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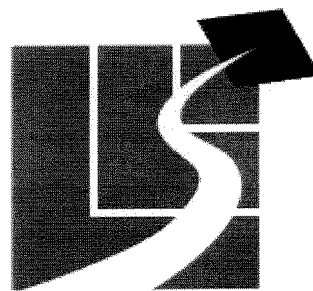
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The total operating resources of Australian private schools in 2004

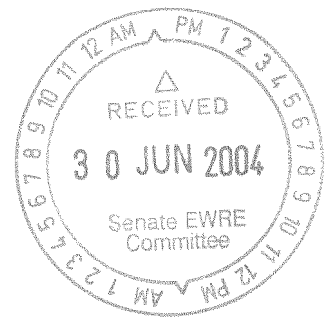
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Abstract

In its 1999 Federal Budget, the Commonwealth government introduced a new funding system – the SES-based scheme – that provided additional funding to private schools, with significant increases in grants to independent schools. This paper analyses the impact of this policy change on the total resource levels of private schools, drawing on a new survey of 1000 private schools' tuition fees plus funding data from Commonwealth, State and Territory governments. We estimate the total average operating resources per student in each independent school in 2004 and compare this to the average resources per student in government schools. We find that 27 per cent of private school students in our survey attend schools where the income from tuition fees alone exceeds the average resources per student in government schools. These schools receive \$368 million per year in government grants that assist in raising their total average resources per student to more than 62 per cent above average State school resources. Overall, 55 per cent of private school students attend schools where the total average resource level per student is higher than the average resources in government schools. The public policy implications are discussed.

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About the Author

Dr Louise Watson is Associate Professor and Director of the Lifelong Learning Network at the University of Canberra – a research centre in education and training policy. Dr Watson has written extensively on education policy issues such as the role of education and training in the new economy, the lifelong learning policy agenda, and funding models in all sectors of education and training.

Dr Watson's PhD from the Australian National University (1998) was on the impact of Commonwealth funding on Australian schools. She is an acknowledged specialist in schools funding policy and has been an expert witness to two parliamentary inquiries investigating schools funding and public accountability in Australia. In recognition of her expertise in education and training policy, Dr Watson is a member of the Education and Training Statistics Advisory Group, which advises the Australian Bureau of Statistics on its education and training statistics collection.

The Lifelong Learning Network

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Introduction

Public and private investment in education plays an important role in a nation's social and economic development as well as influencing every individual's life-time earnings and employment. When demand for public education expenditure increases, governments must make policy decisions about the nature and purpose of public investment in education. This paper provides a basis for examining governments' role in funding private school education in Australia. Australia is one of the few countries in the world where all private schools receive public funding from the Commonwealth government as well as subsidies from State and Territory governments. In most areas of government social policy, public resources are targeted to services that meet specific social and economic needs. Given the competing demands on education budgets today, it is timely to consider the current level and distribution of government subsidies to private schools.

In its 1999 Federal Budget, the Commonwealth government introduced a new funding scheme - based on the SES funding model - that provided significant funding increases to all schools, particularly the schools that have traditionally enjoyed high levels of private resources (through high fees). Issues such as increased government grants to independent schools and the impact of private school competition on government schools have been the focus of sustained public debate over recent years (see for example, Boston, 2001; Buckingham 2000, Carr, 2001; Keenan, 2003; Ticher 2004, Leonard 2004, Martin, 2000, Watson 2003).

But the scope of public debate on private school funding in Australia is constrained by incomplete information about the total level of resources available to private schools. The Commonwealth government publishes its grants to all private schools and most State and Territory governments will provide information on the level of State funding to private schools on request (see Appendix A). But there is no published data set on private schools' income from tuition fees. Earlier this year, a newspaper published data on the total funding received by private schools from the Commonwealth government and the State government (*Sydney Morning Herald* 16 March 2004) and other newspapers have published information about the tuition fees in some private schools. A limited amount of information on the fees charged by some independent schools in a few states is published in a consumer directory called *The Good Schools Guide*, but there is no complete data set on the fees charged by all independent schools.

The Commonwealth government collects data annually on all private schools' income from tuition fees, but it will not release the information to the public¹. Until now, there has been insufficient published data on private schools' income from tuition fees to make an objective assessment of the financial impact of Australian governments' private school funding policies. In undertaking this research, we aimed to fill this information gap by documenting the average operating income per student of

¹ The Commonwealth government argues that it is prevented from releasing information on school fees due to its obligations under *The Privacy Act 1988*. The Act prohibits the release of information exchanged between DEST and its clients without the client's consent to its release (see *Commonwealth Programmes for Schools Quadrennial Administrative Guidelines 2001-2004*).

Australia's 1000 independent schools² from three sources: Commonwealth government grants; State/Territory government grants; and tuition fees.

We examine the current operating resource levels of around 1000 private (independent) schools in Australia and compare them to the average resource levels in government schools. We do this by adding the subsidies each school receives from Commonwealth and State governments to its income from tuition fees. This enables us to estimate the average operating resources per student in each private school in 2004. The intention of the research is to supply sufficient information about independent schools' resource levels (from tuition fees and government grants) to facilitate an informed public debate on the role and purpose of government funding for private schools in Australia.

Average government school resources

State and Territory governments collect data on the average expenditure per child in Australian government schools. These data are published annually by the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA) in its *National Report on Schooling In Australia*. MCEETYA provides this data to the Productivity Commission for its annual *Report on Government Services*. The latest data available relate to the 2001-02 financial year and are published in the Productivity Commission's *Report on Government Services 2004*.

We derive our estimate of average government school resources per student in 2004 from the data published in Table 3A.7 of the Productivity Commission's *Report on Government Services 2004*. These data are collected on an accrual basis and incorporate both the salary and non-salary costs of Australia's eight school education systems. Salary on-costs include expenses such as superannuation, payroll tax, workers compensation and redundancy payments. Non-salary costs include other operating expenses, grants and subsidies, and depreciation. We also included the user cost of capital in the government school resources.

The data set specifically excludes: Commonwealth direct payments to students, such as AUSTUDY; pre-schools and TAFE; sinking fund payments and interest on Commonwealth loans; teacher housing and student hostel provisions; and funds raised by schools, school councils or community organizations. To maximize comparability with private schools, we adjusted the data to exclude: payroll tax expenditure; transport costs; out-of school expenditure; Commonwealth Targeted Programs (government schools); and Commonwealth Indigenous Education Strategic Initiatives Program assistance for government schools³.

The main limitation in comparing the MCEETYA data on resources in government schools with data on the average operating resources of private schools is that the costs involved in meeting community service obligations in the government sector are not taken into account. For example, government education systems are obliged to take all students, and cannot restrict their enrolments to the most cost-efficient number. Thus a government school may have to provide a class for 10 additional students when most classes average more than 20 students. Government education systems are obliged to

² Schools that are members of systems, such as the Catholic school system, are excluded from this study.

³ A detailed explanation of these exclusions is provided in Appendix B.

provide schools in regional and remote areas that are more costly to maintain, whereas independent schools are concentrated in metropolitan areas⁴. Government schools also cater to a more diverse student population than independent schools, which involves higher costs. Although private schools enrol students from a range of social backgrounds, government schools educate a much higher proportion of disadvantaged students, such as students with a disability and students from low socio-economic backgrounds. Additional resources and programs are often required to cater for these students. Our data have not been adjusted to reflect the costs of meeting community service obligations in government schools. Further research is needed to find an adjustment measure to ensure we are comparing “like with like” when we compare the resource levels per student in government and independent schools.

The data below are not adjusted to take into account the costs associated with community service obligations and are therefore likely to over-state the average operating resources of government schools *vis a vis* independent schools. This means that the estimated average resource levels per student in government schools reported in Table 1 are on the high side, for comparative purposes. These figures are nevertheless our best estimates based on the published data available.

Table 1 Estimated average resources per student in government schools, by Australian State and Territory 2004(\$)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	AUST
Primary	8,208	7,277	7,943	8,152	8,358	8,456	8,218	13,232	8,014
Secondary	10,793	9,889	10,078	11,095	10,947	10,403	11,833	19,158	10,549

Source: Productivity Commission 2004. *Report on Government Services 2004*. Table 3A.7 including user cost of capital

Notes: Data adjusted for price increases and to exclude payroll tax expenditure; transport costs (in four states); out-of school expenditure; Commonwealth Targeted Programs (government schools); and Commonwealth Indigenous Education Strategic Initiatives Program assistance for government schools. (See Appendix B for details). Figures for Australia are a weighted average based on 2003 enrolments.

Table 1 shows our estimates of the average resource levels per student in government schools in each State and Territory in 2004. The resources differ between jurisdictions due to different staff salary structures and differences in the nature and type of government school provision. In the following section, we estimate the average amount spent on each independent school student and compare it to the estimated average total operating resources per government school student in the same jurisdiction in 2004.

Average private school resources

The findings of this section are based on estimates of the total operating resources per student in 894 independent schools in 2004. These estimates are the sum of Commonwealth and State grants to each school and the school’s tuition fees. Data on government grants to each school are sourced from the Commonwealth and State and Territory education departments. Some of this data is published on Departmental websites and other data was supplied by officials in State and Territory education

⁴ Government school systems have a much higher proportion of small schools (<35 students) than private schools. See (Productivity Commission 2004), Tables 3A.9 and 3 A.10.

departments. Commonwealth government grants to private schools are published on the Departmental web-site. Full details of our data sources are provided in Appendix A.

We obtained our data on tuition fees through a national survey of independent schools conducted between February and May 2004. Some information was provided on the schools' web-sites but in many cases we obtained the fee information by telephoning individual schools.⁵ The overall response rate to our survey was 97 per cent (see Appendix A for details). In respect of primary schools, we asked schools for their tuition fees in Year 4. In respect of secondary schools, we collected the tuition fees in Year 8 and 12. As fees are usually higher in Year 12 than Year 8, we estimated a secondary school fee for each school from the average of these two observations. Where schools did not offer Year 12, we used the Year 8 fee as the average secondary school fee.

Commonwealth and State grants for private schools are different at the primary and secondary level. We added together the school's grant from the Commonwealth government, the State/Territory government and the relevant tuition fee to estimate the average resources per student in each independent school at the primary and secondary level. A full description of our research method is in Appendix A.

There are two significant limitations to our data set on independent schools' total operating resources. First, the income raised privately by schools through fund-raising or voluntary contributions is not taken into account in either the government or independent schools data in this study. According to DEST data published in the latest *Annual Reports on Schooling*, private donations account for 7-8 per cent of total recurrent expenditure in independent schools (MCEETYA 2000, 2001) whereas in government schools, private income accounts for an estimated 5-7 per cent of total expenditure (Senate Employment, Education and Training Committee 1997: Chap.2). These data are excluded from our survey, but if they were included, the total private income of independent schools *vis a vis* government schools would be higher by 1-2 per cent.

The second issue relates to the fact that we are comparing the average *expenditure* per student in government schools with the average *income* per student in independent schools⁶. We are required to do this because DEST does not publish its data on school expenditure on a school-by-school basis – we therefore rely on income data such as tuition fees and Commonwealth and State grants, which are the main sources of income for private schools. However, according to the DEST aggregate data – compiled from private schools' financial questionnaires – the average expenditure of all independent schools exceeds their stated income by up to five per cent in any given year⁷. The source of the income for this additional expenditure is not known, but could include income from borrowing, income from building funds, or other sources of undisclosed private income. The main issue for this study is that by using income data

⁵ Some schools provided information about their tuition fees on the understanding that we would not identify data pertaining to individual schools.

⁶ A related issue of capital expenditure is discussed in the section on "User cost of capital" in Appendix B.

⁷ The latest published data available on the income and expenditure of private schools relates to 2000 and 2001, published in MCEETYA, *National Reports on Schooling* 2000 and 2001 (Tables 32 and 26 respectively).

rather than expenditure data, we are understating private school resources by up to five per cent.

In sum, based on the latest published data on the aggregate income and expenditure of independent schools, our data set probably under-estimates the total operating resources of independent schools by between five and seven per cent.

Private schools operating above average government school resources

Of the 894 schools in our survey, 306 schools are operating above average government school resource levels at either the primary or secondary level in 2004. The majority of these schools receive more income than the average for students in government schools through a combination of tuition fees and State and Commonwealth subsidies. These schools enrol 46 per cent of primary students and 61 per cent of secondary students. Overall, 55 per cent of students in independent schools enjoy average resource levels that are higher than the average for students in government schools (Table 2).

Table 2 Private schools in receipt of income above average government school resources⁸, 2004

	RESOURCES	SCHOOLS	STUDENTS	
Primary	Well above	109	36,469	21%
	Above	259	80,961	46%
	Total	770	176,057	100%
Secondary	Well above	110	80,239	32%
	Above	264	152,275	61%
	Total	619	249,174	100%
All	Well above	122	117,460	27%
	Above	306	235,084	55%
	Total	894	429,484	100%

Source: Lifelong Learning Network 2004. *Survey of private school tuition fees*, and government data. Note: Student numbers based on enrolments in 2003. The category “well above” refers to schools where tuition fees are higher than average government school resource levels in their state or territory. The category “above” refers to schools where total resources are higher than average government school resources in their state or territory.

At the primary school level, 259 independent primary schools operate above average government school resource levels in 2004. forty-six per cent of independent primary

⁸ Our estimates of average government school resources are the state and territory figures in Table 1. We used the state and territory data to maximize comparability, however when we re-calculated the data using the national figure it made very little difference to the overall results.

school students are in schools that receive more than \$8,014 per student⁹ from the combination of Commonwealth and State grants and tuition fees.

There are 619 independent schools providing secondary level tuition in 2004 of which 264 are operating above average government school resource levels. These schools receive more than \$10,549 per student¹⁰ from Commonwealth and State grants and tuition fees and cater for 61 per cent of all independent secondary school students (Table 2).

The following section describes the characteristics of schools operating “well above” the average resource levels for government schools, in the sense that their income from tuition fees alone exceeds total average expenditure per student in government schools.

Private schools operating well above average government school resources

Twenty-seven per cent of all private school students attend independent schools where the income per student from tuition fees alone is higher than average government school resources per student. These schools – operating “well above” the average in terms of income – cater for 21 per cent of all primary students and 32 per cent of secondary students in independent schools (see Table 2). Each of the 122 private schools that charge tuition fees above the average for government schools in their State or Territory (see Table 1), receive additional income from Commonwealth and State government grants. In 2004, the average additional funding these schools will receive from Commonwealth and State grants is \$2,492 per primary student and \$3,494 per secondary student (see Tables 3 and 4).

Table 3 Resources per student in 109 independent primary schools operating well above average government school resources, 2004

SOURCE OF INCOME	RANGE		
	Lowest	Highest	Average
Tuition fee (Year 4)	\$7,400	\$13,868	\$10,407
Commonwealth grant	\$881	\$3,377	\$1,864
State/Territory grant	\$317	\$1,245	\$628
Total income per student			\$12,899

Source: Lifelong Learning Network 2004. *Survey of private school tuition fees*, and data provided by Commonwealth, State and Territory governments.

⁹ The national weighted average of government school resources as indicated in Table 1. Although our calculations were based on the individual state and territory resource levels for greater accuracy, the national weighted average is referred to in the text for convenience. We found very little difference between the results based on the national weighted average and those based on individual states and territories.

¹⁰ See previous footnote.

The 109 primary schools illustrated in Table 3 operate well above average government school recurrent costs due to their high level of income from tuition fees. The Year 4 tuition fee charged by these schools ranges from \$7,400 per year to \$13,868 per year – the average tuition fee across all 126 schools is \$10,407 per year. The average annual government grant per student for these schools is \$1,864 from the Commonwealth and \$628 from the State or Territory government. The total average operating resources per student for this group of schools is \$12,899 per year – 62 per cent higher than the average national expenditure per child in State primary schools.

At the secondary level, 110 secondary schools operate well above average government school recurrent costs due to their high level of income from tuition fees (Table 4). The average tuition fee charged by these schools ranges from \$9,900 per year to \$18,282 per year – the average tuition fee across all 110 schools is \$13,389 per year.

Table 4 Resources per student in 110 independent secondary schools operating well above average government school resources, 2004

SOURCE OF INCOME	RANGE		
	Lowest	Highest	Average
Tuition fee (Average sec.)	\$9,900	\$18,282	\$13,389
Commonwealth grant	\$1,171	\$4,532	\$2,544
State/Territory grant	\$466	\$1,854	\$950
Total income per student			\$16,883

Source: Lifelong Learning Network 2004. *Survey of private school tuition fees*, and data provided by Commonwealth, State and Territory governments.

Commonwealth grants per student range from \$4,532 for schools that have had their funding maintained at previous levels (see following section) to \$1,171 per student in schools with an SES ranking of 130. The average annual government grant per student for these schools is \$2,544 from the Commonwealth and \$950 from the State or Territory government. The total average operating resources per student for this group of schools is \$16,883 per year – 62 per cent more than the average national expenditure per child in State secondary schools.

“Funding Maintained” schools operating well above average government school resources

When the SES-based funding scheme was introduced, the Commonwealth government promised that no private school would receive less funding under the new scheme (see Watson 2003). Consequently, some 227 schools had their funding maintained at their previous level under the ERI-based system in spite of the fact that most of these schools have SES scores above 96. This means that they are funded under their former ERI funding category because their SES score would have resulted in a lower level of grant.

According to our survey, 14 “funding maintained” schools are operating well above average government school costs – because their income from tuition fees alone is

higher than average government school expenditure in their State or Territory. Three of these schools are funded at ERI Category 10 under which they receive a Commonwealth grant of \$3,055 per primary student and \$4,532 per secondary student plus a grant from the State/Territory government. This funding tops up the schools' income from tuition fees bringing most of the schools to a very high level of resources relative to government schools, as illustrated in Table 5.

Table 5 Total resources per student of 14 “funding maintained” schools operating well above average government school resources, 2004

RANK		PRIMARY (\$)			SECONDARY (\$)				
ERI	SES	Tuition	Comm.	State	Total	Tuition	Comm.	State	Total
2	127	11,436	1,010	736	13,182	14,706	1,616	1,057	17,379
2	128	9,900	1,010	736	11,646	13,700	1,616	1,057	16,373
2	129	10,772	1,010	736	12,518	15,732	1,616	1,057	18,405
3	128	8,788	1,261	849	10,898	13,252	1,873	1,220	16,344
3	130	n.a	n.a	n.a	n.a	13,260	1,873	1,220	16,352
3	130	10,692	1,261	849	12,802	13,811	1,873	1,220	16,903
3	126	8,874	1,261	601	10,736	11,456	1,873	927	14,255
3	125	n.a	n.a	n.a	n.a	11,798	1,873	1219.66	14,890
3	126	10,740	1261	849	12,850	13,800	1,873	1219.66	16,892
3	131	10,300	1,261	849	12,410	n.a	n.a	n.a	n.a
6	113	n.a	n.a	n.a	n.a	14,050	3,053	1,464	18,566
10	117	9,280	3,055	1,245	13,580	11,920	4,532	1,789	18,241
10	117	9,600	3,055	867	13,522	13,080	4,532	1,343	18,955
10	108	7,476	3,055	867	11,398	8,818	4,532	1,343	14,693

Source: Lifelong Learning Network 2004. *Survey of private school tuition fees*, and data provided by Commonwealth, State and Territory governments.

It is important to note that the funding per private school student in Table 5 is not typical of all schools operating well above government school resource levels as it only pertains to a group of schools that have had their funding maintained at previous levels. The information in Tables 3 and 4 provides a more accurate description of the average resources in all independent schools operating well above government school resource levels.

The cost of funding independent schools

In 2004, the Commonwealth government will spend more than \$1.46 billion on the 894 independent schools in our survey and State/Territory governments will spend an estimated \$525 million – a total of \$1.98 billion, as indicated in Table 6.

Of the total government expenditure on independent schools in 2004, \$936.9 million will be distributed to schools where the total operating income per student from government grants and tuition fees is above average government school resource levels.

Nineteen per cent of total government expenditure – \$368 million – will be distributed to schools where income from tuition fees alone is higher than average government school resource levels in their State or Territory.

Table 6 Government funding for independent schools, by total resource levels compared to average government school resources, 2004 (\$m)

	SOURCE	WELL ABOVE	ABOVE	ALL SCHOOLS
Primary	Comm.	69.2	200.3	529.8
	State	24.0	68.6	181.2
	Total	93.2	269.0	710.9
Secondary	Comm.	199.6	486.9	930.3
	State	75.2	181.1	344.0
	Total	274.8	668.0	1,274.3
All	Comm.	268.8	687.2	1,460.1
	State	99.2	249.7	525.2
	Total	368.0	936.9	1,985.3

Source: Lifelong Learning Network 2004. *Survey of private school tuition fees*, and data provided by Commonwealth, State and Territory governments.

Notes: Calculations based on enrolments in 2003 and the 894 schools in the survey

Discussion

The Australian policy towards funding private schools is different to many other developed nations. In most countries, it is rare for private schools to receive any public assistance from governments unless the private schools adopt the characteristics of public schools (ie. they are publicly accessible and free)¹¹. In contrast, Australia has over 3000 private schools which are neither publicly accessible nor free, yet they all receive some public funding from Commonwealth and State/Territory governments.

For almost a century – until the 1950s – Australia’s school education policy was consistent with the USA, France and the Netherlands, in that private schools received no public funding at all. As a result of this policy, many private schools in Australia were inadequately resourced and the children in these schools received a lower standard of education than children in State schools (measured in terms of trained teachers and class sizes)¹². Since the 1950s, Australian governments – both State and Territory and the Commonwealth – have provided subsidies to private schools to raise their resource levels. The intention of this policy – as stated in the landmark Karmel (1973) report – was to bring the resource levels of private schools up to the level of resources enjoyed by government schools. Under this policy, increasing amounts of public funding have been allocated to private schools since 1974.

¹¹ In the Netherlands and in some voucher experiments in parts of the USA, private schools are fully funded because they are *de facto* government schools under private management, in the sense that they are publicly accessible and are not permitted to charge fees.

¹² For a discussion of the resource needs of private schools in the 1950s and 1960s, see Albinski (1966) and Hogan (1984).

Australia's policy towards funding private schools is based on the concept of need – it aims to assist private schools to operate at the same standard of resources as State schools. In 1973, the Karmel Committee noted that Catholic schools operated at about four-fifths of the resource levels of government schools (Karmel 1973: par 6.40).¹³ For the remaining private (independent) schools, the Karmel Committee noted wide variations in resource levels. The Committee therefore recommended a differential funding system based on eight categories of need. Under this needs-based system, Commonwealth funding was distributed at a higher level to private schools deemed the “neediest” (such as schools in Catholic systems and independent schools that charged low fees) and lower levels of grants were given to high-fee independent schools.

The Karmel report also recommended phasing out all Commonwealth funding for the small number of private schools with the highest resource levels. The Committee argued that “government aid cannot be justified in maintaining or raising standards beyond those which publicly supported schools can hope to achieve. . . .” (Karmel 1973: par 6.48). The Whitlam Labor Government was forced to drop this recommendation to ensure the passage of its schools funding legislation through the Coalition-controlled Senate in 1974. High-fee independent schools have remained in the funding scheme ever since.

The needs-based principle still underpins Commonwealth and State private school funding policies in Australia. In recent years, the Commonwealth government has emphasized other policy goals for its expenditure on private schools such as maximizing choice and removing disincentives for schools to raise private income (Kemp 1999, Nelson 2003). Nevertheless, the principle of ranking and funding schools according to their relative need for resources remains the centerpiece of the Commonwealth and State funding schemes for private schools. When the new SES-based scheme was introduced, the Commonwealth government reiterated the needs-based principle, with the main difference being that, “the ERI will be abolished as the basis for needs-based funding, and replaced with a measure of the socioeconomic status (SES) of school communities” (Kemp 1999:1)¹⁴.

The original and abiding policy justification for funding private schools in Australia is to bring private schools to a standard of resources that is comparable to State schools. Our survey reveals that 27 per cent of independent school students attend schools where the income from tuition fees alone exceeds the average expenditure per student in government schools. Overall, more than half (55 per cent) of students in independent schools enjoy resource levels higher than the average in government schools. These findings suggest that Australian governments – State/Territory and the Commonwealth – should review the current levels of public funding to independent schools.

¹³ Schools in Catholic systems are excluded from this study

¹⁴ For a discussion of the merits of the SES-based funding scheme, see Watson 2003.

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The calculation of average operating resources per student in independent schools in 2004

School tuition fees

There is no published data collection on the fees charged by private schools in Australia. Some information is available from consumer-oriented publications such as *The Good Schools Guide* but this information is not comprehensive of all schools and jurisdictions. The Commonwealth Department of Education, Science and Training (DEST) obtains information about school fees from private schools in its annual financial questionnaire but does not release this information to the public. The Department does, however, provide aggregate figures on average school fees by SES band. The Commonwealth government argues that it is prevented from releasing information on school fees due to its obligations under *The Privacy Act 1988*. The Act prohibits the release of information exchanged between DEST and its clients without the client's consent to its release (see *Commonwealth Programmes for Schools Quadrennial Administrative Guidelines 2001-2004*).

Scope of collection

Of the 1069 private schools on our original list, seven schools could not be contacted because we could not find any information to verify their existence. A further 79 schools on the list had been closed or merged with other schools or systems. Fifteen schools fell outside of the study because they did not offer the year levels that we were interested in, such as schools offering only K-3 tuition. Although we contacted the 51 Special schools on the list, we subsequently decided to exclude them from the study because in many cases, their operations and fee structures were significantly different to other schools. Thus a total of 152 schools were excluded from the study.

Of the 917 schools remaining in the study, six schools refused to provide the information we requested. A further 17 schools did not respond to our follow-up letters and emails. In total, 23 out of 917 schools (3 per cent) did not respond to our survey. This represents an overall response rate of 97 per cent.

The data collection therefore lists the annual tuition fee for 2004 in Year 4, Year 8 and Year 12 in each of 894 independent private schools.

Research Method

We collected data on private school fees from over 1000 independent schools (excluding schools in the Catholic systems) between February and May 2004. The schools are all those listed in the original DEST funding schedule¹⁵ (plus new schools approved for Australian government funding in 2002. Any schools approved since 2002 were excluded.

¹⁵ DEST funding schedule located at ><http://www.dest.gov.au/schools/ses/table.pdf><

We searched initially for fee information from schools' web-sites on the internet. Where fee information was not published on the internet, we telephoned the school and requested the information. If we were unsuccessful in making telephone contact, we followed up with written requests through email and letters. If a school refused to supply the information over the telephone, we sent up to two follow-up letters by email or surface mail.

From each school, we sought data on school tuition fees for Australian students in Year 4, 8 and 12. We also asked for information on voluntary contributions to tax-deductible building funds and library funds – which is not included in this paper. The tuition fee relates to the first child of any family and does not take into account sibling concessions, scholarships, early payment concessions or concessions for members of a particular religion. Charges for textbooks and excursions, building levies and works levies are excluded.

Government Grants

All private schools receive funding from the Commonwealth and State and Territory governments. The schemes differ between jurisdictions, as discussed below.

Commonwealth government grants

The Commonwealth government provides grants to assist private schools in meeting their current operating costs through its General Recurrent Grants (GRG) Program.

The SES funding scheme

Commonwealth General Recurrent Grants to private schools under this program are distributed according to each school's score on a socio-economic index (the SES index). Each school's SES index represents the average socio-economic status (SES) of all students enrolled in the school. The students' SES scores are derived from the characteristics of the collection district within which each student lives. The school supplies the government with the home addresses of its students (without their names) and is given an SES score which ranges from 57 (low SES) to 133 (very high). The SES scores of each school are published on the DEST web-site¹⁶.

Each SES score in the scale is a funding category and funding levels are a pre-determined percentage of Average Government School Recurrent Costs (AGSRC) – the sum of State and Territory government expenditure on government schools in the calendar year. Schools with an SES score of 130 or more receive a Commonwealth grant per student that is 13.7 per cent of AGSRC while schools with an SES score of 85 or below receive a grant worth 70 per cent of AGSRC.

Average government school recurrent costs (AGSRC)

Average Government School Recurrent Costs (AGSRC) is used as a benchmark for Commonwealth government funding to both government and private schools¹⁷. The

¹⁶ > <http://www.dest.gov.au/schools/ses/table.pdf><

¹⁷ The Commonwealth government's use of the AGSRC as a funding benchmark for private schools has attracted much criticism. The annual increases in the AGSRC amounts (see

AGSRC represents the total recurrent expenditure on government schools divided by the number of students each calendar year. It is a national average based on the total expenditure on State schools by State and Territory governments. This data set excludes: capital costs associated with the provision of buildings and grounds; redundancy payments; and Australian government grants for schooling (*Commonwealth Programmes for Schools Quadrennial Administrative Guidelines 2004*: 19).

Table A.1 shows the AGSRC amounts from 2000 to 2003 with an estimate for 2004. We estimated the AGSRC for 2004 by increasing the 2003 amount by an average of the increases over the previous three years. The AGSRC amounts are used by the Commonwealth government to derive the annual grant per student under its General Recurrent Grants Program for government and private schools. We estimated the 2004 AGSRC by increasing the 2003 amount by an average of the increases over the previous three years. We then used the 2004 estimate of AGSRC in the table to calculate the annual Commonwealth per student grant to primary and secondary students in private schools in 2004.

Table A.1 Average government school recurrent costs (AGSRC) primary and secondary amounts, 2000-2004 and estimated average total operating resources on government school students 2004.

	AGSRC Primary Amount	Growth in AGSRC amounts	AGSRC Secondary Amount	Growth in AGSRC amounts
2000	\$5,056		\$6,622	
2001	\$5,378	6.4%	\$7,101	7.2%
2002	\$5,657	5.2%	\$7,469	5.2%
2003	\$6,056	7.1%	\$8,021	7.4%
2004 (est.)	\$6,432	6.2%	\$8,551	6.6%

Source: *Commonwealth Programmes for Schools Quadrennial Administrative Guidelines 2004*.

The SES funding levels for private schools are provided in Appendix C of the *Commonwealth Programmes for Schools Quadrennial Administrative Guidelines 2004* published annually on the DEST website¹⁸. The rates published in the current Guidelines are based on the 2003 AGSRC amounts and schools' grants are supplemented late in the year after the 2004 AGSRC amount has been determined by the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA). Therefore our estimates are higher than those published in the guidelines.

State and Territory government grants

Table 1) are higher than movements in the Consumer Prices Index (CPI) or changes in Teachers' salaries and the AGSRC includes many items of expenditure related to equity programs in government schools that are not incurred by private schools (for details, see Watson 2003: 15-16).

¹⁸ > <http://www.dest.gov.au/schools/guidelines/quadrennial/2001-04/Guidelines2004.pdf> <

We sought information on State and Territory government subsidies to private schools by telephoning the Education departments in each jurisdiction. Departmental officers then directed us to relevant publications or provided the data. The data from each jurisdiction was provided in different forms and in respect of some States, we had to derive our own estimates. Details of the collection for each State and Territory is described below.

New South Wales

State government funding to private schools in New South Wales is distributed on the basis of a 12 Category scheme. The grant per student is determined by the funding category within which each school falls. We received data on the grant per student at primary and secondary level for 2003. We increased this grant by two per cent to obtain an estimate of the grant levels in 2004, based on the percentage change in the Consumer Price Index (CPI) from the March quarter 2003 to March quarter 2004 (*Consumer Price Index, Australia*, Australian Bureau of Statistics Catalogue No. 6401.0).

Victoria

In Victoria, State government per capita grants to private schools are distributed on the basis of the former Commonwealth Education Resource Index (ERI). Victorian non-government schools (Catholic and Independent) have been frozen at their Year 2000 ERI Categories while a new funding model is being developed. Under the ERI model, schools with generally lower levels of private resources are in ERI categories 8-12 and receive higher levels of funding. Catholic system schools are in ERI funding category 11. For 2004, per capita rates for all ERI categories have been indexed by 0.75%. The 2004 per capita grants for each school were calculated using its ERI category to identify its funding level in 2004.

Queensland

The Queensland government provides funding to private schools under a system that allocates a common basic grant per student to all schools (the "base component rate") plus a needs supplement distributed according to school characteristics. The Queensland government also awards an annual endowment to eight public grammar schools under the *Grammar Schools Act 1975*.¹⁹ In 2004, the base component rate is \$864 per primary student and \$1,322 per secondary student. The needs-based component is determined according to the schools Commonwealth Education Resources Index (ERI), Commonwealth SES score, school isolation and the number of students with disabilities, English as a second Language, from isolated areas, Aboriginal and Torres Strait Islander students and recipients of boarding fee concessions. Seventy-five per cent of needs funds are distributed using the ERI and SES score, twenty per cent using the student needs data and five per cent using the School Isolation Index²⁰.

As the needs supplement for individual schools is not published, the total per capita rates (ie. base component plus needs component) for each school are not known. To

¹⁹ Endowments are listed at: >

<http://education.qld.gov.au/finance/grants/fund/garp/html/nssgra.html><

²⁰ Grants listed at:

><http://education.qld.gov.au/finance/grants/fund/garp/html/nssrec.html> <

estimate a needs-based component for each school, we allocated each school a percentage of half the base rate indicated by their SES score (ie. the percentage of AGSRC). We added this to the base component to estimate a total per capita rate for each school. To check our estimates, we multiplied the per capita rates by school enrolments (2003) and compared our total expenditure to the total recurrent grants to non-state schools in 2002-03 published in the Department of Education's annual report²¹. As we were restricted to using only one element of need (the school's SES score), our calculations are likely to under-estimate the total per capita grants to schools which have relatively high enrolments of Aboriginal and Torres Strait Islanders, students for whom English is a Second Language, and students from isolated communities.

Western Australia

In Western Australia, the State government per capita funding to private schools is distributed according on the basis of six categories derived from the twelve categories of the former Commonwealth Education Resource Index (ERI). An additional two categories have been added – one for remote schools (Category 13) and one for schools that cater for students at risk (Category 14). In 2004, the State government increased per capita recurrent grants by three per cent for all private schools, except for 15 “high fee” independent schools that will have their funding maintained at the same per capita dollar amounts as 2003.

The 2004 per capita rates for each funding category are published on the State government's web-site.²² We matched these rates to schools using the Commonwealth government's ERI funding categories to obtain the 2004 grants for primary and secondary students in Western Australia. There were four schools for which we did not know the ERI category because they are new schools - Australian Islamic College, Blue Gum Montessori School, Gold fields Baptist college, and Murdoch College. The Western Australian Department of Education refused to tell us the ERI or the funding category of these schools so we estimated their funding rate at Category 7.

The Department also refused to identify which schools were categorised as remote schools (Category 13) or schools that cater for students at risk (Category 14). As the State funding for these schools is around 50 per cent higher than Category 12 schools, our data set under-estimates the State grant for schools in these Categories.

Tasmania

In Tasmania, the state government provides financial support to non government schools, on the basis of a percentage of the recurrent cost of educating students in government schools in Tasmania. The methodology is based on the Average Government School Recurrent Cost (AGSRC) Tasmanian Methodology and includes the cost of salary and non-salary items including the cost of school maintenance. The AGSRC is revised annually.

²¹ Published at:

><http://education.qld.gov.au/publication/reporting/annual/2003/index.html><

²² Published at: > <http://www.des.wa.gov.au/services/nongov/index.html><

The AGSRC is the methodology against which the subvention level is applied. In 2002-03, the Government increased the subvention level to 25% of the AGSRC (as determined on the local methodology). Two AGSRC rates are calculated, one for primary students and one for secondary students, to reflect the different level of costs associated with educating primary and secondary students. Once the AGSRC pool of funds has been determined, it is distributed to individual schools in accordance with 'total needs weighted enrolments'. Needs weighted enrolments reflect FTE enrolments multiplied by sector weightings (Kindergarten and Primary 1, Secondary 1.3 and Senior Secondary 1.7) multiplied by the school's relevant share of the funding pool which is based on the Commonwealth determined Socio-economic Score (SES).

The average per capita rate for each independent school in Tasmania was estimated by dividing the total government expenditure per school at the primary and secondary level in the 2003-04 financial year by school enrolments. To obtain an estimate for the calendar year 2004, we increased each grant by one per cent, to reflect six months' movement in the Consumer Prices Index (CPI).

South Australia

State government funding to private schools in south Australia is determined on the basis of a basic per capita entitlement and a measure of the relative needs of the schools and their students. In 2003, 47.5 per cent of the total State grant provided was distributed as per capita funding and the remainder allocated on a needs basis. Eight factors of need are taken into account. A full description of the funding scheme and the funding levels per school is published in the *Annual Report of the Advisory Committee on Non-government Schools in South Australia 2003*. We obtained a 2003 grant per student by dividing the total amounts in the Annual Report by the average school enrolments (also published in the Annual Report). To estimate the grants for 2004, we increased the 2003 grants by two per cent based on the percentage change in the Consumer Price Index (CPI) from the March quarter 2003 to March quarter 2004 (*Consumer Price Index, Australia*, Australian Bureau of Statistics Catalogue No. 6401.0).

Northern Territory

In the Northern Territory there are three rates of payment for private schools in the 2003-04 financial year, for primary schools, secondary schools and remote schools. These rates are based on 21 per cent of the cost of educating a child in a government school and are indexed each financial year. To estimate the rates for the calendar year 2004, we increased each rate by one per cent, to reflect six months' movement in the Consumer Prices Index (CPI).

Australian Capital Territory

In the ACT, government funding is distributed according to the 12 categories of the former Commonwealth ERI funding scheme. There are three levels of ACT per capita rates for Years K-3; Years 4-6; and Years 7-12. The rates for 2004/2005 financial year were provided by the ACT Department of Education. We obtained the school's funding categories from the DEST list of ERI scores. To estimate the rates for the calendar year 2004, we reduced each rate by one per cent, to reflect six months' movement in the Consumer Prices Index (CPI).

The calculation of average operating resources per student in government schools in 2004

State and Territory governments collect data on the average expenditure per child in Australian government schools. These data are published annually by the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA) in its *National Report on Schooling In Australia*. MCEETYA provides this data to the Productivity Commission for its annual *Report on Government Services*. The latest data available relate to the 2001-02 financial year and are published in the Productivity Commission's *Report on Government Services 2004*. We derived our estimate of average government school resources per student in 2004 on the data published in Table 3A.7 of the Productivity Commission's *Report on Government Services 2004*. These data are collected on an accrual basis.

Inclusions

The data incorporate both the salary and non-salary costs of Australia's eight school education systems. Salary on-costs include expenses such as superannuation, payroll tax, workers compensation and redundancy payments. Non-salary costs include other operating expenses, grants and subsidies and depreciation.

User cost of capital

The user cost of capital is a commercial accounting concept relating to the opportunity cost of capital assets. It is defined in the *Notes on the Contents of the NSSC Manual 2002*, as "the opportunity cost of funds tied up in the capital used to deliver government services, that is the opportunity cost foregone due to the tying up of funds in particular capital assets". The Productivity Commission argues that "the user cost of capital makes explicit the opportunity cost of using the funds to provide services rather than investing elsewhere or retiring debt" (Productivity Commission 2004: p3.26). As the user cost of capital is treated inconsistently between States (with many States costing it at zero) the Productivity Commission and the MCEETYA apply a notional user cost of capital rate of eight per cent of the value of government assets used in the delivery of education in government schools for all jurisdictions.

It is debatable whether the user cost of capital (eight per cent of the value of government assets) should be incorporated in a data set for the purpose of comparing government expenditure on State schools with the resources of independent schools. User cost of capital accounts for 14 per cent of the total expenditure figures on government schools but does not signify any cash contribution by governments to in-service school provision. In other words, the amount of \$1,377 per primary student and \$1,359 per secondary student recorded against user cost of capital in the Productivity Commission's schools expenditure data 2001-02 (Table 3A.7) was not money that was *spent* on government primary and secondary school students in 2004. For this reason, we could have excluded the user cost of capital from our data set.

We have included the user cost of capital in this data set because we are comparing the *expenditure* of government with the *income* of independent schools. Independent schools spend on average 86 per cent of their total income on recurrent expenditure and the remaining 14 per cent on capital expenditure²³. As we are comparing independent schools' total income per student with government schools' total expenditure per student, if we deducted the user cost of capital from the government school data, we would also have to reduce the total income of independent schools by 14 per cent for comparative purposes. As the proportions are the same, we decided to include the user cost of capital in our government schools data and not to adjust the income of independent schools to take capital expenditure into account. This means that capital costs are taken into account in both the government schools data and the independent schools data.

Exclusions

The data set specifically excludes: Commonwealth direct payments to students, such as AUSTUDY; pre-schools and TAFE; sinking fund payments and interest on Commonwealth loans; teacher housing and student hostel provisions; and funds raised by schools, school councils or community organizations. To maximize comparability with private schools, we also excluded expenditure on: payroll tax; transport costs; out-of school expenditure; Commonwealth Targeted Programs; and Commonwealth Indigenous Education Strategic Initiatives Program assistance for government schools. The reasons for these exclusions are discussed in the following sections.

Payroll tax

Government education systems in all jurisdictions except the ACT and WA are subject to payroll tax – a State tax levied on employers based on the wages paid to employees above a defined threshold. As non-profit organizations, private schools are exempt from payroll tax. Therefore expenditure on payroll tax should be excluded from the data on government school resources. Payroll tax rates differ between jurisdictions, ranging from 4.75 per cent in Queensland to 6.1 per cent in Tasmania. We applied the relevant rate for 2004 to employee related expenditure in each State and Territory to exclude payroll tax from the data.

Transport costs

State governments spend resources on student transport that are included in the expenditure data for government schools. The amount varies between jurisdictions and the latest available data is collected by MCEETYA but not published. We obtained estimates of the cost of school transport schemes from the Budget Papers in four states: New South Wales, Victoria; Queensland; and Western Australia. We apportioned these costs between government schools and private schools on the basis of enrolment shares in each State and calculated a rate per student for government schools, which we excluded from the data set. The data for the remaining four jurisdictions was not adjusted due to insufficient information.

²³ Based on the latest published data available on the income and expenditure of private schools which relates to 2000 and 2001, published in MCEETYA, *National Reports on Schooling 2000 and 2001* (Tables 32 and 26 respectively).

Out-of-school expenditure

The data are distributed between three main categories: in-school primary; in-school secondary; and out-of-school. Expenditure is allocated to each category according to its major function. For example, staff who spend the majority of their time in schools are classified as “in-school”, at either the primary or secondary level²⁴. Five per cent of total expenditure on government schools is classified as “out-of-school” expenditure.

“Out-of-school” expenditure relates to the costs of running an education system and a government department. For example, staff who spend the majority of their time in State, Territory or regional offices, including senior executive staff, are classified as “out-of school”. The cost of maintaining an Office of the Director-General, Boards of Secondary Studies, examination boards, activities associated with government reporting and accountability responsibilities are all classified as “out-of-school” expenditure. As these expenses are associated with running a public education system and a government department, they are not expenses incurred by independent schools. We therefore excluded “out-of-school” expenditure from our data set.

Commonwealth Targeted Programs and Indigenous Education Strategic Initiatives Program for government schools

In 2004, the Commonwealth government allocated \$320.9 million to government schools for Targeted Programs (excluding capital grants)²⁵ which are included in the data on government schools expenditure. Although private schools also receive funding through Commonwealth Targeted Programs, this is not taken into account in our estimates of private school resources. We therefore apportioned the \$320 million between the States and Territories on the basis of previous distributions and deducted the government school amount from the data on government school resources.

The Commonwealth government also allocates \$168.9 million nationally under the Indigenous Education (Targeted Assistance) Act 2000 for the Indigenous Education Strategic Initiatives Program. This funding was apportioned between government and private schools and jurisdictions on the basis of previous annual distributions and the relevant amount was deducted from total government school resources in each State and Territory.

Price Adjustments

The latest data published on government school expenditure is for the 2001-02 financial year as published in the Productivity Commission's *Report on Government Services 2004*, Table 3.A 7. We converted this data to 2002 calendar year prices by applying half the average increase in expenditure over the previous two years. We then adjusted this amount for movements in Average Government School Recurrent Costs (AGSRC) amounts between 2002 and 2004. According to the Commonwealth Department of Education, Science and Training, since 2002, the AGSRC amounts have been derived by applying the year-on-year movement in the accrual recurrent expenses data published by MCEETYA to the AGSRC amount (*Commonwealth Programmes for Schools*

²⁴ As defined in MCEETYA 2002. *Notes on the Contents of the NSSC Manual 2002*

²⁵ See *Commonwealth Programmes for Schools Quadrennial Administrative Guidelines 2001-2004* Appendix D for details

Quadrennial Administrative Guidelines 2001-2004; par 70-71). Thus although the AGSRC is derived from a different funding base to the accrual expenditure data used in this report, it is indexed on the basis of movements in the accrual expenditure since 2002 and therefore provides a basis for converting the 2002 accrual expenditure figures into 2004 prices.