

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

16th Congress

House Bill No. **2020**



Introduced by: HON. OSCAR S. RODRIGUEZ

EXPLANATORY NOTE

In 1996, the IRA per capita for Philippine cities is 20% higher than that of provinces and municipalities. Nine years later, the situation is reversed. Today, the IRA per capita of Philippine cities is 40% lower than the IRA per capita of provinces and municipalities. This is the situation even without taking into account the daytime population in cities. Most cities serve as regional centres or business hubs attracting an influx of non-city residents during the day. These non-residents also demand certain services. For instance, there are more traffic enforcers manning the cities' major thoroughfares during the day than at night. Also, more people means increased wastes generated in the cities. More wastes mean more dump trucks and more trips to the landfill. All these demand resources in order to be addressed effectively. With an IRA share lower than 40% compared to provinces and municipalities, cities' capacity to address traffic, garbage, or other urban problems is diminished.

On the average, for every municipality converted into city, existing cities lose around two million to 5 million pesos at the minimum. The effects of this cut vary from one city to another. A highly-urbanized city with other sources of income is cushioned from the impact of IRA lost due to conversion but lower-income cities will take the brunt of any cut on their IRA. Interestingly, in absolute amounts, the bigger cities are the ones with huge IRA cuts as a result of conversion. This is very evident in the case of 16 municipalities that were converted very recently. Out of the 122 cities, Davao, Makati, Quezon, Manila, and Puerto Princesa topped the list of cities with huge cuts because of the 16 municipalities or the "wholesale conversion."

In order to address the inverse effect of conversion to the existing cities, a policy to balance the negative effect of conversion is highly needed.

This bill aims to introduce the concept of IRA portability, in order to minimize or at least cut to half the adverse effect of conversion.

In IRA portability, converted municipalities will have to bring their IRA when they are converted into cities. This will lessen the impact of conversion on existing cities by minimizing the financial burden brought about by conversion. The table below illustrates the dynamics of IRA portability.

Qualified Municipalities	IRA as municipality	IRA if a city in 2012 (IRA cut on existing cities without portability)	IRA cut on existing cities with portability
Cainta	199,116,186	392,250,578	193,134,392
Gen. Trias	160,484,847	337,551,361	177,066,514
Carmona	63,540,435	182,429,581	118,889,146
Total IRA loss of cities		912,231,581	489,090,052

Assuming that Cainta, General Trias, and Carmona become cities in 2012, the IRA cut of existing cities will be P912 million pesos and all things equal each city will suffer a deduction of

P6 million each on their IRA. If IRA portability becomes a policy, the IRA cut will be minimized to P489 million pesos and the IRA of each city (assuming all things equal) will be P3.5 million less than expected. Clearly, existing cities will still suffer from any conversion of municipalities to cities. All that the IRA portability is accomplishing is lessening the IRA cut by half.

The situation in Philippine cities will continue to deteriorate if conversion of municipalities to cities will remain unabated. As the number of cities continues to rise and the number of people residing in cities continues to increase, inhabitants in cities will continue to feel the debilitating effects of conversion and population growth. Cities as engines of growth will be a “thing of the past” rather than a goal that cities pursue. We don’t want this scenario that is why at this early, this bill aims to offer immediate and long-term solutions on the issue of conversion.

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



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AN ACT
ADOPTING IRA PORTABILITY FOR EVERY CONVERSION OF
MUNICIPALITY INTO CITY AMENDING FOR THAT PURPOSE SECTION
285 OF R.A. 7160 OTHERWISE KNOWN AS THE LOCAL GOVERNMENT
CODE OF 1991

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

1 SECTION 1. Section 285 of Republic Act 7160 is hereby amended to read as
2 follows:

3 “SEC. 285. *Allocation to Local Government Units.* - The share of local
4 government units in the internal revenue allotment shall be allocated in the following
5 manner:

- 6 (a) Provinces - Twenty-three percent (23%);
7 (b) Cities - Twenty-three percent (23%);
8 (c) Municipalities - Thirty-four percent (34%); and
9 (d) barangays - Twenty percent (20%)

10 Provided, however, That the share of each province, city, and municipality shall be
11 determined on the basis of the following formula:

- 12 (a) Population - Fifty percent (50%);
13 (b) Land Area - Twenty-five percent (25%); and
14 (c) Equal sharing - Twenty-five percent (25%)

15 **PROVIDED, FURTHER, THAT THE SHARE OF THE NEWLY CONVERTED**
16 **CITIES FROM THE ENACTMENT OF THIS ACT SHALL BRING THEIR IRA**
17 **SHARE AS MUNICIPALITIES TO THE IRA SHARE OF CITIES TO MINIMIZE**
18 **THE EFFECT OF CONVERSION.**

19 Provided, further, That the share of each barangay with a population of not less than one
20 hundred (100) inhabitants shall not be less than Eighty thousand pesos (P=80,000.00) per
21 annum chargeable against the twenty percent (20%) share of the barangay from the
22 internal revenue allotment, and the balance to be allocated on the basis of the following
23 formula:

- 24 (a) On the first year of the effectivity of this Code:

1 (1) Population - Forty percent (40%); and
2 (2) Equal Sharing - Sixty percent (60%)

3 (b) On the second year:

4 (1) Population - Fifty percent (50%); and
5 (2) Equal Sharing - Fifty percent (50%)

6 (c) On the third year and thereafter:

7 (1) Population - Sixty percent (60%); and

8 (2) Equal Sharing - Forty percent (40%).

9 Provided, finally, That the financial requirements of barangays created by local
10 government units after the effectivity of this Code shall be the responsibility of the local
11 government unit concerned.

12 SEC. 2. All laws, issuances, rules and regulations inconsistent with the provision
13 of this act is hereby amended, repealed or modified accordingly.

14 SEC. 3. This Act shall take effect fifteen (15) days after its publication in at least
15 two (2) newspaper of national circulation.

Approved,