

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 2847



Introduced by Lone District of Agusan del Norte Representative
HON. DALE B. CORVERA

AN ACT
AMENDING SECTION 285 OF REPUBLIC ACT NO. 7160, OTHERWISE
KNOWN AS THE “LOCAL GOVERNMENT CODE OF 1991”, AS AMENDED,
TO INCLUDE AREA OF MUNICIPAL WATERS AS AN ADDITIONAL
FACTOR IN DETERMINING THE SHARE OF EACH LOCAL
GOVERNMENT UNIT IN THE NATIONAL TAX ALLOTMENT

EXPLANATORY NOTE

Republic Act (RA) No. 7160, otherwise known as the Local Government Code of 1991 (LGC), is the enabling law for Article X of the 1987 Constitution. Through the LGC, a more responsive and accountable local government structure was instituted through a system of decentralization whereby local government units (LGUs) were given more powers, authority, responsibilities, and resources. The process of decentralization proceeded from the national government to the LGUs

Section 6, Article X of the Constitution provides that the local government units shall have a just share, as determined by law, in the national taxes which shall be automatically released to them. In the LGC, the constitutional provision pertaining to the just share of the LGUs in the national taxes is implemented by Chapter I, Title III, Sections 284-288.

The ruling of the Supreme Court in *Mandanas et al. vs. Executive Secretary et al.* (G.R. Nos. 199802 and 208488) clarified that the share of the LGUs should not be limited to national *internal revenue* taxes alone. Rather, it should include all national taxes, except those that have been collected for a specific purpose.

The Mandanas Ruling solved the issue on the just share of the LGUs as a whole in the national taxes, by correcting the phrasing in Section 284 of the LGC. However, this representation believes that a deeper issue in Section 285 of the LGC must be addressed.

Under Section 285, after the determination of the share of LGUs per class (province, city, municipality or barangay) has been made, the share of a particular province, city or municipality shall be determined on the basis of three factors: i) Population, ii) Land Area, and iii) Equal sharing. But it appears that these factors forgot to consider one critical information -

information - the fact that the Philippines is an archipelagic country. In fact, more than 50% of all municipalities and cities in the country are considered coastal.

The current formula for determining the share of each province, city or municipality is unfair to the LGUs that have vast municipal waters. Conversely, it greatly favors LGUs that are landlock. Coastal LGUs are compelled to provide services, programs and facilities for the protection, promotion and maintenance of the municipal waters pursuant to existing laws despite the fact that in the current distribution of the national taxes, the area of municipal waters is not included or even considered.

One such law is RA No. 8550, otherwise known as the Philippine Fisheries Code of 1998, as amended. This law defined "municipal waters" and made municipal/city government responsible for the management, conservation, development, protection, utilization, and disposition of all fish and fishery/aquatic resources within their respective municipal waters. Yet, no corresponding adjustments were made in the aforementioned factors under the LGC to cover the expenses brought about by the increase in responsibilities associated with the implementation of RA No. 8550.

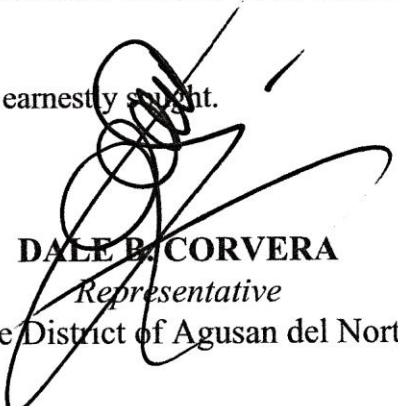
Moreover, coastal cities and municipalities are the most exposed to huge damages and displacements brought about by strong cyclones, storm surges and tsunamis. In fact, the Philippines has consistently ranked first (1st) in the World Risk Index as the most affected country from extreme weather events for three consecutive years (2022 to 2024). The World Risk Index is a tool used to assess and estimate the disaster risk of a country, using both external and internal hazard factors, including cyclones, floods, droughts, sea level rise and societal conditions.

Coastal LGUs, especially those located at the eastern part of the country, unfortunately have to deal with typhoons at the time when they are strongest and raging. Coastal LGUs are obliged to spend on projects and programs to prevent loss of life and property due to these events.

The hard truth is promotion, protection and preservation of coastal areas entail costs. Unfortunately, these costs are not considered by the present distribution of shares to the LGUs under Sec. 285 of the LGC.

This proposed measure aims to provide LGUs with their TRULY JUST SHARE from the national taxes.

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


DALE B. CORVERA
Representative
Lone District of Agusan del Norte

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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, is hereby 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 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 AND AREA OF MUNICIPAL WATERS – (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.

For purposes of this Section, Municipal Waters shall include not only streams, lakes, inland bodies of water and tidal waters within the municipality/city which are not included within the protected areas as defined under Republic Act No. 7586 (The NIPAS Law), public forest, timber lands, forest reserves or fishery reserves, but also marine waters included between two (2) lines drawn perpendicular to the general coastline from points where the boundary lines of the municipality/city touch the sea at low tide and a third line parallel with the general coastline including offshore islands and fifteen (15) kilometers from such coastline. Where two (2) municipalities/cities are so situated on opposite shores that there is less than thirty (30) kilometers of marine waters between them, the third line shall be equally distant from opposite shore of the respective municipalities/cities.”

SEC. 2. *Comprehensive Survey of Municipal Waters.* – The National Mapping and Resource Information Authority (NAMRIA) shall conduct a comprehensive survey of all municipal waters of the country, which result shall be submitted to the DBM within one (1) year from the effectivity of this Act.

SEC. 3. *Implementing Rules and Regulations.* – Within thirty (30) days from the effectivity of this Act, the Department of Budget and Management, in consultation with the Department of Environment and Natural Resources and other relevant government agencies, shall formulate the rules and regulations for the effective implementation of this Act.

SEC. 4. *Separability Clause.* – If, for any reason, any section, clause or term of this Act is held to be illegal, invalid, or unconstitutional, such parts not affected by such declaration shall remain in full force and effect.

SEC. 5. *Repealing Clause.* – All laws, presidential decrees, issuances, executive orders, letters of instruction, rules, and regulations inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 6. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,