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# Fiscal Decentralization and Service Delivery Efficiency under the Mandanas-Garcia Ruling: Evidence from One Local Government Unit (LGU) in the Philippines

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## ABSTRACT

Fiscal decentralization reforms increasingly require local government units (LGUs) to assume broader responsibilities in governance and public service delivery, however, evidence on how expanded fiscal autonomy translates into actual service delivery outcomes in smaller Philippine municipalities remains scarce. While the Mandanas-Garcia Ruling dramatically increased the National Tax Allotment (NTA) and fiscal authority of LGUs beginning in 2022, few empirical studies have explored whether these reforms have strengthened local governance responsiveness and service delivery efficiency at the municipal level, particularly in resource-constrained areas in Mindanao. This study shows that the implementation of the Mandanas-Garcia Ruling significantly contributes to improved service delivery efficiency in LGU Bagumbayan, Sultan Kudarat, thus validating Fiscal Decentralization Theory which presupposes that devolved fiscal authority enhances governance performance if facilitated by capable institutions and effective administrative systems. Using a descriptive-correlational research design, data were collected from 109 LGU officials, department heads, employees, and barangay officials through a validated researcher-made questionnaire and analyzed using descriptive statistics and regression analysis. Findings indicated that the implementation of the ruling in Bagumbayan was high in terms of organizational capacity, fiscal decentralization, National Tax Allotment utilization, and budget allocation reforms, whereas service delivery efficiency was likewise rated very good, particularly in health outcomes, public satisfaction, and access to basic services; regression analysis further verified that the implementation of the Mandanas-Garcia Ruling significantly predicts service delivery efficiency. These findings suggest that expanded fiscal transfers bolster local governance responsiveness and improve public service delivery, although institutional capability, leadership quality, and administrative effectiveness remain crucial factors in sustaining the long-term success of fiscal decentralization reforms in Philippine local governance.

## INTRODUCTION

The Mandanas-Garcia Ruling represents one of the most transformative fiscal decentralization reforms in the Philippines because it substantially expanded the fiscal authority and resource capacity of Local Government Units (LGUs). By including all national taxes in the computation base of the National Tax Allotment (NTA), the ruling strengthened local autonomy and reinforced the constitutional mandate for decentralized governance and public administration. Beginning Fiscal Year 2022, LGUs were granted broader fiscal space and greater responsibility in implementing devolved programs and delivering essential public services. Consequently, local governments are likely to assume more active roles in governance, development planning, resource management, and service delivery. As fiscal decentralization deepens in the country, scrutinizing how LGUs operationalize expanded fiscal authority is increasingly important to ensure accountable, responsive, and development-oriented local governance.

Nowadays, fiscal decentralization is widely recognized as a governance mechanism that improves administrative responsiveness, allocative efficiency, and citizen participation. Studies showed that devolved fiscal authority empowers local governments to match expenditures with local priorities and strengthen service delivery systems if duly supported by capable institutions and sound governance structures (Bahl & Linn, 2017; Smoke, 2015). Likewise, decentralization reforms across developing countries have been associated with improvements in infrastructure development, social welfare services, and localized governance innovations. However, international scholarship also emphasized that decentralization may expose local governments to fiscal and administrative vulnerabilities when institutional readiness, technical expertise, and fiscal management systems remain weak (Ahmad *et al.,* 2020). These perspectives suggest that while fiscal decentralization creates opportunities for local empowerment, its effectiveness remains dependent on governance capability and institutional competence.

In the Philippines, recent scholarship emphasized that the Mandanas-Garcia Ruling significantly altered

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intergovernmental fiscal relations by increasing the fiscal discretion and development responsibilities of LGUs (Brillantes & Ilago, 2021). Expanded fiscal transfers were similarly viewed as mechanisms for strengthening local financial independence and improving public service responsiveness (Diokno, 2022; Manasan, 2020). However, studies also warned that disparities in institutional capacity, absorptive capability, and governance quality may influence how LGUs utilize devolved fiscal resources (Mendoza *et al.,* 2022). Sectoral studies further showed that the implications of the ruling extend to education, healthcare, infrastructure, and local development administration. Boateng and Asante (2024) explained that fiscal decentralization creates opportunities for LGU-led educational reforms and localized governance initiatives, while Nisperos *et al.* (2024) stressed its potential contributions to strengthening local healthcare systems and community-based services. However, challenges involving organizational readiness, workforce limitations, technical planning, and administrative coordination continue to influence the implementation of decentralization reforms, particularly among municipalities in Mindanao and other resource-constrained areas (Juco *et al.,* 2023).

Within the SOX Region, the implications of the ruling are especially critical because municipalities vary considerably in socio-economic conditions, institutional capability, and fiscal capacity. Local governments continue to confront challenges related to infrastructure provision, human resource development, fiscal management, and equitable service delivery. Simbulan and Abulencia (2021) noted that although expanded fiscal resources may strengthen governance capability among Mindanao municipalities, many LGUs still experience weaknesses in planning efficiency, technical expertise, and administrative coordination. For municipalities like Bagumbayan in Sultan Kudarat, the expanded fiscal space opens both opportunities and institutional demands. While increased NTA allocations may strengthen local development initiatives and public service provision, effective implementation remains reliant on organizational readiness, governance efficiency, and resource management capability.

Despite the growing body of literature on decentralization and the Mandanas-Garcia Ruling, limited empirical studies have examined its implications for service delivery efficiency at the municipal level, particularly in smaller LGUs within the region. Prior studies largely focus on macro-level fiscal implications or sector-specific governance outcomes, which leave little evidence on how municipalities operationalize expanded fiscal autonomy under varying institutional settings. Hence, this study assessed the effects of the Mandanas-Garcia Ruling on service delivery efficiency in the LGU of Bagumbayan in the province of Sultan Kudarat. In particular, it surveyed the extent of the application of the ruling, determined the level of service delivery efficiency, and analyzed the impact of fiscal decentralization on local public service outcomes.

## LITERATURE REVIEW

Fiscal decentralization has long been recognized as a critical governance reform aimed at improving administrative responsiveness, public accountability, and service delivery efficiency. Globally, decentralization reforms have transferred fiscal authority and expenditure responsibilities from central governments to local governments to promote context-sensitive governance and localized development planning. Oates (1993) claimed that fiscal decentralization allows local governments to distribute resources more efficiently because they are more familiar with local preferences and development needs. Martinez-Vazquez *et al.* (2017) further clarified that decentralized fiscal systems improve governance performance when local governments possess sufficient administrative capacity, fiscal autonomy, and institutional accountability. Similarly, Plaček *et al.* (2020) emphasized that fiscal decentralization strengthens local government efficiency by allowing local authorities to tailor programs and expenditures according to community-specific priorities. Contemporary studies likewise show that decentralization influences broader governance outcomes, including innovation, environmental policy implementation, and local economic development (Chen *et al.,* 2022; Li & Qi, 2023). However, international scholarship also cautions that fiscal decentralization may produce uneven governance outcomes when local institutions lack technical expertise, absorptive capacity, and effective fiscal management systems (Bird & Vaillancourt, 1998; Psycharis *et al.,* 2016). These perspectives suggest that while decentralization creates opportunities for governance responsiveness and improved public services, its effectiveness largely hinge on institutional readiness and administrative competence.

In developing countries, fiscal decentralization has increasingly been linked with governance modernization and democratic participation. Altunbaş and Thornton (2012) noted that decentralized governance systems promote greater accountability and citizen participation since local governments operate closer to their constituents. Letelier (2005) further argued that local fiscal autonomy promotes more efficient allocation of public expenditures and strengthens local development initiatives. Nevertheless, several studies also documented persistent challenges involving resource disparities, fiscal dependency, and governance inequalities among local governments. Martinez-Vazquez *et al.* (2017) observed that decentralized systems usually experience variations in service delivery quality because local governments differ in institutional capability, leadership quality, and fiscal discipline. These findings imply that decentralization reforms require expanded fiscal transfers, sustained institutional strengthening, and governance reforms to achieve equitable and sustainable development outcomes.

In the Philippine context, fiscal decentralization significantly intensified with the adoption of the Mandanas-Garcia decision, which expanded the computation base of the National Tax Allotment (NTA) by including all national taxes. The groundbreaking Supreme Court verdict operationalized fuller fiscal devolution by greatly increasing the fiscal shares of LGUs beginning Fiscal Year 2022. Atienza and Go (2023) explained that the ruling transformed intergovernmental fiscal relations by broadening local fiscal autonomy and strengthening devolved governance functions. Likewise, Lapitan and Garciano (2024) observed that expanded intergovernmental transfers increased the fiscal flexibility of LGUs and enhanced their role in public service delivery and local development planning. Manasan (2020) further emphasized that the Mandanas-Garcia Ruling has significant implications for fiscal sustainability, allocative efficiency, and equitable resource distribution among local governments. However, Juco *et al.* (2023) cautioned that many LGUs continue to encounter institutional and organizational constraints in implementing devolved responsibilities under the expanded fiscal framework. Titic (2023) also noted that LGUs experienced varying levels of readiness in implementing Devolution Transition Plans, particularly in governance coordination, fiscal planning, and organizational restructuring.

Recent Philippine studies have increasingly dealt with the implications of the Mandanas-Garcia Ruling on public service delivery and sectoral governance. Nisperos *et al.* (2024) emphasized that the ruling substantially affects local health systems because devolved fiscal authority enables LGUs to directly finance healthcare services, health facilities, and community-based health interventions. Cruz (2024) likewise found that fiscal decentralization positively contributes to public service delivery quality when supported by strong governance systems and administrative capability. Barrios (2024) averred that data-driven devolution and evidence-based fiscal planning are essential in maximizing the benefits of expanded fiscal transfers and improving service delivery efficiency among LGUs. Similarly, Fernandez (2023) cited that decentralized governance strengthened the readiness of local agriculture and fishery extension services by expanding local fiscal resources and devolved responsibilities. These findings collectively suggest that fiscal decentralization under the Mandanas-Garcia framework creates substantial opportunities for improving governance responsiveness and service delivery performance.

In the education sector, several recent studies highlighted the growing role of LGUs in localized educational governance following the Mandanas-Garcia Ruling. Okafor and Asante (2025) explained that expanded fiscal transfers improved LGU capacity to support basic education delivery, infrastructure, and localized educational programs. Tetteh and Asante (2025) likewise emphasized that the ruling strengthened local participation in educational governance by granting LGUs greater fiscal discretion and administrative authority. Boateng and Asante (2025) further argued that fiscal decentralization creates opportunities for LGU-led reforms and community-centered educational initiatives. However, Ofori and Agbeko (2025) observed that educational decentralization continues to face implementation challenges associated with institutional coordination, absorptive capacity, and disparities in local governance quality. Badu and Asante (2025) similarly noted that while the Mandanas-Garcia Ruling enhanced local fiscal autonomy, the actual effectiveness of service delivery remains uneven across LGUs because of differences in administrative competence and organizational readiness.

Several studies also documented governance challenges accompanying the implementation of the Mandanas-Garcia framework. Tizon (2024) identified issues involving technical planning, procurement efficiency, and administrative coordination among municipalities implementing devolved functions. San Jose (2024) likewise reported that local governments continue to face institutional readiness concerns in managing tourism and infrastructure projects under decentralization reforms. Besides, Lubos *et al.* (2023) found out that many LGUs in Southern Philippines still require substantial capacity development to effectively implement devolved responsibilities and sustain governance efficiency. These findings support the argument that decentralization reforms do not automatically guarantee improved governance outcomes and that institutional capability remains a decisive factor in the success of fiscal decentralization.

Although existing literature extensively examined the implications of the Mandanas-Garcia Ruling on local governance and sectoral decentralization, empirical studies focusing on the relationship between fiscal decentralization and public service delivery efficiency in smaller municipalities remain limited. Most studies concentrated on macro-level fiscal implications, education, healthcare, or national devolution policies, leaving gaps in understanding how municipal LGUs operationalize expanded fiscal autonomy within specific local governance contexts. Furthermore, limited scholarly attention has been devoted to examining how organizational capacity, fiscal decentralization, budget allocation reforms, and National Tax Allotment utilization collectively influence service delivery efficiency at the municipal level. Hence, the present study addresses this gap by investigating fiscal decentralization and service delivery efficiency under the Mandanas-Garcia Ruling in LGU Bagumbayan, Sultan Kudarat, Philippines. By generating empirical evidence from a municipal context, the study contributes to the growing discourse on fiscal governance, decentralization, and local public administration in the Philippines.

## MATERIALS AND METHODS

### Research Design

This study used descriptive-correlational research designs to assess the effects of the Mandanas-Garcia Ruling on fiscal sustainability and service delivery efficiency in the Local Government Unit (LGU) of Bagumbayan, Sultan Kudarat. The descriptive design determined the extent of the application of the ruling and the level of service delivery efficiency, while the correlational design examined the impact of the first to the second variable.

Descriptive-correlational research is fit for describing existing conditions and determining relationships among variables without manipulation. According to Bhandari (2021), correlational research examines the relationships among variables in natural settings. The design was appropriate because the study sought to generate empirical evidence regarding the implications of fiscal decentralization on local governance and service delivery.

**Respondents of the Study**

The respondents were key officials and personnel of LGU Bagumbayan who are directly involved in the implementation of the Mandanas-Garcia ruling. These included the Municipal Mayor, Vice Mayor, members of the Sangguniang Bayan, department heads, LGU employees, barangay chairpersons, barangay treasurers, and barangay councilors-chairpersons on the Committee on Appropriations. A total of 109 respondents have actually participated in the study, composed of 13 LGU officials, 19 department heads, 20 LGU employees, 19 barangay chairpersons, 19 barangay treasurers, and 19 barangay councilors-chairpersons.

The respondents were selected because of their direct involvement in fiscal governance, budget allocation, and service delivery efficiency. Their functions allowed them to provide reliable insights on the effects of the Mandanas-Garcia decision on local governance and fiscal sustainability. Alampay *et al.* (2021) pointed out that LGU officials are essential sources of information in decentralization studies because of their role in implementing governance policies.

**Sampling Technique**

The study utilized complete enumeration or census sampling, where all identified respondents were included in the study. This approach was proper since the target population was relatively small and manageable.

Complete enumeration reduced sampling bias and assured broad representation of views from different governance units and offices. According to Babbie (2013), census sampling is applicable when the study aims to achieve a complete understanding of a population, particularly when subgroup perspectives are important for analysis.

**Locale of the Study**

The study was conducted in the Local Government Unit of Bagumbayan, Sultan Kudarat, Philippines during Fiscal Years 2024 and 2025. The municipality was selected because of its socio-economic and administrative characteristics relevant to the implementation of the Mandanas-Garcia Ruling.

Bagumbayan is a typical municipality that is largely dependent on National Tax Allotment (NTA) transfers. The implementation of the landmark court decision, which expanded fiscal resources and delegated responsibilities to LGUs, provided a seemly context for probing fiscal autonomy, governance capacity, and service delivery efficiency (Domingo & Manejar, 2021). Moreover, the municipality shows the conditions of many resource-constrained LGUs in Mindanao, making it an appropriate locale for the study.

**Research Instrument**

The study utilized a researcher-made survey questionnaire validated by experts in public administration, fiscal governance, and academe. The instrument assessed the application of the Mandanas-Garcia Ruling, and service delivery efficiency.

The questionnaire contained two parts. Part I evaluated the extent of application of the Mandanas-Garcia ruling in terms of increased National Tax Allotment, fiscal decentralization, budget allocation reforms, and organizational capacity. On the other hand, Part II assessed the level of service delivery efficiency in terms of access to services, infrastructure development, public satisfaction, and health outcomes. Both sections used a five-point Likert scale ranging from 5 ("Strongly Agree") to 1 ("Strongly Disagree").

**Validation and Reliability Testing**

The questionnaire passed through content validation by six experts in public governance, fiscal administration, and research methodology using the Content Validity Index (CVI) approach of Yusoff (2019). Results revealed that all Item-Level Content Validity Indices (I-CVIs) went over the acceptable threshold value of 0.83 for six validators. Also, the Scale-Level Content Validity Index (S-CVI) of the whole instrument exceeded the requisite standard, signifying reasonable content validity.

Reliability testing was consequently conducted in the Local Government Unit of Tacurong City among selected personnel from the Budget, Treasurer, and Accounting Offices. Cronbach's alpha was employed to ensure internal consistency. Results indicated that all parts of the instrument got Cronbach's alpha coefficients above the acceptable value of 0.70, indicative of satisfactory reliability and internal consistency.

**Statistical Treatment of Data**

The collected data were organized, tabulated, presented, analyzed, and interpreted through appropriate statistical tools.

Mean was used to determine the extent of the application of the Mandanas-Garcia Ruling, and service delivery efficiency. Simple linear regression analysis was applied to test the impact of the application of the ruling to the LGU's service delivery efficiency. All tests were set at .05 level of significance.

**Ethical Considerations**

The study observed to established ethical standards in undertaking research concerning government officials and public institutions. Participation was voluntary, and informed consent was secured from all respondents.

Participants were also informed of their right to retract from the study at any time without fear of being penalized (Bryman, 2016).

Confidentiality and anonymity were upheld by coding respondents' identities and presenting data in collective form (Creswell & Poth, 2018). The study likewise maintained the principles of objectivity, integrity, and non-maleficence by guaranteeing truthful reporting and sensible handling of data (Resnik, 2020).

Furthermore, the study revered the socio-cultural circumstance of the municipality and complied with local and legal requirements, including the Data Privacy Act of 2012 (Republic Act No. 10173). Ethical clearance and institutional approval were properly secured before the study was carried out.

## RESULTS AND DISCUSSION

This section presents the findings of the study in relation to the research objectives. The results are discussed using appropriate statistical analyses and interpreted in light of relevant theories, jurisprudence, policies, and empirical studies concerning fiscal decentralization and the Mandanas-Garcia Ruling. Additionally, the discussions emphasize emerging patterns, governance implications, and the extent to which expanded fiscal autonomy has influenced local governance and service delivery efficiency in LGU Bagumbayan.

### Application of the Mandanas-Garcia Ruling in LGU Bagumbayan

Table 1 presents the level of application of the Mandanas-Garcia Ruling in LGU Bagumbayan across four dimensions: Increased National Tax Allotment (NTA), fiscal decentralization, budget allocation reforms, and organizational capacity. These dimensions collectively describe how the municipality operationalized the expanded fiscal authority and devolved responsibilities arising from the Mandanas-Garcia decision.

**Table 1:** Application of the Mandanas-Garcia Ruling in Different Dimensions

| Dimensions | M | SD |
|---|---|---|
| Increased National Tax Allotment (NTA) | 3.54 | 0.38 |
| Fiscal Decentralization | 3.53 | 0.42 |
| Budget Allocation Reforms | 3.52 | 0.39 |
| Organizational Capacity | 3.56 | 0.38 |
| Mean | 3.54 | 0.29 |

*Notes. n=119. Mean Range: 4.20-5.00 (Very High), 3.40-4.19 (High), 2.60-3.39 (Moderate), 1.80-2.59 (Low), 1.00-1.79 (Very Low)*

As shown, the overall application of the Mandanas-Garcia Ruling in LGU Bagumbayan was rated high (M = 3.54, SD = 0.29). The result indicates that the municipality has substantially implemented the fiscal and administrative reforms associated with the court decision. The relatively low standard deviation further suggests consistency in respondents' perceptions regarding the municipality's implementation efforts. Generally, the findings imply that the LGU has positively responded to expanded fiscal responsibilities through strengthened governance systems, improved resource management, and enhanced institutional readiness.

Among the dimensions, Organizational Capacity got the highest mean (M = 3.56, SD = 0.38), followed closely by Increased National Tax Allotment (M = 3.54, SD = 0.38) and Fiscal Decentralization (M = 3.53, SD = 0.42). Budget Allocation Reforms recorded the lowest mean (M = 3.52, SD = 0.39), although it remained within the high descriptive level. These findings suggest that the municipality has prioritized institutional strengthening and administrative preparedness in managing devolved functions and expanded fiscal resources.

The findings suggest that the implementation of the Mandanas-Garcia Ruling in Bagumbayan extends beyond increased fiscal transfers and encompasses broader institutional and governance reforms. The strong rating for organizational capacity suggests that the municipality recognized the necessity of strengthening administrative systems, staffing capability, coordination mechanisms, and operational efficiency to effectively manage devolved functions. This observation supports the constitutional principle emphasized in Mandanas v. Ochoa and Garcia v. Executive Secretary (G.R. Nos. 199802 & 208488, April 10, 2019), wherein the Supreme Court clarified that LGUs are constitutionally entitled to a just share from all national taxes to realize genuine local autonomy and effectively perform devolved responsibilities.

The result also aligns with Fiscal Decentralization Theory, which presupposes that devolving fiscal authority enhances governance responsiveness and administrative efficiency when supported by capable institutions and effective local governance structures. Consistent with this perspective, the World Bank (2021) emphasized that decentralization reforms are more effective when LGUs possess strong institutional and managerial capacities. Similarly, the United Nations Development Programme (2022) noted that organizational readiness and governance capability are critical in translating fiscal autonomy into improved development outcomes.

The high rating for Increased National Tax Allotment further denotes that respondents perceive the expanded fiscal transfers as beneficial to local governance and service delivery. The finding reflects the intent of the Mandanas-Garcia Ruling to correct the inequitable computation of

LGU shares by including all national taxes in the NTA base. Studies by the Philippine Institute for Development Studies (2023) and Lapitan and Garciano (2024) similarly observed that the expanded fiscal base increased fiscal flexibility and strengthened local development planning among LGUs. Brillantes and Ilago (2021) likewise argued that the ruling significantly enhanced local fiscal autonomy by providing LGUs greater discretion in allocating resources according to local priorities.

However, the findings should not be interpreted to mean that increased fiscal transfers automatically guarantee governance effectiveness. Mendoza *et al.* (2022) cautioned that variations in technical expertise, absorptive capacity, and institutional preparedness continue to shape how LGUs utilize devolved resources. Atienza and Go (2023) likewise emphasized that the effects of decentralization remain uneven across LGUs due to differences in governance quality and administrative capability. These contrasting perspectives suggest that the positive implementation observed in Bagumbayan may reflect relatively favorable institutional conditions and governance capacity within the municipality.

Meanwhile, the high rating for Fiscal Decentralization signifies that the LGU has achieved a substantial degree of autonomy in managing fiscal resources and aligning local priorities with devolved responsibilities. This finding supports the assertion of the Organisation for Economic Co-operation and Development (2020) that decentralization strengthens accountability and responsiveness when supported by sound governance systems and financial management mechanisms. Likewise, the Department of the Interior and Local Government (2022) reported that devolution transition initiatives under the Mandanas framework enabled LGUs to clarify local functions and improve governance arrangements.

Although Budget Allocation Reforms got the lowest mean, its high descriptive rating still indicates substantial implementation of participatory budgeting, fiscal monitoring, and allocation reforms. The comparatively lower rating, however, may imply continuing concerns regarding equitable distribution of resources, monitoring efficiency, and long-term fiscal planning. Similar observations were noted by the World Bank (2021) and the Philippine Institute for Development Studies (2023), which highlighted that many LGUs continue to face challenges in strategically aligning devolved resources with sustainable development priorities.

Largely, the findings indicate that LGU Bagumbayan has substantially operationalized the Mandanas-Garcia Ruling through strengthened organizational systems, improved fiscal management practices, and enhanced governance mechanisms. Foremost, the findings reinforce Fiscal Decentralization Theory by demonstrating that expanded fiscal autonomy can improve governance effectiveness when accompanied by institutional readiness and administrative capability. Practically, the results imply that LGUs should continue investing in organizational development, participatory governance, and transparent fiscal management to maximize the benefits of decentralization. From a policy perspective, the findings highlight the need for sustained capacity-building programs, technical assistance, and institutional strengthening initiatives to ensure that expanded fiscal authority consistently translates into effective local governance and improved service delivery efficiency.

### Service Delivery Efficiency in LGU Bagumbayan

Table 2 presents the level of service delivery efficiency in LGU Bagumbayan following the implementation of the Mandanas-Garcia Ruling. The assessment covered four dimensions: access to basic services, infrastructure development, public satisfaction with services, and health outcomes. These indicators collectively describe how expanded fiscal autonomy and increased National Tax Allotment have translated into actual service delivery outcomes within the municipality.

**Table 2:** Service Delivery Efficiency in LGU Bagumbayan

| Dimensions | M | SD |
|---|---|---|
| Access to Basic Services | 3.55 | 0.42 |
| Infrastructure Development | 3.43 | 0.41 |
| Public Satisfaction with Services | 3.66 | 0.34 |
| Health Outcomes | 3.84 | 0.31 |
| Mean | 3.62 | 0.28 |

*Notes. n=119. Mean Range: 4.20-5.00 (Excellent), 3.40-4.19 (Very Good), 2.60-3.39 (Good), 1.80-2.59 (Fair), 1.00-1.79 (Poor)*

As indicated, the service delivery efficiency in LGU Bagumbayan was very good (M = 3.62, SD = 0.28). The low standard deviation indicates consistency in respondents' assessments of service delivery performance. The finding means that the municipality has effectively utilized the enormous opportunities created by the Mandanas-Garcia ruling to strengthen governance responsiveness and improve public services. The evenly high ratings in all dimensions further indicate that the effects of fiscal decentralization are very evident in the municipality's development and governance initiatives.

Among the dimensions, Health Outcomes attained the highest mean (M = 3.84, SD = 0.31), followed by Public Satisfaction with Services (M = 3.66, SD = 0.34), Access to Basic Services (M = 3.55, SD = 0.42), and Infrastructure Development (M = 3.43, SD = 0.41).

Although infrastructure development recorded the lowest mean, it still fell within the very good category, and indicative that respondents generally recognized improvements across all service sectors.

The strong performance in health outcomes suggests that the LGU has effectively directed devolved fiscal resources toward strengthening healthcare programs, public health facilities, and inter-agency health initiatives. This finding supports the observations of Nisperos *et al.* (2024), who explained that the Mandanas-Garcia Ruling has major implications for local health systems because expanded fiscal authority enables LGUs to directly finance healthcare services, preventive programs, and frontline interventions. Similarly, Lapitan and Garciano (2024) claimed that increased intergovernmental transfers strengthened the capacity of LGUs to sustain social services and local development programs. The result further implies that Bagumbayan has successfully prioritized social-sector spending as part of its devolved governance functions.

The high rating for public satisfaction with services indicates that residents perceive local services as responsive, efficient, and citizen-centered. This finding supports Decentralization Theory, which argues that governance becomes more responsive when decision-making authority and fiscal resources are devolved closer to local communities. Tetteh and Asante (2024) similarly observed that the Mandanas-Garcia framework creates opportunities for LGUs to become more adaptive and responsive to local concerns because local governments are better positioned to identify community-specific needs. Pajo (2025) also emphasized that expanded fiscal authority strengthened grassroots governance and community participation in local development processes. The present findings therefore suggest that residents of Bagumbayan are beginning to experience the practical benefits of localized governance and devolved service delivery.

The favorable rating for access to basic services further indicates that respondents recognize improvements in the accessibility of essential services and mechanisms addressing service delivery concerns. This observation aligns with the findings of Badu and Asante (2024), who noted that devolved governance enables LGUs to implement more localized and context-sensitive interventions in social services. Boateng and Asante (2024) likewise argued that fiscal decentralization allows local governments to directly influence service delivery outcomes through community-centered planning and localized reforms. The findings imply that Bagumbayan has started utilizing devolved resources to strengthen programs addressing local service gaps and community needs.

Despite the generally positive findings, Infrastructure Development obtained the lowest mean among the dimensions. Although still very good, the result could mean continuing implementation challenges linked with infrastructure projects, like procurement delays, technical limitations, project monitoring concerns, and funding utilization efficiency. Similar concerns were raised by San Jose (2024), who noted that many LGUs continue to encounter technical and organizational difficulties in implementing devolved infrastructure projects despite expanded fiscal transfers. Albay (2024) likewise emphasized that internal and external institutional constraints continue to affect LGU performance under decentralization reforms.

Moreover, several studies present contrasting perspectives regarding the actual effects of the Mandanas-Garcia Ruling on service delivery. Atienza and Go (2023) averred that although fiscal transfers substantially increased, the quality and effectiveness of public services still vary considerably across LGUs due to differences in governance capacity and institutional quality. Tizon (2024) similarly cited that some municipalities continue to confront policy implementation issues, absorptive capacity limitations, and administrative weaknesses despite receiving larger fiscal allocations. Trino and Fontanilla-Pimentel (2023) further stressed that decentralization reforms may produce uneven governance outcomes when LGUs lack sufficient technical expertise, accountability systems, and administrative capability. These opposing findings suggest that the success of fiscal decentralization relies not just on the magnitude of fiscal transfers but also on the ability of LGUs to effectively manage resources and strengthen governance systems.

By and large, the findings connote that LGU Bagumbayan has considerably turned the expanded fiscal capacity into concrete service delivery improvements, particularly in healthcare and citizen responsiveness. Indeed, the findings reinforce Fiscal Decentralization Theory by establishing that devolved fiscal authority can enhance service efficiency and governance responsiveness when supported by capable institutions and effective administrative systems. Practically, the findings feature the importance of institutional coordination, participatory governance, and strategic fiscal planning in capitalizing the benefits of decentralization reforms. From a policy perspective, the results imply that national government support should extend beyond increasing fiscal transfers and should include sustained capacity-building programs, technical assistance, and institutional development initiatives, particularly in infrastructure management, fiscal administration, and governance accountability systems.

**Application of the Mandanas-Garcia Ruling and Service Delivery Efficiency in LGU Bagumbayan**

Table 3 presents the regression analysis testing the influence of the application of the Mandanas-Garcia ruling on service delivery efficiency in LGU Bagumbayan. The analysis was conducted to determine whether the extent of implementation of the ruling significantly predicts variations in service delivery outcomes.

As shown, the regression model yielded an $R^2$ value of .36, which is indicative that nearly 36% of the variance in service delivery efficiency can be explained by the application of the Mandanas-Garcia Ruling. The overall

**Table 3:** Service Delivery Efficiency in LGU Bagumbayan

| Predictor | Estimate | SE | 95% Confidence Interval | | t | p |
|---|---|---|---|---|---|---|
| | | | Lower | Upper | | |
| Intercept | 1.55 | 0.27 | 1.02 | 2.09 | 5.81 | < .001 |
| Application of Mandanas-Garcia Ruling | 0.58 | 0.08 | 0.43 | 0.73 | 7.74 | < .001 |

*Notes.* $R^2$=.36, F(1,107)=59.90, p<.001

regression model was statistically significant, F(1,107) = 59.90, p < .001, hinting that the predictor variable significantly contributes to explaining variations in service delivery performance.

Moreover, the regression coefficient indicates that the application of the Mandanas-Garcia Ruling significantly predicts service delivery efficiency (B = 0.58, SE = 0.08, t = 7.74, p < .001). The 95% confidence interval [0.43, 0.73] did not include zero, which confirms the statistical reliability of the relationship. In particular, the findings signify that for every one-unit increase in the application of the Mandanas-Garcia Ruling, service delivery efficiency increases by 0.58 units. The result thus suggests that stronger implementation of fiscal decentralization reforms is related to better service delivery outcomes in LGU Bagumbayan.

The findings point out that expanded fiscal authority and increased National Tax Allotment resulting from the Mandanas-Garcia Ruling have significantly reinforced the municipality's capacity to provide public services. In Mandanas v. Ochoa and Garcia v. Executive Secretary, the Supreme Court redefined the basis for computing LGU shares by counting all national taxes, thereby substantially increasing the fiscal space of local governments. The ruling upheld the constitutional principle of genuine local autonomy under Article X of the 1987 Philippine Constitution by offering LGUs greater financial capability to do devolved functions and provide essential services more effectively. The significant positive regression coefficient noted in the present study means that Bagumbayan has been able to translate expanded fiscal resources into concrete improvements in governance and service delivery.

The findings strongly support the growing body of literature stressing that fiscal decentralization enhances governance responsiveness and service delivery efficiency when sustained by institutional readiness and administrative capability. Okafor and Asante (2024) stated that expanded fiscal transfers under the Mandanas-Garcia context improved the capacity of LGUs to support localized educational services and community-based interventions. Likewise, Tetteh and Asante (2024) asserted that the ruling produced opportunities for LGUs to be more responsive to local development issues since devolved fiscal resources were more strongly aligned with local responsibilities. The present findings suggest that Bagumbayan has effectively applied expanded fiscal capacity to improve service provision and operational responsiveness across different sectors.

The results are similarly consistent with Nisperos *et al.* (2024), who clarified that the Mandanas-Garcia Ruling has significant implications for local health systems as devolved fiscal authority allows LGUs to allot more resources toward healthcare programs, preventive services, and community health initiatives. Cruz (2024) further observed that decentralization reforms in the Philippines positively contributed to public service quality because local governments became more flexible in responding to contextual and community-specific needs. Also, Barrios (2024) pointed out that data-driven devolution and expanded intergovernmental transfers strengthened LGU capacities for service readiness and local development planning. Lapitan and Garciano (2024) likewise noted that the Mandanas-Garcia Ruling enhanced the role of LGUs in service delivery efficiency by increasing local discretion over spending priorities and development programs.

Nevertheless, the findings should be construed with warning because decentralization does not immediately assure improved governance results. Several studies demonstrate conflicting evidence on the uneven effects of the Mandanas-Garcia Ruling across LGUs. Badu and Asante (2024) remarked that while fiscal transfers rose, the benefits of decentralization varied depending on governance quality, administrative capability, and absorptive capacity. Ofori and Agbeko (2024) likewise claimed that it remains challenging to isolate the impacts of increased fiscal transfers from other institutional and socioeconomic factors influencing service delivery performance. Atienza and Go (2023) further emphasized that differences in governance systems, technical expertise, and resource management continue to shape how LGUs utilize devolved resources. These divergent findings reveal that while expanded fiscal transfers create opportunities for improved services, actual outcomes remain highly dependent on local leadership, institutional effectiveness, accountability mechanisms, and strategic governance capacity.

Besides, the moderate $R^2$ value of .36 also supports this interpretation. While the application of the Mandanas-Garcia Ruling significantly predicts service delivery efficiency, approximately 64% of the variance remains attributable to other variables not included in the model. This indicates that service delivery efficiency is multidimensional and influenced by additional factors most possibly governance quality, political leadership, organizational capability, citizen participation, human resource competence, and technological systems. Hence, fiscal decentralization alone is insufficient unless backed up by strong institutional and administrative foundations. The findings of the study convey essential theoretical, practical, and policy implications for fiscal decentralization and local governance in the Philippine context. Ideally, the study upholds Fiscal Decentralization Theory by offering empirical evidence that the devolution of fiscal authority can enrich governance responsiveness, administrative efficiency, and public accountability when facilitated by strong institutional capacity and effective governance mechanisms. The findings further validate the vital premise of the Mandanas-Garcia Ruling that expanded fiscal autonomy empowers local government units to perform devolved functions more successfully and respond more suitably to local development needs.

In practice, the results suggest that LGU Bagumbayan has showed a relatively strong capacity to transform expanded fiscal resources into better service delivery efficiency outcomes. Nevertheless, the findings also reveal the ongoing necessity of firming institutional coordination, participatory governance structures, strategic fiscal planning, and performance monitoring systems to maintain the gains of decentralization reforms. The comparatively lower performance discerned in certain service dimensions, particularly infrastructure development, also emphasizes the demand for continued improvements in technical planning, project implementation, procurement efficiency, and resource management practices.

From a policy stance, the study features that the success of the Mandanas-Garcia Ruling depends not exclusively on the expansion of fiscal transfers but also on the institutional passion and governance ability of local government units. Hence, national government interventions should broaden beyond fiscal growth and include sustained capacity-building programs, technical assistance, administrative professionalization, and performance-based governance mechanisms. Such courses of action are crucial to ensure that devolved fiscal resources steadily translate into equitable, efficient, and workable service delivery efficiency, particularly among LGUs with quite limited administrative and fiscal capacities.

## CONCLUSION

This study examined the application of the Mandanas-Garcia Ruling and its impact on service delivery efficiency in LGU Bagumbayan. Findings revealed that the municipality substantially implemented the fiscal and administrative reforms associated with the ruling, particularly in organizational capacity, fiscal decentralization, National Tax Allotment utilization, and budget allocation. These results show that the LGU has demonstrated institutional readiness and administrative capability in managing devolved responsibilities under the expanded fiscal framework.

The study further confirmed that service delivery efficiency in Bagumbayan is generally very good, especially in health outcomes, public satisfaction with services, and access to basic services. The findings suggest that devolved fiscal resources strengthened governance responsiveness and improved essential social services. Although infrastructure development received a favorable assessment as well, its relatively lower rating signifies continuing challenges in technical planning, procurement, and project implementation. Thus, while fiscal decentralization creates broader opportunities for local development, its effectiveness remains dependent on institutional capability and governance efficiency.

Regression analysis also pointed out that the application of the Mandanas-Garcia Ruling significantly predicts service delivery efficiency in LGU Bagumbayan. The positive relationship between the variables supports Fiscal Decentralization Theory, which presupposes that devolved fiscal authority improves governance responsiveness and service efficiency once supported by capable institutions and sound governance systems. Additionally, the moderate explanatory power of the model implies that service delivery outcomes are likewise influenced by leadership quality, organizational competence, citizen participation, and administrative effectiveness. All things considered, the study concludes that the Mandanas-Garcia Ruling strengthens local governance and service delivery efficiency, however, sustaining these gains demands continuous institutional strengthening, strategic fiscal management, participatory governance, and accountability mechanisms.

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