

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Seventeenth Congress
First Regular Session

HOUSE BILL NO. 3 2771

HOUSE OF REPRESENTATIVES	
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Introduced by **Representative JOEY SARTE SALCEDA**

AN ACT OPERATIONALIZING UNIVERSAL ACCESS TO TERTIARY EDUCATION
BY PROVIDING FREE HIGHER EDUCATION IN STATE UNIVERSITIES AND
COLLEGES AND FURTHER CREATING THE HIGHER EDUCATION
CONTRIBUTION SYSTEM FOR THOSE IN PRIVATE HIGHER EDUCATION AND
LOCAL COMMUNITY COLLEGES, PROVIDING FUNDS THEREFOR AND FOR
OTHER PURPOSES

EXPLANATORY NOTE

*"Without education and liberty, which are
the soil and the sun of man, no reform is
possible, no measure can give the result
desired." (Dr. Jose Rizal)*

State Mandate on Education. That quality education is made accessible to all citizens, especially to the poor and the underprivileged, is a mandate of the State. Accordingly, the 1987 Constitution Article XIV, Section 1 provides:

Section 1. The State shall protect and promote the right of all citizens to quality education at all levels, and shall take appropriate steps to make such education accessible to all.

Pursuant thereto, the State, with are cognition of the primordial importance of education, gives education the highest budgetary priority. Thus, Section 5 thereof, to wit:

Section 5. The State shall assign the highest budgetary priority to education and ensure that teaching will attract and retain its rightful share of the best available talents through adequate remuneration and other means of job satisfaction and fulfillment.

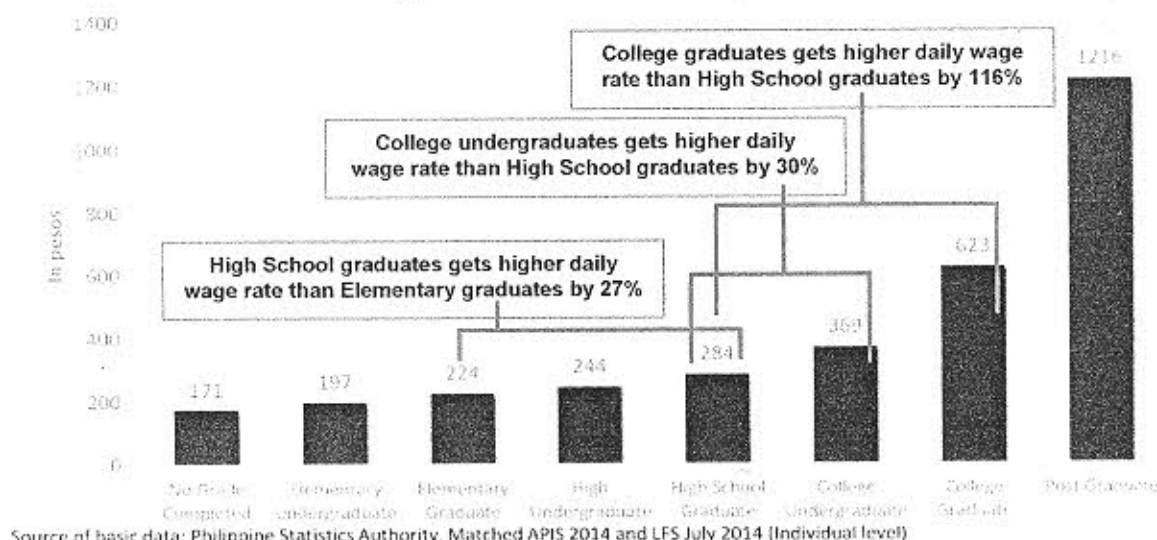
Arguably, the State has consistently appropriated the largest chunk of the national budget to education. Of the proposed 2016 national budget of P3.002 trillion, P436.5 billion has been earmarked for the education sector. Yet this budget cannot keep abreast with an ever

burgeoning population. Every year, additional budget is needed to defray the growing cost of education in the country.

Strategic Benefits of Higher Education. Former US Fed Chair Bernard Bernanke stated (*Bernanke Speech at the U.S. Chamber Education and Workforce Summit, Washington, D.C. September 24, 2007*), "From a macroeconomic standpoint, education is important because it is so directly linked to productivity, which, in turn, is the critical determinant of the overall standard of living. The U.S. Bureau of Labor Statistics estimates that, between 1987 and 2006, ongoing improvement in the education and experience of the U.S. workforce contributed 0.4 percentage point per year to the increase in non-farm business labor productivity (*U.S. Department of Labor, 2007*), a significant amount. These estimates are however conservative in that they hold fixed other sources of productivity growth, such as the accumulation of various forms of capital and the advance of technology, but workers' skills certainly contribute indirectly to productivity growth by affecting these other factors as well. For example, the state of technology is affected both by the creativity and knowledge of scientists and engineers engaged in formal research and development as well as by the efforts of skilled workers on the shop floor who find more efficient ways to accomplish a given task. Managers who develop a new business plan or find new ways to use evolving technologies can also be thought of as adding to the "intangible," or knowledge-based, capital of the firm, which by some estimates is comparable in importance to physical capital such as factories and equipment (*Corrado, Hulten, and Sichel, 2006*). For individuals, the economic returns to education are substantial as well. In 2006, the median weekly earnings of college graduates were 75 percent higher than the earnings of high-school graduates. In turn, workers with a high-school degree earned 42 percent more than those without any diploma. These differentials are large and have been growing; indeed, they have roughly doubled in the past twenty-five years or so. The source of the widening wage gap between the more-educated and less-educated is nothing more complicated than supply and demand. The demand for more-educated workers has been increasing rapidly, partly because the much more widespread use of computers and other sophisticated information and communication technologies in the workplace has increased the reward for technical skills. The supply of highly educated workers has also risen. At the start of the 1980s, 22 percent of young adults aged 25 to 29 held a college degree or more; by last year, that fraction had moved up to 28.5 percent. Nevertheless, the supply of educated workers has not kept pace with demand, thus generating an increased salary premium for education. Because the wages of those at the top of the educational ladder have increased the fastest, increasing our investment in education can benefit not only individuals and society but also might narrow income gaps."

Average daily wage rate

Average daily wage of wage/salary workers (aged 15 & over),
by educational attainment, 2014



In the case of the Philippines (*see above figure*), for individuals, the economic returns to education are substantial as well. In 2014, the median daily earnings of college graduates were 116% percent higher than the earnings of high school graduates who in turn have a 26% over elementary graduates. Even those with college units enjoy a 27% advantage over those with secondary education. These differentials are large and have been growing.

Bernanke further expounded, “The source of the widening wage gap between the more educated and less educated is nothing more complicated than supply and demand. The demand for more educated workers has been increasing rapidly, partly because the much more widespread use of computers and other sophisticated information and communication technologies in the workplace has increased the reward for technical skills. The supply of highly educated workers has also risen. At the start of the 1980s, 22 percent of young adults aged 25 to 29 held a college degree or more; by last year, that fraction had moved up to 28.5 percent. Nevertheless, the supply of educated workers has not kept pace with demand, thus generating an increased salary premium for education. Because the wages of those at the top of the educational ladder have increased the fastest, increasing our investment in education can benefit not only individuals and society but also might narrow income gaps.”

Increasing Cost of Education. Almost invariably, we view college diplomas as our children’s passport to a better life. Earning a college degree therefore is a dream of every Filipino. Yet education, particularly higher education, whether in public or private schools, comes with a hefty price tag. Every year, fewer high school graduates enroll in college primarily because of dire economic straits. The high cost of education in the country has been exacerbated by the periodic hikes in tuition fees which make earning a diploma unreachable especially among the poor. Courses at private universities average at P30,000 per semester. But even the P1,000 per semester tuition fee in state universities and colleges can be beyond the reach of a family of five who needs at least P8,778 a month to meet only the basic food and nonfood needs, let

alone send one child to college. Verily, it is a continuing paradox that while a college education helps to escape poverty, yet Filipinos have to be rich to afford one.

According to the 2013 Functional Literacy, Education and Mass Media Survey (FLEMMS), one in every ten or about 4 million Filipino children and youth was out-of-school in 2013. Out-of-school children is defined in the FLEMMS as persons aged 6 to 14 years who are not attending school while out-of-school youth as persons aged 15 to 24 years who are not attending school, have not finished any college or post-secondary course, and are not working. According to CHED, two out of five high school graduates, or 40 percent, do not pursue tertiary education due to high tuition fees and miscellaneous expenses. Related to this, a 2011 National Center for Education Statistics Report estimates that only three out of every five four-year college students graduate within six years. Most dropouts leave college before entering their second year primarily due to the rising cost of education. OSYs may appear small in number but they are preponderant among the poor which thereupon turns the wheels of inter-generational transmission of poverty against them.

The Proposed Bill in a Nutshell. This proposed bill has two components, namely: (1) free public tertiary or higher education to all qualified students enrolled in any bachelor's degree and technical/vocational programs offered in all SUCs; and (2) establishment of the Higher Education Contribution System (HECS).

While free public tertiary education is straightforward, its absorptive capacity is limited and there is a need to level the playing field to those who would find admission in private higher education institutions. Thus, HECS is designed, and hereby established, to grant concessional loans to and collect repayments from Filipino students who are admitted and enrolled in private colleges and universities. The only qualification to HECS is Filipino citizen.

Aside from being registered with CHED, private HEIs would further undergo accreditation in order to participate in HECS. Once accredited by CHED, it shall be compulsory for these HEIs to provide access to HECS under arrangements with CHED. The qualifications are only (1) Admission, (2) Filipino citizenship, and (3) family income. Neither CHED nor HEIs can impose additional qualifications including among others choice of course. If the number of applications exceed the HECS budget, applicants will be chosen on the basis of first come, first served basis.

Filipino students enrolled in accredited HEIs who desire to avail of HECS would have the education loan assistance deducted or credited to their billing at the beginning of each semester for the next 8 to 10 semesters based on their baccalaureate courses. The private HEIs would submit a list of their total HECS releases at the end of each of semester and the HECS would after verification reimburse the amount to the HEIs.

The HECS loan will then be repaid by the beneficiaries once they find employment and shall be collected thru the SSS and GSIS as a monthly payment as percentage (%) of their income on top of their regular monthly SSS premium contributions. Moreover, payments will be triggered only once their gross income reaches the Compulsory Repayment Threshold (CRT) which is the minimum amount of annual gross income. In short, "No job, No repayment". This is based on the guiding principle - "*Kapag may Pinag-aralan, Magkakatrabaho at Makakabayad.*" Thus, the entire educational system should be compelled to be effective and efficient in producing graduates for jobs created, good jobs, jobs of the future and jobs here and abroad.

A Higher Education Contribution System (HECS) will be a government-owned and controlled institution to manage the Higher Education Loan Fund which shall be funded initially by the National Government through national appropriations which may take 8 years of continuous contribution of at least P30 billion annually. The government shall seek long term funding from bilateral and multilateral institutions which provide deeply concessional interest rates, multi-year releases with tenor up to 30 years.

Universal access to higher education is not a silver bullet to eradicating poverty incidence in the country. But it is a reasonably effective strategy to unleash and mobilize the ambitions of 101m Filipinos and forge the national will from these. Many of those ambitions are articulated by a college diploma which was deprived to their parents and forbears and their current economic standing in a vicious cycle stands in the way of such ambition. The twin policies of K-to-12 and 4Ps is a big start to break down the umbilical cord of intergenerational transmission of poverty. Universal access to tertiary education will complete this process.

It is the obligation of the State to maximize all resources within its disposal and do everything in its power to uplift the socio-economic conditions of all its citizens, especially the disadvantaged. And one most critical intervention by the State is to provide all its citizens with affordable and accessible college education as a tool for empowerment and social mobility. The proposed bill is designed to achieve this avowed State objective.

The proposed bill endeavors to make tertiary education affordable and well-within reach of individuals. In view of the foregoing, immediate approval of this measure is earnestly sought.



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EDUCATION AND THEREFOR PROVIDING FREE HIGHER EDUCATION IN
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HIGHER EDUCATION CONTRIBUTION SYSTEM FOR THOSE IN PRIVATE
HIGHER EDUCATION AND LOCAL COMMUNITY COLLEGES, PROVIDING
FUNDS THEREFOR AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress
assembled:*

Section 1. *Short Title* – This Act shall be known as the “**Higher Education
Contribution System (HECS) Act of 2016.**”

Sec. 2. *Declaration of Policy* – It is the declared policy of the State to protect and
promote the right of all citizens to quality education at all levels, and shall take appropriate
steps to make such education accessible to all.

Sec. 3. *Definition of Terms* –

- a) Higher Education Institution, also referred to herein as HEI – shall refer to an
educational institution that offers higher education programs, such as, but not
limited to, a four-year bachelor’s degree program, as may be authorized and
recognized by the Commission on Higher Education (CHED) pursuant to
Republic Act No. 7722, otherwise known as “The Higher Education Act of 1994.”
- b) State Universities and Colleges (SUCs) – shall include the higher education
institutions with their own respective charters, administered and financially
subsidized by the government.
- c) Private Higher Education Institutions (Private HEIs) – shall refer to higher
education institutions established and governed under Batas Pambansa Bilang 68
also known as the Corporation Code of the Philippines.

- d) Local Community Colleges (LCCs) – shall refer to educational institutions organized by local government units offering post-secondary courses which may include 4-5 year courses as authorized by CHED;
- e) Technical / Vocational Education – shall mean the education process designed at post K-to-12 and lower tertiary levels, officially recognized as non-degree programs aimed at preparing technicians, para-professionals and other categories of middle-level workers by providing them with a broad range of general education, theoretical, scientific and technological studies, and related job skills training.
- f) K-to-12 – shall refer to the DepED implemented education program that covers 13 years of basic education with the following key stages: Kindergarten to Grade 3, Grades 4 to 6, Grades 7 to 10 (Junior High School). Grades 11 and 12 (Senior High School).
- g) Tuition Fee – for purposes of this Act, shall include school charges for the subjects or course enrolled in by a tertiary or higher education student as well as a student pursuing a technical vocation, as indicated in the prospectuses of SUCs and private HEIs, which may either be on a term or yearly basis or per unit or units.
- h) Other school fees and/or charges – shall include miscellaneous fees charged by HEIs as embodied in their respective prospectuses, bulletins of information, or catalogues, which are collected and earmarked for certain specified purposes pursuant to existing laws, rules and regulations. Other school fees and miscellaneous fees are used interchangeably in this Act.
- i) Bachelor's degree – shall mean any four-year to five-year program leading to a degree as may be authorized and recognized by the CHED.
- j) Higher Education Contribution System (HECS) – shall refer to the entire system wherein government provides loan assistance to Filipino citizens who seek higher education mainly 4-year/5-year courses in private HEIs and local community colleges and repayment is collected by SSS, GSIS and other mechanisms on top of their monthly premium contributions and is based as a percentage of their monthly income once their income reaches a certain level;
- k) Compulsory Repayment Threshold – shall mean the yearly gross income of an individual enough to trigger the application of the payment options under sec. 11 hereof.
- l) Annual Gross Income – shall mean all yearly income derived from whatever source as defined in Sec. 32 of the National Internal Revenue Code.
- m) Qualified Student – any college student who possesses all the qualifications set forth in this Act.

- n) Social Security System (SSS) – the state run insurance agency as created and established under Republic Act No. 1161, otherwise known as the “Social Security Act of 1997.”
- o) Government Service Insurance System (GSIS) – as created and established by Commonwealth Act No. 186 or the “Government Service Insurance Act.”
- p) Universal Access to Tertiary Education Program – shall refer to the government program of granting Free Public Tertiary Education in SUCs and educational loan assistance in Private HEIs and Local Community Colleges (LCCs) as provided for in this Act.
- q) Higher Education Contribution System Fund (HECS Fund) – shall refer to the funding source, managed by the HECS Corporation, from which the educational loan assistance in Private HEIs and LCCs is to be drawn.
- r) Higher Education Contribution System Corporation (HECS Corp) – shall refer to the government controlled corporation tasked to undertake activities appertaining to the implementation of this Act, including, but not limited to, the management of the HECS Fund.
- s) Board – shall mean the Members of the Board of the HECS Corporation.
- t) HECS loan – shall refer to the financial assistance granted to qualified students of private HEIs and LCCs for tuition and other school fees. The term is herein used interchangeably with “loan” or “educational loan.”

Sec. 4. Implementation of Free Higher Education in SUCs – Free public higher education shall be given to all qualified students who are Filipino citizens enrolled in any bachelor’s degree course offered in all State Universities and Colleges (SUCs). As such, the qualified student shall be free from payment of tuition and other school fees and/or charges, except fees related to membership in the school community such as identification cards, student organizations and publication which may be collected: provided, that nothing in this Act shall cause or authorize the reduction or removal of any benefit which the national or local government may have granted to the students, teachers and other school personnel of these SUCs prior to the enactment of this Act.

Sec. 5. Implementation of Free Technical/ Vocational Education – There shall likewise be free education to all qualified students enrolled in any technical / vocational programs offered by any state-run vocational / technical school. Accordingly, the same students shall be free from payment of tuition and other school fees and/or charges, subject only to the same exceptions provided under Sec. 4 hereof. TESDA shall be funded at a level adequate to support this program

Sec. 6. Higher Education Contribution System for College Students in Private HEIs –

- 6.1. Any Filipino citizen taking up any four-to-five year bachelor’s degree program in any private HEI and LGU-owned community colleges (LCCs) accredited by CHED may avail apply for loan with Higher Education Contribution System which shall establish working arrangements with the HEIs; provided further that

those who did not avail of the loan during their college may avail of it to pursue post-baccalaureate vocations such as medicine and law.

- 6.2. It shall be the duty of the head of any higher educational and local community colleges to accept the applications for educational loan and make a determination on the qualification of each applicant which are limited only to the following:

- a) admission to 4 – 5 year course;
- b) Filipino citizenship; and
- c) family whose combined income is below the level exempted from any personal income tax currently estimated at P280,000 per annum

It shall be unlawful for HECS, HEIs, LCCs and CHED to impose additional qualifications such as preferred courses; provided moreover that applicant students who make misrepresentation of qualifications shall be penalized accordingly.

Thereafter, LCCs and HEIs shall furnish the HECS Corporation with a list of qualified students not later than five (5) working days before the commencement of a semester.

- 6.3. The educational loan amount shall be initially set at P10,000 per semester but not higher than the tuition fee schedule of the participating school for 8 semesters for four year and 10 semesters for five years which may be adjusted by the HECS governing board.

- 6.4. Once the students are admitted for enrollment and are approved by HECS for a college loan, the Private HEIs and LCCs shall automatically credit the loan to the student's Semestral billing upon registration up to the ceiling provided and the Private HEIs shall collect the said fund from the Corporation at the end of the semester. However, any variation to the regular four-year course and any interruption in the continued enrollment shall be subject to approved guidelines as set by the Board.

6.5. Collection

6.5.1. Collection shall principally be implemented thru GSIS or SSS.

6.5.2. Interest rates shall be deeply concessional at 4% and may be reset by the governing board of HECS.

6.5.3. Payment of the loan amount will commence once the beneficiary secures any gainful employment with a compensation, remuneration or earnings that reaches the Compulsory Repayment Threshold (CRT). For purposes of this Act, the Compulsory Repayment Threshold (CRT) shall initially be set at P200,000.00 yearly gross income for the first five (5) years from the approval of this Act; provided that the same CRT shall be reviewed, or readjusted if necessary, every five (5) years thereafter by the Board.

6.5.4. Repayment shall be effected by incorporating a portion of the loan amount or a percentage thereof to the employee's monthly SSS or GSIS contribution, as the case may be, based on a rational schedule of repayment rates at 3% interest rate as may be formulated by the Board.

6.5.5. *Earnings Not Covered by GSIS or SSS.* The Board, in consultation with relevant agencies, shall formulate guidelines for loan payment by HECS beneficiaries not covered by GSIS and SSS including OFWs and emigrants.

Sec. 7. *Creation of the HIGHER EDUCATION CONTRIBUTION SYSTEM* – There shall be created a Higher Education Contribution System (HECS) as a government controlled corporation, attached to the Office of the President that shall, among others, manage the HECS Fund.

7.1. *Composition.* The HECS Corporation shall be composed of the following:

CHED Chairman, as Chairman of the Board;

Members:

DOF Secretary
SSS President
GSIS President and GM
Land Bank of the Philippines President
PAASCU President

7.2. *Corporate Powers and Functions.* To accomplish its mandate, the HECS Corporation shall perform the following powers and functions:

- a) To set the policy direction, coordination with Private HEIs and other relevant agencies and institutions, and formulation of plans and programs to implement the Universal Access to Tertiary Education Program;
- b) To set the criteria for accreditation of private higher education institutions (HEIs);
- c) To manage the HECS Fund and undertake other activities relative thereto;
- d) To facilitate the transfer of the HECS Fund as may be determined in the billing statement furnished by Private HEIs and LCCs at the end of every semester;
- e) To formulate and periodically adjust viable, rational and equitable schedule of payment rates;
- f) To formulate guidelines for payment of loans by HECS beneficiaries who are non-GSIS and non-SSS members as well as OFWs and emigrants; and
- g) To perform such other functions as may be deemed necessary to implement this Act.

Sec. 8. *Commencement* – The availments under this Act shall commence in School Year 2017-2018.

Sec. 9. *Appropriation* – On its first year of operations, an initial amount of PESOS TWENTY BILLION PESOS (P10,000,000,000.00) is hereby appropriated from any savings of which half will be automatically released to HECS Fund every semester; thereafter General Appropriations Act shall allocated P20,000,000,000 for the 2nd year, P30,000,000,000 for the 3rd year, P40,000,000,000 in the fourth year, P40,000,000,000 in the fifth year and P40,000,000,000 for the sixth year. On the 7th year and thereafter, HECS may request for additional funding if there is gap between the estimated college assistance of P40,000,000 and the contributions to HECS collected by SSS, GSIS and other mechanisms thereafter such time the fund becomes self-funding which is expected on the tenth year when collections or payments can continuously fund the next batch of college education borrowers. The National Government is hereby enjoined to secure concessional long term loans from ODA at deeply concessional interest rates and at tenors matching the cashflow characteristics or projections.

Sec. 10. *Penalties* – Any person who shall violate the provision of this Act shall be punished with imprisonment of not less than six (6) months but not more than one (1) year or a fine of not less than twenty thousand (20,000.00) but not more than one hundred thousand (100,000.00) or both at the discretion of the court. In case of a partnership, association, corporation or any other juridical entity, the penalty shall be imposed on the president, treasurer or any other officer or person responsible for the violation. If the offender is an alien he shall, after service of sentence, be deported immediately without further proceedings in the Bureau of Immigration.

Sec. 11. *Repealing Clause* – All laws or parts thereof, inconsistent with any provision of this Act shall be deemed repealed or modified as the case may be.

Sec. 12. *Effectivity* – This Act shall take effect after fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,