

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 6267



Introduced by REP. REX GATCHALIAN

AN ACT
AUTHORIZING PROVINCES, CITIES, AND MUNICIPALITIES TO MAKE LOANS
USING THE SPECIAL EDUCATION FUND AS COLLATERAL, AMENDING FOR
THIS PURPOSE SECTION 272 OF REPUBLIC ACT NO. 7160, OTHERWISE
KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991

EXPLANATORY NOTE

In the World Bank's *Ambisyon Natin 2040* survey, every Filipino expressed that education is important to achieve one's goals and ambitions in life. However, learning poverty in the Philippines has soared to new heights with nine out of ten Filipinos unable to read and understand short, age-appropriate texts by the age of 10.

To address this crisis, local government units must more power and autonomy to improve education and be more involved in the development of their students. LGUs are closer to the needs of their constituents and are more capable to handle the different aspects of education in their jurisdiction.

Towards this end, LGUs have the Special Education Fund (SEF) which represents an additional one percent (1%) real estate tax set aside for educational purposes under Section 272 of the Local Government Code. Local governments must be empowered and encouraged to tap this resource, particularly by being enabled to borrow against their SEF in order to construct the classrooms that are lacking in their locality.

This is one more instance where decentralization of power will not only greatly benefit the local communities but also relieve the national government of a financial burden.

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



HON. REX GATCHALIAN
Representative
1st District, Valenzuela City

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

1 SECTION 1. Section 272 of Republic Act No. 7160, otherwise known as the
2 Local Government Code of 1991 is hereby amended to read as follows:

3
4 “SEC. 272. *Application of Proceeds of the Additional One Percent SEF*
5 *Tax.* – The proceeds from the additional one percent (1%) tax on real
6 property accruing to the SEF shall be automatically released to the
7 local school boards: *Provided, That,* in case of provinces the proceeds
8 shall be divided equally between the provincial and municipal school
9 boards: *Provided, however,* That the proceeds shall be allocated for the
10 operation and maintenance of public schools, construction and repair
11 of school buildings, facilities, and equipment, educational research,
12 purchase of books and periodicals, and sports development as
13 determined and approved by the local school board.

14
15 **A PROVINCE, CITY, OR MUNICIPALITY MAY USE THE SEF AS**
16 **LOAN COLLATERAL: PROVIDED, THAT THE PURPOSE OF THE**
17 **LOAN SHALL BE THE SAME AS THOSE STATED ABOVE AS**
18 **ALLOWABLE USES FOR THE SEF: PROVIDED, FURTHER, THAT**
19 **THE PROJECT TO BE FINANCED AND THE USE OF THE SEF AS**
20 **COLLATERAL MUST BE APPROVED BY THE LOCAL SCHOOL**

1 **BOARD: PROVIDED, FURTHERMORE, THAT THE LOAN MUST BE**
2 **INCLUDED IN THE LOCAL GOVERNMENT UNIT'S BUDGET AND**
3 **THERE MUST BE PROPER APPROPRIATIONS FOR THE PURPOSE:**
4 **PROVIDED, FINALLY, THAT THE LOCAL SCHOOL BOARD MUST**
5 **AUTHORIZE THE TRANSFER OF THE SEF TO THE GENERAL**
6 **FUND, TO THE EXTENT NEEDED TO AMORTIZE LOANS DULY**
7 **INCURRED BY THE LOCAL GOVERNMENT UNIT."**

8
9 SEC. 2. *Repealing Clause.* – All laws, acts, presidential decrees, executive
10 orders, administrative orders, rules and regulations, or parts thereof inconsistent
11 with or contrary to the provisions of this Act are hereby modified, amended, or
12 repealed accordingly.

13
14 SEC. 3. *Effectivity.* – This Act shall take effect immediately upon its
15 publication in the Official Gazette or in a newspaper of general circulation.

16
17 Approved,