

PROVIDING FOR A NEW INCOME CLASSIFICATION OF PROVINCES, CITIES AND MUNICIPALITIES, AND FOR OTHER PURPOSES.

EXECUTIVE ORDER NO. 249, July 25, 1987

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WHEREAS, the last reclassification of provinces, cities and municipalities took effect on July 1, 1982, and as provided for under existing law, the next general reclassification shall be effective July 1, 1986;

WHEREAS, a review of the present classification scheme revealed that around eighty per cent (80%) of provinces, cities and municipalities will fall under the same class, thereby nullifying the very objectives and purposes of categorizing local government units;

WHEREAS, the income classification of provinces, cities and municipalities serves, among other purposes, as basis for fixing the maximum tax ceilings imposable by the local governments for determining administrative and statutory aids, financial grants and other forms of assistance to local governments, and for the implementation of salary laws and administrative issuances on allowances and emoluments that local government officials and personnel may be entitled to;

WHEREAS, there is an urgent need to prescribe a more realistic classification scheme that will effectively serve the aims and purposes of establishing income categories for the local government units;

NOW, THEREFORE, I, CORAZON C. AQUINO, President of the Philippines, do hereby order:

SECTION 1. Classification of Provinces and Cities. – Provinces and cities, except Manila and Quezon City which shall remain as Special Class cities, are hereby divided into six (6) main classes according to the average annual income that they actually realized during the last four calendar years immediately preceding the general classification, as follows:

(A)

First Class - The provinces and cities that have obtained an average annual income of thirty Million Pesos or more;

(B)

Second Class - The provinces and cities that have obtained an average annual income of Twenty Million Pesos or more but less than Thirty Million Pesos;

(C)

Third Class - The provinces and cities that have obtained an average annual income of Fifteen Million Pesos or more but less than Twenty Million Pesos;

(D)

Fourth Class - The provinces and cities that have obtained an average annual income of Ten Million Pesos or more but less than Fifteen Million Pesos;

(E)

Fifth Class - The provinces and cities that have obtained an average annual income of Five Million Pesos or more but less than Ten Million Pesos; and

(F)

Sixth Class - The Provinces and cities that have obtained an average annual income of less than Five Million Pesos.

SEC. 2. Classification of Municipalities. - Municipalities are divided into six (6) main classes according to the average annual income that they actually realized during the last four calendar years immediately preceding the general classification, as follows:

(A) First Class - Municipalities that have obtained an average annual income of fifteen million pesos or more;

(B) Second Class - Municipalities that have obtained an average annual income of Ten Million Pesos or more but less than Fifteen Million Pesos;

(C) Third Class - Municipalities that have obtained an average annual income of Five Million Pesos or more but less than Ten Million Pesos;

(D) Fourth Class - Municipalities that have obtained an average annual income of Three Million Pesos or more but less than Five Million Pesos;

(E) Fifth Class - Municipalities that have obtained an average annual income of One Million Pesos or more but less than Three Million Pesos;

(F) Sixth Class - Municipalities that have obtained an average annual income of less than One Million Pesos.

SEC. 3. Periods of General Reclassification of Provinces, Cities and Municipalities – Upon the effectivity of this Executive Order and for each period of four consecutive calendar years thereafter, the Secretary of Finance shall reclassify all Provinces, Cities, except Manila and Quezon City which shall remain as Special class Cities, and Municipalities, on the basis of the foregoing schedules of the average annual income of each Province, City or Municipality derived during the last four consecutive calendar years immediately preceding such reclassification according to the provisions hereof: Provided, That the first classification under this Executive Order shall take effect on July First Nineteen Hundred and Eighty Seven: Provided, further, That a Province or City or Municipality which has been in existence for a period of less than four full calendar years immediately preceding the classification herein provided shall be classified on the basis of its average income during such lesser number of full calendar years or year immediately following its organization as such Province or City or Municipality: And Provided, finally, That no readjustment of in four consecutive calendar years after the first general reclassification provided for herein, except in cases of diminishing revenues when the Secretary of Finance may order at any time the readjustment of the classification of any Province or City of Municipality in accordance with the income ranges herein prescribed.

SEC. 4. Definition of Terms. - As used in this Executive Order:

- The term "annual income" shall refer to revenues and receipts realized by Provinces, Cities and Municipalities from regular sources of the local General and Infrastructure funds including the internal revenue and specific tax allotments provided for in PDs 144 and 436, both as amended, but exclusive of non-recurring receipts, such as other national aids, grants, financial assistance, loan proceeds, sales of fixed assets, and similar others.

- The term "average annual income" shall refer to the sum of the "annual income" as herein defined actually obtained by a Province, City or Municipality during the required number of consecutive calendar years immediately preceding the general reclassification of local governments, divided by such number of calendar years, as may be certified to by the Commission on Audit for purposes of such reclassification of Provinces, Cities and Municipalities.

SEC. 5. Uses of Income Classification of Provinces, Cities and Municipalities. - The income classification of provinces, cities and municipalities shall, among other purposes, serve as basis for:

- The fixing the maximum tax ceilings imposable by the local governments;
- The determination of administrative and statutory aids, financial grants, and other forms of assistance to local governments;
- The establishment of the salary scales and rates of allowances, per diems, and other emoluments that local government officials and personnel may be entitled to;
- The implementation of personnel policies on promotions, transfers, details or secondment, and related matters at the local government levels;
- The formulation and execution of local government budget policies; and
- The determination of the financial capability of local government units to undertake developmental programs and priority projects.

SEC. 6. Maximum Amount Expendable for Salaries and Wages. - The total annual appropriations for salaries and wages of provincial, city and municipal officials and employees for one calendar year shall not exceed forty-five per cent (45%), in the case of all first and second class provinces, cities and municipalities, and fifty five per cent (55%), in the case of those lower than second class, of the total annual income actually realized from regular sources during the next preceding calendar year or the current calendar year estimates from the same sources certified as collectible by the provincial or city treasurer concerned, whichever is lower. The appropriations for salaries and wages of official and employees in the public schools, hospitals, health and agricultural services, public utilities, markets and slaughterhouses and other economic enterprises owned, operated and maintained by the province, city or municipality, as well as representation and emergency cost-of-living allowances, shall not be included in the computation of the maximum expendable for salaries and wages.

The Secretary of Finance, however, may recommend to proper authority the setting aside of appropriations in excess of the percentages hereinabove fixed subject to such conditions as may be imposed but in no case shall the excess in appropriations for salaries and wages be more than twenty-five per cent (25%) of the maximum expendable amounts nor shall such exemption be granted in cases of overdraft or imminence thereof.

SEC. 7. Special Provisions. - Provinces, cities or municipalities whose income classification shall have been raised or reduced pursuant to the provisions of this Executive Order shall accordingly revise and adjust their existing Position Classification and Pay Plans in accordance with the pertinent provisions of prevailing Circulars issued by the Joint Commission on Local Government Personnel Administration created under PD 1136: Provided, That no official or employee in the local governments shall suffer any diminution of the basic salary

rate that he is actually receiving at the time of the effectivity of this Executive Order.

For purposes of the preparation and authorization of local government budgets for CY 1988, the regular appropriations for salaries and wages in the General and Infrastructure Funds of the local governments shall be commensurate only to the salary scales and rates of allowances, per diems, and other emoluments of local government officials and personnel corresponding to their respective new classifications. However, additional appropriations shall be set aside to cover in full any deficiency that will be necessary to maintain the payment of basic salaries at the rates actually being received by local government officials and personnel at the time of the effectivity of this Executive Order.

Newly-appointed or promoted personnel shall receive salaries at rates authorized for the new classification of the local government unit.

For proper implementation of these special provisions the Joint Commission on Local Government Personnel Administration shall, within sixty (60) days from the effectivity of this Executive Order, issue appropriate guidelines and procedures for the information and guidance of the local governments.

SEC. 8. Maximum Rates of Local Taxes. - Notwithstanding any change in income classification by virtue of this Executive Order any province, city or municipality may maintain or adjust accordingly the existing rates of local taxes: Provided, That any local tax ordinance enacted for the purpose shall be subject to the review and approval of the Secretary of Finance who, within sixty (60) days from receipt of the ordinance, shall determine the reasonableness thereof and its effects on the finances of the local governments.

SEC. 9. Administrative Authority of the Secretary of Finance. - The Secretary of Finance shall have the authority to review the income ranges herein provided at least once every four years after the implementation of this Executive Order and recommend such appropriate changes or revisions to the proper authority in order that the income classification of local government units may continue to conform with prevailing economic conditions and the overall financial status of the local governments.

SEC. 10. Implementing Rules and Regulations. - For purposes of implementation of this Executive Order, the Secretary of Finance shall issue such rules and regulations as he may deem necessary and appropriate Department Orders fixing the new classifications of provinces, cities and municipalities.

SEC. 11. Repealing Clause. - Presidential Decree No. 465, dated May 20, 1974 is hereby repealed. All laws, orders, issuances, rules and regulations or parts thereof inconsistent with this Executive Order are hereby repealed or modified accordingly.

SEC. 12. Effectivity. - This Executive Order shall take effect immediately.

DONE in the City of Manila, this 25th day of July, in the year of Our Lord, nineteen hundred and eighty-seven.

CORAZON C. AQUINO
President of the Philippines

By the President:

JOKER P. ARROYO
Executive Secretary

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