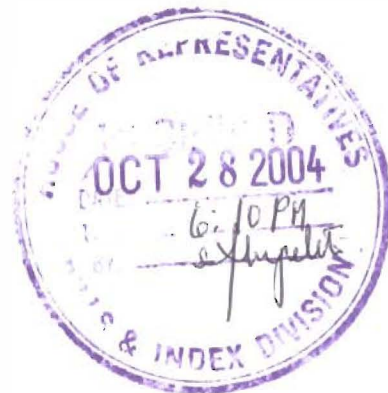


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Thirteenth Congress
First Regular Session



HOUSE BILL NO. 3224

Introduced by HONORABLE LUIS R. VILLAFUERTE

EXPLANATORY NOTE

Due to the recurring budgetary deficits of the National Government, annual appropriations that are incorporated in the General Appropriations Law are very limited and do not provide for the financial requirements of the construction of school buildings, laboratory equipment, computer hardware and software, books, scholarships and training programs, and hiring of additional teachers. The imperative need of introducing computer education in the public school system and the necessity for emphasizing Science and Math has also required not only specialized equipment but also specialized classrooms and laboratory facilities that are suited to computer and science education. There is also a need to retrain teachers in the teaching of English, Math, Science, and computer education.

There is a tremendous shortage of classrooms such that in many cases in public schools, both elementary and high school levels, on the average, every classroom is occupied by 60-85 students where the norm should be 35 students per classroom or at worst not more than 45 students per classroom. In many cases classes are even held outdoors under trees in the school grounds for lack of classroom facilities.

Because of increasing enrollment every year, not only additional classrooms are required, but also additional teachers and additional books. Whenever there is an increase in enrollment every school year, the National Budget does not provide for adequate additional plantilla for new teachers, as well as for books and learning materials.

The Local Government is pressured to pay for honoraria, salaries and wages for teachers since the National Government is not able to provide for additional teachers with the corresponding budgetary allocations. The National Government is also unable to provide books to allow for a 1:1 ratio of books per student per subject. Again Local Government Units are compelled,

even if they are not devolved functions to provide for these requirements. More and more local government units, particularly provincial governments, are impelled to construct school buildings, school stages, and covered assembly halls.

If the Local Government Units will rely only on the present rate imposed on Real Estimated Property Taxes, the proceeds of which will go to the Special Education Fund (SEF), then the Local Government Units would have very limited capacity to provide or supplement National Government efforts to fill up the backlog, not to mention projected demand, of school buildings, laboratory equipment, computer hardware and software, books, scholarships, training programs, and hiring of additional teachers.

All these provide additional financial burdens that the National Government is unable to cope with, in view of the looming financial crisis and the debt service burdens on loans and credit of the National Government and the GOCCs.

The time has come therefore for the Local Government Units to supplement National Government budgetary allocations for the Public Education Sector. Limited as the sources of financing of Local Government Units to support education programs are, its sources can be augmented through amendments to the Local Government Code provisions on the percentage of Special Levy on Real Property Tax that accrue to and expand the uses of the proceeds of the SEF.

The present Local Government Code is amended to equalize the one percent (1%) SEF tax for a province, city, and municipality within the Metro Manila Area; and to maintain the one-half percent (1/2%) additional levy for a component municipality of a province in order for Local Government Units to supplement the budgetary allocations of the National Government to the Public Education Sector that cannot meet the massive backlog and future demand for the educational needs of basic public education, including but not limited to sports, arts, and cultural development projects or services; for the purchase of tables, chairs, or desks; electrical or water supply connections to public schools; remuneration or honoraria of volunteer school teachers; scholarship and training of students, teachers, and school administrators as well as contributions to seminars, workshops, research studies, conferences, and meetings for the public educational sector; and/or the purchase of textbooks and library reference materials.

It is envisioned under this Bill that the Local School Board of a province, city, or a municipality within the Metro Manila Area shall be allowed to obtain loans or credit from lender institutions or financial intermediaries to further supplement the budget allocations of the national government. Under this bill the payment of the principal, interest, and/or other costs shall be chargeable to the special education fund of the borrowing local government unit. *Provided*, that, the lender institution or financial intermediary providing or

arranging the loan or credit to the school board of a province, city or municipality within the metro manila area shall be entitled to an assignment of the corresponding portion of the fund accruing to the local school board concerned which shall constitute a preferred or priority lien or encumbrance on said fund and said lending institution or intermediary shall be entitled to debit the account deposit or placement of the borrowing local school board as and when payment schedule of the loan, credit, or indebtedness become due and payable without need of further notice or demand to the local school board to ensure timely payment of such liabilities or obligations of the local school board concerned.

Thus, in essence, this scheme is a self-liquidating measure as the payment schedule for loans or credit obtained by a Local School Board shall be matched by the future stream of collections that accrue to the SEF. This borrowing authority is limited to provinces, cities, and municipalities within the Metropolitan Manila Area; a Local School Board of component municipality of a province shall not have this borrowing authority as their SEF shall be earmarked for.

It is understood that the financial institution shall in due course evaluate the financial feasibility and viability of every loan or credit in order to ensure the success of their loan or credit extension, to assure credit worthiness and cash flow to provide timely payment of loans and credits availed of.

This bill empowers Local Government Units not only to address the most pressing needs of their Public Education Sectors, but also allows them to make timely and much-needed contributions to one of the primary concerns of the National Government.

In view of the above intentions and purposes, the immediate passage of this bill is earnestly recommended.



LUIS R. VILLAFUERTE

Republic of the Philippines
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HOUSE BILL NO. 3224

Introduced by HONORABLE LUIS R. VILLAFUERTE

AN ACT
AMENDING SECTION 235 AND SECTION 272 OF REPUBLIC ACT NO.
7160 OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF
1991 FOR THE PURPOSE OF AUGMENTING, EXPANDING AND
DIVERSIFYING THE USES OF THE SPECIAL EDUCATION FUND AND
FOR OTHER PURPOSES

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

SECTION 1. Paragraph (a) Section 232 of RA No. 7160, otherwise known as the Local Government Code of 1991 is hereby amended to read as follows:

SEC. 235 *Additional Levy on Real Property for the Special Education Fund.* – [A province or city, or a municipality within the Metropolitan Manila area, may levy and collect an annual tax of one percent (1%) on the assessed value of real property which shall be in addition to the basic real property tax. The proceeds thereof shall exclusively accrue to the Special Education Fund (SEF).] **A SPECIAL EDUCATION FUND (SEF) IS HEREBY CREATED FOR EVERY LOCAL GOVERNMENT UNIT RESPECTIVELY MENTIONED HEREUNDER TO BE FUNDED FROM THE ADDITIONAL LEVY ON REAL PROPERTY PRESCRIBED UNDER THIS SECTION.**

A PROVINCE, CITY, OR MUNICIPALITY WITHIN THE METRO MANILA AREA MAY LEVY AND COLLECT AN ANNUAL TAX OF ONE PERCENT (1%) ON THE ASSESSED VALUE OF REAL PROPERTY IN THEIR RESPECTIVE TERRITORIAL JURISDICTIONS IN ADDITION TO THE BASIC REAL PROPERTY TAX PROVIDED UNDER THIS CODE. EVERY MUNICIPALITY OUTSIDE THE METRO MANILA AREA MAY LIKEWISE LEVY AND COLLECT AN ANNUAL TAX OF ONE-HALF PERCENT (1/2%) ON THE ASSESSED VALUE OF REAL PROPERTY WITHIN SAID MUNICIPALITY.

THE PROCEEDS OF THE ADDITIONAL LEVY STATED IN THE PRECEDING PARAGRAPHS SHALL EXCLUSIVELY ACCRUE TO THE SPECIAL EDUCATION FUND (SEF) OF THE LOCAL GOVERNMENT UNIT CONCERNED.

SECTION 2. Section 272 of RA 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.] APPLICATION OF PROCEEDS OF THE SPECIAL EDUCATION FUND TAX – [The proceeds from the one percent (1%) tax on real property accruing to the Special Education Fund (SEF) shall be automatically released to the local school boards: *Provided*, That, in the 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.] **ONE-HALF (1/2) OF THE PROCEEDS OF THE ADDITIONAL ONE PERCENT (1%) SPECIAL EDUCATION FUND TAX ACCRUING TO A PROVINCE, CITY, OR MUNICIPALITY WITHIN THE METRO MANILA AREA SHALL BE AUTOMATICALLY RELEASED TO THE LOCAL SCHOOL BOARDS; THIS FUND SHALL BE USED FOR THE CONSTRUCTION OR IMPROVEMENT OF PUBLIC SCHOOL BUILDINGS, AND/OR RELATED FACILITIES INCLUDING BUT NOT LIMITED TO PARENTS'-TEACHERS' ASSOCIATIONS' AND/OR STUDENT ASSEMBLY HALLS; SCHOOL STAGES; LABORATORY EQUIPMENT, AND COMPUTER HARDWARE AND SOFTWARE.**

THE OTHER ONE-HALF PERCENT (1/2%) SHARE OF A PROVINCE, CITY, OR MUNICIPALITY WITHIN THE METRO MANILA AREA INCLUDING THE ONE-HALF PERCENT (1/2%) PERCENT ADDITIONAL LEVY ACCRUING TO THE SCHOOL BOARD FUND OF A COMPONENT MUNICIPALITY OF A PROVINCE SHALL BE USED FOR EITHER OR A COMBINATION OF ANY OF THE FOLLOWING: SPORTS, ARTS, AND CULTURAL DEVELOPMENT PROJECTS OR SERVICES; FOR THE PURCHASE OF TABLES, CHAIRS, OR DESKS; ELECTRICAL OR WATER SUPPLY CONNECTIONS TO PUBLIC SCHOOLS; REMUNERATION OR HONORARIA OF VOLUNTEER SCHOOL TEACHERS; SCHOLARSHIP AND TRAINING OF STUDENTS, TEACHERS, AND SCHOOL ADMINISTRATORS AS WELL AS CONTRIBUTIONS TO SEMINARS, WORKSHOPS, RESEARCH STUDIES, CONFERENCES, AND MEETINGS FOR THE PUBLIC EDUCATIONAL SECTOR; AND/OR THE PURCHASE OF TEXTBOOKS AND LIBRARY REFERENCE MATERIALS; AND OTHER PROJECTS, SERVICES OR ACTIVITIES AS THE LOCAL SCHOOL BOARD SHALL DETERMINE.

THE RESPECTIVE SCHOOL BOARDS OF A PROVINCE, CITY, OR MUNICIPALITY WITHIN THE METRO MANILA AREA, INCLUDING THE LOCAL SCHOOL BOARD OF A COMPONENT

MUNICIPALITY OF A PROVINCE SHALL DETERMINE THE SPECIFIC FUND ALLOCATION AS TO THE AMOUNT AND SCHEDULE OF DISBURSEMENT OF THE SPECIFIC USES OF THE SCHOOL BOARD FUND BY VOTE OF THE MAJORITY OF THE QUORUM OF THE LOCAL SCHOOL BOARD CONCERNED.

WITH THE APPROVAL OF THE MAJORITY OF ALL THE MEMBERS OF A LOCAL SCHOOL BOARD OF A PROVINCE, CITY, OR MUNICIPALITY WITHIN THE METRO MANILA AREA, THE LOCAL SCHOOL BOARD CONCERNED MAY OBTAIN A LOAN, CREDIT, OR INDEBTEDNESS FROM ANY FINANCIAL INSTITUTION, ENTITY OR INTERMEDIARY TO FINANCE THE CONSTRUCTION OF PUBLIC SCHOOL BUILDINGS AND THE ANCILLARY FACILITIES, EQUIPMENT, FURNITURE AND FIXTURES TO BE DEVOTED TO GENERAL ACADEMIC COURSES, COMPUTER EDUCATION, INDUSTRIAL ARTS, HOME ECONOMICS AND THE LIKE IN ORDER TO PROVIDE, AUGMENT, AND EXPAND THE SOURCES OF FUNDS FOR SAID CAPITAL OUTLAYS OF PUBLIC SCHOOLS (I.E. PRE-SCHOOLS, ELEMENTARY, AND SECONDARY). THE PAYMENT OF THE PRINCIPAL, INTEREST, AND/OR OTHER COSTS SHALL BE CHARGEABLE TO THE SPECIAL EDUCATION FUND OF THE BORROWING LOCAL GOVERNMENT UNIT. *PROVIDED*, THAT, THE LENDER INSTITUTION OR FINANCIAL INTERMEDIARY PROVIDING OR ARRANGING THE LOAN OR CREDIT TO THE SCHOOL BOARD OF A PROVINCE, CITY OR MUNICIPALITY WITHIN THE METRO MANILA AREA SHALL BE ENTITLED TO AN ASSIGNMENT OF THE CORRESPONDING PORTION OF THE FUND ACCRUING TO THE LOCAL SCHOOL BOARD CONCERNED WHICH SHALL CONSTITUTE A PREFERRED OR PRIORITY LIEN OR ENCUMBRANCE ON SAID FUND AND SAID LENDING INSTITUTION OR INTERMEDIARY SHALL BE ENTITLED TO DEBIT THE ACCOUNT DEPOSIT OR PLACEMENT OF THE BORROWING LOCAL SCHOOL BOARD AS AND WHEN PAYMENT SCHEDULE OF THE LOAN, CREDIT, OR INDEBTEDNESS BECOME DUE AND PAYABLE WITHOUT NEED OF FURTHER NOTICE OR DEMAND TO THE LOCAL SCHOOL BOARD TO ENSURE TIMELY PAYMENT OF SUCH LIABILITIES OR OBLIGATIONS OF THE LOCAL SCHOOL BOARD CONCERNED.

SECTION 3. Any law, decree, executive order, administrative order, rules and regulations contrary to or inconsistent with the provisions of this Act are hereby repealed, modified and amended accordingly.

SECTION 25. *Effectivity*. – This Act shall take effect immediately upon This Act will be effective immediately after publication in two (2) newspapers general circulation.

APPROVED.