

Chapter 4.

Local Government Finance

Resource Endowments

The 2014 provincial income of Cavite posted an increase of 12.93% as compared to the 2013 provincial income. This is equivalent to Php315,847,093.49. The increase was contributed by the remarkable augment of local taxes, internal revenue allotment and service income (medical, dental and laboratory fees).

The austerity measures of the government also came into fruition with the decrease of expenses on both personnel and maintenance and operating expenses. This led to notable increase of income from operations.

The comparative financial profile of the province from 2013 to 2014 is as follows:

	2013	2014
Internal Revenue Allotment Share	1,810,442,652.00	2,043,298,727.00
Local Taxes	570,284,045.28	651,660,717.10
Permits, Licenses, Service and Business Income	59,385,179.75	61,279,119.65
Other Incomes:		
Share from Economic Zones	18,845.16	-
Share from PCSO	-	-
Interest Income	1,829,394.23	1,568,646.16
Dividend Income	-	-
Insurance Income	-	-
	2,441,960,116.42	2,757,807,209.91

Financial Management means the efficient and effective management of money (funds) in such a manner as to accomplish the objectives of the organization. It also includes manners on how to raise the funds and how to allocate it. Not only about long term budgeting but also how to allocate the short term resources like current assets.

The provincial government should ensure sound financial management. This can be made thru accountable and transparent governance. The provincial government is only stewards of the resources of the people, thus the money of the government should be utilized properly and spent on endeavors leading towards utmost benefit for the citizenry. The effectiveness of a government also depends on how well, effective and efficient they manage their resources, more importantly their money. Every cent should be spent to where it intends to be spent.

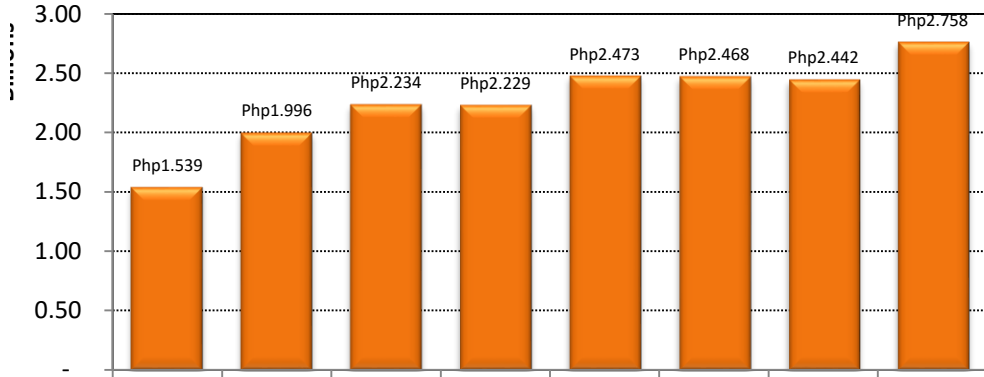
This part of the Socio Economic and Physical Profile shall discuss the financial performance of the Province based on its official financial statements. Brief description on the trending of a particular financial aspect over five years will also be presented.

Results of Operation

Provincial Operating Income

The provincial income of Cavite for the year 2013 have reached the amount of Php2,757,807,209.91. This is higher by Php315,847,093.49 as compared in the 2013 income corresponding to 12.93% increase. The rose of provincial income signifies the effectiveness of campaigns to augment the revenue from local taxes despite the conversion to city of different municipalities in Cavite. The computerization thru the real property tax system may have also contributed to the increase considering its promotion of efficiency in revenue tax collection. The provincial income is stable at around Php2B since the year 2009.

Figure 4A Income by Year, Province of Cavite: 2007 to 2014



Financial management in the provincial government involves the classification of budget into two categories, the General Fund and the Special Education Fund. General funds are those that are being spent for the general expenses of the province like infrastructure projects, social services, economic services and everything other than education related programs which budgets are being drawn from the special education fund. Certain amount of budget is allocated under the special education fund in order to support the national government in the delivery of educational services. Special education fund on the other hand is being used to supplement teachers under the Local School Board, classroom construction and purchase of educational materials among other education related expenditures.

Due to the increase of internal revenue allotment, the general fund also increased by 12.67% equivalent to Php282,749,608.49. The general fund accounts to 91.20% of the entire provincial income. On the other hand, the special education fund accounts to 8.80% of the provincial income. Out of the total income, Php2,515,064,367.49 is general fund and only Php242,742,842.42 is special education fund (Figure 4B and 4C).

Figure 4B Provincial Income with Fund Category by Year, Province of Cavite: 2008 to 2014

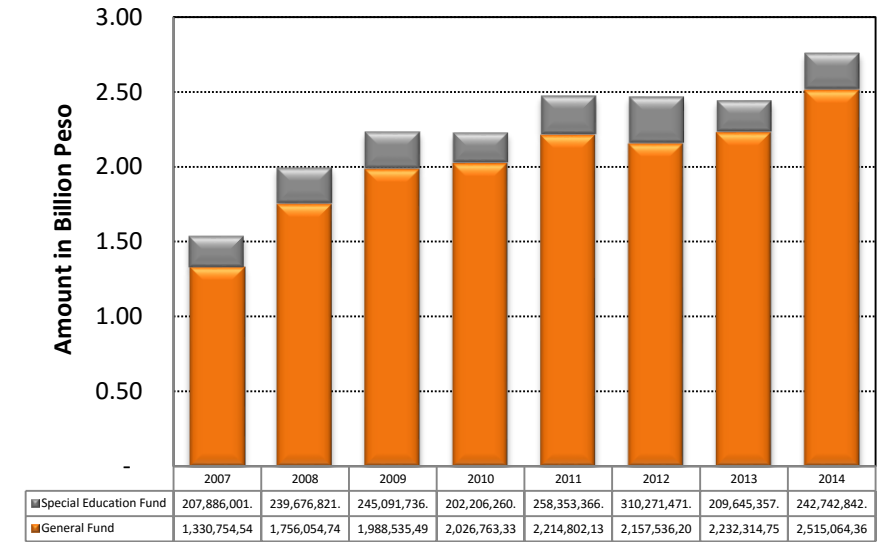
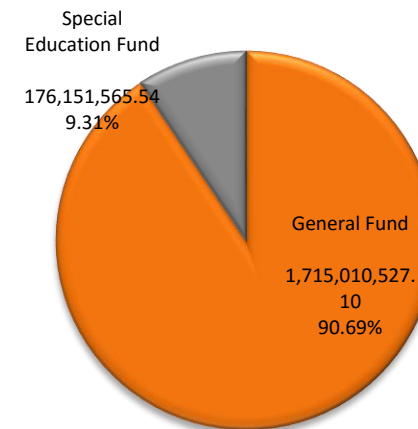


Figure 4C Income by Fund Category, Province of Cavite: 2014



Sources of Income

The provincial income may come from different sources. The amount of income of the province is critical in defining and prioritizing the programs to be implemented under the local administration, social, environment and economic sectors. The source of income of the province comes from national government subsidy, local collections and other sources, being the first two as the principal resource. The national government subsidy is in the form of Internal Revenue Allotment or what is commonly known as IRA. The local collections are from the real property taxes, permits and licenses fees being collected by the province as well as service income and business income. The other income includes dividends, insurances, interests, share from economic zones and Philippine Charity and Sweepstakes Office (PCSO).

For the year 2014, the province of Cavite remains to be primarily IRA dependent at 74.09% IRA dependency rate. It showed insignificant movement from last year's 74.12% rate. The revenue of the province from local and property taxes covers 23.63% of the income.

The third largest share is Service Income which totaled to 2.43%. This income came primarily from medical, dental and laboratory fees in the provincial hospital while a portion of it came from other services, permits and licenses.

More efforts should be exerted to further decrease the IRA dependency of the province while intensifying its drive to become independent in terms of its locally-sourced income. This move would also reduce the impact of conversion of municipalities to cities (Figure 4D) considering that cities are getting their own IRA.

Provincial Operating Expenses

The two major expense accounts of the provincial government are Personal Services and Maintenance and Other Operating Expenses (MOOE). For the year 2014, the operating expenses of the province totaled to Php1,891,162,092.64. This can be translated to 68.57% of the income of the province. The operating expense showed significant decrease of 10.91% as compared to 2013 data.

In the last eight years, the highest operating expense is recorded in the year 2013 at Php1.94B. The operating expenses do not include yet the financial expenses, subsidies to local government units, donations and other extraordinary items (Figure 4E).

The operating expense is divided into two fund classification such as the Special Education Fund and General Fund. The expenses under the SEF amounted to Php146,524,511.40 that is equivalent to 7.55% of the total expenses. The general fund expenses on the other hand amounted to Php1,794,370,637.75 equivalent to 92.45% of the total operating expense (Figure 4F).

The general fund was used-up up to 80.38% while the special education was used-up at 69.89%. The expenses under the special education fund decreased from year 2012 to 2013. However, the fund utilization is highest in the year 2013 for the general fund (Figure 4G).

Figure 4D Income by Source, Province of Cavite: 2014

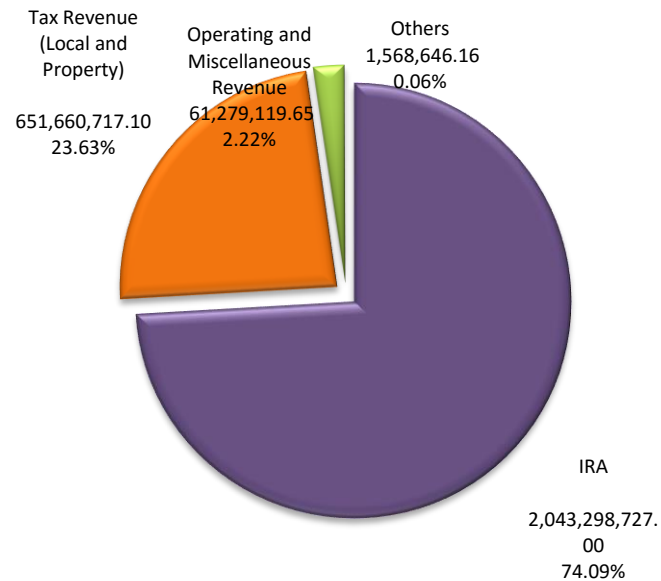


Figure 4E Operating Expenses by Year, Province of Cavite: 2007 to 2014

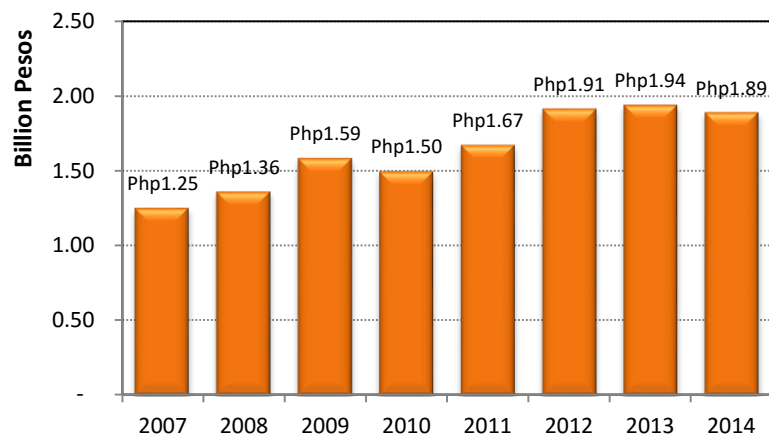


Figure 4G Operating Expenses with Fund Category by Year, Province of Cavite: 2007 to 2014

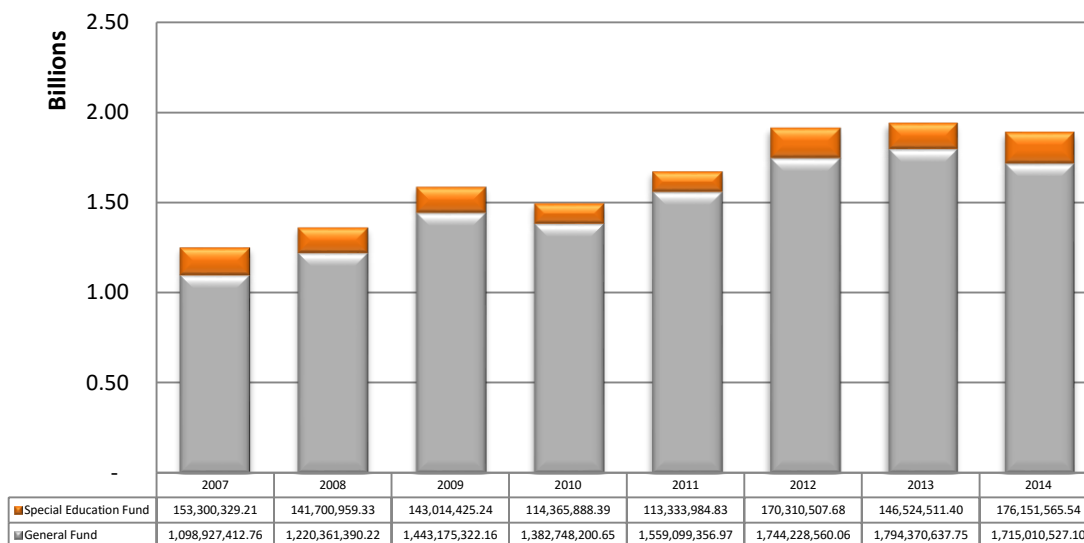
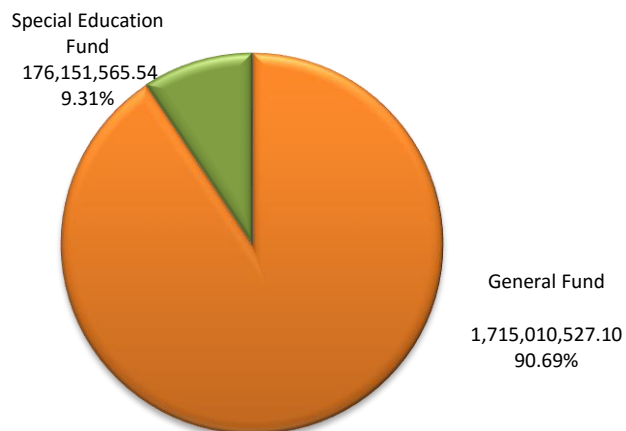


Figure 4F Expenses by Fund Category, Province of Cavite: 2014



Gross Income, Expenses and Net Income

The province showed good financial standing based on its recorded net income for the past eight years. In the provincial government setting, the net income is the money remained from income after all the expenses have already been deducted except for extraordinary expenses. For 2014, the province has a net income of Php708,407,469.03. The net income increased from the year 2013 to 2014 by 164.44% or equivalent to Php440,515,307.42. The net income rate of 2013 is at 25.69%. The savings were due to austerity measures of the provincial government as well as to various innovations resulted in a more efficient provincial operation (Figure 4H).

Figure 4H Comparative Gross Income, Expenditure and Net Income by Year, Province of Cavite: 2007 to 2014

