



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF BUDGET AND MANAGEMENT  
GENERAL SOLANO STREET, SAN MIGUEL, MANILA

**LOCAL BUDGET CIRCULAR**

No. 145  
Date: March 2, 2022

To : Local Chief Executives, Members of the Local Sanggunian, Local Budget Officers, Local Treasurers, Local Planning and Development Coordinators, Local Accountants, Local Human Resource Management Officers, and All Others Concerned

Subject : **GUIDELINES ON THE IMPLEMENTATION OF PERSONAL SERVICES (PS) LIMITATION ON LOCAL GOVERNMENT BUDGETS AND DETERMINATION OF WAIVED PS ITEMS PURSUANT TO SECTION 93 OF THE GENERAL PROVISIONS (GPs) OF THE FISCAL YEAR (FY) 2022 GENERAL APPROPRIATIONS ACT (GAA), REPUBLIC ACT (RA) NO. 11639, AND YEARS THEREAFTER**

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1.0 **LEGAL BASES**

1.1 Sections 325 (a) and 331 (b) of the Local Government Code of 1991 (RA No. 7160) provide:

**SECTION 325. General Limitations.** – The use of the provincial, city, and municipal funds shall be subject to the following limitations:

- (a) The total appropriations, whether annual or supplemental, for personal services of a local government unit for one (1) fiscal year shall not exceed forty-five percent (45%) in the case of first to third class provinces, cities and municipalities, and fifty-five percent (55%) in the case of the fourth class or lower, of the total annual income from regular sources realized in the next preceding fiscal year. The appropriations for salaries, wages, representation and transportation allowances of officials and employees of the public utilities and economic enterprises owned, operated, and maintained by the local government unit concerned shall not be included in the annual budget or in the computation of the maximum amount for personal services. The appropriations for the personal services of such economic enterprises shall be charged to their respective budgets;

XXX

## **SECTION 331. Preparation of the Barangay Budget. – xxx**

- (b) The total annual appropriations for personal services of a barangay for one (1) fiscal year shall not exceed fifty-five percent (55%) of the total annual income actually realized from local sources during the next preceding fiscal year. xxx”

### 1.2 Section 93 of the GPs of the FY 2022 GAA, RA No. 11639, provides, in part:

“Enforcement of the Personal Services limitations under Sections 325 (a) and 331 (b) of R.A. No. 7160 shall be waived to enable LGUs [local government units] to: (i) absorb the cost of hospital services transferred from provinces to newly created cities; (ii) pay the CNA [Collective Negotiation Agreement] incentives of their employees upon compliance with the rules and regulations issued by the DBM [Department of Budget and Management]; (iii) pay the retirement and terminal leave benefits, including the monetization of leave credits of their employees; (iv) pay the minimum year-end bonus of One Thousand Pesos (P1,000) for the punong barangay and Six Hundred Pesos (P600) for other mandatory barangay officials, and their cash gifts; (v) pay the salaries and benefits of health/medical personnel that may be hired to perform functions related to emergency situations; (vi) pay the special benefits that may be authorized to be granted to LGU personnel during emergency situations; (vii) pay the salary differentials of LGU hired public health workers to fully implement the provisions of RA No. 7305; and (viii) pay the salaries and other benefits of additional personnel that may be hired by the LGUs to implement the devolved basic services and functions, subject to the guidelines to be issued by the DBM.”

## 2.0 **PURPOSE**

This Circular is being issued to prescribe the guidelines and procedures on the implementation of PS limitation on LGU budgets and the determination of waived PS items in the computation of PS limitation.

## 3.0 **DEFINITION OF TERMS**

- 3.1 **Emergency Situation** – This refers to a public health emergency as officially declared by the President of the Republic of the Philippines through a presidential proclamation.
- 3.2 **Income Actually Realized from Local Sources** – These are income from sources within the Philippines that accrue to the barangay treasury.
- 3.3 **Income from Regular Sources** – These are income from sources that generate or provide money for the provincial/city/municipal treasury, such money recurring at a fixed, uniform, or normal intervals or frequency whether in fixed or variable amounts.

3.4 **Next Preceding Fiscal Year** – It is the fiscal year that is two (2) years before the budget year. For example, if FY 2022 is the budget year, the next preceding fiscal year shall be FY 2020.

3.5 **PS Budget** – Refers to appropriations for the payment of salaries, wages, step increments, and other compensation of permanent, temporary, contractual, and casual employees of the LGU (Section 306 [k] of RA No. 7160).

3.5.1 Other compensation consists of the following:

3.5.1.1 Authorized Allowances/Benefits

Personnel Economic Relief Allowance  
Uniform/Clothing Allowance  
Representation and Transportation Allowances  
Mid-Year Bonus  
Year-End Bonus and Cash Gift  
Magna Carta Benefits of Public Health Workers  
Magna Carta Benefits of Public Social Workers  
Step Increment and Merit Increase  
Productivity Enhancement Incentive  
Other legally authorized allowances/benefits (e.g., Loyalty Award, Anniversary Bonus, and among others)

3.5.1.2 Fixed Personnel Expenditures

Employees' Compensation Commission Contributions  
PHILHEALTH Contributions  
PAG-IBIG Contributions  
Retirement and Life Insurance Contributions

3.5.1.3 Other Personnel Benefits

Retirement Gratuity  
Terminal Leave Benefits  
Monetization of Leave Credits

3.5.2 The following are not PS items, hence, these shall be provided under Maintenance and Other Operating Expenses or Capital Outlay, as the case may be, in LGU budgets:

3.5.2.1 Honoraria or additional allowances and other benefits provided to national government officials stationed in or assigned to a municipality, city, or province, when its finances allow, pursuant to the pertinent provisions of RA No. 7160;

3.5.2.2 Expenses for professional services, e.g., consultancy services, security services, janitorial services, etc.;

3.5.2.3 Payment for the services of Contact of Service and Job Order Workers; and

3.5.2.4 Labor cost of projects.

- 3.6 **Public Health Workers** – Refers to all persons who are engaged in health and health-related work, and all persons employed in all hospitals, sanitarium, health infirmaries, health centers, rural health units, barangay health stations, clinics and other health-related establishments owned and operated by the Government or its political subdivisions with original charters and shall include medical, allied health professional, administrative and support personnel employed regardless of their employment status.
- 3.7 **PS Limitation** – The limitation of appropriations for PS of LGUs as prescribed under Section 325 (a) of RA No. 7160 for provinces, cities, and municipalities, and Section 331 (b) of RA No. 7160 for barangays. It also refers to the amount beyond which no additional appropriation for PS items is allowed.
- 3.8 **Waived PS Items** – These are the PS items that are excluded from the computation of PS limitation pursuant to Sections 325 (a) and 331 (b) of RA No. 7160.

#### 4.0 **POLICY GUIDELINES**

- 4.1 The total appropriations, whether annual or supplemental, for PS of all LGUs shall be subject to the limitation prescribed under Section 325 (a) of RA No. 7160 in the case of provinces, cities, and municipalities, and Section 331 (b) of RA No. 7160 in the case of barangays.
- 4.2 The LGUs, whether existing or newly-created, are enjoined to observe the following additional policies and guidelines on the implementation of PS limitation in their respective local budgets:
- 4.2.1 Funding priorities shall be observed in the formulation of the PS component of LGU budgets;
- 4.2.2 Provisions for actual salaries of incumbent personnel occupying regular positions that were properly granted pursuant to the implementation of RA No. 6758,<sup>1</sup> as amended, shall be prioritized. There shall be no reduction in the actual salaries and other salary-based benefits (e.g., Mid-Year Bonus, Year-End Bonus) of incumbent personnel occupying regular positions for purposes of complying with the PS limitation;
- 4.2.3 Vacant and new positions shall be adequately provided with corresponding appropriations for salaries, authorized allowances and benefits, and fixed personnel expenditures, to back up their legal existence; otherwise, said positions should be deemed abolished;
- 4.2.4 Consistent with Section 325 (a) of RA No. 7160, the appropriations for salaries, wages, representation and transportation allowances of officials and employees of the public utilities and economic enterprises owned, operated, and maintained by LGUs shall not be included in the annual budget or in the computation of the maximum amount for PS. The appropriations for PS of such public utilities and economic enterprises shall be charged to their respective budgets.

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<sup>1</sup> An Act Prescribing a Revised Compensation and Position Classification System in the Government and For other Purposes

- 4.2.5 Pursuant to Section 93 of the GPs of the FY 2022 GAA, RA No. 11639, enforcement of the PS limitations under Sections 325 (a) and 331 (b) of RA No. 7160 shall be waived to enable LGUs to:
- 4.2.5.1 Absorb the cost of hospital services transferred from provinces to newly-created cities;
  - 4.2.5.2 Pay the CNA incentives of their employees;
  - 4.2.5.3 Pay the Retirement and Terminal Leave Benefits, including the monetization of Leave Credits of their employees;
  - 4.2.5.4 Pay the minimum Year-End Bonus of One Thousand Pesos (P1,000) for the Punong Barangay and Six Hundred Pesos (P600) for other mandatory barangay officials, and their Cash Gifts;
  - 4.2.5.5 Pay the salaries and benefits of health/medical personnel that may be hired to perform functions related to emergency situations;
  - 4.2.5.6 Pay the special benefits that may be authorized to be granted to LGU personnel during emergency situations;
  - 4.2.5.7 Pay the salary differentials of LGU-hired Public Health Workers to fully implement the provisions of RA No. 7305; and
  - 4.2.5.8 Pay the salaries and other benefits of additional personnel that may be hired by the LGUs to implement the devolved basic services and functions.
- 4.2.6 The additional positions that may be created by LGUs to implement the devolved basic services and functions should be those that are reflected in the approved Devolution Transition Plan (DTP) of the LGU, specifically Annex I (Proposed Additional Positions to the Plantilla of LGU Personnel) of DBM-Department of the Interior and Local Government (DILG) Joint Memorandum Circular (JMC) No. 1 dated August 11, 2021.<sup>3</sup>

In determining the additional staffing requirement, the LGUs shall be guided by the service standards for the delivery of devolved functions, services, and facilities prepared by the different National Government Agencies (NGAs) as part of their respective NGA DTPs.

Moreover, the LGUs shall take into consideration the appropriate organization and staffing complement which shall be responsive in the delivery of their respective mandates and functions, such as those identified in their respective approved DTPs, and the sustainability of providing funds for the purpose in the succeeding years.

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<sup>3</sup> Guidelines on the Preparation of Devolution Transition Plans of Local Government Units in Support of Full Devolution under Executive Order No. 138, Dated 01 June 2021

The classification of additional positions to be created should be made consistent with the CY 2021 Index of Occupational Services, Position Titles, and Salary Grades in Local Government under Local Budget Circular No. 137 dated July 13, 2021,<sup>4</sup> and modification of nurse positions under Budget Circular No. 2021-2 dated August 25, 2021.<sup>5</sup>

- 4.2.7 In the implementation of Item 4.2.5.8 hereof, the cost of hiring additional personnel, such as those performing general administrative and other support functions, like administrative/executive assistance, transport service, and other positions performing administrative functions or those which are simply incidental to the implementation of devolved functions and services, shall not be considered as part of the waived PS items.

Moreover, the LGUs that have not yet prepared and submitted their respective LGU DTPs pursuant to DBM-DILG JMC No. 2021-1 shall not be allowed to implement Item 4.2.5.8 hereof.

- 4.2.8 It is understood that the waived PS items pursuant to Section 93 of the GPs of the FY 2022 GAA, RA No. 11639, as reiterated in item 4.2.5 of this Circular, shall only be implemented in FY 2022. The waived PS items in an LGU PS budget for FY 2023 and in years thereafter shall be those specified in the pertinent GP of the annual GAA.

## 5.0 PROCEDURAL GUIDELINES

The following are the processes to determine whether or not the Total Annual PS Budget of an LGU is within the PS limitation:

### 5.1 Determine the PS Limitation

The PS limitation in an LGU budget for a budget year shall be determined as follows:

#### 5.1.1 For an Existing Province, City, or Municipality or PCM

- 5.1.1.1 Compute the Total Annual Income from Regular Sources realized in the next preceding fiscal year or TIRS, based on the trial balance as of December 31 of said year or from the accomplished Local Budget Accountability Forms - Budget of Expenditure and Source of Financing and Statement of Receipts and Expenditures, per the prescribed form/template in the existing Budget Operations Manual for LGUs.

- 5.1.1.2 Compute the PS limitation by using the following formula, as applicable:

PS Limitation<sub>1st to 3rd class PCM</sub> = (45%) (TIRS)

PS Limitation<sub>4th to 6th class PCM</sub> = (55%) (TIRS)

<sup>4</sup> Index of Occupational Services, Position Titles and Salary Grades in the Local Government (IOS-LGU), CY 2021 Edition

<sup>5</sup> Modification of Nurse Positions

5.1.2 For an Existing Barangay

5.1.2.1 Compute the Total Income Actually Realized from Local Sources during the next preceding fiscal year or TILS, based on the trial balance as of December 31 of said year.

5.1.2.2 Compute the PS limitation by using the following formula:

$$\text{PS Limitation}_{\text{Barangay}} = (55\%) (\text{TILS})$$

5.1.3 For Newly-Created LGUs

For the initial year of its creation, the PS limitation on the annual and supplemental budget(s) of a newly-created LGU shall be based on the total estimated income to be generated by the LGU during the year from both internal sources, such as share from local taxes, fees, and charges, and external sources, such as shares of LGUs from the National Tax Allotment and utilization and development of the national wealth, among others. It must be understood that, in determining the total estimated income, the LGU shall not include the financial subsidies/assistance that it may receive from the National Government and other extraordinary receipts, such as loans, donations, capital income, and other non-recurring income.

For the year immediately following the initial year of its creation, the PS limitation on the annual and supplemental budget(s) of a newly-created LGU shall be based on the total income generated by the LGU in the preceding year, applying the specific types of income to be included and excluded as cited in the preceding paragraph.

In the succeeding years, Sections 325 (a) and 331 (b) of RA No. 7160 shall already govern the computation of the PS limitation on the annual and supplemental budget(s) of newly-created LGUs.

5.2 **Determine the Total PS Cost for Waived Items**

5.2.1 To determine the Total PS Cost for waived items for the budget year, the LGUs shall use the Summary Worksheet No. 1, appended as Annex A hereof.

5.3 **Determine the Total Annual PS Budget within the PS Limitation**

5.3.1 The Total Annual PS Budget shall be determined as follows:

5.3.1.1 For Province, City, or Municipality – The Total Annual PS Budget for the budget year for permanent, temporary, contractual, and casual employees, including devolved and mandatory positions, shall consist of:

- a. Salaries, including step increments;
- b. Authorized allowances/benefits;

- c. Fixed personnel expenditures; and
- d. Other personnel benefits.

The total Annual PS Budget shall include those for the staff detailed in LGU's economic enterprises/public utilities, as long as the PS cost for these personnel were charged against the LGU General Fund.

5.3.1.2 For a Barangay

- a. Honoraria for the Punong Barangay, Sangguniang Barangay Member, Barangay Treasurer, Barangay Secretary;
- b. Mid-Year Bonus, Year-End Bonus and Cash Gift for the barangay officials;
- c. Monetization of leave credits of barangay officials;
- d. Honoraria or salaries, allowances, and benefits for barangay personnel; and
- e. Other authorized personnel benefits.

5.3.2 The provision for the PS components in Item 5.3.1 hereof covering the amounts authorized in the immediately preceding fiscal year shall first be made before considering increases in or additional PS items.

5.3.3 To determine the additional allowable PS budget or the excess over the PS limitation, the LGUs shall subtract the Net Annual PS Budget (i.e., Total Annual PS Budget minus Total Cost for Waived PS Items) from the PS limitation.

For reference, the provinces, cities, and municipalities shall use the attached Summary Worksheet No. 2, appended as Annex B hereof. In the case of barangays, they shall use the attached Summary Worksheet No. 3, appended as Annex C hereof.

5.3.4 The following interpretations are provided on the value of the additional allowable PS budget or the excess over the PS limitation:

5.3.4.1 If the additional allowable PS budget is a positive value, therefore, the PS limitation has not been exceeded, the Net Annual PS Budget may still be increased, but only within the PS limitation.

5.3.4.2 If the value is zero, the Net Annual PS Budget is exactly equal to the PS limitation, thus, the PS budget shall no longer be increased.



5.3.4.3 If the additional allowable PS budget is a negative value, therefore, the PS limitation has been exceeded, there should be decreases to be made on the PS items of least priorities so as not to exceed the PS limitation.

In this case, the LGU should prioritize in the reduction all new and/or additional PS costs for the budget year to eliminate the excess.

A sample computation is provided in Annex D hereof.

## 6.0 **ITEMS FOR RESOLUTION**

Interpretation of the provisions of this Circular, including relevant items not covered herein, shall be referred to the DBM for resolution.

## 7.0 **SEPARABILITY CLAUSE**

If any provision of this Circular is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

## 8.0 **REPEALING CLAUSE**

All provisions of existing guidelines that are not consistent with this Circular are hereby revised, modified, and/or repealed accordingly.

## 9.0 **EFFECTIVITY**

This Circular shall take effect immediately after its publication.

  
**TINA ROSE MARIE L. CANDA**  
Officer-in-Charge



**Summary Worksheet No. 1**

**Total PS Cost for Waived Items**

I. For Province, City, or Municipality

(a) Cost of hospital services transferred from the Province of \_\_\_\_\_ to the City of \_\_\_\_\_:

Salaries	_____
Step Increments	_____
Personnel Economic Relief Allowance	_____
Uniform/Clothing Allowance	_____
Representation and Transportation Allowances	_____
Mid-Year Bonus	_____
Productivity Enhancement Incentive	_____
Year-End Bonus and Cash Gift	_____
Magna Carta Benefits of Public Health Workers (itemized per kind of allowance/benefit)	_____
Magna Carta Benefits of Public Social Workers (itemized per kind of allowance/benefit)	_____
ECC Contributions	_____
PHILHEALTH Contributions	_____
PAG-IBIG Contributions	_____
Retirement and Life Insurance Contributions	_____
Other Personnel Benefits	_____

**Sub-Total**

(b) Retirement Gratuity	_____
(c) Terminal Leave Benefits	_____
(d) Monetization of Leave Credits	_____
(e) Special benefits authorized to be granted to LGU personnel during emergency situations	_____
(f) Salaries and Benefits of Health/Medical personnel that may be hired to perform functions related to emergency situations	_____
(g) Salary Differentials of LGU hired Public Health Workers	_____
(h) Salaries and other benefits of additional personnel that may be hired by the LGUs to implement the devolved basic services and functions (PS costs should be itemized)	_____

**Sub-Total**

**Total PS Cost for Waived Items**

\_\_\_\_\_  
\_\_\_\_\_

II. For Barangay

- (a) Minimum Year-End Bonus, Cash Gift, and Mid-Year Bonus for Barangay personnel/officials
- (b) Terminal Leave Benefits
- (c) Special benefits authorized to be granted to LGU personnel during emergency situations
- (d) Salaries and Benefits of Health/Medical personnel that may be hired to perform functions related to emergency situations
- (e) Salaries and other benefits of additional personnel that may be hired by the LGUs to implement the devolved basic services and functions

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**Total PS Cost for Waived Items**

Summary Worksheet No. 2

**Total Annual PS Budget of an Existing Province/City/Municipality**

Total Income from Regular Sources (TIRS) \_\_\_\_\_

**PS Limitation (45% or 55% of TIRS)** \_\_\_\_\_

Salaries of existing permanent positions \_\_\_\_\_

Salaries of existing temporary, contractual and casual positions \_\_\_\_\_

Step Increments \_\_\_\_\_

Personnel Economic Relief Allowance \_\_\_\_\_

Uniform/Clothing Allowance \_\_\_\_\_

Representation and Transportation Allowances \_\_\_\_\_

Mid-Year Bonus \_\_\_\_\_

Productivity Enhancement Incentive \_\_\_\_\_

Year-End Bonus and Cash Gift \_\_\_\_\_

Magna Carta Benefits of Public Health Workers (itemized per kind of allowance/benefit) \_\_\_\_\_

Magna Carta Benefits of Public Social Workers (itemized per kind of allowance/benefit) \_\_\_\_\_

Monetization of Leave Credits \_\_\_\_\_

Other legally authorized allowances/benefits \_\_\_\_\_

ECC Contributions \_\_\_\_\_

PHILHEALTH Contributions \_\_\_\_\_

PAG-IBIG Contributions \_\_\_\_\_

Retirement and Life Insurance Contributions \_\_\_\_\_

Retirement Gratuity \_\_\_\_\_

Terminal Leave Benefits \_\_\_\_\_

Total Annual PS Budget \_\_\_\_\_

Less: Total PS Cost for Waived Items (from Summary Worksheet No. 1) \_\_\_\_\_

**Difference: Total Annual PS Budget, Net of Waived Items** \_\_\_\_\_

**Additional Allowable PS Budget or Excess Over the PS Limitation** \_\_\_\_\_

## Summary Worksheet No. 3

## Total Annual PS Budget of an Existing Barangay

Total Income Actually Realized from Local Sources (TILS) \_\_\_\_\_

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**PS Limitation (55% of TILS)** \_\_\_\_\_

Honoraria (for barangay officials) \_\_\_\_\_

Mid-Year Bonus \_\_\_\_\_

Productivity Enhancement Incentive \_\_\_\_\_

Year-End Bonus and Cash Gift (for barangay officials) \_\_\_\_\_

Monetization of Leave Credits \_\_\_\_\_

Total Annual PS Budget \_\_\_\_\_

Less: Total PS Cost for Waived Items \_\_\_\_\_  
(from Summary Worksheet No. 1)

**Difference: Total Annual PS Budget, Net of Waived Items** \_\_\_\_\_

**Additional Allowable PS Budget or  
Excess Over the PS Limitation** \_\_\_\_\_

### Sample Illustration for the Computation of PS Limitation

The following is a sample illustration for the computation of PS limitation.

#### Background:

LGU A is a fourth (4<sup>th</sup>) income class Municipality.

LGU A's Total Income from Regular Sources Realized in the Next Preceding Year amounts to PhP 100,000,000.

The Total Annual PS Budget of LGU A amounts to PhP 54,000,000, but out of the said amount, PhP 4,000,000 is for the waived PS items.

#### Computation:

The computation of LGU A's PS level is as follows:

Total Income from Regular Sources Realized in the Next Preceding Year	PhP 100,000,000
Multiply by rate of PS Limitation pursuant to Section 325 (a) of RA No. 7160	55%
Computed PS Limitation	55,000,000
Less: Net Annual PS Budget*	50,000,000
Additional Allowable PS Budget	PhP 5,000,000
<i>*Total Annual PS Budget</i>	<i>PhP 54,000,000</i>
<i>Less: Waived Items</i>	<i>4,000,000</i>
<i>Net Annual PS Budget</i>	<i>PhP 50,000,000</i>

Since the Additional Allowable PS Budget is a positive value, the Net Annual PS Budget may still be increased with an amount not exceeding PhP 5,000,000.