

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



SIXTEENTH (16TH) CONGRESS
First Regular Session

House Bill No. **1602**

Introduced by Representative LINO S. CAYETANO

EXPLANATORY NOTE

The time-honored principle of local autonomy has long been crafted into our fundamental law. Dating back to the turn of the century, the principle was first pronounced in President William McKinley's Instructions to the Second Philippine Commission when he ordered the new Government "to devote their attention in the first instance to the establishment of municipal governments in which the natives of the Islands, both in the cities and in the rural communities, shall be afforded the opportunity to manage their own affairs to the fullest extent of which they are capable, and subject to the least degree of supervision and control in which a careful study of their capacities and observation of the workings of native control show to be consistent with the maintenance of law, order and loyalty." (*Province of Batangas vs. Romulo*, G.R. No. 152774, May 27, 2004)

This decentralization of national administration was reflected, albeit impliedly, in the 1935 Constitution, as well as explicitly contained in the 1973 Constitution, with the latter going as far as guaranteeing and promoting the autonomy of local government units, *especially the barangay*, "to ensure their fullest development as self-reliant communities." In the present Constitution, the principle was further broadened by the grant of increased powers to local governments in the name of more meaningful local autonomy. (*Province of Batangas, supra; italics supplied*)

The enhancement and broadening of this principle, however, has not weakened the basic relationship between the national legislature and the local government units. On the contrary, the national and local government maintain a relationship of partnership and interdependence in the pursuit of national goals. This symbiotic relation is embodied in one important aspect by both state policy on local fiscal autonomy and its implementing legislation, Republic Act No. 7160, otherwise known as "The Local Government Code of 1991," as amended. Both the Constitution and the Local Government Code speak of the entitlement of local governments to their "just share" in the national taxes, an "equitable share" in the proceeds of the utilization and development of the national wealth within their respective areas, and a broadened power to

create one's own sources of revenue as essential components of an enhanced local autonomy. (Sections 5-7, Article X of the 1987 Philippine Constitution; Section 3 (d) of the Local Government Code)

The constitutional mandate and legislative policy are therefore clear and harmonious: local government units shall have a just share in the national taxes, with the shares being appropriated by Congress in the form of an Internal Revenue Allotment (IRA) in the annual general appropriations law as specifically apportioned under the Local Government Code. Local autonomy by and large being a matter of administrative and fiscal independence, the IRA thus constitutes an indispensable component of the over-all equation. Along with the broadened revenue-generating powers and an equitable share in the national wealth, a local government unit's share in the IRA perfects the capacity and viability of a local political entity to become a fully-developed self-reliant unit and an effective partner in the attainment of national goals.

Despite this, Section 285 of the Local Government Code, in the last paragraph thereof, states 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" (emphasis and underscoring supplied). Thus, it appears that what the Constitution grants to all local government units without distinction, legislative fiat withholds with unfounded qualification: barangays created by local government units by virtue of their delegated power from Congress, as opposed to those created through legislative enactment, do not enjoy an entitlement to a fixed IRA share. Said distinction rests on no ground other than the creator of the political unit. As to requisites for creation, powers, functions, duties, and responsibilities, and governing rules and regulations, both classes are the same. It is in their rights and entitlements that the crucial difference lies. Barangays covered by the last paragraph of Section 285 begin their governmental and proprietary existence at a significant disadvantage, although the same standards of diligence, efficiency and effectiveness in local governance unquestionably apply to them. This disadvantage, as of present legislative policy, only ends should Congress decide to step in to ratify their initial creation. Finding neither imprimatur nor root in the constitutional mandate on local autonomy, such unfair fiscal predicament cannot and should not be countenanced by Congress as the "principal" of all local government units.

At the end of the day, one defers to the essence of local autonomy as contemplated by the framers of the Constitution. It was intended "to break up the monopoly of the national government over the affairs of local governments and x x x to 'liberate the local governments from the imperialism of Manila.'" It was never meant to end the partnership and interdependence between the central administration and local government units" or "to usher in a regime of federalism." (*Province of Batangas, supra*)

In view of these considerations, the immediate approval of this bill is highly and earnestly sought.


LINO S. CAYETANO
Representative
Second District, City of Taguig

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House Bill No. 1602

Introduced by Representative LINO S. CAYETANO

**AN ACT ENTITLING BARANGAYS CREATED BY LOCAL GOVERNMENT UNITS
TO A JUST SHARE IN THE NATIONAL INTERNAL REVENUE TAXES, AMENDING,
FOR THAT PURPOSE, SECTION 285 OF REPUBLIC ACT No. 7160, AS AMENDED,
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 285 of Republic Act No. 7160, otherwise known as “The Local Government Code of 1991,” as amended, is hereby further amended to read as follows:

“SECTION. 285. Allocation to Local Government Units. – The share of local government units in 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 – 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 pesos (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] **entitled to an internal revenue allotment share in accordance with the formula prescribed above.**

Section 2. The Department of Finance (DOF), in coordination with the Department of Budget and Management (DBM), Department of Interior and Local Government (DILG) and the leagues of local government units shall issue the necessary rules and regulations within sixty (60) days after the effectivity of this Act.

Section 3. This Act shall take effect fifteen (15) days after its publication in at least two newspapers of general circulation.

Approved,