



# Foundation for Economic Freedom

## FEF STATEMENT ON FREE TUITION TO SUCs: IT IS ANTI-POOR AND HURTS PRIVATE HIGHER EDUCATIONAL INSTITUTIONS

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There are pending bills in Congress to allot PHP 8.3 Billion to the Commission on Higher Education (CHED) to provide for free tuition in State Universities and Colleges (SUCs).

While we consider these bills well-intended, we, the Foundation for Economic Freedom, an advocacy organization for free market reforms, well-defined and secure property rights, consumer welfare and good governance, believe the proposal to increase funding for free tuition to SUCs to be anti-poor. It will also hurt private higher educational institutions, which are more efficient in providing higher education.

Providing PHP 8.3 billion to SUCs for free tuition is anti-poor because:

1. It considers only tuition in the cost of higher education. Tuition covers only one-third of the cost of attending college. The balance consists of cost of living allowances, which the poor are in no position to pay. Higher income students who have the ability to pay for these living allowances will end up using the free tuition subsidy.
2. Enrollment in SUCs is already highly favorable to higher income students. FEF Fellows, Dr. Aniceto Orbeta and Dr. Vicente Paqueo, stated that based on the 1999 and 2014 Annual Poverty Indicators Survey, the bulk of students in public higher educational institutions are mostly from higher income groups while students coming from the bottom 20% consist of only 11% in 1999 and 12% in 2014.

Students from poor families are only a small proportion of SUCs' student population because they can hardly pay for the full cost of attending college which not only consists of tuition, but board and lodging expenses as well. They are also less prepared academically to pass the entrance exams and pass the academic requirements of four-year college courses.

Increasing the budget for free tuition will intensify the exodus of higher income students from private educational institutions toward SUCs and further worsen the proportion of poor students attending SUCs. Higher income students who are more academically prepared will capture the benefits of free college education.

The allocation of PHP 8.3 billion for free college tuition will hurt private higher education institutions. The SUCs will provide unfair competition to private higher educational institutions which are not in a similar position of being able to offer free tuition from taxpayer pesos.

We, the Foundation for Economic Freedom, instead propose that the government put the money to implement the Unified Student Assistance System for Tertiary Education (UniFAST), enacted into law through Republic Act No. 10687.

The Unifast Law unifies and rationalizes all modalities for student financial assistance, including scholarships, grants-in-aid, and student loans. It also doesn't favor SUCs over private higher educational institutions as the assistance is given to the student and not the school.

As FEF Fellows, Dr. Orbeta and Dr. Paqueo put it, "Targeting the poor with full financing using grants-in-aid under the Uni FAST law will clearly benefit more poor students than an untargeted general tuition subsidy for students of SUCs."

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