

# **AISV SUBMISSION TO THE SENATE INQUIRY INTO THE SES BILL**

## **EQUITY AND TRANSPARENCY**

1. In 1996, the Association established a project titled “Funding Students’ Learning in the New Millennium”. Its key goal was the establishment of a more equitable, choice-oriented and efficient means of funding students’ learning by 2001.
2. We welcome, therefore the new SES funding arrangements which deliver improved equity, greater choice and enhanced efficiency and have the support of the overwhelming number of Victorian independent schools.
3. The introduction of the new SES funding arrangements for non-government schools represent a significant step forward in the funding of students’ learning. For the first time since the inception of Commonwealth recurrent funding for non-government schools, the assessment of the relative needs of school communities will rely on objective data rather than school-generated data. It will also see needs assessment take account of the circumstances of the student population within a school through the use of student address data to assess the relative need of school communities.
4. The SES methodology has a long history of support by successive Federal Governments, having first been developed in 1973 for the purpose of identifying areas of educational disadvantage. Despite undergoing a number of revisions since that time, the SES methodology has retained its credibility as a measure of relative socio-economic disadvantage. It is used in various forms by Education Departments, Catholic Education Commissions and Independent Schools Block Grant Authorities for the purpose of targeting needs based recurrent and capital funding.

## **CHOICE AND DIVERSITY**

5. The State aid debates of the 1960’s have been replaced by recognition by the major political parties that students in non-government schools have an entitlement to support from Federal and State governments. The responsibility of the parent as the primary educator of their children is enshrined in the United Nations Convention on Human Rights to which Australia is a signatory. The consequent right of parents to exercise choice in the education of their children is widely acknowledged.
6. Not only do the Federal government and State government benefit from the choice exercised by parents through the significant savings generated to the taxpayer but the community gains from the benefits that flow from a diverse education system.
7. In an environment where today’s parents are more highly educated than previous generations, it is not surprising that they are willing to give greater time and attention to the education options available for their children. Based on research conducted by both NCISA and AISV, it is apparent that parents consider the individual needs of each child in making a decision about the school they will attend. In many cases,

parents do not apply the “one school fits all” approach to their children. The 1996 ABS Population Census showed that 23,203 families in Victoria have school-aged children attending more than one education institution.

8. Given that an increasing number of parents are making decisions about their children’s schooling based on the particular needs of an individual child, it becomes increasingly necessary to question the rationale for a system of funding based on schools rather than family and student need. The SES funding model is a stepping stone towards a system of funding that places the interests of families and students at its heart.
9. The needs of families and students, not institutions, should be the focus of the method of funding Australia’s education provision, particularly given the diverse geographic, cultural and religious diversity that is fostered within our democracy. The establishment of a growing number of non-government schools designed to maintain the variety of cultural and religious traditions of ethnic groups in Australia has generated significant educational, social and economic benefits.
10. Fostering choice and diversity in Australian schooling has broadened the options available to parents, while simultaneously delivering significant savings to the taxpayer. This is evidenced by the growth in non-government schools over the past three decades and the widening of the income groups accessing these schools. . Independent schools also draw their students from a wide range of residential areas across both rural and metropolitan regions. One of the important features of the SES methodology is that it takes account of the areas from which the students are drawn.
11. For the first time in 1996, the ABS sought data on family income by Government, Catholic and Independent school sector. This data demonstrated that while the government schools cater for the largest number of low income earners’ children, they also have more children from higher income earning families than those in the Catholic and Independent schools’ sectors combined. Coupled with the fact that parents are now choosing to educate their children across education sectors, it is clear that the media portrayal of independent schools being the preserve of the wealthy is inaccurate and misleading.
12. In June 2000, Saulwick and Associates conducted a survey of Victorian voters’ attitudes towards the funding of education for AISV. This survey adds further support for a system of education funding which treats families and students more equitably than is presently the case. It found that the majority of voters, whether they have children at school or not support
  - the principle of government assistance for non-government education
  - the same amount of money being spent on the education of Catholic and independent school children as on the education of government school children
  - the principle that children in independent schools from lower income families should get more government assistance for their education than children from better-off families
  - the financial situation of the parents rather than that of the school being the basis on which government money is distributed

They also believe that

- the Government does save money when people send their children to non-government schools
- independent schools are not just for the well-off.

**13.** The SES funding arrangements proposed in the States Grants [Primary and Secondary Education Assistance] Bill 2000 are therefore more in line with the attitudes revealed by the Saulwick survey than the existing arrangements.

#### **REMOVING THE INFLEXIBILITIES OF ERI**

**14.** The problems with the inequitable and complex ERI model have been well documented in the various reports and reviews undertaken by successive Federal Governments. Appendix 1 contains a summary of the problems with the ERI which are generally accepted by the education authorities and community.

**15.** Of greatest importance in the shift from an ERI model to an SES arrangement is the investment incentives which will arise from the removal of the penalty for private expenditure on children's education. There is widespread agreement within the Australian community that there needs to be greater public investment in Australia's education systems if we are to meet the global, environmental, technological and social challenges of the 21<sup>st</sup> century. However, it is unrealistic to suggest that public investment alone will be able to meet these challenges. Other competing interests for public expenditure in the areas of aged care, health and income support arising from an aging population will impede this, as will the changing profile of the work force.

**16.** The investment of savings made by parents and extended families in their children's education should be seen as an important contribution towards the overall good of the education system and the nation. Every child in a non-government school is receiving only a percentage of the amount of taxpayers' dollars spent on a government school child. By not having to bear the full cost of the education of the 978,976 children in non-government schools, representing 30.3% of the total school population, the taxpayer burden is eased and governments have more resources to direct at government schooling than would otherwise be the case.

**17.** The SES funding arrangements will fund individual students between 13.7% and 70% of the average cost of educating a child in a government school [AGSRC], depending upon the relative socio-economic status of the school attended. The average government school recurrent cost does not reflect the full cost of educating a child at a government school because substantial expenditures such as superannuation, long service leave provisions, insurance and interest on capital are not included. The private income generated by government schools through the contributions made by parents is also excluded from the AGRSC. Therefore, it is appropriate that the SES model does not rely on the private income of non-government schools in the assessment of relative need.

18. People's willingness to invest their after-tax savings is not penalised in any aspect of consumer life and this principle should apply equally, if not more so to education. The SES model will place investment in education on an equal footing with normal public policy and practice, representing a significant enhancement to the potential for private investment of after-tax income in education.

## **THE FUNDING ROLES OF THE COMMONWEALTH AND STATE GOVERNMENTS**

19. The argument that the Federal SES funding arrangements will deliver greater funding to non-government schools at the expense of government schools fails to take account of the historic and constitutional factors inherent in the Australian education structures. Under the Australian Constitution, the States have responsibility for schooling. Following the Second World War and the consequent post-war immigration scheme, the States experienced significant pressures in the provision of schooling for the rapidly expanding population. In the 1960's, the States called on the Commonwealth to assist in the provision of resources to meet this demand. From 1964, the Commonwealth Government has played a progressively more important role in the funding of school education. The States have been the greatest beneficiaries of the entrance of the Commonwealth Government into the schooling sector as they have relied upon the Commonwealth to provide the bulk of the public resources to non-government school children.
20. In Victoria, non-government primary schools receive between 6.7% and 16.6% of the average cost of educating a child in the government system from the State government and between 11.9% and 55% from the Commonwealth with the remainder coming from private income in the form of fees and donations. A non-government secondary student receives between 7.3% and 18.7% of the AGSRC from the State and between 13.9% and 59.7% of the AGSRC from the Commonwealth government. The table in Appendix 2 illustrates both the range of funding provided to students and the percentage of funds compared with the average cost of educating a child in a government school.
21. Over \$13 billion of taxpayers' funds is directed to the education of students in government schools with over \$3 billion provided to non-government students. For every \$1.00 of taxpayers' funds spent on government schools, approximately 25 cents is spent on non-government schools. Therefore, it is misleading to look at Commonwealth expenditure on government schools in isolation from the States' contributions.
22. The States Grants [Primary and Secondary Education Assistance] Bill 2000 not only puts in place a more equitable and transparent system of funding but it also enshrines the bipartisan principle of funding maintenance. This continues the approach adopted by successive Federal Governments during transition phases in funding reform. This principle is of most significance in respect of Catholic schools as they will have their existing funding levels maintained as will those independent schools that have higher

SES scores than their existing funding levels. The guarantee that schools will be no worse off as a result of the SES funding model enables them to plan their operations with confidence and predictability. An equally important outcome arising from funding maintenance is the avoidance of dislocation of students, which would occur if funding were withdrawn. It is desirable on the grounds of educational, religious and structural fairness that this longstanding mechanism be applied in the transition from ERI to SES.

### **REDRESSING THE INEQUITIES OF ERI**

23. The SES funding arrangements will inject new recurrent resources into the non-government sector. The schools that will be the recipients of these funds are those where the needs of their communities have been inaccurately assessed by the ERI system. The inability of the ERI formula to accurately measure needs, has resulted in these school communities receiving lower levels of Commonwealth funding than will occur using a more objective measure based on socio-economic data. It also needs to be remembered that this funding is paid to schools on behalf of the students whose parents exercise choice and invest in their children's education from their after-tax income. As taxpayers, these parents have a right to these new funds in light of the disadvantages suffered under the ERI system. The additional resources provided to school communities will be used in a range of ways to enhance the quality of the educational outcomes for existing and new students.

### **DISTINGUISHING BETWEEN RECURRENT AND CAPITAL EXPENDITURE**

24. In any debate about the recurrent funding of non-government schools, it is inevitable that the issue of the capital resources of schools will be raised. It is inappropriate to assume that the capital facilities of a school reflect the present capacity of the school community to support its recurrent operations. In the first instance, Governments have made it compulsory for parents to send their children to school and as such, have an obligation to assist with the recurrent costs of staffing and materials. On the other hand, non-government schools are responsible for the vast majority of the capital development of their schools. The Commonwealth Government, over the past three decades, has provided a Capital Grants Program for non-government schools in the greatest need of capital support. It is expected that the Commonwealth will only provide a proportion of the funds for a building project with the school community making its own financial contribution. Non-government schools understand and accept that the Commonwealth Government will only play a supplementary role in the funding of their capital facilities.

Given that non-government schools are primarily responsible for their capital development, it is important to recognise that the capital facilities of a school will reflect not just the stage of the school's development but also its priorities in this area. Schools established in the 1800's obviously have had many generations of families and past students contribute to the progressive enhancement of facilities and the vast

majority of these schools have undertaken capital development with no direct financial support from the Government.

## **ACCOUNTABILITY REQUIREMENTS**

**25.** The new funding arrangements will be accompanied by new accountability requirements for both government and non-government schools. The Association believes that it is important that the public can be satisfied that taxpayers' funds are spent for the purpose for which they are allocated. In addition, independent schools will be required to participate in testing and reporting processes related to the National Goals of Schooling. Given that the majority of Victorian independent schools already participate in the Victorian Board of Studies LAP/AIM program, it is not anticipated that difficulties will be encountered in meeting the new requirements. Parents in independent schools expect that there will be a clear line of reporting and accountability to them. The private investment that they make in their children's education is an additional protection of the public funds provided because where parents are unsatisfied with the school, they will ultimately vote with their feet. The Association is aware that some schools have particular pedagogies, which may not necessarily accommodate the testing proposed. The Association will assist these schools in negotiating mutually acceptable reporting arrangements with the Department of Education, Training and Youth Affairs.

## **TARGETED PROGRAMS**

**26.** The States Grants [Primary and Secondary Education Assistance] Bill 2000 provides for some restructuring of the targeted programs for non- government schools. In the first instance, it is important that the principle of allocation of resources to each sector takes account of the enrolments in each sector. Secondly, it is important that the funds for each sector be provided to a single education authority in each State. For independent schools this authority should be the Association of Independent Schools in each State. By having one authority for the sector, administrative efficiencies are delivered, ensuring that the maximum amount of funding is available to students. Equally important from the schools' perspective is the efficiency of dealing with only one body for applications and reporting. At the State level, one sector authority provides consistency of treatment of schools. It also enables the three sectors to co-operate on joint projects in an effective way.

**27.** The Strategic Assistance Program will put in place a new model of funding for students with disabilities, which cannot be looked at in isolation from the new funds provided under the SES arrangements. Independent schools will no longer receive their special education recurrent funding for eligible students as part of their general recurrent grants payment and the levels of payments will change, except in the case of those students who are receiving greater than \$522 per annum. The Association supports the decision to maintain the funding for these students. It believes that the introduction of a uniform per capita payment for students with disabilities while more

simple, should be seen as the beginning of reform of the resourcing of students with disabilities rather than the end of the debate.

The funding of students with disabilities is an area where the differing contributions of the Commonwealth and State governments, based on the sector of schooling the child attends is most stark. In Victoria, a child with a disability in a government school can receive up to \$27,000 in additional State funding, while a non-government student may only access a maximum of \$3,000 from the Commonwealth Special Education Program and a small contribution from the State, if eligible for therapy services. When a student with disabilities transfers from the government sector to a non-government school, the resources do not follow the child. In any future restructuring of special education resources, the needs of the child must take precedence so that resources can be tied to the student not the sector of schooling attended.

### **CONSULTATIVE PROCESSES**

28. On every occasion the Federal Government has embarked upon a major reform of funding for non-government schools, there have been extensive consultations underpinning the reform process. The consultative process and the simulation exercise that have been built into this review have been comprehensive and exemplary. All sectors of education including the State Departments of Education have been engaged in the consultations from the commencement of the review. Beyond that all non-government schools were invited to participate in the simulation exercise with 100% of Catholic and 75% of independent schools taking up the offer. The simulation exercise was a major logistical operation, leading to advancements in the use of internet technology in the assessment of relative need of schools. The technological improvements in the use of the Census Collection data will have potential applications in other areas of public funding over time.
29. Engaging schools so actively in the discussion and modelling of alternative funding approaches to overcome the deficiencies of the ERI has led to widespread endorsement of the SES model. SES is understood by schools and it can be explained to parents in a comprehensible way. SES enables effective planning and provides a review process. SES encourages investment in education. The SES model has all the positive features that the ERI lacked. It is a system of funding that is seen to be objective, transparent and equitable.

### **LEGISLATIVE CERTAINTY AND 2001 BUDGETING**

30. An immediate and key concern of independent schools in Victoria is to have the capacity to plan their 2001 operations with certainty about the Commonwealth funding arrangements. This certainty will only be achieved as a result of the early passage of the legislation through both Houses of Parliament. The Association believes that the Parliament of Australia has an obligation to parents and prospective parents of children in both government and non-government schools to debate and pass the State Grants [Primary and Secondary Education Assistance] Bill 2000 as quickly as possible

in order that the necessary budgeting and planning for the 2001 school year can occur in an environment free of speculation and uncertainty.

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