

[PRESIDENTIAL DECREE NO. 477, June 03, 1974]

TO BE KNOWN AS THE DECREE ON LOCAL FISCAL ADMINISTRATION

WHEREAS, the recent enactment of the Local Tax Code, the Real Property Tax Code and other revenue measures has provided the local governments with additional sources of income that will stabilize and bolster their financial capacity to contribute to the collective efforts for national growth;

WHEREAS, in the past, local government funds have been either wasted or dissipated for lack of sound financial plans and adequate fiscal controls;

WHEREAS, the proper and efficient utilization of available local resources is crucial to the early realization of primary developmental goals and objectives;

WHEREAS, there is a pressing need to strengthen the administrative machinery for local treasury operations in order to induce the judicious conservation and management the judicious conservation and management of local government resources;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution do hereby adopt, promulgate and decree as part of the law of the land, this Decree, the full text of which follows:

CHAPTER I. GENERAL PROVISIONS

SECTION 1. *Scope.*—This Decree shall govern the conduct and management of the financial affairs, transactions, and operations of provinces, cities, municipalities and barrios, and shall provide the organization for local fiscal administration in the local governments.

SEC. 2. *Fundamental Principles.*—Local government financial affairs, transactions, and operations shall be governed by the fundamental principles set forth hereunder.

- a. No money shall be paid out of the treasury except in pursuance of a lawful appropriation or other specific statutory authority.
- b. Public funds and monies shall be spent solely for public purposes.
- c. Revenue is obtainable only from sources expressly authorized by law and collection thereof shall at all times be acknowledged properly.
- d. All monies officially received by a public officer in any capacity or upon any occasion shall be accounted for as government funds, except as may otherwise be specifically provided by law or competent authority.
- e. Trust funds shall not be paid out of the treasury except in fulfillment of the purpose for which the trust was created or fund received.
- f. Every officer of the government whose duties permit or require the possession or custody of government funds shall be properly bonded and such officer shall be accountable and responsible for said funds and for the safekeeping thereof in conformity with the provisions of law.
- g. Local governments shall formulate sound financial plans and the local budgets shall, by and large, be based on functions, activities, and projects, in terms of expected results.

- h. Fiscal responsibility shall, to the greatest extent, be shared by all those exercising authority over the financial affairs, transactions and operations of the local governments.

SEC. 3. *Supervisory authority of the Department of Finance.*—The Department of Finance shall exercise general supervision over the financial affairs of the local governments and, except as otherwise specifically provided by law, over all funds the investment of which is authorized by law. For the purpose, and along with the powers, duties and functions vested upon it by law, it shall be the responsibility of the Department to:

- a. Formulate and execute fiscal policies that will promote the financial stability and growth of the local governments;
- b. Provide the local governments with policy guidelines in the preparation and adoption of sound financial plans and review the local budgets in order to enhance the maximum utilization of local funds and resources;
- c. Adopt and enforce the necessary measures that will improve local treasury operations and foster effective financial management at the local levels; and
- d. Ensure the proper use, custody and safekeeping of public funds in the local governments. In order to attain the foregoing objectives, the Secretary of Finance shall exercise direct executive supervision over all treasury officials and personnel in the local governments.

CHAPTER II. THE LOCAL FUNDS AND OTHEE SPECIAL FUNDS

ARTICLE I. *Initial Receipt and Disposition, Composition and Safekeeping*

SEC. 4. *Definition of "Fund."*—A fund is a sum of money or other resources set aside for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations and constituting an independent fiscal and accounting entity.

SEC. 5. *Accounting for Monies Received by Public Officers.*—Except as otherwise specifically provided, all monies received by a public officer shall be accounted for as Government Funds.

SEC. 6. *Payment of Government Monies into the Treasury.*—Officers of the government authorized to receive and collect monies arising from taxes, revenues, or receipts of any land shall remit the full amounts as received and collected by them into the treasury of the branch of the Government to which such officers in their collecting capacity respectively pertain, to the credit of the particular account or accounts to which the monies in question initially belong. The amount of such collections ultimately payable to other branches of the Government, shall thereafter be transferred to the respective treasuries of those branches, under regulations which the Commission on Audit shall prescribe.

SEC. 7. *The Local Funds.*—Provincial, city and municipal governments shall maintain only two local funds, namely, the *general fund* and the *infrastructure fund* and they shall be used to account for such monies and resources as may be received in and disbursed from the local treasury.

- a. The *General Fund*, shall consist of monies and resources not otherwise accruing to any other fund and shall be available for the payment of expenditures, obligations or purposes not specially declared by law as

chargeable to, or payable from, any other fund, through transfers of monies or resources therefrom to other funds of the local government for their augmentation and use may be made by proper appropriation.

b. The *Infrastructure Fund*, shall consist of monies and resources raised or earmarked by law, including those which under existing laws accrue to the road and bridge fund, allotments under Republic Act No. 917, as amended, and transfers from the General Fund, which shall be available exclusively for the following purposes:

1. The repair, maintenance, improvement, and construction of roads, bridges, and highways. However, in applying this fund to such uses, adequate provision shall be made for the maintenance of existing unabandoned roads and bridges before any new construction is undertaken.
2. The providing and maintaining of wharves, piers, and docks, in accordance with plans and specifications furnished by the proper national office, and for removing obstructions to navigation.
3. Subsidizing or for acquiring, operating, and maintaining means of water transportation within the province or city or between the province or city and neighboring provinces and city or islands or to dredge rivers and provide facilities for communication and transportation by river, as well as for establishing and operating telephone systems.
4. The construction, improvement, maintenance and repair of wharves, piers and docks; plazas, parks, monuments and playgrounds; street lighting; artesian wells; irrigation system; flood control systems; sewerage and drainage systems; and other permanent public improvements.
5. The acquisition of lands and buildings for public use.

Construction of roads and bridges shall include preliminary investigation and surveys besides actual construction.

Subject to the approval of the Secretary of Finance, the local board or council may, upon proper justification, transfer any unappropriated balance of this fund to cover exceptionally urgent needs of the province, city, or municipality.

SEC. 8. *Special Education Fund.*—There shall be maintained in the local treasuries a separate fund to be known as the Special Education Fund which shall consist of the respective shares of provinces, cities and municipalities in the proceeds of the additional one per cent real property tax levied and appropriated for educational purposes under Republic Act No. 5447, as amended by Sections 41 and 87 (b) of Presidential Decree No. 464, otherwise known as the Real Property Tax Code.

SEC. 9. *Trust Funds.*—Trust funds are private and public monies which have officially come into the possession of the Government or of a government officer as trustee, agent, or administrator, or which have been received as a guaranty for the fulfillment of some obligation. A trust fund is available only for the specific purpose for which it was created or for which it came into the possession of the Government.

SEC. 10. *Separation of Books and Depository Accounts.*— Local treasurers shall maintain separate books and depository accounts for each fund in their custody or administration under such rules and regulations as the Commission on Audit may prescribe.

SEC. 11. *Depository Accounts.*—Local treasurers shall maintain their depository accounts with Banks duly designated as government depositories by the Central Bank of the Philippines.

Municipal treasurers shall deposit their funds with the provincial treasurer who, in turn, shall deposit the same with the duly designated banks. Provincial, city and municipal treasurers may directly deposit with duly designated banks excess local funds under time deposit accounts, upon resolution of the local legislative body and upon approval by the provincial treasurer and the provincial auditor, in the case of municipal funds.

Earnings of such deposits shall accrue to the proper funds.

SEC. 12. *Separation of Personal Money from Public Funds.*—Local treasurers and other accountable officers shall keep personal monies separate and distinct from government funds in their custody and shall not make profit out of public money or otherwise apply the same to any use not authorized by law.

ARTICLE II. *Special Accounts*

SEC. 13. *Special Accounts to be Maintained in the General Fund.*—There shall be maintained in the general fund of the local government concerned special accounts for the following:

A. Public utilities and other economic enterprises.

B. *Barrio Development Fund.*—There is hereby created a barrio development fund to be constituted from the annual contribution from each province, city, or municipality in amounts not exceeding five hundred pesos per barrio. This fund shall be spent solely for community development projects which meet the requirements set forth by the Secretary of Local Government and Community Development.

The provincial or city treasurer, who shall be the custodian of this fund, shall maintain in his books a special account therefor. The provincial treasurer shall make releases from this fund thru the municipal treasurer concerned who shall be responsible for the proper disbursement and accounting of the same.

C. Loans, interests, bond issues and other contributions for specific purposes.

Receipts and expenditures involving the above-mentioned special accounts shall be properly taken up thereunder.

Not profits derived from the operation of public utilities and other economic enterprises, when not needed for the return of the advances made therefor, shall be spent solely for the improvement of the public utility or the economic enterprises concerned.

CHAPTER III. BUDGETING

ARTICLE I. *Provincial, City and Municipal Budgets*

SEC. 14. *Definition of Terms.*—When used in this Chapter:

a. The term "annual budget" means a financial plan embodying the estimates of income certified as reasonably collectible by the provincial treasurer in the

case of provinces and their respective municipalities and by the city treasurer in the case of cities, and appropriations covering the proposed expenditures for the ensuing fiscal year.

- b. The term "supplemental budget" is a supplementary financial plan embodying changes during the fiscal year in the annual estimates of income and appropriations.
- c. The term "income" covers all revenues and receipts collected or received, forming the gross accretions of funds of the Government.
- d. The term "revenue" refers to income derived from the regular system of taxation enforced under authority of law or ordinance, and, as such, accrue more or less regularly every year.
- e. The term "receipts" refers to income realized from operations and activities of the Government or are received by the Government in the exercise of its corporate functions, consisting of charges for services rendered, or for conveniences furnished, or the price of a commodity sold as well as authorized contributions or aids from other entities, except provisional advances for budgetary purposes. Loans for specific projects or activities shall be considered as "receipts".
- f. The term "appropriations" refers to the estimates of expenditures in a budget when finally approved by the appropriate authorities concerned.
- g. The term "continuing appropriations" refers to appropriations for specific projects, such as those for construction of physical structures, or for the acquisition of real property or equipment, which shall continue to be available until the project is completed or abandoned. Reversions shall not be made or appropriations obligated by contract. Appropriations not obligated by contract may not be continued if the same would result in a negative balance in the unappropriated account of the fund concerned.
- h. The term "current operating expenditures" refers to "appropriations for the purchase of goods and services for current consumption within the fiscal year, including the acquisition of furniture and equipment of nominal value usually used in the conduct of normal government operations.
- i. The term "capital outlays" or "capital expenditures" refers to the purchase of goods and services of a life-expectancy extending beyond the fiscal year and which add to the assets of the local government concerned, except furniture and equipment of nominal value usually used in the conduct of normal government operations.
- j. The term "budget document" refers to the instrument used by the budget-making authority to present a comprehensive financial program to the appropriating body.

SEC. 15. *Form and Content.*—The provincial, city and municipal budget shall primarily consist of two parts: (1) the estimates of income certified collectible by the treasurer concerned; and (2) the total appropriations covering (a) the current operating expenditures; and (b) capital outlays.

The budget document shall contain:

- 1. a budgetary message of the local chief executive setting forth in brief the significance of the appropriations proposed;
- 2. a brief summary of the functions and activities in relation to the goals and objectives of the local government for the fiscal period; and
- 3. summary financial statements setting forth:
 - a. the actual income and expenditures during the last completed year;