Imperatives in Schools Funding:
Equity, sustainability and achievement

Lyndsay Connors & Jim McMorrow
Many of those of us old enough to remember, pride ourselves that the sectarian bitterness of our youth is long gone. The debates over ‘state aid’ to Catholic and other non-government schools are now just a distant memory. Similarly, many of us like to believe that the class-based struggle of old is no longer part of modern political life.

But the continuing influence of both sources of conflict isn’t hard to find in federal and state arrangements for funding Australia’s schools. Although governments switched to their own systems of secular education in colonial times, Catholic systemic schools still receive considerable government funding on a separate basis to the public school systems, which are separate again from the greatly increased public funding going to ‘independent’ non-government schools.

If you’re tempted to think this no more than an artefact of ancient history, just try fiddling with it. Whereas religious schools have long been much more tightly absorbed into government school systems in most other developed countries, our Catholic systemic schools have retained a high degree of (heavily subsidised) independence. Few politicians have shown any desire to change these longstanding arrangements. Sectarian sympathies are too easily aroused.

And whereas in other advanced economies, other non-government schools have retained their independence by swearing off public funding, in Australia they’ve been able to enjoy the best of both worlds. While you may think there is little media sympathy for what journalists almost invariably describe as ‘elite’ private schools, the authors of this review remind us that just twice in the past 40 years has one side of politics – Labor – dared to propose cuts in grants to prosperous private schools, before abandoning the policy and quietly vowing never to provoke such uproar again.

It’s commonly believed that politics has entered the post-ideological age, but schools funding is an exception. Whereas Labor governments have tended to emphasise equity and needs-based funding, Coalition governments have emphasised choice and competition. The result has been a degree of see-sawing over the decades as government has changed hands.

The authors trace the effects of these conflicting influences on schools funding by the federal government over the almost 40 years between the early days of the Whitlam Government in 1973 and the later years of the Rudd–Gillard Government in 2011. Using prices at December 2011, they find that federal grants for recurrent school funding grew...
in real terms from $900 million to $11.4 billion a year, a more than 12-fold increase. Even remembering that the number of students grew by 24 per cent to 3.5 million over the period, this represents a significant real increase in schools funding. So, there is no evidence of unwillingness to increase spending by either side of politics. And international comparisons confirm that Australia’s total spending on schools is a little above the average for the OECD countries.

The authors’ figures reveal two outstanding trends over the period, however. First, whereas federal recurrent grants to government schools rose by a factor of about nine over the period, grants to non-government schools increased almost 16-fold. So, whereas total federal grants were shared equally between government and non-government schools in 1973, by 2011 the non-government schools’ share had risen to 63 per cent. This represents the federal government supplanting the states as the main provider of funding to non-government schools.

Second, whereas total student numbers increased by 24 per cent over the period, the number of government-school students grew by just 3 per cent. This left the number of students in Catholic systemic schools growing by half and the number of students in independent schools growing by a factor of four. So, government schools’ share of all students fell from 80 per cent to 65 per cent, with the Catholic schools’ share increasing by 5 percentage points to 19 per cent, and independent schools’ share rising by 10 points to 16 per cent.

This raises an obvious question: has the balance of federal funding shifted in favour of non-government schools as parents have voted with their feet in leaving the government system, or has the shift in funding in favour of non-government schools encouraged parents to move?

No doubt there’s truth in both possibilities. With a growing proportion of two-income families, rising real incomes and smaller family sizes, it would be surprising if more parents weren’t attempting – wisely or otherwise – to advantage their children by sending them to fee-charging private schools. If it costs more, it must be better, right?

But equally, it would be surprising if the lower-than-otherwise fees or better-than-otherwise facilities at non-government schools permitted by greatly increased government funding hadn’t encouraged many families to send their children to non-government schools. And as often better-off, better-performing and better-behaved students have left or failed to join the public system, it has become that much harder for government schools to maintain their standards and attractiveness to parents able to afford other options.

It’s ironic that the great shift to Catholic systemic and independent schools – overwhelmingly religious in their origins – has occurred at a time of ever-declining religious observance. The authors report the Catholic education authorities acknowledging that virtually all the additional students enrolled in Catholic schools over the six years to 2012 were from non-Catholic families. Leaving aside financial considerations, it isn’t hard to think of non-religious motivations for the shift, including a search for greater perceived classroom discipline or greater social status.

What’s clear is the increased social stratification of Australian schools, with official estimates of socio-educational advantage in 2010 showing 36 per cent of government-school students in the bottom quarter of the distribution, compared with 21 per cent of students at Catholic schools and 13 per cent at independent schools. At the opposite end of the distribution, 47 per cent of students at independent schools were in the top quarter, compared with 29 per cent of Catholic systemic students and 22 per cent of government-school students.

There would be even greater stratification within each of the three sectors, of course. The expansion of the independent sector has meant the addition of many less affluent
schools to the long-established ‘elite’ schools. And it’s likely that many of the 22 per cent of government-school students in the top quarter of socio-educational advantage are congregated in academically selective schools and comprehensive schools in better-off suburbs.

So, we’ve spent a lot more money on schools, with much of the increase going to subsidise the growth of non-government schools, to the point where only about 5 per cent of all schools spend more on teachers’ salaries than they received in federal and state grants. What, then, have we achieved in terms of measured educational outcomes?

The authors quote research published in 2013 which found a small decline in reading and mathematics achievement among Australian students in the middle years of secondary school since 2000, stability in science and maths achievement among Year 8 students since 1994, a small improvement in maths achievement among students in Year 4 since 1994 and a small improvement in reading among students in Year 3 since 2008. So, as a general conclusion, little improvement.

Perhaps findings such as these account for those arguing that all the extra funds taxpayers have put into schools over recent decades have done little to improve educational outcomes. But it may not be that simple. It’s not just how much we spend, it’s also how we spend it. And, as we’ve seen, we’ve been directing more of our funds to non-government schools with higher proportions of socio-educationally advantaged students.

Results from the OECD’s PISA study in 2012 show that the lower a country’s overall level of schools’ educational resources, the greater the gap in resources between advantaged and disadvantaged schools. But we’ve managed to make ourselves an exception to that rule: despite our above-average level of school resources overall, we have the fifth largest resource gap between advantaged and disadvantaged schools. Why? Mainly, it seems, because successive federal governments have divided their recurrent grants to government and non-government schools in a way that favoured choice and competition over equity and needs-based funding.

To agree that, in a democracy, parents should be free to choose to send their children to non-government schools, is not to agree that they’re entitled to have that choice heavily subsidised by the government. Nor is it to agree that, should enough better-off parents choose to desert the government system, it’s acceptable for public schools to become no more than a safety net for those students whose lack of means, physical or mental disabilities or behaviour problems bar them from attending a non-government school.

It’s often argued in support of subsidised choice that, even so, parents who pay extra to send their children to a non-government school are doing other taxpayers a favour. Such arguments ignore the diseconomies of scale often involved when students move from public to private. According to rough figuring by the authors, federal and state recurrent spending on schools would have been somewhat less had the migration from government to non-government schools between 1973 and 2012 not occurred. As for the common contention that subsidised choice of schools would, by increasing the competition between government and non-government schools, serve to improve educational outcomes, little evidence has so far emerged to support it.

With its proposal for a ‘sector blind’ reorientation of federal and state schools funding in favour of disadvantaged students regardless of their sector, the Gonski Review Panel offered the political parties and interest groups on all sides of the debate a rare opportunity to move to a fairer and more rational funding system in a spirit of compromise and cooperation rather than capitulation.

Regrettably, with the change of government in Canberra that opportunity has been forgone, partly because of the persistence of old partialities and partly because the compromise based on the Gillard Government’s requirement that ‘no school would lose
a dollar’ was judged too expensive by the Abbott Government. Rather, after the first four years of Gonski funding, the government proposes to subject its existing recurrent grants to government and non-government schools to a much less generous indexing regime.

This would save money while doing nothing to distribute federal funding in a way fairer to disadvantaged students. It would ignore the scope for savings to be made by reducing grants to the most privileged schools. And it would pass up an opportunity to improve the labour force participation and productivity of young people near the bottom of distribution. As any minister would surely recognise, such an unsatisfactory outcome is too bad to be sustained.

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Schools funding in Australia

The evolution of schools funding in Australia over the past four decades has had more to do with political than with educational values, objectives and priorities. By the late 19th century, Australia had developed school systems sharply divided between publicly and privately-owned schools. With the introduction of compulsory schooling, colonial governments had largely withdrawn their public support from schools in the private sector and directed their funding to support free and secular public schools. In the mid 20th century, the Commonwealth funded science laboratories and libraries for government and non-government schools, after which states and then the Commonwealth introduced per student recurrent funding for non-government schools. The Commonwealth then became a significant funding partner in schooling from 1973 onwards. By the 1980s, the extension of public funding to non-government schools had reached the point where the Commonwealth began to characterise the previously divided system as, instead, a ‘dual’ system of schooling.

As a result of cumulative political compromises, Australian schooling and the funding policies that support it have now evolved into a uniquely Australian hybrid within which public funding supports all schools to a greater or lesser extent. This review will examine the development of this hybrid and its ongoing effects on Australian schools and the students they serve.

The opportunity to reform the funding of a nation’s schools is rare. Australia has a need, and has recently had an opportunity, for such reform. In 2011, Australians received an answer to the question of whether schools funding arrangements were resulting in all schools being adequately and appropriately resourced for the education of the particular students they enrol. The answer – a resounding negative – came in the form of a report, the Review of Funding for Schooling by an expert panel headed by David Gonski. The Gonski Report marked a defining moment in the history of schools funding in this country (Gonski, 2011).

Schools funding in Australia: scale and distribution

The Gonski Review found that overall expenditure on schooling in Australia was about the OECD average. These levels arise from the combination of comparatively high private expenditure, reflecting Australia’s large non-government school sector, and lower than average public expenditure. Figure 1.1, extracted from the Gonski Report, shows both the relativities of Australia’s expenditure in school education and the role of private funding in that expenditure.
This relatively high proportion of private expenditure distinguishes Australia from most other OECD countries and it has had a dramatic effect on the public funding of Australian schools since the 1970s, and on the profile of the school system itself. The majority of students in Australia, around 65 per cent, attend government schools. Schools in this government sector are administered by departments of education under directors-general or their equivalent in each state and territory and they are almost fully publicly funded. All other schools are defined in relevant legislation as 'non-government' (Parliament of the Commonwealth of Australia, 2013).

In national reporting, non-government schools are usually categorised as 'Catholic' or 'Independent'. Some 96 per cent of Catholic schools are administered within the Catholic system, with only a small number operating non-systemically, but still within the Catholic sector. Outside the large public and Catholic sectors are the schools that identify themselves as 'Independent', of which around 85 per cent are religious in origin and often in character. There is considerable variation in the legal structures that govern Independent schools, but not-for-profit status is a requirement for non-government schools to be eligible for public funding.

The focus of this review paper is not on the legitimacy of either kind of school, government or non-government. There is no evidence, in Australia or beyond, that the governance of an individual school – whether it is a government or non-government school – is, in itself, a determinant of its quality. Nor is there any evidence to suggest that Australia cannot achieve a high-quality and equitable system with its mix of government and non-government schools. All schools in Australia work within standards set by governments to safeguard the wellbeing of students and the standards of teaching and curriculum. Parents who can afford to do so are free to spend their own money to educate their children outside the public system. The decisions made by parents to send their children to a government or non-government school all have flow-on effects beyond their own families.

This review paper is concerned, in particular, with the educational implications of public policy on schools funding, which governs the ways in which public and private funding interact to serve particular sets of interests and affect the quality, equity and cost of the system overall.
Scale

The scale of public and private investment in the recurrent operation of Australian schools is indicated by Table 1.1. In aggregate, the recurrent income received by all schools across Australia in 2012 totalled over $47 billion. Table 1.1 shows the allocation of this amount by sector and by source.

Table 1.1: Public recurrent funding: all schools, 2012

<table>
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<tr>
<th>Sector</th>
<th>Public</th>
<th>Private</th>
<th>Total recurrent</th>
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<td></td>
<td>Cwlth</td>
<td>States</td>
<td>Total public</td>
</tr>
<tr>
<td>Government schools</td>
<td>4,517</td>
<td>22,737</td>
<td>27,254</td>
</tr>
<tr>
<td>Non-government schools</td>
<td>7,663</td>
<td>2,681</td>
<td>10,344</td>
</tr>
<tr>
<td>Catholic schools</td>
<td>4,725</td>
<td>1,596</td>
<td>6,321</td>
</tr>
<tr>
<td>Independent schools</td>
<td>2,938</td>
<td>1,085</td>
<td>4,023</td>
</tr>
<tr>
<td>All schools</td>
<td>12,180</td>
<td>25,418</td>
<td>37,598</td>
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Table 1.1 shows recurrent funding for schools, namely the resources required for their day-to-day operation. These resources are recurrent in the sense that they are ongoing from year to year. Recurrent funding makes up around 90 per cent of total resources for schools. Employing teaching and other staff makes up the bulk of recurrent costs; related teaching and learning support, administration and technology are also included. As found by the Gonski Review, 75 per cent of the total net recurrent income of all Australian schools was directed to the employment of almost 250,000 full-time equivalent teachers and 8700 specialist staff (Gonski, 2011, p. 14).

Figure 1.2: Average net recurrent income, per student, by source and sector, 2012

Note: Figures in columns represent dollar amounts of recurrent income per student, rounded to the nearest ‘00

(Australian Government, 2014a, p. 34)
Figure 1.2 reveals that the overall average per student income received by government and Catholic schools is comparable, notwithstanding differences in the balance of their public and private funding, while both are significantly lower than income for Independent schools. Taken together, Table 1.1 and Figure 1.2 reveal both the scale and distribution of public funding for schools in Australia. Embedded in these tables are significant aspects of schools funding, including the asymmetric roles of Commonwealth, state and territory governments in funding the government and non-government school sectors. (In this review paper, the term ‘states’ is used for ‘states and territories’ unless otherwise indicated. The term ‘Commonwealth’ is used throughout the text rather than ‘Australian Government’ to avoid confusion with the other Australian governments.)

In addition to recurrent income is the funding provided for capital works; that is, for school grounds, buildings and facilities. In 2012, total capital expenditure on schools was over $5.6 billion. These costs relate to particular projects and are not constant from year to year. Capital funding makes up around 10 per cent of the total funding of schools.

It is the recurrent funding of schools, however, that has been the major focus of policy interest and conflict over decades past. Recurrent funding is the main subject of the Gonski Review and of the political responses to its recommendations. Within the scope of this review, the focus is likewise on the recurrent funding of schools.

Distribution

There are many commonalities among schools across these school sectors and all work within regulatory and funding frameworks set by governments. There are, however, also many differences, including in relation to their funding sources and legal obligations. In terms of public policy, there are occasions when governments should ignore these differences and occasions when they must be taken into account. The Gonski Review Panel adopted the principle that assessment of the resource needs of a school should be based on the difficulty of its educational task in supporting students to meet agreed educational objectives, regardless of sector. This stance is the subject of, and will infuse the analysis provided in, Section 3.

Figure 1.3: Distribution of students by ICSEA quarter, by sector, 2010

![Figure 1.3: Distribution of students by ICSEA quarter, by sector, 2010](Gonski, 2011, p. 9)

Figure 1.3 illustrates significant differences, in terms of socio-educational advantage, between the publicly funded government school sector and the non-government school sector with its
Schools funding in Australia

A mix of public and private funding. The measure used for this graph is the Index of Community Socio-Educational Advantage (ICSEA), developed by the Australian Curriculum Assessment and Reporting Authority (ACARA). The ICSEA index measures each school's profile according to parents’ educational achievement and occupation (ACARA, 2012).

Figure 1.3 shows that while 47 per cent of students in Independent schools were located in the highest quarter of socio-educational advantage, government schools enrolled only 22 per cent of students from that quarter. At the other end of the spectrum, Independent schools enrolled only 13 per cent of their students from the lowest quarter, compared with 36 per cent in government schools. Catholic schools fell between these two extremes, with a more even spread of students over the four quarters.

While Figure 1.3 presents an aggregate picture of the sectors according to the distribution of their students by socio-educational advantage, Figure 1.4 relates the distribution of individual schools by sector, according to their relative ICSEA score compared to their net recurrent income per student (NRIPS). This measure has also been developed by ACARA to indicate the income provided from all public and private sources for the purely recurrent operation of schools.

Figure 1.4: Net recurrent income per student by ICSEA score, by sector, 2012

Figure 1.4 (which features also as the front cover image) is a snapshot of a highly stratified school system. The scattering of schools by NRIPS and ICSEA illustrates the inequity in the distribution of resources for schools across Australia. What is most apparent in Figure 1.4 is the clustering at the upper end of the ICSEA scale, especially of schools in the Independent sector and, to a lesser extent, in the Catholic sector, above the average ICSEA score of 1000. Most of the Independent schools with ICSEA scores of 1150 and above also received high levels of NRIPS, reflecting in particular their high fee levels as well as their funding from public and other private sources. Catholic systemic schools with high ICSEA scores combine government grants with relatively lower private fees across the board. Government schools with these high ICSEA scores will generally be serving more affluent local communities or be academically selective in nature; and will not attract resources at the levels provided within public systems for schools serving students needing more intensive learning support.

By contrast, the bulk of schools with ICSEA scores of 950 and below are located in the government sector. The NRIPS levels of these schools range widely, with some schools, such as those serving very remote and disadvantaged communities, receiving high levels of income per student. A number of Catholic and Independent schools with very high NRIPS also serve isolated and disadvantaged communities, while some of the high per student income schools in
the Independent sector, such as Montessori schools, are those with educational philosophies that entail small classes and high levels of professional support per student.

But the figure also shows that many schools have low levels of both NRIPS and ICSEA, while others have high levels of both, which suggests that the schools that face the most challenging tasks in supporting student learning are not receiving their fair share of recurrent income to meet their needs, regardless of sector.

In summary, the stratification revealed by Figures 1.3 and 1.4 means that the teaching workload of schools and the resources for dealing with these workloads are unevenly and unfairly distributed among them.

The OECD PISA 2012 results show that the lower a country’s level of schools’ educational resources overall, the greater the gap in educational resources between advantaged and disadvantaged schools. In lower-resourced OECD countries, scarce resources tend to be more concentrated in the advantaged schools, while the inadequacy or shortage of resources tends to be suffered most by disadvantaged schools. Australia was one of the exceptions. Its average level of schools’ educational resources was above the OECD average. Of such countries, however, it ranked quite high in terms of inequity in the allocation of educational resources across schools, having the fifth largest resource disparity between socioeconomically advantaged and disadvantaged schools (OECD, 2013, pp. 107–8).

The focus for this review paper will be on the effects of these resource inequalities on overall achievement and on the distribution of school achievement among individuals and groups.

The educational purposes of schools funding

Schools funding is not an end in itself, but a means to achieving educational goals that serve individual, social, economic and political purposes. These purposes sometimes compete with each other, and the balance between them is continually contested and changing. One of the central roles of democratic governments is to mediate divergent interests and aspirations in ways that minimise social conflict and that allow schools to work effectively.

The purposes of schooling have been summarised by education academic Alan Reid in the following terms:

- **individual purposes**: to enable individuals to develop their abilities to the fullest, so that they can reach their potential, live enriching lives, pursue opportunities and further their life’s ambitions;
- **economic purposes**: to prepare young people to be competent contributors to the economy as workers;
- **democratic purposes**: to prepare all young people to be active and competent citizens in democratic life.

(Reid, 2012, p. 6)

Such purposes were embodied in the Melbourne Declaration on the National Educational Goals for Young Australians (Ministerial Council on Education, Employment, Training and Youth Affairs, [MCEETYA] 2008a). This national goals declaration, which updates several preceding it, embodies the national purposes and policy for Australian schooling for the next decade, as agreed by all state and federal education ministers. Other documents, such as the former National Educational Reform Agreements (Council of Australian Governments [COAG], 2013) and the Australian Education Act 2013, also recognise schooling as a foundation for individual achievement, as well as for social and economic advancement. These national documents uphold an egalitarian tradition, where schools provide a framework of universal opportunity, within which students from every social group achieve their personal best, while the rights of one are grounded in a common commitment to the rights of all. They recognise the concept of the ‘common good’ embodied in education: the benefits accruing to the society as a whole are greater than the sum of the benefits to individuals.
Schools funding in Australia has long been a particularly contentious and socially divisive issue. In public discourse, schools funding is frequently treated as if it were an end in itself. It appears to have taken on a life of its own, almost displacing considerations of the educational purposes it is designed to serve. It is a subject entangled with complex, contentious and sensitive themes in the nation’s political, social and constitutional history. It concerns such issues as what is public and what is private, the relative roles and responsibilities of Commonwealth and state governments in education, the role of communities and parents in the education of children, and Church–state relations. Schools funding involves politics in the broader sense, but in Australia it is also embroiled in the convolutions of party politics. Additionally, its implementation mechanisms are arcane and, for that reason, susceptible to manipulation and distortion by sectional interests.

Protecting the interests of students

The purpose of investment in universal schooling is primarily to benefit students, the nation’s children and young people. Funds are provided in recognition of students’ common capacity to learn, and of the fact that they share equally a human right to develop that capacity. The 1989 United Nations Convention on the Rights of the Child, to which Australia is a signatory, contains the following provision:

> In all actions concerning children, whether undertaken by public or private social welfare institutions, courts of law, administrative authorities or legislative bodies, the best interests of the child shall be a primary consideration.

(United Nations, 1989, Part I, Article 3)

In the interests of children and of society generally, a compulsory period of schooling is mandated by government in Australia. In practice, governments combine to provide financial support through to the completion of Year 12 or equivalent and have agreed through COAG to lift the rate for this attainment to 90 per cent by 2015 (Gonski, 2011, p. 29).

Compelling children and young people to attend school for this extended period places a moral obligation on governments to ensure that, at the very least, this will not be harmful to them. State governments set the legal frameworks within which all schools operate and these include provisions for child protection, health and safety, as well as defining standards for curriculum and teaching. Commonwealth and state governments have developed agreed goals that oblige them to ensure that schools have the resources children need to flourish, in order to achieve their personal best and to set the foundations for fulfilling and rewarding personal lives as well as for active citizenship.

The circumstances in which children and young people come to school are rarely, if ever, of their own making. Some students, a minority, come from families and communities that have the necessary power to provide them with schooling, independently of public funding. But many of their peers are entirely reliant for their schooling on what governments provide. Governments have a particular responsibility to frame their policies in a way that protects and prioritises the interests of those children who are most reliant on them and, in particular, reliant on the supply and quality of teachers.

Major themes in schools funding

From the Karmel Report of over 40 years ago (Karmel, 1973) through to the Gonski Report in 2011, concerns about quality, equity and choice in schooling have been persistent themes in the evolution of schools funding policy.
Quality

When former and current students and parents reflect on the quality of schooling, they generally judge the quality of schooling against a range of qualitative and quantitative information. They focus on the extent to which schools prepare students for adult life, including for employment and further education. They also take account of the learning support schools provide for them through constructive forms of assessment and feedback, and of the extent to which schools can contribute to students having enjoyable and rewarding school lives.

Formal quantitative data provides governments with a limited range of criteria against which to judge the quality of schooling. The Gonski Report acknowledged, schools aim to provide for:

... the intellectual, physical, social, emotional, moral, spiritual, and aesthetic development of their students.

(Gonski, 2011, p. 19)

But the Gonski Report acknowledged that few data are available on the achievement of these broader outcomes. The Report also affirmed that one of the most important conditions governments can establish to support the overall quality of schooling, is to ensure that all students have access to effective teaching.

Governments have to find a rationale for the level of funding they are prepared to invest in the quality of schooling, despite the paucity of available data. There is an abundance internationally of empirical studies that measure the value of the quantity and quality of schooling in terms of yield to the individual and to the GDP through increased labour productivity (Gonski, 2011, p. 19; Washington Center for Equitable Growth, 2015). But the question of the total investment that is needed to achieve optimal outcomes for individuals and for society as a whole cannot be readily answered by technical or economic analysis. Economic theorists use the concept of a ‘production function’ to describe the mathematical relationship between the input of factors of production (labour, equipment and raw materials) and output of product.

The concept of a production function is, however, difficult to apply to education. This is partly because teachers vary greatly in their attributes, as does the quality of the environments in which they work and the students with whom they work. But it is also because the outputs/outcomes of education are intended to serve a wide range of purposes, and quantitative measurement of many of the desired outcomes is either difficult or conceptually impossible.

(Karmel, 2000, pp. 2–9)

Nor can the optimal level of investment in schooling be simply established by comparing the amounts or proportions of the GDP that other nations spend, although these may indicate the relative priority that different countries accord to schooling. Wider social and cultural expectations, as well as economic realities, affect judgements about the optimal level of investment in schooling.

It is the view of the authors that whatever the difficulty of specifying optimal investment in schooling, nothing absolves governments fulfilling their obligation to achieve a healthy alignment between what the nation expects of schools and what it is prepared to invest in them. Holding schools accountable for achieving outcomes in the absence of adequate and appropriate resources breeds a cycle of blame and frustration, and saps public trust and confidence in our school system. It risks bringing governments and even some teachers, particularly those working in schools serving students from the poorest communities, into disrepute.

The first finding of the Gonski Review was that student performance in Australian schools had declined over the previous decade relative to other OECD countries and that there was a need to lift performance at all levels of achievement, but particularly at the lower levels of achievement outcomes (Gonski, 2011, p. 22). The fact that there may have been significant improvements in student achievement in a number of other countries over recent years does...
not, of itself, indicate an absolute decline in student achievement levels in Australia. It is necessary for any improvement or decline in the achievement levels of Australian students to be understood in the context of developments in policy, practice and context over the preceding years, if governments are to make sense of them in formulating policy for the future.

In *Measure for Measure: A review of outcomes of school education in Australia*, the Australian Council for Educational Research (ACER) published a comprehensive analysis of outcomes of school education in Australia (Ainley & Gebhardt, 2013). That review draws on major sources of achievement data that enable national comparisons. It also provides evidence of changes in achievement over time, for Australian students overall and for particular groups of students. It thus provides a basis for consideration of the impact of changes in policy and practice on movements in patterns of achievement. In any such consideration, of course, it is important to recognise the range of variables that influence achievement, including those from outside the school system, and also to avoid the dangers of confusing mere correlations with causation.

The emphasis in *Measure for Measure* is on examining changes in the achievement levels of Australian students over the period from 2000 to 2012, rather than on international rankings. The report concludes:

… there has been a small decline in reading and mathematics achievement among [Australian] students in the middle years of secondary school since 2000, stability in science and mathematics achievement among Year 8 students since 1994, a small improvement in mathematics achievement among students in Year 4 since 1994 and a small improvement in reading achievement among students in Year 3 since 2008.

(Ainley & Gebhardt, 2013, p. x)

Based on the best available international indicators, Australia’s school system, taken as a whole, is among the world’s solid performers, although there are variations in performance in jurisdictions across Australia that require further analysis. What can safely be said is that there is a body of evidence indicating that Australia appears to be standing still when it comes to achievement in important areas of schooling, marking time while other nations advance. The changes in achievement levels are arguably slight, but warning signs indicate a negative shift, away from both quality and equality of opportunity. As recognised by the Gonski Review Panel, these signs constitute imperatives for schools funding reform.

**Equity**

Equality is one of the key beliefs on which democracies are based: that all human beings are born free and with equal dignity and rights, and equity is the concept that derives from this belief. In essence, equity is really about how to apply the concept of equality in practice, based on the recognition that we are all equally human and have common needs and entitlements. But we also have differences that need to be taken into account where relevant. Concepts of equity are highly contested.

Everyone cares about fairness, but there are two major kinds. On the left, fairness often implies equality, but on the right it means proportionality – people should be rewarded in proportion to what they contribute, even if that guarantees unequal outcomes.

(Haidt, 2012, p. 159)

The ‘proportionality’ concept that social psychologist Haidt describes cannot be justified, however, in relation to children or their educational entitlements. Children all need to be treated equally, for they cannot be expected to have, as yet, contributed to society and they should not be accordingly penalised or advantaged by the state or by their parents’ financial capacity. In the case of schooling, equity requires a system that treats children and young people in ways that we would consider acceptable for ourselves or our own children to be treated, in similar circumstances. Despite the significant policy differences across political parties, from the time
of the Whitlam Government, equity has been a major theme in the evolution of national schools funding policy. It remains a central issue.

The Gonski Report defined equity in schooling as:

... ensuring that differences in educational outcomes are not the result of differences in wealth, income, power or possessions ... it means that all students must have access to an acceptable international standard of education, regardless of where they live or the school they attend.

(Gonski, 2011, p. 105)

The Panel also stated that its definition of equity was consistent with that adopted by the OECD:

... equity in schooling involves both fairness and inclusion. Fairness implies that personal and social circumstances are not an obstacle to achieving educational potential. Inclusion is about ensuring a minimum standard of education for all.

(Gonski, 2011, p. 105)

As well as the ethical arguments for equity in education, the Gonski Review cites research demonstrating that:

... investing as early as possible in high-quality education for all students, and directing additional resources towards the most disadvantaged students, is a cost-efficient strategy that will have the greatest impact on improving overall performance.

(Gonski, 2011, p. 108)

From the standpoint of children themselves, timeliness is a significant aspect of equity. The vital early years for learning only come once. For many children, resources delayed are opportunities denied. Schooling is not simply a preparation for adult life, but also a significant period in the lives of children and young people, deserving of the resources required for the learning and growth that is expected of them.

There is an inextricable relationship between equity and quality in relation to resources for schooling. Equality of opportunity to an inferior standard of schooling is barely worth having, while there is little to be said for countries that have high quality schooling, but only for the privileged few. Equity must also be considered in relation to efficiency and effectiveness. There is little to be achieved from allocating resources fairly across a school system or among individual students if they are spread too thinly to deliver any educational benefits.

Attending the least-resourced school in a generally well-resourced system with high overall achievement levels may well provide a student with better opportunities for learning than attending the best-resourced school in a grossly under-resourced system with low overall achievement levels. But this does not mean that equity has no significance in its own right. This was demonstrated by the research of Wilkinson and Pickett (2009) in relation to inequality generally, and especially to the gap between rich and poor. This study was based on information drawn from around 200 different sets of data, from sources such as the United Nations, the World Bank, the World Health Organization, and the US Census. Their work reveals that it is not just individuals who bear the direct brunt, but whole societies, that are adversely affected by inequality.

Choice

The emergence of choice as a basic value underpinning schools funding policy has also evolved over the past four decades in Australia. The argument for choice in Australia related initially to parental choice outside the free, secular public school system. It emerged in response to a claim, mainly from the large Catholic population, that parents had a right to send their children to schools run by their own faith community and, as taxpayers, they had a right to expect public
support for these schools. This was essentially a communitarian claim for choice, rather than a claim based on the individual rights of parents.

By the 1990s, the rationale for choice converged with arguments for market-based competition as a means to promote quality and efficiency. In particular, the public subvention of non-government schools was promoted, particularly by conservative politicians and commentators, as a means of encouraging parents to move their children from government to non-government schools. It was argued by the proponents of these policies that this would lead to a reduction in the costs of schooling to government. Data on actual expenditure on non-government schools since the 1970s now provides evidence for examining this claim later in this review.

Over this time, the value of individualised parental choice was also taking hold in government school systems, through the relaxation of strict school catchment boundaries and the devolution of broad areas of decision-making to individual schools. Researcher Stephen Lamb has demonstrated that these policies, designed to foster diversity, choice and competition among schools, had the effect of worsening the divides otherwise created by social geography (Lamb, 2007).

In Australia, there is evidence (such as that indicated in Figure 1.3 and subsequently in this review) that schools funding policies have evolved in ways that have increased resource-based competition between schools. The claimed benefits of schools funding policies to drive market-based competition and consumer choice in schooling have largely failed to materialise, as will be discussed later in this review paper. Rather, these policies have put choice on a collision course with equity and quality.

A general guide to the elements of schools funding

Public policy on schools funding is not just a matter of values and principles. In the real world, it is as essential to achieve workable funding mechanisms as it is to have clear and defensible policy principles and priorities. The precept a wise nation will use, to guide its decisions about investment in schooling for its children and young people, is that it should be the best the country can afford. Deciding what is the best a nation can afford is then a symbiotic process, working up from what schools need, based on evidence of the resources required to optimise learning outcomes against agreed goals and priorities, while having regard to the realities of the total funding available from all sources. Whatever the prevailing economic circumstances, there will always be a finite limit to the level of funding that can be provided for schools.

As with any form of investment, there needs to be a consideration of the ‘yield’. It is not in the best interests of society to be investing more in schooling overall, or in particular schools, than is needed to optimise learning outcomes; the competing needs of children must also be kept in balance. It would not be in the best interests of children or of society in general, for governments to invest heavily in schools, if they failed to also provide a proper investment in early childhood education and care, health, housing or child protection services. Governments have a major role in creating the conditions outside as well as inside schools that are most likely to result in students being able and motivated to learn. There is a limit to which schools can be expected to compensate for the range of out-of-school circumstances that create barriers to learning.

Context

The Gonski Review confirmed the existence of significant inadequacies and inequalities in schools funding. To comprehend the educational effects of such funding policies, it is necessary to understand how the dollars spent on schools are transformed, by education systems and schools, into resources that support student engagement in learning. At the heart of the nation’s education system is the work students and their teachers are doing in schools and classrooms in highly varied settings. Deciding on the level and allocation of funding that schools need in
order to do this work requires an understanding of the teaching and learning programs and the environments that are most likely to engage students in building their own knowledge, skills and understandings.

Schooling works best where student and school are ‘ready’ for each other. In ideal circumstances, children come to school from homes and communities that provide them with conditions that are conducive to learning. Such conditions include physical and psychological health and wellbeing, through to access to experiences that stimulate their interest in the world around them. Schools also need to be in a state of ‘readiness’ for their students, to be able to provide a safe, secure and orderly learning environment for all their students and to engage them in the range of learning tasks that make up formal schooling. Such schools know how to work with their communities, in particular with parents, to build a sense of mutual purpose, confidence and trust that benefits students, and which enables them to experience a feeling of belonging, as well as a sense of their own identity.

This mutual readiness between students and their schools relies on sufficient resources being available in homes, communities and schools. The level of resources in their homes clearly affects children’s wellbeing from before their birth. In schools, the level of resources available influences the range and depth of the curriculum, the capacity of the professional staff, for teacher mentoring, professional learning and collaborative planning. It determines the amount of teaching time for engaging students in learning, and their capacity to provide intensive teaching in smaller groups. It also determines the availability of specialist assistance for underachieving students when they first show signs of falling behind, and the breadth of student support services available. The level of funding for schools also affects the physical environment and supply of materials and equipment that enhance teaching and learning.

School and system authorities increasingly look to advances in ICT to improve the quality, effectiveness and efficiency of teaching and learning in schools as well as to streamline administration. Software developments can enable students to pace their own learning; and expand teachers’ access to teaching programs, materials and adaptive forms of assessment.

Having the resources to meet the needs of their student communities is a necessary, but not sufficient, condition for schools to work well. Schools need to establish a culture in which learning is valued. They also need to organise their time and other resources so that these are aligned with teaching programs that meet students’ particular needs and enable them to spend as much time as possible on task with effective teachers. The question of how schools allocate the resources at their disposal is vital to student performance. It cannot, however, be considered separately from the earlier question of whether the total resources available to a school are adequate and appropriate to the needs of the particular students it enrolls.

**Resource standards**

Resource standards based on the actual costs of schooling, linked to the varying contexts in which schools operate and to the achievement of desired outcomes, provide a logical and defensible basis for schools funding. Such standards have the potential to provide a principled means of striking a balance between educational aspirations and what can be afforded in practice. They also provide a benchmark against which public funding decisions can be assessed in a transparent and impartial way, as well as a rational basis for planned public investment in schools and the setting of priorities.

From an educational perspective, it does not make sense for governments to be setting curriculum or teaching standards without an understanding of the resources schools need to achieve these standards. But, as the Gonski Review recognised, resource standards also need to reflect the particular needs of students across the very different settings in which schools operate.

The authors of this review paper have argued previously:
Explicit resource standards based on educational needs stand in stark contrast to arbitrary linkages to a contestable funding benchmark of political convenience, such as the Average Government Schools Recurrent Cost (AGSRC) measure. The AGSRC has been used by Commonwealth governments on both sides of politics to determine the level of recurrent funding for schools and will be discussed in Section 2 of this review paper. The authors of the review paper argue that a schooling resources standard should drive the level and distribution of future funding, whereas standards such as AGSRC adopt the outcome of past expenditure decisions, in this case, the expenditures of state governments on government schools.

Cost drivers
Constructing a schools funding model requires an understanding of the underlying influences on the costs of schooling. The big drivers are the size of the school population and of the teaching workforce needed across vastly differing locations and communities. Over the past five decades or so, the costs of schooling have been affected by such factors as growth in the student population; increases in school retention; progress in inclusion of students with disabilities and problems affecting learning; the reduction of class sizes, especially in the early years of schooling; and expanded curriculum, including the expansion of vocational education and training. Technology change is also an increasingly important factor in the costs of schooling.

Funding responsibilities
Schools funding in Australia is enmeshed in the entanglements that characterise inter-governmental relations within Australia’s unwieldy federal system, where the roles and responsibilities of the two levels of government are poorly delineated. The Commonwealth, the major revenue-raising government, has become the main provider of public funding for non-government schools, while government schools have had to compete for the bulk of their funding with other essential services, such as health and policing, at the state level. This irrational division of roles and responsibilities between the two levels of government in Australia has been a source of tension for decades. The relative funding contributions of state and Commonwealth governments result almost entirely from cumulative political decisions taken by successive Commonwealth governments. Dealing with this dysfunctional split of funding roles and responsibilities was one of the most difficult challenges faced by the Gonski Review Panel.

Funding allocation mechanisms
Funding mechanisms need to be consistent with guiding principles and purposes. The integrity of schools funding relies on the use of funding formulae that are, and are seen to be, impartial and transparent. The major mechanism for delivering resources to government schools is fundamentally the formula used by state governments to pay for the teachers and teaching support staff it allocates to its schools.
In the non-government sector, a further consideration of the balance of public and private contributions from the funding partners is required. There have been two distinct approaches to this issue over recent decades. The first assesses the need for public funding against the resources available to students within each school. This mechanism requires a prior assessment of the actual level of resources available to students from private sources, mainly parental fees, and of the level of public funding needed to bring schools' resources up to an agreed benchmark or standard.

Rather than assessing what a school's community does provide, the second approach gives greater weighting to an assessment of what it could provide. This involves an assessment of the potential of a school's community to contribute from private sources, as a basis for determining the level of public funding which the school requires to reach the agreed resources benchmark. This has, in practice, been based on indirect measures of parental capacity to pay, such as census data on socioeconomic status, rather than on actual after-tax income. The next step in this second approach is to rank schools for funding purposes according to the relative need for public funding. The different approaches that have been taken over time are set out in Section 2, including the ongoing tensions between policies based directly on students' educational needs and those designed to provide incentives for increased financial effort by parents.

Public moneys are also allocated to schools through special purpose or targeted programs, where grants are made on the basis of submissions against specified criteria. Where such arrangements are overly ornate and complex, they result in funds that would have been better used in schools being diverted to sector administration. At the Commonwealth level, in particular, there has been an over-reliance on short-term, unstable, submission-based programs, for funding schools in the most challenging circumstances, thus adding to their workload. This was one of the issues considered by the Gonski Review.

Predictability and sustainability

The planning of effective education programs in schools requires reasonable stability and predictability of resources. This is usually provided in the form of fixed funding periods with advance notice of any major changes. Schools need time to consolidate their programs, to implement related programs of professional development and to assess the effectiveness of their programs as a basis for improvement and innovation; as well as to respond to external changes in, for example, curriculum, assessment and teaching standards.

Protecting the value of schools funding over time is critical to the integrity of school funding arrangements. Indexing public funding for schools to protect its real value against the effects of inflation requires the application of an appropriate and direct measure of actual changes in the price of schooling. In most areas of public expenditure, the real value of the resources provided by government is protected against the effects of inflation by an appropriate form of annual indexation or supplementation. This is the conventional use of indexation in public administration. But governments in Australia have a history of making unconventional use of indexation to obscure real increases to non-government schools, in particular, as will be discussed in later sections of this review paper.

Opportunities for reforming schools funding are also rare because changing funding criteria inevitably creates winners and losers. Political realities usually dictate that unless additional funding is made available to appease the 'losers', it is likely that the funding reform will be shelved.

Accountability for public investment in schools

Governments are accountable to the public for their investment in schooling. There are two sides to this obligation. First, governments must be in a position to assure the public that its funds have been directed to the purposes for which they were provided. Second, governments have a responsibility to assess the extent to which funds have been used efficiently and effectively in achieving agreed educational goals.
In order to meet these obligations, governments need to collect information from schools and school authorities, as well as put in place appropriate monitoring procedures. Schools in receipt of public funding have a reciprocal obligation to provide relevant information to governments; and all schools are responsible for informing parents about their sources of funding and how it is allocated within the school.

A major problem with accountability and reporting on financial information is the complexity of funding data, which has the potential to misinform and misdirect public debate. In these circumstances, it is not surprising that politicians, commentators and advocacy groups skate over complexities to support their own arguments and vested interests. Similar issues pervade accountability for the relationship between funding, resources and the achievement of the educational purposes for which they were provided. Schools funding arrangements in Australia are characterised by significant gaps in key data and in strategically important data linkages. In order to develop funding formulae, governments require valid and reliable data as a basis for linking funding with the needs and entitlements of schools, based on evidence of the resources needed to achieve agreed educational standards.

Academic researcher Richard Teese draws attention to the need for schools funding policy to be informed by an understanding of schools in their social contexts, to reflect the way the school system operates in the real world, rather than relying on the power of standardised test results:

... neither standardised tests, nor PISA surveys takes us into the academic curriculum of secondary schools, which is where we should expect differences in resource levels and student intakes to have the biggest impact.

(Teese, 2013, pp. xv–xvi)

In order to protect the integrity of Australia’s investment in its schools, there is a need for a policy cycle that includes research and evaluation to support longer term and more strategic financial planning.

Structure of this review

This review paper takes the 2011 Gonski Review of Funding for Schooling as a vantage point from which to consider national schools funding since the 1970s and into the future.

Section 1 has outlined the evidence that such a review is both timely and necessary. The section began by setting out the scale, distribution and some distinctive features of schools funding in Australia. It argued the need for schools funding to serve the educational purposes of schooling, within a framework set by democratically elected governments, to give priority to protecting and advancing the equal entitlement of all children and young people to high quality schooling. It further argued that governments are responsible for ensuring that all schools can provide the conditions for learning that are most conducive to optimising student performance; and that equality of access to effective teaching is essential if all students are to have the opportunity to achieve their personal best. It introduced the major themes in the evolution of schools funding: quality, equity and choice, concluding with a general guide for the reader on the construction of schools funding policy.

As a background and context for consideration of the Gonski Report, Section 2 provides an account of the history of schools funding prior to the entry of the Commonwealth as a significant funding partner in 1973 and over the following decades. This section identifies recurring policy themes, issues and tensions, as well as the political forces that have influenced policy decisions over time and that continue to affect the distribution of resources among schools and systems. It covers the period over which the public funding of non-government schools grew to become the national government’s major investment in education; and in which schools funding became enmeshed in the structural flaws of Australia’s federal system. This analysis of the policy history sheds light on the circumstances that led to the establishment of the Gonski Review
Panel in 2011, and that provided the starting-point for its deliberations. A summary history of Commonwealth funding policies is included at the end of this paper.

Section 3 of this review concerns the Gonski Report itself, beginning with a descriptive account of the Report and a summary and analysis of its findings and recommendations. This is followed by the responses to the Report, first by the federal Labor Government that set up the Review and then by the current Coalition Government; as well as the varying state responses. It concludes that, despite the public resources, the time, effort and goodwill invested in the Gonski Review and the remarkable degree of consensus it received initially, the result to date has been the addition of a further layer of political expediency to the level that has compromised schools funding since the 1970s.

The distinctive nature and characteristics of schools funding in Australia are then explored in Section 4. This section examines the features of the hybrid system that is the product, in significant part, of government funding decisions and refers to unresolved issues and policy contradictions. These are considered in the context of Australia’s federal system and of changing social and economic circumstances. It argues that Australia has developed a unique approach to schools funding in which policies designed to foster parental choice and market-based competition among schools have been on a collision course with equity and quality. Section 4 concludes with criteria for the development of schools funding policy that has educational integrity; and that can build the consensus necessary for progress towards a school system that is financially sustainable and provides higher quality outcomes for all.
Commonwealth funding of Australian schools

The primary focus of this review paper is on Commonwealth funding and the transformations to education these policies have wrought over the past half century. The Commonwealth does not own or operate schools, and currently provides only around one-third of their total public funding. But it has become the driving policy force in schools funding, and its policies have transformed the face of Australian schooling. Since the Commonwealth became a partner in schools funding there have been variations in the states’ own funding. But there has been no action by states sufficient to counteract the thrust of Commonwealth funding policies and, most notably, the momentum given to the expansion of private schooling.

This section will provide historical, political and social contexts for the current state of schools funding by tracing the precursors of the Gonski Report’s proposals. It will outline and analyse the financial outcomes of past policies and identify important policy themes and issues. The four strands operating through these significant changes over the period 1960–2010 are:

- the national educational need for greater resourcing of schools
- the differing underlying goals of funding initiatives
- the battle of Commonwealth and state financial and power relationships within Australia’s federal system
  and, most importantly for this review,
- the impact on schools of the funding undertaken during that period.

The roots of contemporary schools funding arrangements can be traced back to legislation passed by colonial governments in the late 19th century to provide free, compulsory and secular schools. This legislation ended public funding of all schools not under their aegis, but religion-based schools did not cease to exist.

A history of Commonwealth funding

The first great landmark in the Australian history of schools funding was this major step towards universal education. At the same time, however, the seeds of discord were sown. The consequent withdrawal of public funding from non-government, largely Catholic, schools created a sense of grievance that simmered until the 1970s. It is hard for Australians today looking back at the 19th century and the first half of the 20th century to comprehend the bitter sectarianism that characterised the cultural and social milieu of that time. The relationship between parish
Catholic schools and the public school community, but also the private schools that served the
Protestant ascendancy was riddled with class and religious antipathies.

From an administrative or organisational perspective, however, the two large systems, which
between them educated around 95 per cent of the total school population, were able to co-exist.
Because the Catholic schools catered for a predictable share of the school population, state
authorities were able to define the scope of their projected enrolments and to meet their
legal responsibility for ensuring that the public system could provide for ‘all comers’. The two
systems, Catholic and public, were to all intents and purposes operating on non-intersecting
planes until the 1960s. But their paths were fated to intersect, as the conditions in the postwar
period and the withdrawal of contributed services from the Catholic school sector increased
pressures on both school sectors.

An early sign of this impending intersection was the ‘Goulburn incident’, which ignited the
state aid debate. In protest against a demand by the New South Wales Health Authority to
upgrade the toilet facilities at Our Lady of Mercy preparatory school in Goulburn, all Catholic
schools in Goulburn were closed in July 1962 and 640 children were enrolled in government
schools, while a roughly equal number were left without a school place (Wilkinson, Caldwell,
Selleck, Harris & Dettman, 2006, pp. 26–9). This incident reinforced political stances and
exacerbated tensions.

In 1955, the split along sectarian and ideological lines in the Australian Labor Party (ALP),
led to the formation of the Democratic Labor Party (DLP). Central to this split was the issue
of state aid for non-government schools. These events triggered a contest between the major
political parties for the vote of the Catholic community, which had until then been solidly
Labor, and led to a further 16 years in the political wilderness for Labor.

The Menzies years: 1949–66

The Second World War transformed the relationship between the two levels of government when
the Commonwealth took over income tax powers from the states in 1942. Throughout the war
years, the Commonwealth government extended its engagement in matters previously thought to
be the province of the states. The context for specific, targeted influence had been set. By the end
of the 1940s, the Commonwealth had moved into the areas of higher and technical education.

By the 1950s and early 1960s, there were mounting pressures on schools, arising from
immigration, rising birth rates, and the demand for expanded high schooling (Wilkinson, et al.,
2006, p. 22). There was a clear case, on educational, economic and social grounds for the
Commonwealth to move into schooling. The launch of the Russian Sputnik in 1957 sparked
calls for improved science education in the context of the Cold War. The Menzies Government
responded in 1964 with a $10 million program of capital grants for science laboratories in
secondary schools. These were allocated on a roughly pro-rata basis between the government
and non-government school sectors. This was the breakthrough into provision of Commonwealth
funding to schools, the second landmark in the history of schools funding in Australia.

In this period, state governments were also responding to pressures, including the political
influence of the DLP and its demand for public funding to Catholic schools. Most state
governments had introduced indirect and direct forms of assistance to non-government schools,
such as secondary scholarships, interest subsidies on building loans, and recurrent per student
grants (Wilkinson, et al., 2006, pp. 35–6).

From the time of the second Menzies Government (1949–66), it was apparent that there
was a need for the Commonwealth to augment what the states were able to provide in the
funding of school education, to enable schools to provide the most basic services. By the 1960s,
both the state owned and operated government schools and the Catholic parochial schools
were struggling to deal with the growth of the postwar school populations and the expansion
of secondary schooling.

The large network of Catholic schools, which served around 20 per cent of the school
population by the 1960s, and traditionally included a disproportionate share of children from
poorer families, was near to collapse, due in part to the staffing shortages and financial stresses
accompanying the onset of a decline in the supply of religious teachers and the services they contributed to these schools. Independent schools survived this period on their fees and other sources of private income from the more affluent section of the population.

The Holt–Gorton–McMahon years: 1966–72

Over the years of these three conservative governments, Commonwealth grants to schools and to non-government schools in particular, expanded. From 1968, library grants were added to the continuing science grants for government and non-government secondary schools. Uniform recurrent per student grants were introduced in 1969, for non-government schools only, complementing state funding policies for that sector.

Governments were by now under pressure from a new aspirational generation of teachers and parents. The publication of The Myth of Equality (Roper, 1970) shocked many young parents as well as teachers who had been raised on the heroic myth of Australian egalitarianism and mateship. It disturbed them to see evidence that this was possibly the other kind of ‘myth’ – a false belief. This book had a strong influence on the Labor Party’s 1972 election campaign, in which education featured as the most important vehicle for social advancement (Wilkinson, et al., 2006, pp. 54–5).

The Whitlam years: 1972–75

The funding system introduced by the Whitlam Government was the third landmark period in the history of schools funding in Australia. This substantial policy shift was significant, both in the scale of the provision and the way it was conceptualised. It was largely based on the recommendations of the Interim Committee for the Schools Commission, appointed by Whitlam on forming government in December 1972, and chaired by Professor Peter Karmel. The Karmel Report (1973) detailed serious deficiencies in the resources available to most schools and gross inequalities in educational opportunity. It argued for a significant increase in public investment, based on need, with an equitable distribution, to achieve an overall improvement in quality in Australian schools. This increase was to be delivered mainly through a new Commonwealth general recurrent grants program, complemented by a suite of targeted programs addressing socioeconomic disadvantage, professional development, libraries, special education and innovation. General building grants were also recommended for government and non-government schools.

For the general recurrent grants program, the Interim Committee devised an index, the Schools Recurrent Resources Index (SRRI), based on recurrent resource use, against which all schools would be measured. The average recurrent resource use in government schools was expressed as 100. Targets were set for 1979 so that Commonwealth funding would enable a 40 per cent increase for primary and 35 per cent increase for secondary schools in the government sector, along with support for all non-government schools to meet these targets. For government and Catholic systemic schools, funds were to be provided in the form of block grants, on a state by state basis. For schools in the stand-alone Independent sector, recurrent funding was, necessarily, to be provided in the form of a per-capita grant paid to each school.

The logic and integrity of this concept of needs, measured against specified resource standards, was a new and important benchmark, but it was short-lived. The Karmel committee had found huge variations in resources among non-systemic non-government schools. When these schools were measured against an average of 100, based on resource levels operating in government school systems in the 1970s, some of these Independent schools scored as low as 40, but others were operating at around twice the proposed recommended 1979 target resource standards. The Karmel Report recommended against extending public funding to those non-government schools already operating beyond its target standards. The Karmel definition of ‘need’ excluded the wealthiest independent, mainly Protestant, schools, with their links to the conservative parties, and affirmed the need for support of the schools for the largely working-class Catholic community with its traditional links to Labor.
The Whitlam Government, however, could not get its legislation for the establishment of the Schools Commission through the conservative Senate without extending the general recurrent grants program to include these high-resource schools. Thus, the concept of needs, as defined by the Karmel Report, was undermined from the start. The scale and significance of the Whitlam Government’s subsequent investment in Australian schools is outlined in Table 2.1.

Table 2.1: Changes in Commonwealth funding of schools, by sector: Whitlam years

<table>
<thead>
<tr>
<th>Sector</th>
<th>1972</th>
<th>Share of Cwlth funding</th>
<th>1976</th>
<th>Share of Cwlth funding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>%</td>
<td>$m</td>
<td>%</td>
</tr>
<tr>
<td>Government schools</td>
<td>185</td>
<td>36%</td>
<td>1,835</td>
<td>65%</td>
</tr>
<tr>
<td>Non-government schools</td>
<td>324</td>
<td>64%</td>
<td>990</td>
<td>35%</td>
</tr>
<tr>
<td>All schools</td>
<td>509</td>
<td>100%</td>
<td>2,825</td>
<td>100%</td>
</tr>
</tbody>
</table>

Note: Estimated December 2011 prices

During its short tenure, the Whitlam Government extended Commonwealth funding for schools by more than $2.3 billion, or more than 450 per cent, in constant year 2011 price levels. Government schools benefited most from the emphasis on resource needs in the new general recurrent and targeted programs. Soon after the election of the Whitlam Government, a worldwide economic downturn began to affect its expansive programs. The Government issued financial guidelines to the Schools Commission in 1975, and the federal budget in that year contained cuts to targeted programs and capital expenditure. Overall, these cuts fell slightly more heavily on the government sector, which, under the Karmel Report, was to receive the higher share of targeted programs funding, due to its greater need. The general recurrent grants program was largely shielded from the cuts.

Need vs entitlement

For 1974 and 1975, as the Interim Committee had recommended, non-systemic schools (Catholic and non-Catholic) be classified, in descending order from Category A to Category H, according to the quantum of resources available to students from private sources. The Interim Committee had recommended that the existing level of grants to the schools in Category A be phased out. Instead, due to the Senate’s vote, they retained their funding, and Category B and C schools received higher grants than had been recommended. The effect was to decrease the ‘equity gradient’ of the grants. No limit was prescribed for the income private schools could attain before forfeiting their entitlement to public funding. This contentious element of the funding regime still exists today, equally contentiously.

From the standpoint of government schools, the Commonwealth, as the main revenue-raising level of government, was better placed than the states to provide the additional funding needed. Through its collection, analysis and reporting of data, the Schools Commission provided a stimulus for teachers and school communities to engage in informed debate and action to improve teaching and learning, especially in socioeconomically disadvantaged areas. For the Catholic system, the process of public funding to compensate for the costs of replacing the religious with lay teachers was set in train. Consistent with the advice of the Karmel Report, the Whitlam Government provided a level of recurrent grants for Catholic schools sufficient to enable them to consolidate their overall enrolment share at 1972 levels.

In its brief period of office, the Whitlam Labor Government attempted a reasonable settlement of the state aid debate, at least between the government and the Catholic systems. It also identified the social and economic effects of poor schooling and established a range of programs by which they could be addressed. It was the first serious attempt to fund schools according to the differential resource need of the student communities they served.
The Karmel Report also acknowledged the connection between the level of parental fees and the breadth of student access to non-government schools. It foreshadowed the need for governments to consider this matter in relation to the pricing of choice: whether parental contributions should be expected to cover ‘a fair share’ of the running costs of non-government schools; or whether the capacity of these schools to charge fees should be regulated to maximise student access to them and to the public funding invested in them. In relation to the role of the Commonwealth in schooling, the Karmel Report provided advice that was respectful of the role of the states, acknowledging the Commonwealth was:

... not responsible for the running of schools [and that] a national bureaucracy, being further removed from the schools than are state ones, should not presume to interfere with the details of their operations.

(Karmel, 1973, p. 10)

In practice however, the Schools Commission represented a clear challenge to the operation of the largely highly centralised state bureaucracies. During the early years of its operation, it was seen by state bureaucracies as something of a 'burr in the saddle', stirring up issues through its public reporting and administration of targeted programs. The Karmel Report had also advised there was:

... a point beyond which it is not possible to consider policies relating to the private sector without taking into account their possible effects on the public sector whose strength and representativeness should not be diluted.

(Karmel, 1973, p. 12)

But addressing this cautionary device was deferred.

The Whitlam Government’s funding of schools education marked the entry of the Commonwealth as a significant player in schools funding, particularly by virtue of its provision of recurrent government funding to non-government schools. From this time on, governments across Australia became partners in recognising that all children and young people were entitled to a decent standard of resources in their schools. That this entitlement applied whether their parents opted to send them to public schools or to non-government schools was, in itself, a landmark. What remained unresolved, however, was the issue of the effects of Commonwealth funding for non-government schools on the future expansion of that sector and the implications for the government school sector.

**The Fraser years: 1975–83**

Where the Whitlam political agenda had emphasised equality of educational opportunity, the Coalition’s 1975 election agenda had ‘freedom of choice’ as its central motif. The Fraser Government came to power in 1975 with a policy of ‘New Federalism’, designed to reassert state responsibility in areas such as education.

Its key change to policy machinery was the embedding of a ‘basic grant’ for all non-government schools, regardless of educational need; accompanied by a ‘percentage link’ between Commonwealth general recurrent grants and state spending on government schools. This replaced the Karmel targets, which had applied a common standard to both sectors, with an arbitrary and unpredictable benchmark arising from state budgets. The ‘percentage link’ had the effect of embedding in the funding formula not only the costs arising from real betterments, such as state decisions to reduce class sizes, or increase support for high needs students, but also the unavoidable costs of diseconomies arising from the obligations of state schools and systems to provide for all-comers.

The need for budgetary restraint led the Fraser Government to establish the so-called ‘Razor Gang’ to rein in spending. Despite this stringency, over the period of the Fraser Government,
from its first budget in 1976 to its last in 1983, total Commonwealth funding for schools increased in real terms by over $750 million, or 27 per cent. Within this increase, however, funds for government schools decreased by 7 per cent, while Commonwealth funding for non-government schools almost doubled.

The Fraser Government policy settings enabled the establishment or expansion of non-government schools charging relatively low fees and attracting high public subsidies; and also enabled schools to divert private income into capital facilities and, by so doing, to retain or increase their entitlement to high levels of recurrent funding from the Commonwealth. Reducing the number of categories from eight to three over the Fraser period in office had the effect of creating incentives for non-government schools near the category cut-off points to cross the border into a more favourable category.

Table 2.2: Changes in Commonwealth funding of schools, by sector: Fraser years

<table>
<thead>
<tr>
<th>Sector</th>
<th>1976</th>
<th>Share of Cwlth funding</th>
<th>1983</th>
<th>Share of Cwlth funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government schools</td>
<td>1,835</td>
<td>65%</td>
<td>1,708</td>
<td>48%</td>
</tr>
<tr>
<td>Non-government schools</td>
<td>990</td>
<td>35%</td>
<td>1,873</td>
<td>52%</td>
</tr>
<tr>
<td>All schools</td>
<td>2,825</td>
<td>100%</td>
<td>3,581</td>
<td>100%</td>
</tr>
</tbody>
</table>

Note: Estimated December 2011 prices (Connors and McMorrow, based on Parliament of the Commonwealth of Australia, 1994)

The overall increase to non-government schools was attributable mainly to the Fraser Government’s ‘percentage link’ policy. The Schools Commission drew the following conclusion about the net effect of Commonwealth funding for the decade of the Whitlam and Fraser governments.

The large increases in Commonwealth general recurrent grants to non-government schools over the past decade may have had the practical effect of restricting the Commonwealth’s capacity to provide for expansion of other program areas, including general recurrent grants to government schools.

(Commonwealth Schools Commission, 1985a, p. 19)

The cumulative effect of Fraser’s ‘choice’ policy, combined with Whitlam’s open-ended public funding, began to affect the viability of existing, publicly funded schools in both the public and private sectors. In such circumstances, for example, small government primary schools could be threatened with closure, while non-government schools with even smaller enrolments were being established with public funding. In the secondary schools sector, the expansion or establishment of non-government schools led to other nearby schools, in either sector, losing the students and teachers crucial to maintaining curriculum options. Tensions began to be voiced in established localities where there was a declining or static population. These circumstances led to schools funding policy becoming a central issue in the lead-up to the 1983 election, where the Coalition was defeated by Labor, led by Bob Hawke.

The Hawke–Keating years: 1983–96

The Hawke Government came to office with a commitment to redress the imbalance in Commonwealth funding, in favour of government schools. The 1982 ALP platform had provided for Commonwealth funds to be restricted to those non-government schools with total private and public resources that did not exceed the resources available in comparable government schools. The Government issued guidelines to the Schools Commission, setting out its policy priorities. These included a more comprehensive definition of need and of the standards against which need could be assessed. The guidelines also required greater attention be given to the
relationship between Commonwealth and state government policies for recurrent and capital funding of non-government schools.

In order to allow for the preparation of advice by the Schools Commission according to these guidelines, the Hawke Government declared 1984 to be an interim year, with the value of Commonwealth grants generally to be maintained in real terms. The exception to this interim status quo was a 25 per cent reduction of grants, from 1984, to 41 of the highest-resourced non-government schools. When this exception was announced, by then Minister for Education and Youth Affairs Susan Ryan, the result was a public furore. The affected schools were dubbed a ‘hit list’. The Minister subsequently wrote about the furore about the proposed reduction in grants in the following terms:

In pursuit of necessary savings and fairness, my first Budget implemented in a moderate form a pre-election commitment to reduce the level of funds flowing to those private schools that were, by anyone’s standard, well off. After a great deal of agonising and endless consultation with and by the Schools Commission, I developed a formula. It left 41 schools exposed to minor reductions.

... None of these careful, rigorous and honest preparations, nor the evident financial well-being of the 41 schools, mitigated the outrage that erupted when I announced the decision. Thousands of enraged well-heeled parents attended rowdy rallies. New rhetoric implied that the 41 schools mainly enrolled the children of single mothers, who scrubbed floors and worked nights to pay the fees. No vilification of the Minister was deemed excessive ... [In Melbourne] I exposed myself to a few thousand of them in the Malvern Town Hall, where they hissed, booed, spat, and generally expressed their criticisms of our policies in ways that detracted somewhat from their alleged concern for higher standards.

(Ryan, 1999, pp. 228–9)

The Hawke Government backed down in the face of this onslaught and decided instead to leave the matter to the Commonwealth Schools Commission, which had already been charged with preparing advice on schools funding arrangements overall. That advice, provided in 1984 and implemented from 1985 (Commonwealth Schools Commission, 1984a), led to real increases in general recurrent grants over eight years, with grants to the ‘hit list’ schools maintained at their 1984 levels. Minister Susan Ryan, in announcing the new package, described it as:

... an historic settlement which was designed to take the state aid debate off the political agenda.

(Wilkinson, et al., 2006 p. 122)

The grants scheme included a ‘community standard’, comprising a ‘basket of services’ relevant to the recurrent operation of schools, such as desirable class sizes, professional development, specialist and ancillary staff, equipment and other non-staff resources (Commonwealth Schools Commission, 1984b). The community standard was applied to government and non-government schools and replaced the practice of linking Commonwealth grants to a standard cost based on the states’ expenditure on government schools.

Administrative loopholes in the previous funding arrangements were dealt with through the application of ‘maintenance of effort’ requirements for the funding partners (that is, both government and non-government school authorities) and through the ranking of schools for funding purposes, by a new measure, the Education Resources Index (ERI). This measure included all sources of private income in the assessment of non-government schools subsidy levels, with an allowance for appropriate capital expenditure. Moving from a 3-category to a 12-category framework for non-government schools also helped to reduce category creep.
New Schools Policy

Under the Hawke Government, demographic planning criteria were applied for the first time to the general recurrent funding of new non-government schools. Based on advice from a panel of Schools Commission members (Commonwealth Schools Commission, 1985a), the New Schools Policy (which also applied in some circumstances to expanding existing schools) was designed to give priority in provision of Commonwealth funding to proposals in localities where there was an overall population demand for new school places. This provision was designed to preserve the value of public investment in those existing schools and to avoid the problems associated with funding new schools where they threatened the standard of services in existing schools, as well as their stability or even their viability, as was experienced during the Fraser years. This policy was highly consistent with planning practices within Catholic systems; most Catholic authorities were also accustomed to systemic planning of new schools in areas of population growth, alongside state system authorities.

It was the long-established denominational groups that now wished to expand from their traditional high-fee schools into the lower-fee and higher-subsidy market – traditionally dominated by Catholic schools – that were especially hostile to Labor’s New Schools Policy. This policy of applying demographic criteria to funding for non-government schools directly challenged the philosophy that governments had the responsibility to subsidise unfettered parental choice of schooling. The policy rejected the notion that any group of citizens had an entitlement to public funding to establish a school, regardless of the local demand for school places and of the implications for neighbouring schools.

Changes to consultative and advisory structures and processes

Consistent with the consensual approach of the Hawke Government to Commonwealth–state relations generally, the Schools Commission’s advice was informed by open and broad consultation with all sections of the education community and with state governments. But by the early 1990s, its comprehensive charter had begun to rest uneasily with the Hawke–Keating governments’ shift of focus in public policy towards the economic purposes and the more immediate and quantifiable outputs of schooling. As economic conditions tightened, causing governments around the country to curb public spending, the Schools Commission, which had been designed to provide independent, regular and public reminders of the resource needs of schools, was destined to become something of a political albatross. There was a declining enthusiasm within the Labor Government for delegating a high-profile role in schools funding policy formation to a body financed by government, but with the independence to report publicly.

Having already had its role in schools funding programs significantly downgraded, the Schools Commission’s abolition in 1988 was not strongly opposed by the states, since it was a Commonwealth agency. Nor was it strongly defended by the powerful interest groups within the non-government school sector that had other avenues of access to government. Sections of the government school community saw the Commission as an agency that had assisted governments to legitimise policies that directed ever-increasing levels of funding to the non-government school sector to the detriment of public schooling.

The Commission was replaced by the Schools Council within a new statutory body, the National Board of Employment, Education and Training (NBEET) in 1988. The Schools Council had consultative and advisory functions on behalf of the Commonwealth Minister, but held no program responsibilities. The focus of action shifted to the Australian Education Council (AEC), comprising all education ministers, and arrangements were made to include non-government sector authorities in consultations relating to the AEC agenda.
Table 2.3: Changes in Commonwealth funding of schools, by sector: Hawke–Keating years

<table>
<thead>
<tr>
<th>Sector</th>
<th>1983</th>
<th>Share of Commonwealth funding</th>
<th>1996</th>
<th>Share of Commonwealth funding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>%</td>
<td>$m</td>
<td>%</td>
</tr>
<tr>
<td>Government schools</td>
<td>1,708</td>
<td>48%</td>
<td>2,261</td>
<td>44%</td>
</tr>
<tr>
<td>Non-government schools</td>
<td>1,873</td>
<td>52%</td>
<td>2,929</td>
<td>56%</td>
</tr>
<tr>
<td>All schools</td>
<td>3,581</td>
<td>100%</td>
<td>5,190</td>
<td>100%</td>
</tr>
</tbody>
</table>

Note: Estimated December 2011 prices

Table 2.3 covers a period of some 13 years, and governments led by two prime ministers. Commonwealth funding for non-government schools continued to grow at a faster rate than that for government schools, in which enrolments declined by 2 per cent, and well above the rate of non-government enrolment growth, which was 22 per cent. This was due in part to the real funding increases to schools, delivered through the Hawke Government’s community standard model, and in part to the Keating Government’s decision in 1993 to revert to linking Commonwealth recurrent grants to changes in state per-student expenditure – through the AGSRC measure.

The policy action and rhetoric of the Commonwealth over the Hawke–Keating years advanced the concept of a dual system of schooling, with both public and private school sectors being publicly financed and operating in a complementary relationship. This was an attempt to reframe the divisive state aid debate. But it failed to relieve the tensions between those who upheld the principle that the primary obligation of governments was to government schools, and those who argued for unfettered freedom of choice of schooling to be funded by government. The government’s own abandonment of the community standard removed one of the pillars of the dual system, and the new schools policy continued to be divisive within the growing Independent sector in particular.

The Howard years: 1996–2007

The Howard Government came to office with a policy commitment to promote choice and competition in schooling, particularly through the expansion of non-government schooling. One of its first actions was to abolish the New Schools Policy, which it regarded as a brake on this expansion. Another of the Howard Government’s priorities was to abolish Labor’s Schools Council and, by degrees, the whole NBEET structure. Its policies were introduced without the benefit of public advice from an independent body having representation from across the government and non-government sectors.

In 1998, and despite its known hostility to the Hawke Government’s general recurrent funding grants scheme for non-government schools, based on an Education Resources Index (ERI), the Howard Government used the ERI scheme for the purpose of re-categorising those Catholic schools in Category 10 (except in the ACT) to the more favourable Category 11. This move had been a bi-partisan political promise to this sector in the 1996 election, adding more than $90 million annually to the Commonwealth budget (Davidson, 2001).

The schools funding policies of the Howard Government were based on the conviction that increasing public funding for non-government schools would provide parents with an incentive to move their children from fully publicly funded government schools, and that the effect of this shift would be to reduce the burden of the costs of schooling on taxpayers generally.
The problem for a Commonwealth government was that the cost of shifting students from the government to the non-government sector fell disproportionately on the Commonwealth’s budget, due to its significantly higher contribution to non-government than to government schools, while any savings accrued to states’ budgets. The Howard Government attempted to recoup claimed savings from the states through a measure known as the Enrolment Benchmark Adjustment (EBA). This device drew attention to the poorly delineated relationship between the Commonwealth and the states in Australia’s federal system, with its potential for cost-shifting between the two levels of government. The states demonstrated the EBA was a crude measure that ignored the more complex cost structures in government schools and systems, and it was gradually dismantled. Its main effect was to inflame the political divisiveness of the schools funding debate.

The new general recurrent grants scheme for non-government schools was introduced in the year 2000 without the open and consultative process that had characterised the introduction of the previous scheme by the Hawke Government. This scheme broke the nexus between the level of private resources available in non-government schools and the level of public funding to which they were entitled from the Commonwealth. Instead, grants were calculated against a measure based on the socioeconomic status (SES) of individual families served by these schools. This was similar to a later Gonski recommendation, although in the context of resource standards. Significantly, the Howard Government’s so-called SES measure changed the focus of funding entitlement from one based on the resources of a school to one based on individuals, not unlike a differentiated voucher system. All grants for non-government schools were distributed over a continuum of 46 subsidy categories. The first step on the continuum was a minimum grant set at an arbitrary rate of 13.7 per cent of AGSRC to ensure that there would be no difference between the minimum levels for both the ERI and the SES schemes. The maximum level was then set at 70 per cent of AGSRC, with a linear relationship between minimum and maximum levels. This both protected, and for some, advanced, funding for schools with the highest resources, while limiting funding increases for schools with the lowest resources.

The SES-based scale was simply used as a device for ranking schools. The Howard Government’s SES formula took no account of the relationship between concentrations of disadvantage and student achievement. The SES-based funding scheme was constructed with inherent anomalies and flaws that arose largely from the political decision of its architects to apply the SES formula only to those non-government schools that would thereby benefit financially. This led to the accumulation of anomalies through an assortment of ‘funding maintained’ protections. To avoid the funding cuts that would have resulted from applying the SES-based formula to Catholic system schools in particular, political decisions were made to ‘retro-fit’ them with a deemed SES score that corresponded with their then current funding level; and later to create a separate ‘Catholic maintained’ category. The combined effect of these various funding maintained strategies was to create accumulating anomalies, which destroyed any integrity in the scheme from the standpoint of equity within the non-government sector itself. A decade after the introduction of the SES-based formula, around half of all non-government schools were still receiving the grants generated by the formula of the previous Labor ERI scheme (Department of Education, Science and Training, 2006; Dowling, 2007; Cobbold, 2008).

Contrary to its architects’ claims that increased public funding would be used by non-government schools to keep their fees down (Kemp, 1999), fees continued to increase in real terms. This was not surprising, since the policy removed all downward pressure on fees, based on the political belief that any restraint on fees constituted a disincentive to private effort. The Australian National Audit Office affirmed that, under the Howard Government, there was little or no attempt at accountability against its goal of broadening access to low-income families or even to gather the relevant data (Australian National Audit Office, 2009).

Table 2.4 shows the financial effects of the Howard era’s funding distribution to schools.
Table 2.4: Changes in Commonwealth funding of schools: Howard years

<table>
<thead>
<tr>
<th>Sector</th>
<th>1996</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>Share of Commonwealth funding</td>
</tr>
<tr>
<td>Government schools</td>
<td>2,261</td>
<td>44%</td>
</tr>
<tr>
<td>Non-government schools</td>
<td>2,929</td>
<td>56%</td>
</tr>
<tr>
<td>All schools</td>
<td>5,190</td>
<td>100%</td>
</tr>
</tbody>
</table>

Note: Estimated December 2011 prices
(Connors and McMorow, based on Parliament of the Commonwealth of Australia, Parliamentary Library, 2002 & MCEETYA, 2008b)

Commonwealth funding for schools almost doubled in real terms over the period of the Howard Government. Almost three-quarters of that growth was directed to schools in the non-government sector. This was the result of the two major policy initiatives of the re-categorisation of Catholic systemic schools and the implementation of the socioeconomic status (SES) funding scheme. Student numbers increased in both sectors, but at a much faster rate in the non-government sector. The rate of spending by the Commonwealth far outstripped the overall rate of growth in the school-age population, including the costs of rising retention.

Throughout the Howard years the rationale for the Commonwealth’s investment was generally articulated in political and social terms, as if schools funding existed separate from any educational purpose. In the last year of his government in 2007, Prime Minister Howard described public schools as:

... the safety net and guarantor of a reasonable quality education in this country.

This view, that the role of government schools was to provide reasonable minimum standards for the students they enrol, underpinned the Howard Government’s funding decisions. It implied, however, that standards above this minimum would be supported by government for a different group of students, outside the public sector.

Schools funding in the 2004 election campaign

Prior to the re-election of the Howard Government in 2004, tensions emerged in the federal election campaign between the policy options of funding based on need, and of entrenching funding entitlements. The Labor Opposition, led by Mark Latham, went to the electorate with a policy commitment to increase Commonwealth funding for both school sectors. But within the overall funding increase for the non-government sector, it proposed a redistribution, to remove gains provided since 2001 to some very high resource schools, and to redirect these funds to meet the pressing educational needs of other schools within the non-government sector itself. The policy’s cornerstone was an explicit standard, to be applied to all schools, based on the application of the estimated costs of achieving the National Goals of Schooling. These costings had been developed by a working party of MCEETYA.

But the proposed policy provoked an outcry, led by Anglican and Catholic leaders in Sydney and Melbourne, who accused the policy of pitting rich and poor schools in the non-government sector against each other. They made no reference to its application to the National Education Goals – all focus was on the list of highly resourced schools that would lose some funding. It was reminiscent of the successful ‘hit list’ campaign of the early Hawke years. When Labor lost the 2004 election, elements within the non-government schools sector were quick to attribute this loss to its schools funding policy, a view supported by conservative elements within the ALP itself, though research evidence suggests that it was not among the factors that led to the Labor defeat (Goot & Watson, 2007). Nevertheless, the episode impressed on Labor politicians...
the consequences, whether real or imagined, of taking on the combined political power of class and religious interests in relation to the funding of schools in Australia.

**The Rudd–Gillard years: 2007–11**

The Labor Government came to power in 2007, led by Kevin Rudd, with Julia Gillard as Deputy Prime Minister and Minister for Education. In June 2010, Gillard replaced Rudd as Prime Minister and led the Government during the period preceding the establishment of the Gonski Review in that year and until its final report in 2011. The second Labor Government, following the election in 2011, was first led by Julia Gillard and then, from June 2013, by Kevin Rudd.

In Opposition, Labor had been trenchant in its criticisms of the Howard Government’s schools funding arrangements generally, and in particular of the SES-based scheme for funding non-government schools. Mindful of the reaction to its 2004 election policy, the incoming Labor government took a cautious approach to reform, retaining the Howard scheme pending a foreshadowed review. Over its term of office, the Government twice extended the Howard Government’s SES-based funding scheme. The result was that the SES-based grants lasted as long under Labor as they had under Howard, continuing to provide real increases to non-government schools.

The Rudd Government presented its education reform policy as an ‘education revolution’ based on four pillars: school leadership; professional incentives to enter and stay in the teaching profession; enhanced reporting and public accountability; and increased funding for schools in the most disadvantaged areas.

For government schools, Commonwealth per student general recurrent grants were first maintained and then increased for primary schools in this sector. This funding was rolled into national education agreements with the states, along with new moneys for fixed-term National Partnership programs. In response to the global financial crisis, the Labor government provided $16 billion over four years, through the Building the Education Revolution program, to stimulate employment across the country.

The Rudd–Gillard era placed greater emphasis than preceding governments on achieving national agreements and in establishing a federal framework through COAG. One outcome of this changed emphasis was a break with the tradition of Commonwealth legislation, in the form of Schools Assistance Acts, applying to both school sectors. During this era, Schools Assistance legislation was reserved for non-government school recurrent and for capital funding. Funding for government schools was provided through the COAG structure. New money was provided through fixed term National Partnership payments, of which government schools were the major beneficiary. These provided a vehicle for targeting Commonwealth funding for schools, prior to the promised review of schools funding generally.

In terms of policy rhetoric, the Rudd–Gillard governments restored equity and equality of opportunity as central themes. Transparency was a critical element of the reporting functions of ACARA, which had been set up by the Government, in conjunction with the states in 2008. Transparency was combined with an emphasis on parental choice of school, through comparative data on the performance and resources of individual schools, available through its MySchool website from 2010. MySchool provides parents and the community with information on every school’s student and teacher numbers, school finances and school performance as measured by the National Assessment Program – Literacy and Numeracy (NAPLAN), conducted annually for students in Years 3, 5, 7 and 9. MySchool also reports on schools’ ICSEA scores, referred to in Section 1.

Between 2007 and 2011, the Rudd–Gillard governments sought to reduce the hostility and divisiveness that had attended past debates on funding for government and non-government schooling. It laid the ground for an approach to school funding that would be ‘sector blind’ and based on an assessment of educational need against common criteria, in the tradition
of Whitlam and Hawke. Over this period, government schools, in particular, benefited from increases in general recurrent grants, from targeted funding for schools in low socioeconomic status communities and for literacy and numeracy support. Other national programs for teacher quality, computers in schools and trade training centres were provided for schools across both sectors on a pro-rata basis.

Table 2.5: Changes in Commonwealth funding of schools: Rudd–Gillard years

<table>
<thead>
<tr>
<th>Sector</th>
<th>2007 $m</th>
<th>Share of Cwlth funding</th>
<th>2011 $m</th>
<th>Share of Cwlth funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government schools</td>
<td>3,555</td>
<td>36%</td>
<td>5,180</td>
<td>40%</td>
</tr>
<tr>
<td>Non-government schools</td>
<td>6,449</td>
<td>64%</td>
<td>7,770</td>
<td>60%</td>
</tr>
<tr>
<td>All schools</td>
<td>10,005</td>
<td>100%</td>
<td>12,949</td>
<td>100%</td>
</tr>
</tbody>
</table>

Note: Estimated December 2011 prices. Excludes the one-off Building the Education Revolution program.

Table 2.5 shows the trends in Commonwealth funding for schools over the Rudd–Gillard era to 2011 were significantly influenced by the continuation of the Howard Government’s SES funding scheme over that period. Planning was in place for the promised review of school funding, and this is the subject of Section 3 of this review paper.

Trends in Commonwealth funding of schools 1972–2011

From the Whitlam Government in 1972 through to the first four years of the Rudd–Gillard Government, all Commonwealth administrations contributed to the steady overall increase in Commonwealth funding to schools. The distribution of Commonwealth funding between the government and non-government sectors varied, however, across this period. Table 2.6 and accompanying Figure 2.1 bring together the funding trends set out in previous tables in this section.

Table 2.6: Trends in Commonwealth recurrent funding of schools, by sector, selected years, 1972–2011

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<tr>
<td>Government schools</td>
<td>185</td>
<td>1,835</td>
<td>1,709</td>
<td>2,261</td>
<td>3,555</td>
<td>5,180</td>
</tr>
<tr>
<td>Non-government schools</td>
<td>324</td>
<td>990</td>
<td>1,873</td>
<td>2,929</td>
<td>6,449</td>
<td>7,770</td>
</tr>
<tr>
<td>All schools</td>
<td>509</td>
<td>2,826</td>
<td>3,582</td>
<td>5,190</td>
<td>10,005</td>
<td>12,949</td>
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</tbody>
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Share of Commonwealth funding

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<tbody>
<tr>
<td>Government schools</td>
<td>36%</td>
<td>65%</td>
<td>48%</td>
<td>44%</td>
<td>36%</td>
<td>40%</td>
</tr>
<tr>
<td>Non-government schools</td>
<td>64%</td>
<td>35%</td>
<td>52%</td>
<td>56%</td>
<td>64%</td>
<td>60%</td>
</tr>
</tbody>
</table>

Note: Estimated December 2011 prices. Excludes the one-off Building the Education Revolution program.

(Commons & McMorrow, based on data in Tables 2.1 to 2.5)
Figure 2.1: Trends in Commonwealth recurrent funding of schools, by sector, selected years

Table 2.6 and Figure 2.1 show that by 2011, the Commonwealth had increased its funding for schools in real terms by over $10 billion, since 1973, with $6.8 billion of that increase directed to non-government schools.

Trends in student enrolments, 1972–2011

The increases in funding, 1972–2011, shown in Table 2.6 are partly a reflection of the growth in student enrolments, which are set out in Table 2.7.

Table 2.7: Students enrolled in Australian schools, by sector, 1972–2011

Table 2.7 shows that over the period 1972–2011, student numbers in Australian schools increased by more than 688,000, or 24 per cent. It also shows that student enrolment growth has not been evenly distributed across the sectors. Public funding has underwritten a significant expansion of the non-government schools sector. Over the years since the entry of the Commonwealth as a funding partner in schooling, and in the context of an overall increase in the student population, there was a shift of some 14 percentage points of the total student population from the government to non-government school sector.
While student numbers in the government school sector remained fairly constant, its enrolment share dropped significantly. The enrolment share of the non-government school population doubled over the same period. Enrolments in Catholic schools grew by almost 50 per cent, increasing their share from 17 to 21 per cent; while Independent schools quadrupled their enrolments, increasing their share from 4 per cent to 14 per cent. The net effect has been largely a transfer of enrolment share from the public to the Independent school sector. Understanding the policies that supported this expansionary shift and the social and educational impacts of those decisions lies at the heart of this review paper.

**Trends in teacher numbers, 1972–2011**

Over the same period 1972–2011, there was a shift comparable to that shown for students in Table 2.7, in the proportion of teachers from the government to the non-government school sector. This shift in teacher numbers is set out in Table 2.8.

<table>
<thead>
<tr>
<th>Sector</th>
<th>1972</th>
<th></th>
<th>2011</th>
<th></th>
</tr>
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<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
<td>n</td>
<td>%</td>
</tr>
<tr>
<td>Government schools</td>
<td>104,547</td>
<td>80%</td>
<td>165,272</td>
<td>65%</td>
</tr>
<tr>
<td>Non-government schools</td>
<td>25,869</td>
<td>20%</td>
<td>89,838</td>
<td>35%</td>
</tr>
<tr>
<td>Catholic schools</td>
<td>17,986</td>
<td>14%</td>
<td>48,393</td>
<td>19%</td>
</tr>
<tr>
<td>Independent schools</td>
<td>7,883</td>
<td>6%</td>
<td>41,445</td>
<td>16%</td>
</tr>
<tr>
<td>All schools</td>
<td>130,416</td>
<td>100%</td>
<td>255,110</td>
<td>100%</td>
</tr>
</tbody>
</table>

(Connors & McMorrow, based on ABS, Schools Australia, cat. no. 4221.0)

As noted in Section 1, in 2012 around 75 per cent of the total net recurrent income of all Australian schools was being directed to the employment of over 255,000 full-time equivalent teachers and 9300 specialist support staff. Almost 90,000 of these teachers were in the non-government sector, with over 3250 specialist and support staff.

In 2011, total government funding to non-government schools from Commonwealth and state sources amounted to around $10 billion (ACARA, 2009–12, & 2013). This is well in excess of the total expenditure of just under $8 billion on teacher salaries by non-government schools in that year. At the individual school level, only about 5 per cent of all schools in Australia (those at the higher-fee end of the Independent sector) spend more on their teaching staff than the amount they receive in the form of public recurrent grants from both Commonwealth and state sources. This means that, in 95 per cent all Australian schools, students are now working in their classrooms with teachers whose salaries are covered by funds from the public purse.

Teachers in the government school sector are on the public payroll. In the non-government sector, the salaries are covered by combined recurrent grants from both levels of government. One of the imperatives for public funding of non-government schools by the Commonwealth in the 1970s was to protect the Catholic system from collapse due to the loss of the contributed services of its religious teachers. Governments now underwrite the costs of teaching in Catholic systemic schools and also pay for the teaching staff in an array of pre-existing and new Independent schools. They do so with minimal authority to decide which students gain access to the services of these teachers.

**Concluding comments**

Four decades of Commonwealth funding of schools has changed the face of education in Australia. At the beginning of significant Commonwealth funding of schools, the primary obligation of governments was to maintain government school systems at the highest standards,
open to all, without fees or religious tests. In 1974, those obligations were enshrined in relevant Commonwealth legislation, but by 2011 they had been expunged from the legislation.

Public funding of non-government schools since the 1970s has facilitated significant growth in student and teacher numbers in that sector, as well as financing educational improvements. The imperative to stabilise the financially fragile Catholic system has culminated in governments now assuming funding responsibility for teaching staff in the bulk of non-government schools, as well as all government schools.

In the Australian federal system of government, the public funding of non-government schools has become the national government’s major investment in education. Schools funding has become completely enmeshed in the structural weaknesses of Australia’s federal system. The delays by the Rudd–Gillard governments in dealing with the widely documented flaws in the Howard Government funding model meant that a whole cohort of students began and ended their schooling affected by its inequities. These inequities were not only a growing source of tension between the sectors, but within the non-government sector itself. And evidence was accumulating of growing socioeconomic stratification between schools, within and between the government and non-government sectors. Such was the public policy imbroglio confronting the Gonski Review Panel, when it began its work, in 2011.
An open and independent review of national schools funding is rare in Australia. From the time of the seminal report of the Whitlam Government’s Interim Committee for the Schools Commission (Karmel, 1973), the only other significant review of schools funding was undertaken by the Schools Commission for the Hawke Government in 1984 (Commonwealth Schools Commission, 1984a). When Julia Gillard, as Education Minister, commissioned the Labor Government’s review of schools funding in April 2010, her expectation was that the Review would help generate informed discussion as a basis for community consensus in this longstanding and divisive area of public policy (Gillard, 2010). This was a big ask.

The Gonski Review Panel’s draft terms of reference were wide ranging and in keeping with the then Government’s desire to replace the Howard Government scheme with funding arrangements that were transparent, fair, sustainable and educationally effective. The terms of reference were subject to community consultation and the final terms of reference were released in November 2010 (Australian Government, 2010b).

A significant decision, taken at the outset of the Review by the Gillard Government was its undertaking that ‘no school would lose a dollar’ should any proposed funding formula deem a school to be funded at a lower level (Gillard, 2010). This instruction, born out of Labor’s fear of re-opening political responses similar to those experienced in the 2004 federal election, inevitably influenced the review’s funding options and costs.

Membership of the Gonski Review Panel

Government appointments to the Review Panel embraced a wide range of experiences and records of achievement.

The Panel Chair, David Gonski AC, had participated in and led a large number of corporate, governmental, artistic and philanthropic bodies. His experiences in educational policy and administration included positions as Chancellor of the University of New South Wales and Chair of Sydney Grammar School Board of Trustees. Gonski’s distinctive surname metamorphosed into a generalised description and title of the Review and, later, the Panel’s recommendations for schools funding, before and after the 2013 federal election. His name is still used in the Australian Education Union’s ‘I give a Gonski’ campaign and in ongoing commentary on the topic of schools funding.

Other review panel members were drawn from a range of areas.
Ken Boston AO brought considerable range and depth in educational administration to the Panel, having been head of policy and planning in the Victorian Education Department, Director-General of Education in South Australia and New South Wales (NSW), and Chief Executive of the former Qualifications and Curriculum Authority in the United Kingdom.

Kathryn Greiner AO had leadership roles in the area of local government and in a number of corporate, health and arts related organisations. A former deputy chancellor of Bond University, she also chaired the council of an Independent school.

Carmen Lawrence, at the time of her appointment to the Gonski Panel, was a director of the Centre for the Study of Social Change at the University of Western Australia. Dr Lawrence was a former Labor Minister for Education and Premier in the Western Australian Government, following which she was elected to federal parliament in 1994, where she held front bench positions until 2002.

Bill Scales AO, Chancellor of Swinburne University of Technology and Chair of the Port of Melbourne Corporation, brought to the Panel previous experience as Secretary to the Department of Premier and Cabinet in Victoria; member of the 2009 Bradley Review of higher education; member of COAG Senior Officials group; and Chair and CEO of the organisation now known as the Productivity Commission.

Peter Tannock AM, Vice Chancellor Emeritus at the University of Notre Dame, was in a unique position when appointed to the Gonski Panel. His schools policy lineage goes back to membership of the Interim Committee for the Australian Schools Commission and its report _Schools in Australia_ (Karmel, 1973); and then as a member (1974–81) and Chair (1981–85) of the Schools Commission, following which Dr Tannock worked in a number of leadership roles in Catholic education.

Clearly the Gonski Review Panel was comprehensively experienced and well placed to provide strong policy advice to government on funding reform for schools.

**Gonski Review Panel’s process of consultation**

Over the almost two years of its life, the Gonski Panel met with individuals and interest groups, consulted 71 stakeholder groups, visited 39 schools, received around 6000 submissions, of which 1990 were published on the Review’s website, and commissioned and released discussion and research papers (Allen Consulting Group, 2011; Australian Council for Educational Research, 2011; Deloitte Access Economics, 2011; NOUS Group, 2011). The Review Panel’s final report, _Review of Funding for Schooling_ (Gonski, 2011) was presented to the then Minister for Education, Peter Garrett, in December 2011, and released publicly in February 2012. The Gonski Report was scathing in its criticisms of the funding arrangements put in place by the Howard Government and extended by the Rudd and Gillard governments.

... The current funding arrangements for schooling are unnecessarily complex, lack coherence and transparency, and involve a duplication of funding effort in some areas. There is an imbalance between the funding responsibilities of the Australian Government and state and territory governments across the schooling sectors.

There is a distinct lack of co-ordination in the way governments fund schooling, particularly in relation to directing funding to schools based on student need across jurisdictions and sectors.

There is also a significant overlap in the funding priorities of the Australian Government and state and territory governments. The overlap leads to duplication and inefficiency, and makes it difficult for governments and policy makers to decide how best to fund the needs of school systems and schools.
It is not always clear which level of government is providing funding, nor what role the Australian Government and state and territory governments should play in funding particular educational priorities ...

Historically, the states and territories are the primary funders of government schools and the Australian Government is the primary funder of non-government schools. These roles are divisive within significant parts of the Australian community because they can give the false and misleading impression of a preference by the Australian Government for non-government schools, and a corresponding false and misleading view of neglect by state and territory governments of the funding needs of non-government schools.

Australian Government funding arrangements for government schools, and for non-government schools under the socioeconomic status funding model, are based on an outdated and opaque average costs measure, the Average Government School Recurrent Costs. As such, the funding that is provided to schools does not directly relate to schooling outcomes, and does not take into account the full costs of educating students to an internationally accepted high standard of schooling.

(Gonski, 2011, pp. xiv–xv)

In particular, the Report stated that new funding arrangements were needed to optimise the funding effort from all sources, especially to improve the educational outcomes of disadvantaged students.

**The context for the Gonski Review**

The Gonski Panel nailed its colours to the mast with its adoption of the principle that:

... new funding arrangements for schooling should aim to ensure that ... differences in educational outcomes are not the result of differences in wealth, income, power or possessions ...

(Gonski, 2011, p. 110)

The problem is that this egalitarian sentiment cannot be fully translated into public policy. This is because Australia is a democracy where governments do not impose limits on the wealth, income or possessions that individuals may legally accrue. Nor do democratic governments prohibit individual parents from investing as much of their own private wealth or income on their own children’s education as they choose.

There are also limits to the power of governments to curb the market power of schools serving communities with wealth and influence, even if they were to use their superior income for purposes that might be construed as advantaging their own students at the expense of others. Such behaviour could include, for example: excluding students who have proven costly and challenging, leaving them for other schools to deal with; providing inducements to attract the most talented students and teachers from less advantaged schools; providing scholarships to teacher education faculties in order to secure the most talented graduates; and competing for students with other schools through superior marketing strategies.

The best that the Gonski Panel could have done to express its shared commitment to equity would have been to recommend to the Government that public funding should not contribute to resource gaps between schools when they lack educational justification. But the Gonski Panel could not make such a recommendation because the Labor Government had already announced its proviso that there were to be ‘no losers’ arising from the Review. There is no denying that material and cultural capital available to children from educationally privileged homes increases their chances of success at school. What is not acceptable is for governments to use public funds to increase the gap in resources and opportunities between these children
and their less advantaged peers, rather than to reduce it through targeted funding based on educational need.

When the Australian Education Act (2013) came into force, the egalitarian spirit of the Gonski Report was expressed in its preamble in a more practicable form:

*The quality of a student’s education should not be limited by where the student lives, the income of his or her family, the school he or she attends or his or her personal circumstances.*

(Parliament of the Commonwealth of Australia, 2013, p. 2)

**The Gonski Review Panel’s recommendations**

The Review Panel’s proposed funding reforms were constructed around the following elements.

**The Gonski Schooling Resource Standard**

The Panel recommended that an explicit recurrent resource standard be set for each school and that recurrent funding from both levels of government and, in the case of non-government schools, from private sources, would contribute to the achievement of those standards.

This approach built on the tradition of the Karmel target standards and the Hawke Government’s ‘community standard benchmark’ for general recurrent funding of schools. This differed from the approaches taken by the Fraser, Keating and Howard governments, as discussed in Section 2, where Commonwealth general recurrent funding of government and non-government schools had been linked to fluctuating percentages of state spending on government schools.

A cornerstone of the proposed new funding arrangements was the development of ‘sector blind’ schooling resource standards, applicable to all schools, government and non-government. It consisted of two parts. One part, the base support, was to be a per student dollar amount for primary and secondary students for schools with minimal disadvantage. The second part consisted of differential loadings for schools with various forms of disadvantage. This was an acknowledgment that, while all schools share in the total workload of the school system as a whole – the tasks of teaching and learning – some schools do a greater share than others of the ‘heavy lifting’.

**Gonski Panel’s use of reference schools**

The Panel proposed the adoption of an objective process for setting the proposed minimum resource standard, by taking the actual recurrent resource levels in schools without significant disadvantage, and in which students were achieving appropriately high standards, as measured against national assessment data.

It examined the resource characteristics of selected schools to establish benchmarks. A total of 1408 ‘reference schools’ were selected on the basis that at least 80 per cent of their students were achieving the national minimum standard from NAPLAN test results (Gonski, 2011, p. 157). Of the selected reference schools, 718 (51 per cent) were in the government sector, 424 (30 per cent) were Catholic schools and 266 (19 per cent) were Independent schools. Regression analysis was then applied across the selected schools, to provide an estimate of the minimum recurrent resource standard required for schools to meet the educational standard outlined above. This resource standard was estimated using 2009 price levels, to be around $8,000 per primary student and $10,500 per secondary student (Gonski, 2011, p. 165).

In setting that standard, the Gonski Report recommended a minimum grant for all schools to support them in reaching the minimum recurrent resource standard. It was consistent with the government’s requirement that there be ‘no losers’. But it meant that schools operating
well outside the proposed Gonski resource standards would continue to receive at least their current level of public funding. A significant outcome of this process was the degree of stability it provided since the standard closely approximated the 2009 measure of AGSRC, which had been set at $8,380 for primary and $10,646 for secondary students in that year (Harrington, 2013, Table 2, p. 20). It is not clear from public documents whether the similarity of the Gonski proposed minimum resource standard to the AGSRC was serendipitous or reverse engineering.

The Review Report recommended a more rational approach to indexation be adopted, based on actual changes in the per student costs of schooling in the reference schools (Gonski, 2011, p. 171). This distanced the indexation methodology from state budget outcomes, but could potentially open up the measure to systemic and idiosyncratic decisions by the range of government, Catholic and Independent schools within the pool of reference schools. Indexation will be discussed further in this review paper.

Loadings in addition to the minimum Schooling Resource Standard (SRS)

For the bulk of schools, the Gonski Report’s funding model provided loadings for disadvantage, additional to the minimum per student amount. Loadings gave the formula its ‘progressive’ character. This meant that each school had a resource standard that reflected the workload arising from the particular students it enrolled, as well as the circumstances in which it was operating. Indicative loadings were suggested to take account of the following factors: school size and location, low socioeconomic status, Indigeneity and ESL proficiency (Gonski, 2011, p. 169).

The Review Panel’s advice was that schools exhibiting multiple forms of disadvantage would receive all the relevant multiple loadings. The Report advised that setting the amounts for these loadings would require further work, based on nationally consistent data (Gonski, 2011, p. 257), and it recommended that the independent National Schools Resourcing Body (NSRB), discussed below, undertake this task.

The Report recommended that the then current range of targeted programs should be folded into the proposed model for developing recurrent resource standards for schools. Such targeted or ‘special purpose’ programs are often politically unstable, short-term and difficult to evaluate; and are no substitute for providing schools with the recurrent funding that they need to deal with their regular and predictable workload in a sustainable way (Connors & McMorrow, 2010, p. 83). Loadings for disadvantage would, if implemented, provide a more secure and stable method of distributing targeted public funding to schools.

In recommending individual student loadings to address differential resource needs among schools, the Gonski Panel opted for what was in effect a form of paperless voucher funding, whereby individual students would attract an artificial level of funding. The problem is that the size of the loading needed can only be accurately calculated in actual educational settings. The loading needed by an individual student will vary according to the range and concentrations of students in each school, as well as to the characteristics of the school itself. Starting the process of assessing need with the individual student rather than with the implications for the staffing and other recurrent resources of the school in the light of its overall student intake is likely to reduce the efficiency, effectiveness and educational impact of the funding invested.

Schools funding model

Having established the appropriate resource standards for schools, the Panel’s next step was to advise on the allocation of funding needed by individual schools to achieve their educational resource standard, and by this means to establish the total level of funding that would be required for each school from the funding partners. The Gonski Panel acknowledged the unique obligations of the government school sector in its Report.
The government sector is required to provide access to a place for all young people whose parents wish them to attend a government school and has less scope to deny entry or exclude some students than non-government schools. It is important for the future of Australian schooling that the government sector continues to perform the role of a universal provider of high quality education which is potentially open to all.

This has significant implications for funding and means that, in practice, funding for government schools from fees cannot be significant or compulsory.

The Report recommended that a small number of special and other highly disadvantaged non-government schools with concentrations of students with very high support needs should be fully publicly funded (Gonski, 2011, p. 176). With the exception of these schools, the Review Panel recommended that non-government school parents and community members should continue to contribute to their school’s resource standard through admission fees and other sources of private income (Gonski, 2011, p. 175). The Panel recommended a continuum of public grants, according to a sliding scale of anticipated private income, based on a reformed calculation of each non-government school’s socioeconomic status (SES), a more direct process than that used by the Howard Government’s scheme.

The Gonski Report recommended that, for schools in the lowest quarter of SES scores, 90 per cent of the proposed per student schooling resource standard be met from public sources, with parents and communities being required to contribute the remaining 10 per cent. The report recommended a maximum public contribution of 20 or 25 per cent for schools with SES scores at around 130, with the remaining 75 or 80 per cent of the basic resource standard coming from private sources (Gonski, 2011, p. 178).

In its recommended minimum per student recurrent resource standard of $8,000 primary and $10,500 secondary, in year 2009 prices, the Panel was proposing that combined Commonwealth and state funding for non-government schools with the lowest SES scores should amount to 90 per cent of that standard, namely $7,200 per primary student and $9,450 per secondary student. For the highest SES schools, that maximum public subsidy from all levels of government would amount to between $1,600 to $2,000 for primary and $2,100 to $2,625 for secondary students. Loadings would be in addition to these base amounts, irrespective of the school attended. These decisions resulted in a funding model for schools as shown in Figure 3.1.

**Figure 3.1: Gonski model for funding the schooling resource standard**
Figure 3.1 represents the balance in the contribution of public and private funding that Gonski recommended to enable each school to reach its own resource standard, as calculated from the mix of the minimum standard and any loadings appropriate to that school. Government schools and a small number of high-needs non-government schools would be fully funded from public sources. For the remaining non-government schools, Figure 3.1 shows the sliding scale of public grants between the maximum and minimum for non-government schools. The decision to recommend a minimum grant for schools with very high SES scores and resources, in accordance with the Gillard Government ‘no losers’ requirement, flattened the slope of the ‘public contribution’ line in Figure 3.1, inflated the level of public funding for schools in the upper SES range, and greatly increased the total cost of the reforms.

Additionally, the Panel recommended that funding allocated to government and non-government systemic schools should continue to be paid to system authorities, rather than directly to the schools themselves. System authorities would retain the power of funds dispersal. In practical terms, then, the only schools that would receive directly the exact amount of dollars they attracted under the Gonski funding model would be independent non-government schools. To overcome any concerns about possible inequities in authorities’ distribution to individual schools within systems of their precise Gonski funding entitlement, the Panel proposed enhanced transparency and accountability provisions, to maintain the integrity of the funding model (Gonski, 2011, p. 181). Reporting on expenditure from all sources would continue to be publicly available through the MySchool website. Transparency remained an explicit goal for the Review Panel.

Recommendations on capital and infrastructure funding

While acknowledging that their funding reforms were directed at recurrent resources, the Gonski Panel also proposed major reforms to capital and infrastructure funding. Included in these recommendations were new school planning processes and structures for the funding, planning and development of new and existing government and non-government schools, nationally and in each state.

\[\text{An Australian Government capital funding stream for new schools will also enable the balanced development of new schools in new suburbs and towns, and facilitate co-ordinated and efficient planning and support the appropriate expansion of existing schools.}\]

(Gonski, 2011, p. 186)

The Report recommended that school planning authorities be established in each state to develop a coordinated approach to planning for new schools and school growth; and that, to this end, the Commonwealth establish a School Growth Fund for new schools and expansion of existing schools (Gonski, 2011, p. 186). These proposals had echoes of the Hawke Government’s New Schools Policy.

Recommendations on national agreements

Central to the Panel’s funding model was the reaching of national agreement on the roles and responsibilities of Commonwealth and state governments for the funding of government and non-government schools. In particular, the Panel recommended that governments coordinate their funding in a coherent and concerted effort to support the achievement of the resource standards in all schools. This would require the Commonwealth to provide enhanced funding support for government schools, and the states to increase their relative funding of non-government schools, to overcome the dysfunctional imbalance in their responsibilities for both sectors (Gonski, 2011, p. 194).
The coordination of public funding of all schools across both levels of government was arguably the most ambitious recommendation of the Gonski Review, as it constrained state budgets for the longer term. It required the states to put in new money, to agree to commit to the proposed resource standards for their schools, and would subject them to transparent accountability in the dispersal of those Commonwealth funds. Such provisions would have heralded a new era of shared commitment to coordinated and transparent funding policy for schools across both levels of government.

National Schools Resourcing Body

The Gonski Review was remarkable for the breadth and depth of the issues it covered. The time available to the Review Panel, however, did not allow sufficient time for it to finalise advice on the value of a loading for students with various forms of disability. Instead, the Panel recommended further work by Commonwealth and state governments, in consultation with non-government school authorities, to provide a fully publicly funded entitlement for students requiring different levels of assistance in regular schools and in special schools for students with disability (Gonski, 2011, pp. 184–5).

Despite the extent and depth of research underpinning its recommendations, the Report acknowledged that significant further work was required to develop the details of the proposed resource standard. The Report recommended that governments establish an independent National Schools Resourcing Body (NSRB), under the aegis of the then Ministerial Council of Education, Early Childhood Development and Youth Affairs (MCEECDYA), with a remit to monitor, review and research the application and further development of the proposed schools resourcing standard (Gonski, 2011, p. 192).

This recommendation was made in the hope that advice to government in the highly fraught area of schools funding would overcome the predictable self-interest built into the claims and campaigns of government and non-government school groups and authorities. As noted in Section 2, since the abolition of the Schools Commission in 1987 and the Schools Council of the National Board of Employment, Education and Training in 1996, governments, and Commonwealth governments in particular, had been reluctant to operate within the parameters of any kind of structured independent advice from statutory authorities.

Cost of the Gonski model

Modelling of the Gonski Review Panel’s proposed funding scheme indicated that the additional cost to governments of all schools achieving the resource standard would be around $5 billion in year 2009 prices. This represented an increase of some 15 per cent on total recurrent spending on schools by Commonwealth and state governments in that year. The Report also noted that, based on the current proportion of total funding, the Commonwealth would bear about 30 per cent of the increase (Gonski, 2011, pp. 208–9). The idea that states would need to increase their funding of both government and non-government sectors by around an additional $3.5 billion annually once the new funding scheme was fully in place was, to say the least, politically challenging.

The Gonski Report outlined the total increase in funding, by sector, in general terms. Government schools would receive around 75 per cent of the increase, or around an extra $3.75 billion, with non-government schools receiving the remaining 25 per cent, or $1.25 billion. The proportions of this projected allocation reflected both the size of the government sector and the higher incidence and concentrations of disadvantaged schools and students in that sector (Gonski, 2011, p. 208). This relative allocation of additional funding between the government and non-government school sectors had the effect of confirming the claims of the government school community that the needs of their schools had long been neglected under existing funding arrangements, and which would now be given the required redress.
Initial reactions to the Gonski Report

The release of the Gonski Report in February 2012 was met with strong support by decision-makers and other individuals and groups associated with schools, as a way forward in the politically hazardous area of schools funding. Government school interest groups were wholeheartedly supportive.

_Historic Gonski Review support greater public school funding._

(Australian Education Union, 2012)

The National Catholic Education Commission found the Gonski Report:

... was a major piece of work and a roadmap for the way forward.

(National Catholic Education Commission, 2012)

The Independent Schools Council provided cautious support, including acknowledgment that:

... schools that educate disadvantaged communities deserve special funding arrangements regardless of sector.

(Independent Schools Council of Australia, 2012)

The organisation representing Christian schools praised the Gonski Review Panel:

... for a report that met the promise of being sector blind, and genuinely tackles the challenges of improving educational standards for the whole Australian community.

(Christian Schools Australia, 2012)

The initial enthusiasm of the non-government sector was soon to dissipate, possibly in anticipation of the return of a Coalition government which would be more favourable to its interests.

Gillard Government responses to the Gonski Report

On receipt of the Gonski Report in December 2011, the Gillard Government accepted its broad funding principles and architecture, but did not make any initial commitment to the Panel’s advice on the level of funding needed to meet the resource standard. The Gonski Review’s recommendations on capital funding were summarily dismissed in the wake of the government’s investment in the Building the Education Revolution program (Australian Government, 2012a). The recommendation for the NSRB met a similar fate later that year, being dismissed by Minister Garrett as an unnecessary addition of another level of administration and bureaucracy.

The Gillard Government’s immediate focus was to set in train the further work and consultation the Gonski Report had recommended as necessary to develop a detailed funding model (Australian Government, 2012a). This involved intensive modelling and negotiations with state governments, with non-government school authorities and with other major interest groups, such as teacher unions from both sectors.

While this work was proceeding, the government tabled its initial Australian Education Bill in November 2012, in advance of detail on funding commitments. It was more a statement of intent than enabling legislation for a funding scheme. This Bill set out principles for responding to the Gonski Report through a proposed National Plan for School Improvement (Parliament of the Commonwealth of Australia, 2012). It was not until the Commonwealth Budget of May 2013 that the scale and timing of the Gillard Government’s funding commitments were made clear. That budget provided aggregated or cumulative funding of around $10 billion over six years to support the Gillard Government’s financial response to the Gonski Review (Australian Government, 2013, p. 2).
This level of investment, to the end of the six years transition period (2014–19), was consistent with the amount set out in the Gonski Report. It would have resulted in an additional annual investment of the real terms equivalent of the $5 billion estimated to be necessary by the modelling that underpinned the Gonski recommendations. This, of course, entailed the states meeting their share of the bill.

The Gillard Government indicated, however, that it was prepared for the Commonwealth to shoulder a far larger proportion of this cost than the 30 per cent contribution proposed by Gonski, to total public funding of all schools. The government now indicated that the Commonwealth was prepared to fund 65 per cent of the additional funding required in the transitional phase, to bring all schools up to the national schooling resource standard proposed by the Gonski Report. Of this amount, however, two-thirds was projected for the final two years of the six-year commitment, and was therefore outside the formal four-year budget (and also the electoral) cycle. This was to prove a highly significant deferral.

More detail about the outcome of the Gillard Government’s negotiations with states and non-government school authorities was revealed in the tabling of an amended Australian Education Bill in June 2013.

Schooling Resource Standard (SRS)
The Gillard Government’s Schooling Resource Standard (SRS) formed the centrepiece of its funding strategy for schools, as previously discussed. Consistent with the advice of the Gonski Panel, the SRS comprised a per student base and additional loadings for disadvantaged schools and students. The Government’s expectation was that almost all schools would have reached their SRS benchmark by 2019 (Garrett, 2013).

The minimum amounts for 2014 were determined at $9,271 for each primary student and $12,193 per secondary student. These amounts were generally consistent with the Gonski Report’s estimates, adjusted for subsequent inflation over the five years since 2009, and as such confirmed the real value of the minimum per student grants recommended in the Gonski Report. Even to achieve this minimum level of support would be a most significant improvement in equity for some students.

Loadings
There were intense negotiations between school authorities and the states, during 2012 and 2013, which centred on the balance between the proposed base per student funding and the nature and the range of loadings for students and schools with special needs. These negotiations resulted in significant differences between the Gonski Report’s ‘indicative’ loadings, and the eventual provisions of the Government’s legislation for schools, in the Australian Education Act, and elements set out in the National Education Reform Agreement (COAG, 2013; Parliament of the Commonwealth of Australia, 2013, ss 34–49).

The outcome of negotiations with state and non-government authorities in 2012 and 2013 was a broadened range of schools eligible for loadings, particularly in relation to the low socioeconomic status and Indigeneity benchmarks. Another change was a minimum loading for every student with an Aboriginal or Torres Strait Islander background, a form of Indigenous voucher.

The Gillard Government’s decisions on loadings formulae had the effect of further diluting the prime intent of the Gonski Report, which was to target those schools and students with the most intensive and concentrated support needs. The decisions reflected the circumstances and interests of non-government schools, in particular. Some of the loadings for 2013, such as those for school size and location, and for students with disability, were clearly work in progress, where the Panel had indicated more information would be needed.
Participating and non-participating schools

The Australian Education Act 2013 set out separate arrangements for ‘participating’ and ‘non-participating’ schools, and provided differential Commonwealth funding for states, contingent upon whether or not they agreed to participate in the shared funding arrangements. Government schools in states that agreed to sign up to the National Education Reform Agreement, and thus to the funding model, were defined in the legislation as participating. For participating government systems to qualify for the proposed additional Commonwealth funding, the relevant state governments were required to maintain their own baseline, or existing level of funding, as well as to provide their agreed share of the additional funding needed for transition to the resources standard. The Act provided that the government schools in states failing to meet these conditions would lose their participating status and, therefore, the Gonski funding increases (Australian Education Act 2013, s 65).

Non-government authorities were not required to sign the National Education Reform Agreement, as the non-government sector, schools and systems were automatically defined as participating in the new funding arrangements, signing a Memorandum of Agreement with the Commonwealth. This step was deemed necessary to provide ongoing funding for this sector, with the existing funding arrangements inherited from the Howard Government due to expire in 2013. This differential treatment of the government and non-government sectors in relation to their participation was bound to exacerbate tensions between schools in states that refused to sign up to the Gillard Government’s funding offer for their government schools, given that government schools would receive no Gonski funds, but the non-government schools in those states were automatically included in the new scheme with its funding increases for most schools.

Indexation

The Gonski Report’s recommendations on indexation were designed for the conventional purpose of protecting the real value of its proposed funding standard, including loadings, through annual adjustments linked to changes in the cost of delivery in the reference schools. In 2013 this recommended measure would have increased funding by around 3 per cent. The Gillard Government’s response to indexation, however, was much more complex. Its approach was effectively to use indexation rates to express policy intentions, rather than to simply compensate for inflation. Additionally, varying indexation rates were applied to different elements of the funding arrangements, as set out in Table 3.1.

Table 3.1: Legislated indexation rates for elements of the Gonski reforms

<table>
<thead>
<tr>
<th>Element</th>
<th>Indexation rate</th>
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<tbody>
<tr>
<td>Schooling Resource Standard (SRS)</td>
<td>Indexed annually by 3.6 per cent</td>
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<tr>
<td>Schools operating above the SRS</td>
<td>Indexed annually by 3.0 per cent</td>
</tr>
<tr>
<td>Commonwealth baseline funding</td>
<td>Indexed annually by 4.7 per cent for participating States and for all non-government schools; indexed annually by 3.0 per cent for non-participating states</td>
</tr>
<tr>
<td>State baseline funding</td>
<td>Indexed annually by 3.0 per cent</td>
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(COAG, 2013, p. 29)

The effect of the decision to apply the largest indexation rate to baseline funding was to overcompensate non-government schools for their loss of the funding previously provided by the Average Government Schools Recurrent Cost (AGSRC), which had averaged 6 per cent annually over the last decade, but which had fallen to under 4 per cent in recent years. In this
context, a fixed and guaranteed level of indexation of 4.7 per cent for baseline funding was an attractive outcome for non-government schools. This significant decision offset the lesser share of the needs based Gonski loadings that would have been provided to non-government schools and thus privileged the ‘entitlement’ element of the funding model over the ‘equity’ element, while also adding to the overall cost of the scheme.

Funding projections

In the run-up to the 2013 election, hoping to build on strong public support for the Gonski Report, the Gillard Government revealed its financial commitments for schools, based on the Gonski Report recommendations. The Government had decided on a six-year period of transition from calendar year 2014 through to 2019 for schools to reach the resource standards recommended in the Gonski Report. By projecting its Budget estimates beyond the conventional four-year period, it was able to show that from 2019, if all states agreed to participate in the new national funding arrangements, schools would be receiving an additional $5.6 billion annually (in 2014 prices). This was consistent with the Gonski Panel’s estimate of the additional investment needed to raise educational achievement, particularly in schools facing the largest challenges. This projected increase in funding was, however, offset by the winding down of National Partnership payments, consistent with the Gonski Report’s advice to roll these payments into the proposed schooling resources standard. The net outcome of the Government’s Budget decisions, in real terms (that is, in constant 2014 prices) is outlined in Table 3.2.

Table 3.2: Commonwealth funding for schools to 2019: Gillard Government projections

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<td><strong>Total</strong></td>
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Notes: Estimated constant Year 2014 prices. Includes National Schools Chaplaincy Program transferred to National Partnerships in 2014–15. Excludes other administered programs. Rows may not sum to totals due to rounding.

(Connors & McMorro, based on Australian Government, 2015, Part 3, Attachment A, Table 38; Australian Government, 2015, Paper 1, Table 1 and Paper 3, Table 2.5; Australian Government, 2014d, Paper 1, Part 3, Chart 3.1, page 21; National Commission of Audit, 2014, Chart 7.11, p. 124; and Attachment Chart 9.7.5)
The overall proposed increase for government schools over the six years to 2019 was $3.6 billion, equivalent to 69 per cent in real terms above their 2013 funding. For non-government schools the proposed increase was $3.7 billion, equivalent to 42 per cent. But there were differences in the make-up of these totals.

For government schools, progress towards this increase was staged in such a way that the full benefits would be withheld until the final year of the six-year transition. Because of their higher proportion of funding from the previous National Partnerships, government schools would suffer the loss of these payments more heavily. The financial effects of the winding down of the National Partnerships programs would counteract the effects of the incoming Gonski gains. Government schools were also more dependent on the full delivery of the loadings, which the Gillard Government deferred until the final years of the transition period.

The non-government sector, by contrast, had less to gain from the delivery of the loadings and less to lose from the winding down of National Partnerships. Under the Gillard Government’s model, the higher level of indexation for baseline funding, as set out in Table 3.1, would disproportionately benefit the non-government sector, as it would apply to a larger base than for the government sector, with non-government schools receiving over 85 per cent of their total increase by 2019 from this source.

The Gillard Government’s negotiations with the peak interest groups and authorities, working on translating the Gonski recommendations into action, were largely conducted behind closed doors. The general public was not privy to any consideration of where the government thought the balance should lie between using public funding to enhance the baseline, or to give the fullest possible expression to its own equity policy goals, especially through the recommended loadings. To fortify the baseline funding through a preferential rate of indexation, amounted to a privileging of the status quo and was in this sense regressive.

It meant that, yet again, the entitlements of schools that had already achieved relatively favourable resource standards for the students they enrol were given precedence, while other schools operating below the level of resources required for students needing more intensive support were kept waiting for five years for their full entitlement, assuming the Gillard Government survived. The chance to do well at school comes only once and is greatly increased by having the opportunities that adequate resources provide. In relation to schools funding, as indeed with most things that matter, justice delayed is justice denied.

Balancing Commonwealth and state contributions

Consistent with the view of the Gonski Review Panel that schools funding should be a shared responsibility between the state and Commonwealth levels of government, the deal that the Gillard Government took to the states was that the Commonwealth would contribute 65 per cent of the additional funding needed to enact the Gonski funding model for all schools. This was contingent upon the states agreeing to provide the remaining 35 per cent of the Gonski increases for government and non-government schools in their own states. In addition, the Commonwealth was asking the states to sustain their own funding effort, namely to maintain the real value of their baseline funding through annual indexation of 3 per cent. This would require states to provide an additional aggregate $5 billion over six years, to combine with the Commonwealth’s contribution of around $10 billion.

The New South Wales Coalition Government had expressed its general support for the principles and policy directions of the Gonski Report and stood to benefit financially from the deal on offer from the Gillard Government, enabling the funding of its own policy goals for NSW schools. It was supportive of the ‘sector blind’ approach to schools funding. It was, no doubt, also sensitive to the high degree of community support for the Gonski Report and to the high-profile ‘I give a Gonski’ campaign being conducted by the Australian Education Union.

The New South Wales Government was the first to sign up to this funding deal in April 2013. The Commonwealth subsequently increased its offer to states by $1 billion, which encouraged
governments in the Australian Capital Territory, South Australia, Tasmania and Victoria to agree to the proposed model on similar grounds to NSW.

**Gonski Report in the 2013 election campaign**

In the months leading up to the 2013 federal election, the Coalition was publicly dismissive of the Gonski Report. Its shadow minister for education, Christopher Pyne referred to it as a ‘Conski’, expressing support instead for the continuation of the SES-based scheme for non-government schools. Conservative governments in Queensland, Western Australia and the Northern Territory fell into line and held out against the Gillard Government deal. Together, they characterised the proposal based on the Gonski Report and the Gillard Government’s legislation as an unjustifiable intrusion by the Commonwealth into the states’ business and as an exercise in red tape. The three recalcitrant jurisdictions also resisted the requirement by the Commonwealth of a state financial contribution to the national effort. This intensified the debate because benefits would flow to non-government schools but not to government schools in those jurisdictions, by virtue of non-government schools’ legislated participating status.

With the September 2013 election fast approaching, however, the federal Coalition was about to change its public tune. In June 2013, Kevin Rudd replaced Julia Gillard as Prime Minister. In early August, and after months of prevarication about its position on the Gonski recommendations, the Coalition, led by Tony Abbott, took steps to neutralise schools funding as an election issue. Abandoning its former criticisms of the Gonski Review and of its implementation by the Labor Government, the Coalition now promised a ‘unity ticket’ with Labor on schools funding. This proved to be a perversive use of the term ‘unity ticket’. What the Coalition undertook to provide, in practice, was to honour only the increases in schools funding promised by Labor over the 2013 budget estimates period. This excluded the fifth and sixth years, to which Labor had consigned most of its additional and critical funding.

During the campaign, despite the unity ticket, the Coalition announced it would dismantle the requirements for state participation in the four-year funding scheme and it promised to include Queensland, Western Australia and the Northern Territory in funding increases, but without formal agreements on their funding commitments towards the Gonski resource standards. The Coalition agreed to honour the deals struck by the Labor Government with the participating states for the first four years, regardless of whether or not those states chose to honour their own funding contribution. The Coalition went to the election assuring states and Catholic systems that under an Abbott Government, there would be no Commonwealth intrusion into how they distributed their block grants among individual schools. According to the shadow education minister Pyne, a Coalition government would amend the legislation to remove the ‘...central control and command features from Canberra that the Labor Party’s model envisages’ (Ferrari, 2013).

The decision taken by the Coalition to adopt what it described as a ‘unity ticket’ with Labor can only be seen as a decision based on political convenience, rather than on any conviction about the need to put schools funding back into a meaningful relationship with its educational purposes. It misappropriated the Gonski Report’s recommendations, ignoring their focus on equity and educational goals. This stance was possible in part due to the complexity of the Gonski recommendations, and the short period of time available to the Gillard Government to get all states on board.

The Coalition’s election ploy was made all the easier by the Labor Government’s strategy of pushing out the real increases to beyond the formal budget four-year estimates period from 2013–14 to 2016–17. It enabled the Opposition to argue that it was not possible to give a formal funding commitment beyond the first four years. Whether they understood it or not, Australians went to vote in 2013 in circumstances where the election of a Coalition government would ensure that schools funding remained a highly contested and divisive issue, that funding beyond 2017 would be uncertain and that the problems discussed in this review paper would remain unresolved.
Abbott Government responses to the Gonski Report

Once in government, the Coalition honoured its election campaign schools funding promises in its first budget in May 2014. But its first budget forward estimates revealed that Commonwealth funding for schools in 2018 and beyond would be increased only in response to growth in student numbers and through indexation by the Consumer Price Index (CPI). Whether this position on indexation can be sustained in the face of pressures from non-government school interests to revert to AGSRC-style indexation is unclear (Elder, 2015). The financial impact of these decisions is outlined in Table 3.3.

### Table 3.3: Commonwealth funding for schools to 2019: Abbott Government projections

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The underlying rationale of the Gonski funding model was that by 2019 almost all schools would be operating at the proposed recurrent resources standard. The Abbott Government’s funding decisions, as outlined in Table 3.3, will not achieve that goal. Under the Abbott Government’s policies, the increase in Commonwealth funding for non-government schools by 2019 will be $2.8 billion, nearly double the increase of $1.5 billion for government schools, whereas the Gonski Panel found that the majority of schools needing additional funding were located in the government sector.

The way the Abbott Government interpreted its ‘unity ticket’ resulted in a 23 per cent increase in funding for government schools over four years, the same as for the Gillard Government, but without the full increase of 69 per cent that the Gillard Government had foreshadowed over six years (see Table 3.2). For non-government schools, the Abbott Government’s funding commitment over the six years is comparable in scale to the increase non-government schools...
would have received if the Howard Government’s SES scheme had continued, subject to any future decisions on indexation.

Concluding comments

The operation of democracy requires an acceptance of rational authority, an intelligent consideration of alternatives, a willingness to participate, and an ability to transcend personal interest for the common good.

(Karmel, 1973, p. 48)

The Gonski Review satisfied the above requirements, articulated almost four decades previously by one of its predecessors, the Interim Committee for the Australian Schools Commission. The Gonski Review proved itself a fine example of a democratic process of policy review and formulation.

The Review Panel, under the leadership of David Gonski, demonstrated recognition of the rarity and value of the opportunity provided by such a wide-ranging review. The Report and recommendations indicate its members recognised the importance of ensuring that all Australian children and young people have equal opportunities through schooling to maximise their life chances; and that this is necessary for the social and economic advancement of the whole society.

Throughout its operation, the Gonski Review inspired a broad section of the Australian community, within and beyond the education sector, to engage constructively with each other and with the Panel in informed debate, in the best interests of the students currently in schools and in the interests of generations to come. The Review gathered broad evidence and made good use of experts beyond the Panel itself to frame constructive and convincing arguments for national schools funding reform. By this means, the Review achieved a remarkable degree of consensus in an area that has long been the source of social and political divisiveness.

Through its well-based criticisms of existing arrangements for schools funding, the Gonski Panel left no doubt about the imperatives for reform. Its Report struck a careful balance between building constructively on the existing funding architecture and on recommending new structures and processes for the future. It also struck a balance between opposing interests and values held by those seeking to drive quality through parental choice and competition, and those seeking quality through cooperation, reciprocity and resource equity among schools.

The Labor Government’s support for a sector blind approach to funding Australia’s hybrid school system was worthy. It is hardly surprising that, in the argy-bargy that ensued about its policy response to the Report’s funding recommendations, the Abbott Government would show itself to be far from blind to sectoral interests and to the pressures being exerted by both sectors, government and non-government, of which the financial outcomes can be seen in Table 3.4.

In a political and fiscal climate of budget stringency, the $5 billion bill for implementing the Review’s recommendations presented Labor with a challenge. Notwithstanding the compromises made in developing its response to the Review, Labor’s policy largely retained the essence of the Gonski architecture and the scale and distribution of the funding needed.

Despite the public resources, the time, the effort and the goodwill invested in the Gonski Review, there has been no public evidence that the Coalition has given it the serious consideration it deserves. Having won government, its decisions to date about schools funding have no educational rationale. Instead, the Coalition has added yet another layer of political expediency to the thick layer that has compromised schools funding since the 1970s.

Without the additional funding required beyond 2017 for all schools to reach their schooling resource standard, the necessary re-distribution identified in the Gonski Report will not be achieved. The costs of continuing inequalities are discussed in the final section of this review paper. Section 4 also examines the longer-term influence of the Report, as providing a foundation for future developments in the evolution of schools funding in Australia.
Putting educational values back into schools funding

Schools funding policies since 1973 have generated dramatic shifts of students, teachers and dollars that have changed the face of schooling in Australia and created a vicious circle of perverse funding, inequality and stagnating achievement. How can we make sense of this history and the forces that have shaped it to create a greater educational return on our public investment in schooling?

The relationships between individuals, schools and society are complex. The decisions made by parents, teachers and schools themselves are made within policy frameworks set by governments. These policy frameworks are also influenced by the political climate of the times. The emergence of political and economic theories since the 1970s and 1980s, frequently characterised as ‘neo-liberalism’, has led to ongoing debate about the respective roles of government, parents and school communities in relation to schooling. The objective of neo-liberalism has been to foster market-based competition and individual choice, to drive social and economic priorities and the delivery of services, freed as far as possible from government regulation, on the grounds that this acts as a disincentive to raising national performance and productivity.

The decisions of individuals and schools are also affected by circumstances and events that lie well beyond the sphere of education policy. These include the continuous social and economic change that drives the development of cities, with their towns and suburbs; and of whole regions. Older working-class suburbs undergo a process of ‘gentrification’ for example, as those enjoying greater affluence move into areas closer to city centres that were once home to factories and their workers. Or worldwide economic changes strip the residents of some regions of their livelihood and create ‘rust belts’.

Even in reasonably egalitarian and open societies such as Australia’s, there will be social segregation within and between neighbourhoods because of the varying degrees of control and choice people have over where they live. Their decisions involve an element of self-segregation that reflects the complex interplay between attitudes and understandings about cultural, ethnic and class distinctions. Some see advantage in living in culturally diverse communities. For others, the pressures and challenges of increasingly diverse populations may lead to a search for comfort and a sense of identity in perceived homogeneities. This self-segregation may not be an indicator of deeply held prejudices or preferences. As the science of complexity theory demonstrates, mildly held preferences at the individual level can, over time, produce high degrees of stratification and segregation (Ormerod, 2002). The effects of social stratification in neighbourhoods then flow directly into schools in their local settings.
Demography also plays a part. The supply of school places is a precondition for choice, and in localities where schools are full, there is less scope for parental choice between schools than exists where there is an excess of places, which allows greater choice and scope for movement between schools.

In summary, the interactive effects of economic change, patterns of affluence in society generally and in specific communities, changing real estate values, trends in the birth rate and in patterns of immigration and settlement are continually interrelating and affect the social composition of schools and school systems. The decisions parents make about the schools in which they enrol their children reflect their own individual encounters with Australia’s pluralistic culture, but also with the market forces intrinsic to schooling. Parents, teachers and schools are continually making decisions about how to respond to these forces, only some of which are peculiar to Australia.

### Market forces intrinsic to schooling

Schools that are conveniently located in desirable suburbs and that serve concentrations of students from well-educated families and communities are ‘strong’ in the market. Regardless of whether they are in the government or non-government sectors, such schools tend to have little difficulty in attracting students or teachers. Other schools are ‘weak’ in the market. Schools in rural and remote areas, for example, and particularly those serving students at the other end of the socioeconomic spectrum are generally hard to staff, even when the overall supply of teachers is adequate. A report commissioned by education ministers in the context of the Gonski Review revealed the following:

> In poor urban areas, public schools ‘over-reflect’ the social profile of the area. They have a disproportionate share of the poorest families, but also of children who are most educationally disadvantaged (not necessarily by socio-economic status) … The result is a pattern of residualisation in poorer communities, and an intensification of the stress experienced in public schools in more socially mixed areas.

*(Teese, 2011, p. vi)*

Pat Thomson is an academic and former principal of a South Australian primary school, where community and family hardship outside the school required a great deal of time and energy to manage the circumstances of its students inside the school. Thomson identifies the ‘time–order economy’ that operates in such schools. She describes how working with these children in such schools inevitably reduces the time allocated to the curriculum, because attention must be given, as a matter of priority, to those students with urgent welfare needs or with challenging behaviour problems. This results in ‘orderly students’ having less teacher attention than they would receive in more privileged localities.

> It is not uncommon for disadvantaged schools to spend much of their staff meeting time on matters that are primarily concerned with order … there is considerable apparatus for, and expenditure of resources on, the development and maintenance of order.

*(Thomson, 2002, p. 48)*

### The effects of parental choice

The market forces relating to schooling are complex and dynamic and they are differently expressed in diverse settings and communities. They may be affected by disparate reactions to multiculturalism; by the capital facilities of the school or by whether or not a school has specialist facilities for those with demonstrated high academic ability or for those with particular forms of learning disability.
While they may not know the term ‘time–order economy’, many parents well understand its application in a school setting. They understand that time spent on task with effective teachers is one of the major factors that lead to school success. They understand as well that the peer group is also a highly significant resource. Very few parents actively choose to place their children in a school with a concentration of students from troubled families and communities. They avoid schools where time on task will be disrupted or where their own children will have to compete with others for their share of teacher time and attention. There is much evidence that, whatever advantages parents are seeking for their children by their preferences for some schools over others, they are seeking it in schools serving families that are at least as socioeconomically advantaged as their own, and preferably more. Such parents are selecting:

... the greater probability that their child will attend classes with peers of similar or higher socio-economic status, that the resources devoted to those classes, in the form of teachers and materials, will be of higher quality, and that those classes will be orderly and even inspiring.

(OECD, 2011, p. 4)

Although the reasons underpinning parents’ decisions about where to send their children to school are essentially personal, the effects of their decisions are social and highly visible.

Access to effective teaching is the most significant resource schools can provide for their students. Unsurprisingly, schools with a high incidence of teacher shortages tend to have lower student achievement as measured by PISA. According to OECD international data, public schools suffer teacher shortages more often than private schools, and Australia is one of the countries in which this gap is evident, including between its government and non-government schools (OECD, 2014).

Many fine teachers find the professional challenges and rewards they are seeking in schools serving disadvantaged communities. But it must be recognised that even when they are successful in improving NAPLAN scores, or adding value to the measurable achievements of the students they enrol, the data show that their schools have not attracted parents whose children have access to schools serving more affluent communities.

Market forces in the government and non-government sectors

Market forces play out differentially between and within the government and the non-government school sectors. In both sectors, for example, those parents with the capacity to buy housing near to or to transport their children to their preferred schools have more options than those without these capacities. And, within both sectors, there is always scope for what might be called covert forms of selection operating beneath publicly stated enrolment policies.

Within the government school system, the idea that each and every government school would represent a microcosm of the whole society always existed more in rhetoric than in reality. The scope for parental choice within the government school sector has been expanded in recent decades by the growth of schools (particularly at the secondary school level) with specialist curriculum emphases, by the relaxation of strict geographic zoning policies, and by increasing availability of traditional academically selective schools, which have always been sought after. Additionally, while private funding represents a very small proportion of total income of public schools, those in more affluent areas can more readily raise funds locally, for facilities or programs, than the government schools in poorer areas.

Market forces within the non-government sector are even more complex. Figure 1.3 showed the underrepresentation of the most socio-educationally disadvantaged students in both the Catholic and, in particular, the Independent school sectors. This is a reflection of the effects of private school fees in excluding students from the poorest families. It also reflects the distribution of private school places by their geographic location in the most, rather than in the least, socioeconomically advantaged areas, and the use of other selection criteria, such as the selectivity of granting scholarships to academically strong students from other schools.
It is not only parental choice of schools that contributed to the stratification process, but the differing capacity of schools to choose the students they enrol. A significant area of difference between government and non-government schools relates to their legal obligations. Non-government schools are able to set their own fees, and other criteria for admission or exclusion of students, on grounds that would be illegal in the government school system. These non-government schools have a statutory exception from a range of anti-discrimination provisions, religious schools having successfully argued their need to avoid compromising the tenets of their faith. Not all non-government schools are faith-based and not all seek to exercise this exemption.

By dint of history, non-government schools are overwhelmingly religious in their origins and parents may well choose these schools for the religious formation of their children. But parental choice of these non-government schools can also be based on non-religious considerations, or on a tenuous or nostalgic relationship with the sponsoring religion, or a mild preference for the perceived ethos of such schools. It could be argued that our segregated and stratified school system does not reflect deeply held religious or social differences or antipathies, but is rather a point at which class and religion can conveniently converge.

It is understandable that non-government schools that provide for parents who wish their children to be educated by and with those who share their own beliefs and values, argue their need to give preference in student admission to those from families who meet criteria set by these non-government schools, to protect their mission and to have scope to exclude those who do not. It is not acceptable, however, for governments to grant broad exceptions from the law to particular groups and to turn a blind eye to how they are applied in practice, or to whether these exceptions are used in an open, consistent and responsible manner. On this matter, governments and non-government school authorities have adopted what amounts to a policy of ‘don’t ask, don’t tell’.

Governments must make the process of discrimination on grounds of religious beliefs far more onerous upon those who wish to practise it, particularly given the investment of public resources in these non-government schools. In the interests of greater transparency, the religious organisations concerned should be required to register with governments their precise religious or other grounds for the right to exclude students or staff from their schools and set out how these exceptions are to be applied to students and to teachers and other staff. This documentation should be publicly available.

Additionally, parents sending their children to non-government schools do not forfeit their right to revert to a choice of government school, should they wish. For these parents, the public school system provides a readily available safety net. The risks of entering a binding financial commitment through the choice of a non-government school are therefore much reduced.

Divisions within the non-government sector have also been changing, with the breaking down of old, sharp sectarian distinctions. Table 2.7 indicated change in the sector was associated with growth, but data released in 2013 by the National Catholic Education Commission reported that of the 47,785 additional students enrolled in Catholic schools in 2012 over 2006, over 97 per cent of these enrolments were from non-Catholic families (National Catholic Education Commission, 2013, Table 38). This snapshot is indicative of the fluidity of parents’ preferences and non-government school enrolment criteria.

Growing socioeconomic stratification of Australian schools

The pattern of exchange leading to an increasing concentration of low-SES students in the government school sector, and an increasing concentration of high-SES students in the expanding non-government sector, had been taking place over decades (Connors & McMorrow, 2010, p. 52). But even since the Gonski Report was released there is evidence of an ongoing upward social thrust across the school system as a whole. According to an analysis of MySchool data over 2010 to 2013, using the ICSEA measure, there have been changes in the distribution of students between the sectors from that set out in Figure 1.3. These changes are demonstrated in Figure 4.1.
From 2010 to 2013, the proportion of students in the lowest quarter of ICSEA scores had declined across the government, Catholic and Independent school sectors. But this decline was far from evenly distributed. The proportion of the least socio-educationally advantaged students in Catholic and Independent schools fell at twice the rate of the fall in government schools. By 2013, government systems were drawing 30 per cent of their students from the lowest ICSEA quarter, while the Catholic and Independent sectors were drawing only 15 and 9 per cent respectively from that quarter. The fact that these changes took place over just three years is concerning.

One of the most radical policies ever undertaken to overcome segregation was the strategy of ‘bussing’ poorer children to schools in more affluent areas in some parts of the United States of America in the 1960s and 1970s. This strategy for encouraging social integration has now largely been abandoned. But it is worth reflecting that Australia appears to have successfully adopted an inversion of this strategy, through policies conducive to the movement of more privileged and affluent students away from the schools attended by their less advantaged peers. This movement is assisted in some states by school transport subsidies from the public purse.

### Counting the costs: social educational and financial

The costs of stratification in Australia’s school system have fallen most heavily on the most vulnerable students, whose parents and communities are weak in the marketplace, lacking the resources or influence to safeguard or to advance their educational interests. But they have produced wider effects on the school system and the society as a whole, in terms of stagnating achievement levels, widening resource inequities and inflated costs.

### Stratification and achievement

The relationship between socioeconomic status and school achievement has long been recognised and has been the catalyst for compensatory programs, in Australia and overseas (Karmel, 1973, pp. 21–24; pp. 91–5). Public policy reports and rhetoric over the past four or more decades have recognised the personal benefits for those who gain the full value of schooling and that these benefits accrue to the nation as a whole.
In terms of benefits to the individual, completing Year 12 alone has been estimated to return a 15 per cent increase in lifelong earnings and close to a 20 per cent increase for completing an AQF Certificate III or IV ... Year 12 or equivalent attainment also contributes to a more skilled workforce, and consequently ongoing economic development and improved living conditions.

(Gonski, 2011, p. 29)

But it is only in recent years that more nuanced insights into the links between the social composition of a school and student achievement have been possible. These insights are based on newly available wide-scale achievement data, along with the capacity to collect detailed information on the socioeconomic profile of individual schools. New technologies have enhanced the collection, analysis and reporting of these data for policy analysis.

The significance of the social mix in schools for student achievement was demonstrated in a discussion paper, prepared by the NSW Department of Education and Training for the Gonski Review (NSW Department of Education and Training, 2011). It contained an analysis of that state’s NAPLAN data, which demonstrated the significant effect on an individual of the socioeconomic status of the other students in his or her school. The performance of a low SES student increased according to his or her access to schools in higher SES bands. Conversely, the gap in performance for students in the most disadvantaged schools grew over time if they were in schools with a higher concentration of similarly disadvantaged students (NSW Department of Education and Training, 2011). Part of the reason for these outcomes is the role of students themselves as intellectual and cultural resources within their schools, and their impact on curriculum, teaching and expectations.

The work of Wilkinson and Pickett has demonstrated that whole societies are adversely affected by inequality, by significant gaps between rich and poor (Wilkinson & Pickett, 2009). There are indications of a parallel effect in relation to schools. Based on data from PISA 2009, Ainley and Gebhardt concluded that:

... from 2000 to 2009 Australian secondary schools became more differentiated in reading achievement and that differentiation became more strongly linked to the average socioeconomic context of the school.

(Ainley & Gebhardt, 2013, p. 13)

In addition, they noted that the gap in Australia in this important domain between high and low SES schools was increasing, and that Australia was the only country in the full OECD range where this gap had increased.

Furthermore, the report of PISA 2009 suggests that school systems with low levels of differentiation [within the student cohort] are more likely to perform above the OECD average and show less pronounced associations of achievement with socioeconomic background (OECD, 2010e: 62–68). The OECD Education Policy Outlook for Australia observes this as an issue and counsels that it is important to ensure that there are mechanisms to mitigate this negative effect (OECD, 2013: 8).

(Ainley & Gebhardt, 2013, p. 87)

The stratification of schools along socioeconomic lines in Australia is partly a result of the significant shift of enrolments from government to Catholic and, in particular, Independent non-government schools since the 1970s. This shift, however, has not been accompanied by evidence of a rise in national educational outcomes. Recent analyses of NAPLAN data confirm that when ICSEA or socio-educational scores are taken into account there are no statistically significant differences between the results of government and non-government schools (Cobbold, 2015). A recent study of more than 4000 children in Australian primary schools found that public and private schools perform equally well on average (Nghiem, Nguyen,
Putting educational values back into schools funding (Khanam, & Connelly, 2015). Bonnor concludes that this is also the case in relation to NSW Higher School Certificate and Victorian Certificate of Education results (Bonnor, 2014).

These research findings are consistent with international comparisons of school performance. Indicators of performance in mathematics across OECD countries, for example, show that:

> ... the performance advantage of private schools compared with public schools is no longer observed in most countries/economies when the socio-economic status of students and schools are taken into account ... private schools – and public schools with students from socio-economically advantaged backgrounds – benefit the individual students who attend them; but there is no evidence to suggest that private schools help to raise the level of performance of the school system as a whole.

(OECD, 2014, p. 410)

All the evidence demonstrates that Australia’s overall achievement levels have come, at best, to a standstill in important learning domains; and that ongoing socioeconomic stratification of schooling has worked against narrowing a persistent gap in performance between socioeconomically disadvantaged students and their more privileged peers. Public investment in schooling should be used to add real educational value to the sum total of student achievements and outcomes, rather than to support the creation of sites of artificial excellence that owe more to student intake policies and groupings than to the effectiveness of the schools concerned.

Stratification and resource inequalities

The socioeconomic stratification of schooling and the stagnation of achievement levels outlined above have not occurred in a resources vacuum. These developments raise questions about the extent to which schools funding policies are implicated.

The analysis of the OECD PISA 2012 results, introduced and discussed in Section 1, noted the general relationship between the overall level of schools’ educational resources and the resources gap between socioeconomically advantaged and disadvantaged schools. Where resources are high, the gap tends to be low, and where resources are low, the gap tends to be high. The OECD analysis also showed that, contrary to the general pattern, Australia has a high level of resources as well as a high level of inequity in the allocation of those resources. Australia’s overall level of schools’ educational resources is above the OECD average, yet it is ranked fifth among 36 participating countries in resource disparity between advantaged and disadvantaged schools (OECD, 2013, pp. 107–8).

Recent work by Shepherd and Bonnor (2014) appears to confirm Australia’s divergence from the general OECD findings. When they related the data set out in Figure 4.1 to corresponding data from MySchool on per student funding of schools, they concluded that public funding provided since the establishment of the Gonski Review Panel was exacerbating, rather than reducing, resource disparities. Looking at the two lowest socio-educational quarters in Figure 4.1, they found that government schools had 56 per cent of students in these quarters, Catholic schools 41 per cent and Independent schools only 26 per cent. Yet public funding increases to these schools over this period averaged 3.6 per cent (about the rate of inflation), 5.0 per cent and 5.5 per cent per annum respectively. They concluded that:

> In examining the entrails of MySchool since 2010 for signs, it would seem that the indicators of educational need have been pointing one way, while public funding for schools has been continuing in the other.

(Shepherd & Bonnor, 2014, p. 10)

When all sources of income, public and private, are taken into account in the calculation of national recurrent income per student (NRIPS), it is clear that the per student recurrent funding gap between government and Catholic sectors is narrowing significantly. The NRIPS gap
between the Independent and Catholic sectors is also narrowing, although at a slower rate. But the NRIPS gap between the Independent and government sectors is widening (ACARA, 2014).

A recent longitudinal study, conducted by the US National Bureau of Economic Research, on children born between 1955 and 1985 and followed through to 2011, has recently reported that a 10 per cent increase in per student spending each year for all 12 years of public school led to 0.27 more completed years of education, 7.25 per cent higher wages, and a 3.67 percentage point reduction in the annual incidence of adult poverty. The effects were much more pronounced for children from low-income families, where spending increases were associated with sizable improvements in measured school quality, including reductions in student–teacher ratios, increases in teacher salaries and longer school years (Jackson, Johnson, & Persico, 2015).

There is mounting and compelling national and international evidence that the interaction of social stratification and schools funding policies has had the effect of reinforcing persistent inequalities in educational outcomes without advancing achievement overall.

The cost of implementing Gonski, especially in stringent times has provided the fiscal context for a rearguard attack on the Gonski Report, with a view to undermining its message that resources are a necessary, even if not sufficient, condition for quality in schooling, as well as for equality of opportunity. For example, the 2014 report of the National Commission of Audit included the following comments:

*The Commission considers that in terms of the efficiency and effectiveness of school funding, what matters most is how schools and classrooms are run. These factors are likely to have a greater impact on student outcomes than spending alone.*

(National Commission of Audit, 2014, p. 125)

It is certainly possible to waste resources through inefficient and ineffective use, but the key point here is that no amount of efficiency and effectiveness can turn inadequate resource levels into adequate ones. Such comments rest on the kind of false dichotomy that bedevils education debate in Australia. A related argument is that it is not the resource levels of schools that matter but the quality of teaching. This ignores the range of resources needed to provide the professional learning, experience and support required at all stages of teachers’ careers, which were built into the resource standards recommended by the Gonski Report. Adequate resourcing of schools is an essential first step towards both their efficiency and efficacy, as was argued and demonstrated earlier in Section 4.

A further argument sometimes put forward in an attempt to avoid coming to grips with the need for adequate resources is that the quality of a school resides in its own independent governance and management so that it does not matter what the level of resources is, so long as the school has independent control of them, and, in particular, its staffing resources. Certainly, schools need flexibility about how best to align their resources to their curriculum and to the needs of their particular students. But when matched with ‘like’ schools, the truly self-managing autonomous schools – Independent schools in the non-government sector – perform no better overall than public systemic schools.

There is an urgent need to consider the range of options for budget repair over the longer term, without surrendering the case for schools funding reform or for neglecting evidence of the social and personal benefits of long-term investment in education from the earliest years. The Gonski Report and the children and young people whose pressing needs it identified deserve more than the specious arguments outlined above.

**Counting the financial costs**

Clearly the social and educational costs of the movements in students and funding outlined above are significant. But what of the financial costs? Governments, Commonwealth and state, spent over $20 billion more on schooling in 2012 than they did in 1973 (in year 2012 prices), with almost half of that increase directed to public funding of non-government schools. This funding increase reflects changes in government policy, such as states’ reductions to class sizes
for the early years of schooling, as well as Commonwealth policies for target resources standards (under Labor governments) and linkage of Commonwealth funding for non-government schools to states’ spending on government schools (under both Labor and Coalition governments).

As discussed in Section 2, with the advent of neo-liberal economic policies in the 1980s and 1990s, the Howard Government argued the case that increasing Commonwealth funding to non-government schools would provide an incentive for parents to move their children from fully funded government schools to non-government schools and thus create savings to the public purse. In terms of the Commonwealth Budget, however, the claim does not stand up. If there were any savings to be made from a shift in the enrolment balance between government and non-government sectors in favour of the latter, then they would not be to the budgets of Commonwealth, but to state governments where they would be the result of teacher reductions and school closures in the public sector, with their related social costs.

Has government funding of non-government schools saved public money?

Those who argue that this shift of enrolment share to the non-government sector has saved public spending, generally base their argument on a comparison of total enrolments in non-government schools with ‘average recurrent costs’ in government schools (Donnelly, 2014). This is, of course, a grossly hypothetical assumption. For a start, it relies on the assumption that the average costs are comparable across all sectors, and ignores sector differences in student profiles. It also ignores the savings in recurrent funding that could accrue to government from the economies of scale that would apply if there were one large system in each state, rather than a scatter of uneconomic government and non-government schools. Other financial savings might also result from the more cohesive planning and sharing of teachers, professional development, buildings, equipment, technologies and transport that would be possible within a single sector.

Rather than governments saving money, they have spent a great deal more than was necessary by funding the increased enrolments over time in non-government as opposed to government schools. Over the period 1973 to 2012, Commonwealth and state recurrent funding of non-government schools rose in real terms from $868 million to more than $10.3 billion. Over the same period, enrolments in non-government schools increased from 612,769 to 1,246,837, an increase of 634,068 students. Between 1973 and 2012, public funding of non-government schools increased by $9.5 billion in real terms. The enrolment of an additional 634,068 students in government schools, however, would have resulted in a lower estimated increased recurrent cost to government, in 2012 prices, of approximately $7.4 billion.

These broad, system-level estimates are based on conservative assumptions, such as MySchool reporting on average per student recurrent income received by government schools. These calculations indicate that, in the period 1973 to 2012, the net difference in the combined cost to Commonwealth and state governments of providing for this number of students in government rather than non-government schools would have been around $2 billion less than the real increase in public funding of non-government schools. If the aim of funding increases to non-government schools was to save public money, the level of public funding well exceeded the amount required to achieve any savings to the public purse.

The estimates and assumptions embedded in these calculations can be complemented by data on the funding of individual schools. We know that a measure of ‘average’ costs is not the basis for funding individual government schools. In fact, the reverse is the case: the costs of each government school, based on the particular needs of its students, are aggregated to produce an average, which means it is an outcome, not a driver, of government schools funding. If students were moved from non-government to government schools (as hypothesised by the ‘non-government schools save public money’ campaigners), they would most likely move to schools in similar localities and with similar socioeconomic characteristics. Within the government school system, schools with high ICSEA scores generally receive funding at a lower level than average government school costs, so any funding differences arising from a
switch of students between sectors are reduced considerably. In this case, the argument that non-government schools ‘save public money’ becomes even more crude and fragile.

Shepherd’s recent analysis of MySchool financial data for Catholic and government schools in Victoria provides an example of the more nuanced approach needed to make justifiable between-system comparisons. Shepherd’s data indicate that if the students from Catholic schools in that state were to be enrolled in statistically similar government schools for students with the same degree of need and advantage/disadvantage, the result would be a net annual saving to government of over $50 million (Shepherd, 2015).

One of the reasons for the putative savings arises from differences between the public and private school sectors in relation to the financial implications for governments. For government schools, public funding is generally provided to each school based on the marginal cost of providing resources for each student. In states where governments use a staffing formula as the mainstay of their recurrent funding to government schools, they avoid the financial diseconomies that arise from using a predetermined per student grant. The marginal cost for each additional student enrolling in a government school ranges from zero, where there is no effect on the recurrent operation of the school, through to the full cost of a teacher, which occurs when the additional student triggers the need for an extra class to be formed and an additional teacher to be employed at a cost of around $100,000 including on-costs.

Non-government schools have far greater capacity to adjust their enrolments to fit their financial situation than government schools, where all students seeking enrolments must be accommodated within the public system. When a student enrols in a particular non-government school, that school attracts a combined per student grant from both levels of government of, say, $10,000, even if the cost to the school may be close to zero. Non-government schools have far greater discretion to avoid enrolling an additional student where this would attract only $10,000 to the school, but require the school to spend around $100,000 in employing an additional teacher.

In summary, the elements that make up the matrix of schools funding described above are unstable; able to be manipulated according to the different structures and obligations of schools; and contribute to the inconsistencies and inequities inherent in Australia’s hybrid system.

The discussion above responds to the claim that increased public investment in non-government schools reduces the costs of schooling to government. Of course, much of the $9.5 billion increase in Commonwealth and state funding of non-government schools over the period 1973–2012 would have been directed to improving resource standards for all students in that sector and not simply for the additional students. If the more edifying claim were advanced that the purpose of these additional funds was to increase resource standards, then that purpose has been achieved. It may well be that these additional resources have contributed to raising achievement levels of particular students in the non-government sector, but not to raising achievement levels overall.

The estimated difference between the costs to government of educating the additional 634,068 students over the 1973–2012 in the non-government rather than in the government sector may not have been so great had the additional students been very high cost students, such as students from socio-educationally disadvantaged backgrounds or those with high support needs. But the opposite was the case. The selective intake of students into the non-government sector had the effect of leaving government schools with an increasingly disproportionate share of students with higher needs, and with the related cost implications.

The point being made here is that the ‘save public money’ and ‘raise standards’ purposes are two separate rationales used to support increased public funding of non-government schools, and should not be confused or conflated in public discussion. The reality is that increased public recurrent investment in non-government schools over the period 1973–2012 has increased the overall costs to governments rather than producing overall savings. To the extent that public funding has been used to effect a shift in the balance of enrolments from government to non-government schools over the past four decades, this has been an inefficient and ineffective investment in terms of quality, equity and financial cost.
Australia’s unique schools funding context

Schools funding policy in Australia has developed in the context of an international political shift towards reducing the roles and responsibilities of government and according greater authority to market forces. It has also developed in the context of increasing cultural diversity and growing affluence in particular sections of the population. These contexts are not unique to Australia, but, over decades, we have pursued a policy mix in relation to schools funding that is radical by international standards. The authors have previously noted:

> Devising a program of public funding for a mixed system of government and non-government schools is challenging. This is especially so when the mix involves distinctive secular and religious education traditions. Australia has not been alone in encountering this challenge, but few if any other countries have adopted policy solutions that have made schools funding as divisive and contested an issue as it is here [in Australia].

(Connors & McMorrow, 2010, p. 43)

When balancing the public funding of schools and the obligations that attach to acceptance of that funding, few countries with as high a proportion of government-dependent private schools as Australia, have opted for so light a set of regulatory conditions governing access to those schools and to the high level of public resources invested in them.

Countries, such as the Netherlands, that decades ago devised a ‘settlement’ through extending significant public funding to existing non-government schools, generally accompanied this funding with a requirement that such schools forego the right to charge private fees. In Australia, by enabling non-government schools to combine public subsidies with uncapped fees, governments have established a set of circumstances for which it is difficult to find any international parallel.

The most striking example of the highly unconventional nature of national schools funding policies in Australia is to be found among those high-resource and high-fee non-government schools that have the following characteristics:

- private fees around twice the level of net recurrent income of government schools with the most comparable student intake
- public subsidies added to their private income, which can amount to around 10 or 20 per cent of their total net recurrent income
- annual fee rises beyond the rate of inflation
- public subsidies combined with capacity to accumulate budget surpluses
- student intakes drawn disproportionately from among the most socio-educationally advantaged end of the spectrum, as set out in Figure 4.1 above; and with under-representation of students from low socioeconomic backgrounds, students with disabilities and Indigenous students (Gonski, 2011, p. 11)
- scholarships to attract students with demonstrated capacity to enhance the performance and image of the school
- disproportionately high expenditure on capital facilities, grounds and buildings (Gonski, 2011, p. 92)
- executive salary packages three times the level of comparable leaders in the public sector (Chilcott, 2014)
- access to the tax benefits of ‘charity’ status.

Such schools represent only a small proportion of Australia’s schools. They form part of a larger group of non-government schools that charge private fees above the proposed national schooling resource standard of $9,271 for primary, or $12,198 for secondary students. Public recurrent funding from both levels of government for these schools totalled more than $830 million.
in 2012. This $830 million is the funding equivalent of providing more than 7500 fully publicly funded teachers in government schools. There is a strong argument that this amount of public funding would be better used to employ those 7500 teachers in schools where their services are more clearly needed.

This argument is especially pertinent when coupled with data on the effects of additional funding for schools around ICSEA band 1100 and above that have recurrent resource levels above the minimum schooling resource standards. The evidence is that further investment in schools at or above the ICSEA level of 1100, provides minimal measurable educational returns. The superior resources of non-government schools at this ICSEA level represent an over-investment of both private and public funding beyond the levels in public schools at the same ICSEA band.

**International approaches to school reform**

Australia’s history of radical funding arrangements needs to be examined against the experience of many other countries that have attempted to raise school performance and student achievement through school reform. In a recent ACER Policy Insights report, Masters identified two broad approaches to reform that have been taken internationally in recent decades (Masters, 2014). The first is based on the belief that improvement will occur if schools are given incentives to improve, including rewards, sanctions and competition. Relevant strategies include: competition for students, school autonomy, parental choice, financial rewards, and sanctions for failure. The second broad approach is underpinned by the belief that improvement results from building the capacities of teachers and school leaders to ensure high quality outcomes throughout the school system as a whole. Relevant strategies centre on: attracting able entrants into teaching, training approximately the number of teachers required, placing a high priority on teachers’ knowledge, and ensuring that high quality teaching and leadership are distributed equitably across all schools (Masters, 2014, p. 9). This review concluded that the countries that have been pursuing strategies conducive to parental choice and competition for students between schools:

> ... tend to be the countries that have experienced the greatest declines in student performance over the past decade. Major English-speaking countries saw significant declines in reading levels, and similar declines in mathematics. Although it is not possible to attribute these declines to any specific education policy, it is also difficult to conclude that incentive schemes and school accountability arrangements in these countries had a positive impact on student performance.

(Masters, 2014, p. 8)

Sweden provides another example of a country where performance fell at all grade levels on international tests from 1995 onwards, following the introduction of market-based strategies in 1992, in this case through a publicly funded voucher system. This decline was accompanied by increased stratification and segregation of students by socioeconomic status and ethnicity (Ravitch, 2013). Chile also introduced a voucher system in 1981. This likewise resulted in a more sharply stratified school system, a shift of enrolments towards the private sector, increased educational spending and largely stagnant achievement levels. Chile has recently passed legislation to end public funding for private schools with selective admission processes, including fees (Bellei, 2014).

Australia has had a longer history than most other countries of funding policies to promote parental choice and competition among schools; as well as combining open-ended public funding with deregulated private fees and charges in non-government schools, since 2001 under the Howard Government. The effects have taken time to surface, while the funding structure has become more and more deeply embedded in the fabric of Australia’s school system.
Politics and schools funding in Australia

Both major parties in Australia have contributed to the evolution of the problems now inherent in Australia’s unique schools funding arrangements, despite their varying policy intentions.

Conservative politics

Schooling has been viewed by the conservative parties in Australia, especially at the Commonwealth level, as predominantly a positional and private good, a means by which parents can protect or obtain social and economic advantage for their own children. The current Liberal Party federal platform confirms this emphasis:

\[
\text{Material reward, cultural enrichment and personal fulfilment may be derived from an effective education system that seeks to overcome limitations imposed by disadvantage and maximises opportunities for all. Liberals are committed to the widest possible freedom of choice in education. The right to choose should not be just a privilege for the rich.}
\]

(Liberal Party of Australia, 2014, p. 15)

Consistent with this view of schooling, Coalition funding policies have privileged the entitlement of individual parents to exercise choice of non-government schooling over the entitlement of all students to the resources most conducive to success at school. The impact of this policy is unsurprising, as economic journalist Ross Gittins affirms:

\[
\text{As anyone who’s done high school economics could tell you, the benefit from a government subsidy of the price of something is shared between the buyer and the seller … All arrangements that separate the true cost of something from what you appear to pay for it at the counter encourage overconsumption, overservicing and overcharging.}
\]

(Gittins, 2012)

As well as receiving subsidies from the government, non-government schools in demand by affluent families have generally taken the opportunity to set their fees at the highest level their market will bear, thus further distorting competition with other schools, based on resource differentials. The evolution of the Commonwealth role to the point where the recurrent funding of non-government schools is its primary financial commitment in education has presented no great political or constituency problems for the federal Coalition. It has, however, created a substantial impost on the Commonwealth budget.

Labor politics

National directions in schools funding since the 1970s have been more fraught for Labor governments than for the conservative governments. Traditionally, Labor has viewed education predominantly as a ‘public good’, and as a driver of economic progress as well as social advancement for the society as a whole. The ALP policy platform and rhetoric emphasises equality of educational opportunity, funding based on need, targeting of resources to schools serving students growing up in poverty and the principle that:

\[
\text{… governments have a prime obligation to adequately and properly fund government schools in order to provide high quality public schooling that is accessible to all children and young people.}
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(Australian Labor Party, 2013, pp. 121–2)
Federal Labor governments have consistently drawn an explicit link between funding policy and the resources actually needed in schools to achieve educational objectives.

Compared to the conservatives, Labor has demonstrated greater commitment to reform of important elements of schooling other than funding, such as teaching standards, curriculum, and the use of data to inform assessment. The establishment over time of such agencies as the Commonwealth Schools Commission and the Schools Council of NBEET, the Curriculum Development Centre and, in more recent times, ACARA and the Australian Institute of Teaching and School Leadership (AITSL) have all been Labor initiatives. These advisory and consultative agencies have broadened participation in decision-making processes by the profession and the school community and contributed to greater transparency and public understanding of policy issues. The Hawke, Rudd and Gillard governments, in particular, put considerable effort into addressing the issue of Commonwealth–state relations in schools funding, through the pursuit of cooperative agreements with the states.

As discussed in Section 2, every Labor leader in the last 40 years has had to run the gauntlet of the alliance of interests that are expressed through the private school sector in Australia. The Rudd and Gillard Labor governments were intimidated by the prospect of opening up the divisive politics of schools funding reform and delayed setting up and responding to the Gonski Review. It lost office before it managed the transition to its own new scheme.

Sources of problems with schools funding

Earlier analysis in this review paper has identified the two main problems in the evolution of schools funding in Australia. First, open-ended per capita recurrent funding of non-government schools has reinforced policies based on incentives, rewards and competition, which in turn has contributed to stratification and stagnating achievement levels. Second, the entry of the Commonwealth into schooling has enmeshed schools funding in the vagaries of the Australia’s federal system of government.

A funding scheme at war with itself

The seeds of the ongoing problems in schools funding in Australia were sown in 1973 when the Senate threatened to block the establishment of the Whitlam Government’s Schools Commission unless its needs-based funding scheme included the highest-resource non-government schools. From that time on, there has been tension inside national funding arrangements between the use of public funding to maintain existing privilege, on the one hand, and that of giving funding priority to schools serving students with the greatest unmet education needs. Academic Dean Ashenden coined the phrase ‘A funding scheme at war with itself’ in commentary on recent decisions by the Victorian Labor Government relating to implementation of the Gonski-based funding procedures (Ashenden, 2015). It is equally applicable to the whole history of Commonwealth schools funding arrangements in Australia.

The open-ended per capita recurrent funding of non-government schools – the first distinctive aspect of Australia’s schools funding – was first evidence in the Fraser years. The Howard Government continued this approach and was able to arrange a funding formula based on socioeconomic status in such a way as to provide the greatest increases to some of the country’s most wealthy and socially exclusive schools. That government passed up the opportunity to design a rational funding compromise between Labor’s ERI-based scheme and its own plan to rank schools by their SES status, which would have minimised the scale of the redistribution required. This would have entailed applying a socioeconomic test to schools categorised on the basis of the ERI measure, or vice-versa by applying a resources test for schools ranked by their SES measure. Such a plan would have given weight to both the resource entitlement of students in non-government schools and a measure of parents’ relative capacity to pay. But that
Putting educational values back into schools funding

opportunity was not taken. Instead, Howard’s political decisions on funding policies resulted in inequities within the non-government sector itself and across the system as a whole.

These political tendencies have been endemic in Commonwealth general recurrent funding arrangements. The Gonski model would have ironed out some of these effects through using funding increases, based on resource standards, to achieve the redistribution required from the standpoint of equity. But, as discussed in Section 3, Labor’s decisions, especially its stance on ‘no losers’, based on negotiations with sectional interest groups, subsequently compromised the potential of the Gonski model. Changes that broadened the range of schools eligible for loadings diluted the focus on schools with the most intensive and concentrated support needs, and, by manipulating the indexation of baseline and needs funding, had the further effect of entrenching privilege over targeting unmet need. The decision by the Abbott Government to abandon the last two years of the Gonski-based model, limiting its redistributive potential over six years, has only strengthened this effect.

Another device used by both the major political parties for privileging entitlement over equity and need is the use of the AGSRC measure, discussed in Sections 1 and 2, to index recurrent funding on the grounds of maintaining parity between government and non-government schools. The AGSRC measure included the real policy ‘betterments’ provided by states, but also included the unavoidable costs arising from their unique obligations to provide for ‘all comers’. The consequent flow-on was then provided at a uniform rate across the non-government sector. What this meant, for example, was that if a state government were to reduce class sizes in the early years of schooling or improve conditions in disadvantaged schools, there would be an automatic financial benefit to all schools in the private sector, including those already operating with lower class sizes, more favourable student–teacher ratios and a highly advantaged student community.

Looking back over the history of schools funding politics at the Commonwealth level, the pattern over the past four decades has been one of Coalition governments improving the recurrent funding levels for Independent schools, with Labor governments emphasising needs-based policies and partially redressing the balance in favour of government schools. The Catholic system could be seen as the fulcrum in this process, and an ongoing beneficiary of it. As outlined in Section 2, schools funding in Australia was brought into disrepute by the assortment of funding protections for Independent schools and Catholic systems, especially during the Howard Government period.

Schools funding in a dysfunctional federalism

The second distinctive aspect of Australia’s schools funding context derives from the enmeshing of schools funding with the vagaries of the federal system of government. The need for structural reform of Commonwealth–State relations generally is now high on the general political agenda in Australia, and, given its impact on schools funding, has been a major theme of this review paper. Between them, a number of states and the current Commonwealth Government have repudiated the cooperative federalism model central to the Gonski recommendations which made schools funding a formally shared responsibility between both levels of government. The thrust of the Gonski-based policy was that Commonwealth funding was contingent upon states’ agreement to maintain their own baseline funding. One intent was to overcome the problem of states using Commonwealth funding as an opportunity to reduce or withdraw their own. Another intent was to allocate additional funding to the schools for which it is intended, giving priority to schools operating below their target resource standards. Without such agreements, the result is a fungible funding scheme, where there is no guarantee that the public resources invested will be applied to their intended educational purpose. This is neither rational nor sustainable over the longer term.

At the same time, the Abbott Government has taken steps to place the future of the Australian federal system on the national agenda. Shortly after coming to office in 2013, it set...
up the National Commission of Audit (NCA) to examine the state of Commonwealth finances. When the Commission reported in February 2014, it highlighted the significant overlap of activities between the Commonwealth and the states in a range of areas, but particularly in relation to schools funding. It proposed the transfer of all policy and funding responsibility for government and non-government schools to the states, with annual funding provided in three separate pools: for government, Catholic systemic and Independent schools (National Commission of Audit, 2014).

This proposal was soon scotched by the Government’s Education Minister, Christopher Pyne. In an address to the Christian Schools Australia policy forum in May 2014, Pyne gave pre-emptive assurances that the Abbott Government would reject the recommendations of the NCA regarding the control of non-government schools funding in the following terms;

> I want to have a direct relationship with the non-government sector as I believe we had since 1963. Having talked to the Prime Minister about this matter many times, it is his view that we have a particular responsibility for non-government schooling that we don’t have for government schooling ... The emotional commitment within the Federal Government is to continue the direct relationship with the non-government school sector.

(Christian Schools Australia, 2014)

This statement signifies confusion between the political sympathies and affinities of any particular party in office, and the Constitutional foundations for any formal considerations about the roles and responsibilities of the Commonwealth and the states in Australia’s federal system.

In June 2014, the Abbott Government released its terms of reference for a White Paper on the reform of Australia’s federation, to be completed by the end of 2015. It subsequently released a discussion paper on roles and responsibilities in education (Australian Government, 2014b & 2014c), which criticised the previous Labor Government’s implementation of the Gonski recommendations regarding intergovernmental relations. The White Paper foreshadowed potentially significant changes in the roles of Commonwealth and state governments for government and non-government schools.

The openness and quality of the White Paper process can only be welcomed as an impetus to the reform of Commonwealth–State relations generally. But the issues raised by the Gonski Review remain, with schools funding enmeshed in the chronic dysfunctions of Australian federalism. And the immediate effect of this process is to add to the lack of certainty and stability around schools funding.

The uses and abuses of financial statistics

A further damaging feature of schools funding in Australia has been the scope for the manipulation of financial statistics. The complexities of financial statistics are of critical importance in schools funding policy. Since the demise of the Schools Commission in particular, informed debate has become an arcane discussion between aficionados. At the same time, various interest groups and commentators, whether or not by design, have abused financial statistics to mislead and confuse public discourse. Partly because of the complexities of the federal system, governments have been remiss in not developing coherent and consistent national arrangements for the collection, presentation and interpretation of financial statistics, in ways that build public confidence and understanding, and that enable broader participation in an informed and rational debate.

Comparisons between government and non-government schools have been problematic especially in relation to trends in public funding of schools over time. To suit particular political purposes, such comparisons regularly disregard the niceties of cash and accrual accounting conventions. The decision by education authorities to move from cash to accrual accounting from the financial year 1999–2000 had the immediate effect of adding more than 20 per cent to reported expenditure, on government schools only. This decision has made direct comparisons, between sectors and over time before and after 1999–2000, highly problematic. In national
reports, accrual accounting, including estimates of the ‘user cost of capital’ and ‘depreciation’, currently inflates annual spending on government schools by more than $7 billion (Productivity Commission, 2014, Tables 4A.10 and 4A.20). Starting in 2009, reporting of schools’ income, through ACARA’s MySchool database now overcomes most of these accrual issues.

Other sources of potentially misleading uses of statistics arise from technical issues. One significant example is the use of average costs to draw comparisons between sectors and schools, without regard to their differing enrolment profiles. Other technical issues include indexation measures, the composition of primary and secondary school data in different schools and sectors, and the timing of data collection and presentation.

The unsustainable state of schools funding in Australia

In its current state, schools funding policy is politically, financially and educationally unsustainable. In his book, Australia Fair, Hugh Stretton outlines the factors that have led to what could be described as the de-mutualisation of schooling, partly arising from the schools funding policies of recent decades. He argues that the last third of the 20th century presented an ideal opportunity to end persisting inequalities within and between Australia’s government and non-government schools.

Economic growth was increasing both the demand for education and the capacity to pay for it. To make the financing even easier, a big generation of earners was begetting an unusually small generation of schoolchildren. That generation of earners could easily have afforded to transform the public schools, as the Menzies generation had transformed the universities. But the same move to the Right that has since stripped universities of their gains has set limits to the improvement of the public schools. Commonwealth policies restrict State budgets. And since the Commonwealth began to contribute directly to school education, a rising proportion of its aid … goes to the fee-paying schools.

A number of things are thus encouraging a shift to the independent schools. Rising income and dwindling family size together enable more families to afford the fees. Commonwealth power and policies keep the States short of revenue in a general way, so they can’t afford to do much for their public schools.

(Stretton, 2005, pp. 164–5)

But that chance to act was not taken. The school system as a whole is now moving to assume the characteristics of the expanding Independent schools sector, a collection of stand-alone schools, stratified by differences in parents’ capacity to pay fees as well as in their political power and influence. This puts at risk the capacity that exists in large systems, whether in the government or non-government sector, to provide a kind of ‘herd immunity’ that can protect the common entitlements of all students, including those most at risk of failure at school.

Individuals are responsible for their own decisions about their children’s schooling and about their private investment in it. But governments are responsible for the conditions that are attached to the provision of public funding. They have a responsibility to set standards against which all schools can be held accountable for their decisions about the admission of students and the employment of teachers; and for their stewardship of the public funding invested in them. It has become increasingly clear, as previously demonstrated in this review paper, that Commonwealth funding policies have contributed significantly to the missed opportunities to which Stretton refers, to improve the equity, quality, efficiency and effectiveness of Australian schooling.
Financial and demographic pressures

The use of public money in effecting a shift from public systemic schools to non-government schools has been costly and will continue to be so. This shift has been a significant part of a process of complex redistribution of students across schools, but the educational effect has simply been to redistribute achievement rather than to raise the overall level of achievement. The public costs of this sifting and sorting of students has reduced the capacity to augment resources for those needing the most intensive support if they are to gain the benefits of schooling; and has restricted investment in, for example, teachers’ initial preparation, induction and ongoing professional learning.

Lacking demographic planning criteria, the provision of public recurrent and capital funding for the further development of non-government schools, especially in the face of the unknown but projected increases and shifts in the school population, will lead inevitably to an uneconomic use of resources. The difficulties of planning and staffing in government schools will be exacerbated, the capacity for achieving economies of scale will be reduced and these diseconomies will simply add to the costs of schooling to governments, but without the accompanying benefits of improved student achievement or school performance.

In the current circumstances, the financial and planning risks all reside with state governments, in the sense that they alone bear the legal responsibility to ensure that there is a school place for every child. The current state of play in schools funding in Australia is that it is neither financially sustainable nor educationally justifiable in terms of yield on investment, especially when compared with other countries, particularly those that are targeting their investment to ensure equality of access to high quality teaching.

The weakening architecture of schools funding

In the current circumstances, the architecture of schools funding – its formulae, budget commitments and allocative systems – is also in a fragile state. For example:

- There will be no explicit funding benchmark for Commonwealth funding of schools after 2017. Under current arrangements, the transition to the ‘Gonski’ schooling resource standard will be abandoned at that point, leaving most schools well short of the standards relevant to their needs. Relativities in the funding of schools will effectively be frozen at their 2017 levels.

- The indexation model to be applied after 2017 will be based on movements in the Consumer Price Index rather than prices relevant to schools.

- Continued per student funding of schools after 2017 will in effect freeze the state of affairs in schools at that date, and do nothing to resolve the range of issues identified by the Gonski Review Panel and its Report.

Unless addressed comprehensively, these policies will continue to be unstable, divisive and costly. If the funding model is not sustainable, then surely this puts at risk the school system it exists to support.

The fragile hybrid system of schooling in Australia

Australia’s hybrid school system has grown inside the familiar shell of public and non-government schooling, the latter then divided into Catholic parish and wealthier, mainly Protestant, schools. These old political and sectarian divides are reflective of a bygone era, and inappropriate for the culturally diverse society Australia has become. But the old structure, still intact and visible, has been the incubator for a system now driven significantly by market forces.

Hybrid systems are characterised by a mixture of values, governance structures and processes, financial incentives, obligations, responsibilities and accountabilities. Their strengths can include
diversity and choice; their weaknesses include vulnerability to ‘disease’, to use a biological metaphor. The Gonski Panel found that governments were presiding over arrangements that lacked consistency, logic, transparency and fairness; the kind of imbroglio typical of a hybrid system.

The funding of Australia’s hybrid system has the following characteristics:

- a growing convergence between government and non-government schools in terms of their reliance on public funding, but without concomitant convergence of public obligations, responsibilities or accountabilities
- countervailing funding strategies based on divergent values that have the net effect of entrenching inequalities in resource and achievement levels
- funding liaisons between governments and a multiplicity of private, not-for-profit providers that do not fit any descriptor in public financing literature of the standard forms of public–private partnership
- an inability by the Commonwealth to manage the complex realities, financial and other, of the hybrid system it has been so active in creating, leaving these to be dealt with by states.

Australia’s hybrid system has resource inequalities among schools and also in educational outcomes among schools and students that are the direct result of differences in wealth, income and influence among the families and communities from which those students come. Such differences exist in many other countries and it will not always be possible or even desirable for governments to provide sufficient funding to eliminate these differences entirely. For example, raising all schools in Australia to the resource levels available in the best-resourced schools in the private sector would raise the cost of schooling to governments from around $40 billion to almost $100 billion; and there is no evidence that this investment would produce a corresponding increase in educational outcomes overall. But few, if any, governments, other than those in Australia, decide to allocate their public funding in a way that maintains and even widens such inequalities.

The funding partnerships between governments and non-government school authorities in Australia lack any form of competitive tendering among private providers based on their relative quality, efficiency or breadth of student access. There are few, if any, contractual arrangements for managing the risks, in the event of their failure, to continue providing services. The realities of these funding partnerships are obscured by their familiarity to the stakeholders, and may only become clear when the risks materialise.

It is not the owners and operators of non-government schools, the formal school authorities themselves, that now bear the major financial burden arising from any ‘market’ failure. They make a very minor contribution to the total private funding of their schools. Most non-government schools receive the bulk of their funding from public sources. The main source of their private income is the fees paid by parents. Income from private sources other than fees now amounts to a total of only around 8 per cent of total income across the sector as a whole. How much of this non-fee private income is provided by the legal owners and operators of non-government schools is unclear from ACARA data, but it is likely that parents and communities provide a significant proportion through donations, purchases and other fundraising events. While the formal school authorities now have very little financial ‘skin’ in the game, however, they continue to set the conditions and the price that govern entry to these schools, which are educating more than one-third of all Australian students, much as if they were fully privately funded.

Under the funding system that has evolved in Australia, governments provide a far more significant proportion of non-government schools’ recurrent funding than their owners and operators or their sponsoring religious organisations; as well as providing tax exemptions and other less direct forms of support.

Governments have effectively handed control to non-government school authorities over the rules of access by students to over one-third of one of the most vital resources of the school
system – teachers. Given that these teachers are virtually on the public payroll in all but the very highly resourced non-government schools, this merits further consideration of the risks involved. Taken as a group, non-government authorities in Australia have a record of being reliable providers of schooling. But this is not a result of governments having put in place prudent arrangements to protect the public interest in the funds they have invested in these schools or those of all the students affected. Rather it is because of the professionalism of the majority of educators working in that sector.

There is an urgent need for governments to develop robust and prudent forms of partnership with the not-for-profit private providers of schooling in this country. Such partnerships must be based on a proper recognition of funding responsibilities and must include rational risk-management strategies. The Australian school system is about to be confronted with new forms of schools financing which are now gaining a particularly strong hold in the United States of America, as well as in England, where schools and the whole process of schooling present new sites to be exploited by corporations, primarily for profit. This kind of development will add still further complexities to the workings of Australia’s school system, and will raise questions about whether or how the profit motive will prove compatible with the achievement of education goals that contribute to the common good and to social advancement (Hogan, Lingard & Sellar, 2015).

Strengthening the hybrid system

Through its work to develop schools funding criteria that are ‘sector blind’, the Review has provided a foundation for thinking about our school system in a more holistic way – as one system. The nation, in the view of the authors, needs more fundamental reform of its school system for the longer term. In a stronger and healthier hybrid system for the future, the conditions and responsibilities that apply to public funding will need to be more consistent across all schools, with a closer link between public funding and educational goals and priorities in order to maximise student outcomes overall. Greater priority in public funding will need to be given to those schools enrolling a disproportionate share of students at most risk of leaving school without the knowledge and skills needed for active participation in our society.

In a strong and healthy hybrid system, public funding would be used to ensure that:

- all schools have adequate and appropriate resources to enable their students to achieve their personal best, against agreed curriculum standards
- schools in receipt of public funding are working within agreed resource standards, so that parents have confidence that their children will not be disadvantaged by attending their local schools
- schools are able to provide their students with access to the full range and depth of curriculum, through well-prepared and qualified teachers and with the support of ICT
- schools are cooperating and collaborating within and across sectors, to ensure the most efficient and effective use of resources, in the best interests of all students
- schools have the resources to support school leaders and teachers in their work through all stages of their careers, including through professional learning, within an agreed standards framework
- teaching is competitive with other professions for highly educated, motivated and capable recruits.

Governments need to adopt policy processes that produce such conditions.
Policy reform for a robust, fair, high quality hybrid

Reforming schools funding policy is not for the faint-hearted. The history of schools funding in Australia has been embedded in political divisions and controversy. But this same history provides evidence that it is possible to build an informed consensus. The Hawke Government achieved a workable level of consensus for its policy work, through the consultative and reporting process managed through its Schools Commission. It did not, however, secure the support of the major interest groups representing government schools. Despite this, the funding model introduced by the Hawke Government in 1984 endured until replaced by the Howard Government’s SES model in 2001.

The Gonski Review process also initially achieved a high degree of consensus. Its consultations and policy development processes were exemplary, and proved to be informative and educative for all who participated. Its focus on the way in which schools funding affects all children and young people achieved broad appeal.

Building consensus on school funding reform

Laying the groundwork for building consensus, as the Karmel Report, previously quoted in Section 3 reminds us, requires consideration of the options available and of the common good as well as the interests of individuals. The first step in such a process is for governments to clearly explain the rationale for reform, to all stakeholders. By necessity, this would focus on the flaws inherent in the current arrangements, such as those discussed in this review. But it is not an option for schools funding reform to start from scratch. Enduring reform needs to build on the strengths of the current system and to reposition those features in a constructive way, in response to changing circumstances.

Policy reform can never take place in a vacuum; the planned reform must be placed in its broader context. In 2015, for example, there would be need to take account of factors such as: demographic change, particularly in the light of projected significant increases in the school age population over the next decade and more (Australian Bureau of Statistics, 2013; Craven, 2014; Weldon, 2015); education policy development, including standards and criteria for curriculum, teaching, reporting and assessment; projected changes in Australia’s economic and fiscal outlook; and the potential for structural change in the workings of the Australian federation.

Policy development must also consider the appropriate timeframes for any reforms. It will be necessary to understand how any reforms would affect schools in the immediate future, as well as their longer-term effects. In most cases, this will require a transition period to allow schools and systems to adjust and plan for longer-term changes.

Successful reform would require attention to the integrity of the policy development cycle. This would normally involve a number of steps held together by leadership and resolve, including:

- formal and open consultations, including publicly available submissions and opportunities for discussion and questioning
- building evidence through research and evaluation, and through seeking a range of expert advice so as to gather the best available data to inform judgements about options
- development of interim positions and options for discussion and advice, such as through a ‘Green’ and ‘White’ paper process; this approach should show clearly how funding options would work in practice, including costs, formulae and allocative mechanisms
- explanation of the purpose of policy options and decisions to interested parties and to the broader community.

In the Australian context, this kind of policy process is best done by an independent body, with clear terms of reference from government, but working at arm’s length. Australian governments are familiar with this model, as has been discussed in this review paper. Such a body could
be a statutory authority working transparently as part of the machinery of government, or a commissioned review with a defined role and fixed lifespan.

As the saying goes, ‘the devil is in the detail’. To be successful, schools funding policy development must eventually spell out how funding options would work in practice, to provide a clear understanding of how options would affect the operation of schools and systems, both generally and for different kinds of school. The best way to explain how funding options would work in practice is to address each of the elements of a schools funding model as outlined in Section 1 of this review paper. They are as follows:

- Articulate the educational and social values underpinning policy options in a form that can be translated into clear objectives and priorities and can then lead to implementation strategies that support the work of schools when applied in practice.
- Be clear about funding benchmarks, so that these are linked to agreed objectives and priorities and provide the resources schools need to achieve their educational goals.
- Specify the cost drivers relevant to schooling and how these are affected by policy options. Of necessity, this process would start with teaching costs: number of teachers and support staff; teaching and related salaries; professional learning; mentoring student and new teachers; recurrent teacher technology costs.
- Set out clearly the responsibilities of the funding partners: Commonwealth, state and private.
- Describe the allocative mechanisms and formulae.
- Factor in how funding models will be sustained over time, including though proper indexation measures.
- Devise appropriate accountability and reporting requirements, to protect both the integrity of the policy and its implementation and the public’s interest in its investment in schools.

The current policy hiatus, mid 2015, provides time to reconsider the development of a funding model consistent with the above criteria. A first step towards a higher quality and more equitable school system would be for the Commonwealth to take responsibility for completing the funding reform based on the Gonski Review. This would entail the Commonwealth providing the additional resources that will still be needed – beyond 2017 – for all schools to meet the Gonski based schooling resource standard. If necessary, for reasons of budget responsibility, this could be achieved by stretching the timeline for achieving the standard by several years beyond 2019, the date originally proposed by the Gonski Review for the end of the six year transition period. Abandoning progress towards the level and distribution of funding recommended by the Gonski Report would be to preserve the status quo, which as the Gonski Report showed, operates at the expense of many of those students currently undertaking their schooling, in the government school sector.

**Concluding comments**

Australia will continue to have a hybrid school system. What is needed now is a new architecture that expresses the aspirations of the pluralistic, multicultural democracy that Australia has become. That architecture cannot be based on nostalgia for the past, real or imagined, or on a fatalistic acceptance of the inevitability of current inequities.

Politicians have attempted to deal with parents’ preferences about the schooling of their own children, ranging from the mild to the strong, by attempting to obscure in policy the very real differences in values that underpin public schooling and the current forms of non-government schooling in Australia; and by allowing market forces to dictate the directions in which public investment should flow, without due regard to the common good. The question of the degree of equality of opportunity to which Australians might aspire appears to have been replaced by the question of what degree of inequality of educational opportunity and achievement, and of school resources for their children, are the majority of Australians prepared to accept?
There is a need to return to the issue of the basic values that underpin our diverse and legitimate forms of schooling, public and private, and to put intellectual and political effort, mutual respect and goodwill into understanding the differences between them. Only then can genuine and sustainable compromise be found.

It is imperative that such a compromise be found. The policies that have encouraged Australians to express their aspirations, cultural differences, loyalties and tastes through the construction of a socioeconomically stratified and segregated school system have proven to be costly and to have delivered a poor yield on our national investment in relation to advancing educational achievement. These policies have also positioned our school system as a source of ongoing social divisiveness and of persisting educational inequalities.

This review paper has concluded with criteria for achieving school funding reform. How the nation decides to invest its public resources in schools is a clear and tangible indicator of the value it attaches to its children and their education. What can Australians afford to spend on our schools and what educational purposes do we want our public investment in schools to achieve? These kinds of question provide a starting point for policy development that leads to a system of schooling in which there is integrity between educational goals and objectives and the funding required for their achievement.
Commonwealth funding policies for schools: 1964–2011

Menzies: 1964–66

Holt–Gorton–McMahon: 1966–72
- Flat per student recurrent grants for non-government schools from 1970; these complemented state funding policies for non-government schools, including per student grants and loans and interest subsidies for capital works
- Continuation of funding for science laboratories and secondary school libraries until subsumed by Whitlam Government’s general capital grants program in 1974.

Whitlam: 1973–75
- General recurrent grants for government and non-government schools linked to achievement of Karmel target standards set at increases of 40 per cent primary and 35 secondary to be achieved by 1979 (Karmel, 1973, paragraph 6.17)
- General recurrent per student grants for Independent schools over eight categories (from Category A for schools operating above the Karmel target standards to Category H for the neediest schools). This followed unsuccessful attempt in the Senate to cut all funding for schools with recurrent resources above the Karmel standards
- Assessment of general recurrent funding categories in non-government schools based on recurrent expenditure: the Schools Recurrent Resource Index (SRRI)
- Special purpose/targeted programs introduced for government and non-government schools: disadvantaged schools, special education (students with disability), teacher development and innovation.
- Increases in capital funding for government and non-government schools (until the 1975 Hayden Budget)
• Annual indexation by a Schools Price Index (SPI) of recurrent programs based mainly on movements in teachers’ and non-teachers’ salaries; and by a Buildings Price Index for capital grants.

**Fraser: 1976–83**

**Government schools**
• Progress towards Karmel targets discontinued; replaced by block general recurrent grants. By 1980, most government school systems had reached the recurrent resource targets recommended by the Karmel Committee, largely due to increased expenditure by state governments
• Reduced capital funding.

**Non-government schools**
• Progress towards Karmel targets discontinued; replaced by per student general recurrent grants linked to a standard cost based on average per student expenditure in government schools: the percentage link policy. This provided real increases in general recurrent funding for non-government schools:
  – reduction in funding categories over time from eight to six to three
  – classification continued to be based on SRRI, but with some weighting for disposable private income from 1981
• Real increases in capital grants in most years over the period 1976–83.

**Programs for both sectors**
• Continuation of programs for disadvantaged schools and special education (students with disabilities)
• Increased funding for English as a Second Language, including new programs for new arrivals and multicultural education
• Reduced funding for teachers’ professional development, education centres and projects of national significance/innovation.

**Hawke–Keating: 1983–96**

**Government schools**
Increased general recurrent per student funding linked to a community standard of recurrent resources, providing real increases phased in over eight years. From 1993, the community standard was replaced by the AGSRC measure, which linked Commonwealth general recurrent per student grants to state and territory per student expenditure in government schools.

**Non-government schools**
• Attempt to reduce funding for highest category non-government schools abandoned; and issue referred to Commonwealth Schools Commission
• Based on Commonwealth Schools Commission advice, general recurrent per student grants provided over 12 categories, with funding linked to the community standard; as with government schools, this provided real increases phased in over eight years:
  – each school’s subsidy level assessed by an Education Resources Index (ERI), which measured income from fees and other private sources (with an allowance for approved capital works)
  – Catholic systems assessed at Category 10; WA Catholic system subsequently successfully appealed to have its general recurrent funding level increased to Category 11
  – as for government schools, the community standard benchmark applied, later replaced by AGSRC.
• Introduction of the New Schools Policy, which required new non-government schools to meet planning criteria to be eligible for general recurrent grants after 1993; new non-government schools restricted to category six and below.

Programs for both sectors
Continuation of special purpose targeted programs:
• new programs for Participation and Equity, to increase participation in secondary schools to Year 12; and Basic Learning in Primary Schools; both programs discontinued by 1987
• new programs after 1993 for language and literacy in schools; for gifted and talented students; and for gender equity.

Howard: 1996–2007
Government schools
Maintenance of general per student recurrent grants funding for government schools, indexed annually by AGSRC:
• Commonwealth general recurrent funding for government schools offset by a new measure, the Enrolment Benchmark Adjustment (EBA), on the grounds that assumed savings to states arising from the projected increase in enrolments in non-government schools should be shared with the Commonwealth; EBA abandoned in 2001 following resistance from the states
• From 2001, general recurrent grants for government schools set at 8.9 per cent of AGSRC primary and 10 per cent secondary, following major changes to funding for non-government schools (see below).

Non-government schools
• New Schools Policy abolished; introduction in 2001 of establishment grants for new non-government schools
• Hawke–Keating 12-category scheme for general recurrent grants continued until 2000: Catholic systemic schools recategorised from category 10 to 11, except in the ACT
• New funding scheme for general recurrent grants introduced in 2001, replacing the Hawke Government’s measure of a school’s income from private sources, the ERI, with a new measure of each school’s socioeconomic status (SES scheme):
  – this created a continuum of 46 categories, with funding ranging from 13.7 per cent to 70 per cent of each year’s AGSRC calculation
  – the SES scheme removed any barrier to increasing fees or other income from private sources
  – under the Howard Government’s ‘no losers’ policy, schools that would have received a cut in funding if they were funded at their SES category were given ‘funding maintained’ status, in effect preserving the funding received in 2000 under the Hawke Government’s scheme, indexed by AGSRC; Catholic systems were also protected, first by deeming them at a more favourable level and then by creating a ‘Catholic maintained’ category.

Programs for both sectors
• Funding for targeted programs, such as for disadvantaged schools, ESL general, special education merged into a single program
• New programs for Asian languages, Indigenous education and, in 2006, school chaplains.
Rudd–Gillard: 2007–11

**Government schools**
- Extended Howard Government’s general recurrent grants scheme until 2013, pending the Gonski Review: increased Commonwealth general recurrent grants for government primary schools to 10 per cent of AGSRC
- Restructured general recurrent, capital and special purpose/targeted programs into National Education Agreements
- New monies for limited term National Partnership payments: computers in schools; trade training centres; teacher quality and rewards; literacy and numeracy; low socioeconomic status communities.

**Non-government schools**
- Extended Howard Government’s general recurrent grants scheme until 2013, pending the Gonski Review
- Separate Schools Assistance legislation for general recurrent, capital and targeted programs for non-government schools
- Share of some National Partnership payments.

**Programs for both sectors**
- Separate capital funding of $16 billion over four years for the *Building the Education Revolution* program, as part of the Rudd Government’s $42 billion national building and economic stimulus plan in response to the global economic crisis
- Continuation of the *School Chaplaincy* program.
References


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AER 60 takes the 2011 Gonski Review of Funding for Schooling as a vantage point, from which to consider the national funding of schools in Australia, past and future.

Section 1 outlines the educational values and perspectives that have underpinned school funding policies and programs and describes major themes in the evolution of schools funding – quality, equity and choice – providing a general guide for subsequent analyses. Section 2 provides a policy history of schools funding 1964–2011, during which time the Commonwealth government emerged as a significant funding partner. It analyses the political forces and recurring themes, policy issues and tensions that have affected the distribution of resources within and between the school sectors – providing context for an examination of the Gonski Review. Section 3 concerns the Gonski Panel’s Report: a substantial summary and analysis of its findings and recommendations, and stakeholder responses to it. The distinctive nature and characteristics of schools funding policy in Australia are then analysed in Section 4, in the light of the Gonski Report’s recommendations. The authors argue that cumulative political compromises have left Australia with a hybrid school system which is inequitable and unsuited to Australia’s changing social and economic circumstances. The review paper makes the case for a new schools funding architecture to be developed in the context of the federal system. The authors urge that it should be one with clear priorities in regard to a greater coherence between the provision of public funding and the achievement of educational goals for all children.

Lyndsay Connors AM is an Adjunct Professor of Education at the University of Sydney, where she chairs the Teaching Education Advisory Board. Her extensive education policy work and previous positions have included leadership roles in key education authorities and agencies, at national and state level.

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