

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session



COMMITTEE REPORT NO. 02

20 SEP 2016

Submitted by the Committee on Appropriations on _____

Re: House Bill No. 3408

Recommending its approval without amendment.

Sponsors: Representatives Nograles (K.A.), Alvarez (P.), Zamora (Ma. C.), Javier, Leachon, Olivarez, Sandoval II, Garin, Jr., Salceda, Biazon, Dimaporo (M.), Duavit, Lanete, Dy, Cojuangco, Del Mar, Vargas, Lobregat, Go (A.C.), Malanyaon, Villafuerte, Jr., Jalosjos, Amante, Cuaresma, Antonino, and Sambar

Mr. Speaker,

The Committee on Appropriations has the honor to submit to the House of Representatives, for its immediate consideration and approval without amendment, the attached House Bill No. 3408, titled:

**"AN ACT APPROPRIATING FUNDS FOR THE
OPERATION OF THE GOVERNMENT OF THE
REPUBLIC OF THE PHILIPPINES FROM JANUARY
ONE TO DECEMBER THIRTY-ONE, TWO THOUSAND
AND SEVENTEEN, AND FOR OTHER PURPOSES."**

Respectfully submitted:


KARLO ALEXEI B. NOGRALES
Chairperson
Committee on Appropriations

**THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
Quezon City**

**House of Representatives
Committee Affairs Department**

FACT SHEET

House Bill No. 3408

**AN ACT APPROPRIATING FUNDS FOR THE OPERATION OF THE
GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES FROM
JANUARY ONE TO DECEMBER THIRTY-ONE, TWO THOUSAND AND
SEVENTEEN, AND FOR OTHER PURPOSES**

Introduced By: REPRESENTATIVES NOGRALES (K.A.), ALVAREZ (P.), ZAMORA (MA. C.), JAVIER, LEACHON, OLIVAREZ, SANDOVAL II, GARIN, JR., SALCEDA, BIAZON, DIMAPORO (M.), DUAVIT, LANETE, DY, COJUANGCO, DEL MAR, VARGAS, LOBREGAT, GO (A.C.), MALANYAON, VILLAFUERTE, JR., JALOSJOS, AMANTE, CUARESMA, ANTONINO, SAMBAR, ALMONTE, CALIXTO-RUBIANO, CARI, CELESTE, CERAIFICA, GONZALEZ, PRIMICIAS-AGABAS, RAMOS, JR., SACDALAN, VILLARICA, ABELLANOSA, ABUEG, ARAGONES, ARENAS, CAMINERO, SAHALI, SUANSING (E.), ACOSTA, ALONTE-NAGUIAT, BAGATSING, BERNOS, FERNANDO, GONZAGA, MALAPITAN, MATUGAS II, NAVA, NIETO, NOLASCO, PACQUIAO, PAPANDAYAN, JR., PIMENTEL, SUANSING, JR., VELOSO, MANGAOANG, SAVELLANO, SIAO, ACHARON, JR., BULUT-BEGTANG, YAP (A), MACEDA, LOPEZ (M.L.), SAGARBARRIA, YU, MARQUEZ, GASATAYA, ENVERGA, YAP, JR., ESCUDERO, DURANO IV, DIMAPORO (A.), ONG (E.), SY-ALVARADO, GARCIA III, LAOGAN, ESTRELLA III, MANALO, PADUANO, MONTORO, UNGAB, ROQUE (R.), FORTUNO, ARBISON, TEJADA, AMATONG, ABAD, CATAMCO, ADIONG, AGARAO, DELOSO-MONTALLA, GORRICETA, LIMKAICHONG, ROMAN, SARMIENTO (E.M.), VARGAS-ALFONSO, BATAOIL, MELLANA, PANTO, SILVERIO, UY (J.), ZUBIRI

*Committee Referral: **APPROPRIATIONS***

*Committee Chairperson: **REP. KARLO ALEXEI B. NOGRALES***

OBJECTIVES:

- To authorize the appropriation of funds for the operation of the national government, the local government units and government owned and controlled corporations for Fiscal Year 2017.
- To approve the national budget amounting to P3.350 trillion embodying the commitment of the President to achieve the country's 10-point socio economic development agenda.

KEY PROVISIONS:

- Adopts the budget theme "*A Budget for a Real Change.*"
- Supports the priorities of the government enunciated during the President's State of the Nation Address (SONA), as follows:
 - **Accelerate annual infrastructure spending to 5 percent of the Gross Domestic Product (GDP)**, to provide a reliable transport network;
 - **Maintain peace and order within the country**, to achieve progress through relentless fight against crime and corruption, investing on a professional police and military establishment, a working justice system and a lean and clean bureaucracy;
 - **Invest in human capital development** by providing for education and health systems, to ensure equal access to economic opportunities;
 - **Provide ample social protection and sustainable livelihood** to shield the people specially the poor from economic shocks and environment disasters;
 - **Increase agricultural and rural enterprise productivity and rural tourism** by promoting rural and value chain development to address inequitable growth between the urban centers and the rural areas/regions; and
 - **Ensure that the sustained efficient macroeconomic management** will result to increased buying power given reduced income taxes and lower prices accompanying lower inflation rates.
- Assumes a GDP growth rate of 6.0 – 7.0 percent in 2016 and expected to accelerate further to 6.5 – 7.5 percent in 2017. The proposed budget is also formulated and consistent with the following macroeconomic assumptions: inflation rate of 2.0 – 4.0 in 2017, same level as in 2016; 364-day T-bill rates of 2.0 – 4.0 and 2.5 - 4.0 for 2016 and 2017, respectively; and foreign exchange rate of 45.0 – 48.0 peso to one US dollar.
- The 2017 budget is also formulated based on the following fiscal program:
 - Total revenues of P2.481 trillion in 2017, which translates to 15.6 percent of GDP and is higher by 10.0 percent from the 2016 revenue program of P2.256 trillion;
 - Consolidated public sector deficit of P310.7 billion or 1.9 percent of GDP;
 - National government budget deficit of P478.1 billion or 3.0 percent of GDP;
 - Outstanding national government debt of P6.526 trillion or a debt-to-GDP ratio of 40.9 percent by the end of-2017.
- Authorizes the Congresssional enactment of funds amounting to P2.499 trillion, consisting of P2.432 trillion of Programmed Appropriations and P67.5 billion of Unprogrammed Appropriations as standby fund which may only be utilized when revenue collections in any one of the identified revenue sources exceed targets per Budget of Expenditures and Sources of Financing or when new foreign loans or grants are received.

- Authorizes the utilization of P918.0 billion which are deemed automatically appropriated as these were previously authorized under pertinent laws and therefore outside the purview of this General Appropriations Bill.
- Proposes a total obligation budget of P3.350 trillion which is 11.6 percent or P348.2 billion higher than the 2016 level of P3.002 trillion. As a percentage of GDP, the budget is 21 percent, slightly higher than the 20.7 percent in 2016.

• **Budget Priorities by Departments**

- Consistent with the constitutional mandate of providing the largest budget to education, the DEPED will receive the highest allocation of P567.6 billion in 2017. Growing by 31.0 percent, the budget of DEPED will support the implementation of the K-12 program, massive construction or rehabilitation of basic educational facilities, hiring and training of teachers, and procurement of learning materials, among others.
- As the government's lead infrastructure arm, the DPWH will receive the second largest share with P458.6 billion registering an increase of 15.5 percent year-on-year. This will support the DPWH's commitment to complete the pavement of all national arterial and secondary roads, inclusive of the remaining unpaved national roads as well as road network development, asset preservation, and various works for access roads leading to airports, ports and tourism destination, among others.
- The Department of the Interior and Local Government (DILG) will receive the third largest budget with P150.1 billion, expanding by 19.7 percent to support the fight against criminality and in maintaining peace and order. On the other hand, the DOH will receive the fourth largest allocation of the budget at P146.0 billion with an increase of 14.6 percent to continue the construction of additional health facilities and rehabilitation of various health centers, pursue the national health insurance program and support the responsible parenthood program, among others.
- To strengthen territorial defense and bankroll the AFP Modernization Program, the Department of National Defense (DND) comes at fifth place at P134.5 billion while the Department of Social Welfare and Development (DSWD) ranks sixth with 129.9 billion allocation, increasing by 17.1 percent for the implementation of social protection programs.
- The DOTr comes at seventh place with a share of P56.2 billion growing by 19.6 percent to accelerate the rail transport system development. The Departments of Agriculture (DA), Environment and Natural Resources (DENR), and Finance (DOF) follow at eight to tenth place, to invest more in agricultural infrastructure; supports various programs and activities that uphold the integrity of the environment and promote climate change adaptation and mitigation strategies; and to pursue the tax reform system.

• **Sectoral Allocation of the Budget**

- The social services sector continues to get the largest share of the budget at 40.1 percent or P1,344.8 billion, largely by the sheer size of the education, culture and manpower development budget which accounts for almost half of the sector's allocation. The 20.1 percent expansion over the 2016 level considered, among others, the continuous support of the K-12 program, housing programs for the poor, as well as healthcare, all of which are designed to promote inclusive growth.

- The economic services sector will get the second largest share of the budget with 27.6 percent or P923.9 billion. Larger by 10.8 percent than the allocation for the 2016 budget, this will support the governments' investments in transport and communications infrastructure, agriculture and rural development, and tourism development, among others.
- The general public services sector will receive the third largest allocation at 17.4 percent of the 2017 budget or P581.8 billion expanding by 16.9 percent over the 2016 budget. This will support expenditures for general administration—including fiscal management, good governance, peace and order and the rule of law.
- The P147.8 billion for the defense sector, while increasing by 13.2 percent over the 2016 budget, remains the lowest share among the sectors at 4.4 percent. The allocation will intensify the counter-terrorism efforts, protect the borders, and to modernize the defense equipment of the Armed Forces of the Philippines.
- The Debt Burden—composed of Interest Payments to service outstanding debts as well as Net Lending to government corporations—will reach an all-time low of 10.5 percent of the total Budget or P351.7 billion. The share of the Debt Burden has dramatically shrunk, from a whopping 31.8 percent in 2005, due to the government's prudent liability management.

• Allocation by Expense Class

- The proposed 2017 budget allocates the largest share of 36.3 percent for Maintenance and Other Operating Expenses (MOOE) in the amount of P1,215.6 billion. This amount represents an increase of 10.2 percent from the 2016 level of P1,103.1 billion owing to the expansion of major social and economic programs, notably the basic education program, routine maintenance of national roads and bridges, substantial subsidies to government corporations particularly for the implementation of socialized housing program, among others.
- Personnel Services (PS) will get a share of 29.8 percent or P997 billion of the total budget. The increase of P185.2 billion or 22.8 percent from the 2016 allocation of 811.8 billion is mainly due to the requirements of the creation of new positions and filling up of vacant items for key agencies as well as provisions for compensation benefits including salary increase and additional allowances for military and uniformed personnel.
- Capital Outlays (CO) is allocated the amount of P800.5 billion or 23.9 percent of the proposed budget, registering a 15.6 percent increase from the 2016 allocation of P692.4 billion. The increased budget for CO fleshes out the government's thrust to provide the much-needed infrastructure to boost economic growth, corresponding to 5.0 percent of GDP.
- Interest expense and bank charges which are classified under Financial Expenses (FinEx) comprise about P336.9 billion or 10.0 percent of the total budget. The amount for FinEx declined by 14.6 percent from the 2016 budget of P394.5 billion, an indication of the improving manageability of the government debt level.

• **Financing the Proposed Budget**

- The proposed revenue collections in 2017 to support the national budget is expected to reach P2 481 trillion, or roughly 10 percent more than the target collection in 2016. It is equivalent to 15.6 percent of GDP. Tax revenues of P2.313 trillion will comprise 93 percent of the total revenue target and reached the equivalent of 14.5 percent of GDP in 2017, an improved tax effort of 14.1 percent in 2016. The remainder will come from non-tax revenues at P166.529 billion and privatization proceeds at P2 billion.
- Collections by the Bureau of Internal Revenue (BIR) are expected to increase by 12.9 percent year-on-year, from P1.620 trillion in 2016 to P1.829 trillion in 2017. The government's intensified tax reform package and efficient tax administration, as well as the Sin Tax Reform, will boost BIR's tax collections. The continuing reforms at the Bureau of Customs (BOC) will, meanwhile, enable it to increase its tax collections by 14.4 percent, from P409 billion in 2016 to P467.9 billion in 2017.
- Other revenues will come from the collections of the Bureau of the Treasury (BTr) at P58.5 billion, fees and charges at P44.0 billion, the sale of government assets at P2 billion, and other non-tax revenues at P64 billion.
- Total borrowings in 2017 will reach P631.3 billion. This amount will be used to finance the budget deficit of P478.1 billion, settle P89.3 billion in maturing debt obligations, contribute P45 billion to the bond sinking fund, and maintain sufficient cushion of cash in the Treasury.

RELATED LAWS:

- 1987 Constitution related to the appropriations of funds
- Executive Order No. 292, series of 1987
- Pertinent provisions of Republic Act No. 7160 or the Local Government Code of 1991
- Various Laws related to the appropriation of funds