

Preface

In 2001 a highly contentious new system for Commonwealth funding for Australian schools was introduced. Debate over the new policy reopened schisms in the Australian community not seen since the ground-breaking political consensus reached in the Karmel settlement¹ of 1973. Whereas the Karmel Report's needs-based approach adopted forty years ago was broadly accepted, in principle and in practice, by virtually all major stakeholders and the community at large, the current Government's new funding model (the 'SES model') has been widely criticised. The failure of the Howard Government's funding policy is evidenced by the breakdown in a national consensus which began with Karmel in 1973 and continued until 1996.

The 2001-04 Commonwealth schools funding quadrennium expires at the end of this year and the Government has introduced into Parliament new legislation proposing school funding for 2005-08. In view of the controversy surrounding aspects of the current funding model, introduced with the States Grants (Primary and Secondary Education Assistance) Bill 2000, and in the light of foreshadowed legislation for the 2005-2008 quadrennium, (the Schools Assistance Bill 2004), the committee has taken the opportunity presented by this inquiry to comment broadly on what it regards as a funding policy unsustainable in its present form, a policy poorly targeted to meet the needs of schools, and one which creates divisiveness and discontent across the school sector.

The terms of reference for this inquiry go to the capacity of all Australian schools to achieve the objectives set out in the Adelaide Declaration of 1999 on National Goals for Schooling in the Twenty-first Century. This Declaration represents an agreement signed by all state and territory governments as well as the Commonwealth. As a signatory to the agreement, the Commonwealth must be regarded as committed to the principles which it contains. A key principle expressed as part of the National Goals is that of social justice as a prime objective of schooling, 'so that students' outcomes from schooling are free from the effects of negative discrimination.... and of differences arising from students' socioeconomic background or geographic location'.²

Overwhelming acceptance of, and strong support for, the National Goals for Schooling was apparent in evidence put to the committee during the inquiry. Many witnesses and submissions, however, expressed the view that current Commonwealth Government policies ran counter to the achievement of the goal of social justice in particular. There was a widespread view that these policies, especially the effects of the application of the SES funding model for private schools and the Commonwealth's approach to the funding of public schools, acted to increase inequality of outcomes.

1 This refers to the implementation of recommendations on the funding of non-government schools of the 1973 *Report of the Interim Committee for the Australian Schools Commission*.

2 *Adelaide Declaration on National Goals for Schooling in the Twenty-First Century* par 3.1 www.mceetya.edu.au/nationalgoals

Several witnesses drew attention to comments by Dr Barry McGaw, director of education for the OECD, who has noted that the Australian schools system as a whole is one of the most inequitable in the developed world in terms of the distance between the schooling outcomes for students from high socioeconomic background, on the one hand, and those from the lowest, on the other.

Underlying the inquiry is a fundamental question: what, precisely, is the appropriate role for the Commonwealth in schools funding? The current Government would have it that its own role somehow accords priority to non-government schools, while the states have primary responsibility for government schools. The sub-committee heard from several witnesses that this view has no basis in the Australian Constitution, although it is an accurate reflection of the current situation as crafted by the Commonwealth itself. Using this as its premise, the Commonwealth argues that the balance of its own funding – tipped in favour of private schools with their 30 percent of total school students receiving 70 percent of Commonwealth total funds – is appropriate.

Other commentators point to the history of the Commonwealth's intervention in schools funding: in the 1970s the Commonwealth assumed a role in the context of an emergency that saw the approaching financial collapse of Catholic parish schools nationwide, and acted to shore up these schools with subsidies that brought them to a more acceptable standard of resourcing and educational provision. The basis of Commonwealth intervention in schools funding, it is argued, is the principle of need and the principle of a community standard for education for all children, wherever they go to school. Policies such as the former Disadvantaged Schools Program crossed sectoral boundaries to provide additional support to any school where students had acute and special needs. Under this view of the Commonwealth role, it is the responsibility of the national government to oversee schooling from the national perspective, and to step in to rectify inequities and provide assistance so that all Australian children, no matter where they live and what kind of schools they attend, can receive an education of a quality and standard broadly accepted by the community at large.

The committee notes that disagreement and, on occasion, deliberate obfuscation on this fundamental issue have clouded public debate on schools funding. The sub-committee agrees with the view that the historical basis for Commonwealth subsidisation of school education is as described in the previous paragraph. It believes, further, that such an approach is the only appropriate one for a national government in a federal system.

Within the constraints of time and resources the committee has attempted to place the issue of schools funding in the context of a policy which has tacked and veered over the past forty years. While some broad bipartisan agreement has stood the test of the years, there has been tension centred on the fundamentally conflicting policy priorities of 'need' and 'entitlement'. The former approach would allocate funding on the basis of an agreed benchmark for standards, facilities and quality: the latter takes as its starting-point the idea that all students, no matter what their circumstances, are

'entitled' to a specified level of educational subsidy. As will be noted in chapter 1, the evidence presented to the committee from various interest groups echoes many of the arguments that had their origins in the 'state aid' debate four decades ago, and some of those divisions remain unresolved today.

It will be argued that over the past eight years, and certainly the past five years, the consensus view on school funding, embodied in the Karmel Report, has begun to erode. Partly as an outcome of social change, there is now a growing polarisation of views on the desirable mix of schools in the community. This dichotomy of opinion would not have been significant without its exploitation by political interests. The erosion of the middle class base in many public school enrolments is often noted by conservative commentators. Public education has suffered from diminishing political support at both Commonwealth and state levels. Whereas Karmel premised his funding reforms, and his vision of the revitalisation of school education in all its aspects, on the presumption of an overwhelmingly dominant public school system, the ground has now shifted.

The committee sees this as an unfortunate trend. While it supports the principle of parental choice in education, it takes the view that perceptions (and in some instances the reality) of an impoverished and apparently underperforming public school system have influenced choice. The Government's emphasis on 'choice' carries an implication that, given a choice, parents would prefer a non-government school, and so these must be provided. The committee believes that 'choice' in education comes not only at a high price for middle income families, but at a very high price for taxpayers through the establishment of new schools which duplicate, and then even make redundant, the public investment that has been put into public schools over past decades. Much has been made of the altruistic relief given to state treasuries as a result of private investment in education. This takes no account of opportunity costs of privately funded schools and investment foregone in wealth generating sectors of the wider economy.

Chapter 2, in dealing with the relative merits of the ERI and SES funding entitlement models, explains how the transition from one model to the other represents a move away from needs-based funding to one which reflects the current Government's desire to acquiesce to demands from parents based on the concept of the universal 'entitlement' to government subsidies for schooling. The argument goes that since all parents are taxpayers they are entitled to some kind of education rebate which may come in the form of a grant to the school of their choice. This is an entitlement that may bear no relation to need. A further argument often advanced is that, by preserving the idea of an entitlement for all students, regardless of the resources of their school, incentive is provided for families to invest in schooling. Finally, it is said by proponents of this view that families who opt out of the public system save the taxpayer substantial amounts of money. The idea of an entitlement reflects, and compensates for, these savings.

The committee notes that there is growing concern about the reinforcement of privilege which is the outcome of the current SES funding model. But the committee

is also aware that, while debate over the relative merits of the SES and the former needs-based ERI funding models continues, the models themselves are less contentious than the use to which they are put by the Government. The SES model may well be methodologically sound: the same cannot be said for the way it is manipulated and modified to suit political ends.

The new legislation to appropriate funds for the 2005-08 quadrennium contains noteworthy provisions indicating the Government's increasing imposition on states and school systems of intrusive micro-management requirements. The stipulations laid down by the Government extend to occupational health and safety and to employee relations. The committee cannot fault the Government's thoroughness in attempting to replicate in this bill so many policy features taken from its many unsuccessful industrial relations bills. Another borrowed feature is the propagandist slogan which features in the short title of the bill, which is Schools Assistance (Learning Together – Achievement Through Choice and Opportunity) Bill 2004. The committee has made similar criticism of titles to bills seeking to amend the Workplace Relations Act. The committee regards it as inappropriate to assign titles to pieces of legislation that might more appropriately appear in the Minister's second reading speech. It calls on the government to revert to the accepted convention where the short title of a bill is intended to reflect in a factual manner the bill's contents and purpose.

In summary, the committee reports that the Schools Assistance Bill maintains a policy which misdirects Commonwealth resources to the detriment of students in schools which serve disadvantaged communities, as well as students who have a disability or some kind of learning impairment. That is, the needs basis for funding is receiving a much lower priority than it requires. The obvious beneficiaries of the current funding policy are socioeconomically privileged communities and the resource-rich non-government schools which serve them. The policy outcome is to reward families who are best able to afford the 'choices' which they claim as their right. The distribution of Commonwealth funding at current rates to the best resourced schools in the country gives them a disproportionate advantage measured against the measure provided by the Average Government Schools Recurrent Cost (AGSRC) index. The committee believes that principles of 'choice' and 'entitlement' which together are claimed to justify the disbursement of private school funding need to be re-examined in the light of higher principles of Commonwealth responsibility to address real needs and direct resources accordingly. The current SES funding model needs to be amended and extended to encompass a needs-based component.

The committee takes the view that an effectively targeted funding model needs to take into account the extent to which schools are able to raise their own income from fees and endowments. This would impose a much more demanding accountability process, and would require from non-government schools financial information that they have hitherto been unwilling to submit to parliamentary scrutiny. The record so far has shown that increased Commonwealth assistance to high-fee schools has not resulted in a reduction of fees, but has simply increased their capacity to compete with similar schools in the range of superlative facilities they offer and in the salaries they are able to afford for their principals and their business management teams.

The committee notes the call from some witnesses for a national public inquiry into school funding. The committee does not recommend such a course of action. It takes note in this report, however, of several key issues and problems with the current funding system which were presented to it in the course of its own inquiry. These matters might well form the basis for serial review, over time, of the components and effects of the SES funding model and attendant policies. The committee recommends the development of a national strategy for school funding, eliminating inter-governmental bickering which has led in the past to embarrassing funding anomalies and inequities across the country. A national strategy should involve a consistent, agreed, cross-sectoral approach to the development and registration of new schools, many of which under current policies have been founded on principles at odds with national and local planning priorities and sometimes with broader community social standards.

Finally, the committee notes that a large number of witnesses and submissions drew attention to perceived deficiencies of the AGSRC index as a basis for funding private schools. It should be noted that the AGSRC is actually used in three separate ways: first, to set in place a standard against which to assess need (a role ignored by the current Government); second, as a basis for determining the level of funding (expressed as a percentage of the AGSRC) for each step of the SES scale; and third as an index for the annual supplementation of grants. The reservations expressed by witnesses go variously to each of these functions, and do not concentrate on one in particular. The reservations are noted. The committee agrees that the use of the AGSRC to serve all of these separate purposes could be questioned. The committee does not make any specific recommendations regarding the use of the AGSRC.

The committee commends this report to the Senate and urges the adoption of its recommendations.

