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SENATE

Senate Bill No. 2751

Prepared and submitted by the Committee on Finance, with **Senators Defensor-Santiago, Ejercito, Ejercito Estrada, Guingona and Escudero** as authors thereof

THE BUDGET IMPOUNDMENT CONTROL ACT

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

1 **SECTION 1. Title.** - This Act shall be known as the Budget Impoundment Control Act of
2 2015.

3 **SEC. 2. Declaration of Policy.** - It is hereby declared the policy of the State to formulate and
4 implement a National Budget that is truly an instrument of national development. Towards this end, all
5 appropriations, except those which shall be deferred, rescinded, reserved, or otherwise withheld in the
6 General Appropriations Act (GAA), shall be considered released upon its effectivity and shall be
7 utilized according to the purposes provided therein. Any deferral, rescission or reservation of
8 appropriations in the GAA shall be in accordance with this Act.

9 **SEC. 3. Definition of Terms.** - For purposes of this Act:

10 a. *Impoundment* - refers to the refusal of the President to release duly appropriated funds for
11 program/activity/project (P/A/P) of government entities such as National Government
12 agencies (NGAs), State Universities and Colleges (SUCs), Government-Owned and
13 Controlled Corporations (GOCCs), and local government units (LGUs), except Judiciary,
14 Constitutional Offices (Cos) and Congress, with the intention of cancelling or delaying its
15 utilization. Impoundment may be through:

- 16 1) *Rescission* - means cancellation of all or part of an enacted appropriation, which has not
17 yet been released;
- 18 2) *Deferral* - means temporarily withholding of the release of all or part of an enacted
19 appropriation of selected government entities.

1 b. *Impoundment Proposal* - refers to the Presidential message sent to both Houses of Congress
2 that contains the request for the rescission or deferral of duly appropriated funds for P/A/P.

3 c. *Impoundment Resolution* - refers to a joint resolution of the House of Representatives and
4 the Senate which expresses Congressional approval or disapproval of each request contained
5 in the President's impoundment proposal.

6 d. *Reservation* – refers to the imposition of reserves on appropriated amounts for government
7 expenditures under the annual GAA.

8 e. *Appropriations* - unless otherwise described or specified herein, the term appropriations
9 refers to the funds for P/A/P included in the annual GAA.

10 f. *Program/Activity/Project (P/A/P)*

11 1) *Program* - is an integrated group of activities that contributes to an agency or
12 department's continuing objective.

13 2) *Activity* - is defined as a work process that contributes to the fulfilment of a program or
14 project.

15 3) *Projects* - are special department/agency undertakings carried out within a definite
16 timeframe, and which are designed to produce a pre-determined measure of goods or
17 services/major final output (MFO). It is considered an investment toward expanding the
18 capacity of a department/agency to deliver goods or services/MFOs.

19 **SEC. 4. *Impoundment Proposal.*** - An impoundment proposal must be transmitted to both
20 Houses of Congress, whenever the President, upon the recommendation of the Department of Budget
21 and Management (DBM) determines that all or part of any duly appropriated fund:

22 a) is not necessary to fulfill the objectives of the programs, activities, projects originally
23 sought to be achieved by the same appropriation; and/or

24 b) must be rescinded or deferred for fiscal policy or due to the termination of authorized P/A/P
25 for which funds have been duly appropriated.

26 **SEC. 5. *Contents of the Impoundment Proposal.*** - Whenever the President transmits an
27 impoundment proposal for the rescission or deferral of duly appropriated funds, the following
28 information must be indicated:

- 1 a) the P/A/P and the amount proposed to be rescinded or deferred of the affected government
- 2 entities;
- 3 b) the reasons why these duly appropriated funds are to be rescinded or deferred;
- 4 c) the estimated fiscal, economic, and budgetary effects of the rescission proposal or deferral;
- 5 d) the effect of the rescission or deferral on the performance target for which the amount was
- 6 provided;
- 7 e) for deferrals, indicate the period covered for the deferment. A deferral shall not extend
- 8 beyond the fiscal year in which the impoundment proposal is transmitted to both Houses of
- 9 Congress; and
- 10 f) any other relevant facts, circumstances, and considerations relating to the proposed
- 11 rescission or deferral.

12 **SEC. 6. *Impoundment Resolution.*** - Both Houses of Congress must act on the proposed
13 rescission or deferral within forty-five (45) calendar days after the receipt of the impoundment
14 proposal from the President by issuing a Joint Impoundment Resolution. Within the same period of
15 forty-five (45) calendar days mentioned above, the specific P/A/P indicated in the Impoundment
16 Proposal is temporarily withheld. Congressional inaction, within the 45-day period, is equivalent to a
17 disapproval of the impoundment proposal.

18 **SEC. 7. *Imposition and Use of Reserves.*** – The imposition of reserve on funds appropriated
19 under the GAA shall require due notice to Congress and shall only be imposed when there is
20 unmanageable National Government budget deficit. Unmanageable National Government deficit shall
21 be construed to mean that: (i) the actual National Government deficit has exceeded the quarterly
22 budget deficit targets consistent with the full-year target deficit as indicated in the BESF submitted by
23 the President and approved by Congress pursuant to Section 22, Article VII of the Constitution; or (ii)
24 there are clear economic indications of an impending occurrence of such condition, as determined by
25 the DBCC and approved by the President.

26 Reserve shall be applied uniformly among all government entities which shall include NGAs,
27 SUCs, GOCCs, LGUs and special purpose funds. No reserve shall be imposed on the appropriations
28 for the Judiciary, Constitutional Offices and Congress.

1 When changes in conditions during the year justify the partial or full release of the reserved
2 appropriations which have been imposed under this Act or under the General Appropriations Act, the
3 amount involved shall be allocated back for the use by the department, office or agency and special
4 purpose funds on whose appropriation the reserve was originally imposed: PROVIDED, That in case
5 of partial release of reserve, the same shall be proportionately released among the National
6 Government entities and special purpose funds.

7 **SEC. 8. *Period for Transmittal of Impoundment Proposal.*** - The President shall transmit an
8 impoundment proposal to both **Houses** of Congress at any time during the budget year but not later
9 than ninety (90) days from the effectivity of the GAA.

10 **SEC. 9. *Reversion of Rescinded and Reserve Fund.*** - Unexpended funds due to the rescission
11 of appropriations shall automatically revert to the National Treasury while reserve funds shall revert to
12 the National Treasury at the end of the year. The reverted funds shall not be made available for
13 expenditure unless thru an appropriation law.

14 **SEC. 10. *Betrayal of Public Trust.*** - Failure, on the part of the President, to comply with the
15 requirements for impoundment within the given period, as provided in this Act, amounts to a grave
16 betrayal of public trust.

17 **SEC. 11. *Separability.*** - Provisions herein which may be declared unconstitutional shall not
18 revoke the effectivity and enforcement of other provisions of this Act.

19 **SEC. 12. *Repealing clause.*** - All laws, decrees, executive orders, rules and regulations, and
20 other issuances inconsistent with this act are hereby repealed or amended accordingly.

21 **SEC. 13. *Effectivity.*** - This Act shall take effect after thirty (30) days from publication.

22 *Approved,*