



## SENIOR HIGH SCHOOL VOUCHER BRIEFING PAPER as of February 14, 2014

### Background

1. The *Enhanced Basic Education Act of 2013* (RA 10533) expands the basic education system from a 10 year to a 12 year program with the addition of 2 years of Senior High School (SHS), consisting of Grades 11 and 12. In June 2016, DepEd will mainstream this new level of basic education and enroll a projected 1.4 million Grade 10 graduates in Grade 11 in public and private SHSs. The following year's enrollment, with Grade 11 students proceeding to Grade 12, will reach a projected 2.7 million students. By 2020, enrollment is projected to reach 2.9 million SHS students. If the current proportion of public to private provision in Grades 7-10 (80-20) is extended to SHS, by SY 2017-2018 there will be an estimated 2.03 students in public SHSs and 0.67 in private schools.

2. As a new level of education, there are no incumbent teachers or existing facilities for Senior High School. If DepEd were to provide SHS by itself, the government would need to construct about 57,100 classrooms and hire the services of some 82,400 specialized teachers. These numbers could be reduced to about 35,700 and 51,600 respectively, contingent upon the willingness and capacity of private Junior High Schools (JHS) and public and private higher education institutions (HEIs) to offer SHS. Full public provision would place enormous management and budgetary strain on DepEd to roll out the program and could result in congested schools and disappointing learning outcomes.

3. The Enhanced Basic Education Act explicitly expands the coverage of the Government Assistance to Students and Teachers in Private Education (GASTPE) to include Grades 11 and 12. The DepEd would like use this mechanism to enable 30-40% of its students to enroll in non-DepEd schools which include private JHSs, private HEIs, state and local colleges and universities and technical-vocational institutions (TVIs). This public-private partnership (PPP) would serve to decongest public schools, reduce or delay the need to construct public SHS facilities and hire government teachers, and provide less affluent students a choice.

### Senior High School Program

4. The expressed purposes for extending high school are: (i) de-congesting the high school curriculum to allow students more time to master necessary skills and competencies, (ii) preparing graduates for employment or entrepreneurship, even without further education or training, and (iii) meeting international standards for the length of basic education. To meet these purposes, SHS will offer a core curriculum required of all students and electives in four tracks.

- The Academic track will prepare students in four "strands." These are (i) Accountancy, Business and Management; (ii) Humanities and Social Science; (iii) Science, Technology, Engineering, and Mathematics; and (iv) General Academic.

- The Technical, Vocational and Livelihood (TVL) track will offer courses in four “strands,” namely (i) Agri-Fishery Arts, (ii) Home Economics, (iii) Industrial Arts, and (iv) Information and Communications Technology, or (iv) Agriculture and Fisheries
- The Sports track will prepare students for a career in sports.
- The Arts track will offer courses in graphic or performing arts.

### **SHS Voucher Program**

5. DepEd intends to implement a voucher-type subsidy for all eligible students enrolling in private high schools, public or private HEIs and TVIs. The voucher program design is aligned with the E-GASTPE law (RA 8545), which provides that the subsidy value should not exceed the cost of public provision.

6. **Policy Objectives.** From a pragmatic perspective, vouchers will reduce the institutional pressures on the Department of providing SHS to 2.03 million students directly through public schools within a very short period of time. Even if sufficient financial resources were available to underwrite that expansion, engaging the private sector through vouchers would minimize capital costs associated with constructing and equipping classrooms and laboratories, which, in turn, would result in significant near term cash savings. Finally, the subsidy would lessen the financial impact on colleges and universities which will experience reduced enrollment in the initial years of the SHS program.

7. But more importantly, the proposed SHS subsidy program will enhance school diversity, dynamism, and empowerment and enable choice by students and their families leading, ultimately, to the very purpose for the K-12 reform: relevant and high quality education. Vouchers can impact substantially on the quality of SHS by increasing the diversity of providers beyond the current conformation at the elementary and JHS levels. In turn, this diversity will engender a more dynamic system, with different and smaller players deciding and innovating on their own, in contrast to a centralized state educational system with limited flexibility. For students and their families, DepEd would like to establish a system that provides greater choice and makes this choice available even to those who do not have the financial means to support their children’s education on their own.

8. It is for the reasons cited above that the SHS Voucher Program is considered as a long-term program of the DepEd.

9. The DepEd has received approval in principle on the implementation of a voucher program in SHS from the Department of Budget and Management (DBM) and other oversight agencies in December 2013. Although certain aspects of the program, such as voucher values, are still indicative, the DepEd is communicating the policy agreements to a wider audience to motivate potential providers to invest in and mobilize for SHS prior to 2016 as well as to get feedback from students and other stakeholders on refinements and potential take ups. This will also trigger the establishment of institutional arrangements and development of capacities needed to implement the SHS program effectively.

10. **Design Parameters.** A voucher arrangement is preferred over a service contracting scheme because it:

- is easily scalable to accommodate 1.2 million students in 2 years time
- minimizes discretion and conflict of interest situations and other governance related issues

- is efficient from a public fiscal standpoint
- is equitable and allow poor students to participate
- has built-in accountability mechanisms that lead to improvement in quality
- is administratively simple and feasible

11. **Student Eligibility.** All Grade 10 students who graduate from public JHSs are automatically eligible to receive vouchers. These students will receive the full voucher value.<sup>1</sup>

12. On the other hand, Grade 10 graduates from private JHS, who are Education Service Contracting (ESC) grantees, will receive approximately 80% of full voucher value automatically. Other graduates from private JHSs or other non-DepEd schools can apply for a voucher that will also be worth approximately 80% of full voucher value.<sup>2</sup> The DepEd recognizes that, on the average, these students have some capability to pay considering that they are paying students in private schools. Despite the difference in voucher value, however, the nominal amounts that private school voucher recipients would be receiving is significantly higher than the current subsidies provided under the ESC program of Php6,500 or Php10,000 a year.

13. Although vouchers are automatically given to all public school graduates and ESC recipients, there is no assurance that those who receive vouchers will redeem them. Constraints such as the availability of non-DepEd schools in the area, willingness and capacity to pay tuition top-ups, or preference for local public school may influence student and family decisions. The DepEd is targeting that around 400,000 students or approximately 40% of the public Grade 10 graduates will shift to non-DepEd schools in SHS every school year starting 2016. If, however, more than this number of vouchers is redeemed, adjustments can be made by reducing the capacity of public schools. Conversely, if fewer vouchers are redeemed in particular localities, public provision can expand on a needs basis.

14. **Shelf life.** Vouchers must be used in the school year immediately following the year of graduation. Similar to the current GASTPE program, a voucher recipient in Grade 11 will continue to receive the voucher subsidy until he graduates in Grade 12, regardless of whether he decides to transfer schools. As vouchers are part of an entitlement and are not scholarships, there is no compulsory government service specifically required of voucher students.

15. **Provider Eligibility.** All licensed non-DepEd SHSs can redeem vouchers.<sup>3</sup> All licensed JHS and HEIs who apply before a given deadline will automatically be given an SHS license which is renewable based on school performance. Vouchers can be redeemed in any region and the value is determined by the location of the non-DepEd SHS.

---

<sup>1</sup> Ideally, DepEd would issue vouchers to a targeted segment of public school students, however there is not enough reliable and verifiable information to classify students by income or other criteria. Thus, DepEd has decided to issue a voucher to all public school graduates and let the students and the marketplace decide who will redeem the vouchers and what school they will attend. Sub-tiering by income can be studied further and considered in succeeding years' implementation of the SHS voucher program.

<sup>2</sup> DepEd will develop a screening process for this purpose. A criteria that may be considered includes students currently on scholarship in private and non-DepEd schools who are not ESC grantees.

<sup>3</sup> DepEd Memorandum No.4, series of 2013 outlines the requirements for non-DepEd schools which intend to offer SHS.

16. Voucher values may vary for State Universities and Colleges (SUCs) and Local Universities and Colleges (LUCs), since they already receive some form of government support in their regular budgets. Likewise, SUCs and LUCs will also not be allowed to charge tuition and other fees on top of the voucher subsidy.

17. **Top Ups.** Other non-DepEd providers will be allowed to charge a top-up in cases where voucher subsidy is less than the tuition they normally charge. Studies show that cost sharing by households encourages better performance from families, students and schools. To mitigate the impact on the least affluent students, DepEd encourages non-DepEd schools to minimize the top-up differential by providing additional subsidies or by partnering with Local Government Units and industry to share the top-up burden. In addition, when non-DepEd schools redeem the voucher, the payment they receive will be the voucher value or the normal tuition they charge, whichever is lower.

18. **Voucher value.** The DepEd will tier the voucher value primarily by region, to account for regional variation in the cost of public provision. Within each region, the voucher value will have a second tier according to type of beneficiary as discussed in Section 10 and 11.

19. The average voucher value will approximate the cost to government of public provision and is calibrated relative to the cost of private JHS. On a per student basis, the cost of public provision is around PhP16,000 to PhP16,500, taking into account direct costs such as the cost of land and administrative overhead. Table 1 summarizes the indicative SHS voucher values using 2 tiers based on a clustering of average cost of provision by region. Regions may be clustered in 3 or 4 groups.

**Table 1. SHS Voucher Value**

<i>Regional Cluster 1</i>	<ul style="list-style-type: none"> <li>• Full Value - PhP 15,000</li> <li>• Approx. 80% Value – PHP 12,000</li> </ul>
<i>Regional Cluster 2</i>	<ul style="list-style-type: none"> <li>• Full Value - PhP 17,500</li> <li>• Approx. 80% Value – PHP 14,000</li> </ul>
<i>Regional Cluster 3</i>	<ul style="list-style-type: none"> <li>• Full Value - PhP 20,000</li> <li>• Approx. 80% Value – PHP 16,000</li> </ul>
<i>Regional Cluster 4</i>	<ul style="list-style-type: none"> <li>• Full Value -- PhP 22,500</li> <li>• Approx. 80% Value – PHP 18,000</li> </ul>
<i>Average voucher value</i>	<ul style="list-style-type: none"> <li>• PhP 15,600</li> </ul>

20. The voucher values discussed above are indicative and are continuously being refined. The DepEd hopes to finalize these figures by the end of 2014.

21. **Additional Subsidy.** An additional subsidy based on track may be offered by DepEd as the TVL track is costlier to provide than the academic track. The additional subsidy is estimated to be approximately PhP4,000 to PhP5,000 per student. Non-DepEd SHSs that

wish to redeem the additional subsidy will undergo an accreditation process that is separate or different from the application for an SHS license. Thus, although any licensed non-DepEd SHS may offer the TVL track, they cannot automatically claim or redeem the additional subsidy if they are not accredited for this particular program.<sup>4</sup>

22. **Joint delivery of programs.** Joint delivery of programs will be allowed, where a public or non-DepEd school offers the core SHS curriculum and a non-DepEd school, say a TVI, offers the specialized track. In the case of joint delivery between a public school and a non-DepEd school, payment for the subsidy pertaining to the delivery of the specialized track will be made directly to the non-DepEd school. In the case of joint delivery between two non-DepEd schools, the payment for the additional subsidy will be made to the main school, where a student is enrolled (not to the non-DepEd school offering the specialized track).

23. **Implementation Arrangements.** The SHS Voucher Program will be under the purview of the K to 12 Program Committee. A unit will be established in DepEd to implement voucher functions such as policy formulation, budgeting, and direct administration of voucher payments and voucher monitoring (including means testing). The DepEd may also enter into contracting arrangements for some of the voucher management functions. This plan will be finalized by 2015.

24. **SHS Voucher Management System.** A management information system will be developed to facilitate the effective administration and monitoring of the voucher program. The DepEd's Learner Information System will generate data on the eligible voucher grantees in Grade 10 in public JHSs. Meanwhile, the FAPE Online System is expected to provide data on eligible voucher grantees in Grade 10 in private JHSs. The Voucher Management System will have functionalities that will allow for the online submission of enrollment and billing statements, the cross-checking of names and other data, the addition of new names (for non-public, non-ESC voucher recipients) or the transfer of students to public or other non-DepEd SHSs, the submission of periodic reports and the like.

25. **Timelines.** Apart from the SHS Voucher Management System, other administrative safeguards are being planned for the program including the conduct of early announcements and early registration for SHS. These are designed to give potential providers and voucher recipients with enough time to make or calibrate their decisions. Pending policy issues such as the sub-tiering by income and the accreditation process for the additional subsidy for specialized tracks, among others, should be resolved by the end of 2014. Table 3 shows the implementation timelines for the over-all program while Table 4 outlines the process of voucher distribution and redemption in the perspective of students and providers.

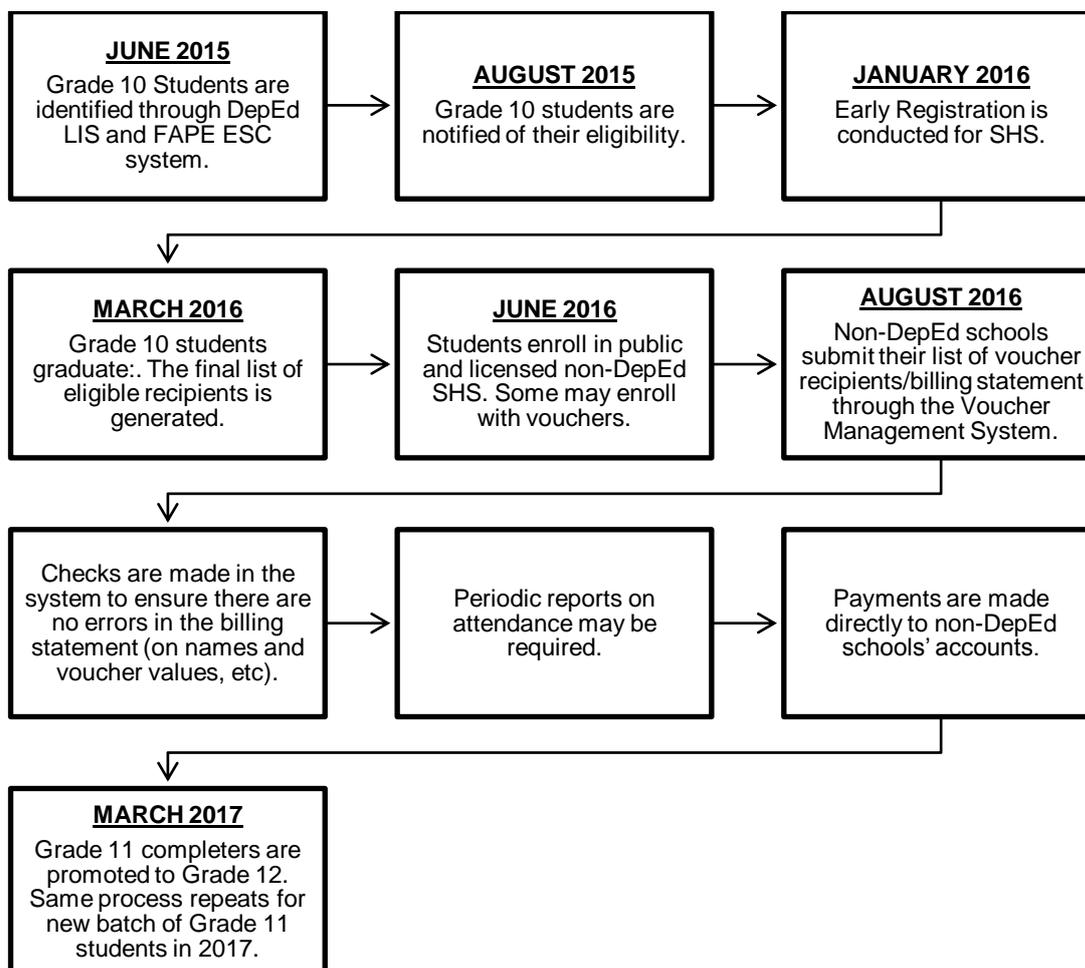
**Table 2. SHS Voucher Implementation Timelines**

<u>2014</u>	<u>2015</u>	<u>2016</u>
<ul style="list-style-type: none"> <li>• Issuance of provisional licenses to SHS providers.</li> <li>• Major announcement from DepEd on the</li> </ul>	<ul style="list-style-type: none"> <li>• Issuance of policy on the application of interested voucher recipients from private JHSs who are non-ESC grantees</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct of early registration in January 2016.</li> <li>• Generation of final list of voucher recipients in March 2016 after</li> </ul>

<sup>4</sup> The guidelines for the accreditation process for the additional subsidy will be determined by DepEd and communicated within the first half of 2014.

<p>SHS program.</p> <ul style="list-style-type: none"> <li>• Development of specifications for and procurement of SHS Voucher Management System.</li> <li>• Resolution of pending policy issues on voucher tiering, additional subsidies for specialized tracks, voucher values for SUCs and LUCs, among others.</li> <li>• Refinement of Division SHS plans for consideration in the 2016 budget of DepEd.</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of SHS Voucher Management System by June 2015.</li> <li>• Eligibility of beneficiaries announced and database of SHS providers posted online by Third Quarter of 2015.</li> </ul>	<p>graduation.</p> <ul style="list-style-type: none"> <li>• Implementation of SHS program starting June 2016.</li> </ul>
--	--	--

**Table 3. SHS Voucher Distribution and Redemption Process (with indicative timelines)**



## **Conclusion**

26. A tiered voucher available to all eligible 10<sup>th</sup> Grade graduates has distinct advantages over other mechanisms. The proposed system empowers families to make choices about where to enroll in SHS thereby equalizing opportunity for less affluent families. Enabling about one third of public school students to enroll in non-DepEd schools will decrease the potential for congestion in public schools thereby improving the learning environment in DepEd SHSs. The program can increase the diversity of SHS providers by stimulating private provision while providing private schools with a more diverse student population. The challenges lie in managing the uncertainties of voucher take-up and the need for means testing to allow less affluent families to benefit from the program. Finally, the government is the default provider of basic education and without substantial participation from the private sector the responsibility for providing facilities and teachers for 2.7 million SHS students will fall heavily on DepEd.