



Tanggapan ng Kalihim
Office of the Secretary

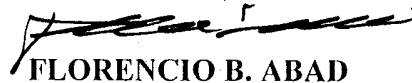
JUN 07 2005

DepED MEMORANDUM
No. **166**, s. 2005

DISSEMINATION OF BUDGET CIRCULAR NO. 2001-03
(Clarification on the Consolidation of Allowances, Including Cost of Living Allowances)

TO : Undersecretaries
Assistant Secretaries
Bureau/Regional Directors
Directors of Services/Centers and Heads of Units
Schools Division Superintendents
District Supervisors and Principals
Others Concerned

1. For the information and guidance of all concerned, enclosed is a copy of Budget Circular No. 2001-03 dated 12 November 2001 entitled "*Clarification on the Consolidation of Allowances, Including Cost of Living Allowances (COLA)*" signed by DBM Secretary Emilia T. Boncodin, which is self explanatory.
2. Immediate dissemination of this Memorandum is desired.


FLORENCIO B. ABAD
Secretary

Encl.: As stated
Reference: None
Allotment: 1- -(D.O. 50-97)
To be indicated in the Perpetual Index
under the following subjects:

ALLOWANCES
EMPLOYEES
LEGISLATIONS



REPUBLIC OF THE PHILIPPINES

Department of Budget and Management
Malacanan, Manila



BUDGET CIRCULAR

No. 2001 - 03

November 12, 2001

FOR : Heads of National Government Agencies (NGAs); Government-Owned or -Controlled Corporations (GOCCs); Government Financial Institutions (GFIs); Chief Executives of Local Government Units (LGUs); and All Others Concerned

SUBJECT : **Clarification on the Consolidation of Allowances, Including Cost of Living Allowance (COLA)**

- 1.0 This Circular is being issued as a clarification on the consolidation of allowances, including Cost of Living Allowance (COLA), of government employees under Republic Act (RA) No. 6758 in relation to the Supreme Court (SC) ruling in the case of Rodolfo de Jesus, et. al. vs. COA, et.al., G.R. No. 109023 dated 12 August 1998.
- 2.0 The SC in the said case declared as ineffective due to non-publication, Corporate Compensation Circular (CCC) No. 10 which contained the rules and regulations for the implementation of RA No. 6758 insofar as Government-owned or -Controlled Corporations and Government Financial Institutions are concerned.
- 3.0 In view of such declaration, therefore, the explicit provisions of Section 12 of RA No. 6758 shall prevail, to wit:

"Section 12. *Consolidation of Allowances and Compensation.* - All allowances, except for representation and transportation allowances; clothing and laundry allowances; subsistence allowance of marine officers and crew on board government vessels and hospital personnel; hazard pay; allowances of foreign service personnel stationed abroad; and such other additional compensation not otherwise specified herein as may be determined by the DBM, shall be deemed included in the standardized salary rates herein prescribed. Such other additional compensation, whether in cash or in kind, being received by incumbents only as of July 1, 1989 not integrated into the standardized salary rates shall continue to be authorized...."

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Consequently, only those allowances specifically mentioned in the exceptions under Section 12 may continue to be granted; all others are deemed integrated in the standardized salary rates.

- 4.0 This provision shall apply to all government employees in the employ of NGAs, LGUs, GOCCs and GFIs.
- 5.0 Further, the standardized salaries reflected in the current budgets of NGAs, LGUs, GOCCs and GFIs are already inclusive of the consolidated allowances. Thus, providing for a separate grant of said allowances on top of the standardized salary rates is tantamount to double compensation which is prohibited by the Constitution.
- 6.0 In view of the foregoing, payment of allowances and compensation, such as COLA, amelioration allowance and inflation-connected allowances, among others, which are already integrated in the basic salary, are deemed unauthorized, unless otherwise provided by law.
- 7.0 For the guidance of all concerned.



EMILIA T. BONCODIN
Secretary