

THIRTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
FIRST REGULAR SESSION)

2015 FEB 16

SENATE

S.B. NO. 863

Introduced by Senator **JINGGOY EJERCITO ESTRADA**

EXPLANATORY NOTE

The Local Government Code of 1991 was enacted to empower local government units by providing them responsibilities in the delivery of basic services to respective localities. To equip them with this gargantuan task, their share from the taxes remitted to the National Government was increased to 40%.

However, owing to our country's inexperience in the devolution of services, a number of problems, especially in the health sector, were encountered. These were compounded by the fact that there is a mismatch between the Internal Revenue Allocation per local government unit and the cost of health services' devolution.

In an attempt to respond to these problems, Congress passed House Bill No. 3331 and Senate Bill No. 1173 in order to suspend devolution of health services in selected municipalities and provinces. This was however vetoed by then President Fidel V. Ramos. In the President's veto message, he endorsed the bills filed by Representative Dominador Venegas and Senator Vicente Sotto III in the Ninth Congress which called for the re-allocation of the Internal Revenue Allotment. In the Tenth Congress, Representative Romeo Salalima filed House Bill No. 1704 containing the proposals of the Venegas-Sotto Bills. This proposed bills is based on Senate Bill No. 1704.

This bill proposes the deduction of the cost of devolved functions, including the cost of city-hospitals, less capital outlays, from the Internal Revenue Allotment before it is divided among the local government units. The bill likewise seeks the direct release of the amount corresponding to the amount of devolved functions to the local government units concerned.

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


JINGGOY EJERCITO ESTRADA
Senator

SENATE
OFFICE OF THE CLERK

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863

S.B. NO. _____

Introduced by Senator **JINGGOY EJERCITO ESTRADA**

AN ACT

AMENDING SECTION 285 OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991, PROVIDING FOR THE RE-ALLOCATION OF THE INTERNAL REVENUE ALLOTMENT OF LOCAL GOVERNMENT UNITS

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 THE LOCAL GOVERNMENT UNITS IN THE INTERNAL REVENUE ALLOTMENT SHALL BE ALLOCATED STARTING IN 2004, AFTER DEDUCTING THEREFROM THE COST OF DEVOLVED FUNCTIONS AND PERSONNEL, AND THE COST OF CITY-FUNDED HOSPITALS, EXCLUDING CAPITAL OUTLAYS. THE AMOUNT TO BE DEDUCTED SHALL BE THE ACTUAL COST IN 1992 OF THE DEVOLVED FUNCTIONS AND THE COST OF CITY-FUNDED HOSPITALS, EXCLUDING CAPITAL OUTLAYS, INCREASED AT THE RATE OF TEN PERCENT (10%) PER ANNUM FROM THE EFFECTIVITY OF THIS CODE. THE TOTAL COST SO DEDUCTED SHALL BE DISTRIBUTED AND DIRECTLY REMITTED TO THE LOCAL GOVERNMENT UNITS CONCERNED AND THE NET OR BALANCE OF 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%);
- d) Barangays - Twenty percent (20%);

Provided, however, that the shares of each provinces, city and municipality shall be determined on the basis of the following formula;

- a) Population - [Fifty percent (50%)]
FIFTY FIVE PERCENT (55%)
- b) Land Area - [Twenty-five percent (25%)]
TWENTY PERCENT (20%)
- c) Equal Sharing - Twenty-five percent (25%)

Provided, further, that the share of each barangay with a population not less than 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 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
 - 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 units concerned.”

SEC.2 This Act shall take effect upon approval.

Approved,