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County Allocation of Revenue Bill, 2027

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COUNTY ALLOCATION OF REVENUE BILL, 2027

ARRANGEMENT OF CLAUSES

Clause

1— Short title.

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3— Object and purpose of the Bill.

4— Equitable allocation of county governments' share of revenue.

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SCHEDULE

Allocation of Each County Governments' Equitable Share of Revenue Raised Nationally in the Financial Year 2027/28.

APPENDIX

Explanatory Memorandum to The County Allocation of Revenue Bill, 2027

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A Bill for

AN ACT of Parliament to provide for the equitable allocation of revenue among the county governments, the revenue allocated to the county level of government from the revenue raised nationally in the financial year 2027/28; the responsibilities of national and county governments with respect to such allocation; and for connected purposes.

ENACTED by Parliament of Kenya, as follows—

Short title.	1. This Act may be cited as the County Allocation of Revenue Act, 2027.
Interpretation.	2. In this Act, unless the context otherwise requires—
	"Cabinet Secretary" means the Cabinet Secretary for the time being responsible for matters relating to finance; and
No. 16 of 2011.	"revenue" has the meaning assigned to it under Section 2 of the Commission on Revenue Allocation Act;
Object and purpose of the Act.	3. The object and purpose of this Act is to— (a) provide, pursuant to Article 218(1)(b) of the Constitution, for the allocation of an equitable share of revenue raised nationally among the county governments for the financial year 2027/28, in accordance with the resolution approved by Parliament under Article 217 of the Constitution; and (b) facilitate the transfer of allocations made to counties under this Act from the Consolidated Fund to the respective County Revenue Funds.
Equitable allocation of county governments' share of revenue.	4. (1) Each county government's equitable share of revenue raised nationally allocated, on the basis of the revenue sharing formula approved by Parliament in accordance with Article 217 of the Constitution in respect of the financial year 2027/28 shall be as set out in Column G of the Schedule.
Cap. 412 A	(2) Each county government's allocation under subsection (1) shall be transferred to the respective County Revenue Fund in accordance with a cash disbursement schedule approved by the Senate and published in the gazette by the Cabinet Secretary in accordance with Section 17 of the Public Finance Management Act.

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Report on actual transfers.	5. The National Treasury shall publish a monthly report on actual transfers of all allocations to county governments.
Books of accounts to reflect national government transfers.	6. (1) Each county treasury shall reflect all transfers by the National Government to the county governments in its books of accounts.
	(2) The estimates of revenue of each county shall separately reflect the total equitable revenue share from the National Government transferred to the County Revenue Fund, under section 4 of this Act.
Cap. 412 A	(3) A County Treasury shall as part of its consolidated quarterly and annual reports required under the Public Finance Management Act, CAP 412A report on actual transfers received by the County Government from the National Government, up to the end of that quarter or financial year in the format prescribed by the Public Sector Accounting Standards Board or in the absence of a format prescribed by the Board, in the format prescribed by the National Treasury.
Financial Misconduct.	7. Despite the provisions of any other law, any serious or persistent non-compliance with provisions of this Act constitutes an offence under the Public Finance Management Act, CAP 412A.
Clarification of revenue sharing formula to apply	8. The allocation of the equitable share of revenue to the county governments under Section 4 of this Act shall be in accordance with the Fourth Basis of Revenue Sharing among counties approved by Parliament pursuant to Article 217 of the Constitution.

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SCHEDULE (s. 4(1))

Allocation of Each County Governments' Equitable Share of Revenue Raised Nationally in the Financial Year 2027/28

SNO.	County	Equitable Share FY 2026/27	*Baseline Allocation of KSh. 387.425 Billion in FY 2024/25		**Affirmative Action Allocation of KSh. 4.460 Billion in FY 2027/28	***Additional Equitable Share Above KSh. 391.885 (KSh. 57.582 Billion) Using 4th Generation Formula parameters		Total Equitable Share Allocation for FY 2027/28
			Allocation Ratio	Equitable Share		Allocation Ratio	Equitable Share	
		Column A	Column B	Column C	Column D	Column E	Column F	Column G=C+D+F
1	Baringo	7,308,538,764	1.72520442	6,683,873,223	-	1.72965677	995,967,759	7,679,840,982
2	Bomet	7,690,203,903	1.81070446	7,015,121,755	-	1.86925695	1,076,352,079	8,091,473,834
3	Bungoma	12,213,393,358	2.88331254	11,170,673,599	-	2.88722071	1,662,514,087	12,833,187,686
4	Busia	8,204,938,281	1.93971364	7,514,935,582	-	1.91057095	1,100,141,431	8,615,077,013
5	Elgeyo-Marakwet	5,693,287,501	1.24584940	4,826,732,019	371,666,667	1.37031376	789,051,536	5,987,450,221
6	Embu	6,266,341,359	1.38604809	5,369,896,832	371,666,667	1.45307451	836,706,678	6,578,270,177
7	Garissa	9,208,106,330	2.13988446	8,290,447,365	-	2.54093580	1,463,116,953	9,753,564,318
8	Homa-Bay	8,914,134,592	2.10886773	8,170,280,800	-	2.05968100	1,186,001,702	9,356,282,502
9	Isiolo	5,820,428,671	1.27082847	4,923,507,187	371,666,667	1.45439517	837,467,139	6,132,640,993
10	Kajiado	9,203,151,126	2.15396880	8,345,013,610	-	2.37612492	1,368,215,857	9,713,229,467
11	Kakamega	14,065,352,058	3.35045578	12,980,503,320	-	3.00387301	1,729,684,600	14,710,187,920
12	Kericho	7,426,240,914	1.73929543	6,738,465,302	-	1.90440430	1,096,590,560	7,835,055,862
13	Kiambu	13,509,437,586	3.17318105	12,293,696,674	-	3.36630462	1,938,379,296	14,232,075,970
14	Kilifi	13,175,334,595	3.14121274	12,169,843,476	-	2.78413711	1,603,156,682	13,773,000,158
15	Kirinyaga	6,337,662,004	1.40653616	5,449,272,719	371,666,667	1.43077009	823,863,387	6,644,802,772
16	Kisii	10,108,734,057	2.40197088	9,305,835,688	-	2.22317145	1,280,142,471	10,585,978,159
17	Kisumu	9,181,372,763	2.16953696	8,405,328,573	-	2.14881404	1,237,326,124	9,642,654,697
18	Kitui	11,851,440,460	2.80982593	10,885,968,099	-	2.67332787	1,539,350,710	12,425,318,809
19	Kwale	9,333,631,268	2.22634358	8,625,411,603	-	1.96101250	1,129,186,590	9,754,598,193
20	Laikipia	6,298,325,916	1.39047164	5,387,034,732	371,666,667	1.49418391	860,378,212	6,619,079,611
21	Lamu	3,987,831,441	0.84001567	3,254,430,723	371,666,667	1.00161720	576,749,362	4,202,846,752
22	Machakos	10,506,401,278	2.47718241	9,597,223,940	-	2.51745075	1,449,593,833	11,046,817,773
23	Makueni	9,245,743,223	2.19327825	8,497,308,272	-	2.07236592	1,193,305,909	9,690,614,181
24	Mandera	12,588,136,749	3.01751786	11,690,618,560	-	2.48516735	1,431,004,466	13,121,623,026
25	Marsabit	8,391,662,265	1.96093468	7,597,151,194	-	2.19994759	1,266,769,749	8,863,920,943
26	Meru	10,896,791,506	2.56677821	9,944,340,480	-	2.63727267	1,518,589,472	11,462,929,952
27	Migori	9,164,503,127	2.16430958	8,385,076,399	-	2.15818006	1,242,719,249	9,627,795,648
28	Mombasa	8,655,427,079	2.03902021	7,899,674,038	-	2.09262921	1,204,973,883	9,104,647,921
29	Murang'a	8,226,820,359	1.93892161	7,511,867,031	-	1.97965756	1,139,922,753	8,651,789,784
30	Nairobi City	22,113,620,446	5.20841762	20,178,711,957	-	5.35763115	3,085,021,256	23,263,733,213
31	Nakuru	14,898,407,452	3.52764991	13,666,997,646	-	3.40969073	1,963,361,806	15,630,359,452
32	Nandi	8,011,197,944	1.89612728	7,346,071,107	-	1.84169137	1,060,479,315	8,406,550,422
33	Narok	10,067,523,987	2.38545796	9,241,860,519	-	2.28620647	1,316,439,183	10,558,299,702
34	Nyamira	6,265,653,089	1.38349048	5,359,987,994	371,666,667	1.47860565	851,407,967	6,583,062,628
35	Nyandarua	6,862,041,197	1.53230216	5,936,521,652	371,666,667	1.53358128	883,063,934	7,191,252,253
36	Nyeri	7,108,453,869	1.68254740	6,518,609,255	-	1.63323997	940,449,216	7,459,058,471
37	Samburu	6,529,355,285	1.45143667	5,623,228,509	371,666,667	1.47988401	852,144,071	6,847,039,247
38	Siaya	8,009,251,583	1.88461597	7,301,473,431	-	1.95978998	1,128,482,641	8,429,956,072
39	Taita-Taveta	5,941,906,759	1.30764364	5,066,138,383	371,666,667	1.39582365	803,740,589	6,241,545,639
40	Tana-River	7,446,174,779	1.76155871	6,824,718,834	-	1.72076961	990,850,374	7,815,569,208
41	Tharaka-Nithi	5,219,759,236	1.13557677	4,399,508,312	371,666,667	1.24209956	715,223,472	5,486,398,451
42	Trans-Nzoia	8,244,551,895	1.94631243	7,540,500,922	-	1.94946967	1,122,540,022	8,663,040,944
43	Turkana	14,274,615,989	3.41053967	13,213,283,320	-	2.93875860	1,692,190,541	14,905,473,861
44	Uasin-Gishu	9,260,813,408	2.18684880	8,472,398,961	-	2.18306645	1,257,049,282	9,729,448,243
45	Vihiga	6,202,310,291	1.36617969	5,292,921,648	371,666,667	1.48891590	857,344,798	6,521,933,112
46	Wajir	10,847,713,122	2.55605576	9,902,799,041	-	2.61640338	1,506,572,555	11,409,371,596
47	West Pokot	7,223,277,137	1.70606846	6,609,735,714	-	1.69885483	978,231,447	7,587,967,161
		428,000,000,000	**100.00000000**	**387,425,000,000**	**4,460,000,000**	**100.00000000**	**57,581,815,000**	**449,466,815,000**

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Parliament in accordance with Article 217 of the Constitution, approved the Fourth Basis for Allocating the Share of National Revenue among the county governments for Financial Year 2025/26 to 2029/2030 as follows:

County Allocation = (Baseline Allocation Ratio*KSh 387.425 billion) + (KSh. 4.46 billion shared equally among the 12 identified counties) + {[(0.45*Population Index) + (0.35*Equal Share Index) + (0.12*Poverty Index) + (0.08* Geographical Size Index)] * (County Equitable Share - 391.89 billion)}

* **The Baseline Allocation Ratio**- This ratio is derived from each county's allocation for FY 2024/25 totalling to KSh. 387.425 billion.

** **The Affirmative Action Allocation**- KSh. 4.46 billion has been ring-fenced to cater for the 12 smaller counties that are not favoured by the other parameters. Each of the 12 counties shall each receive an additional amount of KSh.371.7 million.

*** **Additional Equitable Share above KSh. 391.885 billion** i.e. (KSh. 57.582 billion)- This allocation ratio shares out the difference of KSh. 57.582 billion using the parameters of the approved Fourth basis for allocating the Share of National Revenue among the county governments.

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MEMORANDUM OF OBJECTS AND REASONS

The principal object of this Bill is to make provision for the allocation of revenue raised nationally among the county governments for the financial year 2027/28.

Clauses 1 of the Bill provides for the short title.

Clauses 2 of the Bill defines the various terms used in the Bill.

Clause 3 of the Bill contains the objects and the purpose of the Bill which is to provide for the allocation of revenue raised nationally among county governments for the financial year 2027/28 as well as the transfer of the county allocations from the Consolidated Fund to the respective County Revenue Fund.

Clause 4 of the Bill provides for the allocation of equitable share of revenue raised nationally to each county government.

Clause 5 of the Bill provides for the publishing of a monthly report by the National Government on actual transfers of all allocations to county governments.

Clause 6 of the Bill provides for a County Treasury to reflect the total allocations from the National Government separately in the books of accounts.

Clause 7 of the Bill defines what constitutes financial misconduct under the Public Finance Management Act, CAP 412A.

Clause 8 of the Bill provides for use of the Fourth basis for allocating the Share of National Revenue among counties as approved by Parliament pursuant to Article 217 of the Constitution.

Dated the.....2/11...., 2026

HON. FCPA JOHN NG'ONGO MBADI, EGH.

Cabinet Secretary for The National Treasury.

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APPENDIX

EXPLANATORY MEMORANDUM TO THE COUNTY ALLOCATION OF REVENUE BILL, 2027

Background

1. This memorandum is prepared as an attachment to the County Allocation of Revenue Bill (CARB), 2027 in fulfilment of the requirements of Article 218(2) of the Constitution and Section 191 (5) of the Public Finance Management Act, CAP 412 A.

2. Article 218 (2) as read together with Section 191 (5) of the Public Finance Management Act, CAP 412A of the Constitution requires that the Bill be submitted to Parliament every year together with a memorandum explaining the following:

a) the proposed revenue allocation set out in the Bill;

b) the extent to which the Bill has taken into account the provisions of Article 203 (1) of the Constitution; and

c) a summary of any significant deviation from the recommendations of the Commission on Revenue Allocation (CRA), with an explanation for each such deviation.

d) the extent, if any, of deviation from the recommendations of the Intergovernmental Budget and Economic Council; and

e) any assumptions and formulae used in arriving at the respective shares mentioned in subsections 191 (2) and (3) of the Public Finance Management Act, CAP 412A.

3. The memorandum is prepared based on the approved Fourth Basis for revenue allocation among county governments pursuant to Article 217 of the Constitution.

Explanation of the Allocations to the National and County Governments as Proposed in the Bill

4. The Bill proposes an allocation of KSh. 2,789.5 billion to the National Government and KSh. 449.47 billion to county governments for the financial year 2027/28 as equitable share of revenue raised nationally. The allocation of KSh. 449.47 billion translates to an increase of KSh. 21.47 billion or 5 % from a base of KSh. 428.0 billion allocated in the financial year 2026/27 (see Table 1).

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Table 1: Equitable Revenue Share Allocation to County Governments for Financial Year 2027/28

BUDGET ITEM	Amount (KSh. million)
A. Baseline (i.e., allocation in the previous FY 2026/27)	**428,000**
Add:	
B. Adjustment for Revenue Growth	12,861
Adjusted Equitable Revenue Share allocation for FY 2026/27 (A+B)	**440,861**
C. Add Remuneration of transferred Universal HealthCare (UHC) Workers	8,606
Total Equitable Revenue Share allocation for FY 2026/27 (A+B+C)	**449,467**

Source: National Treasury

5. The proposed allocation of KSh. 449.47 billion to county governments equitable revenue share is informed by the following factors: -

i. The projected revenue and expenditure pressures in FY 2026/27: As at end of September 2026, overall revenue collection was below target with a shortfall in ordinary revenue of KSh 58.2 billion. If this trend continues, it is bound to affect the projected ordinary revenue for FY 2027/28;

ii. Share of ordinary revenue to GDP: Over the period FY 2013/14 to FY 2026/17 ordinary revenue to GDP has declined from a high of 18.1% in FY 2013/14 to a projected 14.3% in FY 2026/27;

iii. High expenditure requirements to finance Consolidated Fund Services: Expenditures related to Consolidated Fund Services (CFS) have more than doubled from 3.2% of GDP in FY 2013/14 to 7.2% of GDP in FY 2026/27 thus narrowing the fiscal space available to support other Government expenditures. In FY 2024/25 and FY 2025/26 period, nearly half of ordinary revenue was used for CFS expenditures, significantly reducing fiscal space for development and other priority spending;

iv. High expenditure requirements for servicing of debt: Debt at Present Value is recorded at 65.6% of GDP against a of PV 55%+/-5% anchor. This calls for continuous liability management and strong fiscal consolidation that can yield a primary surplus of at least 2.3% of GDP each year. Under the CFS budget, interest payments take the lion share of ordinary revenues at 42% in FY 2026/27 from 14.7% in FY 2013/14;

v. The macroeconomic assumptions outlined in the 2027 Budget Policy Statement (BPS), including anticipated growth rates, inflation, and other economic performance indicators, which influence the resources available for allocation;

vi. The National Government continues to solely bear shortfalls in revenue in any given financial year except for FY 2024/25, when the shortfall due to rejection of the Finance Bill 2024 was borne by the National and county governments. However, even after equitably sharing the projected revenue foregone due to downward revision of projected revenue, the National Government solely bore the burden of shortfalls in revenue experienced in FY 2024/25;

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vii. Over the years, county governments have continued to receive their full allocation despite the budget cuts affecting the National Government entities

viii. Adjustment for Revenue Growth from the baseline by 3 % or KSh. 12.86 billion;

ix. Adjustment for financing of transferred health function by Ksh. 8.61 billion to fully transition UHC workers to permanent and pensionable staff;

x. Overall Adjustment for both Revenue Growth and transferred functions from the baseline by 5% or Ksh. 21.47 billion; and

xi. The need for compliance with the 15 per cent minimum threshold in allocating equitable share of revenue to county governments as per Article 203(2) of the Constitution – The proposed equitable share of Ksh. 449.47 billion in the FY 2027/28 is equivalent to 21.92 per cent of the most recently audited and approved actual revenues raised nationally of KSh. 2,050.1 billion for financial year 2022/23, pursuant to Article 203 (2) and (3) of the Constitution.

Evaluation of the Bill against Article 203 (1) of the Constitution

6. Fiscal Capacity and Efficiency of County Governments: The Bill has proposed an increase of KSh. 21.47 billion equitable share to county governments in financial year 2027/28. Similarly, it is expected that the county governments will also grow their Own Source Revenue (OSR). The National Treasury has instituted measures to support county governments enhance their revenue collection. These include the National Rating Act, 2024, development of the County Governments Revenue Raising Process Bill, 2023 the Model Tariffs and Pricing Policy for adoption by county governments and recommendation for an Integrated County Revenue Management System.

7. County governments' ability to perform the functions assigned to them and meet other developmental needs of the county governments: As explained above, the baseline for the equitable share allocation for the financial year 2027/28 was derived from the Division of Revenue Act, 2026. This baseline is further informed by costing of expenditure for devolved functions done at onset of devolution and subsequent financial years. An amount of KSh. 8.61 billion has been identified by the Ministry of Health as the total attendant remunerations for Universal Health Coverage (UHC) Workers to be transitioned to permanent and pensionable terms within counties in the financial year 2027/28. This allocation is proposed to be allocated to county governments unconditionally as a part of Equitable Share in FY 2027/28.

8. Developmental needs of the county governments and their ability to perform their assigned functions: County governments are allocated equitable share of revenue which is an unconditional allocation to enable them have autonomy to plan, budget and implement development projects based on county priorities and account for their finances. In addition, Article 209 of the Constitution has assigned

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counties revenue raising powers and as such counties are expected to improve and maintain sustained collection of their own source revenues. Additionally, the equitable share to county governments is proposed to increase by KSh. 21.47 billion, which is meant to facilitate county governments enhance service delivery in performance of their assigned functions under Part II of the Fourth Schedule of the Constitution.

9. **Economic disparities within and among counties and the need to remedy them:** The Fourth Basis for horizontal revenue allocation among counties was approved by Parliament in 2025 and is applicable from financial year 2025/26 to financial year 2029/30. The Fourth Basis has taken into account the following parameters; 1) The Baseline Allocation Ratio; 2) Affirmative Action Allocation; and 3) The Fourth Basis indices namely: - (i) Population (45%); (ii) Basic Share index (35%); (iii) Poverty Index (12%); and (iv) Geographical Size (8%). The baseline sharing was based on the Third Basis which is premised on eight parameters which relate to devolved functions assigned to county governments in Part II of the Fourth Schedule of the Constitution.

The three components contained in the Fourth Basis are as follows: -

- **The Baseline Allocation Ratio-** This is derived from each County's allocation for Financial Year 2024/25. The Baseline Allocation Ratio ensures that each county maintains what it had already secured in the FY 2024/25 out of KSh. 387.43 billion, which is meant to ensure that no county loses on revenue, hence holding all Counties harmless.
- **The Affirmative Action Allocation-** This component provides for equitable share amounting to KSh.4.46 billion that has been ring-fenced to cater for and be shared equally among the 12 smaller counties that are not favoured by the other parameters such as population and geographical size. This component considers disparities among counties and aims at equitable distribution of resources across all counties in line with Article 203(1)(g).
- **The Fourth Basis indices-** The third component of the formula shares out the difference amounting to KSh. 57.58 billion using the parameters of the approved Fourth basis which are Population Index, Equal share Index, Poverty Index and Geographical Size Index. The Population Index is based on the 2019 Kenya Population and Housing Census whereas the Poverty Index is based on the 2022 Kenya Poverty Report by the Kenya National Bureau of Statistics

10. **Need for Affirmative Action in respect to disadvantaged areas and groups:** KSh. 18.6 billion has been set aside for the Equalization Fund in financial year 2027/28. KSh. 10.25 billion has been allocated to the Fund, this being 0.5 per cent of the last audited and approved revenues for financial year 2022/23 (i.e., KSh. 2,050.1 billion), in line with Article 204 of the Constitution. Further, the National

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Treasury has provided an additional KSh. 8.35 billion towards settlement of arrears to the Fund, in line with the commitment made to Parliament to progressively clear accrued arrears. The Equalisation Fund is used to finance development programmes that aim at reducing regional disparities among beneficiary counties in water, education, health and infrastructure sectors.

11. Need for Economic Optimization of Each County: Allocation of resources to county governments was guided by the historical costing of expenditures for functions assigned to the county governments. The equitable share of revenue allocated to county governments in the financial year 2027/28 is KSh. 449.47 billion, an allocation which is KSh. 21.47 billion higher than KSh. 428.0 billion allocations in financial year 2026/27. This is an unconditional allocation which means that the county governments can independently plan, budget and spend the funds. With these allocated resources, therefore, county governments can prioritize projects and allocate resources, thus optimizing their potential for economic development.

12. Stable and Predictable Allocations of County Governments' Vertical Share of Revenue: The county governments' equitable share of revenue raised nationally has been shielded from possible shocks in performance of total revenues raised nationally more so in the advent of the effects of projected global economic downturn in 2026. The anchoring of county governments' equitable share of revenue on the last audited and approved revenues for financial year 2022/23 (i.e., KSh. 2,050.1 billion) assures stable and predictable allocations of County Governments. Further, Clause 5 of the Division of Revenue Bill, 2027, provides that the National Government will bear the cost of any shortfall in revenue raised nationally in FY 2027/28.

13. Need for Flexibility in Responding to Emergencies and Other Temporary Needs: The National Government has allocated KSh. 2.0 billion towards the Contingencies Fund established pursuant to Article 208 of the Constitution. This Fund will be used to finance urgent and unforeseen expenditures in the two levels of government to meet the demands arising from needs in all Counties that suffer from calamities in the manner contemplated under Sections 19 - 21 of the Public Finance Management Act, CAP 412A. In addition, the Public Finance Management Act, CAP 412A mandates each County Government to set up County Emergency Fund to respond to urgent and unforeseen expenditures within their jurisdiction.

14. It should be noted that after considering all the other factors contemplated under Article 203(1) of the Constitution, including the needs of county governments, there are no resources left to finance other National Government needs, such as defence, roads, energy among others. In fact, this leaves a deficit of Ksh.107.2 billion, which can only be met through additional borrowing to finance National Government

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other development priorities and non-discretionary expenditures such as salaries for National Government staff. This implies a huge negative financing gap that will occasion additional borrowing which may distort the fiscal framework already set out in the 2027 Budget Policy Statement and negatively impact on the fiscal consolidation plan.

Summary of Significant Deviations from the Recommendations of the Commission on Revenue Allocation

15. The Division of Revenue Bill, 2027 proposes to allocate county governments an equitable share of KSh. 449.47 billion from the shareable revenue raised nationally to be shared among county governments using the Fourth basis formula for sharing revenue approved by Parliament under Article 217 of the Constitution. The Commission on Revenue Allocation (CRA), on the other hand, recommends county governments' equitable share of revenue of KSh. 457.28 billion as an unconditional allocation to be shared among county governments using the Fourth basis formula for sharing revenue approved by Parliament, pursuant to Article 217 of the Constitution. The proposed allocation by the National Treasury and CRA has occasioned a variance of KSh. 7.81 billion.

16. The variation of KSh. 7.81 billion between the proposed allocation by the National Treasury and CRA is occasioned by: -

a) **Adjustment for Revenue Growth from the baseline:** - While the National Treasury has proposed an increase of KSh. 12.86 billion to county governments' equitable share, from the FY 2026/27 baseline, the CRA has proposed an increase of KSh.12.84 billion, in FY 2026/27, resulting into an insignificant difference of KSh. 21 million.
b) **Remuneration of Universal HealthCare (UHC) Workers:** - Both the National Treasury and CRA propose converting conditional allocations for UHC workers in FY 2026/27 into equitable share in FY 2027/28 to support their transition to permanent and pensionable terms. CRA proposes KSh. 8.86 billion, compared with the National Treasury's KSh. 8.61 billion, a stated variance of KSh. 254 million. The difference reflects CRA's recommendation to adjust the FY 2026/27 remuneration allocation of KSh. 8.61 billion by three per cent. The National Treasury's proposal however reflects the actual projected UHC payroll budget for FY 2027/28 as agreed at the Budget Sector Working Groups.
c) **Consideration for Collective Bargaining Agreements:** - CRA recommends that the county governments be allocated KSh 2.3 billion to actualize Collective Bargaining Agreement (CBA) between County governments and the Kenya National Union of Nurses and Midwives, signed on 9th September 2026. However, the National Treasury has not provided for the same since, Health

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being devolved function, we recommend county governments negotiate CBAs for Health Workers within their budgetary allocations derived from their equitable share of revenues raised nationally and own source revenues.

d) **Implementation of the Salaries and Remuneration Commission Circular on Review of Remuneration and Benefits for State and Public Officers:-** CRA, informed by SRC the circular issued in August 2025 regarding the required budget projections for implementation of the 3rd and 4th salary review cycles for county governments' State and Public Officers, recommends that the county governments be allocated KSh 5.28 billion to facilitate the annual implementation of the 4th cycle of the salary review for State and Public Officers. However, the National Treasury has not provided for the same since it is the Constitutional responsibility of each level of Government to implement approved salary reviews by SRC from their respective equitable share of revenue raised nationally.

e) Further, the proposed adjustment county equitable share from the baseline by a Revenue Growth of 3 % or KSh. 12.86 billion, is adequate to facilitate county governments actualize the CBA with Kenya National Union of Nurses and Midwives; and implementation of the 4th cycle of the salary review for State and Public Officers as approved by SRC. This will be complemented by deliberate efforts by county governments to enhance their Own Source Revenue as envisaged in the National Policy to Support Enhancement of County Governments' Own-Source Revenue (OSR).

Table 2 analyses the approaches by CRA and the National Treasury in computing the proposal on the division of revenue between the national and county governments in FY 2027/28.

Table 2: Comparison of approaches towards recommendations of the Commission on Revenue Allocation and the National Treasury on the equitable share of revenue proposed for FY 2027/28

Expenditure Item	CRA	National Treasury	Variance
	A(million)	B(million)	C=(A-B) (million)
1. Equitable Revenue Share in FY 2026/27	**428,000**	**428,000**	**-**
Add:			
2. Increase in Revenue Allocation = (a+b+c+d)	**29,280**	**21,467**	**7,813**
a) Revenue Growth	*12,840*	*12,861*	*-21*
b) UHC staff remuneration	*8,860*	*8,606*	*254*
c) Implementation of the SRC 4th cycle remuneration and benefits for State and Public Officers	*5,280*	-	*5,280*
d) Kenya National Union of Nurses and Midwives CBA	*2,300*	-	*2,300*

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Expenditure Item	CRA	National Treasury	Variance
	A(million)	B(million)	C=(A-B) (million)
TOTAL EQUITABLE SHARE OF REVENUE = (1+2)	**457,280**	**449,467**	**7,813**

Source: The National Treasury

Assumptions Used in Arriving at the Respective Shares

17. In arriving at the respective allocations to National and County level of governments, the National Treasury was guided by the following economic assumptions:

a. That there will be no major economic shocks negatively affecting forecasted revenue in financial year 2027/28;

b. That Ordinary revenues projected at KSh 3,249.2 billion (14.2 % of GDP) in FY 2027/28 from KSh. 2,985.7 billion (14.3% of GDP) in financial year 2026/27 is attainable;

c. That there shall be stability in interest rates and foreign exchange rates;

d. That inflation shall remain stable within the government target of 5 +/- 2.5 percent;

e. That the planned fiscal consolidation over the medium term shall result in a primary surplus expected to stabilize growth despite the setbacks in the FY 2024/25 and FY 2025/26;

f. Overall Fiscal deficit of 5.4 percent of the GDP in FY 2027/28.

g. Reforms on Revenue Mobilization over the Medium Term shall progressively strengthen tax revenue mobilization, improve efficiency, compliance, and domestic revenue mobilization and enhance scaling up non-tax revenues by MDAs;

h. Progressive implementation of the National Infrastructure Fund will promote growth of infrastructure projects by pooling capital from diverse sources including; pension funds, sovereign wealth funds, private equity, banks, development finance institutions, among others, to finance large scale, long-term projects. This will ease pressure on budgetary reliance by MDAs on infrastructure projects;

i. Debt acquisition/repayments will be sustainable; and

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j. That county governments will continue to enhance their Own Source Revenues to reduce overreliance on national transfers and improve their fiscal sustainability.

18. In arriving at the respective allocations to National and county level of governments, CRA was informed by the following factors:

a. A stable macroeconomic environment that is characterized by stable inflation, low interest rates and stable exchange rate;

b. A projected economic growth of 5.0 per cent in the medium term;

c. A projected revenue increase of 8.83 per cent from KSh 2,985.7 billion in the financial year 2026/27 to KSh 3,249. 2 billion in 2027/28; and

d. The need to provide adequate resources for each level of government to finance functions assigned to them by the Fourth Schedule of the Constitution

Conclusion

19. The proposals contained in the Bill consider the financial objectives set out in the 2027 Budget Policy Statement (BPS) and are intended to achieve fiscal sustainability against the backdrop of escalating expenditure pressure on the fiscal framework occasioned by an increase in Consolidated Fund Services (CFS) and the persistent underperformance of ordinary revenue as a percentage of GDP.

20. The proposed KSh. 449.47 billion allocations among county governments as equitable share of revenue is equivalent to 21.92 percent of the audited and approved revenue for financial year 2022/23. This is above the 15 per cent minimum threshold required under Article 203(2) of the Constitution. The proposed allocations to each of the county governments in the County Allocation of Revenue Bill, 2027 has also taken into account the approved Fourth Basis Formula for Revenue Allocation pursuant to Article 217 of the Constitution.