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**Submission to the Senate Inquiry into the Australian Education Amendment Bill 2017**

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## Submission to the Senate Inquiry into the Australian Education Amendment Bill 2017

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### Summary

Australia's long and toxic school-funding wars must end so the nation can move on to other much-needed education reforms.

The 2011 Gonski Review is now six years old, yet school funding is still a mess. The 2013 Education Act was a step forward but not a solution; it is too expensive *and* fails to get enough money to the most underfunded schools. Labor's education plan taken to the 2016 federal election would have added megabucks but still not achieved consistent needs-based funding for another 100 years.

The Turnbull Government's 'Gonski 2.0', which is given legislative form in the *Australian Education Amendment Bill 2017* (the '2017 Amendment'), is the best plan yet. It should be embraced by all sides of politics – provided three adjustments are made.

The 2017 Amendment does a better job than the 2013 Act of aligning Commonwealth spending to student need, and with greater consistency across states and territories. It reduces federal funding for overfunded schools, overturning the notion embraced in the 2013 Act that 'no school loses a dollar'.

The 2017 Amendment also proposes that all schools get the Commonwealth share of their target funding by 2027 – much faster than under the 2013 Act.

But a number of issues must be resolved immediately. We make six recommendations the Commonwealth should act on. The first three recommendations propose specific adjustments to the 2017

Amendment. Recommendations four to six are needed to build public confidence in the new approach.

**First**, all schools should get the Commonwealth share of their target funding by 2023 – that is, four years quicker than proposed. Under the 2017 Amendment, most of the spending is promised beyond the budget forward estimates, creating a risk that much of it won't eventuate. And very underfunded schools will need to wait too long to get the extra money they need.

A more aggressive, six-year transition can be funded by moving to a floating rate of indexation from 2018, rather than 2021 as proposed under the 2017 Amendment.

**Second**, more needs to be done to ensure state governments fulfil their responsibility to help close the needs-based funding gap. Under the 2017 Amendment, the Commonwealth requires only that the states maintain per-student funding at 2017 levels. This won't be enough.

We propose that the 2017 Amendment require that state and territory governments commit their share alongside Commonwealth funding so that all schools receive at least 90 or 95 per cent of SRS by 2027 (or by 2023 if our Recommendation One is accepted). Where states fail to do so, the Commonwealth should reduce its share of the contribution in a proportionate manner.

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**Third,** the Commonwealth should strengthen funding governance arrangements by establishing a National Schools Resourcing Body. This body is needed for a variety of reasons, but particularly to ensure that neither tier of government unfairly favours specific sectors because of the split in funding responsibilities for different sectors. This is a key issue because the 2017 Amendment further cements that notion that state governments are the majority funders of government schools, and the Commonwealth is the majority funder of non-government schools.

**Fourth,** the formula for working out school funding targets, known as the Schooling Resource Standard or SRS, should be reviewed. The 2011 Gonski Review recommended more work be done on the formula, but that never happened. The 2017 Amendment changes the formula to remove some of the side funding deals, but some quirks still remain. The formula should be reviewed within the next 12 months, ideally by the independent National Schools Resourcing Body recommended above.

**Fifth,** the Commonwealth should provide more information on key aspects of the 2017 Amendment. A fundamental issue is whether overall funding is up or down compared to the 2013 Act, and the impact on individual schools in each sector. More information is critical to assess the merits of the 2017 Amendment.

**Sixth,** the Commonwealth should ensure that the David Gonski-led 2017 *Review to Achieve Educational Excellence* has broad focus but also a remit to prioritise a small number of achievable reforms.

Australia cannot keep waiting for a “perfect” school funding model. The 2017 Amendment should be improved, then embraced by all sides of politics – because this opportunity to end the funding wars may not come twice.

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### 1. School funding is still a mess

Australia is still a long way from aligning school funding to student need. The transition to a needs-based funding model is happening far too slowly. Under current legislation, many under-funded schools will not get enough money for decades, while some over-funded schools will still get too much money at the end of the century. We need a better way.

#### The 2013 Education Act will not fix the problem

The 2011 Review of Funding for Schooling (the 'Gonski Review') recommended a new, nationally consistent funding model for all schools, based on student need and circumstance.<sup>1</sup> It put front and centre the principle of 'needs-based' funding – the notion that some schools need more resources so they can provide a quality education to disadvantaged students.<sup>2</sup>

The Labor federal government of the day adopted several significant Gonski recommendations. Under the Australian Education Act 2013 (the '2013 legislation'), every school, government or private, had a target rate of funding.<sup>3</sup> This was a significant step forward, but four years later Australia remains well short of needs-based school funding.

Most school systems are on average funded well below 95 per cent of their target (called the Schooling Resource Standard, or SRS), especially many government schools. This can be seen in Figure 1, taken from Grattan Institute's November 2016 report *Circuit breaker: A new compact on school funding*. Closing this gap would cost about \$3.5 billion in 2017.

The transition to needs-based funding has stalled, for two main reasons. First, most of the Commonwealth money to lift schools' funding from current levels to 95 per cent of their SRS target was to be provided in 2018 and 2019, the final two years of an agreement struck in 2013 but not included in the 2013 legislation. But this funding never eventuated.<sup>4</sup> Second, the Commonwealth struck side deals with different sectors and states, which resulted in some funds being diverted away from needy students and schools.

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<sup>1</sup> Gonski et al. (2011, p. xxi).

<sup>2</sup> Ibid, p. xxxi.

<sup>3</sup> Australian Education Act (No. 6/2013).

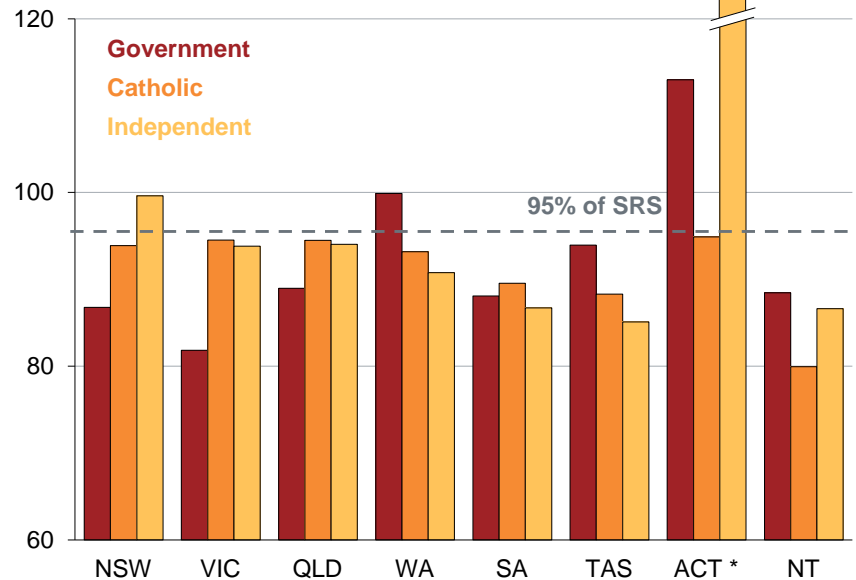
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<sup>4</sup> The Labor government commitment to funding for 2018 and 2019 was outside the Budget forward estimates at the time. After the 2013 federal election, the Coalition Government committed to only the first four years of funding (2014 to 2017).

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**Figure 1: Funding levels differ by state and sector but most systems are funded well below their SRS targets**

Combined government funding as a per cent of SRS, by state, 2016



Notes: \* ACT Independent schools receive combined government funding at over 150 per cent of SRS.

Source: Grattan school funding model, based on analysis of data published by the Commonwealth Department of Education and Training. First published in *Circuit breaker: A new compact on school funding*, 2016.

### The transition to needs-based funding is taking far too long

Under the 2013 legislation, schools that are below their SRS target are supposed to catch up via a higher indexation rate, and schools that are above their SRS target are supposed to come back to the target via a lower indexation rate.<sup>5</sup>

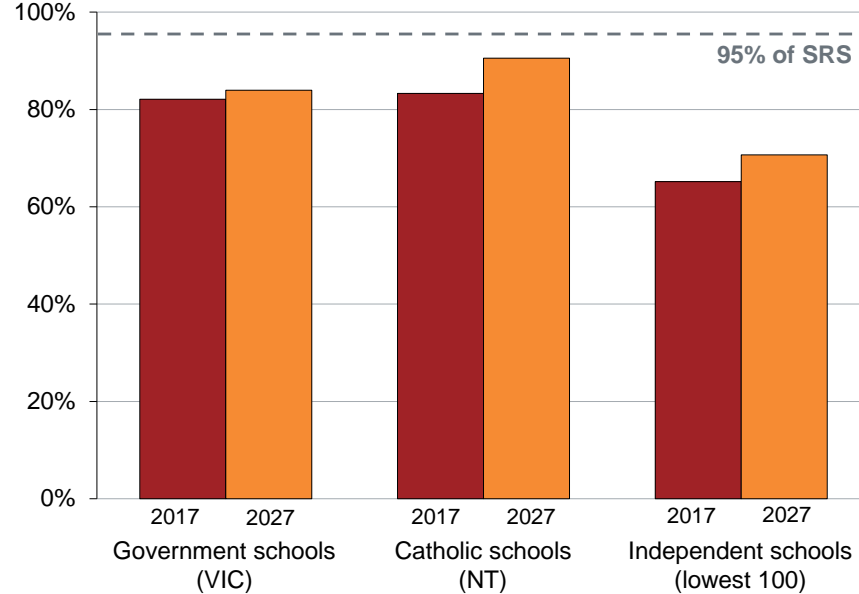
Yet even with the higher indexation rate, some under-funded schools won't catch up to their target for decades. And even with the lower indexation rate, some over-funded schools will remain above their target for more than 100 years (see Figures 2 and 3).

<sup>5</sup> The 2013 Education Act sets the rate of annual indexation for all SRS targets at 3.6 per cent. The Act also sets different rates of indexation for annual Commonwealth funding: schools below their SRS target receive indexation of 4.7 per cent per student, schools at their SRS target receive 3.6 per cent per student, and schools above their SRS target receive 3 per cent per student.

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**Figure 2: Under the 2013 Education Act, the most under-funded schools will still be well below their funding target in a decade**

Combined government funding as a per cent of SRS, by sector and year

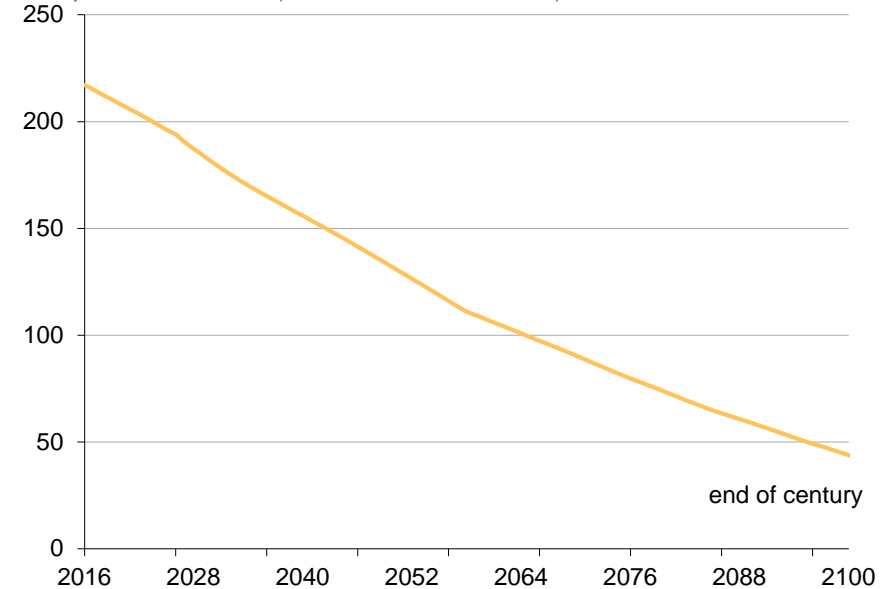


Notes: The most under-funded government school system is Victoria's. The most under-funded Catholic system is the Northern Territory's. The third category in the chart is the 100 most under-funded independent schools in Australia in 2017.

Source: Grattan school funding model, based on analysis of data published by the Commonwealth Department of Education and Training. First published in *Circuit breaker: A new compact on school funding*, 2016.

**Figure 3: Under the 2013 Education Act, over-funding will persist into the next century**

Value of combined government funding above SRS, by calendar year, of independent schools (2016 dollars, \$ millions)



Notes: It is likely that some government and Catholic schools are also over-funded, but school-level data about funding in relation to SRS is publicly available only for independent schools.

Source: Grattan analysis of Questions on Notice from Senate Committee: Education and Employment (2015a), SQ15-000888. First published in *Circuit breaker: A new compact on school funding*, 2016.

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### School funding indexation is too high given low inflation

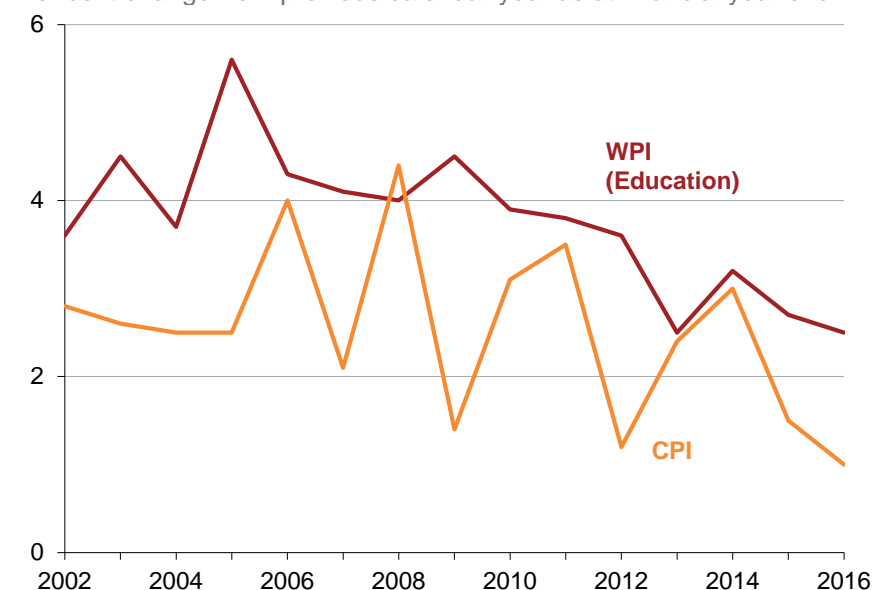
School funding is indexed each year so that inflation and wages growth do not erode its real value. The 2013 legislation set a fixed indexation rate of 3.6 per cent. But the economy has slowed since 2013, and inflation and wages growth have slowed along with it, as Figure 4 shows.

Given the low inflation environment, which is likely to stay for some time, the Commonwealth's fixed rate of indexation of school funding is too high.<sup>6</sup> Our 2016 report, *Circuit breaker*, proposed that per student funding should broadly be indexed to wages growth in the education sector.

At present, the Education Wage Price Index is growing at 2.3 per cent a year – well below the fixed indexation rate of 3.6 per cent a year for school funding.<sup>7</sup>

**Figure 4: Education wages growth has slowed in line with other prices**

Per cent change from previous calendar year as at financial year end



Notes: Wage price indices for Australian education and training, public and private, total hourly rates of pay excluding bonuses; consumer price index is for all groups.  
Source: ABS (2016a) and ABS (2016b). First published in *Circuit breaker: A new compact on school funding*, 2016.

<sup>6</sup> Inflation looks likely to remain low: markets are pricing the 10-year inflation rate at 1.6 per cent (as at September 2016). Source RBA (2016).

<sup>7</sup> ABS (2016b).



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### Commonwealth funding is inconsistent across states and sectors

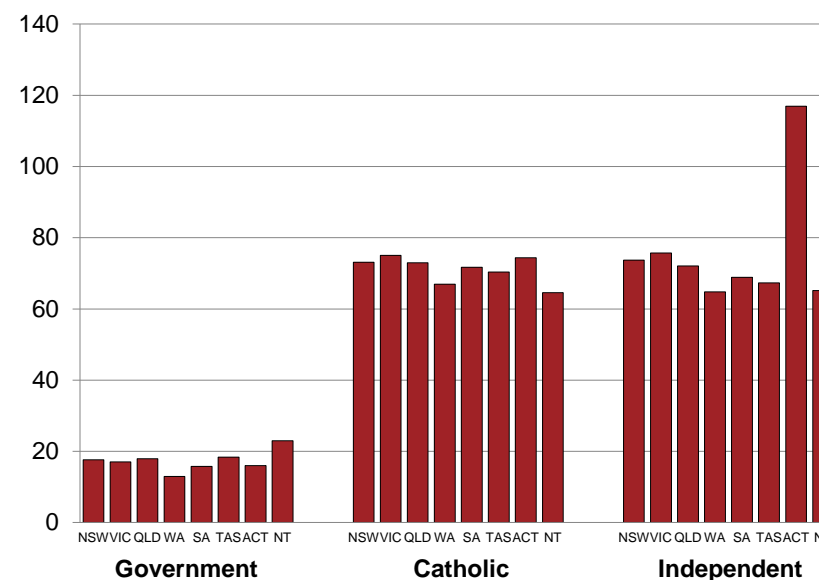
The current funding model is further complicated by side deals between the Commonwealth and different sectors and states, as well as the Labor agreement to pick up 65 per cent of the gap to needs-based funding.

School funding is still negotiated top-down: state governments negotiate on funding and enter into separate bilateral agreements with the Commonwealth.<sup>8</sup> As a result, Commonwealth contributions to schools in each sector vary substantially by state, as seen in Figure 5.

This means that comparable students in comparable schools receive vastly different amounts from the Commonwealth depending on which state they live in.

**Figure 5: Commonwealth funding is highly variable by sector and state**

Commonwealth funding as a per cent of SRS, by sector, by state, 2017



Notes: Calculated using current SRS formula.

Source: Grattan school funding model, and analysis of data from Commonwealth department of Education and Training, Senate Committee: Education and Employment (2015b) SQ15-000703. First published in *Circuit breaker: A new compact on school funding*, 2016.

<sup>8</sup> Currently, the states pay the bulk – between 80 and 90 per cent – of government funding for government schools (which teach about 65 per cent of all students). The Commonwealth contributes more funding for non-government schools – between 65 and 80 per cent of their government funding.

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### 2. Gonski 2.0 is a big improvement on the 2013 legislation

The Gonski 2.0 model, given legislative form in the *Australian Education Amendment Bill 2017*, is the best plan yet. It better aligns school funding to student need than the 2013 legislation – and at similar cost.

We believe the structure of the model and many of the more detailed changes make sense. This chapter discusses the strengths of the 2017 Amendment compared to the 2013 legislation.

Chapter 3 then outlines six issues that need to be resolved before the new approach can have maximum impact.

#### Commonwealth funding will be more consistent across the nation

Under the 2017 Amendment, Commonwealth contributions will be a consistent proportion of the funding targets: government schools will get Commonwealth funding equal to 20 per cent of their funding target, and non-government schools will receive Commonwealth funding equal to 80 per cent of their target.

Making Commonwealth funding more consistent across the states makes policy sense. It means students with similar educational needs will receive similar amounts of funding from the Commonwealth, regardless of where they live. It gives state governments more certainty about how much money they can expect to get from the Commonwealth in future, while retaining

the flexibility to choose their own level of funding. And it reduces the scope for politically motivated side deals.

#### Schools will get the Commonwealth share of their target funding more quickly

Under the 2017 Amendment, schools will get the Commonwealth share of their target funding within ten years – much sooner than under the 2013 legislation.

Figure 6 shows the different Commonwealth funding trajectories for hypothetical schools under three scenarios: the 2013 legislation, Labor's 2016 election policy and the 2017 Amendment.

Under the 2013 legislation, Commonwealth funding to the most underfunded schools is nowhere near where it should be by 2027, and overfunded schools continue to get more money than they need.

Under Labor's 2016 election policy, very underfunded schools make up ground faster, but the Commonwealth funding to overfunded schools remains.

Under the 2017 Amendment, Commonwealth funding for all schools is aligned with the targets much faster. This is possible because the 2017 Amendment removes side deals and other quirks in the current funding model and redirects the saved money

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to needy schools. For example, under the 2013 legislation, generous Commonwealth funding to overfunded schools continues. But under the 2017 Amendment, many overfunded schools will have their funding growth rates slowed, and some very overfunded schools will have their funding cut. This is an important break from the former Labor government's promise, embedded in the 2013 legislation, that "no school will lose a dollar".

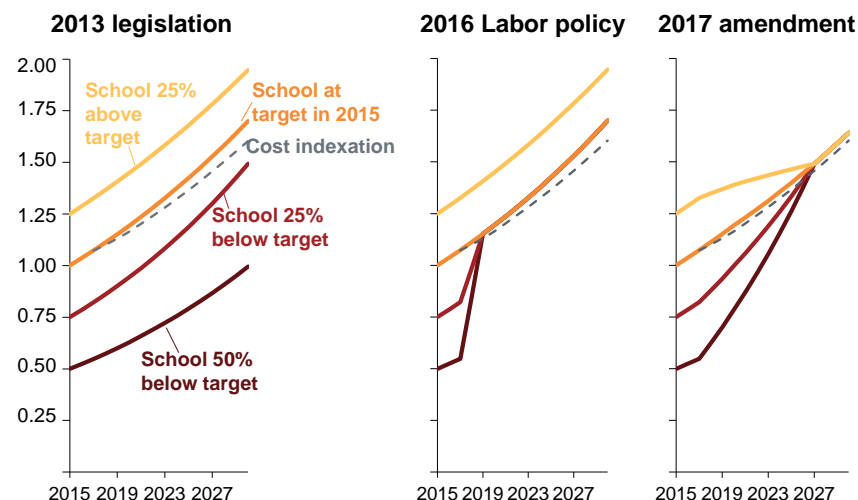
### The Commonwealth will contribute a larger share than today

Under the 2017 Amendment, Commonwealth contributions increase as a percentage of needs-based funding from today. Commonwealth funding to government schools will rise from an average of 17 per cent in 2017 to 20 per cent by 2027 (a relative increase of 18 per cent) and funding to non-government schools will rise from an average of 77 per cent now to 80 per cent (a relative increase of 4 per cent).

This move signals a greater role for the Commonwealth in needs-based funding across all sectors, while recognising that government schools are generally further below target. Holding other factors constant, this increase in Commonwealth funding brings each state and territory closer to their target SRS levels.

**Figure 6: Schools will approach targets much faster under the 2017 Amendment**

Commonwealth funding relative to Commonwealth share of SRS, indexed relative to 2015



*Notes: For the 2013 legislation and 2016 Labor election promise scenarios, the target is for total government funding to be 100 per cent of SRS. For the 2017 Amendment scenario, the target is for Commonwealth funding to be 20 per cent of SRS for government schools and 80 per cent of SRS for non-government schools. Cost indexation is an estimate of real cost growth, which is lower than indexation in SRS allowed under 2013 legislation, Labor or 2017 Amendment.*

*Source: Grattan school funding model, based on analysis of data from Commonwealth Department of Education and Training*

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We have analysed the impact of this model on funding for schools in different states and sectors. The 2017 Amendment would deliver higher per student funding growth to government schools in most states and territories than they would receive under the 2013 Legislation.<sup>9</sup> On average, our analysis projects an average funding growth rate for government schools of 5.1 per cent over 10 years to 2027, in line with the government's claims.

Estimating funding growth rates for non-government schools under the 2017 Amendment is more complicated, because of the changes to the parental 'capacity to contribute' measure. However, our analysis projects that Catholic systemic schools would on average receive per student funding growth of 3.6 per cent over 10 year to 2027, while funding for independent schools would grow on average at 4.2 per cent.<sup>10</sup>

Importantly, schools that are funded a long way below target in 2017 will generally receive more funding under the 2017 Amendment than under the 2013 Act. Schools that are funded a long way above target will generally receive less funding.

For schools that are closer to target in combined government funding, the outcome will depend on their current Commonwealth funding level. This is because funding growth rates under the 2013 Act depend on total government funding compared to target,

while funding under the 2017 Amendment depends on Commonwealth funding alone.

Of course, whether schools reach their overall needs-based funding target depends on state government contributions and adjustments, and these issues are discussed further in Chapter 3.

### SRS indexation will be closer to costs

Australia's inflation rate and wage growth is currently very low, at 2.1 per cent and 1.9 per cent respectively<sup>11</sup>, and likely to remain low for some time.<sup>12</sup> This means the fixed indexation rate on the school funding target (SRS) of 3.6 per cent under the 2013 legislation is now too high, as discussed in Chapter 1.

The 2017 Amendment departs from the 2013 legislation by proposing a lower, floating indexation rate from 2021 onwards, while retaining 3.56 per cent indexation between 2018-2020. The new floating index will be a mix of the Wage Price Index and the Consumer Price Index.

The floating index is a welcome change: it will better align school funding to school costs. But the change can and should be introduced more quickly, as we discuss in the next chapter.

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<sup>9</sup> Northern Territory government schools are a well-understood exception, because their average current federal funding is well above 20 per cent of SRS.

<sup>10</sup> The government has released estimates that are marginally lower than those produced by our model, but within the margin of error of our analysis.

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<sup>11</sup> ABS (2016a), ABS (2016b).

<sup>12</sup> RBA (2016).

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### 3. But key issues still need to be resolved

Chapter 2 shows that the 2017 Amendment is an improvement on the 2013 legislation. But it can be better, especially in getting more money to the most under-funded schools more quickly.

This Chapter makes six recommendations that the Commonwealth Government should act on.

The first three recommendations suggest specific changes to the 2017 Amendment:

- (i) Align its funding to school targets within six years, rather than ten as proposed in the 2017 Amendment, funded by improving the indexation rate method
- (ii) Ensure the states fulfil their responsibility to help close the need-based funding gap, and
- (iii) Strengthen funding governance arrangements by establishing a National Schools Resourcing Body.

The final three recommendations outline steps the Commonwealth Government should take to build community confidence in the new approach:

- (iv) Commission an independent review within 12 months of the formula for working out school funding targets

- (v) Provide more information on key issues, especially the estimates of financial impact compared to 2013 legislation
- (vi) Clarify that the *Review to Achieve Educational Excellence* will have a broad focus but a remit to prioritise a small number of achievable reforms.

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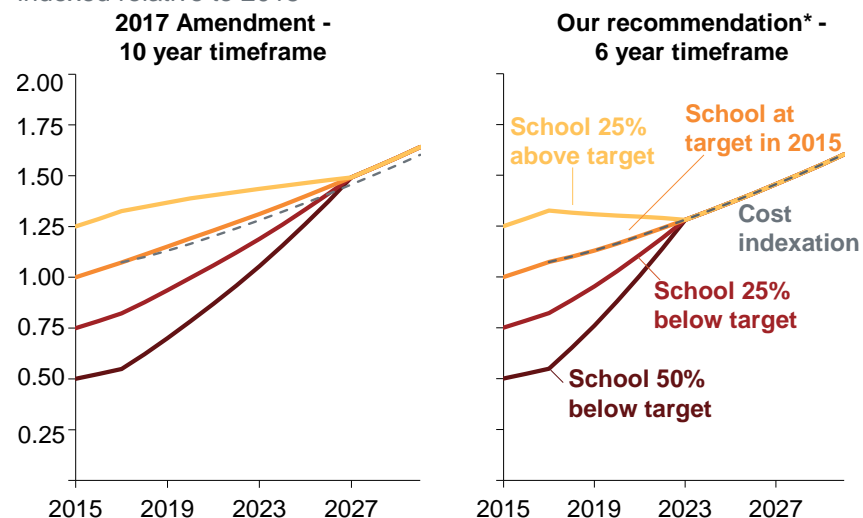
### First, hit the funding target in six years, not ten

The 2017 Amendment proposes that all schools reach the Commonwealth share of their target funding in 2027. This is too long. The bulk of expenditure is beyond the budget forward estimates, which creates two big problems: the risk that the bulk of funding will not eventuate, and that very underfunded schools have to wait too long to get their target funding.

We propose a six-year timeframe, rather than ten, funded by reducing school funding indexation rates in line with school costs. The 2017 Amendment proposes a fixed indexation rate of 3.56 per cent a year for 2018-2020, and then a floating indexation rate but with a floor of 3 per cent a year. Both these rates are too high, given current low inflation and low wages growth. We recommend moving from 2018 to a floating indexation rate that is more in line with wages and costs. Such a floating rate is likely to be between 2 per cent and 2.5 per cent a year until at least 2020.

Figure 7 below shows how our recommendation compares to the 2017 Amendment. As can be seen, under our proposed approach, individual schools reach their funding target in six years compared to ten years.

**Figure 7: Moving to a floating indexation rate from 2018 helps fund a six-year timeframe, instead of ten, to get all schools to target Commonwealth funding relative to Commonwealth share of SRS, indexed relative to 2015**



Notes: \*Our recommendation is based on a floating rate of indexation from 2018, estimated at 2.5% in 2018 and rising to 3.25% in 2021 (remaining at 3.25% onwards). Under both scenarios, the target is for Commonwealth funding to be 20 per cent of SRS for government schools and 80 per cent of SRS for non-government schools. Cost indexation shown in the chart is an estimate of real cost growth, which is lower than indexation in SRS allowed under the 2017 Amendment. Source: Grattan school funding model, based on analysis of data from Commonwealth Department of Education and Training

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### Second, ensure the states fulfil their responsibility to help close the need-based funding gap

Under the 2013 legislation, state governments had to commit to their funding split with the Commonwealth before they could receive the Commonwealth's contribution. Under the 2017 Amendment, they do not. The Commonwealth is requiring only that states maintain their funding at 2017 per-student levels.

This is not good enough, especially for government schools. Figure 8 shows that if states maintain their funding at 2017 per-student levels in line with SRS indexation, most government schools will still be well below their target funding in 2027.

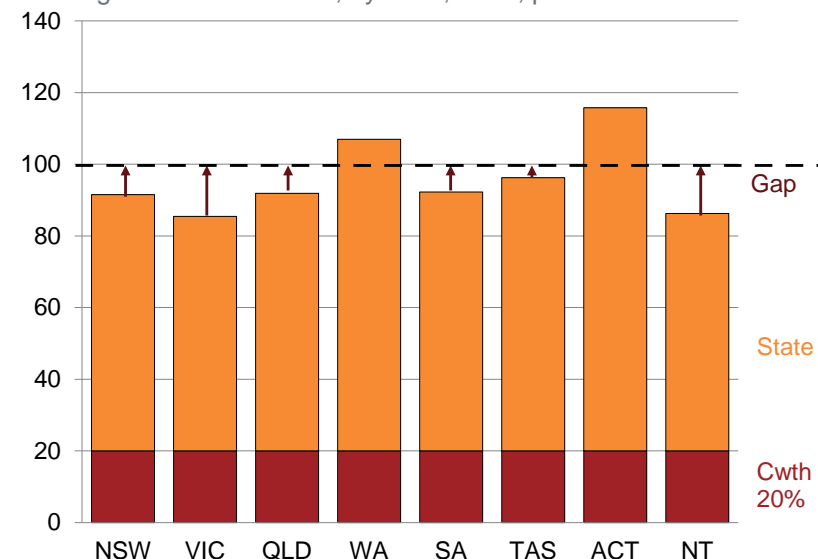
We agree with the Commonwealth that state governments should not be told how to set their own funding levels. However, they should be expected to contribute to delivering full needs-based funding within a similar timeframe.

Accordingly, we propose that the 2017 Amendment require that state and territory governments contribute their share alongside Commonwealth funding so that all schools receive at least 90 or 95 per cent of SRS by 2027.<sup>13</sup> Should state governments fail to reach this target, the Commonwealth should reduce its funding as a per cent of SRS, for example by reducing its funding by half a per cent of SRS for each percentage point that the state government falls short.

<sup>13</sup> Or by 2023 if our first recommendation is accepted.

**Figure 8: Some states will need to contribute more to reach full needs-based funding for government schools by 2027**

Commonwealth and state government funding as a proportion of new SRS for government schools, by state, 2027, per cent.



Notes: Scenario assumes state funding as a per cent of SRS remains at 2017 levels. Calculated using new SRS formula.  
Source: Grattan school funding model, based on analysis of data from Commonwealth Department of Education and Training



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The justification for this proposal is as follows. If state government contributions result in schools being substantially under-funded compared to the SRS (i.e. less than 90 or 95 per cent), this suggests that the state believes that the SRS is higher than needed for its schools. The Commonwealth should act accordingly, and reduce its funding.<sup>14</sup>

A new National Schools Resourcing Body (discussed in the next recommendation) could provide the transparency needed to underpin this approach. It should publicly report on funding contributions by both the Commonwealth and the states in a simple and accessible way. This would also increase incentives for state governments to fund sectors in a way that is broadly equitable, including reducing funding to schools that would be over-funded under the 2017 Amendment (see Appendix 1).<sup>15</sup>

### Third, strengthen funding governance arrangements by establishing a National Schools Resourcing Body

More needs to be done to ensure that the more defined split in funding responsibilities under the 2017 Amendment does not cause greater political interference down the track.

Under the 2017 Amendment, the Commonwealth will become an 80 per cent contributor of SRS for non-government schools (the

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<sup>14</sup> For clarity, we do not propose a similar mechanism on the upside. State governments are free to increase their contributions to school funding as much as they like, but the Commonwealth should only contribute 20 or 80 per cent of SRS, to ensure Commonwealth consistency across states.

<sup>15</sup> The potential for over-funding of certain schools under the 2017 Amendment is canvassed in Cobbold (2017).

majority funder) and a 20 per cent contributor for government schools (the minority funder) by 2027. Implicitly, state governments are expected to fill the remainder of 20 per cent for non-government schools (minority funder) and 80 per cent for government schools (majority funder). This split is a move away from the recommendation of the 2011 Gonski review that funding responsibilities for government and non-government schools be more evenly balanced.<sup>16</sup>

Split responsibilities for different schooling sectors bring a range of perverse incentives and greater scope for political interference. For example, majority funders may favour the interests of the schools in their sector to the detriment of the broader education system. Conversely, majority funders could seek to shrink the size of their sector and shift costs to the other tier of government.

But making responsibilities more balanced will not necessarily mitigate all risks of political interference. School education is now a key issue in most federal elections, and regardless of whether the Commonwealth is majority funder of non-government schools (at 80 per cent) or equal funder (at 50 per cent), there will still be political pressure to respond to specific groups.

School funding is best kept at arms length from politics through the establishment of a new independent National Schools Resourcing Body. This body is the key vehicle for ensuring the

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<sup>16</sup> "A more balanced alignment of public funding responsibilities for government and non-government schools should be negotiated." Gonski et al (2011), p xvii



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school funding formula and sectoral allocations are internally coherent and in line with stated government policies.

The national body would also report on how public funds are distributed within the non-government sectors – a valuable function given recent public debate about the way the Catholic sector internally distributes its funding.

Such a national body was recommended by the 2011 Gonski Review and supported in Grattan's 2016 *Circuit breaker* report.

### Fourth, commission an independent review of the funding formula

The Gonski 2011 review recommended more work be done on the formula for working out school funding targets (the Schooling Resource Standard). This did not happen, or at least not in the robust way that the Gonski panel intended.

The National Schools Resourcing Body recommended above should conduct a review of the SRS within the next 12 months. One key issue it should tackle is the accuracy of the 'parent capacity to pay' measure for non-government schools, which continues to rely on school catchment SES scores. A review is needed to maintain public confidence in the fairness of the funding formula.

### Fifth, provide more information on critical issues

More detail is needed to assess the merit of the 2017 Amendment. A fundamental issue is the lack of information about the financial impact. The Commonwealth should provide more information on whether overall funding is up or down compared to the 2013 Act, under a variety of scenarios depending on state government contributions. This is critical to assessing the impact of the new model.

More information should also be provided on the loadings for students with a disability. It must be made clear whether the Bill involves implicit agreement to new loading amounts for the new, differentiated categories, and if so, how much these are, and what the overall financial impact will be on different schools.

Lastly, more information is needed on the new regulation enabling the Minister to set fixed indexation rates. What assurance is there that this ability cannot be used arbitrarily after the transition period? Greater clarity is needed on the circumstances in which this regulation can and can't be used.

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### Sixth, ensure that the *Review to Achieve Educational Excellence* prioritises a small number of achievable reforms

The David Gonski-led 2017 *Review to Achieve Educational Excellence in Australia* rightly focuses on how to spend money well, a key ingredient for reform success.

We believe the review will add most value if it:

- Prioritises reforms likely to make the biggest difference, so that there are achievable actions that result from the final report
- Examines the impact of school choice and residualisation on student disadvantage, which is a key issue in how to lift performance of disadvantaged students
- Considers the need for a new national body to oversee and strengthen the evidence base in school education, including the translation of evidence into teaching practice in the classroom, and
- Does not create burdensome conditions on school funding for state and territory governments outside areas of Commonwealth responsibility.

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### Appendix 1

#### State governments should adjust funding to ensure non-government schools are not over-funded by 2027

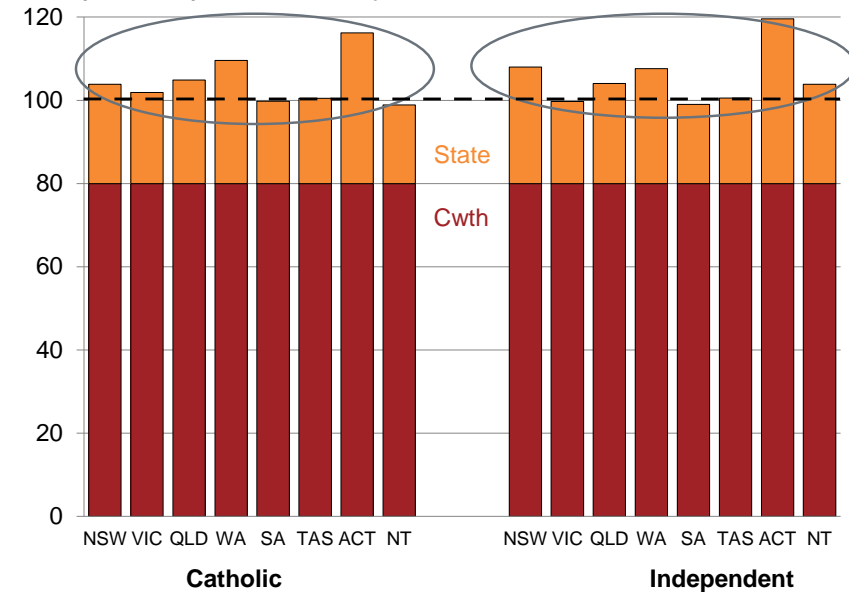
The 2017 Amendment has funded the potential to lead to many non-government schools being above funding targets, if state governments do not adjust their own contributions, as seen in Figure 9.

This is because the Commonwealth Government will fund non-government schools to 80 per cent of their target, and many non-government schools and systems are already funded at more than 20 per cent of their target by state governments. This is especially true for independent schools where state government funding as a per cent of SRS is highly variable.

To avoid this happening, state governments should adjust spending in future so that schools are funded in line with need and equitably across sectors.

**Figure 9: Some states need to adjust funding to ensure non-government schools are not over-funded by 2027**

Commonwealth and state government funding as a proportion of new SRS, by state, by sector, 2027, per cent



Notes: Scenario assumes state funding as a per cent of SRS remains at 2017 levels. Calculated using new SRS formula.

Source: Grattan school funding model, based on analysis of data from Commonwealth Department of Education and Training

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