



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

SUPREME COURT OF THE PHILIPPINES
PUBLIC INFORMATION OFFICE

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GUAGUA NATIONAL COLLEGES, G.R. No. 213730

Petitioner,

- versus -

Present:

GUAGUA NATIONAL COLLEGES
FACULTY LABOR UNION AND
GUAGUA NATIONAL COLLEGES
NON-TEACHING AND
MAINTENANCE LABOR UNION,

GESMUNDO, *CJ*, Chairperson
CAGUIOA,
CARANDANG,
ZALAMEDA, and
GAERLAN, *JJ*.

Respondents.

Promulgated:

JUN 23 2021

X

X

DECISION

ZALAMEDA, *J*:

This Petition for Review on *Certiorari*¹ under Rule 45 seeks to reverse and set aside the Decision² dated 13 February 2014 and the

¹ *Rollo*, pp. 20-52.

² *Id.* at pp. 57-71; penned by Associate Justice Isaias P. Dicedican and concurred in by Associate Justices Michael P. Elbinias and Leoncia R. Dimagiba of the Special Twelfth (12th) Division, Court of Appeals, Manila.

Resolution³ dated 25 July 2014 of the Court of Appeals (CA) in CA G.R. SP No. 130427. The CA affirmed the Decision⁴ dated 19 April 2013 and Resolution⁵ dated 07 June 2013 rendered by the Voluntary Arbitrator of the National Conciliation and Mediation Board (NCMB) in NCMB-AC004-RB3-02-01-12-2012.

Antecedents

In 2010, petitioner Guagua National Colleges (petitioner) implemented a fifteen percent (15%) tuition fee increase for the school year 2010-2011. After deducting scholarship expenses and making provisions for dropouts, unpaid accounts, and contingencies, the net tuition fee incremental proceeds (TIP) of petitioner amounted to P4,579,923.00. Pursuant to Section 5(2) of Republic Act No. (RA) 6728, petitioner allocated seventy percent (70%) of the TIP, or P3,205,946.00, as follows:

1. 13th month pay and cash gift - P 91,709.00
2. honorarium - P 286,497.00
3. clothing and family assistance - P 191,225.00
4. SSS, PHIC and HDMF contribution - P 67,413.00
5. Retirement benefit fund contribution - P 2,569,102.00

On 21 September 2010, respondents Guagua National Colleges Faculty Labor Union and Guagua National Colleges Non-Teaching and Maintenance Labor Union (collectively, respondents) sent a letter to petitioner, demanding that the 70% of the TIP be allocated to the salaries of the employees. As basis for their demand, respondents quoted Section 182 (b) of the 2010 Revised Manual of Regulations for Private Schools in Basic Education (2010 Revised Manual), which states:

Section 182 Limitation - The increase in tuition or other school fees, as well as new fees shall be subject to the following conditions:

- a. Consultation
- b. That no increase in tuition or other school fees or charges shall be approved **unless 70% per centum of the proceeds is allocated for increase in salaries or wages of the members of the faculty and all other employees of the school concerned** and the balance, for

³ Id. at 73-77.

⁴ Id. at 78-90; penned by Voluntary Arbitrator Bienvenido E. Laguesma.

⁵ Id. at 91-94.



institutional development, student assistance and extension services and return to investments. Provided, that in no case shall the return to investments exceed twelve (12%) per centum of the incremental proceeds. (Emphasis supplied)

In its letter reply, petitioner stated that the school management has discretion on the allocation of the 70% of the TIP. Moreover, petitioner stressed that in the manner of distribution of the TIP, RA 6728, not the 2010 Revised Manual, is controlling.

On 19 October 2012, respondents filed a preventive mediation case against petitioner before the NCMB. The parties agreed to submit to voluntary arbitration, where the sole issue was whether or not the school had failed or refused to extend and allocate, in accordance with law, the 70% net incremental proceeds arising from the 15% tuition fee increase that was imposed by the petitioner for the school year 2010-2011. The parties designated Bienvenido E. Laguesma (Voluntary Arbitrator) as the lone arbitrator to resolve their dispute.

Ruling of the Voluntary Arbitrator

On 19 April 2013, the Voluntary Arbitrator rendered a decision, the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered declaring that GNC [Guagua National Colleges] has not complied with its obligation to extend and allocate the seventy percent (70%) of net tuition fee incremental proceeds (TIP) in accordance with Sec. 5 (2) of RA 6728 with respect to the fifteen (15%) percent tuition fee increase imposed by the school for the school year 2010-2011. Consistent with this finding, GNC is hereby directed to restore whatever amounts it has allocated out of the said 70% of TIP for contribution to the Retirement Plan and to re-allocate the same in accordance with DEC[S] Order No. 15 and Sec. 182 (b) of the 2012⁶ Revised Manual of Regulations for Private Schools in Basic Education.⁷

The Voluntary Arbitrator maintained that administrative regulations and policies enacted by administrative bodies to interpret the law that they are entrusted to enforce have the force of law and are entitled to great weight and respect. In this case, the Department of Education Culture an Sports

⁶ Should be **2010** Revised Manual of Regulations for Private Schools in Basic Education. In the Resolution dated 07 June 2013, the Voluntary Arbitrator stated that in the Decision dated 19 April 2013, the 2010 Revised Manual was erroneously referred to as the 2012 Revised Manual.

⁷ *Rollo*, pp. 89-90.

(DECS) is the agency tasked to implement RA 6728. As the implementing agency, it issued DECS Order No. 15, series of 1992 (Guidelines on the Allocation of the Minimum 70% and 20% Incremental Proceeds Required Under RA No. 6738) and subsequently, the 2010 Revised Manual. The Voluntary Arbitrator stated that unless declared void by a competent court, these DECS issuances intended to implement RA 6728 have the force of law. Besides, the Voluntary Arbitrator noted that in the various Memorandum of Agreements between the parties on the allocation of the 70% TIP for school years 1999-2000, 2000-2001, 2001-2002, and 2002-2003, petitioner made specific reference to DECS Order No. 15, and is therefore estopped from questioning or repudiating said Order.

The Voluntary Arbitrator insisted that under the aforementioned DECS issuances, the term “other benefits,” as used in Section 5(2) of RA 6728, should be interpreted as “wage-related benefits.” According to the Voluntary Arbitrator, these are “benefits which are immediately available or may be availed of by the employee while he is still working with the employer.”⁸ Since a Retirement Plan provides benefits to employees upon retirement, it does not provide immediate benefit or relief that may be availed of while the employee is still working. Thus, the Voluntary Arbitrator concluded that it is not a “wage-related benefit” within the contemplation of DECS Order No. 5, such that fund contributions to the Guagua National Colleges Retirement Plan cannot be sourced from the 70% TIP for school year 2010-2011.

Petitioner moved for reconsideration, which was denied by the Voluntary Arbitrator in the Resolution dated 07 June 2013.

Ruling of the Court of Appeals

The CA affirmed the Decision and Resolution of the Voluntary Arbitrator, ruling that under DECS Order No. 15, series of 1992, which provides the guideline for the allocation of the 70% of the TIP under RA 6728, the words “other benefits” clearly refer to other wage-related benefits. The CA concurred with respondents that under DECS Order No. 15, the retirement plan of the employees cannot be considered as a wage-related benefit which may be charged against the 70% of the TIP. The CA stressed that the retirement plan of the employees is non-contributory in nature and that it is the obligation of petitioner to provide for the retirement plan of its employees. Thus, to allow petitioner to charge a portion of the 70% of the

⁸ Id. at 86.



TIP would be akin to the employees themselves being forced to contribute to their retirement fund.

The CA disregarded petitioner's submission that DECS Order No. 15 has not been published in the Official Gazette or in a newspaper of general circulation. It noted that petitioner has referred to such Order in previous memoranda of agreement entered between the parties; thus it is now estopped from repudiating the same. Besides, the CA held that this is not the proper forum to resolve such matter and that absent any ruling from a court of competent jurisdiction declaring DECS Order No. 15 as void, it cannot disregard its provisions.

Petitioner filed a Motion for Reconsideration, which the CA denied. Hence, this petition.

Issue

The sole issue for the Court's resolution is whether the CA erred in affirming the ruling of the Voluntary Arbitrator that the allocation of a portion of the 70% TIP to the retirement plan of petitioner's employees is not in accord with Section 5(2) of RA 6728.

Ruling of the Court

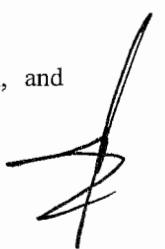
The Court finds the appeal meritorious.

Petitioner argues that the proceeds of the retirement fund are benefits given to petitioner's employees when they retire and thus falls within the scope of "other benefits" as provided under Section 5(2) of RA 6728. On the other hand, respondents insist that the retirement fund is not a "wage-related" benefit and does not fall within the ambit of Section 5(2) of RA 6728.

The resolution of the case centers on the interpretation of "other benefits" as provided under Section 5(2) of RA 6728⁹, which reads:

SECTION 5. Tuition Fee Supplement for Students in Private High School.

⁹ An Act Providing Government Assistance to Students and Teachers in Private Education, and Appropriating Funds therefor. Approved on 10 June 1989.



x x x x

(2) Assistance under paragraph (1), subparagraphs (a) and (b) shall be granted and tuition fees under subparagraph (c) may be increased, on the condition that **seventy percent (70%) of the amount subsidized allotted for tuition fee or of the tuition fee increases shall go to the payment of salaries, wages, allowances and other benefits of teaching and non-teaching personnel** except administrators who are principal stockholders of the school, and may be used to cover increases as provided for in the collective bargaining agreements existing or in force at the time when this Act is approved and made effective; Provided, That government subsidies are not used directly for salaries of teachers of non-secular subjects. At least twenty percent (20%) shall go to the improvement or modernization of buildings, equipment, libraries, laboratories, gymnasias and similar facilities and to the payment of other costs of operation. For this purpose, school shall maintain a separate record of accounts for all assistance received from the government, any tuition fee increase, and the detailed disposition and use thereof, which record shall be made available for periodic inspection as may be determined by the State Assistance Council, during business hours, by the faculty, the non-teaching personnel, students of the school concerned, the Department of Education, Culture and Sports and other concerned government agencies. (Emphasis supplied)

On the other hand, DECS Order No. 15, series of 1992¹⁰ reads:

1. Declaration of Policy

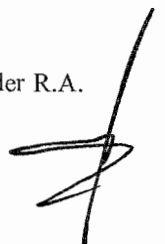
Section 5.2.c of R.A. 6728 entitled "An Act Providing Assistance to Students and Teachers in Private Education, and Appropriating Funds Therefor," stipulates that ..."seventy percent (70%) of the amount subsidized allotted for tuition fee or of the tuition fee increases shall go to the payment of salaries, wages, allowances, and other benefits of teaching and non-teaching personnel except administrators who are principal stockholders of the school, and may be used to cover increases as provided for in the collective bargaining agreements (CBA) existing or in force at the time when this Act is approved and made effective".

2. To ensure the proper implementation of this mandate, the following guidelines are issued for the distribution of the 10% incremental proceeds as follows:

2.1 The minimum of 70% incremental proceeds shall be added to the salaries/wages/allowances **and other wage-related benefits** prevailing at the time of effectivity of the tuition increases; and

2.2 The distribution scheme shall be based on an agreement between the school administration and the DOLE-certified and recognized union of

¹⁰ Guidelines on the Allocation of the Minimum 70% & 20% Incremental Proceeds Required Under R.A. 6728.



teaching and non-teaching personnel. In the absence of an agreement or an employee union, it should be pro-rated based on existing salaries.

3. The following shall be chargeable to the 70%:

3.1 Increases in the basic salaries/wages which shall be attached to the basic rates of personnel (to include unilateral and mandated increases);

3.2 Increases in wages and wage-related benefits as provided for in the CBA existing or in force at the time when R.A. 6728 was approved and made effective;

3.3 Increases in allowances such as COLA/ERA/ECOLA; and

3.4 Increases in other wage-related benefits such as sick/vacation leaves and 13th month pay. (Emphasis supplied)

In effect, the guidelines issued under DECS Order No. 15, series of 1992 on the allocation of the 70% incremental proceeds under RA 6728 restricted the scope of “other benefits” by limiting its applicability to “wage-related benefits,” which the law itself does not require. Consequently, We disagree with the CA’s pronouncement that the term “other benefits” should refer only to other wage-related benefits.

Well-settled is the rule that the letter of the law is controlling and cannot be amended by an administrative rule or regulation. Thus, “in case of discrepancy between the basic law and a rule or regulation issued to implement said law, the basic law prevails, because the said rule or regulation cannot go beyond the terms and provisions of the basic law.”¹¹ As held in *Perez v. Philippine Telegraph and Telephone Co.*¹²:

At the outset, we reaffirm the time-honored doctrine that, **in case of conflict, the law prevails over the administrative regulations implementing it.** The authority to promulgate implementing rules proceeds from the law itself. **To be valid, a rule or regulation must conform to and be consistent with the provisions of the enabling statute. As such, it cannot amend the law either by abridging or expanding its scope.** (Emphasis supplied)

In *Cebu Institute of Medicine v. Cebu Institute of Medicine Employees’ Union*,¹³ the Court interpreted “other benefits” as provided under Section 5(2) of RA 6728 to include the employer’s mandatory share in the

¹¹ *Philippine Amusement and Gaming Corp. v. Commissioner of Internal Revenue*, G.R. Nos. 210689-90, 210704 & 210725, 22 November 2017 [Per J. Caguioa]; *Phil. Amusement and Gaming Corp. v. Bureau of Internal Revenue*, 749 Phil. 1010, G.R. No. 215427, 10 December 2014 [Per J. Peralta].

¹² 602 Phil. 522, G.R. No. 152048, 07 April 2009 [Per J. Corona].

¹³ 413 Phil. 32, G.R. No. 141285, 05 July 2001 [Per J. Bellosillo].

Social Security System (SSS), Medicare, and Pag-ibig premiums. The Court held that SSS, Medicare, and Pag-ibig, which are for the benefit of the teaching and non-teaching personnel, fall under the category of “other benefits” and can be charged against the 70% incremental tuition fee increase. The Court explained:

The law speaks of payment of "salaries, wages, allowances and other benefits." There is no specific prohibition against charging the employer's share to the incremental tuition fee increase. Hence, it cannot properly be said that the SSS, Medicare and Pag-Ibig premiums could be charged against the seventy percent (70%) incremental tuition fee increase but the employer's share of the contribution should be deducted from the remaining thirty percent (30%) or elsewhere. This would seem absurd. As we can see it, the employer's share in the SSS, Medicare and Pag-Ibig premiums is deemed integrated in the amount to be allocated for these benefits from the seventy percent (70%) incremental tuition fee increase. *Ubi lex non distinguit, nec nos distinguere debemus. Where the law does not distinguish courts should not distinguish. For sure, the seventy percent (70%) is not to be delivered whole to the employees but packaged in the form of salaries, wages, allowances, and other benefits which may be in the form of SSS, Medicare and Pag-Ibig premiums, all intended for the benefit of the employees. In other words, the private educational institution concerned has the discretion on the disposition of the seventy percent (70%) incremental tuition fee increase. It enjoys the privilege of determining how much increase in salaries to grant and the kind and amount of allowances and other benefits to give. The only precondition is that seventy percent (70%) of the incremental tuition fee increase goes to the payment of salaries, wages, allowances and other benefits of teaching and non-teaching personnel.* (Emphasis supplied)

Indeed, Section 5(2) of RA 6728 clearly states that a tuition fee increase is allowed provided that seventy percent (70%) of the amount subsidized allotted for tuition fee or of the tuition fee increases shall go to the payment of salaries, wages, allowances, and other benefits of teaching and non-teaching personnel. The law does not qualify the term “other benefits” to refer only to “wage-related benefits.” Hence, the allocation of a portion of the 70% TIP for the employees’ retirement plan, which is clearly intended for the benefit of the employees, fall under the category of “other benefits” as provided under the law.

Moreover, on 04 February 2011, then Department of Education Secretary Luistro issued DepEd Order No. 11 s. 2011.¹⁴ It amended Section 182¹⁵ of the 2010 Revised Manual of Private Schools to conform to the

¹⁴ Amendments to the 2010 Revised Manual of Regulations for Private Schools in Basic Education.

¹⁵ Section 182 (b) states:

xxx

provision of Section 5(2) of Republic Act No. 6728, among others, to include **other benefits** in the allocation of the allowed tuition fee increase, apart from the payment of salaries, wages and allowances of members of the faculty and other school employees:

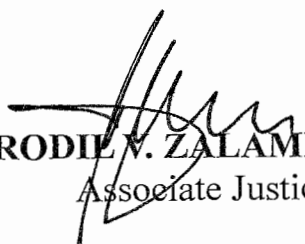
Section 182. Limitation. The increase in tuition or other school fees as well as new fees or charges shall be subject to the following conditions:

a. xxx xxx xxx

b. That no increase in tuition or other school fees or charges shall be approved unless seventy percent (70%) of the tuition fee increase shall be allocated for payment of salaries, wages, allowances **and other benefits** of the members of the faculty and all other employees of the school concerned, and the balance for institutional development, student assistance and extension services, and return on investment; Provided, that in no case shall the return on investment exceed twelve percent (12%) of the incremental proceeds; Provided, further, that in computing the incremental proceeds from the tuition fee increase, such increase for the current year is to be multiplied by the number of enrollees in the same year who have actually paid for the increased tuition fees. (Emphasis supplied)

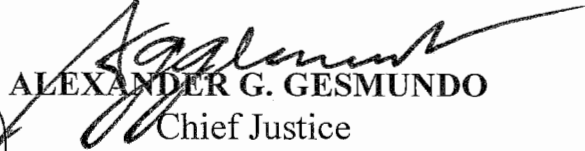
WHEREFORE, the petition is hereby **GRANTED**. The Decision dated 13 February 2014 and the Resolution dated 25 July 2014 of the Court of Appeals in CA G.R. SP No. 130427 are **REVERSED** and **SET ASIDE**. Petitioner Guagua National Colleges' allocation of a portion of the seventy percent (70%) net tuition fee incremental proceeds for contribution to the retirement plan of its employees is **VALID** pursuant to Section 5(2) of Republic Act No. 6728.

SO ORDERED.

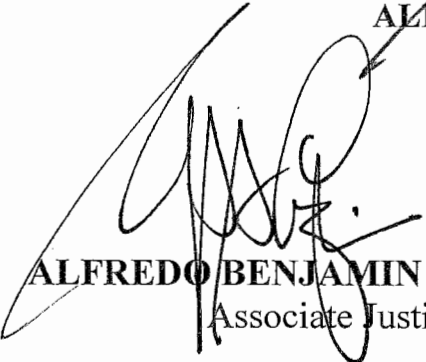

RODIL V. ZALAMEDA
Associate Justice

b. That no increase in tuition or other school fees or charges shall be approved **unless seventy (70%) per centum of the proceeds is allocated for increase in salaries or wages** of the members of the faculty and all other employees of the school concerned xxx (Emphasis supplied.)

WE CONCUR:



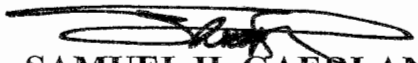
ALEXANDER G. GESMUNDO
Chief Justice



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice



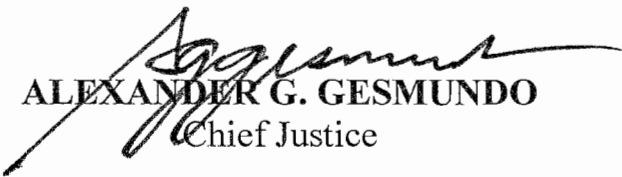
ROSMARI D. CARANDANG
Associate Justice



SAMUEL H. GAERLAN
Associate Justice

CERTIFICATION

Pursuant to the Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ALEXANDER G. GESMUNDO
Chief Justice

