

Chapter 4. Local Government

Finance

Resource Endowments

The provincial income of Cavite increased by 10.84% from the year 2014 to 2015. This is equivalent to Php298,865,959.63. The total income of the province for 2015 is Php3,056,673,169.54. The increase is attributed to increase in internal revenue allotment despite the decrease in the local taxes. Business and other incomes like and the income from medical, dental and laboratory fees also showed increase on the subject years.

The decrease in local taxes was greatly affected by the conversion of Imus and Bacoor from municipality to city. The said cities no longer remits provincial share out of their real property taxes, thus a decrease of almost Php137M pesos.

The unstoppable urbanization in Cavite tends to convert the highly urbanized areas into cities which in effect will give them autonomy in terms of their local income. Given this challenge, the provincial government is continually instituting new measures, policies and systems as well as utilizing modern technologies that would contribute in a more efficient local taxes collection.

The comparative financial profile of the province from 2014 to 2015 is as follows:

	2014	2015
Internal Revenue Allotment Share	2,043,298,727.00	2,330,006,094.00
Local Taxes	651,660,717.10	515,010,759.89
Permits, Licenses, Service and Business Income	61,279,119.65	191,196,999.00
Other Incomes:	1,568,646.16	20,459,316.65
	2,757,807,209.91	3,056,673,169.54

Public Financial Management

Financial Management is simply defined as planning, directing, monitoring, organizing, and controlling of an entity of their financial resources in an efficient and effective manner. 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.

In the government operation, **Public Financial Management** is a system of rules, procedures and practices for government to manage public finances. It encompasses the areas of budgeting, accounting, auditing, cash management, management of public debt, revenue generation and public reporting on public sector financial operations. It also seeks to address the key challenges of controlling government spending and making agencies operate efficiently and effectively.

The current system of public financial management being used by the provincial government drives the administration to check if the government spending is within limits. It also seeks to check if the spending is on the right things and if the best value for money is being obtained.

This part of the Local Government Report 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. The trending will cover that of the political terms of Gov. Juanito Victor C. Remulla Jr. from year 2010 to 2015.

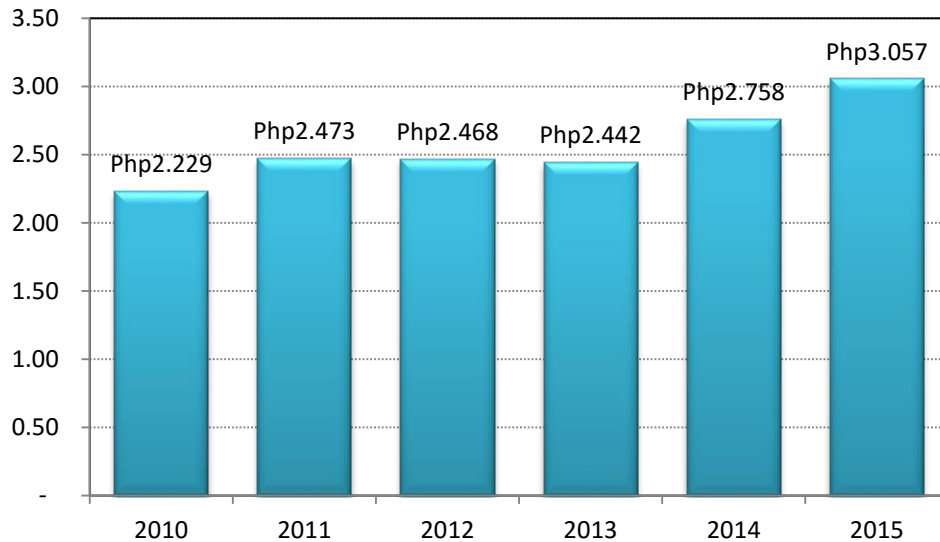
Results of Operations

Provincial Operating Income

The income for the year 2015 have reached the amount of three billion fifty six million six hundred seventy three thousand one hundred sixty nine and fifty four cents (Php3,056,673,169.54). The province is still considered as IRA dependent with a dependency rate of 76.23%. The income of the province increased by 10.84% from 2014 to 2015. Despite the conversion of various municipalities into

cities, the income of the province showed positive increasing trend from year 2010 to 2015 (Figure 4A).

Figure 4A Provincial Income by Year, FY 2010 to 2015

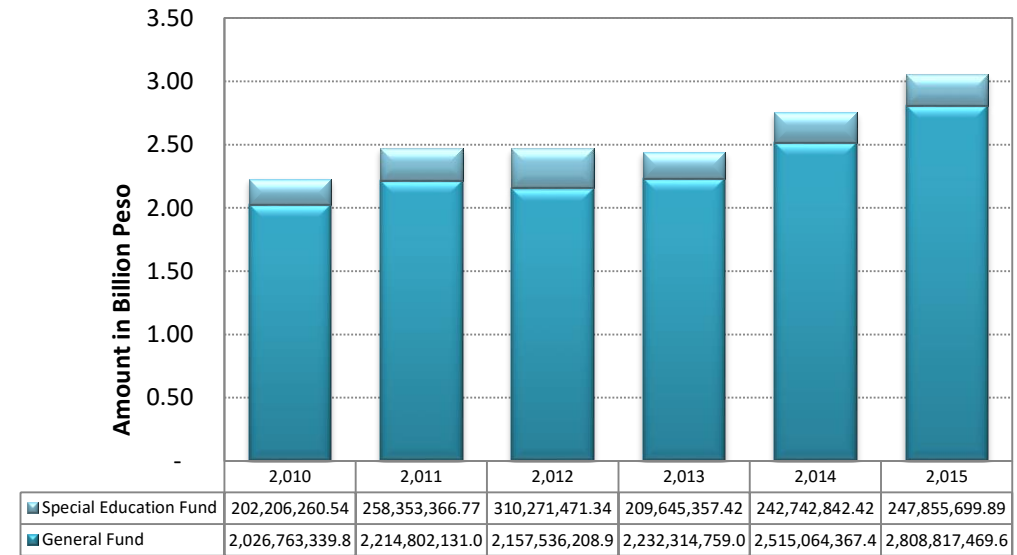


Financial management in the provincial government involves the classification of budget into two categories, the General Fund and the Special Education Fund. General funds are those that are being spent for the general expenses of the province like infrastructure projects, social services, economic services 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.

The proportion of SEF and General Fund remains in constant, majority of funds covers General Fund.

For the year 2015, 91.89% of the provincial revenue is classified under the General Fund and only 8.11% is Special Education Fund (Figure 4B).

Figure 4B Provincial Income by Fund Category and by Year, FY 2010 to 2015



Sources of Income

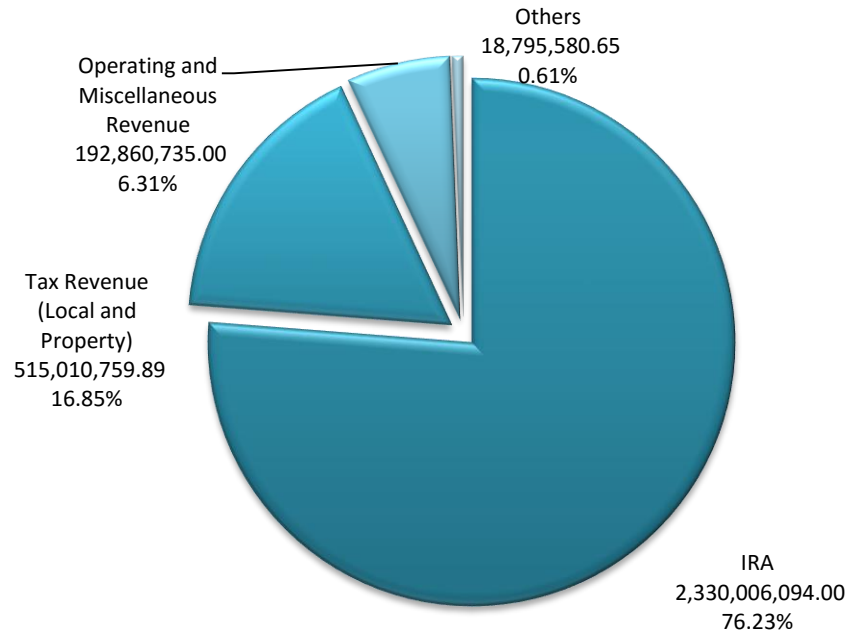
The provincial income comes from various sources. The amount of income of the province is critical in defining and prioritizing the programs to be implemented under the local administration, social, environment and economic sectors. The source of income of the province comes from national government 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).

The sources of income for the year 2015 are Internal Revenue Allotment, Local Taxes, Operating and Miscellaneous Revenue and Others which is composed of Shares, Grants and Donations.

The Internal Revenue Allotment remains to be the major fund source of the Provincial Government. Fortunately, the IRA is not affected by the cityhood of municipalities. However the Local and Property taxes decreased dramatically

despite the efforts of the provincial government on the massive tax campaigns. This was due to the to the conversion of Imus and Bacoor into cities.

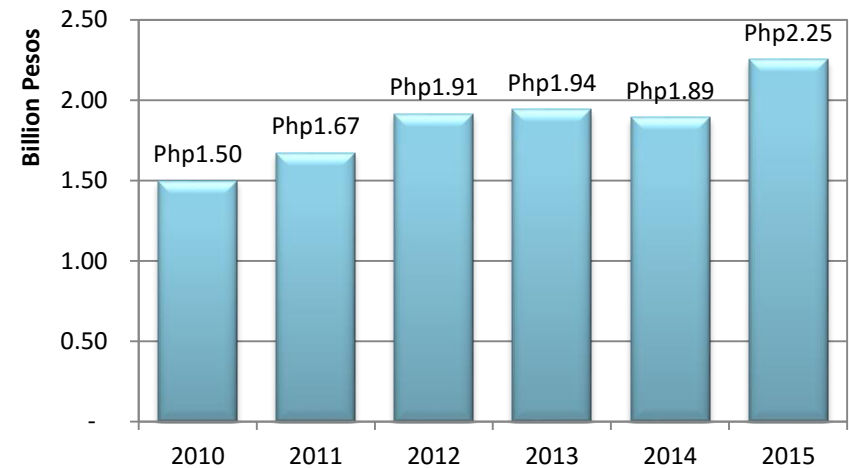
Figure 4C Income by Source, Province of Cavite: 2015



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 Php221,787,827.97 that is equivalent to 9.85% of the total expenses. The general fund expenses on the other hand amounted to Php2,029,235.52 equivalent to 90.15% of the total operating expense (Figure 4E).

The general fund was used-up up to 72.26% while the special education was used-up at 89.48%. The total fund utilization is pegged at 73.66%.

Figure 4D Total Operating Expenses by Year: 2010 to 2015

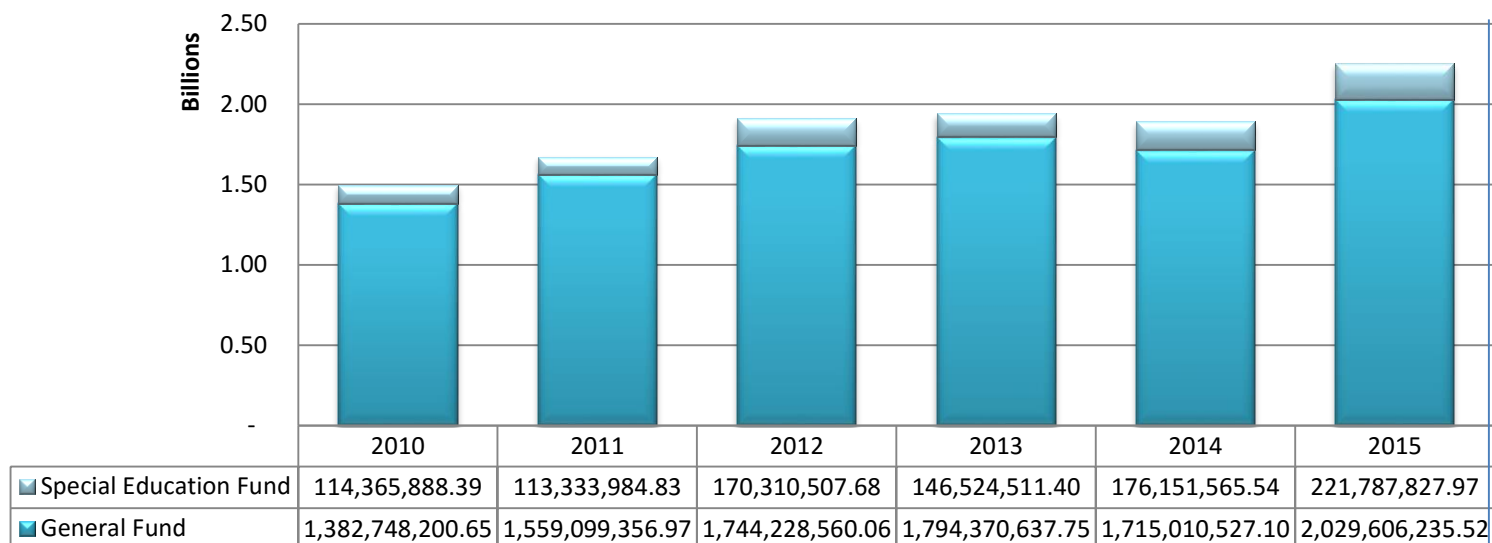


Provincial Operating Expenses

The provincial government has two major expense accounts such as Personal Services and Maintenance and Other Operating Expenses (MOOE). For the year 2014, the operating expenses of the province totaled to Php2,251,394,063.49. This can be translated to 73.66% of the income of the province. The operating expense increased by 19.05% equivalent to Php360M from 2014 to 2015 (Figure 4D).

In the last six years, the highest operating expense is recorded in the year 2015 at Php2.25B. The expenses are composed mainly of personnel services and maintenance and other operating expenditures.

Figure 4E Operating Expenses with Fund Category by Year: 2010 to 2015



Gross Income, Expenses and Net Income

For the past six years, the provincial government showed remarkable financial performance in terms of spending, allowing the province to retain savings in its coffers. 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 the year 2015, the province has a net income of Php805,279,106.05. The net income of the province generally had an increasing trend from 2010 up to 2015. It is highest in the year 2015 at 26.34% savings rate. 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 4F).

Figure 4F Comparative Gross Income, Expenditure and Net Income by Year, Province of Cavite: 2010 to 2015

