

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL. NO. 3074

Introduced by AKBAYAN Representatives Walden F. Bello and Kaka J. Bag-ao

EXPLANATORY NOTE

The Budget Process as provided in Book VI of The Revised Administrative Code of 1987 (Executive Order No. 292) is the primary implementing law on the powers and limitations of both the executive and legislative branches in the preparation, authorization and implementation of the General Appropriations Act. Unfortunately, this law heavily borrows from Presidential Decree No. 1177 which was passed at a time when the power of the Executive was heavily favored at the cost of the independence and power of the Legislative Branch of the Government. At the same time, current provisions of the Revised Administrative Code expand on the limitations of Congress in the Budget Process, providing for stricter guidelines than that contemplated under the Constitution, which took effect after the Code. While the Constitution sees the Congress as an active, not passive participant in the Budget Process, the Revised Administrative Code unnecessarily put shackles on the power of Congress in determining the priorities, direction and vision of government as expressed in the substance of the Annual Budgetary Appropriations, contrary to the very spirit and purpose of Congress as the bearer of the Power of the Purse as enshrined in the 1987 Constitution.

This Act seeks and proposes to amend or repeal certain provisions of Book VI of the Revised Administrative Code which reflects the Martial Law predisposition to favor the Executive at the expense of the Legislative in the exercise of powers to determine the Budget Process. It seeks to reflect the spirit and noble intent of the 1987 Constitution to remove all vestiges of unmitigated Executive might and restore balance among the three branches of Government by restoring Congress as a viable, reliable and independent institution it is purported to be as, indeed, the "House of People's Representatives", their voices in Congress assembled, the people's sanguine and ultimate guard against the excesses of the Government, constantly reminding it of its social contract with its most precious and principal component, the People, constituting the essence of democracy and the end-all and be-all of any State or Government which exists. As the people's representatives in Government, Congress, as the legislative, must reclaim its old and sacred power over the purse, its only power of check and balance over government's most powerful arm, the Executive.

In so doing, this Act not only seeks to restore what was once was, but what was hoped for in the dreams of the people's march to freedom and democracy, that is, a government of the people, for the people and by the people, constantly reminded that no one man, or woman for that matter, bears exclusive power over the fate of millions, and that at times, when the social contract is violated, the people have a multitude of recourses for remedy, including an amendment of the contract, or gravely, but hopefully remotely, its absolute rescission and abrogation. We need not reach such a point if we

can now restore what was once rightfully bestowed upon the people and their representatives in Congress.

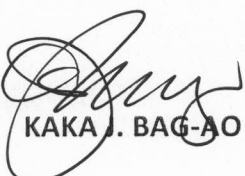
In general, the revised Administrative Code of 1987 limits, in a manner that exceed conditions set forth in the Constitution, the powers that Congress ought to be able to exercise in the course of budget approval. In general, the revised Administrative Code and the practice of budget execution in recent years have been used by the Executive to exercise resource allocation powers that do not belong to it.

Specifically, this legislation intends to achieve the following reforms in budget execution:

- Ensure that the Executive branch of the Philippine government implements the budget as specified in the General Appropriations Act, making the execution of the budget as approved by Congress mandatory and making it illegal and punishable by law to do otherwise without Congressional authorization.
- Ensure that permission for budget deferral, rescission or impoundment is secured from Congress in cases where a fiscal crisis or other contingencies creates a situation that makes it difficult for the Executive to implement the entire budget as approved in the General Appropriations Act. Where fiscal difficulties are encountered, the Executive will need to go to Congress with a special message from the President requesting: i) authorization for new revenues or borrowings, if additional authority to borrow is required, ii) authorization for the impoundment, rescission or deferral of low priority budget items.
- Ensure that savings generated from an unexpected reduction in the costs of achieving project and program objectives supported by the General Appropriations Act are properly accounted for and reported to Congress on a quarterly basis. Ensure further that unspent amounts from lump sum appropriations will be reverted to the general fund, and disbursed only following fresh Congressional authorization.
- Ensure that in case of budget re-enactment, the budget that is re-enacted is identical to the budget of the previous year. Thus, the budget that is re-enacted is not a lump sum that can be disbursed in its entirety without new authorization. The scope for disbursements is only in as far as there are still unexpended budgets, and that the lump sum amounts in the previous budgets can be allocated only based on duly authorized implementing rules and regulations, and other budgets whose expenditure is specifically authorized through other laws.
- Ensure that, in addition to receiving reports about savings generated from completed projects, programs and activities. Congress shall also be consulted and fully informed by the executive regarding the implementing rules and regulations and guidelines used by departments and agencies in the allocation and disbursement of lump sum budgets. In this regard, no disbursement of lump sums shall be made until this process of consultation is deemed to have been completed through a joint resolution by the two Houses of Congress.

Hence, approval of this bill is earnestly sought.


WALDEN F. BELLO


KAKA J. BAG-AO

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HOUSE BILL NO. 3074

Introduced by AKBAYAN Representatives Walden F. Bello and Kaka J. Bag-ao

AN ACT
PRESCRIBING REFORMS IN NATIONAL GOVERNMENT BUDGETING TO
CONFORM WITH ARTICLE VI, SECTIONS 24, 25 AND 29 OF THE 1987
CONSTITUTION, AMENDING FOR THESE PURPOSES PERTINENT
PROVISIONS OF BOOK VI OF EXECUTIVE ORDER NO. 292, OTHERWISE
KNOWN AS THE REVISED ADMINISTRATIVE CODE OF 1987, AND
PROVIDING FOR OTHER RELATED PURPOSES

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

PART I. TITLE

SECTION 1. Title. - This shall be known as the “**Budget Reform Act of 2010**”.

SECTION 2. Declaration of Policy. - Article VI, Section 24 of the 1987 Constitution provides that all appropriatio, revenue or tariff bills, bills authorizing increase of the public debt shall originate exclusively in the House of Representatives. Further, Article VI, Section 29 (1) of the 1987 Constitution provides that no money shall be paid out of the treasury except in pursuance of an appropriation made by law. Finally, Article VI, Section 25 (1) provides, among others, that the form, content, and manner of preparation of the budget shall be prescribed by law and that Congress may not increase the appropriations recommended by the President for the operation of the Government as specified in the budget, while Section 25 (5) provides that no law shall be passed authorizing any transfer of appropriations except savings from items in the respective appropriations of the President, the Senate President, the Speaker of the House, the Chief Justice, and the heads of Constitutional Commissions, which said officials may transfer for the purpose of augmenting any item in the General Appropriations Act for their respective offices, as may be provided by law.

The implementation of the General Appropriations Act is mandatory. Any unauthorized suspension, transfer or use of appropriations, other than that for which they are intended and made in violation of this Act shall be dealt with in accordance with Sections 43 and 80 of Book VI of the Revised Administrative Code as amended herein.

PART II. MAIN PROVISIONS

SECTION 3. Definition of Terms. - Section 2, Chapter I, Bool VI of EO 292 is hereby amended to read as follows:

“Section 2. Definition of Terms. - When used in this Book:

- (1) *"Appropriation" refers to an authorization made by law or other legislative enactment, directing payment out of government funds under specified conditions or for specified purposes.*
- (2) *"Allotment" refers to an authorization issued by the Department of the Budget to an agency, which allows it to incur obligation for specified amounts contained in a legislative appropriation.*
- (3) *"Augment" is to transfer savings from one appropriation to cover deficits in another as exercised by the President, Senate President, Speaker of the House, Chief Justice, and Heads of the Constitutional Commissions within their respective branches and agencies as provided in this Book.*
- (4) *"Budget" refers to a financial plan required to be prepared pursuant to Section 16 (1), Article VIII of the Constitution, reflective of national objectives, strategies and programs.*
- (5) *"Current operating expenditures" refers to appropriations for the purchase of goods and services for current consumption or for benefits expected to terminate within the fiscal year.*
- (6) *"Capital outlay" or "capital expenditures" refers to an appropriations for the purchase of goods and services, the benefits of which extends beyond the fiscal year and which add up to the assets of the Government, including investments in the capital of government-owned or controlled corporations and their subsidiaries.*
- (7) *"Continuing appropriation" refers to an appropriation available to support obligations for a specified purpose or project, even when these obligations are incurred beyond the budget year.*
- (8) *"Deficit" means an insufficiency in the appropriated amount for the completion of a particular program, project or activity or the fulfillment of current operating expenditures and capital outlays not arising from causes such as overpricing or other factors which could have been reasonably foreseen in order to complete the program, project or activity or fulfill current operating expenditures and capital outlays within the given appropriation specified in the General Appropriations Act for said program, project or activity, current operating expenditures and capital outlays.*
- (9) *"Expected result" means service, product or benefit that will accrue to public, estimated in terms of performance measures or targets.*
- (10) *"Fiscal year" refers to the period beginning with the first day of January and ending with the thirty-first day of December of each calendar year.*
- (11) *The "Government" means the National Government, including the Executive, the Legislative, the Judicial Branches, and the Constitutional Commissions.*
- (12) *"Department and agency" and "department or agency" include all departments, bureaus, offices, boards, commissions, courts, tribunals, councils, authorities, administrations, centers, institutes, state colleges and universities, and all other establishments and instrumentalities of the National Government as defined in the preceding paragraph.*

- (13) *"Obligation" refers to an amount committed to be paid by the Government for any lawful act made by an authorized officer for and in behalf of the Government.*
- (14) *"Program" refers to the functions and activities necessary for the performance of a major purpose for which a government agency is established.*
- (15) *"Project" means a component of a program covering a homogenous group of activities that results in the accomplishment of an identifiable output.*
- (16) *"Savings" means any unexpended portion or amount of money for an appropriation as specified in the General Appropriations Act resulting from the completion of a program, project or activity or fulfillment of the purpose for which the appropriation was specified at a cost below the amount appropriated therefor due to lower-than expected expenditures. This shall not refer to unexpended amounts resulting from the President's exercise of the power to impound under Section 38 of this Book. In addition, this shall not refer to unexpended items in a re-enacted budget under Article VI, Section 25 (7) of the 1987 Constitution.*
- (17) *"Special appropriation" is a law other than the General Appropriations Act appropriating funds for a particular program, project, or activity.*
- (18) *"Re-enacted budget" refers to the previous year's budget that takes effect in case Congress fails to pass a new General Appropriations Act for the current year. For the purposes of disbursement, only unexpended items for unfinished projects, programs and activities, lump sums and other expenditures that are automatically appropriated or specifically authorized by other legislation may be disbursed by the executive. A re-enacted budget, therefore, is not a lump-sum amount of the entire budget of the previous whose expenditure and allocation is the province of the Executive.*

SECTION 4. Budget Preparation. - Sections 12 and 21, Chapter 3, Book VI of EO 292, are hereby amended to read as follows:

A.

"Sec. 12. Form and Content of the Budget. - The budget proposal of the President shall include current operating expenditures and capital outlays. It shall comprise such funds as may be necessary for the operations of the programs, projects and activities of the various departments and agencies. The proposed General Appropriations Act and other Appropriations Acts necessary to cover the budget proposals shall be submitted to the Congress to accompany the President's budget submission.

The budget shall be presented to the Congress in such form and content as may be approved by the President and may include the following:

- (1) *A budget message setting forth in brief the government's budgetary thrusts for the budget year, including their impact on development goals, monetary and fiscal objectives, and generally on the implications of the revenue, expenditure and debt-proposals; and*

(2) *Summary financial statements setting forth:*

- (a) *Estimated expenditures and proposed appropriations necessary for the support of the Government for the ensuing fiscal year, including those financed from operating revenues and from domestic and foreign borrowings;*
- (b) *Estimated receipts during the ensuing fiscal year under laws existing at the time the budget is transmitted and under the revenue proposals, if any, forming part of the year's financing program;*
- (c) *Actual appropriations, expenditures, and receipts during the last completed fiscal year;*
- (d) *Estimated expenditures and receipts and actual or proposed appropriations during the fiscal year in progress;*
- (e) *Statements of the condition of the National Treasury at the end of the last completed fiscal year, the estimated condition of the Treasury at the end the fiscal year in progress and the estimated condition of the Treasury at the end of the ensuing fiscal year, taking into account the adoption of financial proposals contained in the budget and showing, at the same time, the unencumbered and unobligated cash resources;*
- (f) *Essential facts regarding the bonded and other long-term obligations and indebtedness of the Government, both domestic and foreign, including identification of recipients of loan proceeds; and*
- (g) *Such other financial statements and data as are deemed necessary or desirable in order to make known in reasonable detail the financial condition of the government."*

shall read as:

"Sec. 12. *Form and Content of the Budget.* - The budget proposal of the President shall include current operating expenditures and capital outlays. It may comprise such funds as may be necessary for the operation of the programs, projects and activities of the various departments and agencies. All appropriations and expenditures for a particular department, office, agency, and/o government-owned or controlled corporations shall be included and listed exclusively in the budget for such department, office, agency and/or government-owned or controlled corporations having control over such funds. All expenditures of the various departments, offices, agencies and/or government-owned or controlled corporation should be uniformly classified by common account titles. The presentation of all projected revenue and proposed expenditure items must show the current year's corresponding revenue and expenditure together with the last three years' corresponding actual revenue and expenditure.

The budget shall be presented to the Congress in such form and content as prescribed in this Section and shall include the following:

- (1) A budget message setting forth in brief the government's budgetary thrusts

for the budget year, including their impact on development goals, monetary and fiscal objectives, and generally on the implications of the revenue, expenditure and debt-proposals; and

(2) Summary financial statement setting forth:

(a) Estimated expenditures and proposed appropriations necessary for the support of the Government for the ensuing fiscal year, including those financed from operating revenues and from domestic and foreign borrowings, together with a breakdown and justification of all items in excess of one million pesos as well as a listing of capital outlays supported by justification and cost-benefit analysis;

(b) Estimated receipts during the ensuing fiscal year under laws existing at the time the budget is transmitted and under the revenue proposals, if any forming part of the year's financing program, together with a breakdown of receipt items and listing of assumptions and the actual receipt for the last three years;

(c) Actual appropriations, expenditures, and receipts during the last completed fiscal year;

(d) Estimated expenditures and receipts and actual or proposed appropriations during the fiscal year in progress, together with a detailed explanation of the variances, if any, between the estimated and actual receipts, and between the proposed and actual expenditures for the last three years;

(e) Statements of the condition of the National Treasury at the end of the last completed fiscal year, the estimated condition of the Treasury at the end of the fiscal year in progress and the estimated condition of the Treasury of the ensuing fiscal year, taking into account the adoption of financial proposals contained in the budget and showing, at the same time, the unencumbered and unobligated cash resources;

(f) Essential facts regarding the bonded and other long-term obligations and indebtedness of the Government, both domestic and foreign, including identification of recipients of loan proceeds, together with an explanation of how the loan proceeds were used and a listing of projects, programs and offices benefited from such loans; and

(g) Such other financial statements and data as are deemed necessary or desirable in order to make known in reasonable detail the financial condition of the government."

B.

"Sec. 21. Appropriations for Personal Services. - Appropriations for personal services shall be considered as included in the amount specified for each budgetary program and project of each department, bureau, office or agency, and shall not be itemized. The itemization of personal services shall be prepared by the Secretary for consideration and approval of the President as provided in Section 23 hereof: Provided, That itemization of personal services shall be prepared for all agencies of the Legislative, Executive and Judicial Branches and the Constitutional

bodies, except as may be otherwise approved by the President for positions concerned with national security matters."

shall read as:

"Sec. 21. Appropriations for Personal Services. - Appropriations for personal services shall be included in the amount specified for each budgetary program and project of each department, bureau, office or agency, and shall be itemized. The itemization of personal services shall be prepared by the Secretary as provided in Section 23 hereof. Itemization of personal services shall also be prepared for all agencies of the Executive, Legislative and Judicial Branches and the Constitutional Bodies, except as may be otherwise approved by the President for positions concerned with national security matters."

SECTION 5. Budget Authorization. - Sections 23, 24, 25, 27 and 28, Chapter 4, Book VI of EO 292, are hereby amended to read as follows:

A.

"Sec. 23. Content of the General Appropriations Act. - The General Appropriations Act shall be presented in the form of budgetary programs and projects for each agency of the government, with the corresponding appropriations for each program and project, including statutory provisions of specific agency or general applicability. The General Appropriations Act shall not contain any itemization of personal services, which shall be prepared by the Secretary after enactment of the General Appropriations Act, for consideration and approval of the President."

shall read as:

"Sec. 23. Content of the General Appropriations Act. - The General Appropriations Act shall be presented in the form of budgetary programs and projects for each agency of the government, with the corresponding appropriations for each program and project, including statutory provisions of specific agency or general applicability. The General Appropriations Act shall include an itemization of all personal services which shall be prepared by the Secretary as part of the proposed Budget submitted to Congress by the President."

B.

"Sec. 24. Prohibition Against the Increase of Appropriation. - The Congress shall in no case increase the appropriation of any project or program of any department, bureau, agency or office of the Government over the amount submitted by the President in his budget proposal. In any case of reduction in the proposed appropriation for a project or program, a corresponding reduction shall be made in the total appropriation of the department, office or agency concerned and in the total of the General Appropriations Bill."

shall read as:

"Sec. 24. Prohibition Against the Increase of Appropriation for the Operation of the Government - Congress may not increase the appropriations recommended by the President for the operation of the Government, as specified in the budget."

However, it may increase appropriation for the operation of a department, agency, or office with the corresponding adjustment in the appropriations of another so as not to exceed the total appropriations submitted by the President in his budget proposal for the operation of the entire Government."

C.

"Sec. 2. Prohibition Against Enactment of Special Provisions. - The Congress shall not add special provisions in the budget earmarking the use of appropriations for specific programs or activities nor shall it increase the amount specified in special provisions beyond those proposed by the President."

shall read as:

"Sec. 25. Enactment of Additional Special Provisions. - Congress may add special provisions in the budget earmarking the use of appropriation for specific programs or activities provided this does not result in the increase of the appropriations recommended by the President for the operation of the Government."

D.

"Sec. 27. Supplemental Appropriations. - All appropriation proposals shall be included and considered in the budget preparation process. After the President shall have submitted the budget, no supplemental appropriation measure supported from existing revenue measures shall be passed by the Congress. However, supplemental or deficiency appropriations involving the creation of new offices, programs or activities may be enacted if accompanied and supported by new revenue sources."

shall read as:

"Sec. 27. Supplemental Appropriations. - All appropriation proposals shall be included in the budget preparation process. However, after the President shall have submitted the budget, supplemental appropriation measures may be passed by Congress provided these are supported by funds actually available as certified by the National Treasurer, or to be raised by a corresponding revenue proposal therein."

The budget and the General Appropriations Act may provide lump sums in order to support bills for later action by the Congress: Provided, that the Treasury Certification requirement shall be deemed complied with in case of bills which are funded from lump sums in the General Appropriations Act approved by the Congress for the purposes of supporting programs, projects, or activities which require specific legislative authorization and in the case of bills whose expenditures estimates are included in the budget submission of the President pursuant to Section 12 of this Book: Provided further that Congress will be consulted before implementing rules for the disbursement of lump sum budgets are issued, and Congress issues joint resolutions stating that such consultations by the Executive with Congress have been achieved are deemed completed.

Unexpected amounts of lump sum appropriations under this Section shall no under circumstances be considered and used as savings but shall automatically revert back to the General Fund at the end of the fiscal year pursuant to Section

28 of this Book. Any act to the contrary shall be considered misuse of government funds and illegal expenditures as provided in Sections 80 and 43 of this Book."

E.

"Sec. 28. Reversion of Unexpended Balances of Appropriations, Continuing Appropriations. - Unexpended balances of appropriations authorized in the General Appropriations Act shall revert to the unappropriated surplus of the General Fund at the end of the fiscal year and shall not thereafter be available for expenditure except by subsequent legislative enactment: Provided, that appropriations for capital outlays shall remain valid until fully spent or reverted: provided, further, that continuing appropriations for current operating expenditures may be specifically recommended and approved as such in support of projects whose effective implementation calls for multi-year expenditure commitments: provided, finally, that the President may authorize the use of savings realized by an agency during given year to meet non-recurring expenditures in a subsequent year.

The balances of continuing appropriations shall be reviewed as part of the annual budget preparation process and the President may approve upon recommendation of the Secretary, the reversion of funds no longer needed in connection with the activities funded by said continuing appropriations."

shall read as:

"Sec. 28. Reversion of Unexpended Balances of Appropriations, Continuing Appropriations. - Unexpended balances of appropriations authorized in the General Appropriations Act shall revert to the unappropriated surplus of the General Fund at the end of the fiscal year and shall not thereafter be available for expenditure except by subsequent legislative enactment: Provided, that appropriations for capital outlays shall remain valid until fully spent or reverted: provided, further, that continuing appropriations for current operating expenditures may be specifically recommended and approved as such in support of projects whose effective implementation calls for multi-year expenditure commitments: provided, finally, that the President may authorize the use of savings realized by an agency during given year to meet non-recurring expenditures in a subsequent year under guidelines, conditions and limits to be prescribed by Congress in the General Appropriations Act and subject to its review and disallowance if the use of savings does not conform with said prescribed guidelines, conditions and limits.

Appropriations for capital outlay shall in case be realigned for personal services and current operating expenditures. The balances of continuing appropriations shall be reviewed as part of the annual budget preparation process and the President may approve upon recommendation of the Secretary, the reversion of funds no longer needed in connection with the activities funded by said continuing appropriations."

SECTION 6. Budget Execution. – Sections 33 (6), 35, 37, 38, 39 and 49 of Chapter 5, Book VI of EO 292 is hereby amended to read as follows:

A.

"Sec. 33. Allotment of Appropriations. - Authorized appropriations shall be allotted in accordance with the procedure outlined herunder:

XXX XXX XXX

- (6) *The Secretary shall have authority to modify or amend any allotment previously issued. In case he shall find at any time that the probable receipts from taxes or other sources of any fund will be less than anticipated and that as a consequence the amount available for the remainder of the term of the appropriations or for any allotment period will be less than the amount estimated or allotted therefor, he shall, with the approval of the President and after notice to the department or agency concerned, reduce the amount or amounts allotted so as to conform to the targeted budgetary goals."*

shall read as:

"Sec. 33. Allotment of Appropriations. - Authorized appropriations shall be allotted in accordance with the procedure outlined hereunder:

XXX XXX XXX

- (6) *Pursuant to Section 38 of this Book, the Secretary shall have no authority to modify or amend any allotment previously issued. In case he shall find at any time that the probable receipts from taxes or other sources of any fund will be less than anticipated and that as a consequence the amount available for the remainder of the term of the appropriations or for any allotment period will be less than the amount estimated or allotted therefor, he shall recommend to the President the reduction of the amount or amounts allotted he deems necessary to conform to the targeted budgetary goals. The President, in turn, shall follow the procedure prescribed in Section 38 of this Book for the approval of requests for authority for the suspension of expenditures of appropriations."*

B.

"Sec. 35. Special Budgets for Lump-Sum Appropriations. - Expenditures from lump-sum appropriations for any purpose or for any department, office or agency in any annual General Appropriations Act or other Act and from any fund of the National Government, shall be made in accordance with a special budget to be approved by the President, which shall include but shall not be limited to the number of each kind of position, the designations, and the annual salary proposed for which an appropriation is intended. This provision shall be applicable to all revolving funds, receipts which are automatically made available for expenditure for certain specific purposes, aids and donations for carrying out certain activities, or deposits made to cover to cost of special services to be rendered to private parties. Unless otherwise expressly provided by law, when any Board, head of department, chief of bureau or office, or any other official, is authorized to appropriate, allot, distribute or spend any lump-sum appropriation or special, bond, trust, and other funds, such authority shall be subject to the provision of this section.

In case of any lump-sum appropriation for salaries and wages of temporary and emergency laborers and employees, including contractual personnel, provided in any General Appropriation Act or other Acts, the expenditure of such

appropriation shall be limited to the employment of persons paid by the month, by the day, or by the hour."

shall read as:

"Sec. 35. Special Budgets for Lump-Sum Appropriations. - Expenditures from lump-sum appropriations for any purpose or for any department, office or agency in any annual General Appropriations Act or other Act and from any fund of the National Government, shall be made in accordance with a special budget to be approved by the President, which shall include but shall not be limited to the number of each kind of position, the designations, and the annual salary proposed for which an appropriation is intended. This provision shall be applicable to all revolving funds, receipts which are automatically made available for expenditure for certain specific purposes, aids and donations for carrying out certain activities, or deposits made to cover to cost of special services to be rendered to private parties. Unless otherwise expressly provided by law, when any Board, head of department, chief of bureau or office, or any other official, is authorized to appropriate, allot, distribute or spend any lump-sum appropriation or special, bond, trust, and other funds, such authority shall be subject to the provision of this section.

In case of any lump-sum appropriation for salaries and wages of temporary and emergency laborers and employees, including contractual personnel, provided in any General Appropriation Act or other Acts, the expenditure of such appropriation shall be limited to the employment of persons paid by the month, by the day, or by the hour."

*In no case shall savings from lump sum appropriation under this Section be used pursuant to Section 39 of this Book or for any other purpose. Any savings from lump sum appropriations shall revert back to the unappropriated surplus of the General Fund at the end of the fiscal year and shall not thereafter be available for expenditures except by subsequent legislative enactment pursuant to Section 28 of this Book: *Provided*, that Congress may authorize the use of savings from lump sum appropriations pursuant to Section 39 of this Book under specific guidelines, conditions and limits it shall provide in the General Appropriations Act, further subject to its review and disallowance if Congress so finds such use of savings from lump sum appropriations not to be in accordance with its prescribed guidelines, conditions and limits."*

C.

"Sec. 37. Creation of Appropriation Reserves. - The Secretary may establish reserves against appropriations to provide for contingencies and emergencies which may arise later in the calendar year and which would otherwise require deficiency appropriations.

The establishment of appropriation reserves shall not necessarily mean that such portion of the appropriation will not be made available for expenditure. Such conditions change during the fiscal year justifying the use of the reserve, necessary adjustments may be made by the Secretary when requested by the department, official or agency concerned."

shall read as:

"Sec. 37. Prohibition against the Creation of Appropriation Reserves. - The Secretary may establish reserves against appropriations to provide for contingencies and emergencies which may arise later in the calendar year and which would otherwise require deficiency appropriations shall be the subject of special appropriations measures to be proposed and certified as urgent by the President to Congress. Provided, however, that the establishment of reserves follows guidelines set forth in the section on Congressional regulation of the power of the President to defer, rescind, or reserve expenditure of appropriations authorized by Congress."

D.

"Sec. 38. Suspension of Expenditure of Appropriations. - Except as otherwise provided in the General Appropriations Act and whatever in his judgment the public interest so requires, the President, upon notice to the head of office concerned, is authorized to suspend or otherwise stop further expenditure of funds allotted for any agency, or any other expenditure authorized in the General Appropriations Act, except for personal services appropriations used for permanent officials and employees."

shall read as:

"Sec. 38. Suspension of Expenditure of Appropriations. - The implementation of the General Appropriations Act is mandatory, and failure to release allotments for appropriated items as provided for in said Act shall constitute misuse of government funds and illegal expenditures as provided in Sections 80 and 43 of this Book.

Fund releases for appropriations authorized in the General Appropriations Act shall be transmitted intact. The Commission on Audit shall ensure compliance with this provision to the extent that sub-allotments by departments and/or central agencies to their subordinate offices are in conformity with allocation in budgetary advice of allotments or treasury warrants issued by the Department of Budget and Management.

However, except as otherwise provided in the General Appropriations Act, the President, subject to review and approval of Congress may be authorized to suspend or otherwise stop further expenditure of funds allotted for any agency, or any other expenditure authorized in the General Appropriations Act, except for personal services appropriations used for permanent officials and employees. Congress shall transmit its approval or denial to the President sixty (60) days after its receipt of the President's request for authority. Inaction on the part of Congress within said sixty (60) day period shall mean a denial of the request for authority to suspend expenditure of appropriations."

Any provision of law to the contrary notwithstanding, the appropriations authorized for the Judiciary, Congress, the Commission on Human Rights, the Office of the Ombudsman, the Civil Service Commission, the Commission on Audit and the Commission on Elections in the annual appropriations act shall be automatically and regularly released in accordance with their respective work and financial plans."

E.

"Sec. 39. Authority to Use Savings in Appropriations to Cover Deficits. - Except as otherwise provided in the General Appropriations Act, any savings in the regular appropriations authorized in the General Appropriations Act for programs and projects of any department, office or agency, may, with the approval of the President, be used to cover deficit in any other item of the regular appropriations: provided, that the creation of new positions or increase of salaries shall not be allowed to be funded from budgetary savings except when specifically authorized by law: provided, further, that whenever authorized positions are transferred from one program or project to another within the same department, office or agency, the corresponding amounts appropriated for personal services are also deemed transferred, without, however increasing the total outlay for personal services of the department, office or agency concerned."

shall read as:

"Sec. 39. Authority to Use Savings in Appropriations to Cover Deficits. - Except as otherwise provided in the General Appropriations Act, any savings in the regular appropriations authorized in the General Appropriations Act for programs and projects of any department, office or agency, may, with the approval of the President, be used to cover deficit in any other item of the regular appropriations: provided, that the creation of new positions or increase of salaries shall not be allowed to be funded from budgetary savings except when specifically authorized by law: provided, further, that whenever authorized positions are transferred from one program or project to another within the same department, office or agency, the corresponding amounts appropriated for personal services are also deemed transferred, without, however increasing the total outlay for personal services of the department, office or agency concerned."

Under no circumstances shall savings be used for programs, projects and activities, or any other purpose not appropriated for in the General Appropriations Act pursuant to Article VI, Section 29 (1) of the 1987 Constitution. Any act to the contrary shall constitute misuse of government funds and illegal expenditures as provided in Sections 80 and 43 of this Book, including use of savings on unprogrammed expenditures beyond the limits prescribed in the General Appropriations Act. In addition, any use of savings on expenditures subject to limitations provided in the General Appropriations Act shall be reviewed and may be disallowed by Congress for being made in violation of said limitations."

A re-enacted budget shall not be treated as a lump sum budget in its entirety. All items in a re-enacted General Appropriations Act by operation of Article VI, Section 25 (7) of the 1987 Constitution shall revert to the General Fund in accordance with Section 28 of this Book: except for the following: a) lump-sum items whose implementing rules were drafted in the previous year in consultation with Congress, as evidenced by a joint congressional resolution stating such; b) appropriations for recurring expenditures; c) expenditures for budgets deemed automatically appropriated under the law; d) expenditures for which separate legislative authorization exists. Under no circumstances shall other unexpended amounts be used for items and expenditures not appropriated for in the re-enacted General Appropriations Act.

F.

"Sec. 49. - Authority to Use Savings for Certain Purposes. - Savings in the appropriations provided in the General Appropriations Act may be used for the

settlement of the following obligations incurred during a current fiscal year or previous fiscal years as may be approved by Secretary in accordance with rules and procedures as may be approved by the President:

XXX XXX XXX

shall read as:

"Sec. 49. - *Authority to Use Savings for Certain Purposes.* - Savings in the appropriations provided in the General Appropriations Act may be used for the settlement of the following obligations incurred during a current fiscal year or previous fiscal years as may be approved by the President in accordance with specific guidelines, conditions and limitations that shall be prescribed in the General Appropriations Act, and subject to review and disallowance by Congress if the same are found to be made in violation of its prescribed guidelines, conditions and limitations."

XXX XXX XXX

SECTION 7. *Congressional Oversight Committee.* - Congress shall create an Oversight Committee for the implementation and faithful execution of the provisions of this Act, specifically, from lump-sum appropriations, as provided in this Act, the use of unexpended appropriations in reenacted General Appropriations Act, the prohibition against retention or detention of allotments, the automatic release of appropriations to the Legislative, Executive, and Judicial Branches, the Constitutional Commissions, the Commission on Human Rights, and the Office of the Ombudsman, and other specific provisions in this Act amending Book VI of the Revised Administrative Code.

The Congressional Oversight Committee shall also implement Sections 28, 35, 38, 39 and 49, Book VI of the Revised Administrative Code of 1987, as amended in this Act, providing for the exercise of its power to review, approve or disallow executive action on the use or transfer of appropriations and determine, after legislative inquiry, the commission of misuse of government funds and illegal expenditures as provided in Sections 80 and 43 of Book VI of the Revised Administrative Code of 1987.

PART III. FINAL PROVISIONS

SECTION 8. *Separability Clause.* - If any part, section or provision of this Act is held invalid or unconstitutional, other provisions not affected thereby shall remain in full force and effect.

SECTION 9. *Repealing Clause.* - Presidential Decree No. 1177 is hereby expressly repealed. The pertinent provisions of Book VI of Executive Order No. 292 or the Revised Administrative Code of 1987 are hereby repealed or amended accordingly. All laws, decrees, orders, rules and regulations or other issuances inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

SECTION 10. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved.