

GOVERNMENT FUNDING OF INDEPENDENT SCHOOLS: THE NEXT DECADE

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Scope of Workshop

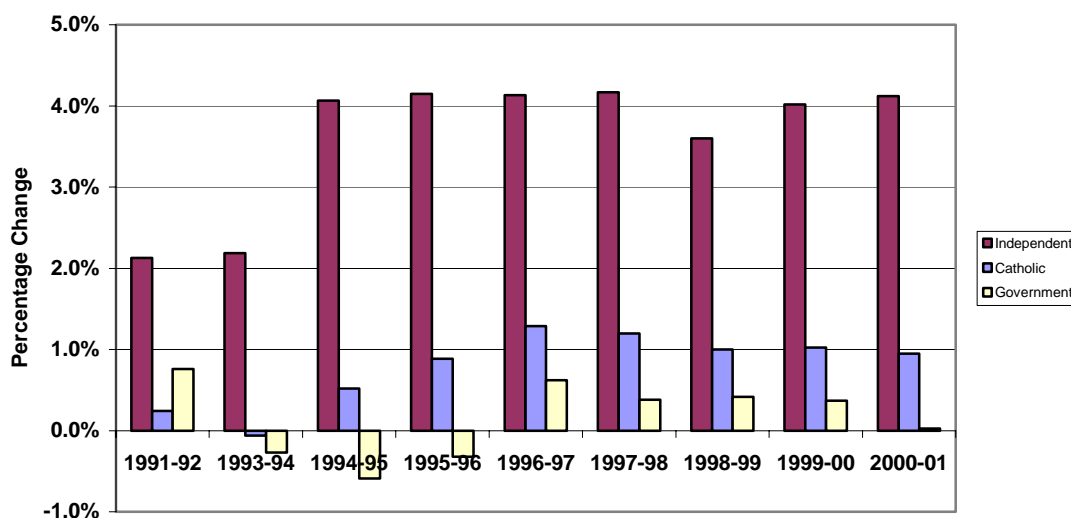
Much of the antagonism about funding of non-government schools – and government schools – is a direct consequence of the misinformation disseminated by those who choose to tell only part of the story. The Commonwealth is often vilified, for example, for the level of its funding of government schools while State government funding, which amounts to 89% of the total funding provided for government schools, is ignored or discounted. Informed debate about the contentious issue of school funding is something that NCISA welcomes. This workshop aimed to provide an overview of government funding for schools to allow participants to measure opinion against fact. Reported here is a précis of the background information given to participants prior to group discussion.

Sector Growth

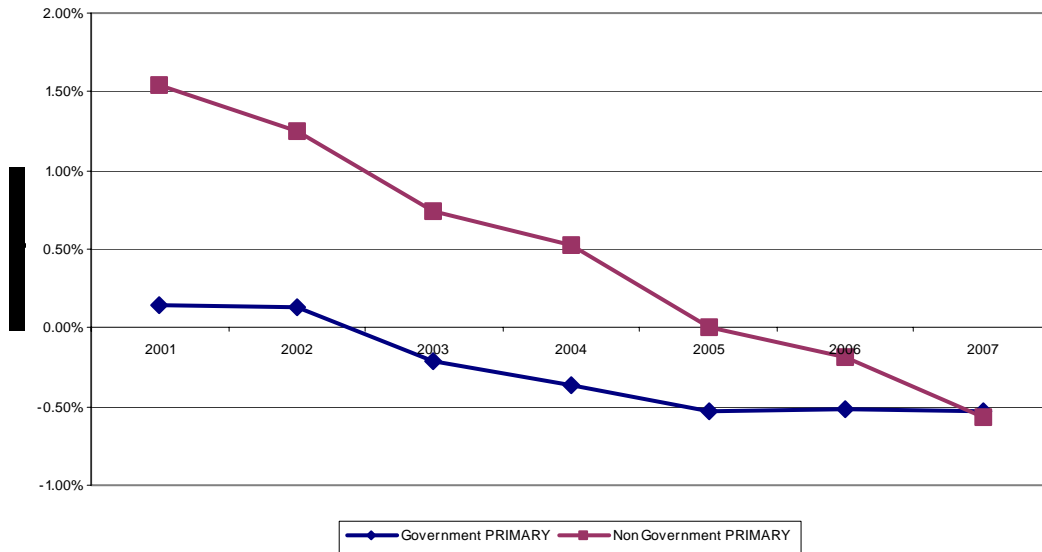
There are 957 independent schools in Australia enrolling some 370,000 students. This represents 11.4% of total full-time school enrolments. The Catholic systemic schools enrol around 20% of students.

Enrolments in the independent sector have grown steadily in the last decade. This trend is set to continue, although enrolment projections by the Department of Education, Science and Training (DEST) show a slowing in enrolment growth and then decline in the primary sector due to changing demographics.

Growth Rates by Sector, 1991 - 2001



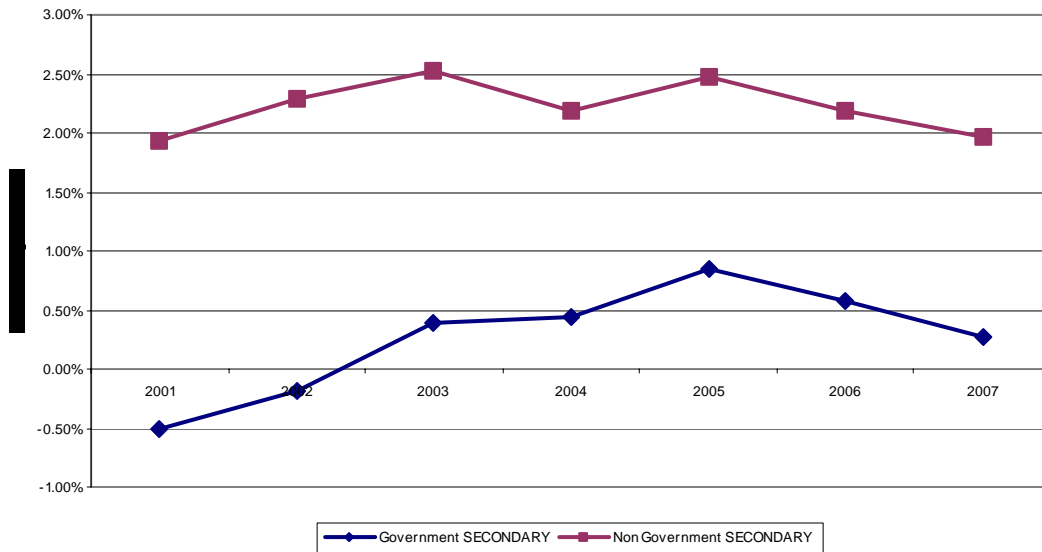
Primary Enrolment Projections 2000-2007



Source: DEST

Growth in the secondary sector is projected to hold relatively steady, although political interventions could change this picture rapidly.

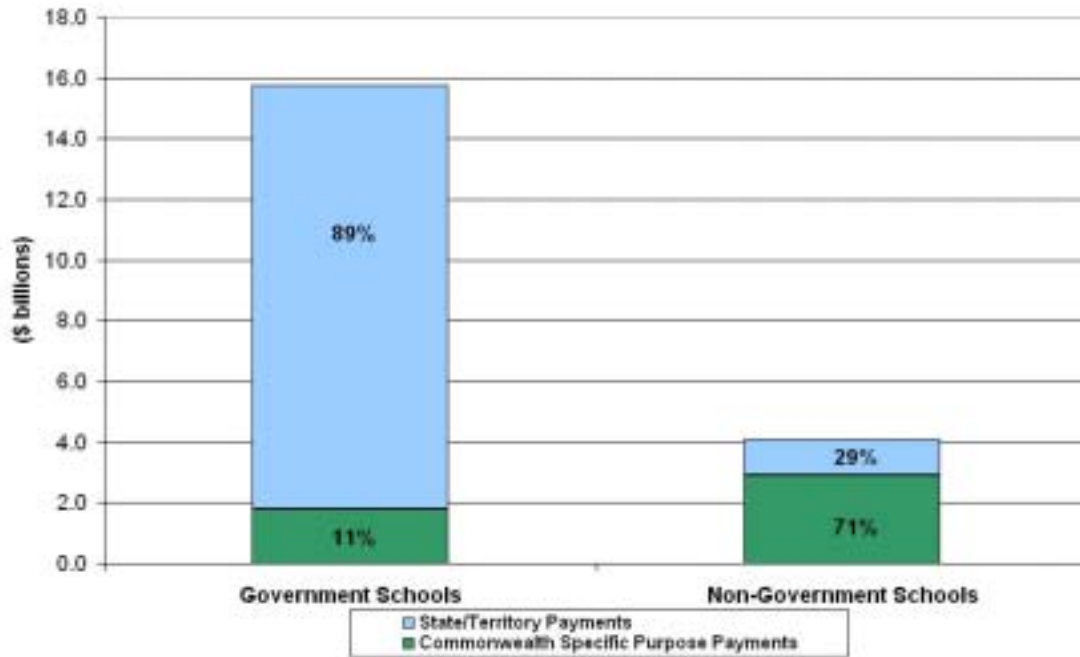
Secondary Enrolment Projections 2000-2007



Source: DEST

Government Funding

Most of the government funding available to the non-government schools sector comes from the Commonwealth Government, although State or Territory governments also contribute. The graph below illustrates the relativities in funding to the government and non-government sectors.

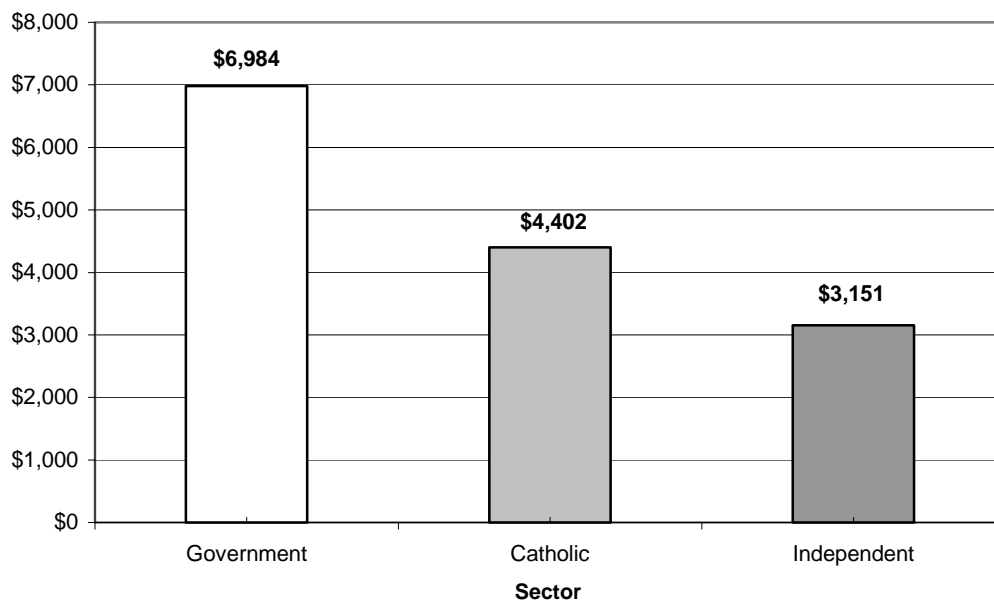


On average, total (that is, Commonwealth and State and Territory) government funding of independent schools represents almost 40 per cent of their income.

Government funding for independent schools comes in different forms, such as capital grants, establishment grants, interest subsidies and grants for targeted programs. However, the bulk of government funding for independent schools – some 92% – is in the form of general recurrent grants, which are allocated on a per student basis. Enrolment growth is therefore the main driver of government funding increases to the sector.

In average terms, students in the independent sector receive the least government support for their school education.

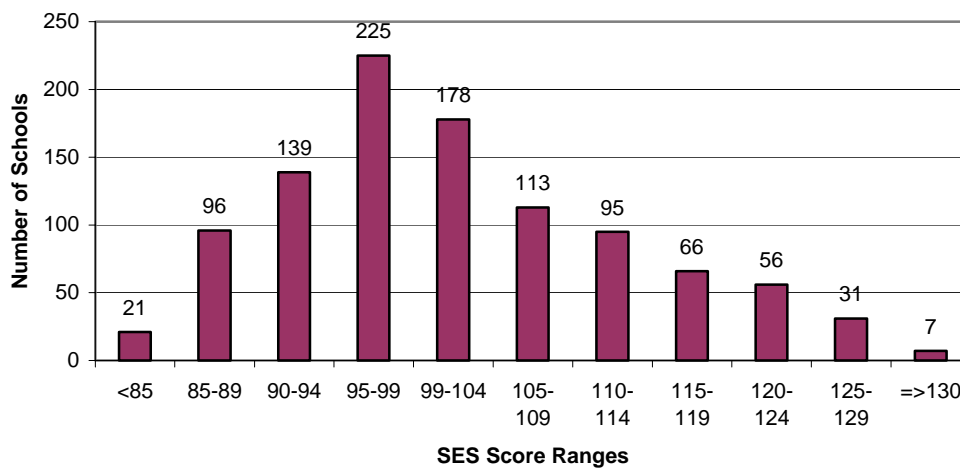
Average Total Government Expenditure per Student by Sector, 1999-2000



While averages are useful in building an overall picture of government funding, it is important to remember that the level and composition of government funding for the independent sector varies widely between schools, largely as a result of the funding models used to determine recurrent grant allocations.

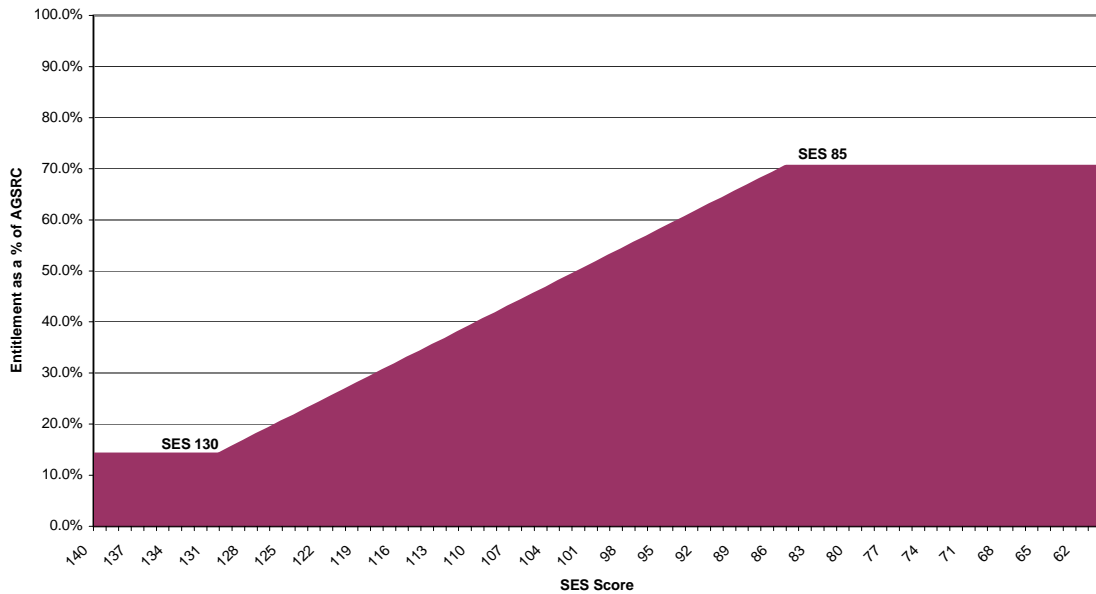
Under the Commonwealth's recurrent funding model, funding allocations are based on the socio-economic status (SES) score of a school. The lower the SES score, the higher the funding and vice versa. Most independent schools have SES scores in the middle to low range.

Distribution of Schools by SES Score Range



Under the SES model, allocations to students in independent schools vary between 13.7% and 70% of the Average Government Schools Recurrent Cost, or AGSRC. Catholic systemic schools are all deemed to have the same SES score of 96 (except in the ACT) and the allocation for students in these schools is 56.2% of the AGSRC (51.2% in the ACT).

Sliding Scale of Funding Entitlement According to SES Status



It is important to understand that the AGSRC does not measure average government school recurrent costs. It was developed as a benchmark for the indexation of Commonwealth funding for non-government and government schools, and represents about 85 per cent of average per student government school recurrent costs.

This table shows the minimum and maximum Commonwealth recurrent funding allocations to independent schools in 2002 under the SES model and illustrates the substantial variation in funding entitlement across the sector.

Maximum and Minimum Commonwealth General Recurrent Per Student Funding for Established Schools* Preliminary Levels for 2002 School Year

	Minimum Funding \$	Maximum Funding \$
Primary Schools	687	3389
Secondary Schools	990	4701

*Due to the phase-in of the SES funding arrangements, established schools are being funded by a combination of the SES and ERI methodologies. For newly established schools, which are funded exclusively under the SES methodology, the maximum funding is \$3765 for primary and \$4971 for secondary.

There is a similar variation, although at much lower funding levels, in the State and Territory allocations.

**State/Territory Per Student Preliminary General Recurrent Funding for Independent Schools
2002 School Year**

State/Territory	Primary		Secondary	
	<i>Minimum \$</i>	<i>Maximum \$</i>	<i>Minimum \$</i>	<i>Maximum \$</i>
ACT* Based on former C'wth ERI categories	286	1127	451	1643
NT Single rate for all non-govt schools	1312	1312	1908	1908
NSW Based on former C'wth ERI categories	497	1303	726	1810
QLD** Basic entitlement plus needs component based on combined ERI/SES	816 (base rate)		1248 (base rate)	
SA** Basic entitlement plus needs component based on a number of student/school factors	464 (per capita component)		646 (per capita component)	
TAS*** Basic entitlement plus needs component based on C'wth SES	785	1238	Junior secondary 1020 Senior secondary 1609	Junior secondary 1374 Senior secondary 2166
VIC Based on former C'wth ERI categories	313	848	460	1319
WA Based on former C'wth ERI categories	942	1810 (Reflects \$604 loading for remote schools where there is no govt provision)	1430	2952 (Reflects \$982 loading for remote schools where there is no govt provision)

*Theoretical minimum shown to reflect basic entitlement. As no school in the ACT is classified at Category 1, actual minimum per student funding level is slightly higher than the theoretical.

**Figures do not include any of the needs component.

***Theoretical minimum shown to reflect basic entitlement. The actual minimum per student funding level is higher than the theoretical because the highest SES score for independent schools in TAS is 114.

As the above table demonstrates, there are a number of recurrent funding models used to allocate funds to independent schools and significant variation in the funding allocations for which schools are eligible.

The term 'ERI' that shows in some State and Territory funding models refers to the Education Resources Index. The ERI was introduced by the Hawke Labor government as the basis of its funding model for non-government schools. The ERI assessed 'need' according to the income non-government schools generated rather than according to the costs of educating a child in a

government school. Schools were placed in one of 12 funding categories. The 'wealthier' the school, the higher its category.

The issue of how much funding is to be allocated to independent schools and by what model is certainly complex. This complexity is further compounded by the question of what means should be used to index the funding allocation. The Commonwealth, for instance, indexes recurrent funding for independent schools against the AGSRC. The ACT Government indexes recurrent funding for independent schools against the CPI. In this year's State budget the Victorian Government dropped indexation of funding for some independent schools entirely, forcing a reduction in real terms to funding for those schools.

The ease with which State and Territory governments can change indexation arrangements from annual budget to annual budget has the potential to compromise the funding stability of non-government schools and is an area of political vulnerability for the sector.

Basic Entitlement

Under the Commonwealth's recurrent funding model there is a minimum allocation of 13.7% of AGSRC. This is understood as representing a basic funding entitlement. That is, no matter which school they attend, the Commonwealth guarantees that all Australian school students will benefit from some government funding.

Basic entitlement recognises that:

- Schooling is compulsory in Australia and governments therefore have a responsibility to contribute to the cost of that schooling.
- There is a public benefit in the schooling of children and all students therefore have a right to a share in the public funds available for school education.
- Parents have a right to choice in the education of their children.
- Parents who choose to send their children to non-government schools pay taxes that support the education of the nation's children. Their children should share in the benefit of these taxes.

The principle of basic entitlement in the Commonwealth funding of non-government schools has held for some 30 years, with bi-partisan support. This is no longer the case. In the lead up to the Federal election last November both the Greens and Democrats dropped basic entitlement for independent schools in favour of a scale of funding allocations tied to fee levels, with eligibility for government funding ceasing at a certain fee level. This year, the ALP mooted a similar model for independent schools in the debate over establishment grants for new non-government schools.

Government Funding in a Nutshell

- The government funding of independent schools is complex.
- No funding model will suit all of the schools all of the time.
- Commonwealth government recurrent funding for independent schools is allocated on a needs basis determined by socio-economic status.
- Within the sector, there are substantial differences in funding allocations between schools and therefore between students.
- When it comes to government funding, independent schools are vulnerable politically.

It has to be remembered, too, that funding decisions are never made in a social vacuum, they are made in the context of competing pressures for funding from other sectors. Health and welfare, for example, are set to make increasing demands on government as the population ages.

Several State/Territory governments recently initiated reviews of their funding of non-government schools. A review of the Commonwealth's SES funding model is expected in 2003. No matter what means and models governments adopt, the funding of independent schools remains essentially an issue of politics, not education.