



REPUBLIC OF THE PHILIPPINES

Department of Budget and Management

Building I, General Solano Street, San Miguel, Manila



LOCAL BUDGET CIRCULAR

No. 88

June 20, 2008

- TO :** All Provincial Governors; City and Municipal Mayors; *Barangay* Chairpersons; Provincial/City/Municipal/*Barangay Sanggunian* Members; Regional Directors of the Department of the Interior and Local Government, Department of Finance, and Department of Budget and Management; Provincial/City/Municipal Treasurers/Budget Officers/Auditors; and Other Officials Concerned
- SUBJECT :** Rules and Regulations on the Grant of Compensation Adjustments to Local Government Personnel Pursuant to Executive Order No. 719
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1.0 Purpose

This Circular is issued to prescribe the rules and regulations governing the grant of compensation adjustments to local government personnel effective July 1, 2008, as authorized under Executive Order (EO) No. 719 dated May 1, 2008.

2.0 Coverage

All authorized permanent, contractual or casual positions, appointive or elective, on full-time or part-time basis, now existing or hereafter created in local government units (LGUs) are covered by this Circular.

3.0 Exclusions

The following personnel are not covered by the compensation adjustments due to the salary increase authorized under said EO in view of the provisions of existing laws, rules and regulations:

- 3.1 Those with services hired without employee-employer relationships and funded from non-Personal Services appropriation/budget, as follows:

- 3.1.1 Consultants and experts hired by LGUs for a limited period to perform specific activities or services with expected outputs, who shall be continually compensated pursuant to existing applicable laws, rules and regulations;
- 3.1.2 Laborers hired through job contracts (pakyaw) and those paid on piecework bases;
- 3.1.3 Student laborers, apprentices; and
- 3.1.4 Others similarly situated who shall be continually compensated pursuant to existing applicable laws, rules and regulations.

4.0 Definition of Terms

For purposes of this Circular, the following terms shall be construed to mean as follows:

- 4.1 Actual monthly basic salary is the monthly basic salary of an incumbent received as of June 30, 2008, inclusive of Step Increment/s and Transition Allowance, if any, but exclusive of all allowances and benefits regularly paid in addition to the monthly basic salary.
- 4.2 Transition Allowance is the amount of excess of the actual monthly basic salary of an incumbent over the salary corresponding to Step 8 of the salary grade allocation of his/her position.
- 4.3 Adjusted monthly basic salary is the monthly salary to be received by an incumbent effective July 1, 2008.

5.0 Rules and Regulations

- 5.1 **While Adopting Salary Schedules Appropriate for the LGUs' Income Classes**
 - 5.1.1 Incumbent personnel shall receive the salaries in the appropriate Salary Schedules in **Annexes "A1" to "A8"** which correspond to the designated salary steps in the salary grade allocations of their positions as of June 30, 2008. Such salaries resulted from the 10% increase in the salaries of the Salary Schedules for LGUs under Local Budget Circular (LBC) No. 86 dated June 18, 2007, in line with Section 1.c of EO No. 719.
 - 5.1.2 If the actual monthly basic salary including Transition Allowance of an incumbent as of June 30, 2008, is already lower than the salary corresponding to Step 8 of the salary grade allocation of

his/her position in the applicable Salary Schedule, his/her adjusted monthly basic salary as of July 1, 2008 shall correspond to his/her salary grade allocation.

- 5.1.3 If the actual monthly basic salary including Transition Allowance of an incumbent as of June 30, 2008, is higher than the salary corresponding to Step 8 of the salary grade allocation of his/her position in the applicable Salary Schedule, he/she is **not** entitled to the 10% salary increase. He/She shall continue to receive such excess which shall be referred to as Transition Allowance.
- 5.1.4 The salary rate for a newly hired employee effective July 1, 2008 and thereafter shall be the salary corresponding to Step 1 of the salary grade allocation of his/her position in the applicable Salary Schedule.
- 5.1.5 Pursuant to RA No. 7305, "Magna Carta of Public Health Workers," devolved and organic Public Health Workers (PHWs) shall receive the salaries in Salary Schedule "**A1**" which correspond to the designated salary steps in the salary grade allocations of their positions as of June 30, 2008, notwithstanding the income classification of the LGUs where they are assigned.
- 5.1.6 Devolved personnel, except PHWs, whose salaries are now equal to or the same as their organic LGU counterparts, shall be entitled to the same salary increases as their organic LGU counterparts.
- 5.1.7 The wages/salaries of casual/contractual employees as of June 30, 2008 which are paid out of lump-sum appropriations or project funds shall be adjusted to the wages/salaries corresponding to Step 1 of the salary grade allocations of their positions effective July 1, 2008. The daily wage rate of a casual employee shall be computed by dividing the monthly salary corresponding to Step 1 of the salary grade allocation of the position in the applicable Salary Schedule by 22 work days.
- 5.1.8 The salary increase shall only be granted to incumbents of permanent, casual and contractual positions allocated to positions in the Index of Occupational Services, Position Titles and Salary Grades in the Local Government issued through LBC No. 61 dated March 18, 1996. Positions not allocated to the class/position titles in said Index shall be referred to the DBM Regional Offices concerned for proper classification.


5.2 LGUs with Inadequate/Insufficient Funds

In the event that LGUs do not have adequate or sufficient funds to pay the salary increases, they shall only partially implement the established salary rates for their income classes, provided that any partial implementation shall be at a uniform percentage rate for all positions in the LGUs concerned and shall likewise consider the amounts needed for the corresponding adjustments in the year-end bonus and government counterpart contributions to the Retirement and Life Insurance Premiums (RLIP), PAG-I.B.I.G, PHILHEALTH and Employees Compensation Insurance Premiums (ECIP). Illustrative examples are shown in **Annex "B."** LGUs, however, should make sure that such implementation is sustainable in succeeding years.

5.3 While Adopting Salary Schedules for Higher Income Class LGUs

- 5.3.1. Incumbent personnel in LGUs which adopt Salary Schedules for higher income class LGUs may receive the salaries in the corresponding Salary Schedules in **Annexes "A1" to "A8"** which correspond to the designated salary steps in the salary grade allocations of their positions as of June 30, 2008, subject to item 7.3 hereof.
- 5.3.2. If a LGU which was authorized to adopt a Salary Schedule for a higher class LGU is unable to implement fully the 10% salary increase, it may opt to revert to the Salary Schedule prescribed for its income class provided no employees shall suffer diminution in salaries as a result thereof.

5.4 Honoraria for *Barangay* Officials and Employees

- 5.4.1 The maximum honoraria rates prescribed under Local Budget Circular No. 63 dated October 22, 1996, for *barangay* officials and employees are increased accordingly based on the Salary Schedule applicable to the income class of the municipality or city where the *barangay* belongs.
 - 5.4.2 If *barangay* funds are not sufficient to implement the maximum honoraria, the implementation of the honoraria increases shall be partial and at uniform percentage rates for all *barangay* officials and employees. **Annex "C"** shows an illustrative example of how honoraria increases are proportionately and uniformly implemented.
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5.5 Non-Proportionate Increase in Allowances and Benefits

Except for the year-end bonus and the government counterpart contributions to the RLIP, PAG-I.B.I.G., PHILHEALTH and ECIP, all existing rates of allowances and benefits which are computed at percentages of salaries shall not be increased, notwithstanding the 10% salary increase authorized under EO No. 719.

6.0 Prohibition

The Local Chief Executives and/or the *Sangguniang Panlalawigan/Panlungsod/Bayan/Barangay* are prohibited from granting salary increases in excess of the amounts herein authorized.

7.0 Fund Source

- 7.1 The amounts required to implement the compensation adjustments due to the 10 % salary increase shall be sourced exclusively from the funds of the LGUs concerned.
- 7.2 Pursuant to item (iv) of the third paragraph of Section 88, General Provisions of RA No. 9498, the FY 2008 General Appropriations Act, the Personal Services limitation provided under Sections 325(a) and 331(b) of RA No. 7160 shall be waived insofar as the implementation of the compensation adjustments in LGUs adopting the Salary Schedules for their income classes.
- 7.3 The differentials arising from the adoption of higher Salary Schedules are subject to the budgetary and general limitations on Personal Services expenditures mandated under Sections 324 and 325(a) of RA No. 7160.
- 7.4 The amounts required for compensation adjustments shall be provided for in an appropriation ordinance to be enacted by the *Sangguniang Panlalawigan/Panlungsod/Bayan/Barangay* taking into account items 5.2 and 5.4.2 hereof.

8.0 Notice of Salary Adjustment

- 8.1 The Local Chief Executive shall notify each permanent, contractual and casual employee concerned of any salary adjustment in accordance with this Circular through a Notice of Salary Adjustment (for an employee without Transition Allowance, **Annex "D1"**; for an employee with Transition Allowance, **Annex "D2"**).



8.2 Copies of the Notices shall be furnished the Government Service Insurance System and the Commission on Audit.

9.0 Responsibility 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 compensation adjustments not in accordance with the provisions of this Circular without prejudice, however, to the refund by the employee concerned of any excess payment made to him/her.

10.0 Saving Clause

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

11.0 Effectivity

This Circular shall take effect July 1, 2008.


ROLANDO G. ANDAYA, JR.
Secretary