



THE FUNDING PRESSURES ON TAFE

More than one in ten working age Australians enrol in vocational education and training courses each year. 1.3 million of these students are in TAFE. There is continued pressure on TAFE resources which impact on the capacity of TAFE institutes to meet the needs of their students and communities. Commonwealth funding policies have played a major role in the resource pressures

Overview

There are 1.7 million students in vocational education and training system in Australia, or more than 10% of all working age Australians. 1.3 million of these study in TAFE. Since 1997, enrolments have grown by 16.3%. (NCVER 2003)

But TAFE is under enormous pressure because funding has not kept up with enrolment growth. Commonwealth policies have played a major role in these pressures.

Commonwealth funding

Since the Coalition Government was elected, TAFE funding has fallen in real terms by 10.9%.

Aggregate funding from the states and territories has modestly increased in real terms (1.3%), despite the impact of the growth through efficiencies requirements from 1998. (NCVER 2003a, ABS 6401.0)

Commonwealth funding trends:

1996-1997 – Howard Government cuts funding, reduced funding base for 1998 ANTA Agreement.

1998-2000 – Commonwealth funding freeze, “Growth through Efficiency”, de-regulation of the training market

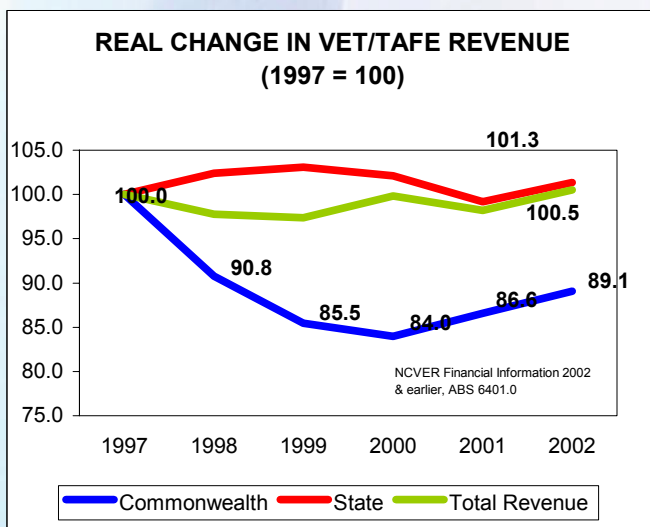
2001-2003 – limited growth funding restored, states required to match the growth funds; total growth funding \$460m over three years, about half of what was required.

2004 – rollover of 2003 funding with no indexation of 2003 “growth” funds and Commonwealth direct purchase of *Australians Working Together* programs (\$20.5m)

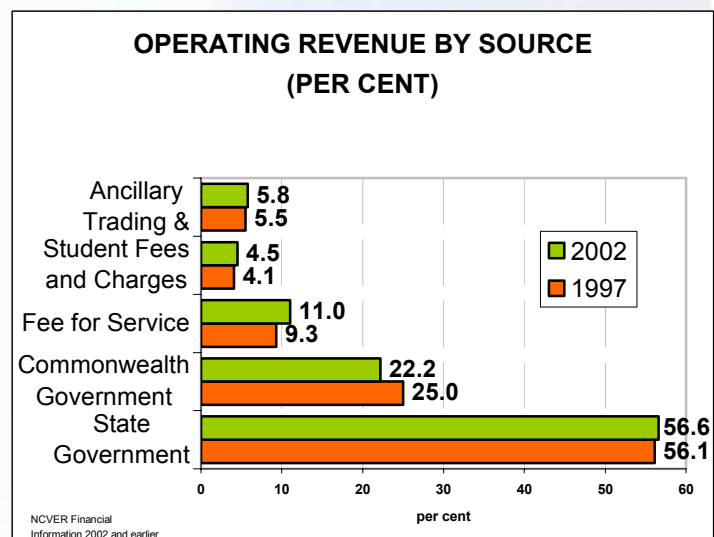
Commonwealth share of operating revenue

In the face of resource pressures, TAFE has had to expand other sources of revenue.

As a percentage of total VET operating revenue, the Commonwealth contribution has declined from 25% in 1997 to 22.2% in 2002. (NCVER 2003a)



(NCVER 2003a, ABS 6401.1)



Revenue from the states and territories has increased from 56.1% to 56.6%, down from a peak of 59.4% in 1999.

Non-government revenue has increased at a faster rate than government funding, particularly fee for service activities, which provided 9.3% of revenue Australia wide in 1997 and 11% in 2002, an increase of 36.3%. In Victoria, fee for service activities provide 21.4% of total revenue, compared to 7.5% in NSW and 4.7% in Queensland.

Total recurrent revenue for VET totalled \$4,357.4m in 2002, of which \$925m came from non-government sources including fee for service activities and fees and charges. Government funding now provides 78.8% of VET revenue. (NCVER 2003a)

Costs per funded student hour

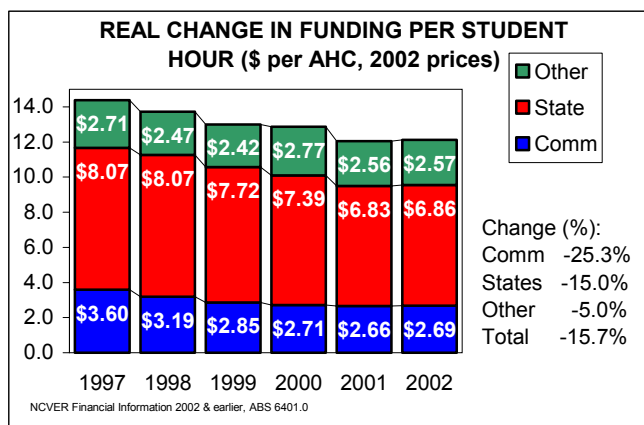
Given the enormous increase in enrolments in TAFE, a clearer picture is offered by the costs per student hour, or adjusted annual hour of curriculum (AHC).

NCVER financial and student data (NCVER 2003, 2003a) indicates that funding per student hour has fallen by 15.7% since 1997, when adjusted for CPI increases. This largely reflects the 'growth through efficiency' years, 1998-2000, when Commonwealth funding was frozen and the states were required to achieve growth through 'efficiencies'.

The overall Commonwealth funding contribution, when measured against AHC, has fallen by more than 25% since 1997, while the total funding per AHC fell by 15.7%.

The improvement in 2002 reflects the restoration of modest growth funds and matching by the state and territory governments. Revenue from fee for service activities and fees and charges also increased.

ANTA (2003) has described this as "...a decline in efficiency performance of 3.6% from 2001 levels."



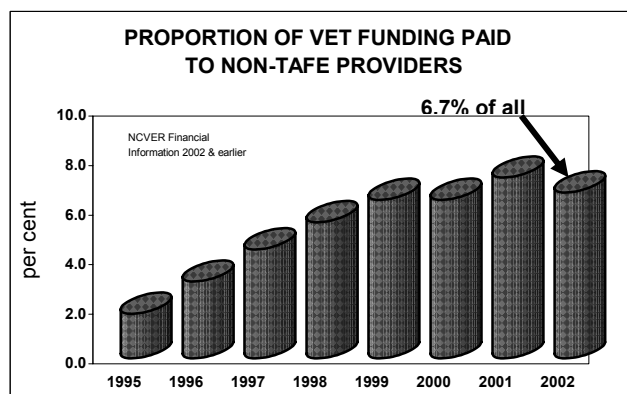
Competitive tendering and user choice

Resources continue to be redirected from TAFE to non-TAFE providers. In 1995, the total funding

for non-TAFE providers was \$58.6 million, and by 2002 it had increased to \$310.8m, or from 4.4% to 6.7% of total operating expenses. (NCVER 2003a)

All states other than NSW reported increased expenditure on non-TAFE providers in 2002. NSW reported a fall of \$29.8m because many payments programmed for 2001-02 were made in 2001.

The decision by the Commonwealth in 2004 to directly purchase places under the Australians Working Together/welfare reform measures is likely to increase the funding directed to non-TAFE providers in 2004.



Employee costs

Since 1997, the number of VET students has increased by 236,900. At the same time, the proportion of expenditure attributed to employee costs has continued to decline, from 62.1% in 1997 to 60.4% in 2002. (NCVER 2003a)

The 2001 AEU national survey of TAFE teachers estimated that, across Australia, full time and part time TAFE teachers were doing the work of an extra 6500 teachers in unpaid over time. (Kronemann 2001)

Expenditure on direct delivery and delivery support was \$3079.3m, or 67.8% of total expenditure in 2002, compared to 68.3% in 1997.

Major Sources:

- ABS, *Consumer Price Index*, 6401.0
- ANTA 2002, *Annual National Report of the Australian Vocational Education and Training System 2002*, Vol. 3
- Kronemann M., 2001, *TAFE Teachers: Facing the Challenge*, AEU.
- NCVER, 2003, *Students and courses 2002*, and earlier years.
- NCVER, 2003a, *Financial information 2002*, and earlier years.