

GENERAL PROVISIONS

RECEIPTS AND INCOME

Sec. 2. **Fees, Charges and Assessments.** All fees, charges, assessments, and other receipts or revenues collected by departments, bureaus, offices or agencies in the exercise of their functions, at such rates as are now or may be approved by the Secretary concerned, shall be deposited with the National Treasury and shall accrue to the General Fund pursuant to Section 50 of P.D. No. 1177 (Sec. 44 of Book VI, E.O. No. 292) and Section 3 of B.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 (Sec. 45 of Book VI, E.O. No. 292): PROVIDED, FURTHER, That all revenues or income accruing to special accounts in the General Fund may be made available for expenditure, subject to the Special Provision in this Act for the agencies concerned and to Special Budgets required under Section 40 of P.D. No. 1177 (Sec. 35 of Book VI, E.O. No. 292): AND PROVIDED, FURTHERMORE, That whenever practicable and taking into account the cost reduction program of the government, when an agency contracts 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 proceeds thereof subject to Section 40 of P.D. No. 1177 (Sec. 35 of Book VI, E.O. No. 292), except as otherwise provided in this Act: AND PROVIDED, FINALLY, That the schedule of fees, charges and assessments collectible by any government agency including government-owned and/or controlled corporations, shall be posted in big bold characters in a conspicuous place in said government agency or corporations including its branches or extension offices and that the updating and continuous display of said schedule shall be the responsibility of the head of the agency or corporation concerned.

Sec. 3. **Revolving Fund.** Revolving funds shall be established and maintained only in cases where said funds are expressly created and authorized by law. Revolving funds already in existence shall continue their operations.

Receipts derived from business-type activities of departments, bureaus, offices or agencies which are authorized by law to be constituted into a Revolving Fund shall be separately recorded and deposited in an authorized government depository bank, and may be made available for operational expenses of the said activity of the agency concerned, subject to the conditions prescribed under the special provision 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 and other income earned shall be deposited with the National Treasury and shall accrue to the General Fund pursuant to Section 65 of P.D. No. 1445 and Section 29 (1) of Article VI of the Constitution.

The agency concerned shall submit to the Department of Budget and Management and to Congress a quarterly report of the income from this Fund and a quarterly report of expenditure. In case of failure to submit said requirements, no withdrawal in the subsequent quarter shall be allowed except upon certification of the Department of Budget and Management that said report was submitted.

Sec. 4. **Trust Receipts.** Receipts from non-tax sources authorized by law for specific purposes 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 or 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 (Sec. 45 of Book VI, E.O. No. 292). Payment out of such funds shall be made in accordance with the

purpose for which the fund is created and subject to accounting and auditing regulations: PROVIDED, That deposits in authorized government depository banks shall be withdrawable, subject to existing budget, accounting and auditing rules and regulations without the need for issuance of a Funding Warrant: PROVIDED, FURTHER, That if the amount is deposited in a savings account, the interest shall accrue to the General Fund and shall be remitted to the National Treasury at the end of each quarter.

Sec. 5. **Seminar and Conference Fees.** Departments, bureaus, offices or agencies which conduct training programs approved jointly by the Department of Budget and Management and the Civil Service Commission are authorized to collect seminar and conference fees from government and private agency participants, at such standard rates as the Department of Budget and Management and the Civil Service Commission shall deem appropriate. The proceeds derived from such seminars or conferences may be made available for the conduct of such seminars and conferences, subject to pertinent budget, accounting and auditing rules and regulations: PROVIDED, That any excess therefrom shall be remitted to the National Treasury: PROVIDED, FURTHER, That upon the conclusion of the seminar or conference, the office authorized to conduct the same shall submit to the Department of Budget and Management a report of the income realized and of the expenses incurred: PROVIDED, FINALLY, That no appropriation authorized in this Act shall be used to support or augment expenses for seminars or conferences.

Sec. 6. **Sale of Non-Serviceable, Obsolete and Other Unnecessary Equipment.** Departments, bureaus, offices or agencies are hereby authorized to sell non-serviceable, obsolete, and other unnecessary equipments.

Fifty percent (50%) of the proceeds from the sale of equipment of the agency shall be deemed automatically appropriated for the purchase of new ones except cars, vans and the like and for the repair or rehabilitation of existing vital equipment for which no fund has been provided in this Act.

Sec. 7. **Sale of Products.** Departments, bureaus, offices or agencies are hereby authorized to sell products of agricultural, industrial or other projects, including official publications. The proceeds derived therefrom shall be deposited with the National Treasury and shall accrue to the General Fund, pursuant to Section 50 of P.D. No. 1177 (Sec. 44 of Book VI, E.O. No. 292), unless otherwise provided by law or by Special Provision in this Act.

Sec. 8. **Donations.** Departments, bureaus, offices or agencies are authorized to accept donations, contributions, grants, bequests or gifts, in cash or in kind, from foreign governments, international and local agencies, private entities or individuals for purposes relevant to their functions. Such receipts shall be accounted for in the books of the government and shall be subject to pertinent accounting and auditing rules and regulations.

Such donations, whether in cash or in kind, shall be deemed automatically appropriated for the purposes specified by the donor. Receipts from cash donations and sale of donated commodities shall be remitted to the National Treasury and recorded as a Special Account in the General Fund and shall be released only to the extent of actual receipts as certified by the Bureau of the Treasury and used or expended as specified by the donor, subject to Section 40 of P.D. No. 1177 (Sec. 35 of Book VI, E.O. No. 292). The agency concerned shall submit to the Department of Budget and Management and to the Commission on Audit a quarterly report of the expenditures or disbursements of the amounts released. Whenever a donation is made, the recipient office or agency shall notify the Department of Budget and Management which shall issue the corresponding advice of allotment.

The rules and regulations to supplement this Section shall be issued jointly by the Department of Budget and Management and the Department of Finance.

Sec. 9. **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 of P.D. No. 1177 (Sec. 35 of Book VI, E.O. No. 292).

Sec. 10. **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 a certification of availability of appropriations released for the purpose, to the requirements of LOI No. 880 and to applicable laws, rules and regulations.

Sec. 11. **Loan Agreements.** Departments, bureaus, offices or agencies, including government-owned and/or controlled corporations shall in no case enter into foreign or domestic loan agreements, whether in cash or in kind, except upon concurrence of the Secretary of Budget and Management with respect to peso requirements and implications on expenditure ceilings and prior approval of the President of the Philippines, with the prior concurrence of the Monetary Board, subject to such limitations as may be provided by law: PROVIDED, That the Monetary Board shall, within thirty days from the end of every quarter of the calendar year, submit to the Congress of the Philippines a report of its decisions on applications for loans to be contracted or guaranteed by the government or government-owned and/or controlled corporations which have the effect of increasing the foreign debt. Loans shall not be contracted by agencies of the national government unless the full amount of the loan is covered by an Obligational Authority issued by the Secretary of Budget and Management.

For this purpose, the budgetary implications of foreign-assisted projects shall be explicitly considered by the Secretary of Budget and Management and the office or agency concerned at the time of project design and financing negotiations. The project study shall specify the cash flow requirements of the project among others, for: (a) payment of principal and interest; (b) peso component of capital costs and project preparation; (c) infrastructure and support facilities needed to be directly financed by government; (d) operating and other expenditures which will be ultimately required for general fund support when the project is implemented; and (e) peso requirements needed as counterpart.

Sec. 12. **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 in accordance with accounting and auditing rules and regulations: PROVIDED, That any interest accruing on deposit accounts and any forfeited amounts 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 bidder's bond, guaranty bonds, bail bonds, judicial deposits for the benefit of clients, cash under litigation deposited in court 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. 13. **Restrictions on the Use of Appropriated Funds.** The amounts released, particularly for but not limited to, petroleum, oil and lubricants as well as for water, illumination and power services, telephone and other communication services, rents, retirement gratuity and terminal leave requirements shall be disbursed solely for such items of expenditures in accordance with the Work and Financial Plan as approved by the Secretary of Budget and Management.

The use of funds in violation of this Section shall be null and void, and shall subject the erring officials and employees to disciplinary action under the provisions of Sections 49 and 87 of P.D. No. 1177 (Secs. 43 and 80 of Book VI, E.O. No. 292) and to appropriate criminal action under existing penal laws.

Sec. 14. **National Internal Revenue Taxes, and Import Duties of National and Local Government Agencies.** National internal revenue taxes and import duties payable by national government agencies to the National Government as well as customs duties and taxes for the importation of equipment by local government units, are deemed automatically appropriated. The amounts pertaining to such taxes and duties shall be considered as revenue and expenditure of the government.

The Department of Budget and Management and the Department of Finance shall issue the implementing guidelines.

Sec. 15. **Expenditure Components** Except by act of the Congress of the Philippines, no change or modification shall be made in the expenditure items

authorized in this Act and other appropriations laws unless in cases of augmentations from savings in appropriations as authorized under Section 25 (5) of Article VI of the Constitution.

Sec. 16. Use of Savings. The President of the Philippines, the President of the Senate, the Speaker of the House of Representatives, the Chief Justice of the Supreme Court, the Heads of Constitutional Commissions under Article IX of the Constitution, and the Ombudsman are hereby authorized to augment any item in this Act for their respective offices from savings in other items of their respective appropriations: PROVIDED, That no item of appropriation recommended by the President in the budget submitted to Congress Pursuant to Article VII, Section 22 of the Constitution which has been disapproved or reduced by Congress shall be restored or increased by the use of appropriations authorized for other purposes in this Act by augmentation. Any item of appropriation for any purpose recommended by the President in the budget shall be deemed to have been disapproved by Congress if no corresponding appropriation for the specific purpose is provided in this Act.

Sec. 17. Priority in the Use of Savings. In the use of savings priority shall be given to the augmentation of the amounts set aside for salary standardization, bonus and retirement and terminal leave benefits in the order listed.

Sec. 18. Meaning of Savings and Augmentation. Savings refer to portions or balances of any programmed appropriation free of any obligation or encumbrance still available after the satisfactory completion or unavoidable discontinuance or abandonment of the work, activity or purpose for which the appropriation is authorized, or arising from unpaid compensation and related costs pertaining to vacant positions and leaves of absence without pay.

Augmentation implies the existence in this Act of an item, project, activity or purpose with an appropriation which upon implementation or subsequent evaluation of needed resources is determined to be deficient. In no case, therefore, shall a non-existent item, project, activity, purpose or object of expenditure be funded by augmentation from savings or by the use of appropriations authorized otherwise in this Act.

Sec. 19. Information Outlay. The appropriations pertaining to information activities of various departments, bureaus, offices or agencies shall be released upon presentation of an appropriate program of activities prepared by their respective Heads, copies of which shall be furnished the Congress of the Philippines.

Sec. 20. Purchase of Supplies, Materials and Equipment Spare Parts. The stock on hand of supplies, materials and equipment spare parts to be acquired through 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 departments, 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 Department of Budget and Management in anticipation of cost increases, of requirement of a national emergency, or of an impending shortage in the items concerned, specifying maximum quantities of individual items. Unless otherwise approved by the President, upon the joint recommendation of the Secretary concerned and the Chairman of the Commission on Audit, these stocks shall not exceed one year's need.

Sec. 21. Emergency Purchases. Unless otherwise provided in this Act, departments, 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 of the Philippines upon the joint recommendation of the Department of Budget and Management and the Commission on Audit.

Sec. 22. Cultural and Athletic Activities. An amount not exceeding P45,000 per annum out of the appropriations allotted for maintenance and other operating expenses

for each department, bureau, office or agency, and P15,000 for each regional office of each regionalized department, bureau, office or agency, may be used for cultural and athletic activities, including purchase of uniforms at not more than P500 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 department, bureau, office or agency for its cultural and athletic activities, except as otherwise approved by the President of the Philippines: PROVIDED, That these amounts may be pooled by the Secretary concerned into one fund, programmed and controlled to best serve the needs of the department and all the offices, bureaus and agencies therein.

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

Sec. 23. Contracting Multi-Year Projects. In the implementation of multi-year projects, no agency shall enter into a contract without a Forward Obligational Authority issued by the Department of Budget and Management for the purpose.

Notwithstanding the issuance of the Forward Obligational Authority, the obligation to be incurred in any given calendar year, shall in no case exceed the amount programmed for implementation of the multi-year projects during said Calendar Year.

Sec. 24. Extraordinary and Miscellaneous Expenses. Appropriations herein authorized may be used for extraordinary expenses not exceeding:

- a. P120,000 for each Secretary or equivalent;
- b. P40,000 for each Undersecretary or equivalent;
- c. P16,000 for each Assistant Secretary, head of bureau or organization of equal rank to a bureau and for each Department Regional Director; and
- d. P8,000 for each Bureau Regional Director.

In addition, miscellaneous expenses not exceeding P24,000 for each of the offices under the above named officials are herein authorized.

For purposes of this Section, representation and miscellaneous expenses shall include, but shall not be limited to, expenses incurred for:

- a. meetings, seminars and conferences;
- b. official entertainment;
- c. public relations;
- d. educational, athletic and cultural activities;
- e. contributions to civic or charitable institutions;
- f. membership in government associations;
- g. membership in national professional organizations duly accredited by the Professional Regulation Commission;
- h. membership in the Integrated Bar of the Philippines;
- i. subscription to professional technical journals and informative magazines, library books and materials;
- j. office equipment and supplies; and
- k. other similar expenses not supported by the regular budget allocation.

No portion of the amounts authorized herein shall be used for salaries, wages, allowances, intelligence and confidential expenses.

These expenditures shall be subject to the accounting and auditing rules and regulations.

Sec. 25. Release of Intelligence and Confidential Funds. No amount appropriated in this Act shall be released or disbursed for confidential and intelligence activities unless specifically identified and authorized as such intelligence or confidential fund in this Act.

Intelligence and confidential funds provided for in the budgets of departments, bureaus, offices or agencies of the national government, including amounts from savings authorized by Special Provisions to be used for intelligence and counter-intelligence activities, shall be released only upon approval of the President of the Philippines.

All departments, bureaus and offices shall submit to the Secretary of the

Department of Budget and Management, the Chairman of the House Committee on Appropriations and the Chairman of the Senate Committee on Finance, a quarterly report on the utilization of intelligence and confidential funds.

Sec. 26. **Release of Funds.** Any provision of law to the contrary notwithstanding, the appropriations authorized for the Judiciary, Congress of the Philippines, the Commission on Human Rights, the Office of the Ombudsman, the Civil Service Commission, the Commission on Audit and the Commission on Elections in this Act shall be automatically and regularly released in accordance with a Work and Financial Plan.

Sec. 27. **Disbursement of Funds.** All appropriated funds shall be disbursed only through the National Treasury and/or originally-chartered government-owned or controlled banks.

Sec. 28. **Funding of Contracts and Future Payment of Contractual Obligations.** Notwithstanding the availability of deferred payment terms, departments, bureaus, offices or agencies concerned, before entering into contracts involving the expenditure of public funds, including contracts for services or consultancy, contracts 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 agency Chief Accountant, subject to applicable rules and regulations as may be issued by the Department of Budget and Management and to Sections 46 and 64 of P.D. No. 1177 (Secs. 40 and 58 of Book VI, E.O. No. 292): PROVIDED, That the certification of availability of funds sufficient to cover the cost of 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. 968. Departments, 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 undertaken without such certification of fund availability.

Sec. 29. **Service Contracts.** Departments, bureaus, offices or agencies of the national government are hereby authorized to enter into contracts with private firms and non-governmental organizations for services related or incidental to their respective functions and operations, through public bidding or negotiated contracts, whenever it is impractical or more expensive for the government to directly undertake such functions and operations, subject to accounting and auditing rules and regulations: PROVIDED, That the execution of the service contracts shall not operate to automatically abolish or render vacant any existing occupied position in the contracting office or agency.

PERSONAL SERVICES BENEFITS

Sec. 30. **Health Financial Assistance Program.** Subject to the enactment of a law for the purpose; the amount necessary to cover increases authorized in medicare benefits for GSIS Medicare beneficiaries shall be taken from budgetary savings of national government agencies. For this purpose the Department of Budget and Management is hereby authorized to set aside the amount necessary to cover the FY 1990 Financial Assistance Program from the appropriations provided in this Act for the current operating expenses of the national government agencies concerned. In subsequent years, the requirement for the Health Financial Assistance Program shall be included in the respective budgets of the agencies concerned. The Department of Budget and Management, the Philippine Medical Care Commission and the Government Service Insurance System shall jointly promulgate the necessary rules and regulations to implement this Section.

Sec. 31. **Funding of Personnel Benefits.** The personnel benefits costs of government officials and employees shall be charged against the respective funds from which their compensations are paid.

All authorized supplemental or additional compensation, fringe benefits and other personal services costs of officials and employees whose salaries are drawn from special accounts or special funds, such as salary increases and adjustments, merit increases, incentive and service fees, vacation and sick leaves, retirement and life

insurance premiums, compensation insurance premiums, health insurance (Medicare) premiums, HDMF 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. 32. Personnel Benefits Fund. The Employees Compensation Insurance Premium Fund, the National Government Contributions to the Health Insurance (Medicare) Fund and the Employers Share in the Home Development Mutual Fund (PAG-IBIG) shall be released directly by the Department of Budget and Management to the Government Service Insurance System and the Home Development Mutual Fund.

Payment of amelioration benefits to cover the year-end bonus and cash gift provided under Republic Act No. 6886 shall be released to the department, bureau, office or agency concerned.

Savings generated in one department, bureau, office or agency shall be used to augment deficiencies in other departments, bureaus, offices or agencies.

Sec. 33. Appropriations for Salary Standardization. The appropriations in this Act for salary standardization, cost of living and other allowances authorized in the respective budgets of departments, bureaus, offices and agencies shall be used solely for the purpose of salary standardization as provided in Republic Act No. 6758.

Savings generated in one department, bureau, office or agency shall be used to augment deficiencies in other departments, bureaus, offices or agencies.

Sec. 34. Representation and Transportation Allowances. The following officials and those of equivalent rank as may be determined by the Department of Budget and Management are hereby granted monthly commutable representation and transportation 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 P2,500 for Secretaries or equivalent;
- b. At P1,700 for Department Undersecretaries or equivalent;
- c. At P1,500 for Assistant Secretaries, Bureau Directors and Department Regional Directors or equivalent;
- d. At P1,400 for Assistant Bureau Directors, Department Assistant Regional Directors, Bureau Regional Directors, Department Service Chiefs or equivalent;
- e. At P1,200 for Assistant Bureau Regional Directors or equivalent;
- f. At P1,100 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 of the Philippines. 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. 35. **Official Vehicles and Transport.** Government motor transportation may be used by the following officials, including those who may be specifically authorized by the President of the Philippines, the President of the Senate with respect to the Senate, and the Speaker, with respect to the House of Representatives, with costs chargeable to the appropriations authorized for their respective offices:

- a. The President of the Philippines;
- b. The Vice-President;
- c. The President of the Senate;
- d. The Speaker of the House of Representatives;
- e. The Chief Justice of the Supreme Court;
- f. The Secretaries, Undersecretaries and officials of equivalent rank;
- g. The Presiding Justice of the Court of Appeals;
- h. Ambassadors, Ministers Plenipotentiary and Consuls in charge of Consulates, in their respective stations abroad;
- i. The Chief of Staff, the Vice-Chief of Staff, and the Commanding Generals of the major services of the Armed Forces of the Philippines; and
- j. The Heads of Constitutional Commissions.

Sec. 36. **Uniform and Clothing Allowance.** The appropriations herein provided for each department, bureau, office or agency may be used for uniform and clothing allowance of employees at not more than P1,000 each per annum. Savings in the appropriations for each department, bureau or office may be used for this purpose where no amount is specifically appropriated in this Act.

Sec. 37. **Hazard Duty Pay** Upon recommendation of the Department Head and approval of the Department 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-infested areas or in areas declared under state of calamity or emergency for the duration thereof 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 department/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, or where more incentives are needed to attract applicants, in which case the sum may be augmented at rates to be determined by the Department Heads as may be necessary: PROVIDED, That hazard pay by reason of strife-torn or embattled areas shall be subject to the certification issued by the Secretary of National Defense and the rates thereof shall be determined by the Secretary of Budget and Management on the basis of the area classification certified by the Secretary of National Defense. The Secretary of Budget and Management and the Secretary of National Defense shall review from time to time authorizations for the payment of hazard duty pay in strife-torn and embattled areas earlier issued and shall terminate such authorizations in areas where conditions no longer justify the continuation of hazard duty pay.

Sec. 38. **Honoraria.** Departments, bureaus, offices or 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 and military personnel who are rendering security service to the Congress of the Philippines, including its Committees, at such rates as the Department of Budget and Management may authorize, unless otherwise specifically provided by law.

Sec. 39. **Authorized Deductions, Incentive and Service Fees.** Deductions from salaries, emoluments or other benefits accruing to any government employee may be allowed for the payment of obligations due or owing to government lending institutions such as government banks, the Government Service Insurance System or a savings and loans association, and those organized for, and managed by, government employees. Deductions under Section 21 of R.A. No. 4670, otherwise known as the Magna Carta for Public School Teachers may be allowed, including such deductions representing

amortizations arising from educational loan for tuition fees, reasonable amount for textbooks and other school obligations granted by insurance companies duly licensed by the Insurance Commission: PROVIDED, That such deductions shall not reduce the employee's take home pay to an amount lower than one thousand pesos, after deducting all other statutory deductions: PROVIDED, FURTHER, That the agencies and offices with existing deduction arrangements with private lenders, shall continue such deductions until the credits/loans outstanding or the premiums of the policies in force at the date of passage of this Act shall have been fully paid.

Service fees collected shall be deposited with the national or public financial institution treasury and shall accrue in the general fund, pursuant to Section 50 of P.D. No. 1177 (Sec. 44 of Book VI, E.O. 292). Such fees may be made available for payment of incentive or service fees to employees who are actually and directly involved in the collection: PROVIDED, HOWEVER, That such payment to any employee may not, in the aggregate exceed fifty (50%) percent of his annual salary.

Any surplus of service fees deposited with the National Treasury pursuant to the provisions of the second paragraph hereof, shall form part of a provident fund to be established by the agency in favor of all its employees, which shall be available to employees for emergency needs, school and educational loans, hospitalization loans, minor but immediate need of repair of houses and other similar circumstances. This fund shall be administered pursuant to a set of uniform rules and regulations which the Office of the President shall promulgate.

Sec. 40. **Special Counsel Allowance.** Lawyer-personnel in the legal staffs of departments, bureaus, offices or agencies of the national government appearing in Court as special counsel in collaboration with the Solicitor General or Fiscals concerned are hereby authorized an allowance of P150 for each appearance, chargeable to savings in the appropriations allotted for personal services of their respective offices, but not exceeding P900 a month.

Sec. 41. **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. In cases 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 the officials or employees concerned. Those who enjoy free quarters in government-owned or rented buildings but who are not entitled to quarters privileges, 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 Department of Budget and Management.

Sec. 42. **Compensation of Contractual Personnel.** Heads of departments, bureaus, offices or agencies, when authorized in their respective appropriations as provided in 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 compensation and allowances not exceeding 120 percent of the minimum salary of an equivalent position in the National Classification and Compensation Plan, except as may be authorized by the Department 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) where 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 Department of Budget and Management.

Sec. 43. **Use of Appropriations for Retirement Gratuity and Terminal Leave.** Release of appropriations authorized in this Act to cover retirement gratuity benefit claims shall be made on the basis of the Work and Financial Plan of offices and agencies as approved by the Department of Budget and Management. In no case shall

payment be made except 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 retirement gratuity under the provisions of Section 12(c) of C.A. No. 186, as amended by R.A. No. 1616 and terminal leave benefits of retiring officials and employees which include in the computation thereof additional compensation as defined under retirement laws such as 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.

Savings generated in one department, bureau, office or agency shall be used to augment deficiencies in other departments, bureaus, offices or agencies.

The rules and regulations to implement this Section shall be issued jointly by the Department of Budget and Management, the Government Service Insurance System and the Civil Service Commission.

Sec. 44. Unauthorized Pre-Retirement Promotions and Salary Increases. 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 a National Compensation Circular.

The rules and regulations to implement this Section shall be issued jointly by the Civil Service Commission and the Department of Budget and Management.

Sec. 45. Abolition of Positions. The positions vacated resulting from the early retirement or separation of personnel under Republic Act No. 6883 shall be abolished unless the head of the office or agency, with the approval of the President in the case of the Executive Department, the Chief Justice in the case of the Judiciary, the Senate President in the case of the Senate or the Speaker in the case of the House of Representatives, the Chairman in the case of the Constitutional Commissions, certified within the period of sixty (60) days from the time of approval of the application for retirement or separation that the exigencies of the service required their retention.

Sec. 46. Personal Liability of Officials for Payment of Unauthorized Personal Services Cost. No official or employee of the National Government, including those of government-owned and/or controlled corporations, shall be paid any unauthorized personal services benefits charged against the appropriations in this Act, other appropriations laws or income of the government.

The payment of any unauthorized personal services benefits in violation of this Section is null and void. The erring officials and employees shall be subject to disciplinary action under the provisions of Sections 49 and 87 of P.D. No. 1177 (Secs. 43 and 80 of Book VI, E.O. No. 292) and to appropriate criminal action under existing penal laws.

ADMINISTRATIVE PROCEDURES

Sec. 47. Training Programs. Departments, bureaus, offices or agencies shall review and formulate their training programs to make the same responsive to the organizational needs and manpower requirements of agencies and the need to train personnel in skills and attitudes. Such training programs shall be consistent with the rules and regulations issued by the Training Coordination Committee created under LOI No. 754, which shall review and evaluate training activities.

Sec. 48. 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. Imposition of any retention or deduction as reserves shall not be allowed except as may be authorized by the Department of Budget and Management. For this purpose, the Department 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. Copies of fund releases to the said regional offices shall be furnished the House Committee on Appropriations and the Senate Committee on Finance.

Sec. 49. Prohibition Against Deduction/Retention of Allotment. Fund releases

from appropriations provided in this Act for any function/project shall be transmitted intact or in full to the office or agency concerned and no retention or deduction as reserves or overhead shall be made, except as authorized by law or upon direction of the President of the Philippines. The Commission on Audit shall ensure compliance with this provision to the extent that sub-allotments by departments and/or central agencies to their subordinate offices are in conformity with allocations in budgetary Advice of Allotments issued by the Department of Budget and Management.

Sec. 50. Work and Financial Plan. All departments, bureaus, offices and agencies, including government-owned and/or controlled corporations, shall submit their respective Work and Financial Plans as may be required by the Department of Budget and Management as the basis for the release of allotments, and funding warrants.

The Work and Financial Plan shall be prepared in accordance with the form and content as prescribed by the Secretary of Budget and Management.

No deviations shall be allowed from the approved Work and Financial Plan except upon prior approval of the Secretary of Budget and Management.

Agencies, however, may augment an item of expenditure within Maintenance and Other Operating Expenses (MOOE) from savings in other items of MOOE not exceeding twenty-five percent (25%) of the appropriated amount to be augmented.

Sec. 51. Submission of Corporate Operating Budgets and Financial Statements. All government-owned and/or controlled corporations shall submit through the Secretary of Budget and Management their respective corporate operating budgets for FY 1990 recommended by the Governing Board of the Corporations for consideration and final approval of the President of the Philippines. The corporate operating budgets shall be prepared following such procedure and guidelines issued by the Secretary of Budget and Management and shall be accompanied with financial statements and other reports as may be required.

Sec. 52. Use of the Funds Allotted for Budgetary Support to Government Corporations. The amounts herein appropriated for budgetary support to government-owned and/or controlled corporations which are included under the budgets of the Department/Offices to which these are attached, may be used to support operating expenses, loans outlays and equity investments or trust funds to be administered by government-owned and/or controlled corporations: PROVIDED, That payment of salaries, allowances and other benefits shall be in accordance with P.D. No. 985 and that retirement gratuities paid from this fund shall be computed in accordance with the rates, conditions and procedures prescribed under existing retirement laws, rules and regulations: PROVIDED, FURTHER, That, in no case shall equity investments be used for salaries, allowances, retirement gratuities and other benefits: AND PROVIDED, FINALLY, That releases shall be subject to Section 40 of P.D. No. 1177 (Sec. 35 of Book VI, E.O. No. 292) and LOImp. No. 29.

Sec. 53. Fund Releases for Budgetary Support to Government Corporations. Funds herein appropriated for budgetary support to government-owned and/or controlled corporations shall be under the administration of the Department of Budget and Management. Said funds will be directly released to the recipient corporation through the Bureau of Treasury. All requests for fund releases for subsidies or capital investments to government corporations shall emanate from their respective Boards through the Departments to which they are attached.

Sec. 54. Offsets Against Budgetary Support and Conversion of Advances for Government Corporations. The appropriations herein authorized for budgetary support to government corporations may be used by the Bureau of the Treasury for the corporate payments of the five percent (5%) dividend under Executive Order No. 518, as well as repayments for the loans related to corporate obligations guaranteed by the Government of the Republic of the Philippines. If the total level of actual revenues at the end of 1989, liquid assets (i.e., cash and short term investments), bond investments and other fund sources of a government corporation exceed the corresponding projections consistent with the formulation of the 1990 budgetary support program, then the excess may be deducted from the said program and may be reduced to the extent of such favorable effect. Furthermore, advances already made prior to January 1, 1990 for loan obligations shall be converted into equity or subsidy of the national government upon the recommendation of the Secretary of Finance. Such conversions are deemed appropriated and shall require the issuance of an Advice of Allotment.

Sec. 55. **Submission of Quarterly Reports.** Within 15 days after the end of each quarter, each department, bureau, office or agency shall submit a quarterly report to the House Committee on Appropriations and the Senate Committee on Finance, copy furnished the Department of Budget and Management, on their cumulative allotments, obligations incurred/liquidated, total disbursements, unliquidated obligations, unobligated and unexpended balances, and the results of expended appropriations.

The quarterly report shall include detailed statements on the disbursements and utilization of appropriations for the purchase of motor vehicles and equipment, capital investment outlays, as well as appropriations earmarked and released for rentals, travels, petroleum, oil and lubricants, water, illumination and power services, and telephone and other communication services.

Sec. 56. **Unauthorized Organizational Changes.** Unless otherwise created by law or directed by the President of the Philippines, no organizational unit or changes in key position in any department or agency shall be authorized in their respective organizational structures and be funded from appropriations provided by this Act.

Sec. 57. **Implementation of Construction Projects.** Construction projects funded from capital outlays authorized in this Act under the various departments, bureaus, offices or agencies of the national government, including the construction of buildings for state universities, colleges, schools, hospitals, sanitarium, 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 project as prescribed by the Department of Public Works and Highways or the Department of Transportation and Communications, through either of said departments as the case may be. In addition, land use and zoning guidelines as prescribed by existing laws, rules and regulations shall be strictly observed. In the implementation of the construction projects, Sections 2, 3, 4, 5, 6, 7, 9, 10 and 12 of Executive Order No. 182, entitled "Rationalizing Public Works Measures, Appropriating Funds for Public Works, and for Other Purposes", and other legislations on public works shall be strictly complied with.

Sec. 58. **"Realignment" (Relocation) of Capital Outlays and Public Works Projects.** The amount appropriated in this Act for construction, replacement, rehabilitation and completion of school buildings, hospitals, sanitarium, health centers, clinics, herbal processing plant, warehouses, and health stations, as well as waterworks/supply and other public works projects under the FY 1990 infrastructure program in this Act may be "realigned" in cases of imbalanced allocation of projects within the district, duplication of projects, overlapping of funding source and similar cases: PROVIDED, That such "realignment" shall be made within thirty (30) days after the approval of this Act except in cases of duplication of projects and overlapping of funding source: PROVIDED, FURTHER, That such "realignment" is within the congressional district for which the fund were originally allocated: PROVIDED, FURTHERMORE, That the "realignment" shall be for projects within the same category and shall not exceed the total amount originally allocated for the congressional district: AND PROVIDED, FINALLY, That the "realignment" shall be made upon the initiative and consent of the representative of the district concerned and with the concurrence of any one of the following: The District Engineer, the Regional Director or Secretary of the Department concerned.

The Department of Budget and Management shall accordingly issue the Advice of Allotment to effect the necessary adjustment without prejudice to the immediate implementation of the realignment by the concerned implementing agencies.

Sec. 59. **Release of Funds.** Release of funds for NALGU, construction, repair and maintenance, rehabilitation, replacement, completion, betterment or improvement of roads and bridges, port works, flood control, waterworks/supply and government buildings and structures shall be released with at least fifteen (15) days prior written notice to the representative of the district concerned.

Sec. 60. **Appropriation Reserve.** There shall be established a mandatory reserve in the amount equivalent to ten percent (10%) of the total non-personal services appropriations excluding appropriations for school buildings, hospital buildings and court houses for FY 1990 of all agencies and offices of the national government, including all government-owned and/or controlled corporations and the Congress of the Philippines.

Should conditions during the fiscal year warrant the use of the reserve, the same shall be released subject to the submission of a report by the Secretary of Budget and Management to the Congress of the Philippines within ten (10) days from the date of said release.

Sec. 61. **Disauthorizing Payment of the Philippine Nuclear Power Plant Loan.** Any and all payments for the balance that may still be due or sought to be collected from the Republic of the Philippines on the loans connected with the Philippine Nuclear Power Plant are hereby expressly disauthorized, all laws and issuances to the contrary notwithstanding.

Sec. 62. **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. 63. **Effectivity.** The provisions of this Act shall take effect on January one, nineteen hundred and ninety, unless otherwise provided herein.

Approved.