

SENATOR HEHERSON T. ALVAREZ, SENATOR JOSE D. LINA, JR., MR. NICASIO B. BAUTISTA, MR. JESUS P. GONZAGA, MR. SOLOMON D. MAYLEM, LEONORA C. MEDINA, CASIANO S. ALIPON, PETITIONERS, ...

G.R. No. 118303. January 31, 1996

Ponente: HERMOSISIMA, JR., J.

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HERMOSISIMA, JR., J.:

Of main concern to the petitioners is whether Republic Act No. 7720, just recently passed by Congress and signed by the President into law, is constitutionally infirm.

Indeed, in this Petition for Prohibition with prayer for Temporary Restraining Order and Preliminary Prohibitory Injunction, petitioners assail the validity of Republic Act No. 7720, entitled, "An Act Converting the Municipality of Santiago, Isabela into an Independent Component City to be known as the City of Santiago," mainly because the Act allegedly did not originate exclusively in the House of Representatives as mandated by Section 24, Article VI of the 1987 Constitution.

Also, petitioners claim that the Municipality of Santiago has not met the minimum average annual income required under Section 450 of the Local Government Code of 1991 in order to be converted into a component city.

Undisputed is the following chronicle of the metamorphosis of House Bill No. 8817 into Republic Act No. 7720:

On April 18, 1993, HB No. 8817, entitled "An Act Converting the Municipality of Santiago into an Independent Component City to be known as the City of Santiago," was filed in the House of Representatives with Representative Antonio Abaya as principal author. Other sponsors included Representatives Ciriaco Alfelor, Rodolfo Albano, Santiago Respicio and Faustino Dy. The bill was referred to the House Committee on Local Government and the House Committee on Appropriations on May 5, 1993.

On May 19, 1993, June 1, 1993, November 28, 1993, and December 1, 1993, public hearings on HB No. 8817 were conducted by the House Committee on Local Government. The committee submitted to the House a favorable report, with amendments, on December 9, 1993.

On December 13, 1993, HB No. 8817 was passed by the House of Representatives on Second Reading and was approved on Third Reading on December 17, 1993. On January 28, 1994, HB No. 8817 was transmitted to the Senate.

Meanwhile, a counterpart of HB No. 8817, Senate Bill No. 1243, entitled, "An Act Converting the Municipality of Santiago into an Independent Component City to be Known as the City of Santiago," was filed in the Senate. It was introduced by Senator Vicente Sotto III, as principal sponsor, on May 19, 1993. This was just after the House of Representatives had conducted its first public hearing on HB No. 8817.

On February 23, 1994, or a little less than a month after HB No. 8817 was transmitted to the Senate, the Senate Committee on Local Government conducted public hearings on SB No. 1243. On March 1, 1994, the said committee submitted Committee Report No. 378 on HB No. 8817, with the recommendation that it be approved without amendment, taking into consideration the reality that H.B. No. 8817 was on all fours with SB No. 1243. Senator Heherson T. Alvarez, one of the herein petitioners, indicated his approval thereto by signing said report as member of the Committee on Local Government.

On March 3, 1994, Committee Report No. 378 was passed by the Senate on Second Reading and was approved on Third Reading on March 14, 1994. On March 22, 1994, the House of Representatives, upon being apprised of the action of the Senate, approved the amendments proposed by the Senate.

The enrolled bill, submitted to the President on April 12, 1994, was signed by the Chief Executive on May 5, 1994 as Republic Act No. 7720. When a plebiscite on the Act was held on July 13, 1994, a great majority of the registered voters of Santiago voted in favor of the conversion of Santiago into a city.

The question as to the validity of Republic Act No. 7720 hinges on the following twin issues: (I) Whether or not the Internal Revenue Allotments (IRAs) are to be included in the computation of the average annual income of a municipality for purposes of its conversion into an independent component city, and (II) Whether or not, considering that the Senate passed SB No. 1243, its own version of HB No. 8817, Republic Act No. 7720 can be said to have originated in the House of Representatives.

I

The annual income of a local
government unit includes the IRAs

Petitioners claim that Santiago could not qualify into a component city because its average annual income for the last two (2) consecutive years based on 1991 constant prices falls below the required annual income of Twenty Million Pesos (P20,000,000.00) for its conversion into a city, petitioners having computed Santiago's average annual income in the following manner:

Total income (at 1991 constant prices) for 1991

P20,379,057.07

Total income (at 1991 constant prices) for 1992

P21,570,106.87

Total income for 1991 and 1992

P41,949,163.94

Minus:

IRAs for 1991 and 1992

P15,730,043.00

Total income for 1991 and 1992

P26,219,120.94

Average Annual Income

P13,109,960.47

By dividing the total income of Santiago for calendar years 1991 and 1992, after deducting the IRAs, the average annual income arrived at would only be P13,109,560.47 based on the 1991 constant prices. Thus, petitioners claim that Santiago's income is far below the aforesaid Twenty Million Pesos average annual income requirement.

The certification issued by the Bureau of Local Government Finance of the Department of Finance, which indicates Santiago's average annual income to be P20,974,581.97, is allegedly not accurate as the Internal Revenue Allotments were not excluded from the computation. Petitioners asseverate that the IRAs are not actually income but transfers and/or budgetary aid from the national government and that they fluctuate, increase or decrease, depending on factors like population, land and equal sharing.

In this regard, we hold that petitioners' asseverations are untenable because Internal Revenue Allotments form part of the income of Local Government Units.

It is true that for a municipality to be converted into a component city, it must, among others, have an average annual income of at least Twenty Million Pesos for the last two (2) consecutive years based on 1991 constant prices.[1] Such income must be duly certified by the Department of Finance.[2]

Resolution of the controversy regarding compliance by the Municipality of Santiago with the aforesaid income requirement hinges on a correlative and contextual explication of the meaning of internal revenue allotments (IRAs) vis-a-vis the notion of income of a local government unit and the principles of local autonomy and decentralization underlying the institutionalization and intensified empowerment of the local government system.

A Local Government Unit is a political subdivision of the State which is constituted by law and possessed of substantial control over its own affairs.[3] Remaining to be an intra sovereign subdivision of one sovereign nation, but not intended, however, to be an imperium in imperio,[4] the local government unit is autonomous in the sense that it is given more powers, authority, responsibilities and resources.[5] Power which used to be highly centralized in Manila, is thereby deconcentrated, enabling especially the peripheral local government units to develop not only at their own pace and discretion but also with their own resources and assets.[6]

The practical side to development through a decentralized local government system certainly concerns the matter of financial resources. With its broadened powers and increased responsibilities, a local government unit must now operate on a much wider scale. More extensive operations, in turn, entail more expenses. Understandably, the vesting of duty, responsibility and accountability in every local government unit is accompanied with a provision for reasonably adequate resources to discharge its powers and effectively carry out its functions.[7] Availment of such resources is effectuated through the vesting in every local government unit of (1) the right to create and broaden its own source of revenue; (2) the right to be allocated a just share in national taxes, such share being in the form of internal revenue allotments (IRAs); and (3) the right to be given its equitable share in the proceeds of the utilization and development of the national wealth, if any, within its territorial boundaries.[8]

The funds generated from local taxes, IRAs and national wealth utilization proceeds accrue to the general fund of the local government and are used to finance its operations subject to specified modes of spending the same as provided for in the Local Government Code and its implementing rules and regulations. For instance, not less than twenty percent (20%) of the IRAs must be set aside for local development projects.[9] As such, for purposes of budget preparation, which budget should reflect the estimates of the income of the local government unit, among others, the IRAs and the share in the national wealth utilization proceeds are considered items of income. This is

as it should be, since income is defined in the Local Government Code to be all revenues and receipts collected or received forming the gross accretions of funds of the local government unit.[10]

The IRAs are items of income because they form part of the gross accretion of the funds of the local government unit. The IRAs regularly and automatically accrue to the local treasury without need of any further action on the part of the local government unit.[11] They thus constitute income which the local government can invariably rely upon as the source of much needed funds.

For purposes of converting the Municipality of Santiago into a city, the Department of Finance certified, among others, that the municipality had an average annual income of at least Twenty Million Pesos for the last two (2) consecutive years based on 1991 constant prices. This, the Department of Finance did after including the IRAs in its computation of said average annual income.

Furthermore, Section 450 (c) of the Local Government Code provides that "the average annual income shall include the income accruing to the general fund, exclusive of special funds, transfers, and non-recurring income." To reiterate, IRAs are a regular, recurring item of income; nil is there a basis, too, to classify the same as a special fund or transfer, since IRAs have a technical definition and meaning all its own as used in the Local Government Code that unequivocally makes it distinct from special funds or transfers referred to when the Code speaks of "funding support from the national government, its instrumentalities and government-owned-or-controlled corporations." [12]

Thus, Department of Finance Order No. 3593 [13] correctly encapsulizes the full import of the above disquisition when it defined ANNUAL INCOME to be "revenues and receipts realized by provinces, cities and municipalities from regular sources of the Local General Fund including the internal revenue allotment and other shares provided for in Sections 284, 290 and 291 of the Code, but exclusive of non-recurring receipts, such as other national aids, grants, financial assistance, loan proceeds, sales of fixed assets, and similar others" (Italics ours). [14] Such order, constituting executive or contemporaneous construction of a statute by an administrative agency charged with the task of interpreting and applying the same, is entitled to full respect and should be accorded great weight by the courts, unless such construction is clearly shown to be in sharp conflict with the Constitution, the governing statute, or other laws. [15]

II

In the enactment of RA No. 7720,
there was compliance with Section 24,
Article VI of the 1987 Constitution

Although a bill of local application like HB No. 8817 should, by constitutional prescription, [16] originate exclusively in the House of Representatives, the claim of petitioners that Republic Act No. 7720 did not originate exclusively in the House of Representatives because a bill of the same import, SB No. 1243, was passed in the Senate, is untenable because it cannot be denied that HB No. 8817 was filed in the House of Representatives first before SB No. 1243 was filed in the Senate. Petitioners themselves cannot disavow their own admission that HB No. 8817 was filed on April 18, 1993 while SB No. 1243 was filed on May 19, 1993. The filing of HB No. 8817 was thus precursive not only of the said Act in question but also of SB No. 1243. Thus, HB No. 8817, was the bill that initiated the legislative process that culminated in the enactment of Republic Act No. 7720. No violation of Section 24, Article VI, of the 1987 Constitution is perceptible under the circumstances attending the instant controversy.

Furthermore, petitioners themselves acknowledge that HB No. 8817 was already approved on Third Reading and duly transmitted to the Senate when the Senate Committee on Local Government conducted its public hearing on HB No. 8817. HB No. 8817 was approved on the Third Reading on December 17, 1993 and transmitted to the Senate on January 28, 1994; a little less than a month thereafter, or on February 23, 1994, the Senate Committee on Local Government conducted public hearings on SB No. 1243. Clearly, the Senate held in abeyance any action on SB No. 1243 until it received HB No. 8817, already approved on the Third Reading, from the House of Representatives. The filing in the Senate of a substitute bill in anticipation of its receipt of the bill from the House, does not contravene the constitutional requirement that a bill of local application should originate in the House of Representatives, for as long as the Senate does not act thereupon until it receives the House bill.

We have already addressed this issue in the case of *Tolentino vs. Secretary of Finance*.¹⁷ There, on the matter of the Expanded Value Added Tax (EVAT) Law, which, as a revenue bill, is nonetheless constitutionally required to originate exclusively in the House of Representatives, we explained:

"x x x To begin with, it is not the law-but the revenue bill-which is required by the Constitution to 'originate exclusively' in the House of Representatives. It is important to emphasize this, because a bill originating in the House may undergo such extensive changes in the Senate that the result may be a rewriting of the whole. x x x as a result of the Senate action, a distinct bill may be produced. To insist that a revenue statute-and not only the bill which initiated the legislative process culminating in the enactment of the law-must substantially be the same as the House bill would be to deny the Senate's power not only to 'concur with amendments' but also to 'propose amendments.' It would be to violate the coequality of legislative power of the two houses of Congress and in fact make the House superior to the Senate.

xxx xxx xxx

It is insisted, however, that S. No. 1630 was passed not in substitution of H. No. 11197 but of another Senate bill (S. No. 1129) earlier filed and that what the Senate did was merely to 'take [H. No. 11197] into consideration' in enacting S. No. 1630. There is really no difference between the Senate preserving H. No. 11197 up to the enacting clause and then writing its own version following the enacting clause (which, it would seem petitioners admit is an amendment by substitution), and, on the other hand, separately presenting a bill of its own on the same subject matter. In either case the result are two bills on the same subject.

Indeed, what the Constitution simply means is that the initiative for filing revenue, tariff, or tax bills, bills authorizing an increase of the public debt, private bills and bills of local application must come from the House of Representatives on the theory that, elected as they are from the districts, the members of the House can be expected to be more sensitive to the local needs and problems. On the other hand, the senators, who are elected at large, are expected to approach the same problems from the national perspective. Both views are thereby made to bear on the enactment of such laws.

Nor does the Constitution prohibit the filing in the Senate of a substitute bill in anticipation of its receipt of the bill from the House, so long as action by the Senate as a body is withheld pending receipt of the House bill. x x x"[18]

III

Every law, including RA No. 7720,
has in its favor the presumption
of constitutionality

It is a well-entrenched jurisprudential rule that on the side of every law lies the presumption of

constitutionality.[19] Consequently, for RA No. 7720 to be nullified, it must be shown that there is a clear and unequivocal breach of the Constitution, not merely a doubtful and equivocal one; in other words, the grounds for nullity must be clear and beyond reasonable doubt.[20] Those who petition this court to declare a law to be unconstitutional must clearly and fully establish the basis that will justify such a declaration; otherwise, their petition must fail. Taking into consideration the justification of our stand on the immediately preceding ground raised by petitioners to challenge the constitutionality of RA No. 7720, the Court stands on the holding that petitioners have failed to overcome the presumption. The dismissal of this petition is, therefore, inevitable.

WHEREFORE, the instant petition is DISMISSED for lack of merit with costs against petitioners.

SO ORDERED.

Narvasa, C.J., Padilla, Regalado, Davide, Jr., Romero, Bellosillo, Melo, Puno, Vitug, Kapunan, Mendoza, Francisco, and Panganiban, JJ., concur.

[1] Local Government Code, Section 450.

[2] Ibid.

[3] Basco v. PAGCOR, 197 SCRA 52.

[4] Ibid.

[5] Local Government Code, Section 2.

[6] Pimentel, Jr., Aquilino, The Local Government Code of 1991: The Key to National Development, 1993 Edition, p. 4.

[7] Local Government Code, Section 3(d).

[8] Ibid.

[9] Local Government Code, Section 17(g); Rules and Regulations Implementing the Local Government Code of 1991, Rule XXXII, Article 385.

[10] Local Government Code, Section 306(i).

[11] Local Government Code, Section 7.

[12] Local Government Code, Section 17(g).

[13] Dated June 16, 1993 on the subject of "Updating the Income Classification of Provinces, Cities and Municipalities Pursuant to the Provisions of Section 8 of the Local Government Code of 1991." (This DOF order was issued to implement Executive Order No. 249 dated July 25, 1987 entitled, "Providing for a New Income Classification of Provinces, Cities and Municipalities and for Other Purposes.")

[14] Id., Section 3.

[15] Nestle Philippines, Inc. v. Court of Appeals, 203 SCRA 504.

[16] 1987 Constitution, Article VI, Section 24.

[17] 235 SCRA 630.

[18] Tolentino v. Secretary of Finance, *supra*.

[19] Basco v. PAGCOR, 197 SCRA 52; Abbas v. COMELEC, 179 SCRA 287; Peralta v. COMELEC 82SCRA 30; Salas v. Jarencio, 48 SCRA 734; Yu Cong Eng v. Trinidad, 47 Phil. 387.

[20] Peralta v. COMELEC, *supra*; Basco v. PAGCOR, *supra*.

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