



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



LOCAL BUDGET CIRCULAR

No. 2009 - 92

September 3, 2009

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 First Tranche Monthly Salary Schedule of Local Government Personnel and the Modified Position Classification System

1.0 Background

Executive Order (E.O.) No. 811 was issued by President Gloria Macapagal Arroyo on June 17, 2009, to implement Senate and House of Representatives Joint Resolution No. 4, s. 2009. It prescribes the first tranche of the modified Salary Schedule of government personnel and directs the review and modification of the Position Classification System of the Philippine Government.

Section 4(a)(ii) of said Executive Order provides the following:

"The salary rates for LGU personnel shall be determined by the sanggunian, on the basis of LGU income class and financial capability: Provided, That such salary rates shall not exceed the applicable percentages shown in the table below, pursuant to item 7(a) of the Joint Resolution: Provided, Further That the resulting personal services (PS) cost shall not exceed the PS limitation in local government budgets, as provided under Sections 325(a) and 331(b) of Republic Act No. 7160: Provided, Finally That there shall be no diminution in the basic salaries of incumbents for purposes of complying with said PS limitation.

Percentage of Salary Rates Shown in Annex "A"

	For Provinces/Cities	For Municipalities
<i>Special Cities</i>	100%	
<i>1st Class</i>	100%	90%
<i>2nd Class</i>	95%	85%
<i>3rd Class</i>	90%	80%
<i>4th Class</i>	85%	75%
<i>5th Class</i>	80%	70%
<i>6th Class</i>	75%	65%

For this purpose, the DBM shall issue the First Tranche Monthly Salary Schedule for Local Government Personnel for each LGU income class which shall take effect January 1, 2010."

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 pertinent provisions of the said Joint Resolution and E.O. No. 811.

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, on full-time or part-time basis, 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 appropriations/budgets, 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 on piecework bases;
- 4.3 Student laborers and apprentices; and
- 4.4 Others similarly situated who shall be continually compensated pursuant to existing applicable laws, rules, and regulations.

5.0 Definition of Terms

For purposes of this Circular, the following terms are defined herein:

- 5.1 The actual monthly basic salary of an incumbent personnel is that received as of December 31, 2009, inclusive of Step Increment/s and Transition Allowance, if any, but exclusive of all allowances, benefits, and incentives regularly paid in addition to the monthly basic salary.
- 5.2 The Transition Allowance is the amount by which the actual monthly basic salary of an incumbent personnel exceeds the salary corresponding to Step 8 of the salary grade allocation of his/her position as of December 31, 2009.
- 5.3 The adjusted monthly basic salary of an incumbent personnel is that to be received by the latter effective January 1, 2010.
- 5.4 A re-allocated position is one which has been modified in terms of one, or two, or all of the following attributes: position title, level, and salary grade.

6.0 First Tranche Monthly Salary Schedule

The implementation of the First Tranche Monthly Salary Schedule in each LGU shall be determined by the *sanggunian*, subject to the following conditions/considerations:

- 6.1 The new salary rates shall be in accordance with the First Tranche Monthly Salary Schedule for Local Government Personnel Effective January 1, 2010, corresponding to the LGU level and income class as presented in Annexes "A1" to "A8."
- 6.2 The Personal Services (PS) limitation in LGU budgets under Sections 325(a) and 331(b) of R.A. No. 7160 shall be complied with.
- 6.3 If funds are insufficient to implement fully the salary schedule for the LGU level and income class, or for purposes of complying with the PS limitation, a modified salary schedule may be formulated and implemented with salaries pegged at a uniform percentage of the rates in the former salary schedule.
- 6.4 The salary adjustments, including related PS expenditures such as, but not limited to, Year-End Bonus, government counterpart contributions to Retirement and Life Insurance Premiums, Pag-IBIG Contributions, PHILHEALTH Contributions, and Employees Compensation Insurance Premiums, should be at a level that can be funded on a sustainable basis upon consideration of the regular annual income of the LGU and its expenditure and investment plan.

7.0 Rules for Adjusting Salaries

If LGU finances permit the grant of salary adjustments effective January 1, 2010, the following rules shall apply:

7.1 For Those Whose Positions Remain Unchanged

7.1.1 Incumbent personnel whose positions and salary grades remain unchanged effective January 1, 2010, shall receive the salaries which correspond to the same steps of the salary grade allocations of their positions as of December 31, 2009; provided, that said positions are in accordance with 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, and 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." Both Circulars are posted at the Department of Budget and Management (DBM) website, www.dbm.gov.ph.

7.1.2 In cases where the actual monthly basic salaries including Transition Allowances of incumbent personnel as of December 31, 2009, are lower than the salaries corresponding to Step 8 of the salary grade allocations of their positions in the salary schedules in item 6.1 or 6.3 of this Circular, the adjusted monthly basic salaries as of January 1, 2010, shall correspond to Step 8 of the salary grade allocations of their positions in said salary schedules.

7.1.3 If the actual monthly basic salaries of incumbent personnel as of December 31, 2009, exceed Step 8 of the salary grade allocations of their positions in the applicable salary schedules in item 6.1 or 6.3 of this Circular, the said personnel shall no longer be entitled to salary increases. They shall continue to receive such excess salaries over Step 8.

7.1.4 Similarly, if the actual monthly basic salaries of incumbent personnel as of December 31, 2009, exceed the salaries corresponding to the same steps in the salary schedule to be implemented effective January 1, 2010, on account of the adoption of salary schedules for higher income class LGUs under previous circulars, the incumbent personnel are not entitled to salary increases.

7.2 Incumbent personnel whose positions are among those which are re-allocated with changes in salary grades as listed in Annex "B," shall receive the salaries in the applicable salary schedules in item 6.1 or 6.3 of this Circular which correspond to the same steps as those in the previous salary grade allocations of their positions, provided they meet the Civil Service qualification standards on education, training, experience, and R.A. No. 1080 eligibility, for the re-allocated position.

7.3 Incumbent personnel whose positions were originally classified as Accountant I, SG-11; Accountant II, SG-15; and Accountant III, SG-18, and were converted to Administrative Officer II, Administrative Officer IV, and Administrative Officer V, respectively, pursuant to Budget Circular No. 2004-3, may be re-allocated to Accountant I, SG-12, Accountant II, SG-16, and Accountant III, SG-19, respectively, by the *sanggunian* concerned and approved by the Local Chief Executive, provided the following conditions are met:

7.3.1 The Administrative Officer II/IV/V position remains part of the staffing of the Accounting Division/Section/Unit.

7.3.2 The incumbent is actually performing the duties and responsibilities attached to an Accountant I/II/III position.

7.3.3 The incumbent meets the Civil Service qualification standards on education, training, experience, and R.A. No. 1080 eligibility, for the re-allocated position.

Such incumbents shall receive the salaries in the applicable salary schedules in item 6.1 or 6.3 of this Circular which correspond to the same steps as those in the previous salary grade allocations of their positions.

A vacant position of Administrative Officer II/IV/V shall not be re-allocated to the corresponding Accountant position.

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

7.5 The salaries of contractual personnel as of December 31, 2009, shall be adjusted to the rates corresponding to Step 1 of the salary grade allocations of their positions effective January 1, 2010.

7.6 The salaries for new hirees beginning January 1, 2010, shall be the rates corresponding to Step 1 of the salary grade allocations of their positions in the applicable salary schedules in item 6.1 or 6.3 of this Circular.

7.7 The wages of casual personnel as of December 31, 2009, shall be adjusted to the rates corresponding to Step 1 of the salary grade allocations of their positions effective January 1, 2010. The daily wage rates shall be computed by dividing the monthly salaries corresponding to Step 1 of the salary grade allocations of their positions in the applicable salary schedules in item 6.1 or 6.3 of this Circular by 22 working days.

8.0 No Diminution in Basic Salaries

There shall be no diminution in the basic salaries of incumbent personnel as a result of the implementation of this Circular.

9.0 Honoraria for *Barangay* Officials and Employees and Rules for Adjusting Honoraria

- 9.1 *Barangays* are covered by the modified Compensation and Position Classification System pursuant to Senate and House of Representatives Joint Resolution No. 4, s. 2009. Under said System and pursuant to E.O. No. 332 dated May 16, 1996, the rates of honoraria for *barangay* officials and employees shall be in accordance with items 3.1, 3.3, and 3.4 of LBC No. 63, "Position Classification and Compensation of *Barangay* Officials and Personnel," dated October 22, 1996, also posted at the DBM website.
- 9.2 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 by January 1, 2010, subject to the PS limitation under Section 331(b) of R.A. No. 7160.
- 9.3 If a *barangay* does not have adequate or sufficient funds to implement fully the maximum honoraria rates based on item 9.2 above, the *Sangguniang Barangay* may adopt and implement a modified honoraria schedule which shall be at a uniform percentage of the rates corresponding to Step 1 of the Salary Grades in the salary schedule of the city/municipality where the *barangay* belongs effective January 1, 2010.
- 9.4 In the formulation of honoraria schedule, the *Sangguniang Barangay* shall ensure that the *barangay* government can fund such adjusted honoraria rates on a sustainable basis.
- 9.5 If *barangay* employees are paid salaries, the adjustment thereof shall be governed by the provisions under item 7.0 of this Circular.

10.0 Modified Position Classification System

10.1 Components

In line with Section 5 of Presidential Decree No. 985 and item (3) of said Joint Resolution, the Position Classification System for civilian personnel, including those in LGUs, shall consist of the following:

- 10.1.1 Classes of positions that are: (i) re-categorized into the Sub-Professional Category, Professional Category, and Executive Category, (ii) arranged in an Index of Occupational Services, Occupational Groups, Classes, and Salary Grades, and (iii) denoted by class/position titles;

- 10.1.2 Class specifications or written descriptions of the classes of positions; and
 - 10.1.3 Guidelines, rules, and regulations necessary for the administration and maintenance of the Position Classification System.
- 10.2 In compliance with Section 6 of E.O. No. 811, positions in LGUs listed in Annex "B" are re-allocated effective January 1, 2010. Other positions may be re-allocated by the DBM through OPCCB, if warranted, in view of organizational, technological, professional, and other developments, and the need to adopt generic, but descriptive, and gender-neutral class/position titles. Such re-allocation of positions are not within the purview of Section 325(f) of R.A. No. 7160 which provides that: "No changes in designation or nomenclature of positions resulting in a promotion or demotion in rank or increase or decrease in compensation shall be allowed, except when the position is actually vacant, xxxxx."
- 10.3 The updated guidelines, rules, and regulations to govern the original classification of positions, reclassification of positions, upgrading of classes of positions, and re-titling of classes of positions shall be issued in separate circulars.
- 10.4 Likewise, the updated Index of Occupational Services, Occupational Groups, Classes, and Salary Grades for LGUs shall be issued by the DBM at the proper time, in coordination with the Civil Service Commission (CSC). For this purpose, LGUs shall furnish the OPCCB copies of their current Personnel Schedules.

11.0 Items to be Addressed in Separate Circulars/Issuances

The following are the additional items to be addressed in separate circulars/issuances:

- 11.1 An additional list of re-allocated positions in LGUs;
 - 11.2 The guidelines on the in-step adjustments for Teachers with specialization in Science and Mathematics
- Meanwhile, Teachers with such specialization and whose positions have been re-allocated as listed in Annex "B," shall receive the salaries in the salary schedule being adopted by the LGU effective January 1, 2010, which correspond to the same steps as those in the previous salary grade allocations of their positions.
- 11.3 The coverage, conditions for the grant, and rates of allowances, benefits, and incentives for all government personnel in accordance with the Total Compensation Framework established in item (4)(a) of said Joint Resolution, including Step Increments and Longevity Pay; and

- 11.4 The qualifications, conditions, and rates in the grant of Magna Carta benefits.

12.0 Prohibition

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

13.0 Procedural Guidelines

13.1 Preparation of Notices of Salary Adjustment (NOSAs)

13.1.1 If the positions and salary grades of LGU personnel remain unchanged effective January 1, 2010, and if they have no Transition Allowances as of December 31, 2009, the Human Resource Management Officer/Administrative Officer shall prepare NOSAs, following the format marked as Annex "C1." The Local Chief Executive shall issue a NOSA to each regular, contractual, or casual personnel. Those with excess salaries over Step 8 shall be issued NOSAs, following the format marked as Annex "C2."

13.1.2 Copies of the NOSAs shall be furnished the Government Service Insurance System, if the personnel are members thereof.

13.2 Preparation of Notices of Position Allocation and Salary Adjustment (NOPASAs)

13.2.1 If the positions of LGU personnel have been re-allocated, the Human Resource Management Officer/Administrative Officer shall prepare NOPASAs, following the format attached as Annex "D." The Local Chief Executive shall issue a NOPASA to each personnel concerned.

13.2.2 Copies of the NOPASAs shall be furnished the Government Service Insurance System, if the personnel are members thereof.

14.0 Fund Source

14.1 The amounts required to implement the salary/honorarium 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.

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

15.0 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 salary/honorarium adjustments not in accordance with the provisions of this Circular without prejudice, however, to the refund of any excess payment by the personnel concerned.

16.0 Saving Clause

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

17.0 Repealing Clause

The provisions of existing circulars that are inconsistent herewith are hereby repealed and/or amended accordingly.

18.0 Effectivity

This Circular shall take effect January 1, 2010.



ROLANDO G. ANDAYA, JR.
Secretary