

Submission

to

Senate Employment, Workplace Relations and Education
References Committee

Inquiry into Commonwealth Funding for Schools

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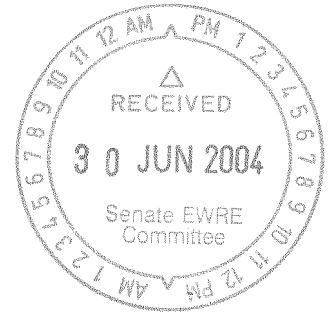
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**Equity, Social Cohesion and
Curriculum Guarantees – Key
Principles for a Rational Schools
Funding Formula**

**A submission to the Senate Employment,
Workplace Relations and Education References
Committee**

**From
ACT Council of Parents' and Citizens'
Associations**

June 2004



The ACT Council of Parents' and Citizens' Associations (ACT P&C Council or Council) represents parents with children enrolled in government schools through school-based Parents' and Citizens' Associations in all government schools. Council consists of delegates elected at the school level from all of those Associations. It meets monthly to consider educational issues.

In this submission, we firstly develop some principles on which a sound schools-funding policy should be based, from an analysis of the current challenges faced by schools in Australia. We then analyse to the current resources available to schools, and the extent to which the present socio-economic status (SES) model is consistent with these principles. Finally, we outline a new funding formula which will more effectively achieve national educational goals.

It should be noted that we do not accept that the Commonwealth Government has a special responsibility towards non-government schools. We believe that this claim has no constitutional basis. Rather we believe that the Commonwealth and State and Territory Governments need to develop collaborative funding mechanisms, based on the same principles, for funding school-level education.

While the Coalition has adopted the principles of competition and choice as fundamental drivers of its educational policy, Council believes that equity is a more fundamental principle for formulating social policy than choice. While the two are not necessarily incompatible, when resources are limited, as is usually the case, it is more important to direct government funding to achieve equity goals – for equity embodies a very fundamental Australian philosophy, that of “A Fair Go”.

It is, of course, possible to argue that the only way to achieve equity is to provide choice, generally in a competitive environment. However, we believe that the available evidence demonstrates that when promotion of choice has become the dominant factor, then it has increased rather than decreased inequalities. Not only does the evidence suggest that this is the case, but this outcome would be predicted from the simple fact that choice enables those with wealth to compete more effectively in attempts to buy educational privileges. Providing additional support to those who are already privileged is not sound social policy. By contrast, investing in equity directs greater resources to those who are most in need.

Important goals for schooling in modern Australia

Equity in educational outcomes

Many lines of evidence demonstrate the importance of equity in Australia today, in relation to educational outcomes

Only two will be analysed here.

Firstly the Program in International Student Assessment (PISA) study carried out by the OECD has shown that average educational outcomes in Australia are high by international standards, significantly surpassing those in the UK and the USA which are often held up as models that we should copy. However the PISA study has also

shown that the range of educational outcomes obtained in Australia is broader than those obtained in other high achieving countries, and that there are more students.

This means that our best outcomes must be very good indeed, but it also means that the Australian education system should be described as a HIGH QUALITY, LOW EQUITY system. The PISA study noted the correlation between low SES and low outcomes, and Indigenous origin and low outcomes.

Secondly, the results of national reporting against the benchmarks in literacy and numeracy show that a significant percentage of students do not yet achieve the benchmarks. It should be noted that these benchmarks were developed to define a minimum standard of literacy and numeracy required for further progress in education. It is therefore significant that less systematic data based on reporting against the national profiles shows that this level is not sufficient to guarantee further progress, and that an increasing proportion of students fall further behind as they progress through their schooling. This picture is consistent with the way in which students start to drop out of schooling before the end of the senior years.

Here again, there is abundant evidence that those students who fall behind the early literacy and numeracy benchmarks, and who progressively fall further behind in schooling, and who are at high risk of leaving school early, are concentrated amongst students from low SES and Indigenous backgrounds.

It is also clear from the evidence that boys are more likely to follow this educational path than girls, but it should be noted that analysis of gender inequalities is complicated by their interaction with SES. Overall, the gender gaps are smallest in students from high SES backgrounds, and most extreme in those from low SES backgrounds. Moreover, boys from high SES backgrounds achieve better outcomes than girls from low SES backgrounds. National data on school outcomes also demonstrates the lower outcomes achieved by students from rural and remote areas.

While the Minister for Education, Dr Nelson, has sometimes spoken of students who were biologically and socially not equipped to succeed at school, we assume that he was not implying that there were biological differences between socio-demographic and ethnic groups that determined educational outcomes. Instead, we argue that there are social factors, including lack of parental education, level of family and community coherence, and traditional cultural attitudes to education, at work in students from low SES backgrounds, Indigenous origin, and in some ethnic groups. These require schools to make additional efforts to fully engage these students, their families and their communities in the process of education. In some cases, students may suffer because of active discrimination, or more commonly perhaps, the conscious and unconscious setting of lower expectations based on their background.

Whatever their nature, social factors can be a barrier to success, but from an equity perspective, this simply poses the challenge to schools of helping students, their families and their communities to deal with these limiting factors. In relation to students with disabilities, where biological factors may sometimes be involved, the challenge for schools is still to support these students so that they can achieve as highly as possible.

Finally, it is clear that some students emerge with challenging behaviours during the school years. It matters little what their origin is, from biological factors, from bullying and harassment at schools, or from influences from outside school – the challenge is still for schools to support these students in ways that enable them to achieve.

Some defined equity target groups

Analysis of the data on educational outcomes clearly defines some equity target groups, which additional funding and special programs need to be developed, and funded to achieve equity in outcomes across social groups. This concept includes ensuring that students from all social groups achieve the same range of educational outcomes.

The current major equity target groups include:

- Students of Indigenous origin
- Students from low SES backgrounds
- Students from particular ethnic backgrounds that are currently characterised by low educational outcomes
- Students with disabilities
- Students with challenging behaviours
- Boys

Students with these characteristics require additional support in a variety of ways, and therefore require higher-cost education. It should be noted that many of these factors may overlap, and that in many cases a particular student, their family or their community, may require support from a multiplicity of programs.

The importance of social cohesion

While the evidence is harder to quantify, ACT P&C Council believes that social cohesion and inclusion also provides a major challenge to for Australian schools. Over the past decades, Australia has become an increasingly multicultural society, which challenges us to provide all Australian students with some shared social knowledge and understandings, while teaching them to understand, tolerate and respect cultural difference.

A school from the western suburbs of Sydney, Bankstown Primary School, illustrates the nature of the challenge. It has an enrolment which is of approximately 40% Vietnamese, 30% Lebanese Muslim, 10% Chinese, 5% Anglo-Celtic, 5% Pacific Islander backgrounds, with a variety of other backgrounds. Each of these groups brings to the school its own pattern of distribution of income and parental education, family and community attitudes to education, preparation of the students for schooling, as well as other differences. Meetings of the school Parents' and Citizens' Association requires interpreters to enable the parents to fully participate in decision-making, given that the levels of oral English are not always high in the parent community.

This school exists in an area where tensions between ethnic groups have been unfortunately common over the past few years, and there is some evidence that these tensions have been increased since September 11. In addition, the school is increasingly surrounded by a range of mono-cultural schools, particularly Islamic schools and schools supporting other religious groups derived from the Middle East. It must be clearly stated that Islamic schools have the same right to exist as other religious schools, including the Anglican, Catholic and Jewish schools, which have been more traditionally part of the Australian school sector.

It is self-evident that schools such as Bankstown Primary School which enrol students from a wide range of backgrounds have a major role to play in creating shared understanding of religions and cultures amongst Australian students. This is an important basis for social cohesion. Conversely, it is hard to argue that the increasing development of mono-cultural schooling is likely to create a more cohesive society.

There is considerable, but not complete overlap between the issues of equity in outcomes and the issue of social cohesion. If cultural misunderstandings and divides are complicated by differential educational outcomes and ultimately employment, then the situation has the potential to become explosive. This situation is replicated in a number of places in Australia, but it must be weighed against the democratic right to establish non-government schools.

The importance of a shared curriculum and shared knowledges and understandings

ACT P&C Council believes that all Australian children have the right to a common set of core knowledges and understandings, which requires a broad approach to curriculum. Curricula in government schools generally include, under Studies of Science and Environment education, information about a range of religions and cultures. They also provide a broad program of information for students in controversial areas such as sex education, including information about safe sex, which students will interpret in terms of their own values and backgrounds.

Many non-government schools also provide quite balanced curricula in these areas. However, it is unfortunate that some schools exclude some of this information. The Catholic school system, for example, in some curriculum documents, proscribes information about safe sex, and this may be the case for Islamic schools, and many other schools with narrow religious enrolment bases, such as Christian fundamentalist schools. These schools exist to promote their religious principles, and they have a right to do this – but it is debatable whether they have the right to public funding, or indeed registration, if they deny important public health information to their students, because they wish to keep their students in ignorance of certain matters.

There are other schools that seem to have even more sectarian purposes, and seem to exist primarily in order to close off a small community from mainstream society. There are a number of schools, generally with very small enrolments, that may fit into this category, such as those run by the Church of Scientology and the Ananda Marga. It is an interesting commentary on choice that the latter reviews enrolment of students to ensure that they are compatible with the philosophies and approaches of the school. In this case at least, it is the school that seems to be making the ultimate choice.

A striking example of a small sectarian school is St Joseph's School at Cambewarra, run by the Order of Saint Charbel. The leader of the Order is currently in court on charges of sexual assault of minors. This school currently receives over \$3000 per student from the Commonwealth. People are, in a democracy, entitled to their own beliefs, and this community of believers is entitled to educate their own children in their beliefs, as is any other. However a glance at the website of the Order of Saint Chabrel shows that the Little Pebble has recently posted a letter written to George Bush, Tony Blair and John Howard, informing them of the location of weapons of mass destruction in Iraq which has been revealed to him. It has to be asked whether this is a fit person to run a school. It also has to be asked what guarantees registration imposes on this school to provide a balanced curriculum to the young Australians who are enrolled in it by their parents.

It is not our intention to argue that non-government schools should be illegal, because of the existence of some extreme fringe schools. But some of the schools which have appeared in the past few years raise serious questions about the nature of registration procedures, which are currently a state and territory matter, and the automatic flow-on of Commonwealth funding to registered schools. More generally, it is clear that a closer look at shared curriculum, to guarantee the rights of all Australian children without impinging on the rights of parents to educate in their own cultures, religions and values, is highly desirable.

The National Goals for Schooling and the MCEETYA Principles for Funding Schools

This analysis has defined three key principles that need to be recognised in both the registration and funding of schools:

- The importance of schools committing to achieve equity goals
- The importance of schools promoting social cohesion
- The importance of schools offering to all students a broad curriculum to an agreed community standard

We believe that these principles are completely consistent with the National Goals for Schooling and the MCEETYA Principles for Funding Schools. Their application to school registration and funding is not simple, and will be explored in more detail later. Schools are currently required to commit to the National Goals for schooling in order to receive funding, but it is not clear that there is any process for ensuring that they comply.

However, we believe that government schools provide a bench-mark in provision in these areas, because they have an obligation to enrol all students who wish to enrol, as such they tend to serve as social melting pots, and they operate within broad national curriculum frameworks. We believe that the future of Australia depends on promoting these three principles, both in government and non-government schooling.

The current situation in relation to these goals

Differential enrolment of equity target groups across the school sectors

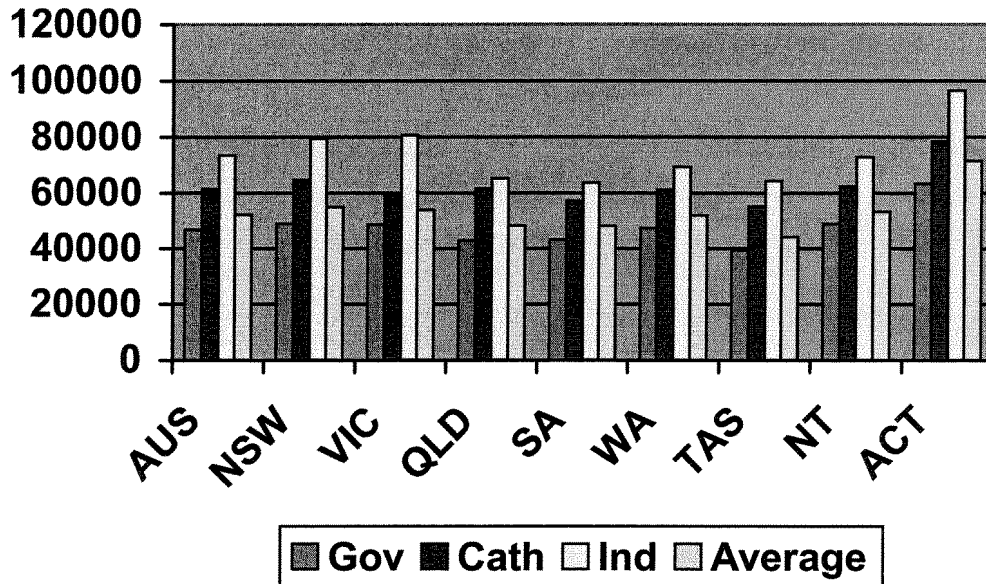
While hard data is not available for all of these equity target groups, national enrolment data shows clearly that government schools enrol a much higher percentage of students of Indigenous origin (approximately 3-fold) and students with disabilities (approximately 3-fold) than do schools in the non-government sector. There is some evidence that enrolments are differentially distributed within the non-government sector, with Catholic systemic and Catholic independent schools having quite distinct patterns of enrolment to those of the high fee and low fee independent schools.

A detailed analysis of the patterns of enrolment of these two categories of students in ACT non-government schools compared to the government system shows systematic under-enrolment in the non-government sector. It should be noted that some of the elite schools perform particularly poorly against equity targets, and it is clear that there is great diversity within the non-government sector that needs to be recognised in terms of differential funding.

The differential pattern of enrolment in different school sectors by SES has been a controversial matter, with the Catholic system in particular arguing that it has a similar SES profile to that of government schools. It is now clear that this is not the case. The most recent Census has enabled analysis of declared family income and parental education, two components that enter into most SES indices. Nationally, and in every state and territory, family income and parental education are highest in independent schools, and lowest in government schools. The only exception is that in the ACT, government school parents, while having average lower incomes than Catholic school parents, have higher educational levels. In all cases, average family incomes in Catholic schools are higher than the average. This emphasises the extent to which the Catholic system no longer caters for children from low SES Catholic families.

A different analysis based on the same Census data has been carried out, which is available at the AEU website. Preston shows that government schools enrol the vast majority of children from low income families, irrespective of their ethnic and religious background, whereas independent schools overwhelmingly enrol students from high income families. Catholic schools are intermediate in performance. Her detailed analysis of the data shows that students are more likely to be enrolled in government schools when they have multiple factors of disadvantage in their background such as Indigenous origin, low SES and single parent status.

Median Family Income by Type of School



Using the traditional criteria of students from Non-English Speaking Backgrounds, non-government schools enrol a slightly higher percentage than do government schools. It is not clear if this is due to the existence of ethnic schools in the non-government sector. While the evidence is less strong, it would appear that non-government schools tend to enrol from the currently high-achieving ethnic backgrounds, whereas government schools tend to enrol from currently low-achieving ethnic backgrounds, and thus the global percentage enrolment figures may disguise a greater need in the government sector. More work in this area is clearly required.

Students with behavioural problems are even more difficult to quantify, but they are important to take into account, because, while small in number, they can consume major educational resources, particularly in terms of teacher time. A recent report (*The Sufficiency of Resources for Australian Primary Schools*, DEST 2004) has provided some information consistent with these assumptions but on a very small sample of schools, by showing higher rates of absenteeism, higher proportions of children showing attention or cognitive problems, more disruptive or antisocial behaviour, and higher suspension rates in lower SES schools. Since the data on family income and parallel data on parental education levels show that students from low SES backgrounds are concentrated in government schools, students with behavioural problems are highly likely to be concentrated in them. Moreover, these students are also likely to be concentrated in government schools, including in special educational facilities, because schools in the non-government sector reserve the right to selectively enrol students, and the right to suspend and expel.

Thus the available evidence suggests that government schools disproportionately enrol most, and probably all of the high cost equity target students. On these grounds

alone, they need to be the best resourced schools in Australia. Yet as the funding figures show, they operate on resource levels much lower than those in many non-government schools.

The current funding situation

Figures on expenditure and income in schools by sector are available from the National Report on Schooling and the Report on Government Service Provision prepared by the Productivity Commission. There are some inconsistencies in the figures, concerning the classification of schools, where the non-systemic Catholic schools are funded as independent schools, but are often, but variably reported as Catholic schools. A detailed analysis of national figures is available from the Australian Council of State School Organisations.

The figures for the different sectors are not entirely consistent, in terms of forms of expenditure counted, and reporting in terms of cash or accrual accounting. There is also a significant level of cost shifting to the advantage of the non-government sector, because the expenditure on central service items such as curriculum boards is often not counted in non-government schools, and is often reported as expenditure on government schools. More work on genuinely comparable figures is required.

Nevertheless, the basic patterns are clear. Per capita resource levels in the non-government sector are higher than in government schools, despite the clearly greater level of educational need in the government sector, and the rate of increase has been greater over the past few years.

State and territory governments provide the main source of government school expenditure. In 2001-02, state and territory governments contributed 89 per cent of total government school funding in Australia compared to 11 per cent by the Australian Government. The average state/territory funding was \$6295 per student compared to \$887 per student by the Australian Government.

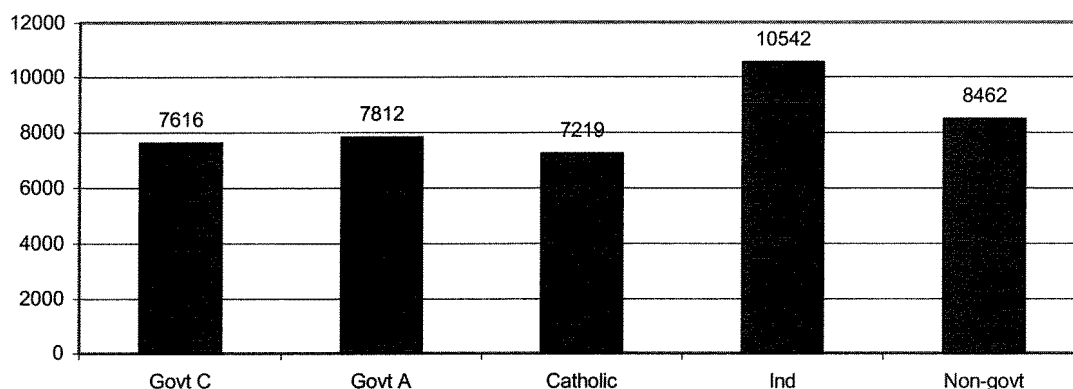
State and territory governments are also the main source of increases in government school funding. Between 1998-99 and 2001-02, state and territory governments increased funding for government schools by \$999 per student compared to \$141 by the Australian Government.

The Federal Minister for Education says that the Australian Government is increasing government school funding faster than state and territory governments. But, this is only true in percentage terms and even then it is only slightly higher (19 per cent compared to 17 per cent). Little funding effort is needed to increase funding from the low level provided by the Australian Government whereas a comparatively large funding effort is required to increase funding by the same percentage from the high levels provided by state and territory governments.

Non-government schools are better resourced than government schools. Average total expenditure (private + government) per non-government student was about 10 per cent higher than in government schools in 2001-02. However, global figures for the non-government sector disguise major inequalities between schools within the sectors.

At the first level of disaggregation, total expenditure on Independent schools was 46 per cent higher than for Catholic schools and 35 – 38 per cent higher than for government schools. Average total expenditure in Independent schools was \$10542 per student compared to \$7219 in Catholic schools and \$7812 in government schools (or \$7616 on a cash basis, excluding payroll tax).

School Expenditure by Sector, Australia, 2001-02 (\$ per student)



These global figures for the sectors disguise considerable disparities in resource levels within the sectors, that are probably most pronounced in the independent sector. Thus despite the clearly higher resource levels in the independent sector, school-by-school analysis may show that there are some poorly resourced schools, but there are undoubtedly many that are operating at very high resource levels.

On these global figures, Catholic schools have lower resource levels than in government schools, at about 90% of government school resource levels. This apparent resource advantage to government schools needs to be considered in the light of the differential enrolment patterns outlined in the previous section. Our preliminary analysis suggests that accounting only for the differential enrolment of students with disabilities would entirely abolish the gap, and consideration of the other differential educational costs based on different enrolment patterns (Indigenous students, low SES students, students from low-achieving ethnic backgrounds, students with challenging behaviours) would put the Catholic system significantly ahead in real per capita resources relative to their educational tasks.

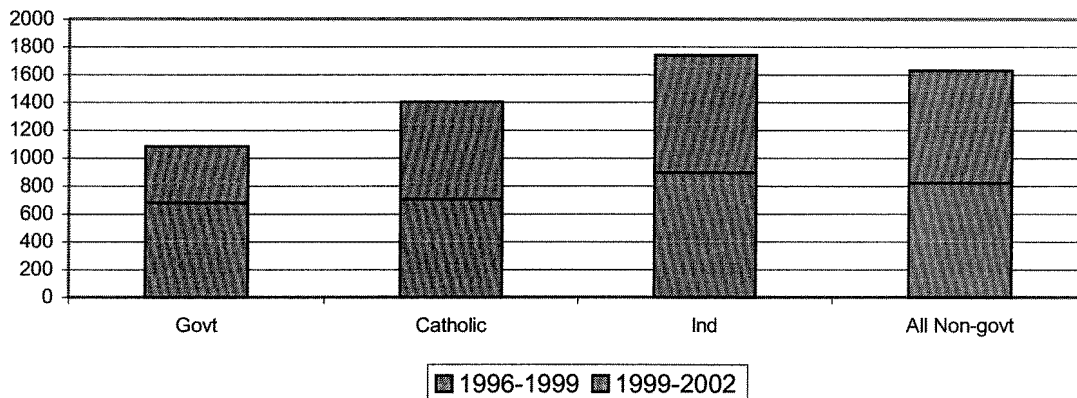
Recent funding trends

Recent funding trends have also favoured the non-government sector. Total expenditure (adjusted for inflation) for non-governments increased by much more than for government schools between 1996 and 2002. Expenditure in Independent schools increased by \$1743 per student and by \$1405 per Catholic school student compared to \$1085 per government school student (figure 6).

Expenditure per Independent school student increased by about 25 per cent more than in Catholic schools and by 60 per cent more than in government schools. Catholic

school expenditure increased by about 30 per cent more than government school expenditure. The overall increase in real non-government school expenditure was approximately 50 per cent higher than for government schools.

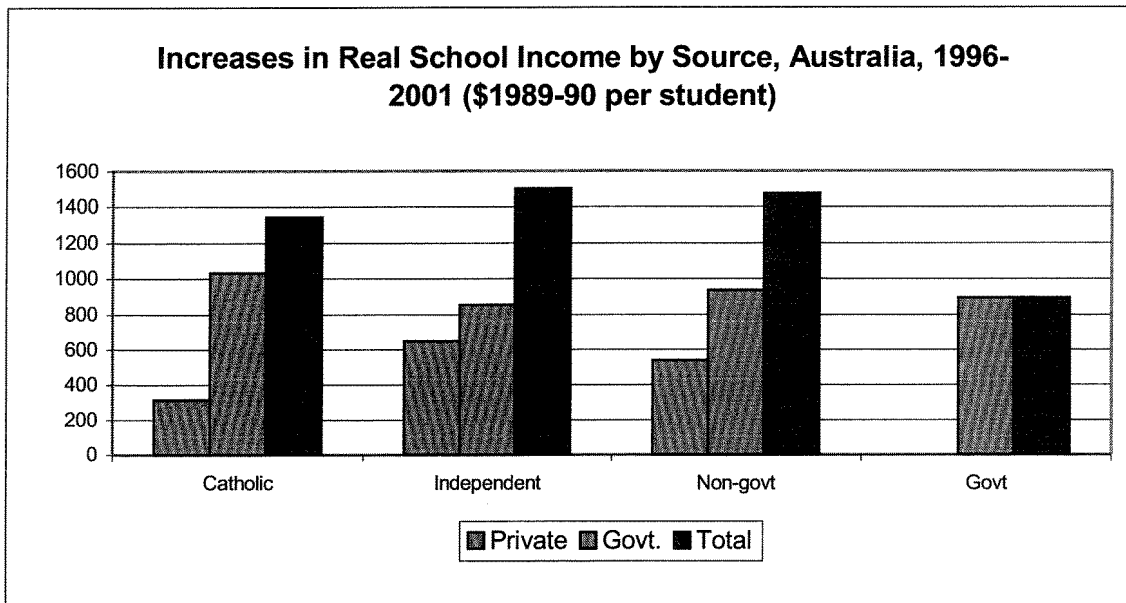
Increase in Real Expenditure by School Sector, Australia (\$1989-90 per student)



Government funding for non-government schools (adjusted for inflation) increased by more than government school funding between 1996 and 2001. Government funding for all non-government schools increased by \$935 per student compared to \$891 in government schools (figure 7). Government funding for Catholic schools increased by \$1031 per student and by \$835 in Independent schools.

Governments were the main source of increases in non-government school funding since 1996. They provided 63 per cent of the increase for all non-government schools, 77 per cent of the increase for Catholic schools and 57 per cent of the increase for Independent schools. The Australian Government was the main source of the increase in government funding, contributing 52 per cent of the increase in income for all non-government schools, 64 per cent of the Catholic school increase and 46 per cent of the Independent school increase.

Governments were the main source of non-government school funding. In 2001, governments provided 57 per cent of all non-government school income, 73 per cent of Catholic school income and 38 per cent of Independent school income.



This analysis obviously needs to be refined, particularly in relation to the independent sector which covers a vast diversity of schools ranging from the elite schools operating on resource levels up to twice those in government schools, without accounting for differential enrolment, to poor Aboriginal community schools in outback Australia.

But it is sufficient to put to rest one wide-spread myth – that of the poor Catholic schools. Such schools may have existed in absolute terms some years ago, before the introduction of government funding for non-government schools, the impact of the betterment factor, and the Education Resource Index (ERI) and SES funding models. But these days, schools in both the Catholic systemic and government sectors are poor largely in terms of their resources relative to their educational challenges, and their ability to obtain financial and in kind contributions from their school communities. Given the differential enrolment patterns documented above, wherever there is a poor Catholic school, you are likely to find an even poorer government school next to it.

Analysis of the current funding situation shows that the highest resource levels and the most rapid rates of increase in resource levels are found in the independent sector, where schools, on average, have the lowest proportions of students who need additional learning support. This means that current funding strategies are not clearly addressing the priority challenges for Australian schools. This is further demonstrated by the evidence of continuing educational inequalities based on socio-demographic background in Australia.

A Critique of the SES Funding Model

The present Government replaced Labor's ERI model with the present SES model. Labor's model, however flawed, attempted to base funding on school resources, with the aim of ensuring that all schools operated at some agreed level of resources, generally that set by government schools. It was seriously flawed in principle, for it

did not recognise the need to link resource levels required to the educational challenges faced by the school, and the way in which it linked resources to Average Government School Recurrent Costs (AGSRC) produced serious problems from an equity perspective. In practice, it was difficult to operate because of the skill of non-government schools in creative book-keeping, and by increasingly arbitrary rules.

We do not propose to document in detail the failings of the SES model, for that has been done comprehensively by others. At a level of principle, the SES model marked a significant change, in that it moved from a resource-linked funding model to one based on the estimated capacity of the school community to pay. Council rejects the model in principle, because we believe that this is not a good principle on which to base schools funding. Council believes that the operation of a progressive taxation system should provide for the costs of government schooling, and should contribute to the costs of non-government schooling in proportion to the real costs of education and the extent to which particular non-government schools provide equity in outcomes, promote social cohesion and provide broad curriculum guarantees.

However, there are many other significant problems with the SES model and its implementation. Firstly, it was introduced along with funding increases consistent with the Government's declared aim of promoting choice. In percentage terms, the biggest increases went to the most elite schools, those which received least under the ERI model. This was also associated with a truncation of the funding scale at the bottom end, so that schools with exceptionally low SES scores do not receive proportionately more funding. At the top end of the SES scales, there was almost no truncation.

Another fundamental flaw is that the SES model measures family income indirectly, apparently on the grounds that it would be too intrusive to ask private school parents for more information - even though the Government asks for high accountability for other aspects of government support. The end result is a total distortion of the funding package because, on average, students in non-government schools come from wealthier families, but, for funding purposes, carry the average socio-economic status of their place of residence. The potential distortions introduced by this statistical approach have been quantified for one collection district, where it has been estimated that family incomes for elite schools could be under-estimated by as much as four-fold. This has led to massively increased funding for some of the most elite schools in Australia - in part because their country boarders from wealthy farming families are attributed the low socio-economic status of their rural areas of origin.

This statistical flaw also means that independent schools will profit more from the flaws in the model than Catholic schools. The data presented earlier show that median family incomes in government schools would be over-estimated on the current SES model. Those in independent schools would be massively under-estimated, while those in Catholic schools, where median family income is above average, but not as high as in independent schools, would be under-estimated but not as much as in independent schools. Without additional indicators, or adjustments, the current SES model thus totally distorts the real picture of SES in Australian schools.

In addition, while the rhetoric was that increased Commonwealth funding for private schools would make them more affordable, the Government decided that private

school fees should not be regulated. The end result has been that many private schools have pocketed the increased government funding, and increased fees more rapidly than inflation, thus widening their resource advantage over government and Catholic schools. Private schools have thus become less affordable for most parents, even while receiving major increases in Commonwealth funding.

Probably in order to neutralise opposition to the model, which indicated that many schools should lose funding, the Government also decided not to decrease funding for those schools which would have lost funding under the model – the “no losers” guarantee. Nationally, what the Coalition claims is the best funding model, does not apply to close to one third of independent schools. In the first quadrennium, the SES model also did not apply to the Catholic system, which had a separate funding agreement. Thus, in reality, only a small minority of non-government schools were funded under the SES model.

However, the “no-losers” guarantee did not apply to new private schools, producing policy incoherence of the highest level, in which very similar schools could receive very different levels of Commonwealth funding. A striking example of this sort of anomaly is given by Blue Gum School in the ACT, which with an SES score in 2001 received almost \$1200 per primary school student less than Marist College, a school which benefited from the guarantee. There are many other examples of this anomaly, such as the Sunbury Christian Community School (funding-maintained) compared to the Bentleigh Chabad Jewish Day School (SES-funded) in Victoria, where the gap was \$300-600 per student. Anomalies of this kind mean that the “no-losers” guarantee is not viable in the medium term, and made only political sense in the short-term.

The 2004 Federal Budget established a new version of the Coalition’s Socio-economic Status funding model for schools – SES Mark II. It locks in for another 4 years the defects of the 2001-2004 model - in particular the wind-fall gains for some of the most elite private schools in Australia, and the guaranteed over-funding of around one third of all private schools inherent in the “no-losers” guarantee. The overfunding inherent in the “no-losers” guarantee is significant, and could amount to the order to \$1 billion over a funding quadrennium.

SES Mark II has two new features. One is that the Catholic system has now signed on. Because of the “no losers” guarantee, it gets nearly \$400 million in additional funding over the next 4 years. But around 60% of Catholic schools will be funding maintained, ie over-funded compared to the model. What this means is that SES Mark II still only applies to less than half the schools in the non-government sector.

To add to this mix of policy incoherence and funding opportunism, the Government has now added what it calls “funding guaranteed” schools. These are schools with an increased SES score between 2000 and 2004, which therefore deserve less funding according to the formula. These schools, which are better called “funding frozen”, will have their funding frozen, without indexation, until it comes into line with the funding appropriate to their SES score. However, this provision only applies to those schools already on the SES formula. Schools on “funding maintained” status are not affected by this provision – they keep their excess funding for another 4 years, even if their SES goes up significantly!

This change may sound minor, but it is potentially of great significance. Immediately, around 25% of the independent sector will be affected for 2005-2008, although most of the losses will be small. None of the Catholic systemic schools will be affected for at least the next four years. Most importantly, this change signals that “no-losers” guarantee is not viable as policy, and that the funding for “funding maintained” schools will ultimately have to be cut, at least by attrition through denial of indexation. Arguably, this is what should have been done in 2001.

The long-term impact of this change could be massive. Schools that are currently protected by funding maintenance would begin to lose funding through denial of indexation, either through the trigger of increasing SES scores, which might affect the Catholic system in particular given what appears to be a rising socio-demographic profile, or through an explicit recognition that the policy makes no sense. Ultimately, funding maintenance is not viable as a policy, and thus most private schools will be affected.

Some of these problems could be fixed in a revised SES model. A new SES model could, for example, change the relativities on the funding scale to ensure that increased funding was directed primarily to the most needy schools, it could use real rather than estimated incomes and educational levels to calculate more realistic SES scores, or it could adjust estimates in terms of other pieces of data. It could increase levels of financial accountability to ensure accurate reporting, and it could control fees to ensure that increased funding was matched by decreased fees, or at least fee restraint.

These changes might be difficult in practice, but as noted above, Council rejects a model based on the capacity of the school community to pay, for we believe that government contributions to schooling should come from existing revenue, and should not be means-tested. Rather government contributions should be linked to the goals of schooling and the social functions of the school.

Thus, in pure funding terms, the SES model has failed to direct increased resources to the most needy schools, one of the keep challenges for funding models. In addition, the last few years has seen a rapid proliferation of schools that are monocultural and narrow in their enrolment base. Thus, it would appear that the SES model has, if anything encouraged the development of schools that may not promote social cohesion and provide strong curriculum guarantees. We therefore believe that it should be abandoned both for reasons of principle and practice.

The Link to the AGSRC

A fundamental feature of both Labor’s ERI model and the Coalition’s SES model is a link between one, imperfect measure of resource levels in government schools, the AGSRC (Average Government School Recurrent Costs) index.

AGSRC includes funding in government schools for programs and expenditure targeted at disadvantaged students. Non-government schools therefore receive a percentage of this funding – even if they do not enrol any of those students. The flaw can be clearly illustrated: if state and territory governments developed a

comprehensive program for supporting Indigenous students, this would increase AGSRC, and the increase would flow on in various proportions to non-government schools, most of which enrol a lower percentage of Indigenous students. This link should therefore be broken, and funding should be directed to identified student need.

Funding for Students with Disabilities and Indigenous Students

Some of the problems with current funding mechanisms in relation to disadvantaged students are related to the lack of clear separation of per capita funding for student numbers, and targeted funding for disadvantage.

We have previously raised this issue with this Senate Committee in relation to the non-government sector that it is under-funded to support students with disabilities. Our argument was simply that if a non-government school receives 70% of the funding from government that a government school receives, it should take on the social obligations of government schools in relation to disadvantaged students to at least the same degree. In general it is clear that the non-government sector under-enrols students with disabilities to a degree which means that the funding they receive would enable them to enrol more without requiring additional funding.

This general proposition was recently endorsed by a Senate Inquiry into the Education of Students with Disabilities. Specifically the Inquiry rejected the claims by the Independent Schools Council of Australia and the National Catholic Education Commission, stating that “Commonwealth funds provided to non-government schools through general recurrent grants implicitly includes a proportion of funding for the education of students with disabilities. Where non-government schools either do not enrol many students with disabilities or where they do not provide appropriate levels of support for students with disabilities, they benefit disproportionately from Commonwealth financial assistance. The committee agrees that the needs of students with disabilities in this sector would be more appropriately served if the sector made better use of its current resources.”

Clearly we endorse this proposition. We would however additionally point out that the argument logically applies to funding received from the states and territories as well, and applies to all funding program directed to disadvantaged students, and to additional resources directed to these students from within core funding.

In relation to students of Indigenous origin, the same arguments clearly apply because of the systematic under-enrolment seen in non-government schools. It should however be noted that the Commonwealth IESIP programs provide per capita support to Indigenous students in non-government schools which is much higher (3-4 time higher) than to Indigenous students in government schools. We find it hard to understand why Indigenous students in non-government schools deserve a higher level of supplementary per capita support from the Commonwealth than those in government schools – unless the proposition is that the Commonwealth has a special responsibility for Indigenous students if they attend private schools. Certainly, if the effect of this funding imbalance was to promote enrolments of Indigenous students in Indigenous-only schools, we do not think it would promote the cause of Reconciliation.

In both case, we stress that the educational outcomes data shows that both groups of students need additional support to achieve equity in educational outcomes, and we strongly support additional funding for students from both groups. However, we are concerned that the link to the AGSRC can direct increased funding to schools that do not enrol disadvantaged students. We therefore argue that the AGSRC mechanism should be abandoned in favour of direct targeted funding.

A New Funding Model – Government Schools

Council believes that a new funding model should be based on clear goals similar to those articulated in the National Goals for Schooling and the MCEETYA Principles for Schools Funding. The goals should include:

- Ensuring that Australian schools can provide a world-class education
- Ensuring that Australian schools can provide all students with a minimum standard of education
- Ensuring equity in educational outcomes, in the sense that students from different social groups obtain the same range of outcomes

The funding model should ensure that the development of schools that promote social cohesion through open and inclusive enrolment should be favoured. It should also favour the development of schools that guarantee a broad curriculum based on agreed community standards.

Council believes that government schools set the benchmark in quality provision, combined with open and inclusive enrolment and broad community standard curriculum. We therefore believe that a new funding model should start by defining the resources required by government schools to achieve the National Goals for Schooling.

This should be done in two stages. Firstly, the resources needed for schools, which have no high cost students and other high cost factors, to achieve the National Goals for Schooling should be estimated, by reference to the resource levels currently available in such schools. In a second phase, the additional resources required by schools to achieve equity targets for disadvantaged students should be estimated.

This approach is similar at one level to the statistical approach adopted by the MCEETYA Schools Resourcing Task Force. However, it differs in significant ways. Firstly, the MCEETYA Schools Resourcing Task Force has adopted a least cost approach to analysis. This is justifiable in terms of initially examining schools with minimal additional cost factors. However, it is not justified in that schools which have a high quality principal and teaching staff, and the backing of a well-organised and sophisticated community may be able to succeed on lower resource levels than schools which lack this often intangible, but crucial level of support. We therefore believe that the process needs to be modified to estimate the level of resources that ensures that schools with no additional costs factors and average staff will succeed.

The MCEETYA Schools Resourcing Task Force has apparently not yet defined what it describes as marginal cost drivers for the various forms of additional resources that

will be required in some schools. Council believes that they should be defined by a combination of statistical analysis and professional estimation of the programs required for success. We further believe that this will need to be monitored and refined over time to ensure that the outcomes aims are being achieved.

Funding for government schools would then be delivered in terms of a baseline component, and an additional resource component defined in terms of the range of additional needs identified within the school and the school community. Since it is clear that the current distribution of resources has not achieved equity in outcomes, Council believes that the greatest current need is for funding to be directed into the additional resource component. We anticipate that this will result in greater differences in funding for government schools, depending on their location and student enrolment patterns.

A New Funding Model – Non-Government Schools

The funding model for government schools could then be applied to non-government schools. Council supports the idea that identified additional costs, particularly in relation to schools serving disadvantaged communities, should be applied to the non-government sector in the same way as they are applied in the government sector. Put simply, there is no reason in terms of equity why a student with a disability or an Indigenous student should receive less additional support in a non-government school than in a government school. We stress however that the current funding figures show that the non-government sector, despite its claims, is well-supported in these areas.

Additional considerations however apply to non-government schools, because many do not meet the standards of provision in government schools, in terms of access to a broad curriculum, and in terms of open and inclusive enrolment practices.

These should initially be addressed at the time of registration or renewal of registration. Schools should be required to specify their commitment to provision of a broad curriculum, particularly in areas such as cultural understanding and sex education. They should also be required to specify their enrolment practices, and in particular whether they will apply religious, ethnic or academic criteria for enrolment. They should be required to state their social justice and equity principles, and they should also be required to specify if they are prepared to adopt the suspension and expulsion policies that apply in government schools. Finally, they should be required to state the fees that they will charge.

On the basis of this information, non-government schools would then be rated in terms of the extent to which they match the standards of provision in government schools. In some cases, this could lead to refusal of registration.

In other cases, schools would be granted provisional registration. At one extreme, genuine community non-government schools which enrol all students who wish to attend from an area, which offer a broad inclusive curriculum, which provide strong social justice and equity commitments, which adopt government school suspension and expulsion policies, and which charge minimal fees would qualify for substantial government funding. This would be lower than average government school funding

because the government school system has system obligations to the provision of neighbourhood schooling, and the obligation to provide special schools for a range of students with high level learning needs.

At the other extreme, schools that did not provide strong curriculum guarantees, were selective in enrolment on religious, ethnic or academic criteria, did not give strong social justice and equity commitments, reserved the right to suspend and expel students, would qualify for only low levels of government funding.

The next step would be to determine what the combination of maximum government funding, fees and other income would give the school in terms of baseline resources. Schools would be required to guarantee that they could achieve the baseline resource standard. Schools that qualified for little government funding would then be required to charge fees at a level sufficient to guarantee their baseline resources, or they would be denied registration. Conversely, on the principle that the priority for government funding is to lift resource levels in the poorly resourced school, schools which would have higher baseline resources because of high fees, would have their government funding cut.

Once this baseline level of funding had been achieved, schools in the non-government sector would receive targeted equity support in terms of real identified student need. It needs to be stressed that this analysis needs to be carried out on a school-by-school basis, particularly in the independent sector. Our analysis of detailed enrolment data for ACT non-government schools show that there are schools which enrol very low proportions of students with disabilities and Indigenous students, alongside schools which perform very much better against equity targets, predominantly, but not exclusively in the Catholic system.

This sort of funding model would favour the development of schools in the non-government sector that are open and inclusive in enrolment, provide strong curriculum and social justice guarantees, and which contribute social equity goals and social cohesion. In contrast, it would provide little support for schools that insist on narrow curricula, and social isolation or elitism.

CONCLUSIONS

Council believes that the Government's schools funding package does not enable schools to address the three major challenges for Australian education – namely promoting equity in outcomes, promoting social cohesion and guaranteeing access to a broad curriculum for all Australian students.

We therefore propose that it be replaced with a schools funding formula that directly targets identified educational disadvantage, and which encourages the development of schools within the non-government sector that are open and inclusive in their enrolment practices and which guarantee access to a broad curriculum to their students.