



AEU Parliamentary Brief

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Reviewing the evidence: Issues in Commonwealth funding of government and non-government schools in the Howard and Rudd years – Report by Dr. Jim McMorrow

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.

The Rudd Government's election commitments will have the effect of entrenching the inequities and anomalies for a further four years. In the meantime, there are steps that could be taken to contain the harmful effects and to reduce the funding imbalance that has occurred since 1996, such as by increasing funding for government schools along the lines suggested...[in the full report].

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.¹

Executive Summary

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.

This paper is premised on that decision. It reviews the effects of policy changes introduced by the Howard Government between 1996 and 2007 for both sectors of schooling; and it looks forward and examines the implications in the light of current policy settings.

The paper focuses on Commonwealth funding policies and commitments, while recognising that State and Territory governments also have a

¹ Page 48, Reviewing the evidence: Issues in Commonwealth funding of government and non-government schools in the Howard and Rudd years, Dr. Jim McMorrow

key role to play in funding both government and non-government schools.

Analysis of funding trends over time and between sectors involves an array of complex technical issues. These have tended to inhibit informed public debate. The paper makes explicit the sources used and approach taken to present the data in the most appropriate way for an understanding of the underlying trends and policy issues.

Key developments in Commonwealth funding policies during the Howard years:

- 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 Catholic systems only from Category 10 to Category 11 under the former 12 subsidy level scale, for the purposes of providing general recurrent per capita grants, 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 further 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 that cannot be justified on the grounds of educational need.

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. (See Table 14, page 34 in the report).

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 modified by the content of the legislation on

schools programs to be tabled in the Parliament later this year or by related events that may clarify the basis of these assumptions.

Consider the policy commitments by the Rudd government over 2009-2012 deriving from the Howard Government's funding policies and priorities:

Howard Government's schools funding policies: impact on 2009 - 2012 Funding Quadrennium				
Howard Policies	Rudd Commitments 2009 - 2012			
	government schools \$m	Catholic systemic schools \$m	Independent Schools \$m	All non-government schools \$m
Policy Initiative:				
1) Re-categorise Catholic systems to ERI Category 11	n/a	725	n/a	725
2) SES 2001-2004	n/a	451	1,313	1,764
3) SES 2005 -2009	n/a	345	n/a	345
Sub-total	0	1,521	1,313	2,834
"Funding Maintenance" Protections:	n/a	2,152	560	2,712
TOTAL	0	3,673	1,873	5,546

(See notes to Table 7 in main paper)

These figures indicate that the financial consequences of the continuation of the Howard Government's key policy initiatives will garnishee more than \$5.5 billion from the total amounts soon to be legislated for the next funding quadrennium.

It is as if the machinery inherent in the Howard Government's policies is driving the Rudd Government's agenda, almost independently of its own stated priorities.

The Rudd Government's own policy decisions to date – much of which have 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.

In the long run, it is not possible for the Commonwealth Government alone to resolve the fundamental issues underlying schools funding policies in Australia. That would require a 'root and branch' national review, including in the context of the Council of Australian Governments (COAG) agenda for reformed federal-state relations. Such a review would take some years to be realised.

In the meantime, however, the Rudd Government could implement some measures that are consistent with its own policy objectives and without prejudice to a longer-term national policy agenda.

If the Rudd Government were to implement its stated policy directions, it will require an increased investment in schooling; and

specifically in public schooling, so as to begin to reverse the effects of the neglect of the resource needs of public schools by the Howard Government. If such action is not taken soon, the long term decline in the Commonwealth's funding commitments to public schools will continue to its inevitable progress towards the Commonwealth abrogating its responsibility for public schools.

The paper puts forward two suggestions for increasing Commonwealth funding to schools to begin re-aligning its investment in its own education priorities, for illustrative purposes. The suggestions are presented as 'scenarios'

involving adjustments to Commonwealth general recurrent grants. These would also have the benefit of repairing the current arbitrary and anomalous formula, which delivers Commonwealth funding for government schools of 8.9% of primary schools' AGSRC and 10% of the secondary AGSRC – both significantly lower than the minimum grant of 13.7% paid to independent primary and secondary non-government schools with the highest socio-economic score.

These are set out in the table below.

Commonwealth Funding Projections and Scenarios to 2011-12 (estimated constant 2007-08 prices)					
	Howard Government		Rudd Government: projections and scenarios		
	1995-96	2007-08	2011-12		
	\$m	\$m	Budget	Scenario 1	Scenario 2
			\$m	\$m	\$m
government schools					
Budget	2,104	3,541	3,477	3,477	3,477
Scenarios (see note below)				827	1,559
Total government schools	2,104	3,541	3,477	4,304	5,035
non-government schools	2,778	6,597	6,821	6,821	6,821
all schools	4,882	10,138	10,298	11,125	11,856
% government schools	43.1%	34.9%	33.8%	38.7%	42.5%
Scenario 1: increase general recurrent rates for government schools to 13.7% AGSRC					
Scenario 2: increase general recurrent rates for government schools to 17.5% AGSRC					
<i>See Table 19 in main paper</i>					

The first scenario in this table would increase Commonwealth general recurrent per capita grants for government schools to the minimum grant paid to independent schools: 13.7% of AGSRC for primary and secondary schools. This would increase Commonwealth funding for government schools by some \$825 million by 2011-12 in today's prices, but would still fall short of the proportion of total Commonwealth schools funding that applied in 1996-97.

The second scenario in the table - increasing general recurrent per capita grants to 17.5 per cent of AGSRC – restores government schools' share of all Commonwealth funding for schools to the 1996-97 level. It should be noted that, within the non-government sector, the

Commonwealth applies this level of per student grant to only a handful of the highest resourced schools in Australia.

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

The full report can be found at:
<http://www.aufederal.org.au/Publications/2008/JMcMorrowpaper.pdf>

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