

THE FINANCIAL EFFECTS OF K - 12 ON BASIC EDUCATION

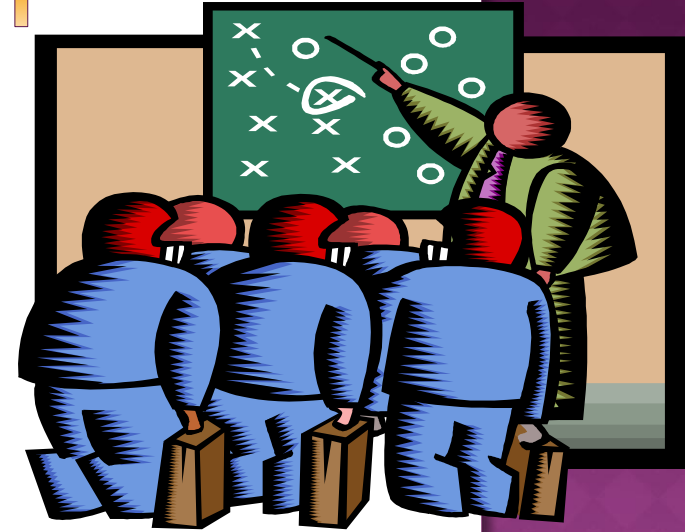
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PRESENTATION SUMMARY



- Problem and purpose
- Model approach/ framework
- Baseline assumptions
- Financial effects & breakeven points
- Summary effects on & responses for basic ed

PROBLEM AND PURPOSE

- Uncertainty on effects of K - 12 on private schools:
 - Enrollment (kinder, high school)
 - Financial effects
 - Building program in public schools
 - Government Support/ GASTPE
- DepEd had numbers only for public schools. What are the numbers for private schools?
- A model to simulate cohort and financial flows
- How should CEAP schools respond as a group and individually?

MODEL APPROACH/ FRAMEWORK

Relevant costs - that is, cash flows (and enrollment) that change with K-12

OR

How will cash flows and enrollment change with K-12 versus without K-12?



BASELINE ASSUMPTIONS

- ◉ K-12 will happen as DepEd plans it
- ◉ The period covered is SY2011-12 to SY2022-23
- ◉ Cost structure is similar to public schools
- ◉ Schools are efficient

BASE MODEL FOR HIGH SCHOOLS

- Private HS will absorb all their students into SHS but will not absorb any from the public schools

Change in:

Enrollment: +3.5 M

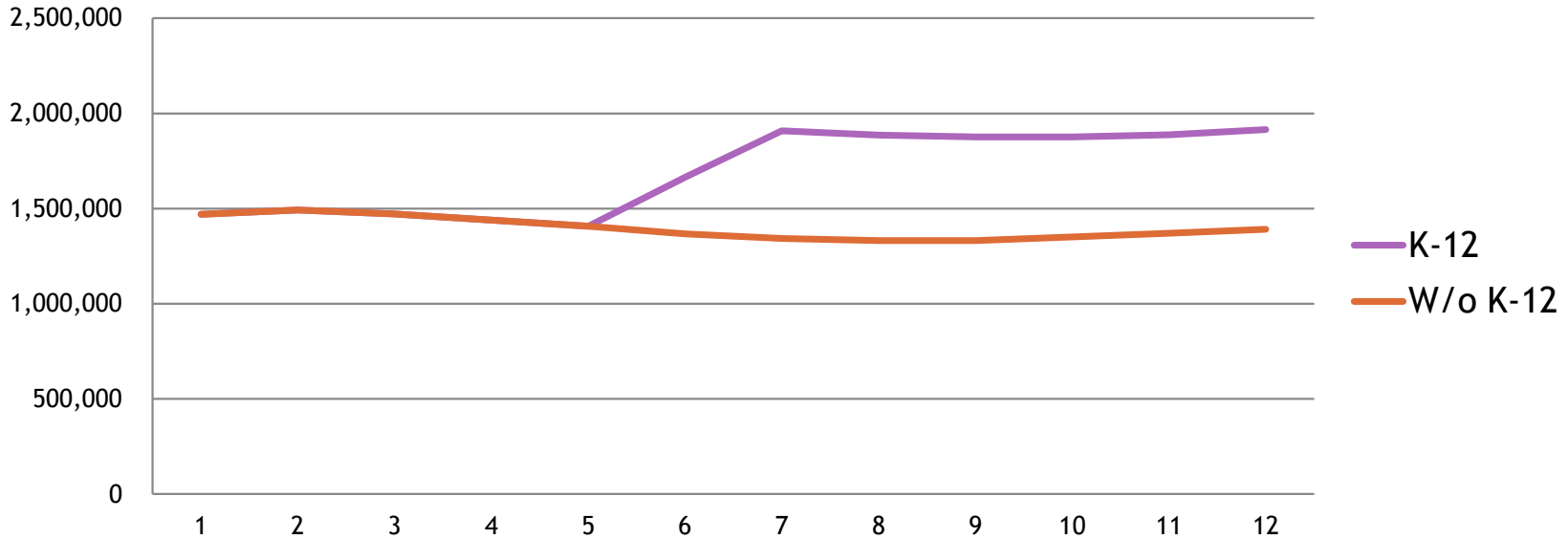
Cash flows: +Php 20.6 B

Year	2016-17	2017-18	2018-19	2019-2020	2020-21	2021-22	2022-23
% increase in enrollment due to K - 12	21.76%	42.22%	41.62%	40.88%	38.92%	37.69%	37.69%

Figures above are only up to SY 2022-23.

However, the change is permanent so benefits will persist.

Enrollment in student years



Incremental cash flows in Php millions



MODEL IF GOV'T TAKES 5 YEARS TO BUILD CLASSROOMS

- ◉ DepEd will take 5 years to build enough classrooms for SHS
- ◉ Private HS will absorb all their students into SHS and, in SY 2016-17, 50% of public SHS students
- ◉ Students will gradually shift back to public HS over this period

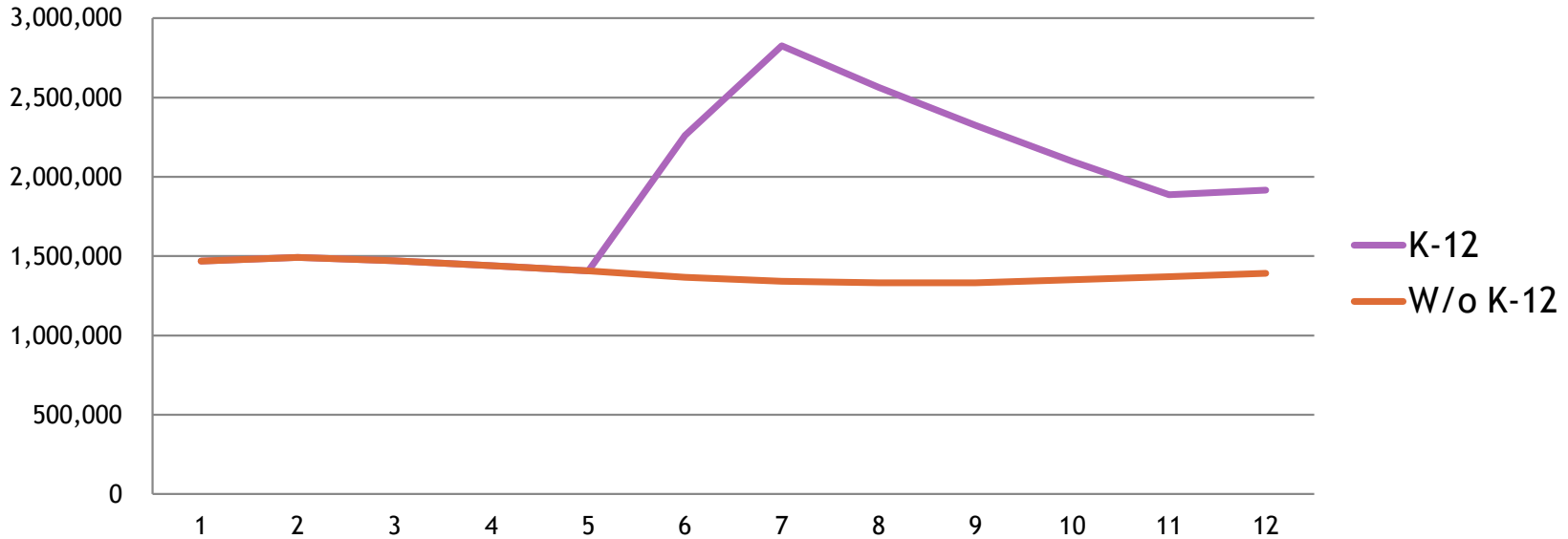
Change in:

Enrollment: +6.4 M

Cash flows: +Php 34.4 B

Year	2016-17	2017-18	2018-19	2019-2020	2020-21	2021-22	2022-23
% increase in enrollment due to K - 12	65.47%	110.46%	92.67%	74.69%	55.20%	37.69%	37.69%

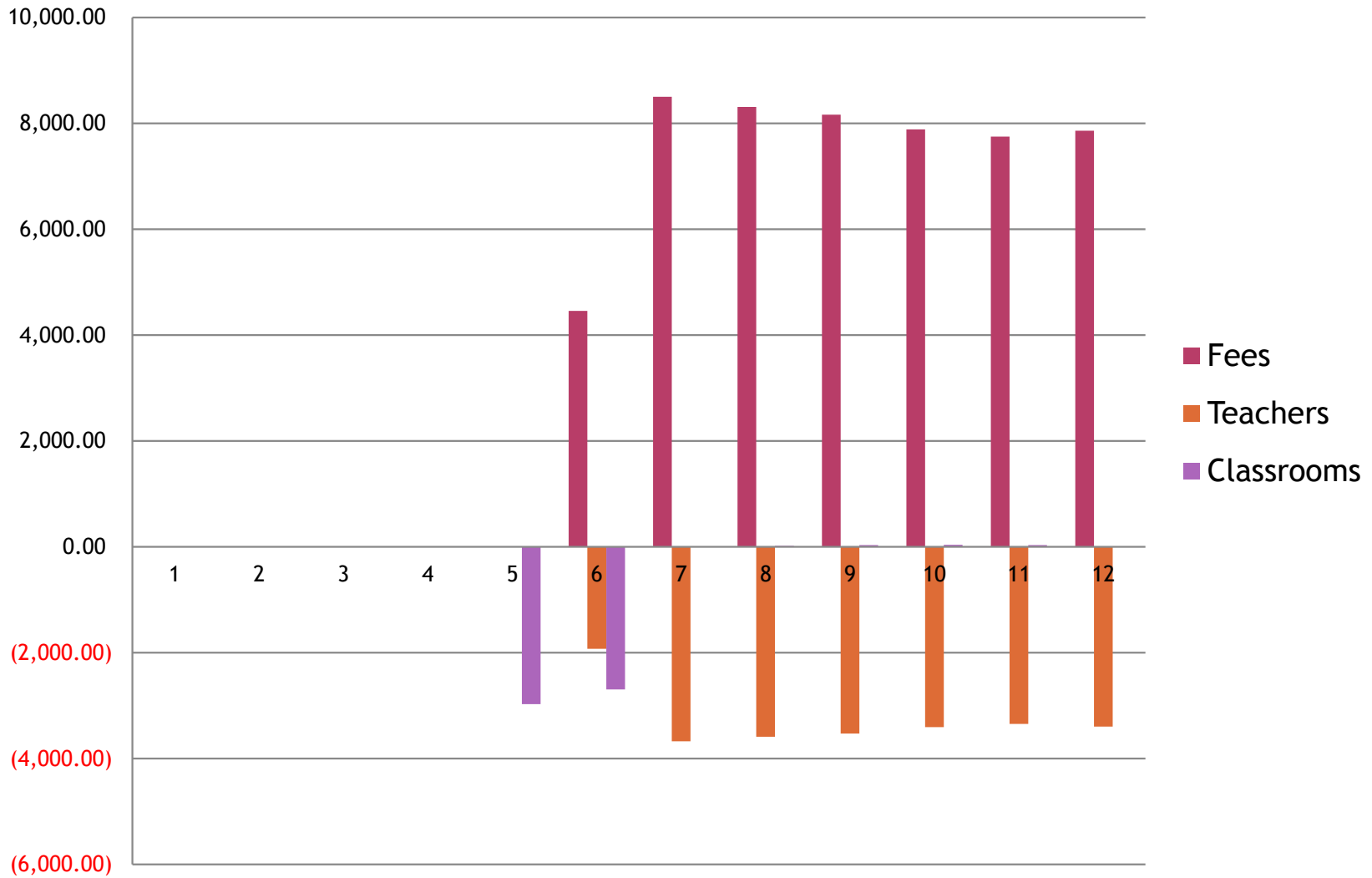
Enrollment in student years



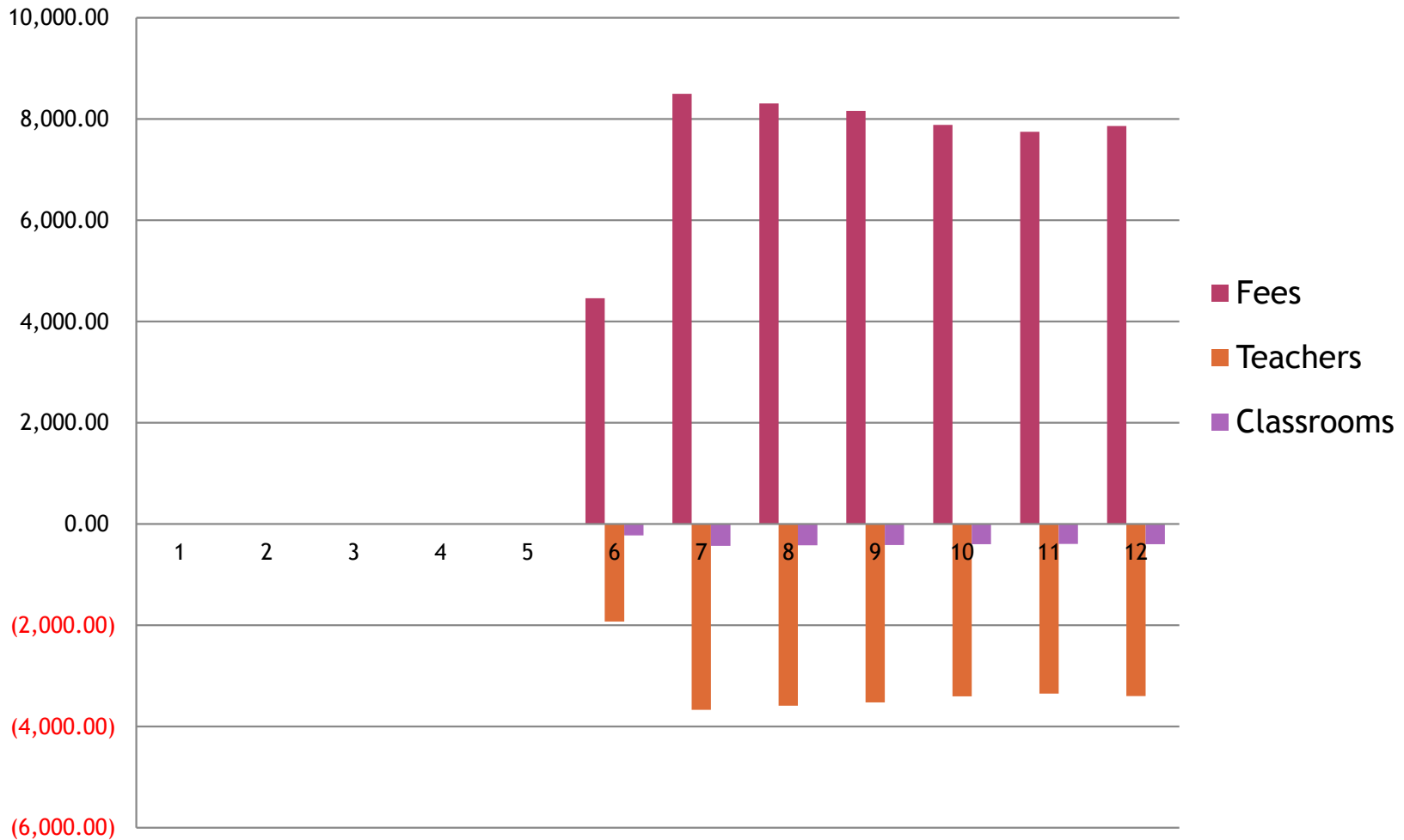
Incremental cash flows in Php millions



Cash flow breakdown: base model, build option



Cash flow breakdown: base model, rent or borrow-to-build option



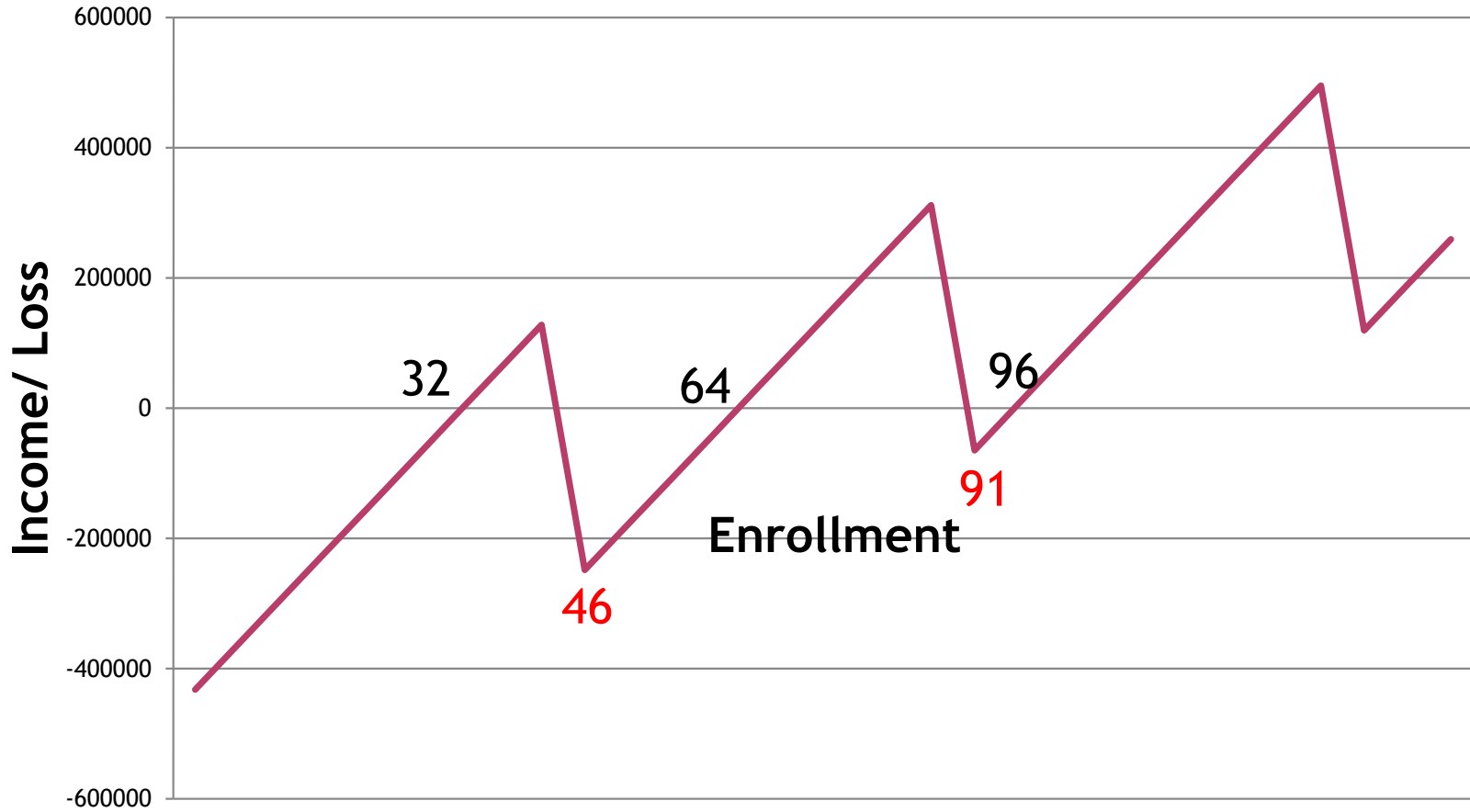
BREAKEVEN MODEL FOR SHS

Assumptions:

- Tuition and fees: 15,000/ student/ year
- 45 students and 1.5 teachers/ class
- Cost of classroom: 500,000; life of 20 years
- Teacher pay + benefits: 18,000/ month
- MOOE: 800/ student/ year
- Furniture: 1,000/ student; life of 5 years

Breakeven with above assumptions:
32 students

Breakeven Analysis (Income/ Loss vs. Enrollment)



BREAKEVEN MODEL FOR KINDER

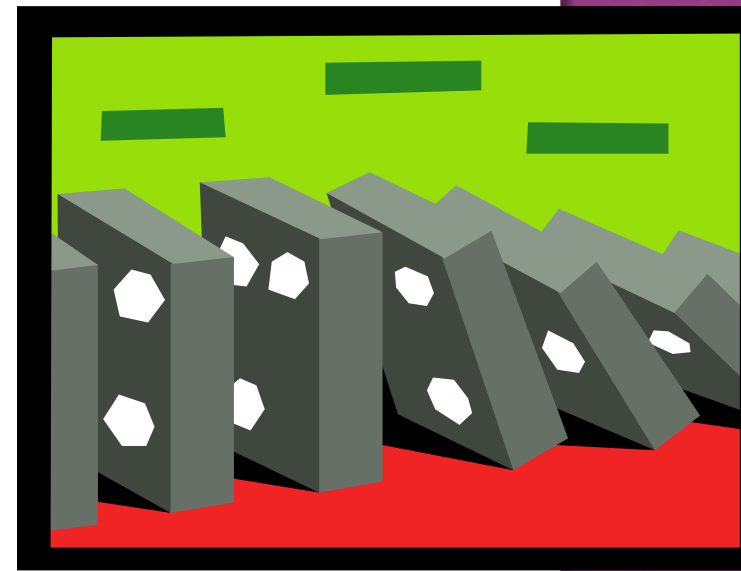
Assumptions:

- Two shifts
- 30 students/ class
- Teachers per class: 2 (also on two shifts)
- Other assumptions are as before

Breakeven with above assumptions:
22 students

LIKELY EFFECTS ON BASIC ED

- ◉ Effect on Kinder is unknown
- ◉ Little or no effect on grade schools
- ◉ A large positive for profitable high schools
- ◉ Problematic for mission schools
- ◉ Some retooling needed



POSSIBLE RESPONSES



- ◉ Open kinder if you haven't done so yet
- ◉ Gear up for SHS. Build for your own students
- ◉ Borrow to build if finances are tight
- ◉ Schools specialize and students cross-enroll.
Or clusters with a designated SHS school
- ◉ Higher GASTPE or GASTPE-subsidized tuition for students from public schools; rent/ build - how long will room shortage last?
- ◉ Mission schools - time for introspection

THANK YOU !!!