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Mobilizing LGU Support for Basic Education: Focus on the Special Education Fund

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Mobilizing LGU Support for Basic Education: Focus on the Special Education Fund

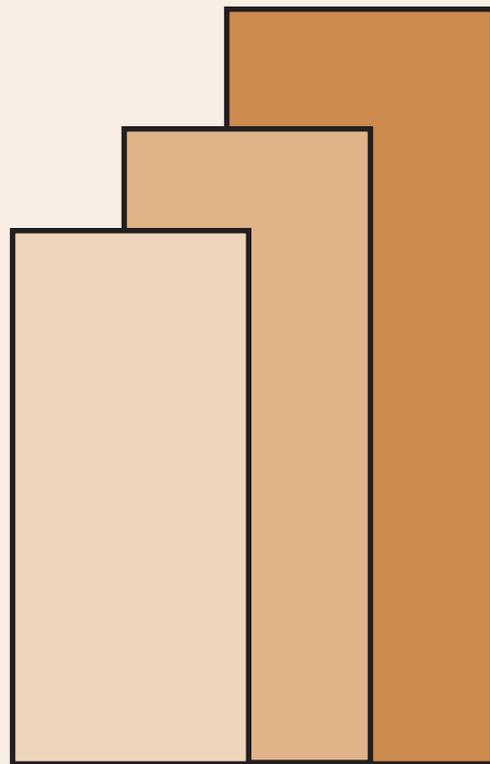
*Rosario G. Manasan, Alicia B. Celestino
and Janet S. Cuenca*

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May 2011

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**MOBILIZING LGU SUPPORT FOR BASIC EDUCATION:
FOCUS ON THE SPECIAL EDUCATION FUND**

*Rosario G. Manasan
Alicia B. Celestino
Janet S. Cuenca*

MAY 2011

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Mobilizing LGU Support for Basic Education: Focus on the Special Education Fund

Abstract

Basic public education is still largely the responsibility of the central government, delivered through the Department of Education (DepEd), notwithstanding the devolution of many basic services to LGUs. However, the local government units (LGUs) do provide supplementary funding support to public basic education because they have access to a sustainable source of financial resources that are earmarked for the basic education sub-sector, the Special Education Fund (SEF). The SEF comes from an additional one percent tax on real property that LGUs are mandated to impose and collect by virtue of Republic Act 7160 or otherwise known as the Local Government Code of 1991.

The resources that LGUs provide to the basic education sector from their General Fund are quite significant at 7% of total general government spending on basic education in 2001-2008. Thus, the LGUs are considered major partners of the national government in the delivery of basic education services. In this light, the study examines the management of Special Education Fund (SEF) in terms of collection, allocation and utilization in order to maximize LGUs' support for the Education for All (EFA) initiative and to promote a more equitable allocation of resources for basic education.

However, there are significant disparities in per pupil SEF spending across LGUs of different income classes and in different regions. LGUs in urban areas (i.e., cities and the large municipalities) where property values are high tend to have larger tax bases. These disparities have significant implications on the ability of the LGUs to provide additional support to the basic education sector.

At the same time, LSBs in the aggregate have registered fiscal surpluses (revenues in current year less expenditures in current year) year after year. This is true for all levels of local government with the exception of provinces in 2001. Also, it is notable that cities posted larger fiscal balances (26% of total SEF income) than provinces (10% of total SEF income) and municipalities (17% of total SEF income) in 2001-2008. On the other hand, the accumulated cash balances of all LSBs in the aggregate has remained fairly stable over time at 50% of total SEF income (or about 6-months' worth of annual SEF income) in 2002-2007. Arguably, such a level of the SEF cash balance appears to be on the high side. In sum, there is indeed some evidence of underspending in the SEF of some of the LGUs visited. This occurrence appears to be related to the lack of transparency in the reporting of SEF collections and balances in the course of the execution of the SEF budget.

In terms of spending priorities, some of the major findings of the study include: (i) maintenance and other operating expenditures captured the biggest chunk of the total SEF spending of all LGUs in the aggregate (40%) while capital outlays and personal services garnered an average of 32% and 29% of LGUs total SEF spending in 2001-2008; (ii) repair/maintenance and construction of school buildings tops the list of SEF spending priorities in the sample Provincial School Boards (PSBs) and the sample City School Boards (CSBs); and (iii) relatively large portions (20%-50%) of the SEF are set aside for sports and other co-curricular activities and programs of the DepEd.

The findings of the study highlight the need to improve the governance of Local School boards. Related to this, the measures proposed include: (i) clearer guidelines on preparation of the LSB budget, (ii) the establishment of needs-based criteria in allocating SEF across schools to ensure its efficient and effective use, and (iii) institutionalization of greater transparency between DepEd and LGUs in terms of reporting of resources that schools receive from the DepEd budget, on the one hand, and actual SEF collections and its utilization during the budget year, on the other hand, in order to foster better working relationship in the Local School Board.

Keywords. basic public education, Special Education Fund (SEF), Local School Board (LSB), Local Government Code (LGC), basic education financing

Mobilizing LGU Support for Basic Education: Focus on the Special Education Fund*

*Rosario G. Manasan, Alicia B. Celestino, and Janet S. Cuenca***

1. INTRODUCTION

The Philippine Constitution provides that all Filipinos have the right to receive free quality basic education. The country's commitment to the Millennium Development Goals and the Philippine National Education for All (EFA) Plan aims to translate this constitutional guarantee into a reality by 2015. To help ensure the achievement of the EFA 2015 targets, it is critical that adequate and stable funding is secured for countrywide attainment of goals.

The budget of the DepEd was relatively more protected than the budgets of other agencies, posting better than average growth in 1997–2004 at a time when the government imposed severe fiscal measures in order to improve its fiscal position. Thus, relative to other departments in the national government, the DepEd consistently receives the largest share of the national budget, accounting for 14% of the total national government budget and 19% of the total national government net of debt service in 1997-2004.¹ Despite this, real DepEd spending per pupil fell from P6,601 in 1997 to P5,038 in 2005.

The DepEd is a major beneficiary of the fiscal space created by improvements in NG revenue stream starting in 2006. Thus, real DepEd spending per pupil rose to P5,256 in 2006 and P5,958 in 2007. In 2005-2007, the DepEd prioritized spending on key inputs (namely, classrooms, textbooks, desks/chairs, and teachers) in order to address the deficit in these inputs that has hounded the basic education sector for years. For instance, total allotment for the construction of additional classrooms expanded from 2.7% of total allotment for the DepEd (inclusive of the School Building Program or SBP) in 2005 to 3.9% in 2006 and 9.7% in 2007 while the allotment for textbook procurement to the total allotment for the DepEd increased from 1.2% in 2005 to 1.9% in 2006 and 2.2% in 2007. On the other hand, the allotment for the creation of new teacher items and the procurement of desks/chairs was respectively equal to about 1.1% and 1.2% of the total allotment for the DepEd in 2005-2007.

As a result, the DepEd was able to gradually reduce the teacher deficit from 37,986 in SY 2003-2004 to 9,333 as of the end of SY 2007-2008 while the classroom deficit was

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¹ Admittedly, debt service and transfers to LGUs have a bigger budget share than the DepEd during this period.

reduced 31,952 to 20,238.² On the other hand, the textbook-pupil ratio improved dramatically from 1:6 in SY 1999-2000 to an average of 1:1.2 for all subjects with the exception of secondary level English which had a ratio of 1:2 in SY 2007-2008.

In addition to closing the gap in the provision of key education inputs, the DepEd also identified four main areas for additional investments so as to improve education outcomes: school-based management (SBM), competency-based teacher standards (CBTS), quality assurance and accountability framework and outcomes-focused resource mobilization. The key actions to implement SBM include the provision of school-based MOOE and competitive capacity-building school grants. On the other hand, the key actions to implement competency-based teacher standards include the allocation and use of INSET funds to meet the teacher development needs.

DepEd's budget allocation in 2005-2007 reflects the aforementioned priorities. Thus, the allotment for school-level MOOE increased from 2.6% of total allotments in 2005 to 2.8% in 2006 and 3.9% in 2007. Similarly, the allotment for teacher training rose from 0.1% of total allotments in 2005 to 0.5% in 2006 and 0.9% in 2007. In addition, the share of foreign-assisted projects which support SBM implementation as well as the three other priority areas of the PIP accounted for 1.4% of total DepEd allotments in 2005-2007.

However, the Medium-Term Expenditure Plan (MTEP) of the DepEd indicates that the needed resources for the attainment of the EFA targets exceed what has been provided by the national government thus far for the basic education sector including basic formal education, informal and non-formal education, and pre-school education. Thus, DepEd recognizes the need to actively engage various stakeholders (namely, LGUs, non-government and private organizations) in order to mobilize more resources for the sector in such a manner that would encourage said stakeholders not only to augment school-level resources but also to help manage these resources more effectively towards the upgrading of educational outcomes. Such outcome-focused resource mobilization and management will involve (i) the improvement of DepEd-LGU cooperation through the Local School Boards, (ii) the continuance of the school-building program pioneered under the TEEP which featured cost-sharing between LGUs and the DepEd and (iii) the enhancement of public-private partnerships using education service contracting, the Adopt-a-School program and the collaboration between the DepEd and large private sector organizations like the League of Corporate Foundations.

1.1. Role of LGUs in Basic Education

Notwithstanding the devolution of many basic services to LGUs, basic education is still largely the responsibility of the central government and is delivered through the Department of Education (DepEd). However, LGUs do provide supplementary funding support to public basic education because they have access to a sustainable source of

² A total of 41,546 new classrooms were constructed from various funding sources in 2004-2007. However, more than half of this number was actually utilized to replace dilapidated or sub-standard classrooms that were previously in use prior to the availability of the new classrooms. This situation indicates the need to improve the inventory of public school buildings classified according to physical condition. More recent estimates based on improved estimation methodology show, however, that the input deficit numbers are much larger than previous estimates indicate.

financial resources that are earmarked for the basic education subsector, the Special Education Fund (SEF).

The monies in the SEF come from an additional 1% tax on real property that LGUs are mandated by the Local Government Code (Republic Act 7160 of 1991) to impose and collect. On the average, total SEF income of all LGUs combined is equal to 0.23% of GDP in 2001-2008 while total SEF spending of all LGUs in the aggregate is equal to 0.19% of GDP during the same period. While SEF spending does not seem large when compared to either total general government education spending on basic education (7.4%) or total DepEd spending (8.1%), it is substantial when reckoned relative to DepEd spending on non-personal services (69%) or DepEd maintenance and operating expense or MOOE (110%).

Moreover, SEF expenditures of all LGUs in the aggregate is estimated to be about 2.4 times as large as total DepEd allocation for school level MOOE in 2007.³ Thus, if one assumes that all of the SEF expenditures of all LGUs are spent on school level MOOE and if the SEF were distributed across LGUs in direct proportion to enrollment, then per student SEF spending would equal to PhP692. This figure is substantially higher than the average DepEd school level MOOE allocation of PhP293 per student at both the elementary and secondary level (Manasan and Castel 2009).

In addition to education expenditures funded out of the SEF, LGUs also provide some budgetary support for education from the General Fund (GF). For instance, in 2005, all LGUs in the aggregate spent PhP 11.9 billion on education. Of this amount, 86.5% came from the SEF while 13.5% came from the General Fund (Manasan and Castel 2009).⁴

Thus, LGUs are considered major partners of the national government in the delivery of basic education services. Their participation particularly in providing funding support is critical in achieving the EFA targets.

1.2. Review of Literature

The “*Study on the Decentralization of Basic Education Management*” (2001), an Advisory Technical Assistance funded by the Asian Development Bank (ADB), revealed that most LGUs are unable to contribute significantly in financing basic education. The efficiency of LGUs in collecting the real property tax and the income class of LGUs affect the size of SEF. In particular, fifth and sixth income class municipalities, mostly those that are mainly rural or classified as deprived, depressed, and underserved, are at a major disadvantage because the low level of real property tax values in these areas means that SEF is likewise small, and thus hardly able to augment the operations and maintenance needs of schools in their jurisdiction.

In turn, the disparities in the ability to raise funds for the SEF result in inequalities in overall funding among schools in LGUs that belong to different income classes. In the “*Study on Normative Financing in Basic Education*,” Atkin and Manasan (2001) observed that “the tax on which the SEF is based – one percent of the value of real

³ Total DepEd allocation for school level MOOE is derived by multiplying the per pupil/per student allocation by total number of pupils/ students. In 2007-2008, DepEd allocation for school MOOE is PhP207 per pupil at the elementary level and PhP500 per student at the secondary level.

⁴ This data came from the BLGF.

property – is not a particularly good⁵ way of raising money for education locally. For instance, the highest assessed values for real property – and the highest collection rates – are found in areas with high proportions of commercial and industrial property, and these areas have relatively few residents of school age. Equally, predominantly residential areas with high volumes of young people may show both low overall assessed property values and lower collection rates.”

More recently, Manasan and Castel (2009) documented substantial disparities in per pupil SEF spending across LGUs of different income classes. They found that per student SEF spending of cities is greater than that of municipalities regardless of the income class of LGUs in 2006. At the same time, within each level of LGU, higher income class LGUs tend to have higher per student SEF expenditures than lower income class municipalities.⁶ Taking cognizance of the disparities in the amount of funding support available from the SEF, the recently concluded AusAID-financed “*Study on Equitable MOOE Allocation*” (Boncodin and Nuqui 2008) recommends devising a system to equitably allocate the limited MOOE funds from the GAA by factoring the type of income class of the municipalities where the school is situated.

Currently, the sharing of the responsibility for the financing of basic education between the national and LGUs is not clearly defined. Manasan and Castel (2009) suggest that there is a mismatch between what appears to be the actual needs of the schools based on school level data, on the one hand, and the actual pattern of SEF spending by LGUs, on the other hand. They also pointed out that the effectiveness of the SEF in influencing education outcomes may be improved with better flow of information between the DepEd and the Local School Boards pertaining to (i) the results of teacher deployment analysis by school and the assignment of new teacher items, (ii) the results of classroom and school furniture availability by school and the programmed allocation of new classroom construction from the Basic Education Facilities Fund or School Building Program under the General Appropriations Act (or GAA), (iii) the school improvement plans, (iv) other resources available to the schools from the appropriations for the DepEd under the GAA, and (v) the school report card including key performance indicators like drop-out rates and pupil achievement scores. Thus, they recommend the issuance of new guidelines that will promote the use of such information in the allocation of the SEF across schools and across different expense items.

But perhaps just as important as the actual expenditures that are funded by the SEF are the structure of the Local School Board (LSB) and the processes that define how the LSB allocates the SEF. As pointed out by Mayor Jesse Robredo of Naga City, in his paper *Reinventing Local School Boards in the Philippines*, “the LSB seems well represented; but in reality most of them are not functioning well. Decision making has been confined to the original “8-man LSB” where most often than not, educational priorities are being defined by its two most powerful members, the local chief executive and the schools division superintendent.” While there are many anecdotal stories regarding these issues, there is a need to better document the dynamics between the local chief executive and the division superintendent/ district supervisor in the LSB in order to better understand how to harness the support of LGU officials in achieving improved education outcomes.

⁵ “Good” here is used in the sense of “being equitable.”

⁶ Similar results are observed using 2008 data. See Table 5 below.

Finally, Boncodin and Nuqui (2008) noted the existence of a relatively large surplus (reportedly about 30 percent of collections in 2006) in the SEF. This is a cause of concern because the unexpended SEF represent resources that could have been put to better use to help schools improve their performance. This finding indicates the need to better understand which LGUs are not maximizing the utilization of their SEF and what factors contribute to large SEF surpluses and balances.

1.3. Objective of the Study

This study aims to examine the management of Special Education Fund (SEF) in terms of collection, allocation and utilization in order to maximize LGUs' support for the EFA initiative and to promote a more equitable allocation of resources for basic education.

In more specific terms, the objectives of the present study are as follows:

- a. to analyze the trends in SEF collection, utilization and balances;
- b. to assess the criteria used by different LSBs in allocating their SEF and to their verify compliance with legal and regulatory requirements;
- c. to assess the budget processes (calendars, approvals, reporting on expenditures);
- d. to assess the accountability systems in SEF expenditure (reporting, internal audit, external audit);
- e. to provide inputs towards the development of a budget manual for the SEF defining the budget calendar, allocation criteria, approval process, reporting of expenditures, etc.;
- f. to evaluate the roles of the different members of the LSB in developing plans, budgets and accounting for these, including the links with schools (data collection, use of the SIP) and the feed in and feed back mechanisms;
- g. to propose options for strengthening the LSB not only in terms of its composition but also the processes that defines its functioning (e.g., improving planning, building capacity etc.);
- h. to review the legal and regulatory implications for SEF and LSB of the various proposals to amend the composition/membership of the LSB, the role/s of the members and the functions of the LSB on SEF collections, allocation and utilization;
- i. to establish the roles and responsibilities of other stakeholders such as Department of Finance (DOF), Department of Budget and Management (DBM), and Commission on Audit (COA) in SEF management;
- j. to evaluate the implications of various proposals to amend the provisions of the Local Government Code pertinent to the SEF, including that which proposes to increase the SEF tax rate from 1% to 2%;⁷
- k. to identify options for ensuring a fair and equitable allocation of SEF/non-SEF resources to compensate for the wide disparities in SEF resources across LGUs; and
- l. to examine the non-SEF budget of the LGU (funded from the IRA and other sources) and describe the budget process that governs allocation of the General Fund, including how the education sector is considered in this process.

⁷ In particular, the DepEd expresses interest on the potential impact of the tax rate increase on closing the resource gap in basic education, the resistance to pay the additional tax and how this might be mitigated, and impact on poorer LGUs.

2. APPROACH AND METHODOLOGY

To achieve the aforementioned objectives, this study undertook the following activities:

- Desk review of secondary data on SEF income, expenditures and balances from the financial reports submitted by LGUs to the Commission on Audit (COA) and Bureau of Local Government Finance (BLGF);
- Field visits to selected Provincial/City Divisions and School Districts and their corresponding LGUs for key informant interviews and focus group discussions; and
- Analysis of recent LSB budget resolutions that are to be obtained from the field visits.

In order to use the time allocated for the field visits in an efficient manner, the selected LGUs/ School Divisions/ School Districts visited were clustered into groups of three (consisting of one province and its corresponding School Division, one city and its corresponding School Division, and one municipality and its corresponding School District in a given region).

The LGUs and Divisions/Districts that were visited were selected in such a way as to provide some degree of geographic representation of the three major island groups. In addition, the LGUs and Divisions that were included in the field visit were selected so as to gain some insights on how certain characteristics/ features of these LGUs and School Divisions/ Districts influence their SEF allocation and utilization decisions. These characteristics include, among others:

- LGUs with large SEF balances;
- Provincial and municipal LGUs that have experience in jointly providing equity share in school building construction;
- LGUs that established new schools and financed the construction of school buildings;
- LGUs that borrowed money from the bank to finance the construction of school buildings;
- High-performing divisions despite the absence of FAPs interventions and low SEF resources; and
- Low-performing divisions despite the benefit of FAPs interventions.

The study team visited a total of 10 provinces, 12 cities, 10 municipalities, and 30 barangays in 10 regions between September 15, 2009 and December 15, 2009 (**Table 1**).

During the field visits, LGU level data was collected for the years 2006, 2007 and 2008. Said data include: (a) LGU Financial Reports (Statement of Income, Cash Flows and Balance Sheets) for the General Fund and the SEF that LGUs submit to COA, (b) the Statement of Appropriations, Allotments, Obligations and Balances (SAAOB) for the General Fund and SEF and (c) the Local School Board Budget Resolutions including supplemental budget resolutions.

Table 1. Number of LSBs visited by region

Region	Provinces	Cities	Munis	Barangays
NCR		2		4
Region 1	1	1	1	4
Region 3	2	2	2	4
Region 4 A	1	1	1	4
Region 6	1	1	1	4
Region 7	1	1	1	2
Region 8	1	1	1	2
Region 10	1	1	1	2
Region 11	1	1	1	2
Region 12	1	1	1	2
Total	10	12	10	30

3. LEGAL FRAMEWORK

Republic Act 5447. The Special Education Fund was originally created under Republic Act (RA) No. 5447, entitled “An Act Creating a Special Education Fund to be Constituted from the Proceeds of an Additional Real Property Tax and a Certain Portion of the Taxes on Virginia-Type Cigarettes and Duties on Imported Leaf Tobacco Defining the Activities to be Financed, Creating School Boards for the Purpose, and Appropriating Funds There from,” which took effect in 1969. In the case of provinces, 50% of the collections from the additional 1% real property tax imposed under RA 5447 went to the SEF of municipality where the property subject to tax is situated, 20% to the SEF of the province and 30% to the Bureau of Treasury (BTr). In the case of cities, 60% of the collections from the additional 1% tax on real property went to the SEF of the city while 40% went to the BTr. The amounts remitted to the BTr were meant to be expended exclusively for stabilizing the SEF in municipalities, cities and provinces.

Under RA 5447, the allocation and utilization of the SEF was largely under the control of the Department of Education. To wit, the SEF was meant to be expended exclusively for the following activities of the Department of Education: (a) the organization and operation of extension classes that may be needed to accommodate all children of school age desiring to enter Grade I; (ii) the construction and repair of elementary school buildings, and the acquisition of sites; (iii) the payment and adjustment of salaries of public school teachers; (iv) the preparation, printing and/or purchase of textbooks, teachers' guides, forms and pamphlets, approved in accordance with existing laws to be used in all public schools; (v) the purchase and/or improvement, repair and refurbishing of machinery, laboratory, technical and similar equipment and apparatus, including spare parts needed by the Bureau of Vocational Education and secondary schools offering vocational courses; (vi) the purchase of teaching materials such as workbooks, atlases, flip charts, science and mathematics teaching aids, and simple laboratory devices for elementary and secondary classes; (vii) the implementation of the existing program for citizenship development in barrio high schools, folk schools and adult education classes; (viii) the undertaking of education research, including that of the Board of National Education; (ix) the granting of government scholarships to poor but deserving high school graduates who intend to enroll in priority courses in higher education institutions; and (x) the promotion of physical education, such as athletic meets.

RA 5447 called for the creation of Local School Boards (LSBs) at the provincial, city and municipal levels which were composed of the provincial/city division superintendent/district supervisors as chairman and the representative of the governor/city mayor/ municipal mayor, the local treasurer, the representative of the local council and the representative of the League of Parents-Teachers Associations as members. Under RA 5447, the LSBs were mandated to determine the allocation of the SEF for the operation and maintenance of public schools within the province, city or municipality in accordance with the criteria set by the Bureau of Public Schools or by the Bureau of Vocational Education, as the case may be, and approved by the Secretary of Education.

Local Government Code (LGC) of 1991 (Republic Act 7160). The Local Government Code (LGC) of 1991 amended RA 5447 and provides that a province or city, or a municipality within the Metropolitan Manila Area, may levy and collect an annual tax of one percent (1%) on the assessed value of real property which shall be in addition to the basic real property tax and that the proceeds thereof shall exclusively accrue to the Special Education Fund (Section 235). Furthermore, the LGC provides that the proceeds from the additional one percent (1%) tax on real property shall be automatically released to the local school boards (Section 272). In the case of provinces, the proceeds are divided equally between the provincial and municipal school boards.

At the same time, the LGC calls for the creation of the Local School Board (LSB) in provinces, cities and municipalities. The LSB is composed of the *local chief executive* and the *division superintendent/district supervisor of schools* as co-chairmen and with the following as members: (i) chairman of the education committee of the Sanggunian, (ii) local treasurer, (iii) representative of “pederasyon ng mga sanggunian kabataan,” (iv) duly elected president of the federation of parents-teachers associations, (v) duly elected representative of the teachers’ organizations, and (vi) duly elected representative of the non-academic personnel of public schools in the LGU (Section 98). In turn, the LSB is mandated (i) to determine the allocation of the school board budget, (ii) to authorize the local treasurer to disburse funds from the SEF, and (iii) to act as an advisory committee to the Sanggunian on educational matters (Section 99).

The Local Government Code contains two provisions that pertain to how the SEF is to be allocated. First, Section 100 provides that the annual school board budget shall give priority to the following: (i) construction, repair, and maintenance of school buildings and other facilities of public elementary and secondary schools; (ii) establishment and maintenance of extension classes where necessary; and (iii) sports activities at the division, district, municipal, and barangay levels.

Second, Section 272 provides that “the proceeds [of the SEF] shall be allocated for the operation and maintenance of public schools, construction and repair of school buildings, facilities and equipment, educational research, purchase of books and periodicals, and sports development as determined and approved by the Local School Board.”

On the other hand, Section 17 of the LGC enumerates the basic services and facilities that LGUs are mandated to provide. In particular, Section 17 (b) (2) (viii) lists “infrastructure facilities intended primarily to service the needs of the residents of the municipality and which are funded out of municipal funds including but not limited to, municipal roads and bridges; *school buildings and other facilities for public elementary and secondary schools,...*” as one of the basic services and facilities that municipalities

are tasked to provide. On the other hand, Section 17 (b) (4) calls on cities to provide “all the services and facilities of the municipality and province, and in addition thereto, the following: (ii) support *for education*, police and fire services and facilities.” It is worth noting, however, that the Section 17 does not specifically list education or school buildings as one of the basic services and facilities that provinces should provide, notwithstanding, the fact that “in case of provinces, the proceeds [of the additional 1% SEF tax] shall be divided equally between the provincial and municipal school boards” (Section 272).

Joint Circulars issued by the DepEd (formerly the Department of Education, Culture and Sports or DECS), the Department of Budget and Management (DBM) and Department of Interior and Local Government (DILG) provided the implementing guidelines on the utilization of the fund. Apparently taking off from Section 100 of the LGC, the expanded list of priorities included the following: (a) operation and maintenance of public schools, including organization of extension, non-formal, remedial and summer classes and payment of salaries and other authorized allowances of public school teachers; (b) construction, repair and maintenance of school buildings, and facilities; (c) other needed capital outlays such as the purchase, titling and improvement of school sites; (d) educational research; (e) acquisition/procurement of books, instructional materials, and periodicals; (f) acquisition of equipment, including information technology resources; (g) expenses for school sports activities at the national, regional, division, district, municipal and barangay levels; and (h) other DECS/DepEd related activities, including co-curricular activities. It was also clarified that the payment of salaries and authorized allowances of teachers hired to handle new extension classes of public elementary and secondary schools is included under operation and maintenance of public schools. The payment of salaries and authorized allowances of the non-teaching personnel was a late addition to the list, with the justification that this expense is apparently part of the cost of operating and maintaining schools.

Basic Education Governance Act of 2001 (RA 9155). While RA 7160 calls for political decentralization and the devolution of certain government functions to LGUs, RA 9155 calls for greater decentralization in the delivery of basic education services in the tradition of school-based management. That is, it calls for the empowerment of schools and learning centers “to make decisions on what is best for the learners they serve” (Section 2 – Declaration of policy). Section 2 also asserts that the state will encourage local initiatives towards the improvement of the quality of basic education.

RA 9155 establishes the application of the principle of shared governance in the delivery of basic education. This principle “recognizes that every unit in the education bureaucracy has a particular role, task and responsibility inherent in the office and for which it is principally accountable for outcomes.” In line with this principle, the office of the Secretary of education shall have the authority, accountability and responsibility for the formulation of national basic education policies, plans and standards and for the monitoring and assessment of national learning outcomes. On the other hand, the regional offices shall have the authority, accountability and responsibility for the development of regional basic education policy framework, plans and standards and for the monitoring and assessment of regional learning outcomes. The regional office is also tasked to approve the proposed staffing pattern of schools divisions and schools districts; evaluate the performance of division superintendents and assistant division

superintendents and to approve the establishment of public and private elementary and secondary schools and learning centers.

Meanwhile, RA 9155 gives schools division offices the authority, accountability and responsibility for the formulation and implementation of division basic education plans, recruitment, deployment and evaluation of division supervisors and district supervisors, monitoring the utilization of funds provided by the national government and LGUs to schools and learning centers, supervising the operations of all public and private elementary and secondary schools and learning centers and ensuring compliance of the quality standards of basic education programs. On the other hand, the schools district supervisor is responsible for curricula supervision and providing professional and instructional advice and support to the school heads and teachers/ facilitators of schools and learning centers in the district.

Finally, the schools (headed by the school head) are given the authority, accountability and responsibility for setting the vision, mission, goals and objectives of the school, creating in the school an environment that is conducive to teaching and learning, implementing the curriculum and being accountable for learning outcomes, developing and implementing the school education and school improvement plan, administering and managing all personnel, physical and *fiscal* resources of the school, recommending the staffing complement of the school based on its needs, establishing school and community networks, and encouraging the active participation of teachers organizations, nonacademic personnel of public schools, and parents-teachers-community associations in school level decision making.

Assessment of the legal framework. A closer reading of both the LGC and RA 9155 reveals some gaps within each one as well as mis-alignments between the provisions of the LGC and RA 9155. The provisions of the LGC and RA 9155, while not entirely inconsistent, are not congruent with one another either. Consequently, these mismatches cause confusion, if not discord, and in a general lack of clarity in the implementation of both laws especially with respect to the utilization of the SEF.

One, the LGC provides that schools district supervisor shall seat as co-chair of the Municipal School Board, perhaps because there is almost a one-to-one correspondence between the municipality and the schools district.⁸ In this context, schools district supervisors are expected to collate and evaluate the personnel, physical and fiscal requirements of the schools vis-à-vis the total amount of resources that are available to the schools from various sources. However, the mandate of schools district supervisors under RA 9155 is largely limited to curriculum and instructional supervision. Under RA 9155, it is the school heads who are responsible and accountable for administering and managing the fiscal resources of the school while the division superintendents are tasked with monitoring the utilization of funds provided to schools including those provided by the LGUs. At the same time, it is the school heads who prepare and implement the school improvement plans while the schools division superintendents are tasked to prepare and implement the division education development plan.

The existing arrangement regarding representation of the DepEd in the Local School Boards is also not quite consistent with the BESRA advocacy for a school-driven

⁸ However, there are some municipalities which are divided into more than one schools districts.

representation in the LSBs. Note that schools district supervisors do not play a central role in the flow of budgetary information as well as actual budgetary resources into schools with the greater decentralization of resources to the schools within the DepEd system in more recent years. Key informant interviews done during the course of this study suggest that some schools district supervisors are not fully informed about how much resources schools actually receive from the DepEd budget and how these resources are actually used. As such, this situation raises some issues on the quality of representation that district supervisors provide in the LSBs in terms of providing a school-based perspective. These findings notwithstanding, district supervisors may still be able to adequately represent the schools in the Local School Boards if they have access to good quality information on the flow of resources (personnel, budgetary and physical) to schools and school level.

Two, Section 100 is confusing when read together with Section 272. Section 100 seems to say that sports activities at the division, district, municipal and barangay levels should get higher priority than other items listed under Section 272. However, RA 9155 transferred all functions, programs and activities of the DepEd related to sports competition to the Philippine Sports Commission (PSC) even while school sports and physical fitness remains part and parcel of the basic education curriculum. At the moment, there appears to be some confusion on where one exactly draws the line between school sports and physical fitness and sports development/ sports competition. To further complicate matters, an Executive Order that was issued more recently has re-instituted the administrative attachment of the PSC to the DepEd. As a result, many division superintendents and district supervisors interpret the provisions of the LGC to mean that participation in the barangay, district, division, regional and national level of the Palarong Pambansa should be one of the priorities of the SEF.

Three, the use of the term “operation and maintenance of public schools” in Section 272 of the LGC is the subject of varying interpretations. On the one hand, the ambiguity in the use of the term “operation and maintenance” gives LSBs greater flexibility to respond to actual needs at the level of the schools in the LGU. On the other hand, one of the guiding principles of good expenditure assignment in fiscal decentralization is the need for greater clarity in the assignment of functions across levels of government. This stems from the fact that if all levels are made responsible for the same functions, it becomes extremely difficult to exact accountability from any one level of government.

Four, the DepEd has put in place a number of instruments and protocols (mostly based on the Basic Education Information System or BEIS) like the teacher deployment analysis and the classroom shortage analysis that will provide good support for evidenced-based resource allocation at the school level. However, the key informant interviews and the focus group discussions (FGDs) conducted for the purpose of this study suggest that the connection between these instruments/ protocols, on the one hand, and SEF allocation, on the other, are largely not being made even at the schools division level where LSB representation is not an issue.

4. TRENDS IN SEF INCOME AND EXPENDITURES

The SEF income of all LGUs in the aggregate grew by 8.5% yearly on the average from PhP 8.5 billion in 2001 to PhP 15.0 billion in 2008 (**Table 2**). On the other hand, aggregate SEF expenditures of all LGUs combined increased by 5.7% annually from PhP

7.8 billion in 2001 to PhP 11.5 billion in 2008. However, SEF income and expenditures both failed to grow in line with the growth of GDP. Thus, when measured relative to GDP, SEF income contracted from a high of 0.25% of GDP in 2002 to 0.20% of GDP in 2007 and 2008. In line with this, SEF expenditures went down from a peak of 0.21% of GDP in 2001 to 0.15% of GDP in 2008. The decline in the SEF income (measured as a percentage of GDP) is indicative of the poor revenue performance of the Special Education Fund. Many LGUs have not revised their schedule of market value of real properties in their localities as regularly as mandated by the Local Government Code. Also, earlier studies have shown that the real property tax collection efficiency in all LGUs in the aggregate is far from optimal (Manasan 2004).

Table 2. SEF Income and Expenditures, 2001-2007 (in million pesos)

	2001	2002	2003	2004	2005	2006	2007	2008	average
SEF Income	8,451	9,537	11,002	10,693	12,381	13,909	13,540	14,956	
SEF Expenditures	7,774	7,395	8,826	8,854	10,265	11,451	11,679	11,492	
SEF income as % of GDP	0.23	0.25	0.25	0.22	0.23	0.23	0.20	0.20	0.23
SEF expd as % of GDP	0.21	0.19	0.20	0.18	0.19	0.19	0.18	0.15	0.19
SEF expd as % of Gen Gov Basic Educ Expd	7.1	6.4	7.4	7.5	8.5	8.3	7.3	6.7	7.4
SEF expenditure as % of total DepEd spending	7.7	7.0	8.2	8.2	9.4	9.2	8.0	7.3	8.1
SEF expenditure as % of DepEd non-PS spending	61.0	86.4	83.9	73.9	85.5	69.0	54.2	41.0	69.4
SEF expenditure as % of DepED MOOE	85.7	135.0	142.3	120.1	121.7	112.8	100.5	59.4	109.7

Source of basic data: BILGF SIE, various years

SEF spending does not seem large when compared to either total general government spending on basic education or total DepEd spending. In 2001-2008, SEF expenditures of all LGUs as a group is equal to 7.4% of total general government spending on basic education and 8.1% of total DepEd spending. SEF expenditures of all LGUs in the aggregate is even more substantial when reckoned relative to DepEd non-personal services spending (69%) or DepEd maintenance and operating expense or MOOE (110%) in 2001-2008.

The distribution of aggregate SEF income across the different levels of local governments favors cities relative to provinces and municipalities. To wit, cities captured 66% of total SEF income of all LGUs combined in 2004-2008 while provinces and municipalities collected 16% and 19%, respectively (**Table 3**). On the other hand, cities contributed 63% of LGUs' total SEF expenditures in 2004-2008 while provinces and municipalities incurred 18% and 19%, respectively.

Three factors help explain this development. First, the proceeds from the additional SEF 1% tax on real property that accrues exclusively to the City School Boards in the case of properties located in any given city while it is divided equally between the Provincial School Board and the Municipal School Boards in the case of properties located in any given municipality. Second, and more importantly, real properties in cities tend to have

higher market values than those in municipalities because cities are generally more urbanized than municipalities.

Table 3. Distribution of SEF Income and Expenditures by Level of LGU, 2001-2007 (in million pesos)

	2004	2005	2006	2007	2008	average
Total SEF Income (in mill pesos)	10,693	12,381	13,909	13,540	14,956	
% Distribution by Level of LGU						
Province	15.9	16.5	14.6	16.4	16.5	16.0
Cities	63.8	63.7	67.9	66.1	65.9	65.5
Municipalities	20.3	19.8	17.5	17.5	17.6	18.5
Total SEF Expd (in mill pesos)	8,854	10,265	11,451	11,679	11,492	
% Distribution by Level of LGU						
Province	17.6	19.6	17.5	17.1	17.6	17.9
Cities	60.8	60.0	63.8	64.8	65.0	62.9
Municipalities	21.6	20.5	18.7	18.0	17.5	19.3
Per student SEF expd (in current pesos)						
Province	129	170	169	168	172	
Municipalities	159	178	180	177	170	
Province plus munis	288	348	349	345	342	
Cities	1052	1198	1398	1371	1213	
Per student SEF expd (in 2000 pesos)						
Province	106	131	124	120	114	119
Municipalities	131	137	132	126	113	128
Province plus munis	236	268	256	246	226	246
Cities	864	924	1025	976	803	918

Given that enrollment in public elementary and secondary schools in cities account for less than 35% of total public school enrollment nationwide, it is not surprising that real SEF spending per student (in 2000 pesos) in cities is close to 4 times as large as that of provinces and municipalities combined in 2004-2008 (**Table 3**). The average disparity in SEF spending per student across different levels of local governments masks even wider disparities in SEF spending per student across LGUs of different income class (**Table 4**). For instance, the median SEF spending per student of NCR cities is almost 18 times larger than that of fifth class cities while the median SEF spending per student of first class municipalities is more than 7 times larger than that of sixth class municipalities in 2008. It is notable, however, that the disparity in SEF spending per student of provinces of different income classes is smaller than that of municipalities and cities. To wit, the median SEF spending per student of first class provinces is less than twice as large as that of third-fifth class provinces.

Table 4. Median SEF income and spending per pupil in municipalities and cities classified according to income class, 2008
(in pesos)

Provinces			Municipalities			Cities		
LGU income class	SEF income	SEF expd	LGU income class	SEF income	SEF expd	LGU income class	SEF income	SEF expd
First	133	94	First	137	110	NCR cities	3,493	2,288
Second	90	89	Second	94	72	First class non-NCR	939	635
Third - Fifth	57	48	Third	82	68	Second/ Third	525	415
			Fourth	77	58	Fourth	300	282
			Fifth	58	42	Fifth	140	129
			Sixth	32	15			

Source of basic data: BLGF SIEs 2008

A closer look at the SEF spending of the sample provinces, cities and municipalities that were visited for this study shows that per student SEF spending ranged from a low of PhP 37 in one of the Visayan provinces visited to a high of PhP 893 in one of the Luzon provinces in our sample; from a low of PhP 159 in one of the Visayan cities visited to a high of PhP 14,900 in one of the NCR cities in our sample ; and from a low of PhP 45 and PhP 48 in two of the municipalities that the team visited in the Visayas to a high PhP 1,810 in one of the Luzon municipalities included in the sample (**Table 5**).

Table 5. Average SEF spending per pupil/ student in sample LGUs, 2008 (in pesos)

LGU Income Class	Per student SEF Spending
Provinces	
Luzon Prov A	1
Luzon Prov B	1
Luzon Prov C	1
Luzon Prov D	1
Visayas Prov A	1
Visayas Prov B	1
Visayas Prov C	3
Mindanao Prov A	1
Mindanao Prov B	1
Mindanao Prov C	1
Cities	
NCR City A	1
NCR City B	1
Luzon City A	3
Luzon City B	1
Luzon City C	4
Luzon City D	3
Visayas City A	1
Visayas City B	1
Visayas City C	4
Mindanao City A	1
Mindanao City B	2
Municipalities	
Luzon Muni A	2
Luzon Muni B	1
Luzon Muni C	2
Luzon Muni D	1
Visayas Muni A	1
Visayas Muni B	1
Visayas Muni C	4
Mindanao Muni A	1
Mindanao Muni B	2
Mindanao Muni C	1

5. SEF SPENDING PRIORITIES

Based on COA data, maintenance and other operating expenditures captured the biggest chunk of the total SEF spending of all LGUs in the aggregate (40%) while capital outlays and personal services received an average of 32% and 29% of LGUs total SEF spending in 2001-2008 (**Table 6**). In the aggregate, the budget share of personal services exhibited a well-defined downtrend, contracting from a high of 32% in 2002 to 26% in 2008. In contrast, the movement of budget share of MOOE and CO was more erratic during this period.

It should be emphasized, however, the budget share of personal services shown in **Table 6** tends to underestimate the actual proportion of the budget that is incurred for the purpose addressing the personnel requirements of schools/ district/ division offices. This is so because some teachers/ clerks/ utility/ security personnel may be hired on a “job order” basis and the associated expenditures classified as MOOE.

Table 6. Percent distribution of SEF spending of all LGUs combined by economic category, 2001-2008

	2001	2002	2003	2004	2005	2006	2007	2008	Average
PS	27.0	31.7	29.6	30.0	30.2	26.2	28.1	26.4	28.7
MOOE	43.6	39.5	36.4	36.3	40.9	35.2	38.0	47.2	39.6
CO	29.4	28.7	34.0	33.6	28.9	38.7	33.8	26.4	31.7

PS - personal services; MOOE - maintenance & other operating expenditures; CO - capital outlay

More interesting than the distribution of SEF spending across economic categories of spending is its distribution across different spending programs. However, information on SEF spending by program is not available from published data. Neither the COA nor the BLGF consolidates such information for all LGUs combined. Thus, the discussion that follows is based on data collected from the sample LGUs during the field visits.

Table 7 presents the SEF spending priorities of the sample provinces, cities and municipalities, respectively. They highlight both similarities and dissimilarities within each level as well as across levels of local government.

Repair/ construction of school buildings. On the average, repair/ maintenance and construction of school buildings topped the list of SEF spending priorities in our sample Provincial School Boards (PSBs) and our sample City School Boards (CSBs). To wit, the average combined budget share of repair/ maintenance and construction of school buildings was 35% in our sample PSBs and 28% in our sample CSBs in 2008. On the other hand, repair and construction of school building received the second biggest allocation (next to personal services) in the SEF budget of our sample Municipal School Boards (MSBs) on the average. Thus, the average budget share of repair and construction of school buildings combined in our sample MSBs was 19% in 2007.

However, the averages reported above hide substantial variation within each level of local government. To wit, the budget share of repair and construction of school buildings in our sample City School Boards ranged from lows of 5% and 8% to highs of 50% and 88% in 2008. On the other hand, the budget share of repair and construction of school buildings in our sample provinces varied from lows of 2% and 13% to highs 49%, 70%

and 72% in our sample Provincial School Boards. Meanwhile, it ranged from lows of zero, and 6% to highs of 29%, 30% and 33% in our sample Municipal School Boards.

Table 7. SEF spending priorities of CSBs, MSBs and PSBs visited, 2008

	Ave. of cities of visited	Ave. of munis of visited a/	Ave. of provinces visited
% Distribution of budget			
Total personal services	20.8	30.1	16.3
Teaching personnel	16.9	28.7	16.2
Non-teaching personnel	3.7	1.3	0.1
Honorarium of LSB members	0.1	0.1	0.0
Sports development	10.4	8.5	17.8
Co-curricular activities	4.2	5.7	3.9
Division office MOOE	5.7	7.9	1.4
District office vehicle acquisition	1.6	1.5	0.4
Instructional materials/ books/ office supplies/ school equipment	9.9	11.7	13.5
HR development/ seminars/training of teachers	3.8	4.1	2.5
Light, water, communication of schools	6.9	2.7	0.0
Repair/ construction of schoolbuildings	27.6	18.6	34.6
Repair of schoolbuildings	12.9	7.3	17.0
Construction of school buildings	14.7	11.2	17.6
SPED/ Science/ Madrasah	0.1	0.1	1.4
ALS/ NFE	1.1	2.2	1.3
School supplies distribution	3.2	1.7	3.6
Scholarship programs/ financial assistance	0.8	0.3	1.3
Medical/ dental/ nutrition expenditures	0.8	0.2	0.5
Treasurer's/ Acctng/ Assessor's Office MOOE		1.8	
Debt service	0.3		

a/ refers to 2007

The importance given to repair and construction of school buildings in the LSB budget appears to be consistent with the reports obtained from the field interviews which indicate that this spending item ranks high in the priority list of many local chief executives. For instance, one of the cities visited by the team in Luzon borrowed PhP 750 million in 2008 expressly for the construction of school buildings in order to address the severe congestion in many public schools in the city, particularly at the secondary level.

Similarly, one of the provinces in our sample from Mindanao also raised additional funds from the credit market for the construction of more classrooms, particularly in under-served areas. Following this, the governor forged a Memorandum of Agreement with municipal mayors whereby the provincial government promises to put up the school building provided the municipalities take care of the teacher requirement pending the provision of additional teachers by DepEd. In so doing, the governor also took the lead in improving provincial-municipal coordination in the use of the SEF.

On the other hand, the stories of three of the cities included in our sample highlight the willingness of many LGUs to put up counterpart funds so as to fast track the construction of more schoolbuildings in their localities. For example the mayor of one of the cities visited in Mindanao reported that the city borrowed PhP 60 million from LOGOFIND in

2004 in order to make good on its dare to a DepEd undersecretary to put up 50% counterpart for the construction of new classrooms in order to facilitate the construction of much needed schools in the city.

On the other hand, some LSBs (e.g., three of the better off cities included in our sample – two from NCR and one from the Visayas) have put up dedicated units for school repair and maintenance that are funded by their respective LSB budgets. These units help ensure that the repair needs of schools are addressed on a regular basis.

It is notable that some LGUs (e.g., two of the cities visited in the Visayas, the Mindanao province in our sample that borrowed to construct additional classrooms through the Filipino Chinese Chamber of Commerce) were able to construct school buildings at lower cost (about 50% cheaper) than DPWH. However, some DepEd field officials are of the opinion that the utilization of the large allocations in the LSB budget for school repair and maintenance is vulnerable to the pressures of patronage politics.

Personal services. On the average, personal services captured the biggest share in the total SEF spending of our sample MSBs (30%) in 2007. On the other hand, personal services ranked second in the SEF spending priorities of our sample CSBs, receiving 21% of their total SEF spending on the average in 2008. In contrast, spending on personal services, with a budget share of 16%, was third in rank (next to sports development and competitions) in the SEF spending priorities of our sample PSBs in 2008.

The total budget share of personal services in our sample CSBs ranged from lows of zero and 5% to highs of 42% , 43% and 44% in 2008. On the other hand, the total budget share of personal services in the sample MSBs ranges from lows of zero and 14% to highs of 39% and 59% in 2007. Meanwhile, it varied from lows of zero and 10% to highs of 37% and 46% in our sample PSBs.

The bulk of SEF spending on personal services generally goes to teaching personnel. However, there are a number of LGUs where non-teaching personnel (like security guards and utility workers) received a significant share of SEF spending on personal services. This is true, for example, in one of the NCR cities visited where non-teaching personnel (security guards) accounted for 55% of total SEF spending on personal services. It is also the case in one of the cities in our sample from Luzon and one of the municipalities in our sample from the Visayas where non-teaching personnel accounted for 37% of total SEF spending on personal services.

SEF spending on teaching personnel include salaries, wages, honorarium, allowances and other benefits paid to LSB-paid teachers in public elementary and secondary school, literacy workers, NFE coordinators, and Madrasah teachers as well as allowances and other benefits given to regular teachers in the DepEd payroll. On the other hand, SEF spending on non-teaching personnel is largely made on account of SEF-paid security guards and utility workers assigned to schools and district/ division offices but it also includes salaries/ wages and other benefits given to clerks/ administrative personnel assigned in division/ district offices and allowances, honorarium and other benefits granted by the LSB to non-teaching personnel in the DepEd payroll.

LSB- paid teachers typically carry a full load. However, a small number of LGUs hire part-time teachers and teacher aides who are tasked to assist regular teachers prepare teaching aids and to be on standby to substitute for regular teachers when they go on leave. The key informant interviews suggest that these teacher aides are designated to be such largely because the mayor or the district supervisor wants to hire them using the SEF even if they did not pass the Licensure Examination for Teachers (LET).

The salaries/ wages/ honorarium of LSB-paid teachers vary depending on financial capacity of the LGU, the nature of the appointment (contractual vs job order, with the latter generally paid less than the former), and load (full-time vs part-time). LSB-paid teachers in about 25% of the LGUs in our sample receive the same salary and benefits as DepEd-paid teachers. However, the compensation of LSB-paid teachers in the other LGUs visited range from a low of PhP 2,500, and PhP 4,000 per month to highs of PhP 8,000 and PhP 10, 000 per month. It is notable that the LSB of one of the municipalities in a Luzon province that was included in our sample pays their teacher aides (who are non-LET passers) PhP 5,000 per month higher than what some LSB-paid teachers (who are LET passers) in one of the provinces in our Mindanao sample.

The provision of honorarium and other benefits from the SEF to teaching and non-teaching personnel in the Dep-Ed payroll is the subject of varying interpretation by COA auditors. It is treated as allowable expense by COA auditors in some LGUs but not by COA auditors in other LGUs. The list of LSBs which grant allowances to teaching and non-teaching personnel in the DepEd payroll with no apparent objections from COA auditors include that of Luzon Province B, NCR City A, Luzon City D, Visayas City A, and Luzon Municipality B. It is notable that some LGUs provide cash incentives to DepEd-paid teachers from their General Fund (e.g., Luzon Municipality D).

The Local Government Code provides that:

“The co-chairmen and members of the provincial, city or municipal school board shall perform their duties as such without compensation or remuneration. Members thereof who are not government officials or employees shall be entitled to necessary traveling expenses and allowances chargeable against the funds of the local school board concerned, subject to existing accounting and auditing rules and regulations”
Section (101).

In line with this provision, a number of our sample LGUs provided honorarium to the PTCA representative in their Local School Board (LSB). The list includes one of our sample provinces in Mindanao, and two of our sample municipalities - one in Luzon and one in Mindanao. However, it is surprising that one of the cities visited by the study team in Luzon was able to grant honorarium to all the members of its Local School Board.

Sports development/ competitions and DepEd co-curricular activities. On the average, sports development and competitions ranked second in the SEF spending priorities of the sample PSBs visited for this study. These PSBs allocated 18% of their LSB budgets to sports development and competitions on the average in 2008. On the other hand, this spending item received the third biggest share in budget of the average sample CSB (10%). In contrast, sports development and competition, with a budget share of 9%, was fourth in rank (next to instructional materials) in the SEF spending priorities of our sample MSBs in 2007.

The budget share of sports development and competitions in our sample PSBs ranged from lows of zero and 5% to highs of 28%, 30% and 37% in 2008. On the other hand, for the sample CSBs, it varied from lows of zero and 1% to highs of 24% and 33%. Meanwhile, the budget share of sports development and competitions in the sample MSBs ranged from lows of 1%, 3% and 4% to highs of 14% and 24%.

The field visits conducted as part of this study validate the findings of earlier studies that relatively large portions (20%-50%) of the SEF are set aside for sports *and other co-curricular activities* and programs of the DepEd. Note that the average share of sports development/ competitions and other co-curricular activities in total SEF spending is 22% in our sample provinces, 13% in our sample cities and 14% in our sample provinces.

This situation appears to be largely driven by the School Division Superintendents (SDSs) and Public Schools District Supervisors (PSDSs) themselves who report that they have no recourse but to use the SEF in funding the participation of their schools/ districts/ divisions in these activities.⁹ They note that the DepEd does not provide any funding for the said activities but non-participation or weak participation is censured or, at the very least, frowned upon by higher authorities as a sign of lack of resourcefulness, initiative and cooperation.

A number of SDSs/ PSDSs recommend that the number of DepEd initiated activities including sports and various academic competitions be rationalized. They point out that these activities are not only expensive (largely because of the travel costs and registration expense) but also results in taking teachers away from the classroom as the coaches leave behind the rest of the class (say, 40 pupils) to travel with the few students (say, 5 pupils) who participate in the activities. Some PSDSs even go as far as saying that some of the centrally initiated activities are duplicative (e.g., there are four math contests) or irrelevant (e.g., SAYAWIT). On the other hand, some PSDSs are also of the opinion that some of the activities do not need to be undertaken from the district level to the provincial level and going all the way up to the national level (e.g., STEP). Other PSDSs, however, note that some of these activities provide some of the students with broader exposure.

This situation suggests that unless policy changes are put in place at the central office, not much can be done in reducing the budget allocation for these activities in favor of instructions-related activities. Key informant interviews conducted under this study indicates that the allocations for these activities/ programs are treated almost like mandatories in the preparation of the budgets of many LSBs. In other words, these activities/ programs get first dibs in deciding how the SEF is to be allocated.

Instructional materials, books, office supplies and school equipment rank third in the SEF spending priorities of our sample municipalities and fourth in the SEF spending priorities of our sample provinces and sample cities on the average. The average share of instructional materials, books, office supplies and school equipment in total SEF

⁹ However, the governors of two of the provinces in our sample (one in Luzon and one in the Visayas) have a special interest in sports development and are in fact supplementing the allocation for sports activities in the SEF with support from the General Fund. The present governor of the Luzon province used to be the head of the Philippine Sports Commission while the Visayas province prides itself in having a tradition of excellence in sports, having ranked second to NCR in the Palaro since time immemorial.

spending is 12% in our sample municipalities, 14% in our sample provinces, and 10% in our sample cities.

The budget share of instructional materials, books, and school equipment in our sample provinces varied from lows of zero, 3% and 4% to highs of 27% and 56% in 2008. On the other hand, for the sample cities, it ranged from lows of zero 1% in Laoag City and 3% to highs of 20% and 30%. Meanwhile, the budget share of instructional materials, books, and school equipment in the sample municipalities varied from lows of zero, 3% and 4% to highs of 24% and 27%.

Some LSBs have invested in the development of instructional materials and the acquisition of school equipment with the end view of improving student performance. Most notable in this regard are one of the cities visited in Mindanao which developed learning modules for all core subjects for each day of the school year and one of the municipalities visited in Luzon which developed workbooks for English, Math and Science for Grades 1-6. However, some DepEd field staff report that some of the instructional materials distributed by the LSBs are not quite consistent with the needs of their schools while others are not very useful.

Expenditures for district/ division office operations receive a significant share of the total SEF spending of the CSBs and MSBs visited as part of this study. For instance, expenditures for district/ division office operations rank fifth and sixth in the SEF spending priorities of our average sample MSB and average sample CSB, respectively. The share of this spending item in the total LSB budget is 8% on the average for our sample MSBs and 6% in our sample CSBs. In contrast, the share of division office MOOE in the LSB budget of the average sample PSB is 1%.

The budget share of expenditures for district office MOOE in our sample MSBs varied from lows of zero, 3% and 4% to highs of 15% and 19% in 2007. On the other hand, for the sample CSBs, it ranges from lows of zero, 1% and 3% to highs of 12% and 13%.

It is observed that the mandatory expenditures of many school district offices (e.g., electricity, water, office supplies) are charged against the SEF. Many district supervisors reported that this is so because there is no allocation for the MOOE of district offices in the DepEd budget. This is surprising because closer scrutiny of the General Appropriations Act shows that there is a line item for the MOOE of district offices although it is lumped together with the MOOE of division offices.

On the other hand, a number of school district offices and division offices have been provided vehicles by the LSBs and/ or LGUs. Some of these offices report that they have no recourse but to charge the repair and maintenance of these vehicles against the SEF because their COA auditors do not allow them to charge the repair and maintenance of these vehicles to their DepEd MOOE.

School supplies and uniforms for distribution to children in public schools. A number of LSBs have allocated significant proportion of their budgets for the procurement of school supplies and uniforms for distribution to public school children in their localities. For instance, one of the NCR cities visited allocated PhP 205 million pesos or 15% of their LSB budget (or the equivalent of PhP 2,400 per student) for this purpose in 2008. On the other hand, the CSB of one of the Luzon cities in our sample allotted PhP

40million or 5% of their budget (or the equivalent of PhP 240 per student) on school supplies for distribution to public school children in the same year. Meanwhile, the CSB of one of the cities visited in the Visayas allotted PhP 1 million or 12% of their budget (or the equivalent of PhP 26 per student) on this expenditure item in 2008. In like manner, the MSB of one of the municipalities visited in Mindanao allotted PhP 1.7 million or 15% of their budget (or the equivalent of PhP 95 per student) while the MSB of another municipality visited in Mindanao allotted PhP 500,000 or 2% of their budget (or the equivalent of PhP 20 per student) on school supplies for distribution to public school children in 2007. Given this perspective, there is a need for DepEd to provide guidance on the effectiveness of this intervention in improving school attendance as well as student performance.

Use of SEF for accountable forms, equipment and job orders of Local Treasurer's, Accounting and Budget Offices of LGU. In three of the MSBs visited as part of this study, the study team found that the SEF is used to procure accountable forms, equipment and job orders for the Local Treasurer's, Accounting and Budget Offices notwithstanding existing Bureau of Local Government Finance (BLGF) regulation to the contrary. To wit, the share of this expenditure item in total SEF spending is 4% in one of the municipalities visited in the Visayas and one of the municipalities visited in the Mindanao and 9% in another one of the municipalities visited in Mindanao.

ALS and non-formal education. At the same time, while many LSBs actually use the SEF to pay for ALS teachers, it has been noted that Section 100 and Section 272 are only focused on school-based requirements and, thus, there may be a need to explicitly provide that the SEF may be used for ALS.

Use of SEF for tertiary education. While it is generally agreed that the SEF cannot be used to fund tertiary education based on the provision of the Local Government Code, the CSB of one of the cities in the Visayas visited by the study team allocated some amount for its city college.

Varying COA interpretation on allowable expenditures against the SEF. There are numerous complaints on varying interpretations of COA auditors as to which expenditure items are allowable to be charged against the SEF and which are not. Some of these contentious expenditure items have already been mentioned above, namely: (i) allowances/ honorarium for regular DepEd teaching and non-teaching personnel and (ii) allowances/ honorarium for members of the Local School Board.

There are other examples. One, despite DBM directive that disallows the use of the SEF for the purchase of vehicles for the use of the LSB, a number of LSBs actually allotted some amount for this purpose. These LSBs included one of the provinces visited in Mindanao, two of the cities in our sample (one in Luzon and one in Mindanao) and one of the municipalities visited in Luzon.

Two, some LSBs (e.g., one of our sample municipalities in the Visayas) used the SEF to support pre-school education while other LSBs encountered problems in doing so (e.g., a province in the southern part of Luzon). Three, some LSBs had problems in using the SEF for acquisition of equipment while most LSBs had no problems in this regard.

Given these observations, it is evident that *there is a need to clarify which expenditure items are items are allowable to be charged against the SEF and which are not. Such clarification may be done through a joint issuance by the Department of Education (DepED), the Department of Budget and Management (DBM) and the Department of Interior and Local Government (DILG).*

6. SEF BALANCES: ARE LSBs UNDERSPENDING?

While it is generally agreed that financing is a constraint in local service delivery, LSBs in the aggregate have paradoxically registered fiscal surpluses year after year (**Table 9**). Given this observation, some analysts have argued that the fiscal conservatism exhibited by some LSBs may have been misplaced considering the numerous unmet needs for basic education services at the local level or that some LSBs may actually have more SEF resources than they need.

Based on BLGF data, all LSBs in the aggregate posted current fiscal surpluses (i.e., total LGU income in the current year greater than total LGU expenditure in the current year) in 2001-2008. This is true for all levels of local government with the exception of provinces in 2001. Also, it is notable that cities posted larger fiscal balances (26% of total SEF income) than provinces (10% of total SEF income) and municipalities (17% of total SEF income) in 2001-2008 (**Table 8**).

Table 8. SEF Income, Expenditure and Balance, 2001-2008 (in million pesos)

	2001	2002	2003	2004	2005	2006	2007	2008	average
SEF Income	8,451	9,537	11,002	10,693	12,381	13,909	13,540	14,956	
Province	1,440	1,658	1,707	1,702	2,044	2,033	2,224	2,475	
Cities	5,516	5,875	7,104	6,824	7,887	9,437	8,950	9,850	
Municipalities	1,495	2,005	2,191	2,167	2,450	2,438	2,366	2,631	
SEF Expenditures	7,774	7,395	8,826	8,854	10,265	11,451	11,679	11,492	
Province	1,456	1,377	1,510	1,554	2,010	2,007	1,998	2,021	
Cities	4,953	4,411	5,397	5,384	6,155	7,305	7,573	7,466	
Municipalities	1,365	1,607	1,920	1,916	2,100	2,139	2,108	2,006	
SEF Balance	677	2,142	2,175	1,838	2,116	2,458	1,861	3,463	
Province	(16)	280	197	147	34	26	226	454	
Cities	563	1,464	1,707	1,440	1,732	2,133	1,377	2,385	
Municipalities	130	398	272	251	350	299	258	625	
SEF Balance as % of SEF Inc	8.0	22.5	19.8	17.2	17.1	17.7	13.7	23.2	17.4
Province	(1.1)	20.3	13.0	9.5	1.7	1.3	11.3	22.5	9.8
Cities	11.4	33.2	31.6	26.7	28.1	29.2	18.2	31.9	26.3
Municipalities	9.5	24.8	14.2	13.1	16.7	14.0	12.2	31.2	16.9
Cash End of Year as % of SEF Income		56.6	52.0	58.5	55.2	51.0	44.1		52.9

Source of basic data: BLGF SIE for SEF Income, Expenditures, and Balance and COA Cash Flow Statements for cash end of year and COA Balance Sheet for current liabilities, various years

These averages masked large disparities in SEF balances across levels of local governments as well as within each level of LGU. **Table 9** shows that 11% of cities, 24% of municipalities and 28% of provinces have negative SEF balances in 2008. At the same time, 25% of provinces and cities have SEF balances that are larger than 4-months' worth of their annual SEF income while 25% of cities have SEF balances that are larger than 5-months' worth of their annual SEF income.

Table 9. SEF Balances-to-Income Ratio Across Level of LGUs, 2008

	Provinces	Cities	Municipalities
Percentage of LSBs with negative SEF balances	28.4	11.0	24.0
SEF balance-to-income ratio			
Quartile 1	-3.8	5.2	0.2
Quartile 2	11.3	23.0	16.8
Quartile 3	32.1	41.2	35.9

On the other hand, **Table 10** shows the variation in the SEF balance-to-income ratio of our sample provinces, cities and municipalities in 2006-2008. It shows the SEF balance-to-income ratio ranging from a low of -18% in one of the provinces visited in the Visayas to a high of 78% in one of the provinces visited in Mindanao in 2008.

Table 10. SEF balance-to-income ratio of sample LSBs (%), 2008

	2006	2007	2008	Average
Provinces				
Luzon Prov A	23.3	-0.2	18.9	14.0
Luzon Prov B	0.5	6.1	14.5	7.0
Luzon Prov C	-127.2	8.9	5.0	-37.8
Luzon Prov D	18.6	7.0	7.7	11.1
Visayas Prov A	3.7	8.7	45.4	19.2
Visayas Prov B	30.9	19.3	-18.3	10.6
Visayas Prov C	35.4	50.9	36.3	40.9
Mindanao Prov A	-41.7	52.1	77.6	29.3
Mindanao Prov B	14.7	48.3	27.1	30.0
Mindanao Prov C	4.8	-63.6	33.0	-8.6
Median	9.8	8.8	23.0	13.8
Cities				
NCR City A	28.2	10.2	34.3	24.2
NCR City B	13.9	2.0	3.8	6.6
Luzon City A	7.1	29.8	23.9	20.3
Luzon City B	23.7	25.6	47.9	32.4
Luzon City C	-3.8	-36.6	27.8	-4.2
Luzon City D	3.3	-2.6	14.2	5.0
Visayas City A	34.4	48.3	9.6	30.8
Visayas City B	53.3	65.7	72.3	63.8
Visayas City C	49.7	43.9	10.2	34.6
Mindanao City A	28.4	50.0	23.4	33.9
Mindanao City B	24.4	12.4	1.6	12.8
Mindanao City C	-11.6	-210.3	43.8	-59.4
Median	24.0	27.7	23.7	25.1
Municipalities				
Luzon Muni A	46.9	47.2	57.9	50.7
Luzon Muni B	9.8	-9.9	4.8	1.6
Luzon Muni C	5.2	4.9	3.0	4.4
Luzon Muni D	-2.3	5.4	10.8	4.6
Visayas Muni A	65.3	-364.0	89.6	-69.7
Visayas Muni B	41.5	45.7	41.5	42.9
Visayas Muni C	-18.6	21.2	36.8	13.1
Mindanao Muni A	16.8	-29.1	29.2	5.6
Mindanao Muni B	62.6	16.8	-30.4	16.4
Mindanao Muni C	-29.1	62.6	-11.4	7.4
Median	13.3	11.1	20.0	14.8

Many LGU treasurers, budget officers and accountants, however, note that the large SEF surpluses many LGUs report are in large part attributable to the following factors: (i) the cautious fiscal stance of many LSBs because they are not allowed to incur an overdraft in their SEF account thereby leading them to have overly conservative revenue/ income estimates and/ or excessive expenditure controls, and (ii) the desire on the part of many LSBs to post a surplus at the end of the fiscal year because inflows into the SEF account does not start to come in a significant way until about March of each budget year while there are expenditures that have to be met starting from day 1 of the budget year. Moreover, they argue that realized surpluses are to a large extent illusory. They say that once LSBs actually realize a fiscal surplus at the end of any given fiscal year, many of these LSBs immediately appropriate the full amount that is available for appropriation by enacting a supplemental budget in the year immediately after the year the surplus is realized.

They also point out that SEF surpluses are accumulated over time and as such a more relevant measure of the possible underspending of SEF resources may be the *SEF cash balances* at the end of the year expressed as a percentage of total SEF income. In this regard, **Table 8** shows that the accumulated cash balance of all LSBs in the aggregate has remained fairly stable over time at 50% of total SEF income (or about 6-months' worth of annual SEF income) in 2002-2007. Arguably, such a level of the SEF cash balance appears to be on the high side.

On the other hand, **Table 11** shows wide disparities in the ratio of LSBs cash position to total SEF income in our sample PSBs, CSBs and MSBs. It shows cash-balances-to-SEF-income ratios in excess of 100% in two of the provinces in our sample, three of the cities in our sample and two of the municipalities in our sample in 2006-2008.

Table 11. SEF cash balance at the end of year as % of SEF income, 2008

	2006	2007	2008	Average
Provinces				
Luzon Prov A	17.8	16.7	33.6	22.7
Luzon Prov B	49.5	20.5	33.3	34.4
Luzon Prov C	28.2	6.4	20.2	18.3
Luzon Prov D	6.8	5.0	3.3	5.0
Visayas Prov A	122.8	229.3	157.6	169.9
Mindanao Prov A	134.6	135.7	130.3	133.6
Mindanao Prov B	53.4	77.4	97.7	76.2
Mindanao Prov C	61.6	103.8	79.5	81.6
Median	51.4	48.9	56.5	55.3
Cities				
NCR City A	94.6	61.8	49.8	68.7
NCR City B	47.4	25.1	19.8	30.8
Luzon City A	62.0	64.0	62.0	62.7
Luzon City B	52.6	60.3	93.9	68.9
Luzon City C	52.4	24.5	43.2	40.0
Luzon City D	6.5	6.6	22.8	11.9
Visayas City A	148.5	143.7	162.0	151.4
Mindanao City A	145.5	85.3	120.9	117.3
Mindanao City B	33.6	73.0	69.5	58.7
Mindanao City C	136.5	107.6	90.7	111.6
Median	57.3	62.9	65.8	65.7
Municipalities				
Luzon Muni A	3.5	23.0	17.9	14.8
Luzon Muni B	33.9	2.8	9.4	15.4
Luzon Muni C	13.0	15.8	9.9	12.9
Luzon Muni D	41.5	65.1	61.7	56.1
Visayas Muni A	115.1	571.3	135.8	274.1
Mindanao Muni A	116.8	109.7	85.9	104.1
Mindanao Muni B	31.5	53.6	40.3	41.8
Mindanao Muni C	2.4	2.7	0.2	1.8
Median	33.9	53.6	40.3	41.8

In sum, there is indeed some evidence of underspending in the SEF of some of the LGUs visited. This occurrence appears to be related to the lack of transparency in the reporting of SEF collections and balances in the course of the execution of the SEF budget. This is a point that will be discussed again below in the governance sub-section.

7. LGU SUPPORT FOR EDUCATION FROM THE GENERAL FUND

Table 12 shows that although education is not devolved, the resources that LGUs provide to the education sector from the General Fund is quite significant at 17% of total LGU education spending in 2001-2008. On the average, spending on the education sector from the General Fund accounts for 10% of total municipal government education spending, 11% of total provincial government education spending and 20% of total city government education spending in 2001-2008.

Table 12. SEF Income and Expenditures and GF Expenditures on Education, 2001-2008 (in million pesos)

	2001	2002	2003	2004	2005	2006	2007	2008	average
GF educ expd as % of total LGU educ expd	19.9	19.6	17.6	15.9	13.5	13.4	14.9	17.4	16.5
Province	14.6	15.4	9.5	9.7	8.0	7.9	10.3	12.7	11.0
Cities	22.7	23.0	21.0	20.3	17.2	16.3	17.5	19.8	19.7
Municipalities	14.2	12.5	13.0	6.6	6.7	7.9	8.6	12.6	10.3

Source of basic data: BLGF SIE, various years

On the other hand, **Table 13** shows the wide variation in the contribution of the General Fund to total LGU spending on the education sector in our sample LSBs. It shows the substantial General Fund contribution to total LGU education spending in three of the provinces visited (one in the Visayas and two in Mindanao) and in one of the municipalities visited in Mindanao in 2008. In contrast, the contribution of the General Fund in total LGU education spending in our sample cities for which we have data is fairly small.

Table 13. Share of GF to Total Education Spending (%), 2006-2008

	2006	2007	2008
Provinces			
Luzon Prov A	32.3	18.4	23.0
Luzon Prov C	24.2		21.8
Visayas Prov A		67.4	59.4
Mindanao Prov A	0.0	41.3	1.4
Mindanao Prov B	6.0	47.9	75.0
Mindanao Prov C	49.9	41.6	57.7
Average	22.5	43.3	39.7
Cities			
Luzon City A	0.0	9.6	10.1
Luzon City B	15.9	10.2	3.2
Luzon City C		61.6	
Average	7.9	27.1	6.7
Municipalities			
Luzon Muni B		1.1	0.6
Visayas Muni A		3.8	
Mindanao Muni A	1.3	1.0	4.2
Mindanao Muni C	38.8	44.0	35.9
Average	20.1	12.5	13.6

Source of basic data: LGU Statement of Appropriations, Allotment, Obligations and Balances (SAAOB), 2006-2008

8. GOVERNANCE ISSUES

8.1. SEF Budgeting Process

8.1.1. LSB Budget Preparation

The current practice in preparing the SEF budget follows no standard procedure in terms of schedule/calendar and who prepares the initial budget proposal.

Timing of the Preparation and Approval of the LSB Budget. The LSB budget proposal for the incoming year is typically prepared between September and December of the current year in most of the LGUs visited. This is true in about 58% of the MSBs whose district supervisors were interviewed as part of the focus group discussions (FGDs) conducted in this study. However, another 32% of these MSBs prepare and approve their budget proposals in January-March of the budget year itself. The LSBs which prepare their budgets in January-February of the budget year (e.g., some MSBs in one of the provinces visited in the Visayas and another one in Mindanao) report that this practice is due to the late submission of the income estimate by the municipal treasurer. In contrast, 10% of these MSBs (e.g., some MSBs in two of the provinces visited in Luzon and two of the provinces visited in the Visayas) prepare their budget just before or at the start of the school year (i.e., around May-July of the budget year).

Almost all of the key informants interviewed are of the opinion, however, that the non-synchronization of the budget year and the school year is a non-issue. In particular, the District Supervisor of one of the municipalities in the Visayas (which prepares its LSB in time for the opening of the school year) said that he would not have any problem switching to the fiscal year basis in the preparation of the LSB budget.

The disparity in the timing of the preparation and approval of the LSB budget across LGUs reflects the absence of a prescribed budget calendar for the SEF. *To rationalize budget preparation by the LSB, it is suggested that budgeting for the SEF follow the budget calendar for the General Fund.*

Who prepares the LSB budget proposal? There are variations in the manner the SEF budget is prepared. First, in many LSBs, Dep Ed officials (Provincial/City Schools Division Superintendent/ District Supervisor) prepare the initial budget proposal which is then presented to the other LSB members prior to its final approval. This is true in about 78% of the LSBs which participated in the FGDs conducted as part of this study.

The field visits suggest that the inputs of the local chief executives in the LSB budget are not significant in many of these LGUs. Also, the pet projects in the education sector of the governors/ mayors in these LGUs are said to be funded out of the General Fund oftentimes.

For instance, 11 out of 12 district supervisors in one of our sample provinces in Mindanao who reported that they are the ones who prepare the LSB budget proposal also said that the changes introduced by their mayors during budget deliberation account for some 5%-10% only of their LSB budgets.

In one of our sample provinces in Luzon , 14 of the 23 PSDSs who reported that they are ones who prepare the initial budget proposal also said that no changes are made on the budget proposal that they prepared. On the other hand, 9 of the 23 PSDSs said that there were changes (some minor and some major) in the budget proposal they drafted. In particular, although one of the PSDS in this province said she prepares the initial budget proposal, the Budget Officer typically changes about 50% of the proposed budget items.

Second, in other places, LGU officials (Governor, Mayor, Budget Officer, LSB Secretary who is a local government employee) prepare the initial budget proposal themselves. This true in about 4% of the MSBs which participated in the FGDs conducted as part of this study.

In particular, in one of our sample cities in Mindanao, the different school heads directly submit their budget requests to the Mayor or the LSB secretary. These requests are then consolidated by the Budget Officer who also ensures the inclusion of the Mayor's priorities in the LSB budget proposal. It should be noted that the priority projects of the Mayor come from the school administrators themselves. On the other hand, the SDS negotiates with the mayor if he needs more funds for worksheets/ worktexts which are his top priority.

In like manner, in one of our sample cities in Luzon, the SDS does not prepare the LSB budget proposal as the schools go directly to the Mayor to make their requests. Here, it is the LSB secretary who prepares the initial budget proposal based on previous year's budget and the requests of school principals as endorsed by PTAs and barangay captains.

Third, in still other places which the study visited the LSB budget is divided into two, not necessarily equal, parts by the local chief executive. One part of the proposed budget is prepared by Dep Ed for its identified priorities while the other portion is prepared by the LGU officials for their perceived priorities of the public schools. These two separately prepared parts of the budget proposals are then collated to come up with the proposed LSB budget to be presented in the LSB meeting for deliberation and consequently approval. About 12% of the LSBs who participated in the FGDs report that the initial budget proposal is prepared jointly by the local chief executive and the district supervisor.

For instance, the Governor of one of the provinces in Luzon that was included in our sample, through the Provincial Engineer, is said to have asked that an amount be set aside for school building construction early on during the preparation of the LSB budget. The Governor also earmarked some amount for a program that will provide bicycles to secondary school students in far-flung barangays.

On the other hand, the mayor of one of our sample municipalities in the Visayas decided that each of the members of the LSB be allotted some amount that they can then decide how to allocate. Meanwhile, the LSB education consultant of one of our sample cities in the Visayas has a big say in the allocation of the LSB budget.

In one of the provinces in Mindanao that was visited as part of this study, 80% of the LSB budget is set aside for the construction and repair of schoolbuildings. The allocation of this portion of the LSB budget is largely determined by the governor himself. On the other hand, the Division Superintendent decides on how the remaining 20% is to be

spent. This portion of the budget is generally used to support various programs and activities like sports competition and academic competitions.

A similar arrangement is reported in one of the sample municipalities in Mindanao. Each of the two school districts in the said municipality are allocated PhP 250,000 each and the PSDS in each of the district decides how this amount is to be spent. However, the mayor basically decides on how the remaining 50% of the PhP 1.1 million LSB budget is allocated.

The mayor of another municipality in Mindanao whose PSDS participated in the FGDs is also reported to have a discretionary fund equal to about 50% of the LSB budget and which is used fund infrastructure projects and various requests of school heads.

In like manner, the mayor prepares the LSB budget in still another one of our sample municipalities in Mindanao, assigning PhP 1 million to each of the two school districts in its jurisdiction. The rest of the PhP 7 million LSB is allocated to the pet projects of the mayor: (i) scholarship for students in secondary level that is used to pay for “authorized fees,” (ii) distribution of education supplies for all students in Grades 1-6, and (iii) school repairs. Meanwhile, in one of our sample cities in the Visayas, the mayor has discretion over a lump-sum allocation equal to about 28% of the total LSB budget.

However, key informant interviews with DepEd officials in LGUs where the local chief executives are said to have a dominant role in the preparation of the LSB budget indicate that even in *some* of these places the allocations made, say in terms of classrooms or teachers, *are consistent* with objective measures of need.

Fourth, another variant in the way the initial LSB budget proposal is prepared is one Dep Ed officials prepare it with the technical assistance of LGU officials. This is true in about 6% of the LSBs which participated in the FGDs conducted for this study.

In summary, while the dominant mode of preparing the initial budget proposal is for the Dep Ed officials to do it themselves, the existence of other practices reveal a degree of non-compliance to Section 100 (b) of the Local Government Code which provides that the LSB budget shall be prepared by Dep Ed. In this regard, *there is a need to institute corrective measures to comply with the intent of the law. One such measure could be in the form of an interagency agreement or a joint memorandum circular among the Department of Education, Department of Budget and Management, Department of the Interior and Local Government and perhaps the Department of Finance reiterating the Local Government Code’s provision on who should prepare the LSB budget.* Further, there is a need for information campaign regarding the mandated functions of the LSB especially among local government officials who are members of the board. This could be in the form of re-orientation seminars or briefings for LSB members.

Role of other LSB members. The local treasurer prepares the income estimate for the incoming budget year which is then used as the basis of the spending envelope in the preparation of the LSB budget proposal. The local treasurer is also tasked to inform the LSB of the availability of a budget surplus that is available for appropriation if such a surplus is realized at the end of the fiscal year.

Lack of transparency in budget preparation. A good number of PSDSs report that the determination of the SEF income estimate is not transparent. Many PSDSs and even some SDSs interviewed as part of this study claim they have no way of validating if the SEF income estimate provided by the local treasurers are realistic and honest. On the other hand, the reporting of realized SEF surplus at the end of the fiscal year to the LSB is not automatic in many LGUs. It should be noted that such a report is the basis for the preparation of the supplemental budget.

There is also a problem in the timely submission of the certified SEF income estimate in at least one LGU visited in the Visayas. The municipal treasurer submits it in January-February of the budget year causing the late preparation of the LSB budget proposal by the PSDS.

On the other hand, some mayors and PTA members pointed out that the DepEd should share information with the LSB on the school-level MOOE allocation of individual schools from the DepEd budget, the deployment of new teacher items and new classrooms constructed under the School Building Program. They think such information is a useful input in allocating the SEF.

8.1.2. Budget Approval or Authorization

In the aspect of budget authorization or approval, the field visits suggest that the budget proposal, regardless of who prepared it, is always subject to deliberation by the Local School Board members before its final approval. In most cases, before the budget proposal is presented in the LSB meeting, a pre-conference or preparatory meeting between the local chief executive and the superintendent/district supervisor is held to review the entirety of the budget proposal.

Other changes, comments or suggestions from the other members concerning the proposed budget are normally tackled by the Board during the budget deliberation process. Except for the local treasurer who is tasked to prepare the income estimate for the incoming budget year which is then used as the basis of the spending envelope in the preparation of the LSB budget proposal, all the other members of the LSB (teaching and non-teaching representatives, PTA representative, SK representative, local legislature's Education Committee Chair) get to participate only during the budget deliberation and/or during meetings when realignments of the budget are proposed.

The other members of the LSB (outside of the co-chairmen) are said to play a fairly minor role during the LSB budget deliberations in most LGUs. Often times, the other LSB members work towards the promotion of the particular interests of the groups they represent. For instance, representatives of the teaching and non-teaching personnel tend to lobby for higher allowances and other benefits. However, in a few LGUs, (e.g. in one of our sample provinces in Luzon and in one of our sample cities in the Visayas), the PTA representatives are active in supporting the needs of public schools through their networking activities.

In some LGUs, the Sanggunian Kabataan (SK) members do not appear to contribute much to the LSB deliberations because they are frequently absent. However, in other LGUs, the SK members are a source of additional funding for the basic education sector because they do have some control over their own funds.

Dep Ed officials who prepare the budget proposals claim that some changes are normally done during the approval phase but such changes are usually minor e.g. adjustments in the amounts of some budget items.

8.1.3. Budget Execution

The budget execution phase of the budget cycle is again primarily the job of the Dep Ed officials and concerned local government officials (local chief executive, treasurer, budget officer, accountant). Upon approval of the LSB budget, funds can already be released for the performance/ implementation of programs/projects and activities identified in the budget. For infrastructure projects like repair/ construction of school buildings, documentary requirements like work and financial plans and a resolution endorsed by the PTA and/or barangay chairman are needed prior to the release or disbursement of fund for such purpose.

Significant tension marks the relationship between DepEd officials and LGU officials during budget execution. However, our analysis suggests that such strain may be relieved with the institutionalization of greater transparency in their dealings since most of these issues appear to emanate from the poor flow of information between DepEd officials and LGU officials.

Some Dep Ed officials for instance claim that the LGU dilly-dallies in releasing funds for their projects (e.g. infrastructure) or activities (e.g. attendance of seminars or trainings) by claiming that funds are not available. The problem appears to be exacerbated by the fact that the regular reporting of SEF collections, expenditures and balances during the course of the budget year is not the norm in most LGUs.

Some DepEd officials also report that LGU officials sometimes refuse to release funds for budget items that have already been approved and are included in the LSB budget resolution by saying that documentary requirements to support the fund release are either incomplete or missing; hence, fund release is legally not possible. Some DepEd officials aver that the requirements are not clear at the outset. To be fair, other Dep Ed officials do report that the release of funds for their projects or activities is fast if they present the necessary documentary requirements.

These disagreements may perhaps be remedied if a report on SEF collections, expenditures and balances to all LSB members is made by the Local Treasurer, Local Accountant or Local Budget Officer automatically in a regular manner (perhaps quarterly) during the course of budget year, without need for prodding on the part of DepEd officials. Such a disclosure will tend to prevent doubts pertaining to the size of the SEF income as well as the availability of funds in the course of budget execution.

Some level of mistrust between DepEd officials and LGU officials is also evident. Dep Ed officials claim that overpricing exist in the procurement of supplies and materials by the LGU. On the other hand, there is also this perception on the part of the LGU officials that DepEd officials have a wrong sense of priorities in the allocation of the SEF. It was pointed out, for instance, that some Dep Ed officials prefer to spend for the beautification of division or district offices and premises than on the more pressing needs of public schools like laboratory equipment or reference materials.

Among DepEd officials, lack of transparency is likewise an issue. Lower level officials (e.g., school heads) for instance lament the fact that they are not aware where the SEF is being expended. They do not know what particular schools receive what support as well as the amount given to these schools. Further, they say they have not seen the LSB budget of their districts. They also complain that they are not informed whether their requests have been approved or disapproved after they have submitted said requests.

8.1.4. Budget Accountability

Budget accountability for the SEF encompasses the recording and reporting of estimated and actual income and expenditures. It also includes the evaluation of operations vis-à-vis planned targets. In the aspect of recording expenditures, it is observed that not all DepEd division or district offices have the capacity to keep track of SEF expenses. District offices, for instance, do not have a bookkeeper or a finance officer to do the job. At the level of the division office, there are finance and planning officers who do the job but not all of the offices maintain separate book of accounts or ledger for expenditures charged to the LSB budget. In one city division office visited, there is a liaison officer who does the job of reconciling its record of expenditure balances with that of the city government's. This is, however, an exception rather than the rule since most division/district offices merely rely on the records and or report of expenditure balances by the LGUs. Some LGUs provide DepEd with reports of balances but some do not readily submit unless requested by the latter. As indicated earlier, the absence of such reports is a source of the tension between DepEd officials and LGU officials.

As far as the performance of the public schools is concerned, it appears that there is no conscious effort on the part of many DepEd officials to relate or link budgetary expenditures (LSB budget) with the performance or outcome of their programs, projects and activities funded from the SEF. There are school report cards, district report cards, division report cards but there is often no attempt to relate the accomplishments with the funding that was received by the school. To make the LSB budget effective and responsive to the needs of public schools, there is a corresponding need for a better linkage of planning and budgeting as well as better prioritization in the use of SEF.

A reporting system on the accomplishments of the schools at the district and division level is practiced by many division/ district offices. The LGUs and the community at large are informed about the performance or accomplishments of the public schools usually during graduation exercises. Some district and division offices make it a point to submit their accomplishment report to the LGUs every year. This is a commendable practice among Dep Ed officials as it engenders a sense of accountability.

For instance, the Division Superintendent of one of our sample cities in the Visayas regularly reports the performance, needs and concerns of the basic education sector to the LGU in what is called the "Privilege Hour with the Sanggunian." In other LGUs, the DepEd is asked to participate in the Education Committee of the Local Development Council as the LGU crafts its Local Development Plan (e.g., in one of our sample provinces in Luzon). Such regular reporting of performance to the LGU appears to generate greater LGU support.

The SDS of one of our sample provinces in Mindanao conducts an Education Summit yearly in each of the municipalities in the province. This forum brings local officials into the fold where they get to know better the state of public sector education in their localities. With increased awareness, they are encouraged to provide more help to improve the state of basic education.

On the other hand, the SDS of one of our sample provinces in the Visayas organizes assemblies once a year for reporting of accomplishments. These assemblies are attended by local government officials, PTA and other NGOs. These are meant to improve the partnership of Dep Ed with the LGUs and non-government entities.

At the same time, some local chief executives (e.g., the mayor of one of the NCR cities visited) suggests that DepEd should design an advocacy program that targets local elective officials that is aimed at harnessing the support of the LGUs for the basic education sector. They opined that LGU officials are generally concerned about the well-being of their constituents and that they will become more supportive of DepEd's programs if the actual situation, problems and performance of the schools in their jurisdictions are made known to them. In this regard, the regular reporting of the performance of schools, school districts and school divisions as well as the constraints facing them to LGU officials and the community at large (in the form of education summits and the like) that is being practiced by some school districts/ division offices is a step in the right direction.

8.2. Criteria Used in Allocating the SEF Across Schools

While most SDSs/ PSDSs say they refer to the School Improvement Plan (SIPs) when they prepare the LSB budgets when asked if they are doing so, very few of them actually volunteer this information without being prodded. Thus, it is not quite so clear whether the SIPs are actually being used in the preparation of the LSB budget. The school heads of one of our sample cities in the Visayas frankly admitted that they prepare their SIPs in a "hit or miss" fashion. This is so because they find it difficult to predict the amount of support from the SEF and other sources that they will actually be able to get to fund the projects and activities that they have identified in their SIPs.

Teacher items. For the most part, many divisions and school districts make use of the BEIS to guide them in the deployment of LGU/ SEF funded teachers. In many places, LGU/ SEF-funded teachers are passers of the Licensure Examination for Teachers (LET) and are drawn from the register of qualified applicants (RQA). In these places, the SDSs/ PSDSs report that it is fairly easy to follow the ranking of applicants in the RQA because of the localization law. However, it appears that it is not the case in other places.

In most places, the selection of LGU/ SEF-funded teachers is largely done by the SDSs/ PSDSs. However, there are a few places where the selection is done by the LGU. For instance, in two of our sample provinces in Luzon, the selection of about 20% of close to 500 SEF-paid teachers is said to be politically motivated.

Some LGUs (e.g., some municipalities in one of our sample provinces in Luzon) hire non-LET passers as teacher-aides. In this case, the teacher-aides are not allowed to handle classes but they assist regular teachers in the preparation of teaching aids and devices. Teacher aides also act as substitute teachers when a regular teacher is on leave.

While the hiring of non-LET passers under the LSB budget is sometimes at the behest of the local chief executives, there are also instances when such teacher-aides are hired at the instigation of the PSDSs. Related to this, some LGU officials also expressed unhappiness about DepEd allowing Congressmen to select and decide on the assignment of newly created teacher items.

Construction of classrooms. In a smaller number of LGUs, the BEIS is also said to be used in deciding where to construct new classrooms. However, many LGU/ LSB funded classrooms are also constructed in order to open an annex school in a heretofore “unserved” area or to complete so-called incomplete schools (i.e., in order to improve physical access to schools). In a few places (e.g., in one of our sample municipalities in Luzon), some schools are reported to have more classrooms than they need.

Nonetheless, it is remarkable how a number of LGUs have found the BEIS to be a very useful tool in the distribution of the SEF spending for teacher items and classroom construction across schools (e.g. in one of our sample provinces in Luzon and in one of our sample provinces in Mindanao).

School repair and other MOOE items. Some LSBs allocate lump sum amounts to each of the schools in their districts over and above the allocations that these schools may receive in terms of locally funded teachers, new classrooms or travel/ training that may be related to specific activities like sports and academic competitions. In these LSBs, the schools decide how they will spend said amount. Schools may use the amount for repairs or to buy equipment, etc. In some LSBs, schools may choose not to spend the amount earmarked for them in a specific year so that a bigger amount is made available for them in the next year in order for them to address needs that require a bigger budget. To trigger the actual use of the earmarked funds, the schools have to first prepare a program of works with technical assistance of the local engineer.

The practice amongst these LSBs with respect to the allocation of the SEF across schools is varied. First, in some LGUs, each school is given the same amount regardless of the size of their enrollment (e.g., in one of our sample municipalities in Mindanao). Second, in other LGUs, the allocation to individual schools is pro-rated based on the number of pupils/ students, thus giving more to schools with bigger enrolments.

In a few of the LGUs visited (e.g., in one of our sample municipalities in Luzon and in two of our sample cities in Luzon), there appears to be a clamor among the school heads that a certain portion of the SEF should be distributed according to some allocation formula (e.g., equal sharing, per student) to all the schools and for the school heads to decide on how said amounts are to be used based on their SIPs.

In many LSBs, however, the allocation for repair and other MOOE items is based on the needs of the school. In this case, those schools identified with the most urgent needs are given priority in the SEF allocation.

At the same time, some LSBs also use the performance of the school as a criterion in SEF allocation. In these LGUs, well-performing schools are given some monetary incentive as a reward for a job well done. For example, one of our sample cities in the Visayas does this under City’s Harvest of Excellence awards. In other LGUs, non-

performing schools are given additional support to help them do better. This is also true in one of our sample province in Luzon.

8.3. Other Issues

8.3.1. Who Sits as the DepEd Co-Chair in LSB that Cover More than One School District?

Section 98 (c) of the Local Government Code provides that “in the event that a province or city has two (2) or more school superintendents, and in the event that a municipality has two (2) or more district supervisors, the co-chairman of the local school board shall be determined as follows:

- (1) The Department of Education, Culture and Sports shall designate the co-chairman for the provincial and city school boards; and
- (2) The division superintendent of schools shall designate the district supervisor who shall serve as co-chairman of the municipal school board.

There appears to be a lack of clear guidance as to who sits as co-chair in the LSB in municipalities with more than one school district. Current practice varies even within the same division. In some LSBs, the most senior district supervisor sits as co-chairman. In other LSBs, both district supervisors sit as co-chairmen together with the mayor. In still other LSBs, the co-chairman from DepEd is rotated every year among the district supervisors in the municipalities. The lack of clear guidance on this matter is source of discord in some LSBs precisely because the DepEd co-chair has a big say on the allocation of the LSB budget. For instance, the tension between the two district supervisors is even stronger than that between the mayor and the DepEd co-chair in the LSB in some of the municipalities in one of our sample province in the Visayas. In this municipality, one of the district supervisors (i.e., the one who is not allowed to sit in LSB) has absolutely no idea how the SEF is allocated. Nor does he know exactly how large the SEF income is. This problem may be mitigated by (i) providing for uniform guidance as to which of the district supervisors should act as the co-chairman in the LSB and (ii) mandating that the district supervisor who is not selected as the co-chairman be allowed to attend all LSB meetings as an observer.

In some of the LSBs that cover more than one school district, the different school districts are allocated lump sum amounts over which the district supervisors are given some discretion in terms of budgeting. Here again, the practice varies as to how the LSB budget is divided among the different school districts. In some LSBs, the budget is divided equally among the different school districts. In other LSBs, the budget is allocated to the different school districts on the basis of enrollment. In still other LSBs, the budget for certain “mandatories” like the budget for sports activities and other programs (and sometimes the requirement for locally funded teachers) is first set aside before earmarking some amount for the different school districts in the municipality.

8.3.2. Access of Component Cities to SEF of Province

The schools located in the component cities in one of our sample provinces in Luzon, in two of our sample provinces in the Visayas and in two of our sample provinces in Mindanao are able to access resources from the SEF of province. SEF support to the component cities of said sample province in Luzon comes in the form of school supplies.

On the other hand, the public schools in one of the component cities of said province in Mindanao received arm chairs funded from the SEF of the provincial government. The SEF of the provincial government of the other province in Mindanao financed the construction a school building in one of its component city. On the other hand, one of our sample cities in the Visayas still gets assistance from the provincial SEF for minor repairs, supplies and attendance to trainings and seminars of teachers.

This practice has resulted in some dissonance in some of the said provinces. It also appears to be inconsistent with the fact that the component cities do not contribute to the SEF of the province as the Local Government Code provides that 100% of the SEF tax collections of component cities are retained by said cities themselves.

8.3.3. No SEF Allocation to Secondary Schools

In one of our sample cities in Luzon and in one of our sample cities in the Visayas, secondary schools do not get any support from the SEF purportedly because they have larger MOOE allocations from the DepEd's GAA allocation. The Division Superintendent of the said city in Luzon, who is largely responsible for the preparation of the LSB budget, explicitly stated that secondary schools are not included in the SEF allocation.

In contrast, the bulk of the SEF of one of sample provinces in Mindanao is spent in the construction of high school annexes while the municipalities of the same province take care of the funding for the teachers of newly created annexes.

8.3.4. Need to Orient LSB Members on Functions of LSB

A PTA representative in one of our sample provinces in Mindanao suggests that there is a need to have an orientation program for new members of the LSB as to the functions of the Board and the particular problems and situation of the basic education sector in their locality. He notes that this is very important for the PTA representatives who tend to be changed quite often.

The SK representative is also observed to be a passive listener or observer during LSB meetings because he does not know the functions of the LSB according to one respondent.

9. PROPOSED AMENDMENTS TO SEF/ LSB PROVISIONS OF THE LOCAL GOVERNMENT CODE

9.1. LSB Chairmanship

The study asked key informants for their reactions to the proposal to amend the provision of the Local Government Code on the chairmanship of the LSB by making the District Supervisor/Division Superintendent as chair and the LCE as vice-chair.

Reactions from DepEd. Some SDSs/ PSDSs favor this proposal. They think that this will ensure a more objective allocation and utilization of the SEF and reduce the perceived politicalization of the SEF with the more dominant role played by governors and mayors in the LSBs. Further, this group believes that the Dep Ed knows the needs of public

schools better. Some members of this group of SDSs/ PSDSs also believe that the SEF is a DepEd fund and hence, its management should be left entirely to the DepEd.

It is notable that even some of the SDSs/ PSDSs who are not actually experiencing problems with their LSBs at present also favor of the proposed amendment. Their reaction appears to be related to the mandated LGU consultation in the appointment of SDSs/ PSDSs.

On the other hand, other SDSs/ PSDSs are not in favor the proposed amendment. Some respondents say that this proposal will ruin the healthy partnership that currently exists between the LGU and DepEd (public schools). A PSDS in one of our sample provinces in Mindanao said that pushing for this proposal is like picking a fight with the local chief executives. Some SDSs/ PSDSs are fearful that the LGU may no longer be as motivated to collect the SEF and/ or that the LGU may withdraw the generous support from the General Fund and other funds like their “pork barrel” and discretionary fund if the proposal prospers. It is notable that the expenditures of some LGUs on the education sector coming from their General Fund (e.g., in one of our sample cities in Mindanao) are even larger than their SEF spending.

A few noted that DepEd field officials are either not prepared or lack the capacity to manage the SEF. Still others say that check and balance may suffer if the current set-up is changed. Some PSDSs/ school heads also point out that their local officials are more accessible/ responsive than higher level DepEd officials. A number of SDS/PSDS also recognize that the local chief executive is the overall head of the LGU where their schools are located while they are the head of only one sector, i.e. education.

Reactions from LGU Officials. The prevailing sentiment of local officials interviewed (mayor, SB/SP representative, LFC members) relative to the proposed amendment is negative. Among the reasons cited by these local officials are the following:

- The beneficiaries of the SEF (public school children) are the LGU’s constituents, hence, LGU officials must have a say on how the future of these children is shaped through SEF spending.
- The SEF is a local tax, hence it is a local fund. Thus, LGUs are accountable for the funds utilization.
- Also, LGU officials are of the opinion that because the SEF is local fund, they should have an equal say as the DepEd on its allocation and utilization.
- DepEd cannot claim moral ascendancy. Giving the chairmanship to the DepEd representative in the LSB is not a guarantee that the SEF will not be “politicized.” Similarly, “if there are bad politicians, there are also bad educators” (one of the LGU officials interviewed in one of our sample cities in the Visayas).
- Some LGU officials and some LSB members note that the record does not appear to justify the supposition that the SEF will be utilized more effectively if it is under the DepEd’s control. They point out that the DepEd has not been able to use its allocation fully and is known to return some of its unexpended allocations to the Bureau of Treasury (according to some key informants in one of the provinces visited in Mindanao).
- For check and balance purposes, co-chairmanship is still the better alternative.

9.2. Expansion of LSB Membership

The study also asked key informants for their reactions to the proposal to amend the Local Government Code so as to expand membership of the LSB to include other members (e.g. (a) one representative of schools heads or principals from the secondary schools; (b) one representative of the school heads or principals from the elementary schools; (c) local budget officer, and (d) local planning and development officer).

Except in the province of Bukidnon where secondary schools receive a substantial support from both the province and municipal SEF, there is near unanimity on the side of DepEd respondents on the need for a representative of the principals of secondary schools in LGU to sit as a regular member of the LSB. It is also noted that the principals of secondary schools are already represented in the LSBs of some LGUs even now. On the other hand, the majority of DepEd respondents think that a representative of the school heads of elementary schools is not necessary in the sense that the district supervisor already represents them.

A minority of DepEd respondents, however, thinks that a representative from both levels is necessary so that the needs of their schools are properly brought to the attention of the LSB. There was also a suggestion that the representative of the president of the student councils in secondary schools in the LGU should sit in the LSB instead of the SK representative.

Some LGU officials say that it would not really matter if membership is expanded to include a representative principal each from both the secondary schools and elementary schools since membership in the LSB does not entail the payment of salaries or honoraria. As to the regular membership of the local budget officer and the local planning officer, some respondents agreed to their inclusion while some disagreed because these officials are available anytime as resource persons. Besides, this expanded membership is perceived to make the size of the LSB unwieldy and hard to manage.

9.3. Increasing the SEF Tax Rate

The study also asked key informants for their reactions to the proposal to amend the Local Government Code so as to increase the SEF tax rate from 1% to 2%. A bill to this effect was filed Congressman George Arnaiz to this effect in the previous Congress.

Reactions from DepEd. DepEd respondents generally carry with them two perspectives with regards to this proposal. From their perspective as workers in the basic education sector, DepEd respondents generally support the proposed amendment as this would generate greater funding support for the sector. However, from their perspective as local taxpayers themselves, DepEd respondents generally feel that the proposed amendment will be too burdensome for them and for ordinary taxpayers.

Reactions from LGU officials. The predominant sentiment among LGU respondents with regards to the proposed amendment to increase the SEF tax rate is negative. They opined that it will be burdensome to local taxpayers. They also claim that it is already hard to collect the tax at the present rate and increasing the tax rate will make it even harder to collect the tax. That is, increasing the tax rate might discourage the taxpaying public from paying their taxes.

While there is an existing BLGF regulation that mandates local treasurers to collect both the basic RPT and the SEF tax simultaneously from taxpayers, some treasurers said that they acquiesced to some taxpayers who only want to pay the basic RPT rate. Also, the vice governor of one of the provinces visited in the Visayas and the treasurer of one of the cities visited in the Visayas report that it is very difficult to collect the RPT from CARP beneficiaries.

Overall assessment. While the intent of the proposed amendment is admirable, i.e. to boost support for basic education, it has far-reaching implications:

- The SEF is considered a “rider” tax (i.e., an additional tax) to the basic imposition on real property, hence, it cannot be made larger than the rate of its “mother” tax which is a maximum of 1% for provinces and a maximum of 2% for all cities and the only municipality in the Metropolitan Manila region.
- The SEF is a local government tax and the responsibility to collect it rests on the shoulders of the local treasurer. If the SEF is increased to two percent (2%), the taxpaying public will ultimately bear the additional burden. If this proposal is approved, tax collection will tend to be affected negatively as many of the taxpayers will have difficulty coping with the higher tax burden. At the present rate of 1%, many local treasurers report that it is already difficult to collect from the ordinary taxpayers. Increasing the rate will make even more difficult to collect. It could lead to civil disobedience (non-payment of RPT tax including SEF tax) on the part of the taxpaying public especially in largely agricultural municipalities and cities where tax collection difficulty is a stark reality.

Local treasurers are pressured to collect taxes and hence, they could not afford to have a large shortfall in tax collections because this would only force them to resort to collecting only the basic RPT tax if the rate of the SEF is doubled. This is already happening in some LGUs notwithstanding the fact that there is an existing BLGF regulation mandating them to collect both taxes. If this amendment proposal gets enacted, it is not impossible that this practice will spread out across the country.

9.4. Amendments to SEF Provisions to Improve Equity

Many LGUs think that there is a need to make the distribution of aggregate SEF resources more equitable across LGUs. At present, a few LGUs appear to have more SEF than they need while other LGUs have too little SEF relative to the requirements of the schools in their jurisdictions. Two of the more affluent cities included in our sample appear to be open to the idea of sharing their SEFs with other LGUs. To date, one of the said sample cities has a “Big-Brother” program under which they provide buses, books, and other types of assistance to other LGUs from their General Fund. On the other hand, the other sample city is sharing its SEF through “Adopt-a-School” initiatives. The Budget Officer of said city, however, thinks that the mayor may not be as receptive to the idea of contributing part of their SEF to a common pool that will then be distributed to more “needy” LGUs.

10. SUPPORT FOR DEVELOPMENT OF MANUAL ON THE USE OF THE SEF AND FUNCTIONING OF THE LSB

All throughout the field visits the study find support among the key informants and participants in the focus group discussions for the formulation of a manual to guide the allocation and utilization of the SEF and the functioning of the LSB. Some of the key issues that were flagged as important in this regard are:

- Who should sit as co-chair from DepEd side in the Municipal School Board if municipality is comprised of more than one school district
- SEF budget calendar
- Mechanisms for improving greater transparency between DepEd and LGU including (i) quarterly reporting by local treasurer to the LSB of realized SEF income and actual expenditures, (ii) provision by DepEd representatives of following information to LSB regarding schools – school level MOOE, BEIS, NAT score; (iii) conduct of education summit
- Greater clarity on specific items that are considered allowable/ not allowable SEF expenditures
- Need for some “rules” that will improve efficiency in use of SEF, e.g., hiring of SEF-paid teachers conditional on teacher deployment analysis¹⁰
- Mechanisms for enhancing MLGU-PLGU-DepEd coordination in use of the SEF including review of municipal local school board budgets by provincial school boards

11. OTHER FINDINGS

11.1. Non-release of School-level MOOE

Three of the Division Offices visited were found to be downloading less than the full amount of the school-level MOOE to the elementary schools in their divisions. The amount given as cash advance to the elementary schools in these divisions is generally less than 60% of what the schools are expected to receive. One of these divisions say they do so because they spend for the registration of their teachers during trainings that they conduct (e.g the monthly management conference or MANCOM).

11.2. Barangay Support to Basic Education

At the lowest level of government, support to basic education also exists. The barangays provide financial and non-financial support to the elementary and secondary schools within their jurisdiction. The level of support and cooperation though varies from one barangay to another. There are barangays that are deeply concerned and involved in the plight of the schools while a few are not that involved or concerned. Financial support comes in the form of budgetary allocation from the 20% Barangay Development Fund and or from the discretionary fund of the Barangay Chairperson. Financial support comes in the form of barangay scholarship program for indigent pupils where beneficiaries are given P30/day allowance (e.g., in one of the barangays in one of our sample NCR cities);

¹⁰ It should be emphasized that improvements like this will be difficult to enforce if there are policies at the national level that are inconsistent/ contradictory to the same. For instance, LGU officials in Nueva Ecija are asking why they should follow DepEd procedures in hiring SEF-paid teachers when the same procedures are not followed in the hiring/ deployment of applicants to newly created teacher items which are “tagged” in the name of the Congressmen in their localities.

honoraria of mothers who serve as teachers in remedial classes; allowances of daycare teachers and utilities of day care centers; school supplies for indigent pupils (e.g., in one of the barangays in one of sample Luzon cities); monthly allowance of SPED teacher; construction of day care center, among others.

Non-financial support comes in an assortment of goods and services. These non-financial support include the following:

- provision of security and traffic management through the barangay tanods;
- provision of labor for clean-up drive of the schools as well as in the maintenance of school grounds and simple repair of school buildings;
- provision of sports and cultural arts paraphernalia (basketballs, badminton sets, drum and bugle or lyre, sports uniform, etc);
- provision of barangay vehicle for the transportation needs of school children who participate in sports, cultural and academic competitions)
- monitoring or random check of school children who are cutting classes to engage in recreational activities/petty vices like internet games and some forms of gambling
- preparation of barangay resolutions endorsing to and seeking assistance from higher levels of government and officials concerning the funding of perceived urgent needs of public schools (extension high school classes in remote barangays, new school buildings, etc)
- barangay solicitation from private donors for the funding requests of schools
- provision of paint, sand and gravel, waste bins, as well as labor for the Brigada Eskwela
- feeding program for the underweight school children
- early childhood education including the day care centers
- beautification (fencing, painting) of public schools
- water system of the public schools
- Alternative Learning System (e.g. trainings for mothers on food processing, food preparation)
- Conduct of training of trainers on effective remedial classes.

12. RECOMMENDATIONS

Given the findings described above, the study makes the following recommendations to improve the workings of the Local School Boards so as augment school-level resources and to make LSBs more effective partners in managing said resources towards the upgrading of educational outcomes.

In order to address structural issues and concerns confronting the LSBs, this study recommends the amendment of the relevant portions of the LGC such as the following:

- delete Section 100 since it has caused confusion regarding priorities in SEF expenditures;
- clarify Section 272 particularly the term “operation and maintenance of public schools” since this has engendered varying interpretations;
- clarify Section 98 (c) by providing a clear guidance on who should sit as co-chair in the LSB in municipalities with more than one school district.

Pending the amendment of the LGC, this study recommends that a joint circular be issued by the DepEd, DBM and DILG so as to:

- Clarify the use of the term “priority” in the allocation of SEF expenditures in Section 100 of the LGC
- Specify or delineate the allowable expenditures to be charged against the SEF and those that are not allowed
 - Allowed items
 - Salaries/ wages of SEF-paid teachers assigned to public elementary and secondary schools
 - Salaries/ wages of utility workers and security guards assigned to public elementary and secondary schools
 - Repair and construction and repair of public elementary and secondary school buildings and facilities including workshops, laboratories, school fences, school toilets, and school furniture like students’ seats, teachers’ tables and chairs, and blackboards and the acquisition, titling and improvement of school sites
 - Acquisition/ procurement of books, instructional materials
 - Acquisition/ procurement of school equipment including information technology resources
 - Purchase of motor vehicles by the school and/ or district/ division office for school supervision
 - Maintenance of aforementioned motor vehicles
 - Salaries/ wages of pre-school teachers
 - MOOE/ capital outlays for pre-schools
 - Conduct of ALS/ NFE classes
 - Expenses for school sports activities and other DepEd-related activities including co-curricular activities
 - Educational research
 - MOOE of the LSB itself including supplies, materials and traveling expense for allowed conferences and meetings of the school board
 - Servicing of debt incurred for the construction of classrooms
 - Disallowed items
 - Allowance to LSB members who are government employees
 - Salaries/ wages of teacher aides or teachers who are not LET-passers
 - Payment of MOOE of agencies/ offices other than the LSB itself
- Clarify the processes and procedures related to the preparation and approval of the LSB budget to wit:
 - Specify that the preparation of the LSB budget should follow that of the budget calendar for the General Fund
 - Local Treasurer and Local Accountant submit to the LSB a certified statement of covering the actual income and expenditures of the SEF in the preceding fiscal year, the actual income and expenditures in the first two quarters of the current year, and the estimated income for the last two quarters of the current year and estimate of the SEF income for the incoming budget year by August 15

- School heads/ education supervisors submit requests for funding for the incoming budget year to the DepEd SDS/ PSDS by September 15
 - DepEd SDS/ PSDS review and consolidate budget requests from schools and education supervisors between September 15 and October 15
 - DepEd SDS/ PSDS submit budget proposal for the incoming budget year showing proposed appropriations by program, activities and projects to the LSB by October 16
 - LSB as a whole reviews budget proposal prepared by the SDS/ PSDS between October 16 and December 31
 - LSB approves LSB Budget Resolution for the incoming budget year on or before December 31
- Specify that approved SEF-paid teachers should be deployed to individual schools in accordance with DepEd teacher deployment analysis
- Specify that approved new classroom construction should be assigned to individual schools in accordance with DepEd classroom need analysis
- To support SBM, allocate a fixed proportion of the SEF budget (e.g., 10%-20%) to individual schools in accordance with any of the following formula
 - Equal sharing, i.e., portion of SEF to be distributed to schools by number of schools, giving same peso amount to every school
 - Allocate portion of SEF to be distributed to individual schools in direct proportion to number of pupils/ students or teachers in each schools
- Mandate the promotion of greater transparency in the LSB operations
 - Local Treasurer and Local Accountant submit report of actual SEF income and expenditures in the preceding fiscal year and actual income and expenditures of the first two quarters of the current year to the LSB not later than August 15
 - Local Treasurer and Local Accountant submit quarterly report of realized SEF income, expenditures and balances not later than one month after the reference quarter
 - SDS/ PDS submit a report to the LSB including the following information
 - Amount of resources that individual schools receive from the GAA including school-level MOOE downloaded to schools, SBRMS, etc.
 - Schedule of construction of classrooms by school under the School Building Program
 - Indicators of school performance including NAT results, drop-out rates
 - For LSB (through the SDS/ PSDS) provide information on status of funding requests submitted by individual schools

- Encourage greater participation in the LSB¹¹
 - In municipalities with more than one school district, allowing PSDS who is not selected as the co-chairman of the LSB to attend all LSB meetings as an observer
 - Allowing one representative of secondary school principals/administrators to attend all LSB meetings as an observer.
- Discourage the allocation of provincial SEF to component cities, and clarify that component cities having received 100% of proceeds of SEF tax on real properties in their jurisdictions should not access from province' share of proceeds of SEF tax on real properties in municipalities comprising the province.

¹¹ In the medium term, DepEd should work for the amendment of the LGC so as to legislate this proposal.

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