

SENATE
Senate Bill No. **255**

'19 JUL -8 P2:08

Introduced by SENATOR LACSON

RECEIVED BY: 

AN ACT
EXEMPTING FROM THE POPULATION AND LAND AREA
REQUIREMENTS THE CONVERSION OF A MUNICIPALITY INTO A
COMPONENT CITY IF IT HAS A LOCALLY GENERATED AVERAGE
ANNUAL INCOME OF AT LEAST TWO HUNDRED FIFTY MILLION
PESOS (P250,000,000.00) AND ADOPTING IRA PORTABILITY FOR
EVERY SUBSEQUENT CONVERSION OF A MUNICIPALITY INTO A
CITY, AMENDING FOR SUCH PURPOSE SECTION 450 OF REPUBLIC
ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT
CODE OF 1991

EXPLANATORY NOTE

This bill was originally the consolidated bill filed during the Second Regular Session of the Seventeenth Congress. It was approved on third reading by the House of representatives and transmitted to the Senate. In the Senate, the Committee on Local Government chaired by Senator Juan Edgardo M. Angara submitted a counterpart measure docketed as Senate Bill No.1842 as contained under Committee Report No. 396 with this representation, Antonio F. Trillanes, Juan Edgardo M. Angara, Richard J. Gordon, Juan Miguel F. Zubiri as authors thereof. Said bill was pending on second reading when the Seventeenth Congress adjourned last June 7, 2019.

The primordial reason for converting a municipality or cluster of barangays into a city is to ensure its economic viability (*Latasa v Commission on Elections*, G.R. No. 154829, December 10, 2003). As a general rule, the creation of a local government unit or its conversion from one level into another shall be based on verifiable indicators or viability and projected capacity to provide services, specifically income, population and land area (Section 7, R.A. No. 7160, Local Government Code of 1991).

Among the three, there is no doubt that the income requirement is the most controlling. In recognition of such fact, the Code sets forth the following criterion: Income – It must be sufficient, based on acceptable standards, to provide for all essential facilities and services and special functions commensurate with the size of its population, as expected of the local government unit concerned (Section 7(a), *supra*).

With regard to the population requirement, the Code merely provides, to

wit: Population – It shall be determined as the total number of inhabitants, within the territorial jurisdiction of the local government unit concerned (Section 7(b), *supra*).

And lastly, with regards to the land area, the Code merely requires that the same be contiguous; properly identified by metes and bounds; and more importantly, must be sufficient to provide for such basic services and facilities to meet the requirements of its populace (Section 7(c), *supra*).

As our law stands today, before a municipality or cluster of barangays could be converted into a component city, it must have an annual income of at least One Hundred Million Pesos (P100,000,000.00) and a territory of at least one hundred (100) square kilometers or a population of not less than one hundred fifty thousand (150,000) (Sec. 450, R.A. No. 7160, Local Government Code, as amended by R.A. 9006).

However, there are some municipalities which, though not compliant with the population and income requirement, have nevertheless demonstrated unquestionable capacity to provide essential government facilities, social services to its inhabitants, comparable or even superior to that of existing cities.

As we all know, living in a city has its corresponding economic advantage. Thus, it would be utterly unfair to the inhabitants of municipalities to forever foreclose their right to the benefits of cityhood simply because such municipalities' land area and population is less than that required under the Local Government Code.

While there is no hard and fast rule to determine the optimum populace or land area for a city, applying the principles of political law for the creation of a sovereign state, the population must be numerous enough and able to procreate in order to ensure perpetuation of the political entity. With regards to its land area, the same must be large enough to be able to sufficiently provide for its people.

Noteworthy are the small states, specifically: *Monaco*, a tiny state along the French Riviera which has an area of just 0.7 square miles (1.81 sq. km.) and a population of just 32,000. The island state of *Nauru*, became independent in 1968, and has an area of just 8.5 square miles (22 sq. km.) and a population of just 13,000. *Tuvalu*, formerly known as Ellice Islands, gained its independence in 1978, and has an area of just 9 square miles (23.3 sq. km.) and a population of 12,000. *San Marino*, located at Mt. Titano in north central Italy, which has an area of just 24 square miles (62.13 sq. km.) and a population of just 29,000.

If the above political entities have attained their status as an independent state despite its small population and land area, all the more reason for municipalities which have time and again demonstrated their capacity to thrive despite their small population and land area to be allowed to upgrade its status to that of a city.

To allay the fear of the league of cities that said conversion will adversely affect the IRA share of their members, this bill introduces the concept of IRA Portability allowing these municipalities to bring their current IRA with them after their conversion. With existing cities retaining their present share in the IRA

shares, with a minimal decrease due to the corresponding increase in the IRAs of the converted municipalities, the adverse effects of the numerous conversions of municipalities qualified under this bill's proposed exemption will be avoided.

Further, to emphasize, this proposed bill provides just an exception to the general rule. The general rule remains – that for creation of or conversion into a city, a municipality must have an income of at least P100,000,000.00 *and* a land area of at least 100 square kilometers of population of at least 150,000. The exception is that, if the municipality generates a local income of at least double than that of the general rule, that is, Two Hundred Fifty Million Pesos (P250,000,000.00), then it is qualified to be converted into a city without regard to the size of its land area or population.

In view thereof, support and approval of this measure is earnestly sought


PANFILO M. LACSON
Senator

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ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT
CODE OF 1991

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

1 **SECTION 1.** Section 450 of Republic Act No. 7160 as amended, otherwise
2 known as the Local Government Code of 1991, as amended by Republic Act No.
3 9009, is hereby further amended to read as follows:
4

5 “ SEC. 450. *Requisites for Creation* – (a) A municipality or a cluster of
6 barangays may be converted into a component city if it has a locally
7 generated average annual income, as certified by the Department of
8 Finance, of at least One hundred million pesos (P100,000,000.00) for the
9 last two (2) consecutive years based on [2000] **2012** constant prices, and if
10 it has either of the following requisites:

11 (i) Contiguous territory of at least one hundred (100) square
12 kilometers, as certified by the Lands Management Bureau; or

13 (ii) a population of not less than one hundred fifty thousand
14 (150,000) inhabitants, as certified by the [National Statistics Office]
15 **PHILIPPINE STATISTICS AUTHORITY (PSA).**

16 “PROVIDED, THAT, the creation thereof shall not reduce the land
17 area, population and income of the original unit or units at the time
18 of said creation to less than the minimum requirements prescribed
19 herein.

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1 "A MUNICIPALITY OR A CLUSTER OF BARANGAYS
2 WITH A LOCALLY GENERATED AVERAGE ANNUAL
3 INCOME, AS CERTIFIED BY THE DEPARTMENT OF
4 FINANCE, OF AT LEAST TWO HUNDRED FIFTY MILLION
5 PESOS (P250,000,000.00) FOR THE LAST TWO (2)
6 CONSECUTIVE YEARS BASED ON 2012 CONSTANT
7 PRICES MAY ALSO BE CONVERTED INTO A
8 COMPONENT CITY IF IT HAS EITHER A POPULATION
9 OF NOT LESS THAN ONE HUNDRED THOUSAND
10 (100,000) INHABITANTS AS CERTIFIED BY THE PSA OR A
11 CONTIGUOUS TERRITORY OF AT LEAST ONE HUNDRED
12 (100) SQUARE KILOMETERS, AS CERTIFIED BY THE
13 LAND MANAGEMENT BUREAU: PROVIDED THAT,
14 THREE (3) YEARS AFTER THE EFFECTIVITY OF THIS
15 ACT AND EVERY THREE (3) YEARS THEREAFTER, THE
16 THRESHOLD AMOUNT OF TWO HUNDRED FIFTY
17 MILLION PESOS (P250,000,000.00) SHALL BE INCREASED
18 BY FIVE PERCENT (5%). PROVIDED, FURTHER, THAT
19 THE NEWLY CONVERTED CITIES FROM THE
20 ENACTMENT OF THIS ACT SHALL BRING THEIR IRA
21 SHARE AS MUNICIPALITIES TO THE IRA SHARE OF
22 CITIES TO MINIMIZE THE EFFECT OF CONVERSION."
23

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

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

32 **SEC. 2. Separability Clause** - If any provision of this Act shall be declared
33 invalid or unconstitutional, the remaining part or provisions not otherwise affected
34 shall remain in force.

35
36 **SEC. 3. Repealing Clause** - Any law, decreed, ordinance, administrative
37 circulars not consistent with any provision of this Act is hereby amended, repealed
38 or modified accordingly.

39
40 **SEC. 4. Effectivity** - This Act shall take effect fifteen (15) days after its
41 complete publication in the Official Gazette or in at least two (2) newspapers of
42 general circulation.

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44 Approved,
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