

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

'04 JUN 30 P10:32

SENATE

S.B. No. 868

RECEIVED BY: *[Signature]*

Introduced by Senator **JINGGOY EJERCITO ESTRADA**

EXPLANATORY NOTE

There is a compelling need to review and rationalize the internal revenue allotments of the local government units. The current system of allocation has already become inequitable particularly to the cities. Thus is so because since the effectivity of the Local Government Code (R.A. 7160) ten years ago, many municipalities have been converted to cities.

The internal revenue allotment (IRA) of cities has been fixed at 23%. In 1992, there were only about 60 cities. However, the number has remarkable increased such that the IRA for cities has considerably been reduced to the prejudice especially of old cities prior to the passage of the Local Government Code.

This situation has consequently unduly and inequitably constrained the urban centers or cities in delivering basic services and in implementing much needed infrastructure projects. The cities thus are in dire need of more financial resources to counterbalance the effects of ever increasing urbanization and migration from the countryside, such as the need to provide for more social services and economic opportunities.

In view of the above, immediate consideration of this measure is requested.


JINGGOY EJERCITO ESTRADA
Senator

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AN ACT

RATIONALIZING THE INTERNAL REVENUE ALLOTMENTS OF LOCAL GOVERNMENT UNITS AMENDING FOR THIS PURPOSE REPUBLIC ACT NUMBERED 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991

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

SECTION 1. Section 285, Chapter 1, Title III 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] FIVE percent ([23] 25%);
- (c) Municipalities - Thirty-[four] TWO percent ([34] 32%); and
- (d) Barangays - Twenty percent (20%)

PROVIDED THAT, ANY SUBSEQUENT CONVERSION OF LOCAL GOVERNMENT UNITS IN ACCORDANCE WITH SECTION 7 OF THIS CODE SHALL NOT AFFECT ITS FORMER CLASSIFICATION PROVIDED ABOVE FOR PURPOSES OF COMPUTING ITS INTERNAL REVENUE ALLOTMENT SHARE;

Provided [, however] **FURTHER**, 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 (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."

SEC. 2. All laws, executive orders, rules and regulations, or any part thereof inconsistent herewith are repealed or modified accordingly.

SEC. 3. ~ This Act shall take effect immediately upon its complete publication in at least two (2) newspapers of general circulation.

Approved,