

Republika ng Pilipinas
(Republic of the Philippines)
MINISTRI NG EDUKASYON, KULTURA AT ISPORTS
(MINISTRY OF EDUCATION, CULTURE AND SPORTS)
Maynila

April 1, 1985

MECS O R D E R
No. 25, s. 1985

RULES AND REGULATIONS TO IMPLEMENT THE PROVISIONS OF
B.P. BLG. 232, THE EDUCATION ACT OF 1982, RELATIVE
TO STUDENT FEES FOR SCHOOL YEAR 1985-86

To: Regional Directors
Heads of Bureaus/Centers/Offices
Heads of Private Schools, Colleges and Universities

1. Legal Basis. The Education Act of 1982 (B.P. Blg. 232), approved on September 10, 1982, has the following provisions pertinent to the determination of student fees and charges:

Sec. 42. Tuition and Other School Fees.-- Each private school shall determine its rate of tuition and other school fees or charges. The rates and charges adopted by schools pursuant to this provision shall be collectible, and their application or use authorized, subject to rules and regulations promulgated by the Ministry of Education, Culture and Sports.

Sec. 43. Income from other Sources.-- Any private school duly recognized by the government, may receive any grant and legacy, donation, gift, bequest or devise from any individual, institution, corporation, foundation, trust or philanthropic organization, or research institution or organization, as may be authorized by law.

Furthermore, private schools are authorized to engage in any auxiliary enterprise to generate income primarily to finance their educational operations and/or to reduce the need to increase student's fees.

Sec. 44. Institutional Funds. --The proceeds from tuition fees and other school charges, as well as other income of schools, shall be treated as institutional funds. Schools may pool their institutional funds, in whole or in part, under joint management for the purpose of generating additional financial resources.

2. Declaration of Policy.

2.1. It is the policy of the government to see to the stability of private schools as a major component of the national education system, balancing the objectives of students, faculty and support staff, administration, creditors, and shareholders.

2.2. The Ministry shall regulate tuition and other school fees by providing for, or establishing the limits of increases

that shall be authorized, as well as the applications of these fees, having in mind the need to balance the frequently conflicting criteria of the financial capacity of students, the cost of maintaining desired academic standards, providing for expansion and improvement, and the well being of school faculty and staff.

2.3. The government recognizes that educational programs involve ever increasing costs, for personal services, operating and maintenance expenditures, interest and debt amortization, and a reasonable return on investment in the case of schools organized as stock corporations or which are otherwise proprietary in character. The revenues of the school should be channeled to improvement of school standards, keeping net income and cash dividends in the case of proprietary institutions to a minimum reasonable level.

2.4. The government encourages efforts of schools to improve the quality of their instructional, training, research or extension programs and shall allow increases in student fees so as to ensure the success of such improvement efforts.

2.5. The Ministry recognizes the impact on schools of increases in salaries and wages and in maintenance and operating expenses and the need to allow relief through student fee increases as the lesser of two evils, the other being the decline in the quality of instruction and of the outright closure of course programs and entire schools. At the same time, the Ministry seeks to ensure that student fee increases are at the minimum possible level necessary to ensure the continued operation of a school.

3. Definitions. Student fees shall be classified into tuition and other fees, which are defined as follows:

3.1. Tuition fee is the fee to be collected to cover the direct costs of instruction, training, and related research, and of the students' use of instruction/training/research facilities, including laboratories.

3.2. Other fee are fees collected to cover the other necessary costs supportive of instruction/training/research such as testing, athletic, library and diploma fees and other miscellaneous fees related to extra or co-curricular activities and to membership in the school community, such as registration, identification, medical and dental, student organization, student publication, and other fees as may be authorized by the Ministry.

4. Rate of Tuition and Other School Fees or Charges.

4.1. A school may increase tuition and other school fees or charges for its course offerings without need of prior Ministry approval, when such increase is for fifteen (15) percent or less over those approved for the second semester of School Year 1984-85.

4.2. Programs accredited under the rules and regulations of the Federation of Accrediting Associations of the Philippines

(FAAP) as confirmed by MECS Memorandum No. 42, s. 1985, may increase tuition and other student fees or charges pursuant to the provisions of MECS Orders No. 36, s. 1984 entitled "Utilizing Voluntary Accreditation for Deregulation Purposes", and No. 75, s. 1984 entitled "Transitory Policies in Deregulation": Provided, That in cases where there is failure to comply with the required letter of intent and/or the accompanying statements and certifications under the aforementioned MECS Orders No. 36 and 75, s. 1984, then tuition and other student fees or charges may be increased without need of prior Ministry approval only to the extent of twenty (20) per cent or less over those approved for the second semester of school year 1984-85; Provided, Further, That this privilege shall apply only to courses specifically accredited and not for entire institutions.

4.3. Increases in student fees higher than those authorized under paragraphs 4.1 and 4.2 hereof may be collected by a school only with the prior written approval of the Ministry, as follows:

4.3.1. An increase in fee rates in non-accredited programs of up to than twenty (20) percent may be authorized by the Ministry Regional Office concerned in meritorious cases; and

4.3.2. On recommendation of the Ministry Regional Office concerned, a school may be authorized by the Minister to increase tuition and other school fees by a rate exceeding twenty (20) percent for course programs which have been accredited by FAAP as confirmed by MECS Memorandum No. 42, s. 1985, Provided, that this privilege shall apply only to courses specifically accredited and not for entire institutions and that in any case, increases shall be limited to the minimum necessary level.

4.3.3. On recommendation of the Regional Office concerned, a school, whether accredited or not, may be authorized by the Minister to charge extraordinary increases in tuition and other school fees in school year 1985-86 in cases where a school is otherwise unable (a) to execute Supreme Court decisions relative to P.D. No. 451, (b) to meet interest and amortization payments on loans for school purposes, or (c) to break even on a cash basis (i.e., net loss plus depreciation and other non-cash charges) during school year 1985-86: Provided, That inasmuch as double-counting will take place when depreciation and loan amortizations are both considered in the computation of student fee increases, the limits provided in this Order on profits, dividends and return on investment shall be observed notwithstanding the extraordinary school fee increases as may be authorized under this paragraph; and Provided, Further, That the Minister reserves the right to require that the stated financial objectives be achieved over a period of years in case they cannot be covered by reasonable student fee increases in one school year.

4.4. Subject to prior Ministry approval, special fees may be charged of non-citizens, including one-time application fees for all or some courses and a foreign students fee collectible each enrolment, at the discretion of the school, from each foreign

student who is not, or whose parent(s) are not, a permanent resident or residents in the Philippines; Provided, That this fee shall not be collected from students who are nationals of countries where Filipino students are not charged this fee or of countries where governments award not less than ten (10) scholarships annually to Filipino students.

5. Student Fee Floor. A grade school or high school may raise tuition and other school fees to an aggregate level of ₱900 per year, a college to ₱35 per unit, without need for prior Ministry approval; Provided, That the institution gives prior notice of its intention to the Ministry Regional Office and to prospective students by prominently posting a notice on school premises, at least one month before the first day of registration of the school year.

6. Income from Other Sources.

6.1. In order to reduce the need for student fee increases, schools shall maximize income from non-student fee sources, including income from auxiliary enterprises, grants and legacies, donations, gifts, bequests or devises.

6.2. Schools are authorized to engage in school-related auxiliary enterprises for the purpose of generating additional income to help finance their educational operations and/or to reduce the need to increase tuition fee and/or other school charges.

6.3. Any duly recognized school may receive a grant or legacy, donation, gift, bequest or devise from any individual, institution, corporation, foundation, trust or philanthropic organization, or research institution or organization, as may be authorized by law.

6.4. The institution shall maximize income from its bookstore, printing press, cafeteria, canteen, and other business concessions; and other auxiliary enterprises and sources other than student fees. These facilities may be operated by the school directly or contracted with qualified parties on terms as favorable as possible to the school.

6.5. Donations which are made by foreign or local students shall accrue to the school and shall be considered as income from donations to be used for the purposes for which the donations are made and considered in the financial projections of non-student fee sources of the institution.

7. Application or Use of Tuition and Other School Fees or Charges.

7.1. The proceeds from tuition fees and other school charges as well as other income of each school, shall be treated as an institutional fund which shall be administered and managed for the support of school purposes strictly; Provided, That for the purpose of generating additional financial resources or income for the operational support and maintenance of each school, two or more schools may pool their institutional funds, in whole or in part, subject to the prior approval of their respective governing boards.

7.2. Tuition fees shall be used to cover the general expenses of operating the school in order to allow it to meet the minimum

standards required by the Ministry or any higher standard to which the school aspires. They may be used to meet the costs of operation for maintaining or improving the quality of instruction/training/research through improved facilities and through the payment of adequate and competitive compensation for its faculty and support personnel, including compliance with mandated increases in personnel compensation and/or allowances.

7.3. Tuition fees shall be used to cover minimum and necessary costs including the following: (a) compensation of school personnel such as teaching or academic staff, school administrators, academic non-teaching personnel, and non-academic personnel, (b) maintenance and operating expenses, including power and utilities, rentals, depreciation, office supplies, and (c) interest expenses and installment payments on school debt.

7.4. Not less than sixty (60) percent of the incremental tuition proceeds shall be used for salaries or wages, allowances and fringe benefits of faculty and support staff, including cost of living allowance, imputed costs of contributed services, thirteenth (13th) month pay, retirement fund contributions, social security, medicare, unpaid school personnel claims, and payments as may be prescribed by mandated wage orders, collective bargaining agreements and voluntary employer practices: Provided, That increases in fees specifically authorized for the purposes listed in paragraph 4.3.3 hereof shall be used entirely for those purposes.

7.5. Other student fees and charges as may be approved, including registration, library, laboratory, athletic, application, testing, fees and charges shall be used exclusively for the indicated purposes, including (a) the acquisition and maintenance of equipment, furniture and fixtures, and buildings, (b) the payment of debt amortization and interest charges on debt incurred for school laboratory, athletic, or other purpose, and (c) personal services and maintenance and operating expenses incurred to operate the facilities or services for which fees and charges are collected.

7.6. Part of the increase in student fees shall be used to support poor but deserving students, in the form of waivers of all student fees to students meeting the said criteria, at the ratio of one (1) waiver for every five hundred (500) of the total students/pupils enrolled in the school: Provided, That these waivers shall be in addition to scholarships or fellowships granted to valedictorians and salutatorians, to students achieving high scholastic distinction, to athletes, to working students, to children of faculty and staff members as fringe benefits of employment, or other similar scholarships or fellowships.

8. Limits on Profits and Cash Dividends.

8.1. Notwithstanding the authorizations in paragraphs 4.1, 4.2 and 4.3 hereof, schools organized as stock corporations or other proprietary schools shall increase tuition or other fees and charges only to such an extent that the school's net income after taxes school does not exceed 12 percent of net worth excluding appraisal increments for fiscal year 1985-86.

8.2. Cash dividends may not be declared out of appraisal increments on school property and may not exceed half of the net income after taxes earned in the year during which the cash dividend is declared. The payment of cash dividends is understood to be subject to the availability of sufficient cash on hand.

9. Clarifications. The school administration shall make available to faculty, staff, and students, financial statements and projections and all information pertinent to any student fee increases, including (a) the approved school budget of income and expenditures, (b) net income and reinvestment or cash dividends, (c) capital expenditure program, and (d) financing transactions. Information shall likewise be provided on cost reduction measures, income from sources other than student fees, and other factors having some bearing on school revenues and costs.

10. Mechanics.

10.1. Institutions which are authorized herein to raise their student fees without prior Ministry approval must nonetheless advise the Ministry Regional Office concerned of its intention to raise its fees and shall submit a statement of current and proposed school fees, no later than May 6, 1985, giving details of the increases it shall impose. Furthermore, the institution shall submit no later than June 17, 1985, (a) its most recent audited financial statements which shall be no older than twelve (12) months and (b) the school budget for school year 1985-86 duly approved by its Board of Trustees.

10.2. A school desiring to increase student fees shall file its application, where required, to collect the new rates or fees with the appropriate Ministry Regional Office no later than May 6, 1985. The Regional Director concerned shall act on each application no later than two weeks after receipt of the application.

10.3. Any contracts or agreements with third parties, concerning business concessions and other auxiliary enterprises shall be submitted to the Ministry as part of a student fee increase application.

10.4. Copies of any contracts or agreements entered into between the school and its stockholders, directors, officers, and their related interests, particularly those involving business concessions or transactions with the school, shall be submitted to the Ministry as part of a student fee application.

10.5. Applications shall be submitted in accordance with the attached format and shall be accompanied by the following documents/information, duly certified to under oath by the proper official(s) of the school concerned: (a) schedule of fees and charges proposed, with comparative information for the two preceding school years; (b) projected income statement, cash flow statement, and balance sheet for the prospective school year and for the current and incoming fiscal years, including information on the allocation of the proceeds of the increases applied for, (c) budget for the incoming school year duly approved by the Board of Trustees on recommendation of management, (d) justifications for the proposed increases, including projects or activities designed to improve instructional/training/research standards; (e) audited financial statements for the immediately preceding two fiscal years and interim financial statements as of the ends of school semesters subsequent to the most

recently available audited statements; (f) a copy of the most recent tax return, where required, filed with the Bureau of Internal Revenue; (g) statement of income from non-student fee sources, including copies of all contracts and agreements with business concessionaires; and (h) statement of all payments to directors, officers, stockholders, and related interests governing transactions with the school, including copies of all contracts and agreements with these groups including those on rental payments, and management and procurement contracts.

11. Repeal Clause. This Order constitutes the Rules and Regulations for the enforcement of Sections 42-44 of the Education Act of 1982, superseding Rule VI of the Rules and Regulations issued on September 1983 and MECS Orders Nos. 21, s. 1980, 33, s. 1981, 23 and 60, s. 1983 and 15, s. 1984.

(SGD.) JAIME C. LAYA
Minister

References: MECS Orders: (Nos. 21, s. 1980; 33, s. 1981; 23 and 60, s. 1983; 15, 36 and 75, s. 1984)
MECS Memorandum: No. 42, s. 1985

Allotment: 1-4--(D.O. 1-76)

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

LEGISLATION
RULES and REGULATIONS
SCHOOLS
STUDENTS
TUITION FEES