

NEW SOUTH WALES  
**PUBLIC**  
EDUCATION  
**COUNCIL**

**SUBMISSION TO THE SENATE EMPLOYMENT,  
WORKPLACE RELATIONS AND EDUCATION  
REFERENCES COMMITTEE**

**INQUIRY INTO COMMONWEALTH FUNDING FOR  
SCHOOLS**

**2004**

*The views expressed in this submission are the views of the NSW Public Education Council and do not necessarily reflect the views of the NSW Minister for Education and Training or the NSW Government.*

## **Inquiry into Commonwealth funding for schools**

### **Key matters addressed in the NSW Public Education Council submission**

The continued privileging of non-government schools through the allocation of public funding by the Australian government poses a grave threat to the *National Goals for Schooling* being achieved.

Public resources are finite, even in a comparatively wealthy country such as Australia. There are no economic or educational, theoretical or empirical grounds to suggest that it is a responsible use of public funds by the Australian government to place the public school system at a disadvantage relative to the non-government sector.

In its attempt to justify the growing imbalance in its schools funding, the Australian government has increasingly become an advocate for non-government schools and for the students and families they serve, at the expense of advocacy for the nation's public schools. There is a widespread perception that the national government is 'pulling the rug out' from under government schools.

The asymmetrical relationship that has developed over decades between the roles and responsibilities of the Australian government and the states and territories in the funding of government and non-government schools is exacerbating the difficulties of achieving equitable and efficient resourcing of schools.

The current Australian government has resorted to misleading arguments including the creative interpretation of the Commonwealth Constitution to justify its school funding policies. The Australian Government has no constitutional obligation to fund schools of any kind, but it may choose to fund both government and non-government schools.

It is not appropriate for the national government to be, or to be seen to be, neglectful of the nation's public schools, which serve almost 70% of school students in Australia but will receive less than a third of the funds to be dispersed under this legislation.

The Australian government's school funding priorities further exacerbate the social stratification of schooling in Australia and erode fair educational opportunity. If this policy direction is allowed to prevail, we will all be the poorer.

Governments across Australia have a responsibility to allocate the scarce public resources in ways which are complementary and enhance the prospect of meaningful progress toward achieving the National Goals for Schooling.

The Bill currently before the Parliament fails in these responsibilities.

# **Inquiry into Commonwealth funding for schools**

## **Introduction**

The fundamental importance of education to life in contemporary Australia is agreed. *The Adelaide Declaration on National Goals for Schooling in the Twenty-First Century* observes that 'Australia's future depends upon each citizen having the necessary knowledge, understanding, skills and values for a productive and rewarding life in an educated, just and open society.'

'Each citizen' means exactly that. All children and young people have the capacity to learn and it is the shared responsibility of governments, parents, and communities to help them do well what they do naturally. It is essential to the maintenance and advancement of Australian democracy that all young people have access to the significant opportunities that education brings.

Commonwealth and State governments fund a broad range of services and initiatives that support educational outcomes. Their direct contribution to equality of educational opportunity for Australian children and young people is through the resourcing of Australia's schools, to provide a high quality foundation for lifelong learning.

The NSW Public Education Council's primary role is to advise the NSW Minister for education and training to ensure that the NSW public education system retains its high standards. We have prepared a submission for this Senate Inquiry because NSW government schools are profoundly affected by the Federal Government's funding policies.

The asymmetrical relationship that has developed between the roles and responsibilities of the Commonwealth and the states and territories in the funding of government and non-government schools poses a challenge to equitable and efficient school resourcing.

A joint report of the Australian Council for Educational Administration and the Australian College of Education, *A National Declaration for Education 2001*, stated that a disturbing consequence of this imbalance in intergovernmental funding roles and responsibilities has been a growing perception in the Australian community that public schools were being down-valued (p.13).

The NSW Public Education Council shares this concern. In policy terms, it is not appropriate for the national government to be, or to seem to be, neglectful of the nation's public schools. These are the schools that are open to all who wish to attend, free from any form of discrimination. The benefits of the public funds invested in these schools are directly available to all children and young people. Public schools serve almost 70% of students.

The increasing preference for non-government schools in the Commonwealth's allocation of public funding has led to its becoming an advocate for these schools and for the students and families they serve, at the expense of advocacy for the

nation's public schools. This has created a widespread perception that the national government is 'pulling the rug out' from under government schools.

In defending its funding decisions since 1996, the Commonwealth has had recourse to misleading arguments (see attached article). First, it has invoked the Constitution in an attempt to deflect responsibility for the adequate funding of public schools – and thus for the bulk of school students Australia-wide – onto states and territories. It is true that states and territories are responsible for ensuring that there is a school place for every child, a responsibility they discharge chiefly by making free public schools available to all comers. They may also fund non-government schools, and all do so. The Federal Government has no constitutional obligation to fund schools of any kind, but it may choose to fund both government and non-government schools, and it does.

Similarly misleading are the claims made by the Commonwealth about the relative increases in Commonwealth and state/territory recurrent funding for government schools. The only increases in general recurrent funding the current Commonwealth Government has given for public schools since 1996 have been based on a measure of spending increases on these schools by state and territory governments. That measure is called the Average Government Schools Recurrent Cost Index (AGSRC). If States spend more, the Commonwealth adjusts schools funding up, if they were to spend less, it would adjust schools funding down accordingly.

The Commonwealth claims that it is more generous to public schools than its state and territory counterparts rely on creative accounting. The only way to compare the increases offered to schools by the different levels of government is to compare actual expenditures by each, for the same year, using the same accounting procedures. Instead, the Federal Government produces figures that are a mishmash of different cash and accrual accounting practices among state and non-government school authorities, with confusion between actual and estimated spending.

The NSW Public Education Council urges the Committee to recommend in the strongest terms that the Commonwealth Government's support for non-government schools should not be to the detriment of its responsibility for maintaining and advancing a strong and socially representative public education system.

This submission focuses on two broad policy issues that demand consideration if we are to improve the capacity of Australian schools to provide their students with the conditions necessary to achievement of the National Goals for Schooling:

- the costs of prioritising choice at the expense of competing policy imperatives such as quality, equity, efficiency, and effectiveness in public funding for schools
- the overarching responsibility of governments for the effective allocation of finite, public resources.

Developing funding arrangements that will enable us as a society to meet the National Goals for Schooling will require collaborative effort. The current funding arrangements were adopted unilaterally by the Commonwealth, without consultation

with States and Territories or due regard to their own funding arrangements for government and non-government schools.

This submission does not focus on detailed, technical aspects of the funding machinery, believing that others will provide the Inquiry with such information.

The Council has set out some of the practical effects for NSW government schools of Federal funding arrangements. We would be happy to provide any further information, from the standpoint of our interest in NSW government schools, which the Committee may require.

## **Choice**

The NSW Public Education Council believes that it is the role and responsibility of the Commonwealth, in investing publicly in schools, to have regard to national priorities in education and to the needs of children and young people. This role and responsibility cannot be reduced entirely to a matter of individual parental choice of school. The Preamble to the National Goals for Schooling sets out a range of broader considerations:

*Governments set the public policies that foster the pursuit of excellence, enable a diverse range of educational choices and aspirations, safeguard the entitlement of all young people to high quality schooling, promote the economic use of public resources, and uphold the contribution of schooling to a socially cohesive and culturally rich society.*

An overriding priority of Commonwealth school funding since 1996 has been 'providing choice in education for all families'. The Public Education Council recognises that schooling is an arena for competition, as parents seek to advantage their own children, teachers seek satisfying working lives and schools seek to enhance their own reputations and viability.

Competition and parental choice of school have been facts of life in school education in towns and cities across Australia for many decades. The Council believes that the Inquiry into Commonwealth funding for schools provides an opportunity for the Committee to examine the proper response of a democratic government to these market forces. What is the object of current Commonwealth funding policy and its expression through disproportionate increases to the public funding of non-government schools? What are the implications and results of such policy settings?

In answering these questions the Committee will need to consider the vastly different forms of parental choice and the public implications of these. For example, is the choice to enrol children in a faith-based school the same as the choice to enrol children in a school whose resource standard is double that generally available to students?

The arguments put by advocates of unfettered 'choice' policies are that parents have a right to choose whatever specific form of schooling will most advantage their own children; and that widening choice opens up competitive forces which will improve

the efficiency and quality of school education overall. There is a question whether the former, as a private benefit, should receive priority for public funding. The latter argument, suggesting that there is a public benefit in subsidising individualised parental choice of school, is not sustained by economic theory or empirical research here or overseas.

Economists argue that the production of goods and services is best facilitated by the market when a *level playing field* exists. Such a situation involves the following conditions being met:

- there are many buyers and sellers of equal influence;
- buyers and sellers have complete information about the market;
- there are no restrictions on trading; and
- producers/sellers supply similar items.

Where these conditions are met, competition between agents in the market drives an efficient outcome where the needs of agents are satisfied, resource allocation optimised and wastage minimised.

Where the playing field is uneven, the market, left to its own devices, will fail to produce efficient and optimal outcomes for society. A particular area of market failure relates to 'public goods', where strong positive externalities accrue to society as a whole in addition to individual consumption benefits and where unequal market influence (e.g. capacity to pay) and differing conditions or obligations of trade are involved. Education is a prime example of such a good.

Aggressive pursuit of greater choice and market-determined outcomes in education places in jeopardy the best interest of society – including of those who may be reaping the short term gains of such policies. It does so by exacerbating the failures of the market. The benefits are not maximised or open to all and this failure reduces the economic and social capacity of the community as a whole.

'A quasi-market model for schools services cannot be said to have the optimum properties of the competitive market model' according to Emeritus Professor Peter Karmel in the Australian College of Education Yearbook for 2001, *School Resourcing: Models and Practices in Changing Times* (p.7).

Research here and overseas on the impacts of choice policies in education clearly indicates that they essentially result in greater segmentation and sorting of students by socio-economic status and educational achievement. There is no evidence of general improvement in the efficiency or quality of school education overall – in fact the reverse is the case. Barry McGaw, Director for Education at the OECD, noted at the Australian Council of Education Research Conference in 2002, that countries like Australia with competitive and highly stratified school education markets while producing high levels of excellence tend to do so at the expense of equity. McGaw challenged Australia to 'level up' as shown possible by other nations – by narrowing the performance gap between the lowest and best performing students while not reducing the achievements of the best – in particular by reassessing funding policies

and priorities which exacerbate the stratification of and sorting within schooling markets.

From a strictly economic view point the Commonwealth government's policy of ramping up the per capita subsidisation of non-government schooling to 'provide choice in education for all families' is also a particularly expensive and inefficient use of public resources.

Statements issued by the Commonwealth in an attempt to justify this form of public investment by claiming that it produces 'savings' to the taxpayer cannot be substantiated.

Such 'savings' could only occur over a lengthy period as the result of abandonment of public schooling on a significant scale by State governments. If that is the purpose of this policy, then it needs to be clearly stated by the Commonwealth, so that the Australian public can understand the consequences.

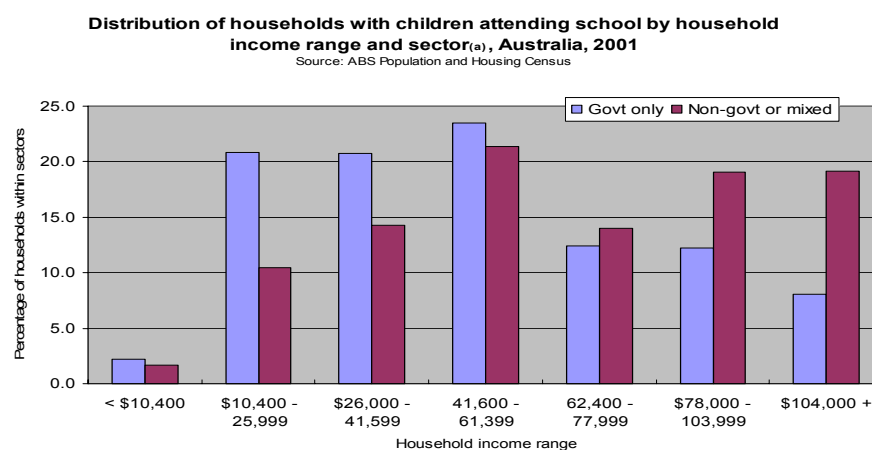
Between 1995 and 2005 the Commonwealth will have raised real outlays per student on non-government schooling in Australia by some 50 percent. Over the same period the non-government schools' share of total enrolments are estimated to have increased by some 4 percentage points.

Clearly the price has been high with most of the increased real funding to non-government schooling going to people already committed to their choice of non-government school. It is hard to rationalise any economic or educational justification for this approach to public funding by the Federal Government.

Much has been made by the current and the prior Commonwealth Minister about the creation of choice in schooling across the income scale. While it is evident from ABS Population Census data, that some people in lower income bands go to non-government schools, it is also clear that fees charged by even the so-called 'low fee' non-government schools present just as real a barrier to typical households in many areas as would the highest fee schools. A typical family in Campbelltown, for example, represented by one on median income for that area and in receipt of Family Tax Benefit, with average expenditure patterns akin to other Sydney households, would face great difficulty making ends meet let alone meeting the impost of school fees. Obviously such a typical family would have to forego substantial current expenditure or borrow to support their children in private schooling. For families on even lower incomes such difficult choices become even less realistic.

The fact that even relatively low fee schools are no substitute for public schools that are accessible by all families is also confirmed by a recent study on access to Catholic schools, by the Centre for the Economics of Education and Training at Monash University, Australian Council for Education Research and the Catholic Education Commission of Victoria. This study, *The Affordability of Catholic Schools in Victoria*, found that Catholic children from lower income families are less likely than those from higher income families to attend Catholic primary schools and more likely to attend government schools. This pattern is even more pronounced at the secondary level.

It is little wonder that the income distribution of parents with children attending public schools differs so markedly from that of parents of children in non-government schools.



(a) Excludes the 15.4% (government), 18.4% (Non-government) and 15.9% (mixed) households who did not state their income.

Peter Doherty (1996 Nobel Prize in Medicine, Professor of Medicine University of Melbourne), Barry McGaw (Director for Education at the OECD) and Air Vice-Marshall Brendan O’Loghlin (Principal Australian Defence College) have recently expressed concern at these trends in Australia (Australian, 29 April 2004). They note “Australia is unique in the extent to which non-government schools are able to combine private resources with government funding to achieve a substantial advantage over the public system.”

“There are very good public schools in Australia and outstanding students in public schools. That is evident in the results of public assessment at the end of Year 12. There is, however, a real risk that the present funding arrangements for the private and public sectors are driving down the relative position of the public sector.”

The likely impact of the Commonwealth’s priority in public investment to individual parental choice of non-government schooling will be the further social stratification of schooling in Australia and the erosion of fair educational opportunity. If this policy direction is allowed to prevail, we will all be the poorer.

The Public Education Council believes that the Inquiry should take into account projected demographic trends.

Within three years the state-wide secondary school aged population in NSW is projected to commence a sustained downward trend. Between 2007 and 2020 this cohort is projected to decline by some 40,000 persons (ABS Population Projections Cat. No. 3222.0). The primary aged cohort in NSW commenced a decline in 2002 and is projected to reduce in size by some 65,000 by 2020.

State-wide movements, however, hide disparate regional and more localised trends. Some localities continue to grow strongly whilst others experience lower levels of growth or actual declines. The impact of these trends on school capacity requirements and planning will differ greatly across localities.

The projected downward trend in the NSW school age population can be expected to provide much more challenging times for public schools particularly if the supply of places to the non-government school sector continues to be under-written by the Commonwealth. Heightened competitive tensions will undoubtedly be experienced within contested, over-supplied schooling 'markets' as schools attempt to maintain their student numbers and academic and financial viability. The impacts of these market forces are not shared evenly. Costs (per student) are driven up for the affected public schools and quality of teaching and learning made more difficult to sustain.

Since schooling is compulsory, there must be sufficient school places to guarantee a place for every child. That is the minimum. The question for the Commonwealth to answer is how many places governments should fund publicly above that minimum to provide individual parental choice of school? Is every parent entitled to a choice of at least two schools, or must the choice be as broad as the variety of views individual parents hold about education? The notion of unlimited choice of school for parents is clearly unaffordable and impractical. The Inquiry provides an opportunity to press the Commonwealth as to whether and where it sees any limit to subsidies for this form of choice.

As set out in the following section, the NSW Public Education Council takes the view that there is a need for Commonwealth funding policy for schools to be reformed so that choice is set in a healthier balance with other important policy imperatives for public investment in schooling, including effectiveness, equity, transparency, the economic use of resources, and consistency and predictability for school authorities.

### **Funding priorities**

The public resources available to invest in schooling are finite, even in a comparatively wealthy country such as Australia. It is a political as well as a pragmatic reality that investment in education will always compete with investment in other areas of high societal importance. Arguably, an ageing population will make this competition more intense.

From this perspective, the public resources available for schooling are scarce. They are scarce notwithstanding the total levels of government expenditure on schools. Just as these have increased over time, so too have our expectations of education. The national goal that 'schooling should develop fully the talents and capacities of all students' aptly reflects democratic principles, but is nonetheless ambitious in its implementation.

The scarcity of these resources is underlined by current public opinion which would increase the levels of education funding particularly to public schools. It is significant that representatives from the non-government sector do not generally dispute the public sector's claim to enhanced resourcing, although they would not, naturally, wish this to be at the expense of their own call on public funds.

In a situation of scarce resources, it is the overarching responsibility of governments to allocate resources in ways which maximise the public benefits of those

expenditures. What demands consideration, then, are the principles on which such resource allocations should proceed. The National Goals for Schooling provide a basis for this consideration, which is also taken up in *Resourcing the National Goals for Schooling: An Agreed Framework for Principles for Funding Schools* (2002).

The National Goals blend foresight with optimism. They establish high expectations of what schooling should deliver students in terms of experience and educational achievement, and they explicitly extend this entitlement to each and every student. The declaration that 'schooling should be socially just' encompasses the belief that 'the learning outcomes of educationally disadvantaged students [should] improve and, over time, match those of other students.'

It is imperative that in conjunction with each other, Commonwealth, State and Territory funding models are configured not only to raise the bar of overall student achievement (which international studies indicate Australia does well) but to close the gap between high and low achievers (where the same studies suggest we do poorly).

To achieve this, funding models will need to take account of the fact that the workload of schools and teachers vary markedly among schools and between schooling sectors, reflecting the differences in the needs of their student communities. For example, public schools enrol disproportionately high levels of educationally disadvantaged students, including students from low-SES backgrounds, Aboriginal students and students with disabilities.

Funding models must also account for the unique obligation of public schools to ensure universal access to educational provision. This core responsibility incurs additional costs in a number of ways, including:

- the necessity to provide education for students in geographically remote locations
- the necessity for small schools, particularly in rural and remote locations, but also in urban areas where demographic shifts and the unfettered expansion of the non-government sector can compromise the efficiency of public school provision
- the necessity to admit all-comers. It should be noted by the Inquiry that those parents who enrol their children in non-government schools do not relinquish their children's entitlement, at any time, to a place in a government school.

Meeting these obligations is a national as well as state responsibility.

#### *Current impediments to achieving the National Goals in Commonwealth funding policies*

Current Commonwealth schools funding policies pose impediments to achieving the overarching national goal of a high quality education for all Australian students through:

- inadequate attention to need, and

- inefficient allocation of resources.

Inadequate attention to need is evident in:

- *The use of the AGSRC as a basis for the allocation of per capita funding to non-government schools.* The AGSRC is a measure of average expenditure on a government school student. As such, it reflects the additional costs incurred by the public sector, as outlined above. A better understanding and measure of schooling costs is urgently needed.
- *The failure to take account of total resources available to schools.* While an SES index can be a useful measure on which to rank relative need, there is likewise a need to take account of absolute resources available to schools. The current system which allocates public money to even the wealthiest and well-endowed of schools risks creating the impression that the Commonwealth has double standards. Is it the view of the Commonwealth Government that the resource standards available to students in the highest-fee non-government schools are appropriate to the needs of their student communities? If this is the case, then the Commonwealth has an obligation to raise the resource levels of other schools to those levels, on grounds of equity. It can well be argued that if these resource levels are required for students drawn from relatively educationally advantaged backgrounds, then an even higher standard must be required for other schools, and particularly for those schools that draw their students from educationally disadvantaged backgrounds. The Commonwealth cannot have it both ways. Either the standard of resources the Government is supporting in high-fee non-government schools is appropriate for all schools – or it is not appropriate for the Commonwealth to be contributing to such standards for a privileged minority of students.

Inefficient allocation of resources is evident in:

- *The commitment to funding maintenance.* The introduction of the SES funding model was designed to match funding more closely with need. This objective will only be realised, however, if the model is allowed to operate. Currently the high level of schools with 'funding maintained' status suggests either that the model itself is inadequate or that sectoral interests have secured additional resources for themselves, at the inevitable expense (when resources are scarce) of more needy schools.
- *The ongoing allocation of resources to schools where marginal benefits are likely to be non-existent or small.* Economic theory indicates that when expenditure reaches a certain level the marginal benefit per dollar begins to fall. Given the comparatively high levels of expenditure in some parts of the independent sector (\$ per student vs. \$ per student in the government sector) it is highly likely that returns on public investment are small. Returns would likely be much higher in comparatively disadvantaged education communities, predominantly served by public schools.

- *The fact that the Commonwealth has imposed a policy that counteracts the policy intentions of the NSW Government for the funding of non-government schools.* NSW distributes its public funding to non-government schools on the basis of the previous Commonwealth scheme which had 12 funding categories. Schools were assigned to categories according to the level of recurrent resources available to their students. The rationale of this policy is to assess resource needs and to provide funding with the purpose of reducing the inequalities in resource provision among schools in the non-government sector. The Commonwealth policy was adopted without regard to these arrangements in NSW and involved a unilateral decision to ignore entirely the resources actually available to students in these non-government schools.

The Commonwealth funding scheme is designed to provide 'incentives' for private effort. The major way in which non-government school authorities can increase their private effort is through increasing fees. The Commonwealth allows such fee increases without any reduction in the level of subsidy it provides. The effect of this policy is to use public funds in a way which widens rather than reduces the resource gaps between the non-government and the government school sectors; as well as within the non-government sector itself.

The NSW Public Education Council is concerned at the practical effects for government schools in NSW of the current Federal funding arrangements.

Government schools in NSW are now competing for students and resources with non-government schools that are better placed financially to recruit and retain school leaders and teachers.

The most visible sign of increased Commonwealth recurrent funding is the superior investment by non-government school authorities in their buildings and facilities. In NSW expenditure on capital by schools in the independent sector has been, according to publicly available data, as much as seven times that in the public sector. It is clear that increased recurrent grants have enabled many schools to invest their private resources in buildings and facilities. This disparity in buildings and facilities is advantaging non-government school authorities in marketing their schools to some parents, compared with government schools.

It could be argued that government schools would find themselves in these circumstances even if the Commonwealth did not add significantly to the resources of non-government schools, which come from private sources as well as State government subsidies. This is clearly the case when some non-government schools have higher per student resources than government schools from their fees alone. It cannot be argued, however, that it is a responsible use of public funds by the Commonwealth to place the public school system at a disadvantage through funding non-government schools in ways that increase their existing market advantage.

In sum, the NSW Public Education Council takes the view that there is a need for Commonwealth funding policy for schools to be reformed so that:

**Parental choice of schooling is set in balance with other important policy imperatives for public investment in schooling, including effectiveness, equity,**

**transparency, the economic use of resources, and consistency and predictability for school authorities.**

**Funding policies have regard to the need to plan the provision of school places on a demographic basis, in order to maintain a responsible balance between the supply of and the demand for school places.**

**There is a rational, coherent and complementary relationship between the policies of the Federal government and those of States and Territories where the effects of such policies are experienced; and to avoid the wastefulness associated with public investment in policies that counteract each other.**

**Funding policies have proper regard to the formal responsibilities of States and Territories to guarantee access for every child to schooling primarily through providing an entitlement to a place in a public school, which is not contingent upon parents' beliefs, capacity to pay or personal circumstances. This requires the need to deal with rises and falls in the total school population over time, as well as changes in the geographic distribution of families with school-aged children.**

*The Sydney Morning Herald*

## A government 'generous' to public schools, via some creative accounting

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Federal funding is more about political priorities than supplementing state funds, writes [Lyndsay Connors](#).

'CHARACTER is higher than intellect." The federal Education Minister, Brendan Nelson, included this quote by Ralph Waldo Emerson in a recent government brochure about how values should be a core part of schooling. But his own pronouncements on federal funding of schools display neither.

Nelson defends the right of parents to meaningful reports on the performance of students and schools. Parents are equally entitled to accurate, valid and reliable information on the resources available in schools to support their children's achievement. The information Nelson is circulating hides the truth. The complexity of schools funding provides ample opportunity for those seeking to obfuscate or confuse. It is necessary to get a few things straight.

The only funding increases the Howard Government has given public schools have been based on a measure of spending increases on these schools by the states and territories, the Average Government Schools Recurrent Cost Index.

If states spend more, the Government adjusts schools funding up; if they spend less, it adjusts down. How can Nelson possibly claim that state governments do not fund public schools at the same "generous" rate as the Federal Government?

This answer lies in creative accounting. The only way to compare the increases offered to schools by the Federal Government and the states is to compare actual expenditure by each, for the same year, using the same accounting procedures.

The Federal Government does not do this. Instead, its figures are a mishmash of different cash and accrual accounting practices among state and non-government schools authorities, with confusion between actual and estimated spending.

By artificially depressing the level of the states' expenditure on schools compared with his own, Nelson is trying to get off the hook with parents and voters for his Government's neglect of public schools.

No one familiar with schools believes Nelson's claim that Fairvale High School is more appropriately resourced than The King's School, or that state funding for Fairvale privileges it such that King's requires compensatory public money from the Federal Government.