

ADOPTION OF A SIMPLIFIED FUND RELEASE SYSTEM IN THE GOVERNMENT

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/0d34d33e917d/>

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 to incur obligations, subject to the terms and conditions specified therein. The GARO and the SARO will be issued in the formats shown in Annexes "B"[*] and "C"[*] respectively.

6.3 The GARO/SARO may be issued at any time during the budget year.

6.4 Upon receipt of their copy of the GARO or SARO, agencies may enter into contracts or bind the government into an obligation to pay a certain sum of money in accordance with existing accounting rules and regulations.

6.5 The GARO/SARO shall remain valid up to the end of the budget year. However, GARO/SARO covering all allotments for capital outlays or items treated as continuing appropriations pursuant to Section 28, Chapter 4, Book VI of E.O. No. 292 shall remain valid up to the end of the immediately succeeding year.

6.6 The GARO and SARO shall be accountable forms and the amounts involved shall be duly recorded in the agency books of accounts in the same manner as was previously prescribed for the Advice of Allotment, unless subsequently modified by the Commission on Audit.

6.7 The actual payment of obligations incurred will follow the procedures prescribed under the Modified Disbursement System as amended by National Budget Circular No. 437.

7.0

Use of Savings and Augmentation

7.1 The breakdown of expenditures, by program/activity/project, by allotment class, and by object authorized in the General Appropriations Act or in similar appropriations measures, for a given agency shall be observed.

7.2 Agencies, however, are authorized to use allotment savings through augmentation in accordance with Sections 15, 49, 50 and 52 of the General Provisions of RA 7845, the 1995 GAA, or pertinent provisions of the GAA of succeeding years; provided, that these are within the same program/project, allotment class, and total object of expenditure appearing in the GAA.

7.3 Except in the case of agencies enjoying fiscal autonomy, the use of savings outside of the restrictions mentioned in Section 7.2 above shall require prior approval by the DBM.

7.4 In the case of capital outlays and public works projects, realignments/re-allocations shall be subject to the pertinent General Provisions in the General Appropriations Act.

8.0

Allotment/Sub-Allotment to Agency Regional Offices/Operating Units

8.1 Appropriations specifically earmarked for Regional Offices/Operating Units in the GAA shall be deemed directly releases to said regional offices/operating units upon the issuance of the GARO/SARO, as the case may be, pursuant to Section 59 of the General Provisions of RA 7845 or pertinent provisions of the GAA in succeeding years. Agency heads may prescribe necessary internal guidelines to monitor and control the use of said funds.

8.2 In case of lump-sum appropriations released to the Central Office but intended for regional offices/operating units, the sub-allotment system being maintained by the Central Office with its Regional Offices/Operating Units shall continue to be observed.

9.0

Repealing Clause

All circulars, memoranda or other issuances which are inconsistent with this Circular are hereby rescinded, repealed and/or modified accordingly.

10.0

Saving Clause

Cases not covered by this Circular shall be referred to the DBM for appropriate resolution.

11.0

Effectivity

This Circular shall take effect on January 1, 1995.

Adopted: 30 Jan. 1995

(SGD.) SALVADOR M. ENRIQUEZ, JR.

Secretary

INSTRUCTIONS IN THE PREPARATION OF AGENCY BUDGET MATRIX

The Agency Budget Matrix presents eight (8) ways of disaggregating the programmed appropriation for each department/agency/Special Purpose Fund in accordance with Section 4.2 of NBC 440. For this purpose, the programmed appropriation for each department /agency/Special Purpose Fund shall mean gross appropriation from all sources that are programmed for expenditures during the budget year. In filling in the boxes in the ABM, the following specific instructions shall be observed:

Department/Agency - shall specify the department/attached agency that will implement the budget, e.g.

For a national government agency:

Dept. of National Defense/Armed Forces of the Philippines

For a GOCC:

Dept. of Agriculture/National Food Authority

For a local government:

Province of Pangasinan/Municipality of Asingan

Locality/Region - shall specify whether the recipient agency/unit is the Central Office, Regional Office, District Office, Provincial Office or any other locational subdivision, e.g.:

- Office of the Secretary - Central Office
- Regional Office I
- Ilocos Sur District Engineering Office
- Provincial Environment and Natural Resources Office

Program/Activity/Project - shall indicate the functional grouping of appropriations and all specific activities under each grouping as follows:

- General Administration and Support
- General Administration and Support Services.
- Support to Operations
 - Budget Technical Support Services
- Operations
 - Budget Planning, Research and Programming
 - Budget Operations, Accounting and Finance
 - Management Services
 - Regional Budget Operations

Source of Appropriation - shall reflect the amount funded out of the following funding sources:

- General Appropriations Act (GAA) e.g., RA 7845
- Automatic Appropriations e.g., Taxes and Duties, Grant Proceeds
- Continuing Assistance Rehabilitation Development Fund, Agrarian Reform Fund

Fund - shall specify the codes under the Standard Coding System of government account, e.g. Fund 101, 102, 103, 151.

Allotment Class - shall reflect the amount of classified under the following categories of expenditures:

- Personnel Services (100) -
 - Salaries (100)
 - Wages and Other compensation (100-10) etc.

- MOOE (200) -

Travelling (02)
Communication Services (03)

- CO (300)

Land and Land Improvement (34)
Equipment Outlay (36) etc.

Need for Clearance - shall reflect the amount that (a) requires clearance or authority and (b) does not require clearance or authority. Items that require clearance are the following:

- a. Hazard/hardship Pay
- b. Creation of New Positions
- c. Life and Retirement Insurance Premium, ECIP, Medicare, HDMF Contributions
- d. Other compensation lump-sum applicable to DECS
 - Lump-sum for Reclassification of Position
 - Lump-sum for Creation of New Positions
 - Lump-sum for Pre-School Education
 - Lump-sum for Equivalent Record Forms (ERPs)
 - Lump-sum for Master Teachers
 - Other lump-sums
 - Lump-sum for Newly Legislated High School
 - Lump-sum for Integration of Positions
- e. New Locally-Funded and Foreign-Assisted Projects and Projects for Extension
- f. Intelligence and Confidential Funds
- g. Grants, Subsidies and Contributions subject to Special Budgets
- h. Appropriated Special Accounts
- i. Motor Vehicles, Computer, Communication Equipment, and Firearms
- j. Unallocated/lump-sum Projects under the GAA, including DECS School Building Program and DA Irrigation Projects
- k. All gross increases in agency appropriation over and above the budget proposal submitted by the President to the Congress
- l. Science and Technology Research
- m. Budgetary support to government corporation
- n. Other expenditures chargeable against special purpose funds except Internal Revenue Allotment
- o. Expenditures chargeable against continuing appropriations including unreleased prior years appropriation which remain valid during the current year.
- p. Expenditures chargeable against automatic appropriations

q. Such other items of expenditures as may later be determined by the DBM

Specificity of Appropriation - shall indicate whether the appropriation is specific or in lump-sum as follows:

- a. specific - where the appropriation clearly identifies the program/activity/project as to purpose, recipient and other details. Appropriations included under this category shall include those that do not require the submittal of a Special Budget.
- b. lump-sum - all other appropriation items shall be classified under lump-sum including items subject to Special Budgets.

The sum of appropriations under each of Columns 3,4,5,6 and 7 should exactly equal the total programmed appropriation under Column 2.

Allotment Release Order Interpretation Guide

1. The items pertaining to the boxes for the department/agency, locality/region, appropriation source, fund code and allotment class shall be as defined under Section 4.2 of NBC 440.
2. Department/Agency Code shall refer to the code as assigned by DBM.
3. The release of appropriation items under the following functional groupings shall also mean the release of all appropriation items under said subject to the conditions prescribed in this Circular:
 - General Administration and Support
 - Support to Operations
 - Operations
 - Locally-Funded Projects
 - Foreign-Assisted Projects
4. In the case of a GARO, where the amount of the allotment being released is expressed in terms of percentage, the allotment percentage shall be applied on the amount not of items releasable through a SARO.

Adopted: 30 January 1995

[*] See Appendix 2, page 348.

[**] See Appendix 3, page 349.

[***] See Appendix 4, page 350.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.