

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

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 405



Introduced by Representative **JESUS R. MARQUEZ**

EXPLANATORY NOTE

This bill seeks to strengthen and provide support to local government units (LGUs) which have difficulty in coping with the developed and urbanized counterparts.

Republic Act No. 7160, or the Local Government Code of 1991, ushered in the era of devolution by empowering LGUs to deliver basic social services to their constituents. These responsibilities are funded through national taxes, allocated via the National Tax Allocation (NTA), formerly known as the Internal Revenue Allotment (IRA). However, the current fiscal structure reveals both vertical and horizontal imbalances among LGUs. The allocation formula disproportionately favors LGUs with larger populations and more substantial local tax bases.

Cities—categorized as Highly Urbanized Cities, Independent Component Cities, or Component Cities—hold a significant economic advantage over municipalities. Although cities collectively receive 23% of the NTA, each individual city often receives a higher share than each of the 1,493 municipalities dividing the 34% allocation. This creates a stark disparity, compelling many municipalities to seek alternative funding sources to sustain their devolved functions.

In their pursuit of economic viability and sustainability, many municipalities, especially capital towns, strive to meet the stringent requirements for cityhood. These municipalities often serve as service centers not only for their own residents but also for neighboring localities, yet they lack the fiscal and administrative capacities that city status would afford. According to the 2021 Provincial Summary of the Philippine Statistics Authority, 28 out of 81 provinces have no cities within their jurisdictions. Their historic, cultural, and economic capitals remain as municipalities, despite bearing provincial-level responsibilities.

REGION	PROVINCE	CAPITAL TOWN
Cordillera Administrative Region	Abra Apayao Ifugao Mountain Province	Bangued Kabugao Lagawe Bontoc

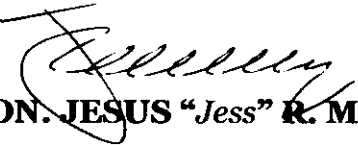
Cagayan Valley (Region II)	Batanes Nueva Vizcaya Quirino	Basco Bayombong Cabarroguis
Central Luzon (Region III)	Aurora	Baler
MIMAROPA (Region IV-B)	Marinduque Occidental Mindoro Romblon	Boac Mamburao Romblon
Bicol Region (Region V)	Camarines Norte Catanduanes	Daet Virac
Western Visayas (Region VI)	Aklan Antique Guimaras	Kalibo San Jose Jordan
Central Visayas (Region VII)	Siquijor	Siquijor
Eastern Visayas (Region VIII)	Biliran Northern Samar	Naval Catarman
Zamboanga Peninsula (Region IX)	Zamboanga Sibugay	Ipil
Northern Mindanao (Region X)	Camiguin	Mambajao
Davao Region (Region XI)	Compostela Valley Davao Occidental	Nabunturan Malita
SOCCSKSARGEN (Region XII)	Sarangani	Alabel
Caraga (Region XIII)	Dinagat Islands	San Jose
Bangsamoro Autonomous Region in Muslim Mindanao	Maguindanao Sulu Tawi-Tawi	Buluan Jolo Bongao

Accordingly, these capital towns often serve as vital centers of trade, tourism, and governance within their provinces. Despite these crucial roles, their corresponding NTA shares remain inadequate to fully support the provision of essential services and the implementation of devolved functions.

In this regard, there is a compelling need to revisit the provisions of Republic Act No. 9009, which amended the cityhood requirements under the Local Government Code. Specifically, an exemption should be granted to capital towns in provinces that do not have any component, independent component, or highly urbanized cities within their territorial jurisdiction. These capital towns should be allowed to convert into component cities even if they do not meet the current thresholds for income, land area, and population.

Such an exemption would provide these localities with enhanced access to fiscal resources and institutional support, enabling them to fulfill their roles more effectively and catalyze inclusive growth and development across the province.

Immediate approval of this bill is earnestly sought.


HON. JESUS “Jess” R. MARQUEZ

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Introduced by Representative **JESUS R. MARQUEZ**

AN ACT
AMENDING SECTION 450 OF REPUBLIC ACT NO. 7160, OTHERWISE
KNOWN AS THE LOCAL GOVERNMENT CODE, BY AUTOMATICALLY
CONVERTING CAPITAL TOWNS OF PROVINCES WITHOUT CITIES
CLASSIFIED EITHER HIGHLY URBANIZED CITIES, INDEPENDENT
COMPONENT CITIES, OR COMPONENT CITIES

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

SECTION 1. Section 450 of Republic Act No. 7160 as amended, 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) 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.

Provided, That 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 therein.

PROVIDED, FURTHER, THAT THE MINIMUM REQUIREMENTS PRESCRIBED HEREIN SHALL NOT APPLY IF A MUNICIPALITY TO BE CONVERTED INTO A CITY IS THE CAPITAL TOWN OF A

1 **PROVINCE HAVING NO CLASSIFIED CITIES WITHIN ITS**
2 **TERRITORIAL JURISDICTION.**

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

7 *(c) The average annual income shall include the income accruing to the general*
8 *fund, exclusive of s requisites for Creation."*

9 **Sec. 2. Repealing Clause.** – All laws, decrees, executive orders and regulations,
10 issuances or parts thereof inconsistent with his Act are hereby repealed or amended
11 accordingly.

12 **Sec. 3. Effectivity.** This Act shall take effect fifteen (15) days after its publication
13 in the Official Gazette or in a newspaper of general circulation.

Approved,