

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Fifteenth Congress
First Regular Session

House Bill No. 1790

Introduced by Honorable Mar-Len Abigail S. Binay

EXPLANATORY NOTE

This bill stems from the results of the public hearing conducted by the House Committee on Local Government on April 24, 2002, to discuss House Resolution 423, which former Cong. Agapito A. Aquino filed in February 12, 2002. HR 423 was intended to look into the delayed release of the October 2000 Internal Revenue Allotment (IRA) of local government units (LGUs), as well as the so called IRA Monetization Program, or the mechanism adopted by the Department of Budget and Management (DBM), the Union of Local Authorities of the Philippines (ULAP), and the Department of Interior & Local Government (DILG) to settle the payment of said unreleased IRA. Under the IRA Monetization Program, the DBM proposed to settle the payment of the October 2000 IRA share of LGUs over a period of 6 years. At the same time, however, LGUs were given the option to collect their unpaid IRA in advance, but subject to a discount or service fee running close to 30% of the unpaid IRA.

In HR 423, Cong. Agapito A. Aquino argued that *both* the delay in the release of the October 2000 IRA of LGUs as well as the government's consequent response through the so called IRA Monetization Program were violative of existing constitutional and statutory prescriptions on IRA. As Section 6, Article X of the 1987 Constitution and Section 286 of the Local Government Code of 1991 clearly state, the share of LGUs in national taxes shall be automatically released to them, and shall not be subject to any lien or hold back that may be imposed by the national government for whatever purpose.

After a query posited by one of the Committee members present during the hearing, the DBM, through Director Carmencita Delantar, explained that this was precisely one of the issues confronting the nature of the release of the IRA of LGUs. According to Dir. Delantar, Section 286 of the Local Government Code, after all, only states that IRA shares shall be automatically *released*, and not automatically *appropriated*. Director Delantar went further by stating that the DBM, through the proposed 2002 National Expenditure Program (NEP), even classified the 2002 IRA under Automatic Appropriations, but it was Congress itself that transferred the amount to New Appropriations when the 2002 General Appropriations Act was finally approved and signed into law.

This bill hopes to clarify once and for all that the IRA shares of LGUs shall not only be automatically *released*, but shall likewise be automatically *appropriated* in the same manner and force that interest payments on our maturing obligations are appropriated and paid for.

The speed by which we shall secure national development hinges greatly on the pace by which local development is pursued. The timely and full release of the share of LGUs in national internal revenue taxation will, therefore, be critical.

It is this representation's earnest hope that this bill is approved with dispatch.


MAR-LEN ABIGAIL S. BINAY

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AN ACT

AMENDING SECTION 286 OF REPUBLIC ACT 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF THE PHILIPPINES, PROVIDING FOR THE AUTOMATIC APPROPRIATION AND RELEASE OF THE INTERNAL REVENUE ALLOTMENT OF LOCAL GOVERNMENT UNITS

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

SECTION 1. Paragraph (a) of Section 286 of Republic Act 7160, otherwise known as the "Local Government Code of the Philippines," is hereby amended to read as follows:

"SEC. 286. Automatic APPROPRIATION AND Release of Shares. – (a) The ANNUAL INTERNAL REVENUE ALLOTMENT SHALL BE AUTOMATICALLY APPROPRIATED and the share of each local government unit TO THE SAME shall be REGULARLY released, without need of any further action, directly to the provincial, city, municipal or barangay treasurer, as the case maybe, on a quarterly basis within five (5) days at the end of each quarter, and which shall not be subject to any lien or holdback that may be imposed by the National Government for whatever purpose.

(b) x x x "

SEC. 2. *Repealing Clause.* All acts or parts of Acts and executive orders, administrative orders, or parts thereof which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 3. *Effectivity.* This Act shall take effect 15 days after publication in the Official Gazette or two (2) newspaper of general circulation.

Approved,