

MALACAÑANG
MANILA

February 12, 1997

THE HONORABLE SPEAKER
LADIES AND GENTLEMEN OF
THE HOUSE OF REPRESENTATIVES

I have this day signed into law Republic Act No. 8250, the General Appropriations Bill for Fiscal Year 1997, entitled "AN ACT APPROPRIATING FUNDS FOR THE OPERATION OF THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES FROM JANUARY ONE TO DECEMBER THIRTY-ONE, NINETEEN HUNDRED AND NINETY SEVEN AND FOR OTHER PURPOSES."

The enactment of this law, in tandem with R.A. No. 8244 and R.A. No. 8245, both signed last 30 December 1996, completes the necessary legislative authority for the full implementation of the national government budget for fiscal year 1997.

I. GENERAL COMMENTS

I note, with deep appreciation, the relentless efforts of both Houses of Congress to complete the arduous but noble task bestowed upon them by our Constitution, of enacting the General Appropriations Bill to support the country's priority programs and projects for this year. Overcoming all difficulties, and rising beyond the call of duty, the House Committee on Appropriations and the Senate Finance Committee have again forged the annual appropriations measure in sacred fulfillment of the legislative power of the purse. Except for a few items which I will subsequently enumerate, I commit to faithfully implement and execute the appropriations herein approved and thereby comply with the mandate imposed upon the President by the Constitution.

II. ITEMS FOR DIRECT VETO

Pursuant to the mandate vested in me by the Constitution, I am duty bound to directly veto the following items of appropriations, including special and general provisions, which I consider to be in contravention of the Constitution, as well as of existing laws and policies:

A. DEBT SERVICE - INTEREST PAYMENT

I directly veto the entire appropriations under Chapter LII, Debt Service-Interest Payment, including its Special Provisions, found on pages 1210 to 1211 of the FY 1997 GAB, pursuant to the decision of the Supreme Court in the cases of (1) Philippine Constitution Association, et. al., vs. Salvador M. Enriquez, Jr., et. al. (G.R. No. 13105) and (2) Raul S. Roco, et. al., vs. Executive Secretary, et. al. (G.R. No. 113174).

In the aforementioned landmark decisions, the Supreme Court has unequivocally ruled that the servicing of public debt, whether foreign or domestic, are automatically appropriated in accordance with the Foreign Borrowings Act and Section 31 of PD 1177 as reiterated under Section 26, Chapter 4, Book VI of Executive Order No. 292, the Administrative Code of 1987.

Hence, appropriating for debt service-interest payment in the General Appropriations Act is no longer necessary.

B. INTERNAL REVENUE ALLOTMENT - ASSISTANCE TO CITIES

I hereby veto Item (b), Assistance to Cities, with an appropriation of five hundred million pesos (P500 million) under the Internal Revenue Allotment of local governments (Chapter XXXVII.A, page 1159, FY 1997 GAB).

A thorough analysis of the implications of this particular item of appropriation reveals that: (1) this is a new item made in addition to the appropriations for Internal Revenue Allotment proposed by the Executive for FY 1997; (2) the addition of this item effectively increased the appropriations recommended by the President as specified in the budget, contrary to the Constitutional injunction under Section 25 (2), Article VI of the Constitution; and (3) the cities are not grossly disadvantaged under the existing allocation formula prescribed by the Local Government Code to merit such special treatment.

I understand the intention of Congress in including this new appropriation for the benefit of cities. I am, however, disturbed by the possible Constitutional infirmity arising from this new item. Furthermore, while the cities are not major recipients of the

financial burden of devolution, they were the major beneficiaries of the new internal revenue allocation under the Local Government Code.

I am, therefore, constrained to veto this appropriation item, as well as any reference thereto in the FY 1997 General Appropriations Act. I fully realize that this signifies the loss of said appropriation item. However, I consider of paramount importance my constitutional duty to abide by the law and preserve the integrity of the budget.

C. SPECIAL PROVISIONS PROHIBITING THE IMPOSITION OF RESERVES

I likewise directly veto in full the special provisions enumerated below entitled "Prohibition on the Imposition of Reserves" reflected under specific appropriation items of the FY 1997 GAB:

1. DEPARTMENT OF AGRARIAN REFORM, Office of the Secretary, Special Provision No. 5, page 26, FY 1997 GAB;
2. DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS, Office of the Secretary, Special Provision No. 9, page 736, FY 1997 GAB;
3. DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT, Office of the Secretary, Special Provision No. 2, page 822, FY 1997 GAB;
4. GATT-RELATED ADJUSTMENT MEASURES FUND-DEPARTMENT OF AGRICULTURE, Special Provision No. 5, page 1123, FY 1997 GAB; and
5. DECS - SCHOOL BUILDING PROGRAM, Special Provision No. 4, page 1183, FY 1997 GAB.

I consider the aforementioned Special Provisions inappropriate as they effectively restrict the prerogative of the President to impose reserves as may be necessary in the exercise of sound financial programming and fiscal management. In implementing the annual budget, I have found it prudent to impose reserves on several occasions, not only to ensure the proper

matching of resources and expenditures but also to provide for contingencies that may arise during the year. Unduly limiting the President's hand in this very critical function will defeat the very purpose for which this Presidential prerogative was granted.

D. SPECIAL PROVISIONS AUTHORIZING THE USE OF SAVINGS

I also directly veto in full the following special provisions authorizing the use of savings for various purposes:

1. DEPARTMENT OF EDUCATION, CULTURE AND SPORTS, Office of the Secretary, Special Provision No. 15, entitled "Use of Savings for Hazard Pay" page 80, FY 1997 GAB;
2. DEPARTMENT OF FOREIGN AFFAIRS, Office of the Secretary, Special Provision No. 8 entitled "Authority to Use Savings," page 530, FY 1997 GAB;
3. DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT, Office of the Secretary, Special Provision No. 1 entitled "Use of Appropriations Savings," page 577, FY 1997 GAB; and
4. DEPARTMENT OF JUSTICE, Office of the Secretary, Special Provision No. 2 entitled "Use of Savings from Personal Services," page 608, FY 1997 GAB.

Under existing policy, the use of savings is subject to specific guidelines prescribed to ensure equity, uniformity and accountability in the use of funds. These guidelines are applied on a standard basis to all agencies within the Executive Branch of the government. The grant of special authority to specific agencies will undermine this system that has been painstakingly implemented over the years.

Furthermore, Section 25 (5), Article VI of the Constitution specifically vests on the President, the authority to use savings to augment other items of appropriations within the Executive Branch. This constitutional authority cannot be validly amended or transferred through the General Appropriations Act. Consequently, the aforementioned special authorization being granted to

the Secretary of the Interior and Local Government and to the Secretary of Justice are decidedly not sanctioned under the Constitution.

E. SPECIAL PROVISION RELEASING INCOME DIRECTLY TO THE UNIVERSITY HOSPITAL

Special Provision No. 2, entitled "Use of Income", page 346, FY 1997 GAB, pertaining to the appropriations of the West Visayas State University authorizes the direct release to the University Hospital of its income to augment its operating budget.

While the objective of this special provision is laudable, I intend to maintain the existing policy vesting on the respective Presidents of the State Universities and Colleges the authority to use income as they see fit for the best interests of the university or college, including all its subdivisions.

Furthermore, this special provision may be misconstrued as placing the West Visayas State University outside the coverage of the existing omnibus authorization for all SUCs to use their income through the Unprogrammed Fund mechanism provided in this Act.

Accordingly, I directly veto this special provision.

F. SPECIAL/GENERAL PROVISIONS RESTRICTING THE USE OF FUNDS

1. Special Provision No. 4, entitled "Restriction in the Use of Funds," page 1065, FY 1997 GAB, specifically prohibits the use of the amounts appropriated for the Commission on Elections to fund any electoral or plebiscite activity for the purpose of amending the Constitution.

Under the Constitution, the COMELEC enjoys fiscal autonomy which cannot be thwarted by a mere special provision. Besides, this restrictive provision will impinge on Section 25 (5), Article VI of the Constitution and Section 1 (6), Chapter 1, Book VI of E.O. No. 292 regarding the power of augmentation by the heads of Constitutional Commissions, in this case, the COMELEC.

Furthermore, this restriction assumes the nature of an amendatory provision to the COMELEC charter and to its constitutional prerogatives and, therefore, decidedly inappropriate.

Hence, I directly veto this special provision.

2. General Provision No. 57, entitled "Prohibition in the Use of Contingent Fund, Reserves, Savings or Amounts in this Act," page 1436, FY 1997 GAB, prohibits the use and realignment of the Contingent Fund, reserves, savings or any amount from the appropriations authorized in the FY 1997 GAA for any referendum, plebiscite or electoral activity, for the purpose of amending the Constitution.

I hereby veto in toto this provision for basically the same reasons as Item F.1 above, namely, that it impinges on the constitutional power of augmentation through the use of savings of the different branches of government and the Constitutional Commissions.

G. GENERAL PROVISION ON THE GRANT OF HAZARD DUTY PAY

Section 44 of the General Provisions entitled "Hazard Duty Pay," page 1434, FY 1997 GAB, authorizes the grant of hazard duty pay in certain posts or work areas as prescribed by law.

The above general provision has been a permanent feature of previous General Appropriations Acts and was included in the President's budget proposal for FY 1997. However, certain events have occurred since the submission of the proposed FY 1997 budget to Congress which now necessitate the withdrawal of this omnibus authorization to pave the way for the rationalization of the grant of hazard duty pay.

For this reason, I hereby veto this general provision.

H. GENERAL PROVISION DIRECTING THE AUTOMATIC RELEASE OF FUNDS

Section 64 of the General Provisions entitled "Automatic and Direct Release of Funds," page 1437, FY 1997 GAB, states that unless otherwise provided under special laws and in the 1997

GAA, the amount appropriated shall be released automatically and directly to concerned departments, bureaus, offices, agencies, including government-owned and/or controlled corporations, and local government units.

While I appreciate the objective of this provision, it may be misconstrued as a mandate for the automatic release of funds and of agency allotments at the beginning of the year when revenue collections are not yet available. This is, therefore, a difficult if not impossible provision to comply with. Besides, Sections 34 and 36, Chapter 5, Book VI of E.O. No. 292, recognizes the need to program the release of funds during budget implementation based on the availability of cash resources of the government to ascertain good fiscal management.

Accordingly, I directly veto this general provision.

III. ITEMS FOR CONDITIONAL IMPLEMENTATION

Apart from the directly vetoed items of appropriation, including Special and General Provisions, I have observed the inclusion of new special authorizations which, while spared from direct veto, need to be properly covered by appropriate guidelines to ensure their implementation consistent with existing policies.

Therefore, the implementation of the following special provisions will be subject to the necessary administrative guidelines to be formulated by the Executive Branch pursuant to Sections 1 and 17, Article VII of the Constitution; Section 35, Chapter 5, Book VI of E.O. No. 292; and, Sections 65 and 66 of the Government Auditing Code of the Philippines:

A. SPECIAL PROVISIONS ON THE DISPOSITION OF UNUSED APPROPRIATIONS

1. DEPARTMENT OF AGRARIAN REFORM, Office of the Secretary, Special Provision No. 7, entitled "Unused Appropriations," page 26, FY 1997 GAB;
2. DEPARTMENT OF THE INTERIOR AND LOCAL GOVERNMENT
 - a. PHILIPPINE NATIONAL POLICE, Special Provision No. 4 entitled "Unused Appropriations," page 594, FY 1997 GAB;

- b. BUREAU OF FIRE PROTECTION, Special Provision No. 3 entitled "Unused Appropriations," page 598, FY 1997 GAB;
3. DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT, Office of the Secretary, Special Provision No. 4 entitled "Unused Appropriations," page 823, FY 1997 GAB;
4. GATT-RELATED ADJUSTMENT MEASURES FUND - DEPARTMENT OF AGRICULTURE, Office of the Secretary, Special Provision No. 7 entitled "Unused Appropriations," page 1123, FY 1997 GAB;
5. COUNTRYWIDE DEVELOPMENT FUND, Special Provision No. 6 entitled "Unused Appropriations," page 1181, FY 1997 GAB; and
6. DECS - SCHOOL BUILDING PROGRAM, Special Provision No. 7 entitled "Unused Appropriations," page 1183, FY 1997 GAB.

B. SPECIAL PROVISION ON THE USE OF FUND EXCLUSIVELY FOR ILOILO CITY

Special Provision No. 1, entitled "Use of Fund," WEST VISAYAS STATE UNIVERSITY, page 346, FY 1997 GAB, earmarking twelve million pesos (P12 million) for 100 beds for the exclusive use of indigents from Iloilo City.

C. SPECIAL PROVISION DIRECTING SIMULTANEOUS RELEASE OF SARO AND NCA

Special Provision No. 3, entitled "Release of Funds," COUNTRYWIDE DEVELOPMENT FUND, page 1181, FY 1997 GAB, directing the simultaneous release of the SARO and NCA within ten (10) days after the publication of the list of projects; and

D. DECS - SCHOOL BUILDING PROGRAM, NATIONWIDE

ITEM (C), NATIONWIDE, of the DECS-Schoolbuilding Program, page 1183, FY 1997 GAB, allocating the amount of P1,656,150,000 which shall be subject to established apportionment formula.

IV. GENERAL OBSERVATIONS

I have noted with interest the following provisions:

- A. CONGRESS OF THE PHILIPPINES, Special Provision No. 2, Applicable to the Congress of the Philippines, entitled "Organizational Structure of the Senate, the House of Representatives, the Senate and House of Representatives Electoral Tribunals and the Commission on Appointments," page 12, FY 1997 GAB.

This provision has been included in the general observations portion of previous GAAs since 1989, in which I have consistently declared my trust in the wisdom of Congress to implement said special provision in accordance with the salary rates, allowances and other benefits prescribed or authorized by laws enacted pursuant to the compensation standardization policy of the Constitution.

I hereby reiterate the same observations. As I have previously stated, I am confident that the power vested in the concerned officials of the Congress of the Philippines to fix and determine the salaries, allowances and other benefits of their respective employees shall be in accordance with R.A. No. 6686 and R.A. No. 6758, the Compensation and Position Classification Act of 1989, as amended, which Congress itself approved.

- B. DEPARTMENT OF FOREIGN AFFAIRS, Office of the Secretary, Special Provision No. 7, entitled "Authority to Retain Consular Income," page 530, FY 1997 GAB.

I subscribe to the intent of the above Special Provision. I will, however, issue the necessary guidelines on the implementation thereof to ensure that the consular income referred to is within the authorized appropriation of the department.

- C. DEPARTMENT OF JUSTICE, Office of the Solicitor General, Special Provision No. 1, entitled "Creation of New Legal Researcher Positions," page 629, FY 1997 GAB.

I find the special provision meritorious under the circumstances. However, the implementation will be subject to the

usual organizational review process, and the compensation will be in accordance with existing laws and regulations.

V. CHANGES/INCREASES/REDUCTIONS AND NEW BUDGETARY ITEMS

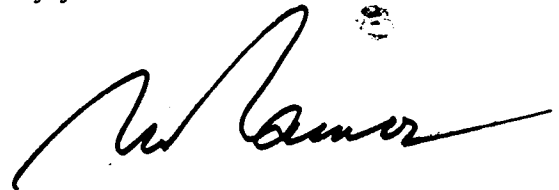
I have noted that there were changes, increases, reductions and new budgetary items effected by Congress in this Act. In this regard, I declare that such changes, increases and realignments will be subject to programming and to applicable rules and procedures during budget implementation. I may, when necessary, impose appropriations reserves pursuant to the authority granted under Section 37, Chapter 5, Book VI of E.O. No. 292. I may, likewise, avail of the Constitutional authority granted to the President to use savings to augment items of appropriations when national interest so requires.

VI. CLOSING STATEMENT

In closing, I would like to put on record my gratitude to the leadership of Congress, most especially to the House Committee on Appropriations and the Senate Committee on Finance for the enactment of the General Appropriations Act for FY 1997. I am aware of the extensive debate that went on, in and out of the halls of Congress, in the crafting of this most important measure. I am satisfied that, with the proper guidelines, this budget will be an instrument for carrying on our goals towards an economically prosperous, socially responsible and politically stable Philippines in FY 1997 and beyond.

This Bill becomes Republic Act No. 8250.

Very truly yours,



THE HOUSE OF REPRESENTATIVES
Congress of the Philippines
Manila

Copy Furnished:

The Honorable Senate President
Senate of the Philippines
Manila