

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Seventeenth Congress
First Regular Session

House Bill No. 5900



Introduced by Representative Ramon V.A. "Rav" Rocamora

AN ACT

AMENDING REPUBLIC ACT NO. 7160 FOR THE PURPOSE OF GRADUALLY
INCREASING THE INTERNAL REVENUE ALLOTMENT (IRA) OF LOCAL
GOVERNMENT UNITS AND FACTORING IN MUNICIPAL WATERS IN THE IRA
DETERMINATION

EXPLANATORY NOTE

Access to financial resources, is no doubt, a huge determinant of a community's development. While others may be quick to point out that a particular local government unit (LGU) should actually be more creative in generating its own resources and be less dependent on the much-coveted Internal Revenue Allotment (IRA), the sad facts are:

One, to be able to generate more resources like increased local tax collection, more businesses should locate in a particular municipality. However, an enterprise would only locate in an area if they already have well-developed roads, stable electricity and water supply and adequate social services. In short, these are things that would only be available if resources were there to fund these. Seldom do private enterprises venture into putting up water and electricity firms as investments in these areas have scale economies and are capital intensive. As such, public funds really play a crucial role in providing for these public goods and services.

Two, much of the services and responsibilities have been devolved to local governments but resources remain, by and large, with the national government. Contrast this with the startling fact that underspending has been stark amongst national government agencies while local governments remain cash-

starved and unable to move out of their dependency on the Internal Revenue Allotment.

There are quite a number of LGUs though that are no longer dependent on the Internal Revenue Allotment. In fact, some of them even donate to other cities and municipalities when disaster strikes, helping vulnerable and affected areas through assistance both in cash and in kind.

Three, the distribution of the IRA, has inherent distortions:

For one, it favors areas with bigger population which by and large further feeds into migration from poor rural areas to rich urban centers. Rather than address rural underdevelopment which is the main source of internal migration, it further aggravates the rural-urban development gap. For another, it again favors areas with bigger land areas but totally turns a blind eye on the fact that ours is an archipelagic country, with fisherfolks as among the poorest of the poor. LGUs with small land areas but with more municipal waters to preserve and protect are left with little resources to work with.

This bill hopes to address the aforesaid concerns by doing the following:

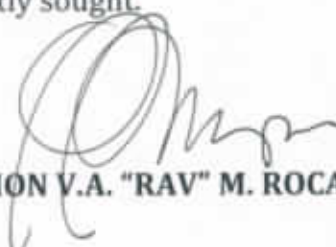
One: Gradually increase the share of local governments from the current 40 percent to 60 percent over a period of three years; starting at 50% on the first year, 55 percent on the second year and 60 percent on the third year; and

Two: Change the formula of IRA sharing based on:

General Population	-	50 percent
Land and Municipal Water Area	-	25 percent
Equal Sharing	-	25 percent

Finally, I feel that what makes the idea of federalism attractive especially to local government officials is because of access to resources. I think this is the first best step towards that direction: amend the local government code to give LGUs the wherewithal truly proportionate to the demands of devolution and development.

Early passage of this bill is therefore earnestly sought.



RAMON V.A. "RAV" M. ROCAMORA

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

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

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

- a. On the first year of the effectivity of this [Code] ACT, [30 percent (30%)] FIFTY
PERCENT (50%);
- b. On the second year, [thirty-five percent (35%)] FIFTY-FIVE PERCENT (55%);
and
- c. On the third year and thereafter, [forty percent (40%)] SIXTY PERCENT (60%).

*Provided, That in the event that the national government incurs an unmanageable
public sector deficit, the President of the Philippines is hereby authorized, upon
the recommendation of Secretary of Finance, Secretary of Interior and Local
Government and Secretary of Budget and Management, and subject to consultation
with the presiding officers of both Houses of Congress and the presidents of the
liga, to make the necessary adjustments in the internal revenue allotment of local
government units but in no case shall the allotment be less than [thirty percent*

(30%)] FORTY PERCENT (40%) of the collection of national internal revenue taxes of the third fiscal year preceding the current fiscal year: Provided, further That in the first year of the effectivity of this [CODE] ACT, the local government units shall, in addition to the [thirty percent (30%)] FIFTY PERCENT (50%) internal revenue allotment which shall include the cost of devolved functions for essential public services, be entitled to receive the amount equivalent to the cost of devolved personal services."

Section 2. Section 285 of Republic Act No. 7160, otherwise known as the "Local Government Code of 1991, " is hereby amended as follows:

"Section 285. Allocations to Local Government Units. – The share of local government units in the internal revenue allotment shall be allocated in the following manner:

- a. Provinces – Twenty-three percent (23%);
- b. Cities – Twenty-three percent (23%);
- c. Municipalities – Thirty-four percent (34%); and
- d. Barangays – Twenty percent (20%)

Provided, however that the share of each province, city and municipality shall be determined on the basis of the following:

- a. Population – Fifty percent (50%);
- b. Land Area AND MUNICIPAL WATER AREA – (25%); and
- c. Equal Sharing – Twenty-five percent – (25%)

SECTION 3. Definition.

Municipal Waters as defined under Section 4, Number 58 of Republic Act No. 8550 otherwise known as the Philippine Fisheries Code of 1998 and later amended by Republic Act 10654, include not only streams, lakes, inland bodies of water and tidal waters within the municipality which are not included within the protected areas as defined under Republic Act No. 7586 (The NIPAS Law), public forest, timber lands, forest reserves or fishery reserves, but also marine waters included between two (2) lines drawn perpendicular to the general coastline from points where the boundary lines of the municipality touch the sea at low tide and a third line parallel with the general coastline including offshore islands and fifteen (15) kilometers from such coastline. Where two (2) municipalities are so situated on opposite shores that there is less than thirty

(30) kilometers of marine waters between them, the third line shall be equally distant from opposite shore of the respective municipalities.

SECTION 4. Repealing Clause - All laws, decrees, executive orders, ordinances, rules and regulations, or parts thereof, not consistent with the provisions of this are hereby repealed or modified accordingly

SECTION 5. Effectivity - This Act shall take effect fifteen (15) days following the completion of its publication in the Official Gazette or in two (2) national newspapers of general circulation.

Approved,