



# LEAGUE OF CITIES OF THE PHILIPPINES

Unit J & K, 7th Floor, CyberOne Building, Eastwood Avenue, Bagumbayan, Quezon City, Philippines 1110

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URL: <http://www.lcp.org.ph>

August 24, 2018

**Honorable Sherwin T. Gatchalian**

Senator

Senate of the Philippines

**Dear Sen. Gatchalian,**

We are grateful for the time you have graciously allotted to discuss the impact of Senate Bill No. (SBN) 1842 to the existing 145 cities in the country. Further to our discussion, we are pleased to forward the following data to support our position that:

*The proposed exemption under SBN 1842 violates equal protection through arbitrary and unreasonable favoritism that will inevitably result to the unequitable distribution among cities of the just share in national wealth. It will exacerbate the fiscal imbalance within cities and will affect cities that need the resources the most.*

We support the dream of every municipality to become a city. We remain, however, that the proposed exemption if passed is a dangerous precedent. The current conversion requirements provided for in the Local Government Code (LGC) is a valid classification that stems from Section 10 Article X of the Constitution which requires Congress to provide **uniform and non-discriminatory criteria for conversion** of a Local Government Unit (LGU). Thus, in Section 7 of the LGC, Congress established the verifiable indicators for conversion which it determined as reasonably appropriate and there was general agreement that there cannot be a single indicator to capture the crucially important and essential aspects that are representative of what makes a city different from a municipality or cluster of barangays. The confluence of the essential physical attributes of a LGU pertaining to land area or population together with income provides a baseline status.

While considerable income ensures fiscal viability, the heart of a city is its immensely growing population or its vast territory. This is further cemented in the IRA formula found in Section 285 of the LGC and the rationale behind the same. It validates the importance of population by giving it fifty percentile (50%) weight in the distribution of the IRA. Different levels of local government units are given their own share in the entire pie to distribute amongst its peers because of the varying degree of functions to be carried out. Cities are burdened with additional responsibilities to its constituents under Section 17 of the LGC. Cities are expected to provide adequate communication and transportation facilities and provide support for education, police, and fire services and facilities.



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## ***SBN 1842 will exacerbate the fiscal imbalance among cities.***

As the criteria for conversion of a local government unit is unavoidably linked to the distribution of the IRA, the proposed exemption to favor a few municipalities (and cluster of barangays) will create a fiscal imbalance among the existing cities and worse, will affect cities that need the resources the most. This prognosis is based on the already existing fiscal imbalance consequent to the very first exemption to the conversion requirements under the LGC which resulted in the cityhood of 16 former municipalities in 2011. The constituents of the 16 cities are better-off in terms of the amount of money that their local governments can spend on them, compared with the 16 highly-populated cities where the IRA per capita is significantly lower as shown in Table 1. This is inconsistent with the intent of the IRA formula sharing wherein more weight is given to population at 50%. The intention is to channel more government resources to areas where there are more people. The disservice continues in the 2019 IRA per capita computation wherein the 16 cities maintain higher IRA per capita compared to 16 highly-populated cities.

*Tables 1-2: IRA per capita of 16 cities via Cityhood bills  
vs. IRA per capita of 16 highly-populated cities, 2016 & 2019*

2016 IRA Per Capita			
16 Cities		16 Highly-Populated Cities	
Borongan	₱9,142.13	Quezon	₱1,470.76
Tandag	₱8,553.12	Manila	₱1,480.83
Bayugan	₱8,098.69	Caloocan	₱1,509.68
Tabuk	₱7,721.49	Taguig	₱1,642.46
Lamitan	₱7,394.53	Pasig	₱1,663.99
Cabadbaran	₱7,057.54	Paranaque	₱1,702.43
Batac	₱6,976.25	Makati	₱1,719.64
El Salvador	₱6,736.43	Valenzuela	₱1,727.83
Guihulngan	₱6,322.37	Las Piñas	₱1,729.62
Baybay	₱6,184.43	Bacoor	₱1,738.84
Mati	₱5,769.97	Dasmariñas	₱1,754.20
Catbalogan	₱5,141.03	Muntinlupa	₱1,801.23
Tayabas	₱4,979.66	Cebu	₱1,820.27
Bogo	₱4,791.51	Marikina	₱1,824.02
Carcar	₱3,681.98	San Jose DM	₱1,831.72
Naga	₱3,666.99	Pasay	₱1,848.70





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2019 IRA Per Capita <sup>1</sup>			
16 Cities		16 Highly-Populated Cities	
Borongan	₱ 10,813.25	Quezon	₱ 1,727.74
Tandag	₱ 10,116.57	Manila	₱ 1,751.51
Bayugan	₱ 8,746.20	Caloocan	₱ 1,785.64
Tabuk	₱ 9,132.93	Taguig	₱ 1,942.70
Lamitan	₱ 8,669.19	Pasig	₱ 1,968.16
Cabadbaran	₱ 8,347.62	Paranaque	₱ 2,013.62
Batac	₱ 8,251.47	Makati	₱ 2,033.98
El Salvador	₱ 7,967.81	Valenzuela	₱ 2,043.66
Guihulngan	₱ 7,478.06	Las Piñas	₱ 2,045.78
Baybay	₱ 7,314.91	Bacoor	₱ 2,056.69
Mati	₱ 6,824.69	Dasmariñas	₱ 2,074.85
Catbalogan	₱ 6,080.78	Muntinlupa	₱ 2,130.48
Tayabas	₱ 5,889.92	Cebu	₱ 2,153.00
Bogo	₱ 5,667.37	Marikina	₱ 2,157.44
Carcar	₱ 4,355.03	San Jose DM	₱ 2,166.55
Naga	₱ 4,337.30	Pasay	₱ 2,186.63

If passed, SBN 1842 will *exacerbate* the existing fiscal imbalance because municipalities that do not have the necessary land area or population, but at least 250 million local income, will take from the IRA slice of existing cities that have the corresponding population to serve, land to develop, or both by virtue of complying with the requirement of the LGC.

### ***SBN 1842 will cripple cities that are highly IRA dependent.***

In the simulation conducted by the LCP, cities that are at least 80% IRA dependent will lose between Four Million Pesos (₱ 4,000,000.00) to Ten Million Pesos (₱ 10,000,000.00) if we allow the proposed exemption. Given their high IRA dependency ratio, every peso counts for these cities.

<sup>1</sup> This is based from the 2019 IRA computation furnished by the Local Government and Regional Coordination Bureau of the Department of Budget and Management.



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*Table 3: Cities with at Least 80% IRA Dependency Ratio and the Impact of the Conversion of Carmona, Rosario, and Malay*

#	CITY	IRA Dependency Ratio <sup>2</sup>	2016 IRA Reduction with CRM	2019 IRA Reduction with CRM
1	SIPALAY	97%	₱ 4,851,517.31	₱ 5,738,344.90
2	HIMAMAYLAN	96%	₱ 5,157,965.86	₱ 6,100,810.36
3	GUIHULNGAN	96%	₱ 5,083,401.21	₱ 6,012,615.75
4	DAPITAN	95%	₱ 4,968,092.92	₱ 5,876,229.81
5	PALAYAN	95%	₱ 4,345,358.59	₱ 5,139,663.47
6	TABUK	95%	₱ 5,496,033.25	₱ 6,500,674.40
7	ISABELA	95%	₱ 5,077,610.31	₱ 6,005,766.31
8	BAYAWAN	95%	₱ 5,557,687.77	₱ 6,573,598.98
9	LAMITAN	94%	₱ 4,869,013.20	₱ 5,759,038.93
10	MARAWI	94%	₱ 5,721,891.31	₱ 6,767,817.92
11	BORONGAN	93%	₱ 4,932,153.57	₱ 5,833,720.97
12	CADIZ	93%	₱ 5,715,905.26	₱ 6,760,737.65
13	TANJAY	93%	₱ 4,846,814.74	₱ 5,732,782.72
14	CALBAYOG	92%	₱ 6,294,253.17	₱ 7,444,804.02
15	BAYUGAN	92%	₱ 5,421,205.72	₱ 6,412,168.85
16	ESCALANTE	92%	₱ 4,887,440.07	₱ 5,780,834.12
17	CANLAON	91%	₱ 4,525,515.20	₱ 5,352,751.60
18	MATI	91%	₱ 5,657,265.70	₱ 6,691,379.15
19	MALAYBALAY	91%	₱ 6,295,626.11	₱ 7,446,427.92
20	BAYBAY	91%	₱ 5,264,660.85	₱ 6,227,008.54
21	TANDAG	90%	₱ 4,652,320.91	₱ 5,759,038.93
22	CABADBARAN	90%	₱ 4,819,309.41	₱ 5,700,249.59
23	KABANKALAN	89%	₱ 6,111,648.74	₱ 7,228,820.62
24	BAGO	89%	₱ 5,716,324.95	₱ 6,761,234.06
25	BISLIG	89%	₱ 5,018,958.80	₱ 5,936,393.67
26	TAYABAS	89%	₱ 4,971,800.53	₱ 5,880,615.15
27	OROQUIETA	88%	₱ 4,727,332.14	₱ 5,591,459.44
28	GINGOOG	88%	₱ 5,496,210.35	₱ 6,500,883.87
29	LIGAO	88%	₱ 5,086,715.24	₱ 6,016,535.56
30	ILAGAN	88%	₱ 6,225,214.00	₱ 7,363,144.91
31	SAGAY	88%	₱ 5,464,688.89	₱ 6,463,600.47
32	TABACO	88%	₱ 5,162,051.39	₱ 6,105,642.70

<sup>2</sup> Based on the 2016 Statement of Receipts and Expenditures from the Bureau of Local Government Finance.





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33	SAMAL	87%	₱ 5,073,854.72	₱ 6,001,324.22
34	CATBALOGAN	87%	₱ 5,046,913.53	₱ 5,969,458.35
35	MUNOZ	87%	₱ 4,751,412.55	₱ 5,619,941.60
36	EL SALVADOR	87%	₱ 4,428,905.76	₱ 5,238,482.55
37	SILAY	86%	₱ 5,196,604.98	₱ 6,146,512.47
38	SORSOGON	86%	₱ 5,603,764.35	₱ 6,628,098.08
39	TANGUB	86%	₱ 4,591,520.33	₱ 5,430,822.07
40	SANTIAGO	86%	₱ 5,297,241.89	₱ 6,265,545.19
41	PASSI	85%	₱ 4,824,305.18	₱ 5,706,158.55
42	MASBATE	85%	₱ 4,894,474.63	₱ 5,789,154.55
43	BOGO	85%	₱ 4,667,758.63	₱ 5,520,996.25
44	GAPAN	84%	₱ 5,001,764.60	₱ 5,916,056.47
45	MAASIN	84%	₱ 4,831,269.42	₱ 5,714,395.82
46	VICTORIAS	84%	₱ 4,780,444.53	₱ 5,654,280.45
47	IRIGA	84%	₱ 4,989,489.24	₱ 5,901,537.25
48	SAN CARLOS, P	83%	₱ 5,682,406.38	₱ 6,454,681.56
49	CARCAR	83%	₱ 5,038,962.91	₱ 5,960,054.41
50	BAIS	83%	₱ 4,850,133.93	₱ 5,736,708.64
51	TALISAY	83%	₱ 5,901,664.22	₱ 6,980,452.21
52	VALENCIA	83%	₱ 6,104,168.85	₱ 7,219,973.45
53	COTABATO	83%	₱ 6,646,968.12	₱ 7,861,993.10
54	P. PRINCESA	81%	₱ 8,285,922.09	₱ 9,800,537.79
55	TACURONG	80%	₱ 4,888,043.01	₱ 5,781,547.28
56	ALAMINOS	80%	₱ 4,823,606.85	₱ 5,705,332.57

The paradox is, Carmona, Malay, and Rosario—the municipalities that will immediately benefit from the passage of SBN 184, as identified in the July 25<sup>th</sup> sponsorship speech of Senator Angara, have IRA dependency ratio of merely 25%, 21%, and 25% respectively.

Table 4 below illustrates that the IRA of the three (3) municipalities is projected to triple by virtue of SBN 1842. Given their low IRA dependency ratio, even for city standards, these municipalities would get additional resources they do not need, at the expense of existing cities that need them more.

*Table 4: Projected IRA of Carmona, Rosario, and Malay  
(based on 2016 IRA)*

<b>AS MUNICIPALITIES</b>			
	<b>Total IRA</b>	<b>IRA Per Capita</b>	<b>IRA Per SqKm</b>
<b>Carmona</b>	₱ 128,646,258.00	₱ 1,318.68	₱ 4,324,243.97
<b>Rosario</b>	₱ 151,410,000.00	₱ 1,552.02	₱ 19,896,189.22
<b>Malay</b>	₱ 93,410,000.00	₱ 957.49	₱ 8,762,664.17



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	Total Income <sup>3</sup>	Per Capita	Per SqKm
<b>Carmona</b>	₱ 574,322,158.54	₱ 5,887.04	₱ 19,304,946.51
<b>Rosario</b>	₱ 290,032,720.89	₱ 2,804.19	₱ 38,112,052.68
<b>Malay</b>	₱ 452,979,241.33	₱ 7,745.27	₱ 42,493,362.23
PROJECTED IRA PER CAPITA AS CITIES			
	Total IRA	IRA Per Capita	IRA Per SqKm
<b>Carmona</b>	₱ 342,166,711.82	₱ 3,507.35	₱ 11,501,402.08
<b>Rosario</b>	₱ 343,824,529.97	₱ 3,105.74	₱ 45,180,621.55
<b>Malay</b>	₱ 267,882,586.62	₱ 5,056.96	₱ 25,129,698.56
	Total Income	Per Capita	Per SqKm
<b>Carmona</b>	₱ 787,842,612.36	₱ 8,075.72	₱ 26,482,104.62
<b>Rosario</b>	₱ 482,447,250.86	₱ 4,357.91	₱ 63,396,485.00
<b>Malay</b>	₱ 627,451,827.95	₱ 11,844.75	₱ 58,860,396.62

With their projected IRA per capita at ₱ 3,507.353 and ₱ 3,105.74 shown in Table 4, Carmona and Rosario are near the IRA per capita threshold of ₱3,556 pesos. In simpler terms, the two municipalities are expected to have more money to spend on each of their constituents compared with half of the existing cities. With projected IRA per capita of ₱ 5,056.96, Malay is above the threshold and would surpass more than half of the existing cities.

The imbalance is even more glaring when examined in terms of fiscal capacity for land development. With IRA per square kilometer ranging from 11 million to 25 million (see Table 4), the three municipalities will exceed half the existing cities (see median IRA per SQKM on Table 5), in terms of capacity for land development per square kilometer.

Table 5: 2016 IRA in an SBN 1842 simulation  
(145 CITIES PLUS Carmona, Rosario, and Malay)

	IRA TOTAL	IRA PER CAPITA	IRA PER SQKM
<b>MINIMUM</b>	₱ 279,653,756.35	₱ 1,460.73	₱ 953,407.22
<b>MEDIAN</b>	₱ 609,061,412.14	₱ 3,556.02	₱ 3,144,293.45
<b>MAXIMUM</b>	₱ 4,288,878,342.49	₱ 9,070.95	₱ 104,755,314.70

Notably, even more dangerous is that the proposed exemption based solely on income further qualifies, among others, Barangay Bel-air of Makati City to become a city as soon as it clusters with Barangay Urdaneta. What happens now to Makati City, Quezon, City, Pasig City, and Mandaluyong City where you can find a locus of richer barangays?

<sup>3</sup> Total Income is local income plus IRA.





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## HAVING SAID THESE, LCP STANDS WITH THE WISDOM OF THE ARCHITECTS OF THE LOCAL GOVERNMENT CODE: LAND AREA AND POPULATION ARE ESSENTIAL.

Simply put, cities with bigger land area to develop or larger population to serve need more money (IRA) to be able to do its responsibilities. The same logic is carried out in the deliberation of the LGC when Senator Pimentel argued the importance of land area and population in the IRA formula to spur development.

Senator Pimentel: Mr. President, there is no question that the population, people, in other words, always are more important than anything else. On the other hand, when the land area is rather large, one the of the reasons that the area remains undeveloped is precisely the lack of financial support from the government. It is hoped that by increasing the percentage allotment on the basis of the land area, the National Government would thereby allow local government unit to put in the necessary infrastructure covering the land area so that it can be more accessible to the needs of development.

### **Current city conversion requirements are attainable.**

Further, LCP would like to emphasize time and again that the twin requirement in converting a municipality to a city is attainable. In fact, following the passage of Republic Act (RA) 9009 that increased the local income requirement to 100 million prescribed under the Local Government Code, at least **thirty-five (35) municipalities** have become ripe for cityhood and can convert anytime they desired so.

*Table 6: Municipalities Compliant for Cityhood  
under the Local Government Code, as amended by RA 9009*

Municipality	2016 Local Income <sup>4</sup> (Million Pesos)	Population <sup>5</sup>	Land Area <sup>6</sup> (Km <sup>2</sup> )
1. Cainta	579.11	322,128	42.99
2. Limay	443.47	68,071	103.60
3. Mariveles	393.05	127,536	153.90
4. Taytay	367.66	319,104	38.80
5. Sto. Tomas <sup>7</sup>	315.73	179,844	95.41
6. Marilao	315.26	221,965	33.47
7. Calaca	308.41	81,859	114.58
8. Masinloc	290.04	47,719	316.02
9. Silang	233.34	248,085	209.43
10. Mauban	232.66	63,819	415.98

<sup>4</sup> Source: [www.blgf.gov.ph](http://www.blgf.gov.ph). 2016 Fiscal Data of LGUs

<sup>5</sup> Source: [www.psa.gov.ph](http://www.psa.gov.ph). 2015 Census on Population

<sup>6</sup> Source: various

<sup>7</sup> On-going plebiscite.



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11. Santa Maria	231.87	30,830	108.4
12. Polomolok	206.64	152,589	339.97
13. Mexico	199.39	154,624	117.41
14. Baliuag	204.40	149,954	45.05
15. Norzagaray	191.21	111,348	309.77
16. San Mateo	189.57	252,527	55.09
17. Binangonan	188.83	282,474	66.34
18. Valencia	183.18	34,852	147.49
19. Tanay	177.68	117,830	200
20. Tanza	160.36	226,188	78.33
21. Rodriguez	149.89	369,222	172.65
22. Nasugbu	144.99	134,113	278.51
23. Bataraza	144.09	75,468	726.2
24. Sual	139.52	34,149	130.16
25. Tagoloan	137.59	73,150	117.73
26. San Idefonso	137.22	104,471	128.71
27. Consolacion	130.50	131,528	147.2
28. Kasibu	127.64	37,705	318.8
29. Aroroy	123.41	86,168	440.3
30. Languyan	119.22	33,494	581.2
31. El Nido	113.19	41,606	923.26
32. Oslob	112.77	27,893	134.75
33. Santo Tomas	111.51	118,750	221.8
34. Manolo Fortich	102.83	100,210	413.6
35. Pagbilao	100.12	75,023	170.96

With the introduction of the 35 municipalities to the roster of cities, the League estimates that the existing cities will experience an IRA reduction ranging from 48million pesos to 569 million pesos. Davao City is set to lose the most when these municipalities convert into cities. The conversion of these municipalities is allowed by existing laws.

As such, the League does not see any compelling reason for the exemption. There are other ways within the bounds of existing laws. Historically, municipalities amalgamate to meet the land area requirement as evidenced by the experiences of Island Garden City of Samal, wherein three municipalities set-aside their political ambition for a chance to become a city, and Sorsogon City when it merged with Bacon District. Still, some cities that cannot meet the land area requirement decided to attract more settlers in their area to meet the population requirement of 150,000 inhabitants by participating in *Balik Probinsiya Program*. By simply letting population go its natural course, it will be just be a matter of time before any of the three municipalities seeking exemption can comply with the population requirement of conversion.





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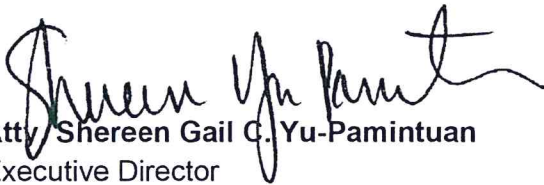
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The question now is, **why the exemption?** Exceptions are discriminatory and must have substantial and compelling reason to discriminate in favor of one group over others. Is exceptionally high income compelling enough to remove the uniformity of the criteria and reduce the same to mere substantial compliance at the disadvantage of existing cities?

Exempting a municipality or a cluster of barangays from the population and land area requirement simply because it has a high income is tantamount to creating a virtual city that has too much resources, but without a land to develop or a population to serve. When steering the direction of public resources, the government should be guided by the 'law of numbers', may it be people or land. SBN 1842 will take us in a contrary course. Having presented these arguments, we implore you and other honorable members of the Senate to consider who ultimately gets served with the proposed exemption under SBN 1842.

Thank you for the time and consideration.

Very truly yours,



Atty. Shereen Gail C. Yu-Pamintuan  
Executive Director



Ma. Veronica C. Hitois

Deputy Executive Director for Policy and Programs



Segfrey D. Gonzales  
Policy Officer