

# POLICY NOTE

On 18 November 2016, the League of Cities organized a dialogue with national government agencies. The focus of the discussion with the Department of Budget and Management, Department of Education, and the Department of the Interior and Local Government are issues on the utilization of the 20% development fund, the special education fund (SEF), and the senior high school voucher program. The Department of Finance provided updates on the valuation reform bill and income classification bill filed in Congress while DOH addressed queries on drug rehabilitation program.

## **A. 20% development fund**

*Can the repair and construction of barangay halls be charged to the 20% development fund?*

Director Leila Magna Rivera of DBM quoted Item 4.0 of the DILG-DBM Joint Memorandum Circular No. 2011-1 which states that if barangay halls will be used to carry out administrative functions, the repair and maintenance cannot be charged to the development fund but, if it will be used for authorized programs and projects, Item 3.0 of the same JMC states that its repair and maintenance can be charged to the 20% development fund.

According to Undersecretary Austere Panadero of the DILG, it is difficult to use the 20% development fund to finance the repair of legislative buildings and barangay halls because the guidelines are clear. However, barangay halls nowadays are set up as libraries or relocation centers during disaster. Thus, it serves various purposes. To be able to tap the 20% development fund for the construction of barangay halls, Usec. Panadero suggested that cities build multi-purpose buildings instead of barangay halls.

## **B. Special Education Fund**

*Are there steps being undertaken to update the Joint Memorandum Circular on the utilization of the SEF to include other expenses and activities such as but not limited to electricity and utilities, senior high school requirements and teachers allowances?*

According to Director Rivera, all the expenses requested by LCP in its 7 November 2016 letter to Secretary Diokno to be chargeable to the SEF are included in the latest draft of the updated SEF guidelines except for the holding of teachers' events such as National Teachers Day and Annual General Assemblies of Teachers.

Director Rivera shared that in the latest draft of the updated guidelines, the allocation for itemized expenditures shall be net of the budgetary provision for DepEd and Early Childhood Care and Development (ECCD) Council on operation and maintenance of public schools and funding for the ECCD program. Based on the draft guidelines, the following items can be charged against the SEF:

1. **Operation and maintenance of public schools.** This includes the compensation and allowances of teachers locally-hired in elementary and secondary schools identified to

have shortages per teacher deployment analysis of the DepEd; allowances of nationally-hired elementary and secondary teachers; salaries and wages of utility workers and security guards which have not been provided in the DepEd budget; expenses pertaining to the operation of schools, which may include utilities and communication expenses; construction, repair, and maintenance of school buildings and other facilities for public and secondary schools; acquisition of laboratory, technical and similar apparatus and information technology equipment corollary supporting services (e.g. internet connection, maintenance, etc.); education research other than the research subject areas funded in the DepEd budget; purchase of library books and periodicals for the libraries of different elementary and secondary schools in the LGU and purchase of instructional materials workbooks and textbooks needed by public and elementary and secondary schools; sports development activities and related equipment and facilities which are supportive of the school's physical education programs.

2. **Funding for the ECCD Program.** Direct services related to the ECCD Program, e.g. feeding, salaries/wages of Child Development Teachers and Day Care workers; organization and support of parent cooperatives to establish community-based ECCD programs; counterpart funds for the continuing professional development of ECCD public service providers; construction of facilities for the conduct of the ECCD program; expenses pertaining to the operation of the NCDC, including but not limited to utilities and communication.

### **Senior High School Voucher Program**

***What are the updates on the Senior High School Program? What are the steps undertaken by this administration to ensure that all the requirements of senior high school students, specifically classroom, teachers, and facilities are funded?***

According to Undersecretary Victoria M. Catibog, the legal basis for the voucher program is found on Section 10 of the Government Assistance for Students and Teachers in Private Education (GASTPE) and its Implementing Rules and Regulations. GASTPE is an education service contracting (ESC), wherein the government subsidizes the tuition fee of public school students who want to pursue secondary schooling in private schools. With the passage of RA 10533, the beneficiaries of GASTPE were extended to private junior high school completers. In terms of eligibility, public grade 10 completers are automatically enrolled in the voucher program while private grade 10 completers need to apply. Apart from the difference in the application process, grade 10 completers from public schools enjoy 100% of the voucher value while private grade 10 completers only enjoy 80% of the voucher value.

Voucher values vary depending on location, type of cities, and where the grade 10 completer will enroll. Grade 10 public school completers in NCR enrolling in a private college are given P45,000 per year subsidy. On the other hand, Grade 10 completer from private school in NCR enrolling in a private college is given P36,000 pesos as subsidy. Grade 10 completers in NCR whether from private or public schools enrolling in a state college or university or local college and university are given P22,500 as yearly subsidy.

*N.B. Insert slide #17 of DepEd's presentation as visual*

Usec. Catibog also explained that the voucher program has three conditions. It must be redeemed within the first semester of the school year immediately after Junior High School completion. Also, it only covers two years of schooling regardless of the number of years it takes for a recipient to complete SHS. She also said that qualified voucher recipients undergo the normal admission procedures of the non-DepED SHS and submit required documents.

Currently, majority or 51% of SHS enrollees go to public schools or DepEd schools while 46% goes to private colleges, and 3% of SHS enrollees are in SUCs and LCUs.

### **C. Income Classification of LGUs and Valuation Reform**

***What is the issue behind the failure to update the income classification of LGUs and what is the status of the valuation reform bill which seeks to recentralize the determination of schedule of market values?***

Undersecretary Gil Beltran of DOF explained that there is legal issue in the classification of LGUs based on income because Executive Order No. 249, Series of 1987 only provides the Secretary of Finance with the authority to review the income ranges at least once every four years. The Senate and the House of Representatives are vested with the power to adjust the income ranges.

Under the proposed income classification bill, the Secretary of Finance will be granted with clear authority to set income targets and undertake periodic income reclassification. DoF will conduct reclassification every three years to synchronize with the term of local elective officials. The Statement of Receipts and Expenditures will be the basis for setting the income ranges. The last reclassification happened in 2008 wherein 1<sup>st</sup> class cities were defined as those with income above 400million pesos yearly.

Usec. Beltran also discussed the salient features of the real property valuation reform bill pending in Congress. He shared that the current bill aims to develop and adopt international standards of valuation for use of government and private sector. It will adopt a single valuation base. It will depoliticize and recentralize the approval of the schedule of market values (SMVs) which is consonance with the position of LCP. Under the bill, SMVs will be updated once every 3-5 years. The passage of the bill will redound to 8.03 billion pesos incremental revenues for LGUs.

Usec. Beltran also shared that one of the biggest problem of valuation reform is the multiple overlapping functions across agencies. Currently, there are 23 national government agencies and 1,712 LGUs doing valuations. Each agency has its own system and methodologies resulting in wide disparities between the zonal values, schedule of market values, and varying values for the same piece of property.

#### **D. Drug Rehabilitation Program**

*What are the current programs of the DOH on Drug Rehabilitation Program and how can the cities avail of the same? Given the increasing number of drug dependents availing of rehabilitation program in our cities, how can we access funding for the establishment of rehabilitation centers and support personnel in our localities? May we know the position of the DOH, as Chairman of Philhealth, regarding the inclusion of 30-day drug rehabilitation in the Philhealth coverage?*

According to Undersecretary Herminigildo Valle, DOH is developing mega-treatment centers for drug dependents. The current facilities located in Bicutan and Taytay can only serviced a combined total of 2,000 drug dependents. Thus, the national government is planning to build mega-treatment centers in Nueva Ecija with 10,000 capacity and in Bohol, Capiz and Saranggani.

The role of LGUs in drug rehabilitation is focus on the community based treatment and care services for people affected with drug use and drug dependence. According to Usec. Valle, DOH can assist LGUs in providing training for their barangay health workers and volunteers. Also, the national government has allocated a basic funding of P750,000 for drug dependency programs. This amount varies depending on the size of LGUs. He said that the bigger the LGU, the bigger the funding.

With regard to LCP's query of whether or not Philhealth can cover 30-days outpatient treatment for drug dependents, Usec. Valle shared that it is currently being discussed in the Philhealth Board. What Philhealth currently covers is medical intoxication with P10,000 subsidy for drug dependents.

This Policy Note summarizes the responses of select national government agencies to various issues besetting city governments today. It seeks to improve the cities understanding on various policies issued by the national government that affect city administration and governance. This Policy Note focuses on the issues surrounding the guidelines for the utilization of the 20% development fund and guidelines for the utilization of the Special Education Fund (SEF).

For any inquiries, please coordinate with LCP Secretariat Staff at telephone no, 02.470.6843 or refer to the Highlights of the 64<sup>th</sup> General Assembly uploaded at [www.lcp.org.ph](http://www.lcp.org.ph).