

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Second Regular Session

House Bill No. **6386**



Introduced by Representative GLORIA MACAPAGAL ARROYO

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

EXPLANATORY NOTE

Under the Local Government Code, cities get 23 percent (23%) of the pie while municipalities get 34 percent (34%). The latter seem to get 50 percent (50%) more than the former. But realize that originally, there were only less than a hundred cities and more than a thousand municipalities. So, on a per square meter, or per capita basis, cities get tremendously more than municipalities.

That you can get much more share of the IRA pie is reason enough for many municipalities to aspire to become cities. Cities with growing population and income levels fight tooth and nail to become cities. When a municipality becomes a city, its IRA share increases tremendously, and all the existing cities' IRA shares will decrease, while all the remaining municipalities' shares will somewhat increase with one less taker.

On the average, for every municipality converted into city, existing cities lose around two million (P2M) to five million (P5M) at the minimum.

That's why when there was a rush for municipalities to convert to cities, many of the existing cities protested and objected especially when the criteria were relaxed. What complicated the issue was the series of fluctuating decisions of the Supreme Court for and against the conversion, so many times, that even until now it left everybody confused. But the issue remains a volatile issue as the law on IRA share distribution remain as it is, enticing municipalities to dream of becoming cities.

The new cities might bask in their new wealthy status, but this is at the loss of other LGUs. It's a case of local priorities being pushed with no concern of what their effects are on national development.

This is just a side-issue of the entire resource allocation policy, but it highlights the need for a fuller understanding of the existing policies and how the government needs to improve the same in the light of the need to balance

national development goals and interests with local concerns and the need for equitable and inclusive growth.

In order to address the adverse 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 effect of conversion.

In IRA portability, converted municipalities will have to bring their IRA when they are converted into cities. If IRA portability becomes a policy, the IRA cut will be minimized and the IRA of each city (assuming all things equal) will be 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 at least half.

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



GLORIA MACAPAGAL ARROYO
2nd District, Pampanga

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Second Regular Session

House Bill No. **6386**

Introduced by Representative GLORIA MACAPAGAL ARROYO

AN ACT
ADOPTING IRA PORTABILITY FOR EVERY CONVERSION OF A MUNICIPALITY
INTO A 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 the House of Representatives of the Philippines
in Congress assembled:*

SECTION 1. Section of 285 of Republic Act No. 7160 is hereby amended to read
as follows:

"Section 285. *Allocation to Local Government Units.* – The share of local
government units in the internal revenue allotment shall be allocated in the
following manner:

- (a) Provinces – Twenty-three percent (23%)
- (b) Cities - Twenty-three percent (23%)
- (c) Municipalities – Thirty-four percent (34%); and
- (d) Barangays – Twenty percent (20%)

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

- (a) Population – Fifty percent (50%)
- (b) Land area – Twenty-five percent (25%)
- (c) Equal sharing - Twenty-five percent (25%)

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

Xxxxxxx

Sec. 2. *Repealing Clause.* – All laws, issuances, rules or regulations inconsistent
with the provision of this Act is hereby repealed, modified, or amended accordingly.

Sec. 3. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its
publication in at least two (2) newspapers of general circulation.

Approved,