

## **ABSTRACT**

*From 33 provinces and 471 districts / cities in Indonesia, only about 10 percent which have a formal delimitation, one of it is Central Java province which has 35 districts. Central Java province has an income sources and the abundant natural wealth in each area. Therefore, aims of this study are to proof empirically the influence of Regionally Original Income (PAD), and General Allocation Fund (DAU) on the allocation of Regional Expense in districts and municipalities in Central Java.*

*This study uses 35 samples in Central Java, which the source is from the Realization Report of the Estimate Income of Regional Expense (APBD) from 2007 until 2009. Method of the sample uses census method by taking the entire population. The instrument that used result is a multiple regression.*

*Result of this study indicates that the DAU and the PAD have a significant impact on regional expense allocations. Furthermore, the dependence level on regional expense allocation is more dominant to PAD than DAU.*

*Keyword : Regionally Original Income (PAD), General Allocation Fund (DAU), the allocation of Regional Expense, The Realization Report of the Estimate Income of Regional Expense (APBD).*