Senator Richard Di Natale

Leader of the Australian Greens

Parliament House

CANBERRA ACT 2600

Dear Senator Di Natale

Please find attached a response to your costing request, *Better Schools: Full Gonski and Disability Funding* (letter of 28 June 2016).

The response to this request will be released on the PBO website ([www.pbo.gov.au](http://www.aph.gov.au/pbo)).

If you have any queries about this costing, please contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

29 June 2016

# Policy costing—during the caretaker period for the 2016 general election

|  |  |
| --- | --- |
| Name of proposal: | Better Schools: Full Gonski and Disability Funding |
| Summary of proposal: | The proposal includes the following two components:  Component 1: Gonski school funding  This component would increase funding to government and non‑government schools to match the funding allocated in the 2013‑14 budget for the *Better Schools – National Plan for School Improvement* (NPSI) for the financial years 2017‑18, 2018‑19 and 2019‑20, and school (calendar) years 2018 and 2019.  This component would include the proportional Schooling Resource Standard (SRS) funding for those years, 4.7 per cent indexation, plus all loadings that would have been identified and funded under NPSI (disability, Aboriginality, socio economic status (SES), English proficiency, school size and school remoteness), and using latest enrolment data.  Under this component no school would be worse off when compared to current government estimates and Commonwealth schools funding in the 2020 calendar year would be at a level to maintain schools on their 2019 percentages of SRS.  This component would have effect from 1 January 2018.  Component 2: School funding for students with disabilities  This component would provide the following capped amounts:   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | ($m) | 2016-17 | 2017-18 | 2018-19 | 2019-20 | Total | | Profiled amounts | -1,111 | -1,164 | -1,218 | -1,276 | **-4,769** |   This component would have effect from 1 September 2016. |
| Date of public release of policy: | 22 April 2016 |
| Person/party requesting costing: | Senator Richard Di Natale, Australian Greens |
| Date costing request received: | 28 June 2016 |
| Date costing completed: | 29 June 2016 |
| Additional information requested: | On 28 June 2016 clarification was sought from the office of Senator Di Natale (the office) as to what the policy is for both components beyond 2019-20. |
| Additional information received: | On 28 June 2016 the office advised that:  Component 1: Noting a review would be undertaken to determine future policy, after 2019, this policy maintains a 2019 level of funding, plus indexation, as per the *Australian Education Act 2013* (the Education Act).  Component 2: Additional funding under this component is ongoing calculated yearly against latest Nationally Consistent Collection of Data (NCCD) on School Students with Disability, and indexed as per the Education Act. |
| Expiry date for the costing: | Release of the next economic and fiscal outlook report |

## Costing overview

The National Education Reform Agreements (NERA) between the Commonwealth and states/territories aim to increase school funding over the period 2014 to 2019 to 95 per cent funding of the SRS.[[1]](#footnote-1) In the 2014-15 Budget, the Government announced that from 1 January 2018 Commonwealth funding to schools will increase by the Consumer Price Index (CPI) and account for student enrolment growth.[[2]](#footnote-2) In the 2016-17 Budget, the Government announced that total school funding for the 2018, 2019 and 2020 school years would be indexed by 3.56 per cent and account for student enrolment growth.[[3]](#footnote-3)

This proposal would fund schools in 2018 and 2019 in line with NERA and the Education Act with all states and territories reaching 95 per cent of SRS following the funding trajectories set out in the NERA.[[4]](#footnote-4) For jurisdictions not currently signed up to NERA (Western Australia, Queensland and the Northern Territory), funding to schools would be provided on the same basis as the final offers made to them in 2013. For 2020, funding would be provided at a level to maintain schools on their 2019 percentages of SRS (with the exception of Victorian schools that would continue to progress towards 95 per cent SRS in 2022).

This proposal would be expected to decrease both the fiscal and underlying cash balances by $10,159 million over the 2016-17 Budget forward estimates period. This impact is entirely due to an increase in administered expenses.

This proposal would not be expected to require additional departmental expenses, as the proposal relates to an existing function of the Department of Education and Training (DET). This is consistent with the 2016-17 Budget measure, *School Funding – additional funding from 2018* which did not provide departmental funding.

The proposal would have an impact beyond the forward estimates and the financial impacts, disaggregated by component, for the period 2016-17 to 2026-27 are provided at Attachment A.

This costing is considered to be of a medium reliability, while Component 2 is based on specified amounts, Component 1 is based on current Commonwealth and state/territory school funding estimates and school data from DET. The reliability of the costing decreases the further into the future the estimates are projected.

Further, as current 2018 and 2019 Commonwealth funding estimates are not calculated on an individual school basis, the Parliamentary Budget Office (PBO) has applied the specification that no school would be worse off compared to current funding at a state/sector level.

Table 1: Financial implications (outturn prices)(a)(b)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Impact on ($m) | 2016–17 | 2017–18 | 2018–19 | 2019–20 | Total |
| Fiscal balance | -1,111 | -1,634 | -3,118 | -4,296 | **-10,159** |
| Underlying cash balance | -1,111 | -1,634 | -3,118 | -4,296 | **-10,159** |

1. A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
2. Figures may not sum to totals due to rounding.

## Key assumptions

In costing this proposal the following assumptions have been made:

### Component 1: Gonski school funding

The number of schools and characteristics of each school (except enrolment growth) would remain stable after 2017 (the last year of data provided by DET). This means that schools’ additional per student SRS loading amounts would remain unchanged after 2017.

Changes to enrolments after 2017 for each school would reflect the average change in enrolments for the relevant jurisdiction and school sector.

For all school years after 2020, current Commonwealth funding would grow in line with CPI and school enrolments.

### Component 2: School funding for students with disabilities

Payments would be made through a National Partnership.

As NCCD on School Students with Disability is not available, funding beyond 2019-20 would grow in line with expected growth for school funding under the Education Act.

The full specified amount in 2016-17 would be provided from the commencement date of 1 September2017.

## Methodology

### Component 1: Gonski school funding

With regard to current policy settings, schools funding estimates over the 2016‑17 Budget forward estimates were provided by DET. For the period beyond the 2020 school year, schools funding under current policy settings was projected by indexing funding amounts by CPI and accounting for forecast student enrolment growth.

Projected funding amounts for the proposal were generated based on de‑identified school level data provided by DET. The estimated level of funding for each school in the DET database is calculated by determining whether the school is below, on or above SRS funding during each year of the costing period and applying the relevant funding formula as set out in the Education Act. For the years up to the target year in which 95 per cent of SRS would be reached, schools that are below SRS funding receive “additionality” funding to transition towards 95 per cent SRS funding. For 2020 and beyond funding is based on applying the arrangements under the Education Act (with the exception of Victorian schools which would continue to progress towards 95 per cent SRS in 2022).

The costing was then derived by taking the difference between total Commonwealth funding for schools between proposed and current policy settings.

Calculations have been made on a calendar school year basis and then converted to financial years. As a result 2017‑18 amounts reflect a half‑year impact.

Estimates have been rounded to the nearest $10 million.

### Component 2: School funding for students with disabilities

The impacts of this component over 2016-17 to 2019-20 are as specified in the request. Impacts for 2020-21 and thereafter were derived by applying the net growth set out in the Education Act.

## Data sources

DET provided a confidentialised version of the schools payment model as at the 2016‑17 Budget.

National Education Reform Agreements for New South Wales, Victoria, South Australia, the Australian Capital Territory and Tasmania.

*Australian Education Act 2013* <https://www.comlaw.gov.au/Details/C2013A00067>.

# Attachment A: Better Schools: Full Gonski Funding — financial implications

Table A1: Financial implications (outturn prices)(a)(b)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ($m) | 2016–17 | 2017–18 | 2018–19 | 2019–20 | **Total to 2019–20** | 2020–21 | 2021–22 | 2022–23 | 2023–24 | 2024–25 | 2025–26 | 2026–27 | **Total to 2026–27** |
| **Fiscal and underlying cash balances – expenses/payments** | | | | | | | | | | | | | |
| Gonski Funding | *-* | *-470* | *-1,900* | *-3,020* | ***-5,400*** | *-3,450* | *-4,210* | *-5,030* | *-5,690* | *-6,390* | *-7,110* | *-7,880* | ***-45,150*** |
| School funding for students with disabilities | *-1,111* | *-1,164* | *-1,218* | *-1,276* | ***-4,769*** | *-1,350* | *-1,437* | *-1,528* | *-1,611* | *-1,695* | *-1,781* | *-1,871* | ***-16,041*** |
| **Total** | **-1,111** | **-1,634** | **-3,118** | **-4,296** | **-10,159** | **-4,800** | **-5,647** | **-6,558** | **-7,301** | **-8,085** | **-8,891** | **-9,751** | **-61,191** |

1. A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
2. Figures may not sum to totals due to rounding.

* Indicates nil.

1. Note WA, Queensland and NT did not sign up to NERA. Further, Victoria’s NERA aim is to increase school funding to reach 95 per cent of SRS by 2022. [↑](#footnote-ref-1)
2. 2014‑15 Budget measure: *Students First – indexation of school funding from 2018*. [↑](#footnote-ref-2)
3. 2016-17 Budget measure: *School Funding – additional funding from 2018.* [↑](#footnote-ref-3)
4. Note, as per the NERA, Victoria would not reach 95 per cent of the SRS until 2022. [↑](#footnote-ref-4)