

THIRTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

'04 JUN 30 P2:54

RECEIVED BY:

SENATE
S. No. 230

Introduced by Senator S. R. Osmeña III

EXPLANATORY NOTE

With devolution of powers and resources from the central to the local government units (LGUs) as the primary guiding principle, the Local Government Code (LGC) of 1991 was enacted. The creation of a more responsive and accountable local government structure, as mandated by the Constitution, was thus fulfilled.

Under the LGC, the LGUs share in the national internal revenue increased to forty percent. This is a big jump from the measly eleven percent it previously enjoyed.

However, the experiences of local executives dictate that the allotment is not sufficient to meet the financial needs of their constituencies. This is manifested by the widespread practice of requests for funds from Congressmen, Senators or from Malacañang, for basic projects such as the construction or repair of roads and school buildings.


The devolution of power and authority to local government units have, likewise, exacted quite a heavy toll especially on cities, which have to shoulder the cost of devolution. The result is that Internal Revenue Allotments (IRA), are reduced and urgent economic and social development projects and basic services deliveries foregone. The total revenue loss to cities all over the country is estimated at around P900 million.

This bill proposes to increase the internal revenue allotments of LGUs from the current forty, to sixty percent, at an increase of five percent per annum, beginning on fiscal year 1999. It seeks to further empower local executives, who are in a better position to determine the exigencies of their constituencies.

It also provides for a more equitable sharing of the cost of devolution among provinces, cities, municipalities and barangays. In order to compensate existing cities for the cost of the creation of new cities, they are allowed to recover no less than P889 million every year which they stand to lose under the new allocation formula.

Finally, it also provides for the automatic retention of their shares instead of turning it over to the national government, only to be remitted back to them. This cuts the bureaucratic maze that project financing has to hurdle. Moreover, it precludes any president from delaying the release of a local government's share out of sheer partisanship.

In view of the above, the immediate approval of this bill is earnestly requested.


SERGIO R. OSMEÑA III
Senator

THIRTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

'04 JUN 30 P2:54

SENATE

RECEIVED BY: 

S. No. 230

Introduced by Senator S. R. Osmeña III

AN ACT
INCREASING THE INTERNAL REVENUE ALLOTMENTS (IRA) OF LOCAL GOVERNMENT UNITS, (LGU) IN PROVIDING FOR ITS EQUITABLE DISTRIBUTION, AUTHORIZING ITS AUTOMATIC RETENTION, AMENDING FOR THE PURPOSE SECTION 284, 285 AND 286 OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991 AND FOR OTHER PURPOSES

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

1 **SECTION 1.** - Any provision of law to the contrary notwithstanding,
2 Sections 284, 285 and 286 of Republic Act No. 7160, otherwise known as The
3 Local Government Code of 1991 is hereby amended to read as follows:

4 "Sec. 284. **Allotment of Internal Revenue Taxes.** - Local government
5 units shall have a share in the national internal revenue taxes based on the
6 collection of the third fiscal year preceding the current fiscal year as follows:

7 (a) On the first year of the effectivity of this Code, thirty percent (30%);

8 (b) On the second year, thirty-five percent (35%); [and]

9 (c) On the third year **UNTIL THE SEVENTH YEAR [and thereafter]**, forty
10 percent (40%);

11 (d) **ON THE EIGHTH YEAR, FORTY-FIVE PERCENT (45%);**

12 (e) **ON THE NINTH YEAR, FIFTY PERCENT (50%);**

13 (f) **ON THE TENTH YEAR, FIFTY-FIVE PERCENT (55%);**

1 (g) **ON THE ELEVENTH YEAR AND THEREAFTER (60%).**

2 Sec. 285. **Allocation to Local Government Units.** – The share of local
3 government units in the internal revenue allotment shall be allocated
4 **BEGINNING IN 1996, AFTER DEDUCTING THEREFROM THE FULL COSTS**
5 **OF DEVOLVED FUNCTIONS AS WELL AS THE CITY FUNDED HOSPITALS,**
6 in the following manner:

7 a) Provinces - twenty-three percent (23%)

8 b) Cities - twenty-three percent (23%)

9 c) Municipalities - thirty-four percent (34%)

10 d) Barangays - twenty percent (20%)

11 **PROVIDED, HOWEVER, THAT IN THE EVENT THAT NEW CITIES ARE**
12 **CREATED, THE EXISTING NUMBER OF CITIES PRIOR TO THE CREATION**
13 **SHALL BE ALLOWED TO RECOVER THE AMOUNT OF NOT LESS THAN**
14 **P889 MILLION EVERY YEAR WHICH THEY WOULD LOSE UNDER THE NEW**
15 **ALLOCATION FORMULA AS PROVIDED IN THIS SECTION.**

16 *Provided, [however] FURTHER,* That the share of each province, city and
17 municipality shall be determined on the basis of the following formula:

18 a) Population - Fifty percent (50%);

19 b) Land Area - Twenty five percent (25%);

20 c) Equal Sharing - Twenty five percent (25%)

21 *Provided, further,* That the share of each barangay with a population of not
22 less than one hundred (1000 inhabitants shall not be less than Eighty Thousand
23 Pesos (P80,000.00) *per annum* chargeable against the twenty percent (20%)
24 share of the barangay from the internal revenue allotment, and the balance to be
25 allocated on the basis of the following formula:

26 a) On the first year of the effectivity of this Code:

27 1) Population - Forty percent (40%); and

1 2) Equal Sharing - Sixty percent (60%)

2 b) On the second year:

3 1) Population - Fifty percent (50%); and

4 2) Equal Sharing - Forty percent (40%).

5 *Provided, finally,* That the financial requirements of barangays created by
6 local government units after the effectivity of this Code shall be the responsibility
7 of the local government unit concerned.

8 Sec. 286. ***Automatic [Release] RETENTION of Shares*** – (a) The share
9 of each local government unit shall be [released] **AUTOMATICALLY**
10 **RETAINED**, without need of nay further action, [directly to] **BY** the provincial,
11 city, municipal or barangay treasurer, as the case may be, on a quarterly basis
12 within five (5) days after the end of each quarter, and which shall not be subject
13 to any lien or holdback that may be imposed by the national government for
14 whatever purpose.

15 b) Nothing in this Chapter shall be understood to diminish the share of
16 local government units under existing laws”.

17 **SEC. 2.** All laws, executive orders, resolutions, ordinances, and rules
18 and regulations inconsistent with the provisions of this Act are hereby deemed
19 repealed, amended or modified accordingly.

20 **SEC. 3.** This Act shall take effect fifteen (15) days from the date of the
21 completion of its publication in the Official Gazette or in at least two (2)
22 newspapers of general circulation.

23 Approved,