


13TH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

'04 JUL -6 A11:50

RECEIVED BY: 

SENATE

S. BILL NO. 1388

Introduced by Senator Ralph G. Recto

Explanatory Note

Section 284 of Republic Act No. 7660, otherwise known as the Local Government Code provides for the adjustment of the Internal Revenue Allotment (IRA) in the event the national government incurs an unmanageable public sector deficit.

Historically, the national government has consistently incurred deficits of unmanageable proportions. With this provision, the IRA of LGUs may be slashed by considerable amounts. This could lead to cuts in the local government units' public spending and ultimately result to hampered delivery of much-needed public service.

In order to ensure continuous funding for programs of local government units, this bill proposes to repeal this provision. Thus, the President is prevented, for any reason, to adjust, reduce or put a lien on the IRA.

This measure further protects local government units from funding restrictions or holdback in the event that the national government incurs an unmanageable public sector deficit. It also protects local government units from holdbacks or liens made by the Executive Department. More importantly, it assures local government units of local autonomy and fiscal viability as mandated in the Constitution and the Local Government Code.

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



RALPH G. RECTO

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AN ACT

AMENDING THE STATUTORY PROVISION AUTHORIZING THE
PRESIDENT OF THE PHILIPPINES TO MAKE THE NECESSARY
ADJUSTMENTS IN THE INTERNAL REVENUE ALLOTMENT OF LOCAL
GOVERNMENT UNITS IN THE EVENT THAT THE NATIONAL
GOVERNMENT INCURS AN UNMANAGEABLE PUBLIC SECTOR DEFICIT,
AMENDING FOR THE PURPOSE SECTION 284 OF REPUBLIC ACT NO. 7160

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

1 SECTION 1. Section 284 of Republic Act No. 7160, otherwise known as the "Local
2 Government Code of 1991" is hereby amended to read as follows:

3

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

7

(a) x x x

8

(b) x x x

9

(c) x x x

10

11 [Provided, That in the event that the national government incurs an
12 unmanageable public sector deficit, the President of the Philippines is hereby
13 authorized, upon the recommendation of the Secretary of Finance, Secretary of the
14 Interior and Local Government and Secretary of Budget and Management, and
15 subject to consultation with the presiding officers of both Houses of Congress and
16 the president of the Liga, to make the necessary adjustment in the internal revenue
17 allotment of local government units but in no case shall the allotment be less than
18 thirty percent (30%) of the collection of national internal revenue taxes of the third

1 fiscal year preceding the current fiscal year:] *Provided, [further,]* That in the first year of
2 the effectivity of this Code, the local government units shall, in addition to the thirty
3 percent (30%) internal revenue allotment which shall include the cost of devolved
4 functions for essential public services, be entitled to receive the amount equivalent to
5 the cost of devolved personal services.”
6

7 Sec. 2. All laws, rules and regulations, decrees, issuances, or any parts thereof
8 inconsistent with this Act are hereby repealed or modified accordingly.
9

10 Sec. 3. This Act shall take effect fifteen (15) days after its publication in the *Official*
11 *Gazette* or in at least two (2) national newspapers of general circulation, whichever comes
12 earlier.

Approved,