CLARIFICATORY GUIDELINES ON ALLOWANCES THAT FALL UNDER THE PERSONAL SERVICES (PS) ACCOUNT

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1.0

Policy Statement

The total appropriations for personal services of a local government unit (LGU) for one (1) fiscal year shall not exceed forty-five percent (45%) in the case of first to third class provinces, cities and municipalities, and fifty-five percent (55%) in the case of fourth class or lower, and barangays, of the total annual income from regular sources realized in the next preceding fiscal year.

2.0

Definition of Personal Services

Section 306(k) of RA 7160 defines Personal Services as appropriations for the payment of salaries, wages and other compensation of permanent, temporary, contractual, and casual employees of the local government unit.

3.0

Composition of Other Compensation

For purposes of determining the other compensation as specified in the definition, pursuant to Presidential Administrative Order No. 42 issued on March 3, 1993, the following allowances/compensation/benefits in addition to salaries and wages constitute the personal services component of a local government budget:

3.1 Other Compensation/Allowances/Benefits

Terminal Leave Benefits
Per-Diem Compensation
Retirement and Life Insurance Premiums
PAG-IBIG Contributions
Medicare Premiums
Employees Compensation Insurance Premiums
Representation and Transportation Allowances (Commutable)
Honoraria
Consultants' and Specialists' Fees and Allowances
Bonuses and Incentives
Overtime Pay
Pensions
Step Increments for Merit and Length of Service
Personnel Economic Relief Allowance (PERA)
Additional P500 Allowance
Laundry Allowance
Quarters Allowance

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Clothing/Uniform Allowance
Subsistence Allowance
Hazard Pay
Productivity Incentive Benefits
Magna Carta for Public Health Workers

3.2 Others

Lump-sum for Salary Adjustment
Lump-sum for Reclassification of Positions
Lump-sum for Creation of New Positions

4.0

Coverage of the General Limitation

The above personal services accounts charged against the total annual income from regular sources realized in the next preceding fiscal year are covered by the general limitation.

5.0

Exemptions From the General Limitations

The following programs/activities as enumerated under the General Appropriations Act of CY 1995 (RA 7845) are exempted from the budgetary limitation:

5.1 Continued implementation of the Salary Standardization Law;

5.2 Payment of the minimum compensation to barangay officials;

5.3 Absorption of devolved personnel;

5.4 Creation of mandatory positions; and

5.5 Payment of not less than fifty percent (50%) of the total requirement for the Magna Carta benefits of public health workers.

In addition to the foregoing exemptions, appropriations for personal services of officials and employees of the public utilities and economic enterprises owned, operated and maintained by the local government concerned shall not be included in annual budget or in the computation of the maximum amount for personal services. These items are appropriated/charged against their respective agencies.

6.0

Saving Clause

Cases not covered by the provisions of this Circular shall be referred to the Secretary of Budget and Management for resolution.

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Adopted: 19 May 1995

(SGD.) SALVADOR M. ENRIQUEZ, JR.
Secretary

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