

CHAPTER 1

BACKGROUND TO THE LEGISLATION

Progress and referral of the bill

1.1 On 29 June 2000 the Senate referred to this Committee, for report, by leave, the provisions of the States Grants (Primary and Secondary Assistance) Bill 2000, contingent upon the bill's introduction into the House of Representatives on that day. The bill was introduced in the House of Representatives by the Minister for Education, Training and Youth Affairs, the Hon David Kemp MP.

1.2 In pursuance of its inquiry the Committee received 30 submissions, mainly from school organisations and associations representing government and non-government schools, teachers and parents. The Committee conducted public hearings in Canberra on 22 and 23 August 2000.

Provisions and objectives of the bill

1.3 The purpose of the Bill is to implement the Government's commitment to maintain stability in Commonwealth funding for primary and secondary education in Australia for the 2001 to 2004 quadrennium.

1.4 The bill implements a number of decisions made in the 1999-2000 Budget:

- introduction of the new socio economic status (SES)-based funding arrangements for non-government schools;
- additional funding and consequent changes to funding arrangements for the Short Term Emergency Assistance program now renamed the School Transitional Emergency Assistance program;
- introduction of a revised structure for Commonwealth programs for targeted assistance for schools; and
- improved accountability arrangements for Commonwealth schools programs.

1.5 The bill includes provision for the new socio economic status or SES based funding arrangements. Under the new arrangements, general recurrent funding will be distributed according to need and schools serving the neediest communities will receive the greatest financial support. The bill allows for the increased funding to schools to be phased in over the quadrennium.

1.6 The bill guarantees financial security for all non-government schools. No non-government school will be financially disadvantaged by the move to the new SES funding system. Schools that would otherwise have their funding reduced under the new arrangements will have their year 2000 per capita entitlements maintained, with the year 2000 dollar rates adjusted annually in line with the latest Average Government School Recurrent Cost (AGSRC) figures. Catholic school systems will be funded on a basis that essentially preserves in real terms the per capita equivalent of their current funding categories in the year 2000.

1.7 The bill also provides additional funding for schools experiencing severe financial hardship or facing problems of viability during the transition to the new SES arrangements. Establishment grants will be available to assist new non-government schools with costs incurred in their formative years and enable them to be competitive with existing schools. The bill also provides recurrent funding for distance education students receiving that education from non-government schools.

1.8 The bill gives legislative effect to a new accountability framework aimed at strengthening the link between the funding provided under Commonwealth schools programs and improved outcomes for all Australian students. Grantees will be required to commit to achieving performance measures or performance targets against the National Goals for Schooling and to report progress.

1.9 The bill provides for the introduction of a revised structure for some Commonwealth Programs of targeted assistance for schools which is the outcome of the review foreshadowed in the 1999-2000 Budget. The revised structure combines the literacy and numeracy – grants to schools program and the special education school support fixed grants and per capita grants into the *Strategic assistance for improving student outcomes program*.

1.10 The bill changes arrangements and simplifies distribution of funding for the special education per capita program that has been subsumed within the *Strategic assistance for improving student outcomes program*. The bill provides for an average special education per capita funding amount per student for every eligible non-government student. The bill also provides for additional funding through the *Strategic assistance for improving student outcomes program* to ensure that funding for independent schools disadvantaged by the introduction of the average per capita rate will be maintained in terms of the per capita rate for the quadrennium. The bill also combines the priority and community languages programs into the *Languages other than English program* and simplifies distribution arrangements for this funding.

1.11 The bill provides for government school General Recurrent Grants to be funded at a specified proportion of the dollar value of the AGSRC figure used for funding non-government schools to avoid possible inconsistent supplementation arrangements between the two sectors.

1.12 The bill streamlines the legislative requirements for the Capital Grants Program. This change reflects the outcomes of a recent evaluation of the Capital Grants Program and will be accompanied by broader reporting by States on the state of their school infrastructure and improvements year on year. The change does not limit the ability of the Commonwealth to require approval on a project basis. As before, the legislative base for the schools programs will be under-pinned by agreements with the States and Territories as well as non-government school authorities.

1.13 The bill continues school funding, under the new provisions described above, in succession to the current *States Grants (Primary and Secondary Education Assistance) Act 1996*. The current act was the subject of an inquiry by this Committee which reported in November 1996. The current bill before the Committee indicates an evolution of government policy characterised by an increased financial commitment to the school sector and the adoption of funding processes which provide for greater equity in the distribution of grants. The provisions in this bill reinforce the emphasis in the current Act of the theme of choice.

1.14 Legislative arrangements for grants to non-government schools since 1973 have seen a gradual move from a limited acknowledgment of the rights of parents to financial assistance to educate their children in schools of their choice, through to more deliberate and considered acceptance of the importance of private initiative in school education. The 1996 legislation ended restrictions hitherto ignored on the establishment of new non-government schools with Commonwealth assistance. The bill before the Senate confirms the Commonwealth's commitment to the non-government school sector. The Committee reiterates a point it made in its 1996 report on the current Act in relation to a policy which is reinforced in the legislation being dealt with here.¹

Australia is unique in providing public funding support to a blended schools sector which embraces government schools, systemic non-government schools (e.g. the Catholic system) as well as independent non-government schools which may or may not affiliate into statewide or national groupings. At both Commonwealth and state levels, such a heterogeneous mix of schools is regarded as not just an accident of history, but as a legitimate and appropriate way of education to be delivered in modern, pluralist communities. To date, over the period of this blended system, there has been a parity of educational performance between the public and private sectors.

1.15 The Committee, along with the supporters of both government and non-government schools sectors, acknowledges the important contribution each sector makes to the education of young Australians. The circumstances of policy development in the funding of non-government schools over the past thirty years has given the Commonwealth the initiative in the funding of this sector. Statements by the Minister, Hon David Kemp MP, that the Commonwealth has the principal role in the funding of this sector should be seen in this historical context. The Committee rejects the notion, stated in a number of submissions to this inquiry, that the measures contained in this bill are intended to effect a transfer of students from government to non-government schools. Such an intention is not within the scope of governments to effect. It can only be a matter for parental choice.

Funding and related issues

1.16 The bill appropriates some \$22 billion for schools for the 2001-2004 quadrennium. The following table shows the estimated allocations by programs and calendar years in the bill.

Estimated allocations under the States Grants Programs (outturn prices)

	2000	2001	2002	2003	2004
	\$	\$	\$	\$	\$
Government					
Recurrent	1,185,524,000	1,248,572,000	1,321,828,000	1,398,908,000	1,481,098,000
Capital	224,959,000	229,683,000	235,655,000	241,782,000	248,068,000

1 EET Legislation Committee, *Consideration of the States (Primary and Secondary Education Assistance) Bill 1996*. Nov. 1996, p.18

Targeted	297,667,000	306,809,000	317,138,000	293,902,000	296,748,000
Total:	1,708,150,000	1,785,064,000	1,874,621,000	1,934,592,000	2,025,914,000
Non-government					
Recurrent	2,648,228,000	2,873,160,000	3,118,037,000	3,383,557,000	3,667,232,000
Capital	88,438,000	90,295,000	92,643,000	95,051,000	85,851,000
Targeted	153,274,000	159,618,000	165,491,000	157,610,000	165,616,000
Total:	2,889,940,000	3,123,073,000	3,376,171,000	3,636,218,000	3,918,699,000
GRAND TOTAL:	4,598,090,000	4,908,137,000	5,250,792,000	5,570,810,000	5,944,613,000

1.17 In addition to direct Commonwealth assistance, states apply other Commonwealth-sourced funding to government and non-government schools. Commonwealth and state financial arrangements have changed with the introduction of the New Tax System and it is unclear at this stage how much funding from GST revenues will be applied by States to school education. Consequently, it is not possible to provide estimates of total public funding to government and non-government schools for the quadrennium.²

1.18 Under the current Act, schools are funded at a level calculated according to the Education Resources Index (ERI). There are twelve funding levels, the highest being the most needy schools. Schools rated as being most highly resourced and not capable of raising their own funds were at the bottom end of the Commonwealth funding level.

1.19 The new bill will abolish the Education Resources Index and create three different types of funding levels, all of which are expressed as a percentage of Average Government School Recurrent Costs (AGSRC)³. The three funding types are: an SES funding level; a year 2000 funding level; or the agreed level for Catholic systemic schools.

SES Funding

1.20 The Education Resources Index (ERI), the mechanism that allocates non-government schools and systems to one of twelve needs-based funding categories, was reviewed in 1998. Following the release of a consultation report several alternative funding models were investigated further. In response to strong interest expressed in a socio-economic status (SES) model, DETYA conducted a feasibility study in which over 90 per cent of non-government schools participated. The result was a report in 1999 which concluded that an SES approach provided a more equitable way of distributing recurrent funding.⁴

2 Submission No.22, Department of Education, Training and Youth Affairs, vol.2, p.217

3 A MCEETYA agreed formula on the cost of educating a student at a government school: currently \$4355 (primary schools) and \$6050 (secondary schools).

4 MINCO, *National Report on Schooling in Australia 1998*, p. 168

1.21 A consultations report of 1997 proposed a set of principles which should be seen as essential characteristics of any future funding system. There were: equity, transparency, predictability, simplicity, flexibility and cost. The Committee is satisfied that the SES model meets these criteria.⁵

1.22 The SES Simulation Project Report explained the need for change in the following terms:

One of the recurring criticisms of the ERI is that schools servicing the same community, drawing from the same socio-economic base, are not always funded in the same way. The ERI does not reflect the socio-economic composition or economic circumstances of a school's population ... There is now a widespread view that changes, accretions and overlays introduced over time to the ERI, as a response to particular problems, and reflecting changing government policy, have distorted the original intention of ERI as a school resource measure so that it no longer accurately reflects the relative needs of schools.⁶

1.23 An SES (for Socio Economic Status) funding level assesses the funding need of a school on the socio-economic level of the school community. All schools will be given an SES assessment or score. An SES score is calculated by linking student addresses to ABS Census Collections districts in order to rank schools relative to each other, based on the SES of each school's community.

1.24 A minimum entitlement for schools funded on their SES score is set at 13.7 per cent of AGSRC, payable to schools with SES scores of 130 and above. The maximum entitlement for schools funded on their SES score is set at 70 per cent of AGSRC, payable to schools with an SES score of 85 and below. Between these SES scores, funding is payable on a continuum, with a difference of about \$55 for primary students and \$75 for secondary students.

1.25 For schools whose entitlements are based on SES scores, the increased funding will be phased in at a rate of 25 per cent of the increase each year, so that by 2004 schools will be funded at their new level. Examples of funding over four years for secondary school students at different SES levels is shown below.

5 Consultation Report on School Funding DETYA 1997 pp. 49-50

6 Steering Committee for the Simulation Project an SES-based model for recurrent funding of non-government schools, *Schools Funding: SES Simulation Project Report*, DETYA 1998, p. 1.

SES Score	Funding Level % of AGSRC	Funding dollars per enrolment			
		2001	2002	2003	2004
130	13.7	863	863	863	863
124	21.2	1335	1335	1335	1335
118	28.7	1807	1807	1807	1807
112	36.2	2279	2279	2279	2279
100	51.2	3223	3223	3223	3223
85 or less	70.0	4406	4406	4406	4406

1.26 The Committee received a great deal of evidence on the advantages of SES-based funding arrangements. Even critics of the system conceded its advantages over the Education Resources Index method used under the current Act. This evidence will be discussed in Chapter 2.

Year 2000 funding level

1.27 The government has undertaken to ensure that no school will be financially disadvantaged under the new Act. Schools that would otherwise have their funding reduced under new SES arrangements will have their year 2000 per capita entitlements maintained, with the year 2000 dollar rates adjusted annually in line with the most recently agreed AGSRC figures.

Arrangements for Catholic systemic schools

1.28 In 1998 the independent Non-Government Schools Funding Review Committee recognised the widening gap between the funds allocated to Catholic school systems, and the relative needs of those systems, compared with those available to government schools. The Committee determined that Level 11 (under the ERI classification) was an appropriate and just reflection of Catholic systemic funding requirements. New arrangements which will prevail under this bill provides for all Catholic school systems, except in the ACT to be funded at 56.2 per cent of AGSRC. ACT Catholic schools will be funded 51.2 per cent of AGSRC. This agreement will expire in 2004. Regardless of this arrangement, Catholic systemic schools may be regarded as being subject to the SES model. The ERI classification Level 11 corresponds to scores of 96 and 100 on the SES scale, at which levels (ACT schools at 96) systems will be funded.⁷

1.29 Clause 74 of the bill allows the minister to determine a grant of transitional emergency assistance to a state for a non-government school if the minister is satisfied that exceptional circumstances warrant it. This assistance may be short-term assistance, or may

⁷ Mr Tony Greer, *Hansard*, Canberra 23 August 2000, p. 100.

extend over a period of years during a transitional period leading to new SES funding arrangements.

Reporting and accountability provisions

1.30 A commitment to better reporting and improved accountability processes has been continuing policy for governments over the past decade. Schools, in common with all educational institutions, have been as affected by this concern as all other public and private sector service delivery agencies. Australian educators have become accustomed to measuring and comparing performance in order to improve teaching and learning processes. There are now agreed national performance standards and national reporting. The application of improved reporting standards presents particular challenges to federal systems of government. Public monies appropriated by Commonwealth, state and territory legislation have to be accounted for to those legislatures, even when shared costs obscure the expenditure trail. This issue has been addressed by MCEETYA.

1.31 This bill provides for new requirements for reporting and accountability linked to the National Goals for Schooling in the 21st Century. These provisions have been approved with the commitment made by MCEETYA to nationally comparable reporting of educational outcomes in six key learning areas covered by the national goals: literacy, numeracy, student participation, vocational education and learning in schools, science and information technology. A MCEETYA taskforce continues to work on methods of reporting outcomes.

1.32 The following provisions in the bill require recipients of grants to meet certain commitments. These are:

- commitment to National Goals for Schooling and to achieving any performance measures, including targets, incorporated in the legislation;
- a commitment to report on progress towards achieving performance targets;
- meeting the obligation to both report and to achieve targets, the former commitment to be reinforced by financial sanctions in the event of non-reporting, and the latter to be reinforced by administrative action aimed at assisting authorities to meet their commitment.

1.33 Performance measures and targets may be determined by the Commonwealth minister in delegated legislation following agreement by MCEETYA. There is provision, however, for the Commonwealth minister to make regulations to determine performance measures unilaterally should the minister believe that there is unreasonable delay in MCEETYA reaching agreement on these measures. All schools are equally accountable for the expenditure of public funds and non-government schools will be treated in the same way as government schools.

1.34 The vehicle for reporting is to be the *National Report on Schooling* in all likelihood to record state and territory data on Year 3, Year 5 and Year 7 literacy and numeracy benchmarks. The reporting will make it possible to make comparisons of performance by gender and key equity groups, including Indigenous students, those from non-English speaking backgrounds and geographically isolated students. Significantly, the reporting will make it possible, for the time, to compare the performances of states and education authorities.

1.35 In addition to performance reporting, the bill provides for states and approved authorities to provide reports of a kind required by the minister in relation to financial assistance and to participate in evaluating the outcomes of programs of financial assistance. As a condition of funding, the minister may require a state or authority to take specific action in relation to performance which does not meet its target. This might include deploying advisory teachers, submitting to an independent review of standards or supplying information to the Commonwealth about schools having problems.

1.36 These new reporting and accountability requirements apply to programs worth around \$4 billion each year (80% of Commonwealth grants to schools). Not all the six priority areas identified by MCEETYA are suitable for the setting of targets. The government has advised that it may be more appropriate in some learning areas to gather national data through surveys.

1.37 The new reporting requirements provided for in this legislation may be seen as an indication of the government's determination to impose national standards in school education and establish benchmarks for assessment of school performance in the key learning areas identified by MCEETYA. It is significant that the reasons provided for will include mechanisms for comparing performance across states and territories and across the different education provider sectors. This is an important change in accountability measures because it focuses on outputs and outcomes rather than inputs.

New Schools

1.38 The bill also provides, in clauses 45 and 75, grants for establishment assistance for new schools. While this provision has not attracted any significant attention during the course of the inquiry, the Committee wishes to make two points in this chapter about this issue. First, it notes the complaint of the Independent Teacher Union that the Commonwealth has not provided for itself any regulatory or planning role in relation to the establishment of new schools⁸. The Committee is aware of one obvious reason for this: the lack of any constitutional basis for doing so. Second, the Committee notes comment from the Queensland Government which suggests that non-registered independent schools may be eligible for Commonwealth assistance as a result of changes to state laws⁹. It reminds the Queensland Government that such matters are entirely in their hands. They alone are responsible for the proper drafting of their legislation.

Targeted programs

1.39 Parts 7-14 of the bill provide for grants of strategic assistance to improve outcomes for disadvantaged students in schools and school communities. Disabled, Indigenous and low SES-level students are targeted for this assistance, together with students from non-English speaking backgrounds and those living in isolated areas. The bill further reduces the complexity of Commonwealth targeted programs, following the trend evident in changes brought about under the current act passed in 1996. The bill increases the focus on improving student learning outcomes and strengthens accountability processes, as described above. Following a 1999 DETYA review of targeted programs, and a report on literacy and numeracy programs carried out by the Australian Council for Education Research (ACER), a

8 Submission No 24 Australian Independent Education Union, vol. 2 p. 249.

9 Submission No 26 Queensland Government, vol 3 p.5.

new targeted program structure is provided for in this bill, covering literacy and numeracy; special education; special education non-government centre support; priority languages and community languages. There is also a new program aimed at fostering the learning of Asian languages and studies of Asia.

1.40 The new characteristics of Commonwealth financial assistance in targeted programs are increased flexibility of schools to meet the needs of their students; and, equitable distribution of funding through more simple processes. The need for the government to change general recurrent grants arrangements provides an opportunity to streamline these measures.

Conclusion

1.41 Commonwealth funding for all schools is assured policy across party divides. There is also broad agreement across the Parliament to the direction this legislation takes in providing for the assurance of national standards and benchmarks. Commonwealth direction is needed in initiating administrative processes in the states and territories that will ensure more energetic commitment to national goals. The record of the Government has already shown considerable progress in this regard, with Commonwealth leadership evident in the National Literacy and Numeracy Plan, in vocational education and training in schools, and in the Indigenous Education Strategic Initiative Program, all approved by MCEETYA. Most members of the Committee agree that increased Commonwealth intervention by means provided for in this proposed legislation is necessary to ensure that MCEETYA works more effectively in the national educational interest.

