

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

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 6719



Introduced by **Representative Jaime R. Fresnedi**

EXPLANATORY NOTE

This measure seeks to amend Section 325(a) to exempt the staffing requirements of LGU-operated hospitals and LUCs from the PS cap. It is envisioned to ensure fiscal flexibility, strengthening local health systems, and supporting access to quality higher education.

Section 325(a) of Republic Act No. 7160 limits local government appropriations for Personal Services (PS) to 45% of annual regular income for provinces, cities, and first- to third-class municipalities, and 55% for fourth- to sixth-class municipalities. While this rule seeks to promote fiscal discipline, it unintentionally restricts the ability of LGUs to comply with essential staffing requirements mandated by the Department of Health (DOH) for local hospitals and the Commission on Higher Education (CHED) for local universities and colleges (LUCs).

These institutions perform vital public services and are subject to nationally prescribed staffing, licensing, and accreditation standards. Personnel required for such compliance are indispensable, not discretionary. When their salaries are counted against the PS cap, LGUs often hit the limit prematurely, leaving them unable to hire essential health workers, faculty, and administrative staff—even when they have available funds.

For these reasons, approval of this measure is earnestly sought.

REP. JAIME R. FRESNEDI
Representative
Lone District of Muntinlupa City

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AN ACT
AMENDING SECTION 325(a) OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE "LOCAL GOVERNMENT CODE OF 1991," BY PROVIDING AN EXEMPTION FOR LOCAL HOSPITALS AND LOCAL UNIVERSITIES AND COLLEGES FROM THE PERSONAL SERVICES LIMITATION, AND FOR OTHER PURPOSES

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

SECTION 1. Section 325(a) of Republic Act No. 7160, otherwise known as the "Local Government Code of 1991," is hereby 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 for Personal Services (PS) of a local government unit for one (1) fiscal year shall not exceed forty-five percent (45%) of its total annual income from regular sources realized in the next preceding fiscal year for provinces, cities, and municipalities with average annual incomes of Fifty Million Pesos (₱50,000,000.00) or more, and fifty-five percent (55%) for municipalities with average annual incomes below Fifty Million Pesos (₱50,000,000.00)[.]; **PROVIDED, THAT THE APPROPRIATIONS FOR SALARIES, WAGES, REPRESENTATION AND TRANSPORTATION ALLOWANCES OF OFFICIALS AND EMPLOYEES OF HOSPITALS AND LOCAL UNIVERSITIES AND COLLEGES (LUCS) OWNED, OPERATED, AND MAINTAINED BY THE LOCAL GOVERNMENT UNIT (LGU) SHALL NOT BE INCLUDED IN THE ANNUAL BUDGET OR IN THE COMPUTATION OF THE MAXIMUM AMOUNT FOR PERSONAL SERVICES."**

Sec. 2. Coverage. — The exemption shall apply to plantilla, contractual, casual, job order, and other personnel essential to meeting Department of Health (DOH) or Commission on Higher Education (CHED) staffing and accreditation requirements of LGU-managed hospitals and LUCs.

Sec. 3. Implementing Rules and Regulations. – Within ninety (90) days from the effectivity of this Act, the Department of Budget and Management (DBM), in consultation with the DOH, CHED, Department of Interior and Local Government (DILG), shall promulgate the necessary rules and regulations.

Sec. 4. Separability Clause. – If any provision of this Act is declared unconstitutional or invalid, the others not affected shall remain in full force and effect.

Sec. 5. Repealing Clause. – All laws, orders, rules, and regulations inconsistent with this Act are hereby repealed or modified accordingly.

Sec. 6. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,