

**Submission to the
Senate Inquiry into the**

**States Grants (Primary and Secondary
Education Assistance) Bill 2000**

New South Wales Department of Education and Training

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Executive Summary

This Inquiry gives the Australian Parliament a rare opportunity to assert unambiguously the principles for Commonwealth support for schools in Australia.

Two broad principles are particularly important:

A clear commitment by the Commonwealth to achieving high-quality schooling for all; and, in particular, the primary obligation of governments to advance the strength and representativeness of public schooling in Australia.

A shared responsibility, with the states and territories, for schooling, to support agreed national priorities and collaboration.

The Bill should be amended to give expression to these principles.

Commonwealth support for public schools

For most of the period since the 1970s, the Commonwealth has been explicit about its role in supporting states and territories to provide public schooling of the highest quality. This commitment, however, can no longer be taken for granted. There appears to be some ‘distancing’ by the Commonwealth about its responsibilities for the future development of public schooling.

The Commonwealth’s current objectives for public schooling are unclear. The central plank appears to be the Enrolment Benchmark Adjustment (EBA), which reduces Commonwealth general recurrent grants to government schools when there is a shift of enrolments between the government and non-government sectors, over and above any reductions in per capita grants.

We argue that the EBA is based on false assumptions about the level of state savings that might arise from shifting enrolments between the sectors. But even more important than this is the effect of the EBA on public confidence in the integrity of the Commonwealth’s commitment to public schooling. The EBA reveals indifference by the Commonwealth to the needs of students in public schools.

The Parliament should amend the current Bill to remove the possibility of an Enrolment Benchmark Adjustment. The legislation should be constructed so as to guarantee that the full amount allocated by Parliament is forwarded for the benefit of students in our public schools. This could be achieved by amending Section 53 so that Commonwealth funding for government schools is *equal to* the amount set out by the funding formulae. NSW accepts that this would need to be done where state authorities meet all accountabilities and other requirements of the Bill.

One of the changes to Commonwealth funding for non-government schools is an increase in per capita grants to provide the same percentage link to average government school costs in primary and secondary schools. The same principle should be applied to Commonwealth funding of government schools.

Commonwealth funding for non-government schools

There has been a long-standing tension in Commonwealth funding policies for non-government schools between 'needs' for resources and 'incentives' for private effort. The current Bill appears to have created an imbalance between these principles.

Commonwealth funding arrangements since the early 1970s have focussed on the total resources available to students in schools, and have attempted to support parents and non-government communities to enable their schools to approach community resource standards, which have mainly been expressed in relation to expenditure levels in government schools.

Previous indexes for categorising non-government schools into subsidy levels have generally assumed that the level of resources from private sources was a reasonable surrogate for the 'capacity' of school communities to provide those resources. But over time this assumption has been tested, and has been difficult to apply confidently to new and developing schools.

NSW does not oppose the principle of applying socioeconomic criteria to non-government schools, for funding purposes. We note that the Commonwealth's index is not being applied to Catholic systemic schools; nor to independent schools that would otherwise be re-categorised to a less favourable funding level. We also note that there are some technical issues that may need attention in the implementation of these new criteria.

We should not, however, be seduced by the new criteria. The SES index will only be able to rank schools and systems. What is more important is how this ranking will be used to justify the level and distribution of public funding. The model that the Commonwealth is proposing implies that it is no longer concerned about the level of resources that schools will provide for their students; or whether those resources are higher or lower than the community is prepared to provide for government schools. The scheme encourages parents who are unable to afford the cost of schooling to move to fee-paying schools. It also encourages those who can afford it to increase their contributions without loss to their public subsidy, which in some schools will be to the point where those resources are significantly higher than in government schools.

Senators should ask this question: will the full effect of the Commonwealth's SES scheme reduce the gap in resources between schools serving the most socioeconomically advantaged communities and those schools serving the least?

We ask the Senate to ensure that the Commonwealth's new funding arrangements take into account the total level of resources in schools, so that increased public funding is not used to widen further the gap in resources between schools.

Senators should also note that State governments are also significant providers of public funding for non-government schools; and that the new arrangements will have significant implications for the states. It would have been preferable to have developed a comprehensive and integrated framework for public funding of non-government schools on a national and collaborative basis.

Commonwealth budget papers project an increase in funding for non-government schools of over 50% by the year 2004, to over \$3billion. Along with state funding of over \$1billion, this is a substantial public investment. It warrants greater public transparency of schools' resources and outcomes.

Strategic assistance

NSW notes the further step in this Bill to the 'broadbanding' of Commonwealth targeted programs for schools. While not opposed to this in principle, we point out the need for stability in funding in these critical areas. And we would not want the new arrangements to be interpreted as a competition for funds between different groups of students with special needs.

Accountability

There are many references in the Bill to the Commonwealth Minister's discretionary powers to require particular forms of accountability and reporting, including targets.

NSW agrees with the need for accountability against agreed and shared objectives. This should be consistent with the principles of shared responsibility and partnership, as outlined above.

Recommendations

Principles for national collaboration in school education

- That in order to reflect the national partnership for quality school education, it is recommended the Bill include an overarching statement of principles including:
 - All governments have a shared responsibility for ensuring quality school education for all, as reflected in the National Goals for Schooling
 - The Commonwealth has a particular responsibility to support State and Territory governments in their provision of high quality public school systems
- The funding of schools by the Commonwealth should be based on a set of nationally consistent principles that reinforce the collaborative national partnership, as expressed through Ministerial council forums.

Funding of Government Schools

- That the Senate give a clear commitment to removing the Enrolment Benchmark Adjustment (EBA) for Commonwealth general recurrent funding; by amending Section 53 to the effect that Commonwealth funding for Government schooling be *equal to* the amount prescribed by the funding formula, subject to states meeting all other financial and educational accountabilities.
- The Senate note the Commonwealth's strategy of equalising per-capita grants for primary and secondary non-government schooling as a proportion of the Average Government School Recurrent Costs (AGSRC¹) and apply the same principle to government schools so that funding for government primary and secondary schools be applied at an equal rate of AGSRC.

Funding of non-Government Schools

While supporting the principle of assessing non-government schools' entitlements to Commonwealth general recurrent grants against socio-economic criteria, the Senate should adopt the following positions:

- Funding for non-government schools should be consistent with three principles: it should be allocated on the basis of genuine need and must not widen the gap in resources between schools; it should not be at the expense of government schools; and it should complement states' responsibilities for non-government schools.

¹ Average Government School Recurrent Costs (AGSRC) is the national average per-student cost of public schooling.

- The Commonwealth's funding model should meet measurement criteria consistent with technical validity and reliability; and should take into account the total level of resources it would make available to non-government schools, including in relation to resources in government schools.
- The Commonwealth should make publicly available the outcomes of its survey of non-government schools' socio-economic index scores, consistent with principles of transparency and accountability.

Grants to Provide Strategic Assistance to Schools

- The Senate note the continued movement toward 'broad-banding' funding for equity programs and the importance to States of stability and reliability in funding for these areas.

Accountability

- That all provisions in the Bill relating to accountability and reporting be amended, so that they are explicitly consistent with the principle of shared responsibility for schooling and national cooperation, as expressed and agreed through MCEETYA.

1 Introduction

The States Grants (Primary and Secondary Education Assistance) Bill 2000, provides an opportunity for the Australian Parliament to assert unambiguously its commitment to a shared responsibility for high quality schooling in Australia including, in particular, for public schooling.

1.1 Overview

The Bill proposes to change fundamentally the Commonwealth Government's approach to schooling. While many of the changes presented in the Bill have been introduced earlier, the Bill is the first opportunity to survey the general direction and intent of the Commonwealth's policies.

The Bill's provisions unsettle some of the basic principles upon which school education in Australia is based and which the community as a whole accepts as a key element of effective and efficient social policy. The pattern of policies represented by the Bill entail the following changes to the provision of school education in Australia:

- Withdrawal by the Commonwealth from an unambiguous commitment to quality educational provision for all
- Apparent alignment of the Commonwealth with the interests of one school sector, the non-government sector, as a primary concern, above the interests of government schools
- Displacement, potentially, of the framework for cooperative development of national educational policy and accountability processes.

The Bill lacks transparency and accountability. It seeks to implement a range of substantial changes without explicitly addressing the direct and longer term implications for schooling.

1.2 Responsibility for School Education and Principles for National Collaboration

The universal provision of school education is one of the fundamental responsibilities that government owes to citizens. Article 28 of the United Nations *Convention on the Rights of the Child* recognises education as one of the fundamental rights of a child.²

The recent *Adelaide Declaration on National Goals for Schooling in the Twenty-First Century* acknowledged the essential role of education in the future of Australia and its citizens, stating that:

² United Nations, *Convention on the Rights of the Child*, Article 28.

“Australia’s future depends upon each citizen having the necessary knowledge, understanding, skills and values for a productive and rewarding life in an educated, just and open society. High quality schooling is central to achieving this vision.”³

Within the Australian federation, State and Territory governments have the constitutional responsibility for schooling, with the Commonwealth sharing responsibility for the funding of school education. State governments, non-government school authorities and independent schools undertake the provision of education.

The primary government objective with regard to education must be that high quality education is accessible to all. In Australia, this objective has been pursued through a cooperative framework within which a strong and comprehensive government system has been complemented by a range of non-government schools and systems.

State and Commonwealth governments’ have a shared responsibility for supporting a balanced approach through the provision of government schooling and through needs based support for non-government schooling. This support has recognised the relative capacity of schools to raise funds from their communities independently of government support and the principle of universal availability of government schooling. Within this policy framework NSW has supported government funding for non-government schools.

The States Grants (Primary and Secondary Education Assistance) Bill seeks to unsettle this partnership.

The Bill should be understood and endorsed only within the context of an understanding of the shared responsibility of all governments for all students. Specifically, the Bill should include recognition by the Commonwealth of its responsibility for genuine support of States in their provision of school education. And it should include an overarching statement of principles that reaffirms the Commonwealth’s commitment to the national partnership. A recommended set of principles is outlined below.

³ Ministerial Council on Employment Education Training and Youth Affairs, *The Adelaide Declaration on National Goals for Schooling in the Twenty-First Century* (Melbourne: MCEETYA, 1999).

Recommendations

- **That in order to reflect the national partnership for quality school education, it is recommended the Bill include an overarching statement of principles including:**
 - **All governments have a shared responsibility for ensuring quality school education for all, as reflected in the National Goals for Schooling**
 - **The Commonwealth has a particular responsibility to support State and Territory governments in their provision of high quality public school systems**
- **The funding of schools by the Commonwealth should be based on a set of nationally consistent principles that reinforce the collaborative national partnership, as expressed through Ministerial council forums.**

2 Commonwealth General Recurrent Funding for Government Schools

Relates to:	Part 2, Division 2	Grants for government schools
	Part 5, Division 1, Section 53	Grants for general recurrent expenditure at government schools
	Schedule 2	General recurrent grants for government schools

2.1 The Role of the Commonwealth in Government Schooling

The Commonwealth Minister has stated that the Commonwealth has a particular responsibility for non-government schools while government schools are primarily a responsibility of the States.⁴ The Commonwealth's policies reflect this dichotomous approach to supporting schools rather than an approach based on partnership and cooperation.

In contrast, the preamble to the Hobart declaration makes clear that Ministers were making a "commitment to improving Australian schooling within a framework of national collaboration".⁵ This commitment to partnership was renewed in the Adelaide declaration, when Ministers agreed that the national goals would "establish a foundation for action among State and Territory governments with their constitutional responsibility for schooling, the Commonwealth, non-government school authorities and all those who seek the best possible educational outcomes for young Australians, to improve the quality of schooling nationally."⁶

The Commonwealth's funding changes set aside these understandings in favour of a model where the Commonwealth seeks to distance itself from responsibility for government schools. Such an approach establishes a dichotomous and potentially divisive relationship between school sectors and governments. It exacerbates the harmful aspects of competition between school sectors and serves to re-ignite the harmful state aid debate of the past.

The underlying objective of the *States Grants Bill* appears to be the provision of incentives for the transfer of individual students from government to non-government schools to reduce the public costs of schooling. It aims at the residualisation of public schooling to reduce the costs of schooling to government. This is at odds with the legislated responsibility of State governments to provide public schooling of the highest quality.⁷

⁴ David Kemp, *Outcomes and Equity in Education Policy*, speech to the Curriculum Corporation National Conference, 19 May 2000.

⁵ Australian Education Council, *The Hobart Declaration on Schooling*, (Melbourne: AEC, 1989).

⁶ MCEETYA, *The Adelaide Declaration on National Goals for Schooling in the Twenty-First Century*, 1999.

⁷ *NSW Education Act 1990* Section 4 paragraphs (b) and (c)

2.2 The Enrolment Benchmark Adjustment

The Enrolment Benchmark Adjustment (EBA) was first introduced in the 1996 Commonwealth Budget, whereby Commonwealth general recurrent per capita grants to States and Territories for government schools are reduced when the proportion of students enrolled in non-government schools increases compared with a 1996 benchmark.

The 1996-97 Commonwealth budget papers lists the EBA as a major policy measure that offsets the estimated cost to the Commonwealth of the abolition of the New Schools Policy. The effect on outlays of the abolition of the New Schools Policy was estimated to be \$66.7 million by 1999-00 while it was estimated that the imposition of the EBA would yield \$65.5 million over the same period.

The NSW Government estimates that the EBA will result in a cumulative loss of almost \$100 million in funding to NSW Government schools over the period 1998-2002 with an anticipated loss of \$50 million per annum by 2003.

There is no explicit reference to the EBA in this legislation. The Bill enables the EBA through Section 53, which states:

“The Minister may make a determination authorising payment of financial assistance to a state for recurrent expenditure for a program year of an amount that is *not more than* the amount worked out using the formula

[Primary Education Amount x Number of government school primary students]
+ [Secondary Education Amount x Number of government school secondary students]”

The use of this process to implement a substantive funding adjustment lacks openness and potentially undermines the Parliament’s intentions, as reflected in the explicit provisions of the Act.

The EBA exemplifies the Commonwealth’s policy approach of seeking to establish a competitive relationship between government and non-government sectors while distancing itself from its responsibility to provide adequate support for government schooling.

This substantial policy has symbolic and substantive implications for the future of quality schooling in Australia. And yet it is implemented through an administrative allowance in the Bill intended to ensure compliance with administrative guidelines. The EBA and its reliance on Section 53, undermines the Parliament’s intentions with regard to the core aspects of the Bill – the level of funding to be made available to government and non-government schools through the general recurrent aspects of the Specific Purpose Payments.

What is Wrong with the EBA?

The EBA is based on false assumptions of State savings arising from shifting enrolments

At the heart of the rationale and process for calculating the EBA is the issue of cost shifting between levels of government. The Commonwealth is concerned that as proportions of students move from government to non-government schools the Commonwealth incurs increased costs while at the same time States incur decreased costs.

When enrolments in non-government schools increase, the Commonwealth contribution increases as a direct result of the Commonwealth's funding structures. As the Commonwealth provides funding for each non-government school student at a higher rate than it does for each government school student, there are necessarily increased aggregate costs for the Commonwealth as a higher proportion of students move from government to non-government schools.

Any increased costs that accrue to the Commonwealth government as a result are not commensurate with or directly linked to any State savings. As State governments run government schools directly, their costs are determined by the costs necessarily incurred in running an education system. State cost structures are determined by the need to maintain a universally accessible education system and do not change proportionally with each enrolment lost to non-government schools. This 'inelastic' nature of educational provision has a number of dimensions:

- Resource and infrastructure support for students does not increase or decrease proportionately to changes in student numbers. For example, a minimum range of executive teachers is allocated to most schools, and consultancy and out-of-school administrative support, for example, is organised at regional or whole of State level.
- When student numbers decline there is a substantial time lag before this is reflected in the level of provision. Reduced government school numbers across a community may lead to a school closure, but a school may reduce to the point of not being viable over a period of a decade or more, not over a year.
- The nature of public and systemic education is such that it cannot withdraw from provision to the point where students do not have reasonable access to quality schooling and a range of curriculum and support. Much of this resource support is maintained for the benefit of students in government and non-government schools - for instance teacher training and curriculum development. In this context the effect of falling student numbers can be to increase the per unit cost of provision.
- As the proportion of students attending government schools declines, a greater proportion of these students are higher cost students than the average. Student groups with higher costs than average include: low socio-economic status students, newly arrived students of non-English background, students with disabilities and special learning needs, Aboriginal students and students who are

geographically isolated. As government student numbers decrease these students constitute a greater proportion of the government school population. Again the effect of this is to increase the per-unit cost of educational provision in government systems.

As per unit costs increase for government schools, there is a flow on benefit for non-government schools. At the Commonwealth level, and in some States, per capita funding for non-government schools is calculated as a percentage of average government school costs. Average government school costs, or per-unit costs, increase as student numbers decrease. The flow on increase in per-capita funding to non-government school increases costs to the Commonwealth. This is then used by the Commonwealth as a basis for further EBA reductions.

The EBA reduces public confidence in the integrity of the Commonwealth's shared responsibility for quality government schooling

The EBA represents a withdrawal by the Commonwealth from shared responsibility for quality government schooling. Under the EBA, the Commonwealth's response to falling enrolment shares in government schools is not to work with States and Territories to address the causes of the change, but to withdraw its support and interest.

The federal system of government means that States and Territories and the Commonwealth share responsibility for effective government in many areas, including education. The onus of ensuring quality government services for all as a priority means that governments seek constructive and cooperative solutions to address issues of inter-governmental responsibility. Arguably, there is no more important area for this to be the case that in education where parents and students entrust their personal and collective futures to governments.

The EBA places this priority below the Commonwealth's concern about cost shifting. The issue of the nation's future and the futures of individual students, is reduced and trivialised through the EBA to an argument about accounting practice.

The EBA shows an indifference to the realities of government schooling and the needs of students in government schools

The EBA assumes that all school sectors serve an identical clientele, so that the needs of all groups of students across all sectors are roughly the same and that shifting student numbers therefore represent actual costs of providing for these needs. Government schools, however, are charged with the responsibility of ensuring equity of provision for all students, including those in the most acute personal or social circumstances.

The cost burden of meeting these needs is borne disproportionately by government schools. This disproportionate burden becomes even more acute as government schools enrolment share declines.

The quantum of the EBA this year and in coming years will have a genuine impact on the capacity of government to maintain the level of educational services. The clearest way to illustrate the extent of the Commonwealth EBA funding reduction is by way of comparison to specific funding and support commitments in schools.

It is estimated that the loss to NSW government schools in 2000 from the 1999 EBA deduction will amount to around \$21 million. Commonwealth Literacy and Numeracy Program funds are allocated to states on the basis of socio-economic disadvantage and English as a second language needs. During 1999 the NSW share of the funding generated through the SES component was almost \$24 million, the Commonwealth ESL General Support Program received some \$21 million and \$4.5 million went to the Country Areas Program.

It needs to be recognised, therefore, that the EBA is nullifying the effect of other Commonwealth funding initiatives in key areas such as rural and isolated provision and support for socio-economically disadvantaged students.

In NSW, the enrolments share decline of government schools in rural and regional areas is about half of that in urban areas. While incremental shifts in enrolments to non-government schools are occurring, State and Territory governments cannot and will not reduce the overall level of schooling service available to students in rural, regional and remote communities in a way which directly reflects those shifts. The EBA ignores this reality, and the need for States and Territories to maintain services where they might otherwise be called 'uneconomical'.

The EBA betrays a disregard for these equity needs and the needs of communities. The costs of maintaining services that become less economical as enrolment share declines are not factored into the EBA equation and therefore make it harder for States and Territories to maintain the services which are the priority of government school systems.

The EBA is substantially flawed, both technically and in the policy principles it represents.

The Commonwealth has implemented a range of policies to increase funding for non-government schooling and to allow for the establishment of more non-government schools. The Commonwealth's policies have been defended as an attempt to intensify competitive pressure on government schools, and allow more choice for parents. With the EBA, however, the Commonwealth's policy approach becomes one of actively undermining government schooling. Without consultation, the Commonwealth has instituted a process that will annually draw more and more resources out of government school systems and destabilise State and Territory policies for quality public education.

In facilitating a transfer to an SES funding index, the Commonwealth has implemented a 'no losers' principle to smooth the transition. It is precisely this benevolent approach which is lacking in the Commonwealth's approach to government schools.

The implementation of such a policy should not be made through an administrative provision in the Bill. It's purpose and process of implementation should be stated openly and be subject to the level of scrutiny that is appropriate for such an important policy stance.

Recommendations

- **That the Senate give a clear commitment to removing the Enrolment Benchmark Adjustment (EBA) for Commonwealth general recurrent funding; by amending Section 53 to the effect that Commonwealth funding for Government schooling be equal to the amount prescribed by the funding formula, subject to states meeting all other financial and educational accountabilities.**
- **The Senate note the Commonwealth's strategy of equalising per-capita grants for primary and secondary non-government schooling as a proportion of the Average Government School Recurrent Costs (AGSRC⁸) and apply the same principle to government schools so that funding for government primary and secondary schools be applied at an equal rate of AGSRC.**

⁸ Average Government School Recurrent Costs (AGSRC) is the national average per-student cost of public schooling.

3 Commonwealth General Recurrent Funding for non-Government Schools

Relates to:	Part 2, Division 3	Grants for non-government bodies
	Part 6: Sections 55-73	Grants for non-government schools
	Section 74	Grants of transitional emergency assistance
	Section 75	Grants to provide establishment assistance
	Schedule 4	General recurrent grants for non-government schools

Commonwealth general recurrent grants to non-government schools are made through Specific Purpose Payments. The Bill proposes that these payments be made through an SES funding model, and that substantial increases in funding be provided to non-government schools.

The SES model is intended to replace the existing Education Resource Index. NSW is not opposed to funding increases to non-government schools on the basis of socio-economic criteria.

3.1 The SES Funding Model

The new approach to funding contained within the Bill assesses need according to a measure of the socioeconomic status of parents rather than of the school's income from private sources (as measured by the ERI). In effect, it is a measure of the relative capacity of non-government school communities to support their schools financially, rather than a direct measure of a school's resources.

The SES model uses Australian Bureau of Statistics (ABS) Census Collection Districts (CDs) data to allocate a relative SES standing to non-government schools. Through the index, each non-government school's average SES standing is ranked relative to other non-government schools. The index is based on dimensions of occupation, education and income. Increased funding arising from the SES model will be phased in over the 2001-2004 quadrennium at a rate of 25% of the increase each year, so that by 2004 all schools will be funded at their new level.

Research to date indicates that the effects of the SES funding model in NSW, in terms of changes to the ERI, will include:

- The total funding available for NSW non-government schools as a result of the Commonwealth's funding changes will increase from 1998 levels.
- A disproportionate amount of the increase will be for the best resourced schools.

- Less well resourced Non-government schools will receive much lower levels of additional Commonwealth assistance.
- On the basis of these changes and previous adjustments, a much higher proportion of Commonwealth funds will be allocated to non-government schools.
- By 2004, most non-government school expenditures will be substantially higher than government school expenditures, on the basis of current policies.

3.2 The Technical Problems Inherent in the Commonwealth's SES model

The Bill's proposal to fund non-government schools on an SES index alone, without regard to a school's resource capacity, is itself flawed. In summary, the key problems are:

- The Commonwealth's SES index does not measure the actual relative SES of each student in a school. It ascribes an SES standing to each student on the basis of the average SES of the Collector District of the student's address. It is likely that families in low SES areas able to select non-government schools (particularly those with high fees) are more advantaged than others in their immediate community, the SES scores will be a distortion of the real relativities.
- While Census Collection Districts cover a relatively small number of households, they may still cut across a range of relative SES levels. This is particularly the case in sparsely populated rural areas where Collection Districts are relatively large. In such districts it is not unlikely that a relatively affluent individual will draw a substantially higher level of government funding to a well resourced school on the basis of the low socio-economic status of other people in their district who could not themselves afford the fees at such a school.
- The Commonwealth's SES index does not allocate money based on actual need, but merely distributes a large proportion of all available Commonwealth government funds among non-government schools. Need is not measured against the whole community, but only relative to other students in non-government schools. Compared to students in government schools, who comprise some 70 per cent of the total student population, the average SES of students in non-government schools would likely show a relative lack of need. This is supported by the SES data used by the Commonwealth to distribute funding for the former Disadvantaged Schools Program.
- The SES approach provides a range of incentives for non-government schools to pursue practices designed to maximise a school's funding, but which are not in the interests of achieving a balance of quality school provision across the community. As a result of the system it is likely that schools with a substantial asset and income base could seek to establish new smaller campuses in relatively lower SES locations for students who can afford the fees, thereby assisting the main school to gain higher funding.

3.3 Funding Maintenance

Under the Bill, schools that would receive funding at a lower level than their previous ERI ranking would have allowed will have their funding maintained in real terms. The Commonwealth Department of Education Training and Youth Affairs advises that while school funding levels will be gazetted, a school's average SES will not be publicly available.

Without publication of a school's average SES the public will not know how many and which schools are being funded on the basis of their level of need, and which are being maintained at their previous funding level.

3.4 Policy Implications of the Commonwealth's Funding Policies

The Competition model of school provision

The approach adopted by the current Commonwealth government gives priority to using competition as a policy tool. It uses funding to increase competition between the government and non-government schooling sectors, thus creating a 'market' of school choice. Minister Kemp has expressed the rationale in the following terms:

"If parents are voting with their feet, every responsible State government will want to put their schools in a position where they can respond to that. And that is already happening - there is already a significant movement for reform in the government sector which is devolving the authority to school principals and school council... What we're going to see as the parent voice is amplified by these decisions is a very powerful incentive to reform within the government sector and the ultimate balance between those sectors is going to be determined by Australian parents."⁹

The Commonwealth argues that the new arrangements for funding of non-government schools will "give low income families even greater access to the schools of their choice, encourage greater private investment in education and provide higher levels of funding to the neediest schools."¹⁰

The Commonwealth's approach is consistent with the work of commentators such as Chubb and Moe (1990) who propose "a shift away from a system of schools controlled directly by government ... to a system of indirect control that relies on markets and parental choice."¹¹ Chubb and Moe argue against government control of schooling,

⁹ David Kemp, *Speech to Christian Schools Conference*, National Convention Centre, 14 June 1999.

¹⁰ David Kemp, *Choice and Equity, Funding Arrangements for non-Government Schools 2001-04*, 1999, p. 1.

¹¹ John Chubb and Terry Moe, *Politics, Markets and America's Schools* (Washington DC: The Brookings Institute, 1990) p. ix.

claiming that the affect of Government control of schooling is to limit schools from setting their own agenda.¹²

The fairness, efficiency, and effectiveness of such market driven approaches to the provision of schooling have been the subject of extensive debate. Critics of such approaches argue that:

- The intensification of competition between and within school sectors is likely to increase the socio-economic inequalities in schooling.¹³ Competition intensifies hierarchies of schooling and favours those with the most resources, both financial and cultural capital. In this way a market system responds disproportionately to the interests of the already advantaged.

As a result, Government schooling, which of necessity accepts everyone, can be placed at a disadvantage in the market place, relative to non-government schools that can select more flexibly on market criteria.

- The lack of a planning process or guidelines for the establishment of non-government schools means that the efficiencies that might be gained through a marketised approach will often be offset by the inefficiencies of duplicated provision. Through encouraging the establishment and enlargement of schools where the State already provides, and must continue to provide, quality schooling, diseconomies are experienced for State funding. In this sense, it is argued that because government cannot withdraw from schooling provision completely in any given area, a complete market approach cannot actually apply to schooling.

As Professor Peter Karmel has recently noted:

“The benefits of the competitive market model are unlikely to be universal: unsuccessful schools will persist and students will attend them... On equity grounds, special programs and additional resources would need to be provided to underpin the less successful schools and to avoid disadvantage to students enrolled in them. Unlike the market model, the unsuccessful schools will not simply disappear without damage to their clients.”¹⁴

The Commonwealth’s policies recast the relationship between government and non-government provision entirely in terms of competition, rather than as relations within a stable, cooperative framework which recognises the common points of interest between the school sectors.

¹² Chubb and Moe, p. 38.

¹³ Stephen Ball, “Education, Markets, Choice and Social Class” in *Education Reform A Critical and Poststructural Approach* (Buckingham: Open University Press, 1995) p. 189.

¹⁴ Peter Karmel, “Resources and their Organisation: An Overview” in Karmel, P (ed) *School Resourcing: Models and Practices in Changing Times* (Canberra: Australian College of Education, 2000) p. 7.

From the State's perspective, the interests of all students need to be protected. It is crucial that a policy framework for the future allows all sectors the opportunity to relate as partners in the common cause of universal quality education, and not just as competitors.

Partisanship and divisiveness

In seeking to increase the emphasis on competition between sectors, the Commonwealth is increasing substantially and disproportionately the level of support it provides to the non-government school sector. The effect of this is not to create an independent market of school provision but a structure of provision that is more dependent than ever on government support.

Government support for non-government schools has been structured on the basis of a shared commitment by governments to government schooling as a primary concern and non-government provision as a legitimate choice entitlement. The Commonwealth's substantial increases in relative funding to the non-government sector dismantle this balance in an effort to increase the competitiveness of non-government provision.

The extent and nature of the Commonwealth's increases for non-government schools creates structural pressures and inefficiencies in total government expenditures for schooling. These have a number of dimensions.

- The extent of the Commonwealth's increases for non-government schools, including the 'no-loser' provisions, abolition of the 'new schools' policy and systemic arrangements, reduce the Commonwealth's flexibility for future fiscal arrangements in this important and changing portfolio.
- The proposed arrangements are likely to accelerate the establishment of smaller, less efficient schools reliant on Commonwealth funding, which will constitute a high proportion of their operating costs.
- They will establish the Commonwealth's on-going responsibility for sustaining the viability for such schools established under the terms of the generous arrangements set out in the Bill
- They will lead to expectations of funding arrangements for other, smaller school systems such as the emerging Anglican system in NSW, on the same basis as the special arrangements for Catholic systems
- They will increase calls for exception status to 'needs' based arrangements through no loser provisions with future policy adjustments

Structural inefficiencies for total public funding

In NSW, State funding for non-government schools since 1995 has complemented the Commonwealth's policies. Total funding available for State general recurrent per capita payments is 25 per cent of the average government school costs that are common and recurrent across sectors. The provision of State funds on the basis of the Commonwealth's scheme has had a number of advantages for public policy generally. These include avoiding the replication of administrative infrastructure of the school categorisation process and maintenance of general funding relativities across government levels, assisting to avoid the historical and destructive State Aid debate.

If the State did choose to adopt the Commonwealth's approach it would be unable to determine which schools were being over funded on the basis of the SES index as a result of the Commonwealth's funding maintenance guarantees. The lack of public availability of each school's SES ranking would require the State to further exacerbate the inequities inherent in the Commonwealth's approach in this regard.

NSW provides some \$35 million annually to non-government schools in the form of interest subsidies. NSW also provides free student transport for non-government students in the form of the student conveyance scheme. A simple pro-rata allocation of the cost of this scheme between sectors indicates that at least \$114 million is expended by the State for non-government school student transport. The costs of both these schemes are projected to expand substantially as a result of the Commonwealth policies. The increases must have implications for the viability of the balance in the States education budget.

The Commonwealth's unilateral policies are premised on the view that States are primarily responsible for government schooling. Accepting the Commonwealth's view might entail a withdrawal by States from the current levels of support provided by them to non-government schools. NSW would not accept such a development on the basis of the principle of its shared responsibility for the schooling of all students and on the basis of the social divisiveness it entails.

Recommendations

While supporting the principle of assessing non-government schools' entitlements to Commonwealth general recurrent grants against socio-economic criteria, the Senate should adopt the following positions:

- **Funding for non-government schools should be consistent with three principles: it should be allocated on the basis of genuine need and must not widen the gap in resources between schools; it should not be at the expense of government schools; and it should complement states' responsibilities for non-government schools.**

- **The Commonwealth's funding model should meet measurement criteria consistent with technical validity and reliability; and should take into account the total level of resources it would make available to non-government schools, including in relation to resources in government schools.**
- **The Commonwealth should make publicly available the outcomes of its survey of non-government schools' socio-economic index scores, consistent with principles of transparency and accountability.**

4 Grants to Provide Strategic Assistance

4.1 Cuts to programs

Relates to:	Part 7	Grants to provide strategic assistance to improve student outcomes
	Part 9	Grants to foster literacy and numeracy
	Part 14	Grants for national projects
	Schedule 8	Grants for targeted assistance

Over the past thirty years, and particularly since the Karmel Report and the passage of the *Schools Commission Act* in 1973, the States have received funding from the Commonwealth to assist in achieving shared objectives, especially in relation to equity in schooling.

New South Wales supports the Commonwealth's objectives to provide strategic assistance to help schools and school communities to improve the learning outcomes of students who are educationally disadvantaged. The targeting of the groups of students specified by the Bill as educationally disadvantaged is an appropriate contribution to achieving equity in education and training. The identification of major sources of educational disadvantage, include "students with disabilities, Indigenous, of low socio-economic background, of a language background other than English or geographically isolated," is supported.

Part 7 (sections 76 to 79) of the Bill significantly restructures the Commonwealth's provision for 2001 to 2004 compared to the previous Act. It takes the funds that were previously provided as the Commonwealth Literacy and Numeracy Programme and the Special Learning Needs – Special Education Programme, and creates a new program called *Grants to provide strategic assistance to improve student outcomes*.

Broadbanding and rebadging of programs in this way can increase flexibility and the potential for more strategic allocations of funds. It can also lead to some concerns. Broadbanding is acceptable if it does not result in an overall reduction in funding when compared with the total allocations made previously to the subsumed programs.

The Bill indicates that total allocations for 2001 would be maintained at the 2000 level (in 2000 dollars) and then be reduced. Schedule 8 Part 1 shows an 11.4 per cent reduction over 2002 to 2004 in the allocation for educationally disadvantaged students under Part 7 of the Bill. This planned reduction is difficult to countenance in the light of the increasing size and needs of the targeted groups of students who are amongst the most disadvantaged in our communities. The reductions will hit government schools hardest, as these schools generally contain the most disadvantaged students.

New South Wales meets a large part of the salaries costs of teachers to support students from language backgrounds other than English and in the education of students with disabilities from the recurrent Commonwealth grants made under this provision. These costs will increase rather than be reduced. These funds are also used provide assistance to school communities with high concentrations of low socio-economic status (SES) families. The impacts of low SES on educational outcomes are well documented and appear to be intergenerational. It is most unlikely that the need will be reduced in the short term.

Broadbanding also raises the potential to incorporate additional unfunded commitments within the same amount of funding. In recent years, numeracy was added to the Commonwealth literacy program. In this Bill, the Commonwealth's previous focuses on literacy and numeracy are abandoned in favour of unspecified student learning outcomes.

This is of concern in the light of the termination of funding for programs such as the valuable Full Service Schools Program for Students at Risk and the Quality Outcomes program. The needs of the target group of students met by these programs have not been addressed in any new programs.

It should also be noted that the only identifiable literacy and numeracy component in the Bill is at Part 9, Sections 84 to 85, Grants to foster literacy and numeracy. These grants would occur in the context of national projects. These grants are shown in Schedule 8 Part 1 as maintained at 2000 levels for 2001 but with an 86 percent reduction in 2002 and no funding in 2004.

4.2 Allocative Mechanisms and Outcomes Based Funding

Part 7, Section 77 of the Bill should state the allocative mechanisms that would be used to determine the levels of funding between states (or the sectors within a state) for strategic assistance funding. The bill as it stands does not provide an objective mechanism for allocating the Strategic Assistance grants, which are the bulk of targeted funding (\$242 million).

Part 7, Section 77 of the Bill combines funding for government and non-government schools. This is an unusual feature for this Bill where separate provision for the two sectors has generally been made. As it stands, the Bill gives the Commonwealth Minister the discretion to divert funds from government schools to non-government schools. This is a concern in the light of the planned reduction of resources overall and other indications within the Bill of the Commonwealth Minister's emphasis of support for non-government schools.

New South Wales would propose to use the funds provided by this section of the Bill to support low SES, English as a second language (ESL) and special education recurrent programs. There are established mechanisms for determining the allocations to these three components. The low SES mechanism, in particular, has undergone thorough review by the ACER and has national acceptance. Similarly, the ESL mechanism has worked well over a number of years. The established low

SES, ESL and Special Education mechanisms should be continued and, for transparency, be explicitly referred to in the Bill.

4.3 Conclusions

NSW recognises the potential value of continued movement toward 'broadbanding of Commonwealth funding for equity programs.

The effectiveness of these important provisions is contingent upon stable and reliable funding over the funding quadrennium and the flexibility over time for the Commonwealth to address emerging needs and innovations through new and additional funding commitments.

Recommendations

- **The Senate note the continued movement toward 'broad-banding' funding for equity programs and the importance to States of stability and reliability in funding for these areas.**

5 Accountability

Relates to:	Section 12	Agreement on conditions of financial assistance
	Section 14, 22	Specific condition: financial accountability
	Section 15, 23	Specific condition: educational accountability
	Section 16	Specific condition: non-fulfilment of conditions

5.1 Partnership

The successful operation of the partnership for the effective provision of school education nationally requires a balance of rights and responsibilities between levels of government, and school authorities.

The proposed Bill does not reflect an appropriate balance between the parties, giving the Commonwealth Minister a large range of powers that available for arbitrary use. These are listed at Tab A.

5.2 Financial accountability

It is a legitimate expectation of the Commonwealth that recipients of government funding should be accountable to the government for these funds. But, the requirements included in the Bill under 'financial accountability' go beyond the reasonable expectations of accountability and are likely to be counter-productive.

The Bill provides for the Commonwealth Minister to be the ultimate accountable party with regard to Commonwealth expenditures, independently of State Ministers. In this, the Bill raises a serious policy question as to how the Commonwealth Minister could be the final point of accountability for the implementation of funding over which the Commonwealth does not have direct responsibility in implementation.

In addition, the changes have the potential to disrupt state funding policy objectives used in an arbitrary and partial manner. There are no constraints on the Minister's ability to order repayment of funds or to reduce or delay payment.

The powers of the Commonwealth Minister in Section 16 concerning non-fulfilment of conditions have been widened compared to the previous Act. Section 16 links to Section 12 (3). This section includes a condition that the State will provide to the Minister reports that contain information of a kind that the Minister thinks appropriate at times the Minister considers appropriate. In addition, Section 12 (4) empowers the Minister to add other conditions.

The option will exist for the Minister to use these powers to gain details on all state program expenditures, from both state and Commonwealth sources. The

requirement to provide reports at times the Minister deems appropriate is open to use as a coercive tool in circumstances such as when the Minister of the day disagreed with the stance being taken by a particular state.

If the State does not fulfil the financial accountability conditions (as determined by the Minister) the Minister can, under Section 16, order repayment, reduce funding or delay funding. These powers are unfettered other than that the amounts to be repaid can not be greater than the value of the grants.

NSW is particularly concerned because of a history of deductions from the state's grants by the Commonwealth Minister. In June 2000, \$5 million was removed from the government school recurrent funding because the Minister disagreed with a \$5 million reduction NSW made in its allocations to some non-government schools. This is a clear example of the type of arbitrary use of power which these provisions in the Bill are open to.

5.3 Educational accountability

Building the national partnership for more effective accountability

All states and territories, along with representatives of the non-government sector and the Commonwealth are currently involved in a high priority project by MCEETYA to develop nationally comparable performance measures for school education. The work is based on reporting performance on the national goals for schooling. The project will allow for reporting in literacy; numeracy; science; vocational education; participation, retention and completion; information technology; citizenship and enterprise studies. These performance measures are being developed so that reporting can occur on Indigenous status, geographic location, language background, socio-economic background and disability.

National benchmarks have already been established for literacy and numeracy and results reported for year 3 literacy. When the MCEETYA work is completed, Australia will have for the first time, a set of nationally agreed comparable performance measures.

The MCEETYA exercise is the most comprehensive and integrated effort to monitor performance yet undertaken in Australia. The work is being undertaken using considerable resources provided by the states and the Commonwealth.

The Bill raises the possibility of the Commonwealth Minister establishing a duplicate accountability framework to the MCEETYA exercise. The explanatory memorandum to the Bill states that the framework is 'aimed at strengthening the link between the funding provided under Commonwealth schools programs and improved outcomes for all Australian school students. Grantees will be required to commit to achieving performance measures or performance targets against the national goals for schooling and to report progress'.

This approach is inconsistent with the spirit of national cooperation that has steadily

built the potential for comprehensive national reporting. There is no suggestion as to what benefits might accrue in terms of accountability by unsettling the existing process. The extent of public investment in this structure for accountability and reporting, which has hereto been a national project of significance with bi-partisan support, deserves consideration of the explicit benefits which might accrue to education by increasing in the Commonwealth Minister's discretion and sacrificing a national cooperative approach.

Unnecessary distinctions

The Commonwealth's need for reporting educational effectiveness is acknowledged. States and territories have similar needs that they carry out through the provision of annual reports to their parliaments. In these State annual reports, when performance is reported, no distinction is made whether the achievements were delivered through Commonwealth or State provided funds.

This is because State and Commonwealth funding cannot be separated for accountability and reporting purposes. When a State or school system receives Commonwealth funds in most cases they are simply added to the funds available. As a consequence it is not possible to link performance improvements directly to Commonwealth funds. For non-government school systems it is not possible to determine if the improvements came from Commonwealth funds, State funds, parent funds or fundraising.

Similar problems exist for reporting the achievements that result from targeted programs. While Commonwealth funding is supplementary to state or system funds, it is most often not separately identified when applied to programs.

Because it has not been possible to separate reporting on the basis of the source of funding, the states and territories have in the past reported against the national goals for all of their funding (Commonwealth and State) through the Annual National Report on Schooling. There has been genuine consultation on what was to be reported. The previous Act specifically supported negotiation on reporting between Ministers.

The Bill if enacted will require the States to provide to the Commonwealth reports of a kind or kinds required by the Minister (Section 15 b) whereas in the 1986 Act, Ministers were required to provide a report of a kind or kinds agreed to between the State Minister and the Minister. Under sections 12 and 15, the agreement between the States and the Commonwealth for authorisation of funding to government schools is dependent upon a commitment by the State to achieve a set of performance measures including performance targets. Similar accountability requirements are proposed for non-government authorities in relation to non-government schools (Section 23).

The proposals will involve the provision of stringent accountability information on **all** NSW school programs conducted by government and non-government systems. The Commonwealth Minister is seeking the power to set out in regulations the

performance measures and the targets that the States and school systems will seek to achieve from all of their recurrent and targeted funding programs whatever the source of funding.

It is unclear how, under current arrangements, the Commonwealth Minister can be accountable to the Australian public, in any meaningful sense, for expenditures and initiatives that are, by policy and legislation out of the Commonwealth's domain.

This scope of the proposed monitoring is intrusive and unnecessary. It duplicates existing agreed arrangements under MCEETYA. It raises the constitutional question of the responsibility for the provision and management of school education. In operation it would be impractical and unlikely to lead to system or school improvements.

Unclear Purpose

The purpose of the collection of large amounts of data by the Commonwealth is not clear. The logistics of this exercise would require a large team of Commonwealth officers to oversee the setting of performance measures and targets. They would do this, on behalf of the Minister, without ever actually being involved in implementing the programs in schools or being responsible for the success of programs.

The capacity to collect performance data of this sort raises questions of the Minister's intent in going outside a cooperative national framework for reporting. Motivations may relate to the possibility of implementing outcomes based funding (and sanctions), or publication of league tables.

The combination of an unclear purpose for increased educational accountability processes, and a unilateral approach to their implementation, leaves the Commonwealth's approach open to speculation and suspicion.

This is by way of contrast to the painstaking but fruitful work which has been undertaken cooperatively by all states and the Commonwealth to genuinely improve reporting and accountability to this point.

Recommendations

- **That all provisions in the Bill relating to accountability and reporting be amended, so that they are explicitly consistent with the principle of shared responsibility for schooling and national cooperation, as expressed and agreed through MCEETYA.**

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- Ministerial Council on Employment Education Training and Youth Affairs. *The Adelaide Declaration on National Goals for Schooling in the Twenty-First Century*. Melbourne: MCEETYA, 1999.
- NSW Education Act 1990* Section 4 paragraphs (b) and (c).
- United Nations. *Convention on the Rights of the Child*, Article 28.

Powers of the Commonwealth Minister

The proposed Bill gives the Commonwealth Minister a large range of powers that available for arbitrary use. These include:

- determination of what is a level of primary or secondary education for a State (Section 6)
- determination of methodology for calculating an SES score (Section 7)
- determination that a body is the approved authority of a non-government school or system (Section 9)
- determination of performance measures (including performance targets) (Section 15, 23)
- determination of the reports, and kinds of reports on performance information required for education accountability (Section 15, 23)
- determination of whether or not a State/relevant authority has achieved the performance measures (including performance targets) (Section 15, 23)
- the issuing of directions to a State/relevant authority deemed by the Minister not to have achieved the performance measures (including performance targets) (Section 15, 23)
- determination of an amount to be repaid (if any) to the Commonwealth if a State/relevant authority does not fulfil a condition of grant (Section 16, 24)
- determination of reduction of financial assistance for a State/relevant authority (Section 16, 24)
- determination of the amount payable in the case of overpayment of financial assistance (Section 17, 25)
- determination of the definition of *overseas student*. It can include any person the Minister wants to include (Section 52)
- determination of the amount paid to States for recurrent expenditure and capital expenditure of government and non-government schools. The *ceiling* is specified in the Bill, not the floor (Sections 53, 54, 57, 65, 66 and 72)
- determination of the amount paid to States for targeted assistance to government and non-government schools. The *ceiling* is specified in the Bill, not the floor (Sections 76-100)

- determination of a funding mechanism for Grants for strategic assistance (Section 77), Grants for education in country areas (Sections 80-83), Grants to foster literacy and numeracy (Sections 84-85) Grants for special education at non-government centres (Sections 86-88) Grants to foster learning of languages other than English (Sections 89-92) Grants to foster the learning of Asian languages and studies of Asia (Sections 93-97). No funding mechanisms for these programs are referred to in the Bill.
- determination of amount of financial assistance to a State for national projects – up to 10% of Grants for strategic assistance, Grants for education in country areas, Grants for special education at non-government centres and Grants to foster learning of languages other than English. These projects can be carried out anywhere in Australia
- determination of Average Government School Recurrent Cost (Section 102-104).