

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

Fifteenth Congress
First Regular Session

HOUSE BILL NO. 3906

Introduced by Honorable Jose Carlos L. Cari

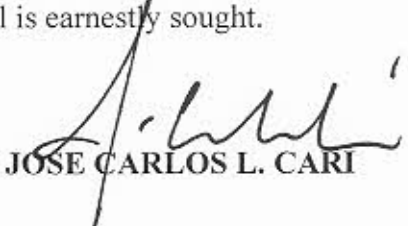
EXPLANATORY NOTE

This legislative measure seeks to amend Sections 284 and 285 of Republic Act 7160, otherwise known as the Local Government Code of 1991. Under this bill, local government units are entitled to a forty five percent (45%) share of national taxes for a period of ten (10) years, five percent (5%) of which shall be solely dedicated to the construction and improvement of local roads of municipalities and barangays. The 5% additional allocation will benefit municipalities and barangays but the implementing arm shall be the municipalities concerned. After the ten-year period, the share of local government units shall revert to forty percent (40%). The proposed measure likewise tackles the issue on the prerogative of the President to make the necessary adjustments in the allocation of internal revenue allotment. Instead of just a mere consultation with the presiding officers of both houses of Congress, a concurrence by both houses of Congress is proposed due to the impact of the course of action on funding the operations of local government units and in recognition of Congress' power to control the finances of the government.

It has been observed that municipalities and barangays do not enjoy enough financial support for the development and improvement of their roads which are the supposed arteries for the enhancement of commerce and the delivery of basic services to the people. A 5% allocation of the national taxes for a period of ten (10) years will spur the much needed construction and development of municipal and barangay roads for the benefit of the people. A period of ten (10) years is projected for completing the construction of all necessary roads for all municipalities and barangays in the country as well as the improvement of those already in existence. After the ten (10) year period, the share of local government units shall revert to forty percent (40%). While the additional allocation is only for a period of ten years, the benefits of the proposed bill is expected to be felt for a longer period of time.

This proposed measure is in answer to the mandate under Article X, Section 6 of the 1987 Constitution that "Local government units shall have a just share, as determined by law, in the national taxes which shall be automatically released to them," and is consistent with policy of enhancing and promoting local financial autonomy.

In view of the foregoing, approval of this bill is earnestly sought.


JOSE CARLOS L. CARI

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AN ACT
AMENDING SECTIONS 284 AND 285 OF REPUBLIC ACT 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 284 of Republic Act No. 7160, otherwise known as the Local Government Code of 1991, shall be amended to read, as follows:

Section 284. Allotment of Internal Revenue Taxes. – **UPON THE APPROVAL OF THIS CODE, AS AMENDED, [L]** local government units shall have a **FORTY FIVE PERCENT (45%)** share in the national internal revenue taxes based on the collection of the third fiscal year preceding the current fiscal year. [as follows:

- (a) On the first year of the effectivity of this Code, thirty percent (30%);
- (b) On the second year, thirty-five percent (35%); and
- (c) On the third year and thereafter, forty percent (40%).]

PROVIDED, THAT FIVE PERCENT (5%) OF THE ABOVEMENTIONED FORTY FIVE PERCENT (45%) SHALL BE DEDICATED SOLELY TO THE CONSTRUCTION AND IMPROVEMENT OF LOCAL ROADS OF MUNICIPALITIES FOR A PERIOD OF TEN (10) YEARS FROM THE EFFECTIVITY OF THIS ACT: PROVIDED, FURTHER, THAT THE ADDITIONAL SHARE, AS STATED ABOVE, SHALL BE PROPORTIONATELY DISTRIBUTED TO MUNICIPALITIES BASED ON THE LAND AREA OCCUPIED BY EACH MUNICIPALITY: PROVIDED, FURTHER, THAT, AT THE END OF THE TEN (10) YEAR PERIOD ABOVE-MENTIONED, THE SHARE OF LOCAL GOVERNMENT UNITS SHALL BE FORTY PERCENT (40%): Provided, **FURTHER** That in the event that the national government incurs an unmanageable public sector deficit, the President of the Philippines is hereby authorized, upon the recommendation of Secretary of Finance, Secretary of Interior and Local Government and Secretary of Budget and Management, and subject to [consultation with the presiding officers of] **THE CONCURRENCE BY** both Houses of Congress [and the presidents of the "liga"], to make the necessary adjustments in the internal revenue allotment of local government units but in no case shall the allotment be less than thirty percent (30%) of the collection of national internal revenue taxes of the third fiscal year preceding the current fiscal year: Provided, further, That in the first year of the effectivity of this Code, the local government units shall, in addition to the thirty percent (30%)

internal revenue allotment which shall include the cost of devolved functions for essential public services, be entitled to receive the amount equivalent to the cost of devolved personal services.

SECTION 2. Section 285 of Republic Act No. 7160, otherwise known as the Local Government Code of 1991, shall be amended to read, as follows:

Section 285. Allocation to Local Government Units. – **EXCEPT AS OTHERWISE PROVIDED IN THE LAST PRECEDING SECTION, [T]** the share of local government units in the internal revenue allotment shall be collected in the following manner:

- (a) Provinces - Twenty-three percent (23%);
- (b) Cities - Twenty-three percent (23%);
- (c) Municipalities - Thirty-four percent (34%); and
- (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%);
- (b) Land Area - Twenty-five percent (25%); and
- (c) Equal sharing - Twenty-five percent (25%)

Provided, further, That the share of each barangay with a population of not less than one hundred (100) inhabitants shall not be less than Eighty thousand (P80,000.00) per annum chargeable against the twenty percent (20%) share of the barangay from the internal revenue allotment, and the balance to be allocated on the basis of the following formula:

- (a) On the first year of the effectivity of this Code:
 - (1) Population - Forty percent (40%); and
 - (2) Equal sharing - Sixty percent (60%)

- (b) On the second year:
 - (1) Population - Fifty percent (50%); and
 - (2) Equal sharing - Fifty percent (50%)

- (c) On the third year and thereafter:
 - (1) Population - Sixty percent (60%); and
 - (2) Equal sharing - Forty percent (40%).

Provided, finally, that the financial requirements of barangays created by local government units after the effectivity of this Code shall be the responsibility of the local government unit concerned.

SECTION 3. *Implementing Rules and Regulations* - The Secretary of Finance, in consultation with the Secretary of Budget and Management, shall promulgate the necessary rules and regulations for a simplified disbursement scheme designed for the speedy and effective enforcement of the provisions of this Act. Moreover, to be entitled to the additional allocation referred to under this Act, the subject municipality, through its concerned officials, must submit with the Department of Public Works and Highways (DPWH) and the Department of Interior and Local Government (DILG) a Ten-Year Development Plan for the construction and improvement of its local roads.

SECTION 4. *Automatic Release of Shares* – The shares contemplated under this Act shall be released, without need of further action, to the municipal treasurer, on a quarterly basis within five (5) days at the end of each quarter, and shall not be subject to any lien or holdback that may be imposed by the National Government for whatever purpose. Moreover, nothing in this Act shall be understood to diminish the shares of local government units under existing laws.

SECTION 5. All laws, decrees, executive orders, proclamations, rules and regulations, or parts thereof inconsistent herewith are hereby repealed or modified accordingly.

SECTION 6. *Separation Clause* - If any provision of this Act is held invalid or unconstitutional, the other provisions not affected hereby shall remain valid and subsisting.

SECTION 7. *Effectivity* - This Act shall take effect fifteen (15) days after its publication in at least two (2) national newspapers of general circulation.

Approved,