

Chapter 3

Key issues

3.1 Six years after the review panel chaired by David Gonski handed down its findings,¹ school funding is still, in the words of the Grattan Institute, 'a mess'.²

3.2 It is fair to say that the major parties have both proposed increasing school funding. Funding alone is, unfortunately, not enough, and despite investing record money into education, policies put in place by the previous Labor Government in fact engineered a system of entrenched unfairness by striking 27 separate arrangements which have resulted in gross funding disparities between similar schools and students with similar needs across the country.

3.3 The government has expressed its commitment to treating all students, irrespective of which state they reside in or which school they attend, fairly, and providing support to ensure that every Australian child receives a quality education regardless of their family's means. The Australian Education Amendment Bill 2017 (the bill) is the legislative form of the Turnbull Government's 'Gonski 2.0' policy, which delivers needs-based funding to each and is to date the best, most tangible proposal for achieving this end.

3.4 The importance of education to the Australian community means that reforms always attract lively debate. There was strong support for moving towards a genuinely needs-based school funding system that more accurately reflected the principles of the Gonski review. The committee notes that despite divergence in opinion on how our education system can be improved, there is a broad recognition of the need to act in the interests of students across every school system and ensure that, no matter which schools parents choose to send their children to, the education provided is of the highest possible quality.

3.5 Evidence presented to the committee, outlined below, strongly supports the case for urgent action on the widening distortions in how schools across this country are funded. As put by the Executive Director of the Australian Secondary Principals Association (ASPA):

[T]he status quo is not good enough. There are too many who are not getting enough and a lot that are getting too much. Every student in Australia is entitled to an education, a quality education—the same quality of education, the same opportunities—and the current system does not do that.³

1 Mr David Gonski AC, Mr Ken Boston AO, Ms Kathryn Greiner AO, Ms Carmen Lawrence, Mr Bill Scales AO, and Mr Peter Tannock AM, *Review of Funding for Schooling*, Final Report, December 2011.

2 Grattan Institute, *Submission 33*, p. 2.

3 Mr Robert Nairn, Executive Director, Australian Secondary Principals Association (ASPA), *Proof Committee Hansard*, 5 June 2017, p. 46.

3.6 The case for reform is, in the committee's view, clear, and articulated perfectly in evidence before the committee by Mr Phillip Spratt, President of the Australian Council of State School Organisations (ACSSO), which represents the interests of parents of the 2.5 million children in the state school system (representing 65 per cent of enrolments). Mr Spratt emphasised the opportunity for improvement provided by the bill:

This bill perhaps offers the opportunity to focus on significant improvement and make things better. Now then we come to the fine-tuning of it, and we have all looked at the bill that has been presented as it is. We have analysed it and the inquiry is giving us here and now the opportunity to do that. I actually found the department's submission quite useful in clarifying a few of the little concerns that we had. We have gone, 'Yes.'⁴

3.7 ACSSO's submission also highlighted the broad support for the bill:

For the last eighteen months ACSSO has been resolute in calling for Fair, Simple, and Transparent, and truly needs based funding for education, with an end to the special deals and legislated adjustments that create peculiar sectorial advantages for private schooling providers. It is deeply gratifying to see progress towards this objective and the potential of a new model in education legislation.⁵

3.8 The need to progress reform was also supported by representatives of the independent schooling sector. For instance Dr Geoff Newcombe, Chief Executive of the Association of Independent Schools of New South Wales (AISNSW) stated:

So, if we stay with this unfair funding model, then we are going to suffer long-term...We want a level playing field so additional moneys can be spread appropriately through targeted programs or whatever so children in all sectors can benefit...⁶

3.9 Although representatives of the Catholic Education Councils raised concerns about the proposed reforms, other representatives of Catholic schools, for example Mr Angus Tulley of Catholic Secondary Principals Australia (CSPA) and principal of St Francis Xavier College in the ACT, acknowledged that the status quo is not a genuine needs-based funding model.⁷

3.10 This chapter outlines the flaws contained in the current *Australian Education Act 2013* (the Act) and examines ways in which the bill seeks to address these issues.

4 Mr Phillip Spratt, President, Australian Council of State School Organisations (ACSSO), *Proof Committee Hansard*, 2 June 2017, p. 32.

5 ACSSO, *Submission 13*, p. 1.

6 Dr Geoff Newcombe, Chief Executive, Association of Independent Schools of New South Wales (AISNSW), *Proof Committee Hansard*, 5 June 2017, p. 5.

7 Mr Angus Tulley, Principal, St Francis Xavier College, Catholic Secondary Principals Australia (CSPA), *Proof Committee Hansard*, 5 June 2017, p. 49.

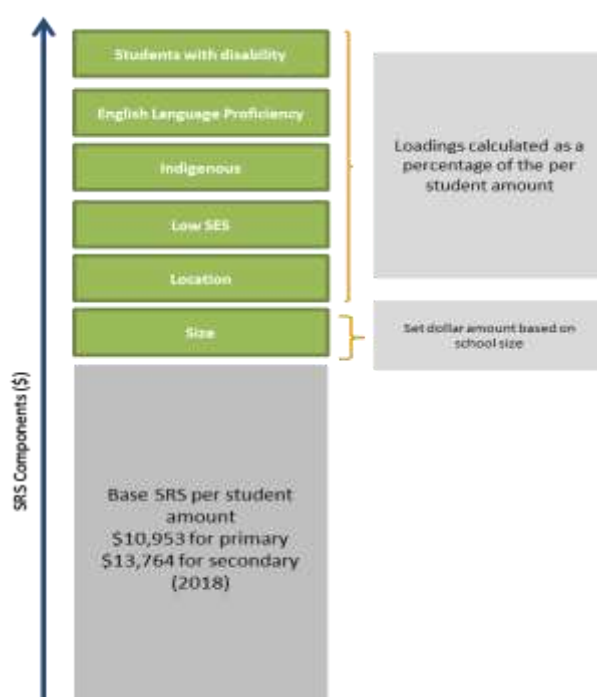
Current funding distortions and inequities

3.11 The Act sets out the Schooling Resource Standard (SRS) intended to provide a base rate of funding, per student, for primary and secondary students. The base funding is discounted 'by the capacity of the school community to contribute income for non-government schools.'⁸ The capacity to contribute is measured by non-government schools' socio-economic status (SES) score. The SRS base rate for both state and non-government schools are also supplemented with the following loadings for disadvantage, which are not dependent on, or distorted by schools' capacity to contribute:

- Indigenous students;
- students with disability;
- English language proficiency;
- socio-educational disadvantage; and
- school size and location.⁹

3.12 The figure below illustrates the base rate and disadvantage loading components of the SRS:

Figure 3.1—Outline of the different components of the School Resource Standard¹⁰



8 Department of Education and Training, *Submission 23*, p. 7.

9 Department of Education and Training, *Submission 23*, p. 7.

10 Department of Education and Training, *Submission 23*, p. 7.

3.13 Unfortunately, implementation of the Gonski review was flawed and has caused distortions in how funding is distributed, making it difficult to analyse and compare actual need between different schools. Furthermore, although the 2011 *Review of Funding for Schooling* envisaged that the SRS would be met through combined funding from federal and state governments in what is referred to as 'total public funding', there is currently no effective mechanism for tracking state funding. This means that Commonwealth entitlements cannot be adjusted according to state funding levels.¹¹ What has occurred is that state governments have reduced their funding levels, by cost-shifting to the Commonwealth. This issue is considered later in this chapter.

3.14 Furthermore, a mere handful of schools—96 out of 9390 Commonwealth-funded schools as at May 2017—are at present funded on the basis of the SRS as a result of the transition arrangements outlined by the Act. It is estimated that it would take another 150 years for all schools to transition to the SRS.¹² Under the Act, schools that are not on the standard, that is, the vast majority of schools, receive the same level of funding as the previous year. This level is:

...indexed by 4.7 per cent for schools that are estimated to receive total public funding below the SRS, and by 3.0 per cent for schools that are estimated to be above the SRS (262 in 2017).¹³

3.15 A key concern is that the current arrangements apply only to non-government schools and state schools in the three participating states (New South Wales, South Australia and the Australian Capital Territory).

3.16 In effect, the implementation of Gonski model as set out by the current Act means that funding is not genuinely needs-based. This is evidenced by the following:

- funding provided to the vast majority of schools primarily depends on historic levels of funding;
- historic differences in the contribution of Commonwealth funding are effectively locked in to future arrangements;
- the schools furthest below the standard receive the same indexation under the Act as those closest to the standard;
- during transition, the legislation does not allow funding to adjust to reflect changes in need at a school; and
- the most overfunded schools still receive a guaranteed 3.0 per cent annual increase in funding.¹⁴

11 Department of Education and Training, *Submission 23*, pp. 7–8.

12 Australian Education Amendment Bill 2017, *Explanatory Memorandum*, p. 5.

13 Department of Education and Training, *Submission 23*, p. 8. Indexation arrangements are discussed later in this chapter.

14 Department of Education and Training, *Submission 23*, p. 8. In these examples 'CW funding' refers to Commonwealth Funding.

3.17 Below are a series of examples for a defined period, provided by the department, of what this means for schools in practice.

Figure 3.2—Examples of current funding arrangements in practice¹⁵

Example 1:

In this example, an independent school in Queensland is compared to an independent school in South Australia, both with an SES of 117. The school currently below the SRS, however, receives \$3,817 less funding per student than the similar school above the SRS.

School currently above the SRS	Similar school below the SRS
Independent school in Qld SES – 117 2017 new SRS per student – \$5,164 2017 actual CW funding per student – \$8,030	Independent school in SA SES – 117 2017 new SRS per student – \$5,478 2017 actual CW funding per student – \$4,213 \$3,817 less per student than school above the SRS

Example 2:

In this example, an independent school in the ACT is compared to an independent school in Queensland, with similar SES scores of 119 and 118. The school currently below the SRS, however, receives \$4,098 less funding per student than the similar school above the SRS.

School currently above the SRS	Similar school below the SRS
Independent school in ACT SES – 119 2017 new SRS per student – \$5,126 2017 CW actual funding per student – \$7,998	Independent school in Qld SES – 118 2017 new SRS per student – \$5,168 2017 CW actual funding student – \$3,900 \$4,098 less per student than school above the SRS

Example 3:

The Australian Government funds each state government system as a block for all schools in the system. Students in NT government schools have higher need on average than students in WA government schools. In this example, a student with national average need in the government sector will attract more in an NT government school in 2017 than in a WA government school.

NT government schools	WA government schools
2017 new SRS per student on average – \$26,598 2017 CW funding for a student with national average need for sector – \$3,876	2017 new SRS per student on average – \$15,654 2017 CW funding for a student with average need (nationally) – \$2,290

Example 4:

The Australian Government funds each state Catholic system as a block for all schools in the system. Students in NT Catholic schools have higher need on average than students in ACT Catholic schools. In this example, a student with national average need in the non-government sector will attract more in an ACT Catholic school in 2017 than in an NT Catholic school.

ACT Catholic schools	NT Catholic schools
2017 new SRS per student on average – \$6,546 2017 CW funding for a student with national average need for sector – \$12,729	2017 new SRS per student on average – \$22,599 2017 CW funding for a student with average need (nationally) – \$6,823

3.18 These tables clearly demonstrate the effect of the special deals and inequity between students of the same need under the current model. They demonstrate that there is a funding gap between students within the same schooling system and of similar need of up to \$4000 per student depending on which of the 27 special arrangements apply. This is the same inequitable model that the Australian Education Union and the Federal Opposition continue to support despite the clear disparities in funding levels.

The consequences of failing to act

3.19 As a consequence of the different levels of funding being provided in each state and territory, the share of current SRS funding provided by the federal government varies from 13 per cent for state schools in Western Australia to 18.3 per cent in Tasmania, with an average of 17 per cent for state schools. Under these current settings, only the Northern Territory receives more than 20 per cent.¹⁶

3.20 In addition, for non-government schools, the Commonwealth provides on average 72.7 per cent of the current SRS for Catholic schools and 71.9 per cent for independent schools. The department reports that there is significant variation across different state Catholic systems and between individual independent schools.¹⁷

3.21 Were these arrangements and transition to continue, the department estimates that around 5524 schools would still be left below the 95 per cent of the SRS by 2019. This figure includes 5050 state schools and translates to almost \$458 000 for every school.¹⁸ The department estimates that, if current funding arrangements were to continue:

- only 116 schools that had managed to reach 100 per cent of the SRS, with 9018 schools still being funded below;
- 5,524 schools still left below the funding target of 95 per cent of the SRS by 2019, underfunded by an average of almost \$458 000 for every school; and
- around 256 schools receiving more than the full SRS by an average of \$1.2 million.¹⁹

16 Department of Education and Training, *Submission 23*, p. 10.

17 Department of Education and Training, *Submission 23*, p. 10. Note that these proportions of Commonwealth funding to non-government schools differ from the overall transition figure which would result from the bill of 77 per cent in 2017. The former is calculated as total Commonwealth funding in 2017 as a percentage of the current SRS in 2017 based on settings in the current Act. The latter figure (77 per cent) differs because it involves a re-calculation of the base per student amounts, based on the original methodology but using the latest available data; uses new percentages for the Students with Disability loading based on the Nationally Consistent Collection of Data; has a modified capacity to contribute settings for non-government primary students; and removes the system-weighted SES scores.

18 Department of Education and Training, *Submission 23*, p. 10.

19 Department of Education and Training, *Submission 23*, p. 10.

3.22 Furthermore, these estimates are based on the existing SRS and funding arrangements and assume that all states would maintain funding growth. To date, only three states have signed agreements to do so. By failing to require states to maintain their share of funding, the Act also leaves open the possibility of state governments adjusting their funding level contributions for schools near the SRS so that schools could attract the maximum indexation rate for federal government funding.²⁰ This provides an incentive for state governments to game their funding arrangements under the current arrangements.

3.23 If arrangements under the Act are not changed, it is estimated that 6966 schools would still find themselves below the full SRS by 2027, by an average of around \$690 000 per school per annum. Further to this, the government estimates that if the Act continues to operate unamended, a transition to more consistent, needs-based funding is far from guaranteed—not within decades, or even within 150 years in some cases.²¹

SES scores and system weighted averages for non-government schools

3.24 As outlined above, non-government schools' capacities to contribute are calculated by using SES scores. This model has been in place since the SES's inception, and was maintained following a review in 2006.²²

3.25 At present, SES scores are calculated based on student residential addresses collected by the department, and a socio-economic index. The latter is based on the most recent available Census data provided by the Australian Bureau of Statistics (ABS) and includes factors such as actual parent's occupation and education.²³

3.26 Using residential and socio-economic data, for some non-government schools the capacity to contribute is currently calculated using average SES scores applied to each school within a particular system. These 'system-weighted', average SES scores may mask individual school need:

- Schools with most need will have a higher SES applied than their individual school SES and will therefore attract a notional allocation of less funding.
- More affluent schools will have a lower SES applied than their individual school SES and will therefore attract higher notional levels of funding.²⁴

3.27 In practice this means that schools that are part of a system funded under the current arrangements receive higher levels of funding than other, similar schools:

20 Department of Education and Training, *Submission 23*, p. 10.

21 The Hon. Karen Andrews, Assistant Minister for Vocational Education and Skills, *second reading speech*, 11 May 2017.

22 A further review into the low-socioeconomic loading within the SES was conducted in 2014. See Mr Tony Cook, Associate Secretary, Schools and Youth, Department of Education and Training, *Proof Committee Hansard*, 5 June 2017, p. 65.

23 Dr Stephen Farish, private capacity, *Proof Committee Hansard*, 2 June 2017, p. 2.

24 Department of Education and Training, *Submission 23*, p. 11.

Schools in the ACT Catholic system have the national weighted average SES of 101 applied rather than the state weighted average of 116. This means that instead of a capacity to contribute discount of 42.6 per cent for primary schools and 60.3 for secondary schools applied to its SRS base amount, the discount applied to ACT schools is only 13.5 per cent for primary schools and 27.5 per cent for secondary schools.

These arrangements have collectively resulted in poor targeting of available funding to need and significant distortions between systemic and non-systemic non-government schools with the same need.²⁵

3.28 The department provided the following examples, illustrating the difference between schools with similar SES scores and SRS calculations:

Figure 3.3—Examples of non-government schools with similar SES schools and SRS calculations²⁶

Example 1:

In this example, two non-government schools in NSW are compared. The first is a systemic school and the second is non-systemic. Both have an assessed SES of 121. The systemic school, however, has a system-weighted SES score of 101 applied in determining its notional funding entitlement. The systemic school receives a notional allocation of \$3,854 more per student than the non-systemic school.

Systemic school	Non-systemic similar school
Non-government systemic school in NSW SES – 121 (but given system average of 101)	Non-government non-systemic school in NSW SES – 121
2017 new SRS per student – \$5,728	2017 new SRS per student – \$5,636
2017 CW actual funding per student – \$7,262	2017 CW actual funding per student – \$3,408
	\$3,854 less per student than the systemic school

Example 2:

In this example, two non-government schools in Queensland are compared. The first is a systemic school and the second is non-systemic. Both have an assessed SES of 103. The systemic school, however, has a system-weighted SES score of 101 applied in determining its notional funding entitlement. The systemic school receives a notional allocation of \$3,593 more per student than the non-systemic school.

Systemic school	Non-systemic similar school
Non-government systemic school in Qld SES – 103 (but given system average of 101)	Non-government non-systemic school in Qld SES – 103
2017 new SRS per student – \$11,319	2017 new SRS per student – \$11,442
2017 CW actual funding per student – \$11,518	2017 CW actual funding per student – \$7,925
	\$3,593 less per student than the systemic school

25 Department of Education and Training, *Submission 23*, p. 11.

26 Department of Education and Training, *Submission 23*, pp. 11–12.

Example 3:

In this example, two non-government schools in the ACT are compared. The first is a systemic school and the second is non-systemic. The schools have similar SES scores of 118 and 119. The systemic school, however, has a notional average system-weighted SES score of 101 applied in determining its funding entitlement. The systemic school receives a notional allocation of \$3,559 more per student than the non-systemic school.

Systemic school	Non-systemic similar school
Non-government systemic school in ACT SES – 118 (but given national average of 101)	Non-government non-systemic school in ACT SES – 119
2017 new SRS per student – \$6,933	2017 new SRS per student – \$7,137
2017 CW actual funding per student – \$9,048	2017 CW actual funding per student – \$5,489
	\$3,559 less per student than the systemic school

Example 4:

In this example, two low SES non-government schools in NSW are compared. The first is a systemic school and the second is non-systemic. Both have an assessed SES of 94. The systemic school, however, has a system-weighted SES score of 101 applied in determining its notional funding entitlement. The non-systemic school receives a notional allocation of \$1,067 more per student than the systemic school.

Systemic school	Non-systemic similar school
Non-government systemic school in NSW SES – 94 (but given system average of 101)	Non-government non-systemic school in NSW SES – 94
2017 new SRS per student – \$12,281	2017 new SRS per student – \$12,407
2017 CW actual funding per student – \$7,566	2017 CW actual funding per student – \$8,645
	\$1,067 more per student than the systemic school

3.29 Given that approximately two-thirds of Commonwealth funds go to the non-government sector, all students who do not attend a state school should be treated the same by the Commonwealth with respect to their funding. However, the examples above illustrate the current funding distortions between non-government schools with the same level of need, reaching nearly \$4000 per student in some circumstances.

3.30 To address this inequality, the arrangements proposed by the bill mean that scores would be calculated using individual school circumstances, and would remove the system-weighted SES scores which contribute to funding inequities between similar schools across states and territories. Under the proposed reforms:

Systems, including state governments and Catholic systems and other non-government systems, will be provided with total funding for all member schools and will still be able to redistribute funding provided by the Commonwealth in the same way they are currently able to, according to their own needs based funding models that meet the requirements set out in legislation.²⁷

3.31 Support for this measure came from a variety of stakeholders. The Mitchell Institute, a university education policy think tank in Victoria, stated:

This change enhances the transparency of Commonwealth funding allocations for nongovernment schools and the accountability of

27 Department of Education and Training, *Submission 23*, p. 14.

nongovernment school systems, and has potential to improve needs-based funding allocations made by system authorities.²⁸

3.32 Christian Schools Australia and Adventist Schools Australia also expressed support for this proposed change, arguing that it would provide 'a sustainable, transparent basis for the calculation of the [SRS] determined for an individual school'.²⁹ They also highlighted that the changes proposed merely refine the existing formula for determining need, they do not completely reshape the assessment.³⁰ The Independent Schools Council of Australia (ISCA), while noting that the new funding model may still result in 'winners' and 'losers' among individual schools, highlighted the overarching principle of consistency and the goal of establishing a 'level playing field' in outlining its support for the amendments.³¹

Should SES be calculated differently

3.33 Despite questions around how SES is calculated the CIS concluded that a better alternative is presently not available:

However, it is not clear if there are in fact any viable alternative measures available to assess school parents' SES and calculate SES scores for the purposes of allocating school funding. It is preferable to have government funding allocated to non-government schools based at least in part on some measure of the school's capacity to charge fees.³²

3.34 Dr Stephen Farish, appearing in a private capacity as the architect of the socio-economic model in place for non-government schools funding from 2000, agreed that a better model continues to elude policymakers, suggesting that an absolute measure of school communities' capacity to contribute may be impossible:

If you measure something at a point in time, it can change over time. If you measure something as simple as a household income, it can change next week because there is a separation of parents. Schools funding is prospective. Even if we measure a school in July, we are probably going to fund on that basis the next year, so it is already a year out of date. There is no way to do it absolutely perfectly.³³

3.35 The ABS likewise highlighted difficulties which can arise when attempting to use tax information to assess capacity to contribute:

28 Mitchell Institute, Submission 45, p. 2. See also AISNSW, *Submission 21*, p. 7.

29 Adventist Schools Australia and Christian Schools Australia, *Submission 6*, p. 2.

30 Adventist Schools Australia and Christian Schools Australia, *Submission 6*, p. 2.

31 Independent Schools Council of Australia (ISCA), *Submission 8*, p. 24.

32 CIS, *Submission 10*, p. 16.

33 Dr Stephen Farish, private capacity, *Proof Committee Hansard*, 2 June 2017, p. 7.

...people structure their incomes in different ways; they might use businesses or they may not declare income. So the tax data, while it has some strengths, also has some significant weaknesses...³⁴

3.36 The committee notes, however, robust evidence supporting the use of the SES model as the backbone of any future arrangement. Given that income levels can be hidden and reported figures may not always be an accurate portrayal, using data on parents' education levels and occupation continues to be the best available method of ascertaining a family's socio-economic status.³⁵

3.37 The committee also notes that SES determinations are able to be appealed if necessary however. This means that, where anomalies in SES calculations occur and schools do not meet general SES district profile outcomes, they may appeal the SES initially assigned. This appeal mechanism would carry forward under the proposed legislation.³⁶

3.38 The Gonski review recommended a review of the SES methodology.³⁷ Given the current Act uses this methodology the evidence does not support a change as yet.

Indexation of the SRS base amount

3.39 The bill proposes new indexation arrangements for SRS base funding amounts, driven by the need to better reflect changing costs. The department set out details of the new arrangements:

For 2018, 2019 and 2020 it is intended that the SRS indexation factor will be set through regulation at 3.56 per cent to give effect to the Government's 2016-17 Budget commitment to index funding at 3.56 per cent from 2018 to 2020.

From 2021, indexation will be calculated under the Act. Indexation of the SRS base amount will be whichever is the higher of three per cent or a floating indexation rate based on economy wide measures.³⁸

3.40 The floating indexation rate cited above would be based on:

...75 per cent Wage Price Index (WPI) and 25 per cent Consumer Price Index (CPI), as historical school education expenditure shows that wages comprise approximately 80 per cent of government schools operating costs and 70-74 per cent of non-government schools operating costs.³⁹

34 Dr Paul Jelfs, General Manager, Population and Social Statistics Division, Australian Bureau of Statistics (ABS), *Proof Committee Hansard*, 5 June 2017, p. 56.

35 Dr Stephen Farish, private capacity, *Proof Committee Hansard*, 2 June 2017, p. 7.

36 Mr Leonard Hain, Executive Director, Australian Council of Jewish Schools, *Proof Committee Hansard*, 2 June 2017, p. 17.

37 Mr David Gonski AC, Mr Ken Boston AO, Ms Kathryn Greiner AO, Ms Carmen Lawrence, Mr Bill Scales AO, and Mr Peter Tannock AM, *Review of Funding for Schooling*, Final Report, December 2011, p. xxi.

38 Department of Education and Training, *Submission 23*, p. 13.

39 Department of Education and Training, *Submission 23*, p. 13.

3.41 The indexation rate would be updated annually from 2021, based on latest indicators.⁴⁰

3.42 Changes to indexation were broadly welcomed by submitters. For example Mr Mark Spencer, the Executive Director of National Policy at Christian Schools Australia told the committee:

We are welcoming the return, in time, to a floating indexation rate, which we think is a more appropriate and sustainable approach to indexing school funding going forward.⁴¹

3.43 Witnesses representing the Grattan Institute suggested that schools should be moved to the floating indexation rate sooner than 2021:

The next three years are the time when wages growth is particularly historically low. I would accept an argument that says: 'Next year, give certainty—say, 3.56 per cent—but the following two years, schools should be on the floating indexation rate.' Given all of the forecasts that wages growth will still be low in that time, that tends to reduce the overall target and frees up money, and that money, we argue, should go to get underfunded schools there much more quickly.⁴²

3.44 CIS called the proposed changes to the indexation method 'a practical improvement', agreeing with the Grattan Institute's suggestion that the floating rate could be applied from 2019.⁴³ CIS did, at the same time, question the need for a minimum 3 per cent indexation rate:

This could see government spending on schools rise inconsistently with the economy, and defeats the purpose of having the SRS indexed based on actual costs to better reflect the needs of schools.⁴⁴

Impact on schools and particular cohorts

3.45 If enacted, the bill would commit the Commonwealth to increasing its share of the SRS from 17 to 20 per cent for government, and from 77 to 80 per cent for non-government, schools by 2027. The committee received evidence from a broad range of witnesses discussing the implications of the bill on particular school sectors and student cohorts, including:

- state schools;
- Non-government school;
 - independent schools;

40 Department of Education and Training, *Submission 23*, p. 13.

41 See for example Mr Mark Spencer, Executive Director, National Policy, Christian Schools Australia Limited, *Proof Committee Hansard*, 2 June 2017, p. 19. See also page 23.

42 Dr Peter Goss, School Education Program Director, Grattan Institute, *Proof Committee Hansard*, 2 June 2017, p. 16.

43 CIS, *Submission 10*, p. 4.

44 CIS, *Submission 10*, p. 4.

- Catholic schools;
 - rural and regional schools;
 - Indigenous students; and
 - students with disability.
- 3.46 These are set out in turn below.

State schools

3.47 The state schools sector has approximately 2.5 million students, representing 65.4 per cent of current enrolment in education, and operates approximately 70 per cent of schools in Australia.⁴⁵

3.48 Despite significant government contributions in recent years, a considerable proportion of schools received funding below their specified SRS levels in the years to 2017. CIS provided the following table:

Figure 3.4—State schools systems per-student funding and percentage of SRS reached in 2017 by state/territory system⁴⁶

State/territory	Federal government funding per student (\$)	State/territory government funding per student (\$)	Total government funding per student (\$)	% of SRS reached in total government funding
NSW	2,747	11,134	13,881	89.07%
VIC	2,571	9,999	12,570	83.16%
QLD	2,857	11,696	14,554	91.21%
SA	2,597	11,853	14,450	87.80%
WA	2,242	14,827	17,069	98.70%
TAS	3,271	13,533	16,804	94.19%
ACT	2,208	13,364	15,572	113.00%
NT	5,899	17,224	23,124	90.10%

3.49 Views on the bill from the state school perspective were mixed, with some concerns being raised about the proposed share of Commonwealth funding.

3.50 Submissions from the South Australian, Western Australian and Victorian governments did not support the bill, suggesting that the proposed reforms would not benefit students in those states.⁴⁷

3.51 A submission from the Australian Education Union News South Wales Teachers Federation states that the proposed bill would 'cut \$846 million (based on NSW Department of Education data) from NSW state schools in 2018 and 2019.'⁴⁸ This is echoed in a submission from the national office of the Australian Education

45 Mr Phillip Spratt, President, ACSSO, *Proof Committee Hansard*, 2 June 2017, p. 27.

46 CIS, *Submission 10*, p. 10.

47 See South Australian Government, *Submission 26*; West Australian Government, *Submission 48*; Victorian Government, *Submission 47*.

48 Australian Education Union (AEU) NSW Teachers Federation, *Submission 4*, p. 2.

Union (AEU), which argues that the bill would result in state schools being under-resourced while private schools are over-resourced.⁴⁹

3.52 However, claims that school funding is being cut are erroneous. ABC Fact Check examined these claims and concluded they were 'misleading':

Commonwealth budgets set out spending over a four year period.

According to the 2017-18 budget handed down on May 9, Commonwealth schools funding will continue to rise every year.

And a recent projection released by the Government predicts that funding will continue to increase over the next ten years.

Based on Labor's stated commitments and the Government's own document, Labor intends to spend more on schools in the future than the current Government.

But this does not change the fact that school funding continues to rise year on year.⁵⁰

3.53 In fact, under the government's proposal funding is due to increase by an additional \$18.6 billion for Australia's schools over the next decade, starting from 2018. It will be distributed according to a model of fair, needs-based and transparent funding. This investment will be tied to school reforms which are proven to boost student results.⁵¹

3.54 Estimates from the department demonstrate for the state sector alone, school funding is projected to grow by 5.1 per cent per annum to 2027.⁵²

3.55 Under the proposed funding model, the department explained, funding per student would grow in real terms:

The schools that are furthest behind will receive the fastest increase in funding and funding for government schools will grow more quickly than for non-government schools.⁵³

3.56 The department added that increases in funding for the state school sector are projected to be 'well above inflation, wages growth and the maximum annual increase for participating jurisdictions legislated' under the existing Act.⁵⁴

49 AEU, *Submission 36*, p. 4.

50 ABC Fact Check, *Fact check: Has the Government cut \$22 billion from schools?*, 5 June 2017, www.abc.net.au/news/factcheck/2017-06-05/fact-check-has-the-government-cut-22bn-from-schools/8526768, (accessed 13 June 2017).

51 Senator the Hon Simon Birmingham, Minister for Education and Training, media release, *True needs-based funding for Australia's schools*, 2 May 2017.

52 Department of Education and Training, *Submission 23*, p. 17.

53 Department of Education and Training, *Submission 23*, p. 18.

54 Mr Tony Cook, Associate Secretary, Schools and Youth, Department of Education and Training, Proof Committee Hansard, 5 June 2017, p. 55.

3.57 The committee also discussed state school funding with Mr Phillip Spratt, President of ACSSO. ACSSO, representing the interests of parents with children in the state school system, offered in-principle support for the intentions of the bill, seeing the bill as an opportunity to improve educational outcomes:

In all of this, we recognise that education funding is highly complex. There are no absolute right or wrong answers in this. It is a truly wicked problem. As a wicked problem, there are only really better or worse outcomes. If we are looking at the bill having the potential to produce a better outcome than what currently exists, it is our considered view that it does have that opportunity.⁵⁵

3.58 ACSSO explained that Commonwealth contributions into the SRS for state schools currently average at about 16 or 17 per cent. If the bill is enacted, this would rise to 20 per cent. ACSSO supported this rise as an improvement on the status quo, and advocated for all sides of politics to work together to ensure the nation's state schools are well funded.⁵⁶

Non-government schools

3.59 If enacted, the proposed legislation would see annual funding for independent schools increase by 4.1 per cent per student over the next decade according to their student need.⁵⁷ This was welcomed by the sector,⁵⁸ and offers independent schools a considerable degree of funding certainty and predictability, levelling the playing field between similar schools:

Making at least some recurrent funding provision for all school students, irrespective of the school they attend, acknowledges that school education delivers a public benefit. It is also a token acknowledgement that an equity issue exists when children of wealthy families attending government-owned schools are fully supported by the public purse while parents of lesser means are financially penalised because they choose to enrol their children in non-government schools.⁵⁹

3.60 Speaking on behalf of the ISCA—the national peak body representing the independent school sector—Ms Colette Colman, Executive Director, welcomed efforts to ensure that similar non-government schools have access to similar levels of funding:

[I]t is ISCA's view that setting the Commonwealth share at 80 per cent for all non-government schools will mean that schools serving similar

55 Mr Phillip Spratt, President, ACSSO, *Proof Committee Hansard*, 2 June 2017, p. 27.

56 See discussion with Mr Phillip Spratt, President, ACSSO, *Proof Committee Hansard*, 2 June 2017, pp. 27–40.

57 Mr Tony Cook, Associate Secretary, Schools and Youth, Department of Education and Training, *Proof Committee Hansard*, 5 June 2017, p. 55.

58 See for example Mrs Karen Spiller, National Chair, Association of Heads of Independent Schools of Australia (AHISA), *Proof Committee Hansard*, 5 June 2017, p. 40.

59 AHISA, *Submission 12*, p. 3.

communities will be entitled to similar funding, creating a level playing field for all non-government schools, including within the independent sector itself.⁶⁰

3.61 Ms Colman explained that current arrangements under the Act have resulted in funding inconsistencies across non-government schools. According to student need the proposed reforms would benefit the majority of independent schools, Ms Colman noted, some would not be better off:

In addition to a small number of schools that will experience negative growth at some point during the 10-year transition, ISCA estimates that 423 independent schools, or 38 per cent of the sector, will receive lower funding growth under the proposed changes as compared to the current act, and some additional schools may also fall into this category over the projected 10-year transition.⁶¹

3.62 Overall, however, ISCA recognised that the proposed legislation represents an improvement for most independent schools and on that basis expressed support:

ISCA believes that the provision of a level playing field for funding for non-government schools will enable consistent funding to address educational disadvantage. Therefore, despite adverse impacts of the proposed changes on individual independent schools, ISCA supports the proposed funding arrangements, which will ultimately see all non-government schools funded on a consistent basis.

...I guess it is not realistic for the independent sector to call for a level playing field and then not accept the impact on individual independent schools of the changes necessary to create that outcome.⁶²

3.63 The AISNSW addressed public perceptions that certain schools within the sector are receiving considerable public funding to maintain parental choice, rejecting this view and explaining that a 4.1 per cent increase in funding is in fact a modest increase:

I think a 4.1 per cent annual increase is not a windfall gain in the context of schools funding. I think it is really disappointing that so much attention is given to those schools.⁶³

3.64 The committee notes evidence given by the Executive Director of Independent Schools Queensland, who advocated strongly for equity and fairness in school funding, and a sector-blind funding model which would see all children supported irrespective of which school they attend according to their need:

I think a true equitable funding system is that where a child moves from one school to another, they will be treated the same way for funding purposes.⁶⁴

60 Ms Colette Colman, Executive Director, ISCA, *Proof Committee Hansard*, 5 June 2017, p. 1.

61 Ms Colette Colman, Executive Director, ISCA, *Proof Committee Hansard*, 5 June 2017, p. 1.

62 Ms Colette Colman, Executive Director, ISCA, *Proof Committee Hansard*, 5 June 2017, p. 2.

63 Dr Geoff Newcombe, Chief Executive, AISNSW, *Proof Committee Hansard*, 5 June 2017, p. 13.

3.65 Overall, Catholic schools across Australia will receive a funding boost as a result of the bill according to need. If enacted, the proposed legislation would see annual funding for the Catholic school system increase by 3.5 per cent per student over the next decade. As a result, depending on distributional arrangements across the Catholic sector, it would be possible for every Catholic school to have reached the 80 per cent SRS funding benchmark by 2027.⁶⁵

3.66 The NCEC advocated for system-based funding and did not support the transition arrangements set out by the bill, submitting that its internal analysis suggested a resultant reduction in funding for 617 systemic Catholic schools in 2018, or 37 per cent of systemic Catholic schools nationwide. Almost 200 of these schools, the NCEC added, would receive less funding in 2027 than they do in 2017.

3.67 The committee examined the evidence available on funding for the Catholic school sector, noting that the average per student funding level is projected to grow from \$8839 to \$12 493 over ten years from 2017.⁶⁶ This is a significant funding increase. Departmental figures show that Commonwealth funding per student will remain higher for Catholic schools in 2027 than for schools in any other sectors.⁶⁷

3.68 The committee notes that, even by the NCEC's calculations, the majority of Catholic schools would receive a funding increase under the proposed arrangements. Overall, less than one per cent of non-government schools, a sector which includes Catholic schools, will experience negative growth over the next four years.⁶⁸

3.69 Between 2018 and 2021 the overwhelming majority of Catholic schools across the country will experience average annual increases in funding per student of between 2.5 to 5 per cent.⁶⁹

3.70 The committee also notes that a \$39.8 million adjustment assistance fund has been established to support any disadvantaged and vulnerable schools. Furthermore, the ACT Catholic system would have its 2017 funding entitlement maintained for a full four years until 2021, and consultations are currently underway around eligibility criteria.⁷⁰

Rural and regional students

3.71 Rural and regional students will benefit significantly from the government's Gonski 2.0 school funding package:

64 Mr David Robertson, Executive Director, Independent Schools Queensland, *Proof Committee Hansard*, 5 June 2017, p. 14.

65 Department of Education and Training, *Submission 23*, p. 17.

66 Department of Education and Training, *Submission 23*, p. 18.

67 Department of Education and Training, *Submission 23*, p. 18.

68 The Hon Karen Andrews, Assistant Minister for Vocational Education and Skills, *second reading speech*, 11 May 2017.

69 Department of Education and Training, *Submission 23*, p. 19, see Figure 12.

70 Department of Education and Training, *Submission 23*, p. 19.

Rural and regional schools have particular needs, which are reflected in the needs based model that is being applied. Of the \$18.6 billion of additional funding, a sizeable amount of the growth will be experienced outside of metropolitan areas in those schools of high need. I have spoken before today about the 4,000-plus government schools that will experience growth in excess of five per cent per student per annum under the reforms. The school location loading, which tries to pick up for schools in particular regional areas, has strong growth over the next few years in terms of funding flowing there—around six per cent per annum growth driven by the regionality of schools. With all the other particular loading factors—Indigenous students we have just discussed—strong representation in rural and regional areas will bring additional funding into those schools.⁷¹

3.72 Overall, rural and regional will receive a funding boost of 84 per cent from 2017 to 2027, from \$3.9 billion in 2017 to \$7.2 billion in 2027.⁷²

3.73 Departmental representatives explained the evidence that supports the size and location loading under the proposed funding model:

There is a range of evidence—and there is substantial evidence in NAPLAN data—indicating that the outcomes, unfortunately, are not as high as they are in metropolitan areas. There are a range of reasons for that—everything from accessing services and being in a rural and remote location. This loading recognises that the costs of schooling in those locations can be, and often are, higher than in metropolitan locations because of getting services out to the school and also the size. Having worked in small schools of one or two teachers myself, I know that economies of scale make a huge difference to what happens in schools. A small school of one or two teachers still has to pay the same sort of cost for cleaning and things like that; they just cannot benefit from the economies of scale of a large school of 2,000 or 3,000 students. So the size loading recognises that, and the importance of that, in providing additional funding to schools in rural and remote locations.⁷³

3.74 The Northern Territory Department of Education explained that students living in remote areas face a number of disadvantages, and the cost of providing educational services in these areas is significant:

Very remote students live in relatively small, highly disbursed communities and homelands where families choose to remain living close to country and culture. In these areas, there is limited infrastructure, little or no economy, and populations that do not use English as a first language. The cost of providing education services to these communities are increased by the need for specialised services such as those that support English as an Additional Language learning, modifications to account for student health

71 Senator the Hon Simon Birmingham, Minister for Education and Training, *Estimates Committee Hansard*, 1 June 2017, p. 121.

72 Mr Tony Cook, Department of Education, *Estimates Committee Hansard*, 1 June 2017, p. 121.

73 Mr Tony Cook, Department of Education, *Estimates Committee Hansard*, 1 June 2017, p. 121.

issues such as conductive hearing and poor nutrition, and intensive early learning development programs such as Families as First Teachers. Non-local teachers substantially make up the workforce in these communities which further compounds the cost of services to cover relocation and remote living provisions, including those associated with housing infrastructure.⁷⁴

3.75 The department also explained that many students in the Northern Territory—particularly in remote communities—face additional disadvantages by virtue of social and economic disadvantage, parents with low levels of education and low workforce participation, poor health, inadequate housing, and family violence.⁷⁵

Aboriginal and Torres Strait Islander students

3.76 Departmental representatives explained that while the Indigeneity loading remains as it is in the current act, there is significant additional funding. Over the next four years there is an increase of 46 per cent for Indigenous students compared to the last four years. Over the next ten years the loading will grow from \$319 million in 2018 to \$539 million in 2027.⁷⁶

3.77 Ms Colette Colman, Executive Director of ISCA, explained that some independent schools have an Indigenous enrolment of over 50 per cent, and that the proposed amendments will support those schools.⁷⁷ ISCA highlighted the complex educational needs of indigenous students, as well as the barriers to education:

The needs of all Indigenous students, particularly those from remote communities, have similarities in that their educational levels are often behind those of their non-Indigenous peers, many students have significant social and health issues and many have disruptive home lives and disrupted educational journeys. The context and educational environment means that the needs of Indigenous students, and thus of the schools, teachers and support staff, vary by the educational environment.⁷⁸

Students with a disability

3.78 The Department of Education and Training outlined the challenges associated with commenting on the level of funding provided to individual schools in relation to students with disability:

For the majority of schools by far, disability funding will be allocated through their own system's disability mechanisms, as they have been in the past. It is a little hard for me to comment on a school level, because the Queensland government, for example, would distribute their disability

74 Northern Territory Department of Education, *Submission 44*, p. 2.

75 Northern Territory Department of Education, *Submission 44*, pp. 2–3.

76 Mr Tony Cook, Associate Secretary, Schools and Youth, Department of Education and Training, *Committee Hansard*, 5 June 2017, p. 120.

77 Ms Colette Colman, Executive Director, ISCA, *Proof Committee Hansard*, 5 June 2017, p. 15.

78 ISCA, *Submission 8*, p. 13.

funding as they have always distributed their disability funding through the Queensland government disability mechanism that they actually have in that state.⁷⁹

3.79 Under the current funding arrangements inherited from the previous government, the Commonwealth's contribution to the states, territories and non-government school sectors for students with disability was provided on the basis of how that state or territory defined a disability—and this definition varied by state and territory. This meant a student with a behavioural disorder at state schools in the Northern Territory and Victoria would attract an Australian Government disability loading, whereas students with a behavioural disorder in other jurisdictions do not.

3.80 The Gonski Review recommended that the disability loading should be based on a more national definition of disability.

3.81 The bill proposes to transition Commonwealth funding from the current different state by state arrangements, to the Nationally Consistent Collection of Data (NCCD) on School Students with Disability that has been developed with the states and territories since 2008. The NCCD provides national definition of a student with disability and groups students by the level of support they actually need to access and participate in learning in the classroom, based on teacher assessments. The bill from 2018 provides increasing levels of funding for the three levels of additional support needed by a student with disability—supplementary, substantive and extensive—to reflect the level of support they need to participate in and succeed at school.

3.82 This will mean fairer and better targeted funding for students with disability—regardless of their state or the school they attend. And the ten year transition will allow the NCCD data to be further refined.

3.83 Mr Matthew Johnson, Vice President of the Australian Special Education Principals Association (ASEPA) commended the proposed introduction of an inclusive school funding model for students with disability, positing that the current model treats such students merely as a 'bolt-on'.⁸⁰ He submitted that while the proposed new model would see an increase in recurrent federal funding for students with disability, the transition period of 10 years is far too long for vulnerable students to wait.⁸¹

3.84 Ms Colette Colman of ISCA commented that the proposed inclusion of a differential loading for students with a disability was positive, noting that the available modelling indicates that this would have a significant impact on the funding entitlements of different independent schools.⁸² Dr Geoff Newcombe of AISNSW similarly submitted that the proposed amendments appeared to much fairer to students

79 Mr Tony Cook, Associate Secretary, Schools and Youth, Department of Education and Training, *Committee Hansard*, 5 June 2017, p. 72.

80 Mr Matthew Johnson, Vice President, Australian Special Education Principals Association (ASEPA), *Proof Committee Hansard*, 5 June 2017, p. 42.

81 Mr Matthew Johnson, Vice President, ASEPA, *Proof Committee Hansard*, 5 June 2017, p. 42.

82 Ms Colette Colman, Executive Director, ISCA, *Proof Committee Hansard*, 5 June 2017, p. 2.

with disability, because even higher SES schools would receive increased funding for those children.⁸³ Dr Newcombe argued that under the current legislation, in some instances it is the parents of private school students who are subsidising the cost of education for students with disability:

If you have a parent at a school such as King's, or Shore, or Knox, or whatever—any of those—they are paying with their after-tax dollars and they are contributing towards running costs. They are actually contributing, in many cases, towards children with disability that are children of other parents at the school, because where else does the money come from? It does not come from the government... If that parent moves their child to a government school, and let's say the parents are of similar wealth, then automatically that funding rises to \$16,000, and the parents are not asked to contribute. If a child with a disability comes into the school, that parent does not have to contribute, whereas in an independent school they probably do. I am not saying they object to that; I am talking about an equity situation.⁸⁴

3.85 The Association of Independent Schools of the ACT Incorporated likewise expressed its support for the proposed new loadings, arguing that they recognise the 'increased complexity of support and adjustment required in school settings to meet the needs of individual students'.⁸⁵

The need for states to maintain contribution levels

3.86 Commonwealth funding for government schools rose by 72.4 per cent from 2005-06 to 2014-15, and by 25.7 per cent for non-government schools over the same period. In stark contrast, state and territory funding over the same period increased by 9.4 per cent for government schools and 10.6 per cent for non-government schools. These figures are noteworthy because:

[I]t is important to recognise that states and territories are the majority funders of schooling in Australia and have constitutional responsibility for the delivery of school education and that government and non-government education authorities distribute Commonwealth funding within their systems according to their own needs based funding formulas.⁸⁶

3.87 The bill would introduce a requirement for states to ensure that the level of real, per student funding they provide is at least maintained as a condition of Commonwealth funding. Specifically, where total public funding is below the SRS,

83 Dr Geoff Newcombe, Chief Executive, AISNSW, *Proof Committee Hansard*, 5 June 2017, p. 10.

84 Dr Geoff Newcombe, Chief Executive, AISNSW, *Proof Committee Hansard*, 5 June 2017, p. 14.

85 Association of Independent Schools of the ACT (AISACT), *Submission 38*, p. 4.

86 Mr Tony Cook, Associate Secretary, Schools and Youth, Department of Education and Training, *Proof Committee Hansard*, 5 June 2017, p. 55.

states would need to at least maintain their funding at the percentage of the SRS in place in 2017.⁸⁷

3.88 Should states fail to meet these new requirements, the Minister may:

- determine (in writing) that the amount of financial assistance payable to the state or territory is reduced by a specified amount
- delay making a payment (or part of one) to a state or territory until the non-compliance, breach or failure is rectified.⁸⁸

3.89 Some submitters did not support placing this requirement on the states and territories. The CIS, for example, was of the view that state and territory governments should retain discretion over how they adjust their school funding budgets:

It is important that states and territories have the option of spending money on schools more effectively, rather than be forced to simply spend the same amount or more.⁸⁹

3.90 Others opposed the measure for different reasons, with the AEU suggesting that requiring funding levels to be maintained was insufficient:

Just yesterday, in Senate estimates the Minister for Education Simon Birmingham admitted that if states just maintain their 2017 share of funding—which is the only condition required to receive funding under this legislation—then public schools in five states and territories will still be under-resourced in 10 years.⁹⁰

3.91 The above assertion is unfounded, however, as maintenance of funding at 2017 levels is not the only requirement the bill seeks to place to states and territories. If passed, the bill would also require the following from states and territories as conditions for Commonwealth funding:

- implementing national policy initiatives as agreed by the Council of Australian Governments (COAG) Education Council;
- signing up to a national agreement on school education and fulfilling obligations under the agreement; and
- entering bilateral agreements with the federal government in relation to the implementation of school education reform for both government and non-government schools, and meeting obligations under these agreements.⁹¹

3.92 The committee is satisfied that the above requirements are strong enough to ensure that maintenance of funding at certain levels is accompanied by meaningful policy initiatives.

87 Explanatory Memorandum, p. 7.

88 Department of Education and Training, *Submission 23*, p. 20.

89 CIS, *Submission 10*, p. 18.

90 Ms Correna Haythorpe, Federal President, AEU, *Proof Committee Hansard*, 2 June 2017, p. 42.

91 See proposed section 59, Australian Education Amendment Bill 2017.

National Schools Resourcing Body

3.93 The original Gonski report recommended that an independent body (the National Schools Resourcing Body) be established, and that it should be responsible for the ongoing indexation and review of the SRS.⁹²

3.94 Several submitters raised this recommendation during the course of this inquiry. The Grattan Institute recommended that the Commonwealth establish this body in order to strengthen funding governance arrangements, to ensure that neither tier of government unfairly favour a specific schooling sector,⁹³ and to ensure that school funding is kept at 'arms length' from politics.⁹⁴ Save our Schools agreed with this suggestion, advocating for its establishment to 'ensure that funding for schools is based on the principles of equity, efficiency and effectiveness'.⁹⁵ ACSSO echoed these calls to establish this independent body.⁹⁶

Improved transparency mechanisms

3.95 The proposed amendments will improve the transparency of Commonwealth funding by including additional annual reporting requirements on the Minister, through the publication of Commonwealth funding for all schools:

The complexity, and inconsistency, that is inherent in calculating and providing recurrent funding for schools under the Act using six differing methodologies, gives rise to potential uncertainty for the schooling sector, creates potential inequity and confusion in relation to Commonwealth schools funding, and limits opportunities for consistency and transparency in relation to the distribution of such funding.

Amendments provided in Parts 1 and 2 of Schedule 1 to the Bill will ensure that recurrent funding for all schools is calculated from 1 January 2018 under Divisions 2 and 3 of the Act, no matter whether such schools are government or non-government, and in which state or territory they are located. These amendments will ensure that, from 1 January 2018, there is a consistent and transparent basis for the calculation of recurrent funding for schools under the Act. This will include the direct calculation and attribution of needs-based funding loadings and a single methodology for such calculation.⁹⁷

3.96 There was broad spread support for the proposed transparency measures from across the various schooling sectors.

92 Mr David Gonski AC, Mr Ken Boston AO, Ms Kathryn Greiner AO, Ms Carmen Lawrence, Mr Bill Scales AO, and Mr Peter Tannock AM, *Review of Funding for Schooling*, Final Report, December 2011, p. xviii.

93 Grattan Institute, *Submission 33*, p. 3.

94 Grattan Institute, *Submission 33*, p. 16.

95 Save our Schools, *Submission 40*, p. 3.

96 ACSSO, *Submission 13*, p. 3.

97 Explanatory Memorandum, pp. 7 and 16.

3.97 For example ACSSO welcomed these enhanced transparency mechanisms, and suggested that they could be further enhanced by 'including all sources of school income such as property, investments, donations and legacy disbursements'.⁹⁸

3.98 The Australian Association of Christian Schools likewise applauded the measures of transparency contained within the bill, describing them as 'a refreshing feature of this policy initiative'.⁹⁹

3.99 AISNSW agreed that the proposed amendments will enhance the level of transparency in school funding, benefiting independent schools and their communities.¹⁰⁰

Committee view

3.100 It is the view of the committee that the Australian Education Amendment Bill 2017 will, if fully enacted:

- create a system for publicly funding schools that is fair, transparent,
- ensure the highest levels of funding growth will occur where need is greatest, and
- put an end to students with the same needs being treated differently depending on where they live.

3.101 The committee acknowledges that whilst some concerns have been raised about the clarity of some details, the overwhelming nature of the submissions received in relation to the bill has been favourable, and that the proposed changes are on balance far superior to the system of school funding that presently exists.

3.102 The committee notes that with funding to state schools set to increase by 5.1 per cent per student per annum over 2017–2027 if the bill is enacted—a rate of growth faster than both the Catholic and Independent sectors—government state schools are the big winners from the government's school funding reforms, which under existing current arrangements would see a maximum annual growth of 4.7 per cent.

3.103 The changes set out in the bill will, if enacted, sweep away the complex, opaque and unfair school funding system entrenched by the previous government, which struck no fewer than 27 separate funding arrangements with the states and other stakeholders in education delivery.

3.104 The committee welcomes the fact that the current differential funding treatment of students in the same sector with the same needs, based on which state they live in, will come to an end.

3.105 With two-thirds of primary and secondary students in Australia attending a state-run school, it logically follows that the greatest number of students with high

98 ACSSO, *Submission 13*, p. 2.

99 Australian Association of Christian Schools, *Submission 18*, p. 4.

100 AISNSW, *Submission 21*, pp. 6, 10.

levels of need (e.g. rural and regional-based students, those from economically disadvantaged backgrounds, etc) are educated in government schools. The package delivers an average increase of 94 per cent in Commonwealth recurrent funding to state schools from 2018 to 2027, with total recurrent funding to state schools of \$100.8 billion over the same period.¹⁰¹

3.106 If a truly national, consistently-applied school funding system is adopted, then by definition those students with the greatest needs will receive the most funding. To this end, the committee is satisfied that the changes in the bill will finally target the most money to students most in need of it: this was the objective of the original review of school funding in Australia conducted by David Gonski AC in 2011.

3.107 In fact, the committee recognises the government's commitment to students in regional and remote schools, with some \$57.5 billion allocated to schools in these areas from 2018 to 2027.

3.108 The bill provides for a loading of \$4.2 billion over ten years to ensure the needs of indigenous students are met.

3.109 Further, it is also the view of the committee that the changes contained in the bill will help ensure that schools are adequately resourced to provide education to students with disabilities.

3.110 The replacement of the current catch-all 'student with disability' loading with a three-tiered disability loading will better enable proper targeting of resources to cater for the needs of these students, and in turn enhances the targeting of the most money to students who need it most even further.

3.111 The committee also welcomes the government's continued recognition in this bill of the special circumstances that apply to the Northern Territory, where 48 per cent of children aged 0–12 live in locations classified as 'remote' (as opposed to 3 per cent nationally) and 42 per cent are indigenous—the greatest proportion of any state or territory—as opposed to 6 per cent nationally. Additionally, more than 37 per cent of students in state schools in the Northern Territory have a first language other than English. The committee is therefore pleased to see \$35.6 million, over and above the Northern Territory's direct funding allocation, is earmarked in the bill to accelerate and improve outcomes for these otherwise severely disadvantaged students.

3.112 By increasing Commonwealth funding for all state schools to 20 per cent of the SRS over 10 years (including loadings for need) and requiring those states and territories currently below 100 per cent of the SRS to at least maintain their share of the SRS as it was in 2017, the changes prevent cost shifting from the states to the Commonwealth and leaves states responsible to their own constituencies for their funding arrangements.

3.113 This also means that state and territory governments will be accountable for meeting their obligations under the 80:20 state-Commonwealth funding split: should

101 Department of Education and Training, *New fairer school funding from 2018*, https://docs.education.gov.au/system/files/doc/other/new_fairer_school_funding_2018.pdf.

the bill be enacted, the committee observes that the Commonwealth's component of funding to schools will be fixed, save for indexation changes from year-to-year that can easily be calculated. The committee accepts that the bill, if passed into law, is unable to compel states to meet their 80 per cent funding obligations. But as noted, it will prevent them from shifting costs to the Commonwealth in the form of claims for higher indexation, meaning any state or territory government that chooses not to fully fund its obligations will be responsible for its decision not to do so, and the committee regards this as a welcome (and overdue) development.

3.114 Similarly, increases in Commonwealth funding for non-government schools to 80 per cent of the SRS (plus loadings), as the primary public funder of this sector, will deliver additional funding based on need for all students enrolled in Independent and Catholic schools.

3.115 In the case of school systems in the non-government sector, the committee acknowledges that those which have hitherto redistributed Commonwealth funding monies will be free to continue to do so.

3.116 The committee notes that in such cases (as applies in the Catholic education sector, for instance) the Commonwealth's contribution of school funding is made as a lump sum and paid directly to the central administration of the system, which at its absolute discretion and without input or direction from the Commonwealth redistributes monies to individual schools. This has historically been standard practice, and the bill contains nothing that will alter these arrangements if enacted.

3.117 Another aspect of the bill the committee welcomes is the transparency it brings to future funding arrangements for indexation of the Commonwealth's contribution from year-to-year, which from 2021 is to be whichever is higher of a minimum 3 per cent increase per annum and a weighted 'floating indexation rate' based on the Wage Price Index (75 per cent) and the Consumer Price Index (25 per cent) to ensure long-term certainty for schools and parents, enabling them to plan ahead, whilst making sure that schools funding reflects real economic conditions and remains ahead of inflation and other cost pressures.

3.118 The aim of the bill is to ensure that school funding across Australia is based on need, and is allocated fairly between states, schools, and sectors. The committee is satisfied that the bill will achieve these goals.

3.119 And where the relatively small number of schools that are already over-resourced in terms of the SRS are concerned, individual schools which are particularly disadvantaged or vulnerable will be able to apply for allocations from a transitional adjustment fund totalling \$39.7 million over 10 years to help make up any shortfall that may occur in the short to medium term whilst funding to under-resourced schools is increased during this period.

3.120 The committee observes that in overall terms, the bill will increase Commonwealth schools funding in Australia to a record \$242.3 billion over the decade to 2027, including \$81.1 billion from 2018 to 2021, representing a 75 per cent increase over ten years and an annual increase of 4.1 per cent per student over the same period.

Recommendation 1

3.121 The committee recommends that the Senate pass the bill in its current form.

**Senator Bridget McKenzie
Chair**

