

# RESEARCH NOTE

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## Commonwealth Funding for Schools Since 1996

### Introduction

The considerable debate since 1996 about Commonwealth expenditure on schools has been driven by policy changes that have significantly restructured Commonwealth funding and influenced the relative funding share between the government and non-government school sectors. This Research Note briefly explains these policy changes and the trends in Commonwealth funding for schools since 1996.<sup>1</sup>

### Commonwealth Funding

The Commonwealth Government is a minor provider of funds for government schools. It estimates that its Specific Purpose Payments (SPPs) are approximately 12 per cent of all governments' expenditure on government schools. With regard to non-government schools, the Commonwealth Government is a substantial funder and estimates its contribution as 45 per cent of total support (including private expenditure).<sup>2</sup> In 2002–03 estimated SPPs for schools will total \$6 billion, of which 66 per cent will be allocated to non-government schools.

The Commonwealth funds government and non-government school students at different rates which are percentages of its estimated average cost of educating a student in a government school (known as the AGSRC).<sup>3</sup> Government school students are funded at a flat rate of 8.9 per cent of AGSRC for primary school students and 10.0 per cent for secondary school students. Funding for non-government school students ranges from 70.0 per cent to 13.7 per cent of AGSRC. Catholic systemic school students<sup>4</sup> attract funding at the rate of 56.2 per cent of AGSRC (51.2 per cent for the ACT Catholic school system).<sup>5</sup>

### Policy Changes

One of the first changes the Coalition Government introduced was the abolition of the New Schools Policy (NSP). The abolition of the NSP removed Commonwealth minimum enrolment requirements and other funding restrictions placed on new non-government schools which had had the effect of constraining the growth in numbers of new schools in that sector. From 1997 new non-government schools have mainly to

satisfy State and Territory Government registration requirements to be eligible for Commonwealth recurrent funding.<sup>6</sup> The number of new school applications approved nearly trebled in the first year of the NSP's abolition but since then these numbers have stabilised to those similar to pre-1997.<sup>7</sup>

Another change was the introduction of the Enrolment Benchmark Adjustment (EBA), a mechanism which adjusts general recurrent grants in response to shifts in the ratio of non-government to government school students from the 1996 enrolment ratio. Prior to 2001 the amount of the EBA liability (the amount by which general recurrent grants to government schools is reduced) was returned to Consolidated Revenue. Now these funds are available to those States that incur an EBA liability as grants to foster scientific, mathematical and technological skills.<sup>8</sup> From 1997 to 2000 the EBA liability totalled \$92.6 million.<sup>9</sup>

The most significant policy change occurred in 2001 with the introduction of the

### Commonwealth Outlays: Schools, 1995–96 to 2005–06

	Actual expenditure(a)					'Real' expenditure(b)		
	Gov't schools		Non-gov't schools		All schools	Gov't schools	Non-gov't schools	All schools
	Amount (\$ m.)	Prop'n (%)	Amount (\$ m.)	Prop'n (%)				
1995–96	1 427.6	42.2	1 953.0	57.8	3 380.6	1 609.5	2 201.8	3 811.2
1996–97	1 533.1	41.5	2 157.8	58.5	3 691.0	1 690.7	2 379.6	4 070.4
1997–98	1 594.3	39.5	2 446.7	60.5	4 041.1	1 733.0	2 659.6	4 392.7
1998–99	1 669.9	38.5	2 671.6	61.5	4 341.5	1 807.8	2 892.2	4 700.0
1999–2000	1 768.4	38.3	2 846.5	61.7	4 614.9	1 878.0	3 023.0	4 901.0
2000–01	1 827.5	35.4	3 339.5	64.6	5 167.0	1 860.8	3 400.3	5 261.1
2001–02(c)	1 935.6	34.7	3 643.7	65.3	5 579.4	1 935.6	3 643.7	5 579.4
2002–03(c)	2 020.4	33.8	3 957.5	66.2	5 977.9	2 020.4	3 957.5	5 977.9
2003–04(c)	2 149.6	33.0	4 354.8	67.0	6 504.4	2 149.6	4 354.8	6 504.4
2004–05(c)	2 276.3	32.8	4 673.5	67.2	6 949.8	2 276.3	4 673.5	6 949.8
2005–06(c)	2 409.9	32.4	5 024.1	67.6	7 434.0	2 409.9	5 024.1	7 434.0

(a) Includes recurrent expenditure and capital funding. (b) Using Implicit Price Deflator for Non-farm Gross Domestic Product, base: 1999–2000 = 100.0. (c) Estimates. Source: Answer to DETYA Question No. E501, Senate Employment, Workplace Relations, Small Business and Education Legislation Committee, 1999–2000 Supplementary Additional Estimates Hearing; *Final Budget Outcome*, various; *Federal Financial Relations*, various (Budget Paper No. 3).

Commonwealth's new system of funding non-government schools. Previously schools had been funded according to a measure of their capacity to generate funds on their own behalf.<sup>10</sup> Now non-government schools (excepting Catholic systemic schools) are funded according to the socio-economic status (SES) of their school community. This is a measure of the community's capacity to support its school. Schools that are entitled to less funding under the new system have their funding maintained in real terms at their 2000 level.<sup>11</sup> Estimates put the cost of the new system at \$815 million by 2004.<sup>12</sup>

Since 2001 new non-government schools also attract additional assistance in the form of establishment grants, a per capita entitlement for each full-time equivalent student of \$500 for the first year of operation and \$250 for the second year. An estimated \$11.9 million will be appropriated for these grants during the 2001–2004 program years.<sup>13</sup> There is no commensurate Commonwealth assistance for new government schools.

## Expenditure Trends

Commonwealth funding for schools has continued to grow since 1995–96. SPPs have increased in real terms from a total of \$3.8 billion in 1995–96 to an estimated \$5.6 billion in 2001–02. Over the period 2001 to 2004 it is estimated that 78 per cent of the increase in total

Commonwealth funding for schools will be due to supplementation and indexation, 13 per cent will be attributable to enrolment and beneficiary growth,<sup>14</sup> and 9 per cent will be new money.<sup>15</sup>

While Commonwealth funding during this period has increased in real terms for both government and non-government schools, the share of funding between the two school sectors has changed. The share for government schools has dropped from 42.2 per cent in 1995–96 to an estimated 34.7 per cent in 2001–02.

The growth in full time equivalent (FTE) non-government school enrolments is one element accounting for this shift. From 1996 to 2001 enrolments increased for both school sectors, with the non-government school share increasing from 29.3 per cent to 31.2 per cent.<sup>16</sup>

The shift in Commonwealth funding between the two sectors is also reflected in Gross Domestic Product (GDP) figures. From 1996 to 2000 the government school sector share of estimated Commonwealth spending on schools as a proportion of GDP remained static at 0.26 per cent. The non-government sector share grew by 21.6 per cent, from 0.37 per cent to 0.45 per cent.<sup>17</sup>

## Future Trends

The current trends in Commonwealth funding for schools, with an increasing proportionate share for the non-

government school sector, is expected to continue.

Forward estimates indicate that by 2005–06 SPPs for schools will total \$7.4 billion, an increase in real terms of \$3.6 billion or 95 per cent since 1995–96. This represents a 50 per cent increase in real funding for government schools and 128 per cent for non-government schools.

In terms of GDP, by 2004–05 it is estimated that Commonwealth schools expenditure will amount to 0.81 per cent of GDP, with expenditure on government schools accounting for 0.28 per cent and non-government schools 0.53 per cent.<sup>18</sup>

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1. For an overview of Commonwealth funding for schools prior to 1996 see Greg McIntosh, 'Commonwealth Funding for Schools', *Background Paper (Parliamentary Research Service)*, no. 14, 1994.
2. *Budget Strategy and Outlook 2002–03*, Budget Paper no. 1, p. 6–20.
3. In 2001 the AGSRC primary amount was \$5378 and the secondary amount, \$7101.
4. Catholic systemic schools belong to the Catholic Education Systems that are administered by the Catholic Education Offices in each State and Territory.
5. Department of Education, Science and Training, *Commonwealth Programmes for Schools Quadrennial Administrative Guidelines 2001 to 2004*, 2002, pp. 167–168.
6. For further information see Hon. Dr David Kemp MP, *Commonwealth General Recurrent Funding for New and Changing Non-Government Schools 1997–2000*, 16 September 1998, website at [http://search.aph.gov.au/search/ParlInfo.ASP?Folder=PRESSREL&Criteria=citation\\_id:1HF30;&action=bookmark](http://search.aph.gov.au/search/ParlInfo.ASP?Folder=PRESSREL&Criteria=citation_id:1HF30;&action=bookmark)
7. Answer to DEST Question Nos. E297 & E303, Senate Employment, Workplace Relations, and Education Legislation Committee, 2001–2002 Additional Estimates Hearing.
8. For further information about the changes introduced in 2001 see answer to DEST Question No. E301, Senate Employment, Workplace Relations, and Education Legislation Committee, op. cit.
9. Department of Education, Science and Training (various revisions), op. cit.
10. For further information about the previous system see Department of Employment, Education, Training and Youth Affairs, *Schools Funding: Consultation Report*, Canberra, 1997.
11. Information about the SES system of Commonwealth general recurrent funding for non-government schools, including Catholic systemic schools, can be found on the Department of Education, Science and Training's website at <http://www.dest.gov.au/schools/ses/index.htm>.
12. Answer to DETYA Question No. E412, Senate Employment, Workplace Relations, Small Business and Education Legislation Committee, 2000–2001 Additional Estimates Hearing.
13. States Grants (Primary and Secondary Education Assistance) Amendment Bill 2002, Explanatory Memorandum, p. [2].
14. Beneficiary growth refers to increases in the number of students receiving student assistance such as ABSTUDY or the Isolated Children's allowance.
15. Answer to DETYA Question No. E434, Senate Employment, Workplace Relations, Small Business and Education Legislation Committee, 2000–2001 Additional Estimates Hearing.
16. Australian Bureau of Statistics, *Schools Australia*, 2001, Cat. No. 4221.0.
17. Answer to DETYA Question No. E71, Senate Employment, Workplace Relations, Small Business and Education Legislation Committee, 2001–2002 Budget Estimates Hearing.
18. Answer to DETYA Question No. E75, *ibid*.