



REPUBLIC OF THE PHILIPPINES

Department of Budget and Management  
Malacañang, Manila

**LEGAL OPINION NO. L-B-2002-06**

- SUBJECT :** Local Government – ALGU
- ISSUE :** Whether a local government may use the savings from the proceeds in the utilization and development of hydrothermal, geothermal, and other sources of energy for development and livelihood projects.
- FACTS :** Rodolfo V. Gonzalez, Jr., Municipal Mayor, Valencia, Negros Oriental requested clearance to use savings realized by the Municipality from the 80% share of the local government from the proceeds of the PNOC-EDC Southern Negros Geothermal Production Field.

The Municipality intends to use the savings to support development and livelihood projects outlined in its 5-year Local Development Investment Program.

- OPINION :** Consistent with the provisions of Section 294 of the Local Government Code and Special Provision No. 2 of the Allocations to Local Government Units in the FY 2002 General Appropriations Act, the municipality may use said savings for livelihood support fund – the specific components of which may be determined at the local level – provided that disbursement thereof is in accordance with accounting and auditing rules and regulations.

Section 294 of the Local Government Code expressly states that at least 80% of the proceeds derived from the development and utilization of hydrothermal, geothermal, and other sources of energy shall be applied solely to lower the cost of electricity in the local government where such source of energy is located. On the other hand, Item No. 2 of the Special Provisions for ALGU, page 1040 of R.A. No. 9162, the FY 2002 General Appropriations Act reiterated Section 294 of R.A. No. 7160. However, an additional phrase was provided, to quote: "Any savings from such proceeds shall be utilized as additional livelihood support fund for the LGUs concerned."

- REFERENCE:** Letter dated 25 August 2002 of Undersecretary Cynthia G. Castel to Hon. Rodolfo V. Gonzalez, Jr., Municipal Mayor, Valencia, Negros Oriental

*Recommended:*

**ROBT U. ALVAREZ**  
Director, LLS

*Approved:*

**EMILIA T. BONCODIN**  
Secretary