

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

November 26, 1985

MECS O R D E R
No. 66, s. 1985

ADDENDUM TO MECS ORDER NO. 25, S. 1985

To: Bureau Directors
Regional Directors
Heads of Private Schools, Colleges and Universities

1. Sub-paragraph 4.3.3. of MECS Order No. 25, s. 1985, allows a private school, on recommendation of the regional office concerned and after approval by the Minister, "to charge extraordinary increases in tuition and other school fees" in three (3) instances: (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 the school year 1985-86.

1.1 Under the same paragraph of the said Order, the approval by the Minister of the collection by a private school of extraordinary increases in tuition and other school fees is subject to two (2) general conditions, viz:

(a) that the limits provided in the Order on profits, dividends and return on investment shall be observed; and

(b) 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.

1.2 That extraordinary increases in tuition and other school fees as may be authorized in this Order, which should be determined by the school administration after consultation with representatives of the constituent elements concerned of the academic community, shall be deemed over and above the maximum rates of increases as provided in sub-paragraphs 4.3.1 and 4.3.2 of MECS Order No. 25, s. 1985.

1.3 Sub-paragraph 2.4 of the said Order further provides, as an exception to the specified application or use of tuition and other school fees or charges, that the "increases in fees specifically authorized for the purposes listed in paragraph 4.3.3. hereof shall be used entirely for those purposes."

2. The following requirements or guidelines, consistent with the declared policies as embodied in paragraph 2 and the other provisions as provided in paragraph 4 of MECS Order No. 25, s. 1985, are hereby prescribed for compliance and/or submission by the private schools and for Ministry evaluation/action on school applications to charge extraordinary increases in tuition and other school fees in the school year 1985-86, as provided in sub-paragraph 4.3.3. of the said Order, viz:

a. To implement Supreme Court decisions relative to P.D. No. 451:

- (1) The application should state the specific amount to be paid, supported by a copy of the decision.
- (2) The schedule of payment of school employee benefits, whether to be paid in full during the first semester or payable over a period of more than one semester, and the amount payable per semester.
- (3) The proceeds of the extraordinary increase as may be approved shall be used solely to meet or pay the school liability under the Supreme Court decision.
- (4) A copy of the agreement between the school administration and the school employees as to the terms or manner of payment or settlement.
- (5) After full payment or satisfaction of the liability under a Supreme Court decision, the extraordinary increase shall be stopped or terminated.
- (6) After satisfying the obligations of the school, a report should be submitted to the MECS, including, among other things, the yearly schedule of collection and the total amount collected from the students and derived from the extraordinary increase, and the schedule of collection and the total amount paid to employees duly certified.

b. To meet interest and amortization payments on loans for school purposes:

- (1) A certified xerox copy of the original loan agreement showing the original amount of the loan, the date it was incurred, the application of the proceeds, the schedule or term of payments, and the name of the creditor.
- (2) The amount due during the semester or per semester for both principal and interests, and the balance of the loan as of the first semester of 1985-86, and the schedule of payment of the school loan.

- (3) The proceeds of the extraordinary increase as may be approved, shall be used solely to meet the interest and amortization payments on the school loan.
 - (4) The school facilities shall be existing and in use as of the first semester 1985-86.
 - (5) After full payment or settlement of the obligation, the extraordinary increase should be stopped or terminated.
 - (6) A report on the matter shall be submitted to MECS, including, among other things, the total amount collected from the students and derived from the extraordinary increase and the total amount paid to the creditors duly certified.
- c. To break even on a cash basis (i.e., net loss plus depreciation and other non-cash charges during the school year 1985-1986:
- (1) A statement of estimated cash receipts, including the extraordinary increase applied for, for the school year or semester that will show the breakdown of the sources of such receipts, and the estimated cash payments or disbursements also showing the breakdown for the same period. The receipts should equal the disbursements for the semester or for the school year.
 - (2) The audited financial statements of the two previous school years or fiscal years which should show net losses for those years.
 - (3) The total amount for depreciation, provision for bad debts, amortization on prepaid expenses and other non-cash charges, should be less than the net loss shown by the audited financial statements.

3. In addition to the requirements provided in paragraph 2 hereof, the application should be accompanied by a schedule of salaries and allowance of directors and officers, particularly the officers who are also owners of the school. For purposes of determining the reasonableness of their salaries, traveling allowances, transportation allowances, representation allowances and similar allowances should be added to their basic salaries, whether said allowances are paid by the school directly, or paid to the officer as such allowances.

4. All expenses that appear to be out of proportion to the size of the school should be properly supported and a breakdown be shown. A miscellaneous expense item in excess of one per cent (1%) of total tuition and other school fees should be broken down and properly supported by documents. For this purpose a financial statement and a statement of income and expenses, following the attached format, and duly certified by a Certified Public Accountant, should be submitted.

5. Strict observance to the foregoing is hereby enjoined.

(SGD.) JAIME C. LAYA
Minister

Reference:

MECS Order: (No. 25, s. 1985)

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

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