

The big picture. The Philippines is a unitary state, but the 1987 Constitution and the Local Government Code of 1991 (RA 7160) give local governments real autonomy. Autonomy needs money. If LGUs are told to run health centers, local roads, and social services but have no funds, the autonomy is only on paper. “Fiscal relations” is the question of how money is divided and controlled between the national government and the LGUs (provinces, cities, municipalities, barangays).

Where LGU money comes from. There are two streams. The first is transfers from the national government. The biggest is the share in national taxes, which used to be called the Internal Revenue Allotment (IRA) and is now called the National Tax Allotment (NTA). It is released automatically, so the national government can’t hold it back as a favor or a punishment. The second is local revenue the LGU raises itself: real property tax, business taxes, fees and charges, and income from public markets and similar enterprises. LGUs may also borrow, and host LGUs get a share when national wealth like minerals is extracted in their area. As a rule, transfers are predictable but depend on the national government, while local revenues depend on how hard the LGU works to collect.

How the NTA is divided. The Code splits the pool among levels: provinces 23%, cities 23%, municipalities 34%, and barangays 20%. Within each level, the formula weighs population, land area, and equal sharing. At least 20% must go to local development projects.

Why Mandanas-Garcia matters. The Code originally based the LGU share on internal revenue taxes collected by the BIR. In 2018 the Supreme Court ruled that “national taxes” means all national taxes, including customs duties collected by the Bureau of Customs. The pool got bigger, so LGU shares rose, starting in 2022. The catch is that the national government then moved to devolve more functions to LGUs (through Executive Order 138), arguing that LGUs now had the money to handle them. That’s the central tension of your report: more money, but also more responsibility.

The issues. These are the existing weaknesses in the system. First, many LGUs, especially poorer, smaller ones, depend on the NTA for most of their budget, so they aren’t really self-reliant. Second, LGUs are very unequal: a business-heavy city can raise large revenues, while a remote rural municipality cannot, yet the formula gives each a share. Third, devolved functions and available funds may not match. Fourth, local revenue effort is weak in many places because of outdated property valuations, poor collection, and reluctance to raise taxes.

The challenges. These are what lies ahead. LGUs need the capacity to plan, budget, and manage a larger pot and more functions, which means trained staff and good systems. They need accountability so more money isn’t wasted or misused, through audit, transparency, and citizen

participation. And national agencies and LGUs need to coordinate, so that devolved services don't fall through gaps and the system helps narrow the gap between rich and poor LGUs.

The conclusion, in one sentence. The law promises fiscal autonomy and Mandanas-Garcia strengthened it, but real autonomy depends on whether LGUs have both the resources and the ability to use them well.

If your professor asks questions, these are likely: What is the difference between the IRA and the NTA? (Same idea; the NTA is based on all national taxes after Mandanas.) Why is the share automatic? (So it can't be used to pressure LGUs.) What is the main tension after Mandanas? (More money versus more devolved responsibilities.)

I'd double-check the exact section numbers and percentages against your handout, since I'm going from general knowledge. If you want, I can turn this into a one-page cheat sheet or a short practice quiz for your report.