

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

FIFTEENTH CONGRESS
Second Regular Session



COMMITTEE REPORT NO. 1594

Submitted by the Committee on Local Government on

08 DEC 2011

Re: House Bill No. 5820

Recommending its approval in substitution of House Bill No. 4990

Sponsors: Representatives George P. Arnaiz, Rufus B. Rodriguez, Roy M. Loyola and Erineo S. Maliksi

Mr. Speaker:

The Committee on Local Government to which was referred House Bill No. 4990 introduced by Representatives Rufus B. Rodriguez, Roy M. Loyola and Erineo S. Maliksi, entitled:

"AN ACT

AMENDING SECTION 450 OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991, AS AMENDED, ALLOWING THE CONVERSION OF A MUNICIPALITY INTO A COMPONENT CITY IF IT HAS ANNUAL AVERAGE ANNUAL INCOME OF AT LEAST TWO HUNDRED MILLION PESOS (P200,000,000.00) WITHOUT REGARD TO ITS LAND AREA AND POPULATION."

5820

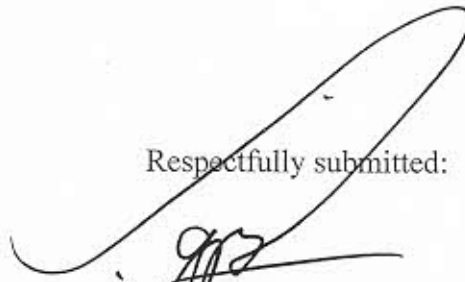
has considered the same and recommends that the attached House Bill No. _____
entitled:

"AN ACT

EXEMPTING FROM THE POPULATION AND LAND AREA REQUIREMENTS THE CONVERSION OF A MUNICIPALITY INTO A COMPONENT CITY IF IT HAS A LOCALLY GENERATED AVERAGE ANNUAL INCOME OF AT LEAST TWO HUNDRED MILLION PESOS (P200,000,000.00), AMENDING FOR THE PURPOSE SECTION 450 OF REPUBLIC ACT NO. 7160, AS AMENDED, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991"

be approved in substitution of House Bill No. 4990 with Representatives Rufus B. Rodriguez, Roy M. Loyola and Erineo S. Maliksi as authors thereof.

Respectfully submitted:

A large, stylized handwritten signature in black ink, appearing to be 'GPA', is written over the text 'Respectfully submitted:'.

GEORGE P. ARNAIZ

Chairman

Committee on Local Government

**THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES**

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

FIFTEENTH CONGRESS
Second Regular Session

HOUSE BILL No. 5620

Introduced by: REPRESENTATIVES RUFUS B. RODRIGUEZ, ROY M. LOYOLA AND ERINEO S. MALIKSI

AN ACT
EXEMPTING FROM THE POPULATION AND LAND AREA REQUIREMENTS THE CONVERSION OF A MUNICIPALITY INTO A COMPONENT CITY IF IT HAS A LOCALLY GENERATED AVERAGE ANNUAL INCOME OF AT LEAST TWO HUNDRED MILLION PESOS (P200,000,000.00), AMENDING FOR THE PURPOSE SECTION 450 OF REPUBLIC ACT NO. 7160, AS AMENDED, 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 450 of Republic Act No. 7160 as amended by Republic Act
2 No. 9009, otherwise known as the Local Government Code of 1991 is hereby further
3 amended to read as follows:

4 **“SECTION 450. *Requisites for Creation.*** – (a) A municipality or
5 a cluster of barangays may be converted into a component city if it has a
6 locally generated average annual income, as certified by the Department
7 of Finance, of at least One hundred million pesos (P100,000,000.00), for
8 the last two (2) consecutive years based on 2000 constant prices, and if it
9 has either of the following requisites:

10 (i) a contiguous territory of at least one hundred (100) square
11 kilometers, as certified by the Land Management Bureau; or

1 (ii) a population of not less than one hundred fifty thousand
2 (150,000) inhabitants, as certified by the National Statistics Office.

3 THE POPULATION AND LAND AREA REQUIREMENTS
4 PRESCRIBED HEREIN SHALL NOT APPLY IF A MUNICIPALITY
5 HAS A LOCALLY GENERATED AVERAGE ANNUAL INCOME, AS
6 CERTIFIED BY THE DEPARTMENT OF FINANCE, OF AT LEAST
7 TWO HUNDRED MILLION PESOS (P200,000,000.00) FOR THE LAST
8 TWO (2) CONSECUTIVE YEARS BASED ON 2010 CONSTANT
9 PRICES AND HAS EITHER THE POPULATION OR LAND AREA
10 REQUIREMENT PRESCRIBED FOR THE CREATION OF A
11 MUNICIPALITY UNDER SECTION 442 OF THIS CODE.

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

15 (b) The territorial jurisdiction of a newly-created city shall be
16 properly identified by metes and bounds. The requirement on land area
17 shall not apply where the city proposed to be created is composed of one
18 (1) or more islands. The territory need not be contiguous if it comprises
19 two (2) or more islands.

20 (c) The average annual income shall include the income accruing
21 to the general fund, exclusive of special funds, transfers, and non-
22 recurring income."

23 SEC. 3. This Act shall take effect fifteen (15) days after its publication in any
24 newspaper of general circulation.

25 *Approved,*

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

*Fifteenth Congress
Second Regular Session*

House Bill No. 4990



Introduced by Rep. Rufus B. Rodriguez, Rep. Roy M. Loyola and Rep. Erineo S. Maliksi

EXPLANATORY NOTE

The primordial reason for converting a municipality or cluster of barangays into a city is to ensure its economic viability (*Latasa vs. Commission on Elections*, G.R. No. 154829, December 10, 2003). As a general rule, the creation of a local government unit or its conversion from one level into another shall be based on verifiable indicators or viability and projected capacity to provide services, specifically income, population and land area (Section 7, R.A. No. 7160, Local Government Code of 1991).

Among the three, there is no doubt that the income requirement is the most controlling. In recognition of such fact, the Code sets forth the following criterion: Income – It must be sufficient, based on acceptable standards, to provide for all essential government facilities and services and special functions commensurate with the size of its population, as expected of the local government unit concerned (Section 7(a), *Supra*).

With regards to the population requirement, the Code merely provides: Population – It shall be determined as the total number of inhabitants within the territorial jurisdiction of the local government unit concerned (Section 7(b), *Supra*).

And lastly, with regards to the land area, the Code merely requires that the same be contiguous; properly identified by metes and bounds; and more importantly, must be sufficient to provide for such basic services and facilities to meet the requirements of its populace (Section 7(c), *Supra*).

As our law stands today, before a municipality or cluster of barangays could be converted into a component city, it must have an annual income of at least one hundred million pesos (P100,000,000.00) and a territory of at least one hundred (100) square kilometers or a population of not less than one hundred fifty thousand (150,000) (Sec. 450, R.A. No. 7160, Local Government Code, as amended by R.A. 9006).

However, there are some municipalities which, despite of its small land area or population, have nevertheless demonstrated its unquestionable capacity to provide essential government facilities, social services to its inhabitants, comparable or even superior to existing cities.

As we all know, living in a city has its corresponding economic advantage. Thus, it would be utterly unfair to the inhabitants of such municipalities to forever foreclose their right to the benefits of cityhood, simply because their municipalities' land area or population is less than one hundred (100) square kilometers or one hundred fifty thousand (150,000), respectively.

While there is no hard and fast rule to determine the optimum populace or land area for a city, however, applying the principles of political law for creation of a sovereign state, the population must be numerous enough and able to procreate in order to ensure perpetuation of the political entity. With regards to its land area, the same must be large enough to be able to sufficiently provide for its people.

Noteworthy are the small states, specifically: *Monaco*, a tiny state along the French Riviera which has an area of just 0.7 square miles (1.81 sq. km.) and a population of just 32,000. The island state of *Nauru*, became independent in 1968, and has an area of just 8.5 square miles (22 sq. km.) and a population of just 13,000. *Tulavu*, formerly known as the Ellice Islands, gained its independence in 1978, and has an area of just 9 square miles (23.3 sq. km.) and a population of 12,000. *San Marino*, located on Mt. Titano in north central Italy, which has an area of just 24 square miles (62.13 sq. km.) and a population of just 29,000.

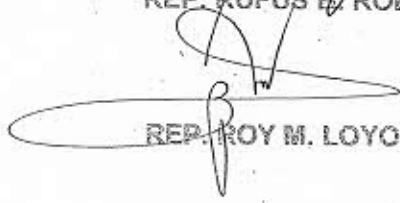
If the above political entities have attained its status as an independent state despite its small population and land area, with more reason, municipalities which have time and again demonstrated their capacity to thrive despite their small population and land area should be allowed to upgrade its status to that of a city.

Just like in any other law, there is a general rule and there is an exception. For purposes of this bill, the general rule remains, that for creation of or conversion into a city, a municipality must have an income of at least P100,000,000.00 and a land area of at least 100 square kilometers or population of at least 150,000. The exception is that, if the municipality generates a local income of at least double than that of the general rule, that is, two hundred million pesos (P200,000,000.00), then it is qualified to be converted into a city without regard to the size of its land area or population.

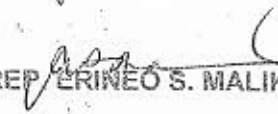
In view thereof, support and approval of this measure is earnestly sought.



REP. RUFUS E. RODRIGUEZ



REP. ROY M. LOYOLA



REP. ERINEO S. MALIKSI

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

Fifteenth Congress
Second Regular Session

House Bill No. 4990

Introduced by Rep. Rufus B. Rodriguez, Rep. Roy M. Loyola and Rep. Erineo S. Maliksi

AN ACT AMENDING SECTION 450 OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991, AS AMENDED, ALLOWING THE CONVERSION OF A MUNICIPALITY INTO A COMPONENT CITY IF HAS AN ANNUAL AVERAGE INCOME OF AT LEAST TWO HUNDRED MILLION PESOS (P200,000,000) WITHOUT REGARD TO ITS LAND AREA AND POPULATION.

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

SECTION 1. Sec. 450 of Republic Act No. 7160, otherwise known as the Local Government Code of 1991, as amended by Republic Act No. 9009, is hereby further amended to read as follows:

"Sec. 450. Requisites for Creation. — (a) A municipality or a cluster of barangays may be converted into a component city if it has a locally generated average annual income, as certified by the Department of Finance, of at least One hundred million pesos (P100, 000,000.00) for the last two (2) consecutive years based on 2000 constant prices, and if it has either of the following requisites:

- (i) a contiguous territory of at least one hundred (100) square kilometers, as certified by the Land Management Bureau; or
- (ii) a population of not less than one hundred fifty thousand (150,000) inhabitants, as certified by the National Statistics Office.

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.

PROVIDED, THE FOREGOING NOTWITHSTANDING, A MUNICIPALITY MAY BE CONVERTED INTO A COMPONENT CITY IF IT HAS A LOCALLY GENERATED INCOME, AS CERTIFIED BY THE DEPARTMENT OF FINANCE, OF AT LEAST TWO HUNDRED MILLION PESOS (P200,000,000.00) FOR THE LAST TWO (2) CONSECUTIVE YEARS BASED ON 2000 CONSTANT PRICES, WITHOUT REGARD ITS LAND AREA AND POPULATION.

(b) The territorial jurisdiction of a newly-created city shall be properly identified by metes and bounds. The requirement on land area shall not apply where the city proposed to be created is composed of one (1) or more islands. The territory need not be contiguous if it comprises two (2) or more islands.

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

SECTION 2. If any provision of this Act shall be declared invalid or unconstitutional, the remaining part or provisions not otherwise affected shall remain in force.

SECTION 3. Any law, decree, ordinance, administrative circulars not consistent with any provision of this Act is hereby amended, repealed or modified accordingly.

SECTION 4. This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,

FACT SHEET

House Bill No. 4990

(As approved by the Committee on January 23, 2011)

EXEMPTING FROM THE POPULATION REQUIREMENTS THE CONVERSION OF A MUNICIPALITY INTO A COMPONENT CITY IF IT HAS A LOCALLY GENERATED AVERAGE INCOME OF AT LEAST TWO HUNDRED MILLION PESOS (P200,000.00), AMENDING FOR THE PURPOSE SECTION 450 OF REPUBLIC ACT NO. 7160 AS AMENDED

Introduced by: Reps. Rufus B. Rodriguez, Roy M. Loyola, and Erineo S. Maliksi

Committee Referral: Local Government

Committee Chairperson: Rep. George P. Arnaiz

OBJECTIVES:

- To provide a mechanism for high income municipalities to be elevated to the status of a component city;
- To ensure that municipalities and cities are capable of providing social services to the inhabitants;

KEY PROVISIONS:

- Amends Section 450 of Republic Act No. 7160, by allowing the conversion of a municipality into a component city if has an average income of at least Two Hundred Million Pesos (P200,000.00) without regard to its land area and population.

RELATED LAW:

- Section 450 of Republic Act No. 7160, otherwise known as The Local Government Code of 1991, as amended By Republic Act No. 9009