Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

EIGHTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 7883


EXPLANATORY NOTE

The Philippines Charity Sweepstake Office (PCSO), invoking Republic Act (R.A.) No. 1169 or its Charter, which does not mention the operation of Small Town Lottery, took upon itself to issue the pertinent Board Resolution and the Implementing Rules and Regulations (IRR) governing the holding of Small Town Lottery (STL) in different localities and under the auspices of different Authorized Agent Corporations (AACs). In the issuance of the IRR, local government units (LGUs) have not been consulted, much less heard of their concerns about the holding or operation of STL in their respective jurisdictions.

Meanwhile, given the twin objectives of STL: a) to help stamp out jueteng, and b) to decentralize or democratize the national lottery into a “grassroots-based lottery and charity at the local levels,” local government units (LGUs) have not been involved in its operations, much less its regulation. The non-involvement of LGUs is due to PCSO’s reluctance to involve them based on the absence of any law which allows them to operate and regulate the numbers game.

Unlike the operation of cock-fighting or sabong, the 1991 Local Government Code (LGC) does not expressly grants LGUs the power and authority to operate, regulate, or supervise the holding of STL in their respective jurisdictions.

1 https://www.pcs.gov.ph/Games/SmallTownLottery.aspx
Considering, however, the decentralized nature of the numbers game and multitude of operators or AACs, LGUs are in a better position to regulate and supervise the operation of STL. As situations in the different LGUs differ and cultural nuances of their communities are not uniform, the operation and holding of STL should not be centralized and regulated by a single agency.

Further, considering that the income derived from STL comes from the LGUs where STL operates, the LGUs must benefit from the same and must dictate how such income will be used to support their local development programs and interventions. Presently, the prizes for every lottery differ from every locality and depends on the number of bettors. Hence, PCSO, even with its AACs, will not be able to better monitor transparency and accountability.

It is, therefore, highly desirable and beneficial that a law must be enacted, amending the LGC, to allow and authorize LGUs to operate, supervise, and regulate STL. By giving LGUs such power, the twin objectives of STL will be met, their capacity to raise local funds will be enhanced, and decentralization as a State policy is upheld.

In view of the foregoing, the passage of this measure is earnestly sought.

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1st District, Isabela

REP. ANAN P. L. DY
3rd District, Isabela

REP. FAUSTINO MICHAEL CARLOS T. DY III
5th District, Isabela

REP. ALLAN U. TY
LPG Marketers Association, Inc. Party List

REP. ED CHRISTOPHER S. GO
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6th District, Isabela
Republic of the Philippines

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AN ACT AUTHORIZING LOCAL GOVERNMENTS TO GRANT FRANCHISES AND TO OPERATE SMALL TOWN LOTTERIES TO GENERATE LOCAL REVENUES FOR PUBLIC HEALTH EMERGENCIES AND CALAMITIES, AND TO AUGMENT LOCAL FUNDS FOR THE IMPLEMENTATION OF THE UNIVERSAL HEALTH CARE ACT, EDUCATION, ENVIRONMENT AND SOCIAL WELFARE PROGRAMS, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE 1991 LOCAL GOVERNMENT CODE, AND FOR OTHER PURPOSES

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

SECTION 1. Title of the Act. - This Act shall be known as the Local Government Small Town Lotteries Act.

SECTION 2. Rationale. The purpose of this Act is to generate funds for concerned LGUs from local or small town lotteries (STL) and other similar activities that are province-wide or city-wide in scope, and to make such funds readily available for public health emergencies and national and local calamities, as well as augment the LGUs’ other locally-generated revenues for its devolved services, particularly for local programs on health, education, environment and social welfare services, and for the implementation of priority programs of the Office of the President, such as the operation of Malasakit centers.
SECTION 3. BOOK III, TITLE III, CHAPTER III, ARTICLE II OF R.A. NO. 7160, OTHERWISE KNOWN AS THE 1991 LOCAL GOVERNMENT CODE, IS HEREBY AMENDED to add a new item in Section 458 (a) (3) (VIII) to read as follows:

Section 458. Powers, Duties, Functions and Compensation.

(a) The sangguniang panlungsod, as the legislative body of the city, shall enact ordinances, approve resolutions and appropriate funds for the general welfare of the city and its inhabitants pursuant to Section 16 of this Code and in the proper exercise of the corporate powers of the city as provided for under Section 22 of this Code, and shall:

X x x

"(3) Subject to the provisions of Book II of this Code, enact ordinances granting franchises and authorizing the issuance of permits or licenses, upon such conditions and for such purposes intended to promote the general welfare of the inhabitants of the city and pursuant to this legislative authority shall:

(i) xxx;
(ii) xxx;
(iii) xxx;
(iv) xxx;
(v) xxx;
(vi) xxx;
(vii) xxx;
(VIII) UPON APPROVAL BY A MAJORITY VOTE OF ALL THE MEMBERS OF THE LOCAL SANGGUNIANG PANLUNGSOD OF HIGHLY-URBANIZED AND INDEPENDENT CITIES, AND AS APPROVED BY THE CITY MAYOR, GRANT A FRANCHISE TO ANY PARTNERSHIP, CORPORATION, OR COOPERATIVE TO OPERATE SMALL TOWN LOTTERY (STL) OR OTHER SIMILAR ACTIVITIES WITHIN ITS JURISDICTION TO GENERATE LOCAL REVENUES TO AUGMENT ITS LOCAL FUNDS FOR PUBLIC HEALTH EMERGENCIES AND CALAMITIES, AND FOR THE DEVOLVED SERVICES FOR HEALTH, EDUCATION, ENVIRONMENT AND SOCIAL WELFARE AND DEVELOPMENT PROGRAMS OF THE CITY AND ITS COMPONENT BARANGAYS; PROVIDED THAT PRIORITY WILL BE GIVEN TO THE IMPLEMENTATION OF THE UNIVERSAL HEALTH CARE PROGRAM, THE PRESIDENT'S PRIORITY PROGRAMS, UPGRADING OF ITS HOSPITALS; AND PROVIDED FURTHER THAT SUCH FUNDS SHALL NOT BE USED FOR PERSONAL SERVICES AND TRAINING PROGRAMS."
SECTION 4. BOOK III, TITLE IV, CHAPTER III, ARTICLE III OF R.A. NO. 7160, OTHERWISE KNOWN AS THE 1991 LOCAL GOVERNMENT CODE, IS HEREBY AMENDED to add a new item in Section 468 (a) (4) (III) to read as follows:

Section 468. Powers, Duties, Functions and Compensation.
(a) The sangguniang panlalawigan, as the legislative body of the province, shall enact ordinances, approve resolutions and appropriate funds for the general welfare of the province and its inhabitants pursuant to Section 16 of this Code in the proper exercise of the corporate powers of the province as provided for under Section 22 of this Code, and shall:

X x x

"(4) Subject to the provisions of Book II of this Code, grant franchises, approve the issuance of permits or licenses, or enact ordinances levying taxes, fees and charges upon such conditions and for such purposes intended to promote the general welfare of the inhabitants of the province, and pursuant to this legislative authority, shall:
(i) xxx;
(ii) xxx;

(III) UPON APPROVAL BY A MAJORITY VOTE OF ALL THE MEMBERS OF THE LOCAL SANGGUNIANG PANLALAWIGAN, AND AS APPROVED BY THE PROVINCIAL GOVERNOR, GRANT A FRANCHISE TO ANY PARTNERSHIP, CORPORATION, OR COOPERATIVE TO OPERATE SMALL TOWN LOTTERY (STL) OR OTHER SIMILAR ACTIVITIES WITHIN ITS JURISDICTION TO GENERATE LOCAL REVENUES TO AUGMENT ITS LOCAL FUNDS FOR PUBLIC HEALTH EMERGENCIES AND CALAMITIES, AND TO FINANCE THE DEVOLVED SERVICES FOR HEALTH, EDUCATION, ENVIRONMENT AND SOCIAL WELFARE AND DEVELOPMENT PROGRAMS OF THE PROVINCE, ITS COMPONENT CITIES, MUNICIPALITIES AND BARANGAYS; PROVIDED THAT PRIORITY WILL BE GIVEN TO THE IMPLEMENTATION OF THE UNIVERSAL HEALTH CARE PROGRAM, THE IMPLEMENTATION OF THE PRESIDENT’S PRIORITY PROGRAMS, UPGRADE OF ITS DISTRICT AND PROVINCIAL HOSPITALS; AND PROVIDED FURTHER THAT SUCH FUNDS SHALL NOT BE USED FOR PERSONAL SERVICES AND TRAINING PROGRAMS.

SECTION 5. Disposition of Gross Receipts and Mandatory Contributions. - From the gross receipts from the sale of tickets for small town lottery (STL) or other similar activities, shall be deducted the printing cost of such tickets, which in no case shall exceed two percent (2%) of
such gross receipts, including the cost of the documentary stamp taxes (DST) to arrive at the net receipts. The STL or other similar local lottery tickets shall be printed by the Province, HUC or the Independent City, as the case may be, and shall be considered as local government securities to which they shall be made accountable, for the purpose of penalizing forgery or alteration.

The net receipts, or 98% of the gross receipts shall be allocated as follows:

A. Fifty-five percent (55%) shall be set aside as a prize fund for the payment of prizes, including those for the LGU or agency commission of its local franchise operators and sellers of winning tickets, and the relevant withholding and BIR taxes. Prizes not claimed by the public within one year from date of draw within the HUC/independent city or province, as the case may be, shall be considered forfeited and shall form part of the charity fund for disposition as stated below. All prizes below P10,000.00 shall be exempt from all taxes.

B. Thirty-five percent (35%) shall be set aside as the local charity fund with the following as mandatory contributions:

1. For Provinces:

   a. Province’s share: - 7%
   b. Component cities and municipalities’ share: - 5%
   c. Barangays’ share: - 3%
   d. Congressional District’s share - 3%
      (The share will be divided equally among congressional districts within the LGU where the STL is operating)
   e. Provincial Philippine National Police - 2%
   f. LGUs’ Priority programs - 15%

      **Total LGUs’ STL Charity Fund:** 35%

2. For Highly-Urbanized Cities or Independent Cities:

   a. HUC/ICs’ share: - 10%
   b. Component Barangays’ share: - 5%
   c. Congressional District’s share: - 3%
      (The share will be divided equally among congressional districts within the LGU where the STL is operating)
   d. City/Mun. Philippine National Police’s share: - 2%
   e. LGUs’ Priority programs - 15%

      **Total LGUs’ STL Charity Fund:** 35%

The 15% share to be set aside for the LGUs’ Priority Programs shall be allocated for the following mandatory contributions:
1. Public Health Emergency/ Calamity Fund 5%
2. Universal Health Care (UHC) 4%
3. President’s Priority Programs 4%

Provided, that the President shall identify the priority programs to be funded through an Executive Order

4. Other LGUs’ priority programs to be approved by the local sanggunian, as recommended by the local chief executive or barangay captain, as the case may be. 2%

C. The remaining ten percent (10%) shall be used as operating funds.

The disbursement of shares from the STL shall be subject to the usual auditing rules and regulations.

SECTION 6. Implementing Rules and Regulations. The Department of the Interior and Local Government, together with the League of Provinces of the Philippines (LPP) and the League of Cities of the Philippines, shall draft the General Implementing Rules and Regulations (IRR) of this Act within sixty (60) days from the approval of this Act.

SECTION 7. Special Local Ordinance. - The sangguniang panlalawigan or sanggunian panlungsod, as the case may be, shall pass an ordinance promulgating the rules and regulations for the holding of the province or city-wide STL in their respective jurisdictions. Such ordinance shall—
(a) fix the number and price of the tickets for the same and the number of tickets;
(b) fix the number and amount of the prizes;
(c) fix the date when the sale of tickets shall close; and
(d) designate the dates and place or places within its jurisdiction where such STL shall be held;
(e) set the amount of franchise fees and other permits (such as business permits);
(f) provide measures for supervision and control over STL franchise operators to ensure they comply with law, ordinances, and other regulations.
(g) penalize any person, partnership, cooperative or corporation who—
   (g.1) illegally sell unauthorized tickets;
   (g.2) sell tickets at a price greater than the price stated on the ticket;
   (g.3) being officers or employees and beneficiaries of the charity fund, use such funds for purposes other than those allowed herein.

SECTION 8. Repealing Clause. – The provisions of R.A. No. 7180, otherwise known as the 1991 Local Government Code mentioned in Sections 3 and 4 herein are hereby amended. All other laws, executive orders, rules, and regulations or any part thereof inconsistent herewith are deemed repealed or modified accordingly.
SECTION 9. Separability Clause. – If any part or provision of this Act shall be declared unconstitutional and invalid, such declaration shall not invalidate other parts thereof, which shall remain in full force and effect.

SECTION 10. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved.