



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
MALACAÑANG, MANILA



NATIONAL BUDGET CIRCULAR

NO. 535

December 29, 2011

TO : All Heads of Departments/Agencies/State Universities and Colleges and Other Offices of the National Government, Government Owned or Controlled Corporations and Local Government Units; Budget Officers; Heads of Accounting Units and All Others Concerned

SUBJECT : Guidelines on the Release of Funds for CY 2012

1.0 PURPOSE


- 1.1 To provide the policies, rules and regulations on the implementation of the CY 2012 Budget under R.A. No. 10155;
- 1.2 To prescribe the procedural guidelines on the release and utilization of funds for CY 2012;
- 1.3 To reiterate/modify policies and procedures on the required budgetary reports.

2.0 COVERAGE

All government agencies, including Local Government Units (LGUs) and Government Owned or Controlled Corporations (GOCCs) receiving budgetary support from the national government in CY 2012.

3.0 GENERAL GUIDELINES

- 3.1 The effectivity of the CY 2012 General Appropriations Act (GAA), R.A. No. 10155 is on **January 1, 2012** as provided under General Provision (GP) No. **97** of said law.
- 3.2 To achieve the CY 2012 fiscal targets, **allotment releases during the year from all sources** shall stay within the CY 2012 Allotment Release Program (ARP). The ARP of each national government agency shall be an amount equal to the total of the following:
 - 3.2.1 The agency's specific budget under the CY 2012 GAA; and,

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- 3.2.2 Automatic appropriations for Retirement and Life Insurance Premiums (RLIP), Special Accounts in the General Fund (SAGF) and other items classified as such under the appropriate tables (i.e., Table H, B.2.c and B.16) of the CY 2012 Budget of Expenditures and Sources of Financing (BESF).
- 3.3 Multi-user Special Purpose Funds (SPFs) are the funding sources for expenditure items not provided in the agency budgets such as: Calamity Fund, Contingent Fund, E-Government Fund, International Commitments Fund, Miscellaneous Personnel Benefits Fund, PAMANA Fund, Priority Development Assistance Fund and Retirement Benefits Fund.
- 3.3.1 Releases from these SPFs shall be consistent with the Special Provisions governing the use of the same.
- 3.3.2 The agencies which are provided budget allocations for unfilled positions under the CY 2012 MPBF shall support their Special Budget Request (SBR) with the required documents i.e., authority to fill-up/hire, approved appointments duly attested by the Civil Service Commission, Special Orders and computation of salary and other PS benefits of newly hired personnel, among others.
- 3.4 The appropriations for the agency specific budgets under CY 2012 GAA, R.A. 10155 including automatic appropriation shall be made available to the agency through the issuance of Agency Budget Matrix (ABM) and SAROs.
- 3.5 Release of funds i.e., allotments and disbursement authorities shall be made **directly to the agencies and its operating units or OUs**. An OU is defined as an "agency" receiving Notice of Cash Allocation (NCA) directly from DBM. Releases shall be based on the targeted level of the agency's measurable outputs, the corresponding funds needed, and the period/schedule when the agency/OU will undertake or implement the same, as reflected in the submitted Budget Execution Documents (BEDs) prescribed under National Budget Circular (NBC) No. 534 dated December 8, 2011.
- 3.5.1 ABM for the comprehensive release of allotment covering agency specific budgets that do not need prior clearance shall be issued by DBM based on the CY 2012 Financial Plan submitted by the OUs/agencies.
- 3.5.2 NCA covering regular operating requirements to be credited to the Regular MDS Account of the agency/OU shall be comprehensively released based on the submitted CY 2012 Monthly Cash Program (MCP).
- To maximize flexibility in the use of the available NCAs, the Common Fund System policy shall be adhered to.

- o Under said System, the cash allocation balances of agencies under the Regular MDS Account may be used to cover payment of current year's accounts payable (A/Ps) i.e., goods and services which have been delivered during the year, regardless of the year when the covering obligations were incurred, after satisfying their regular operating requirements as reflected/considered in their MCP.

3.6 Agency utilization of funds in the production/delivery of goods/services to the public vis-à-vis plans/targets for a given period shall be measured thru the periodic review by DBM of agency performance. Under this concept, the BEDs and quarterly Budget Accountability Reports (BARs) shall be used by DBM in conducting the performance review. Performance shall be assessed in terms of financial utilization, physical *accomplishment of targeted outputs, as well as revenue generation*. Results of the performance review will:

3.6.1 Provide information as to how much and at what cost the government provides for goods and services to the public, if outputs are accomplished as planned;

3.6.2 Track resource leakages and implementation delays, determine factors influencing the level of performance and identify necessary measures/improvement plans to be undertaken for the remaining period of the year;

3.6.3 Serve as guide in deciding whether reallocation of funds or additional release is necessary during the year and basis in reporting the status of the budget to the President; and,

3.6.4 Serve as inputs in the preparation of the budget for the succeeding year.

3.7 Agencies are given the following flexibilities under the General Provisions (GP) of the CY 2012 GAA, R.A. No. 10155:

3.7.1 Use of agency savings under the agency specific budget under the GAA, except savings from releases for automatically appropriated items e.g., RLIP.

3.7.2 Augmentation of any item of expenditure within Personal Services (PS) except Magna Carta benefits. Under Maintenance and Other Operating Expenses (MOOE) prior approval of the DBM is not necessary with the exception of Confidential and Intelligence Fund, per **GP No. 56**. Savings generated, however from amounts programmed, particularly for, petroleum, oil and lubricants as well as for water, illumination, power services, telephone, other communication services, and rent may be realigned only in the **last quarter** after taking into consideration the agency's full year requirements for such items, consistent with **GP No. 58**.

3.7.3 Payment of any deficiency in the actual requirements for authorized personnel benefits including Year-End Benefits, Retirement Gratuity and Terminal Leave benefits, Pensions and other benefits shall be given priority in the use of savings as defined under **GP No. 55**.

3.7.4 Payment of honoraria in accordance with **GP No. 44**, Budget Circular Nos. 2003-5, 2007-1, 2 and 3, National Budget Circular No. 2007-510 and other guidelines that may be issued by DBM.

3.7.5 Use of Fees and Income

3.7.5.1 Use of fees collected from previous seminars, trainings and conferences for the continuing conduct of said activities, consistent with **GP No. 9**.

3.7.5.2 Use of proceeds from the sale of official publications for defraying the cost of preparing, printing and disseminating such publications, subject to pertinent budgeting, accounting and auditing rules and regulations, consistent with **GP No. 10**.

3.7.5.3 Use of proceeds from the sale of non-serviceable, obsolete or unnecessary equipment (including motor vehicles) shall be deemed automatically appropriated for the purchase of new ones and for repair or rehabilitation of existing vital equipment, consistent with **GP No. 11**.

- Agencies concerned can use/avail said revenue only during the year when such revenue collections were deposited to the Bureau of the Treasury.

- The purchase of motor vehicles shall be subject to prior authority of the appropriate government agency and limitations specified under existing guidelines on the acquisition of motor vehicles.

3.7.5.4 Use of service fee collections from BIR, GSIS, HDMF, PHIC and mutual benefits associations/cooperatives for the operation of a Provident Fund established in favor of all its employees, consistent with **GP No. 38**.

3.7.5.5 Use of excess income realized and deposited with the Bureau of the Treasury pursuant to Special Provision No. 4 of the Unprogrammed Fund under R.A. No. 10155 to augment agencies' operating requirements for the current year **except PS**. Agencies which are already authorized by law to retain a portion of their income collections for their operating requirements,

however, are no longer qualified to avail of the use of excess income.

3.8 In line with the transparency provisions in the 2012 GAA, the following shall be observed:

3.8.1 Per **GP No. 89**, departments/agencies implementing infrastructure projects shall post on their respective websites, the following information per project on or before the start of bidding for the project/s:

- project title, detailed description for each project which shall include the nature and location thereof; and
- cost breakdown for materials, labor and overhead expenses in arriving at the Approved Budget for the Contract (ABC) of these projects pursuant to the conditional veto of the President on said provision.

3.8.2 Per **GP No. 93**, all agencies shall maintain a transparency seal to be posted in their website which shall contain the following information:

- agency's mandate and functions, names of its officials with their position and designation and contact information;
- annual reports for the last three (3) years (financial and physical accomplishments);
- respective approved budgets and corresponding targets immediately upon approval of this Act;
- major programs and projects categorized in accordance with the five (5) key results areas under EO No. 43, s. of 2011;
- evaluation and/or assessment reports; and
- annual procurement plan, contracts awarded and the name of contractors/suppliers/consultants.

3.8.3 Other special provisions under the respective budget of selected agencies under R.A. No. 10155.

3.9 The following budgetary policies are hereby reiterated:

3.9.1 Validity of Funds

3.9.1.1 Continuing Appropriations for MOOE and Capital Outlay (CO) under the CY 2011 GAA, R.A. 10147 shall be available for release and obligation **up to December 31, 2012.**

3.9.1.2 Appropriations under CY 2012 GAA, R.A. 10155 shall be available for release and obligation **up to December 31, 2013** with the exception of PS which shall lapse at the end of 2012.

3.9.1.3 NCAs issued shall be available to the agencies, as follows:

- NCA issued and credited to the Regular MDS Accounts of agencies for their regular operations which are programmed for a specific month shall be valid only **until the last working day of the said month.**
- NCA issued and credited to the Special MDS Accounts of agencies for payment of retirement gratuity/terminal leave benefits as well as prior years' accounts payable shall be valid **until the last working day of the following month** when the NCA was issued.
- NCA issued for trust receipts and credited to the Trust MDS Account of agencies shall be valid **until the last working day of the year.**

3.9.2 Timelines to be observed by agencies:

3.9.2.1 Requests for realignment of allotment under the **CY 2011** Budget shall be submitted to DBM **until June 30, 2012.**

3.9.2.2 Deadline for submission of requests to DBM for any release requiring issuance of SARO and NCA in CY 2012 shall be on **November 15, 2012.**

3.9.2.3 Deadline for submission of BEDs shall be on **December 22, 2011** pursuant to NBC 534. For lump-sum appropriations or centrally-managed items (CMIs) under the agency's approved budget, for which, the specific details i.e., list of implementing units and corresponding allocation is not yet available as of December 22, 2011, agencies shall submit the covering BEDs on or before **January 7, 2012.**

3.9.2.4 Submission of the BARs shall be on the dates prescribed under NBC 507/507A and subsequent Circulars that may be issued for the purpose.

3.10 To expedite the release of funds for critical programs and projects and at the same time tighten agencies' compliance with accountability requirements, the **"no report, no release"** policy, as it applies to the submission of BEDs and BARs, shall be strictly enforced in the release of additional funds.

4.0 SPECIFIC GUIDELINES

4.1 Preparation and Approval of the ABM

4.1.1 The ABM, which shall be prepared by DBM based on the submitted Financial Plan of the agency/OU, shall be presented by:

4.1.1.1 Funding source:

- Agency specific budget under the CY 2012 GAA;
- Automatic Appropriations under the CY 2012 BESF i.e., RLIP, Special Account in the General Fund (SAGF) and other items classified as such.

4.1.1.2 Operating unit

For certain department/agencies that would require the detailed list of OUs and their corresponding budgetary allocations (e.g., PENROs of DENR and PAROs of DAR), it is understood that said information should be submitted to DBM on or before **December 22, 2011** as prescribed under NBC 534 so that DBM can prepare the ABM on time.

4.1.1.3 Programs/Activities/Projects (P/A/Ps) consistent with the presentation under the CY 2012 GAA;

For Foreign Assisted Projects (FAPs), the ABM should be further broken down into Peso Counterpart (GOP)/Loan Proceeds (LP) and project per allotment class basis.

4.1.1.4 Allotment class i.e., PS, MOOE and CO, further broken down **by sub-object of expenditure**. A summary of the release by sub-object of expenditure shall be supported to the ABM as an attachment.

4.1.2 The ABM for the agency specific budget under the CY 2012 GAA, R.A. 10155 shall be segregated into Needing Clearance (NC) and Not Needing Clearance (NNC), as follows:

4.1.2.1 The **NC portion** of the ABM shall consist of the following budgetary items in the agency specific budgets that shall be released upon compliance of certain documentary requirements:

- Confidential and Intelligence Fund which is subject to prior approval of the President of the Philippines;
- Police benefits of the National Police Commission;

- Procurement of **certain** motor vehicles and motorized equipment which are subject to prior recommendation by DBM **and approval by the President of the Philippines**, pursuant to AO No. 15 dated May 25, 2011;

- Lump-sum appropriations or centrally-managed items (CMIs) under the agency's approved budget, which were classified as such in the submitted Financial Plan (FP) i.e., items or activities which **do not have specific details yet as of December 22, 2011** (deadline for submission of the FP).

- Annually appropriated SAGF built-in under the agency budget;

- Budgetary support/assistance of the national government to the LGUs;

- Other budgetary provisions such as:

- Budgetary provisions for new items, programs and projects in the budgets of some departments, bureaus, offices and agencies; and,
- Budgetary items/provisions for Conditional Implementation under the President's Veto message, which are subject to specific guidelines to be issued by the appropriate agencies.

4.1.2.2 The **NNC portion** of the ABM refers to items in the agency budget under the CY 2012 GAA **not** included under NC portion as enumerated above and categorized as such in the submitted FP of the agency. This shall correspond to the total allotments comprehensively released in the ABM, as follows:

- For **PS – 100%** of the NNC portion of the ABM, pertaining to the following:

- Filled positions of NGAs. This allotment release shall also be used by the agency to cover the funds needed to implement the:

- 3RD tranche compensation adjustments authorized under E.O. 40 and NBC 530 including associated adjustments in

government premiums for PHILHEALTH, ECIP, and RLIP; and

- PS deficiency resulting from filling up of vacant positions. Agencies may submit to DBM, a request for additional release of allotment for any deficiency after payment of the said expenditures, to be charged against the appropriate funds for the purpose.
- o Requirements for pension benefits of AFP retirees and war/military veterans of the DND (GHQ and PVAO), uniformed personnel of DILG (BFP, BJMP, PNP), DENR-NAMRIA, DOTC-PCG and other retirees whose pension are funded by the national government (i.e., ERC) based on the latest list of actual pensioners provided by the agencies concerned.
- For **MOOE and CO – 100%** of the NNC portion of the OU's ABM.

4.1.2.3

The following built-in appropriation items under the CY 2012 GAA, although part of the comprehensive release of the **NNC** portion of the ABM, **can only be obligated** by the OU subject to compliance with the required clearance/approval/ documentation:

- Lump-sums for PS under the budget of the Department of Education (DepEd) shall be subject to the following requirements, among others:
 - For Equivalent Record Forms (ERFs) – copy of approved ERF, endorsement by the Regional Director, approved staffing modification pattern (plantilla allocation list), and pertinent evaluation documents i.e., service record (20 years minimum service), certificates of trainings and completion of masteral degree, performance appraisal system for teachers.
 - Conversion to Master Teacher (MT) Positions - request for conversion to MT position, endorsement by the Regional Director, approved plantilla allocation list, pertinent evaluation documents i.e., results of ranking of the candidates for promotion, list of qualified teachers by subject area (for secondary

schools) and district area bulletin of teachers (for elementary teachers).

➤ Reclassification of Positions – request endorsed by the Regional Director, approved staffing modification pattern/plantilla allocation list, service record, training certificates and other pertinent evaluation documents such as: a) for promotion of principal positions - certificate of passing the principalship examination and b) for promotion of head teacher positions – list of teachers to be supervised.

➤ Hardship Pay – list of qualified teachers and school heads/administrators.

- Lump sum for Repair and Maintenance of School Buildings under MOOE of the budget of the DepEd shall be subject to the list of identified recipients i.e., schools that need repair or rehabilitation duly signed by the Regional Director concerned.

- CMIs of agencies concerned which were lodged as NNC per submitted 2012 Financial Plan shall be subject to identification of specific projects, OUs to implement the projects, corresponding allocation for each OU and documentary requirements per special provision of their budgets.

- Provisions for Supplies and Materials as well as Office Equipment shall be subject to the submission to DBM of the **2012 Annual Procurement Plan for Common – Use Supplies and Equipment (APP-CSE)**. Per Circular Letter Nos. 2011-6/6-A, all agencies of the national government shall submit their 2012 APP-CSE to DBM on or before November 15, 2011.

- Computers and other information technology equipment require clearance/approved Information Systems Strategic Plan from the National Computer Center under the Information and Technology Office of the Department of Science and Technology;

- Communication equipment require clearance from the National Telecommunications Commission;

- Firearms require prior approval of the Philippine National Police;

- Research and development in the natural, agricultural, technological and engineering sciences shall be consistent with the master plan of the Department of Science and Technology and Department of Agriculture on the priority research programs and projects to be implemented;
- Books to be procured by agencies other than schools and The National Library exceeding the authorized five (5) copies per title, require prior approval from DBM;
- On-going FAPs require the attainment of certain conditionalities; and,
- Grants, subsidies and contributions shall be supported by details indicating among others, the purpose, amount intended for each beneficiary and the list of recipients.

4.1.3 Budgetary Support to GOCCs, in general, shall be categorized as **NC** of the ABM. In the case however of GOCCs considered as heavily subsidized by the national government, their ABM shall reflect the following disaggregation of the subsidy appropriation under the CY 2012 GAA:

4.1.3.1 The amount programmed as operating subsidy for three (3) months i.e., January to March, 2012 (equivalent to one-fourth of the total subsidy appropriation per CY 2012 GAA, R.A. 10155) to be released comprehensively, shall be categorized as **NNC**; and,

4.1.3.2 The remaining balance of the subsidy for the current year shall be categorized under **NC**. The total of the NC and the NNC columns shall be equal to the GOCC's subsidy program under the ABM. Release of the SAROs for items under NC shall be subject to the submission of a Spécial Budget Request.

4.1.3.3 ABMs and SAROs in favor of GOCCs shall be issued through the Bureau of the Treasury, copy furnished the GOCC.

4.1.4 Approval of the ABM

The ABMs shall be issued by DBM on **January 2, 2012**. The original copy of the approved ABM shall be issued by the DBM to the concerned OU.

4.2 Release of SARO

4.2.1 Issuance of SAROs shall be necessary for the following items:

- 4.2.1.1 Appropriation items categorized under the "NC" portion of the ABM;
- 4.2.1.2 Charges against multi-user SPFs; and,
- 4.2.1.3 Adjustments between the NNC and NC portions of the approved ABM.

4.2.2 Procedures to be observed in the release of SAROs:

4.2.2.1 Release of the items categorized under **NC** portion of the ABM shall be subject to the submission of Special Budget Requests (SBRs) duly supported with separate/detailed financial plan including MCP, physical plan and other required documentary requirements.

- In the case of CMIs or lump-sum appropriations which are categorized under the "NC" portion of the agency specific budget, the agencies concerned shall submit to DBM, their SBR supported with the following:

- Specific OUs identified to implement the project and amount allocated to each OU;
- Financial Plan containing the obligational program as well as MCP;
- Physical Plan containing targets to determine the specific activities to be undertaken during project implementation; and
- Other documents to support the implementation of priority projects such as Farm-To-Market Roads (FMRs) and irrigation projects, among others:
 - Network plan for FMRs, appropriate construction design and program of work by DA;
 - Agrarian reform communities network plan for FMRs by DAR; and
 - List of priority production areas where the irrigation projects are to be constructed by NIA.

- DBM shall issue the SARO directly to the specific OUs implementing the project as reflected in the list submitted by the departments/agencies.

4.2.2.2 For charges against multi-user SPFs, agencies shall submit to DBM, an SBR for expenditures eligible to be

charged against the multi-user SPFs. DBM shall, after thorough evaluation of the SBR, issue SARO consistent with the Special Provisions of the SPFs.

- 4.2.2.3 Adjustments between the NNC and NC portions of the approved ABM i.e., adjustment or revision in the amounts, will necessitate the issuance of SARO by DBM. Request for realignments shall be submitted to DBM-Central Office or the concerned DBM-Regional Office, as the case may be.

4.3 Issuance of Disbursement Authorities

- 4.3.1 An initial comprehensive NCA based on the agency submitted MCP shall be issued directly to the OUs covering the first semester requirements i.e., January to June, 2012, chargeable against the current year budget.

- 4.3.2 NCAs for the following shall be issued by DBM upon compliance of the required documentary requirements, to wit:

- 4.3.2.1 NCAs to cover the 3rd and 4th quarter regular agency requirements shall be subject to the submission of BARs as of end of June 30 and Sept. 30, respectively as well as, performance evaluation.

- 4.3.2.2 NCAs to cover cash requirements chargeable against prior year's budget shall be based on the agency request, submitted MCP and additional supporting documents:

- For Continuing Appropriations- Unobligated Allotments - copy of the last page of the Registry(ies) of Allotments and Obligations for MOOE and CO, prepared by the Budget Officer;
- For Accounts Payable (A/Ps) - separate List(s) of Due and Demandable A/Ps for External and Internal Creditors and List of Not Yet Due and Demandable Obligations as of December 31, 2011 (BED No. 3-A).

- 4.3.3 The payment of **prior year's accounts payable (A/Ps)** i.e., for goods, services, projects delivered/rendered/completed and accepted during the previous years which remained unpaid up to the end of December 31, 2011, shall follow the guidelines prescribed under CL Nos. 2002-17, 2004-2 to 3 and 2005-2. The following procedures on payment of prior year's A/Ps are emphasized:

4.3.3.1 The List of Due and Demandable A/Ps as of December 31, 2011 shall be submitted to DBM not later than **January 31, 2012**. Separate lists shall be submitted for external and internal creditors.

4.3.3.2 Lists of prior year's due and demandable A/Ps not received by DBM within the January 31 cut-off date shall **not be included in the special lane for priority funding**. Instead, said prior year's A/Ps shall be queued by the agency under the normal payment procedure for current A/Ps i.e., chargeable against the NCAs under the Regular MDS account using the Common Fund Scheme.

4.3.4 **Current year A/Ps** i.e., for goods, services and projects to be delivered/rendered/completed and accepted during the year (charged against CY 2012 and prior years' budget) shall be paid pursuant to the procedures prescribed under the circulars cited under item 4.3.3 above.

4.3.5 On the release of the NCAA, departments/agencies/OUs availing of foreign loan proceeds through the direct payment scheme (i.e., creditors/suppliers directly paid by the lending institution upon request of the Implementing Agency) shall submit a request for the issuance of NCAA. It is understood that requests for issuance of NCAA shall be used to cover the liquidation of actual obligations incurred by the agency within their available allotments, pursuant to DBM-COA-DOF Joint Circular 2-97 and CL No. 2003-12.

4.3.6 On the release of Cash Disbursement Ceiling (CDC)

4.3.6.1 CDC is an authority issued by DBM to DFA and DOLE to utilize their income collected/retained by their foreign service posts (FSPs) to cover their operating requirements, but not to exceed the released allotment to the said post.

4.3.6.2 The agency shall submit a request for issuance of CDC, supported with the following:

- Accountability reports as consolidated by the DFA or DOLE Home Office i.e., FSP Monthly Report of Income; and
- BTr certification on actual income collected.

4.4 **Implementation of "No-Report, No-Release" Policy**

4.4.1 In the implementation of the CY 2012 budget, DBM shall regularly monitor agencies/OUs' compliance with the reporting requirements i.e., quarterly BARs.

- 4.4.2. In the event of failure to submit the required BARs, the "no-report, no-release" policy shall be enforced. The DBM shall defer or withhold additional releases from SPFs, particularly the MPBF, to wit:

BARs as of	Budget Items
Dec. 31, 2011 (Year-end)	SARO for the annualized requirements for 3rd tranche compensation adjustment under SSL 3 and provision for unfilled /creation of positions
March 31, 2012 (1 st Quarter)	SARO/NCA for the additional clothing allowance of P1,000 per employee programmed for release in April and provision for unfilled/creation of positions.
June 30, 2012 (2 nd Quarter)	SARO/NCA for the July to December, 2012 requirements for 4th tranche compensation adjustment under SSL 3 programmed in July and provision for unfilled/creation of positions.
Sept. 30, 2012 (3 rd Quarter)	SARO/NCA for the provision for unfilled positions/creation of positions

- 4.4.3. DBM shall post in its website, agency compliance with reportorial requirements, for the public to scrutinize.

4.5 Conduct of the agency performance review

- 4.5.1. Consistent with performance-based budgeting, a quarterly evaluation of the agency performance shall be conducted by comparing agency plans and targets per BEDs vis-à-vis actual accomplishments reflected in its BARs.
- 4.5.2. In case of delays in program/project implementation, the OUs/agencies shall develop a detailed catch-up plan/remedial action to reflect the specific measures to be implemented that will lessen the impact, if not resolve, the identified budget execution problems/issues and to ensure attainment of their physical and financial targets. The action program can also include the identification of risks and bottlenecks, the timetable of the measures, and reflect the indicators that will show if the agency is succeeding. The action programs shall be discussed with and monitored by DBM.

4.6 Use of Excess Income

4.6.1 Excess income is generated once actual income collected and deposited by the OU with the BTr **during the current year** exceeds the revenue estimates under the CY 2012 BESF.

4.6.2 OUs may submit to DBM a request for use of excess income once its targeted revenue level for the year per CY 2012 BESF has been realized and exceeded. The reason(s) for generating excess revenues shall be highlighted in the request (e.g., collection of new fees and charges not considered in the original revenue estimate).

4.6.3 DBM shall consider the following in determining excess income:

4.6.3.1 If collections of the OU from existing fees and charges exceed the annual revenue estimates reflected in the CY 2012 BESF due to improved efficiency in operation or upgraded service delivery;

4.6.3.2 If collections of the OU come from new fees and charges due to implementation of new or additional activity/program started during the year, hence not considered in the original income targets per CY 2012 BESF; and,

4.6.3.3 If the estimated level of CY 2012 revenue of the OU per CY 2012 BESF is consistent with the normal trend of increases in actual collections for the past years.

4.6.4 In the event that the original revenue estimate of an OU per CY 2012 BESF was reduced as a result of their representation during the finalization of the BESF that they will be unable to maintain the normal trend of increases in their revenues **or** revenue target remains constant for the past three (3) years, the request for use of excess income shall be reevaluated by DBM, to wit:

4.6.4.1 DBM shall establish the trend of the actual revenue collections generated from regular fees and charges/recurring income by the agency during the immediately preceding years i.e., CYs 2011, 2010 and 2009.

4.6.4.2 DBM shall re-estimate the appropriate revenue level for CY 2012 by applying the established average growth rate of actual revenue collections in said preceding years.

4.6.4.3 In cases where the re-estimated revenue level of CY 2012 is lower than the actual revenue collections of the immediately preceding year (CY 2011), DBM shall use the higher level i.e., 2011 actual revenues, for purposes of

computing the amount of excess income that can be availed of by the OU concerned.

- 4.7 For subsidy to GOCCs considered heavily subsidized, DBM shall issue the allotment and corresponding NCA covering three (3) months requirements i.e., January to March, 2012, based on the subsidy allocation reflected in the CY 2012 GAA. Subsequent releases shall be based on the submission of a Corporate Operating Budget and evaluation of GOCCs' cash flow statements and report of financial condition.
- 4.8 For Internal Revenue Allotment of provinces, cities/municipalities and barangays, DBM shall issue the SARO/NCA based on the CY 2012 GAA. Separate guidelines shall be issued for the purpose.

5.0 RESPONSIBILITY OF THE HEAD OF AGENCY

The Head of Agency/OU shall be held personally liable for any payment of expenditures not in accordance with the provisions of this Circular.

6.0 EFFECTIVITY

These guidelines shall take effect immediately.


FLORENCIO B. ABAD
Secretary