

REPUBLIC OF THE PHILIPPINES
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

SIXTEENTH CONGRESS
Second Regular Session

House Bill No. 4908



Introduced by Kabataan-Party-List Representative Terry L. Ridon

EXPLANATORY NOTE

It is undeniable that the government's budget policy of automatic appropriation for debt servicing has, year after year, scandalously eaten up the most monstrous share of the people's money, effectively diverting finances away from the delivery of basic social services to the people.

In the youth sector alone, there are currently eight (8) million children, adolescents and young adults who are out of school because the government cannot accommodate them in their inadequate infrastructures. Where they exist, public schools, universities and colleges perennially suffer from decrepit facilities. Section 5, Article XIV of our Constitution directs us to give the highest appropriation in the government budget to education spending, but we have always failed to do so because we are bound to pay our debts without question nor scrutiny.

In order to address the needs of a sovereign people, the United Nations prescribes that governments must spend an equivalent of at least six (6) percent of their country's gross domestic product (GDP) in educating their citizens. The Philippines, because of its monstrous debt burden, spends more or less just two (2) percent annually. In fact, the total debt service expenditure for 2015 is pegged at P789.75 billion, of which P372.86 billion is for interest payments, P26.5 billion is for net lending and P390.38 billion is for principal amortization. This is equivalent to about 5.5 percent of the projected 2015 GDP. Meanwhile, only P369 billion is allotted for the education sector (sum of P318.9 billion for the Department of Education, P41.22 billion for state universities and colleges, P2.53 billion for the Commission on Higher Education, and P5.41 billion for the Technical Education and Skills Development Authority. This is equivalent to only 2.6 percent of the projected GDP for 2015.

Filipino students have been – year in and year out – shortchanged by the government due to its policy of prioritizing debt servicing. Such continued misprioritization has forced our public schools and universities to increase tuition and other fees annually, thus effectively closing its doors and denying education to millions of poor Filipinos.

A law repealing the automatic nature of funds for debt service is also needed to open the billions of funds automatically appropriated for debt payment to public scrutiny. No less than past treasurers and budget secretaries of the national government have repeatedly emphasized that even funds automatically appropriated for debt can also be manipulated by unscrupulous public officials. Given the current situation wherein Congress – and in turn, the public – has no power over debt service funds, there is no way for Filipinos to check on the said funds. In light of the growing public clamor for accountability and transparency in public financing, Congress must be empowered to review funds for debt service by repealing its automatic character. Passing such law will open the heavy curtains of secrecy that has long been drawn close to the public due to the automatic nature of the said funds.

The need to repeal the provisions on automatic appropriations for debt service in order to address the grave crisis in social services, in particular the public education sector, is now, more than ever, urgent. Similar legislative measures have often been proposed in the past, but until now, no law has been passed to address this concern. We must thus implement, at the minimum, the six (6) percent prescription by the United Nations in order to address the tragic condition of our education sector. In implementing this automatic appropriation for education, we are securing not only the future of the youth, but the future of our nation.

In light of the forgoing, the urgent passage of this bill – which has been first filed by former Kabataan Partylist Rep. Raymond Palatino in the 15th Congress – is earnestly sought.


HON. TERRY L. RIDON
Representative, Kabataan Party-list

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AN ACT

EFFECTIVELY REPEALING THE AUTOMATIC APPROPRIATION FOR DEBT SERVICE AND INSTITUTIONALIZING THE AUTOMATIC APPROPRIATION OF SIX PERCENT (6%) OF THE GROSS DOMESTIC PRODUCT TO PUBLIC EDUCATION SECTOR SPENDING BY AMENDING SECTION 31 OF PRESIDENTIAL DECREE NO. 1177 AND SECTION 26, CHAPTER 4, BOOK VI OF EXECUTIVE ORDER NO. 292, OTHERWISE KNOWN AS THE "ADMINISTRATIVE CODE OF 1987" WHICH REITERATES IN TOTO SECTION 31 OF PRESIDENTIAL DECREE NO. 1177

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

1 **SECTION 1.** Section 31 of Presidential Decree No. 1177 of July 20, 1977 entitled
2 "Revising the Budget process in Order to Institutionalize the Budgetary Innovations of
3 The New Society" is hereby amended as follows:

4 Section 31. Automatic Appropriations. – All expenditures for (a) personnel
5 retirement premiums, government service insurance, and other similar fixed
6 SOCIAL SERVICE expenditures, (B) BUDGETARY REQUIREMENTS OF
7 STATE COLLEGES AND UNIVERSITIES, EXPENDITURES FOR TEACHERS
8 AND BASIC EDUCATION CLASSROOM REQUIREMENTS, AND OTHER
9 SIMILAR EDUCATION EXPENDITURES, THE SUM OF WHICH SHALL IN NO
10 CASE BE LESS THAN 6% OF THE GROSS DOMESTIC PRODUCT (GDP)
11 are automatically appropriated: provided, that no obligations shall be incurred
12 or payments made from funds thus automatically appropriated except as issued
13 in the form of regular budgetary allotments.

14 **SECTION 2.** Section 26, Chapter 4, Book VI of Executive Order No. 292, otherwise
15 known as the "Administrative Code of 1987," which reiterates in toto Section 31 of
16 Presidential Decree No. 1177 and similar laws, decrees, executive orders,
17 administrative orders, or circulars are likewise hereby amended accordingly.

1 **SECTION 3.** The funding for the payment of the principal and interest of the country's
2 domestic and foreign debt shall undergo the same annual appropriations process like
3 all regular items of the National Budget under the General Appropriations Act. The
4 same shall be recommended annually by the Executive through the Department of
5 Budget and Management (DBM) and shall be subject to the review and scrutiny of
6 both Houses of Congress.

7 **SECTION 4. *Separability Clause.*** – If any section or provision of this Act shall be
8 declared unconstitutional, the remaining sections or provisions shall not be affected
9 thereby.

10 **SECTION 5. *Effectivity Clause.*** – This Act shall take effect fifteen (15) days after its
11 publication in at least two (2) newspapers of general circulation.

Approved,