



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF BUDGET AND MANAGEMENT  
Building II, General Solano Street, San Miguel, Manila



## LOCAL BUDGET CIRCULAR

No. 95

June 29, 2010

**TO :** All Provincial Governors; City and Municipal Mayors; *Barangay* Chairpersons; Provincial/City/Municipal/*Barangay Sanggunian* Members; Provincial/City/Municipal Treasurers/Budget Officers/ Human Resource Management Officers; and Other Officials Concerned

**SUBJECT :** Implementation of the Second Tranche Monthly Salary Schedule for Local Government Personnel

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### 1.0 Background

Executive Order (E.O.) No. 900 was issued on June 23, 2010, to implement the second tranche of the modified Salary Schedule for civilian personnel, among others, under the Senate and House of Representatives Joint Resolution No. 4, s. 2009, approved on June 17, 2009.

Section 4 of E.O. No. 900 provides the following:

**“SECTION 4. Implementation of the Second Tranche Monthly Salary Schedule for LGU Personnel** – The implementation of the Second Tranche of the modified Salary Schedule for LGU personnel shall be determined by the *sanggunian*, on the basis of the LGU income class and financial capability: Provided, That such salary rates shall not exceed the following applicable percentages of the salary rates in Annex “A,” pursuant to item (7)(a) of Joint Resolution No. 4: Provided, Further, That the resulting Personal Services (PS) cost shall not exceed the PS limitation in LGU budgets, as provided under Sections 325(a) and 331(b) of R.A. No. 7160: Provided, Finally, That there shall be no diminution in the basic salaries of incumbents for purposes of complying with said PS limitation.

Percentages of Salary Rates in Annex "A"		
	For Provinces/Cities	For Municipalities
<b>Special Cities</b>	100%	
1 <sup>st</sup> Class	100%	90%
2 <sup>nd</sup> Class	95%	85%
3 <sup>rd</sup> Class	90%	80%
4 <sup>th</sup> Class	85%	75%
5 <sup>th</sup> Class	80%	70%
6 <sup>th</sup> Class	75%	65%

For this purpose, the Department of Budget and Management shall issue the Second Tranche Monthly Salary Schedule for Local Government Personnel for each LGU income e class which shall take effect not earlier than January 1, 2011, as may be determined by the *sanggunian*."

## 2.0 Purpose

This Circular is issued to prescribe the guidelines, rules, and regulations to govern the implementation in local government units (LGUs) of the second tranche of the modified Salary Schedule.

## 3.0 Coverage

The following are covered by this Circular:

- 3.1 All positions for salaried LGU personnel, whether regular, contractual, or casual in nature, appointive or elective, full-time or part-time, now existing or hereafter created in LGUs; and
- 3.2 All positions for *barangay* personnel which are paid monthly honoraria.

## 4.0 Exclusions

Those hired without employee-employer relationships and paid from non-Personal Services (PS) appropriations, as follows, are excluded from the coverage of this Circular:

- 4.1 Consultants and experts hired for a limited period to perform specific activities or services with expected outputs;
- 4.2 Laborers hired through job contracts (*pakyaw*) and those paid for piecework;
- 4.3 Student laborers and apprentices; and
- 4.4 Individuals and groups of people whose services are engaged through job orders, contracts of service, or others similarly situated.

## **5.0 Determining the Second Tranche Monthly Salary Schedule to be Implemented**

In view of the authority of the *Sangguniang Panlalawigan/Panlungsod/Bayan* under the pertinent provisions of Republic Act (R.A.) No. 7160, "Local Government Code of 1991," the Second Tranche Monthly Salary Schedule to be implemented shall be determined by the *sanggunian*.

5.1 If funds are sufficient and sustainable, the salary rates in accordance with the Second Tranche Monthly Salary Schedule for Local Government Personnel Effective January 1, 2011, corresponding to the LGU level and income class in Annexes "A1" to "A8" may be implemented.

5.2 If funds are insufficient to implement fully the salary schedule for the LGU level and income class, a modified salary schedule may be formulated by the *sanggunian* with salary rates computed at a uniform percentage of the rates in the salary schedule corresponding to the LGU level and income class in Annexes "A1" to "A8."

5.3 The salaries of Public Health Workers (PHWs) shall be determined by the *sanggunian* after considering and balancing the impact of the relevant provisions of the Senate and House of Representatives Joint Resolution No. 4, s. 2009, R.A. No. 7160, and R.A. No. 7305, "Magna Carta of Public Health Workers," on fiscal discipline, prioritization of expenditures, financial capability, improvement of service delivery, and equity in compensation among LGU personnel. The *sanggunian* may adopt any of the following options:

5.3.1 Implement the salary rates in Annex "A1" for PHWs in the LGU.

5.3.2 If LGU funds are not sufficient, implement the salary rates at a uniform percentage of the rates in Annex "A1."

## **6.0 Rules for Adjusting Salaries**

If LGU finances permit the implementation of the Second Tranche Monthly Salary Schedule effective January 1, 2011, or the salary schedule formulated under item 5.2, the following rules shall apply:

6.1 The salaries of incumbent personnel shall be adjusted to the rates in the salary schedule to be adopted effective January 1, 2011, which correspond to the designated salary steps of the salary grade allocations of their positions as of December 31, 2010; provided, their positions and salary grades are in accordance with a) the Revised Index of Occupational Services, Position Titles, and Salary Grades in the Local Government issued through Local Budget Circular (LBC) No. 61 dated March 18, 1996; b) the list of new classes of positions under the Administrative

Services Group, General Administrative Service, listed under item 1.2 of Budget Circular No. 2004-4, "Conversion of Positions Performing Staff/Non-Technical Functions"; and c) the Re-allocated Classes of Positions in Annex "B" of LBC No. 2009-92 dated September 3, 2009.

6.2 If the actual monthly basic salary of an incumbent exceeds that for Step 8 of the salary grade allocation of his/her position as of December 31, 2010:

6.2.1 His/Her salary shall be adjusted to the rate for Step 8 of the salary grade allocation of his/her position in the salary schedule to be implemented by an LGU; or

6.2.2 He/She shall not be entitled to salary increase if the salary as of December 31, 2010, exceeds the rate for Step 8 of the salary grade allocation of his/her position in the salary schedule to be implemented by an LGU.

6.3 If the actual monthly basic salaries of incumbent personnel as of December 31, 2010, exceed the rates corresponding to the same steps in the salary schedule to be implemented effective January 1, 2011, on account of the adoption of salary schedules for higher income class LGUs under LBC No. 88, said personnel are not entitled to salary increases.

6.4 Incumbent personnel whose position titles are not in accordance with the Revised Index of Occupational Services, Position Titles, and Salary Grades, and modifications thereto, shall be granted salary adjustment only when the positions have been properly classified by the Department of Budget and Management (DBM) Regional Office concerned, in consultation with the Organization, Position Classification and Compensation Bureau (OPCCB), DBM, upon request of LGUs.

6.5 If supported by sufficient funds, the salaries/wages of incumbent contractual/casual personnel as of December 31, 2010, may be adjusted to the rates corresponding to Step 1 of the salary grade allocations of their positions effective January 1, 2011. The adjusted daily wage rates of casual personnel shall be computed by dividing the monthly salaries corresponding to Step 1 of the salary grade allocations of their positions by 22 work days per month.

## **7.0 No Diminution in Basic Salaries**

There shall be no diminution in the basic salaries of incumbents for purposes of complying with the PS limitation.

## **8.0 Honoraria Adjustments for *Barangay* Officials and Employees**

- 8.1 The maximum honoraria rates prescribed for *barangay* officials and employees under LBC No. 63 may be adjusted accordingly, based on the salary schedule adopted by the municipality or city where the *barangay* belongs.
- 8.2 If *barangay* funds are not sufficient and sustainable to implement the maximum honoraria rates under item 8.1, the *Sangguniang Barangay* may adopt and implement honoraria adjustments at a uniform percentage of the rates in item 8.1 for all *barangay* officials and employees.

## **9.0 Procedural Guidelines**

- 9.1 The Human Resource Management Officer/Administrative Officer shall prepare Notices of Salary Adjustment (NOSAs) for incumbent personnel following the format marked as Annex "B," for approval by the Local Chief Executive.
- 9.2 For personnel whose actual monthly salaries as of December 31, 2010, exceed the rates corresponding to Step 8 of the salary grade allocation of their positions in the salary schedule to be implemented by an LGU, the Human Resource Management Officer/Administrative Officer shall no longer prepare NOSAs.
- 9.3 The original copies of the NOSAs shall be issued to the personnel concerned. Copies of the same shall be furnished the Government Service Insurance System (GSIS).
- 9.4 The salary/honoraria adjustment under this Circular shall be subject to review by the authorities concerned, and to appropriate re-adjustment if found not in order. The recipient personnel shall refund any overpayments received.

## **10.0 Implementation of the Second Tranche Monthly Salary Schedule Later Than January 1, 2011**

If a *sanggunian* decides to implement the Second Tranche Monthly Salary Schedule later than January 1, 2011, it shall apply the same rules for salary/honoraria adjustments and the same procedural guidelines prescribed under this Circular, but modified as to effectivity date.

## **11.0 Fund Source**

- 11.1 The amounts required to implement the salary/honoraria adjustments, including such related compensation and fixed expenditure adjustments of LGU personnel shall be sourced exclusively from the funds of the LGUs,

subject to the PS limitation in LGU budgets pursuant to Sections 325(a) and 331(b) of R.A. No. 7160.

11.2 Such amounts shall be provided for in an appropriation ordinance to be enacted by the *Sangguniang Panlalawigan/Panlungsod/Bayan/Barangay*.

#### **12.0 Responsibilities of the Local Chief Executive**

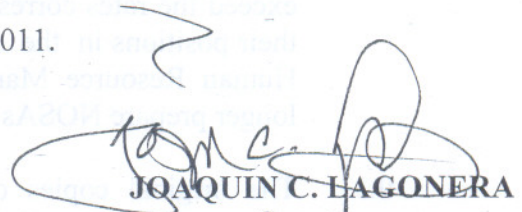
The Local Chief Executive shall be responsible for the implementation of the provisions of this Circular. He/She shall be held personally liable for any payment of salary/honoraria adjustments not in accordance with the provisions of this Circular.

#### **13.0 Saving Clause**

Cases not covered by the provisions of this Circular shall be referred to the DBM for resolution.

#### **14.0 Effectivity**

This Circular shall take effect January 1, 2011.

  
**JOAQUIN C. LAGONERA**  
Secretary *JCL*