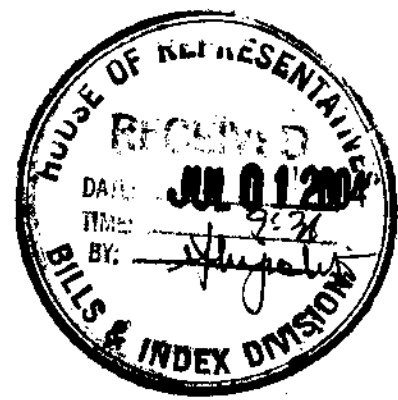


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session

H No. 109



INTRODUCED BY HONORABLE JUAN EDGARDO "SONNY" M. ANGARA

EXPLANATORY NOTE

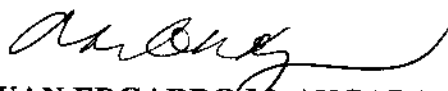
This bill seeks to amend the Section 285 of Republic Act No. 7160 otherwise known as the Local Government Code of 1991 with the sole objective of providing for the reallocation of the Internal Revenue Allotment's (IRA) share of local government units starting in the year 1999. The allocation of the IRA shall be made after deducting the cost of devolved responsibilities, including the city-funded hospitals and other legislated benefits, such as Magna Carta for Health Workers, and also the salaries of devolved personnel.

When the Local Government Code (LGC) was enacted into law, the noble objective of the framers was to make local government units independent from the national government. For which reason, Congress under the LGC, enhanced the taxing powers of local government units (lgu's) and substantially increased the Internal Revenue Allotment (IRA) from the average level 12% over the past years to 40%. The idea was to attain genuine local autonomy because of lgu's continue to be financially dependent from the Imperial Manila, the so-called economy would remain an illusion.

However, despite the substantial increase in the IRA shares, many lgu's had experienced extreme financial difficulties due to the assumption of the devolved responsibilities, in particular health services. Noting the difficulties experienced by mos lgu's, Congress in 1994 passed House Bill No. 3331 to effect the reversion of the health services to the national government. The said bill however, was vetoed by then President Ramos on the ground that the problem of inadequate funds on the part of some lgu's to assume devolved functions "can be better and more permanently addressed through the rectification of the present inequitable IRA allocation formula."

The enactment, therefore, of this bill into law will cure the defect which defeated the best intentions of the framers of the LGC. This will not only rectify the disparity that the other lgu's suffer from added cost of maintaining the devolved responsibilities but, will erase as well, the apparent mismatch between the allocation of the IRA shares and the distribution of the financial burden as a direct consequence of devolution.

The immediate approval of this important legislation is highly recommended.


JUAN EDGARDO M. ANGARA
Lone District, Province of Aurora

Introduced by HON. JUAN EDGARDO "SONNY" M. ANGARA

AN ACT
PROVIDING FOR THE RE-ALLOCATION OF THE INTERNAL REVENUE
ALLOTMENT OF LOCAL GOVERNMENT UNITS, AMENDING FOR THE PURPOSE
SECTION 285 OF REPUBLIC ACT NO. 7160 OTHERWISE KNOWN AS THE LOCAL
GOVERNMENT CODE OF 1991

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

SECTION 1. Section 285 of Republic Act No. 7160 otherwise known as the Local Government Code of 1991 is hereby amended to read as follows:

"SEC. 285. *Allotment to Local Government Units.* - The shares of local government units in the internal revenue allotment shall, STARTING IN 1999, be allocated AFRER DEDUCTING THEREFROM THE COST OF THE DEVOLVED FUNCTIONS AND PERSONNEL, INCLUDING PERSONNEL HIRED BY LOCAL GOVERNMENT UNITS BEFORE DECEMBER 1997 TO PERFORM THE DEVOLVED FUNCTIONS, AND THE COST OF THE CITY-FUNDED HOSPITALS AND LEGISLATED BENEFITS, EXCLUDING CAPITAL OUTLAYS. THE TOTAL COST SO DEDUCTED SHALL BE DISTRIBUTED AND REMITTED DIRECTLY TO THE LOCAL GOVERNMENT UNITS CONCERNED AND THE NET BALANCE OF THE INTERNAL REVENUE ALLOTMENT SHALL BE ALLOCATED in the following manner:

- | | | |
|---------------------|---|----------------------------|
| "(a) Provinces | - | Twenty-three percent (23%) |
| "(b) Cities | - | Twenty-three percent (23%) |
| "(c) Municipalities | - | Twenty-four percent (24%) |
| "(d) Barangays | - | Twenty percent (20%) |

Provided, however, That the share of each province, city and municipality shall be determined on the basis of the following formula:

- | | |
|--------------------|--|
| "(a) Population | [Fifty percent (50%)] FIFTY-FIVE PERCENT (55%) |
| "(b) Land Area | [Twenty-five percent (25%)] TWENTY PERCENT (20%) |
| "(c) Equal Sharing | Twenty-five percent (25%) |

"x x x."

SEC. 2. The Department of the Interior and Local Government, in coordination with the Department of Health, shall issue the implementing rules and regulations within sixty (60) days from the effectivity of this Act.

SEC. 3. All laws, proclamations, executive orders, administrative rules and regulations, which are inconsistent with the provision of this Act are hereby repealed or modified accordingly.

SEC. 4. This Act shall take effect upon approval.

Approved,