

[DBM NATIONAL BUDGET CIRCULAR NO. 440, January 30, 1995]

ADOPTION OF A SIMPLIFIED FUND RELEASE SYSTEM IN THE GOVERNMENT

1.0

Purpose

This Circular is being issued to establish a new Simplified Fund release System (SFRS) in the national government and prescribe the guidelines in the implementation thereof pursuant to Section 56, General Provisions of Republic Act No. 7845 (the FY 1995 General Appropriations Act), in relation to Section 2 and 3, Chapter I, Title XVII, Book IV of Executive Order No. 292 (the Administrative Code of 1987).

This new system aims to simplify and rationalize the procedures in the release of funds appropriated for the use of the government, with the end in view of further accelerating the implementation of various programs and projects, at the same time ensure judicious utilization of government funds.

2.0

Coverage

This Circular covers all government agencies, including government owned or controlled corporation and local government units, receiving budgetary support from the national government pursuant to the General Appropriations Act (GAA) or such other duly enacted appropriations measures, through Advices of Allotment (AAs) issued by the Department of Budget and Management (DBM).

3.0

General Description

3.1 The SFRS is a standardized system of releasing allotments based on a predetermined categorization or disaggregation of agency budgets. Under this system, the category of the expenditures item determines the timing and the magnitudes of the release of agency allotments. Releases, in turn, are made in accordance with a prioritization scheme consistent with government's overall development policy.

3.2 The main elements of the SFRS are the following:

3.2.1 the agency budget matrix, which disaggregates the programmes appropriations for each agency into eight (8) different categories described in Section 4.2 hereof;

3.2.2 the allotment release order, which notifies agencies of the allotment being authorized and the conditions under which said authority is given; and

3.2.3 the allotment release program, which prescribes the guidelines in the prioritization of releases based on policy directives.

3.3 The SFRS is a policy-driven, in contrast to an agency-driven, allotment system. Thus, releases are principally made in line with specific policy initiatives of the government, and not on the basis of individual agency requests. As such, it standardizes releases across agencies of the government that are similarly situated, allowing agencies flexibility in the use of their funds within limits prescribed by law, and simplifying the process, reducing the paperwork, and facilitating the monitoring of allotment releases.

4.0

General Guidelines

4.1 The Simplified Fund Release System, as described in Section 3.0 above and implemented under this Circular, is hereby established starting January 1, 1995. Henceforth, AA releases to authorized agencies to incur obligations is discontinued. In lieu of AAs, allotment release orders as prescribed in Section 4.3 shall be used.

4.2 Budgetary items to be released shall be based on the Agency Budget Matrix showing the disaggregation of agency expenditures into the following components:

4.2.1 **by agency** - according to the specific bureau, office or unit that will implement the expenditure item;

4.2.2 **by locality** - whether the recipient agency is in the Central Office, in a given region, district, or any other locational subdivision;

4.2.3 **by program/activity/project** - according to the functional grouping of expenditures authorized in the General Appropriations Act. The program/activity/project structure is divided into the following major groups:

- General administration and support services
- Support to operations
- Operations
- Locally-funded projects
- Foreign-Assisted projects

4.2.4 **by source of appropriation** - whether the appropriation is authorized under the General Appropriations Act, or any other appropriation source enacted by law;

4.2.5 **by fund** - whether the expenditures item is classified into any of the funds established under the standard coding system of government accounts, e. g., Fund 101, Fund 102 and others;

4.2.6 **by allotment class/object of expenditure** - according to the nature of the expenditure item following the chart of accounts prescribed by the Commission on Audit (COA). The three (3) allotment classes are personal services, maintenance and other operating expenses and capital outlays. The objects of expenditures are the detailed itemization of the three (3) allotment classes prescribed by the COA Chart of Accounts;

4.2.7 **by need for clearance** - whether further clearance or authority is needed prior to the release of funds (needs clearance), e.g., acquisition of motor vehicles which requires approval by the Office of the President, or whether the release requires no further prior authority (no clearance).

4.2.8 **by specificity of appropriation** - whether the appropriation identifies the specific purpose or project for which it will be used (specific) or whether it is in lump-sum amount (lump-sum).

4.3 Agencies will be notified of their approval allotment and corresponding authority to incur obligations using two forms of allotment release orders, as follows:

4.3.1 **A General Allotment Release Order (GARO)** is a comprehensive authority issued to all agencies in general, to incur obligations not exceeding an authorized amount during a specified period for the purpose indicated. It shall cover expenditures common to most, if not all, agencies without need of special clearance or approval from a competent authority.

4.3.2 **A Special Allotment Release Order (SARO)** is a specific authority issued to one or more identified agencies to incur obligations not exceeding a given amount during a specified period for the purpose indicated. It shall cover expenditures the release of which is subject to compliance with specific laws or regulations, or is subject to separate approval or clearance by competent authority.

4.4 The GARO or the SARO, as the case may be, shall identify which budgetary items in the ABM are being authorized for release and under what conditions the release is made.

5.0

Specific Guidelines

5.1 Appropriations items falling under any of the following will be released through a SARO:

5.1.1 Lump-sum appropriations under Special Purpose Funds except Internal Revenue Allotment (IRA);

5.1.2 Lump-sum items within agency appropriations subject to special budgets, including lump-sum for compensation of personnel; grants, subsidies and contributions; unallocated infrastructure projects, etc.;

- 5.1.3 Appropriations for new projects, whether locally-funded or foreign-assisted, and appropriations for projects, the implementation of which is proposed to be extended;
- 5.1.4 Agency and congressional initiatives and other appropriation adjustments not previously submitted by the President in his budget proposal to Congress;
- 5.1.5 Intelligence/Confidential Funds;
- 5.1.6 Funds for the acquisition of motor vehicles, computers, communications equipment and firearms;
- 5.1.7 Appropriations for science and technology research;
- 5.1.8 National government share in the mandatory premium contributions for retirement and life insurance, employees compensation insurance, health insurance and HDMF contribution;
- 5.1.9 Expenditures deemed automatically appropriated, including those covered by special accounts;
- 5.1.10 Expenditures chargeable against continuing appropriations, including unreleased prior years' appropriations which remain valid during the current year; and
- 5.1.11 Such other items of expenditures as may later be determined by the DBM.

5.2 Such other appropriations not covered by a SARO shall be covered by a GARO.

5.3 The use of savings, realignments, reallocations and other modifications in appropriations other than those already delegated to the agencies pursuant to Section 7.1 and 7.2 hereof, shall be authorized by the DBM through a SARO.

6.0

Procedures

6.1 At the beginning of each budget year, upon approval of the annual General Appropriations Act, the agency budget matrix (ABM) shall be prepared by DBM in the format shown in Annex "A"*. Individual ABMs will be consolidated and will be used as basis, among others, for the preparation of the allotment release program for the year. Agencies shall likewise prepare their respective ABMs in consultation with DBM.

6.2 Given the consolidated ABM and considering the approved spending program, DBM will issue either a GARO or a SARO, as the case may be, to authorize agencies