

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

16th Congress

House Bill No. **3362**



Introduced by: HON. OSCAR S. RODRIGUEZ

EXPLANATORY NOTE

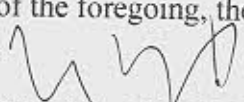
Section 10, Article 3 of the 1987 Constitution provides "No province, city, municipality or barangay may be created, divided, merged, or abolished or its boundary substantially altered, except in accordance with the criteria established in the local government code and subject to approval by a majority votes cast in a plebiscite in the political unit directly affected."

The Local Government Code of 1991 sets the criteria for the creation/conversion of local government units (LGU's). However, since the Code was enacted way back in 1991, more than twenty years ago, the income requirement is outdated as it is still based on 1991 constant prices. Save for the barangay, income is regarded as a very important criteria for creation or conversion of a local government unit. Income determines the economic viability of an LGU. Fiscal autonomy is key to their economic growth and development.

This bill seeks to update the income requirement in the creation/conversion of local government units, specifically, highly urbanized city, municipality, and province, in order to conform to the 2013 constant prices and current economic standards. More than two decades after the enactment of the Code and given their power to create their own sources of revenues, and to levy taxes, fees and charges, there is tremendous increase in the income of most LGU's.

Although in 2001, Republic Act 9009 was enacted, it only amended Section 450 of the Local Government Code, it only increased the income requirement for the creation of the City from twenty million (P20,000,000.00) to one hundred million (100,000,000.00). This law created not only baseless disparity in the income requirement for LGUs, but also created a sort of imbalance in the criteria. For instance, a city either component or independent component requires a one hundred million income for its creation. Whereas a city can be declared as highly urbanized city if it is shown to have an income of only fifty million; likewise, for a province for only twenty million. It is highly illogical that a local government unit can pass the income requirement in order to become a highly urbanized city or province but will be disqualified for conversion into a city.

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


HON. OSCAR S. RODRIGUEZ

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AN ACT
INCREASING THE INCOME REQUIREMENT FOR THE CREATION OF
MUNICIPALITY, AND PROVINCE AND CONVERSION OF A COMPONENT
INTO A HIGHLY URBANIZED CITY AMENDING FOR THAT PURPOSE
SECTIONS 442(a), 452(a) AND 461(a) 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:*

Section 1. Sections 442 (a), 452 (a) and 461(a) of Republic Act 7160 are hereby
amended to read as follows:

“Section 442. *Requisites for Creation*

(a) A municipality may be created if it has an average annual income, as certified by the provincial treasurer, of TWELVE MILLION FIVE HUNDRED THOUSAND PESOS (P12,500,000.00) for the last two consecutive years based on the 2013 constant prices; population of at least twenty five thousand (25,000) inhabitants as certified by National Statistics Office; and a contiguous territory of at least fifty (50) square kilometers as certified by the Land Management Bureau; Provided, That the creation thereof shall not reduce the land area, population or income of the original municipality or municipalities at the time of said creation to less than the minimum requirements prescribed herein.

Section 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 with the latest annual income of at least TWO HUNDRED MILLION Pesos (P200,000,000.00) based on 2013 constant prices, as certified by the city treasurer, shall be classified as highly urbanized cities.

Section 461. *Requisites for Creation.*

(a) A province may be created if it has an average annual income as certified by the Department of Finance, of not less than ONE HUNDRED MILLION PESOS (P100,000,000), based on 2013 constant prices and either of the following:

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

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

Approved,