

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

COMMITTEE REPORT NO. 719

Submitted by the Committee on Local Government on **07 MAR 2011**
Re: House Bill No. **4334**

Recommending its approval in substitution of House Bill No. 2002

Sponsors: Representatives George P. Arnaiz and Pablo John F. Garcia

Mr. Speaker:

The Committee on Local Government to which was referred House Bill No. 2002 introduced by Representative Pablo John F. Garcia entitled:

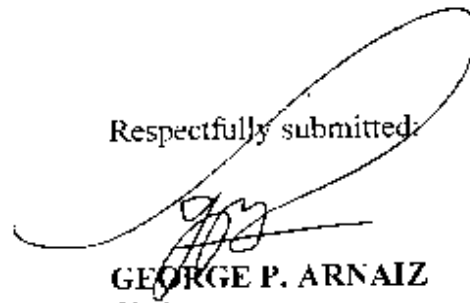
**"AN ACT
RATIONALIZING THE INCOME REQUIREMENTS FOR THE CREATION OF
A PROVINCE AND THE DECLARATION OF HIGHLY URBANIZED STATUS
IN THE CASE OF COMPONENT CITIES, AMENDING FOR THAT PURPOSE
REPUBLIC ACT NUMBERED 7160, OTHERWISE KNOWN AS THE LOCAL
GOVERNMENT CODE OF 1991"**

has considered the same and recommends that the attached House Bill No. **4334**
entitled:

**"AN ACT
RATIONALIZING THE INCOME REQUIREMENTS FOR THE
DECLARATION OF HIGHLY URBANIZED STATUS IN THE CASE OF
COMPONENT CITIES AND FOR THE CREATION OF A PROVINCE,
AMENDING FOR THE PURPOSE SECTIONS 452 AND 461 OF REPUBLIC ACT
No. 7160 OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF
1991"**

be approved in substitution of House Bill Nos. 2002 with Representative Pablo John F. Garcia as author thereof.

Respectfully submitted:

A large, stylized handwritten signature in black ink, appearing to read 'G. Arnaiz', is written over the text 'Respectfully submitted:' and the printed name 'GEORGE P. ARNAIZ'.

GEORGE P. ARNAIZ
Chairman
Committee on Local Government

**THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES**

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL No. 4334

Introduced by: REPRESENTATIVE PABLO JOHN F. GARCIA

AN ACT
RATIONALIZING THE INCOME REQUIREMENTS FOR THE
DECLARATION OF HIGHLY URBANIZED STATUS IN THE CASE OF
COMPONENT CITIES AND FOR THE CREATION OF A PROVINCE,
AMENDING FOR THE PURPOSE SECTIONS 452 AND 461 OF REPUBLIC ACT
No. 7160 OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF
1991

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

1 **SECTION 1.** Section 452 of Republic Act No. 7160, as amended otherwise
2 known as the Local Government Code of 1991 is hereby amended to read as follows:

3 **“SEC. 452. *Highly Urbanized Cities.*** (a) Cities with a minimum
4 population of two hundred thousand (200,000) inhabitants, as certified by
5 the National Statistics Office, and [with the latest] AN AVERAGE
6 LOCALLY-GENERATED annual income FOR THE LAST TWO (2)
7 CONSECUTIVE YEARS, as certified by the DEPARTMENT OF
8 FINANCE [city treasurer], of [at least] NOT LESS THAN TWO
9 HUNDRED Fifty Million Pesos (P250,000,000.00) [(P50,000,000.00)]
10 based on [1991] 2000 constant prices, [as certified by the city treasurer,]
11 shall be classified as highly urbanized cities.”

(D) THE AVERAGE ANNUAL INCOME SHALL INCLUDE THE INCOME ACCRUING TO THE GENERAL FUND, EXCLUSIVE OF THE INTERNAL REVENUE ALLOTMENT (IRA) SHARES, SPECIAL FUNDS, TRUST FUNDS, TRANSFERS, AND NON-RECURRING INCOME.”

SEC. 2. Section 461 of the same Code is hereby amended to read as follows:

“SEC. 461. *Requisites for Creation.* – (a) A province may be created if it has an average LOCALLY-GENERATED annual income FOR THE LAST TWO (2) CONSECUTIVE YEARS, as certified by the Department of Finance, of not than less [Twenty] TWO HUNDRED million pesos (P200,000,000.00) [(P20,000,000.00)] based on [1991] 2000 constant prices and either of the following requisites:

(i) a contiguous territory of at least two thousand (2,000) square kilometres, as certified by the Lands Management Bureau; or

(ii) a population of not less than two hundred fifty thousand (250,000) inhabitants as certified by the National Statistics Office:

Provided, That, the creation thereof shall not reduce the land area, population, and income of the original unit or units at the time of said creation to less than the minimum requirements prescribed herein.

(b) The territory need not be contiguous if it comprises two (2) or more islands or is separated by a chartered city or cities, which do not contribute to the income of the province.

1 (c) The average annual income shall include the income accruing
2 to the general fund, exclusive of THE INTERNAL REVENUE
3 ALLOTMENT (IRA) SHARES, special funds, trust funds, transfers, and
4 non-recurring income."

5 SEC. 3. All laws, decrees, executive orders, rules and regulations inconsistent
6 herewith are hereby amended, repealed or modified accordingly.

7 SEC. 4. This Act shall take effect fifteen (15) days after its complete publication
8 in at least two (2) newspapers of general circulation.

9 *Approved,*

FACT SHEET

House Bill No. 2002
(As Approved by the Committee on September 29,2010)

RATIONALIZING THE INCOME REQUIREMENT FOR THE CREATION OF A PROVINCE AND THE DECLARATION OF HIGHLY-URBANIZED STATUS IN THE CASE OF COMPONENT CITIES

Introduced by: Rep. Pablo John F. Garcia

Committee Referral : Committee on Local Government (Primary)
Committee Chairperson: REP. George P. Arnaiz

OBJECTIVES:

- To rectify inconsistencies in R.A. 7160 otherwise known as the Local Government Code of 1991 with respect to the income requirement for the creation or conversion of local government units;
- To effectively complement R.A. No. 9009 otherwise known as "An Act Amending Section 450 of R.A. 7160", which significantly increased the income requirement for the conversion of a municipality or cluster of barangays into a city from an average annual income of twenty million pesos (PhP20,000,000.00) to a locally generated annual income for two consecutive years of hundred million pesos (PhP100,000,000.00).

KEY PROVISION:

- Amends Section 452 and 461 of R.A. 7160, for the purpose of rationalizing the income requirements for the creation of a province and the declaration of highly urbanized status in the case of component cities.

RELATED LAWS:

- Sections 452 and 461 of the Local Government Code of 1991 or R.A. 7160;
- R.A. 9009 amending Section 450 of R.A. 7160, increasing the average annual income requirement for a municipality or cluster of barangays to be converted into a component city.

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

First Regular Session

House Bill No. 2002

Introduced by Hon. PABLO JOHN F. GARCIA

**"AN ACT RATIONALIZING THE INCOME REQUIREMENT FOR THE
CREATION OF A PROVINCE AND THE DECLARATION OF HIGHLY-
URBANIZED STATUS IN THE CASE OF COMPONENT CITIES, AMENDING
FOR THAT PURPOSE REPUBLIC ACT NUMBERED 7160, OTHERWISE
KNOWN AS THE "LOCAL GOVERNMENT CODE OF 1991"**

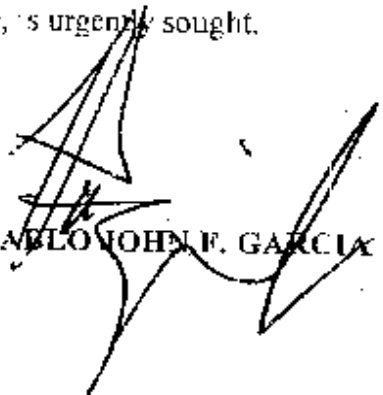
EXPLANATORY NOTE

While Republic Act No. 9009 has made more stringent the income requirement for the conversion of a municipality or cluster of barangays into a component city, the income requirements for the creation of a province and the declaration of highly urbanized status in the case of component cities, have remained the same.

We therefore have a situation where a city may not be created if the income of a municipality or a cluster of barangays falls below P100 million, while for a mere P20 million, a new province may be created. Likewise, we have a situation where, despite the P100 million threshold in the creation of a city, a highly urbanized city may be declared on the basis of a P50 million income.

There is therefore a need to further amend Republic Act No. 7160, otherwise known as the Local Government Code of 1991, in order to rationalize the income requirements for the conversion or declaration of the different species of local government units.

The early passage of this bill, therefore, is urgently sought.



PABLO JOHN F. GARCIA

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

First Regular Session

2002

House Bill No. _____

Introduced by Hon. PABLO JOHN F. GARCIA

**"AN ACT RATIONALIZING THE INCOME REQUIREMENT FOR THE
CREATION OF A PROVINCE AND THE DECLARATION OF HIGHLY-
URBANIZED STATUS IN THE CASE OF COMPONENT CITIES, AMENDING
FOR THAT PURPOSE REPUBLIC ACT NUMBERED 7160, OTHERWISE
KNOWN AS THE "LOCAL GOVERNMENT CODE OF 1991"**

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

SECTION 1. Section 461 of Republic Act No. 7160 is hereby amended to read as follows:

"SEC. 461. *Requisites for Creation.* – (a) A province may be created if it has an average LOCALLY-GENERATED annual income for the last two consecutive years, as certified by the Department of Finance, of not less than TWO HUNDRED MILLION PESOS (P200,000,000.00) based on 2000 constant prices and either of the following requisites:

- (i) a contiguous territory of at least two thousand (2,000) square kilometers, as certified by the Lands Management Bureau; or
- (ii) a population of not less than two hundred fifty thousand (250,000) inhabitants as certified by the National Statistics Office:

Provided that, the creation thereof shall not reduce the land area, population, and income of the original unit or units at the time of said creation to less than the minimum requirements prescribed herein.

(b) The territory need not be contiguous if it comprises two (2) or more islands or is separated by a chartered city or cities, which do not contribute to the income of the province.

(c) The average annual income shall include the income accruing to the general fund, exclusive of the internal revenue allotment (IRA), special funds, trust funds, transfers, and non-recurring income."

SECTION 2. Section 452 of the same Act is hereby amended to read as follows:

SEC. 452. *Highly Urbanized Cities.* – (a) Cities with a minimum population of two hundred thousand (200,000) inhabitants, as certified by the National Statistics office, and an average locally-generated annual income for the last two consecutive years, as certified by the Department of Finance, of not less than TWO HUNDRED FIFTY MILLION PESOS (P250,000.00), based on 2000 constant prices, shall be classified as highly urbanized cities.

(b) Cities that do not meet the above requirements shall be considered component cities of the province in which they are geographically located. If a component city is located within the boundaries of two (2) or more provinces, such city shall be considered a component of the province of which it used to be municipality.

(c) Qualified voters of highly urbanized cities shall remain excluded from voting for elective provincial officials. Unless otherwise provided in the Constitution or this Code, qualified voters of independent component cities shall be governed by their respective charters, as amended, on the participation of voters in provincial elections. Qualified voters of cities who acquired the right to vote for elective provincial officials prior to the classification of said cities as highly-urbanized after the ratification of the Constitution and before the effectivity of this Code, shall continue to exercise such right.

(d) The average annual income shall include the income accruing to the general fund, exclusive of the internal revenue allotment (IRA), special funds, trust funds, transfers, and non-recurring income.

SECTION 3. Any law, executive order, rule or regulation inconsistent herewith are hereby repealed or modified accordingly.

SECTION 4. If any portion of this Act is declared invalid or unconstitutional, such invalidity or unconstitutionality shall not affect the other provisions, which shall remain in full force and effect.

SECTION 5. This Act shall take effect fifteen (15) days after the completion of its publication in at least two (2) newspapers of general circulation.

Approved,



FABI D. JOHN F. GARCIA

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City Metro Manila

Fifteenth Congress
First Regular Session

Minutes of the meeting of the Committee on Local Government held on September 19, 2010 1:30 p.m. at Conference Room 5,
Ramon V. Mitra Bldg., House of Representatives, Quezon City

Guests:

1. Ms. Mary Jane Ortega, representative, League of Cities of the Philippines
2. Mr. Jesse Alcaraz, Policy Officer, League of Provinces of the Philippines
3. Ms. Minerva Esquivas, representative, National Statistics Office (NSO)
4. Ms. Carminda Arevalo, representative, National Historical Institute

I. CALL TO ORDER / ROLL CALL

The Chairperson, Rep. George P. Arnaiz, called the meeting to order at 1:50 p.m. On motion of Rep. Pablo John "PJ" F. Garcia, duly seconded, the Body dispensed with the calling of the Roll.

II. APPROVAL OF THE MINUTES OF THE MEETING OF THE SEPTEMBER 22, 2010 MEETING

On motion of Rep. Pablo John "PJ" F. Garcia, duly seconded, the Body dispensed with the reading of the minutes of the meeting held on September 22, 2010 and approved the same.

III. DELIBERATION ON HOUSE BILL NO. 121 – "AN ACT REVISING THE CHARTER OF THE CITY OF BAGUIO", INTRODUCED BY REP. BERNARDO M. VERGARA

Rep. Bernardo M. Vergara stated that his bill seeks to revise and modify the charter of the City of Baguio, Act No. 1963 which was enacted on September 1, 1909 and has never been revised. He said that the City Charter is being amended for the following purposes:

1. To settle the city's boundary dispute with the adjoining Municipality of Tuba, Province of Benguet.
2. To effectively implement the land use development plan of the city government.
3. To rationalize the disposition of alienable and disposable public lands which are part of the city's townsites reservation.

He said that the bill is expected to settle once and for all the boundary conflict between the City of Baguio and the Municipality of Tuba. He further said that the bill proposes also that the city conduct a massive subdivision survey of all its alienable and disposable land which are part of its townsites reservation in accordance with its land use development plan. He stated that the bill will establish an award committee which shall award the disposable residential lots to actual or qualified applicants in accordance with the rules prescribe in the bill. He stressed that the bill clarifies that ancestral lands recognized pursuant to section 78 of Republic Act 8371, otherwise known as the Indigenous People's Rights act, are considered private properties. Lastly, he further pointed out that the revision of the old charter will surely enhance genuine and meaningful political, social and fiscal autonomy for the city government of Baguio.

Rep. Simeon A. Datumanong asked what has the Municipality of Tuba, Province of Benguet, done with respect to its part of the bargain in the agreement between the City of Baguio and the Municipality of Tuba which is supposed to be incorporated in the Bill. Rep. Vergara replied that the officials of the Municipality of Tuba and the City of Baguio have agreed in principle about the dispute in the boundaries.

The Chair recalled that in the deliberation of the bill last Congress, the officials of the Municipality of Tuba and the City of Baguio had agreed on the delineation of their boundaries. He however inquired from the author whether it still exist. Rep. Vergara replied that the agreement still exists since the officials are still there and the Congressman who authored the bill last Congress is presently the Mayor of the City. He told the Chair that there is no problem about the controversy on boundaries between the Municipality of Tuba and the City of Baguio.

Thereafter, on motion of Rep. Datumanong, duly seconded, the body approved House Bill No. 121.

IV. DELIBERATION ON HOUSE BILL NO. 2061- " AN ACT REAPPORTIONING THE LONE LEGISLATIVE DISTRICT AND THE SANGGUNIANG PANLUNGSOD OF THE CITY OF ILOILO", INTRODUCED BY REP. JERRY P. TRENAS

Rep. Mei Senen S. Sarmiento ~~sponsored the bill~~ in behalf of the author, Rep. Jerry P. Trenas ~~who was in Iloilo City attending to his sick son.~~ He stated that the bill was already approved by the House of Representatives in the previous Congress and was transmitted to the Senate. However, he said the Senate did not act on the bill. He then moved for the approval of the bill.

Rep. Datumanong seconded the motion on the presumption that the bill has complied with the requirements of the law. Rep. Sarmiento replied that the bill has complied with all the parameters set forth by the Constitution.

Thereafter, the Body approved House Bill No. 121

V. DELIBERATION ON HOUSE BILL NO. 625 - " AN ACT PROVIDING FOR THE REAPPORTIONMENT OF THE PROVINCE OF MAGUINDANAO INTO THREE (3) LEGISLATIVE DISTRICTS", INTRODUCED BY REP. SIMEON A DATUMANONG

Rep. Datumanong said that the Province of Maguindanao has two (2) Congressional Districts with a total population of over one million. He further said that the Second District, which he represents, has a population of over 700,000. He further said that the proposed Third District in the Province of Maguindanao will principally come from the area of the Second District which would compose or constitute municipalities contiguous to each other. He stated that the proposed congressional district will have a population of 256,420 leaving the Second District with a population of 454,399.

The Chair informed the Body that the First District of Maguindanao has a population of 756,495 while the proposed Second and Third Districts have a population of 454,399 and 256,430 respectively.

Thereafter, on motion of Rep. Sarmiento, duly seconded, the body approved House Bill No. 625.

VI. DELIBERATION ON HOUSE BILL NO. 2002 - " AN ACT RATIONALIZING THE INCOME REQUIREMENT FOR THE CREATION OF A PROVINCE AND THE DECLARATION OF HIGHLY-URBANIZED STATUS IN THE CASE OF COMPONENT CITIES, AMENDING FOR THAT PURPOSE REPUBLIC ACT 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF ", INTRODUCED BY REP. PABLO JOHN F. GARCIA

Rep. Pablo John F. Garcia stated that his bill seeks to rationalize a rather "anomalous situation" in the Local Government Code as regards to the income requirements for the creation of certain local government units. He further stated that while Republic Act 9009 has increased the income requirements for the creation of a city, the requirements for the creation of a province still remains the same as when the Local Government Code took effect in 1991. He said that under Republic Act 9009, a city may be created only if it has a locally-generated income of 100 million pesos, while a province may be created if it has an income of only 20 million pesos. He stressed that there is an "anomalous situation" of a city being required to show an income of 100 million while a province can be created on the basis of a 20 million peso income.

Rep. Garcia said that there is also an "anomalous situation" in the case of the declaration of highly urbanized cities insofar as the income requirement is concerned because it stands at 50 million pesos, while for the creation of a city it is 100 million pesos. He explained that technically, if a city is created, it can already apply for a highly urbanized city assuming all the requirements are met. He stated that House Bill No. 2002 proposes that the income requirement for the creation of a province should be set at an average locally generated income of 200 million pesos while for highly urbanized cities should be set at 250 million pesos.

He informed the Body that his bill is a re-filed bill which was passed on Third Reading by the House of Representatives and transmitted to the Senate but the Senate Committee on Local Government failed to act on the bill.

Mr. Jesse S. Alcaraz, Policy Officer, League of Provinces of the Philippines, stated that the league of Provinces has not formally come up with an official position on the matter. He further stated that the League has always supported legislative measure seeking to provide more appropriate qualifications for the creation of provinces. He said that as a matter of policy, the League has supported the previous bill filed last Congress and in the same manner formally manifesting their support for the bill.

Ms. Mary Jane Ortega, representative, League of Cities of the Philippines, stated that they support the bill. However, they believe that a lower amount for the requirement would be more acceptable to the other stakeholders. She proposed that the income requirement for the creation of a province be set at 150 million pesos and for the creation of a highly urbanized city be set at 150 or 200 million pesos whichever the author would accept.

Rep. Garcia explained the logic behind the proposal: for the requirement of highly urbanized cities to have an income of 250 million pesos. He said that before, a city may be created when it has an income of 20 million pesos while for a highly urbanized city it must have an income of 50 million pesos so that it is actually 2.5 times the requirement. He explained that the income requirement now for a city is 100 million pesos and multiply it with the 2.5 factor it comes up to 250 million pesos.

The Chair stated that as a matter of policy, the League of Provinces would not want any new province in the same manner that the League of Cities does not want any new city because it will greatly diminish their Internal Revenue Allotments. He suggested that 200 million pesos is reasonable.

Rep. Samonte proposed an amendment that the income requirement for the creation of a highly urbanized city be reduced from 250 million pesos to 150 million pesos.

Rep. Garcia replied that for uniformity sake, since the highly urbanized city acts like a province itself, he proposed that 200 million pesos be required for the creation of highly urbanized cities.

Thereafter, on motion of Rep. Datumanong, duly seconded, the body approved House Bill No. 625.

VII. OTHER MATTERS

1. RECONSIDERATION ON THE APPROVAL OF HOUSE BILL No. 140 – "AN ACT EMPOWERING THE PUNONG BARANGAY TO ADMINISTER OATH OF OFFICE TO ANY GOVERNMENT OFFICIAL, INCLUDING THE PRESIDENT OF THE REPUBLIC OF THE PHILIPPINES, AMENDING FOR THE PURPOSE SECTION 420 OF REPUBLIC ACT NO. 7160 AS AMENDED, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991", INTRODUCED BY REP. SALVIO B. FORTUNO

The Chair explained that in the last committee meeting the Body approved the proposed bill which authorizes the Punong Barangay to administer the oath of office to any government official including the President of the Republic of the Philippines, amending for the purpose the Local Government Code. He stressed that the power to administer the oath of office is lodged with the different public officials through the Administrative Code of 1987. He said that the proper law to be amended should be the Administrative Code of 1987 through an amendment by addition. He directed the Secretariat to furnish the Members with a copy of the proposed committee report.

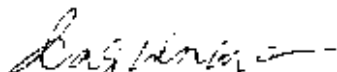
The Chair replied in the affirmative on the query of Rep. Datumanong whether the bill has already been approved last committee meeting. He pointed out that instead of the Local Government Code it should be the Administrative Code of 1987 that should be amended.

Rep. Datumanong moved for the reconsideration of the approval of House Bill No. 140. The Chair hearing no objection approved the reconsideration of the approval of House Bill No. 140. Thereafter, Rep. Garcia moved for the approval on the new amendment of House Bill No. 140 providing for the amendment of the Administrative Code instead of the Local Government Code. The Body approved House Bill No. 140 as amended.

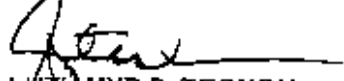
VIII. ADJOURNMENT

There being no other matters to discuss, the meeting adjourned at 2:31 p.m.

Prepared by:


DENNIS A. GUEVARA
SLSO II

Certified correct:


LITO MYR P. TEOXON
Committee Secretary

Noted by:

HON. GEORGE P. ARNAIZ
Chairman