

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

13th Congress
First Regular Session

House Bill No. **2741**



Introduced by Rep. HERMILANDO I. MANDANAS

EXPLANATORY NOTE

It is imperative and urgent that education be more and more devolved to local government units since they are closer to their constituents and besides now have the capability under the Local Government Code to handle the different aspects of educational services in their own locality.

One area where local governments must be more empowered to take the initiative is in the construction of school buildings. The National Government will not be able to catch up with the backlog of 40,000 classrooms nationwide which will cost around P100 Billion. The yearly budget of the Department of Education for school buildings is only P2 Billion. On the other hand, the local governments have the Special Education Fund (SEF) which represents an additional one percent (1%) real estate tax set aside for educational purposes under Section 272 of the Local Government Code. Local governments must be empowered and encouraged to tap this resource, particularly by being enabled to borrow against their SEF in order to construct the classrooms that are lacking in their locality.

This is one more instance where decentralization of power will not only greatly benefit the local communities but also relieve the national government of a financial burden.

For the reasons cited above, Congress is earnestly urged to enact the present bill into law.


HERMILANDO I. MANDANAS
2nd District, Batangas

**AUTHORIZING PROVINCES, CITIES AND MUNICIPALITIES TO MAKE
LOANS USING THE SPECIAL EDUCATION FUND AS COLLATERAL,
AMENDING FOR THIS PURPOSE SECTION 272 OF REPUBLIC ACT NO.
7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991**

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

SECTION. 1. - Section 272 of Republic Act No. 7160, otherwise known as
the Local Government Code of 1991, is hereby amended to read as follows:

"SEC. 272. *Application of Proceeds of the Additional One Percent SEF
Tax.* – The proceeds from the additional one percent (1%) tax on real property
accruing to the SEF shall be automatically released to the local school boards:
*Provided, That, in case of provinces, the proceeds shall be divided equally
between the provincial and municipal school boards: Provided, however, That
the proceeds shall be allocated for the operation and maintenance of public
schools, construction and repair of school buildings, facilities and equipment,
educational research, purchase of books and periodicals, and sports
development as determined and approved by the local school board.*

**"A province, city or municipality may use the SEF as loan collateral:
*Provided, That purpose of the loan shall be the same as those stated above
as allowable uses for the SEF: Provided, further, that the project to be
financed and the use of the SEF as collateral must be approved by the local
school board: Provided, furthermore, that the loan must be included in the
local government unit's budget and there must be proper appropriations
for the purpose: Provided, finally, that the local school board must
authorize the transfer of the SEF to the general fund.*"**

SEC. 2. - All laws, presidential decrees, executive orders, letters of
instruction, rules and regulations or parts thereof inconsistent with the provisions
of this Act are hereby repealed or modified accordingly.

SEC. 3. - This Act shall take effect immediately upon its complete
publication in at least two (2) newspapers of general circulation.

Approved.