

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH (20th) CONGRESS
First Regular Session

House Bill No. **1021**



Introduced by Rep. Robert Nazal

EXPLANATORY NOTE

Earmarked revenues are specific funds designated by law to be used exclusively for particular activities, benefits, or purposes. By statute, these revenues must be accounted for separately from the government's general revenues and cannot be diverted for other uses unless explicitly authorized by law. Moreover, these funds cannot be included in the General Appropriations Act (GAA) of the following year unless reallocation is expressly provided for.

To optimize the use of government cash resources, the cash receipts from earmarked revenues are accrued to the General Fund of the National Treasury under the "One Fund Concept." This practice aligns with Section 29 (1) of Article VI and Section 22 of Article VII of the 1987 Constitution, as implemented by Sections 44 and 45, Book VI of Executive Order No. 292, and Sections 65 and 66 of Presidential Decree No. 1445, also known as the State Audit Code of the Philippines.

These earmarked revenues are recorded as Special Accounts in the General Fund (SAGFs) of the National Treasury. Although they form part of the General Fund, these revenues are still recorded in separate accounts to ensure their exclusive use for the purposes for which they were established.

The Bureau of the Treasury notes that when cash receipts from earmarked collections exceed the actual disbursements for SAGFs in any given fiscal year, the unexpended cash balance is utilized for other expenditures in the GAA, following the One Fund Concept. This allows for more efficient management of government cash holdings.

However, it is important to highlight that Section 29, Article VI of the 1987 Constitution states: "No money shall be paid by the Treasury except in pursuance of an appropriation made by law." Therefore, while the cash receipts from earmarked revenues are utilized, the remaining SAGF balances represent an obligation to fund future SAGF-eligible expenditures. These obligations must be supported by future revenues or borrowings, meaning the balances do not constitute readily available cash resources.

This practice undermines the original purpose of creating the SAGFs, as the balances, though recorded, are not immediately accessible for their intended use. Consequently, earmarked revenues are often used for purposes other than those specified by the laws that mandated their earmarking.

While the One Fund Concept may be viewed as sound fiscal management, ensuring that idle funds are put to use for urgent government needs, it is crucial that such practices remain consistent with existing laws, regulations, and constitutional provisions.

This bill seeks to establish clear conditions for the utilization of earmarked revenues, contributing to the government's efforts to achieve fiscal stability and optimize the management of its cash resources. It also aims to safeguard these funds from misuse while ensuring transparency and accountability in their management.

For these reasons, the approval of this bill is earnestly sought.



REP. ROBERT NAZAL

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House Bill No. 1021

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AN ACT AUTHORIZING THE ACCRUAL OF EARMARKED REVENUES TO THE
GENERAL FUND AND PRESCRIBING THE CONDITIONS UNDER WHICH SUCH
FUNDS MAY BE USED FOR OTHER EXPENDITURES IN THE GENERAL
APPROPRIATIONS ACT, AND FOR OTHER PURPOSES

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

Section 1. Title. This Act shall be known as the "Earmarked Revenues Accrual and Utilization Act of 2024."

Section 2. Declaration of Policy. It is hereby declared the policy of the State to ensure the prudent and efficient use and management of all government resources. In line with the "One Fund" concept, all government revenues, including earmarked funds, shall be managed to optimize the allocation of resources in accordance with national development priorities, while ensuring that the original objectives for which these revenues were collected are fully realized.

Section 3. Definition of Terms. For purposes of this Act, the following terms shall be defined as follows:

- Authorized Expenditure* refers to any item of expense appropriated for in the General Appropriations Act.
- Earmarked Revenues* are identified revenues required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from government's general revenues.
- Eligible Expenditure* refers to any of those enumerated in specific laws that mandated the earmarking to utilize income collections accruing to the Special Accounts in the General Fund for the respective purposes provided in the same law.
- General Fund* refers to the primary fund of the National Government deposited in the National Treasury, which consists of monies and resources available for the payment of expenditures, obligations or purposes not specifically declared by law as accruing and chargeable to, or payable from, any other fund.

- e. *One Fund Concept* refers to the accrual of all income, fees, charges, assessments, and other receipts or revenues collected by government offices and agencies to the General Fund of the National Government and deposited in the National Treasury, as enunciated through Presidential Decree No. 1177, as amended, and implemented by Sections 44 and 45, Book VI of Executive Order No. 292, otherwise known as the Administrative Code of 1987, and Sections 65 and 66 of Presidential Decree No. 1445, otherwise known as the State Audit Code of the Philippines.
- f. *Resources* refers to the actual assets of any government agency, instrumentalities, corporation and/or offices, such as cash, instruments representing or convertible to money, receivables, lands, buildings, as well as contingent assets such as estimated revenues applying to the current fiscal period not accrued or collected and bonds authorized and unissued.
- g. *Special Accounts in the General Fund (SAGF)* refers to the fund whereby proceeds of specific revenue measures and grants earmarked by law for specific priority projects are recorded.

Section 4. *Accrual of Earmarked Revenues to the General Fund.* Notwithstanding any law to the contrary, all earmarked revenues collected by any government office, agency, instrumentality, or corporation shall accrue to the General Fund of the National Government and be maintained as Special Accounts within that fund. These revenues may be temporarily utilized for other authorized expenditures under the General Appropriations Act, provided that the cash receipts from earmarked revenues are recorded as separate SAGFs for accurate monitoring and accounting. Furthermore, it is required that any funds temporarily used for other authorized expenditures remain readily available to fulfill the eligible expenditures charged against the SAGFs when needed.

Section 5. *Conditions for the Utilization of Earmarked Revenues.* The cash receipts from earmarked revenues accrued to the General Fund may be used for other authorized expenditures under the General Appropriations Act, subject to the following conditions:

- a. Earmarked revenues maintained in Special Accounts in the General Fund (SAGFs) shall be used exclusively for their legally mandated purposes. The Department of Budget and Management (DBM) shall program the annual utilization of these revenues in alignment with the government's approved fiscal program and release the corresponding funds to beneficiary agencies based on specific budget execution guidelines.
- b. As the cash receipts from earmarked collections accrue to the General Fund, expenditures eligible under the SAGFs are funded using the General Fund's cash. These charges will be recorded, and the corresponding SAGF balances will be reduced accordingly.
- c. Notwithstanding the above, the Bureau of the Treasury shall ensure that the SAGF balances represent readily available cash resources for any eligible expenditures charged to the SAGFs until the end of the fiscal year.
- d. Only when the cash receipts from earmarked collections charged to the SAGFs exceed actual disbursements at the end of the fiscal year may the unutilized SAGF balance be used for other expenditures in the GAA.

However, the amount used for such purposes shall not impair the availability of funds for SAGF-eligible expenditures.

- e. Under no circumstances shall there be a failure or delay in the disbursement of funds to cover SAGF-eligible expenditures due to the temporary utilization of earmarked revenues as outlined in this Act. Any delay, defined as the lapse of fifteen (15) days without approval of the fund release after meeting all requirements, is prohibited.

Section 6. *Interest-Earning Mechanism.* All earmarked revenues are deposited in the Treasury Single Account maintained with the *Bangko Sentral ng Pilipinas*, where the interest generated therefrom shall accrue to the General Fund as its income, in accordance with the provisions of Book VI, Chapter 5, Section 44 of Executive Order No. 292 to fund other general expenditures as provided in the GAA. The Department of Finance and the Bureau of the Treasury shall oversee the implementation of the interest earning mechanism in coordination with the *Bangko Sentral ng Pilipinas*.

Section 7. *Safeguards and Oversight.*

- a. The Department of Budget and Management, Department of Finance, and Commission on Audit shall jointly issue rules and regulations to ensure strict monitoring and transparency in the use of pooled earmarked revenues.
- b. These agencies shall jointly monitor and evaluate the utilization of earmarked revenues and recommend to the President any necessary actions, including replenishment measures.
- c. They shall also furnish the Congress with a quarterly report on the status of earmarked revenues, including interest earned and amounts diverted for other expenditures in the exercise of its oversight function.

Section 8. *Penal provision.* Any public official or employee who authorizes or facilitates the unauthorized use of earmarked revenues, contrary to the provisions of this Act, shall be subject to the following:

- a. If the amount misused, diverted, or misappropriated falls below the threshold for plunder (₱50 million), a fine equivalent to the amount of earmarked revenues misused, diverted, or misappropriated, or imprisonment not exceeding six (6) years; or both fine and imprisonment, at the discretion of the court; in addition to perpetual disqualification from holding public office, with forfeiture of all benefits and retirement privileges.

These penalties shall be without prejudice to the filing of criminal charges under Republic Act No. 3019 (Anti-Graft and Corrupt Practices Act), the Revised Penal Code of the Philippines, and other applicable laws.

- b. If the amount involved qualifies as plunder (₱50 million and above), prosecution under Republic Act No. 7080 (Plunder Law), with penalties including life imprisonment and forfeiture of assets.
- c. Under no circumstances shall the unauthorized use of earmarked revenues result in the delay of eligible expenditures, as defined by this Act. A delay of more than fifteen (15) days without approval of the release of funds, after all requirements have been met, shall be subject to administrative sanctions

under Republic Act No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees).

- d. Any violation of this Act involving the commission of fraud or the concealment of illegal activities shall also be subject to prosecution under the Anti-Money Laundering Act (RA 11641), the Anti-Red Tape Act (RA 10910), and Presidential Decree No. 1445 (Government Auditing Code of the Philippines), as applicable.

Section 9. *Implementing Rules and Regulations.* Within ninety (90) days from the effectivity of this Act, the Department of Budget and Management, the Department of Finance, and the Commission on Audit, in consultation with other departments and agencies with earmarked revenues under their jurisdiction, shall issue the necessary rules and regulations for the effective implementation of this Act.

Section 10. *Repealing Clause.* All other laws, executive orders, rules and regulations or parts thereof in conflict with the provisions of this Act are hereby repealed or amended accordingly.

Section 11. *Separability Clause.* If any section or provision of this Act is declared to be unconstitutional, other sections or provisions hereof which are not affected thereby, shall remain in full force and effect.

Section 12. *Effectivity.* This Act shall take effect fifteen (15) days from its publication in the Official Gazette or any newspaper of general circulation.

Approved,