



REPUBLIC OF THE PHILIPPINES

Department of Budget and Management  
Malacañang, Manila

LEGAL OPINION NO. L-B-2001-13

**SUBJECT : Local Government Budgeting – Reenacted Budget**

- ISSUES :**
- (1) Whether or not salaries and wages and honoraria for casual and “job order” employees as well as consultants who were appointed before the end of year 2000 and/or those who were appointed in the year 2001 are considered as contractual obligations, hence, can be charged against appropriate accounts in the reenacted budget.
  - (2) Whether or not appropriations for projects to be funded out of the 20% Development Fund can be spent fully and exclusively for salaries, wages and honoraria of casual and “job order” employees.
  - (3) Based on the Certification of the City Accountant, whether or not the same budget as reenacted can be utilized for the payment of salaries, wages, honoraria of casual and “job order” employees as cited in Issue No. 1.

**FACTS :** In letter dated 20 February 2001, Mr. Nelson O. Yap, Sangguniang Panlungsod (SP) Member of Lapu-Lapu City requested clarification on the above-cited issues relative to the appropriations authorized under a reenacted budget.

**OPINION :** **Issue No. 1.** At the outset, it must be emphasized that before hiring casual, contractual, “job order” employees, or consultants, availability of appropriations therefor should be certified and the same should cover the entire requirement for the whole year. Hence, salaries and wages for casual contractual and “job order” employees and honoraria of consultants who have been hired and/or appointed in FY 2000 or were re-hired/re-appointed before the end of FY 2000 should be charged against the appropriations for the purpose in the same year.

Likewise, funding requirements for those who were hired in FY 2001 cannot be considered as contractual obligations as they should not have been hired or rehired before the Annual Budget of the LGU should have been duly passed, from which the covering funds thereof are to be charged. On the other hand, salaries of existing plantilla positions and wages of existing casual and contractual positions, under the category of

"Personal Services (PS)" may be considered as current obligations chargeable against the reenacted budget.

**Issue No. 2.** Appropriations for projects to be funded out of the 20% Development Fund (IRA) cannot be used and spent fully and exclusively for salaries, wages and honoraria of casual and "job order" employees. Labor costs are merely part of the local development project costs.

**Issue No. 3.** Based on the certification of the City Accountant, the same budget as reenacted can be utilized for the payment of salaries and wages of existing positions, as above-explained in item 2.1.

The following provisions of law find application:

**A. R.A. No. 7160**

**"Sec. 323. Failure to Enact the Annual Appropriations.** - *In case the sanggunian concerned fails to pass the ordinance authorizing the annual appropriations at the beginning of the ensuing fiscal year, it shall continue to hold sessions, x x x x x x. If the sanggunian still fails to enact such ordinance after ninety (90) days from the beginning of the fiscal year, the ordinance authorizing the appropriations of the preceding year shall be deemed reenacted and shall remain in force and effect until the ordinance authorizing the proposed appropriations is passed by the sanggunian concerned. However, only the annual appropriations for salaries and wages of existing positions, statutory and contractual obligations, and essential operating expenses authorized in the annual and supplemental budgets for the preceding year shall be deemed reenacted and disbursement of funds shall be in accordance therewith.*

*In the implementation of such reenacted ordinance, the local treasurer concerned shall exclude from the estimates of income for the preceding fiscal year those realized from: nonrecurring sources, like national aids, proceeds from loans, sale of assets, prior year adjustments, and other analogous sources of income. No ordinance authorizing supplemental appropriations shall be passed in place of the annual appropriations.*

x x x

x x x." (Underscoring Ours)

**"Sec. 287. Local Development Projects.** - *Each local government unit shall appropriate in its annual budget no less than twenty percent (20%) of its annual internal revenue allotment for development projects. x x x x x x." (Emphasis Ours)*

**"Sec. 294. Development and Livelihood Projects.** - *The proceeds from the share of local government units pursuant to this chapter shall be appropriated by their respective sanggunian to finance local development and livelihood projects: x x x" (Emphasis Ours)*

**B. Implementing Rules and Regulations (IRR) of R.A. No. 7160**

*In case the sanggunian concerned fails to pass the ordinance authorizing the annual appropriations at the beginning of the ensuing fiscal year, the ordinance authorizing the appropriations of the preceding year shall be deemed reenacted. x x x x x x. Only the annual appropriations for salaries and wages of existing positions, statutory and contractual obligations, and essential operating expenses authorized in the annual and supplemental budgets for the preceding year shall be deemed reenacted and disbursement of funds shall be in accordance therewith.*

x x x

x x x." (Emphasis Ours)

**C. DBM-COA Joint Circular No. 93-2 dated 08 June 1993 (Budget Operations Manual for Local Government Units (LGUs))**

"4.4 **The Reenacted Budget.** *In the implementation of the reenacted budget, only the annual appropriations for salaries and wages of existing positions, statutory and contractual obligations, and essential operating expenses authorized in the annual and supplemental budgets for the preceding year shall be deemed reenacted and disbursement of funds shall be in accordance therewith.* (underscoring supplied)

In sum, only the annual appropriations for salaries and wages of existing positions authorized in the annual and supplemental budgets for the preceding year are deemed reenacted. Stated otherwise, the salaries and wages of existing positions refer to those actually charged against Personal Services account such as, "salaries of permanent positions" and lump sum for "contractual, casual and emergency personnel".

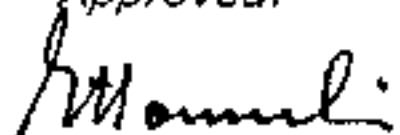
As regards the utilization of the 20% Development Fund, the provisions of R.A. No. 7160 are very clear that the same shall be used for development and livelihood projects. Labor costs are merely part of the local development projects.

**REFERENCE:** Memorandum of the Secretary dated 18 September 2001 to DBM RO-VII

Recommended:

  
**JANET B. ABUEL**  
Director, LLS

Approved:

  
**EMILIA T. BONCODIN**  
Secretary