

Title: Province of Batangas v. Executive Secretary Alberto G. Romulo et al.

Facts:

- Background:** The Province of Batangas, represented by its Governor Hermilando I. Mandanas, filed a petition challenging certain appropriations in the General Appropriations Acts (GAA) of 1999, 2000, and 2001 that earmarked five billion pesos of the Internal Revenue Allotment (IRA) for the Local Government Service Equalization Fund (LGSEF). Petitioner contends this was unconstitutional and violated their right to automatic release of funds as per the Local Government Code of 1991.
- Executive Orders and Resolutions:** On December 7, 1998, President Joseph Ejercito Estrada issued Executive Order No. 48 establishing a program for devolution adjustment and equalization, creating the Devolution Adjustment and Equalization Fund. Subsequently, the Oversight Committee on Devolution (OCD) formulated resolutions governing the implementation and distribution of the LGSEF.
- GAA of 1999, 2000, and 2001:**
 - 1999:** Republic Act No. 8745 allocated P5 billion of the IRA to the LGSEF, to be distributed under guidelines set by the Oversight Committee.
 - 2000:** Republic Act No. 8760 similarly earmarked P5 billion of the IRA to the LGSEF, adopting a different allocation scheme.
 - 2001:** The re-enacted GAA of 2000 included the same proviso for the LGSEF.
- OCD Resolutions:**
 - Various resolutions (OCD-99-003, OCD-99-005, OCD-99-006, OCD-2000-023, OCD-2001-029, OCD-2002-001) formulated rules for the allocation and release of the earmarked funds.
- Governor Mandanas' Challenge:** Governor Mandanas argued that these acts violated the automatic release provision of the LGUs' shares in national taxes as mandated by Section 6, Article X of the Constitution and Sections 18 and 286 of the Local Government Code. He sought relief from these conditions through the Supreme Court.

Issues:

- Constitutional Validity:** Whether the GAAs' provisos earmarking portions of the IRA to LGSEF and the OCD resolutions infringe upon the constitutional requirement of automatic release of LGUs' shares in national taxes.
- Legislation vs. Appropriation:** Whether the GAAs are an appropriate legislative tool to amend provisions of the Local Government Code regarding the automatic release and allocation of IRA.
- Procedural Issues:** Whether the petitioner has the locus standi to file the suit and if

the case has become moot due to the release of funds for the contested years.

Court's Decision:

1. **Standing and Justiciability:** The Supreme Court ruled that the petitioner had the standing to confront the alleged constitutional violation, recognizing the significant impact on the fiscal autonomy of the LGUs. The case was deemed not moot since the underlying issues were “capable of repetition, yet evading review.”

2. **Substantive Ruling:**

- **Automatic Release of Funds:** The Court emphasized that Section 6, Article X of the Constitution required the just share of LGUs in national taxes to be automatically and directly released to them. The contested earmarking and guidelines by the OCD that conditioned the release of funds violated this provision.

- **Non-delegation of Legislative Power:** The just share in national taxes, including the IRA, must be allocated based on statutory directives (Local Government Code, Section 285), and temporary conditions set forth in appropriations laws constituted an unauthorized modification of substantive law.

- **Separation of Powers:** Amending the Local Government Code should be done through separate legislation and not through the provisions in the GAA, as it altered the fixed allocation formula, conflicted with the principle of fiscal autonomy, and undermined local government's ability to plan and manage their affairs autonomously.

3. **Relief:** The Supreme Court declared the contested provisos in the GAAs of 1999, 2000, and 2001, and the OCD Resolutions as unconstitutional, mandating adherence to the Local Government Code's provision of the automatic release of the just share of LGUs.

Doctrine:

1. **Automatic Release Doctrine:** The IRA (just share of LGUs in national taxes) must be automatically released as stated in the Constitution (Section 6, Article X) and Local Government Code (Sections 18 and 286).

2. **Legislation vs. Appropriations:** Appropriations laws cannot amend or alter substantive laws such as the Local Government Code's provisions on the IRA.

Class Notes:

- **Local Autonomy:** LGUs must have a guaranteed automatic release of their share in national revenues.

- **Constitutional Mandate:** The “just share” of LGUs in national taxes must be released without the imposition of additional conditions.

- **Fiscal Autonomy:** Any modification to the allocation of IRA must be made via proper

legislative amendments, not appropriations acts.

- **Key Legal Statutes:**

- Section 6, Article X of the 1987 Constitution (Just Share in National Taxes)
- Sections 18 and 286, Republic Act No. 7160 (Local Government Code of 1991).

Historical Background:

- **Local Government Code:** Implemented to enforce fiscal autonomy and decentralization in the Philippines' governance framework.
- **Financial Autonomy Evolution:** Local governments attained progressively greater fiscal powers and autonomy, reaffirmed in subsequent legislative and judicial interpretations.
- **Court's Role:** Ensuring that local autonomy is respected by scrutinizing legislative and executive actions that infringe upon constitutionally guaranteed fiscal rights of LGUs.