

11 JUL 26 P2:29

SENATE

S. B. No. 2915

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INTRODUCED BY HONORABLE RALPH G. RECTO

EXPLANATORY NOTE

The Philippine Amusement and Gaming Corporation (PAGCOR) currently shares the spotlight with other Government Owned and Controlled Corporations (GOCCs) in a spate of controversies involving the alleged misuse of their funds, thereby shortchanging the National Government and their mandated beneficiaries.

Based on recent findings of the current management, former PAGCOR officials are indicted for transgressions in the proper use of the income generated by the corporation in the past few years. These anomalous transactions include the use of generated revenues to finance partisan activities in the previous elections, and failure to allocate and remit the mandatory contributions to beneficiaries, among others. More importantly, the overall financial statements of PAGCOR remains concealed to the public eye, as government audit is limited to the 5% franchise tax and the 50% net government share of winnings.

At present, PAGCOR contributes to a number of government agencies performing various services, and to development programs on sports, early childhood care, micro, small and medium enterprises, and the arts, as mandated by existing laws. Aside from the national government share of the income, cities hosting the casinos also benefit from the income generated by PAGCOR. Finally, the net income of the corporation goes to the Social Fund of the President of the Philippines.

The public finds itself unapprised of the financial status of PAGCOR. With the limited coverage of the audit, as mandated by the existing charter, there is no transparency in the utilization of the funds PAGCOR generates. Moreover, the funds of PAGCOR is considered an off-budget item and not included among those evaluated during public hearings on the General Appropriations Bill, hence it is devoid of any Congressional scrutiny.

This bill intends to amend the charter of PAGCOR. Under the bill, the 50% share of the government in the aggregate gross earnings of the government corporation shall be allocated to fund the Basic Education Program of the Department of Education (DepEd). This allocation shall provide the much needed funds to meet the current and future demands of the public elementary and secondary schools, in terms of classrooms, equipment, educational materials, and the like.

With this measure, the funds generated by PAGCOR shall be infused to the budget of the DepEd, in order for the latter to provide quality education in public elementary and secondary schools nationwide. The students will no longer suffer from overcrowded classrooms, or from classes held under the trees. Public school students can

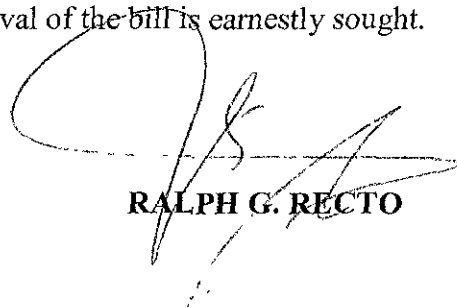
benefit from quality education at more conducive learning environments, equipped with the proper tools for learning, and mentored by capable teachers.

The provision of funds for DepEd will further enhance the Basic Education Program, thereby benefiting more than 22 million students in the public schools nationwide.

In order to promote transparency, the amount to be allocated shall be included in the General Appropriations Act (GAA) to fund the Basic Education Program under the DepEd. Furthermore, the bill shall provide the Commission on Audit the authority to audit all funds and transactions of the Corporation, subject to existing laws and regulations.

With PAGCOR funds used to finance the Basic Education Program, the government will no longer be pressured to raise new taxes nor cut budget allocations of other agencies in order to meet the requirements of the public school system. This will also result in a higher quality of education that will mean a brighter future for Filipino children.

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

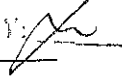


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Introduced by Senator Ralph G. Recto

AN ACT
TO ALLOCATE THE FIFTY PERCENT (50%) SHARE OF THE GOVERNMENT IN
THE AGGREGATE GROSS INCOME OF THE PHILIPPINE AMUSEMENT AND
GAMING CORPORATION (PAGCOR) FOR THE BASIC EDUCATION PROGRAM OF
THE DEPARTMENT OF EDUCATION (DEPED) AND FOR OTHER PURPOSES,
THEREBY AMENDING PRESIDENTIAL DECREE NO. 1869, AS AMENDED BY
REPUBLIC ACT NO. 9487

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

1 **SECTION 1.** Section 1 of Presidential Decree No. 1869, as amended by Republic Act No.
2 9487 is hereby further amended to read as follows:

3 "Section 1. Declaration of Policy. — It is hereby declared to be the policy of the
4 State to centralize and integrate all games of chance not heretofore authorized by existing
5 franchises or permitted by law in order to attain the following objectives:

6 (a) To centralize and integrate the right and authority to operate and conduct games of
7 chance into one corporate entity to be controlled, administered and supervised by the
8 Government;

9 (b) To establish and operate clubs and casinos, for amusement and recreation, including
10 sports gaming pools (basketball, football, lotteries, etc.) and such other forms of
11 amusement and recreation including games of chance, which may be allowed by law
12 within the territorial jurisdiction of the Philippines and which will [:(1)] generate sources
13 of additional revenue to fund **THE BASIC EDUCATION PROGRAM OF THE**
14 **DEPARTMENT OF EDUCATION (DEPED)**; [infrastructure and socio-civic projects,
15 such as flood control programs, beautification, sewerage and sewage projects, Tulungan
16 ng Bayan Centers, Nutritional Programs, Population Control and such other essential
17 public services;]

18 (c) [(2)] **TO** create recreation and integrated facilities which will expand and improve the
19 country's existing tourist attractions; **AND**

1 (D) [(3)] TO [minimize, if not totally] eradicate [,] the evils, malpractices and corruptions
2 that are normally prevalent in the conduct and operation of gambling clubs and casinos
3 without direct government involvement.“

4 SECTION 2. Section 7 of Presidential Decree No. 1869, as amended by Republic Act No.
5 9487 is hereby further amended to read as follows:

6 "Section 7. Powers, Functions and Duties of the Board of Directors. — The Board
7 shall have the following powers, functions and duties;

8 a) To allocate and distribute[, with the approval of the Office of the President of the
9 Philippines,] the earnings of the Corporation **AS PROVIDED FOR BY LAW** [earmarked to
10 finance infrastructure and socio-civic projects];

11 b) To designate the commercial bank that shall act as the depository bank of the Corporation
12 and/or trustee of the funds of the Corporation;

13 c) To prepare and approve at the beginning of each calendar year the budget that may be
14 necessary under any franchise granted to it, to insure the smooth operation of the Corporation;
15 and to evaluate and approve budgets submitted to it by other corporations or entities with which
16 it might have any existing contractual arrangement; **AND**

17 [d) To submit to the Office of the President of the Philippines before the end of February of
18 each year a list of all the infrastructure and/or socio-civic projects that might have been
19 financed from the Corporation's earnings, and to submit such periodic or other reports as may
20 be required of it from time to time; and]

21 (D) [(e)] To perform such other powers, functions and duties as may be directed and authorized
22 by the President of the Philippines or as may be necessary or proper for the accomplishment of
23 its purposes and objectives.”

24 SECTION 3. Section 12 of Presidential Decree No. 1869, as amended by Republic Act No.
25 9487 is hereby further amended to read as follows:

26 "Section 12. Special Condition of Franchise. — After deducting five (5%)
27 percent as Franchise Tax, the Fifty (50%) percent share of the Government in the
28 aggregate gross earnings of the Corporation from this Franchise shall be immediately set
29 aside and allocated to fund the **BASIC EDUCATION PROGRAM OF THE (DEPED).**
30 **PROVIDED, THAT THE EQUIVALENT AMOUNT HEREIN APPROPRIATED**
31 **SHALL BE INCLUDED IN THE GENERAL APPROPRIATIONS ACT.** [following
32 infrastructure and socio-civil projects within the Metropolitan Manila Area:

33 (a) Flood Control

34 (b) Sewerage and Sewage

35 (c) Nutritional Control

1 (d) Population Control

2 (e) Tulungan ng Bayan Centers

3 (f) Beautification

4 (g) Kilusang Kabuhayan at Kaunlaran (KKK) projects; provided, that should the aggregate
5 gross earning be less than P150,000,000.00, the amount to be allocated to fund the above-
6 mentioned project shall be equivalent to sixty (60%) percent of the aggregate gross
7 earning.

8 In addition to the priority infrastructure and socio-civic projects with the Metropolitan
9 Manila specifically enumerated above, the share of the Government in the aggregate gross
10 earnings derived by the Corporate from this Franchise may also be appropriated and
11 allocated to fund and finance infrastructure and/or socio-civic projects throughout the
12 Philippines as may be directed and authorized by the Office of the President of the
13 Philippines.]"

14 **SEC. 4.** Section 15 of Presidential Decree No. 1869, as amended by Republic Act No. 9487 is
15 hereby further amended to read as follows:

16 "Section 15. Auditor. — The Commission of Audit [or any government agency
17 that the Office of the President may designate] shall appoint a representative who shall
18 be the Auditor of the Corporation and such personnel as may be necessary to assist said
19 representative in the performance of his duties. The salaries of the Auditor or
20 representative and his staff shall be fixed by the Chairman of the Commission on Audit
21 [or designated government agency], with the advice of the Board, and said salaries and
22 other expenses shall be paid by the Corporation. **FUNDS AND TRANSACTIONS,
23 INCLUDING REVENUES, INCOME AND EXPENDITURES OF THE
24 CORPORATION, SHALL BE AUDITED PURSUANT TO EXISTING LAWS
25 AND REGULATIONS.** [The funds of the Corporation to be covered by the audit shall
26 be limited to the 5% franchise tax and the 50% of the gross earnings pertaining to the
27 Government as its share.]"

28 **SEC. 5. Separability Clause.** — If any provision of this Act is subsequently declared
29 unconstitutional, the validity of the remaining provisions hereof shall remain in full force and effect.

30 **SEC. 6. Repealing Clause.** — All laws, decrees, executive orders, rules and regulations and
31 other issuances or parts thereof which are inconsistent with this Act are hereby repealed or modified
32 accordingly.

33 **SEC. 7. Implementing Rules and Regulations.** — Within sixty (60) days upon effectivity of
34 this Act, the PAGCOR, the Department of Education and the Department of Budget and

1 Management (DBM) shall provide the necessary rules and regulations for the proper disposition of
2 the said funds and the effective implementation of this Act.

3 **SEC. 8. Effectivity.** – This Act shall take effect fifteen (15) days after its publication in any
4 two (2) newspapers of general circulation.

Approved,