

Republika ng Pilipinas
(Republic of the Philippines)
MINISTRI NG EDUKASYON, KULTURA AT ISPORTS
(MINISTRY OF EDUCATION, CULTURE AND SPORTS)
Manila

March 15, 1985

MECS MEMORANDUM
No. 39, s. 1985

STRICT COMPLIANCE WITH SPECIAL AND GENERAL PROVISIONS
OF THE GENERAL APPROPRIATIONS ACT

To: Regional Directors
Schools Superintendents
Presidents, State Colleges and Universities
Vocational School Superintendents/Administrators

1. It has come to the attention of this Office that the special and general provisions of the General Appropriations Act have not been adhered to strictly.
2. These special and general provisions serve as the guidelines in our operations and in the management of the resources of the government.
3. Henceforth therefore, all regional directors, schools superintendents and heads of state universities and colleges are enjoined to comply strictly with the annual special and general provisions of the General Appropriations Act.
4. Inclosed is a reproduction of the special and general provisions of the General Appropriations Act for CY 1985, Batas Pambansa Blg. 866 for your information.
5. Please be guided accordingly.

(SGD.) JAIME C. LAYA
Minister

Incls.:
As stated

Reference:
None

Allotments: 1-(D.O. 1,76)

To be indicated in the Perpetual Index
under the following subjects:

APPROPRIATIONS
LEGISLATION
OFFICIALS
RULES & REGULATIONS

(Inclosure to NECH Memorandum No. 28, Nov. 1985)

GENERAL PROVISIONS OF THE PSE DOCUMENT FOR CY 1984

Section 1. Personal Services Cost of New Authorized Positions:

The personal services cost of new positions which may be created by law, including those of their immediate staffs, when not provided for in the appropriations of the agencies, may be paid from any savings in the regular appropriations of their respective Ministries under B.P. Blg. 640, subject to Section 40 of R.D. No. 1177.

Section 2. Compensation of Contractual Personnel. Heads of

ministries, bureaus, offices, or agencies, when authorized in their respective appropriations in B.P. Blg. 640 and this Letter of Implementation, may hire consultants, experts and other contractual personnel to perform specific vital activities or services which cannot be provided by the regular staff of the agency, limited to such period when their services are reasonably required and to activities that shall have a definite expected output. Such contractual personnel may be paid compensation, inclusive of fees, honoraria, per diems and allowances not exceeding 120% of the minimum salary of an equivalent position in the National Position Classification and Compensation Plans, except as may be authorized by the Minister of the Budget in the following instances: a) when the consultant or expert is an acknowledged authority in his field of specialization; and b) when the consultant or expert is hired to perform a specific activity or service that requires technical skill and expertise which local labor force cannot provide, or if such expertise is available, the supply is limited: PROVIDED, That in no case shall such compensation exceed the salary of his immediate superior, except as may otherwise be approved by the Civil Service Commission and the Office of Budget and Management: PROVIDED, FURTHER, That contractual services whether rendered while stationed abroad or in the Philippines, shall not be credited nor the compensation received for the period be used as basis for computation of gratuity benefits for retirement purposes or for the computation of all leave benefits, the provisions of Section 12(e) of C.A. No. 186, as amended, and other laws to the contrary notwithstanding.

Section 3. Compensation of Contractual Personnel Stationed

Abroad. Compensation of contractual personnel who are stationed abroad shall be paid in Philippine pesos or its equivalent in foreign currency computed on the basis of the prevailing exchange rates established by the Central Bank of the Philippines. The rates of compensation for such contractual personnel shall be determined by the Minister of the Budget on a case-to-case basis, but in no case shall it exceed 20% over the rates of equivalent positions in the foreign service prescribed under Letter of Implementation No. 100. Such contractual personnel shall be entitled to the overseas allowance authorized for the same equivalent foreign service positions under Letter of Implementation No. 63, as amended.

Section 4. Conditions for Hiring of Personnel. Ministries,

bureaus, offices or agencies or the Government shall observe the economy measures prescribed by LOI No. 1088 and LOImp. No. 146 in the hiring of personnel subject to the Civil Service Law, rules and regulations.

Section 5. Compensation of Retired Government Personnel Rehired for Other Government Positions. Any retired official or employee receiving pension or annuity as a result of past services to the Government who is subsequently rehired or reappointed to any government position shall receive compensation in accordance with the following rules: a) the reappointed retiree shall, upon assumption to duty in his new office, submit a written option to receive either the compensation for the position, or the pension or annuity, and b) when the retiree elects to avail of the pension or annuity, he shall be entitled to the regular allowances attached to the present position as prescribed by law, including the difference between the salary attached to the position and the pension or annuity, but in no case shall he be entitled to receive both the salary and the pension or annuity except as may otherwise be authorized by the President. A copy of said written option shall be furnished to his former office, the Government Service Insurance System, the Office of Budget and Management, the Civil Service Commission, and the Commission on Audit.

Section 6. Restoration of Previous Salary. Any employee previously receiving a salary in the government service under a duly approved permanent appointment, who is subsequently reappointed to a position covered by the National Position Classification and Compensation Plans, by reinstatement, may be allowed to receive such previous salary rate but not exceeding the maximum of the salary range/grade allocation of the position to which he is reappointed. The difference between the actual or allowable salary of the appointee and the authorized rate appropriated for the position shall be paid from savings of personal services of the Ministry concerned upon approval of the Minister of the Budget.

Section 7. Allowable Salary for Transferees. Any employee previously receiving a salary in the government service under a duly approved permanent appointment, who subsequently transfers from an agency/ministry covered by special pay plan and reappointed to a position covered by the National Position Classification and Compensation Plans, shall be authorized the hiring rate of the salary range allocation of the position. Likewise, an employee who transfers from one ministry to another or from an agency/bureau/office to another within the same ministry under the National Position Classification and Compensation Plans shall be allowed the hiring rate of the salary range allocation of the position to which he is reappointed.

Section 8. Payment of Salary Difference. Subject to the approval of the Minister of the Budget, Ministers of the executive branch are authorized to utilize lump-sum appropriations for the purpose and/or savings from personal services of ministries to pay the difference between the authorized actual salary of an incumbent thereof in accordance with the provisions of P.D. No. 985. a respective appropriated duly authorized with the

Section 9. Hold-over Employees. Officials and employees occupying itemized positions in CY 1983 Plantilla of agencies which are reorganized and are still rendering services although not yet reappointed to positions in the new staffing pattern of the reorganized agency shall be allowed to continue in office until such time that the new staffing pattern shall have been implemented, but in no case shall such hold-over employment extend beyond December 31, 1984. The salaries of such hold-over employees shall be charged against appropriations for personal services of their former office, or whenever applicable, to the new agency benefitting from their services.

Section 10. Selective Merit Increase. The lump-sum appropriations provided for the different ministries, bureaus, offices and agencies of the National Government under B.P. Blg. 640 for selective merit increases of deserving officials and employees shall be implemented in accordance with Letter of Instructions No. 562, dated June 23, 1977, except as may be authorized in LOI No. 1019 dated May 12, 1980 and the rules and regulations issued pursuant thereto: PROVIDED, That the lump-sum appropriations shall not be used for bonuses, longevity or across-the-board salary increases, or for purposes not based on creditable performance.

Section 11. Incentive or Service Fees. Incentives or service fees paid by the Government Service Insurance System or by private companies which are intended for employees servicing them shall be deposited with the National Treasury and shall accrue to the general fund, pursuant to Section 50 of P.D. No. 1177. Such fees shall be made available for payment of incentives to employees in accordance with rates approved by the Minister concerned and the Minister of the Budget, subject to Section 40 of P.D. No. 1177. The share that any employee may receive under this section shall not, in the aggregate, exceed 50% of his annual salary.

Section 12. Honoraria for Resource Speakers and Specialists. Ministries, bureaus, offices or agencies are authorized to pay from their respective appropriations, honoraria to resource speakers, researchers, experts, and specialists who are acknowledged authorities in their fields of specialization, for services rendered at such rates as the Minister of the Budget may authorize pursuant to P.D. No. 965, unless otherwise specifically provided by law. Whenever applicable, honoraria shall be granted only in accordance with the provisions of LOI No. 865 and to the implementing regulations issued pursuant thereto.

Section 13. Honoraria For Members of Religious Orders. Priests, chaplains, preachers, monks, nuns, and other members of religious orders who are serving in and are attending to the spiritual needs of patients, inmates and wards of hospitals, sanitariums, orphanages, penal institutions and other similar institutions of the government but who are not receiving salaries may be paid an honorarium of P100 each per month, with subsistence, quarters and laundry privileges whenever applicable, chargeable to the appropriations for maintenance and other operating expenses of the agency benefitting from such service.

Section 14. Convention and Seminar Fees. Officials and employees of the various ministries, bureaus, offices and other agencies of the National Government who participate in conventions, seminars and conferences of authorized organizations shall be allowed a fee of not exceeding ₱100 per day or ₱50 per half day, subject to the provisions of the Circular Letter implementing LOI No. 146.

Section 15. Per Diem Abroad. No per diem in excess of fifty US dollars shall be paid to any official or employee traveling outside of the Philippines, except as may be approved under Section 79, P.D. No. 1177.

Section 16. Special Counsel Allowance. Lawyer-personnel in the legal staffs of ministries, bureaus, offices or agencies of the National Government, appearing in Court as special counsel in collaboration with the Solicitor-General and/or Fiscals concerned are hereby authorized an allowance of ₱100 for each appearance, chargeable against savings in the appropriations allotted for personnel services of their respective offices, but not exceeding ₱400 a month.

Section 17. Conditions for Salary Increases. The Salary Adjustment Fund, including the appropriations for salary increases or adjustments provided for the different ministries, bureaus, offices or agencies of the National Government under E.P. Blg. 640 shall not be used for any purpose other than that for which intended, and such salary increases or adjustments as may be authorized in accordance with P.D. No. 985 and P.D. No. 1285 shall be implemented only upon direction of the President. Neither shall such appropriations or lump-sum be expended without an implementing Budget Circular or other specific authorization. Budgetary savings shall not be used to pay salary adjustments, except as may be specifically approved by the Minister of the Budget pursuant to P.D. No. 985.

Section 18. Payment of Bonuses, Incentive Pay or Other Forms of Additional Compensation. No official or employee of any ministry, bureau, office, commission, board, or agency of the National Government, including state universities and colleges, shall be granted any bonus, incentive pay, thirteenth month pay, or other forms of additional compensation from the appropriations authorized in E.P. Blg. 640 or other appropriation laws nor from income recorded as trust receipts or service fees. However, upon recommendation of the Minister of the Budget and approval of the President, savings may be used for payment of a year-end incentive bonus equivalent to not more than one month salary or wage of officials and employees as may be determined by the Minister of the Budget.

Any payment made in violation of this Section shall be a personal liability of the head of the agency or office and other officials who authorized such payment, who shall be required to refund the same, in addition to any disciplinary action that may be instituted against such erring officials under the provisions of Sections 49 and 87 of P.D. No. 1177 and the Revised Penal Code.

Section 19. Conditions for Payment of Hazard Pay. Payment of hazard pay may be allowed to employees who are actually assigned in hazardous or less hazardous areas that may be declared as such by the Minister of National Defense and to employees who are assigned in distressed or isolated stations or camps, hardship or difficult areas, mental hospitals, radiation-exposed clinics and laboratories or disease-infested areas which expose them to radiation, volcanic activity/eruption risks, great danger, contagion or peril to life, as may be determined by the Minister concerned, subject to the following conditions:

- a) In determining such areas, the Minister concerned shall consider the exposure to risk or danger, inaccessibility distance and difficulty of travel to those places.
- b) The names of the officials or employees recommended to receive hazard pay shall be submitted to the Office of Budget and Management stating the individual positions and place of assignments, and describing the nature of the difficulty, danger or risk involved:
- c) The Office of Budget and Management shall process requests for hazard benefits in hazardous/less hazardous areas based on the certification issued by the Minister of National Defense. In distressed or isolated stations or camps, hardship or difficult areas, mental hospitals, radiation-exposed clinics and laboratories or disease-infested areas, the request should be supported by a certification of the Regional Director of the place affected describing the nature of the danger, hardship or difficulty, or peril to life involved:
- d) The period of entitlement to hazard pay shall be coterminous with the duration of the actual assignment of the employee in said hardship or difficult areas, or with the existence of such danger or peril, which shall be certified every six months by any of the officers, mentioned in paragraph (c) hereof.
- e) The period of entitlement to hazard pay shall not exceed six months unless renewed and subsequent authority is granted therefor.

Section 20. Rates of Hazardous Duty Pay. Unless otherwise provided by Law or in a special provision authorized to be included in this Letter of Implementation pursuant to P.D. No. 985, the hazard pay shall not be less than P50 nor more than P150 each per month chargeable to savings from personal services of the Ministry concerned: PROVIDED, That officials and employees assigned to strife-torn or embattled areas, shall be entitled to hazardous duty pay on the basis of the classification either as hazardous or less hazardous area to which they are assigned.

The head of the ministry/agency concerned shall certify that there are available savings sufficient for the purpose for the period covered by the request. The payment of hazard pay, in all cases, shall be subject to the approval of the Minister of the Budget, Office of Budget and Management.

Section 21. Review of Hazardous Duty Pay Authorizations. Authorizations for the payment of hazardous duty pay shall be reviewed from time to time by the Minister of the Budget, Office of Budget and Management with the Minister of National Defense, Minister of Health or other authorities involved, as the case may be, and shall terminate authorizations earlier issued if conditions no longer exist or justify the continuation of hazardous duty pay.

The rates of hazardous duty pay in strife-torn and/or embattled areas shall be based on the following classification:

a. Hazardous Area. Site of armed encounters between government troops and enemy forces and/or enemy-initiated attacks, raids or ambushes. It is also an area where enemy concentration/training camps are reported.

b. Less Hazardous Area. Area where insurgent/rebel activities are mainly non-violent such as agitation/propaganda, recruitment and expansion and to a limited extent harassment and forced solicitation of material/financial support from civilians.

Section 22. Transportation and Representation Allowances. The following officials are hereby granted monthly commutable transportation and representation allowances which shall be paid from the programmed appropriations provided for their respective offices, not exceeding the rates indicated below, which shall apply to each type of allowance;

- a. At ₱1,000 for Ministers;
- b. At ₱750 for Career Executive Service Rank I officials;
- c. At ₱650 for Career Executive Service Rank II officials;
- d. At ₱550 for Career Executive Service Rank III officials;
- e. At ₱475 for Career Executive Service Rank IV officials;
- f. At ₱400 for Career Executive Service Rank V officials; and
- g. At ₱325 for Chiefs of Divisions, identified as such in the Personal Services Itemization.

Other positions of equivalent rank as may be determined by the Office of Budget and Management shall likewise be entitled to the said allowances at the same rates provided herein.

The transportation allowance herein authorized shall not be granted to officials who use government motor transportation, except as may be approved by the President. Unless otherwise provided by law, no amount appropriated in this Act shall be used to pay for representation and/or transportation allowances, whether commutable or reimbursable, which exceed the rates authorized under this Section except as may be approved by the President. Previous administrative authorizations not consistent with the rates and conditions herein specified shall no longer be valid and payment shall not be allowed, unless re-authorized by the President.

Section 23. Uniform Clothing Allowance. Except as otherwise provided in B.P. Big. 640, or as may be authorized by the President, appropriations for each Ministry, bureau or office, at such sum as may be necessary, may be used for uniform and/or clothing allowance of employees at not more than P250 each per annum. Savings may be used for this purpose where no amount is specifically appropriated therefor. The allowance herein authorized shall be used for the purchase of clothing materials of the same quality, cut and style as may be prescribed by the Minister concerned for each office or group of employees, subject to such rules and regulations as may be promulgated by the Commission on Audit to ensure that the highest quality of material at the lowest cost are obtained for such clothing materials: PROVIDED, That only female employees may receive such allowance, except as otherwise provided in B.P. Big. 640 and other pertinent laws, or as may be authorized by the President.

Employees occupying positions which require the wearing of specialized uniform, such as security guards, prison guards, custom police, quarantine officers, road maintenance men, street sweepers, hospital attendants, and other employees as may be determined by the Minister of the Budget, Office of Budget and Management shall also be entitled to uniform allowance herein provided, subject to the availability of agency funds.

Section 24. Conditions for Entitlement to Quarters Allowance. Except as may be authorized by law, government officials and employees who, by virtue of their positions, are furnished free quarters or are charged only a nominal rate, in government-owned buildings, such as dormitories or living quarters in hospitals, state colleges, universities and schools, foreign posts, and elsewhere, shall forfeit entitlement to any quarters allowance. Where rented private buildings are utilized for an official's quarters, the excess of rental cost over the quarters allowance of the official shall be borne by him. Those who enjoy free quarters in government-owned or rented buildings but who are not entitled to quarters privilege shall be charged the corresponding cost of rentals therefor, including the bills for light and water consumed. Unless fixed by law or regulations, the rate of quarters allowance or rental, as the case may be, shall be determined by the Minister of the Budget, Office of Budget and Management.

Section 25. Maximum Number of Permanent Positions. Except as otherwise provided by law, the maximum number of permanent positions in a Bureau, office or agency shall not exceed the number of permanent positions included in the approved staffing pattern or in the approved special budgets for the said bureau, office or agency: PROVIDED, That savings from personal services may be used (a) to create additional positions only in cases where reorganization, pursuant to law, is being implemented as part of the approved program for expansion of essential services; and (b) for positions of officials and employees who were dismissed and later reinstated under instructions of the President. The creation of such positions shall in all cases, be subject to the prior approval of the Minister of the Budget, Office of Budget and Management and to the provisions of Section 40 of P.D. No. 1177.

Section 26. Modification of Number and Designation of Positions. The number and designation of positions in this Document may be increased or modified with the approval of the Minister of the Budget, Office of Budget and Management under the provisions of P.D. No. 1177 in order to prevent the loss of position of any incumbent due to cessation of his position in this Itemization, reduction in pay or loss of position in case of employees whose salaries were previously paid from school tuition fees, hospital income, special funds which were later abolished, and other similar sources which have been incorporated into the General Fund of the National Budget, subject to the provisions of P.D. No. 925. For this purpose, the Heads of Ministries concerned are hereby authorized to use savings from personal services and/or lump-sum appropriations of their respective Ministries, subject to the provisions of Section 40 of P.D. No. 1177.

Section 27. Positions in Unauthorized Organizational Units. Unless otherwise created by law or directed by the President, no position shall be authorized in an organizational unit of any Ministry, bureau, office or agency which has been created without authority from the Presidential Commission on Reorganization and the Office of Budget and Management. The implementation of said new organizational units shall be authorized only upon recommendation of the Ad Hoc Committee on Organizational Units created under LOI No. 726. Organizational Units created by administrative authorizations shall be considered as ad hoc arrangements that shall be staffed by contractual personnel, staff members on detail or by temporary personnel when authorized.

For purposes of this Section, the Minister of the Budget, Office of Budget and Management is hereby authorized to conduct a continuing review of the organizational structure of each Ministry, bureau, office or agency, and to withhold release of any fund provided for any unauthorized organizational unit which is included in BP Blg. 640.

Section 28. Changes in the Personal Services Itemization. The Itemization of Personal Services in agencies of the National Government which were reorganized subsequent to the enactment of B.P. Blg. 640 may be changed with the approval of the Minister of the Budget, Office of the Budget and Management when necessary to provide

for transition in meeting qualifications and other requirements: PROVIDED, That in no case shall the annual cost of personal services after such changes exceed the programmed expenditure for personal services as specified in the National Government Budget for CY 1984.

Section 29. Filling of Vacant Positions. Consistent with Letter of Instructions No. 728, No. 828, and LOImp No. 146, all newly created and/or vacant positions in all government agencies, except those in the judiciary and Constitutional Commissions, shall be filled only upon approval of the Minister of the Budget, Office of Budget and Management, the provisions of Letter of Instructions Nos. 448 and 565 to the contrary notwithstanding.

Section 30. Restrictions on Lump-Sum Appropriations. Lump-sum appropriations in agencies and offices authorized in this Personal Services Itemization document shall be used only for the specific purpose for which it is authorized and for no other. Any expenditure of lump-sum appropriation for purposes other than that authorized is null and void.

Lump-sum appropriation for salaries and wages of temporary and emergency employees and laborers including skilled, semi-skilled and unskilled laborers and helpers shall not be used for payment of compensation or allowances of consultants nor shall it be used for consultancy contracts.

Section 31. Unprogramming of Positions to Effect Savings. Consistent with the provisions of LOI No. 806, LOI No. 828, LOI No. 981, LOI No. 1098 and LOImp No. 146, and other pertinent issuances prescribing economy measures in government operations, and upon recommendation of the Head of the Ministry concerned, the Minister of the Budget, Office of Budget and Management shall identify those position-items which need to be unprogrammed in order to obtain the savings in personal services required to be generated under the National Government Budget for CY 1984.

Section 32. Conflict of Provisions. In the event that a provision in the Itemization of Personal Services is found inconsistent or in conflict with those relating to the same subject matter in E.P. Blg. 640 the provisions of the latter shall prevail.

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BATAS PAMBANSA BLG. 666
(General Appropriation Act - CY 1965)
GENERAL PROVISIONS

Receipts and Income

Sec. 2. Fees, Charges and Assessments. All fees, charges, assessments, and other receipts or revenues collected by Ministries, bureaus, offices or agencies in the exercise of their functions; at such rates as are now or may be approved by the Minister concerned, shall be deposited with the National Treasury and shall accrue to the General Fund Pursuant to Section 50 of P.D. No. 1177 and Section 3 of D.P. Blg. 325: PROVIDED, That certain receipts may be recorded as income of a Special Fund, A Fiduciary or a Trust Fund, or a Fund other than the General Fund, when authorized by law and following such rules and regulations as may be issued by the Permanent Committee created under Section 51 of P.D. No. 1177: PROVIDED, FURTHER, That all revenues or income accruing to special accounts in the General Fund may be made available for expenditures subject to the Special Provisions in this Act for the agencies concerned and to Special Budgets required under Section 40 of P.D. No. 1177: AND PROVIDED, FINALLY, That whenever practicable and taking into account the cost reduction program of the government when an agency arranges with another government office for fabrication of furniture or equipment, or for computer, printing or other services, the agency rendering such services may assess the requesting agency for the cost of production and services rendered and may utilize the said proceeds subject to Section 40 of P.D. No. 1177, except as otherwise provided in this Act.

Sec. 3. Revolving Fund. Revolving Funds shall be established and maintained in this Act only in cases where said funds are expressly created and authorized by a special or substantive law.

Receipts derived from business-type activities of Ministries, bureaus, offices or agencies which are authorized by law or by the Special Provisions in this Act to be constituted into a Revolving Fund shall be separately recorded and deposited in an authorized government depository bank, except as may otherwise be determined by the Permanent Committee created under Sec. 51 of P.D. No 1177, and may be made available for operational expenses of the said activity of the agency concerned, subject to the conditions prescribed under the Special Provisions of the agency concerned and the rules and regulations as may be prescribed by the aforementioned Permanent Committee. The revolving Fund shall be considered self-perpetuating and self-liquidating and all obligations or expenditures incurred by virtue of said business type activities shall be charged against the Revolving Fund: PROVIDED, That interest earned shall accrue to and form part of the Revolving Fund to be used for the same purpose for which the fund is authorized.

The Agency concerned shall submit to the Office of Budget and Management and monthly report of the income from this Fund and a Quarterly report of expenditures. In case of failure to submit said requirements, the Office of Budget and Management shall order the suspension of all transaction on this account until such time that said requirements are complied with.

Sec. 4. Trust Receipts. Receipts from non-tax sources authorized by law for specific purpose which are collected/received by a government office or agency acting as a trustee, agent or administrator, or which have been received as guaranty for the fulfillment of an obligation, and all other collections classified by law or regulations as trust receipts shall be treated as a trust liability of the agency concerned and deposited in an authorized government depository bank in the National Treasury, as the case may be, subject to the conditions prescribed under the Special Provisions of the agency concerned and to the rules and regulations as determined by the Permanent Committee created under Section 51 of P.D. No. 1177: PROVIDED, That deposits in authorized government depository banks shall be withdrawable on the joint signatures of the authorized representatives of the agency and the Commission on Audit without the need of Special Budget or the issuance of a Cash Disbursement Ceiling: PROVIDED, FURTHER, That if the amount is deposited in a savings account, the interest shall accrue to the General Fund which shall be remitted to the National Treasury at the end of each quarter.

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Sec. 5. Seminar and Conference Fees. Ministries, bureaus, offices or agencies which conduct training programs approved jointly by the Office of Budget and Management and the Civil Service Commission are authorized to collect seminar and conference fees from government and private agency participants, the rates of which shall be determined in accordance with Letter of Instructions No. 565. The Proceeds derived from such seminars or conferences may be deposited into authorized government depository bank as a trust liability and shall be made available for expenditure without the need for a Cash Disbursement Ceiling to defray the costs incurred for handouts, meals and other incidental expenses, including speakers honoraria at rates proscribed pursuant to P.D. No. 965, but not for entertainment or representation expenses, withdrawable on the joint signatures of the authorized representatives of the agency concerned and the Commission on Audit: Provided, That if the income is deposited in a savings or time deposit account, the interest thereof shall accrue to the General Fund and shall be remitted to the National Treasury at the end of each quarter: PROVIDED, FURTHER, That no appropriations authorized in this Act shall be used to support or augment expenses of seminars or conferences for which fees are collected: AND PROVIDED, FINALLY, That any income remaining in the bank account at the end of the fiscal year shall be withdrawn and deposited with the National Treasury as income of the General Fund. The Office of Budget and Management and the Commission on Audit shall promulgate the necessary rules and regulations to implement this provision.

Ministries, bureaus, offices or agencies concerned shall submit to the Office of Budget and Management a monthly report of collection and deposits and quarterly report of expenditures and financial status of its training operations, and in case of failure to submit said requirements, the Office of Budget and Management shall order the suspension of all withdrawals from the funds deposited until such time that said requirements are complied with.

Sec. 6. Sale of Products. Ministries, bureaus, offices or agencies are authorized to sell products of agricultural, industrial or other projects, including official publications, and the proceeds derived therefrom shall be deposited with the National Treasury and accrue to the General Fund, pursuant to Section 50 of P.D. No. 1177, unless otherwise provided by law or authorized by Special Provision in this Act.

Sec. 7. Donations. Ministries, bureaus, offices or agencies are authorized to accept donations, contributions, grants, requests or gifts, in cash or in kind from foreign governments, international agencies, private entities or individuals for purposes relevant to their functions. Cash proceeds shall be deposited with the National Treasury as a Special Account in the General Fund and shall be used or expended only in accordance with the wishes of, and purposes specified by the benefactor or donor, subject to Section 40 of P.D. No. 1177. Contributions or gifts in kind intended for specified beneficiaries, but which are perishable in nature and would require storage or distribution expenditures of more than forty percent of their current market value may be sold at public auction and the proceeds derived therefrom shall be deposited in like manner as if they were in cash, and shall be used or expended for the same purpose, subject to the conditions imposed by the donor and Section 40 of P.D. No. 1177. All such receipts, including equipment and other fixed assets shall be recorded in the books of the government and shall be subject to pertinent accounting and auditing rules and regulations.

The agency concerned shall submit to the Office of Budget and Management and to the Commission on Audit quarterly/monthly report of the proceeds from such donations, contributions, grants, requests or gifts, in cash or in kind, including a quarterly report of expenditures or disbursements thereof.

Sec. 8. Performance Bonds and Deposits. Performance bonds and deposits filed or posted by private persons or entities with agencies of the government shall be deposited with an authorized government depository bank as trust liabilities and under the name of the agency concerned.

Upon faithful performance of the undertaking or termination of the obligation for which the bond or deposit was required any amount due shall be returned to the filing party and the office or agency concerned, withdrawable on the joint signatures of the authorized representatives of the agency and the Commission on Audit, without the need for Cash Disbursement Ceiling; PROVIDED, That any interest accruing on deposit accounts and any forfeited amount shall be recorded as income of the General Fund and shall be remitted to the National Treasury at the end of each quarter. This provision shall apply to bonds posted in cash, such as bidders bonds, guaranty bonds, bail bonds, judicial deposits for the benefit of clients, cash under litigation deposited incourt or quasi-judicial bodies and other refundable and judicial bonds, and all bonds and deposits required by law rules and regulations to be posted to ensure the faithful performance of an activity or undertaking.

Authorized Expenditures.

Sec. 9. Reorganization of the Executive Branch. The President may adjust, realign or modify key budgetary inclusions and appropriations authorized in this Act as may be necessary to implement the reorganization of Ministries and Agencies of the government as approved by law or pursuant to Presidential Decree No. 1416 granting continuing authority to the President of the Philippines to reorganize the administrative structure of the National Government.

Sec. 10. Use of Savings. Ministries, bureaus, offices and agencies are hereby authorized, subject to L.O.M. No. 28 and P.D. No. 1177, to use savings realized from appropriations actually released for the settlement of the following obligations and activities incurred during the current year:

- a. Payment of hazard duty pay and of retirement gratuity or separation pay of employees who are entitled thereto under existing law or are laid off as a result of the elimination of their positions under authorized procedures;
- b. Payment of the share of the National Government in the salaries of officials and employees in newly created and/or reclassified local government units where no appropriation has been provided in this Act or where the authorized appropriation is not sufficient to cover the salaries of the said officials and employees;
- c. Provision for social and economic opportunities and such other activities intended for the welfare of the cultural minorities as may be undertaken by the Presidential Assistant on National Minorities;
- d. Organization, activation, training and operation of military units for the purpose of implementing agency development projects in areas adversely affected by peace and order problems, including salaries and allowances of all military personnel assigned thereto;
- e. Payment of obligations of the National Government or any of its Ministries or agencies arising from perfected and valid contracts, or international agreements;
- f. Purchase or repair of equipment and furniture, including motor vehicles to replace those lost or destroyed through theft or robbery, accident, fire typhoon and other natural calamities, and to replace unserviceable and condemned items;
- g. Expansion of essential facilities and services, including the opening of additional classes in elementary, secondary and vocational schools, as may be approved by the President;
- h. Funding of foreign exchange and peso requirements of foreign-assisted projects.
- i. Foreign-exchange differential arising from peso devaluation;
- j. Augmentation of operational expenses.

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Sec. 11. Key Budgetary Inclusions. The Key Budgetary Inclusions (KBI) of Ministries, Bureaus, offices or agencies shall be released and used only for the indicated purposes conditions, except as may be otherwise approved by the President, pursuant to P.D. No. 1177; PROVIDED, That the amounts appropriated in this Act and funded from donations shall be released only to the extent of actual receipts; and shall not be used for any purpose other than that specified in the deed of donation.

Sec. 12. Expenditures Funded from Borrowings. The amounts appropriated in this Act and funded from local or foreign borrowings shall be released in accordance with loan drawdowns or in the manner stipulated in the financing agreement concerned, subject to Section 40, P.D. No. 1177.

Sec. 13. Expenditures Components. No change or modification shall be made in the expenditure items referred to in the General Appropriations Act and other Appropriations Laws except by Act of the Batasang Pambansa or of the Office of Budget and Management.

Sec. 14. Cash Advances for Foreign-Assisted Projects. Any provision of law to the contrary notwithstanding, cash advances may be authorized to meet the expenditure requirements of foreign-assisted projects in cases where the approved project/loan agreement provides specifically for reimbursement mechanism for expenses incurred, subject to the approval of the Office of Budget and Management and to applicable accounting and auditing regulations.

Sec. 15. Foreign Purchases and Other Importations. Purchases under foreign military sales agreements, heavy equipment imports for infrastructure projects and other importations of agencies which are financed by foreign borrowings or by Central Bank consolidated borrowing programs shall be subject to the requirement of certification of availability of appropriations released for the purpose, to the requirements of LOI No. 880 and to applicable laws, rules and regulations.

Sec. 16. Purchases of Computer Equipment. The Appropriations authorized in this Act for the purchase of computer equipment, except as provided in LOI No. 1380 shall be released only with the approval of the President upon recommendation of the National Computer Center and the Office of Budget and Management.

Sec. 17. Purchase of Motor Transport Equipment. No appropriations authorized in this Act shall be used directly or indirectly for the purchase of motor transport equipment unless otherwise directly authorized by the President upon recommendation of the Office of Budget and Management pursuant to Section 82 of S.D. No. 1177 and Letter of Implementation No. 29.

Sec. 18. Purchase of Supplies, Materials and Equipment Spare Parts. The stock on hand of supplies, materials and equipment spareparts, to be acquired thru ordinary purchase out of appropriations herein provided, shall at no time exceed normal three-month requirements, subject to pertinent rules and regulations issued by competent authority; PROVIDED, That heads of Ministries, bureaus, offices or agencies or other instrumentalities of the government may approve the build-up of stocks on hand of critical supplies and materials as defined or specified by the Office of Budget and Management in anticipation of cost increases, of requirements of a national emergency, or of an impending shortage in the items concerned; specifying maximum quantities of individual items, but in no case shall these stocks exceed more than one year's need, unless otherwise approved by the President, upon the joint recommendation of the Minister concerned and the Chairman of the Commission on Audit.

Sec. 19. Emergency Purchases. Unless otherwise provided in this Act, Ministries, bureaus, offices or agencies of the National Government are authorized to make emergency purchases of supplies, materials and spare parts of motor transport equipment that are urgently needed for the repair of ambulances, motor vehicles, vessels and aircrafts or to meet an emergency which may involve the loss of, or danger to, life and/ or property, or are to be used in connection with a project or activity which cannot be delayed without causing detriment to the public service, in a monthly amount not exceeding four percent of the annual agency expenditure program for supplies and materials out of the appropriations allotted for maintenance and other operating expenses of the agency concerned, except as may be authorized by the President, upon the joint recommendation of the Office of the Budget and Management and the Commission on Audit.

Sec. 20. Cultural and Athletic Activities. An amount not exceeding P15,000 per annum out of the appropriations allotted for maintenance and other

and athletic activities, including purchase of uniforms at not more than P250 for each participant, and for supplies and necessary expenses for said activities. The amounts fixed in this section constitute the allowable maximum to be expended by any bureau, office or agency for its cultural and athletic activities, except as otherwise approved by the President: PROVIDED, That these amounts may be pooled by the Minister concerned into one fund, programmed and controlled to best serve the needs of all office, bureaus and agencies therein.

For purposes of this Section the term "office or agency" shall be so construed to refer only to Ministries and bureaus, and the regular government offices or agencies under them.

Sec. 21. Extraordinary and Miscellaneous Expenses. Appropriations herein-authorized may be used for extraordinary expenses not exceeding: (a) P30,000 for each Minister or equivalent; (b) P10,000 for each Deputy Minister or equivalent; (c) P4,000 for each Assistant Minister/Secretary or head of bureau or organization or equal rank to a bureau and for each Ministry Regional Director; and (d) P2,000 for each Bureau Regional Director. In addition, official entertainment and other miscellaneous expenses not exceeding P6,000 per annum shall be authorized for each of the following offices:

1. Office of the Minister;
2. Office of the Deputy Minister;
3. Office of the Assistant Minister/Secretary;
4. Bureau or Organizations of Equal Rank to a Bureau;
5. Office of the Ministry Regional Director; and
6. Office of the Bureau Regional Director.

These expenditure shall be payable on a reimbursement basis upon presentation of receipts and chargeable to appropriations allotted for maintenance and operating expenses of the corresponding office.

For purposes of this Section, extraordinary and miscellaneous expenses shall include, but not limited to, expenses incurred for or during meetings, seminars and conferences, official entertainment, public relation, educational, athletic and cultural entertainment, public relation, educational, athletic and cultural activities, contributions to civic or charitable institutions, membership fees in government associations, subscription to professional technical journals and informative magazine, library books and materials, office equipment and supplies and other similar expenses that are not supported by the regular budget allocation; PROVIDED; That no portion of the amounts authorized herein shall be used for the creation of positions, nor for salaries, wages, allowances, intelligence and confidential expenses.

Sec. 22. Release of Intelligence and Confidential Funds. Intelligence and confidential funds for in the budgets of Ministries, bureaus, offices or other agencies of the National Government, including amounts from savings authorized by the special provisions to be used for intelligence and counter-intelligence activities, shall be released only upon approval of the President.

Sec. 23. Information Outlay. The appropriations pertaining to information activities of the various Ministries, bureaus, offices or agencies shall be released upon presentation of an appropriate program of activities prepared in coordination with the Office of Media Affairs, copies thereof shall be furnished the members of the Batasang Pambansa: PROVIDED, That each Ministry, Bureau, Office or Agency shall include in its program of information dissemination, the adequate timely reproduction of relevant laws and other administrative issuances for distribution to its lowest field organizational units, including those units over which it exercises supervision: PROVIDED, FURTHER, That assistance of the Office of Media Affairs in printing such documents shall be made to achieve economical, efficient and effective dissemination thereof.

Sec. 24. Loans Outlay. The amounts authorized for loans outlay in budgets of Ministries, bureaus, offices and other agencies, including accumulated balance and receivables shall, in cases expressly provided for by law, be remitted to government financial institutions to be constituted and administered as trust fund under such terms and conditions as may be agreed upon by the head of the agency and the government financial institution concerned.

The rules and regulations governing the use of trust funds covered under this section shall be formulated by the Office of Budget and Management.

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Sec. 25. Release Funds. Any provision of law to the contrary notwithstanding, the appropriations authorized for the Judiciary, the Batasang Pambansa, the Civil Service Commission, the Commission on Audit and Commission on Election in this Act shall be automatically released in accordance with an Operating budget to be submitted at the start of the calendar year as basis for release of funds by the Office of Budget and Management in accordance with existing procedures.

Contracts

Sec. 26. Funding of Contracts and Future Payment of Contractual Obligations. Notwithstanding the availability of deferred payment terms, Ministries, bureaus, offices or agencies concerned, before entering into a contract involving the expenditure of public funds, including contracts for services or consultancy, contract of lease, equipment rental, construction of partitions or improvements in leased buildings, or contracts involving an increase in the approved contract price shall secure a certification of availability of funds for the purpose from the Chief Accountant, subject to applicable rules and regulations as may be issued by the Office of Budget and Management and to Sections 46 and 64, P.D. No. 1477: PROVIDED, That the certification of availability of funds sufficient to cover the contracted activities shall be contained in and made part of the contract duly signed by the Chief Accountant of the contracting agency, as provided for by LOI No. 986.

Ministries, bureaus, offices or agencies, before entering into contracts for delivery of goods or services against future payment shall likewise first secure a certification of the availability of the full contracted amount for such goods or services out of the agency's appropriations. No contracts shall be entered into nor work shall be undertaken without such certification of fund availability.

Sec. 27. Loan Agreements. Ministries, bureaus, offices or agencies may enter into foreign or domestic loan agreements, whether in cash or in kind: PROVIDED, That such loan agreement shall be in accordance with the provisions of R.A. No. 245, as amended, LOI No. 880 and LOI No. 1307. Report of such agreement shall be furnished the members of the Batasang Pambansa.

Foreign borrowings shall not be incurred except for purposes and under conditions authorized under LOI No. 1307, LOI No. 1366, P.D. NO. 1914, and R.A. No. 4860, as amended.

Sec. 28. Contracts for Security and Janitorial Services. Ministries, bureaus, offices or agencies are authorized to contract for security and janitorial services with private firms after public bidding of which the cost thereof may be paid from savings in the appropriations of the Ministry, bureau, office or agency concerned: PROVIDED, That the execution of the contract for security and janitorial services shall not operate to automatically abolish or render vacant any existing occupied security or janitorial position in the contracting office or agency: PROVIDED, FURTHER, That when said security or janitorial position shall subsequently become vacant, said position shall be considered automatically abolished.

Sec. 29. Lease-Purchase Agreements. Ministries, bureaus, offices or agencies may enter into agreements for lease-purchase of equipment subject to public bidding and to the approval of the Office of the Budget and Management, and other pertinent accounting and auditing regulations. Details of the payment shall be indicated in the lease-purchase agreement and accompanied with certification of availability of equipment outlay authorized for the agency in this Act to cover the full contract cost: PROVIDED, That lease-purchase agreements may be entered into only for specialized equipment with high unit costs and not for such equipment as typewriters, adding machines, automobiles the purchase price of which is at least P50,000.00 AND PROVIDED, FURTHER, That all lease-purchase agreements of equipment with a total value in excess of P200,000.00 shall be subject to the approval of the President.

Personnel Services Benefits

Sec. 30. Funding of Personnel Benefits. The personnel benefits cost of government officials and employees shall be charged against the respective funds from which their compensation and/or salaries are paid.

All authorized supplementary/additional compensation, fringe benefits and other personal services costs of officials and employees whose salaries are

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retirement and life insurance premiums, compensation insurance premiums, health insurance (Medicare) premiums, Pag-I.B.A.I.G. contributions, hospitalization and medical benefits, scholarship and educational benefits, training and seminar expenses, all kinds of allowances, whether commutable or reimbursable, in cash or in kind, and other personnel benefits and privileges authorized by law, including the payment of retirement gratuities, separation pay and terminal leave benefits shall be charged against the corresponding fund from which their basic salaries are drawn and in no case shall such personnel benefits costs be charged against the General Fund of the National Government.

Officials and employees on detail with other offices, including the representatives and support personnel of auditing units assigned to serve other offices or agencies, shall be paid their salaries, emoluments, allowances and the foregoing supplemental compensation, fringe benefits and other personal services costs from the appropriations of their parent agencies and in no case shall such be charged against the appropriations of the agencies where they are assigned or detailed, except when authorized by law.

Sec. 31. Transportation and Representation Allowances.

The following officials and those of equivalent rank as may be determined by the Office of Budget and Management are hereby granted monthly commutable transportation and representation allowances payable from the programmed appropriations provided for their respective offices, not exceeding the rates indicated below, which shall apply to each type of allowance:

- a. At P1,000 for Ministers;
- b. At P750 for Career Executive Service Rank I Officials;
- c. At P650 for Career Executive Service Rank II Officials;
- d. At P550 for Career Executive Service Rank III Officials;
- e. At P475 for Career Executive Service Rank IV Officials;
- f. At P400 for Career Executive Service Rank V Officials; and
- g. At P325 for Chiefs of Divisions, identified as such in the Personal Services Itemization.

The transportation allowance herein authorized shall not be granted to officials who are assigned a government vehicle or use government motor transportation, except as may be approved by the President. Unless otherwise provided by law, no amount appropriated in this Act shall be used to pay for representation and/or transportation allowances, whether commutable or reimbursable, which exceed the rates authorized under this Section. Previous administrative authorizations not consistent with the rates and conditions herein specified shall no longer be valid and payment shall not be allowed.

Allowances of those officials who are receiving salaries from special accounts or special funds shall be charged against the corresponding fund from which their salaries are charged. Officials on detail with other offices, including officials of the Commission on Audit assigned to serve other offices or agencies, shall be paid the allowance herein authorized from the appropriations of their parent agencies.

Sec. 32. Official Vehicles and Transport. Government motor transportation may be used by the following officials, and those who may be specifically authorized by the President with cost chargeable to the appropriations authorized for the respective offices:

- a. The President of the Philippines;
 - b. The Prime Minister;
 - c. The Speaker of the House of Representatives;
 - d. The Chief Justice of the Supreme Court;
 - e. The Deputy Prime Minister;
 - f. The Ministers, Deputy Ministers and officials of equivalent rank;
 - g. The Ministers of State;
 - h. The Presiding Justice of the Intermediate Appellate Court;
 - i. Ambassadors, Ministers Plenipotentiary and consuls in charge of Consulates, in their respective stations abroad;
 - j. The Chief of Staff, the Vice Chief of Staff, and the commanding Generals of the major services of the Armed Forces of the Philippines;
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Sec. 33. UNIFORMS/CLOTHING ALLOWANCE. The appropriations herein provided for each Ministry, bureau or office may be used for uniforms and/or clothing allowance of employees at not more than P300 each per annum. Savings in the appropriations for each Ministry, bureau or office may be used for this purpose where no amount is specifically appropriated in this Act.

Sec. 34. HAZARDOUS DUTY PAY. Upon recommendation of the Ministry Head and approval of the Office of Budget and Management, hazard pay may be allowed to officials and employees who are actually assigned in hardship or difficult areas, strife-torn or embattled areas, distressed or isolated stations, prison camps, mental hospitals, radiation exposed clinics or laboratories, or disease-infected areas which expose them to great danger, contagion, radiation, volcanic activity/eruption, occupational risks or perils to life, chargeable to savings in the appropriations of the Ministry/Agency concerned, which shall not be less than P50 nor more than P150 each per month, except in cases where the rates are specifically provided for under special laws, charters or enabling acts, in which case such rates shall govern: PROVIDED, That hazard pay by reason of strife-torn or embattled areas shall be subject to the certification issued by the Minister of National Defense; and the rates thereof shall be determined by the Office of Budget and Management on the basis of the area classification certified by the Minister of National Defense. The Office of Budget and Management and the Minister of National Defense shall review from time to time authorizations for the payment of hazardous duty pay in strife-torn and embattled areas earlier issued and shall terminate such authorizations in areas if conditions no longer justify the continuation of hazardous duty pay.

Sec. 35. Honoraria, Ministries, bureaus, office of agencies are authorized to use their respective appropriations for payment of honoraria as compensation for services rendered by researchers, experts and specialists who are acknowledged authorities in their field of specialization, at such rates as the Office of Budget and Management may authorize, unless otherwise specifically provided by law.

Sec. 36. Incentive or Service Fees. Incentive or service fees paid by the Government Service Insurance System, by other government office or agencies or authorized by law to pay such incentive or service fees, or by private companies which are intended for employees servicing them shall be deposited with the National Treasury and shall accrue to the General fund, pursuant to Sec. 50 of P.D. No. 1177. Such fees may be made available for payment of incentive or service fees of the employees of the agency in accordance with rates approved by the Minister concerned, subject to Section 40 of P.D. No. 1177; PROVIDED, That the share of any employee may not, in the aggregate, exceed fifty per centum of his annual salary.

Sec. 37. Special Counsel Allowance. Lawyer-personnel in the legal staffs of Ministries, bureaus, offices or agencies of the National Government appearing in Court as special counsel in collaboration with the Solicitor-General and/or Fiscals concerned are hereby authorized an allowance of P100 for each appearance chargeable to savings in the appropriations allotted for personal services of their respective offices, but not exceeding P400 a month.

Sec. 38. Quarters Allowance. Except as may be authorized by law, government officials and employees who, by virtue of their positions, are furnished free quarters or are charged only a nominal rate in government-owned buildings, such as dormitories or living quarters in hospitals, state colleges, universities and schools, foreign posts and elsewhere, shall forfeit entitlement to any quarters allowance. Where portions of rented private buildings are authorized to be utilized for officials quarters, the excess of rental cost over the quarters allowance of the officials shall be borne by him. Those who enjoy free quarters in government-owned or rented buildings but who are not entitled to quarters privilege shall be charged the corresponding cost of rentals therefor. Unless fixed by law or regulations, the rate of quarters allowance or rental, as the case may be shall be determined by the Office of Budget and Management.

Sec. 39. Compensation of Contractual Personnel. Heads of Ministries, bureaus, offices or agencies, when authorized in their respective appropriations as provided under this Act may hire consultants, experts and other contractual personnel to perform specific vital activities or services which cannot be provided by the regular staff of the agency, limited to such period when their services are reasonably required and to activities that shall have a definite expected output. Such contractual personnel may be paid compensation, inclusive of fees, honoraria, per diems and allowances not exceeding 120% of the minimum salary of an equivalent position in the National Classification and Compensation Plan, except as may be authorized by the Office of Budget and Management in the following instances: (a) when the consultant or expert is an acknowledged authority in his field of specialization; and (b) when the consultant or expert is hired to perform a specific activity or service that requires technical skill and expertise which local labor force cannot provide, or if such expertise is available, the supply is limited; PROVIDED, That in no case shall such compensation exceed the salary of his immediate superior, except as may be otherwise approved jointly by the Civil Service Commission and the Office of Budget and Management.

Sec. 40. Restriction on the Use of Appropriations for Retirement Gratuity and Terminal Leave. Release of appropriations authorized in this Act to cover retirement gratuity benefit claims shall be done on the basis of creditable services as computed by the Government Service Insurance System in accordance with the provisions of existing retirement laws. Unless otherwise authorized by law, no amount appropriated in this Act shall be used for payment of

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retirement gratuity under the provisions of Sec. 12(c) of C.A. No. 186, as amended, and terminal leave benefits of retiring officials and employees which include in the computation thereof additional compensation as defined under retirement laws and excluding all bonuses, per diems, allowances and overtime pay, or salary, pay or compensation given in addition to the base pay of the position or rank as fixed by law or regulation. The rules and regulations to implement this Section shall be issued jointly by the Office of Budget and Management, the Government Service Insurance System and the Commission on Audit.

Sec. 41. Unauthorized Pro-Retirement Promotions and Salary Increase. No portion of the appropriations provided in this Act shall be used for automatic promotions or for salary increases and adjustments granted to retiring officials and employees, which are not authorized by law and duly formalized in the form of a National Compensation Circular.

Sec. 42. Personal Liability of Officials for Payment of Unauthorized Personal Services Cost. No official or employee of any Ministry, bureau, office, agency, commission, board, state university or college, of the National Government including those of government-owned or controlled corporations shall be granted and/or paid any unauthorized compensation, either basic, additional or supplementary, or fringe benefits and allowances of any kind, including payment of retirement benefits and terminal leaves computed in violation of the General Provisions in this Act or other existing laws, which are chargeable against the appropriations authorized in this Act or under other appropriation laws or from other income of the Government.

The payment of any unauthorized compensation, allowance, fringe benefits or personal services costs made in violation of this Section or of the General Provisions in this Act is null and void and is the personal liability of the head of the office or agency who authorized such payment, the Resident Auditor, other officials and employees who participated or took part therein, and the person who received such payments, who shall be jointly and severally liable for the refund of the full amount so paid and received, in addition to any disciplinary action that may be instituted against such erring officials under the provisions of Sections 49 and 87 of P.D. No. 1177 and to any criminal action under the Revised Penal Code and other penal laws.

Local Government Units

Sec. 43. Sharing of National Revenues. The computation of appropriations herein authorized for local government revenue sharing established under P.D. Nos. 44 and 436 (as amended) shall be based on revenues excluding income recorded but charged to the General Fund Adjustments and Customs Duties Fund provided in this Act assessed on otherwise tax-exempt government agencies and corporations. Compliance with the sharing formula as provided by law shall be determined taking into account all funds allocated and released for local government units, except or the budgetary aid fund herein appropriated pursuant to Item No. 7 of P.D. No. 44.

Administrative Procedures

Sec. 44. Release of Funds for Training Programs. Ministries, bureaus, offices or agencies shall formulate and review their training programs in light of the need to train personnel in skills and attitudes. Such training programs shall be submitted to the Training Coordination Committee created under LRI No. 734, which shall review and evaluate the training activities. No appropriation for training shall be released without such review and evaluation.

Sec. 45. Direct Release of Funds to Regional Offices. Funds allotted for regional offices but included in the budgets of their central offices or which are specifically allocated for the different regions shall be released directly to said regional offices when dictated by the need and urgency of regional activities, pursuant to Sec. 36(a) of P.D. No. 1177. Imposition of any retention or deduction reserves shall not be allowed except as may be authorized by the Office of

Budget and Management shall identify by region the expenditure programs of agencies in the national government budget and shall release funds intended for them in accordance with the approved regional distribution of expenditures, specifying the region of destination.

Sec. 46. Prohibition Against Deduction/Retention of Allotment. Fund release from appropriations provided in this Act for any project or activity shall be transmitted intact or in full to the office or agency concerned and no retention or deductions as reserves or overhead shall be made, except as authorized by law or upon direction of the President. The Commission on Audit shall ensure compliance with this provision to the extent that sub-allotments by Ministries and/or Central Agencies to their subordinate offices are in conformity with allocations in budgetary advice of allotments issued by the Office of Budget and Management.

Sec. 47. Release of Appropriations to Local Government Units. Funds appropriated herein for local government units shall be released only after the approval of their respective budgets pursuant to the provisions of P.D. No. 1375, except as may be authorized by the Ministry of Local Government and the Office of Budget and Management.

Sec. 48. Administration of the Release of Funds Allotted for Operating Expenses and Equity Investments in Government Corporations. Funds herein appropriated for operating expense contributions and equity investments in government owned or controlled corporations and other public corporate bodies shall be under the administration of the Office of Budget and Management. Said funds shall be directly released to the recipient corporation through the Bureau of the Treasury on the basis of a Work and Financial Plan prepared and submitted by the Corporation concerned, pursuant to Executive Order No. 518, subject to Sec. 40 of P.D. No. 1177 and Letter Of Implementation No. 29.

Sec. 49. Off-sets Against Corporation Equity Investments and/or Subsidy. The appropriations herein authorized for equity investments and/or subsidy may be used by the National Treasurer for the payments, of loans relant to corporations, including the obligations incurred by the said corporations for the reimbursement of advances made by the National Treasury on obligations guaranteed by the Government of the Republic of the Philippines, subject to the approval of the President upon recommendation of the Office of Budget and Management.

Sec. 50. Submission of Financial Statements. All government-owned or controlled corporations shall submit to the Office of Budget and Management and to the members of the Batasan their respective financial statements, including plans, programs, targets and other reports as may be required from time to time. The annual reports shall be done and submitted as herein provided on or before March 31, of the succeeding year.

Sec. 51. Unauthorized Organizational Units. Unless otherwise created by law or directed by the President, no organizational unit in any Ministry, bureau, office or agency shall be authorized in their respective organizational structures and be funded from appropriations provided by this Act, without authority from the Presidential Commission on Reorganization and the Office of Budget and Management. Organizational units created by administrative authorizations shall be considered as ad hoc arrangements that shall be staffed by contractual personnel or staff on detail.

Sec. 52. Implementation of Construction Projects. Construction projects funded from capital outlays authorized in this Act under the various Ministries, bureaus, offices or agencies of the National Government, including the constructions of buildings for state universities, colleges, schools, hospitals, sanitary health centers and health stations, roads and bridges, shall be implemented only in accordance with the appropriate standards and specifications for the planning, survey, design and construction of the projects as prescribed by the Ministry of Public Works and Highways, or the Ministry of Transportation and Communications, through either of said Ministries as the case may be. In addition, land use and zoning guidelines shall be prescribed by the Ministry of Human Settlements. In the prosecution of the construction projects, Section 2, 3, 4, 5, 6, 7, 9, and 10 of Batas Pambansa Big. 50, and B.P. Big. 132 entitled "An Act Appropriating Funds for Public Works, Highways, Transportation and Communications Projects and for Other Purposes," and other legislations on public works shall be strictly complied with whenever applicable.

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Concluding Provisions

Sec. 53. Separability Clause. If for any reason any section or provision of this Act is declared unconstitutional or invalid, other sections or provisions hereof which are not affected thereby shall continue to be in full force and effect.

Sec. 54. Effectivity. The provisions of this Act shall take effect on January one, nineteen hundred and eighty-five unless otherwise provided herein.

SPECIAL PROVISIONS APPLICABLE TO FIELD OFFICES/SCHOOLS

SPECIAL PROVISIONS

1. **Allocation and Identification of Appropriations.** The amounts herein appropriated for maintenance and other operating expenses, including supplies and materials and for equipment of the Ministry of Education, Culture and Sports shall be identified in the Work and Financial Plan as to the Bureau/Office/Division/School of ultimate destination. Maintenance and other operating expenses shall include provision for the purchase of chalk, teacher record booklets and forms, crasers, medical and dental supplies for schools, and mobile clinics, and other essential supplies and materials of the Ministry: PROVIDED, that supplies directly used by teachers and authorized under P/E/S No. 2143 hereof shall be issued to them in the form of cash, in addition to the cash allowance authorized in this Act: PROVIDED, FURTHER, That no amount herein appropriated shall be expended for the purchase of textbooks, reference books, supplementary readers, teaching aids, manuals, magazines, garden tools, sports equipment, and periodicals, whether at Central Office, Regional, Division or School level, unless duly authorized in accordance with Letter of Implementation No. 29 and effected through Special Budgets pursuant to Sec. 40 of P.D. No. 1177.

2. **Construction and Repair of Buildings.** The construction and repair of buildings supported by funds herein appropriated shall be supervised by the District Engineer of the Ministry of Public Works and Highways with no imposition of engineering surcharges: PROVIDED, That all minor or emergency repairs of school buildings shall be undertaken by the Principal or Administrator of the school concerned in coordination with the Parent-Teachers Association under the supervision of the District Engineer of the Ministry of Public Works and Highways: PROVIDED, FURTHER, That secondary and collegiate schools are authorized to utilize the services of their students, during their vocational class periods, in the construction and/or repair of public or government-owned buildings and equipment as part of their vocational training.

3. **Income of Baguio Teachers Camp.** Income of the Baguio Teachers Camp derived from rentals for the use of its buildings and facilities, board and lodging and other sources shall be constituted as a revolving fund. The income shall be deposited in an authorized government depository bank, and may be made available for direct maintenance and operating expenses incurred for the board and lodging of teachers-occupants and for maintenance and other operating expenses, withdrawable on the joint signatures of authorized representatives of the Baguio Teachers Camp and countersigned by the Resident Auditor without need for Cash Disbursement Ceiling: PROVIDED, That any interest income earned shall accrue to the revolving fund: PROVIDED, FURTHER, That the Baguio Teachers Camp shall submit to the Office of Budget and Management a monthly report of its income and quarterly report of expenditures and in case of failure to submit said requirements, the Office of Budget and Management shall order the suspension of withdrawals from this fund until such time that said requirements are complied with.

4. **Post-Secondary Courses.** No appropriation herein authorized for secondary courses offered by secondary schools shall be used for post-secondary courses: PROVIDED, That such schools offering post-secondary courses as of July 1, 1980 under authority issued by the Minister of Education, Culture, and Sports may continue to offer these courses but without expansion in scope, except for the MECS-Fisheries schools established as Regional Institute of Fishery Technology (RIFT) under the Fisheries Education Project (IBRD Loan Agreement No. 1786-PA).

account of the General Fund pursuant to P.D. No. 1234 and P.D. No. 1437 for the use of the institution, subject to Sec. 40 of P.D. No. 1177; PROVIDED, That disbursements from the special account shall not exceed the amount actually earned and deposited; PROVIDED, FURTHER, That a cash advance on such income may be allowed State Universities and Colleges representing up to one half of income actually realized during the preceding year and this cash advance shall be liquidated from income actually earned during the budget year; AND PROVIDED, FINALLY, That in no case shall such funds be used to create positions, nor for payment of salaries, wages or allowances, except as may be specifically approved by the Office of Budget and Management for income producing activities, or to purchase motor vehicles, equipment or books, without the prior approval of the President, pursuant to Letter of Implementation No. 29.

All collections of the State Universities and Colleges for fees, charges and receipts intended for private recipient units, including private foundations affiliated with these institutions, shall be duly acknowledged with official receipts and deposited as a Trust Receipt before said income may be transferred or allocated to the beneficiaries. Availment of such income shall be subject to Section 40 of P.D. No. 1177.

5. ESTABLISHMENT OF NEW BRANCHES. State Universities and Colleges may establish branches or units in other areas of localities or absorb other national schools herein authorized, only with the approval of the President upon recommendation of the Office of Budget and Management.

6. NEW DEGREE PROGRAMS OF STATE UNIVERSITIES AND COLLEGES. State Universities and Colleges may offer degree programs which have not been included in the current year's authorized program of expenditure and the operational expenses of which are chargeable to non-recurring savings only with the prior approval of the President upon recommendation of the Office of Budget and Management.

7. CONSTRUCTION AND/OR REPAIR OF BUILDINGS AND EQUIPMENT. State Universities and Colleges are authorized to utilize the services of their students, during regular vocational class period, in the construction and/or repair of public or government-owned buildings and equipment as part of their vocational training.

8. AUTHORITY TO USE APPROPRIATIONS FOR PAYMENT OF TESTING FEES. State Universities and Colleges which are members of the Center for Educational Measurement may, upon prior approval of the President, advance payment of the testing fees of students who take the examinations administered by the Center; PROVIDED, That the total amount advanced by the said state universities and colleges shall be reimbursed in full by the Center from the testing fees collected from students.

SPECIAL PROVISIONS APPLICABLE TO ALL STATE UNIVERSITIES AND COLLEGES

SPECIAL PROVISIONS

1. **REVOLVING FUND.** Income earned from food production and manufacturing programs of State Universities and Colleges pursuant to LOI Nos. 872 and 1026 shall be reconstituted as a revolving fund in the name of the agency concerned, to be deposited in an authorized government depository bank and shall be made available to cover the expenses directly incurred in the said production activities, withdrawable on the joint signature of the authorized representative of the college or university and the Commission on Audit without need of Cash Disbursement Ceiling: **PROVIDED,** That any interest shall accrue to and form part of the revolving fund to be used for the same purpose for which the fund is authorized.

The agency concerned shall submit a quarterly report of expenditures and income to the Office of Budget and Management, and in case of failure to submit said requirement, the Office of Budget and Management shall order the suspension of all transactions on this fund until such time that said requirement is complied with: **PROVIDED, FURTHER,** That the initial development costs of these programs shall be charged to the special account in the General Fund of the agency concerned to the extent of the income generated by such fund, subject to Section 40 of P.D. No. 1177, and that subsequent expenditures shall be charged directly from the revolving fund: **PROVIDED, FINALLY,** that the purchase of motor vehicles and equipment out of the revolving fund shall continue to be subject to the approval mechanism established by LOI No. 29.

2. **APPROPRIATIONS FOR BRANCHES OF STATE UNIVERSITIES AND COLLEGES.** The appropriations specified for the branches and units of State Universities and Colleges shall be directly released to the respective branches or units without the imposition of any reduction by the Main Campus of the institution but subject to budgetary reserves or reallocations authorized by P.D. No. 1177 and imposed by the Office of Budget and Management and without prejudice to the augmentation of the shares of such branches or units from funds otherwise appropriated for the Main Campus.

3. **INTERNAL OPERATING BUDGET.** At the beginning of the budget year, the President of each state university and college shall submit for confirmation to the President, through the Office of Budget and Management, the internal operating budget of the institution as approved by its Board of Trustees/Regents, observing such rules and regulations and format as may be determined by the Office of Budget and Management: **PROVIDED,** That the said budget shall indicate the amounts intended for each unit of the university or college, classified as to itemized personal services, lump-sum personal services expenditures, maintenance and operating expenditures, equipment and capital outlays: **PROVIDED, FURTHER,** That the internal operating budget shall indicate for each unit, the amount financed from the General Fund (proper) and the institution's Special Account in the General Fund: **AND PROVIDED, FINALLY,** That in no case shall the total amount of the internal operating budget of the institution exceed the appropriations authorized in this Act plus the extraneous appropriation for fixed expenditures. Supplemental budgets may later be approved, funded from actually earned excess income.

4. **INCOME OF STATE UNIVERSITIES AND COLLEGES.** Income of State Universities and Colleges derived from tuition fees, school charges and other sources as may be imposed by Governing Boards other than those accruing to Revolving Funds created under LOI Nos. 872 and 1026 and those authorized to be recorded as Trust Receipts pursuant to P.D. No. 1177, shall be deposited with the National Treasury and recorded as a special

5. Revolving Fund. The income earned from food production and manufacturing programs of the national schools under the Ministry of Education, Culture, and Sports pursuant to LOI Nos. 872 and 1026 shall be constituted as a revolving fund in the name of the agency concerned, to be deposited in an authorized government depository bank and shall be made available to cover the expenses directly incurred in the said production activities, withdrawable on the joint signatures of the authorized representatives of the school and the Commission on Audit without need of cash disbursement ceiling; PROVIDED, That any interest earned shall accrue to said form part of the revolving fund to be used for the same purpose for which the fund is authorized.

The agency concerned shall submit a quarterly report of expenditures and income to the Office of Budget and Management, and in case of failure to submit requirement the Office of Budget and Management shall order the suspension of all transactions on this fund until such time that said requirement the Office of Budget and Management shall order the suspension of all transactions of this fund until such time that said requirement is complied with; PROVIDED, FURTHER, That the initial development costs of these programs shall be charged to the General Fund of the agency concerned to the extent of the income generated by the fund, subject to Section 40 of P.D. No. 1177, and that subsequent expenditures shall be charged directly from the revolving fund; PROVIDED, FINALLY, That the purchase of motor vehicles and equipment out of the revolving fund shall continue to be subject to the approval mechanism established by LOI No. 29.

