

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 333

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 Mathematics 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, Mathematics, 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 (LGUs) are compelled, even if they are not devolved functions to provide for these requirements. More and more LGUs,

particularly provincial governments, are impelled to construct school buildings, school stages, and covered assembly halls.

If the LGUs 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 LGUs 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 LGUs to supplement National Government budgetary allocations for the Public Education Sector. Limited as the sources of financing of LGUs 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 ($\frac{1}{2}\%$) additional levy for a component municipality of a province in order for LGUs 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 SEF of the borrowing LGU. *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 LGUs 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.



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AN ACT AMENDING SECTION 235 AND SECTION 272 OF REPUBLIC ACT NO. 7160 OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991, AS AMENDED, 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:

1 **SECTION 1.** Section 235 of Republic Act No. 7160, as amended,
2 otherwise known as the "Local Government Code of 1991" is hereby
3 amended to read as follows:

4 **SEC. 235** *Additional Levy on Real Property for the Special*
5 *Education Fund. – A SPECIAL EDUCATION FUND (SEF) IS*
6 **HEREBY CREATED FOR EVERY LOCAL GOVERNMENT UNIT**
7 **RESPECTIVELY MENTIONED HEREUNDER TO BE FUNDED**
8 **FROM THE ADDITIONAL LEVY ON REAL PROPERTY**
9 **PRESCRIBED UNDER THIS SECTION.**

10 A province or city, or a municipality within the
11 Metropolitan Manila Area, may levy and collect an annual tax of
12 one percent (1%) on the assessed value of real property **IN**

1 **THEIR RESPECTIVE TERRITORIAL JURISDICTION** [which
2 shall be] in addition to the basic real property tax **PROVIDED**
3 **UNDER THIS CODE.**

4 **EVERY MUNICIPALITY OUTSIDE THE**
5 **METROPOLITAN MANILA AREA MAY LIKEWISE LEVY AND**
6 **COLLECT AN ANNUAL TAX OF ONE-HALF PERCENT (½%)**
7 **ON THE ASSESSED VALUE OF REAL PROPERTY WITHIN**
8 **SAID MUNICIPALITY.**

9 The proceeds **OF THE ADDITIONAL LEVY STATED IN**
10 **THE PRECEDING PARAGRAPHS** [thereof] shall exclusively
11 accrue to the Special Education Fund (SEF) **OF THE LOCAL**
12 **GOVERNMENT UNIT CONCERNED.**

13 **SEC. 2.** Section 272 of RA No. 7160, as amended, otherwise known
14 as the "Local Government Code of 1991" is hereby amended to read as
15 follows:

16 *SEC. 272 Application of Proceeds of the [Additional One*
17 *Percent] SEF Tax – ONE HALF (½) OF* the proceeds **OF** [from]
18 the additional one percent (1%) **SPECIAL EDUCATION FUND**
19 tax [on real property] accruing to [the Special Education Fund
20 (SEF)] **A PROVINCE, CITY OR MUNICIPALITY WITHIN THE**
21 **METROPOLITAN MANILA AREA** shall be automatically
22 released to the local school boards; [*Provided, That, in the*
23 *case of provinces, the proceeds shall be divided equally between*
24 *the provincial and municipal school boards: Provided, however,*

1 That the proceeds shall be allocated] **THIS FUND SHALL BE**
2 **USED** for the [operation and maintenance of public schools,]
3 construction [and repair] **OR IMPROVEMENT of PUBLIC**
4 school buildings, **AND/OR RELATED** facilities [and equipment,
5 educational research, purchase of books and periodicals, and
6 sports development as determined and approved by the Local
7 School Board.] **INCLUDING BUT NOT LIMITED TO**
8 **PARENTS-TEACHERS ASSOCIATIONS AND/OR STUDENT**
9 **ASSEMBLY HALLS; SCHOOL STAGES; LABORATORY**
10 **EQUIPMENT, AND COMPUTER HARDWARE AND**
11 **SOFTWARE.**

12 **THE OTHER ONE-HALF PERCENT (½%) SHARE OF A**
13 **PROVINCE, CITY, OR MUNICIPALITY WITHIN THE METRO**
14 **MANILA AREA INCLUDING THE ONE-HALF PERCENT**
15 **(½%) PERCENT ADDITIONAL LEVY ACCRUING TO THE**
16 **SCHOOL BOARD FUND OF A COMPONENT MUNICIPALITY**
17 **OF A PROVINCE SHALL BE USED FOR EITHER OR A**
18 **COMBINATION OF ANY OF THE FOLLOWING: SPORTS,**
19 **ARTS AND CULTURAL DEVELOPMENT PROJECTS OR**
20 **SERVICES; FOR THE PURCHASE OF TABLES, CHAIRS, OR**
21 **DESKS; ELECTRICAL OR WATER SUPPLY CONNECTIONS**
22 **TO PUBLIC SCHOOLS; REMUNERATION OR HONORARIA**
23 **OF VOLUNTEER SCHOOL TEACHERS; SCHOLARSHIP AND**
24 **TRAINING OF STUDENTS, TEACHERS, AND SCHOOL**

1 ADMINISTRATORS AS WELL AS CONTRIBUTIONS TO
2 SEMINARS, WORKSHOPS, RESEARCH STUDIES,
3 CONFERENCES, AND MEETINGS FOR THE PUBLIC
4 EDUCATIONAL SECTOR; AND/OR THE PURCHASE OF
5 TEXTBOOKS AND LIBRARY REFERENCE MATERIALS; AND
6 OTHER PROJECTS, SERVICES OR ACTIVITIES AS THE
7 LOCAL SCHOOL BOARD SHALL DETERMINE. THE
8 RESPECTIVE SCHOOL BOARDS OF A PROVINCE, CITY, OR
9 MUNICIPALITY WITHIN THE METRO MANILA AREA,
10 INCLUDING THE LOCAL SCHOOL BOARD OF A
11 COMPONENT MUNICIPALITY OF A PROVINCE SHALL
12 DETERMINE THE SPECIFIC FUND ALLOCATION AS TO THE
13 AMOUNT AND SCHEDULE OF DISBURSEMENT OF THE
14 SPECIFIC USES OF THE SCHOOL BOARD FUND BY VOTE OF
15 THE MAJORITY OF THE QUORUM OF THE LOCAL SCHOOL
16 BOARD CONCERNED.

17 WITH THE APPROVAL OF THE MAJORITY OF ALL THE
18 MEMBERS OF A LOCAL SCHOOL BOARD OF A PROVINCE,
19 CITY, OR MUNICIPALITY WITHIN THE METRO MANILA
20 AREA, THE LOCAL SCHOOL BOARD CONCERNED MAY
21 OBTAIN A LOAN, CREDIT, OR INDEBTEDNESS FROM ANY
22 FINANCIAL INSTITUTION, ENTITY OR INTERMEDIARY TO
23 FINANCE THE CONSTRUCTION OF PUBLIC SCHOOL
24 BUILDINGS AND THE ANCILLARY FACILITIES,

1 EQUIPMENT, FURNITURE AND FIXTURES TO BE DEVOTED
2 TO GENERAL ACADEMIC COURSES, COMPUTER
3 EDUCATION, INDUSTRIAL ARTS, HOME ECONOMICS AND
4 THE LIKE IN ORDER TO PROVIDE, AUGMENT, AND
5 EXPAND THE SOURCES OF FUNDS FOR SAID CAPITAL
6 OUTLAYS OF PUBLIC SCHOOLS (i.e. PRE-SCHOOLS,
7 ELEMENTARY, AND SECONDARY). THE PAYMENT OF THE
8 PRINCIPAL, INTEREST, AND/OR OTHER COSTS SHALL BE
9 CHARGEABLE TO THE SPECIAL EDUCATION FUND OF THE
10 BORROWING LOCAL GOVERNMENT UNIT. *PROVIDED,*
11 THAT, THE LENDER INSTITUTION OR FINANCIAL
12 INTERMEDIARY PROVIDING OR ARRANGING THE LOAN
13 OR CREDIT TO THE SCHOOL BOARD OF A PROVINCE, CITY
14 OR MUNICIPALITY WITHIN THE METRO MANILA AREA
15 SHALL BE ENTITLED TO AN ASSIGNMENT OF THE
16 CORRESPONDING PORTION OF THE FUND ACCRUING TO
17 THE LOCAL SCHOOL BOARD CONCERNED WHICH SHALL
18 CONSTITUTE A PREFERRED OR PRIORITY LIEN OR
19 ENCUMBRANCE ON SAID FUND AND SAID LENDING
20 INSTITUTION OR INTERMEDIARY SHALL BE ENTITLED TO
21 DEBIT THE ACCOUNT DEPOSIT OR PLACEMENT OF THE
22 BORROWING LOCAL SCHOOL BOARD AS AND WHEN
23 PAYMENT SCHEDULE OF THE LOAN, CREDIT, OR
24 INDEBTEDNESS BECOME DUE AND PAYABLE WITHOUT

1 **NEED OF FURTHER NOTICE OR DEMAND TO THE LOCAL**
2 **SCHOOL BOARD TO ENSURE TIMELY PAYMENT OF SUCH**
3 **LIABILITIES OR OBLIGATIONS OF THE LOCAL SCHOOL**
4 **BOARD CONCERNED.**

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

8 **SEC. 4. Effectivity.** – This Act shall take effect fifteen (15) days after
9 its publication in two (2) newspapers general circulation.

Approved,