

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS

House Bill No. 2695



Introduced by Representative Timothy Joseph Cayton

**"AN ACT AMENDING SECTION 325(A) OF REPUBLIC ACT NO. 7160,
OTHERWISE KNOWN AS THE "LOCAL GOVERNMENT CODE OF 1991," TO
INCREASE THE PERSONAL SERVICES APPROPRIATION"**

EXPLANATORY NOTE

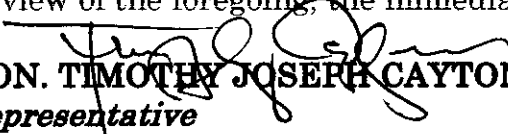
Section 325(a) of Republic Act No. 7160, otherwise known as the Local Government Code of 1991, puts a ceiling on the annual or supplemental appropriations for Personal Services (PS) of Local Government Units (LGUs). It is currently set at forty-five percent (45%) for the first to third class provinces, cities, and municipalities, and fifty-five (55%) for fourth to lower class.

This cap was intended to ensure responsible and efficient fiscal management. However, throughout the years since its implementation, several laws and issuances were passed requiring LGUs to create new positions including the following:

1. The Local Social Welfare and Development Officer (RA 10847);
2. The Cooperative Development Officer (RA 11535);
3. The Human Resource Management Officer (CSC MC No. 03, s. 2022);
4. Personnel needed for devolved functions under Executive Order No. 138, s. 2021.

The strict PS cap unintentionally limits LGUs from complying with these mandates, even if their fiscal standing could support the necessary hiring. This Act proposes an increase in the PS cap based on LGU income class.

In view of the foregoing, the immediate passage of this bill is earnestly sought.


HON. TIMOTHY JOSEPH CAYTON
Representative
Lone District, Nueva Vizcaya

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

SECTION 1. Section 325(a) of Republic Act No. 7160 is hereby amended to read as follows:

"Sec. 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 the following percentages of the total annual income from regular sources realized in the next preceding fiscal year:

1. **Fifty percent (50%) for first to third class provinces, cities, and municipalities;**
2. **Sixty percent (60%) for fourth or lower class provinces, cities, and municipalities.**

The appropriation for the salaries, wages, representation and transportation allowances of officials and employees of 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."

SEC. 2. *Concerned Government Agencies.* – The Department of Budget and Management (DBM) and the Department of the Interior and Local Government (DILG) shall issue the necessary Implementing Rules and Regulations of this measure.

SEC. 3. All laws, executive orders, rules and regulations, or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

SEC. 4. *Effectivity.* – This Act shall take effect fifteen (15) days after the completion of its publication in the Official Gazette or in a newspaper of general circulation.

Approved,