



# **REPORT SUMMARY**

**Reviewing the evidence:  
Issues in Commonwealth Funding of Government and  
Non-government Schools in the Howard and Rudd Years  
- Report by Dr Jim McMorro**

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# Introduction

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Only Australia's public schools ensure every child has the opportunity to fulfill their potential.

But as revealed in Dr. Jim McMorrow's review of schools funding, without urgent action, "for government schools, Commonwealth funds are projected to be cut in real terms by 2011-2012."

The report finds increasing overall participation and achievement as the foundation for a strong skills base as well as for equality of opportunity and social inclusion will require a significant and direct investment in public schools. This should not be deferred any longer; to delay will simply magnify the challenge. Action is needed now, prior to a full and open national review of all governments' responsibilities for schools funding, in the context of the reform of federalism generally.

The review shows that as a result of the perpetuation of Howard Government policies, the share of total Commonwealth schools funding being directed to government schools is projected to continue falling, to a level of 33.8 per cent by 2011-2012; having declined from 43 per cent to 35 per cent under the Howard Government.

For non-government schools, Commonwealth funding is projected to increase in real terms and its share of funding to rise correspondingly.

According to the report:

- Howard Government policies benefited non-government schools by almost \$3 billion in real terms, a funding advantage of around \$2.5 billion over the real increases provided for government schools.
- Without added investment, the impact of projected Commonwealth funding would be a reduction of more than 1,000 teaching staff in public schools by 2012.
- Government Schools' share of Commonwealth funding for schools declined from 43 per cent to 35 per cent in the Howard years and this share is projected to fall further to just under 34 per cent by 2011-12.

While the Rudd Government has begun rolling out funding for their election commitments of computers and trades training in schools, these have largely been funded by the discontinuation of Howard Government programs such as the *Investing In Our Schools* grants scheme. They do not represent any real increase.

The report findings make it clear that the Rudd Government must act urgently to ensure that public schools, which educate nearly 70% of Australian children, do not suffer a funding cut.

New schools funding legislation due to come before Parliament later this year offers the opportunity to redress years of neglect and prevent the funding cut.

The fact is, public schools need more money, not less. There will be no education revolution unless funding to public schools is increased. With greater investment, public schools could reduce class sizes, increase individual attention for those that need it and ensure all students have modern classrooms and facilities.

Dr. McMorrow's paper recommends an immediate investment of at least \$1.5 billion to restore government schools' share of all Commonwealth funding for schools to the 1996-97 level. This would be achieved by providing Commonwealth general recurrent per capita grants to the level currently given to some of the highest resourced non-government/private schools in Australia, such as Cranbrook School, Bellevue Hill in Sydney and Geelong Grammar, Toorak in Melbourne.

Raising its commitment to this level for the 2.2 million children and young people served by public schools in Australia is surely the least any Commonwealth Government could do.

### ***About the author***

Jim McMorrow is Honorary Associate Professor, Faculty of Education and Social Work, University of Sydney. A former teacher, Dr McMorrow has worked in senior policy advising and program administration roles at Commonwealth and State level for three decades; including First Assistant Commissioner, Commonwealth Schools Commission and Deputy-Director General, NSW Department of Education and Training. He has chaired and been a member of policy taskforces for the Ministerial Council on Education, Employment, Training and Youth Affairs, and been a member of the NSW Board of Studies, the NSW Board of Vocational Education and Training and the NSW TAFE Board. Dr McMorrow was also inaugural Chair of the NSW Institute of Teachers.

## Report Summary:

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### *The Howard Years*

Under the Howard Government, the Commonwealth distanced itself, in terms of both rhetoric and finance, from government schools and the responsibilities they carry. One thing is very clear: the resources gap between the government and non-government sectors, taken as a whole, has grown.

The former Government's general policy indifference towards public schools has seen the share of total Commonwealth funding for schools diminish sharply, from 43 per cent in 1996-97 to less than 35 per cent in 2007-08.

In contrast, in the non-government sector the largest increases in recurrent funds were provided for some of the best-resourced schools in Australia, which receive income from all sources enabling them to operate at more than twice the resource standards in government schools and most other non-government schools.

Much public comment was made about the standards of learning and teaching in government schools, with the blame for alleged deficiencies readily sheeted to State and Territory governments. This 'blame game' was perhaps the most obvious feature of Commonwealth policy over the period since 1996, painting government schools as the residuum of the outcomes of parental choice.

Key developments during the Howard years include:

- Growing indifference towards public schools and their funding needs; and exploitation of the asymmetrical split in funding responsibility for schools between states and the Commonwealth to diminish Commonwealth responsibility for public education.
- At least three separate arrangements on increased funding and special provisions for Catholic systems only:
  - Re-categorising general recurrent per capita grants for Catholic systems from Category 10 to Category 11 under the former 12 subsidy level scale based on a measure of recurrent income from private sources: the Education Resources Index (ERI)
  - Funding Catholic systemic schools outside the arrangements applying to other schools when the Government introduced its new funding scheme for 2001-2004 based on socio-economic status (SES), by 'deeming' Catholic systems to be at a higher level than their assessed funding level
  - Bringing Catholic systems into the SES scheme for 2005-2009 by approving increases for the schools within the system whose SES score attracted higher grants, but establishing a 'maintained Catholic' category to protect the funding of the 60% of Catholic schools that would otherwise have had their funding cut by the SES formula.

- Introduction of the SES funding scheme for non-government schools from 2001, which replaced the measure of resources available to a school (ERI) with an indirect measure of the socio-economic status (SES) of school parents as a basis for entitlement to public funding. This scheme also removed the previous link between schools' resources and the level of public grant to which they are entitled, stimulating fee increases on the part of many schools.
- Decision to apply the scheme only to those schools that it benefited financially, while maintaining the level of funding available through the previous scheme to schools that would otherwise have had their grant reduced. This removed any semblance of integrity, and equity, from the scheme, with around half of all non-government schools being funded above the proper level according to the Commonwealth's own criteria.

In addition, the Howard Government maintained the link between increases in state funding of government schools – the Average Government Schools Recurrent Cost (AGSRC) measure - and Commonwealth funding of non-government schools, without regard to the increasing proportion of non-government schools operating at resource levels above those of government schools. This has the effect of entrenching a resource gap between schools.

The real increases in Commonwealth funding for government schools under the Howard years should be acknowledged. Some of the additional \$1.3 billion – around \$236 million in 2007<sup>1</sup> - was due to the now-discontinued *Investing in our Schools* capital grants program. The bulk of the increase was due to the Commonwealth's supplementation index – the *Average Government Schools Recurrent Cost* measure, which for supplementation purposes is increased each year from data provided by State and Territory governments on their expenditures on government schools.

What this means is that Commonwealth recurrent funding for government schools during the Howard years was driven almost entirely by the flow-on effects of State and Territory decisions on real resource improvements in these schools. Those decisions have provided reductions in class sizes, especially in the early years of primary schools, improvements in student-teacher ratios generally, and increased support staff for schools and teachers serving students with special needs. The consequent Commonwealth increases applied to only around 10 per cent of government schools' recurrent funding, that is to the proportion that the Commonwealth contributes to government schools' total recurrent funding.

### ***The Rudd Government's first years***

The Rudd Government has inherited a set of arrangements for schools funding that is lacking in rationality, integrity and transparency.

Over the period 1996 to 2006, the Howard Government's policies and commitments benefited non-government schools by almost \$3 billion in real terms, including the costs of protecting 'funding maintained' schools against the full impact of its SES

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<sup>1</sup> Department of Education, Science and Training, *Australian Government Programmes for Schools – 2007 update*, Appendix D, page 209

funding scheme. This is a funding advantage of some \$2.5 billion over the real increases provided for government schools.

The first Budget of an incoming government is usually the first real opportunity for that government to establish its 'stamp' and credentials on key areas of policy.

This is not the case, however, for the Rudd Government's 2008 Budget. Confronted by the complexities, both fiscal and political, of correcting the flaws and anomalies in the funding arrangements for non-government schools that it inherited, the Rudd Government made the decision to defer any action at least to the end of the next funding period in 2012.

The first Rudd Budget reveals the consequences of this decision.

For government schools, Commonwealth funds are projected to be cut in real terms by 2011-2012. The share of total Commonwealth schools funding being directed to government schools is projected to continue falling, to a level of 33.8 per cent by 2011-2012; having declined from 43 per cent to 35 per cent under the Howard Government.

For non-government schools, Commonwealth funding is projected to increase in real terms and its share of funding to rise correspondingly.

These conclusions are based on information currently provided in Budget papers and related sources. The assumptions could, of course, be clarified by the content of the legislation on schools programs to be tabled in the Parliament later this year.

The Rudd Government's own policy agenda – much of which has been funded from the discontinuation of previous programs – will allocate funds across the government and non-government sectors. This allocation will not begin to redress the funding relativities of the Howard Government.

The Rudd Government's first Budget for schools markedly slows the rate of growth in Commonwealth funding for schools: from an average annual increase for all schools of almost 10 per cent in the Howard years to under 1 per cent per annum in the Rudd Budget.

The impact of this real funding cut will be severe. For example, if current Budget projections were applied for the employment of teachers in schools, the effect would be to reduce the capacity of government school authorities to employ teachers. If there were no countervailing increases in State and Territory funding for teachers, the impact of Commonwealth funding would be a reduction more than 1,000 teaching staff in public schools by 2012.

By contrast, if the increased funding for non-government schools in the Budget estimates were expressed in terms of capacity to employ teachers, this would increase teacher numbers in those schools by over 2,650 by 2012. Student-teacher ratios would on average further improve to around 14.9 in Catholic schools and 11.8 for independent schools.

## *The Least We Could Do?*

This paper acknowledges that the Rudd Government has inherited funding arrangements for schools that are riddled with anomalies and flaws. A perverse legacy, indeed.

The only way out in the longer term is for a root and branch review of the arrangements involving all the funding partners against consistent educational goals and criteria.

Legislation to provide Commonwealth funding for government and non-government schools for the 2009-2012 quadrennium is soon to come before the national Parliament. Members and Senators will be confronted with the financial and policy realities of the Rudd Government's decision to extend the Howard agenda for at least another funding period.

The first Rudd Budget should be given the benefit of the doubt and the forthcoming legislation for the 2009 – 2012 funding quadrennium may re-assert the new Government's responsibility and priority for public schools, by beginning to redress the funding imbalance in Commonwealth funding of government and non-government schools that has been inherited from the Howard years.

If this is not done, and the funding allocations for the next quadrennium reflect the 2008 Budget estimates, the situation outlined above where Commonwealth funding for government schools would be reduced in real terms while funding for non-government schools would continue to increase, will be realised.

This study shows the Rudd Government's extension of the Howard Government's funding policies and commitments for non-government schools will aggregate to over \$5.5 billion for the next quadrennium 2009 – 2012.

The Government cannot begin to redress this imbalance without injecting higher funding specifically for government schools. Government schools' share of Commonwealth funding for schools declined from 43 per cent to 35 per cent in the Howard years; and that this share is projected to fall further to just under 34 per cent by 2011-12. Additional earmarked funding of some \$1.5 billion for government schools would be required merely to reclaim the sector shares in place at the outset of the Howard years.

This would be difficult to achieve through targeted programs alone.

This report considers two scenarios to increase funding for public schools. The first scenario would match the minimum grant paid to non-government schools with the highest score on the Commonwealth socio-economic status scale, an increase in general recurrent grants for government schools by around \$825 million a year, in 2007-08 prices. This would increase government schools' share of total Commonwealth funding for schools to 38.7 per cent by 2011-12, still less than the 43.1 per cent applying at the end of the Keating Labor Government's term of office.

The second scenario – increasing general recurrent grants to government schools to 17.5 per cent of AGSRC – would increase funding of government schools by \$1.6 billion, achieving the goal of returning the balance to the 1996 proportion.

The increased funding for government schools that would arise from the above scenarios has no connection with research into a national schools resources standard by a former taskforce of the Ministerial Council for Education, Employment, Training and Youth Affairs (MCEETYA). It can be noted, however, that the scenario levels fall short of the taskforce's recommended additional funding of \$2.4 billion (2003 prices) for government schools to meet the resources standard that would enable students to achieve the national goals of schooling<sup>2</sup>. Scenario 2 would deliver less than two-thirds of this amount. State and Territory governments would need to provide the remaining funds if the national goals were to be realised. But the increased Commonwealth share would be a substantial contribution in its own right.

This is the least that should be done to protect the educational interests of the more than two million children and young people whose educational futures depend on quality public schooling.

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<sup>2</sup> MCEETYA, Schools Resourcing Taskforce Secretariat, *Resourcing the National Goals of Schooling*, Stage 2 report, May 2005, Table 1.6.