



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

National Budget Circular

No. 559

June 26, 2015

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

SUBJECT : Guidelines in the Realignment of Funds under the FY 2015 General Appropriations Act (GAA), and Other Purposes

1.0 PURPOSE

- 1.1 To provide guidelines in the realignment of funds consistent with R.A. No. 10651 (FY 2015 GAA);
- 1.2 To set clear definition of relevant terms to be used in this Circular; and
- 1.3 To prescribe the submission of reports in the utilization of funds covered by this Circular consistent with budgetary, transparency, and accountability policies, rules and regulations.

2.0 DEFINITION OF TERMS

The following terms shall be taken and understood in the sense indicated hereunder and as used in this Circular:

- 2.1 **Agency Heads** - refer to the heads of departments, attached agencies and Other Executive Offices under the Executive Branch, State Universities and Colleges, Constitutional Commissions, and Government-Owned and/or-Controlled Corporations maintaining Special Accounts in the General Fund and other similar entities and instrumentalities concerned.
- 2.2 **Allotments** - refer to the budget authorizations prescribed under National Budget Circular No. 556 - Release of Funds for FY 2015, issued to an agency permitting it to commit or incur obligations within the period of time, amount and purpose indicated therein.
- 2.3 **Allotment Class** - refers to the classification of expenditures under an item of appropriation with the following categories: Personnel Services (PS), Maintenance and Other Operating Expenses (MOOE), Financial Expenses (FinEx), and Capital Outlays (CO).

- 2.4 **Item of Appropriation** – refers to an amount appropriated in the GAA for a program, activity or project. In the case of programs with several activities, the item of appropriation shall refer to each of the activity.
- 2.5 **Object of Expenditures** - refers to a classification under an allotment class, based on the type of goods or services consistent with the Unified Accounts Code Structure Manual.
- For example:
- | | | |
|------|---|---|
| MOOE | = | travelling expenses and supplies and materials |
| CO | = | buildings and other structures outlay and machinery, and equipment outlay |
- 2.6 **Implementing or Operating Units (IOUs)** - refer to organizational units directly receiving cash allocations, capable of administering its own funds, carrying out specific substantive functions and directly implementing the P/A/Ps of a department or agency.
- 2.7 **Program/Activity/Project (P/A/P)** - item of appropriation in the GAA which refer to any of the following:
- 2.7.1 **Program** - an integrated group of activities that contributes to an agency's continuing objective such as, General Administration and Support, Support to Operations, and Operations.
- 2.7.2 **Activity** – is a work process that contributes to the fulfilment of a program, sub-program or project.
- 2.7.3 **Project** - is a special agency undertaking within a definite timeframe and which is designed to produce pre-determined goods or services.
- 2.8 **Realignment of Funds** - refer to the reallocation, modification or change in the details **within** an existing P/A/P, provided this will not entail an increase in the total amount appropriated for such P/A/P. Realignment, which may only be done within a P/A/P, covers change in any of the following:
- 2.8.1 Object of expenditure within an allotment class;
- 2.8.2 Implementing or Operating units (OU);
- 2.8.3 Project modifications as authorized in the pertinent special provisions of certain agencies in the GAA, i.e., DA-OSEC, DepEd-OSEC, DOH-OSEC, DPWH-OSEC, DOTC-OSEC and BSGC-NIA; and
- 2.8.4 One allotment class to another.
- 2.9 **Scope of Work** – refers to the area or facility in a contract where the specific tasks to be performed in the delivery of a product or completion of a project is described (e.g. concreting, upgrading, rehabilitation or renovation, construction or opening), which may include details on the project's plan, design and alignment based on its program of work and pre-construction plan, among others.

3.0 Guidelines

- 3.1 As a general rule and consistent with General Provisions (GP) No. 73 of the FY 2015 GAA, departments or agencies must spend what is programmed in their respective appropriations and therefore, any realignment would be an exception to the rule.
- 3.2 In all cases of realignment, the **existence of an object of expenditure in the allotment class within the same P/A/P is necessary**, provided that the realignment will not result to an increase in the amount of appropriations for said P/A/P.
- 3.3 Realignment refers to the reallocation, modification or change in the details within an existing P/A/P. In the case of programs with several activities, realignment shall be limited within each of the activity. The illustrative examples are shown in **Annex A**.
- 3.4 Changes in the object of expenditures within PS pursuant to GP No. 46 of the FY 2015 GAA shall be treated as, and conform with the rules on use of PS appropriations covered by a separate circular to be issued by the DBM. Accordingly, the provision on realignment under GP No. 73 and the rules provided herein shall not apply.
- 3.5 Realignment may include changes in any of the following:

- 3.5.1 Object of expenditure within an allotment class, with the exception of PS;

Examples:

- MOOE – From Travelling Expense to Communication Expense
- CO – From Investment Outlay to Buildings and Structures Outlay

- 3.5.2 IOUs;

- 3.5.3 The following cases of project modifications as authorized in the special provisions of the respective budgets of the agencies concerned:

- 3.5.3.1 **DA-OSEC** per Special Provision (SP) No. 5

Modification or change of **Farm-to-Market Road (FMR) projects**, which shall be limited to scope of work, subject to compliance with the following conditions:

- a) Within the same IOU;
- b) Undertaken once per project;
- c) Done not later than third (3rd) quarter of the year; and
- d) Allotment released has not yet been obligated for the original project or scope of work.

3.5.3.2 DepEd-OSEC per SP No. 21

Modification or change of projects under the **Basic Educational Facilities**, which shall be limited to: (i) location of school building, laboratory workshop, and water and sanitation facilities due to duplication or double funding of project, peace and order issues, problems on land ownership and other policy considerations as may be determined by the Secretary of Education; or (ii) number of classrooms to be constructed per school building. It must also comply with the following conditions:

- a) Undertaken once per project;
- b) Done not later than second (2nd) quarter of the year; and
- c) Allotment released has not yet been obligated for the original project or scope of work.

3.5.3.3 DOH-OSEC per SP No. 18

Modification or change of projects under the **Health Facilities Enhancement Program**, which shall be limited to: (i) location of hospital or health care facility due to duplication or double funding of project, peace and order issues, and other policy considerations as may be determined by the Secretary of Health; or (ii) scope of work. It must also comply with the following conditions:

- a) Undertaken once per project;
- b) Done not later than second (2nd) quarter of the year; and
- c) Allotment released has not yet been obligated for the original project or scope of work.

3.5.3.4 DPWH-OSEC per SP No. 26

Modification or change in any detail of **projects under the appropriations of the Department**, subject to compliance with the following conditions:

- a) Within the same IOU;
- b) Undertaken once per project;
- c) Done not later than second (2nd) quarter of the year;
- d) Allotment released has not yet been obligated for the original project; and
- e) No splitting of projects or deliberate creation of gaps to justify itemization of a single project.

3.5.3.5 DOTC-OSEC per SP No.10

Modification or change in any detail of **projects under the appropriations of the Department**, subject to compliance with the following conditions:

- a) Within the same IOU;
- b) Undertaken once per project;
- c) Done not later than second (2nd) quarter of the year;
- d) Allotment released has not yet been obligated for the original project; and
- e) No splitting of projects or deliberate creation of gaps to justify itemization of a single project.

3.5.3.6 BSGC-NIA per SP No. 9

Modification or change in any detail of **irrigation projects funded by subsidy from the National Government**, subject to compliance with the following conditions:

- a) Within the same IOU;
- b) Undertaken once per project;
- c) Done not later than second (2nd) quarter of the year;
- d) Allotment released has not yet been obligated for the original project; and
- e) No splitting of projects or deliberate creation of gaps to justify itemization of a single project.

3.5.3.7 Any proposed modification or change that will result to an increase in the amount of appropriations for the P/A/P must comply with the rules on savings and augmentation under Sections 69, 70 and 71, General Provisions of the FY 2015 GAA. In which case, approval of the President of the Philippines must be secured.

3.5.4 One allotment class to another, including realignment for deficient allotment classes pertaining to unreleased appropriations of the following:

3.5.4.1 Within a Special Purpose Fund (SPF), excluding those SPFs requiring prior approval of the President of the Philippines as provided in their respective SPs, i.e., Contingent Fund (CF), National Disaster Risk Reduction and Management Fund (NDRRMF), and Rehabilitation and Reconstruction Program (RRP); and

3.5.4.2 Within a purpose under the Unprogrammed Appropriations (UA).

Examples:

From PS to MOOE or CO;
From MOOE to PS or CO; and
From CO to PS or MOOE.

3.6 Approving authorities for realignment under the Executive Branch:

3.6.1 Agency Heads

3.6.1.1 Change in object of expenditure within an allotment class;

3.6.1.2 Change in IOUs within an allotment class; and

3.6.1.3 Project modifications as authorized in the pertinent special provisions of certain agencies in the GAA, as mentioned in item 3.5.3 hereof.

3.6.2 Secretary of the DBM

3.6.2.1 From one allotment class to another, including deficient allotment classes pertaining to unreleased appropriations: (i)

within a SPF, with the exception of CF, NDRRMF and RRP; and (ii) within a purpose under UA;

3.6.2.2 Any realignment for payment of deficiency in Magna Carta Benefits;

3.6.2.3 From allowable MOOE items for the payment of CNA incentives;

3.6.2.4 Change in IOUs under the project modification SPs of DPWH-OSEC, DOTC-OSEC and BSGC-NIA;

3.6.3 President of the Philippines

3.6.3.1 Any realignment for the payment of Intelligence Expense, subject to COA-DBM-DILG-GCG-DND Joint Circular No. 2015-01 dated January 8, 2015; and

3.6.3.2 Realignment from one allotment class to another for unreleased appropriations of certain SPFs such as CF, NDRRMF and RRP.

3.7 Timelines for realignment of funds

Requests for realignment shall strictly observe the timelines stated hereunder:

3.7.1 Realignment of object of expenditures within CO - until the second quarter of the year (end June 30);

3.7.2 Realignment from CO to another allotment class - until the third quarter of the year (end September 30);

3.7.3 Project modifications authorized in the SPs of the respective budgets of the following agencies as specified under item 3.5.3 of this circular.

3.7.3.1 DA-OSEC - until the third quarter of the year;

3.7.3.2 DepEd-OSEC - until the second quarter of the year;

3.7.3.3 DOH-OSEC - until the second quarter of the year;

3.7.3.4 DPWH-OSEC - until the second quarter of the year;

3.7.3.5 DOTC-OSEC - until the second quarter of the year; and

3.7.3.6 BSGC-NIA - until the second quarter of the year.

3.7.4 Realignment of available allotments from mandatory expenditures under MOOE such as petroleum, oil and lubricants as well as for water, illumination and power services, telephone and other communication services, and rents - only during the fourth quarter of the year.

3.8 The realignment of funds subject to approval of Agency Head shall be:

3.8.1 Supported with an accomplished **Realignment Advice Form** duly signed by the Agency Head or his designated representative, format shown in **Annex B**. In the case of SUCs, realignments shall be approved by the President as Agency Head, unless approval of the board is necessary as required in the respective charter of SUCs.

3.8.2 Reflected in the appropriate Registry of Allotments and Obligations.

3.8.3 Reported in the accountability reports to be submitted to DBM, i.e., SAAODB as adjustments to allotments. Also, the corresponding adjustments in targets and accomplishments as a result of the realignment shall be reflected in the Physical Report of Operation.

3.9 Agency requests to be submitted to DBM shall be accompanied with the following supporting documents:

3.9.1 Justification for the proposed realignment;

3.9.2 Certification on the Actual Deficiency and Sources of Funds signed by the Budget Officer, identifying the affected P/A/Ps and objects of expenditure ("From" and "To"), format shown in **Annex C**;

3.9.3 Latest SAAODB; and

3.9.4 Financial Plan (BED No. 1) and Physical Plan (BED No. 2).

3.10 All realignment of funds that are subject to the approval of the DBM and the President of the Philippines, cited above, shall be effected through issuance of Special Allotment Release Order (SARO).

3.11 In the case of SAGFs, realignments of released allotments from one allotment class to another may be allowed provided within the authorized purposes/uses as cited in the law creating them. Any unutilized balance of released allotments at the end of the year shall automatically revert to such SAGF.

4.0 The use of loan proceeds and peso counterpart for foreign-assisted projects shall be subject to the provision of the loan agreements and DBM-COA-DOF Joint Circular No. 2-97.

5.0 **Repealing Clause**

All circulars, memoranda, rules, regulations and other issuances inconsistent herewith are deemed repealed and superseded accordingly.

6.0 **Effectivity**

This Circular shall take effect immediately upon its publication.


FLORENCIO B. ABAD
Secretary



ILLUSTRATIVE EXAMPLES:

1. Realignment of Object of Expenditures Within an Allotment Class Within a P/A/P

Department of Budget and Management

MFO/PAP		FROM		TO	
		Object of Expenditure	Amount	Object of Expenditure	Amount
I. Within MOOE					
<i>Program</i>	Operations				
<i>MFO</i>	MFO 1: BUDGET POLICY ADVISORY SERVICES				
<i>Activity</i>	1. Fiscal policy research, budget planning and programming, including provision of technical secretariat services to the Development Budget Coordination Committee (DBCC)				
<i>Region</i>	National Capital Region				
<i>Operating Unit</i>	Central Office	Traveling Expenses	(80,000)	Communication Expenses	80,000
II. Within CO					
<i>Program</i>	Operations				
<i>MFO</i>	MFO 2: BUDGET MANAGEMENT SERVICES				
<i>Activity</i>	1. Evaluation, release and monitoring of funding requirements and organization, staffing and compensation proposals of National Government Agencies, including State Universities and Colleges, GOCCs and LGUs				
<i>Region</i>	National Capital Region				
<i>Operating Unit</i>	Regional Office - NCR	Information and Communication Technology Equipment	(72)	Furnitures and Fixtures	72

ILLUSTRATIVE EXAMPLES:

2. Realignment of Operating Units Within an Allotment Class Within a P/A/P

Department of Education

MFO/PAP		FROM		TO	
		Allotment Class	Amount	Allotment Class	Amount
<i>Program</i>	Operations				
<i>MFO</i>	MFO 1: BASIC EDUCATION POLICY SERVICES				
<i>Activity</i>	POLICY FORMULATION				
<i>Sub-activity</i>	Basic Education Curriculum				
<i>Region</i>	National Capital Region				
<i>Operating Unit</i>	Bureau of Alternative Learning	MOOE	(100,000)		
<i>Sub-activity</i>	Continuing Education				
<i>Region</i>	National Capital Region				
<i>Operating Unit</i>	Literacy Coordination Council			MOOE	100,000
<i>Program</i>	Operations				
<i>MFO</i>	MFO 2: BASIC EDUCATION SERVICES				
<i>Activity</i>	Operations of Schools				
	Secondary				
<i>Region</i>	Region V - Bicol				
<i>Division Office</i>	Division of Camarines Sur				
<i>Operating Unit</i>	Sipocot National High School	MOOE	(150,000)		
<i>Division Office</i>	Division of Catanduanes				
<i>Operating Unit</i>	Bato Rural Development High School			MOOE	150,000

ILLUSTRATIVE EXAMPLES:

ANNEX A

3. Project modifications as authorized in the pertinent special provisions of certain agencies in the GAA

MFO/PAP		FROM	TO
3.1 Department of Public Works and Highways			
<i>Project</i>	PROJECTS		
<i>Locally-Funded Projects</i>	Locally-Funded Projects		
<i>Project Category</i>	Roads and Bridges		
<i>Sub-project Category</i>	Local Roads		
<i>Operating Unit</i>	Las Pinas-Muntinlupa DEO		
<i>Project Title</i>	Local Infrastructure Project - Rehabilitation of Road, Talon 3, Las Pinas City Lone District	(300,000)	
<i>Sub-project Category</i>	Local Bridges		
<i>Operating Unit</i>	Las Pinas-Muntinlupa DEO		
<i>Project Title</i>	Construction/repair/rehabilitation/ improvement of various infrastructure including local projects - Replacement of Naga Bridge, Las Pinas City Lone District		300,000
3.2 Department of Agriculture			
<i>Project</i>	PROJECTS		
<i>Locally-Funded Projects</i>	Locally-Funded Projects		
<i>Project Category</i>	Roads and Bridges		
<i>Sub-project Category</i>	Farm to Market Roads		
<i>Operating Unit</i>	Regional Field Unit - I		
<i>Project Title</i>	Concreting of Brgy. Pila Farm-to-Market Road, Brgy. Pila, Cabugao, Ilocos Sur	(150,000)	
<i>Sub-project Category</i>	Farm to Market Roads		
<i>Operating Unit</i>	Regional Field Unit - I		
<i>Project Title</i>	Concreting of Brgy. Dardarat Farm-to-Market Road, Brgy. Dardarat, San Juan, Ilocos Sur		150,000

Department of _____
 Agency/Operating Unit _____
 Address _____

REALIGNMENT ADVICE FORM (RAF) NO. 2015-03-XXXX

Dated : _____

Funding Source : Regular Agency Fund - General Fund - New General Appropriations - Specific Budgets of National Government Agencies

Legal Basis : RA 10651 Regular 2015 CURRENT

DEFICIENT ITEMS (TO) :

PROGRAMS / PROJECTS / ACTIVITIES	RESPONSIBILITY CENTER	ALLOTMENT CLASS	OBJECT OF EXPENDITURES	AMOUNT
1000100001	060010100000-01-05. Corporate Planning & Research Service	MOOE	(50201010) Traveling Expenses	80,000.00
Total :				80,000.00

SOURCE ITEMS (FROM) :

PROGRAMS / PROJECTS / ACTIVITIES	RESPONSIBILITY CENTER	ALLOTMENT CLASS	OBJECT OF EXPENDITURES	AMOUNT
1000100001	060010100000-01-02. Administrative Service	MOOE	(50205000) Communication Expenses	(80,000.00)
Total :				(80,000.00)

Prepared by:

Recommended by:

Analyst/Specialist

Budget Officer/ Director, FS

Approved by:

Agency Head or Representative

Department/Agency _____
 Funding Source _____

CERTIFICATION OF ACTUAL DEFICIENCY AND SOURCES OF FUNDS

This is to certify that the amount of PhP _____ is available and not yet obligated as of _____, considering that the original purposes (as enumerated below) have already been undertaken in the early part of FY 2015.

FROM - (Allotment Class, e.g., MOOE)			
PIA/P		OBJECT OF EXPENDITURE	AMOUNT (in pesos)
CODE	DESCRIPTION		
Total			()

This is to certify further that the said available allotments shall be used to cover the following purposes of realignment:

TO - (Allotment Class, e.g., CO)			
PIA/P		OBJECT OF EXPENDITURE	AMOUNT (in pesos)
CODE	DESCRIPTION		
Total			+

Prepared by:

Approved by:

 Budget Officer

 Agency Head