

THIRTEENTH CONGRESS OF THE }
REPUBLIC OF THE PHILIPPINES }
First Regular Session

'04 JUN 30 P6:19

SENATE
S. No. 515

RECEIVED BY: Osdu

INTRODUCED BY HON. MANUEL B. VILLAR, JR.


EXPLANATORY NOTE

Our country is currently enmeshed in the conundrum of solving the financial slump that has beset our economy. With the widening gape of budget deficit and the declining performance of revenue-generating agencies such as the Bureau of Internal Revenue, Bureau of Customs and Bureau of Treasury, there is a need to craft a realistic and effective fiscal management strategy.

Management, as a science suggests two ways by which we can address the losses a business sustains. One is to raise the revenues and another is to reduce the costs. Raising the level of revenues requires motivation on the part of revenue-generating agencies. This is addressed by the bill by setting aside a reasonable portion of the savings and income of agencies: (a) to augment the budget for maintenance and other operating expenses (MOOE) of the agency, and (b) to grant commissions to collecting officers, in the case of the Bureau of Internal Revenue and the Bureau of Customs. Increasing the MOOE from the savings and income of the agency promotes self-sufficiency among agencies, which reduces their dependence to the national subsidies. This is also a sound fiscal strategy because there is a proper matching of marginal revenues and profits. As an incentive to collecting officers of the BIR, BoC and BTr and other revenue-operating agencies, a percentage of revenues also goes to their commissions thus, encouraging them to improve their collection performance and eliminating the possibility of graft and corruption.

Another feature of the bill is the classification of income into primary and incidental income. "*Primary Income*" means the income generated in the discharge of a Government department, bureau, agency or office's *primary functions, including but not limited to the revenues, taxes, duties, customs, tariffs, import quotas, generated or collected by the Bureau of Internal Revenue (BIR), Bureau of Customs (BoC), Bureau of Treasury (BoT), Land Transportation Franchising Regulatory Board (LTFRB), Land Transportation Office (LTO) and other revenue-generating agencies.* On the other hand, "*incidental income*" means the income generated by the discharge of Government department, bureau, agency or office's *incidental functions including but not limited to user's charges, regulatory revenues, fines, rents, legal fees, filing fees, permit fees, publication fees.* The rationale in classifying the income is to pave way to a better and a more rationalized grant of incentives to agencies. For example, a bigger share goes to the agency from incidental income than in primary income because the latter serves as the lifeblood of the National Government.

The prompt and immediate passage of this bill deserves utmost attention.


MANUEL B. VILLAR, JR.
Senator

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AN ACT GRANTING TO GOVERNMENT DEPARTMENTS, ATTACHED AGENCIES, OFFICES AND OTHER INSTRUMENTALITIES OF THE GOVERNMENT THE RIGHT TO USE THEIR INCOME AND SAVINGS AS AN INCENTIVE TO BOOST THEIR PERFORMANCE IN THE COLLECTION OF REVENUES AND TO PROMOTE SELF-SUFFICIENCY AMONG THEM

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

1 **SECTION. 1. Short Title.** -- This Act shall be cited as "Government Agencies' Right To
2 *Use Their Savings and Income Act of 2004.*"

3
4 **SEC. 2. Declaration of Policy.** – It is the policy of the State to encourage savings and
5 boost the generation of revenues among Government offices with the end goal of
6 increasing the Government revenues. It is also the policy of the State to provide quality
7 services to the people, which can be attained by the upgrading of Government equipment
8 and facilities using the funds realized by respective Government Offices. Thus, it is also
9 the policy of the state to promote self-sufficiency among Government offices and the
10 proper matching of marginal revenues and marginal costs.

11
12 **SEC. 3. Definition of terms.** – For purposes of this Act, the following terms shall be
13 understood as follows:

14 (a) "Savings" means the portions or balances of any programmed appropriation
15 free of any obligation or encumbrance still available (1) after the completion or final
16 discontinuance or abandonment of work, activity or purpose for which the appropriation
17 is authorized; (2) from balances of appropriation arising from unpaid compensation and
18 related costs pertaining to vacant positions and leaves of absence without pay; and (3)
19 from remaining balance of appropriation realized from the implementation of the
20 collective negotiation agreement which resulted to improved systems and efficiencies and
21 thus enabled an agency to meet and deliver the required or planned targets, programs and
22 services approved at a lesser cost.

23 (b) "Income" means the revenue realized by a government office either primary
24 or incidental.

25 (c) "Primary Income" means the income generated in the discharge of a
26 Government department, bureau, agency or office's primary functions including but not
27 limited to the revenues, taxes, duties, customs, tariffs, import quotas, generated or
28 collected by the Bureau of Internal Revenue (BIR), Bureau of Customs (BoC), Bureau of
29 Treasury (BoT), Land Transportation Franchising Regulatory Board (LTFRB), Land
30 Transportation Office (LTO) and other revenue-generating agencies.

31 (d) "Incidental Income" means the income generated by the discharge of
32 Government department, bureau, agency or office's incidental functions including but
33 not limited to user's charges, regulatory revenues, fines, rents, legal fees, filing fees,
34 permit fees, publication fees.

35 (e) "Primary functions" means the functions of the government office, which are
36 expressly conferred upon it by a statute as the principal purpose for its creation.

37 (f) "Incidental functions" means the functions of the government office, which
38 are impliedly conferred upon it by a statute as necessary to the execution of its primary

1 functions. Incidental functions may also be expressly conferred upon by a statute but
2 only exist to carry out the details of primary functions.

3 (g) "*Maintenance and other operating expenses*" means the cost of Government's
4 operational requirements, including supplies, materials and equipment, including
5 expenses incurred in the repair and installation.

6
7 **SEC. 4. Coverage.** -- The provisions of this Act shall apply to Government departments,
8 attached agencies, offices and other instrumentalities of the Government.

9
10 **SEC. 5. Re-alignment of savings.** -- In order to provide incentives to government offices
11 to increase their savings from their appropriated budget, the department secretary or the
12 bureau or agency head, upon the recommendation of the Secretary, shall be authorized to
13 re-align not more than fifty percent (50%) of its savings, for its maintenance and
14 operating expenditure provided that the President shall approve the same. The Senate
15 President, House Speaker, Chief Justice and Heads of Constitutional Commissions may
16 also approve the re-alignment of savings as referred to in this Section in their respective
17 jurisdiction.

18
19 **SEC. 6. Use of Income.** -- The department secretary or the bureau or agency head, upon
20 the recommendation of the secretary, is authorized to use their income realized in
21 accordance with the following:

22 (a) *Primary Income.* -- The Bureau of Internal Revenue (BIR), Bureau of Customs
23 (BoC), Bureau of Treasury (BoT), Land Transportation Franchising Regulatory
24 Board (LTFRB), Land Transportation Office (LTO) and other revenue-generating
25 agencies may utilize not more than four (4%) percent of its primary income for its
26 maintenance and operating expenditure, and one (1%) percent thereof for the
27 commissions and allowances of collecting officers.

28 (b) *Incidental Income.* -- Any government office not otherwise provided for in
29 Section 7 of this Act may utilize not more than forty percent (50%) of its
30 incidental income for its maintenance and operating expenditure. Provided that
31 the Bureau of Internal Revenue (BIR), Bureau of Customs (BoC), Bureau of
32 Treasury (BoT), Land Transportation and Franchise Regulatory Board (LTFRB),
33 Land Transportation Office (LTO) and other revenue-generating agencies may
34 still be covered under this sub-section in relation to their incidental income.

35
36 **SEC. 7. Special Provision for Hospitals and Schools Owned and Controlled by the**
37 *Government.* -- (a) All income of special hospitals, medical centers, institute for disease
38 and prevention and control, and other national government hospitals of the Department of
39 Health shall be retained and constituted as a trust fund for the use of the said hospitals,
40 medical centers, institute for disease prevention and control and the other "DOH-
41 retained" national hospitals. Provided, that, at least twenty-five percent (25%) of the said
42 income shall be used to purchase and upgrade hospital equipment used directly in the
43 delivery of health services. Provided, further, that no amount of the said income shall be
44 used for the payment of salaries and other allowances.

45 (b) Schools owned by the government are also authorized to use all their income realized
46 for maintenance and operating expenses and for the upgrading of school facilities,
47 equipment and laboratories.

48
49 **SEC. 8. Approval of Budget.** -- Re-alignment of savings and use of income as referred to
50 in Sections 5, 6, and 7 of this Act shall require the submission by the department, bureau,
51 agency or office of a special budget to the Department of Budget and Management
52 (DBM) and the approval of the President except in the case of the legislative department,
53 judiciary department, office of the Ombudsman and constitutional commissions.

54
55 The Senate President, House Speaker, Chief Justice, Ombudsman and Heads of
56 Constitutional Commissions may also approve the use of income as referred to in this
57 Section in their respective jurisdiction.

1
2 **SEC. 9. *Reversion of Unused Savings and Realized Income.*** -- Savings and income not
3 otherwise authorized for use as provided for in this Act shall be remitted to the National
4 Treasury.

5
6 **SEC. 10. *Applicability of the provisions.*** – It shall be understood that no provision of this
7 law shall impair the power of the President, Senate President, House Speaker, Chief
8 Justice, Ombudsman, and Heads of the Constitutional Commission to exercise fiscal
9 autonomy.

10
11 **SEC. 11. *Joint Legislative-Executive Oversight Committee***—There is hereby created a
12 joint Legislative-Executive Oversight Committee to monitor and review the effective
13 implementation of the provisions of this Act.

14
15 a) The Committee shall be composed of three (3) members from the Senate and three (3)
16 members from the House of Representatives. The other three members shall be the
17 Secretary of the Department of Budget and Management, the Secretary of the Department
18 of Finance and the Treasurer of the Philippines.

19
20 b) The Oversight Committee shall be headed by the Chairman of the Senate Committee
21 on Finance and the Chairman of the House Appropriations Committee.

22
23 c) The members from the Senate, one from the majority and the other from the
24 minority shall be appointed by the Senate President. The members from the House of
25 Representative, one from the majority and the other from the minority, shall be appointed
26 by Speaker.

27
28 **SEC. 12. *Implementation.*** – The Secretary of the Department of Budget and Management
29 jointly with the department secretaries concerned shall promulgate the implementing
30 rules and regulations thirty (30) days after the approval of this Act.

31
32 **SEC. 13. *Repealing Clause.*** Book V of the Revised Administrative Code and all other
33 laws, decrees, executive orders, rules, and issuances inconsistent with this Act are hereby
34 repealed, amended or modified accordingly.

35
36 **SEC. 14. *Separability Clause.*** If any portion or provision of this Act is declared
37 unconstitutional or invalid, the other portions or provisions hereof which are not affected
38 thereby shall continue in full force and effect.

39
40 **SEC. 15. *Effectivity Clause.*** This Act shall take effect fifteen days following its
41 publications in the Official Gazette or in any two newspapers of general circulation.

42
43 Approved.
44
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46