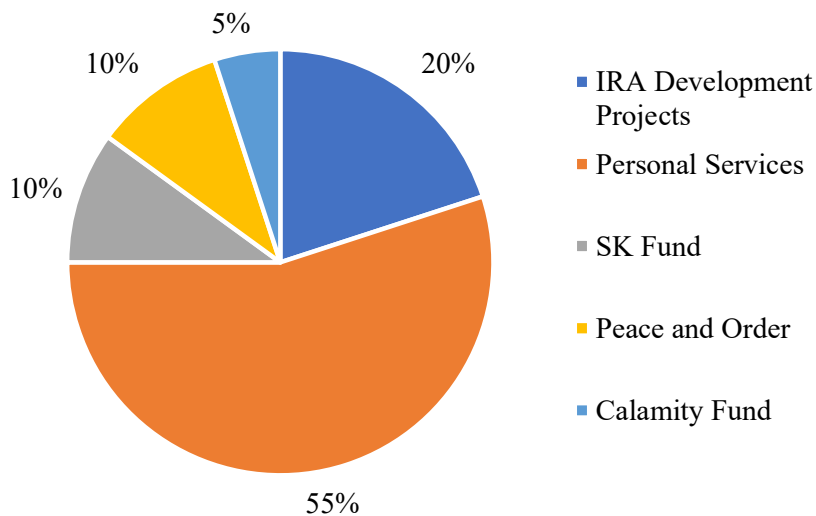


Table 1 shows the total income collected from the year 2013-2015 included the IRA. As stated in the LGC 1991, the Punong Barangay, with the Barangay Treasurer's assistance, prepares the barangay budget. A barangay budget component consists of the following: (a) estimates of income; and (b) total appropriations covering current operating expenditures and capital outlay. Furthermore, the barangay treasurer is responsible for determining the estimated income to be used as a source of funds in the budget.

The barangay treasurer should submit to the Punong Barangay on or before September 15 of each year the detailed Statements of Income and Expenditures as a basis for preparing the budget for the next fiscal year. The forms of the beginning balance of the estimated income for the budget year are the estimated savings at the end of the current year forms part of the beginning balance for the budget year. It includes projected balances of any appropriation that remain free of any obligation or encumbrances and are still available at the end of the current year after the satisfactory completion, or the unavoidable discontinuance or abandonment of the work, activity or purpose for which the funds were authorized.

Table 1. *Total Income Collected for the Year 2013-2015*

| Account Code | Source of Income Particulars | Year 2013 | Year 2014 | Year 2015 |
|---------------------|-------------------------------------|---------------------|---------------------|---------------------|
| 582 | Business Tax (Local Tax) | 408.00 | - | - |
| 588 | Share on Real Property Tax | 276,296.23 | 286,000.00 | 290,000.00 |
| 613 | Clearance & Certifications Fees | 116,203.00 | 160,000.00 | 160,000.00 |
| 656 | Subsidy from other LGU's | 451,000.00 | - | - |
| 664 | Interest Income | 7,642.99 | 7,000.00 | 7,000.00 |
| 665 | Internal Revenue Allotment | 3,563,877.00 | 4,053,699.00 | 4,656,798.00 |
| 583 | Share on CTC | 6,824.14 | 8,000.00 | 8,000.00 |
| 608 | Permit/Licenses | 9,828.00 | 19,130.00 | 15,000.00 |
| 628 | Other Service Income | 12,400.00 | 9,100.00 | - |
| 642 | Rental Income | 47,350.00 | 23,000.00 | 30,000.00 |
| | Total | 4,491,829.36 | 4,565,929.00 | 5,166,798.00 |

By LGC 1991 RA No. 7160, in case of failure to prepare and submit the annual barangay budget on time, there is a penalty for the Punong Barangay, under Sec. 318 R.A. No. 7160 and implemented by DBMCOA Joint Circular No. 93-2 dated June 8, 1993, a Punong Barangay who fails to submit the budget on or before October 16 of the current year shall be subject to such criminal and administrative penalties as may be provided by the Local Government Code and other applicable laws.

The total expenditures of Barangay Zone II, Digos City from 2013-2015

The following discussions center on the proper allocations of the revenue collections and government expenditures of Barangay Zone II, Digos City. Table 2 shows the Total Expenditures from the year 2013-2015, according to the LGC 1991 (RA. No. 7160), All projects and activities that may be funded from the Local Government Service Equalization Fund (LGSEF). All activities devolved to the barangays as enumerated under Section 17 (b) of R.A. No. 7160 and as

determined by the Oversight Committee on Devolution may be funded from the LGSEF.

Table 2. *Total Expenditures allocation for the Year 2013 - 2015*

| Expenditures | Year 2013 | Year 2014 | Year 2015 |
|---|-----------------------|-----------------------|-----------------------|
| Personal Services 55% & Peace and Order 10% | P 2,883,443.24 | P 2,956,004.35 | P 3,460,419.54 |
| Development Funds 20 % | P 893,912.47 | P 909,539.80 | P 931,359.60 |
| SK Fund 10 % | P 331,529.37 | P 454,769.90 | P 516,679.86 |
| Calamity Fund 5% | P 203,406.92 | P 227,384.95 | P 258,339.00 |
| Total | P 4,312,292.00 | P 4,547,699.00 | P 5,166,798.00 |

Furthermore, training fees may be charged against the training and seminar expenses under Maintenance and Other Operating Expenses. If their Real Property Tax share is not remitted by the LGU concerned, the barangay can make the demand for payment or call the local treasurer's attention and the chief executive of the LGU concerned. If all efforts are denied, the matter may be referred to higher authorities like the Bureau of Local Government Finance (BLGF) of the Department of Finance (DOF).

Figure 2. *Total Income with or without IRA vs. Total Expenditures for the Year 2013 - 2015*

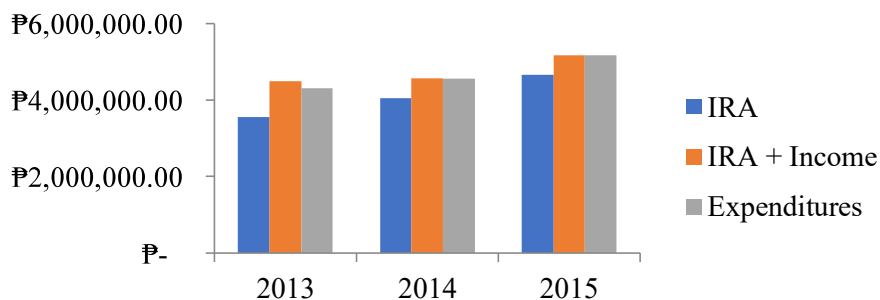


Figure 2 shows the total income with or without IRA from the year 2013 – 2014, and the IRA is one of the bases how much will be the barangay's income. Furthermore, it shows that the income collected from the said year is equally closed to their expenditures. It is one of the bases for proper allocation, which can

be determined through this figure and one of the assurances that the said barangay's income is not used to their interest.

Moreover, it is possible to use savings from one expense item to another without enacting a supplemental budget by the ordinance of the Punong Barangay, be authorized by the Sangguniang Barangay to augment any item in the approved annual budget from savings in other items within the same expense class, i.e., from a personal services (PS) item to another PS item, or from a Maintenance and Other Operating Expenses (MOOE) item to another MOOE item. Hence, the use of savings through the augmentation of funds is allowed without enacting a supplemental budget.

Also, under a reenacted budget, the barangay can continue to pay Barangay Health Workers' honoraria. Under Sec. 323 of RA No. 7160, the annual appropriations for honoraria of existing positions in the barangay, statutory and contractual obligations, and essential operating expenses authorized in the preceding year's annual and supplemental budgets are deemed reenacted.

Moreover, the IRA shares of the barangays based on Section 286 of the Local Government Code of 1991 provides that the IRA share of local government units (LGUs) shall be released within five (5) days after the end of each quarter without the need of further action or request. However, to facilitate the early release of the IRA to the barangays, the Department of Budget and Management (DBM) has adopted a direct credit system of cash release to the barangays.

The 20% Development Fund cannot be reallocated to other expensive items because on the LGC 1991; the law explicitly states that it shall be used exclusively for development projects as well as Unexpended balances of the 20% Development Fund earmarked for Center of Excellence (COE), if not booked as accounts payable, shall revert to the unappropriated surplus and shall after that be appropriated for other development projects.

On the other hand, funds for capital outlay projects 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 other development projects. The 10% SK fund is a statutory obligation that can be considered as a trust fund. Therefore, any unexpended balances shall form part of the beginning balance of the succeeding fiscal year and be added to the 10% share of the SK for the next year.

SK utilizes funds generated from fundraising activities. They may disburse similar activities with the Sangguniang Barangay's proper guidance but without the need for its formal approval.

The 5% Calamity Fund based on the LGC 1991 RA No. 7160 may be utilized by the punong barangay for unforeseen expenditures arising from the occurrence of calamities, provided that the barangay has been declared to be in a state of calamity. Also, when a calamity occurs, the Sangguniang Bayan, Panlungsod, or Panlalawigan concerned may declare the locality in a state of the calamity, which will serve as the basis for utilizing the 5% Calamity Fund.

Following the same Local Government Code, The Sangguniang Barangay may, by way of enacting a supplemental budget, realign appropriations for the purchase of supplies and materials or for payment of services which are exceptionally urgent or indispensable to prevent imminent danger to, or loss of life or property in terms of the barangay augment the calamity fund if found insufficient when calamities occur.

Revenue/Collection allocation to the total expenditures of Barangay Zone II, Digos City

Table 3 revealed that the year from 2013-2015 has positive results in terms of their variances which has a less than 10% surplus in every year that calculated. The year 2013 got a variance of P 179,537.36 and convert into a percentage of 4.00, and Year 2014 got a variance of P 18,230.00, and it was converted to a percentage of 0.4. Lastly, they don't have variances in the year 2015.

Trend analysis was used to reveals the variance (income vs. expenditures) in the year 2013 (4%) and in the year 2014 (0.4%), which give a positive result, likewise, in the year 2015 (0%), which means that in this year the total income is equal to their expenditures. Besides, that in implementing or executing the barangay budget, barangay officials shall ensure the following: (1) That the revenues as estimated are realized; (2) That the approved programs and projects in the barangay development plan and the annual budget are implemented;(3) That barangay funds are disbursed following the appropriation ordinance and reviewed annual budget; and (4) That all financial transactions of the barangay follow accounting and auditing rules.(LGC 1991))

The total income of the year 2013 with a value of P4,491,829.36 is less than the total expenditures of P4,312,292.00 with a variance of P179,537.36, and in the

year 2014 P4,565,929.00 which income is less than expenditures of P4,547,699.00 with a variance of P18,230.00, in 2015, no variance was observed. Moreover, using the variance can easily determine that the allocation of Income collected is properly allocated to its expenditures based on Local Government Code RA No. 7160 those surpluses should not exceed 10%.

Table 3. *Variance (Income vs. Expenditures) for the Year 2013 – 2015*

| Year | Total Income (by millions) | Total Expenditures | Variance | Percentage |
|-------------|---------------------------------------|-------------------------------|-----------------|-------------------|
| 2013 | P 4,491,289.36 | P 4,312,292.00 | P 179,537.36 | 4.00% |
| 2014 | P 4,565,929.00 | P 4,547,699.00 | P 18,230.00 | 0.4% |
| 2015 | P 5,166,798.00 | P 5,166,798.00 | - | - |

Also, according to the LGC 1991 (RA No. 7160), some collections cannot be included in the budget of the barangay just like collections that are held in trust, i.e., performance bonds, deposits, payments under protest, and funds for specific activities contributed by outside sources cannot be included in the barangay budget.

CONCLUSION AND RECOMMENDATIONS

This study aimed to determine the proper allocation of the revenue collection and government expenditures of Brgy. Zone II, Digos City. Data gathering and profiling of records and their corresponding category using financial condition analysis determined the utilization of the calculated percentage of trends based on the past data. An Input Process Output (IPO) type of research was used base on classic systems theory, which states that the general structure of a system is as important in determining how effective it will function as its components, namely: the Revenue collections and expenditures of Barangay Zone II, Digos City.

It was found out that the trend analysis revealed the variance and its percentage from the total income vs. the total expenditures from the year 2013 (4.00%), 2014(0.4%), and 2015 no variance at all. Moreover, according to the Local Government Code 1991 RA No. 7160, mandatory obligations should be provided in the barangay annual budget. The barangay annual budget must include the following: (1) Appropriations for development projects of not less than 20% of

the total IRA of the barangay for the budget year (Development Fund);(2) Appropriations for Sangguniang Kabataan (SK) programs, projects and activities equivalent to 10% of the general fund of the barangay for the budget year (SK Fund); (3) Appropriations for unforeseen expenditures arising from the occurrence of calamities at 5% of regular income for the budget year (Calamity Fund); and (4) Provision for the delivery of basic services according to Section 17 of RA No. 7160, and effective local governance. Lastly, all projects and activities may be funded by the Local Government Service Equalization Fund (LGSEF). All activities devolved to the barangays as enumerated under Section 17 (b) of R.A. No. 7160 and as determined by the Oversight Committee on Devolution may be funded from the LGSEF.

Based on the outcomes of the study, it was concluded that total income with IRA vs. Expenditures from the year of 2013 (P4,491,829.36), 2014 (P4,565,929.00), and 2015(P5,166,798.00) vs. 2013(P4,312,292.00),2014(P4,547,699.00), and 2015(P5,166,798.00. Furthermore, the variance in the percentage of the years 2013(4.00%), 2014(0.4%), and 2015 (no variance) is the most important basis for determining the proper allocation of the total revenue collected to its expenditures following the Local Government Code 1991 RA No. 7160.

Thus, this research recommends that the mandatory obligations that should be provided in the barangay annual budget are namely: (1) Appropriations for development projects of not less than 20% of the total IRA of the barangay for the budget year (Development Fund);(2) Appropriations for Sangguniang Kabataan (SK) programs, projects and activities equivalent to 10% of the general fund of the barangay for the budget year (SK Fund); (3) Appropriations for unforeseen expenditures arising from the occurrence of calamities at 5% of regular income for the budget year (Calamity Fund); and (4) Provision for the delivery of basic services. Secondly, the best basis in determining the proper allocation of the revenue collections to its expenditures which may include the total income + IRA vs. the Expenditures from the year 2013-2015 based on the data gathered, and calculating the variance to percentage per year to get the result if it is exceeding or not in the percentage base on the LGC 1991. Lastly, further research recommendations include using other attributes such as the People's Constitutional Right to Information and the State Policies of Full Public Disclosure and Transparency in the Public Service. A longer period of study can be conducted.

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