



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH (20TH) CONGRESS
First Regular Session

HOUSE BILL NO. 7876



Introduced by KAMANGGAGAWA Partylist
Representative **ELIJAH R. SAN FERNANDO**

EXPLANATORY NOTE

The 1987 Constitution mandates the State to promote social justice in all phases of national development and to reduce social, economic, and political inequalities. Article II, Section 9 directs the State to promote a just and dynamic social order that frees the people from poverty, while Article XIII obliges the State to ensure that the benefits of development are equitably shared. These constitutional principles require policies that address structural disparities that leave certain communities and workers at a persistent disadvantage.

Local government units are central to the realization of these mandates. Provincial capital towns, in particular, serve as centers of governance, commerce, and public service delivery. Yet currently, twenty eight (28) provinces have no component city, independent component city, or highly urbanized city within their jurisdiction.¹ These capital towns are therefore expected to perform city-level functions while remaining municipalities, operating under limited fiscal and institutional capacity.

Where a provincial capital municipality is classified as first-class by the Department of Finance and is certified by the Bureau of Local Government Finance to be less than fifty percent (50%) dependent on the National Tax Allotment (NTA), it has

¹ As of 2026, these are Abra, Apayao, Ifugao, Mountain Province, Batanes, Nueva Vizcaya, Quirino, Aurora, Marinduque, Occidental Mindoro, Romblon, Camarines Norte, Catanduanes, Aklan, Antique, Guimaras, Siquijor, Biliran, Northern Samar, Zamboanga Sibugay, Camiguin, Davao de Oro, Davao Occidental, Sarangani, Dinagat Islands, Maguindanao, Sulu, and Tawi-Tawi.

demonstrated fiscal self-reliance through the effective exercise of the extensive revenue-raising powers granted to local government units under the Local Government Code, including sustained collection efforts and the generation of income from both tax revenues and non-tax receipts. The continued classification of such a locality as a municipality under these circumstances results in a structural misalignment between its proven economic capacity and the scope of its institutional authority.

This structural gap has broader developmental implications. Without city status, economically capable capital municipalities are unable to fully maximize their fiscal powers, expand revenue bases, or access enhanced resource allocations available to cities. The absence of a city within a province limits its ability to establish a strong urban growth center that can attract investments, stimulate local industries, generate employment, and deliver higher-level public services. Consequently, economic activity and labor opportunities tend to concentrate in established metropolitan areas, perpetuating regional disparities and migration pressures.

By providing for the conversion of provincial capital municipalities that meet clearly defined fiscal criteria, specifically first-class income classification and less than fifty percent (50%) dependency on the NTA, this measure adopts an objective and performance-based approach to cityhood. It recognizes demonstrated economic viability as a basis for institutional upgrading, thereby ensuring that only fiscally capable and self-sustaining municipalities qualify.

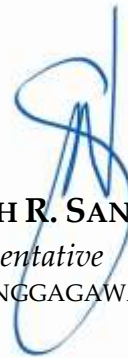
Cities receive a greater share of national tax allotments² and possess stronger capacity to stimulate local economies and deliver social services. Hence, when an entire province lacks a city, its working population is deprived of these developmental advantages. This inequity undermines the constitutional commitment to balanced regional development and weakens the State's duty to protect labor.

This measure seeks to correct this disparity by recognizing the central role of provincial capital towns in local and countryside development. By enabling their conversion into component cities under defined conditions, the State aligns institutional capacity with actual governance responsibilities. This policy strengthens local economies, expands fiscal space for public services, and promotes employment growth closer to where people live.

² For 2026, per Department of Budget and Management Local Budget Memorandum No. 926, P274.10 billion will be shared among 149 cities, while P404.49 billion is to be shared among 1,491 municipalities. On average, this corresponds to approximately P1.84 billion per city, compared to only P271.29 million per municipality.

By addressing a structural gap in the local government system, this proposal contributes to a more equitable national development framework that values labor, strengthens communities, and supports sustainable livelihoods across the country.

In solidarity with the working class, the passage of this bill is earnestly sought.



ELIJAH R. SAN FERNANDO

Representative

KAMANGGAGAWA PARTYLIST



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH (20TH) CONGRESS
First Regular Session

HOUSE BILL NO. 7876

Introduced by KAMANGGAGAWA Partylist
Representative **ELIJAH R. SAN FERNANDO**

AN ACT CONVERTING THE CAPITAL TOWN OF PROVINCES WITH LESS THAN FIFTY PERCENT (50%) DEPENDENCY IN NATIONAL TAX ALLOTMENT INTO A COMPONENT CITY, AMENDING FOR THE PURPOSE SECTION 450 OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE "LOCAL GOVERNMENT CODE OF 1991," AS AMENDED BY REPUBLIC ACT NO. 9009, AS FURTHER AMENDED BY REPUBLIC ACT NO. 11683

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

SECTION 1. *Conversion.* Section 450 of Republic Act No. 7160, otherwise known as the "Local Government Code of 1991," as amended by Republic Act No. 9009, as further amended by Republic Act No. 11683, 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 (P100,000,000.00) 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 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 Philippine Statistics Authority (PSA).

"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 herein.

"A municipality or a cluster of barangays with a locally generated average annual income, as certified by the Department of Finance, of at least Four hundred million pesos (P400,000,000.00) for the last two (2) consecutive years based on 2012 constant prices may also be converted into a component city if it has either a population of not less than one hundred thousand (100,000) inhabitants as certified by the PSA or a contiguous territory of at least one hundred (100) square kilometers, as certified by the Land Management Bureau; *Provided, That three (3) years after the effectivity of this Act and every three (3) years thereafter. the threshold amount of Four hundred million pesos (P400,000,000.00) shall be increased by five percent (5%).*

"THE REQUIREMENT ON INCOME, POPULATION, AND LAND AREA PRESCRIBED HEREIN SHALL NOT APPLY IF A MUNICIPALITY TO BE CONVERTED INTO A CITY IS:

“(I) THE CAPITAL TOWN OF ANY PROVINCE;

"(II) A FIRST CLASS MUNICIPALITY AS CERTIFIED BY THE DEPARTMENT OF FINANCE (DOF), IN ACCORDANCE WITH REPUBLIC ACT NO. 11964, OTHERWISE KNOWN AS THE 'AUTOMATIC INCOME CLASSIFICATION OF LOCAL GOVERNMENT UNITS ACT'; AND

“(III) LESS THAN FIFTY PERCENT (50%) DEPENDENT ON THE NATIONAL TAX ALLOTMENT (NTA) BASED ON THE AVERAGE OF THE LAST THREE (3) CONSECUTIVE YEARS, AS CERTIFIED BY THE THE BUREAU OF LOCAL GOVERNMENT FINANCE (BLGF).

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

“(c) The average annual income shall include the income accruing to the general fund, exclusive of specific funds, transfers, and non-recurring income.

"(d) In order to minimize the effect of conversion, the newly converted cities shall, upon enactment of this Act, bring their respective allotment derived from the national taxes as municipalities to the allotment of cities: *Provided*, That said portability shall be effective for a period of three (3) years from conversion into cityhood."

SECTION 2. *Repealing Clause.* - All other laws, decrees, executive orders, implementing rules and regulations, issuances, or any part thereof inconsistent with the provisions of this Act are hereby repealed, amended, or modified accordingly.

SECTION 3. *Separability Clause.* - If any provision of this Act is declared unconstitutional, the remaining parts or provisions hereof not affected thereby shall remain in full force and effect. Approved,

SECTION 4. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication, in English and Filipino, in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,