

RESEARCH NOTE

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Commonwealth Funding for Schools Since 1996: An Update

Introduction

Since 1996 there has been considerable debate about Commonwealth expenditure on schools. This debate has been driven by policy changes that have significantly restructured Commonwealth funding and influenced the relative funding share between the government and non-government school sectors.

This Research Note updates an earlier Research Note.¹ It briefly explains the system of Commonwealth funding for schools and describes some of the trends in Commonwealth funding for schools since 1996.

Commonwealth Funding

Through its Specific Purpose Payments (SPPs) for schools, the Commonwealth Government is a minor provider of funds for government schools. It estimates that its SPPs are approximately 12 per cent of total public (Commonwealth and State) expenditure on government schools.

With regard to non-government schools, the Commonwealth Government is a substantial funder and estimates its contribution as 45 per cent of total Commonwealth, State and private expenditure.² In 2003–04 estimated Commonwealth SPPs for schools will total \$6.4 billion, of which two-thirds will be allocated to non-government schools.

The Commonwealth provides General Recurrent Grants (GRGs)³ at different rates for primary and secondary government and non-government school students. These are expressed as percentages of estimated Average Government School Recurrent Costs (AGSRC).⁴ Government school students are funded at a flat rate of 8.9 per cent of AGSRC for primary school students and 10.0 per cent for secondary school students. Funding for non-government school students ranges from 13.7 per cent to 70.0 per cent of AGSRC. Catholic systemic school students⁵ attract funding at the rate of 56.2 per cent of AGSRC (51.2 per cent for the

ACT Catholic school system).⁶ Commonwealth GRGs are supplemented each year in line with movements in the AGSRC.

Commonwealth General Recurrent Grants for Non-government Schools

In 2001 the Commonwealth Government introduced a new system for allocating GRGs to non-government schools. Previously schools had been funded according to a measure of their capacity to generate their own income, through fees, investments, donations and fundraising.⁷ Now non-government schools (except Catholic systemic schools) are funded according to the estimated average of the socio-economic status (SES) of their school community. A school's average SES score is determined by linking student residential addresses to the Census Collection District (CCD) in which they live. An underlying assumption is that the SES status of each student's family is typical of the CCD in which they live.

Commonwealth Specific Purpose Payments for Schools, 1995–96 to 2006–07

	Actual expenditure(a)					'Real' expenditure (constant 2002–03 dollars)(b)		
	Gov't schools		Non-gov't schools		All schools	Gov't schools	Non-gov't schools	All schools
	Amount (\$ m.)	Prop'n (%)	Amount (\$ m.)	Prop'n (%)				
1995–96	1 427.6	42.2	1 953.0	57.8	3 380.6	1 658.5	2 268.9	3 927.5
1996–97	1 533.1	41.5	2 157.8	58.5	3 691.0	1 745.6	2 456.8	4 202.4
1997–98	1 594.3	39.5	2 446.7	60.5	4 041.1	1 789.4	2 746.2	4 535.6
1998–99	1 669.9	38.5	2 671.6	61.5	4 341.5	1 866.1	2 985.6	4 851.7
1999–2000	1 768.4	38.3	2 846.5	61.7	4 614.9	1 936.2	3 116.6	5 052.8
2000–01	1 827.5	35.4	3 339.5	64.6	5 167.0	1 913.2	3 496.1	5 409.3
2001–02	1 926.8	34.5	3 654.3	65.5	5 581.2	1 978.8	3 753.0	5 731.9
2002–03	2 015.0	34.6	3 803.5	65.4	5 818.5	2 015.0	3 803.5	5 818.5
2003–04(c)	2 131.5	33.1	4 307.1	66.9	6 438.7	2 084.6	4 212.4	6 297.0
2004–05(c)	2 255.1	32.7	4 645.5	67.3	6 900.6	2 164.3	4 458.6	6 622.9
2005–06(c)	2 378.3	32.3	4 994.4	67.7	7 372.8	2 257.8	4 741.3	6 999.1
2006–07(c)	2 510.2	31.9	5 357.7	68.1	7 867.9	2 338.6	4 991.3	7 329.9

(a) Includes recurrent and capital funding. (b) Using Implicit Price Deflator for Non-farm Gross Domestic Product, base: 2001–02 = 100.0. (c) Estimates. Sources: Answer to DETYA Question No. E501, Senate Employment, Workplace Relations, Small Business and Education Legislation Committee, 1999–2000 Supplementary Additional Estimates Hearing; *Final Budget Outcome*, various; *Federal Financial Relations 2003–04*, (Budget Paper No. 3).

Additional funding for non-government schools as a result of the introduction of the SES system has been estimated at \$815 million for the period 2001 to 2004.⁸

Not all non-government schools are funded according to the SES system. Schools that are entitled to less funding under the new system have their funding maintained at their Year 2000 level, with the amounts adjusted annually according to movements in the AGSRC.⁹ Catholic systemic schools have a separate agreement for general recurrent funding with the Commonwealth Government.

Since 2001 new non-government schools also attract additional assistance in the form of establishment grants, a per capita entitlement for each full-time equivalent student of \$500 for the first year of operation and \$250 for the second year. An estimated \$11.9 million will be appropriated for these grants during the 2001–2004 program years.¹⁰ There is no commensurate Commonwealth assistance for new government schools.

Expenditure Trends

Commonwealth funding for all schools has continued to grow since 1995–96. SPPs have increased in real terms from a total of \$3.9 billion in 1995–96 to an estimated \$6.3 billion in 2003–04. Over the period 2001 to 2004 it has been estimated that 78 per cent of

the increase in total Commonwealth funding for schools will be due to supplementation and indexation, 13 per cent will be attributable to enrolment and beneficiary growth, and 9 per cent will be new money.¹¹

While Commonwealth SPPs during this period have increased in real terms for both government and non-government schools, the share of funding between the two school sectors has changed. The share for government schools has dropped from 42 per cent in 1995–96 to an estimated 33 per cent in 2003–04.

The shift in Commonwealth funding between the two sectors is also reflected in Gross Domestic Product (GDP) figures. From 1995–96 to 2002–03 the government school sector share of Commonwealth SPPs for schools as a proportion of GDP remained steady at 0.28 per cent. The non-government sector share grew from 0.39 per cent to 0.50 per cent of GDP.¹²

The current financial year will also see for the first time, total Commonwealth Government outlays on non-government schools exceeding that for higher education.¹³

Future Trends

The current trend in Commonwealth funding for schools, with an increasing share for the non-government school sector, is expected to continue.

Forward estimates indicate that by 2006–07, Commonwealth SPPs for schools will total \$7.3 billion in real terms, an increase of \$3.4 billion or 87 per cent since 1995–96. This represents a 41 per cent increase in real funding for government schools and 120 per cent for non-government schools.

In terms of GDP, by 2006–07 Commonwealth SPPs for all schools is estimated to amount to 0.84 per cent of GDP, with expenditure on government schools accounting for 0.27 per cent, and for non-government schools 0.57 per cent.¹⁴

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1. Marilyn Harrington and Geoff Winter, 'Commonwealth funding for schools since 1996', *Research Note*, no. 48, Department of the Parliamentary Library, Canberra, 2001–02, <http://www.aph.gov.au/library/pubs/rn/2001-02/02rn48.pdf>, accessed on 23 February 2004.
2. Australia. 'Budget Strategy and Outlook 2002–03', *Budget Paper No. 1*, p. 6–20.
3. GRGs comprise most of Commonwealth SPPs for schools. Other components include targeted programs and capital grants.
4. The initial 2004 AGSRC amounts are \$6,056 (primary) and \$8,021 (secondary).
5. Catholic systemic schools belong to the Catholic Education Systems administered by each State and Territory Catholic Education Office.
6. Department of Education, Science and Training, 2004 *Quadrennial Administrative Guidelines*, Appendix C, pp. 2–4, <http://www.detya.gov.au/schools/guidelines/quadrennial/2001-04/2004-AppendixC+D-fundingtables.pdf>, accessed on 23 February 2004.
7. For further information on the Education Resources Index (ERI) see *Schools Funding: Consultation Report*, Canberra, 1997, <http://www.dest.gov.au/archive/schools/publications/1997/report.pdf>, accessed on 23 February 2004.
8. Answer to DETYA Question No. E412, Senate Employment, Workplace Relations, Small Business and Education Legislation Committee, 2000–2001 Additional Estimates Hearing.
9. For further information about Commonwealth general recurrent funding for non-government schools, see Department of Education, Science and Training at <http://www.dest.gov.au/schools/ses/index.htm>, accessed on 23 February 2004.
10. States Grants (Primary and Secondary Education Assistance) Amendment Bill 2002, Explanatory Memorandum, p. [2].
11. Answer to DETYA Question No. E434, Senate Employment, Workplace Relations, Small Business and Education Legislation Committee, 2000–2001 Additional Estimates Hearing. Beneficiary growth refers to increases in the number of students receiving student assistance such as ABSTUDY or isolated children's allowances.
12. Calculated from Australian Bureau of Statistics, *National Income, Expenditure and Product*, ABS Cat. No. 5206.0 and Australia. 'Budget Strategy and Outlook 2003–04', *Budget Paper No. 1*.
13. See Australia. 'Budget Strategy and Outlook 2003–04', *Budget Paper No. 1*, Table A1, p. 6–68.
14. Calculated from Australia. 'Budget Strategy and Outlook 2003–04', *Budget Paper No. 1*.