



**REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
AND
COMMISSION ON HIGHER EDUCATION**



**JOINT CIRCULAR No. 2 s. 2004
August 3, 2004**

TO : The Heads of State Universities and Colleges (SUCs),
Officials and Technical Staff of the Department of
Budget and Management (DBM) and the Commission
on Higher Education (CHED), and All Others Concerned

SUBJECT : Application of Normative Funding (NF) in the Allocation
of Expenditures to State Universities and Colleges
(SUCs) Starting FY 2005 Budget and Thereafter

1.0 BACKGROUND

- 1.1 Normative Funding shall be adopted in the allocation of funds to SUCs starting FY 2005 and thereafter. It refers to the application of a set of prescribed objective criteria and norms that are designed to promote and reward quality instruction, research and extension services, as well as financial prudence and responsibility.
- 1.2 In the past years and as early as FY 2001, budget allocation models for SUCs were formulated and these served as basis in arriving at the budget for SUCs. It started with three parameters which covered enrolment, quality of performance, i.e., average passing rate in licensure examinations higher than national passing average or recognized as center of excellence/development and research and extension. As a result of assessment of the allocation models, additional criteria were considered. This current year, normative funding introduced a more refined process/procedure in the distribution of funds.

2.0 PURPOSES

- 2.1 To further rationalize the allocation of funds to SUCs;
- 2.2 To improve delivery of service in the field of instruction, research and extension;
- 2.3 To harmonize the programs and course offerings of SUCs to the national thrusts and priorities;

- 2.4 To reward or encourage quality teaching, research, and extension services; and
- 2.5 To encourage SUCs to improve cost recovery measures, practice fiscal prudence and maximize resources.

3.0 **COVERAGE**

This joint circular shall cover all SUCs included in the General Appropriations Act (GAA).

4.0 **GENERAL GUIDELINES**

- 4.1 NF shall be applied in determining the allocation of government subsidy for each SUC included in the GAA. However, the fees, collections and income of SUCs generated internally shall be exempted from NF.
- 4.2 The allocation process shall take into consideration the allotment class, that is, Personal Services (PS), Maintenance and Other Operating Expenditures (MOOE) and Capital Outlays and the trifocal function of SUCs, that is, instruction, research and extension service.
- 4.3 The appropriation of SUCs shall be presented in the GAA as "one liner"
- 4.4 The MOOE allocations for service hospitals and Foreign Assisted Projects (FAPs) shall be exempted from NF.
- 4.5 The application of NF in the allocation of expenditures to SUCs shall be implemented by phase starting FY 2005, as follows:

Year	PS	MOOE
2005	Not subject to NF	twenty five percent (25%) of the FY 2005 Indicative ceiling for MOOE except MOOE of service hospitals and FAPs
2006	will be simulated	fifty percent (50%) of the FY 2005 indicative ceiling for MOOE except MOOE of service hospitals and FAPs
2007	simulation of NF on PS will be continued	Seventy five percent (75%) of the FY 2005 indicative ceiling for MOOE except MOOE of service hospitals and FAPs
2008	start of NF implementation	one hundred percent (100%) of the FY 2005 indicative ceiling for MOOE except MOOE of service hospitals and FAPs

5.0 PROCEDURAL GUIDELINES

- 5.1 For 2005, seventy five percent (75%) of the MOOE allocation shall be considered guaranteed (protected) while the remaining twenty five percent (25%) shall be subject to NF based on the following category/criteria:

CATEGORY/CRITERIA	PERCENTAGE
Baseline MOOE (Protected)	75.0
Subject to NF	25.0
Breakdown:	
General Institutional Support	12.5
Research	3.75
Extension Services	1.25
Quality Teaching	7.5
TOTAL	100.0

- 5.2 The following data submitted to CHED by the SUCs in 2003 and early 2004 shall be the basis in the application of NF:
- 5.2.1 enrolment data from the first semester of AY 2003-2004;
 - 5.2.2 no. of graduates from AY 2002-03 (two semesters and the summer session);
 - 5.2.3 personnel profile as of January 2003, etc.
- 5.3 The specific guidelines in the application of NF in the computation of MOOE allocation for FY 2005 budget is listed in Annex A.

6.0 SUBMISSION OF DATA AND TRANSPARENCY POLICY

- 6.1 The data to be used in implementing NF on the 2006 budget will be those submitted this year. SUCs are enjoined to submit complete and correct data to CHED through its regional offices.
- 6.1.1 CHED and DBM will issue NF revised data collection forms and instructions on or before Augst 31, 2004.
- 6.2 CHED will make available to SUCs in electronic form all the data used in implementing NF in 2005. **Each SUC will be able to view the data submitted by all the other SUCs.** This will provide a platform for SUCs to complete missing data and correct erroneous data.

7.0 **RESPONSIBILITY OF THE HEAD OF SUCs AND ITS GOVERNING BOARDS**

It shall be the responsibility of the Head of SUCs and its Governing Boards to strictly implement the provisions of this joint circular. Non-compliance thereof shall be subject to sanctions provided for under applicable laws.

8.0 **CONTINUING CONSULTATIONS BY CHED AND DBM**

CHED and DBM shall continue to hold consultations with the SUCs regarding the updating and refinement of NF guidelines and formulas.

9.0 **GOVERNING CLAUSE**

Cases not covered by the provisions of this joint circular shall be referred to the DBM Central Office (CO) which shall resolve the matter in coordination with CHED CO.

10.0 **EFFECTIVITY**

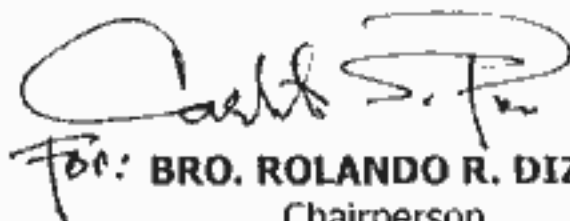
This circular shall take effect immediately.



EMILIA T. BONCODIN

Secretary

Department of Budget and Management



BRO. ROLANDO R. DIZON

Chairperson

Commission on Higher Education

SPECIFIC GUIDELINES IN THE APPLICATION OF NORMATIVE FUNDING IN THE COMPUTATION OF MOOE ALLOCATION FOR FY 2005

The following category/criteria shall be used in the application of NF scheme for the computation of MOOE allocation for FY 2005:

1.0 General Institutional Support

This criteria considers institutional needs based on existing higher level programs (e.g. PhD level over masters, masters over baccalaureate, etc.), programs in priority disciplines (e.g. IT, natural sciences and math, education major in English, etc), and more costly programs based on normative costs (i.e. on how much programs ought to cost per student per year as determined from NORMATIVE COST PER STUDENT FORMULA).

Both inputs (i.e. enrollment and count of full-time faculty with actual teaching loads) and outputs (i.e. graduates) will be used to allocate the MOOE.

MOOE for this category will be allocated based on the following:

1.1 Full Time Equivalent Enrolment in each program level and discipline.

1.1.1 MOOE will be distributed based on actual enrolments instead of projected enrolments. The enrolment data in June 2003 and graduates data from 2002-03 will be used to allocate the MOOE for 2005.

1.1.2 Allocations should be based on full-time equivalent (FTE) data. But since these are not available, surrogate data will be used. Masters and PhD students will be assumed to be half-time but the undergraduates and all others will be counted as full-time.

1.1.3 Enrolments at the elementary and secondary levels will count toward general institutional support subject to two conditions:

1.1.3.1 they must be lab schools attached to tertiary Education programs; and

1.1.3.2 A maximum of 500 students will be used in the formula.

1.2 **No. of graduates from each program level and discipline.**

In the instruction function of SUCs, the students may be considered as the inputs and the graduates as the outputs. Both inputs and outputs will be used in the computation.

1.3 **Normative cost weights for each program level and discipline.**

These are the cost weights obtained from the NORMATIVE COST PER STUDENT MODEL developed under the ADB Advisory Technical Assistance (ADTA) and provides an index as to how much a program ought to cost.

The cost index of 1.00 is assigned to the BS Education (BSE) program. A cost weight of 1.50 means that the specific program is supposed to be 1.50 times more expensive than the BSE program.

1.4 **Priority weights for each program level and discipline.**

Higher priorities will be given to the following disciplines: IT, natural sciences and math, teacher education (majoring in English, Science or Math), and agriculture. Ranking of priorities will be in this order: PhD, Masters, Baccalaureate, tech/voc, secondary and elementary. The priority factors to be used in 2005 are essentially those used in drafting the 2003 and therefore the 2004 GAA.

1.5 **Weights which combine both cost and priority.**

If the cost weight is 1.20 and the priority weight is 1.5, the combined weight is 1.80 ($= 1.20 \times 1.50$). If the cost weight is 1.50 but the priority weight is 0.80, the combined weight is 1.20 ($= 1.50 \times 0.80$).

1.6 **An increase in enrolment does not result to additional funding.**

1.6.1 Without unduly adding to its teaching costs (whether PS or MOOE), **SUCs may admit more students in programs which are currently undersubscribed**, e.g. programs where the average undergraduate class size is less than 30 or where the average graduate class size is less than 20.

1.6.2 **SUC may phase out an undersubscribed program and offer a different one in its place provided the new program is within its original mandate** (e.g. no nursing or law programs

in an agricultural college). This will not require additional PS or MOOE.

2.0 **Research Support and Encouragement**

MOOE for RESEARCH will be allocated based on both inputs (the capacity or potential to do research) and outputs from research programs (e.g. publications and patents). Initially, equal weights will be given to INPUTS and OUTPUTS but in the future, more and more weights will be shifted to RESEARCH OUTPUTS.

2.1 **RESEARCH INPUTS. These measure the capability of the SUC to do research.**

2.1.1 **Enrolment in the masters programs where a thesis is required and PhD programs where a dissertation is required. (Sem1 2003-04).** If the masters or PhD program does not require a thesis or dissertation, it will not be counted.

2.1.2 **No. of masters and PhD degree holders among the full-time faculty or half-time faculty with their own PS items.** It is presumed that the capability of SUC to conduct research depends on its existing full-time or half-time faculty with masters and PhD holders. However, lecturers, professor emeriti, part-time which do not hold a plantilla position will not be counted.

2.1.2.1 As a general rule, each advanced degree holder will be counted only for a number of years, say 5 years. Beyond this period, only the faculty who actually produced research or only the net increase in full-time or half-time faculty MS and PhD holders will be counted. If there is no net increase in the no. of faculty MS and PhD holders and if there is no actual research output, the SUC will get no research points from this category.

2.1.3 **No. of Senior Research staff (Grade 18 and above only).** Senior research staff will be counted only for a number of years, say 5 years. Beyond this period, only their research output will be counted.

2.1.4 **CHED-assigned Centers of Excellence and Centers of Development**

2.1.5 **Research infrastructure in the SUC or no. of existing research centers.**

2.2 **RESEARCH OUTPUTS.** These measure actual outputs from research.

2.2.1 **No. of masters theses and PhD dissertations completed.** Until we get the actual data, surrogate measure will be the no. of graduates from masters and PhD programs.

2.2.2 **No. of publications in refereed journals, books and monographs published, approved patents.**

2.2.2.1 **Points system for various research outputs.** Starting next year, a "research output index" will be constructed so that points could be assigned to different types of research outputs, as follows:

RESEARCH OUTPUT
Article in international refereed journal
Article in national refereed journal
Proceedings of an international conference.
Proceedings of a national conference
Book published Internationally.
Book published nationally.
International Patent
Local patent.

2.2.2.2 **A rolling 3-year research output index.** In recognition of the fact that most research have long gestation periods, the research output index for any particular year will be based on the cumulative points earned in each of the previous 3 years. This will enable the rolling index to reflect the 3-year research momentum instead of a year-to-year fluctuations.

To illustrate, suppose the table below depicts the research points from a SUC.

YEAR	ANNUAL RESEARCH POINTS
1	50
2	30
3	10
4	60
5	20

2.2.2.2.1 To determine the research allocations:

For Year 4, the research output ($50+30+10$) from Years 1,2,3 will be used as the index for that year.

For Year 5, the research output ($30+10+60$) from Year 2,3,4 will be used. The research momentum from 3 years ago still plays a role but the research production from 4 years ago or earlier does not count anymore.

2.2.2.2.2 For 2005:

Research outputs from the 5-year period 1999 to 2003 will be used. Starting June 2004, the annual outputs will then be tabulated by CHED until enough data is gathered to implement a rolling 3-year research index.

Equal weights will be given to inputs as opposed to outputs. That is 50% of research points will be based on inputs and 50% of research points will be based on outputs. In future years, more and more weights will be given to outputs. The table below shows how relative weights between research inputs and outputs will evolve.

YEAR	WEIGHTS ASSIGNED TO RESEARCH INPUTS	WEIGHTS ASSIGNED TO RESEARCH OUTPUTS	TOTAL
2005	60%	40%	100%
2006	50%	50%	100%
2007	25%	75%	100%
2008	10%	90%	100%

3.0 Extension Services Support and Encouragement

MOOE for EXTENSION will be allocated based on EXTENSION INPUTS and OUTPUTS.

3.1 EXTENSION INPUTS

3.1.1 **No. of Senior Extension Staff (i.e. Grade 18 or above).**

3.1.2 **No. of Training Centers complete with building, staff and equipment.**

3.1.3 **Enrolment at the baccalaureate, masters and PhD levels in the following disciplines:**

3.1.2.1 AGRICULTURE

3.1.2.2 FISHERIES

3.1.2.3 FORESTRY

3.1.2.4 VETERINARY MEDICINE

3.1.2.5 SOCIAL WORK

3.1.2.6 COMMUNITY DEVELOPMENT

3.1.2.7 PUBLIC ADMINISTRATION.

3.1.4 **No. of masters and PhD degree holders among the faculty in the above disciplines.** These are the faculty members deemed capable of providing extension services.

3.2 EXTENSION OUTPUTS

3.2.1 **Training person-days conducted between June 1 2002 and May 31, 2003.**

If 50 people were trained 3 days (i.e. at least 6 hours per day), then the training program output is 150 person-days. If 10 people were trained for 20 days (at least 6 hours per day), that would mean 200 person-days.

For 2005, equal weights will be given to inputs as opposed to outputs. That is 50% of extension services points will be based on inputs and 50% of the points will be based on outputs. In future years, more and more weights will be given to outputs.

4.0 Quality Teaching Support and Encouragement

MOOE for Quality Teaching Support will be based on evidences that teaching in the SUC is excellent or above average:

4.1 INPUT MEASURES

4.1.1 No. of masters and PhD holders among the faculty in the disciplines where they teach. It is presumed that faculty members with advanced degrees provide better teaching. More points will be given if the faculty member has an advanced degree in the discipline where he is teaching. For instance, a faculty member teaching Physics with an MS in Physics will get more points than a faculty member with only a masters in Education, Engineering or Environmental Science. For 2005, in view of the time constraint, the surrogate measure will be no. of holders of masters and PhD regardless of discipline. In the future, the percentage of faculty members with advanced degrees will also be used just as in the LET performance index.

4.1.2 No. of scholars admitted primarily on the basis of merit, not financial need. Referring to scholarship received based on qualification, passing competitive examinations including valedictorians and salutatorians from high schools with at least 100 students in their graduating classes. Examples are DOST scholars, scholars from MetroBank Foundation, etc.

4.2 OUTPUTS

4.2.1 Performance in the Licensure Examination for Teachers (LET). Teacher Education is a program which almost every SUC offers and therefore provides a universal gauge of the quality and the volume of teaching in the SUC. Points will be awarded based on two factors: the headcount of passers and

the passing rate in the LET. These are then combined to form the "LET Performance Index" for the SUC.

4.2.1.1. Subsequently, the passing rate will be based on the no. of passers and the no. of takers.

4.2.1.1.1 If there are 80 Teacher Education graduates, 60 of them took the LET and 40 passed, then $\text{BOARDPASS\%} = 66.7\%$ ($=40/60$).

Definition: $\text{LET PERF INDEX} = 0.50 \times \text{PASSERS} \times \text{BOARDPASS\%}$

4.2.1.2 Both headcounts and the passing percentage can be taken into consideration. The LET Index will be the product of headcount and passing rate, as illustrated below.

	LET TAKERS	LET PASSERS	Passing Rate based on Takers	LET PERFORMANCE INDEX
SUC 1	60	40	66.7%	13.3
SUC 2	50	40	80.0%	16
SUC 3	40	40	100.0%	20

4.2.1.3 A rolling 3-year PRC index will be used so that it will reflect the 3-year momentum instead of year-to-year fluctuations. The LET Index for the year 2005 will factor in the performance of the SUC in the LET 2000, 2001 and 2002.

4.2.1.3 If the rolling 3-year passing average of an SUC is below the corresponding national average, the performance index shall be zero.

4.2.2 **Performance in other PRC examinations and the Bar Exam.** Additional points will be given for performance in other board exams such as for Engineering, Agriculture, etc.

4.2.2.1 The same treatment used for LET will be used. The performance index will be weighted by the same priority factors used in weighting enrollment and no. of graduates. For a specific board examination, if the rolling 3-year of an SUC is below the corresponding

national average, the performance index shall be set at zero.

4.2.3 CHED-assigned Centers of Excellence and Centers of Development