Towards a national
In May 2008, the Federal Education Minister, Julia Gillard, referred to an ACER policy brief in a speech to the Association of Independent Schools (AIS) NSW and said that, “Australia’s school funding system is one of the most complex, most opaque, and most confusing in the developed world.” She went on to observe that “this lack of transparency has served to heighten the atmosphere of uncertainty and mutual suspicion which has characterised the politics of education in Australia over the last decade.” The next day, she announced in the daily newspapers that the Federal Government would review its school funding system in 2010-11, in time for the next formal funding model for schools that begins in 2012 (the current four year agreement ends in 2008 but Labor promised during the election campaign that the next agreement, which runs from 2009-2012, would maintain the existing system).

Gillard repeated her wish to change the school funding system to make it more open in a later speech entitled, “A New Progressive Reform Agenda For Australian Schools.” Gillard explained:

There is a shyness in this debate from some who fear information will be misused and feed a flight from government schools to non-government schools. I believe this shyness is misconceived. ….

When we can measure need and quantify how to make a difference we will be best placed to bring extra resources to bear to deliver on the fair go at school.

However, Gillard has her work cut out for her if she wants to make school funding more transparent and report funding at the school level for both government and non-government schools.

The problem

Part of the problem with Australia’s current school funding system is the lack of consistency between jurisdictions. This makes the system unnecessarily complicated and it is difficult to understand how money is allocated to any individual school. Differences exist at level of government (state or federal), type of school sector (government or non-government), location (state or territory), accounting approach used (cash or accrual), and time period (financial or calendar year). Income flows into schools from several sources, but not in unison and not in a way that permits reporting at an individual school level in a timely manner.

A question often asked in Australia under the previous Federal Government was, “Is the Commonwealth giving too much money to non-government schools?” This is the wrong question to ask. It is a misguided question because there is no nationally agreed measure of need upon which to assess fairness in the first place. The Commonwealth has one measure while the states have their own measures, each of which is different from the others. The more fundamental question is, “On what basis are both levels of government, Commonwealth and state, giving money to all schools, government and non-government?”

Andrew Dowling

Andrew is a Principal Research Fellow with ACER’s Policy Analysis and Program Evaluation research unit.

Australia needs a clear national model for school funding, based on need and applying equally across the sectors, but this does not seem likely, at least in the short term.

Andrew Dowling examines the issues.
The answer to this question is that there is no unified basis upon which governments fund schools and there is little public transparency in the reporting of these funds. Yet it is only when all sources of funding are compared against a national, agreed measure of need that the question can be asked, and disinterestedly answered, as to whether school funding is “fair.”

Rhetorical questions of fairness slide easily into a discourse about school funding that has been stuck in ideological grooves forged decades ago, between government and non-government school advocates.

A new debate is needed in Australia that asks questions less inflected by ideological commitment and more informed by current data that is comparable across sectors. This would involve questions such as:

- What is the relationship between school resources and student outcomes?
- What inputs have the most impact on student outcomes?
- What level of resources needs to be made available now to reach a desired goal at a particular point in the future?
- What do individual schools, irrespective of sector, actually need?

These questions cannot even begin to be answered in Australia at the present time, even though such answers would improve the efficiency and equity of the system.

In terms of efficiency, many members of the education community believe that the uses to which resources are put are more important than the amount of resources...
The function of taxation is to redistribute money to the neediest sectors of society.

Non-government schools are costing the government money.

If parents choose non-government schools they should pay for it, especially when they have forgone a free option.

Government schools do most of society's heavy lifting.

Non-government schools are entitled to government support because of the taxes parents have paid.

Non-government schools are saving the government money.

Parents have a right to choose their child's education and to be supported in that right.

Government schools get most of the government funding.

themselves. But it is difficult to confirm this hypothesis or to decide which resources have the most impact, if true. A necessary first step is having the data available to show the relationship between school resources and student outcomes. Such data do not exist in Australia at the present time.

In terms of equity, a common complaint is that government schools are being under-funded. Government schools tend to enrol students who cost more to teach. They are more likely to enrol students from lower socioeconomic backgrounds, Indigenous students and students with disabilities. In recent years, it appears they have been losing students who tend to cost less to teach (for example, those from higher socioeconomic backgrounds) to non-government schools. Yet it is not possible to establish precisely the extent of this phenomenon because most state governments cannot identify how much particular student groups cost to teach.

Let us assume, for an optimistic moment, that there is an agreed measure of need (such as the Commonwealth’s socio-economic status (SES) model) applied equally across all schools and that all schools are funded according to this national, agreed measure of need. For this system to operate, it would be necessary to know in detail the funding and private income that each individual school, government and non-government, receives as well as their changing circumstances. This would lead to better understanding of the level of real need in individual schools, and be a central requirement of any national school funding model.

It has been argued that a national school funding model based on comparable and transparent data is not foreseeable, at least in the short term. As Professor Max Angus of Edith Cowan University has noted, simply providing information on the actual quantum of resources acquired by individual schools from all sources is a radical proposal at the present time (2007). Not only does this information not exist uniformly but some states are incapable of reporting at the school level. Most states cannot report financial information on a school-by-school basis, much less a student-by-student basis, even notionally. Most states do not make public either their funding rationale or the actual funds provided to individual schools. This is because most states have never been asked or required to do so. They provide broad information across all schools (eg, teacher salaries, redundancies, capital) but not the funds made available to individual schools or student groups.

However, the problems are not insurmountable. The introduction of similar funding methodologies at both state and Commonwealth levels and across school sectors would improve transparency and accountability as well as create a more sound footing for future funding debates. The fact that Gillard is moving in this direction is a very positive sign. But the problems are significant and she will need all the help she can get.

Dr Andrew Dowling’s paper Australia’s School Funding System (December 2007) can be found at www.acer.edu.au/documents/PolicyBriefs_Dowling07.pdf.