

NINETEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*Third Regular Session* )



24 JUN 13 A11:31

**SENATE**

S.B. No. 2709

RECEIVED BY: 

Introduced by **SENATOR IMEE R. MARCOS**

**AN ACT PROMOTING LOCAL GOVERNMENT FISCAL AUTONOMY**

**EXPLANATORY NOTE**

Article X Section 2 of the 1987 Constitution states that "The territorial and political subdivisions shall enjoy local autonomy."

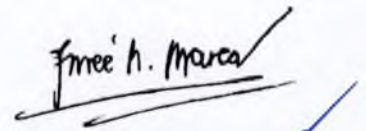
The fiscal autonomy of local government units has been hampered by restrictions on which it can use internally generated funds. The current guidelines on the use of the Special Education Fund, the Local Development Fund, and the Calamity Fund is too rigid and takes away from the ability of local government units to respond to unique challenges and situation in their respective areas.

Through the years, Congress has mandated the creation of various positions to the local government units. The on-going devolution of services such as health and agriculture has also created a pressure to absorb personnel. However, local government units are still bound by the 45% Personnel Services cap under Section 325a of RA 7160 or the Local Government Code. In addition, the budget of local government units is also under the supervision of the Department of Budget and Management.

Given the current thrust of bringing government closer to the people, it is imperative that we remove the restrictions in the ability of local government units to act in response to their local conditions. As such, the proposed bill expands the possible usage of the Special Education Fund to include payment of teaching and non-teaching staff and other expenditures related to the promotion of accessible public education. The proposed bill also removes the restrictions on the usage of the Local Development Fund and the Calamity Fund to allow local government units to adopt a more nuanced strategy in allocating their resources. Lastly, the proposed bill removes the Personnel

Services Cap in the Local Government Code to allow local government units to fill all the necessary and mandated positions and to better implement their development projects in their respective localities.

For the abovementioned reasons, the immediate passage of this bill is earnestly sought.

  
**IMEE R. MARCOS**

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Introduced by **SENATOR IMEE R. MARCOS**

**AN ACT PROMOTING LOCAL GOVERNMENT FISCAL AUTONOMY**

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

**SECTION 1.** *Short Title.* This act shall be known as the "LGU Fiscal Autonomy Act".

**SEC. 2.** Section 272 of R.A. No. 7160 otherwise known as the "Local Government Code of 1991" as amended, is hereby further amended to read as follows:

**"Section 272. Application of Proceeds of the Additional One Percent SEF Tax.** - The proceeds from the additional one percent (1%) tax on real property accruing to the Special Education Fund (SEF) shall be automatically released to the local school boards: Provided, That, in case of provinces, the proceeds shall be divided equally between the provincial and municipal school boards: Provided, however, That the proceeds shall be allocated for the operation and maintenance of public schools, construction and repair of school buildings **AND LIBRARIES**, facilities and equipment, **PAYMENT OF SALARIES, ALLOWANCES AND OTHER BENEFITS OF TEACHING AND NON-TEACHING PERSONNEL, COMPETENCY TRAININGS FOR TEACHING PERSONNEL. OPERATION OF ALTERNATIVE LEARNING SYSTEM (ALS) INCLUDING PAYMENT OF SALARIES, ALLOWANCES AND OTHER BENEFITS OF ALS FACILITATORS**, educational research, purchase of books and periodicals, **TEACHING AIDS, OTHER INSTRUCTIONAL MATERIALS**, sports development, **AND ALL OTHER**



1           **EXPENDITURES RELATIVE TO THE PROMOTION OF**  
2           **ACCESSIBLE PUBLIC EDUCATION AS** determined and  
3           approved by the Local School Board."

4  
5           **SEC. 3.** Section 287 of R.A. No. 7160 otherwise known as the "*Local Government*  
6           *Code of 1991*" as amended, is hereby further amended to read as follows:  
7

8           **"Section 287. Local Development Projects.** - Each local  
9           government unit shall appropriate in its annual budget no less  
10          than twenty percent (20%) of its annual [internal revenue]  
11          **NATIONAL TAX** allotment for development projects **AS**  
12          **DETERMINED AND APPROVED BY THE CONCERNED**  
13          **SANGGUNIAN.** Copies of the development plans of local  
14          government units shall be furnished the Department of **THE**  
15          Interior and Local Government."

16  
17          **SEC. 4.** Section 324 (d) of R.A. No. 7160 otherwise known as the "*Local*  
18          *Government Code of 1991*" as amended, is hereby further amended to read as follows:  
19

20          **"Section 324.**

21          Xxx

22          **D. NOT LESS THAN FIVE PERCENT (5%) OF THE**  
23          **ESTIMATED REVENUE FROM REGULAR SOURCES SHALL**  
24          **BE SET ASIDE FOR THE LOCAL DISASTER RISK**  
25          **REDUCTION AND MANAGEMENT FUND (LDRRMF) TO**  
26          **SUPPORT DISASTER RISK MANAGEMENT ACTIVITIES**  
27          **AS DETERMINED AND APPROVED BY THE CONCERNED**  
28          **SANGGUNIAN. UNEXPENDED LDRRMF SHALL ACCRUE**  
29          **TO A SPECIAL TRUST FUND SOLELY FOR THE PURPOSE**  
30          **OF SUPPORTING DISASTER RISK REDUCTION AND**  
31          **MANAGEMENT ACTIVITIES OF THE LDRRMCS WITHIN**  
32          **THE NEXT FIVE (5) YEARS. ANY SUCH AMOUNT STILL**  
33          **NOT FULLY UTILIZED AFTER FIVE (5) YEARS SHALL**  
34          **REVERT BACK TO THE GENERAL FUND OF THE**  
35          **CONCERNED LGU AND SHALL BE MADE AVAILABLE FOR**  
36          **OTHER SOCIAL SERVICES AS APPROVED BY THE**  
37          **CONCERNED SANGGUNIAN."**

1           **SEC. 5.** Section 325 (a) of R.A. No. 7160 otherwise known as the "*Local*  
2   *Government Code of 1991*" as amended, is hereby deleted:

3           ~~"(a) [The total appropriations, whether annual or~~  
4           ~~supplemental, for personal services of a local~~  
5           ~~government unit for one (1) fiscal year shall not exceed~~  
6           ~~forty-five percent (45%) in the case of first to third~~  
7           ~~class provinces, cities and municipalities, and fifty-five~~  
8           ~~percent (55%) in the case of fourth class or lower, of~~  
9           ~~the total annual income from regular sources realized in~~  
10           ~~the next preceding fiscal year. The appropriations for~~  
11           ~~salaries, wages, representation and transportation~~  
12           ~~allowances of officials and employees of the public~~  
13           ~~utilities and economic enterprises owned, operated,~~  
14           ~~and maintained by the local government unit concerned~~  
15           ~~shall not be included in the annual budget or in the~~  
16           ~~computation of the maximum amount for personal~~  
17           ~~services. The appropriations for the personal services of~~  
18           ~~such economic enterprises shall be charged to their~~  
19           ~~respective budgets;]"~~

20           **SEC. 6.** Section 326 of R.A. No. 7160 otherwise known as the "*Local Government*  
21   *Code of 1991*" as amended, is hereby deleted:

22           ~~[Section 326. Review of Appropriation Ordinances of~~  
23           ~~Provinces, Highly Urbanized Cities, Independent~~  
24           ~~Component Cities, and Municipalities within the~~  
25           ~~Metropolitan Manila Area. The Department of Budget~~  
26           ~~and Management shall review ordinances authorizing~~  
27           ~~the annual or supplemental appropriations of~~  
28           ~~provinces, highly urbanized cities, independent~~  
29           ~~component cities, and municipalities within the~~  
30           ~~Metropolitan Manila Area in accordance with the~~  
31           ~~immediately succeeding Section.]~~

32           **SEC. 7.** All sections of R.A. No. 7160 shall be renumbered accordingly.

33  
34           **SEC. 8. Separability Clause.** – If for any reason any part or provision of this Act  
35   shall be deemed unconstitutional or invalid, the other sections or provisions hereof shall  
36   not be affected and shall remain in force and effect.  
37

1       **SEC. 9. *Repealing Clause.*** – All laws, decrees, executive issuances, rules and  
2 regulations inconsistent with this Act are hereby repealed or modified accordingly.

3  
4       **SEC. 10. *Effectivity.*** – This Act shall take effect fifteen (15) days after its  
5 publication in the Official Gazette or in a newspaper of general circulation.

*Approved,*