SAVE OUR SCHOOLS

Can We Afford Gonski?

A Speech to a State-wide Meeting of the Victorian Association of State Secondary School Principals

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I would like to begin by briefly canvassing the reasons why we need Gonski before proceeding to consider whether we can afford it. There are two basic reasons why we need Gonski. One is that large numbers of students from low socio-economic status families, Indigenous students and remote area students are not achieving expected standards. The second is that government funding increases over the last 15 years have favoured private schools which enrol only a small proportion of these students.

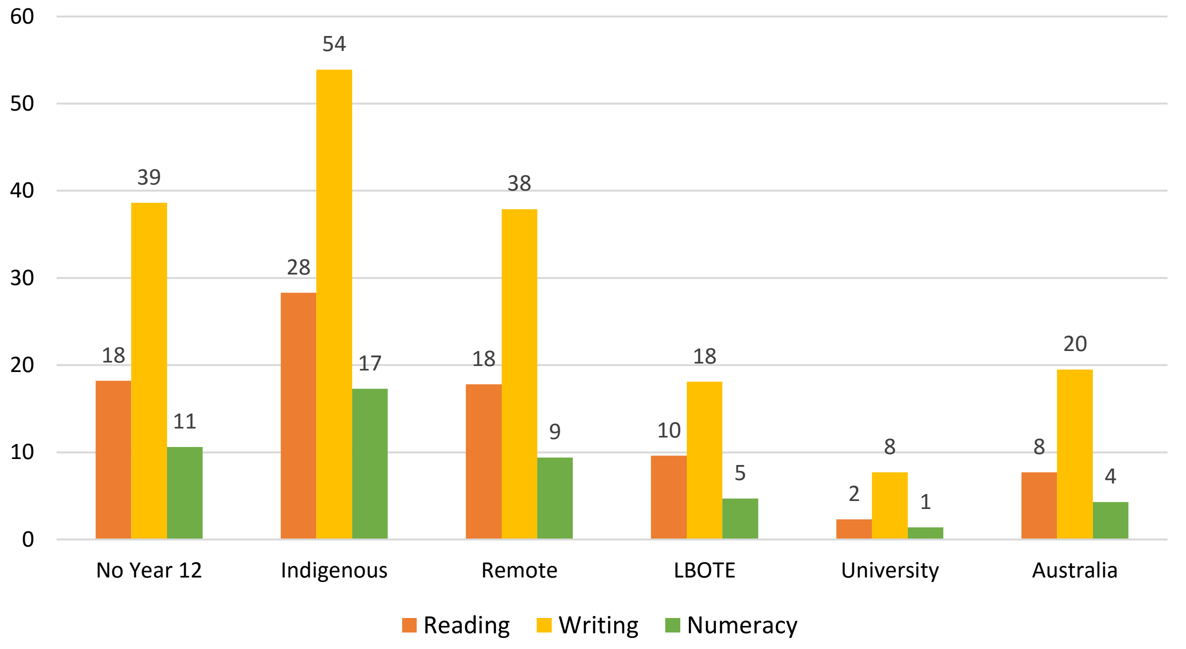
1. The Need to Improve Outcomes for Disadvantaged Students

1.1 Many students are missing out on an adequate education

New figures for 2015 published by ACARA before Christmas show that a large proportion of disadvantaged students are missing out on an adequate education [ACARA 2015]. For example, the proportion of students from Low Education Status (LES) families who did not achieve the Year 9 national reading standard was nine times that of students from High Education Status (HES) families, five times more for writing and 11 times more for numeracy.

In 2015, 18 per cent of Year 9 LES students did not achieve the national reading standard, 39 per cent did not achieve the writing standard and 11 per cent did not achieve the numeracy standard compared to one to two per cent of HES students in reading and numeracy and eight per cent for writing [Chart 1].

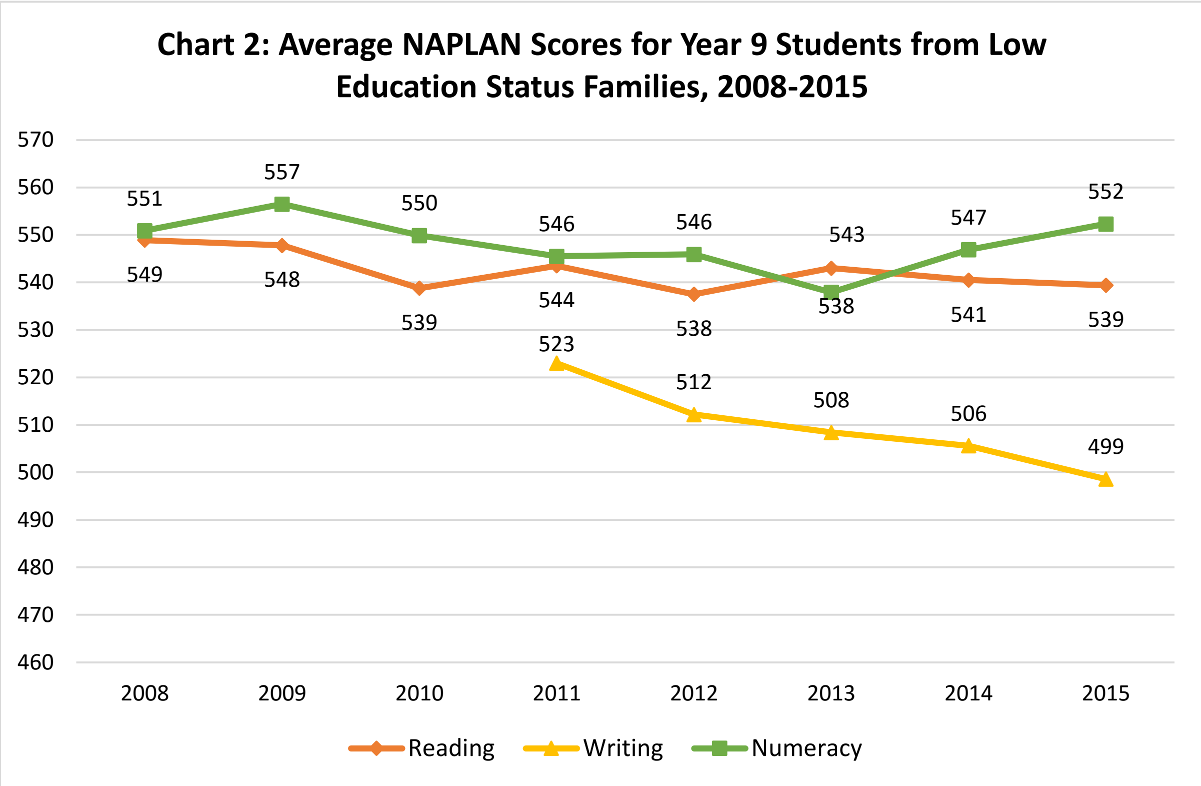
Chart 1: **Percentage of Year 9 Students Below National NAPLAN Standards, by Family Background, 2015**



Source: ACARA 2015

1.2 Little improvement in results

Average test scores for students from LES families have not improved since 2008 in any Year level in reading, writing (since 2011) and numeracy [Chart 2]. There was a 10-point decline in Year 9 reading, but it may not be statistically significant. Writing fell by 24 points from 2011 which is roughly equivalent to a year or more of learning. The average numeracy score shows a significant decline from 2009 to 2013, but has recovered substantially since then to where it was in 2008. It remains to be seen whether the recent increase is sustained because the improvement in 2009 was not sustained.



Source: ACARA

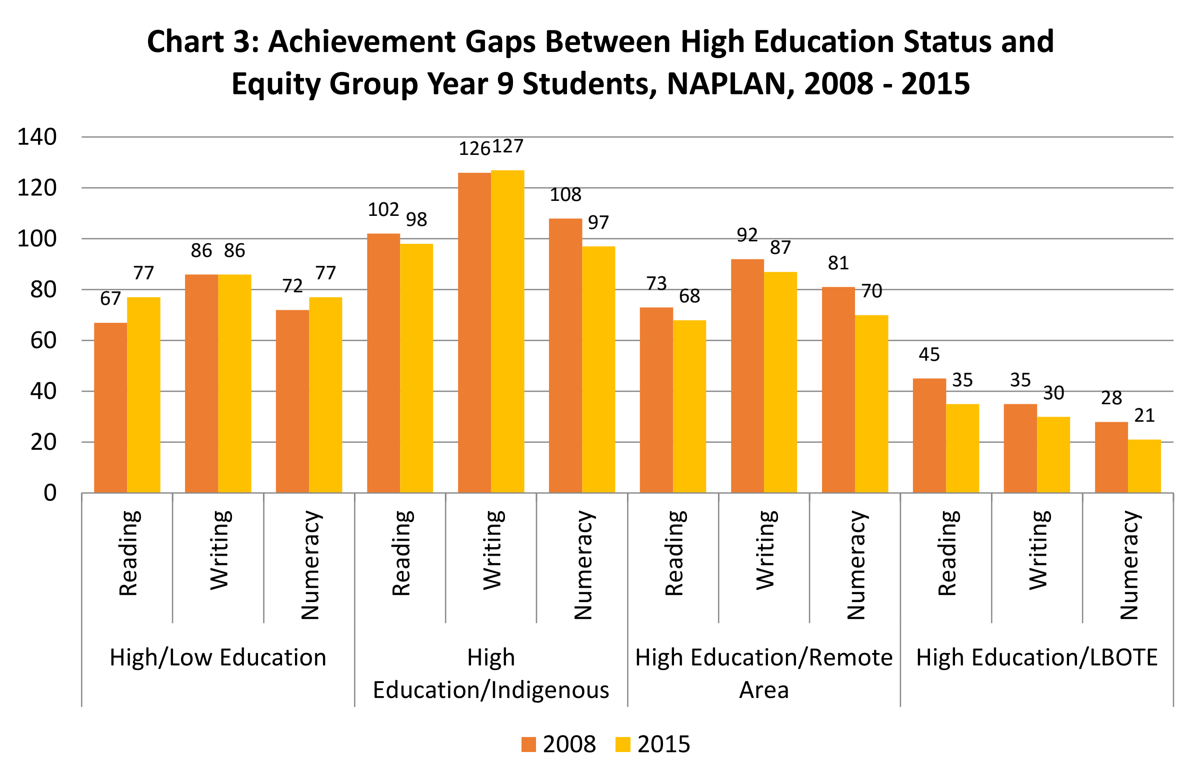
1.3 Huge achievement gaps between rich and poor

There are very large achievement gaps between the results of students from HES families and those from various disadvantaged backgrounds and the gaps increase through Year levels.

The average scores for Year 9 students from LES families are 77 points behind students from HES families in reading, 86 points behind in writing and 77 points behind in numeracy. These gaps are equivalent to about four years in learning [Chart 3]. Year 9 Indigenous students are about five years behind in reading and numeracy and about six years behind in writing. Remote area students are about 3½ years behind in reading and numeracy and over four years behind in writing. LBOTE students are nearly two years behind in reading, 1½ years behind in writing and about a year behind in numeracy.

Moreover, the gaps are not being reduced and, in some cases, have increased. The gaps between LES and HES Year 9 students increased significantly in reading and numeracy between 2008 and 2014 by about half a year of learning and remained largely unchanged in writing between 2011 and 2014. The gaps between HES and Indigenous, remote area students and LBOTE were largely unchanged from 2008 (2011) to 2014.

Over 80% of disadvantaged students are enrolled in public schools. For example, 82% of students from the lowest socio-educational advantage (SEA) quartile were enrolled in public schools in 2014 compared to 12% in Catholic schools and 6% in Independent schools. Further, 84% of all Indigenous students attended government schools while 10% attended Catholic schools and only 5% attended Independent schools. However, government funding increases have favoured private schools.



Source: ACARA

2. Government Funding Increases Have Favoured More Advantaged Students

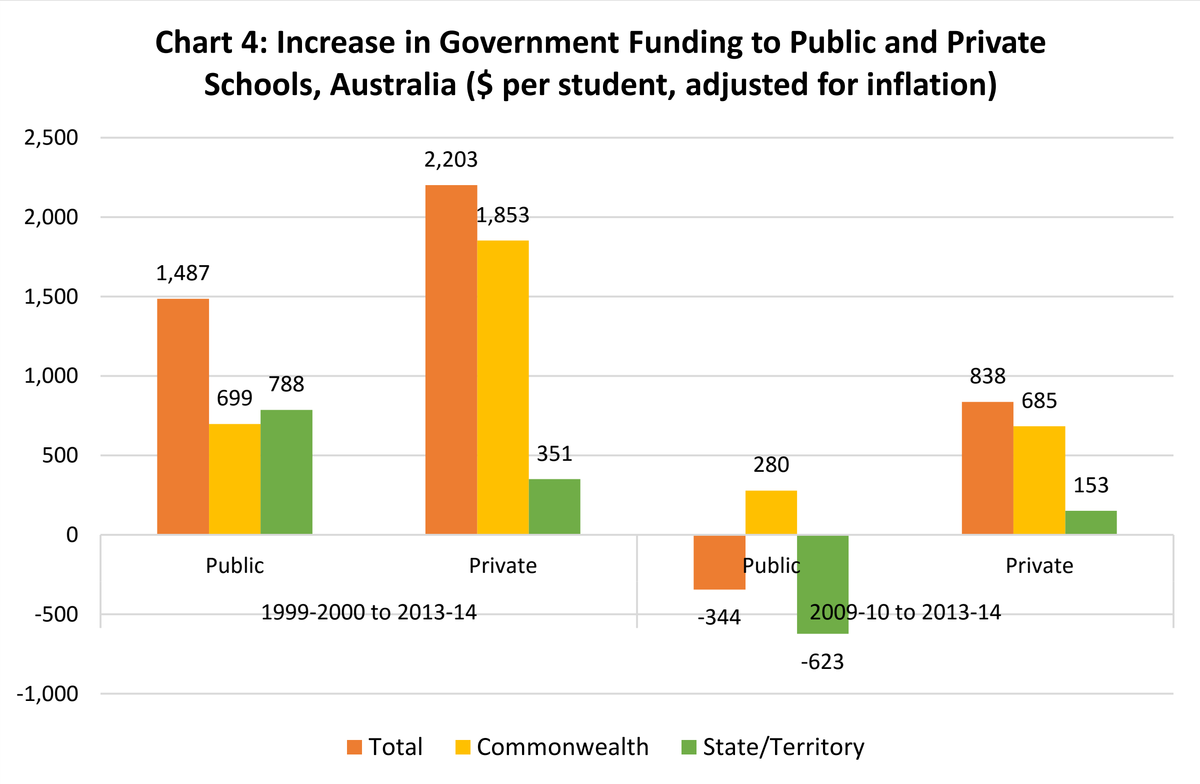
2.1 Much bigger increases for private schools

Over the past 14 years, total government funding (Commonwealth and state) for private schools has increased by much more than funding for public schools, and in more recent years funding for public schools has been cut while private school funding still increased.[1]

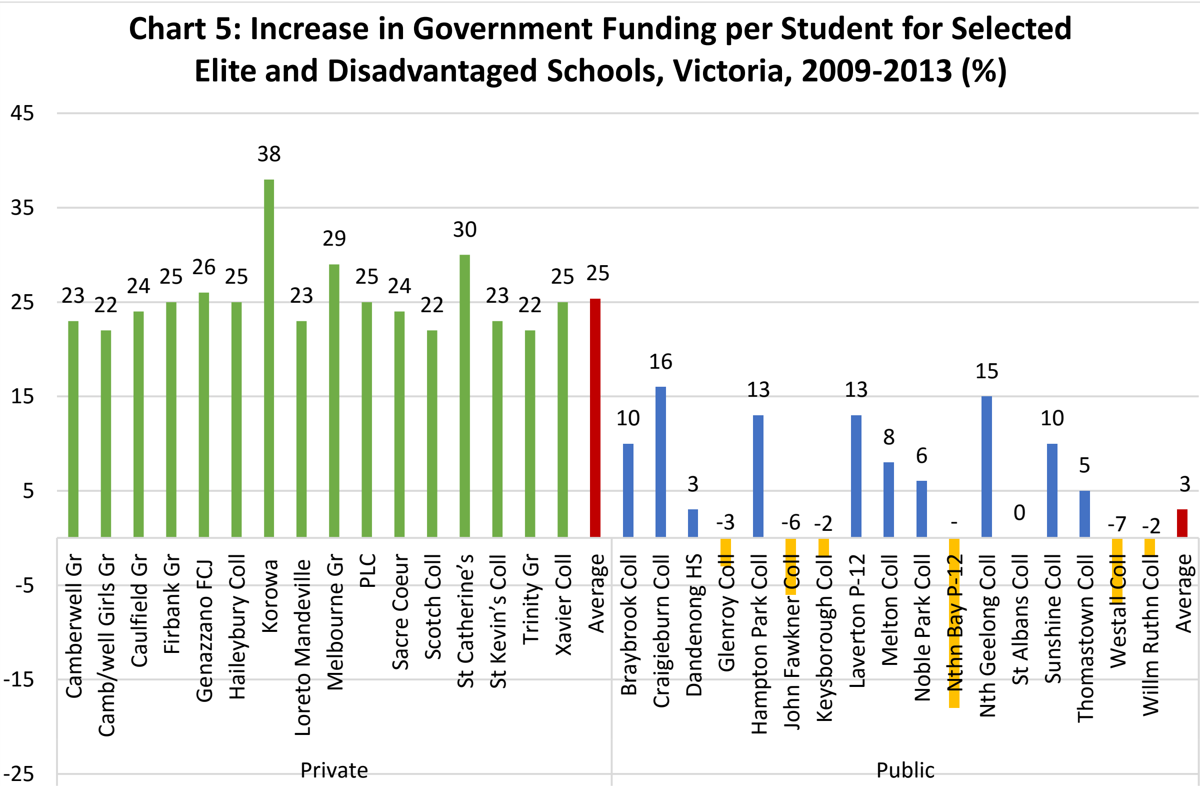
- Between 1999-2000 and 2013-14, government funding per private school student, adjusted for inflation, increased by $2,203 per student compared with $1,487 per student in public schools [Chart 4].
- Between 2009-10 and 2013-14, public school funding fell by $344 per student while private school funding increased by $838 per student.

[1] These estimates are based on figures drawn from the Report on Government Services (ROGS) published by the Productivity Commission (SCRGSP 2002, 2016). The funding figures for public schools have been adjusted to exclude the user cost of capital, depreciation, payroll tax and school transport because these items are not included in government funding figures for private schools and have no impact on school outcomes. For further details, see Cobbold 2016a. Recurrent funding figures are deflated by the ABS Wage Price Index for Public and Private Education and Training.

State governments provide the bulk of public school funding, but they have deserted public schools since 2009-10 by cutting funding, adjusted for inflation, by $623 per student while still managing to increase private school funding by $153 per student.



Source: Report on Government Services 2002, 2016 (adjusted, see footnote 1).



Source: My School

Governments have clearly favoured more advantaged students over disadvantaged students. Some of the wealthiest most exclusive private schools in the country have received large funding increases since 2009 that are double that received by some of the most disadvantaged schools. Several disadvantaged schools had their funding cut.

In Victoria, the average funding increase per student for 16 selected elite private schools was 25% compared with 3% for 17 disadvantaged public schools. Six of the disadvantaged schools had their funding cut [Chart 5]. On average, 76% of students in the elite schools were from the highest socio-educational advantage (SEA) quartile and 1% were from the lowest SEA quartile while 61% of students in the disadvantaged schools were from the lowest SEA quartile and 3% from the top quartile.

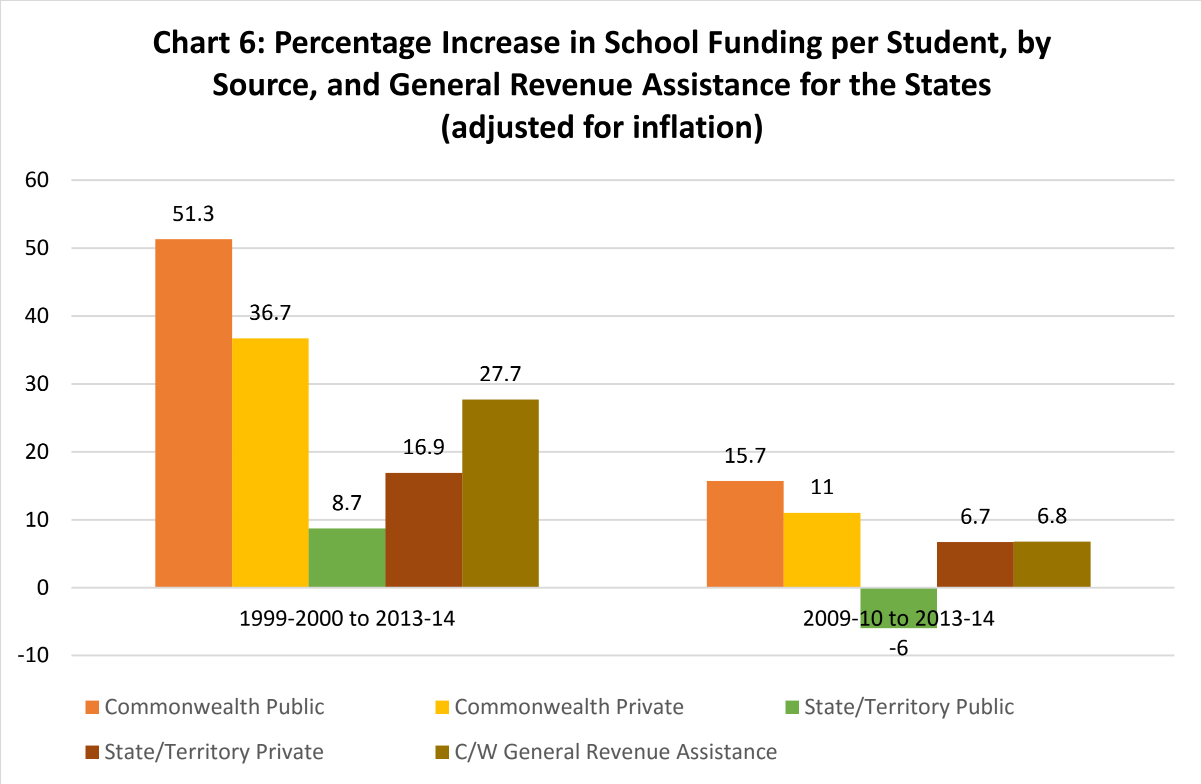
The average total income of the elite schools in 2013 was $27,085 per student compared with $13,897 per student in the disadvantaged schools. The most disadvantaged schools have to do with about half the total resources of the most privileged schools. Yet, these privileged schools are supported by average government funding of $4,310 per student. It starkly demonstrates how grossly inequitable our school funding system is today.

2.2 State and territory governments are failing public schools

State and territory governments have badly failed public schools and disadvantaged students. The increase in state/territory government funding (adjusted for inflation) per student in private schools between 1999-2000 and 2013-14 was almost double that of public schools – 16.9% compared with 8.7% [Chart 6]. Between 2009-10 and 2013-14, state/territory government funding per student in private schools increased by 6.7% but was cut by 6% in public schools.

In response to cutbacks in social expenditure, state governments often complain that the Commonwealth Government has squeezed state finances by reducing general revenue assistance which accounts for a large part of state budgets. However, this is demonstrably false. Commonwealth general revenue assistance, adjusted for inflation, increased by 27.7% between 1999-2000 and 2013-14.[2] State governments clearly chose not to use this increase to provide a similar increase for public schools. They increased funding for public schools by only 8.7% - three times lower than the increase in general revenue assistance.

[2] Figures for Commonwealth General Revenue Assistance to the states are derived from the Commonwealth Grants Commission, History of General Revenue Assistance Paid to States and deflated by the General Government (State and local) Final Consumption Expenditure Chain Price Index, ABS 2016, Table 36 (Series ID: A2304689V).



Sources:

1. Report on Government Services 2002, 2016 (adjusted, see footnote 1).
2. Commonwealth Grants Commission (see footnote 2).

3. Three Big Lies About School Funding

The Commonwealth Government perpetrates three big lies about school funding in Australia.

3.1 Big Lie No. 1: 44% Increase in Real Government Funding

The previous Coalition Minister for Education, Christopher Pyne [2013, 2014), and the current Minister, Simon Birmingham [2015], claim that government funding for schools increased in real terms by 44 per cent between 2000 and 2009.

This is a gross exaggeration. The actual increase in total government funding per student over 14 years, adjusted for inflation, was only 17% - less than half that claimed by Pyne and Birmingham over 9 years. The increase for private schools was over double that for public schools – 31% compared with 14% for public schools.

The claims by Pyne & Birmingham are highly flawed:

- They are based on Commonwealth funding only and ignore state/territory government funding increases which have been much lower, with only a 5% increase over 14 years. State/territory governments provided 83% of public school funding in 2013-14.
- They ignore enrolment increases – they refer to total funding not per student funding.

- They are based on a measure of inflation that under-estimates cost increases in education and which, therefore, results in an over-estimate of the real increase in funding.

3.2 Big Lie No. 2: More money doesn't deliver better results

Pyne & Birmingham also claim that Australia's declining PISA results show that spending more on schools will not improve results. This is also claimed by the National Commission of Audit [2014].

However, inefficiency in school expenditure appears to be confined to private schools. A study by Melbourne Institute for Applied Economic and Social Research shows that the decline in PISA results was largely a result of a decline in private school results [Ryan 2013]. This is despite their large increase in funding.

Many international studies show that increased funding improves results. For example, an extensive review of studies published just last month by an academic expert on education finance at Rutgers University in New Jersey shows that there is strong evidence of a positive relationship between school funding and student achievement and that particular school resources that cost money have a positive influence on student results [Baker 2016].

A new OECD report, also published last month, that analysed the 2012 PISA results found that the incidence of low performance in mathematics is lower in countries where educational resources are distributed more equitably between socio-economically disadvantaged and advantaged schools [OECD 2016].

Many studies also show that money matters particularly for disadvantaged students. For example, a study published in the *Quarterly Journal of Economics* in February based on US data found that a 10% increase in per-student spending each year for all 12 years of public school extends the schooling of low income students by nearly half a year [Jackson et. al. 2016]. It increases their adult earnings by nearly 10% and family income by 16%. The annual incidence of adult poverty is also reduced by 7%. These benefits, it said, "are large enough to justify the increased spending under most reasonable benefit-cost calculations".

Another study also published in February by the US National Bureau of Economic Research found that school finance reforms in the US that increased funding for low income school districts improved the results of students in those districts [Lafortune et. al. 2016].[3]

The fact is that Australia's PISA and NAPLAN results have not improved because funding increases have been woefully misdirected to favour privilege over disadvantage. Despite enrolling over 80% of disadvantaged students, public schools have received only tiny increases in funding.

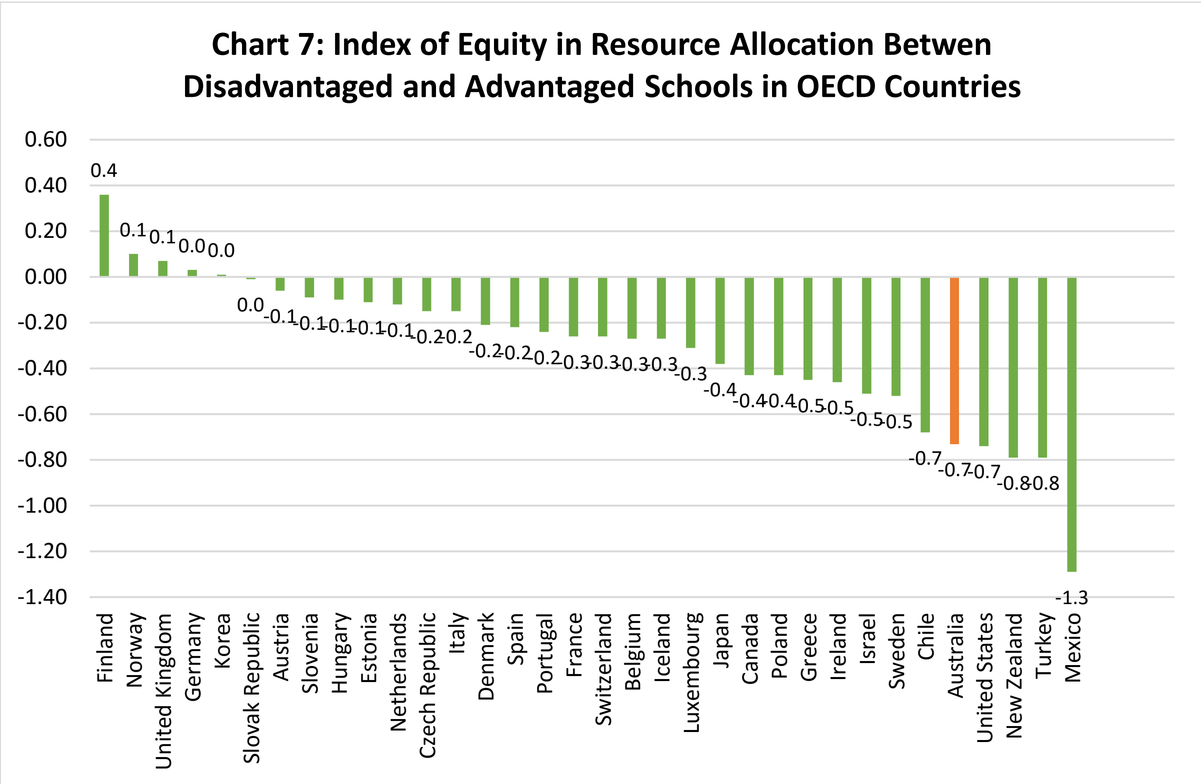
The OECD report just referred to demonstrates the extreme inequity in the distribution of educational resources in Australia. Only four other OECD countries have a more inequitable distribution of resources between disadvantaged and advantaged schools – Mexico, New

[3] For a review of earlier studies, see Cobbold 2015.

Zealand, Turkey and the United States [Chart 7]. There is a sharp contrast between Australia and Finland where the distribution of educational resources favours disadvantaged schools.

This evidence gives compelling weight to David Gonski's response to claim by the National Commission of Audit that increased funding has failed to improve results. He said:

> ...the essence of what we contended, and still do, was that the way monies are applied is the important driver. Increasing money where it counts is vital. The monies distributed over the 12-year period to which the commission refers were not applied on a needs based aspirational system. [Gonski 2014]



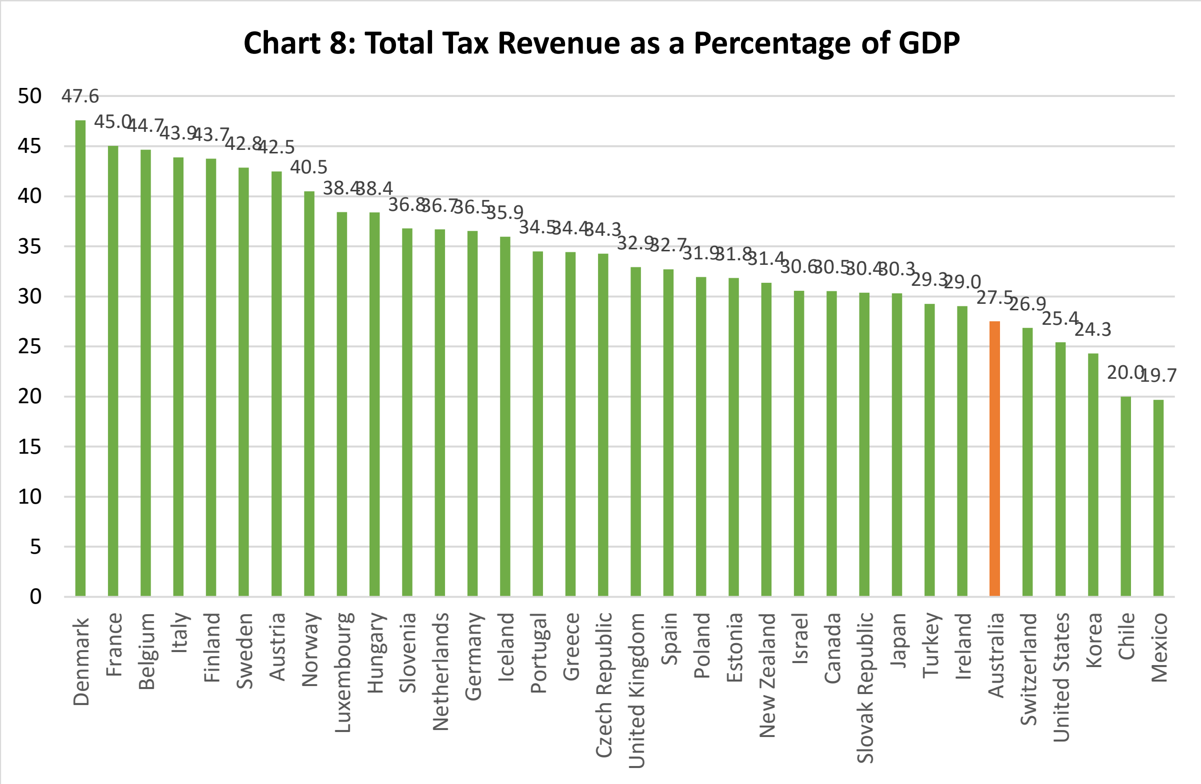
Source: OECD 2016

2.3 Big Lie No. 3: Australia cannot afford large funding increases

The Turnbull Government claims that it cannot afford to fully implement the Gonski funding because of the Budget deficit [Birmingham 2016]. But, contrary to this claim, Australia is a low tax country and the Government has a massive potential revenue pool from which to fund Gonski by reducing tax expenditures and clamping down on the use of overseas tax havens by wealthy individuals and corporations.

Taxation statistics published in December by the OECD show that Australia is ranked 29th out of 34 OECD countries in terms of the tax to GDP ratio in 2013 (the latest year for which tax revenue data is available for all OECD countries). Australia had a tax to GDP ratio of 27.5% compared with the OECD average of 34.2%. Even the Government's own Tax White Paper discussion paper concedes that Australia is a low tax country (Australian Government 2015, p. 16).

Australia makes heavy use of tax expenditures to provide concessions to individuals and businesses. They include a multitude of tax exemptions, tax deductions, tax offsets, concessional tax rates and deferrals of tax liability. They have the effect of reducing budget revenue. According to research published by the International Monetary Fund, Australia has one of the highest tax expenditures in the world [Tyson 2014]. It tops the list of 16 OECD countries with tax expenditures amounting to 8.5% of GDP.



Source: OECD 2015

In addition, the use of tax havens by wealthy individuals and large corporations to avoid tax is rampant. Clamping down on the use of tax havens promises to deliver huge increases in taxation revenue. The Tax Office has become more aggressive in clamping down on the use of tax havens, but it is hampered by cuts to its own budget by the Coalition Government.

3. There is a Massive Potential Revenue Pool to Fund Gonski

There is a huge potential revenue pool available to fund Gonski and other social programs by reducing tax expenditures and clamping down on the use of tax havens.

3.1 Reducing tax concessions for the wealthy

3.1.1 Superannuation concessions

Superannuation contributions, and earnings on investment in super, receive concessional tax treatment compared to tax imposed at personal marginal tax rates. A flat 15% tax rate applies to employer and deductible personal contributions to superannuation, except for those earning over $300,000 per annum. This encourages high income earners to divert income into superannuation. For example, the marginal tax rate of 45% for those who earn $180,000 or more is reduced to 15% on contributions to superannuation up to a limit of

$30,000. Superannuation benefits paid as an income stream in retirement are generally exempt from income tax for those over 60.

The 2015 Tax Expenditures Statement issued by the Treasury in January estimates the cost of superannuation taxation concessions in 2015-16 at $29.8 billion or $28.2 billion depending on which method is used to estimate the cost [Treasury 2016, Table 1.1, p. 8]. The latest Mid-Year Economic and Fiscal Outlook (MYEFO) report estimates that the cost of these concessions will blow out to over $50 billion by 2018-19 [Morrison & Cormann 2015, p. 71].

The large part of these tax benefits go to the top income earners. The Financial System Inquiry (Murray) report estimates that about 55% of superannuation tax concessions went to the top 20% of income earners [Australian Government 2014a, p.138]. That is, the top 20% of income earners received $16.4 billion in superannuation tax concessions a year.

3.1.2 Capital gains

Capital gains from the disposal of assets is taxed as income. However, Australian residents and trusts can discount any capital gain from an asset by 50% if the asset has been owned for at least 12 months. The discount means that only half the capital gain made on an investment is subject to tax. The Tax Expenditures Statement shows that the revenue forgone from the capital gains tax discount in 2015-16 was $6.15 billion [Table 1.1, p.8]. The MYEFO report estimates this will grow to $8.6 billion by 2018-19.

The benefits go mostly to the very wealthy. The National Centre for Social and Economic Modelling (NATSEM) has estimated that the top 20% of income earners account for 81% of the benefit flowing from the capital gains discount, or $4.7 billion, while the top 30% of income earners account for 86% of the benefit [Grudnoff 2015].

3.1.2 Negative gearing

Negative gearing allows losses made on investments to be deducted from taxable income derived from all sources. In Australia, negative gearing is mostly associated with investments in housing. An investor borrows money to buy an investment property which is rented out. If the rent received is less than expenses relating to the property, such as interest on the borrowing, the loss can be deducted from all other taxable income. The investor usually records a tax loss on their income from the property, but can achieve a significant reduction in tax paid from total income. This is very valuable to high income earners on the top marginal rate, and they also get a capital gains concession when they sell the property.

NATSEM estimates that negative gearing of residential investment property currently reduces tax revenue by $3.7 billion per year. Half of this benefit flows to the top 20% of income earners. The Grattan Institute has estimated the cost of tax concessions for negative gearing cost at $4 billion a year [Daly & Wood 2015].

3.1.3 Family trusts

High income earners can also reduce taxation through family trusts. The trust earnings can be allocated to family members who have low income from other sources so that the taxable income attracts the lowest rate of tax possible. For example, a high proportion of the trust income can be allocated to adult family members who work part-time so as to take advantage of the tax-free threshold applying to them. In some circumstances it is possible to reduce the tax bill to almost zero.

Estimates of the tax revenue lost through this rort are difficult to come by. However, the Australian Council of Social Service (ACOSS) has estimated that taxing private trusts as companies would save $1.5 billion a year [ACOSS 2016, p. 29].

3.1.4 Overseas tax havens

Apart from benefitting from a myriad of special tax concessions, many of the wealthy avoid tax by transferring funds to bank accounts in overseas tax havens. The revenue loss to government is difficult to estimate.

The Australian Tax Office (ATO) has made some progress in getting some of the income and assets hidden tax havens returned to Australia to meet their taxation obligations. For example, a tax amnesty by the ATO last year to encourage disclosure of offshore income resulted in more than 5,800 Australians disclosing $5.4 billion in assets and $600 million in income held overseas. It resulted in $240 million in additional tax liabilities [ATO 2015].

Last December, the ATO announced that that it is investigating more than 100 Australian parents with children at 60 elite private schools who paid school fees of $100,000 a year from overseas bank accounts [ATO 2015]. The ATO is concerned that the offshore accounts that are being used to pay the private school fees may be concealing much larger amounts of money amounting to millions of dollars.

3.2 Reducing corporate tax evasion

In addition to reducing tax concessions for the wealthy, much more tax revenue could be raised by clamping down on tax avoidance by big business. The first tax transparency report published by the ATO in December 2015 shows that 38% of the largest Australian and foreign-owned corporate entities did not pay any tax in 2013-14 [Khadem & Butt 2015]. The 579 companies that paid no tax had a combined turnover of over $400 billion and a taxable income of $4 billion. It also showed that 101 companies had a turnover over $1 billion but paid no tax. Two companies with a turnover of over $10 billion paid no tax.

A report published last September by the Tax Justice Network [2015] found that the 200 largest publicly listed companies in Australia avoid up to $8.4 billion a year in corporate tax. Nearly one third have an average effective tax rate of 10% or less compared to the statutory corporate tax rate of 30%.

The companies have hundreds of subsidiaries in tax havens such as Singapore, Hong Kong, British Virgin Islands, Cayman Islands, Mauritius, Luxembourg, Switzerland and the Channel Islands of Jersey and Guernsey. The report shows that 113 of the top 200 companies have over 1000 subsidiaries in tax havens.

Many subsidiaries of large multinational corporations in Australia pay little tax on their operations by shifting profits offshore through inflated interest payments to head office and transfer pricing. A research study published last November by the International Centre for

Tax and Development found that US corporations avoid an estimated $2.1 billion of tax in Australia each year by shifting their profits to low or no tax countries [Cobham and Jansky 2015].

An investigation by the Australian Financial Review found that Australian companies sent almost $60 billion to tax havens in 2012 [Chenoweth 2014]. For example, it found that Apple shifted an estimated $8.9 billion in untaxed profits from its Australian operations to a tax haven structure in Ireland in the last decade.

3.3 Other revenue measures

3.3.1 Dividend imputation credits

High income earners and companies also benefit from numerous other tax loopholes. One particularly generous measure is refunding unused dividend imputation credits.

Under Australia's dividend imputation system, shareholders receive a credit (called a franking credit) against their tax liability for the taxes paid by the company in which they have shares. Dividend recipients who have no income tax liability, due to either their other deductions or retirement status, are given a cheque by the government for the company's profits tax that has already been paid on their dividends. Australia is one of only a small group of OECD countries that operate a full dividend imputation system and it is the only country in the world that refunds unused franking credits.

The Government's tax discussion paper estimates the total value of imputation credits at nearly $30 billion a year, with about $19 billion claimed by individuals, superannuation funds and charities and about $10 billion claimed by other Australian companies [Australian Government 2015]. Refunding unused franking credits costs taxpayers $4.6 billion a year. The Chanticleer financial columnist for the Australian Financial Review has described it as "a rort that needs to be skewered in the interests of equity" [Boyd 2015].

3.3.2 Removing over-funding for elite private schools

Government funding enables some 1.400 private schools to have more resources than public schools. This costs the taxpayer about $3 billion a year that would be far better spent on supporting disadvantaged public and private schools.

SOS has estimated that the total over-funding in 2013 was $2.8 billion, including $2.1 billion from the Federal Government and $746 million from state and territory governments [Cobbold 2016b]. It is likely to be over $3 billion in 2015.

This over-funding of private schools has not produced better school results. The weight of evidence from academic studies shows that government schools do at least as well as private schools in national and international test results after adjusting for differences in the socio-economic composition of schools. The evidence from My School is that government schools do as well as private schools with a similar socio-economic profile. In particular, high socio-economic status (SES) government schools do just as well as elite Catholic and Independent schools, and substantially better in many states, with less than half the funding of the elite schools.

The extra resources provided by governments is mostly wasted on gold plating facilities, lavish marketing budgets to hire boutique public relations firms to promote their school and scholarships to cream off high achieving students from other schools.

The $3 billion in over-funding would be better invested in disadvantaged public and private schools. The saving to the Federal Government alone of $4.2 billion over two years would make a significant contribution to funding the $7 billion increase originally planned for the final two years of the Gonski plan.

3.4 The total potential revenue pool

In summary, the total potential revenue pool available for the Commonwealth Government to fully fund the last two years of Gonski is nearly $40 billion a year (see Box). It would easily fund the last two years of the Gonski funding plan, as well as other social and community needs, and still reduce the Federal budget deficit.

You would think that the extra funding of $3.5 billion a year was perfectly feasible, especially when you consider that the Government recently announced a $30 billion increase in defence expenditure over the next decade. Fully funding Gonksi is just a matter of priorities - the money is there, but the Government has determined other priorities.

Potential Revenue Pool to Fund Gonski

Tax concessions for high income earners (top 20%)

Superannuation: $16.4 billion
Capital gains: $5 billion
Negative gearing: $2 billion
Family trusts: $1.5 billion
Overseas tax havens: Not quantified
Total: $24.9 billion

Corporate tax evasion

Large Australian public companies: $4.2 billion (50% of Tax Justice Network estimate)
Overseas companies: $3 billion (scaling up of International Centre for Tax and Development estimate to include other overseas corporations)
Total: $7.2 billion

Other revenue measures

Refund of unused dividend franking credits: $4.6 billion
Removing over-funding for elite private schools: $2.1 billion
Total: $6.7 billion

Grand total: $38.8 billion

3.5 Australia has a revenue problem

Contrary to the claims of the Treasurer, Scott Morrison, Australia has a revenue problem not an expenditure problem. Tax evasion by the wealthy and large Australian and overseas corporations is rampant. It is costing the taxpayer many billions of dollars annually. The

Government is not raising enough revenue to cover necessary social expenditure. Liberal Senator Bill Heffernan has said that tax avoidance is "the greatest financial challenge" facing Australia. He said:

> If you're willing to turn a blind eye to billions of dollars going out the door and offshore, you're doomed in terms of providing what people expect from government: roads, schools and hospitals. [Aston and Wilkins 2014]

The former Labor Government Treasurer, Wayne Swan, has made the same point:

> ….tax avoidance or evasion on such a grand scale impoverishes us all. When companies fail to pay their fair share of tax, revenue must be found elsewhere – from other businesses or individual taxpayers. The billions of dollars extracted are forever lost to health or education or infrastructure investment that improves the lives of people across the community… [Swan 2016]

4. We Cannot Afford Not to Invest in Gonski

Education is an investment in the future. It brings long-term social and economic returns. Fully funding Gonski will improve the life chances of several hundred thousand disadvantaged students and reduce the vast social inequity in education outcomes in Australia.

Greater social equity in education would help reduce social alienation and division and strengthen the social fabric of Australian society. The Prime Minister acknowledges that Australia "is the most successful and most harmonious multicultural society in the world" [Turnbull 2016]. This is due in no small part to its inclusive public education system which has broken down barriers for children of immigrant families.

However, students from some ethnic groups are badly missing out. The lack of school success contributes to unemployment, social alienation, high crime rates and religious fundamentalism in some ethnic groups. While many public schools have been highly successful in overcoming socio-economic, cultural and religious divides within their communities, much more must be done in others.

High quality education for all students, whatever their country of origin, is essential to sustain Australia's multicultural success story. Our choice is continuing social cohesion or more social disharmony and conflict.

There is a huge amount of overseas and Australian research evidence which shows that increased education outcomes for disadvantaged students also has major economic and social benefits [Cobbold 2013]. It increases:

- Employment and earnings;
- Work force skills and participation, productivity and economic growth;
- Health outcomes.

There is also strong research evidence that reducing education disadvantage brings long-term returns to government by reducing government expenditure on health, crime and welfare.

The fundamental question is whether the Turnbull Government is willing to make the rich and big business pay their fair share of tax and invest it in reducing disadvantage in education to improve the lives of the low income students, improve workforce skills and participation and increase productivity. If the Prime Minister really believes in the need to develop an innovative, agile, knowledge-based economy it should be a straightforward choice. A high performing education system with minimum levels of disadvantage means a high performing economy. Full Gonski funding will make Australia a more prosperous, more egalitarian society

5. Where to for Gonski?

The key features of the previous Labor Government's Gonski funding plan were:

- A $15 billion increase in funding over 6 years made up of $10 billion from the Commonwealth Government and $5 billion from the states. Over $10 billion of the increase was left to the last two years: $7 billion from the Commonwealth and $3 billion from the states.
- The Commonwealth and state governments that agreed to the National Education Reform Agreement committed to maintain their current funding effort (as at 2011 and indexed to 2014) over the six years to ensure a consistent baseline for calculating shares of the additional Gonski funding and to ensure funding from one level of government is not substituted for funding from another level in the transition to the anticipated funding levels in 2019. Thus, the total funding increase over six years consisted of the Gonksi additional funding *plus* indexation of the current funding effort.
- Disadvantage loadings for public and private schools – the Commonwealth loadings were legislated while the states were permitted to determine their own loadings. The Commonwealth and state disadvantage loadings are not necessarily the same.
- Private school funding continued to be determined by their socio-economic status as measured by an ABS area-based measure. Schools that were receiving more that they are entitled to by their SES score get to keep their advantage. The only change was that they now receive slightly lower indexation. However, it will take 100 years for some schools to revert to their entitlement.

This funding plan was completely sabotaged and dismembered by the Abbott and Turnbull Governments. They refused to fund the final two years of the six-year plan when some $5.8 billion in Commonwealth funding would have flowed to public schools. They also refused to require state and territory governments to increase their own funding as a condition of Commonwealth funding as agreed under the Labor Government's plan. State and territory governments are now free to decide whether to increase their funding, substitute Commonwealth funding for their own funding or cut their funding. Most state and territory governments have refused to commit to the final two years of the Gonski plan and it will be some time before the data is available to determine whether any of them is substituting Commonwealth funding for their own.

The post-2017 funding arrangements are yet to be decided. The Commonwealth Government says that it will negotiate the arrangements with state and territory governments and private school organisations. It has indicated that it will introduce simpler, more cost effective and sustainable funding arrangements to apply from 2018 [Knott 2015]. Its only commitment is to increase funding according to CPI increases and enrolment growth [Australian Government 2014b, p. 91]. This would actually mean a cut in real funding because CPI increases are much lower than education costs. There is even no certainty that the Government will continue to distribute Commonwealth funding according to the Gonski needs-based formula after 2017.

Public schools bear the major loss of the Coalition's sabotage of Gonski. They will lose $5.8 billion in additional Commonwealth Government funding that was planned for 2018 and 2019. Their ongoing Commonwealth funding will be cut in real terms because it will be indexed to CPI increases and not actual cost increases in the education sector.

Federal Labor has announced that it will fully fund the last two years of Gonski. However, some $2.5 billion has mysteriously disappeared from its original plan when in government. The original plan was for a $7 billion increase over years 5 & 6 of Gonski. Labor's recent announcement commits only $4.5 billion [Shorten 2016]. This is a reduction of 35% on what it planned when in government. It says that the Parliamentary Budget Office (PBO) costed the impact of funding years five and six of Gonski at $4.5 billion, but it is puzzling how $7 billion could become only $4.5 billion. Labor must publish the PBO costing so it can be scrutinized.

The Greens plan to reduce funding for years 5 & 6 by even more. In February, they announced that their policy is to provide $3.5 billion for these years [Di Natale and McKim 2016]. Once again, there was no explanation for cutting back on the $7 billion that was originally planned.

So, this is where we are on Gonski: the Government is refusing to provide any Gonski funding for years 5 & 6 and, in effect, planning to cut real funding; Labor is only committed to providing 65% of the increase it originally planned in government; and the Greens are committed to providing only 50% of the original plan.

Moreover, the NSW Government is the only one of the state governments that signed on to Gonski that says it will meet its commitment to fully fund years 5 & 6. The Andrews Labor Government in Victoria has been conspicuous in its refusal to support the in-principle agreement of the Napthine Government to Victoria's contribution for the last two years.

The loss of Commonwealth and state government funding for the last two years of Gonski will be largely borne by public schools. It will mean that the expectations for improved education outcomes for disadvantaged children will be much diminished. It will mean that entrenched privilege and inequality in our education system will continue. It is a very disappointing outcome after six years of work to develop a more equitable national funding system.

The best that can be said of the current political debate on education is that at least Labor's commitment is an advance on the Coalition's sabotage. The bottom line is that a $4.5 billion increase is better than the cut to real funding that Turnbull is offering unless he has a change of heart. Still, it would be so much better for the many being denied an adequate education to have the full $7 billion.

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