

**SAVE OUR SCHOOLS**

# **Get Gonski Back on Track**

**Speech to Schools Funding Conference: Why Money Does Matter**

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**February 2022**

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## 1. Introduction

Good morning, it is a privilege to be able to contribute to the 10<sup>th</sup> anniversary of the pathbreaking Gonski report.<sup>1</sup> It was a watershed in the history of school funding in Australia because it made equity in education the centrepiece of education policy. Its legacy is enduring as its guiding principles provide the foundation to build an education system to improve equity in education.

As a point of departure, you will all remember that last year the currently suspended Minister for Education, Alan Tudge, announced that “the school funding wars are now over”. A few months later, the Archbishop of Sydney, Anthony Fisher, who played a central role in the war, said that Catholic schools “has never had it so good” in terms of funding. As I will show, the same is also true for Independent schools, but they are more careful to keep quiet about it.

This is the outcome of the war that was declared on the Gonski report at the outset by the Liberal and National parties. Tudge has long opposed the model. He told the House of Representatives in February 2013 that the Gonski plan “will penalise schools, particularly Catholic and Independent ones.”. As the journalist, Paul Kelly, observed: “Abbott and Pyne refused to endorse Gonski...They tried to suffocate the policy at birth”.

Once in office, their priority was to trash the model and deliver to private schools, especially Catholic schools, and they succeeded. In this, they were aided by own goals by Labor. But the war is not over for public schools as the current state of school funding clearly demonstrates.

## 2. The current state of school funding

Government funding changes have massively favoured private schools since 2009 [Chart 1]. Commonwealth funding of private schools increased by nearly 3 times that for public schools. The states cut funding for public schools while increasing funding for private schools. The outcome is that government funding for private schools increased by four times that for public schools.

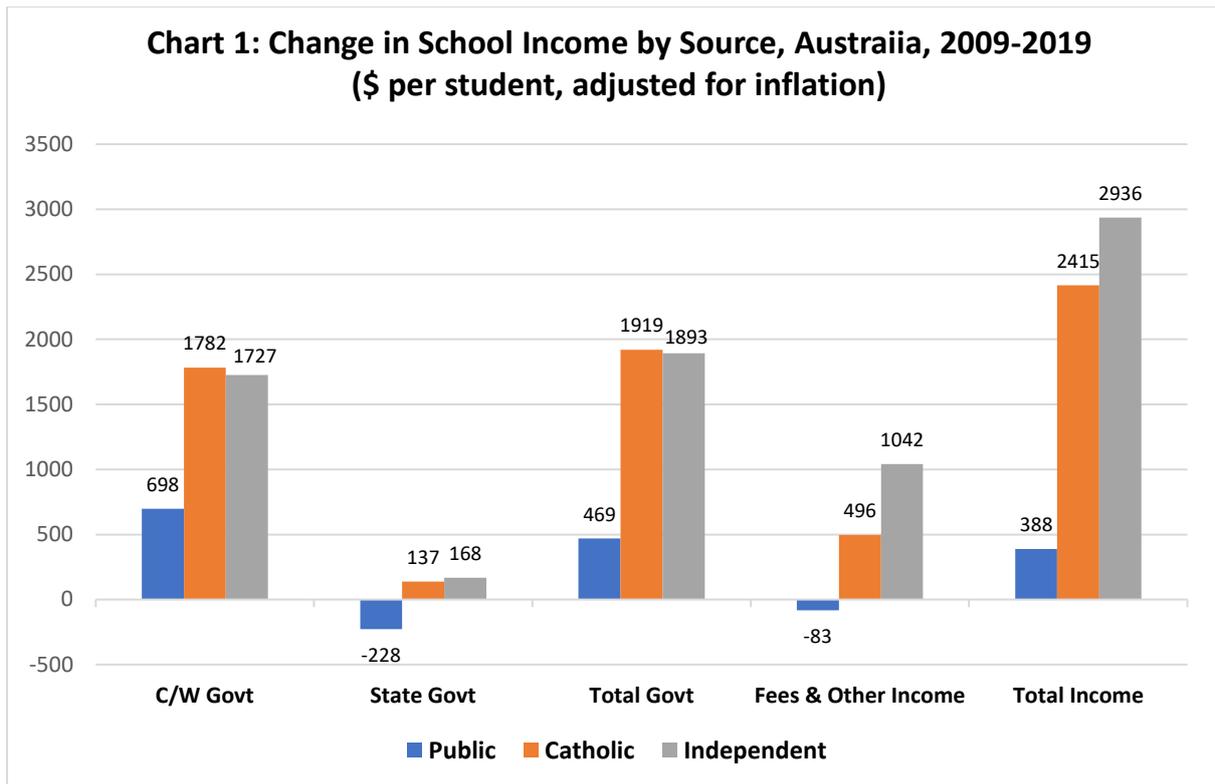
Adjusted for inflation, all government funding for Catholic and Independent schools increased by about \$1,900 per student. In contrast, funding for public schools increased by a mere \$469 per student, that is, by less than \$50 per student per year. The total income per student of Independent schools increased by over seven times that for public schools while the income of Catholic schools increased by six times.

As a result of these changes, Independent schools now have a massive resource advantage over public schools. Their income per student in 2019 was over 50 per cent higher than for public schools. Catholic school income is also much higher than for public schools [Chart 2].

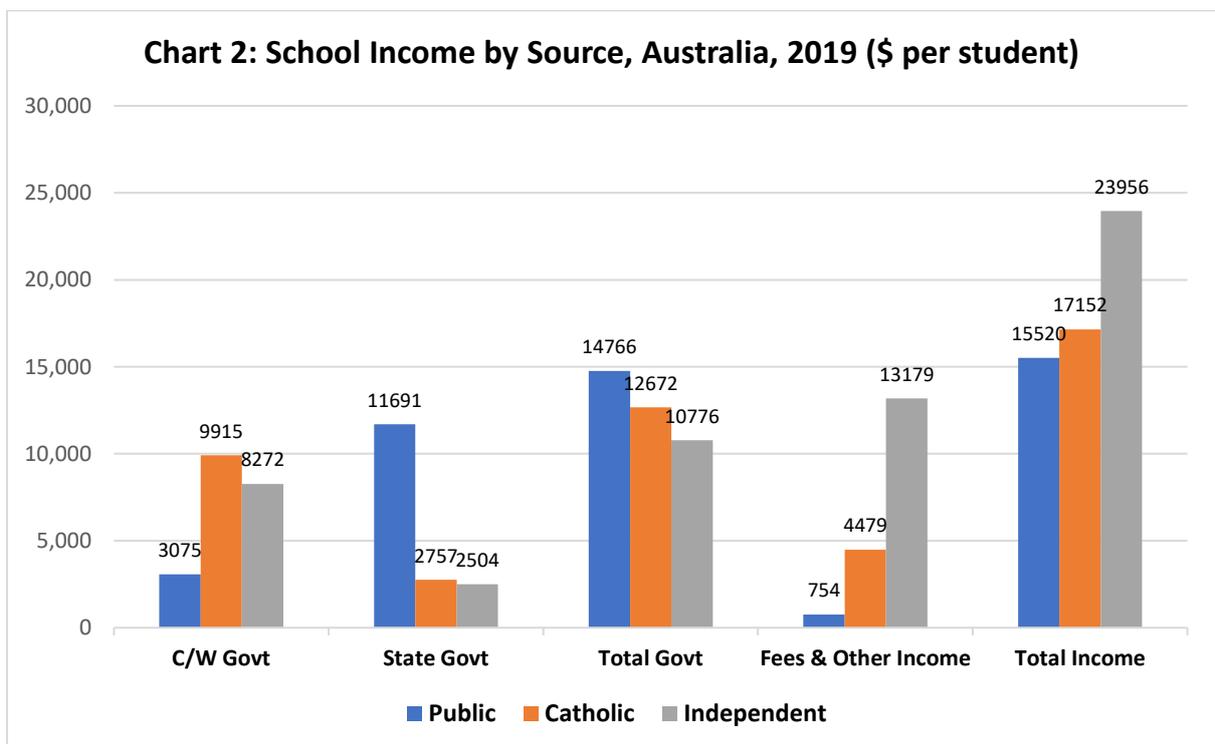
The resource gaps have changed dramatically since 2009. In that year, the income per student in Independent schools across Australia was 36 per cent higher than in public schools but it was 54 per cent higher by 2019. In 2009, income per student in public schools was six per cent higher than in Catholic schools but by 2019 Catholic school income was 11 per cent higher than in public schools. Catholic schools are certainly no longer the poor cousins of the school sector.

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<sup>1</sup> This is a slightly revised version of the speech delivered at the conference.



**Source:** ACARA, National Report on Schooling data portal. The figures are adjusted for inflation by a combined index of the Wage Price Index for Public and Private Education and the Consumer Price Index.



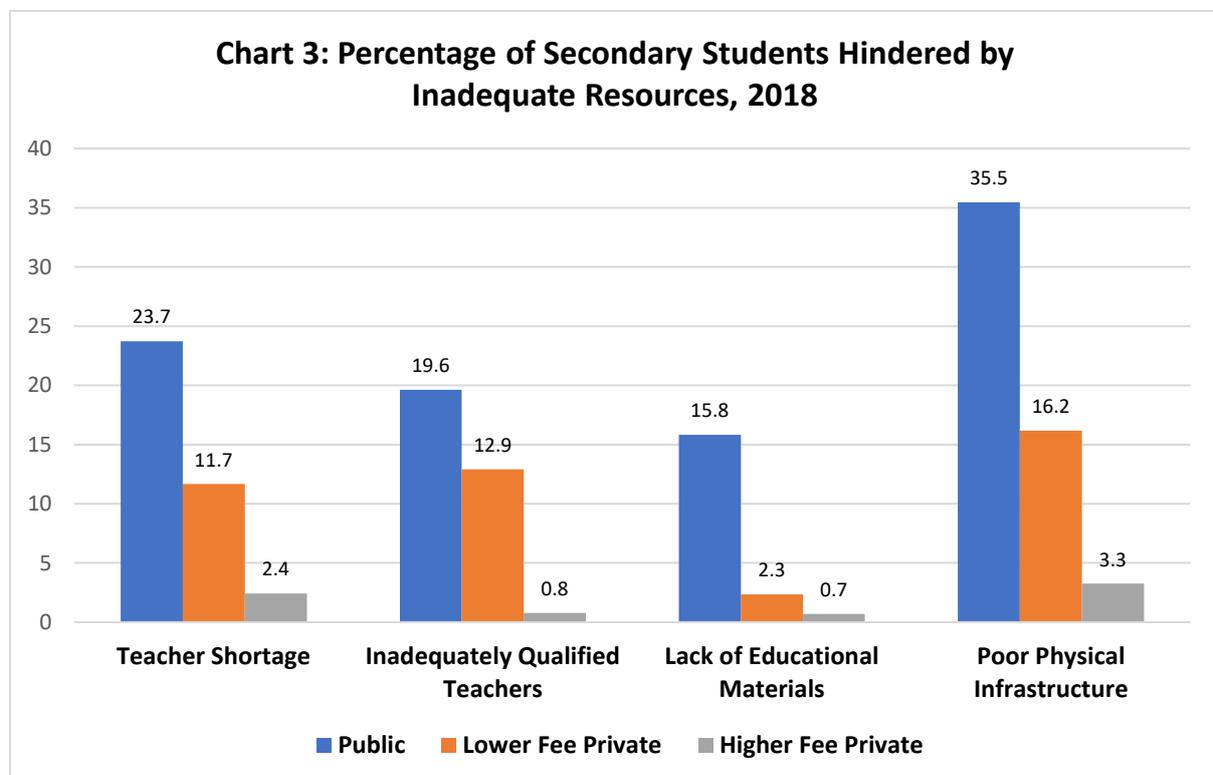
**Source:** ACARA, National Report on Schooling data portal.

These disparities in income levels between public and private schools translate into large differences in the availability of human and material resources. OECD data reveal the shocking misallocation of teaching and physical resources between public and private schools in Australia. Much higher

proportions of students in public schools have their learning hindered by inadequate resources than in lower or higher fee private schools [Chart 3].

Nearly 25 per cent of public school students have their learning hindered by a shortage of teachers compared to only two per cent in higher fee private schools. Twenty per cent of public school students have their learning hindered by inadequately qualified teachers compared to less than one per cent in higher fee private schools. The presence of inadequately qualified teachers generally reflects the high proportion of teachers teaching out-of-field in public schools. Sixteen per cent of public school students suffer from lack of educational materials compared to less than one per cent in higher fee schools. There are vast differences in the quality of school infrastructure. Thirty-six per cent of public school students are hindered by poor quality physical infrastructure compared to only three per cent of high fee private schools.

This data shows that governments are effectively discriminating against public schools in terms of their access to quality teaching and physical resources. As the retired public school principal, John Frew, says “It amounts to the systematic theft of resources from public schools”.



**Source:** OECD, PISA 2018 Results (Volume II): Where All Students Can Succeed, PISA, OECD Publishing, Paris, 2019, Online Tables.

How is it possible that we are in this situation after the implementation of the needs-based Gonski funding model? How did Gonski go off the rails?

One reason is that there were significant flaws in Labor’s funding model that gave more funding to private schools than warranted on a strictly needs-base. Labor’s funding model was not a fully needs-based model. It was only partially needs-based. The other reason was the progressive demolition of key features of the model by the Abbott and Turnbull Governments.

### 3. Labor's Gonski model contained fundamental flaws

It is important to understand the key flaws in Labor's funding model because they point to what needs to change in the future. We have to learn from the lessons of the past.

The far-reaching social equity goals of the Gonski report were abandoned and replaced by international and national education performance targets and a weak equity goal of "improving the results of disadvantaged students". There was no mention of ensuring that all students achieve an adequate education to successfully participate in adult society. Gonski's key equity principle was that differences in educational outcomes should not be the result of differences in wealth, income, power or possessions, that is, disadvantaged students should be able to achieve similar results to highly advantaged students. It was completely ignored by Labor.

Instead, Labor adopted the goal that Australia become one of the top five achieving countries in the world. Economic goals were behind this switch. Gillard and Garrett said: "To keep winning the economic race, we have to win the education race".

At the outset the Labor Government guaranteed that no school would lose a dollar under the new funding model. As Ken Boston said, "this was an albatross around the neck of the Gonski panel". But this was not enough for private schools. Under pressure from private school organisations, Gillard replaced it with "every school would get an increase" and that is what happened without regard to need.

The design of the Schooling Resource Standard (SRS) restricted the funding available for disadvantaged schools, almost all of which are public schools, in two main ways:

- The base SRS is over-estimated because of the large proportion of high cost private schools included in the reference schools used to estimate the base SRS. This gives unwarranted base funding to many schools, thereby reducing the funding available for disadvantaged schools.
- Only 26 per cent of the planned \$15 billion funding increase was allocated to the disadvantage loadings. The loadings are hugely under-estimated and the large majority of low SES, Indigenous and remote area students are in public schools. All the overseas research evidence points to much higher loadings of double or more the cost of a high SES student in order to make a difference.

Labor also retained a fundamentally flawed approach to funding private schools; they were advantaged by assessing financial need on the basis of the capacity of families to contribute which results in over-funding. It is a critical flaw in the funding models for private schools over the past 20 years that has to be abandoned if a fully needs-based funding approach is to be implemented.

At the outset, Gillard dismissed the recommendation of the Gonski report for an independent national schools resourcing body to develop the SRS and the loadings and regularly review and update them. Its intended role was to provide impartial advice to governments that did not favour one school sector over another. This decision proved fatal as it gave a green light to numerous special deals for private schools and contributed to the failure to develop a nationally integrated funding model.

Gillard also inserted some time bombs that undermined needs-based funding. In the lead up to the 2010 election, she made a secret deal with Cardinal Pell to delay introduction of the new model until 2014. She owned up to this in her memoirs. She admitted that the deal was to give the Catholic Church "a clear moment of political fightback if they wanted it because another election would fall before the implementation of the new model". This delay allowed private school organisations to

escalate their demands and for Abbott and Pyne to start their demolition program by inducing the Queensland, Western Australian and Northern Territory governments not to participate.

Gillard also made a secret deal with Catholic Church to guarantee Catholic schools would maintain their existing share of total school funding into the future, a deal that was extended to Independent schools. The deal was to ensure that private schools retained market share. It replaced the direct link to public school funding under the previous arrangements whereby private school funding increases were linked to average governments school recurrent costs. It meant that private schools benefitted from any increase in funding for public schools. If funding for public schools increased by 20 per cent so too would funding for private schools in order to maintain their share of total funding. Public schools were not permitted to gain an advantage.

Gillard then postponed \$7.5 billion of the planned \$10.3 billion Commonwealth funding increase to the last two years of the six year phase-in which made it hostage to a change of government. The states followed this lead.

#### **4. Sabotage by the Abbott and Turnbull governments**

The Abbott and Turnbull governments sabotaged much of what remained of Gonski.

Abbott and Pyne abandoned the \$7.5 billion funding increase planned for last two years of the plan. They also immediately abandoned the agreement that the states increase their funding. This was a further loss of \$5.6 billion in state funding over the next six years. Both Labor and Coalition state governments took advantage of this to continue to cut funding for public schools, adjusted for inflation, while increasing funding for private schools.

Pyne also excluded Victoria and Tasmania as participating states despite their having signed an in-principle agreement. Queensland, Western Australia and the Northern Territory didn't sign up originally at the behest of Abbott and Pyne. This meant the new model was limited to the Commonwealth, NSW, South Australia and the ACT. There was no national needs-based model. This of course told against public schools.

Pyne also attempted to reduce the focus on equity by a secret review on whether the low SES funding loading was needed. In this, he was responding to demands by some Independent school organisations who claimed that low SES had no impact on school outcomes. Pyne failed because the review was exposed by the AEU and SOS.

Turnbull in turn destroyed the concept of an integrated national funding model by limiting the Commonwealth role. Private schools would be funded to 80 per cent of their SRS and the other 20 per cent by the states while public schools would be funded to 20 per cent of their SRS and 80 per cent by the states

A small positive was that Turnbull and his education minister, Simon Birmingham, threatened some private school funding privileges. They reduced over-funding for a small number of high fee private schools but ignored the vast over-funding of over 1,700 private schools. They also terminated the system-weighted average funding of private systems which so benefit Catholic school systems.

This prompted a ruthless campaign by the Catholic Church to increase funding for Catholic schools which was supported by Labor. Bill Shorten told the Catholic bishops that Labor "stands shoulder to shoulder with the church" on school funding. Once again, Labor chose political opportunism and special deals over equity in funding.

This then is how we got to the state of funding in 2019. Disastrously, the resource advantage of private schools is projected to accelerate over the rest of the decade to 2029. Commonwealth funding for private schools will increase under special deals provided by the Morrison Government which are not available to public schools and because bilateral funding agreements between the Commonwealth and the states allow the states to continue to under-fund public schools.

## **5. The resource gap between public and private schools will widen post-2019**

On the day of his appointment as Prime Minister, Morrison was warned by Catholic authorities that they would continue their campaign against Turnbull's revised funding model. Morrison immediately sued for peace. He dispatched his new Minister for Education, Dan Tehan, to cut a deal with Archbishop Fisher. Within weeks Morrison and Tehan announced a new special \$4.6 billion funding deal for Catholic and Independent schools.

It was widely seen as a special deal. The former NSW Minister for Education and then Director of the Gonski Institute, Adrian Piccoli, said: "This is purely a political fix to shut down a powerful lobby group" and "It's throwing money at the powerful and well connected".

The Prime Minister himself acknowledged that the new funding package was a special deal. He told the ABC's AM program that his new announcements "sit outside" the current needs-based funding arrangements. Even the normally supportive Centre for Independent Studies described it as a "special deal" that undermines the Coalition's Gonski 2.0 funding model.

Bill Shorten proudly took credit for the increase. He said: "We've won the money for the Catholic sector... ". There was none for public schools.

The peace deal had two elements. First, there was an additional \$3.4 billion over 10 years from 2020 to 2029 to implement a new direct income method of assessing parental capacity to contribute to private schools. It replaced the previous measure of capacity to contribute based on the socio-economic status of areas.

The key point here is the funding increase was announced well before the new measure of the capacity to contribute was determined. It was a peace deal in search of a model and it took over a year to find it. The Department of Education admitted in Senate Estimates that the settings of the new approach were only developed in consultation with private school organisations over 12 months following the Government's announcement of the funding increase.

The other element was the \$1.2 billion Choice and Accountability Fund to support parent choice. This was widely seen as just another "slush fund" for private schools.

Numerous other special deals followed that extended the resource advantage of private schools. They include Low Growth Funding for private schools and other transitional funding to the new funding method, drought assistance, COVID assistance and most notably JobKeeper funding worth \$750 million in 2020. These deals total about \$1.1 billion over 2019-2023. Then there is the COVID Cash Flow Subsidy, the cost of which the Government refuses to disclose.

The total funding increase for private schools over 2019-2029 is about \$5.7 billion. Again, there was nothing for public schools.

More special deals for private schools are on the cards in the lead up to the Federal election. Independent school organisations are running a campaign for special funding for regional schools, especially boarding schools. They also want a "zero disadvantage" deal whereby no school will lose

funding under the current Direct Measure of Income funding model. In other words, they want another “no losers” deal. Watch this space.

## **6. Flaws in the Direct Measure of Income**

The Direct Measure of Income (DMI) is fundamentally flawed as a measure of the financial need of private schools as are all approaches based on measuring the concept of capacity to contribute of families in private schools.

The DMI is based on Adjusted Taxable Income of families. It under-estimates the capacity to contribute because it excludes:

- The Bank of Mum and Dad which is the 5<sup>th</sup> largest bank in Australia
- Non-taxed income from capital gains
- Non-disclosed income such as in tax havens
- Family wealth

The DMI assumes that only the parents of children pay school fees. This is demonstrably untrue. One financial services company estimates that 60 per cent of private school students have their fees at least partly paid by their grandparents. It also ignores other income provided by grandparents such as money for home deposits and other expenditures that free up income to be spent on school fees.

Only 50 per cent of the income from selling family capital assets is recorded as taxable income. The other 50 per cent is not included as taxable income and therefore is not included in the DMI of families so their actual income and capacity to contribute is under-estimated.

Adjusted Taxable Income also does not include non-disclosed income in Australia and held in overseas bank accounts and tax havens. A few years ago, the Tax Office announced that that it was investigating more than 100 Australian parents with children at 60 elite private schools who paid school fees from overseas bank accounts. It was concerned that the offshore accounts being used to pay the fees were concealing much larger amounts of money amounting to millions of dollars.

Assessing the financial need of schools according to the capacity of families to contribute ignores a major source of income for elite private schools, namely donations, for example, a Canberra businessman recently donated \$20 million to Canberra Grammar School, Cranbrook is in the process of raising \$25 million in donations, Loreto Kirribilli wants to raise \$100 million in donations.

Several elite private schools such as Abbotsleigh, Ascham, SHORE, Geelong Grammar, Scotch College and others even receive donations from overseas. For example, the Australian Independent Schools USA Foundation raises donations for Australian private schools from the US and Canada. In 2019 it raised nearly US\$3 million.

Ignoring all these other sources of income, as well as the wealth of families and schools results, in massive over-funding of private schools because the capacity of families to contribute financially to private schools is under-estimated so that the financial need of schools is over-estimated.

## **7. The Commonwealth-State funding agreements defraud public schools**

While private schools are being lavished with funding, public schools are being defrauded by the Commonwealth-State bilateral funding agreements.

The requirement of the Education Act that the Commonwealth Government fund public schools to 20 per cent of their SRS and private schools to 80 per cent of their SRS is complemented by bilateral funding agreements between the Commonwealth and state and territory governments. The

agreements set out minimum state funding shares for the public and private schools as a condition for Commonwealth funding. The agreements run from 1 January 2019 to 31 December 2023 but include indicative state shares to 2029

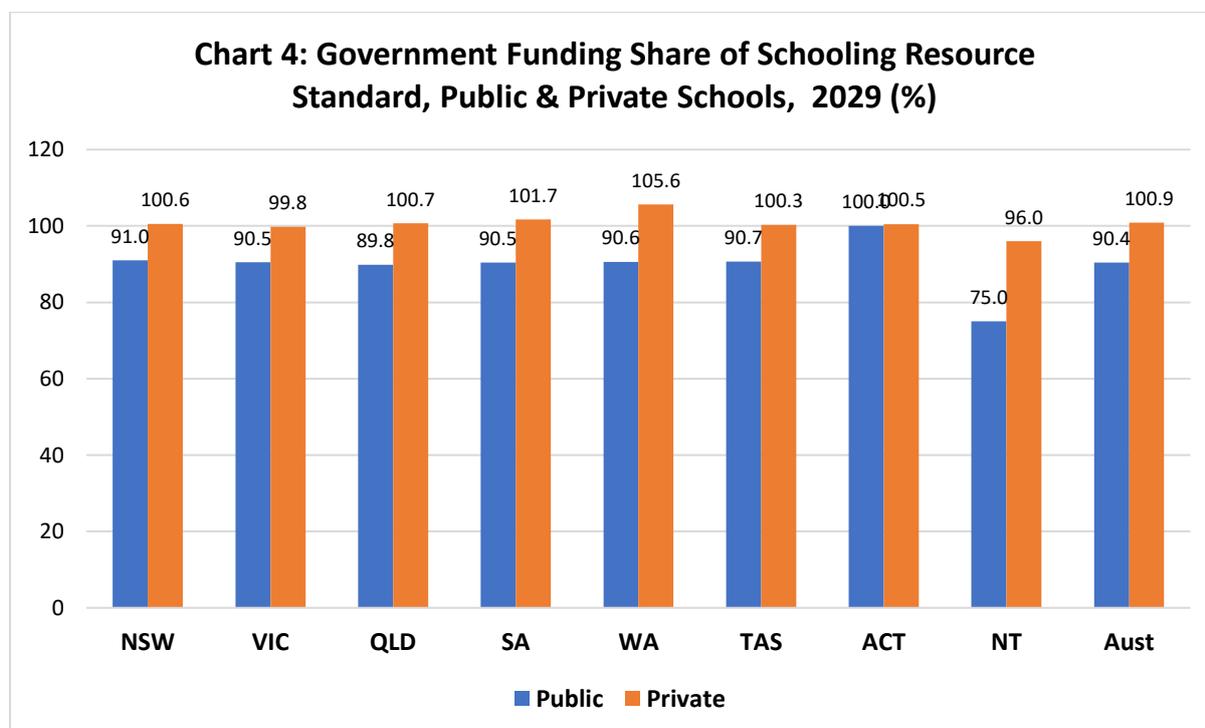
These agreements are a massive fraud on public schools. They include special allowances for the states to massively under-fund public schools. There are three sources of under-funding:

- The formal target share for state funding is 75 per cent of the SRS of public schools, not 80 per cent as Turnbull originally proposed;
- Apart from the ACT, the states can claim up to 4 per cent of their share for expenditures excluded from the long-agreed measure of the SRS;
- Several states can also include other regulatory expenditures as part of their 75 per cent share that are also excluded from the measure of the SRS.

The additional expenditures allowed to be counted towards the achievement of the 75 per cent target for public schools are depreciation, transport to and from school, regulatory authorities such as curriculum, assessment, registration and qualification authorities, pre-school and early childhood. These expenditure items are specifically excluded from the expenditures used to estimate the SRS. As a result, the maximum state shares of the SRS of public schools by 2029 will only be 71 per cent or less in all states except the ACT.

## 8. Total SRS shares for public and private schools

The official Commonwealth and state projected shares of the SRS for public and private schools are misleading. The Commonwealth shares ignore funding for private schools outside the model. The actual SRS shares shown in Chart 4 include funding from the Choice and Accountability Fund. However, these shares are under-estimated as well because other funding outside the model is not included. The official state shares also ignore the special allowances to claim expenditures as part of their share that are not included in the definition of the SRS. The figures shown here take account of these special allowances.



Source: Senate Estimates, various. Commonwealth-State bilateral agreements. Annual reports of regulatory agencies.

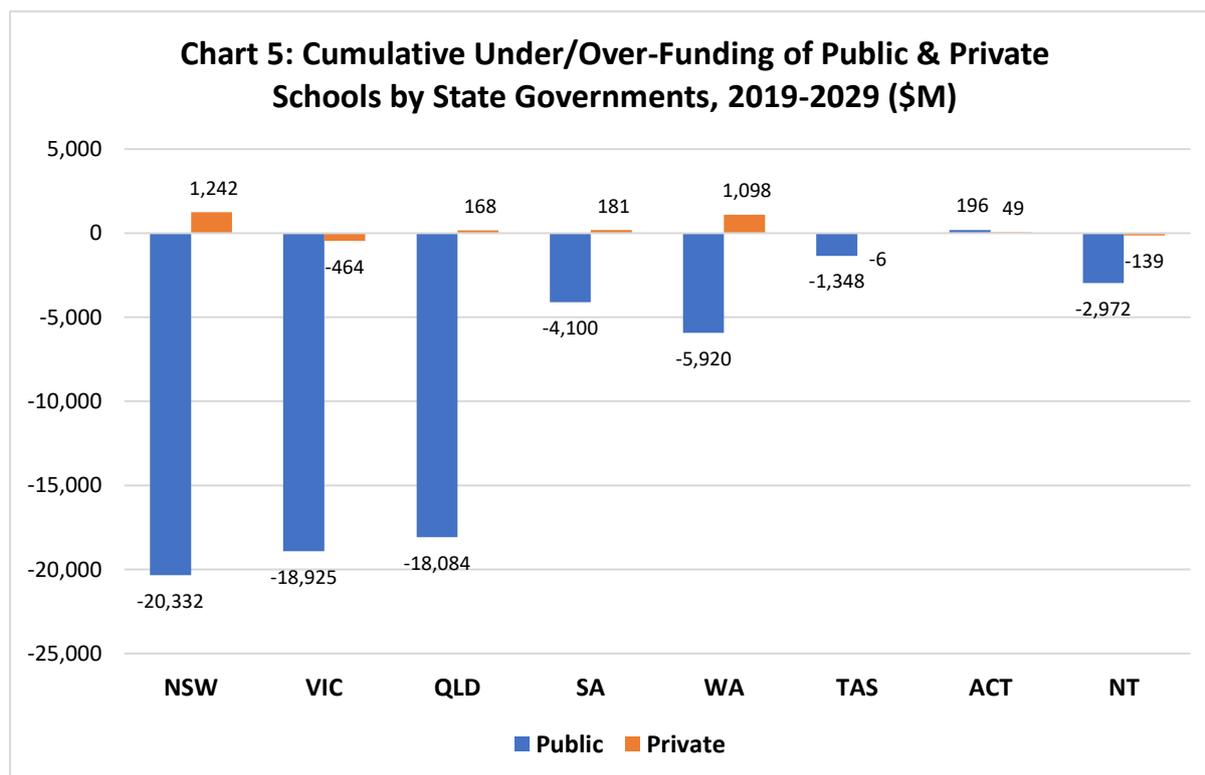
Public schools in all states except the ACT will be funded at 91 per cent or less of their SRS by 2029 because of under-funding by state governments. In contrast, private schools in all states except the Northern Territory will be funded at 100 per cent or more of their SRS. This is because of over-funding by both the Commonwealth and state governments.

Only Victoria, Tasmania and the ACT have committed to funding private schools at 20 per cent of their SRS from 2023. There are caveats in the NSW, Queensland, South Australian and Western Australian funding agreements that allow them to continue to fund private schools at above 20 per cent while they continue to under-fund public schools.

## 9. Total government under/over funding of schools

The cumulative under-funding of public schools from 2019 to 2029 will amount to about \$73.7 billion of which about 80 per cent will be incurred by public schools in NSW, Victoria and Queensland [Chart 5]. This is an average of \$6.7 billion per year over the 11 years. Almost all this under-funding is by state governments. Their cumulative under-funding to 2029 will amount to about \$71.5 billion, As the Commonwealth share of the SRS of public schools will reach 20 per cent by 2023, its under-funding will amount to about \$2.2 billion over 2019-2022.

In contrast, private schools will be over-funded by about \$4.7 billion. The cumulative Commonwealth over-funding of private schools from 2019 to 2029 will amount to about \$2.6 billion and state over-funding will be about \$2.1 billion.



Source: Save Our Schools estimates

Clearly, public schools are facing an unprecedented funding crisis. They do the heavy lifting in our education system. They enrol 80 per cent or more of disadvantaged students – 80 per cent of low SES, 84 per cent of Indigenous, 86 per cent of extensive disability and 82 per cent of remote area students. Also, over 90 per cent of the most disadvantaged schools are public schools. The results of these students are two to four years behind high SES students. Unless there is a dramatic change in school funding policies the vast inequity in school outcomes will continue for the rest of the decade.

## 10. Get Gonski back on track

Gonski went off the rails because of fundamental flaws in Labor's model and because Abbott and Turnbull demolished key features. We have to get it back on track and this election campaign provides the opportunity.

The basic principles of Gonski funding model are sound and remain in the legislation. They provide the foundation to develop a Gonski Plus funding model that will deliver a large increase in funding for public schools and eliminate over-funding of private schools.

The war must be guided by clear goals. No war can succeed without clear goals. The goals are those set by the Gonski review 10 years ago but abandoned by Labor and deliberately subverted by the Coalition. All students should receive an adequate education and school outcomes for low SES, Indigenous and remote area students should be similar to high SES students. This is what equity in education means.

To achieve this, we need a Gonski Plus model that builds on the foundation of the original Gonski model. Key new features are:

- Government funding for private schools should only fill the gap between private income and a revised SRS and be conditional on meeting social obligations and education standards. Private schools whose private income is above the SRS should not receive government funding because it extends their resource advantage over public schools.
- The base SRS should be set as the cost of highly successful public schools with minimum disadvantage and not include high cost private schools.
- The disadvantage loadings should be increased significantly in line with research evidence. Instead of being about 20 per cent of the base SRS as at present they should be about 100 per cent or more.

Labor must step up for public schools in this election campaign. Labor's Shadow Minister for Education, Tanya Plibersek, said last December that "the inequity at the heart of our funding system absolutely has to change". Last December she said that every public school student should get 100 per cent of their SRS. She re-affirmed this just the other day in The Guardian.

This should be the central feature of Labor's school funding election platform. There can be no renegeing on this or it will be seen as a betrayal of public schools by Labor. A key policy should be to revise the Commonwealth-state funding agreements to fully fund public schools.

We need to start a national dialogue on fairness in school funding. We need a national education summit in 2022 to get Gonski back on track to increase equity in school outcomes.

Thank you.