

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



'13 SEP 10 A11:00

SENATE

Senate Bill No. 1591

RECEIVED BY: *ja*

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INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

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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 80%.

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.

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

SIXTEENTH CONGRESS OF THE REPUBLIC )  
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Senate  
Office of the Secretary

'13 SEP 10 AM 11:00

SENATE

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AN ACT

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

*Be it enacted by the Senate and the House of Representatives of 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 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%);
- d) Barangays - Twenty percent (20%);
- c) Municipalities - Thirty-four percent (34%);

*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. Effectivity** - This Act shall take effect upon approval.

*Approved,*