

FIFTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

SENATE  
OFFICE OF THE SECRETARY

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SENATE

S. B. No. 2180

RECEIVED BY: 

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Introduced by Senator TEOFISTO "TG" GUINGONA III

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EXPLANATORY NOTE

In the National Expenditure Program, which is the basis of the General Appropriations Bill and subsequently, the General Appropriations Act, the proposed budget allocations are classified into two: those of (a) departments and agencies and (b) Special Purpose Funds (SPFs). From P330.592 billion in 2001, SPFs expenditures, based on obligations, have more than doubled to P735.777 billion. Currently, more than one-half of total appropriations and actual obligated expenditures are classified as SPFs.

However, one would be hard pressed to find the legal basis of these SPFs. The closest thing would be Special Funds, found in Article VI, Section 29 (3) of the 1987 Constitution. It could be argued that as such, these SPFs are of a nature and character that have no clear legal definition and demarcation. This inherent ambiguity is clearly unacceptable. However, the problem is aggravated by the fact that these SPFs are usually drawn in very broad strokes, and are approved with less rigor than the ordinary funds for departments and agencies.

Instead of the present classification, which inevitably encourages ambiguity and generality, allocations in the national budget must be formally classified into "Allocations for Departments and Agencies", and "Special Funds". Any other classification apart from these two shall be considered spurious.

The Constitution has provided guidelines for Special Funds. These guidelines should be applied to appropriations that are not allocated for departments and agencies. The Special Funds must be (1) created by law, whether specific laws, decrees which have the nature of law or appropriations law; (2) specific sources of funds have to be identified; and (3) the receipts from these funds must be subject to the rules and regulations issued by a Permanent Committee headed by the Secretary of Finance.

In view of the foregoing, the immediate enactment of this measure is earnestly sought.

  
TEOFISTO "TG" GUINGONA III  
Senator

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AN ACT  
RATIONALIZING THE CLASSIFICATION OF FUNDS IN THE NATIONAL  
BUDGET, AND FOR OTHER PURPOSES.

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

1        **SECTION 1. *Short Title.*** – This Act shall be known as the "Budget Allocation  
2        Classification Act of 2010".

3        **SEC. 2. *Declaration of Policy.*** – It is hereby declared the policy of the State to  
4        formulate and implement a national budget that is an instrument of national  
5        development and reflective of national objectives, strategies and plans. The State shall  
6        develop and implement a national budget within the framework of accountability and  
7        categories supported by law. The national budget shall be supportive of and consistent  
8        with the socio-economic development plan. It shall be oriented towards the  
9        achievement of explicit objectives and expected results, to ensure that funds are utilized  
10       and operations are conducted effectively, economically and efficiently. It shall be  
11       formulated within the context of a regionalized government structure and borrowings  
12       of all levels of government and of government-owned or -controlled corporations. It  
13       shall likewise be prepared within the context of the national long-term plan and of a  
14       long term budget program.

1           **SEC. 3. Classification of Budget Allocations.** – From the National Expenditure  
2 Program to the General Appropriations Act, the budget allocations shall be classified as  
3 “Allocations for Departments and Agencies” and “Special Funds”.

4           **SEC. 4. Criteria for Special Funds.** – For any allocation to fall under Special  
5 Funds, the following criteria must be met: There must be (a) a specific law which creates  
6 the fund; (b) specific purpose for which the fund shall be used; (c) a project plan, which  
7 shall include, among other details pertinent for informed approval, the designation of  
8 accountable agencies and departments and a specific timeframe; (d) where applicable, a  
9 financial and work plan; and (e) an identification of the specific source for the fund.

10           **SEC. 5. Participation of Accountable Departments and Agencies.** – Participation  
11 by the accountable Departments and Agencies in the budget process shall be necessary  
12 for the approval of the proposed budget allocation.

13           **SEC. 6. Ceiling for Special Funds.** – In no case shall the total aggregate amount of  
14 Special Funds exceed the total aggregate amount of Allocations for Departments and  
15 Agencies in the GAA.

16           **SEC. 7. Separability.** – If, for any reason, any section or provision of this Act is  
17 held unconstitutional or invalid, no other section or provision shall be affected.

18           **SEC. 8. Repealing Clause.** – All laws, decrees, executive orders, rules and  
19 regulations, issuances or any part thereof inconsistent with the provisions of this Act  
20 are hereby repealed or amended accordingly.

21           **SEC. 9. Effectivity.** – This Act shall take effect fifteen (15) days after its  
22 publication in at least two (2) national newspapers of general circulation.

Approved,