



TAFE Works

THE COMMONWEALTH ROLE IN FUNDING TAFE

The Commonwealth now provides about 30 percent of government funding for vocational education and training. It also plays a central role in the development of national policies and directions. Recent Commonwealth funding policies have played a major role in the resource pressures felt by TAFE systems.

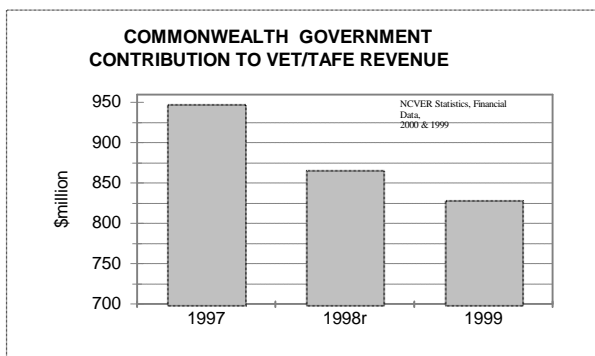
Funding overview

The Commonwealth role in providing recurrent funding for TAFE has increased substantially since it began in 1974, at the time of Kangan.

TAFE has also expanded and changed in its structures, services and clientele. In 1973 there were 430,000 students enrolled in TAFE. In 2000 there were 1.3 million students in TAFE and 1.75 million in the VET system as a whole. (Kronemann 1999, NCVET 2001)

Overall, the Commonwealth provides about 30% of **government** funding for vocational education and training; about 27% of recurrent government funding and 55.6% of capital expenditure. The states and territories continue to provide the bulk of recurrent funding.

Total government funding for VET in 1999 was \$3.1 billion, of which \$2,225.5m was provided by the states and territories and \$828.2m by the Commonwealth. (NCVER 2000)



Commonwealth funding for VET 1997-1999

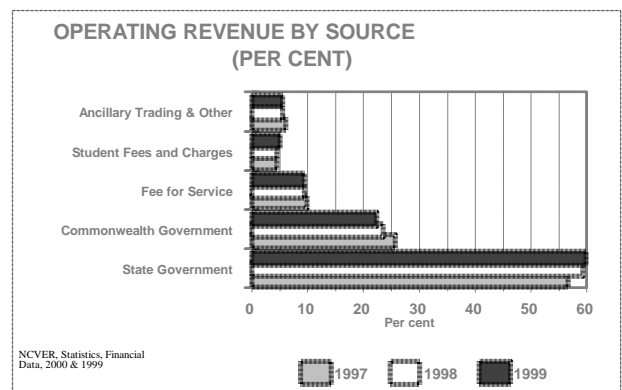
The Commonwealth contribution to VET operating revenue has fallen from \$947.2m in 1997 to \$828.2m in 1999. (NCVER, 2000 & 1999) This is a fall of \$119m, largely through declines in Commonwealth specific purpose programs in both 1998 and 1999, since the bulk of funds

under the ANTA Agreement have been maintained in real terms.

The decline in Commonwealth contributions has effectively ~~neutralised~~ an increased contribution of \$99m by the states and territories together since 1997.

Commonwealth share of operating revenue

In the face of resource pressures, TAFE has had to expand other sources of revenue, such as fee for service activities.



As a percentage of **total** VET operating revenue, the Commonwealth contribution has declined from 25% in 1997 to 22.1% in 1999. Revenue from the states and territories has increased from 56.1% to 59.3% of operating revenue. Other sources of revenue have been relatively stable in aggregate in recent years. (NCVER 2000, 1999)

Competitive tendering and user choice

The other major pressure on TAFE resources has been the significant growth in competition and contestable funding, driven by national policies. In effect, resources are being redirected from TAFE to non-TAFE providers.

In 1995, the total funding for non-TAFE providers was \$58.6 million, and by 1999 it had

increased to \$251.6m, or 6.4% of total operating expenses. (NCVER, 2000: NCVER 1996)

Funding arrangements under ANTA

During the 1980s the need for national portable qualifications and a competency based system linked with industrial awards to build a highly skilled workforce became clear. It was recognized that a coordinating authority was needed to develop a national system and in 1992, the Commonwealth and states/territories signed the ANTA Agreement..

The ANTA Agreement provided the framework for a national VET system, with agreed objectives, priorities, assured funding arrangements and consistent national strategies. State specific plans (profiles) were negotiated with ANTA within national frameworks.

The new national structures included ANTA, a Ministerial Council (MINCO) of the Commonwealth and state/territory Ministers responsible for vocational education; an ANTA Board, national ITABs and other national bodies.

The 1992 ANTA Agreement

Under the 1992 ANTA Agreement, the then Labor Commonwealth Government provided an initial \$100m for VET and an additional \$70m per year (cumulative) to fund enrolment growth. The growth funds, to be provided 'on a continuing basis', were extended subsequently to 1996 and 1997. Commonwealth funding increased from 17% of recurrent funding in 1991 to 28% in 1996.

In return the states and territories were required to maintain their effort. There were technical and political complexities in the judgements of whether they had maintained effort, but the fact that Commonwealth growth funding was conditional on maintenance of effort was important.

The Coalition agenda

The first two budgets of the Howard Government imposed cost-cutting measures worth \$240m over the forecast period. Growth funding was abolished and labour market programs were slashed.

This provided a reduced funding base for the subsequent 1998 Agreement

Growth through efficiencies

Under the 1998 ANTA agreement the states and territories were required to achieve >growth through efficiencies= in return for the Commonwealth maintaining its funding in real terms. Imposition of the Commonwealth funding freeze has been a central element in the resource pressures felt by TAFE institutes and systems around the country.

ANTA Agreement 2001- 2003

After months of tense negotiations and campaigning, a new ANTA Agreement has been signed. For the first time since 1997 the Commonwealth will provide growth funding, of \$50m in 2001, \$76m in 2002 and \$104m in 2003, a cumulative total of up to \$230m over the three years.

This funding is conditional on the states and territories maintaining outputs or outcomes, matching the Commonwealth growth funds on a dollar for dollar basis, compliance with User Choice policies and other requirements.

The new Agreement provides about one third of what the states and territory ministers said that they needed in 2001. The total value of their claim for growth funding was just over \$900m extra over three years, compared to the \$230m provided by the Commonwealth (\$460m if the states and territories provide matching funds).

Despite the Government focus on providing over \$1 billion in 2001, the reality is that the 1995/96 Labor budget had forecast spending more than \$1 billion by 1997/98 to expand TAFE places. We are just back to that level now, despite the increase of 268,000 student places by 2000.

The new funding Agreement falls far short of what is needed to address the problems arising from the resource pressures of recent years.

Major Sources:

ABS 5510.0, *Expenditure on Education Australia*, various years
Kronemann M., 1999, *Learning from history: Towards a new deal for TAFE*, circulated paper, AEU.
NCVER 2001, *Statistics in Detail*.
NCVER, 2000, *Statistics 1999, Financial data, Australian Vocational Education and Training*, ANTA, and earlier years

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