

Chapter 4. Financial Resources

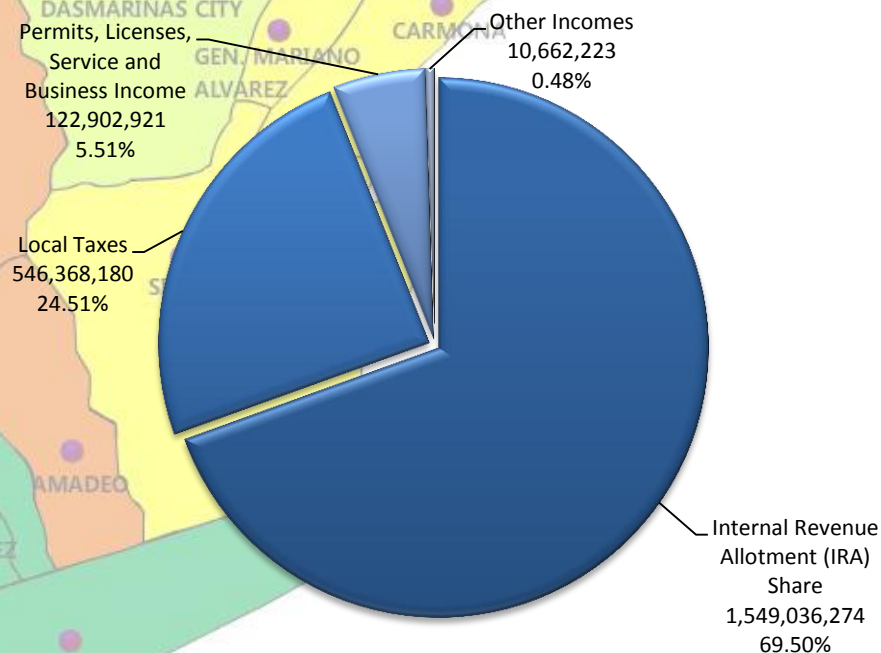
LOCAL GOVERNMENT FINANCE

Provincial Income

The Province's income profile for 2010 is composed of the following:

Internal Revenue Allotment (IRA) Share:	Php	1,549,036,274
Local Taxes		546,368,180
Permits, Licenses, Service and Business Income		122,902,921
Other Incomes:		
Share from Economic Zones		2,788,746
Share from PCSO		3,641,810
Interest Income		4,231,013
Dividend Income		654
TOTAL INCOME	Php	2,228,969,600

Figure 4.1. Income by Source, Province of Cavite: 2010

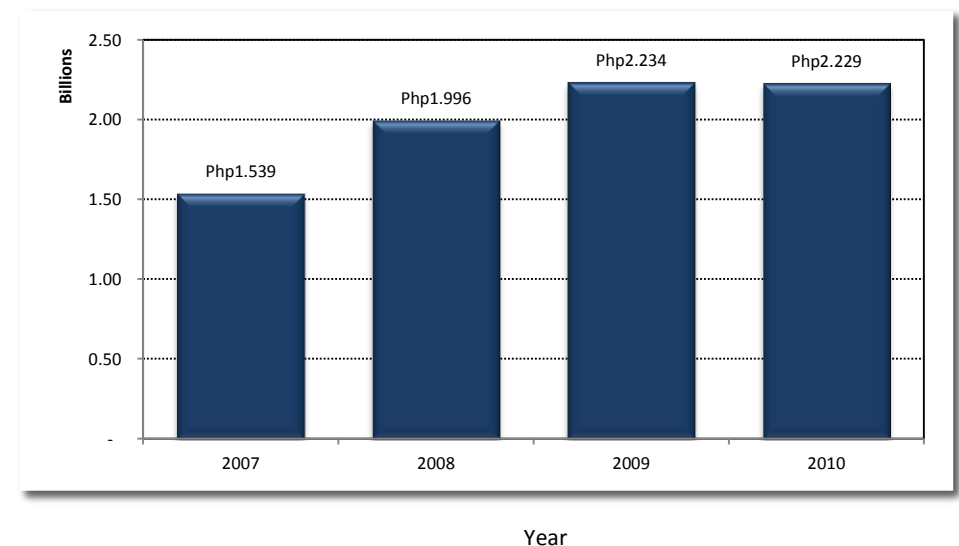


The 2010 income of the province came from four major sources. These are Internal Revenue Allotment (69.5%), Local Taxes (24.5%), Service Income (3.7%) and Business Income (1.9%). The highest income share, the internal revenue allotment is the fund coming from the national government. Figure 4.1 shows that the province is still heavily dependent with the Internal Revenue Allotment (IRA). This gives a lot of room for improvement in terms of revenue generation of the Province. The local taxes decreased from Php645,266,482.45 down to Php546,368,180 in 2010. This is equivalent to 15.33% decline which is due to the cityhood of Dasmariñas. This has a big impact on the tax revenue of Cavite since business and real property taxes of City of Dasmariñas are now localized.

For the year 2010, the Province of Cavite was able to generate a total income of Php2,228,969,600.43.

For the year 2010, the Province of Cavite was able to generate a total income of Php2,228,969,600.43 categorized under General Fund and Special Education Fund. This income has decreased by 0.2% equivalent to Php4.7M from year 2009. This gives a per capita income of Php710.00 at the provincial level. The provincial income is almost stable at Php2B for the past three years. This has been due to incessant efforts of the Provincial Government to raise funds through local sources. (Figure 4.2)

Figure 4.2. Income by Year, Province of Cavite: 2007-2010



The General Fund is intended for the general expenses of the Provincial Government like infrastructure projects, social services, economic services, among others; and the Special Education Fund is primarily intended for education related programs of the Province in support of the national government budget on education.

The general fund showed a slight increase of 1.92% from 2009 to 2010 that corresponds to Php38.2M. On the other hand, the special education fund decreased by Php42.9M from 2009 to 2010 (Figure 4.3). For the year 2010, the general fund comprises a total of 90.93% (Php202,206,260.54) of the total provincial income and the remaining 9.07% is the special education fund (Php2,026,763,339.89) (Figure 4.4).

Figure 4.3. Income with Fund Category by Year, Province of Cavite: 2007-2010

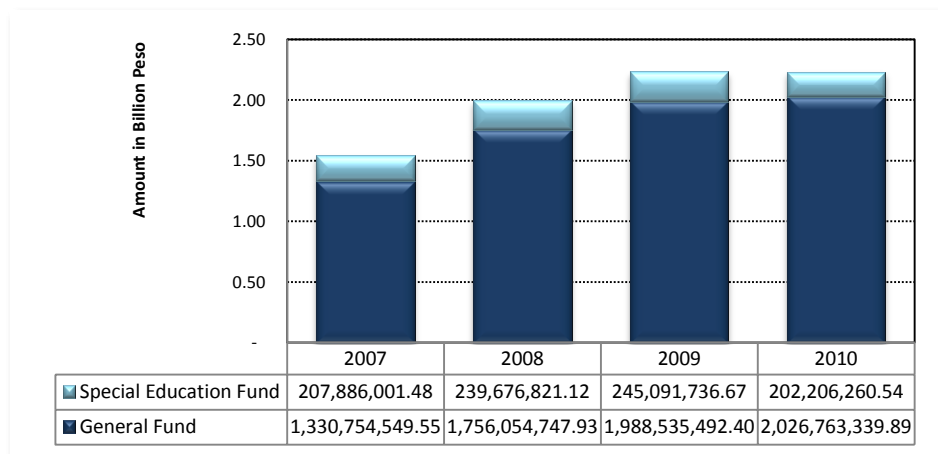
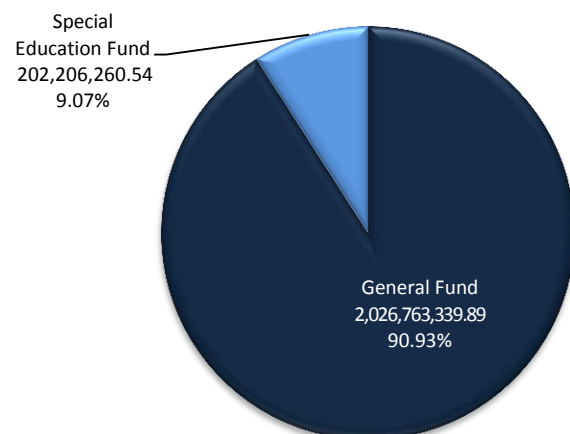


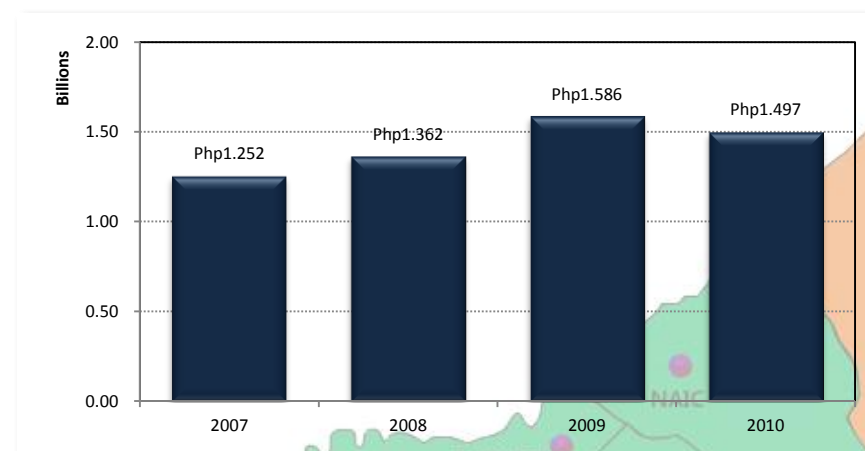
Figure 4.4. Income by Fund Category, Province of Cavite: 2010



Provincial Expenses

The total operating expenses of the Province for 2010 amounted to Php1,497,114,089 which is mainly consist of Personal Services (PS) (Php650,528,010.70) and Maintenance and Other Operating Expenses (MOOE) (Php846,586,078.34). This is lower than the 2009 expenses of Php1,586,189,747. The decline was due to 17% decrease in the MOOE from 2009-2010. The total expenses lies at around 67.17% of the total income (Figure 4.5).

Figure 4.5. Operating Expenses by Year, Province of Cavite: 2007-2010

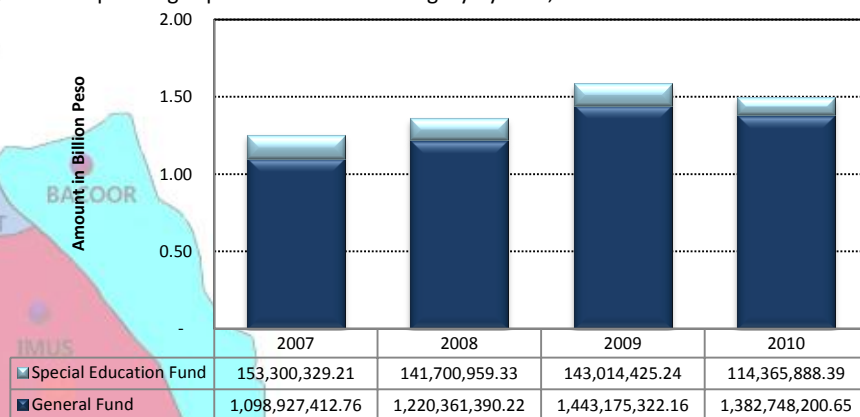


Majority of the provincial expenses accounts for MOOE at around 56.55%. The remaining 43.45% of expenses were spent for Personal Services. There was no capital outlay expense for the year 2010. The decrease of operational expenses was also due to the efforts of the provincial government to save.

Under the general fund, around 68.22% or a total Php1,382,748,200.65 were spent out of the Php2,026,763,339.89 income. Meanwhile, under the special education fund, 56.56% of the total income was consumed as expenses. That is Php114,365,888.39 out of Php202,206,260.54. The operating expenses do not include yet those which were spent on financial expenses, donations and subsidy to local government units (Figure 4.6).

The total expenses lies at around 67.17% of the total income.

Figure 4.6. Operating Expenses with Fund Category by Year, Province of Cavite: 2007-2010



Note: For detailed Statement of income and expenses, please refer to Annex A.

The Province's operating expenses is comprised of 7.64% under the Special Education Fund and 92.36% General Fund (Figure 4.7). The Province shows a good financial trend registering a net income of Php519,834,494.14 in 2010 or 23.32%. Despite the decrease in the Provincial total budget, the Province has higher net income in 2010 by 4.08% corresponding to Php20,377,318.03 than 2009. Generally, the Province has a stable financial status considering having income for the last three years. Likewise, the saving measures of the Province are evident in the decrease of expenses from 2009 to 2010 (Figure 4.8).

Figure 4.7. Expenses by Fund Category, Province of Cavite: 2010

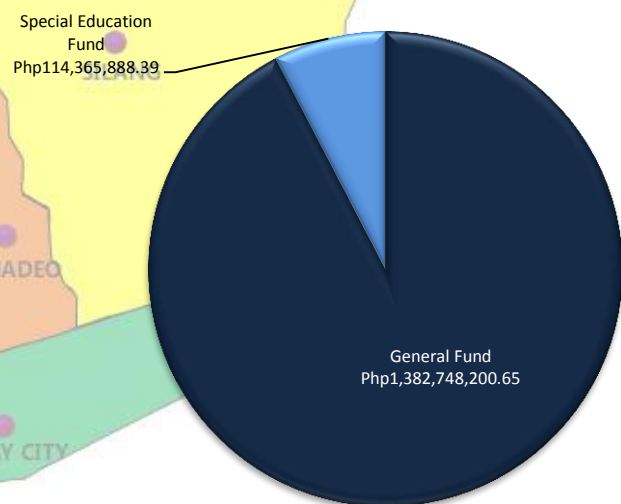
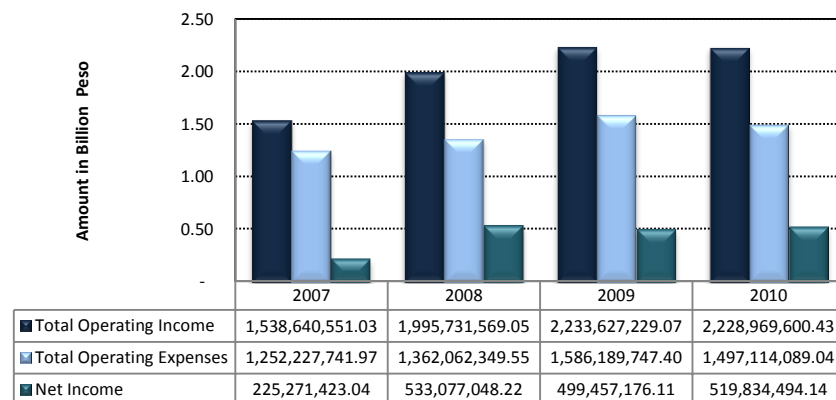


Figure 4.8. Comparative Gross Income, Expenses and Net Income by Year, Province of Cavite: 2007-2010



INCOME CLASS CLASSIFICATION

The Department of Finance (DOF) implements a categorization system that determines the income classification of a certain Local Government Unit (LGU). This classification depends on the amount of revenue and income of the LGU. The employees' compensation on the LGU is based on this classification. The latest classification system is based on DOF's Department Order No. 23-08 effective July 29, 2008. The classification scheme is as follows:

Class	Average Annual Income
Provinces	
First	P450M or more
Second	P360M or more but less than P450M
Third	P270M or more but less than P360M
Fourth	P180M or more but less than P270M
Fifth	P90M or more but less than P180M
Sixth	Below P90M
Cities	
First	P400M or more
Second	P320M or more but less than P400M
Third	P240M or more but less than P320M
Fourth	P160M or more but less than P240M
Fifth	P80M or more but less than P160M
Sixth	Below P80M
Municipalities	
First	P55M or more
Second	P45M or more but less than P55M
Third	P35M or more but less than P45M
Fourth	P25M or more but less than P35M
Fifth	P15M or more but less than P25M
Sixth	Below P15M

Based on the said income classification system, the Department of Finance came up with the Memorandum Circular No. 01-M(24)-08 dated November 12, 2008 classifying the 19 municipalities of Cavite and Memorandum Circular No. 01-C-08 dated November 27, 2008 classifying the four cities (Table 4.1).

Table 4.1. Income Classification of Cities and Municipalities, Province of Cavite: Effective July 29, 2008

City/Municipality	Average Annual Income CYs 2004-2007 (Php M)	Income Class
District I		
Cavite City	208.724	4th
Kawit	69.373	1st
Noveleta	41.267	3rd
Rosario	351.135	1st
District II		
Bacoor	352.922	1st
District III		
Imus	293.365	1st
District IV		
City of Dasmariñas	425.750	1st
District V		
Carmona	219.579	1st
Gen. Mariano Alvarez	93.417	1st
Silang	173.000	1st
District VI		
Trece Martires City	185.162	4th
Amadeo	31.695	4th
Gen. Trias	339.756	1st
Tanza	115.431	1st
District VII		
Tagaytay City	345.591	2nd
Alfonso	56.255	1st
Gen. Aguinaldo	22.489	5th
Indang	56.526	1st
Magallanes	27.535	4th
Maragondon	28.812	3rd
Mendez	29.715	4th
Naic	75.675	1st
Ternate	32.193	4th
Cavite Province	1,135.806	1st

Source: Department of Finance, Manila

The income of local government units depends on how vigorous they are in their tax assessment and collection function.

Out of the nineteen municipalities, twelve were classified as first class having an average municipal income of more than Php55 million from 2004 to 2007. Two municipalities are third class, four are fourth class and one is fifth class. On the other hand, the City of Dasmariñas is a first class city, while Tagaytay City is second class and the remaining two cities, Cavite and Trece Martires are fourth class.

Over-all, the province of Cavite is classified as a First Class Province.

Over-all, the province of Cavite is classified as a First Class Province. The objective of all localities is to become first class in order to exhibit their competitiveness and capacity to host investments and residents as a sustainable development partner of the private sector.

TAXABLE ASSESSMENT OF REAL PROPERTY

The appraisal and assessment of real properties in a specific local government unit for taxation purposes is guided by fundamental principles embodied in the Real Property Tax Code of the Philippines. These fundamental principles are as follows:

- Real property shall be appraised at its current and fair market value;
- The appraisal of real property shall be uniform in each local political subdivision;
- Real property shall be classified for assessment purposes on the basis of its actual use;
- Real property shall be assessed on the basis of a uniform standard of value within each local political subdivision;
- In no case shall the appraisal and assessment of real property for taxation purposes and the collection of the real property tax be let to any private person; and
- The goal of property assessment shall be the equitable distribution of the tax burden.

The real property taxable assessment is one of the indicators of the level of development in a particular area. For instance, a parcel of lot has higher taxable assessment in a highly urbanized municipality as compared to the same area of lot in a rural community. This is being affected by the market value of a real property considering that market value of real properties appreciate depending on the level of development and urbanization of the area. The higher assessment there is for real property, the higher the probable tax collection of the LGU thus, better income for the government and consequently better services for the citizens.

Table 4.2. Taxable Assessment of Real Property by City/Municipality, Province of Cavite: 2010

City/Municipality	As of January 1, 2010	As of December 31, 2010	Increase (Decrease)
District I			
Cavite City	1,510,042,121	1,549,517,983	39,475,862
Kawit	1,164,944,940	1,243,958,610	79,013,670
Noveleta	785,577,400	788,601,940	3,024,540
Rosario	4,991,622,100	5,214,075,000	222,452,900
District II			
Bacoor	19,166,861,630	19,810,180,900	643,319,270
District III			
Imus	8,764,647,240	9,255,013,860	490,366,620
District IV			
City of Dasmariñas	13,210,073,000	13,873,729,740	663,656,740
District V			
Carmona	15,765,535,490	16,008,454,740	242,919,250
Gen. Mariano Alvarez	1,103,985,350	1,302,407,590	198,422,240
Silang	5,295,020,450	5,431,198,510	136,178,060
District VI			
Trece Martires City	3,231,404,220	3,247,376,320	15,972,100
Amadeo	557,724,020	562,016,420	4,292,400
Gen. Trias	10,144,374,650	10,452,162,770	307,788,120
Tanza	2,920,831,300	2,969,069,200	48,237,900
District VII			
Tagaytay City	9,382,397,030	9,614,723,580	232,326,550
Alfonso	1,137,379,410	1,158,535,950	21,156,540
Gen. Aguinaldo	229,874,110	229,933,530	59,420
Indang	535,508,950	559,335,910	23,826,960
Magallanes	253,315,590	255,581,910	2,266,320
Maragondon	687,677,630	694,873,340	7,195,710
Mendez	346,157,840	356,871,990	10,714,150
Naic	2,139,431,740	2,151,155,010	11,723,270
Ternate	2,480,835,020	2,494,278,070	13,443,050
TOTAL	105,805,221,231	109,223,052,873	3,417,831,642

Source: Provincial Assessor's Office, City Assessor's Office

The municipality of Bacoor posted the highest assessment of real properties for 2010. The assessment increased by 3.36% corresponding to Php643,319,270.00. The increase can be attributed to continuous development of residential estates in the area. This is followed by the

municipality of Carmona with Php16B and comes in third is the City of Dasmariñas with Php13.8B. (Table 4.2)

All municipalities and cities are in harmony with the direction of the provincial government in maximizing local income through intensified tax collection which starts from proper and utmost real property taxable assessment.

All cities and municipalities experienced increase in their taxable assessment of real property. This is one proof that the province is on the right track of constant development. All municipalities and cities are in harmony with the direction of the provincial government in maximizing local income through intensified tax collection which starts from proper and utmost real property taxable assessment. The municipality of Gen. Mariano Alvarez exhibited the highest increase of RPT assessment at 17.97% which is due to strengthened campaign of the municipality on tax collection efficiency and the continuous development in the area.

The municipalities of Gen. Aguinaldo, Magallanes and Mendez remain to be challenged in terms of increasing its real property tax assessment. Similarly, Gen. Aguinaldo recorded the lowest increase on RPT taxable assessment.

From 2009 up to 2010, the value of taxable real property in Cavite increase by Php3B corresponding to an augmentation of 3.23%.

INTERNAL REVENUE ALLOTMENT

As a support of the national government, each Local Government Unit is receiving what we term as Internal Revenue Allotment or more commonly known IRA. In almost all localities, the IRA accounts for their major income source.

The Internal Revenue Allotment (IRA) is the annual share of local governments out of the proceeds from national internal revenue taxes. It is estimated at forty percent (40%) of the actual collections of national internal revenue taxes during the third fiscal year proceeding the current year, as certified by the Bureau of Internal Revenue (BIR).

The IRA provides considerable budget for a certain Local Government Unit which makes possible the implementation of localized programs and projects. Aside from the IRA received by the cities and municipalities, the Province is also receiving its share of IRA for programs and projects in the provincial level.

The sources of national internal revenue taxes are the following:

National Government

- Internal Revenue Allotment
- Share from taxes, fees and charges collected from the development and utilization of national wealth
- Other grants and Subsidies
- Debt Relief Program

Locally Generated

- Real Property Taxes
- Business Taxes
- Other Local Taxes
- Regulatory Fees
- Operation of Local Economic Enterprises
- Tolls and Users Charges

Other Sources

- Sales/Lease of Assets
- Credits
- BOT-BT Scheme

The share of local government units in the internal revenue allotment shall be allocated in the following manner:

- Provinces - Twenty-three percent (23%);
- Cities - Twenty-three percent (23%);
- Municipalities - Thirty-four percent (34%); and
- Barangays - Twenty percent (20%)

The share of each province, city, and municipality shall be determined on the basis of the following formula:

- Population - Fifty percent (50%);
- Land Area - Twenty-five percent (25%); and
- Equal sharing - Twenty-five percent (25%)

The IRA is being computed using the latest census which is updated every 5 years by the NSO. The figures as certified by the NSO are considered final.

The Province showed a continuous increase in its IRA since 2008 up to 2010. Having population as the main basis for IRA, City of Dasmariñas gained the highest IRA in 2010 amounting to

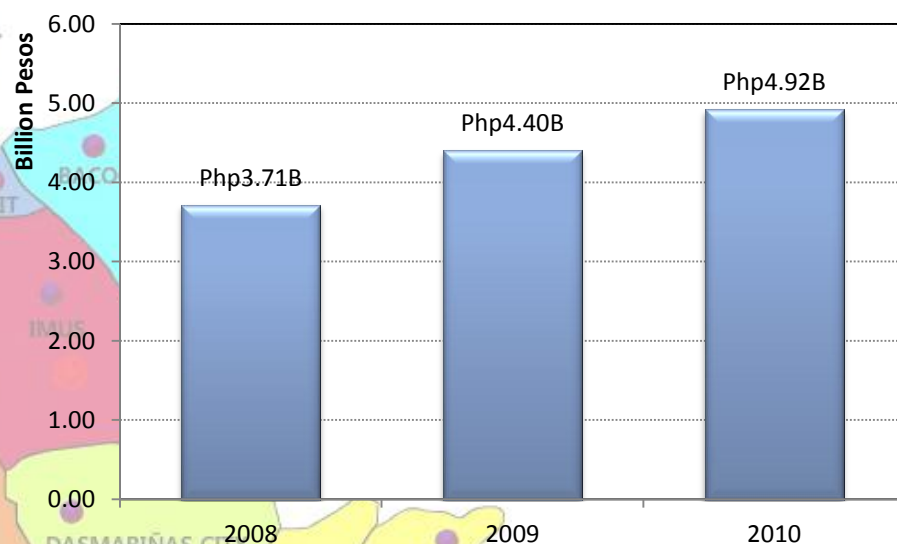
Php683.8M. This is 57.58% higher than its IRA on 2009. The conversion of Dasmariñas to a city brought about the increase in its IRA. It is followed by Bacoor with Php366.8M IRA as a municipality. The lowest IRA was recorded at Gen. Aguinaldo with Php33.15M in 2010. The distribution of IRA makes possible the equal distribution of the “people’s money” or the taxes to each and every Filipino. (Table 4.3 and Figure 4.9).

Table 4.3. Internal Revenue Allotment by City/Municipality, Province of Cavite: 2008 to 2010

Local Government Unit	2008	2009	2010
District I	354,441,381	416,958,229	448,329,608
Cavite City	177,347,473	209,399,574	227,870,460
Kawit	63,108,536	73,908,917	78,540,263
Noveleta	38,900,682	45,642,792	48,358,247
Rosario	75,084,690	88,006,946	93,560,638
District II	293,520,257	344,487,043	366,757,867
Bacoor	293,520,257	344,487,043	366,757,867
District III	183,132,788	214,945,615	228,712,414
Imus	183,132,788	214,945,615	228,712,414
District IV	369,626,394	433,981,230	683,847,974
City of Dasmariñas	369,626,394	433,981,230	683,847,974
District V	311,446,409	365,172,584	388,266,012
Carmona	58,375,137	68,445,313	72,745,235
Gen. Mariano Alvarez	100,456,311	117,780,733	125,237,886
Silang	152,614,961	178,946,538	190,282,891
District VI	483,476,046	581,356,783	624,134,267
Trece Martires City	164,476,712	207,080,819	226,217,618
Amadeo	35,476,286	41,499,827	44,024,741
Gen. Trias	156,054,056	183,245,477	194,829,559
Tanza	127,468,992	149,530,660	159,062,349
District VII	488,984,688	587,273,233	630,242,930
Tagaytay City	152,445,295	193,121,325	212,019,147
Alfonso	47,538,686	55,662,057	59,090,748
Gen. Aguinaldo	26,728,720	31,276,982	33,150,810
Indang	56,632,023	66,249,562	70,329,263
Magallanes	29,102,491	34,090,307	36,138,014
Maragondon	41,723,548	48,892,651	51,864,859
Mendez	32,600,277	38,144,863	40,455,514
Naic	73,073,874	85,671,851	90,959,274
Ternate	29,139,774	34,163,635	36,235,301
Province of Cavite	1,229,961,353	1,456,611,301	1,549,036,274
TOTAL	3,714,589,316	4,400,786,018	4,919,327,346

Source: Provincial Budget Office, City Budget Offices

Figure 4.9. Total Internal Revenue Allotment (Province, Cities, Municipalities), Province of Cavite: 2008 to 2010



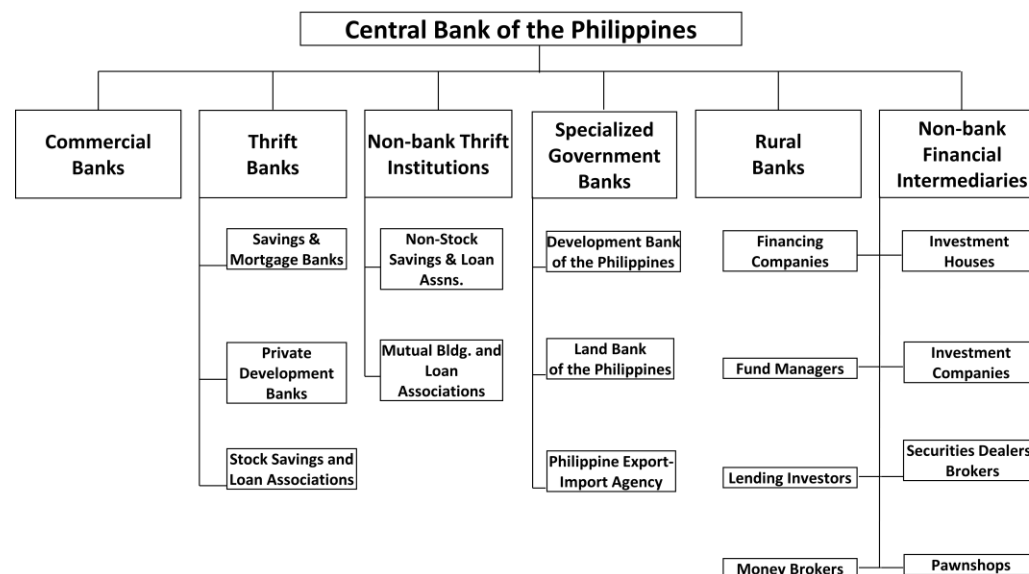
LOCAL FINANCIAL INSTITUTIONS

Financial Institutions

Financial institutions play major role in the economy of any locality, for a Province for that matter. They are responsible in empowering the economy by providing money to the business sector and enabling them to enter into commerce. This would consequently lead into delivery of products and services as well as employment. As per the classification being imposed by the Central Bank of the Philippines, financial institutions in the country can be categorized into two. These are the banking and non-banking financial institutions. Cavite has 1,058 financial institutions of both categories. Furthermore, these broad classifications are sub-divided into different types of financial firms. These banks are operating based on their prescribed mandates as to their classification (Figure 4.10).

Cavite has 1,058 financial institutions.

Figure 4.10. Financial Institutions in the Philippines



NOTE: Insurance Companies are under the supervision of the Insurance Commission

Source: Bangko Sentral ng Pilipinas

Banking Institutions

Banking institutions are categorized into commercial banks, rural banks, non-bank thrift institutions, specialized government banks and thrift banks. The province currently has 287 banking institutions scattered all-over Cavite. The highest number of banking institutions is in Bacoor with 44 followed by Imus with 39 and the City of Dasmariñas with 36. As observed, these three districts hold numerous schools and commercial establishments that could account to the greater number of banking institutions. The presence of banking institutions is a good indicator of local economy because these institutions are medium of economic trading. The more banking institutions there are, the greater opportunity of financial trading to transpire in the area. Commercial banks with 129 financial institutions represent 44.95% of the total banking institutions followed by rural banks with 82 banking institutions, specialized government banks with 7 and thrift banks with 69.

Commercial Banking System is also known as business banking. It is a bank that provides checking accounts, savings accounts, and money market accounts and that accepts time deposits. Cavite has a total of 129 commercial banks, the highest number of which are located in Imus and City of

Dasmariñas both with 21 institutions. There are 9 municipalities that do not have any commercial banks to date which can be attributed to lack of economic viability.

Rural Banking System provides saving facilities in rural areas and extends loans to farmers and small businessmen. Because of their credit and savings functions in the rural economy, rural banks receive considerable assistance from the government. There are 82 rural banks in the province, with the highest number of them concentrated in Bacoor with 11. Considering that District VII is an agricultural district, most number of rural banks (23) can be found in the said district.

Thrift Banking System is composed of private development banks, savings and mortgage banks and stock savings and provides loans at generally longer and easier terms to lower income groups. Loans are usually for basic social and economic needs, and are granted to small producers, such as farmers, micro and small entrepreneurs and consumers to finance their production and consumption requirements. There are 69 thrift banks in Cavite. Bacoor (16) has the most number of thrift banks.

There are seven specialized government banks in Cavite. Six of which are Landbank of the Philippines and one Development Bank of the Philippines. These banks operate with special function that supports government operation.

Non-Banking Institutions

A non-bank financial institution (NBFI) is a financial institution that does not have a full banking license or is not supervised by a national or international banking regulatory agency. NBFIs facilitate bank-related financial services, such as investment, risk pooling, contractual savings, and market brokering. According to the Central Bank of the Philippines, there are 771 non-banking financial institutions operating in Cavite as of December 2010. Majority of which is composed of pawnshops. Districts I and IV have been the most number with 141 each followed by Districts II and III with 130, and 107 institutions, respectively.

Pawnshop is an individual or business that offers secured loans to people, with items of personal property used as collateral. These valuable items range from jewels and electronic gadgets such as cellular phones and laptops.

Financing and loan associations have also established visibility in Cavite. They serve as credit facilities to individuals especially in the community. The patrons of these financing institutions are those who are not formally employed or community people especially farmers. To name some are TSPI Development Corporation and Center for Agriculture and Rural Development (CARD).

Table 4.4. Banking Institutions by Type by City/Municipality, Province of Cavite: 2010

City/Municipality	Rural Banks	Commercial Banks	Thrift Banks	Specialized Government Banks	Total
District I	6	24	11	2	43
Cavite City	1	8	1	1	11
Kawit	1	4	5		10
Noveleta	1		4		5
Rosario	3	12	1	1	17
District II	11	17	16		44
Bacoor	11	17	16		44
District III	5	21	12	1	39
Imus	5	21	12	1	39
District IV	6	21	8	1	36
City of Dasmariñas	6	21	8	1	36
District V	18	19	7	1	45
Carmona	6	11	1		18
Gen. Mariano Alvarez	4	2	3		9
Silang	8	6	3	1	18
District VI	13	15	10	1	39
Trece Martires City	4	3	2	1	10
Amadeo	3				3
Gen. Trias	4	8	3		15
Tanza	2	4	5		11
District VII	23	12	5	1	41
Tagaytay City	6	9	3	1	19
Alfonso	2				2
Gen. Aguinaldo	3				3
Indang	3				3
Magallanes	2				2
Maragondon	1				1
Mendez	2				2
Naic	3	3	2		8
Ternate	1				1
TOTAL	82	129	69	7	287

Source: Bangko Sentral ng Pilipinas

Table 4.5. Non- Banking Institutions by Type by City/Municipality,
Province of Cavite: 2010

City/Municipality	Pawnshops	Financing	Non-Stock Savings & Loan Assn.	Total
DISTRICT I	137		4	141
Cavite City	60		4	
Kawit	37			
Noveleta	16			
Rosario	24			
DISTRICT II	130			130
Bacoor	130			130
DISTRICT III	105	1	1	107
Imus	105	1	1	107
DISTRICT IV	140	1		141
City of Dasmariñas	140	1		141
DISTRICT V	92			92
Carmona	12			12
Gen. Mariano Alvarez	29			29
Silang	51			51
DISTRICT VI	89			89
Trece Martires City	13			13
Amadeo	1			1
Gen. Trias	49			49
Tanza	26			26
DISTRICT VII	71			71
Tagaytay City	19			19
Alfonso	7			7
Indang	8			8
Magallanes	1			1
Maragondon	3			3
Mendez	6			6
Naic	26			26
Ternate	1			1
TOTAL	764	2	5	771

Source: Bangko Sentral ng Pilipinas

