



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

**LOCAL BUDGET CIRCULAR**

No.: 156

Date: April 15, 2024

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 95 OF THE GENERAL PROVISIONS (GPs) OF THE FISCAL YEAR (FY) 2024 GENERAL APPROPRIATIONS ACT (GAA), REPUBLIC ACT (RA) NO. 11975 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 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;

**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 95 of the GPs of the FY 2024 GAA, RA No. 11975, provides, in part:

"Enforcement of the Personnel 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 R.A. No. 7305."

**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 2024 is the budget year, the next preceding fiscal year shall be FY 2022.

3.5 **PS Budget** – Refers to appropriations for the payment of salaries, wages, 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 Other Compensation

- 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, among others)

3.5.1.2 Personnel Benefit Contributions

- Employees' Compensation Insurance Premiums
- PhilHealth Contributions
- Pag-IBIG Contributions
- Retirement and Life Insurance Premiums

3.5.1.3 Other Personnel Benefits

- Retirement Gratuity Benefits
- Terminal Leave Benefits
- Monetization of Leave Credits

3.5.2 The following are not PS items, hence, they 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., legal services, auditing services, consultancy services, and other professional services;
  - 3.5.2.3 Payment for the services of Contract 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 maximum amount of PS appropriation allowed for LGUs, 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, shall 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-

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

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.
- 4.2.5 Pursuant to Section 95 of the GPs of the FY 2024 GAA, RA No. 11975, enforcement of the PS Limitations under Sections 325 (a) and 331 (b) of RA No. 7160 shall be waived to enable the 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 upon compliance with the rules and regulations issued by the DBM;
  - 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; and

4.2.5.7 Pay the salary differentials of LGU hired public health workers to fully implement the provisions of RA No. 7305.<sup>2</sup>

4.2.6 It is understood that the waived PS items pursuant to Section 95 of the GPs of the FY 2024 GAA, RA No. 11975, as reiterated in item 4.2.5 of this Circular, shall only be implemented in FY 2024. The waived PS items in an LGU PS budget for FY 2025 and years thereafter shall be those specified in the pertinent GP of the annual GAA.

4.3 The Annual PS appropriation shall be incorporated in the approved Annual Investment Program (AIP) pursuant to Section 305 (i) of the LGC providing that the local budgets shall operationalize approved local development plans.

## 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 (TIRS)<sup>3</sup> realized in the next preceding fiscal year, based on the trial balance as of December 31 of said year as reflected in the Local Budget Preparation Form No. 1 (Budget of Expenditures and Sources of Financing).

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

PS Limitation 1st to 3rd income class PCM = (45%) (TIRS)

PS Limitation 4th to 6th income class PCM = (55%) (TIRS)

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<sup>2</sup> Magna Carta of Public Health Workers

<sup>3</sup> Bureau of Local Government Finance Memorandum Circular No. 16-2015 dated June 19, 2015 defines Annual Regular Income to include real property tax (General Fund), Tax On Business, Other Taxes, Regulatory Fees (Permits And Licenses), Service/User Charges (Service Income), Receipts From Economic Enterprises (Business Income), National Tax Allotment (Current Year), and Other Shares From National Tax Collection, and Interest Income.

## 5.1.2 For an Existing Barangay

5.1.2.1 Compute the Total Income Actually Realized from Local Sources (TILS) during the next preceding fiscal year, 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:

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

## 5.1.3 For Newly-Created LGUs

5.1.3.1 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.

5.1.3.2 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.

5.1.3.3 In the succeeding years, Sections 325 (a) and 331 (b) of the LGC, as the case may be, 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. Other Compensation (i.e., Authorized allowances/benefits);
- c. Personnel Benefit Contributions; 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 [i.e., Barangay Health Workers (BHWs), Barangay Nutrition Scholars (BNS), among others]; 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 less Total PS Cost for Waived 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 based on the computation from the preceding item:

5.3.4.1 If the computed value is positive (i.e., the PS Limitation has not been exceeded), then the Total Annual PS Budget may still be increased by an amount within the computed Additional Allowable PS Budget.

5.3.4.2 If the computed value is zero (i.e., the Net Annual PS Budget is equal to the PS Limitation), then the Total Annual PS budget can no longer be increased.

5.3.4.3 If the computed value is negative (i.e., the PS Limitation has been exceeded), then decreases shall be made on the PS items of least priority 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.

#### 5.4 **Applicability to Supplemental PS Budgets**

- 5.4.1 Supplemental PS budgets are likewise subject to the PS limitation, and therefore, covered by the provisions of this Circular.

In addition, the PS appropriation under the Supplemental Budget shall be supported by the approved supplemental AIP in the annual budget, to conform with Section 305 (i) of the LGC.

## 6.0 **ITEMS FOR RESOLUTION**

Interpretation of the provisions of this Circular shall be referred to the DBM for resolution.

**7.0 SEPARABILITY CLAUSE**

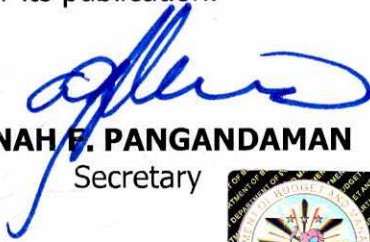
If any provision of this Circular is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

**8.0 REPEALING CLAUSE**

All provisions of existing circulars and issuances inconsistent with this Circular are hereby repealed and/or modified accordingly.

**9.0 EFFECTIVITY**

This Circular shall take effect immediately after its publication.

  
**AMENAH E. PANGANDAMAN**  
Secretary



**Summary Worksheet No. 1**

**TOTAL PERSONAL SERVICES (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 \_\_\_\_\_

**Sub-Total** \_\_\_\_\_

**Total PS Cost for Waived Items** \_\_\_\_\_

**Note:**

The list of waived items shall be based on the General Provision of the applicable General Appropriations Act and the corresponding guidelines to be issued for the purpose.

**II. For Barangay**

- (a) Minimum Year-End Bonus and Cash Gift for Barangay personnel/officials
- (b) Terminal Leave Benefits
- (c) Monetization of Leave Credits of barangay officials
- (d) Special benefits authorized to be granted to LGU personnel during emergency situations
- (e) Salaries and Benefits of Health/Medical personnel that may be hired to perform functions related to emergency situations

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**Total PS Cost for Waived Items**

Summary Worksheet No. 2

**TOTAL ANNUAL PERSONAL SERVICE (PS) BUDGET OF AN EXISTING PROVINCE/ CITY/ MUNICIPALITY**

**A. Total Income from Regular Sources (TIRS) realized in the next preceding fiscal year** \_\_\_\_\_

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

**C. PS Items of Expenditure**

- 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 \_\_\_\_\_

**D. Total Annual PS Budget**  
(sum of PS Items of Expenditures) \_\_\_\_\_

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

**F. Net Annual PS Budget:** Total Annual PS Budget  
Less Total PS Cost for Waived Items (F = D - E) \_\_\_\_\_

**G. Additional Allowable PS Budget or Excess Over the PS Limitation (G = B - F)** \_\_\_\_\_

## Summary Worksheet No. 3

**TOTAL ANNUAL PERSONAL SERVICES (PS) BUDGET  
OF AN EXISTING BARANGAY**

**A. Total Income Actually Realized from Local Sources (TILS) during the next preceding fiscal year**

\_\_\_\_\_

**B. PS Limitation (55% of TILS)**

\_\_\_\_\_

**C. PS Items of Expenditure**

Honoraria (for barangay officials)

\_\_\_\_\_

Honoraria/Allowances (for barangay personnel)

\_\_\_\_\_

Mid-Year Bonus

\_\_\_\_\_

Productivity Enhancement Incentive

\_\_\_\_\_

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

\_\_\_\_\_

Monetization of Leave Credits

\_\_\_\_\_

**D. Total Annual PS Budget**

(sum of PS Items of Expenditures)

\_\_\_\_\_

**E. Total PS Cost for Waived Items**

(from Summary Worksheet No. 1)

\_\_\_\_\_

**F. Net Annual PS Budget:** Total Annual PS Budget  
Less Total PS Cost for Waived Items (F = D - E)

\_\_\_\_\_

**G. Additional Allowable PS Budget or  
Excess Over the PS Limitation (G = B - F)**

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**SAMPLE ILLUSTRATION FOR THE COMPUTATION OF  
PERSONAL SERVICE (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:

<b>A. Total Income from Regular Sources (TIRS) realized in the next preceding fiscal year</b>		<u>PhP 100,000,000</u>
<b>B. PS Limitation (55% of TIRS)</b>		<u>PhP 55,000,000</u>
<b>C. PS Items of Expenditure</b>		
Salaries of existing permanent positions	PhP 22,000,000	
Salaries of existing temporary, contractual, and casual positions	PhP 8,000,000	
Step Increments	PhP 2,000,000	
Personnel Economic Relief Allowance	PhP 800,000	
Uniform/Clothing Allowance	PhP 2,500,000	
Representation and Transportation Allowances	PhP 1,500,000	
Mid-Year Bonus	PhP 1,500,000	
Productivity Enhancement Incentive	PhP 1,500,000	
Year-End Bonus and Cash Gift	PhP 1,500,000	
Magna Carta Benefits of Public Health Workers (itemized per kind of allowance/benefit)	N/A	
Magna Carta Benefits of Public Social Workers (itemized per kind of allowance/benefit)	N/A	
Monetization of Leave Credits	PhP 1,500,000	
Other legally authorized allowances/benefits	PhP 1,000,000	
ECC Contributions	PhP 2,000,000	

**Annex D**

PhilHealth Contributions	PhP 1,000,000	
Pag-IBIG Contributions	PhP 600,000	
Retirement and Life Insurance Contributions	PhP 1,600,000	
Retirement Gratuity	PhP 3,400,000	
Terminal Leave Benefits	PhP 1,600,000	
<b>D. Total Annual PS Budget</b>		<u>PhP 54,000,000</u>
<b>E. Total PS Cost for Waived Items</b> (from Summary Worksheet No. 1)		<u>PhP 4,000,000</u>
<b>F. Net Annual PS Budget:</b> Total Annual PS Budget Less Total PS Cost for Waived Items (F = D - E)		<u>PhP 50,000,000</u>
<b>G. Additional Allowable PS Budget or Excess Over the PS Limitation (G = B - F)</b>		<u>PhP 5,000,000</u>

Since the computed value is positive, then the PS limitation has not been exceeded. There is an additional allowable PS budget of PhP 5,000,000.

Hence, the Total Annual PS Budget may still be increased by appropriating an amount not exceeding PhP 5,000,000, in the annual budget or next supplemental budget/s, as applicable.