

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
Third Regular Session

HOUSE BILL NO. 10865



Introduced by **HON. BRIAN RAYMUND S. YAMSUAN**

EXPLANATORY NOTE

Section 325(g) of Republic Act No. 7160, or the Local Government Code of 1991, provides as a general limitation on the use of Local Government Funds that salary increases or adjustments shall, in no case, be made retroactive. This non-retroactivity, however, is inconsistent with the principles of equal protection.

Equal protection under the 1987 Constitution mandates that all persons be treated alike under similar circumstances, both in privileges granted and liabilities imposed. Although reasonable classifications are permitted, they must primarily be based on substantial distinctions—those that make up for real differences.¹ This constitutional guarantee applies equally within the sphere of public service. From the local to the national level, civil service employees form the foundation of efficient government operations. Every civil servant, regardless of their position, supports the government and contributes to the country's advancement. While their roles and titles may vary, they are all held to the same standards of professionalism, integrity, transparency, and accountability.

The proposed amendment aims to remove the restriction on retroactively applying salary increases or adjustments under the Local Government Code, thereby allowing LGU employees to receive the same benefits as national government employees. By addressing and eliminating these unfounded disparities, we create a level playing field for all civil servants and foster a merit-based system that upholds the principles of justice and equality.

¹ Ichong v. Hernandez, G.R. No. L-7995, May 31, 1957

In view of the foregoing, the approval of this measure is earnestly sought.



BRIAN RAYMUND S. YAMSUAN
Representative
Bicol Saro Party-list

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**AN ACT PROVIDING FOR THE RETROACTIVE APPLICATION OF
NATIONALLY MANDATED SALARY INCREASES AND ADJUSTMENTS FOR
LOCAL GOVERNMENT UNITS, AMENDING FOR THE PURPOSE BOOK II, TITLE
V, CHAPTER III, ARTICLE I, SECTION 325 (g) OF REPUBLIC ACT NO. 7160
OTHERWISE KNOWN AS THE “LOCAL GOVERNMENT CODE OF 1991”**

*Be it enacted by the Senate and House of Representatives of the Philippines in
Congress assembled:*

SECTION 1. Section 325 of Republic Act No. 7160, otherwise known as the “Local Government Code” is amended to read as follows:

SECTION 325. GENERAL LIMITATIONS. - THE USE OF THE PROVINCIAL, CITY, AND MUNICIPAL FUNDS SHALL BE SUBJECT TO THE FOLLOWING LIMITATIONS:

(A) THE TOTAL APPROPRIATIONS, WHETHER ANNUAL OR SUPPLEMENTAL, FOR PERSONAL SERVICES OF A LOCAL GOVERNMENT UNIT FOR ONE (1) FISCAL YEAR SHALL NOT EXCEED FORTY-FIVE PERCENT (45%) IN THE CASE OF FIRST TO THIRD CLASS PROVINCES, CITIES AND MUNICIPALITIES, AND FIFTY-FIVE PERCENT (55%) IN THE CASE OF FOURTH CLASS OR LOWER, OF THE TOTAL ANNUAL INCOME FROM REGULAR SOURCES REALIZED IN THE NEXT PRECEDING FISCAL YEAR. THE APPROPRIATIONS FOR SALARIES, WAGES, REPRESENTATION AND TRANSPORTATION ALLOWANCES OF OFFICIALS AND EMPLOYEES OF THE PUBLIC UTILITIES AND ECONOMIC ENTERPRISES OWNED, OPERATED, AND MAINTAINED BY THE LOCAL GOVERNMENT UNIT CONCERNED SHALL NOT BE INCLUDED IN THE ANNUAL BUDGET OR IN THE COMPUTATION OF THE MAXIMUM AMOUNT FOR PERSONAL SERVICES. THE APPROPRIATIONS

FOR THE PERSONAL SERVICES OF SUCH ECONOMIC ENTERPRISES SHALL BE CHARGED TO THEIR RESPECTIVE BUDGETS;

(B) NO OFFICIAL OR EMPLOYEE SHALL BE ENTITLED TO A SALARY RATE HIGHER THAN THE MAXIMUM FIXED FOR HIS POSITION OR OTHER POSITIONS OF EQUIVALENT RANK BY APPLICABLE LAWS OR RULES AND REGULATIONS ISSUED THEREUNDER;

(C) NO LOCAL FUND SHALL BE APPROPRIATED TO INCREASE OR ADJUST SALARIES OR WAGES OF OFFICIALS AND EMPLOYEES OF THE NATIONAL GOVERNMENT, EXCEPT AS MAY BE EXPRESSLY AUTHORIZED BY LAW;

(D) IN CASES OF ABOLITION OF POSITIONS AND THE CREATION OF NEW ONES RESULTING FROM THE ABOLITION OF EXISTING POSITIONS IN THE CAREER SERVICE, SUCH ABOLITION OR CREATION SHALL BE MADE IN ACCORDANCE WITH PERTINENT PROVISIONS OF THIS CODE AND THE CIVIL SERVICE LAW, RULES AND REGULATIONS;

(E) POSITIONS IN THE OFFICIAL PLANTILLA FOR CAREER POSITIONS WHICH ARE OCCUPIED BY INCUMBENTS HOLDING PERMANENT APPOINTMENTS SHALL BE COVERED BY ADEQUATE APPROPRIATIONS;

(F) NO CHANGES IN DESIGNATION OR NOMENCLATURE OF POSITIONS RESULTING IN A PROMOTION OR DEMOTION IN RANK OR INCREASE OR DECREASE IN COMPENSATION SHALL BE ALLOWED, EXCEPT WHEN THE POSITION IS ACTUALLY VACANT, AND THE FILLING OF SUCH POSITIONS SHALL BE STRICTLY MADE IN ACCORDANCE WITH THE CIVIL SERVICE LAW, RULES AND REGULATIONS;

(G) THE CREATION OF NEW POSITIONS AND SALARY INCREASES OR ADJUSTMENTS SHALL IN NO CASE BE MADE RETROACTIVE;

(H) THE ANNUAL APPROPRIATIONS FOR DISCRETIONARY PURPOSES OF THE LOCAL CHIEF EXECUTIVE SHALL NOT EXCEED TWO PERCENT (2%) OF THE ACTUAL RECEIPTS DERIVED FROM BASIC REAL PROPERTY TAX IN THE NEXT PRECEDING CALENDAR YEAR. DISCRETIONARY FUNDS SHALL BE DISBURSED ONLY FOR PUBLIC PURPOSES TO BE SUPPORTED BY APPROPRIATE VOUCHERS AND SUBJECT TO SUCH GUIDELINES AS MAY BE PRESCRIBED BY LAW. NO AMOUNT SHALL BE APPROPRIATED FOR THE SAME PURPOSE EXCEPT AS AUTHORIZED UNDER THIS SECTION.

SEC 2. Local Government Units (LGUs), in coordination with the Department of Budget and Management (DBM), shall identify appropriate sources of funds required for the retroactive application of salary increases or adjustments. The DBM shall issue guidelines to ensure that LGUs are able to effectively allocate and manage the necessary financial resources to implement budgetary adjustments and/or realignment in accordance with this Act.

SEC 3. All laws or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SEC 4. This Act shall take effect after fifteen (15) days following its publication in the Official Gazette or in at least two (2) national newspapers of general circulation.

Adopted,