

**NINETEENTH CONGRESS OF THE ]  
REPUBLIC OF THE PHILIPPINES ]  
First Regular Session ]**

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**SENATE**

**S.B. No. 2067**

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**Introduced by SEN. WIN GATCHALIAN**

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**AN ACT  
INSTITUTIONALIZING THE AUTOMATIC INCOME CLASSIFICATION OF  
PROVINCES, CITIES, AND MUNICIPALITIES, AMENDING FOR THE  
PURPOSE SECTION 8 OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN  
AS THE LOCAL GOVERNMENT CODE OF 1991, AS AMENDED**

**EXPLANATORY NOTE**

Section 9 of Executive Order (EO) No. 249, series of 1987, passed on July 25, 1987, grants the Secretary of Finance (SOF) the administrative authority to review and recommend the appropriate changes of the income ranges of the income classifications of the cities, provinces, and municipalities, at least once every four years. Section 8 of the Local Government Code of 1991, passed on October 10, 1991, provides that the income classification of local government units (LGUs) be updated within six (6) months from the effectivity of this Code to reflect the changes in their financial position resulting from increased revenues. The latest issuance by the DOF Secretary on re-classification was Department Order No. 23-08, dated 29 July 2008, *Prescribing the New Income Brackets for the Re-classification of Provinces, Cities and Municipalities and Amending for the Purpose DOF Order No. 20-05, dated July 29, 2005.*

However, the Department of Justice (DOJ) issued DOJ Opinion No. 68, series of 2012, dated September 21, 2012, interpreting EO No. 249, which provides that the SOF has the authority to reclassify, every four years, all provinces, cities (except Manila and Quezon City) and municipalities based on the schedule of their annual income

during the last four consecutive calendar years **but his authority with respect to revising or modifying such schedule of income or "income ranges" only extends to recommending such appropriate changes or revisions to the proper authority, the Philippine Congress.** This was reaffirmed in DOJ Opinion No. 020, s. 2015, dated March 25, 2015 which declared that a congressional amendment of EO No. 249 is needed in order for the income benchmarks in the said executive order be adjusted, and that the concerned LGUs, through Bureau of Local Government Finance (BLGF), were advised to continue the usage of the general income reclassification of 2008 until a new general reclassification is used by Congress.

Consequently, these DOJ Opinions resulted in the abeyance of the income reclassifications in 2012 and the succeeding cycles. Almost 15 years after the last DOF income brackets reclassification in 2008, the unchanged income classifications are not congruent with the prevailing economic conditions and actual financial standing of these LGUs.

Accordingly, this bill will address the DOJ requirement of a Congressional action on LGU income reclassification, to finally resolve this quandary. Moreover, this bill aims to effectively and systematically determine the LGUs financial capability and fiscal position that are reflective of the economy and the state of local development by: (1) granting the mandate and clear authority to the SOF to set income targets for the periodic automatic income reclassification of LGUs; (2) having a system of automatic income reclassification (upgrade/downgrade) of LGUs every two (2) years based on the updated table of income classifications to be released by the BLGF, and (3) utilizing the BLGF's Statement of Receipts and Expenditures for purposes of the LGUs' automatic income reclassification.

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

  
**WIN GATCHALIAN**

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**AN ACT**

**INSTITUTIONALIZING THE AUTOMATIC INCOME CLASSIFICATION  
OF PROVINCES, CITIES, AND MUNICIPALITIES, AMENDING FOR THE  
PURPOSE SECTION 8 OF REPUBLIC ACT NO. 7160, OTHERWISE  
KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991, AS AMENDED**

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

1 SECTION 1. *Short Title.* – This Act shall be known as the “*Automatic*  
2 *Income Classification Act for Local Government Units*”.

3  
4 SEC. 2. Section 8 of Republic Act (RA) No. 7160, otherwise known as the  
5 “*Local Government Code of 1991*”, as amended, is hereby amended to read as  
6 follows:

7 **“Section. 8. *Division, [and] Merger, AND AUTOMATIC***  
8 ***INCOME CLASSIFICATION AND RECLASSIFICATION.* –**

9 ***(A) DIVISION AND MERGER.* –** Division and merger of  
10 existing local government units shall comply with the same  
11 requirements herein prescribed for their creation: Provided  
12 however, That such division shall not reduce the income,  
13 population, or land area of the local government unit or units  
14 concerned to less than the minimum requirements prescribed in  
15 this Code: Provided, further, That the income classification of

1 the original local government unit or units shall not fall below its  
2 current classification prior to such division.

3 ~~[The income classification of local government units shall be~~  
4 ~~updated within six (6) months from the effectivity of this Code~~  
5 ~~to reflect the changes of their financial position resulting from~~  
6 ~~the increased revenues as provided herein.]”~~

7 **(B) INCOME CLASSIFICATION**

8 **1. CLASSIFICATION OF PROVINCES. - PROVINCES**  
9 **SHALL BE CLASSIFIED INTO SIX (6) CLASSES,**  
10 **ACCORDING TO THEIR INCOME RANGES, UTILIZING AS**  
11 **BASIS THE AVERAGE ANNUAL REGULAR INCOME FOR**  
12 **TWO (2) FISCAL YEARS PRECEDING AN AUTOMATIC**  
13 **INCOME RECLASSIFICATION. THE CLASSIFICATION**  
14 **SHALL BE AS FOLLOWS:**

- 15 a. **FIRST CLASS – PROVINCES THAT HAVE OBTAINED**  
16 **AN AVERAGE ANNUAL REGULAR INCOME OF ONE**  
17 **BILLION TWO HUNDRED MILLION PESOS**  
18 **(P1,200,000,000.00) OR MORE;**
- 19 b. **SECOND CLASS – PROVINCES THAT HAVE**  
20 **OBTAINED AN AVERAGE ANNUAL REGULAR**  
21 **INCOME OF NINE HUNDRED MILLION PESOS**  
22 **(P900,000,000.00) OR MORE, BUT LESS THAN**  
23 **ONE BILLION TWO HUNDRED MILLION PESOS**  
24 **(P1,200,000,000.00);**
- 25 c. **THIRD CLASS – PROVINCES THAT HAVE**  
26 **OBTAINED AN AVERAGE ANNUAL REGULAR**  
27 **INCOME OF SEVEN HUNDRED MILLION PESOS**  
28 **(P700,000,000.00) OR MORE, BUT LESS THAN**  
29 **NINE HUNDRED MILLION PESOS**  
30 **(P900,000,000.00);**
- 31 d. **FOURTH CLASS – PROVINCES THAT HAVE**  
32 **OBTAINED AN AVERAGE ANNUAL REGULAR**

- 1                   **INCOME OF FIVE HUNDRED MILLION PESOS**  
2                   **(P500,000,000.00) OR MORE, BUT LESS THAN**  
3                   **SEVEN HUNDRED MILLION PESOS**  
4                   **(P700,000,000.00);**
- 5           **e. FIFTH CLASS – PROVINCES THAT HAVE OBTAINED**  
6           **AN AVERAGE ANNUAL REGULAR INCOME OF**  
7           **THREE HUNDRED MILLION PESOS**  
8           **(P300,000,000.00) OR MORE, BUT LESS THAN**  
9           **FIVE HUNDRED MILLION PESOS**  
10           **(P500,000,000.00); AND**
- 11           **f. SIXTH CLASS – PROVINCES THAT HAVE**  
12           **OBTAINED AN AVERAGE ANNUAL REGULAR**  
13           **INCOME OF LESS THAN THREE HUNDRED**  
14           **MILLION PESOS (P300,000,000.00).**
- 15           **2. CLASSIFICATION OF CITIES. - CITIES SHALL BE**  
16           **CLASSIFIED INTO SEVEN (7) CLASSES, ACCORDING TO**  
17           **THEIR INCOME RANGES, UTILIZING AS BASIS THE**  
18           **AVERAGE ANNUAL REGULAR INCOME FOR TWO (2)**  
19           **FISCAL YEARS PRECEDING AN AUTOMATIC INCOME**  
20           **RECLASSIFICATION. THE CLASSIFICATION SHALL BE**  
21           **AS FOLLOWS:**
- 22           **a. SPECIAL CLASS – CITIES THAT HAVE OBTAINED**  
23           **AN AVERAGE ANNUAL REGULAR INCOME OF**  
24           **TWELVE BILLION PESOS (P12,000,000,000.00)**  
25           **OR MORE;**
- 26           **b. FIRST CLASS – CITIES THAT HAVE OBTAINED AN**  
27           **AVERAGE ANNUAL REGULAR INCOME OF ONE**  
28           **BILLION ONE HUNDRED MILLION PESOS**  
29           **(P1,100,000,000.00) OR MORE, BUT LESS THAN**  
30           **TWELVE BILLION PESOS (P12,000,000,000.00);**
- 31           **c. SECOND CLASS – CITIES THAT HAVE OBTAINED**  
32           **AN AVERAGE ANNUAL REGULAR INCOME OF NINE**

- 1 HUNDRED MILLION PESOS (P900,000,000.00) OR  
2 MORE, BUT LESS THAN ONE BILLION ONE  
3 HUNDRED MILLION PESOS (P1,100,000,000.00);
- 4 d. THIRD CLASS – CITIES THAT HAVE OBTAINED AN  
5 AVERAGE ANNUAL REGULAR INCOME OF SEVEN  
6 HUNDRED MILLION PESOS (P700,000,000.00) OR  
7 MORE BUT LESS THAN NINE HUNDRED MILLION  
8 PESOS (P900,000,000.00);
- 9 e. FOURTH CLASS – CITIES THAT HAVE OBTAINED  
10 AN AVERAGE ANNUAL REGULAR INCOME OF FIVE  
11 HUNDRED MILLION PESOS (P500,000,000.00) OR  
12 MORE, BUT LESS THAN SEVEN HUNDRED MILLION  
13 PESOS (P700,000,000.00);
- 14 f. FIFTH CLASS – CITIES THAT HAVE OBTAINED AN  
15 AVERAGE ANNUAL REGULAR INCOME OF THREE  
16 HUNDRED MILLION PESOS (P300,000,000.00) OR  
17 MORE, BUT LESS THAN FIVE HUNDRED MILLION  
18 PESOS (P500,000,000.00); AND
- 19 g. SIXTH CLASS – CITIES THAT HAVE OBTAINED AN  
20 AVERAGE ANNUAL REGULAR INCOME OF LESS  
21 THAN THREE HUNDRED MILLION PESOS  
22 (P300,000,000.00).
- 23 **3. CLASSIFICATION OF MUNICIPALITIES. -**  
24 MUNICIPALITIES SHALL BE CLASSIFIED INTO SIX (6)  
25 CLASSES, ACCORDING TO THEIR INCOME RANGES,  
26 UTILIZING AS BASIS THE AVERAGE ANNUAL REGULAR  
27 INCOME FOR TWO (2) FISCAL YEARS PRECEDING AN  
28 AUTOMATIC INCOME RECLASSIFICATION. THE  
29 CLASSIFICATION SHALL BE AS FOLLOWS:
- 30 a. FIRST CLASS – MUNICIPALITIES THAT HAVE  
31 OBTAINED AN AVERAGE ANNUAL REGULAR

- 1                   **INCOME OF ONE HUNDRED FIFTY MILLION PESOS**  
2                   **(P150,000,000.00) OR MORE;**
- 3           **b. SECOND CLASS – MUNICIPALITIES THAT HAVE**  
4                   **OBTAINED AN AVERAGE ANNUAL REGULAR**  
5                   **INCOME OF ONE HUNDRED MILLION PESOS**  
6                   **(P100,000,000.00) OR MORE, BUT LESS THAN**  
7                   **ONE HUNDRED FIFTY MILLION PESOS**  
8                   **(P150,000,000.00);**
- 9           **c. THIRD CLASS – THE MUNICIPALITIES THAT HAVE**  
10                   **OBTAINED AN AVERAGE ANNUAL REGULAR**  
11                   **INCOME OF NINETY MILLION PESOS**  
12                   **(P90,000,000.00) OR MORE BUT LESS THAN ONE**  
13                   **HUNDRED MILLION PESOS (P100,000,000.00);**
- 14           **d. FOURTH CLASS – MUNICIPALITIES THAT HAVE**  
15                   **OBTAINED AN AVERAGE ANNUAL REGULAR**  
16                   **INCOME OF SIXTY MILLION PESOS**  
17                   **(P60,000,000.00) OR MORE, BUT LESS THAN**  
18                   **NINETY MILLION PESOS (P90,000,000.00);**
- 19           **e. FIFTH CLASS –MUNICIPALITIES THAT HAVE**  
20                   **OBTAINED AN AVERAGE ANNUAL REGULAR**  
21                   **INCOME OF FORTY MILLION PESOS**  
22                   **(P40,000,000.00) OR MORE, BUT LESS THAN**  
23                   **SIXTY MILLION PESOS (P60,000,000.00); AND**
- 24           **f. SIXTH CLASS – MUNICIPALITIES THAT HAVE**  
25                   **OBTAINED AN AVERAGE ANNUAL REGULAR**  
26                   **INCOME OF LESS THAN FORTY MILLION PESOS**  
27                   **(P40,000,000.00).**

28                   **WITHIN THIRTY (30) DAYS UPON EFFECTIVITY OF**  
29                   **THIS ACT, THE SECRETARY OF FINANCE SHALL CAUSE**  
30                   **THE PUBLICATION OF THE FIRST GENERAL INCOME**  
31                   **RECLASSIFICATION OF ALL EXISTING LOCAL**  
32                   **GOVERNMENT UNITS BASED ON THE INCOME RANGES**

1 UNDER SUBPARAGRAPH (B) OF THIS SECTION:  
2 *PROVIDED*, THAT, THE EFFECTS OF THE FIRST GENERAL  
3 INCOME RECLASSIFICATION SHALL BE APPLICABLE ON  
4 THE FIRST DAY OF JANUARY OF THE IMMEDIATELY  
5 SUCCEEDING YEAR FOLLOWING ITS PUBLICATION BY  
6 THE SECRETARY OF FINANCE.

7 (C) *AUTOMATIC RECLASSIFICATION* – THE ANNUAL  
8 REGULAR INCOME SHALL BE COMPUTED FROM THE  
9 STATEMENT OF RECEIPTS AND EXPENDITURES (SRE)  
10 MAINTAINED BY THE BUREAU OF LOCAL GOVERNMENT  
11 FINANCE (BLGF). THE ANNUAL REGULAR INCOME  
12 REFERS TO REVENUES, INCLUDING FEES AND RECEIPTS  
13 ACTUALLY REALIZED WHICH ARE REPORTED YEARLY  
14 ON CASH BASIS BY PROVINCES, CITIES, AND  
15 MUNICIPALITIES FROM REGULAR SOURCES,  
16 INCLUDING THE NATIONAL TAX ALLOTMENT (NTA) AND  
17 OTHER SHARES IN NATIONAL WEALTH BUT EXCLUSIVE  
18 OF NON-RECURRING RECEIPTS, SUCH AS NATIONAL  
19 AIDS, GRANTS, FINANCIAL ASSISTANCE, LOAN  
20 PROCEEDS, SALES OF ASSETS, MISCELLANEOUS  
21 INCOME, AND OTHER SIMILAR RECEIPTS OF LOCAL  
22 GOVERNMENT UNITS. FOR PURPOSES OF THIS  
23 SECTION, SHARES FROM NATIONAL WEALTH, EXCISE  
24 TAX ON TOBACCO, INCREMENTAL COLLECTION FROM  
25 VALUE ADDED TAX (VAT) UNDER REPUBLIC ACT NO.  
26 7643, AND THE GROSS INCOME TAX PAID BY BUSINESS  
27 AND ENTERPRISES IN SPECIAL ECONOMIC ZONE  
28 UNDER REPUBLIC ACT NO. 7916, AS AMENDED, AND  
29 SUCH OTHER SHARES AS MAY BE GRANTED BY LAW TO  
30 THE PROVINCE, CITY OR MUNICIPALITY, SHALL BE  
31 CONSIDERED AS PART OF THE ANNUAL REGULAR  
32 INCOME.



1           **EVERY SIX (6) YEARS FROM THE FIRST GENERAL**  
2           **INCOME RECLASSIFICATION, THE SECRETARY OF**  
3           **FINANCE SHALL UPDATE THE INCOME RANGES FOR THE**  
4           **INCOME CLASSIFICATION OF ALL PROVINCES, CITIES**  
5           **AND MUNICIPALITIES SET IN SUBSECTIONS 1, 2, AND**  
6           **3 OF SUBPARAGRAPH (B) BASED ON THE ANNUAL**  
7           **REGULAR INCOME GROWTH RATE.**

8           **EVERY TWO (2) YEARS FOLLOWING THE FIRST**  
9           **GENERAL INCOME RECLASSIFICATION, THE**  
10          **SECRETARY OF FINANCE SHALL AUTOMATICALLY**  
11          **UPDATE THE INCOME CLASSIFICATION WITHIN SIXTY**  
12          **(60) DAYS FROM THE DEADLINE FOR SUBMISSION OF**  
13          **THE YEAR-END REPORT.**

14          **A LOCAL GOVERNMENT UNIT SHALL BE UPGRADED**  
15          **WHEN ITS AVERAGE ANNUAL REGULAR INCOME FOR**  
16          **TWO (2) FISCAL YEARS EXCEEDS THE INCOME RANGE**  
17          **SET FOR ITS CURRENT INCOME CLASS. WHERE THE**  
18          **AVERAGE ANNUAL REGULAR INCOME OF AN LGU FALLS**  
19          **BELOW THE INCOME RANGE OF ITS CURRENT INCOME**  
20          **CLASS, IT SHALL BE GIVEN A DOWNGRADE WARNING**  
21          **STATUS BY THE SECRETARY OF FINANCE. IF IT**  
22          **CONTINUES TO FALL BELOW THE INCOME RANGE IN**  
23          **THE NEXT INCOME RECLASSIFICATION, THE**  
24          **CONCERNED LOCAL GOVERNMENT UNIT SHALL BE**  
25          **DOWNGRADED TO ITS CORRESPONDING INCOME**  
26          **CLASS.**

27          **THE BUREAU OF LOCAL GOVERNMENT FINANCE**  
28          **(BLGF) SHALL ISSUE A CERTIFICATION OF THE INCOME**  
29          **RECLASSIFICATION OF AN LGU; PROVIDED HOWEVER,**  
30          **THAT THE NON-ISSUANCE OF THE CERTIFICATION**

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**SHALL NOT SUSPEND THE EFFECTS OF THE AUTOMATIC INCOME RECLASSIFICATION.**

**IN CASES OF UNMANAGEABLE PUBLIC SECTOR DEFICIT, THE SECRETARY OF FINANCE MAY RETAIN THE EXISTING INCOME CLASSIFICATION OR ORDER THE RE-COMPUTATION AND REVISION OF THE INCOME CLASSIFICATION OF PROVINCES, CITIES AND MUNICIPALITIES TO REFLECT THE ACTUAL FINANCIAL SITUATION OF THE LOCAL GOVERNMENT UNITS; PROVIDED THAT, A PROVINCE, CITY OR MUNICIPALITY, WHICH HAS BEEN IN EXISTENCE FOR A PERIOD OF LESS THAN TWO (2) FISCAL YEARS IMMEDIATELY PRECEDING THE AUTOMATIC INCOME RECLASSIFICATION OF LOCAL GOVERNMENT UNITS, AS HEREIN PROVIDED, SHALL BE CLASSIFIED ON THE BASIS OF ITS AVERAGE ANNUAL REGULAR INCOME FOR THE FISCAL YEAR OF ITS EXISTENCE; PROVIDED FURTHER THAT, IF A PROVINCE OR MUNICIPALITY IS CREATED BEFORE THE YEAR OF THE AUTOMATIC RECLASSIFICATION OF LOCAL GOVERNMENT UNITS, IT SHALL BE CLASSIFIED ON THE BASIS OF THE ESTIMATED AGGREGATE NET SHARE OF INCOME FROM REGULAR SOURCES OF ITS COMPONENT CITIES AND MUNICIPALITIES IN THE CASE OF A PROVINCE, OR ITS COMPONENT BARANGAYS IN THE CASE OF A MUNICIPALITY, INCLUDING THE CORRESPONDING ESTIMATED NTA OF THE NEWLY CREATED PROVINCE OR MUNICIPALITY PURSUANT TO SECTION 285 THIS ACT, DURING THE FISCAL YEAR IMMEDIATELY PRECEDING ITS CREATION. THIS RULE SHALL LIKEWISE APPLY TO A MUNICIPALITY THAT IS**

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**CONVERTED INTO A CITY, OR A CITY THAT IS CREATED  
OUT OF EXISTING MUNICIPALITIES OR BARANGAYS.**

**THE INCOME CLASSIFICATION OF PROVINCES,  
CITIES, AND MUNICIPALITIES SHALL, AMONG OTHER  
PURPOSES, SERVE AS BASIS FOR:**

- 1. THE DETERMINATION OF ADMINISTRATIVE AND  
STATUTORY AIDS, FINANCIAL GRANTS, AND OTHER  
FORMS OF ASSISTANCE TO LOCAL GOVERNMENTS;**
- 2. THE DETERMINATION OF THE FINANCIAL  
CAPABILITY OF LOCAL GOVERNMENT UNITS TO  
UNDERTAKE DEVELOPMENTAL PROGRAMS AND  
PRIORITY PROJECTS;**
- 3. THE TOTAL ANNUAL OR SUPPLEMENTAL  
APPROPRIATION FOR PERSONAL SERVICES OF A LOCAL  
GOVERNMENT UNIT TO ONE (1) FISCAL YEAR AS  
PROVIDED IN SECTION 325 (A) OF LGC OF 1991;**
- 4. COMPENSATION ADJUSTMENT FOR LGU PERSONNEL  
AS PROVIDED UNDER SECTION 10 OF EXECUTIVE  
ORDER NO. 201 (SALARY STANDARDIZATION LAW OF  
2015);**
- 5. THE CREATION OF A NEW LOCAL GOVERNMENT UNIT  
WHEREIN SECTION 8 OF THE LGC OF 1991 PROVIDES  
THAT THE DIVISION AND MERGER OF EXISTING LOCAL  
GOVERNMENT UNIT SHALL NOT DOWNGRADE THE  
INCOME CLASSIFICATION OF THE ORIGINAL UNIT;**
- 6. THE NUMBER OF ELECTIVE MEMBERS IN THE  
SANGGUNIANG BAYAN AS PROVIDED UNDER SECTION  
2 OF RA NO. 6637;**
- 7. ISSUANCE OF A FREE PATENT TITLE TO RESIDENTIAL  
LANDS AS PROVIDED UNDER REPUBLIC ACT NO. 10023;**

1           **8. THE MINIMUM WAGE OF DOMESTIC WORKERS AS**  
2           **PROVIDED UNDER SECTION 24 OF RA NO. 10361;**  
3           **9. LGUS TO INSURE ITS PROPERTIES WITH GSIS IN**  
4           **COMPLIANCE WITH SECTION 5 OF RA NO. 656 OR**  
5           **PROPERTY INSURANCE LAW;**  
6           **10. SETTING LIMITATIONS ON THE PERCENTAGE OF**  
7           **AGRICULTURAL LAND THAT CAN BE RECLASSIFIED AND**  
8           **PROVIDED FOR THE MANNER OF THEIR UTILIZATION**  
9           **OR DISPOSITION AS STIPULATED IN SECTION 20 OF**  
10          **THIS CODE; AND**  
11          **11. SUCH OTHER PURPOSES AS MAY BE PROVIDED**  
12          **UNDER EXISTING LAWS AND REGULATIONS.**  
13          **FOR PURPOSES OF IMPLEMENTING THIS SECTION, THE**  
14          **SECRETARY OF FINANCE SHALL ISSUE SUCH RULES**  
15          **AND REGULATIONS AS MAY BE DEEMED NECESSARY**  
16          **AND THE APPROPRIATE DEPARTMENT ORDERS FOR**  
17          **THE AUTOMATIC INCOME CLASSIFICATION OF**  
18          **PROVINCES, CITIES AND MUNICIPALITIES.”**

19  
20           *SEC. 4. Guidelines in Cases Where a Fourth or Lower Income Class*  
21           *Province, City, or Municipality Receives a Third or Higher Income Class*  
22           *Designation as a Result of the First General Income Reclassification - A fourth*  
23           *or lower income class province, city or municipality which is reclassified as First,*  
24           *Second, or Third income class following the first general income reclassification*  
25           *shall not be required to provide for additional personal services and it may*  
26           *maintain its existing personnel complement prior to the reclassification,*  
27           *pursuant to civil service rules and regulations, until the next automatic income*  
28           *reclassification. In case of personnel transfers, resignations, or deaths, the LGU*  
29           *concerned may not fill up the vacant position or provide for its funding until the*  
30           *next succeeding general reclassification.*

1           The local government units which exceeded the limitations provided in  
2 Section 325 (a) of the Local Government Code of 1991 despite maintaining the  
3 status quo after it received a first, second, or third income class designation  
4 following the first general income reclassification shall not be considered in  
5 violation of Section 325 of the Local Government Code.

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7           SEC. 5. *Transitory Provision.* – All existing income classifications of  
8 provinces, cities and municipalities shall continue to be in force and effect until  
9 superseded by the issuance of the first general income reclassification by the  
10 Secretary of Finance pursuant to this Act. Nothing herein shall be construed to  
11 eliminate or in any way diminish existing salaries and benefits granted by LGUs.

12  
13           SEC. 6. *Repealing Clause.* – Executive Order No. 249, dated July 25,  
14 1987 is hereby repealed. Section 8 of the Local Government Code of 1991, as  
15 amended, is hereby amended. All laws, presidential decrees, executive orders,  
16 presidential proclamations, rules and regulations which are inconsistent with  
17 this Act are hereby repealed, or amended accordingly.

18  
19           SEC. 7. *Effectivity.* – This Act shall take effect fifteen (15) days after its  
20 complete publication in the *Official Gazette* or in a newspaper of general  
21 circulation.

*Approved,*