

Designing a Funding Model for Australian Primary Schools

Preamble

This paper presents the views of the Australian Primary Principals Association on the design of a new model for primary school funding. The views have emerged from a decade of research by APPA into the resourcing of Australian primary schools. The work has revealed major deficiencies in the existing arrangements used by federal and state governments.

There are more than 7,000 primary schools in Australia. Their needs are extraordinarily diverse. Hence, the formulae that are used to direct funding to these schools must be sensitive to the differing needs if the schools are to achieve the expectations held for them.

The existing funding arrangements have evolved over many years, are based on assumptions that no longer apply, contain inconsistencies and omissions and for the most part, fail any reasonable test of transparency.

APPA strongly supports a comprehensive overhaul that recognises that all schools are entitled to government funding.

Problems with the existing funding model

The division of responsibilities between the Commonwealth and the States

The Commonwealth Government has become the principal source of funding for non-government schools and the States and Territory governments provide the bulk of the funding for government schools. This division has led to unhelpful tensions between school sectors and diverted attention from the needs of schools in all sectors.

It is important that a new funding model establishes a proper complementarity between Commonwealth and state funding of schools. To merely adjust the Commonwealth's funding arrangements without reference to those of the States and Territories would leave Australian schools with a broken system.

This complementarity can only be achieved by consensus among Australian governments.

Current differences among states and territories in the level of funding

At present, the States and Territories fund schools at different levels. For example, states differ in the amount of financial assistance they provide non-government schools. Costs of provision also differ widely from state to state for demographic and other reasons. Hence, even in a national funding model it is likely that the per student amounts of funding will differ systematically on a state and territory basis for reasons that are justifiable and for reasons that mostly relate to historical precedent.

It can be assumed that over a period of time anomalous differences in the level of funding would be rectified through proper political processes providing the new funding arrangements are made transparent.

The complexity and lack of transparency

The shared responsibility of federal and state governments for funding contributes to the complexity of the school funding system. However the complexity is further exacerbated by differences among state funding policies for government and non-government schools, differences among systems in how they fund their schools and various industrial agreements governing salary and conditions.

The complexity partly explains the lack of transparency concerning the level of funding allocated to individual schools: it is difficult to explain why one school receives more funding than another. However, education authorities have been reluctant to reveal the amounts in case disclosure precipitates unhelpful public debate regarding the equity of the funding system.

Directing funding to schools according to need

While there is agreement that funding according to student need is a good idea it is hard to put the principle into practice. There is general acceptance in the profession, and in the wider community, that it is possible to measure the needs of students attending a school by employing a range of measures associated with socio-economic disadvantage.

The problem with measures of SES advantage/disadvantage that draw on national census data is that they are inexact and subject to manipulation since they assume that children from all families living in a census collector district share the same level of disadvantage when in fact, in key respects, they may be quite different. In particular they do not measure the aspirations of parents, their valuing of school success and their willingness to work with the school to ensure their child's success.

To take a hypothetical example, if there were 40 school aged children living in a census district served by two schools, and one school attracted 20 students from the most aspirational parents and the other was attended by the 20 children from the least aspirational parents, even though each would be entitled to the same level of funding the latter school would most likely be a more challenging place than the former and needing more support.

There does not appear to be any simple solution to this problem suggesting that anomalies need to be examined on a case-by-case basis.

Systemic infrastructure

Systemic schools have access to central and regional support, the costs of which do not usually appear in their accounts. Non-systemic schools usually purchase the support they need from school funds. The adoption of a national funding model would require the costs of these services to be made explicit and attributed to schools. Schools that do not use the services should not have the costs debited against their account.

School size

The *Sufficiency of Resources for Australian Primary Schools* project (which was conducted in June 2004) found that most of the variation among schools in per student expenditure is determined by school size. System authorities seek to achieve economies of scale by weighting the per student allocations so that large schools get less funding for each student than small schools.

The Commonwealth government, however, allocates its recurrent funding to non-government schools via the SES funding model according to a formula that ignores school size. It funds a non-government system through a single recurrent grant (in effect, the accumulated per student entitlements) and system authorities re-allocate the funds to schools after adjusting the individual school allocations for school size.

This is a difficult issue. The new funding model could build into the formula a school size factor. However, it would still require consideration of what kinds of weighting should be assigned to the size of the school enrolment.

Funding on the basis of submissions

In many circumstances essential funding is provided to schools on the basis of written submissions from them that document their circumstances and their students' level of need. Finite resources are then allocated on the basis of the quality of these documents. This places schools in competition with each other, creates an unreasonable burden of responsibility on the staff of the school and directs their energies away from instruction.

The principles that should underpin the model

1. Government recurrent funding of schools should be tied to student need without reference to school sector.

The principle that funding is tied to need has been agreed by all Australian governments but is not fully implemented. The old sectarian divisions between government and non-government schools no longer apply.

2. A single, national model should be used to calculate the amount of recurrent per student funding to which a school is entitled.

Australian governments have made considerable progress in building a coherent, national education system. A national student assessment system is in place and a national curriculum is about to be formally adopted. It is now clearly in the interests of Australian primary schools to adopt a new, national funding model.

3. The model should amalgamate the Commonwealth and State recurrent funding into a global per student entitlement reporting against the schools, the region and the state.

The current arrangements whereby the Commonwealth and the States share responsibility for the funding of schools yet have separate and diverse arrangements contribute to the inconsistency and incomprehensibility of Australian school financing.

4. The recurrent funding provided through this model may be augmented by additional funds that must be disclosed on a school-by-school, per student basis.

It is recognised that not every contingency can be built into a national funding model and there will continue to be a need to allocate supplementary funds. However such funds should amount to a small proportion of the total and be fully transparent. The amounts should be reported on a per student basis in order to enhance the comparability.

5. The amount of recurrent funding for each school should be sufficient to assist all students to reach the national goals of schooling.

It is widely accepted that education policy and practice should be based as far as possible on sound evidence. This principle should be applied to the calculation of the level of funding provided to schools, recognising that some students require an exceptionally high level of support if they are to have the opportunity to reach nationally acceptable educational standards.

6. The model should fund primary and secondary students equally, irrespective of year level.

The current practice of funding secondary students at a higher level than primary students is based on historical precedent and specious argument. The new model should fund primary and secondary students at the same rate since the progress of secondary students is contingent on the foundations laid in the primary years. Governments should set targets and introduce adjustments progressively over the next quadrennium.

7. School system authorities should disclose the amount of government funding required to provide central and regional services on a per student basis in such a way that this amount, when combined with the amount of recurrent funding allocated to schools, includes all government funding for the system.

Currently, a large proportion of government educational funding is used to provide the systemic infrastructure required to support large government and non-government school systems. The efficiency and effectiveness of the services provided with this funding are seldom subject to external scrutiny. Hence, the possibility exists that some of the funding might be more effectively used if it were disbursed among schools. Greater transparency would facilitate such decision making.

8. All government and non-government schools receiving government funding should comply with a limited set of operating principles permitting a faith-based education but requiring full transparency of school income and expenditure and admission policies consistent with anti-discrimination legislation.

The principle that parents should be able to send their child to the school of their choice is now accepted in Australian society. However, while parents can choose a school, it is also the case that schools can choose students. Education is now a market place. Because the reputation of a school depends on the behaviour and performance of its student enrolment it is important that the admission policies of schools are transparent and take account of anti-discrimination legislation.

9. Schools are encouraged to augment their government funding with income from private sources with the proviso that the total amount of funds from private sources per calendar year is reported.

Schools should continue to levy fees and accept donations from private sources. Schools that attract private funding should not be penalized for doing so but schools that cannot raise funds from fees or community contributions should not be disadvantaged as a result.

10. The total per student income from government and private sources and recurrent expenditure per student should be made public annually.

Government and non-government schools should be required to complete an annual financial questionnaire (comparable to the questionnaire currently required by the Department of Education, Employment and Workplace Relations from non-government schools). The summary of this information should be publicly available.

11. A school's funding entitlement should be adjusted to reflect a significant change in its enrolment profile.

Each year a significant number of students move to a new school. Each quarter the income of the schools should be adjusted to take account of the movements since it would be unfair for a school to receive the income after the student has left.

12. The authority to disburse funds allocated to a school should reside in the school.

School principals should be fully in charge of allocating the funds allocated to their school, taking into account guidelines and recommendations issued by education authorities. They have a deeper understanding than central officials of the needs of students attending their school and the capabilities of their staff members and should be expected to deploy all their resources to best effect.

13. The development of any new funding model should involve extensive consultation with stakeholders, including the Australian Primary Principals Association, and the disclosure of the evidence on which it is based.

The funding model should be developed and trialed over a specified number of years. There should be wide consultation with stakeholders, including the Australian Primary Principals Association. The implementation of the SES funding model by Commonwealth education officials during 1996-1999 should serve as a model for development and consultation.

14. A small, independent body should invigilate the funding arrangements, review from time to time the efficacy of the funding model and commission appropriate research into school funding.

Because of the long-standing political sensitivities around school funding, the Australian government should establish a small, independent group with oversight for the development and implementation of the model. The members should serve as ombudsmen able to recommend to the Government actions that would correct anomalies and ensure compliance.

15. Adjustments to the funding allocative mechanisms should be announced at least four years in advance of the change taking effect.

Increasingly, schools need certainty regarding their income so that they can attract and employ high quality staff for a substantial period of time. This need will become more evident when increased autonomy is devolved to schools.

The impact of a new funding model

The principles defining the funding model described above are intended to ensure that resources are distributed according to need. The model is not cost neutral. Its adoption would require adjustments to the income entitlement of schools. The scale of the adjustments would need to be carefully estimated and phased in over an appropriate period of time. It should be noted that the adoption of the Commonwealth's non-government SES funding model in the 1990s occurred only after the Government's assurance that no school would lose funding though some would gain additional funding.