EXPLANATORY NOTE

Under the Local Government Code of 1991, local government units, on top of their internal revenue allotment, are entitled to 40 percent (40%) of the National Treasury’s annual gross earnings “from mining taxes, royalties from mineral reservations, forestry charges, and fees and revenues collected from energy resources” to fund local development and livelihood projects.

In the case of local governments that get their shares from the harvest of energy assets – hydrothermal, geothermal and other sources of energy – they must use at least 80 percent of the money solely to reduce the cost of electricity in the communities that supplied the resources.

This provision in the LGC has, at times, defeat the purpose for which it is intended when LGUs utilize the money for non-priority projects just for the sake of compliance.

The proposed amendment removes the impediment in utilization. Thus, a local government unit where such source of energy is located and receives its revenue therefrom will still be given the directive to use it to lower the cost of electricity in the locality. However, unutilized funds may be used to fund approved local development investment program and annual investment program. This will provide LGUs with enough elbow room to spend for their priority programs.

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

REP. EDGAR M. CHATTO
AN ACT
TO ENHANCE THE USE OF NATIONAL WEALTH FOR LOCAL
DEVELOPMENT BY AMENDING CERTAIN PROVISIONS IN BOOK II OF
REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE
"LOCAL GOVERNMENT CODE OF 1991"

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

SECTION 1. — Section 294 of Republic Act No. 7160, otherwise known as the
"Local Government Code of 1991", hereinafter referred to as the Code, is hereby
amended to read as follows:

"Section 294. Development and Livelihood Projects. - The proceeds
from the share of local government units pursuant to this chapter shall
be appropriated by their respective sanggunian to finance local
government and livelihood projects IN THE APPROVED LOCAL
DEVELOPMENT INVESTMENT PROGRAM AND ANNUAL
INVESTMENT PROGRAM: Provided, however, That [at least eighty
percent (80%) of the proceeds derived from the development and
utilization of hydrothermal, geothermal, and other sources of energy
shall be applied solely to lower the cost of electricity in the local
government unit where such a source of energy is located.] THE
PROCEEDS, OR A PORTION THEREOF DERIVED FROM
THE DEVELOPMENT AND UTILIZATION OF
HYDROTHERMAL, GEOTHERMAL, AND OTHER SOURCES
OF ENERGY MAY BE APPLIED, AT THE OPTION OF THE
LOCAL GOVERNMENT UNIT, TO LOWER THE COST OF
ELECTRICITY IN THE LOCAL GOVERNMENT UNIT WHERE
SUCH SOURCE OF ENERGY IS LOCATED."

SECTION 2. A new Section 294-A is hereby added to read as follows:

"SECTION 294-A. USE OF UNUTILIZED SHARES. – THE
CONCERNED LOCAL GOVERNMENT UNITS ARE HEREBY
AUTHORIZED TO USE THE PROCEEDS PREVIOUSLY
DERIVED FROM THE DEVELOPMENT AND UTILIZATION
OF HYDROTHERMAL, GEOTHERMAL AND OTHER
SOURCES OF ENERGY WHICH REMAIN UNUTILIZED, IN ACCORDANCE WITH THEIR APPROVED LOCAL DEVELOPMENT INVESTMENT PROGRAM AND ANNUAL INVESTMENT PROGRAM."

SECTION 3. Repealing Clause. – All laws, presidential decrees, executive orders and rules and regulations, or parts thereof, inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 4. Separability Clause. – If any portion or provision of this Act is subsequently declared invalid or unconstitutional, other provisions hereof which are not affected thereby shall remain in full force and effect.

SECTION 5. Effectivity Clause. – 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.