



REPUBLIC OF THE PHILIPPINES

Department of Budget and Management  
Malacañang, Manila

**LEGAL OPINION NO. L-B/C-2002-04**

**SUBJECT :** Local Government Budgeting and Compensation

**ISSUES :** (1) Whether or not the Internal Revenue Allotment (IRA) shares of the City of Las Piñas released from January to July 2001 include the payment of Longevity Pay to deserving Public Health Workers (PHW).

(2) If the released IRA shares do not include the Longevity Pay, a "Certification" to said effect be issued and an advice be given to the health workers concerned on the proper step(s) to be undertaken so that they may be able to receive their Longevity Pay.

**FACTS :** In letter dated 13 November 2001, Atty. Jose A. Dizon, in behalf of the Alliance of Health Workers of Las Piñas City, requested opinion on whether or not the IRA shares of the City of Las Piñas released from January to July 2001 include the payment of longevity pay to deserving PHWs pursuant to Republic Act (R.A.) No. 7305, otherwise known as the Magna Carta of PHWs. It is further requested that, if the released IRA shares do not include the longevity pay, a "Certification" to that effect be issued and an advice be given to the health workers concerned on the proper step(s) to be undertaken so that they may be able to receive their longevity pay.

**OPINION :** As espoused by the Supreme Court in the case of Alvarez v. Guingona, G.R. No. 118303 dated 31 January 1996, the IRA forms part of the income and gross accretion of funds of the Local Government Units (LGUs). The IRA regularly and automatically accrues to the local

income and gross collection of taxes of the Local Government Units (LGUs). The IRA regularly and automatically accrues to the local treasury; a regular and recurring item or income; accrues to the general fund of the LGUs; used to finance local operations subject to the modes provided by the Local Government Code of 1991 and its implementing rules (e.g. 20% of IRA for local development projects); and included in the computation of the average annual income for purposes of conversion of LGUs.

Since the IRA is part of the local funds, the manner of its utilization falls within the discretion of the City Government of Las Piñas. On this score, the Supreme Court, in *Pimentel vs. Aguirre*, G.R. No. 132988 dated 19 July 2000, ruled that:

"Under existing law, local government units, in addition to having administrative autonomy in the exercise of their function, enjoy fiscal autonomy as well. Fiscal autonomy means that local government have the power to create their own sources of revenue in addition to their equitable share in the national taxes released by the government, as well as the power to allocate their resources in accordance with their own priorities. It extends to the preparation of their budgets, and local officials in turn have to work within the constraints thereof." (underscoring supplied)

In relation to the entitlement of PHWs to Longevity Pay, DBM Circular Letter No. 2001-10 dated 13 June 2001 (SUBJECT: Magna Carta of Public Health Workers), provides in part that:

"5.0 However, PHWs in LGUs may be entitled to the new benefits as well as the increased rates for such benefits as provided under the revised IRR of RA 7305, chargeable against local funds. LGUs are however encouraged to adopt the fiscal discipline measures under A.O. No. 5, particularly Section 7.2 thereof."

In view of the foregoing, the City Health Workers should ventilate their statutory claim for Longevity Pay to the City of Las Piñas so that the same may be included in the Annual City Budget. In the absence of an appropriation for the purpose, the payment thereof may not be authorized pursuant to Section 305 (a) of R.A. No. 7160 which provides that "no money shall be paid out of the local treasury except in pursuance of an appropriation ordinance or law."

As regards the requested Certification, the same cannot be given favorable course since the Department of Budget and Management releases the IRA to local government units without any attribution.

**REFERENCE:** Letter dated 22 February to Atty. Jose A. Dizon

*Recommended:*



**EDUARDO P. OPIDA**  
Assistant Secretary, OIC-LLS

*Approved:*



**EMILIA T. BONCODIN**  
Secretary