

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session

HB No. 406



Introduced by Rep. Roseller L. Barinaga

EXPLANATORY NOTE

This bill seeks to strengthen autonomy, especially fiscal autonomy, of local government units (LGUs), increase their share in Internal Revenue taxes and other national taxes and fees.

Article X of the Constitution provides for fiscal autonomy of local governments within the framework of local autonomy and accountability to the central government:

“Section 5. Each local government shall have the power to create its own sources of revenues and to levy taxes, fees and charges subject to such guidelines and limitations as the Congress may provide, consistent with the basic policy of local autonomy. Such taxes, fees and charges shall accrue exclusively to the local governments.

“Section 6. Local government units shall have a just share, as determined by law, in the national taxes which shall be automatically released to them.

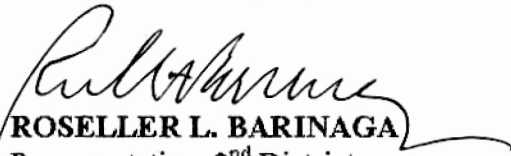
“Section 7. Local governments shall be entitled to an equitable share in the proceeds of the utilization and development of the national wealth within their respective areas, in the manner provided by law, including sharing the same with the inhabitants by way of direct benefits.”

Congress, in the exercise of control over local government, shall define, set the guidelines and prescribe the limitations with respect to the financial and fiscal authorities of local governments. Local government must be expressly authorized to exercise broad discretion in terms of the use, disposition, allocation as well as source of funds. However, such authority is not absolute. This principle must be harmonized. Thus, local government must be afforded latitude in the disposition of development funds. This proposal is in specific response to various opinions rendered by national government agencies which have unduly restricted the utilization of the development fund. It has been opined that such fund cannot be used for debt service, payment for purchase of house and lot, to serve as liaison office in another jurisdiction, for expenses for personnel services, except for compensation of contractual employees hired for purpose of completion of the development projects or as payment of honorarium/incentive allowance of a municipal treasurer/assessor by the provincial government.

A handwritten signature in dark ink, appearing to be 'Roseller L. Barinaga'.

Hence, the proposal to include in payment the development projects, payment of contractual debts and obligation for development – related projects.

In view of the foregoing circumstances, approval of this Bill is earnestly requested.



ROSELLER L. BARINAGA
Representative, 2nd District
Zamboanga del Norte

THIRTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
FIRST REGULAR SESSION)

HOUSE OF REPRESENTATIVES

HB No. 406

Introduced by Rep. Roseller L. Barinaga

AN ACT
STRENGTHENING LOCAL FISCAL AUTONOMY, AMENDING FOR THE PURPOSE
THE LOCAL GOVERNMENT CODE OF 1991

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

SECTION 1. A new subparagraph (n) is added to Section 3 of Republic Act No. 7160, otherwise known as the Local Government Code of 1991, to read as follows:

“SEC. 3. Operative Principles of Decentralization. – The formulation and implementation of policies and measures on local autonomy shall be guided by the following operative principles:

XXX

(n) LOCAL GOVERNMENT UNITS SHALL ENJOY FISCAL AUTONOMY. TOWARDS THIS END, LOCAL GOVERNMENT UNITS SHALL HAVE FULL AUTONOMY IN TERMS OF DISPOSITION, ALLOCATION AND UTILIZATION OF LOCAL PUBLIC FUNDS FROM WHATEVER SOURCE.”

SEC. 2. Section 284 of the same Code, is hereby amended to read as follows:

“SEC. 284. Allotment of Internal Revenue Taxes. – Local government units shall have share in the national internal revenue taxes based on GROSS collection of the [third] SECOND fiscal year as follows:

- (a) On the first year of the effectivity of this Code [thirty percent (30%)] FORTY-FIVE PERCENT (45%);
- (b) On the second year and thereafter, [thirty-five percent (35%); FIFTY PERCENT (50%); and
- (c) On the third year and thereafter, [forty percent (40%) SIXTY PERCENT (60%):

Provided, That in the event that the national government incurs an unmanageable public sector deficit, the President of the Philippines is hereby authorized, upon the recommendation of the Secretary of Finance, Secretary of the Interior and Local Government and Secretary of Budget and Management, subject to consultation with the presiding officers of both Houses of Congress and the presidents of the Liga, to make the necessary adjustments in the internal revenue allotment of local government units but in no case shall the allotment be less than thirty percent (30%) of the collection of national internal revenue taxes of the [third] SECOND fiscal year preceding the current fiscal year:

Provided, further, That [in the first year of the effectivity of this Code, the local government units shall, in addition to the thirty percent (30%) internal revenue allotment which shall include] the ACTUAL cost of devolved functions AS DEFINED HEREIN INCLUDING THE ASSETS AND COST OF PERSONNEL SERVICES [for essential public services] SHALL BE FULLY PROVIDED FOR IN THE GENERAL APPROPRIATIONS ACT OR NATIONAL BUDGET AND SUCH AMOUNT SHALL NOT BE DEDUCTED FROM THE INTERNAL REVENUE ALLOTMENT SHARE OF THE LOCAL GOVERNMENT UNIT CONCERNED, [be entitled to receive the amount equivalent to the cost of devolved personal services.]

PROVIDED, FINALLY, THAT IN THE CREATION AND CONVERSION OF LOCAL GOVERNMENT UNITS, THE INTERNAL REVENUE ALLOTMENT OF SUCH LOCAL GOVERNMENT UNITS SHALL BE SOLELY TAKEN FROM NATIONAL FUNDS OR GENERAL APPROPRIATIONS."

SEC. 3. Section 287 of the same Code is hereby amended as follows:

"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 INCLUDING PAYMENT OF CONTRACTUAL DEBTS AND OBLIGATIONS FOR DEVELOPMENT-RELATED PROJECTS. Copies of the development plans of local government units shall be furnished the Department of the Interior and Local Government."

SEC. 4. Section 289 of the same Code is hereby amended to read as follows:

"SEC. 289. Share in the Proceeds from the Development and Utilization of the National Wealth. - Local Government units shall have an equitable share in the proceeds derived from the utilization and development of the national wealth within their respective areas, including sharing the same with the inhabitants by ways of direct benefits.

'NATIONAL WEALTH' SHALL BE DEFINED AS ALL NATURAL RESOURCES SITUATED WITHIN THE PHILIPPINE TERRITORIAL JURISDICTION INCLUDING BUT NOT LIMITED TO LANDS OF PUBLIC DOMAIN, WATERS, MINERALS, POTENTIAL ENERGY SOURCES, GAS AND OIL DEPOSITS, FOREST PRODUCTS, FLORA AND

owned or controlled-corporation engaged in the utilization and development of the national wealth, such share shall be directly remitted to the provincial, city, municipal or barangay treasurer concerned within five (5) days after end of each quarter.

SEC. 8. This Act shall take effect upon its approval.

Approved.