



Republic of the Philippines  
**Department of Education**

DepEd ORDER  
No. **75**, s. 2016

**29 DEC 2016**

**IMPLEMENTING GUIDELINES ON THE USE OF CAPITAL OUTLAY FUNDS  
FOR SCHOOLS EFFECTIVE FISCAL YEAR 2016**

To: Undersecretaries  
Assistant Secretaries  
Bureau and Service Directors  
Schools Division Superintendents  
Public Elementary School Heads  
All Others Concerned

1. The Department of Education (DepEd) issues the enclosed **Implementing Guidelines on the Use of Capital Outlay (CO) Funds for Schools Effective Fiscal Year (FY) 2016**. This fund is lodged under Schools Division Offices in the DepEd's Operations of Schools-Elementary Education budget in the General Appropriations Act starting FY 2016.
2. The Fund aims to enable elementary schools to finance small CO requirements, such as furniture and equipment, which cannot be charged against their regular operating budgets or against their Maintenance and Other Operating Expenses allocations.
3. The mechanisms and procedures contained herein shall guide the composition, utilization and reporting of this Fund. It shall also clarify the guidelines on the capitalization threshold of Plant, Property and Equipment as prescribed in the new Government Accounting Manual issued by the Commission on Audit and as cited in DepEd Order Nos. 13 and 31, s. 2016.
4. For any inquiries on this matter, all concerned may contact the **Office of the Finance Director-Budget and Performance Monitoring**, Department of Education (DepEd) Central Office, Ground Floor, Alonzo Building, DepEd Complex, Meralco Avenue, Pasig City at telephone no. (02) 637-4611.
5. Immediate dissemination of and strict compliance with this Order is directed.

  
**LEONOR MAGTOLIS BRIONES**  
Secretary

Encl.: As stated

References: DepEd Order: (Nos. 13 and 31, s. 2016)

To be indicated in the Perpetual Index under the following subjects:

ALLOCATIONS  
BUDGET  
EXPENSES  
ELEMENTARY EDUCATION

FUNDS  
POLICY  
PROCEDURE  
SCHOOLS

**IMPLEMENTING GUIDELINES ON THE USE OF CAPITAL OUTLAY FUNDS  
FOR SCHOOLS, EFFECTIVE FISCAL YEAR (FY) 2016**

**I. Rationale**

- 1) School budgets are important tools not only in promoting more efficient operations of schools but also in promoting desired learning outcomes among students. It is for this reason that the Department of Education has endeavored to increase the resources available to schools, whether through the phased implementation of a rationalized allocation formula (starting FY 2013) or through the direct release of school subsidies previously managed by the Central Office (starting FY 2016). These efforts are coupled with capacity building programs for school heads and managers, the deployment of additional school finance personnel, and the nationwide roll-out and training of school personnel on the DepEd's Financial Management Operations Manual to ensure that school resources are managed efficiently and judiciously.
- 2) Apart from regular maintenance and operating expenses, schools also require capital outlay expenditures in order to run effectively. Big ticket capital outlay items such as school buildings, laboratories and equipment are provided to schools in kind, as the procurement of these items are done through the Central Office. Since some capital outlay items such as school furniture and ICT and office equipment have shorter useful lives, the replacement or purchase of these items may be more efficiently managed at the school rather than Central level. Prior to the issuance of the New Government Accounting Manual (GAM), small capital outlay expenditure items could not be purchased by schools since their allocations only comprised of Maintenance and Other Operating Expenses (MOOE).
- 3) With the support of the Department of Budget and Management, the DepEd proposed for and received a minimal allocation of capital outlay budgets for schools in the 2016 General Appropriations Act (GAA). By enabling schools to have access to capital outlay funds, albeit for small items, the DepEd hopes to gain information on the nature and magnitude of capital outlay needs of schools, which will support improvements in allocation of school budgets in subsequent years.
- 4) This DepEd Order aims: i) to provide guidance to all public schools on the composition, release and the utilization of school capital outlay budgets; ii) to clarify the application of the capitalization threshold of Property, Plant and Equipment based on the new GAM; iii) to ensure timely and optimal use of school resources, and iv) to institute mechanisms for transparency and accountability.

## **II. Scope of Policy**

- 5) This DepEd Order provides the mechanisms and procedures for the utilization, release and liquidation of capital outlay funds intended for public elementary schools nationwide.

## **III. Policy Statement**

- 6) This DepEd Order hereby establishes the mechanisms and procedures in the utilization of Capital Outlay funds for Elementary Schools and the capitalization of Property, Plant and Equipment that shall be followed strictly by all public elementary, Junior and Senior High schools and all Schools Division Offices (SDO) in the country. This policy promotes equity, transparency and accountability.

## **IV. Procedures**

### **A. Release of School Capital Outlay Budgets**

- 7) Capital Outlay allotment of Five Hundred Thousand Pesos (P500,000) is allocated per SDO under Operations of Schools – Elementary Education in the DepEd’s budget, starting in the 2016 GAA.
- 8) The concerned Department of Budget and Management (DBM) Offices shall release this allotment directly to SDOs through the General Appropriations Act as Release Document (GAARD). The cash allocations pertaining to the released allotments are issued by the DBM direct to the Modified Disbursement Scheme (MDS) Sub-Accounts of SDOs.
- 9) The SDO shall release this budget to schools in the form of cash advance.
- 10) Given that the appropriated budget is minimal in amount, the SDO is tasked to set standards in selecting which elementary schools will be prioritized in the allocation of this fund. Public elementary schools have been prioritized in the provision of this fund considering that they have generally smaller school budgets than their Junior or Senior High School counterparts and that smaller elementary schools may have limited access to other sources of funds such as from donors or the Special Education Fund.
- 11) The availability/validity of this fund is governed by the General Provisions in the GAA on the Release and Use of Funds.

## **B. Composition and Use of School Capital Outlay Budgets**

- 12) The allocation of Five Hundred Thousand Pesos (P500,000) is allocated per SDO under Operations of Schools – Elementary Education is composed of the following objects of expenditure.
  - a. P100,000 for Furniture and Fixtures – which may be used for purchase of furniture and fixtures, among others, except for school seats and teachers’ tables and chairs since these are funded under a separate line item in the DepEd’s budget.
  - b. P200,000 for Office Equipment – which may be used for the procurement of photo copying machines, risographs or television sets for instructional use, among others
  - c. P200,000 for ICT Equipment – which may be used for the purchase/replacement of laptops, printers, or LCD projectors for administrative use, among others
  
- 13) The above-listed objects of expenditure were proposed for this budget based on feedback from schools on the usual items that they are unable to purchase or procure previously due to lack of capital outlay allotments.
  
- 14) This budget may not be used for infrastructure-related activities such as construction, repair, fencing, electrification of buildings, land improvement, or installation of drainage/water system since there are no objects of expenditure for this purpose and since these are budgeted under a separate line item in the DepEd’s budget.
  
- 15) Realignments or modification in allotments within Operations of Schools-Elementary Education is allowed and will be governed by the General Provisions in the GAA:
  - a. For realignments in object of expenditure within an allotment, the DepEd Secretary or his/her designated authority shall approve the requests.
  - b. For realignments from one allotment class to another (ex. from school MOOE to school Capital Outlay), the SDO shall endorse a request to the DepEd Central Office, through the Regional Office, which shall evaluate and refer the same to the DBM for approval.
  - c. Note the timelines prescribed in the General Provision for realignments within or from Capital Outlay. Note further that realignments shall not entail an increase in the total amount appropriated for the budget line item.

## **C. Capitalization Threshold for Plant, Property and Equipment**

- 16) The new GAM issued by the Commission on Audit allows for the capitalization of an individual asset recognized as Plant, Property or Equipment (PPE) with a minimum cost of Fifteen Thousand Pesos (P15,000).

- 17) Therefore, notwithstanding the School Capital Outlay budget lodged under Operations of Schools – Elementary Education, public elementary and also public Junior and Senior High Schools may use their school MOOE budgets to procure small capital expenditure items worth **not more than P15,000**. This provision effectively clarifies/amends the provision on the same in DepEd Order No. 13 and No 31, s.2016.
- 18) The capitalization threshold shall be implemented based on the following guidelines:
  - a. The threshold is applied on an individual asset or on a per item basis. Therefore, each item within the bulk acquisition will need to meet the capitalization threshold of P15,000 to be recognized as PPE.
  - b. Mandatory and other basic operating expenses of the school shall be prioritized over capitalization of PPE in the use of school MOOE.

#### **D. Liquidation and Reporting of School Capital Outlay Budgets**

- 19) Pursuant to Item H.1.1 of the Manual on Simplified Accounting Guidelines and Procedures for the Use of Non-Implementing Units/Schools, Version 2008, recipient elementary schools shall submit to the SDO, the paid Disbursement Vouchers (DVs) and all supporting documents which shall serve as liquidation or replenishment of the cash advance granted. Any remaining cash advance at the end of the year must be liquidated in full and unexpended balances refunded.
- 20) SDOs and recipient public elementary schools shall disburse funds in accordance with the existing budgeting, accounting, procurement, and auditing rules and regulations.
- 21) Moreover, all SDOs are required to submit to their respective ROs reports on the monthly status of school Capital Outlay budget utilization, including issues and challenges encountered, if any, using the same forms prescribed in DepEd Order No.13, s.2016. Such reports shall be consolidated by the ROs concerned for subsequent submission to the Central Office thru the Accounting Division-FS every 10<sup>th</sup> day of the month. The existing accounting and auditing rules and regulations shall govern the liquidation process.

#### **V. Penalty Clause**

- 22) Any DepEd Personnel who violates any provision of this Order shall be dealt with administratively, pursuant to DepEd Order No. 49, s. 2006, otherwise known as the “*Revised Rules of Procedure of the Department of Education in Administrative Cases*”.

**VI. Effectivity**

23) This Order shall take effect immediately upon issuance, including the provisions which amends previous issuances, and shall remain in effect unless revoked.