

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**SEVENTEENTH CONGRESS**  
**First Regular Session**

House Bill No. **2868**

HOUSE OF REPRESENTATIVES

**RECEIVED**

DATE: **11 AUG 2016**

TIME: **2:30 PM**

BY: **uli**

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**Introduced by AKBAYAN Representative Tomasito S. Villarín**

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### **EXPLANATORY NOTE**

The annual appropriations law, having gone through review and approval of Congress, should be followed religiously. But, and however meticulous the process of passing the General Appropriations Act may be, augmentation of certain budgetary allocation may be necessary. Augmentation finds support from Section 25 (5) of the 1987 Philippine Constitution which provides:

“5. No law shall be passed authorizing any transfer of appropriation: however, the President, the President of the Senate, the Speaker of the House Representatives, the Chief Justice of the Supreme Court, and the heads of Constitutional Commissions may, by law, be authorized to augment any item in the general appropriations law for their respective offices from savings in other items of their respective offices from savings in other items of their respective appropriations.”

Such situations of augmentation often result to unscrupulous use of the budget, devoting amounts to certain items inconsistent with the objectives from which the annual appropriations were based. The result is a disregard of the bases and the processes undertaken in the enactment of the General Appropriations Act.

This proposed Savings and Augmentation Act of 2016 is a re-fling of House Bill No. 2256, introduced by Akbayan representatives in the 16<sup>th</sup> Congress. It seeks to regulate the proper use of savings and to set the limits in the augmentation of budget specified in the General Appropriations Act.

It highlights that the use of “savings,” defined in this bill, shall be subject to the limits set by existing laws as well as by the General Appropriations Act. It underscores review and approval by Congress, and the possibility of disallowing the use of “savings” if it is shown that the use will not conform with existing guidelines, conditions and limits. This bill also further defines unexpended amounts that shall revert back to the General Fund at the end of the fiscal year.

The objective of this proposed legislation is to promote government efficiency and effectiveness in the use and generation of revenue, which will surely lead to the attainment of the goals of national development.

In view of the foregoing, the passage of this bill is earnestly sought.

A handwritten signature in black ink, appearing to be 'Tomasito S. Villarin', written in a cursive style.

**TOMASITO S. VILLARIN**

Republic of the Philippines  
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**SEVENTEENTH CONGRESS**  
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**AN ACT**  
**DEFINING THE CONCEPT OF SAVINGS**  
**AND REGULATING THE PROCESS OF AUGMENTATION BY THE**  
**PRESIDENT IN IMPLEMENTATION OF ARTICLE VI, SECTION 25**  
**(5) OF THE PHILIPPINE CONSTITUTION**

*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 “*Savings and Augmentation Act of 2016.*”

**SECTION 2. Declaration of Policy.**—It is the policy of the State to ensure that the Executive Branch of the Philippine Government implements the budget as specified in the General Appropriations Act duly enacted by Congress pursuant to its constitutional authority to prescribe all government appropriations.

**SECTION 3. Definition of Terms.**—Section 2, Chapter I, Book VI of Executive Order No. 292 otherwise known as the “*Administrative Code of 1987,*” 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 Budget and

Management to an agency, which allows it to incur obligation for specified amounts contained in a legislative appropriation.

3. "Augment" is the power 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. "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.

5. *"Budget"* refers to a financial plan required to be prepared pursuant to Section 16(1), Article VIII of the Philippine Constitution, reflective of national objectives, strategies and programs.

6. *"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.

7. *"Capital outlay" or "capital expenditures"* refers to an appropriation for the purchase of goods and services, the benefits of which extend beyond the fiscal year and which add to the assets of the Government, including investments in the capital of government-owned or -controlled corporations and their subsidiaries.

8. "*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.

9. "*Deferral*" means withholding or delaying the release of appropriated amounts provided for projects or activities.

10. "*Expected results*" means service, product, or benefit that will accrue to the public, estimated in terms of performance measures or targets.

11. "*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.

12. The "*Government*" means the National Government, including the Executive, the Legislative and the Judicial branches, and the Constitutional Commissions.

13. "*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.

14. "*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.

15. "*Program*" refers to the functions and activities necessary for the performance of a major purpose for which a Government agency is established.

16. "*Project*" means a component of a program covering a homogenous group of activities that results in the accomplishment of an identifiable output.



17. “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, Chapter 5 of Book VI. In addition, this shall not refer to unexpended items in a re-enacted budget under Section 25(7), Article VI of the Philippine Constitution.”

**SECTION 4.** Section 28 of Chapter 5, Book VI of Executive Order No. 292 otherwise known as the “*Administrative Code of 1987*” is hereby amended to read as follows:

*“Section 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 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 a 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 disallowances if the use of savings does not conform with said prescribed guidelines, conditions and limits.

"Appropriations for capital outlay shall in no 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 5.** Section 39 of Chapter 5, Book VI of Executive Order No. 292 otherwise known as the "*Administrative Code of 1987*" is hereby amended to read as follows:

*"Section 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, officer or agency, may, with the approval of the President, be used to cover a 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 Section 29(1), Article VI of the Philippine 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 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.

In addition, unexpended amounts of any lump-sum appropriation made by Congress shall under no 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 likewise be considered misuse of government funds and illegal expenditures as provided in Sections 80 and 43 of this Book."

**SECTION 6.** Section 49 of Chapter 5, Book VI of Executive Order No. 292 otherwise known as the "*Administrative Code of 1987*" is hereby amended to read as follows:

*"Section 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 guideliens, conditions and limitations that shall be prescribed in the General Appropriations Act."*

**SECTION 7. Separability Clause.**—If any provision of this Act, or any part thereof, is declared unconstitutional, the same shall not affect the validity and effectivity of the other provisions and portions of this Act.

**SECTION 8. Repealing Clause.**—This Act amends Section 2, Chapter I, and Sections 28, 39 and 49 of Chapter 5, of Book VI or Executive Order No. 292 otherwise known as the "*Administrative Code of 1987*." All other laws, decrees, executive orders, letters or instructions, letters of implementation, rules and regulations or parts thereof inconsistent with the provisons of this Act are hereby repealed, modified, superseded, or amended, accordingly.

**SECTION 9. Effectivity Clause.**—This Act shall take effect fifteen (15) days after its complete publication in the *Official Gazette* or in at least two (2) national newspapers of general circulation, whichever comes earlier.



Approved,