

PROBLEMS OF FINANCING EDUCATION IN THE PHILIPPINES

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The extent of educational participation in the Philippines is of such great proportions that huge fund commitments are imperative for the sustenance of the educational system. For a developing country with a comparatively small per capita income (approximately \$200 annually), the Philippines operates a fairly well-developed school system characterized by extensive enrolment at all levels and by rapidly increasing enrolment growth rates, attributable primarily to the high rate of population growth – particularly at the school-going age groups – and to the increasing school participation and survival rates at each level.

The state of development of the country's educational structure is comparable¹ to those of the world's advanced countries; she ranks second to the United States in terms of higher education enrolment per 100,000 population, and compares favorably with other developed nations in terms of enrolment ratios for both elementary and secondary levels. The maintenance of such a system will naturally strain the country's resources; operational outlays will have to be increased periodically and capital expenditures, which are necessary for developmental requisites, will have to assume considerable amounts.

Private and public expenditures on education are relatively large. Although public expenditures on education have been increasing steadily, they have failed to keep pace with the growth in enrolment. The cost of financing a complete program of education entails such enormous amounts of funds that government investment in education has continually accounted for nearly a third of total national government expenditures. This amount represents some 4.5% of the country's gross national product (GNP); when private expenditures for education are included, total educational outlays easily climb to approximately 6.7% of GNP – a ratio that places the Philippine investment comparable with those of developed economies.

Although total investment in education may be substantial on the aggregate, there are, however, imbalances within the system of fund allocation. It should be noted that there is a marked pattern of enrolment distribution among the public

¹It should be noted, however, that higher education in the Philippines starts at the eleventh grade, while in the United States it starts only at the thirteenth grade.

and private schools in the country. Enrolment data for schoolyear 1967-68 indicate that the public school system dominates elementary education, accounting for about 96% of total elementary enrolment, while the private schools dominate secondary and higher education, with 64% and 92% of the respective bases. This obvious unevenness in educational responsibility on the part of the government is reflected in the allocation scheme of government investment in education, for while the state allots nearly a third of its total budget to education — not counting the separate expenditures of local governments and chartered cities for local elementary and secondary classes — the bulk of such funds is earmarked for the operation of basic elementary education programs.

Such commitment to elementary education has resulted in minimal government participation in providing for higher education, which has underlying implications on the quality of instruction being provided at this critical level of education. It is rather unfortunate that the various state colleges and universities can accommodate only a very small portion of the college population, which tends to minimize their potential role in raising the general quality of education. This is not to say, however, that the country's private schools are not capable of providing the quality of education the economy needs; but when it is considered that private-proprietary schools — with the possible exception of those that are run along non-profit lines — are owned by stockholders and organized as profit-making enterprises, the question of quality turns out to be quite valid and real.

This situation is apparent at the higher education level, where the dominance of private schools is almost complete. Because of the financial structure of the private educational system, wherein student fees constitute the primary source of financing, quality has generally been sacrificed for quantity. Low-cost programs, such as teacher education, are instituted instead of high-cost technical and developmental programs such as engineering and medicine; admission policies are oftentimes liberalized to assure a large number of enrolment. Such heavy reliance on student fees leads to quality breakdown, causing uneven educational standards and unequal educational opportunities. The government, however, has done very little to direct the course of higher education, owing to its inadequate assertive influence on these institutions, save for the regulatory function of the Bureau of Private Schools. It is in this area of education that government presence is considered critical; at this stage where the ultimate distribution of the nation's manpower skills is determined, the almost undirected flow of human capital into and out of the system is unthinkable.

At the present state of things, especially when it comes to funds allocation, there seems to be very little headway that can be expected; all indications imply that the educational system will continue to lean heavily on private schools for the provision of higher education, together with the inherent quality implications, unless changes in the financing system can be effected that would enable the

government to attain substantial participation in higher education.

The very minimal participation of the government in higher education is traceable to the constitutional and legal commitment to elementary education, which has tied up a major portion of government resources to the provision of this service. Article XIV, section 5, of the Philippine Constitution specifically requires that "..... the Government shall establish and maintain a complete system of public education and shall provide at least free public primary instruction and citizenship training to adult citizens."

Public elementary education, from grades one to six, is basically financed by appropriations made by Congress from national funds. No matriculation or tuition fees are permitted in these grades, so that total government support is necessary. This financial responsibility has directed tremendous amounts of national funds to this level at the expense of vocational and higher education. The enormity of the national responsibility is at once gauged by the magnitude of elementary school enrolment in the country; table I below shows first-level enrolments for the public and private school system for school years 1966-67 and 1967-68:

TABLE I
Elementary School Enrolment
Public and Private Schools

School Year	Total	Public	%	Private	%
1966-67	6,184,621	5,905,552	95.47	280,069	4.53
1967-68	6,496,680	6,209,569	95.58	287,111	4.42

So as to be able to comply with the constitutional provision, great amounts of resources have been continually appropriated from national funds for the support of public elementary programs. In fact, the Bureau of Public Schools, the agency directly responsible for elementary education, takes as much as 86% of total national expenditures for education, or roughly 25% of total national government expenditures. (See table 2 on the following page.)

TABLE 2
BPS Expenditures as a % of
National Government Expenditures and
Direct National Outlay for Education

A	B	C	D	E	F
School Year	National Government Expenditures	Direct National Education Expenditures	Expenditures	$(\frac{C}{A} \times 100)$	$(\frac{C}{A} \times 100)$
1964-65	2,066	579	506	24.5%	87.4%
1965-66	2,202	713	621	28.2%	87.1%
1966-67	2,516	780	669	26.6%	85.5%
1967-68	2,913	834	719	24.7%	86.2%
1968-69	3,611	957	828	22.9%	86.5%
FIVE-YEAR AVERAGE				25.4%	86.6%

The seemingly large amounts of funds that are earmarked for elementary programs are actually just enough to barely support the system's operations for a particular school year, considering that the government spends only a little over P100/year/elementary student: an amount that is considered to be at the subsistence level. With the increasing trend of costs and the rapidly expanding enrolment figures (see table 3), it is obvious that financing for elementary education will continue to consume huge amounts of resources and that a faster positive rate of growth in educational funding will be required to at least maintain present quality standards.

TABLE 3
Public Elementary Education
Cost Per Student

School Year	Public Elementary Enrolment	BPS Expenditures (In Millions)	Cost per Student
1964-65	5,640,282	P 506	P 90
1965-66	5,909,774	621	105
1966-67	6,325,637	669	106
1967-68	6,579,347	719	109
1968-69	6,969,200	828	119

TABLE 4
Growth Rate of Outlays for
Elementary Education Programs
(In Millions)

School Year	BPS Expenditures	Peso-Increase	% Increase
1964-65	P 506		
1965-66	621	P 115	22.7%
1966-67	669	8	7.7%
1967-68	719	50	7.5%
1968-69	828	109	15.2%

It has been noted from expenditure data that despite the fact that the Bureau of Public Schools has received a continually increasing peso-value appropriation over a five-year period (SY 1965 to SY 1969), there has really been a retrogression of government support for elementary programs, because the allocations to the BPS have been increasing at a decreasing rate (table 4) and that even the increase of 15.2% by SY 1969's outlays over those of the previous years has not measured up to that of SY 1965. This could be interpreted as an indication that while the government recognizes the increasing needs of the school system, it is not prepared due to budgetary limitations to sustain the same level of support, since the national government does have other functions aside from providing public instruction at the elementary level.

Then there is also the question of flexibility of fund usage; of the BPS SY 1968-69 expenditures, a very large portion - 93.8% was for personal services, which represents salaries of teaching personnel, administrative compensation, and maintenance personnel wages. This leaves approximately 6% for operating elasticity. Even this residual, however, is committed largely to the purchase of supplies and materials.

In the light of these factors, it thus becomes relevant to make a reexamination of the present system of sharing responsibility for the provision of elementary education, particularly the role of the national government. As had been pointed out, the amount of resources committed annually to elementary education is tremendous – around P811 million in school year 1968-69 – and accounts for the bulk of national outlay for education, to the prejudice of secondary and higher education. With our rate of increase in population, it is expected that the amount of resources that would have to be set aside in the future for this level of instruction would be much greater than what it is now, and at this point two questions arise: (1) should the national government continue with its financial commitment to elementary education, considering the fact that it is prejudicing its capacity to influence the direction of manpower training and development by doing so, and (2) will it be able to afford, by itself, the magnitude of resources required in the future for this level of instruction?

The pressure on the national government's resources is somewhat eased by the fact that under the Revised Administrative Code, the responsibility for the provision of public secondary education is entrusted mainly to local governments, with the national government's participation being confined to the operation of second-level national trade, agricultural, and fishery schools and a few national high schools. Furthermore, private schools have a substantial share of high school enrollment, accounting for about 36% of total secondary enrollment for school year 1967-68, enabling the government to channel limited funds to elementary and collegiate programs. It is not a great burden for the local governments, however, to operate their respective high schools, for it is considered a general rule that tuition fees be charged. Relatively smaller resources are therefore required by these public bodies to fulfill their educational obligations. In fact, tuition is the main source of income because of the inability of local governments to give aid, there being no special tax levied for this purpose. On the average, 60% of total current expenditures of secondary schools supported by provincial governments are derived from tuition fees (table 5). Considering, however, that said current expenditures include outlays for the maintenance of division offices, the actual percentage represented by tuition fees is even higher. (See table 5 on next page).

The situation regarding financial provincial and municipal high schools is in sharp contrast with that of the schools supported by city governments, where tuition fees account for only 5% of total current educational expenditures (table 6). This very low figure for city-supported high schools can be accounted for by the fact that the city of Manila, Quezon City and Iloilo City, which account for the bulk of secondary school enrolment do not charge tuition fees. In the case of municipalities (table 7), tuition represents 23% of total current expenditures for sundry education, social, and public welfare services (municipal governments do not have separate accounts for education).

TABLE 5
Tuition Fees as a Percentage of Current Educational
Expenditures of Provincial Governments
FY 1965-1969

Fiscal Year	Current Expenditures for Education	Fees	Percent
1968-69	P22,991,190	P13,013,186	56.60
1967-68	23,447,233	12,763,934	54.43
1966-67	20,589,539	12,866,538	62.49
1965-66	21,245,837	12,723,488	59.88
1964-65	18,242,960	12,065,882	66.24
FIVE-YEAR AVERAGE			59.93

SOURCE: GAO Report to the President of the Philippines, FY 1965 to FY 1969.

TABLE 6
Tuition Fees as a Percentage of Current Educational
Expenditures of City Governments
FY 1965-1969

Fiscal Year	Current Expenditures for Education	Tuition Fees	Percent
1968-69	P42,028,218	P2,689,078	6.40
1967-68	46,577,311	1,858,913	4.00
1966-67	43,940,467	2,060,949	4.69
1965-66	30,291,940	1,464,204	4.83
1964-65	28,742,911	1,240,394	4.32
FIVE-YEAR AVERAGE			4.84

SOURCE: GAO Report to the President of the Philippines, FY 1965 to FY 1969.

TABLE 7
Tuition Fees as a Percentage of Current Expenditures for
Sundry Education, Social and Public Welfare Services
by Municipal Governments FY 1965-1969

Fiscal Year	Current Expenditures for Education	Tuition Fees	Percent
1968-69	P16,465,377	P4,922,293	29.89
1967-68	14,534,827	3,713,612	25.54
1966-67	8,433,759	2,697,582	21.98
1965-66	8,350,463	1,336,670	16.00
1964-65	9,580,318	1,846,330	10.92
FIVE-YEAR AVERAGE			22.87

SOURCE: *GAO Report* to the President of the Philippines, FY 1965 to FY 1969.

The heavy reliance of local governments – especially the provinces – on tuition fees as a source of funds for their high schools, and their inability to provide financing except through direct appropriations from their respective general funds have resulted in some of the secondary schools system's major problems, as manifested in: (1) the inability of most schools, public and private, to adequately implement the two-two plan because of the absence or the utter lack of facilities required for this program; (2) the inadequacy of facilities and instructional materials, and the lack of competent industrial teachers for the vocational schools; (3) the inadequacy of guidance and counselling at this level; and (4) the resultant dichotomy in the system due to laxity of enforcement of the two-two plan among private schools.

These problems are brought to light by the observed patterns that indicate the inadequacy of Philippine secondary education and its inability to meet its desired objectives, as based on the employment experience of secondary school graduates and the size of higher education enrollment, if such factors can be taken as indicators of performance. The Philippine experience reveals that students and parents alike do not view secondary schooling as terminal. Rather, it is looked upon as just another step toward the next level of schooling. This view persists despite the fact that two types of curricula exist: (1) a vocational curriculum that is supposed to train and develop students for employment, and (2) a general curriculum, which is supposed to achieve two objectives through the two-two plan – to give students academic preparation for higher education, and to train and develop students for employment. Experience shows, however, that even graduates of the vocational stream of the general high school seek admission to institutions of higher learning.

Such is the plight of the secondary school system; its manifold problems – which have great bearings on the manpower development processes of the country – are directly attributable to the question of financing, and until such time that the financial resources of the local governments are strengthened through new fund sources and through improved and efficient tax collection systems, only very little improvement can be expected at this level.

It is also of importance to point out that very little aid, especially for local high schools, can be expected from the national government because of its already overwhelming obligation to elementary education. Yet, there is an emerging transition of financing responsibility for secondary education, as indicated by the increasing trend of nationalization of secondary schools, i.e., the conversion of local high schools to national high schools, the funds for the support of which come from the national government.

The government's minimal role in the provision of higher education, together with its underlying implications on educational standards and output quality, has thus been traced broadly to the present scheme of financing. The resultant situation has been the virtual monopoly of higher education by private institutions. Thus, for as long as the government's constitutional commitment to basic elementary education stands, and also for as long as the present trend of nationalization of local high schools persists, the country will continue to lean heavily on private schools for the provision of higher education; with the government's participation being confined mainly to the support of the twenty-three state-run colleges and universities, the combined enrollments of which account for only 7.5% of total higher education enrollment.

There are at present forty universities in the Philippines – thirty-four private and six state-owned. There are 555 colleges – 538 private and 17 state-owned. Of the 572 private institutions of higher learning – 250 are operated by church-related

organizations and 342 by private corporations. While an insignificant number of the schools operated by private corporations along non-profit lines, most are organized as proprietary corporations, i.e., for profit.

The government does not give financial assistance to private institutions, thus confining its influence to the regulatory function exercised by the Bureau of Private Schools. This agency, however, presently functions primarily as a licensing authority to grant degrees, establish schools, and institute programs. It does not have the staff and the facilities to enable it to adequately enforce its regulations among the growing number of private institutions; in fact, although 85% of schools are privately run and over 90% of enrollment are in private institutions, the Bureau of Private Schools is allotted, on the average, only 0.28% of the Department of Education's budget (FY 1960-1969). The average yearly appropriation covers only the cost of supervision and control.

Consequently, there are no common standards among these institutions. The proprietary nature of most of the private schools has resulted in some of the most distinguishing but unsatisfactory features of Philippine higher education: (1) the preponderance of low-cost programs that at times do not satisfy the manpower requirements of the country; (2) swollen enrollment at the expense of quality instruction; and (3) a great number of low-quality graduates who often end up unemployed or underemployed.

Higher education, which involves the development of skilled manpower, is much too important a function to be left wholly at the hands of privately managed institutions, for as long as these schools are generally proprietary by nature the aforementioned features will remain within the system. Thus, the need for the government to have its influence felt at this level of education.

But at this stage and taking into consideration the government's role in elementary and secondary education, the government cannot possibly meet all the demands for higher education. In FY 1968-1969 alone, the government spent P66.8 million for educating 8% of the total collegiate enrollment. Were it to absorb the responsibility of educating the whole collegiate population, it would need additional funds amounting to around P800 million/annum.

Since it would require tremendous amounts of resources to totally absorb the cost of higher education, and the government would be hard put to do so, it must at least acknowledge the problems of the system and recognize the principle of giving aid to private institutions. Any aid given to private institutions, however, must result in two things: (1) the upgrading of the quality of instruction, and therefore the quality of output; and (2) the redirection of resources to fields that would satisfy the manpower requirements of the economy. It is also imperative that constraints be attached to any form of aid to be given to these institutions, i.e., it must not lead to the diminution of the share of the stockholders in the expenses of

the school in its various programs, and it must not directly lead to capital appreciation. Benefits from the aid must redound to the students and not directly to stockholders.

At present, the financial commitment of the government is toward the support of elementary education, which is compulsory and provided free by the state. National government involvement in secondary education is substantial but not major; however, its share of higher education investment is minimal. Considering development requirements and the increasing emphasis on quality human capital formation, the greatly expanded financing participation of the government is inevitable. The implication of all these is that the expected doubling of aggregate enrolment by the next decade would have to be paralleled by more than a doubling of government outlay and total expenditures in education. It would also call for a program of cost-savings that should result from an improved program of resource allocation. Survey estimates show financing requirements in terms of government aggregate expenditures to be a minimum of P1.913 billion in 1976. What it takes to raise and attain these levels of funding suggests some restructuring of both the financial administration of the government in general and of the educational system in particular.

Given the present situation, the future direction of educational financing and investment necessitates the adoption of reforms in three directions: shifts in financing responsibility, development of new revenue sources and improved administration of financial functions.

There is a need for restructuring of financial responsibility between the national government and the local governments, with respect to first- and second-level education. Financing responsibility for public elementary and secondary education, if assumed by local governments, would free the national government of part of the obligation to support general education, and, allow it to concentrate on higher and further education. The national government would consequently plan a more active role in training skilled manpower needed for development.

The eventual transfer of the responsibility of financing primary and secondary education from the national government to the local government would depend on the development of financial resources of local governments. At present, the real property tax seems to be the only main source of income of local governments. However, the existing land-tax system is unsatisfactory. Maximum revenue levels have not been attained by local governments because of the obsolete methods used in assessing real property and inefficient collection efforts.

To improve the land tax system, the national government should define the maximum real property tax that can be applied. The power to choose the specific rate appropriate to the locality and to increase the rate up to the maximum set by

the national government should be delegated to the local governments. The proceeds of the real property tax should be credited to the general funds of local governments from which expenditures for education and community economic development projects are to be allocated.

Increased national government participation in terms of financial support for higher education is called for by national developmental priorities. For this purpose, new and additional sources of funds for educational programs should be developed. The general and perennial insufficiency of funds indicates the need for tapping new sources and for improving present sources – both domestic and external. Contributions from existing sources may be increased through tax incentive programs.

There is also a need for greater flexibility in financial administration, which will be facilitated through general fund schemes and a decentralized administrative system. Special funds tend to restrict decisions on financial allocation and may prejudice priority programs. A decentralization scheme would concern primarily the locale of operations of the respective local units. However, operational flexibility must take place within a system of national standards to assure that performance can be properly coordinated and evaluated.

And finally, a general priorities plan for educational investment should be formulated that will define the participation of the public and the private sectors and the contribution of elementary, secondary and higher education to overall educational development. This plan should also include the mechanism for channelling government research funds to educational institutions, with the purpose of encouraging pooling of resources for more efficient utilization of such funds.