

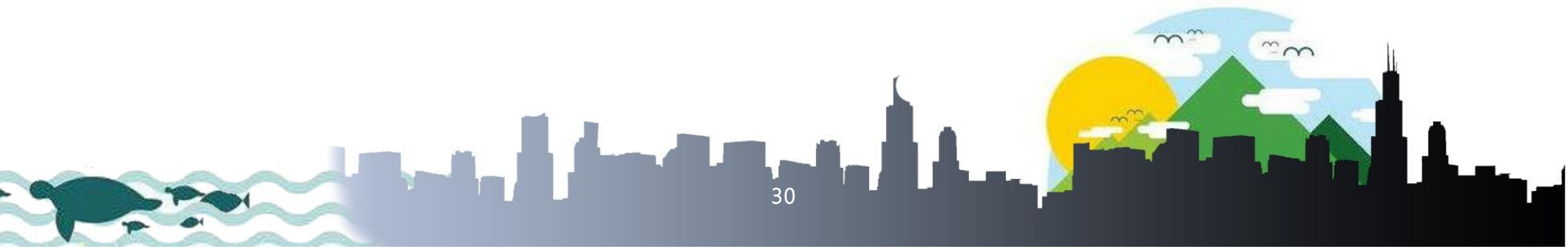
Chapter 4. Local Fiscal Management

2016 Resource Endowments

The income of the province sustained its increasing trend showing a 7.76% increase as compared to previous year. The increase is primarily brought about by recovery from local taxes as well as the augmentation of the internal revenue allotment. A trade off was also observed in the service and business income and the grants and donations that resulted to a total income decrease amounting to Php96,205,965.85. Internal Revenue Allotment (IRA) increase was brought about by the increase in population as determined by the latest Census of Population of 2015. Tax campaigns of the province is proven effective by the Php105,128,363.51 increase in local taxes.

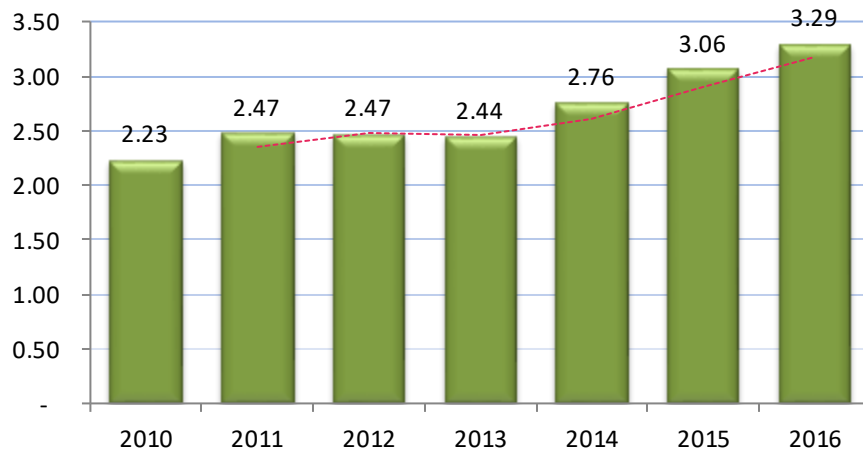
Table 4.1 Provincial Financial Structure, Province of Cavite: 2016

Items	General Fund	Special Education Fund	Total 2016	2015	% Inc/(Dec)
INCOME					
Tax Revenue (Local Taxes)	374,745,088.04	245,394,035.36	620,139,123.40	515,010,759.89	20.41
<i>General Income Accounts</i>					
Internal Revenue Allotment	2,558,176,868.00		2,558,176,868.00	2,330,006,094.00	9.79
Service and Business Income	113,779,226.70	36,852.07	113,816,078.77	191,196,999.00	(40.47)
Shares, Grants and Donations	1,634,271.03		1,634,271.03	20,459,316.65	(92.01)
Total Revenue	3,048,335,453.77	245,430,887.43	3,293,766,341.20	3,056,673,169.54	7.76



Budget Performance and Financial Statements

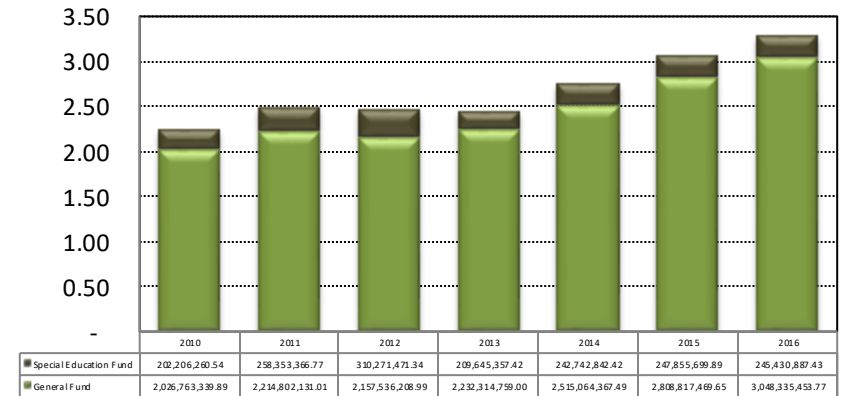
Figure 4.1 Provincial Income Provincial Income by Year: 2010-2016



The income of the Province has showed a stable increasing trend for the past seven years. The minimal decrease during the year 2013 was due to the effect of conversion of municipalities to cities that brought significant reduction in the local taxes collection of the Province.

In spite of that, the province has well-coped from 2014 to 2016 due to massive tax campaigns conducted by the Provincial Government of Cavite. The increase is also attributed to the increase in Internal Revenue Allotment. The IRA dependency of the Province is pegged at 77.67%. This is quite high and should be lowered by increasing the local income of the Province.

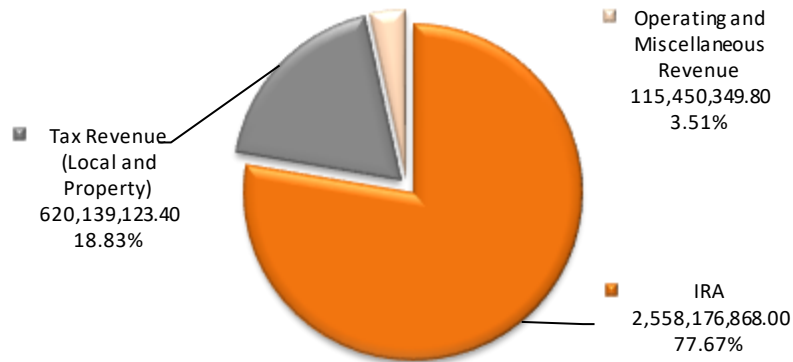
Figure 4.2 Provincial Income by Year and Fund Category: 2010-2016



For the year 2016, 92.55% of the income goes to the general fund and the remaining 7.45% is under special education fund. The general fund is consists of monies and resources which are available for the payment of expenditures, obligations or purposes not specifically declared by law as accruing and chargeable to, or payable from, any other fund. The SEF consists of the respective shares of provinces, cities, municipalities and barangays in the proceeds of tax on real property.

The special education fund is budget allocation for programs related and in support to education as mandated by Republic Act 5447. The general fund is utilized for all other expenses of the local government unit aside from those that are qualified under special purpose like the special education fund.

Figure 4.3 Income by Source, Province of Cavite: 2016

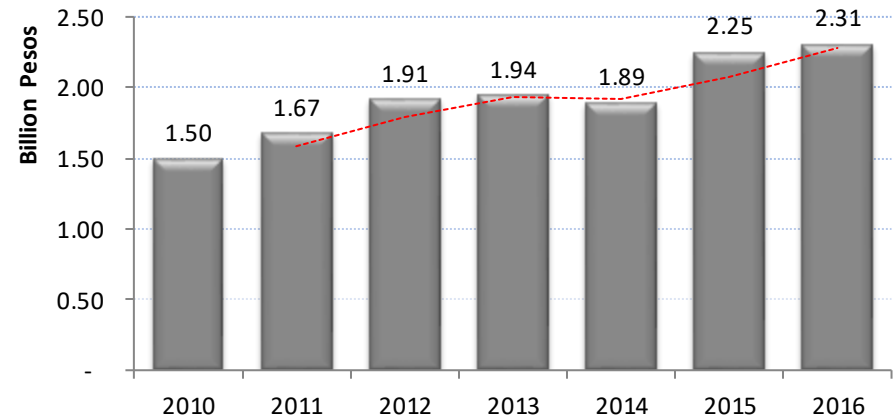


The major lump of the provincial income remains to come from the national government in the form of internal revenue allotment. This has increased minimally from 76.23% in the year 2015. This only shows that the Province is still highly dependent with IRA.

Local taxes only accounts for 18.83% share of the provincial income. Meanwhile, operating and business revenues have a share of 3.51%. This is income from hospital, quarry operations and other business income.

This gives a huge opportunity for the PGC to enter into income generating activities that would aid in decreasing the IRA dependency of the Province. Low IRA dependency is one indicator on how independent an LGU can operates and sustains its public services.

Figure 4.4 Provincial Expenses by Year, Province of Cavite: 2010-2016



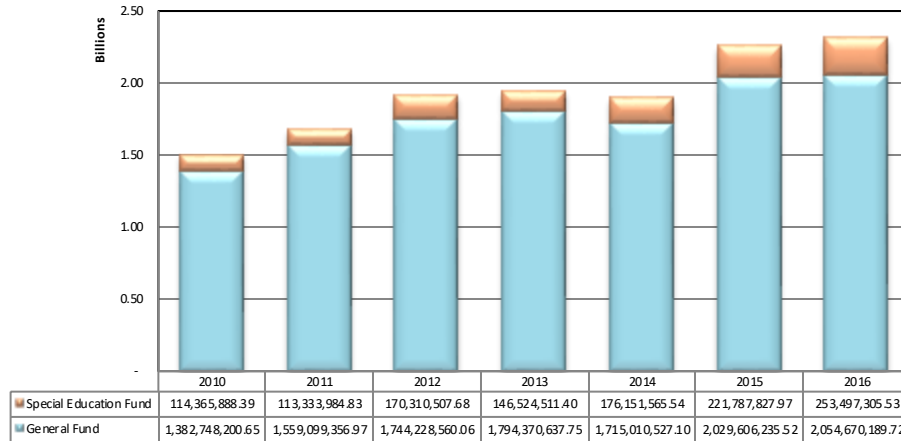
The provincial expenses have shown a general increasing trend for the past seven years. Provision of social services to increasing population of the province is to where we can attribute the increase in expenses.

Majority of the expenses are under the maintenance and operating expense (47.29%) followed by personnel expense (40.70%). Other expenses are non-cash expense and financial expense.



Provincial Expenses

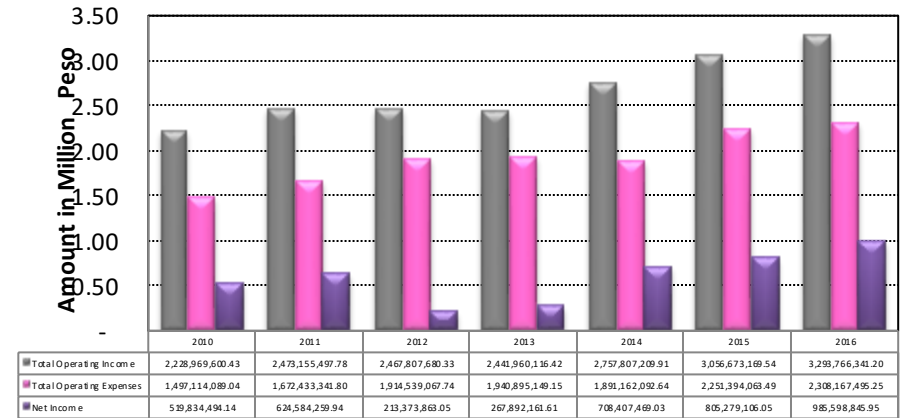
Figure 4.5 Provincial Expenses by Year and Fund Category: 2010-2016



The expenses of the province have reached only 70.08% budget utilization. This under spending should be addressed by the provincial government and should be decreased to an acceptable level in the next years. Under spending means not maximizing the possibility of utmost service delivery to the people and should be avoided. Under spending is considered to be an institutional weakness which could mean many things like poor budget planning, program preparation leading to procurement delays.

The special education funds showed over spending of 3.29% while the general fund has a 32.6% under spending that averaged to 29.92% under spending.

Figure 4.6 Comparative Gross Income, Expenditure and Net Income by Year, Province of Cavite: 2010 to 2016



The increasing income paired with under spending resulted to a net income of 29.92%. This is good in a private business setting. However, in the government setting, appropriations have a life span of only two years. Budget that was not utilized can still be used as carried over for the following year. Appropriated budget cannot be used for other purposes except to where it was intended to be used.

Moreover, unused funds are not automatically considered as savings. Savings in the government can come from:

- Project were implemented but have used funds lower than its approved budget;
- Contracts were awarded to bids lower than its approved budget;
- Projects that were not implemented due to reasons that were out of control of the LGU like disasters.

Surplus of budget increased from 26.34% in 2015 to 29.92% this year.

Table 4.2 Summary of Financial Performance of the Province, Province of Cavite: 2016

Items	General Fund	Special Education Fund	Total
INCOME			
Tax Revenue (Local Taxes)	374,745,088.04	245,394,035.36	620,139,123.40
<i>General Income Accounts</i>			
Internal Revenue Allotment	2,558,176,868.00		2,558,176,868.00
Service and Business Income	113,779,226.70	36,852.07	113,816,078.77
Shares, Grants and Donations	1,634,271.03		1,634,271.03
Total Revenue	3,048,335,453.77	245,430,887.43	3,293,766,341.20
Less: Current Operating Expenses			
Personnel Services	939,308,203.75	197,300.00	939,505,503.75
Maintenance and Other Operating Expenses	947,200,465.27	144,275,570.71	1,091,476,035.98
Non-Cash Expenses	165,045,540.37	91,622,164.04	256,667,704.41
Financial Expenses	3,115,980.33	17,402,270.78	20,518,251.11
Current Operating Expenses	2,054,670,189.72	253,497,305.53	2,308,167,495.25
Surplus (Deficit) for the Period	993,665,264.05	(8,066,418.10)	985,598,845.95

