

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

SIXTEENTH CONGRESS

First Regular Session

House Bill No. 1726



INTRODUCED BY REPRESENTATIVE XAVIER JESUS "XJ" D. ROMUALDO

EXPLANATORY NOTE

This proposed measure, which was filed in the previous Congress by the late Representative Pedro P. Romualdo, seeks to remove the Internal Revenue Allotment (IRA) of the Metropolitan Manila Development Authority (MMDA) by amending Republic Act (RA) No. 7924, the statute which created the agency.

Article 10, Section 6 of the 1987 Constitution states that "[l]ocal government units shall have a just share, as determined by law, in the national taxes which shall be automatically released to them." This constitutional provision is implemented by RA No. 7160, otherwise known as the Local Government Code of 1991, which provides for the allotment of a share in the National Internal Revenue Taxes to local government units (LGUs).

According to jurisprudence:

A local government is a 'political subdivision of a nation or state which is constituted by law and has substantial control of local affairs.' The Local Government Code of 1991 defines a local government unit as a 'body politic and corporate' – one endowed with powers as a political subdivision of the National Government and as a corporate entity representing the inhabitants of its territory. Local government units are the provinces, cities, municipalities and barangays. They are also

the territorial and political subdivisions of the state.¹

Clearly, the MMDA is not a local government unit. Indeed, the Supreme Court has ruled that the MMDA is not a local government unit, but rather an administrative agency:

The MMDA is, as termed in the charter itself, a 'development authority.' It is an agency created for the purpose of laying down policies and coordinating with the various national government agencies, people's organizations, non-governmental organizations and the private sector for the efficient and expeditious delivery of basic services in the vast metropolitan area. All its functions are administrative in nature and these are actually summed up in the charter itself...²

It is thus beyond doubt that the MMDA is not a local government unit or a public corporation endowed with legislative power. It is not even a 'special metropolitan political subdivision' as contemplated in Section 11, Article X of the Constitution. The creation of a 'special metropolitan political subdivision' requires the approval by a majority of the votes cast in a plebiscite in the political units directly affected. R.A. No. 7924 was not submitted to the inhabitants of Metro Manila in a plebiscite. The Chairman of the MMDA is not an official elected by the people, but appointed by the President with the rank and privileges of a cabinet member. In fact, part of his function is to perform such other duties as may be assigned to him by the President, whereas in local government units, the President merely exercises supervisory authority. This emphasizes the administrative character of the MMDA.³

Since the MMDA is not a local government unit, it should not be entitled to an Internal Revenue Allotment. However, Section 10 (b) of RA No. 7924 provides that the MMDA shall continue to receive the IRA allocated to the now defunct Metro Manila Authority (incidentally, it would seem that even

¹ Metropolitan Manila Development Authority v. Bel-Air Village Association, Inc., G.R. No. 135962, March 27, 2000. *See also* Metropolitan Manila Development Authority v. Garin, G.R. No. 130230, April 15, 2005.

² *Id.* (Emphasis supplied).

³ *Id.* (Emphasis supplied).

the Metro Manila Authority was not a local government unit).⁴ This is an aberration in the law that should be corrected. Under our legal system, only local government units – provinces, cities, municipalities, and barangays – are entitled to the IRA. An agency of the Executive Department, such as the MMDA, is not and should not be entitled to a portion of the share of LGUs in the National Internal Revenue Taxes.

If this proposed measure becomes law, local government units will finally receive the full Internal Revenue Allotment due them and will have additional financial resources in order to better and more efficiently deliver basic and vital services within their respective jurisdictions.

In view of the foregoing, the immediate approval of this bill is earnestly requested.



XAVIER JESUS "XJ" D. ROMUALDO

⁴ *See id.*

In 1990, President Aquino issued Executive Order (E.O.) No. 392 and constituted the Metropolitan Manila Authority (MMA). The powers and functions of the MMC were devolved to the MMA. It ought to be stressed, however, that not all powers and functions of the MMC were passed to the MMA. The MMA's power was limited to the 'delivery of basic urban services requiring coordination in Metropolitan Manila.' The MMA's governing body, the Metropolitan Manila Council, although composed of the mayors of the component cities and municipalities, was merely given the power of: (1) formulation of policies on the delivery of basic services requiring coordination and consolidation; and (2) promulgation of resolutions and other issuances, approval of a code of basic services and the exercise of its rule-making power.

Under the 1987 Constitution, the local government units became primarily responsible for the governance of their respective political subdivisions. The MMA's jurisdiction was limited to addressing common problems involving basic services that transcended local boundaries. It did not have legislative power. Its power was merely to provide the local government units technical assistance in the preparation of local development plans. Any semblance of legislative power it had was confined to a 'review [of] legislation proposed by the local legislative assemblies to ensure consistency among local governments and with the comprehensive development plan of Metro Manila,' and to 'advise the local governments accordingly.'

When R.A. No. 7924 took effect, Metropolitan Manila became a 'special development and administrative region' and the MMDA a 'special development authority' whose functions were 'without prejudice to the autonomy of the affected local government units.'

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AN ACT

REMOVING THE INTERNAL REVENUE ALLOTMENT OF THE METROPOLITAN MANILA DEVELOPMENT AUTHORITY (MMDA), AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7924, ENTITLED "AN ACT CREATING THE METROPOLITAN MANILA DEVELOPMENT AUTHORITY, DEFINING ITS POWERS AND FUNCTIONS, PROVIDING FUNDS THEREFORE AND FOR OTHER PURPOSES"

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

Section 1. Section 10 of Republic Act No. 7924 is hereby amended by deleting paragraph (b) and changing the lettering of the other paragraphs thereof, which shall then read as follows:

"Section 10. Sources of Funds and the Operating Budget of the Metropolitan Manila Development Authority:

(a) To carry out the purposes of this Act, the amount of One billion pesos (P1,000,000,000.00) is hereby authorized to be appropriated for the initial operation of the MMDA. Thereafter, the annual expenditures including capital outlays of the MMDA shall be provided in the General Appropriations Act.

(b) The MMDA is likewise empowered to levy fines, and impose fees and charges for various services rendered.

(c) Five percent (5%) of the total annual gross revenue of the preceding year, net of the internal revenue allotment, of each local government unit mentioned in Section 2 hereof, shall accrue and become payable monthly to the MMDA by each city or municipality. In case of failure to remit the said fixed contribution, the DBM shall cause the disbursement of the same to MMDA chargeable against the IRA allotment of the city or municipality concerned the provision of Section 286 of RA 7160 to the contrary notwithstanding."

Section 2. All other laws, decrees, executive orders, rules and regulations, or parts thereof, inconsistent with the provisions of this Act are hereby modified, amended or repealed accordingly.

Section 3. This Act shall take effect fifteen (15) days following the completion of its publication in a newspaper of general circulation in the Philippines.

Approved,