Education Funding Paper

New Schools Agreements Show Public Schools Will Remain Underfunded in 2034

Trevor Cobbold

Save Our Schools

October 2025

https://saveourschools.com.au/

Key Points

1. The claims by the Prime Minister, Premiers and their education ministers that public schools will be fully funded by 2034 is a blatant lie.
2. Despite a substantial and very welcome boost in funding, public schools will remain underfunded in 2034, 23 years after the Gonski Report recommended full funding. Public schools will remain massively underfunded in each year until 2034. It is a shameful neglect of the challenges facing public schools and the learning needs of disadvantaged students, the large majority of whom attend public schools.
    - In 2034, public schools in all states and he Northern Territory (2029) will be funded at less than 100% of their Schooling Resource Standard (SRS).
        - NSW – 96.2%; Qld – 97.6%; SA – 98.6%; WA – 97.8%; Tas – 97.7%; ACT – 106%; NT – 95.8% (2029). The Victorian agreement is not published.
    - Public schools across Australia will be underfunded by $1.7 billion in 2034 and the loss well over $2 billion once Victoria finally signs up.
        - NSW – $888 million; Qld – $425 million; SA – $120; WA – $192 million; Tas– $37 million; NT – $53 million (2029).
    - Public schools will be heavily underfunded in each year until 2034. The cumulative underfunding is estimated at $34.6 billion.
3. There are several reasons for the continued underfunding.
    - The Commonwealth increase in its funding share for public schools from 20% to 25% of their SRS is only gradually phased in and is heavily backloaded until the last five years in NSW, Queensland and South Australia. By 2029, it will have increased by only 0.5 of a percentage point in Queensland, by 1.3 percentage point in NSW and by 1.25 points in South Australia.
    - The 4% allowance that allows the states to claim capital depreciation as part of their share of funding public schools will not be fully removed until 2034 and the reductions are mainly in the last five years. But capital depreciation is specifically excluded from how the SRS is measured and its inclusion in state SRS shares defrauds public schools of their rightful funding.
        - In NSW, Western Australia, South Australia and Tasmania, this allowance will be reduced by only one percentage point to 3% between 2024 and 2029. In Queensland, it will remain at 4% until 2028 and at 3.98% in 2029.
    - The states can still claim expenditures as part of their share of funding public schools that are specifically excluded from how the SRS is calculated. These allowances defraud public schools of their rightful funding.
        - They can claim expenditure on regulatory authorities.
        - They can claim a new separate allowance for expenditure on school transport for public school students as part of their share of funding the SRS of public schools. NSW and Queensland g can claim up to 1.8% of the SRS. Western Australia and Tasmania can claim up to 1.5%. South Australia can claim 1.07% for school transport and 0.73% for mid-year student intake. The agreements admit this allowance is a "non-standard inclusion". This is a remarkable admission by governments that these allowance defrauds public schools of eligible SRS funding.
        - The Western Australian agreement allows the Government to "double dip" by claiming an allowance for pre-school expenditure and regulatory activity by

the Department of Education as part of its share of funding public schools when these items are already included in how the SRS is calculated for Western Australian public schools.

4. The continuing allowance to claim expenditure on regulatory authorities and the new allowances for school transport account for the underfunding of public schools of $1.7 billion in 2034. The biggest losses are for public schools in NSW and Queensland - $888 million and $425 million respectively
- The funding loss from the non-SRS allowances in 2034 is only slightly less than the $1.8 billion loss from them in 2024.

5. The new agreements unfairly discriminate against public schools by allowing government to claim non-SRS expenditures as part of their share of funding public schools but not for their share of funding private schools. Private schools are also subject to regulation and private school students are eligible for school transport subsidies. Discriminatory defrauding of public schools provides another resource advantage for private schools.
6. The agreements must be revised to give public schools better and fairer funding.
   - The Commonwealth should accelerate the increase in its funding share of the SRS public schools to achieve 25% by 2029.
   - State governments should remove the existing 4% allowance for non-SRS expenditure by 2029 and immediately remove new non-SRS expenditure claims as part of public school funding.

Introduction

In January this year, in a major policy speech to the National Press Club, the Prime Minister promised that new school funding agreements would provide full funding for public schools. A flurry of bilateral agreements between the Commonwealth Government and several state governments as well as the ACT Government were signed in March. Western Australia signed up in June while Victoria is yet to sign an agreement. The Northern Territory signed an agreement in 2024. A series of joint media releases by the Prime Minister, the Federal Education Minister, Premiers and state education ministers triumphantly announced that public schools were on the path to full and fair funding.

Strangely, the new bilateral agreements were not immediately published and were kept secret for several months. The NSW, Queensland, South Australian and ACT agreements were published in late July and the Western Australian and Tasmanian agreements in late August. The delay in publishing the agreements has precluded full analysis of them until now. Save Our Schools has published analyses of each new agreement on its website while an analysis of the Northern Territory agreement was published in 2024.

The triumphal claims of "full funding" for public schoolshave proved to be false. The agreements show that public schools will be funded at less than 100% of their Schooling Resource Standard (SRS) in 2034. Public schools will still be underfunded 23 years after the Gonski Report recommended a plan for full funding. Governments continue to fail public schools and particularly for disadvantaged students, the large majority of whom attend public schools.

The funding agreements

Under the agreements, the Commonwealth will increase its share of the SRS of public schools from 20% in 2024 to 25% in 2034. In the case of the Northern Territory, it will increase its share to 40% by 2029. State governments agreed to fund public schools at 75% of their SRS by 2034. For some, this means maintaining their current nominal share of 75% and others to increase their nominal share to 75%. The ACT agreed to increase its share from 80% to 81.5% by 2030 and the Northern Territory agreed to increase its share to 60% by 2029.

State governments also agreed to remove by 2034 a provision in their previous agreements with the Morrison Government that allowed them to claim expenditures that are specifically excluded from how the SRS is calculated as part of their share of funding public schools. Most governments claimed expenditure on capital depreciation and school transport up to 4% of the SRS of public schools as part of the state share of funding public schools. The Western Australian agreement allows the Government to continue to claim expenditure on pre-schools as part of its 4% allowance. The Northern Territory can continue to claim this allowance. The ACT could not claim this allowance in its previous agreement.

The 4% allowance defrauded public schools because counting non-SRS expenditures as part of the state share of funding public schools meant that governments did not have to fund the full entitlement of schools. The claim was commonly seen as "accounting tricks". These allowances are to be "replaced with funding on eligible expenses".

The new agreements allow governments to continue to claim expenditure relating to public schools by regulatory authorities such as curriculum and standards bodies as part of its share of funding the SRS of public schools. These expenditures are also excluded from how the SRS is calculated but governments are not required to replace this allowance with eligible SRS expenditures.

The South Australian allowance includes regulatory expenditure on both public and private schools up to 2030 after which inclusion of expenditure on private schools is phased out by 2034. The NSW agreement is ambiguous on whether the Government can claim all expenditure on schools by the Education Standards Authority or just that relating to public schools. The Tasmanian and Northern Territory agreements include expenditure claims for additional regulatory bodies not in the previous agreements.

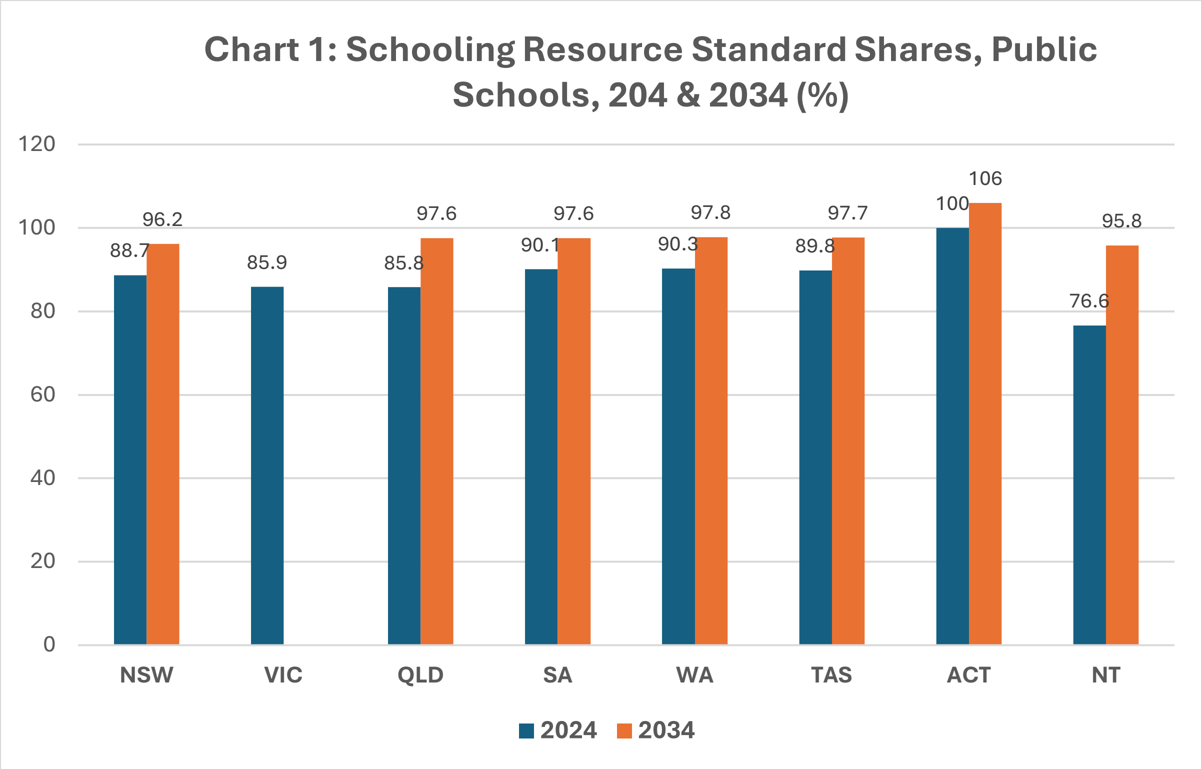
A new provision allows the NSW and Queensland governments to claim up to 1.8% of the SRS for direct school transport for public school students as part of their share of funding the SRS of public schools. Western Australia and Tasmania can claim up to 1.5%. The South Australian Government can claim 1.27% for school transport for both public and private school students as part of its share of funding the SRS of public schools. The allowance to include transport of private school students is to be phased out from 2030. The Government can also claim 0.73% of the SRS for the mid-year intake of students in public schools.

Continuing underfunding

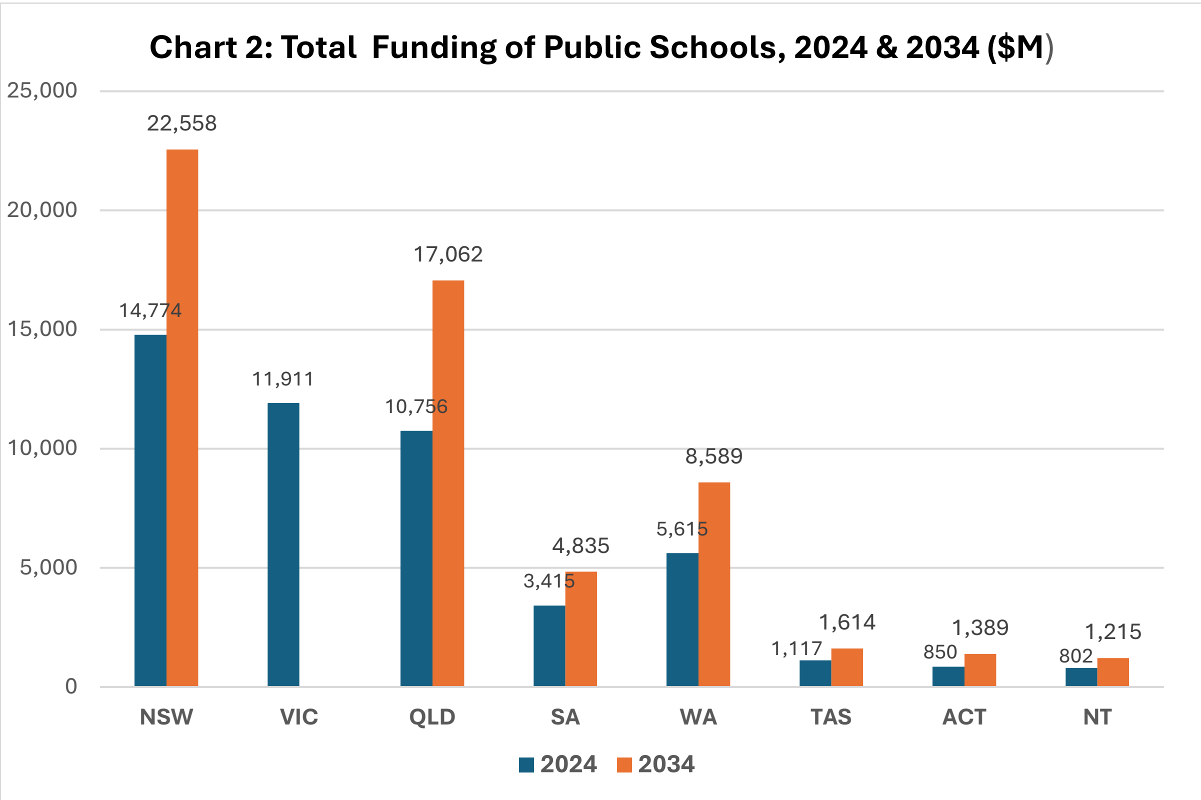
The agreements between the Commonwealth and state and territory governments that have been signed to date provide a large and very welcome boost in funding for public schools. There will be major increases in the SRS funding of public schools in all states and territories [Chart 1]. Total funding will increase by about $20 billion from 2025-2034 (not including Victoria) with very large increases for NSW and Queensland public schools [Chart 2].

But the increase is over ten years and the fact is that public schools will be funded at 96-98% of their SRS in all jurisdictions except the ACT in 2034 instead of 100% as promised by the Prime Minster, Premiers and their education ministers.

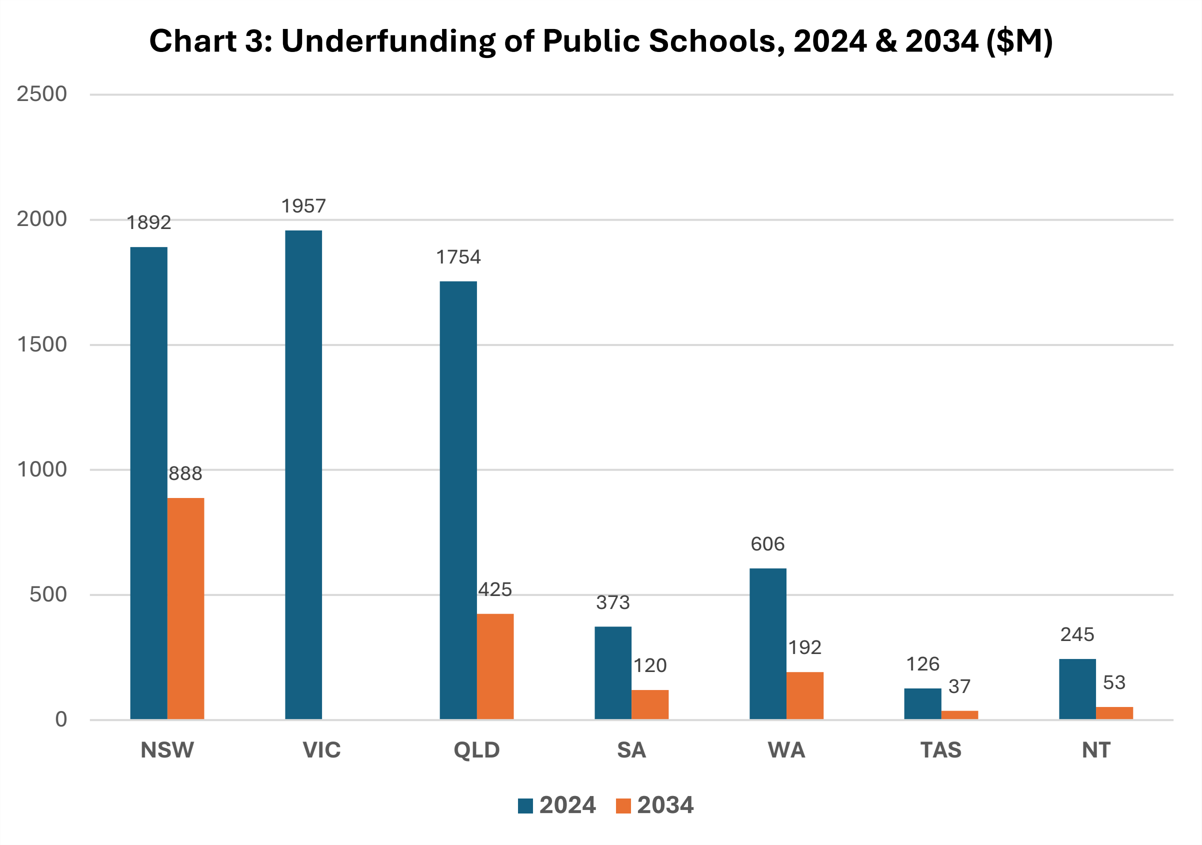
Underfunding of public schools will be reduced substantially over the ten years to 2034 [Chart 3]. However, public schools in the signatory states except the ACT will be underfunded by $1.7 billion in 2034 and the loss is likely to be well over $2 billion once Victoria finally signs an agreement. NSW public schools will be underfunded by nearly $900 million in 2034 and Queensland public schools by over $400 million.



Source: See Attachment4
Note: The Northern Territory shares are for 2024 and 2029



Source: See Attachment
Note: The Northern Territory shares are for 2024 and 2029



Source: See Attachment
Note: The Northern Territory estimates are for 2024 and 2029

Public schools will be heavily underfunded in each year until 2034. The cumulative underfunding over the ten years will be huge, especially in NSW and Queensland. The cumulative underfunding in NSW will be $14.3 billion and $12.5 billion in Queensland. The cumulative total for all states will amount to $34.6 billion, even without an estimate for Victoria.

There are three reasons for the continued underfunding to 2034:

- The Commonwealth increase is only gradually phased in.
- The 4% allowance to include non-SRS spending will not be fully removed until 2034.
- State governments are allowed to claim additional non-SRS expenditure as part of their share of funding public schools, including some “double dipping” on allowances.

Delayed increase in Commonwealth funding

The large part of the five percentage point increase in the Commonwealth SRS funding share is delayed in most states until the last five years of the agreement. For example, its share of funding Queensland public schools will only increase by 0.5 of a percentage point by 2029, leaving 4.5% for the last five years. The NSW increase is only 1.3% in the first five years and 1.25% in South Australia. By contrast, the increase for Western Australia and Tasmania is 2.5% in the first five years.

The Commonwealth Education Minister has not explained the reason for the faster funding increase for Western Australia and Tasmania. Each bilateral agreement requires the state government to direct the additional Commonwealth funding to schools with the highest levels of need. It is not apparent that the level of student need in Western Australia and Tasmania is any greater than in the other states. For example, 31.6% of students in NSW public schools are from low socio-educational families and one-third of enrolments in Queensland and South Australia are from such families compared to 29.8% in Western Australia.

Delayed reduction of 4% allowance

The removal of the allowance for state governments to claim non-SRS expenditure up to 4% of its SRS share will occur only gradually over the ten years. The large part of the reductions is delayed until the last five years.

In NSW, Western Australia, South Australia and Tasmania, the allowance will be reduced by only one percentage point to 3% between 2024 and 2029 and then only gradually removed by 2034. In Queensland, the allowance will remain at 4% until 2028 and at 3.98% in 2029 before being gradually removed over the next four years.

Public schools will remain defrauded by this Morrison era “accounting trick” for another nine years. They will continue to suffer a major loss of eligible SRS funding each year until it is removed. NSW public schools will lose $4.7 billion over the ten years, Queensland public schools will lose $4.6 billion, South Australian public schools $935 million, Western Australian public schools $2.4 billion and Tasmanian public schools $456 million. The cumulative loss of funding from this accounting trick will amount to $13 billion.

Additional allowances to include non-SRS expenditure

The new agreements also allow government to claim additional non-SRS expenditure as part of its share of funding public schools. They can now claim capital depreciation for the full amount of the 4% allowance while it remains.

Governments can now separately claim expenditure on school transport for public school students which was previously included as part of the 4% allowance. The NSW and Queensland governments can claim up to 1.8% of the SRS for direct school transport as part of their share of funding the SRS of public schools. Western Australia and Tasmania can claim up to 1.5%.

The South Australian Government can claim 1.07% for school transport for public school students as part of its share of funding the SRS of public schools. The Government can also claim 0.73% of the SRS for the mid-year intake of students in public schools. It is not clear why the latter is included as an allowance because it would be expected that the calculation of the SRS would make provision for the mid-year intake.

The NSW, South Australian, Western Australian and Tasmanian agreements provide that these allowances are phased in at a rate proportional to the rate of increase in

Commonwealth funding. The Queensland allowance is phased in proportional to the reduction of the 4% allowance.

The agreements admit that these allowances are a "non-standard inclusion" in the government's funding share of the SRS of public schools. It is a clear admission that governments continue to defraud public schools of eligible SRS funding.

Governments can also continue to claim expenditure on regulatory authorities as part of their share of funding public schools despite the fact that these expenditures are excluded from how the SRS is calculated. The Queensland, Western Australian and Tasmanian agreements restrict this allowance to regulatory expenditure on public schools. There is some ambiguity in the NSW agreement as to whether it is restricted to public schools or includes all regulatory expenditure, that is, including regulation of private schools. The South Australian agreement includes expenditure on both public and private schools up to 2030 after which the inclusion of expenditure on private schools is to be phased out by 2034.

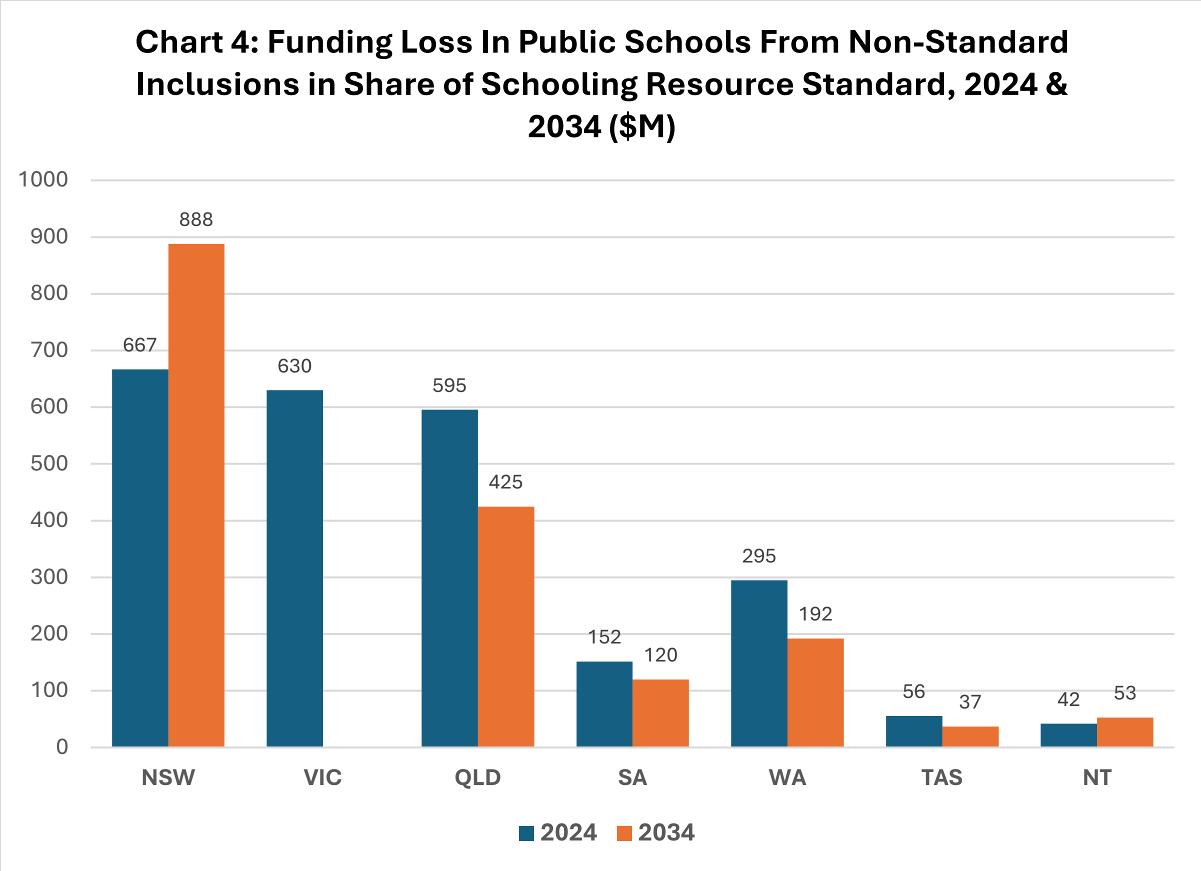
The Tasmanian and Northern Territory agreements include expenditure on regulatory authorities that were not included in the previous agreements. The Western Australian agreement allows the Government to claim expenditure on the regulatory functions of the Department of Education but these functions are not specified and there is no limit on how much can be claimed.

The non-SRS expenditure allowance will continue to defraud public schools of their rightful funding entitlement. In several states, the non-SRS allowances will increase as a share of the SRS of public schools until 2029 or 2030. For example, in NSW it will increase from 4% in 2024 to 5.5% in 2025 and remain at above 5% until 2029 before gradually declining to 3% in 2034. The Western Australian share will increase from 4.7% in 2024 to 5.1% in 2030 before reducing to 2.2% in 2034 and the Tasmanian share will increase from 4.5% to 5.4% in 2029 before declining to 2.3% in 2034. The non-SRS share of funding public schools will be maintained at 4.5% until 2029 in Queensland and at 4.9% in South Australia.

The continuing allowance to claim expenditure on regulatory authorities and the new 1.5% and1.8% allowances fully account for the underfunding of public schools in the states of $1.7 billion in 2034. The biggest losses are for public schools in NSW and Queensland - $888 million and $425 million respectively [Charat 4]. Similar losses are expected for Victorian public schools once its agreement is publicly announced.

The total funding loss of $1.7 billion is only slightly less than the loss in 2024 of $1.8 billion. The failure to significantly reduce the funding loss due to non-SRS inclusions in the state shares of funding public schools is almost entirely due to an increase in non-SRS allowances in NSW, where the funding loss will increase from $667 million in 2024 to $888 million in 2034.

Public schools will suffer a major loss of funding each year to 2034 as a result of the new allowances and the continuation of the 4% allowance to 2033.



Source: See Attachment
Note: The Northern Territory estimates are for 2024 and 2029

Double-dipping on allowances

The new Western Australian agreement continues a contradictory arrangement whereby the Western Australian Government can double dip on its special allowance to claim pre-school expenditure as part of its share of funding public schools. It is also likely that it is double dipping on expenditure on the regulatory functions of the Department of Education.

Pre-school expenditure is specifically excluded from how the SRS is measured except for Western Australia. The SRS is calculated from the Net Recurrent Income per Student (NRIPS) compiled for My School by the Australian Curriculum, Assessment and Reporting Authority. According to the 2023 financial limitations report for Western Australia and compatibility reviews of the My School methodology, the NRIPS for Western Australian public schools includes pre-school funding because it cannot be separated from school funding.

Despite the inclusion of pre-school funding in the calculation of the SRS for Western Australian public schools, it is also included as part of the 4% allowance by which the Government can claim non-SRS expenditure as part of its share of funding the SRS of public schools (Clause 52 (a) (ii)). It is contradictory for the Western Australian Government to claim that pre-school funding cannot be separately identified from school funding data for the purpose of calculating the SRS of public schools and also claim pre-school funding as an additional item to be included as part of its share of the public-school SRS. It appears to be a clear case of "double dipping" that defrauds public schools of their rightful funding.

Further evidence that the Western Australian Government is "double dipping" on pre-school funding is that the methodology for NRIPS also includes pre-school funding in Tasmania as part of the estimation of the SRS. By contrast with the Western Australian agreement, the Tasmanian agreement does not allow the Government to claim this funding as an additional item in its share of funding the SRS of public schools.

As with the previous agreement, the Western Australian Government is allowed to use expenditure on regulatory functions by the Department of Education as part of its share of funding the SRS of public schools. This is also a case of "double dipping". The Key Principles and Methodology for estimating NRIPS published by ACARA states that it includes expenditure on state central and regional office functions and its list of exclusions does not include regulatory functions.

There is also some indication that the NSW agreement allows for "double dipping" on departmental regulatory activity. The relevant sub-clause is 38(b)(i) which states: "Curriculum and regulation activity, including the NSW Education Standards Authority". Clarification is needed as to whether the Department can also claim its expenditure on its own curriculum and regulatory activity. If so, it amounts to "double dipping" of claims because central and regional office salaries are included in NRIPS.

Education departments in other states also have regulatory responsibilities but it is notable that other agreements (apart from perhaps the Tasmanian agreement) do not allow such expenditure to be counted as a separate additional item included in their share of funding the SRS of public schools. Such "double dipping" defrauds public schools of their rightful funding.

Backloading of increased Commonwealth funding and reduction of 4% allowance

As noted above, the planned increase in Commonwealth funding and the reduction of the 4% allowance are largely postponed to the last five years of the agreement. This presents two significant issues.

First, it could compromise the achievement of the equity targets set for 2030 in the Better and Fairer School Funding Heads of Agreement which require the proportion of students needing additional support to decrease by 10% and that the proportion of students with Year 12 (or equivalent) certification increase by 7.5 percentage points. While these targets are too weak to make Australian school education fairer, the smaller funding increase in the first five years of the agreements may not be sufficient to achieve even these weak equity targets.

Second, the long phase-in period makes the agreements hostage to changes of government at the Federal and state levels. Several Federal and state elections are due before 2034. The agreement could be abandoned at either or both levels of government. A situation could arise analogous to the abandonment of the Gonski funding plan after the 2013 election despite the then Leader of the Opposition's infamous pre-election "unity ticket" with the Rudd Government on school funding. It was this bastardry by the Abbott Government that ended the prospect of full funding for public schools by 2019 as planned by the Gillard/Rudd Governments. It was a fatal error by the Labor Government to postpone the large part of the planned funding increase to the last two years of the plan. The long phase in of increased funding for public schools again opens the possibility of future sabotage.

Private schools are not defrauded by non-SRS expenditure

Apart from the continuing underfunding of public schools, another unfair aspect of the new agreements is that the special allowances to claim non-SRS expenditures as part of the government share of the SRS of public schools is that it does not apply to state government funding of private schools. Private schools are also regulated by the curriculum, assessment and other regulatory authorities and private school students are subsidised for school transport.

For example, the work of the Queensland Curriculum and Assessment Authority covers both public and private schools. The Authority ensures that private schools comply with curriculum standards and administers NAPLAN testing for public and private schools. Despite this, the Commonwealth and Queensland governments have agreed that all expenditure by the Authority is applied to public schools as part of the Queensland Government share of funding public schools. By contrast, none of the expenditure of the Authority as it applies to private schools is included as part of the Queensland Government's share of funding private schools.

All state governments also provide school transport services to private school students. For example, the NSW School Transport Scheme is available for private school students. It includes free or subsidised travel on public transport to and from school, including trains, buses, ferries, and light rail. A School Term Bus Pass for discounted travel on buses is available for students not eligible for free travel. Where there is no public transport available, a school drive subsidy is available to offset the cost of driving students to school. By contrast to public schools, expenditure on school transport for private school students cannot be claimed as part of the share of the NSW Government's share of funding private schools.

The Commonwealth and state governments are discriminating against public schools by allowing claims for non-SRS expenditure against their funding. It provides yet another resource advantage for private schools. Governments are prepared to continue to underfund public schools and use accounting tricks to defraud them of funding their full entitlement but they will not touch private schools.

Call to action

The Prime Minister, Premiers and their education ministers have blatantly lied to the community about fully funding public schools. Public schools will continue to be underfunded for another ten years. That is, they will still be underfunded 23 years after the Gonski review recommended that public schools be fully funded.

Continuing underfunding of public schools for another decade means there is little prospect of removing, indeed even reducing, the large achievement gap between rich and poor and increasing the proportion of disadvantaged students achieving the national literacy and numeracy proficiency standards. This is a disaster for the future learning and life prospects of disadvantaged students. It also has broader consequences for individuals' health and social outcomes as well as retarding national productivity.

The new bilateral funding agreements should be revised to give public schools a better and fairer deal. The Commonwealth should accelerate the increase in its funding share of the SRS public schools to achieve 25% by 2029. State governments should remove the 4% allowance by 2029 and immediately remove the new non-SRS expenditure claims as part of public school funding.

Obviously, the Albanese Governments and its state counterparts will try to ignore such demands. It will be up to teacher, parent, principal, community groups and advocates of public education to demand a better deal for public schools. It should involve a collectively organised campaign at the school, district, state and national levels. It should include letter writing to the Commonwealth and state education ministers and to local federal and state politicians, protests outside the offices of local politicians and informing local media about the effect of underfunding on continuing teacher shortages and inadequate education materials which hold back the learning of students.

It is time for organised community action because the politicians in charge of education cannot be trusted to deliver justice for public education and disadvantaged students.

Attachment

Methodology and Data Sources

This paper estimates the underfunding of public schools in NSW, Queensland, South Australia, Western Australia, Tasmania and the Northern Territory by adjusting the state SRS funding shares published in the bilateral agreement to allow for the inclusion of non-SRS expenditure as part of the Government shares. The adjustment is necessary to determine the actual shares and funding for public schools because the inclusion of non-SRS expenditure as part of the government shares results in less funding for schools to support the learning needs of their students.

The following methodology and data are used to estimate the actual state and territory government shares and funding for public schools.

Step 1: Estimate the projected funding of public schools at 100% of their SRS t0 2034

The estimates are calculated from funding data published by Senate Estimates 2024-25 Budget for funding of public schools at 100% of their SRS for 2024-2029
Source: Answer to Question on Notice SQ24-000765.

The 100% SRS funding figures are projected to 2034 based on the average annual growth for 2024-2029 which are calculated at 3.5% per annum.

Step 2: Estimate Commonwealth Government funding

These Commonwealth funding shares are applied to the funding figures for 100% SRS funding to estimate Commonwealth funding for 2025-2034.
Sources:
2024 SRS funding share: Senate Estimates 2024-25 Budget Question on Noice SQ24-000765
2025-2034 SRS funding shares: Bilateral funding agreement.

Step 3: Estimate state and territory government funding

The state and territory government funding shares are applied to the funding figures for 100% SRS funding to estimate government funding for 2025-2034.
Source: Bilateral funding agreements.

Step 4: Estimate the expenditure for the 4% allowance

The schedule of yearly reduction in the allowance is applied to the 100% SRS funding figures to estimate the cost.
Source: Bilateral funding agreements.

Step 5: Estimate the transition rate for the 1.5% and 1.8% allowances

The transition rate for the introduction of the 1.5% and1.8% allowance is calculated according to the requirement in the relevant bilateral agreements. The rates are applied to the 100% SRS funding figures to estimate the school transport expenditure for 2025-2034.
Source: Bilateral funding agreements.

Step 6: Estimate the expenditure by the state and territory regulatory authorities

Projected expenditure to 2034 is based on average expenditure growth for 2020-2024. The estimates are pro-rated by proportion of enrolments in public schools in 2024.
Sources:
Authority expenditure: Annual reports of the authority.
Public school enrolments: ACARA National Report on Schooling in Australia.

Step 7: Estimate total non-SRS expenditure and shares of SRS funding

Calculate the total expenditure for the 4% allowance as it is reduced, expenditure by regulatory authorities and the 1.5% or 1.8% allowance for each year to 2034. Calculate the share of these totals as a percentage of the 100% SRS funding.

Step 8: Estimate the actual state and territory government funding and SRS shares

Subtract the total cost of the allowances from the state and territory government funding figures estimated in Step 3. Express the costs as a percentage of the 100% SRS funding.

Step 9: Estimate the actual total funding and SRS shares

Add the Commonwealth funding and SRS shares to the actual state and territory funding and shares.

Step 10: Estimate the underfunding of state and territory public schools

Subtract the actual total funding and shares from the 100% funding and shares.