

QUEENSLAND GOVERNMENT

SUBMISSION

TO THE

SENATE

EMPLOYMENT, WORKPLACE
RELATIONS, SMALL BUSINESS AND
EDUCATION LEGISLATION
COMMITTEE

IN RELATION

TO THE

*STATES GRANTS
(PRIMARY AND SECONDARY
EDUCATION ASSISTANCE)
BILL 2000*

Due Date: 4 August 2000

Introduction

The *States Grants (Primary and Secondary Education Assistance) Bill 2000* covers grant financial assistance to the States for 2001 to 2004 for primary and secondary education, and for related purposes. This Bill allows the Commonwealth Government, along with a range of other proposals, to enact the changes to non-state school funding announced in the 1999 Commonwealth budget.

The introduction of the *States Grants (Primary and Secondary Education Assistance) Bill 2000* as proposed would adversely impact on States/Territories in fulfilling their responsibilities for education.

Issues

There are five main issues with the Bill from Queensland's perspective:

Setting of Benchmarks and Performance Targets

1. The Bill provides for the Commonwealth Minister to set benchmarks and performance targets for States/Territories and to apply penalties for non-achievement without any clear process on how agreement on the measures would be reached and sanctions applied;

Relativity of Funding between State and Non-State Schools

2. There have been significant increases in funding to the non-state sector relative to funding of the state sector. The full impact of this is not possible to quantify due to anomalies and a lack of transparency in the methodology to calculate increases; .

Challenge to State /Territory Regulatory Approach

3. The Bill undermines the regulatory approach in Queensland and the distinction drawn between accreditation and funding in a recent review of accreditation and accountability arrangements. The Bill also challenges State/Territory decision-making responsibility over funding of non-state schools;

Change from ERI to SES Funding Model

4. The Bill provides the legislative base for the replacement of the Education Resources Index (ERI) as the method of funding non-government schools with a model based on the relative socio-economic (SES) status of school communities. It is not clear whether the neediest schools will receive the greatest support; and

Other Issues

5. The Bill lacks clarity regarding the allocation of funding for the proposed new program titled 'Strategic Assistance for Improving Student Outcomes'. In relation to students with disabilities, the Bill may increase the cohort eligible for funding under the 'Special Needs Learning Program' without any increases to the level of funding.

Each of the issues are discussed below in more detail.

Analysis/Discussion of Issues

1. *Setting of Benchmarks and Performance Targets*

The current States Grants Legislation emphasises the importance of collaboration between the Commonwealth and States/Territories governments for accountability purposes by including the clause (12 b) “provide to the Minister a report or reports, of a kind or kinds agreed between the State Minister and the Minister, on matters agreed to between them”. The *States Grants (Primary and Secondary Education Assistance) Bill 2000* includes the clause (15 b) “ provide to the Minister for inclusion in the report mentioned in paragraph (a) [A national report on the outcomes of schooling] a report or reports, of a kind or kinds required by the Minister, addressing the requirements for performance information that are set out in the regulations as in force from time to time”.

This change substantially changes the Commonwealth’s commitment to collaboration through the Ministerial Council on Employment, Education, Training and Youth Affairs (MCEETYA) processes. Queensland is committed to MCEETYA and its processes, including the National Goals for Schooling, but sees no justification for introducing a coercive regime of reporting to the Commonwealth clearly incompatible with the spirit of cooperative federalism.

In the Bill, Commonwealth Government financial assistance to the State for government and non-state schools is proposed to be conditional on a range of factors (Section 12 and Section 18 of the Bill) including: (a) the commitment by the State to the National Goals for Schooling approved by MCEETYA; and (b) a commitment by the State to achieve the performance measures (including the performance targets) set out in the regulations as in force from time to time.

This is the first time clauses such as these have been included in education funding legislation. The clauses state that the Commonwealth Minister must not authorise a payment to a State under a provision of this Act for government or non-state schools for a program year, unless the State has made an agreement with the Commonwealth that sets out amongst other things a commitment by the State to achieve the performance measures (including performance targets), set out in the regulations, as in force from time to time. The Bill also provides that the State will, if the Minister so determines, repay to the Commonwealth the amount stated in the determination and that if the State does not do so, the Minister may make a determination reducing any other amount or amounts of financial assistance for the State under this Act for government or non-state schools.

The Queensland Government supports and agrees with the purposes and aims of MCEETYA, especially the National Goals for Schooling in the 21st Century. However, this proposal goes against the nature of cooperation and goodwill developed in MCEETYA by tying funding to the achievement of performance targets. The inclusion of performance measures (including performance targets) in this manner is a totally unacceptable intrusion into an area of State responsibility. The Commonwealth provides only 11 per cent of funding of state schools in Queensland. The Queensland Government opposes the philosophy of benchmarks and targets linked to sanctions. It is not clear if there is to be a collaborative mechanism to determine the performance measures (including performance targets), nor is it clear how the Commonwealth Minister may determine sanctions.

The Queensland Government is not opposed to the appropriate use of performance measures (including performance targets). However, the Queensland Government is opposed to the Commonwealth Minister holding States/Territories to ransom and being able to apply financial sanctions that would disadvantage children in Queensland schools by reducing, withholding or ordering States/Territories to pay back funding intended to provide educational services to children. Good performance may require rewarding. The Commonwealth has not had a history of rewarding good performance. Declining performance standards may under certain circumstances indicate that additional rather than less funding is required to provide particular learning support. Rather, performance benchmarks and targets should be used as analytical tools on which decisions can be made to make improvements in the provision of educational services.

RECOMMENDATION

It is recommended that clause 15 (b) be amended to reflect the collaborative nature of national reporting.

It is also recommended that the references to the use of performance measures (including performance targets), in determining the level of funding provided to States, which are proposed to be set out in the regulations from time to time, be deleted from the Bill.

2. *Relativity of Funding between State and Non-State Schools*

The Bill allows the Commonwealth Government, along with a range of other proposals, to enact the changes to non-state school funding announced in the 1999/2000 Commonwealth budget. However, there appears to be a number of differences from the announcements in the 1999 Commonwealth budget, which makes it difficult to assess the relative impact on state schooling.

The Bill reports that the funding base for benchmarking non-state school funding against national Average Government School Recurrent Costs (AGSRC) is in final 1999 prices (ref. Schedules in the Explanatory Memorandum).

However, the AGSRC figures reported in final 1999 prices (Schedule 1 of the Bill) are the same figures as the per capita expenditure figure for the 1997-98 financial year for primary and secondary schools excluding buildings and grounds. (ref *National Report on Schooling in Australia* 1998 Table 27 page 214). It is important to note that the per capita buildings and grounds figures shown in the *National Report on Schooling in Australia* 1998, Table 27 page 214 note (a), are incorrect and are in the process of being corrected by the MCEETYA secretariat. When corrected primary and secondary buildings and grounds data are included, the AGSRC data included in Schedule 1 of the Bill are 1997-98 financial year data. All state school financial data collected and published by MCEETYA are financial year data, not calendar year as reported in schedule 1. Thus the AGSRC reported in the Bill significantly understates the cost levels of implementing the Bill. As the AGSRC increased on average 7.5 per cent per annum for primary schools and 5.2 per cent per annum for secondary schools between 1995-96 and 1998-99, further increases of the same magnitude could be expected to bring the cost levels to 1999, let alone 2000 levels.

The Bill does not include estimated increases in the AGSRC for the calendar years 2001, 2002, 2003, or 2004, although it is noted that Section 102 of the Bill requires

the Minister to consider changes to the AGSRC as published from time to time by MCEETYA, or a prescribed body that has a corresponding function.

The explanatory memorandum to the Bill notes that: "Until the precise amounts for the year 2000 primary amount, the year 2000 secondary amount and the AGSRC amounts as at 1 January 2001 are known, it will not be possible to work out the precise year 2000 funding levels for the current 12 ERI categories or for the funding category cases, which are to be shown in column 1 of Parts 3 and 4 of Schedule 4. The Funding levels currently shown in those tables are based on the current primary and secondary per student amounts purported to be the 1999 AGSRC."ⁱⁱ The primary and secondary school AGSRC amounts appear to be MCEETYA 1997-98 Government school per capita expenditures and not 1999 final cost figures as defined in the Bill. Thus the total costs of implementing the new reforms are understated as a result of a lower base being used and significantly higher than the figures included in the 1999 Commonwealth budget. This will have a significant impact on the relativity of revenue available to state and non-state schools.

The Bill and Explanatory Memorandum (ref. clause 5) provides detailed advice on the exemption of Catholic systemic schools from the SES system announced by the Commonwealth 1999 Budget.

The exemption of Catholic schools by the Commonwealth from the SES non-state school-funding model has obviously been finalised since the 1999 Commonwealth budget papers were published. The Catholic systems (except in the ACT) have been benchmarked to have a system funding level of 56.2 per cent of the AGSRC. The ACT Catholic system will have a system funding level of 51.2 per cent of the AGSRC. These changes will result in significant increases in per capita funding to Catholic systemic schools. The increases in the funding base as the AGSRC is updated on an annual base will have a cumulative impact.

The Queensland Government does not want to see the Commonwealth reduce funding for non-state schools. However, state schools deserve to be treated equally by the Commonwealth.

RECOMMENDATION

It is recommended that:

- the Commonwealth make it clear what year of AGSRC will be used for the calculation of funding for non-state schools to be distributed in 2001 and identify estimated increases in the AGSRC so that the full cost of implementing the Bill over the period of the Bill can be identified and an assessment made on the relativity of funding between state and non-state schools; and
- the Commonwealth provide the same growth in funding to state schools as is provided to non-state schools.

3. Challenge to State/Territory Regulatory Approach

The current draft of the *States Grants (Primary and Secondary Education Assistance) Bill 2000* indicates:

- Financial assistance will be provided only to those non-government schools that are “included in the list of non-government schools for the level and location”.
- This list is kept by the Commonwealth Minister (Refer Pg 22).
- A school may be removed from the list if it “ceases to be recognised by the State Minister”.
- For a school to be included in the list “education at the school (must have) been recognised by the State Minister of the State in which the school is situated”.

The key determinant as to whether or not a non-government school receives financial assistance from the Commonwealth is whether that school is “recognised” by the State Minister.

Currently in Queensland there are three ways in which schools are “recognised” by the State Minister:

- when the proposed school receives “planning approval”;
- when it receives “approved non-State school status”; and
- when it receives “School in Receipt of Subsidy” (SIROS) status.

There is currently no clear agreement with the Commonwealth as to which of these three approvals would indicate the school is “recognised” by the State Minister in terms of it receiving Commonwealth financial assistance. The Queensland Government has recently undertaken a review of funding and accountability arrangements for non-state schools. Under the proposals currently being considered, a single accreditation process would replace the current three-tiered process. Only accredited schools would be permitted to operate in Queensland and have access to State funding.

However, eligibility for this funding would be determined in a separate but related process, essentially based on a consideration of issues currently addressed in the “planning approval” process. Under these proposals, a school that is not eligible for State funding but is able to meet the standards for accreditation, including those relating to financial viability, without the support of State funds, can be accredited and therefore approved to operate.

Hence, in the future there may be two ways in which schools are “recognised” in Queensland by the State Minister:

- when schools are accredited; and
- when schools are approved as being eligible to receive State funding.

Consultation on the proposals for reform in Queensland indicated a clear expectation in many quarters that only those schools eligible for State funding should be eligible to receive financial assistance from the Commonwealth. However, the current draft of the Bill appears to open the door to the anomalous situation of the Commonwealth funding a non-state school in Queensland that the Queensland Minister does not deem eligible to receive state funding.

Irrespective of whether the current Queensland arrangements continue, or the above proposals for new accreditation and accountability arrangements in Queensland are

implemented, to avoid the potential for confusion it is important that the new Bill clarifies what the terms “recognised by the State Minister” actually mean.

RECOMMENDATION

It is recommended that the Bill be amended to make it clear that, to be included in the “list” of non-government schools, a school must be “recognised by the State Minister as being eligible to receive State recurrent funding.”

4. *Change from ERI to SES Funding Model*

The SES approach proposed as the basis of funding non-state schools is area-based using the ABS collection districts rather than of individual-based measures of SES. As there is variability within any census district area, there is capacity for significant variation of individual characteristics within individual collector districts. The degree of heterogeneity within a collector district will influence the index score of that collector district. Collector districts, which have large proportions of households with similar measured characteristics, will tend to have the lowest or highest scores. In contrast, areas with mid-range index values tend to contain a broader mix of individuals and households. There is an assumption that non-state schools attract students from all SES groups within a collector district. Distortion is likely through high SES families sending their children to non-state schools and lower SES families sending their children to state schools or some categories of non-state schools.

The Australian Council of Educational Research has undertaken research on the limitations of area-based SES measures for the National Education Performance Measurement taskforce. The ABS in its development of the socio economic index of financial advantage has also contributed important information to this debate. Area-based measures of SES may distort funding to a number of school types, especially schools with boarding facilities that attract wealthy farmers’ children living in a collector district of relative poverty. There is a need to investigate the changed funding rates for all schools during the transition to SES so that anomalies can be minimised.

RECOMMENDATION

It is recommended that individually based SES be investigated to ensure that the neediest communities receive the greatest support to overcome the limitations of the collector district base approach to collecting SES data.

5. *Other Issues*

Section 76 onwards of the Bill outlines a series of grants to provide strategic assistance to improve student outcomes, these include: Grants to provide strategic assistance for government schools (Section 78); Grants for strategic assistance for non-government schools (Section 79); Grants for education in Country areas (Section 80); Grants to foster literacy and numeracy (Section 84); Grants for special education at non-government centres (Section 86); Grants to foster the learning of languages other than English (Section 89); Grants to foster the learning of Asian languages and studies of Asia (Section 93); Grants for teaching English to new arrivals (Section 98); and Grants for national projects (Section 101).

Under the strategic assistance to government and non-government schools, there is a revised structure, which combines the existing literacy and numeracy grants to schools program with the special education school support fixed grants and per capita grants, to form a new program titled “*Strategic Assistance for Improving Student Outcomes*”. It is not clear how the funds are intended to be allocated. Queensland does not support the combining of these two programs due to a potential loss of transparency.

Under the Special Needs Learning Program, the per capita formula for students with disabilities has been changed from 2000 (Primary - \$87.00; Secondary - \$126.00) to all primary and secondary students (FTE) \$102.00. This change does not increase the net amount available for students with disabilities. There have also been changes in the definition of students with disabilities and children with disabilities that have the capacity to increase the cohort that is eligible for funding under the program. The definition also includes children with disabilities of school age children who do not attend school. However, the quarantined funds remain the same. This could also have significant cost implications for Queensland.

RECOMMENDATION

It is recommended that;

- the Commonwealth quantify the expected increases in the cohort from the changes in the definitions for students with a disability and children with a disability and identify additional funds that would be required; and
- the literacy and numeracy grants to schools program with the special education school support fixed grants and per capita grants be identified as separate programs.

ⁱ States Grants (Primary and Secondary Education Assistance) Bill 2000 Explanatory Memorandum (Circulated by authority of the Minister for Education, Training and Youth Affairs, the Hon Dr David Kemp MP).