SUBMISSION TO THE SENATE EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION REFERENCE COMMITTEE.

INQUIRY INTO COMMONWEALTH GOVERNMENT FUNDING FOR SCHOOLS

FROM AUSTRALIAN COUNCIL OF STATE SCHOOL ORGANISATIONS (ACSSO)

8 JULY 2004

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SECTION ONE

KEY PRINCIPLES

PREMISE

1. Education is a right. All levels of government must invest in public schooling to fully resource the National Goals for Schooling, taking Australia to the forefront of developed countries; and to distribute resources equitably to achieve a just society. It is the responsibility of government to finance completely a free, universal and public system of education, of the highest standard, which:

A. ensures the same range of educational outcomes across all groups of students regardless of race, culture, class, religion, gender, socio/economic status, geographic location, intellectual capacity or physical ability;

B. enables all students to have a high quality, challenging, successful and satisfying school experience;

C. encourages diversity within and amongst government schools where this is need to meet the educational needs of students.

2. Such funding of public education must be recognised by all governments as their first priority.

Extract from ACSSO's Policy

ABOUT ACSSO

The Australian Council of State School Organisations (ACSSO) was established in 1947. ACSSO represents, via its State and Territory affiliates, more then 2.3 million parents and citizens associated with Australia's 7000 public schools and their communities.

THE APPROACH OF THE SUBMISSION

ACSSO thanks the Senate Committee for the opportunity to outline the key principles which ACSSO believes should drive schools funding policy.

This submission deliberately concentrates on principles rather then the financial formulae and mechanics which have tended to dominate the public debate about schools funding. ACSSO has taken this approach because we understand that the Senate Committee is already in possession of submissions which have covered comprehensively the relevant financial formulae and mechanics. This submission attempts to raise some social and philosophical questions which policy makers need to address

3. ACSSO'S KEY FUNDING PRINCIPLES

3.1 ACSSO believes that the first priority of Australian governments, State, Territory or Commonwealth, is to provide quality education for all Australian students. Alternative private systems should be just that, alternatives for those who choose to opt out of the mainstream government system.

3.2 ACSSO believes all governments should first resource their own public systems before building in generous recurrent funding for alternative private school systems.

3.3 ACSSO does not accept the notion that the Commonwealth Government should provide private schools with more funding than public systems.

The generally accepted figure of 70% of Commonwealth funding being directed to private schools compared with 30% to public schools, has no justification in Australia's Constitution but is simply a discretionary choice made by a Commonwealth Government with an ideological belief in the value of privatisation.

3.4 ACSSO does not accept that there are social and economic benefits in privatising education. There is a public good to be served by having the majority of Australian students, regardless of ethnic origin, socio-economic background or religion, meeting and growing together in one school system; a system accessible and available to all.

In short, ACSSO believes that governments do not have a role to play in funding or subsidising exclusive education communities.

3.5 For some years now, ACSSO has opposed vigorously government policies designed to shift the financial costs for health and education away from government on to individual citizens; in effect treating citizens as consumers of health and education services, consumers who can pay more or less for those services depending on their personal choice or financial capacity.

This has brought us close to a binary system where a basic service (or safety net to use the latest jargon) is provided by government health and education systems whilst more comprehensive services can be purchased from the private sector; providing the "consumers" are able or are prepared to pay for their choice.

For governments, this so-called choice, initially appears to be cheaper then providing universal, high quality education and health services.

If a new school needs to be built, staffed and maintained, governments can provide subsidies to private providers and leave the parents to "top up" the budget through fees: in effect, some governments imagine they can minimise their outlays both on new schools and on established schools by steering investment into the private sector. Even some State Government Treasuries appear to favor this approach, albeit this is a view not normally accepted by State Education Ministers.

However, if what has happened with health funding is any indication, the Commonwealth Government's comparative generosity to the private sector and consumers of private education is almost certainly only a transitional strategy designed to move Australians away from what neo-conservatives believe is an unhealthy reliance on services provided primarily by government.

In health funding, ACSSO is aware of the incentives backed up by financial tax and penalties (Medicare levy) that have been and are still used to force Australians to take out private health cover. The net effect has been a transfer of costs from governments to the individual consumer. The poor who cannot afford to exercise their choice have been given a safety net in the public sector. However, the promised economic benefits to individual citizens have not eventuated. Countries, such as the USA, which have followed similar policies, now have the highest cost health care system in the world and no longer provide universal coverage.

ACSSO is concerned that a similar campaign is underway to diminish the centrality, diversity of education offerings and social representativeness of public education in this country.

3.6 ACSSO fully supports the principle that government schools should be able to offer the broadest range of education offerings. We would be concerned if the current funding formulae allowed public education to provide limited or no service in the following vital education disciplines:

- music
- foreign languages
- physical education

Australian children need physical fitness and music as part of their social / school lives and any multi – cultural trading nation, in a region as volatile and vibrant as the Asia Pacific must require its citizens to be familiar with other languages and cultures.

3.7 ACSSO believes education funding should be comprehensive and transparent. In Section 2 of ACSSO's submission, we have provided a summary: 'FACTS ABOUT SCHOOL FUNDING IN AUSTRALIA'. This information has been extrapolated from the extremely complex information collected by various authorities and researches.

Anyone familiar with Australian schools education funding will understand that successive governments at all levels, but especially at Commonwealth level, have operated under increasingly complex funding formulae. These complexities have progressively left all but insider experts in a state of confusion, resulting in an unfortunate insulation of the general public from the key policies. In many cases, the complexity of the funding arrangements has enabled deliberate obfuscation and misinformation. ACSSO believes this is an unhealthy development in the formation of public policy. Our attempts in this submission to bring some clarity to the situation should be seen in that context.

3.8 ACSSO believes accountability for the expenditure of public funds needs to remain high but we do not want to stifle creativity or education innovation by applying accountability regimes which become an onerous end in themselves. Teachers already are pressed for time and resources.
However, we would be extremely concerned if public funding to private schools freed up those schools to spend money and other resources on promotional activity designed to make those schools look good at the expense of public schools.
We would also be concerned if public money were to be used to "cherry pick" teachers in disciplines where there are scarcities.

3.9 ACSSO strongly supports enquiries such as this Senate Committee because it is essential that decision makers are provided with an opportunity to conduct active research, investigating those areas which may be unclear or where crucial information is lacking. We believe this is how good public policy is made.
For example, we would like the Senate Committee to find answers to the following critical questions;

- is the Catholic school population now growing less quickly than Protestant schools and what implications would such a trend have for Commonwealth Government funding formulae?

- what percentage of Catholic school students are not Catholic and does this indicate that some Catholic schools may be partly operating as a cheaper fees provider for a wider group of parents outside the Catholic community?

- how do parents with children in private schools fund their children's' school fees; through grandparent contributions or borrowing against their housing equity or from a second income in the family?

- if the economy were to slow down and bring with it lower asset values, restricted employment opportunities and tightened credit availability, would this have implications for the viability and fee structures of many private schools; if so, how should governments plan for those changed circumstances?

- what are the real global costs to the community of private schools: some areas for consideration might be the costs of subsidised public transport, the environmental cost of parents driving students across cities, the closure of neighbourhood public schools or those neighbourhood schools operating at half capacity?

- has the full impact – on Australian society – of the growing discrepancy in funding between government and non-government sectors (by all governments) been assessed?

- what formulae operate within the Catholic system for the redistribution of funding derived from Commonwealth, State and Territory Governments: When Commonwealth, State and Territory audits are conducted, are the audits conducted using those formulae as benchmarks.

3.10

ACSSO is acutely aware that Australia's public schools must provide for all Australia's students, regardless of the students' capabilities, disabilities, racial or ethnic backgrounds or socio/economic backgrounds.

Private schools, on the other hand, ultimately have the opportunity to reject those students they do not want and to select students according to whatever criteria the school wishes to use, thus enabling private schools to operate on a lower cost structure based on a more limited range of student types.

SECTION TWO

FACTS AND INFORMATION ABOUT SCHOOLS FUNDING IN AUSTRALIA

THE FACTS ON SCHOOL FUNDING IN AUSTRALIA

- Average total expenditure per government school student in Australia was $7812 in 2001-02 compared to $8462 in all non-government schools.

- Expenditure per Independent school student was about 45 per cent higher than in Catholic schools and about 35 per cent higher than in government schools.

- Total expenditure (adjusted for inflation) per every non-government school student increased by about 50 per cent more than for government schools for 1996-2002.

- Governments provided larger increases in funding to non-government schools than for government schools between 1996 and 2001. Government funding (adjusted for inflation) for all non-government schools increased by $935 per student compared to $891 per government school student. Government funding for Catholic schools increased by $1031 per student and by $852 for Independent schools.

- Government schools are under-resourced for their social purpose compared to non-government schools because they enrol proportionally more students with disabilities and students from lower socio-economic and Indigenous backgrounds than non-government schools.

- Government school expenditure per student in New South Wales, Victoria and Queensland was significantly less than in other states and territories.

- Governments gave less priority to government schools in recent years than in earlier years. Increases in government school expenditure (adjusted for inflation) were lower in all states and territories for 1998-99 to 2001-02 than for 1995-96 to 1998-99.

- State and territory governments increased funding for government schools by $999 per student between 1998-99 and 2001-02 compared to an increase of $141 per student provided by the Australian government. State and territory governments provide nearly 90 per cent of government school funding.

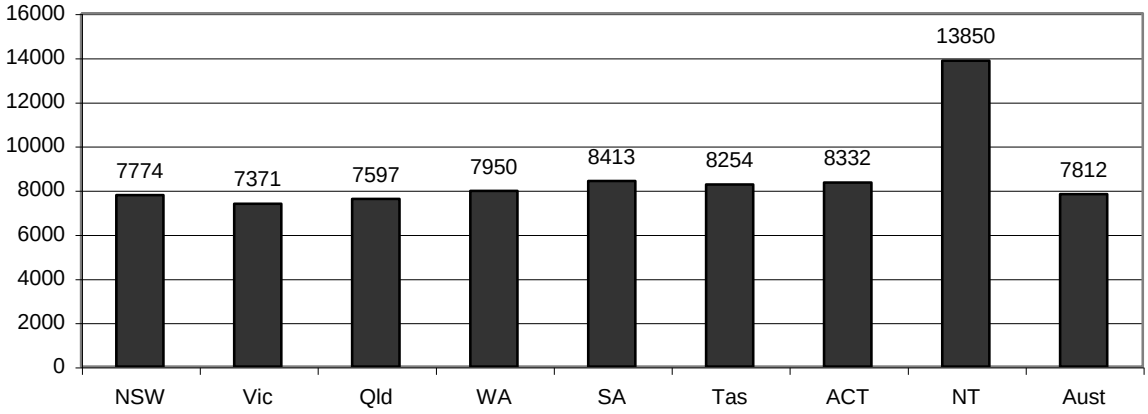
- Nearly 60 per cent of total non-government school funding is provided by the taxpayer. In the case of Catholic schools it is 73 per cent. The large part of this funding is provided by the Australian government.

- Governments have been the main source of increased funding for non-government schools since 1996. They provided 63 per cent of the increase for all non-government schools, 77 per cent of the increase for Catholic schools and 57 per cent of the increase for Independent schools.

GOVERNMENT SCHOOLS

Average expenditure on government schools in Australia was $7812 per student in 2001-02 (figure 1). Some governments give a much greater priority to funding government schools than others. There is wide variation in expenditure between the states and territories, even when the Northern Territory is excluded because of its special circumstances. Government school expenditure in South Australia was $1042 per student higher than in Victoria. New South Wales, Victoria and Queensland expended significantly less on government schools than the other states and territories.

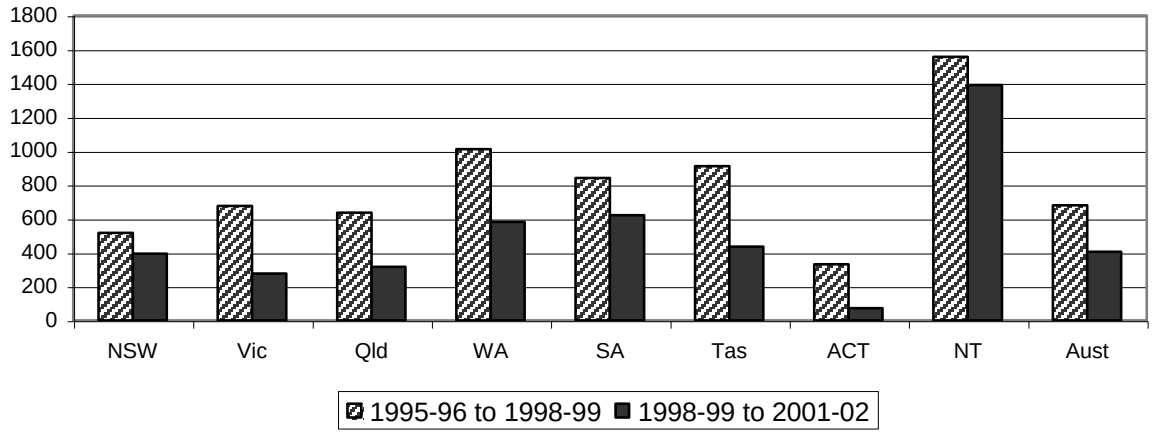
Figure 1: Government School Expenditure, Australia, 2001-02 ($ per student)



Governments appear to have given less priority to increasing government school expenditure between 1998-99 and 2001-02 than in the three previous years. Average expenditure per student (adjusted for inflation) for Australia increased by more between 1995-96 and 1998-99 than in the following three years, $680 compared to $405 per student (figure 2). It should be noted, however, that different data series are used for this comparison.

Western Australia, South Australia, Tasmania and the Northern Territory increased real expenditure by much more than New South Wales, Victoria, Queensland and the ACT.

Figure 2: Increase in Real Government School Expenditure, Australia ($1989-90 per student)



State and territory governments provide the main source of government school expenditure (figure 3). In 2001-02, state and territory governments contributed 89 per cent of total government school funding in Australia compared to 11 per cent by the Australian Government. The average state/territory funding was $6295 per student compared to $887 per student by the Australian Government.

State and territory governments are also the main source of increases in government school funding (figure 4). Between 1998-99 and 2001-02, state and territory governments increased funding for government schools by $999 per student compared to $141 by the Australian Government.

The Federal Minister for Education says that the Australian Government is increasing government school funding faster than state and territory governments. But, this is only true in percentage terms and even then it is only slightly higher (19 per cent compared to 17 per cent). Little funding effort is needed to increase funding from the low level provided by the Commonwealth Government whereas a comparatively large funding effort is required to increase funding by the same percentage from the high levels provided by state and territory governments.

Figure 3: Government School Expenditure by Source, Australia, 2001-02 (%)

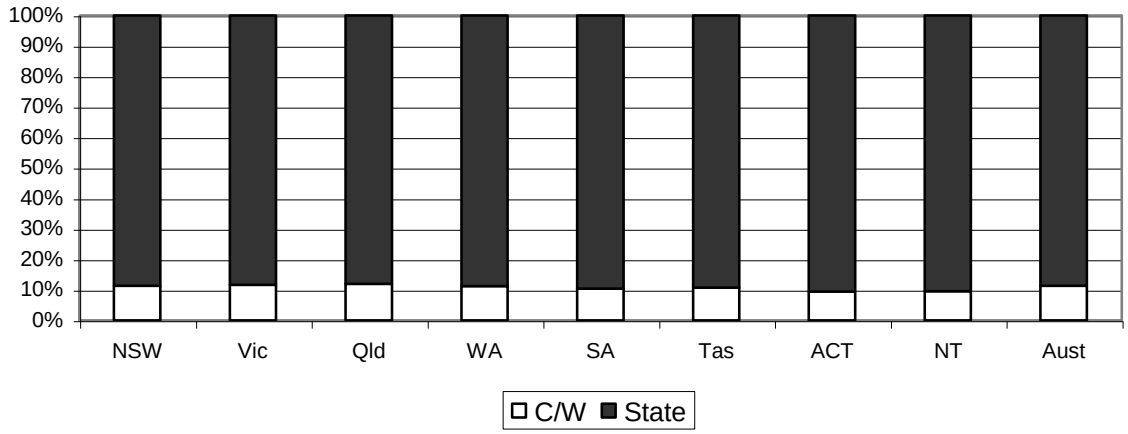
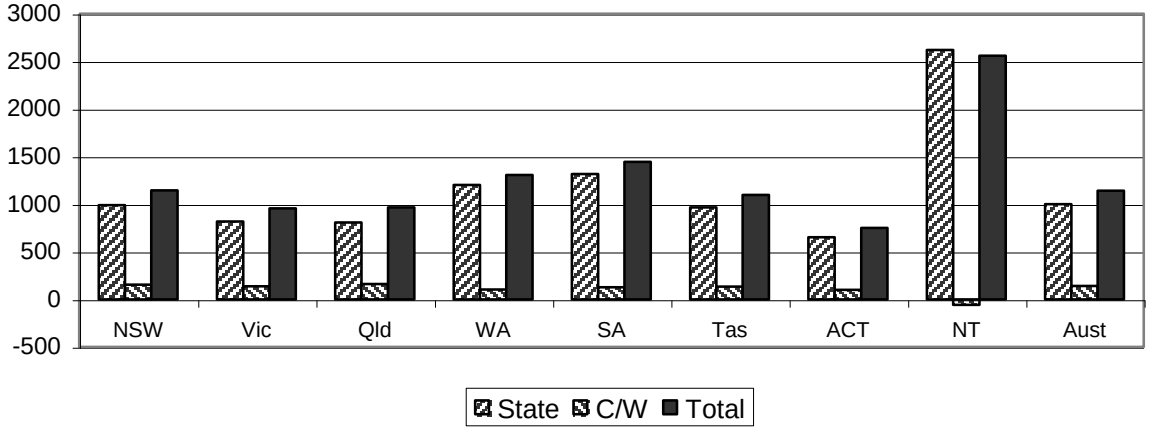


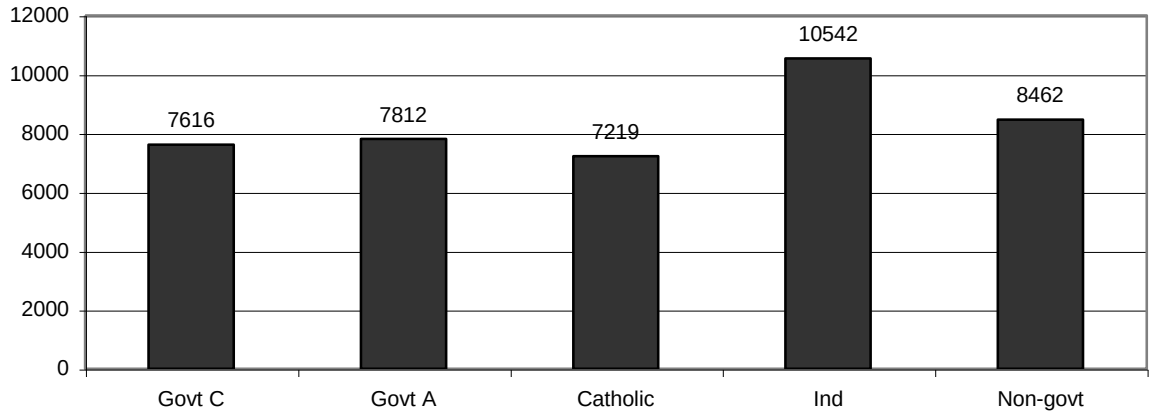
Figure 4: Increase in Government School Expenditure by Source, Australia, 1998-99 to 2001-02 ($ per student)



NON-GOVERNMENT SCHOOLS

Non-government schools are better resourced than government schools. Average total expenditure (private + government) per non-government student was about 10 per cent higher than in government schools in 2001-02 (figure 5). Total expenditure on Independent schools was 46 per cent higher than for Catholic schools and 35 – 38 per cent higher than for government schools. Average total expenditure in Independent schools was $10542 per student compared to $7219 in Catholic schools and $7812 in government schools (or $7616 on a cash basis, excluding payroll tax).

Figure 5: School Expenditure by Sector, Australia, 2001-02 ($ per student)



Government schools are actually worse off in comparison with non-government schools than these figures indicate. Government schools face higher costs because they have public obligations that do not apply to non-government schools. They enrol all comers and provide access to a local school for all students. In Section One of this submission we have indicated that government schools have greater and more costly responsibilities as the result of their requirement to provide universal student access.

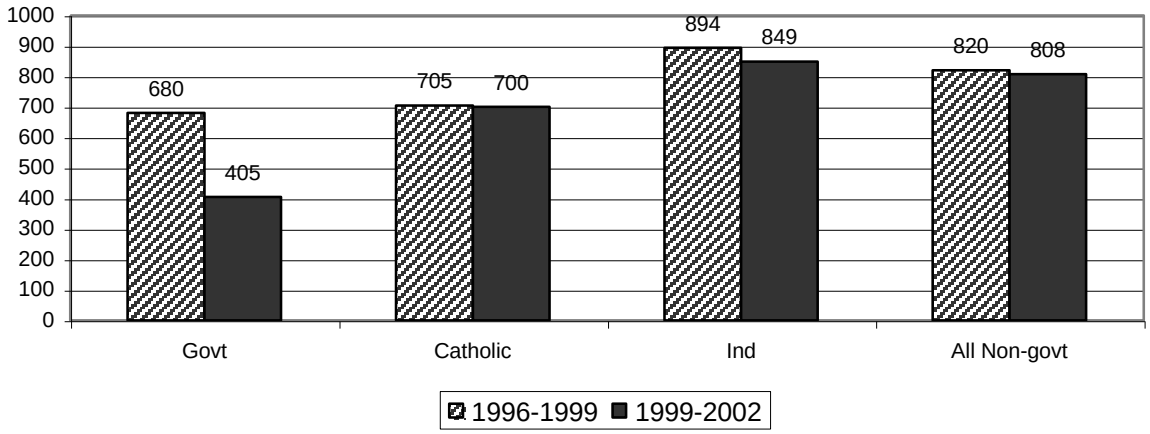
Government school enrolments have a much higher proportion of students from the lowest socio-economic status groups than Independent and Catholic schools. Students with disabilities comprise 4 per cent of government school enrolments compared to 2 per cent of non-government school enrolments. Indigenous students comprise nearly 5 per cent of government enrolments compared with 1.5 per cent in non-government schools.

Outcomes for these students tend to be lower on average than students from more privileged backgrounds. Government schools therefore face higher costs in ensuring that all students achieve successful outcomes. Their effective resources are worse than Catholic and Independent schools at current funding levels.

Total expenditure (adjusted for inflation) per non-government school student increased by much more than for government schools between 1996 and 2002. The overall increase in real non-government school expenditure was approximately 50 per cent higher than for government schools. Real non-government school expenditure increased by $820 per student between 1996 and 1999 compared to $680 for government schools and by $808 for 1999 – 2000 compared to $405 in government schools (figure 6).

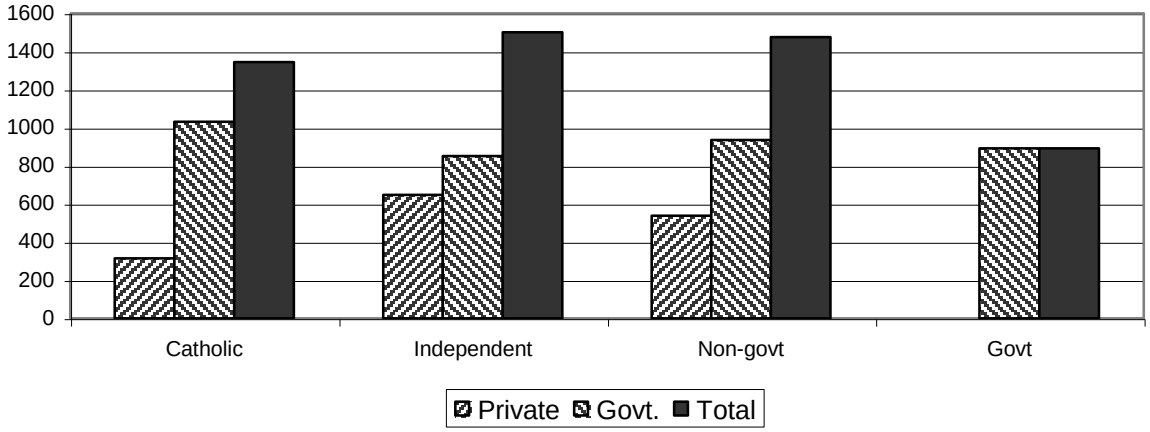
Expenditure per Independent school student increased by much more than government schools and Catholic schools between 1996 and 2002. It increased by about 25 per cent more than in Catholic schools and by 60 per cent more than in government schools. Catholic school expenditure increased by about 30 per cent more than government school expenditure.

Figure 6: Increase in Real Expenditure by School Sector, Australia ($1989-90 per student)



All Government funding for all non-government schools (adjusted for inflation) increased by more than government school funding between 1996 and 2001. Government funding for all non-government schools increased by $935 per student compared to $891 in government schools (figure 7). Government funding for Catholic schools increased by $1031 per student and by $835 in Independent schools.

Figure 7: Increases in Real School Income by Source, Australia, 1996-2001 ($1989-90 per student)

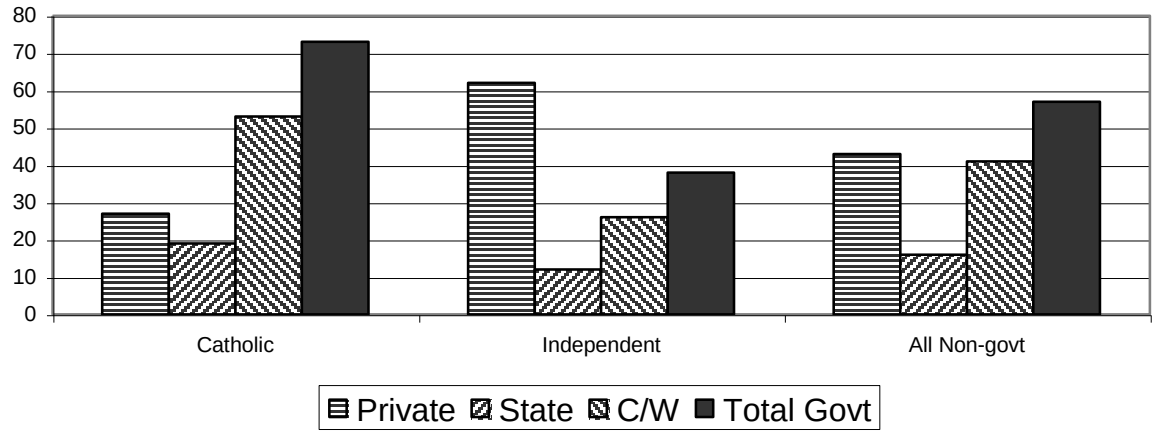


Governments were the main source of increases in non-government school funding since 1996. They provided 63 per cent of the increase for all non-government schools, 77 per cent of the increase for Catholic schools and 57 per cent of the increase for Independent schools.

The Commonwealth Government was the main source of the increase in government funding, contributing 52 per cent of the increase in income for all non-government schools, 64 per cent of the Catholic school increase and 46 per cent of the Independent school increase.

Governments provide the main source of non-government school funding. In 2001, governments provided 57 per cent of all non-government school income, 73 per cent of Catholic school income and 38 per cent of Independent school income (figure 8).

Figure 8: Non-Government School Income by Source, Australia, 2001 (%)



Data Sources:

Government schools:

Report on Government Services. Expenditure figures for 1998-99 to 2001-02 are based on accrual accounting excluding the user cost of capital but including payroll tax. Expenditure figures for 1995-96 to 1998-99 are based on cash accounting including superannuation but excluding payroll tax. Figure 5 includes a cash-based estimate for 2001-02 derived from the trend in the accrual-based series.

State/Territory and Commonwealth Government expenditure on government schools is estimated from data derived from the *National Report on Schooling in Australia*. Expenditure on joint government/non-government school programs is excluded from the estimates of Commonwealth Government expenditure. The figures for 2002 are derived from the *Report on Government Services*.

Non-government schools:

National Report on Schooling in Australia. Non-government school income and expenditure data for 2002 are not yet available and the figures used here are estimates based on trends from 1996-2001. Non-government school figures do not include several items such as payroll tax, a user cost of government funding and the cost of government services.

Inflation adjustments:

The Consumer Price Index was used to adjust government and non-government school income and expenditure for inflation. The index was adjusted to exclude the impact of the introduction of the GST.

SECTION THREE

SOME KEY RECOMMENDATIONS

KEY RECOMMENDATIONS

ACSSO recommends that the Senate inquiry considers our following key recommendations.

1. That the current SES based formula for Commonwealth Government schools funding be phased out and replaced by a system based on need, especially the needs of the public education system which should be the first priority of all governments.

2. There should be an inter governmental arrangement put in place to ensure that Commonwealth, State and Territory Governments can create a national education system which avoids duplication, cost transferring and which is transparent and capable of long term planning.

3. That private schools in receipt of public money be publicly accountable for all expenditure, especially for the way funds are disbursed within school systems.

4. That policies governing the building of new schools be examined at a national level to ensure that cost effective planning and appropriate resourcing is achieved and that good public schools are readily available to all Australian students.

5. That all Australian public schools be properly resourced to allow the provision of a rich and balanced curriculum which includes foreign languages, music and the arts and physical education.

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