Towards a New School Funding Model

A Submission in Response to the School Funding Review Research Reports

Save Our Schools

September 2011

Key Points

1. The Allen Consulting research report has provided the beginnings of a new school funding model to improve equity in education outcomes. It finds that it is feasible to develop a national resource standard (NRS) which estimates the resources necessary to achieve expected national education outcomes. It also finds that it is possible to determine loadings to be applied to the NRS to meet learning needs arising from social and education disadvantage.

2. However, the report's proposals do not constitute a full funding model because:
   - It fails to provide an adequate definition of equity objectives in education;
   - It fails to consider whether government funding should be available for schools whose private income exceeds the NRS;
   - It fails to adapt the NRS to an integrated national school funding model by limiting its use to guiding Australian Government funding to schools.

3. These failures should be addressed by the School Funding Review Committee in developing a new school funding model. It should:
   - Adopt a dual definition of equity in education whereby all students should complete Year 12 or its equivalent and students from different social backgrounds should achieve similar average outcomes;
   - Recommend that private schools whose private income exceeds the NRS should not receive government funding; and
   - Recommend an integrated national school funding model.

4. The report's approach to developing an NRS to achieve national education goals also contains several flaws which should be corrected:
   - The measure of school outcomes is limited to NAPLAN results and should be extended to include Year 12 outcomes;
   - It excludes system costs from the determination of the NRS;
   - It fails to acknowledge that the resources available to high socio-economic status government schools is a simple and transparent measure of the efficient costs of achieving high average national education outcomes; and
   - The proposal that the NRS be determined by the resources available to reference schools in which 80% of students achieve national literacy and numeracy benchmarks is too low, being well below existing average national outcomes.

5. The report's approach to determining the loadings for social and education disadvantage to be applied to the NRS will cause the loadings to be much too low and government funding to improve equity in education will remain inadequate:
   - Research findings suggest that funding for low SES and other disadvantaged students should be up to double or more average funding per student and that there should be additional loadings for schools with high concentrations of disadvantage;
   - The loadings for LBOTE students need to recognise immediate ESL needs and also be applied in an ethnic specific manner so as to improve the education outcomes of those groups which are substantially below average.

6. Save Our Schools urges the School Funding Review Committee to recommend a new national school funding model which consists of three basic components: a national resource standard, a baseline government funding component to ensure that all schools meet the NRS and an equity funding component:
   - The baseline component for government schools should be equal to the NRS while it should vary for private schools to take account of the resources provided from private sources of

funding and a discount factor which varies according to the extent to which private schools meet the same social and democratic obligations of government schools;

- Equity funding should be provided to ensure that all students achieve a Year 12 education and that students from different social backgrounds achieve similar outcomes. The equity loading should be the same for all government and private school students.

7. Research submitted by SOS to the Funding Review shows that in many cases private schools are better-funded than government schools to support students with disabilities.

1. Introduction

Save Our Schools (SOS) welcomes the opportunity to make a further submission to the School Funding Review following the release of the four reports commissioned by the Review Committee.

In its original submission, SOS argued for a total revision of current funding mechanisms to focus on the needs of disadvantaged students rather than on funding to support parental choice. We argued for definition of a baseline level of funding for government schools, based on the funding levels currently provided to high SES government schools, with additional targeted funding to address the needs of disadvantaged students, for five groups of disadvantaged students - students with disabilities, students from Indigenous backgrounds, students from low SES backgrounds and students from rural and remote areas, and students from language backgrounds other than English. We argued that the funding formulas should be periodically reviewed against equity and other performance targets, both to determine additional funding needs and to identify effective programs.

In relation to private schools, we argued that the role of government funding was to ensure that students in this sector had no less resources available than students in government schools. We further argued that government schools set the standard for social provision of schooling because of their obligation to offer a place to all students, and that the level of baseline funding guaranteed by government to private schools should be discounted for restrictive enrolment and curriculum practices, with any resource gap covered by parent fees. We argued that private schools which were operating at resource levels over those of government schools should have their government funding reduced. However, in relation to students from disadvantaged groups in private schools, we argued that they should receive the same level of additional support as in government schools.

Implementation of this funding model would mean that government funding for private schools would be concentrated in those schools whose enrolment and curriculum practices most resembled the broad inclusive practices of government schools, and that the needs of disadvantaged students would be addressed in all sectors.

Funding review research reports

We believe that the four research reports released by the Funding Review Committee are very consistent with the previous SOS submission.

All the reports recognise the special role of government schools in offering a place to all students, with selective enrolment only practiced in a minority of selective schools, which are particularly prominent in NSW.

The reports confirm, in various ways, some major issues discussed in SOS submissions. In particular, they confirm that government schools enrol a higher percentage of students from four of the five major groups of disadvantaged students – students with disabilities, students from Indigenous backgrounds, students from low SES backgrounds and students from rural and remote areas, where educational outcomes are clearly lower. In contrast to the common claim that Catholic schools are very similar to government schools in their socio-demographic profile, Catholic schools enrol a lower proportion of each of these target groups. In relation to students from low SES backgrounds, government schools enrol a lower percentage of students as SES status increases, whereas both Catholic and Independent private schools enrol a higher percentage of students as SES status

increases. The gradient is less in Catholic schools, but in many cases Catholic schools enrol a remarkably high percentage of students from the highest SES groups.

These reports also confirm that resource levels in most jurisdictions are similar in government and Catholic schools, despite the higher percentage of disadvantaged students enrolled in government schools. In most jurisdictions, resource levels for private schools are higher than for government and Catholic schools. Since the lower educational outcomes associated with these target groups have been well-documented, it is clear that more effective measures, including increased targeted funding, need to be put in place to address these sources of disadvantage.

It is important to note that despite the more challenging student enrolment profile and the limited resource levels available to government schools, after adjustment for student composition both at the individual and mean level, government schools deliver similar educational outcomes to both Catholic and independent schools – in other words there are no educational advantages to be gained by promotion of private schooling in terms of the agreed goals of schooling.

Allen Consulting report

The major focus of this submission is the findings of the Allen Consulting report because it establishes some fundamental features of a new school funding model. However, comment is also made on some aspects of the other research reports insofar as they bear upon the design of a new funding approach.

The Allen Consulting report finds that it is feasible to develop a national school resource standard. The national resource standard (NRS) estimates the resources necessary to achieve expected national education outcomes. This is the first necessary step towards a new school funding model. The report clearly states that the NRS should include all comparable school resources, including Australian Government, state and territory government, and private contributions, to estimate the total level of recurrent resources required to meet specified outcomes. It also rejects the idea that the proposed resource standard should be used as the basis for a student entitlement, or voucher, funding model.

The report also finds that it is possible to determine loadings to be applied to the NRS to meet learning needs arising from social and education disadvantage. This is another necessary step towards a new school funding model directed at improving equity in education which the School Funding Review has defined as a key objective of the review. Clearly, the report favours a base plus model, with a base per student amount, which can be adjusted in response to student and school characteristics. To this extent the report has established the basis for a new school funding approach to replace the current incoherent, inconsistent and unjust approach to school funding in Australia.

However, the approach outlined by the report is only a start. It is not a full funding model and it contains several flaws. It is incomplete in three important aspects: it fails to provide an adequate definition of equity objectives in education; it fails to consider whether government funding should be available for schools which have greater total resources than the national resource standard; and it fails to adapt the NRS to a national school funding model by limiting its use to guiding Australian Government funding to schools. There are also several flaws in the report's approach to defining and developing the NRS and its approach to determining the appropriate loadings to meet equity objectives. These flaws, unless corrected, are likely to lead to a funding model which fails to fully

achieve equity in education, and which could in fact exacerbate inequity in education. These issues are discussed below.

We urge the School Funding Review Committee to consider the SOS funding model outlined in its previous submission because it extends the approach adopted by the Allen Consulting report to provide a more comprehensive national school funding approach. A summary of the SOS model published in a recent issue of the journal *Teacher*, published by the Australian Council of Educational Research, is attached for the information and consideration of the Committee.

2. Equity in education

The first fundamental silence of the Allen Consulting report is that it fails to define the equity objective of a new funding model.

While the report is sympathetic to the development of a new school funding model to reduce disadvantage in education it never clearly defines an equity objective. Instead, it defines the NRS in terms of agreed national education outcomes. The problem is that the existing agreed national education goals also fail to adequately define equity objectives. The stated goals are too vague with regard to equity; indeed, they have watered down previously agreed national equity objectives.

A fundamental task for the School Funding Review is to clearly state equity objectives in education. It has set this as a primary goal of the review.

SOS recommends a dual equity objective:
1. All students should be expected and supported to achieve an adequate education to enable them to fully participate in adult society (the adequacy objective). It means that all students should complete Year 12 or its equivalent.
2. Students from different social groups, including high SES, low SES, Indigenous and remote area students should achieve similar average outcomes with a similar distribution of outcomes around the average (the social equity objective).

3. Baseline funding for schools

An implicit finding of the report is that all schools should be guaranteed funding to meet the NRS, which includes funding from all sources – governments and private sources. However, it is silent on whether government funding should be available to schools whose private income exceeds the NRS.

This is a fundamental failure which must be addressed by the Review Committee. A new funding model should consist of three basic components: a national resource standard, a baseline government funding component and an equity funding component.

The baseline government funding component should ensure that all schools meet the NRS. It should differ for government and private schools.

The baseline component for all government schools should be fixed at the NRS. The baseline component for private schools should vary between schools to take account of the resources provided from private sources of funding and a discount factor which varies according to the extent to which private schools meet the same social and democratic obligations of government schools.

The baseline funding component for private schools should bring schools below the NRS up to the national standard after taking into account fees and other sources of private income. The full difference between privately sourced funding and the government school community standard would be provided to private schools that adopt inclusive, non-selective enrolment practices and provide access to a comprehensive curriculum.

Private schools whose private-sourced income exceeds the NRS should not be entitled to baseline funding. There is no case to provide government funding to private schools whose resources exceed what society is prepared to provide for all other children, that is, those enrolled in government schools. To do so is to provide a resource advantage to these schools over government schools.

Public funding should not be directed at providing some students with additional advantages over and above those obtained by virtue of a relatively privileged family background. It would enhance social inequity by providing even greater opportunities for the more privileged in society to gain the intrinsic rewards of education, access to economic resources as well as positions of social status and power. It means diverting scarce funds from serving those with high learning needs to those with few needs. It would contradict the School Funding Review's stated focus on increasing equity in education outcomes.

4. National school funding model

The Allen Consulting Report explicitly rejects using the NRS to underpin resource allocation to individual schools because it would require agreement by all funding bodies (eg, states). It says this would be too complex and is impractical.

The Funding Review Committee should not accept this recommendation. It should take the opportunity to develop an integrated national approach to school funding which funding from different levels of government and which delivers funding to achieve equity goals by supporting the needs of disadvantaged students across the systems. The review is an historic opportunity to establish an integrated national funding model which should not be missed.

There is clearly much work to be done to spell out such a system. The committee should recommend the establishment of a National Schools Commission to develop and refine a national approach to funding.

5. Flaws in proposed national resource standard

As stated above, there are several flaws in the approach to establishing a NRS outlined in the Allen Consulting report which could undermine the effectiveness of a new funding model in achieving equity in education. These flaws relate to the national student outcome standard, the specification of the resource standard and the specification of reference schools.

Student outcome standard

The report suggests that student outcome standards be determined by reference to NAPLAN data. It says that at present the only consistent national data relating to schooling outcomes is the National Assessment Program – Literacy and Numeracy (NAPLAN) data. However, the report does note that NAPLAN data is only at best a partial measure of the broader schooling outcomes contained in the Melbourne Declaration and the National Education Agreement (NEA).

However, reliance on NAPLAN data for the determination of national student outcome standards is problematic. Apart from being only available for literacy and numeracy, the data is only available to Year 9 and therefore provides a very incomplete measure of expected schooling outcomes.

The national student outcomes standard should aim to achieve national goals for Year 12 results. Completion of Year 12 or its equivalent is the minimum education standard that should be expected for all students. This is a defined national education objective.

NAPLAN results can provide important information. However, over-reliance on earlier outcome measures such as NAPLAN results in Years 3, 5, 7 and 9 is flawed because the characteristic educational trajectory of disadvantaged students is that they progressively fall behind their peers. Most students complete Year 9, but many students from disadvantaged groups drop out of schooling before completing Year 12. It is therefore vital to use Year 12 outcomes as the primary measurement, with funding requirements defined in terms of achieving satisfactory outcomes at this level.

In addition to this fundamental problem, there is a minor practical problem that many schools do not enrol students in the Year levels which are subject to NAPLAN tests. For example, early childhood schools K-2 and colleges which only enrol students in Years 10-12. Several states have many schools that only enrol students in Years 10-12.

Specification of the resource standard

The report's discussion of the concept of a resource standard makes clear that efficiency is a key underlying principle. The report defines a resource standard as "*the efficient cost of delivering services that effectively meet specified outcome*" [p.4]. Its definition of a national school resource standard refers to resourcing which efficiently and effectively delivers expected national education goals.

The report proposes some complex estimation processes to determine the NRS which are quite legitimate, but which the report concedes will be very difficult for many to comprehend. However, there is a very simple and more transparent process which could be used for the immediate practical purpose of estimating the NRS which is only considered in passing by the report. This is the one proposed by SOS in its funding model – the resources used by high SES government schools which have very high proportions of students achieving national literacy and numeracy standards and Year 12 completion.

Research by SOS shows that many government schools are achieving close to 100% success in meeting national literacy and numeracy benchmarks and Year 12 completion with about half the total recurrent cost of high fee private schools and considerably less than many other equally successful private schools. The research analysed the education outcomes and total recurrent resources of a sample of 82 high SES K-12 private schools and 45 high SES government high schools and 45 primary schools matched from the same local area. The sample was drawn from the major metropolitan cities of Australia using data obtained from the My School website.

It found that there is little difference between the NAPLAN results of high SES government and private schools in all cities. High SES government schools achieved similar results to high SES private schools, even though the SES profile of government schools in the sample was slightly lower. The

high SES government schools achieved similar results to high SES private schools with far fewer resources. The total income per student of high SES private schools in Sydney and Melbourne is well over double that of the high SES government schools. The income of high SES private schools in Brisbane, Adelaide and Perth is 67-75% greater per student than that of high SES government schools. [The research is published in the Spring issue of the journal *Dissent* and is attached with to this submission.]

Clearly, the high SES government schools are much more efficient at achieving national education objectives than high fee private schools. They would provide a good measure of the resource standard to achieve national education outcomes where there are minimum levels of disadvantage. The complex statistical estimation process proposed by the Allen Consulting report is likely to confirm successful high SES government schools as efficient providers of national education goals.

The Allen report also proposes excluding system costs from the resource standard. It says that the resource standard should be set for school level resources. Exclusion of system costs in a national school funding model as proposed by SOS is non-sensical. System costs contribute to achieving national education outcomes. It would lead to an under-estimate of the resource standard and therefore a funding shortfall for schools in systems which provide significant support for schools. It is likely to disadvantage government schools. There are significant differences between the public and private sectors in the level of resources devolved to the school level. Significant resourcing of government schools is provided at the system level in the government sector, such as curriculum support, professional development and human resource management, which are strongly linked to raising teaching standards, and thus vital to improving outcomes. Major costs at the system level in the government sector are also incurred in managing the provision of support for disadvantaged students.

However, in the more limited model proposed by the report where the NRS is intended only to guide Australian Government funding of schools, we assume that this is issue does not arise as state/territory governments would continue to fund system costs in the government school sector.

We recommend that system level costs should be included in the NRS model for government schools, and that further work should be performed on how to deal with such costs in the non-government sector.

The report also proposes not including capital expenditure in the resource standard. This is a complex area, but the level of capital expenditure in the government sector is largely that required for generally inadequate system maintenance. In contrast, the private sector, particularly the independent sector, has high levels of capital expenditure in order to support expansion of facilities, and to enhance their apparent competitiveness in terms of resources relative government schools. Much of this additional expenditure is supported, directly or indirectly, by government funding, and therefore needs to be considered as part of the relative patterns of expenditure between sectors. We therefore recommend that further work be carried out on how to include capital expenditure in a funding model.

Another issue canvassed in the report is that raised in the research of the US education expert, W. Norton Grubb, about complex and abstract resources that contribute to school outcomes. The key

conclusion of Grubb's research is that funding matters, but that it matters through complex interactions with other internal and external resources available to schools.

The report does not deal with this issue very well. Basically it ignores the issue because it is too hard. Yet, as Grubb shows it is fundamental to the achievement of expected outcomes. However, the report suggests that this should be subject to further work in specifying a NRS.

> The challenge in applying a broad concept of resources in a NSRRS lies both in measurement and application. The concepts of *complex* and *abstract* resources developed by Grubb, although intuitively important to schooling performance, are also more difficult to measure than funding and very difficult to cost at a national level. In the future as data and measurement continues to improve, more of these non-financial, complex and abstract resources may be able to be measured and applied to a NSRRS. Accordingly, consideration should be given to developing and implementing data measurement and collection activities to collate this type of data. [p.46]

This is an issue of some importance. It points to the need for the School Funding Review to recommend a long-term approach to refining the measure of a NRS, preferably through a National Schools Commission.

Reference schools

The report introduces the concept of "reference schools" as those schools which meet the 'student outcome standard'. It is intended to use these schools to estimate the NRS and loadings, as they represent schools that are achieving the benchmark outcomes. SOS supports this approach. It is similar conceptually to the SOS measure of a community resource standard proposed in its submission to the School Funding Review as the resources currently available to high SES government schools, where a very high proportion of students achieve an adequate education.

The report defines a "reference school" as:

> Those schools where at least 80 per cent of students are achieving above the national minimum standard, for their grade, in both Reading and Numeracy, across the three years 2008 to 2010. [p.85]

The report states that the 80% threshold is based on discussion with education experts. However, no rationale is given for this threshold and it can only be seen as an arbitrary figure. It is not an adequate measure of success in achieving national education benchmarks. It is well below even average national literacy and numeracy outcomes, let alone those of successful schools, and thus the NRS would be based on the funding provided to schools which do not achieve national standards.

The average percentage of students achieving national literacy and numeracy benchmarks in Years 3 & 5 is around 95%. In Years 7 & 9, around 90% of students achieve the national benchmarks. In contrast, SOS research on My School data shows that the most successful primary schools have close to 100% of students achieving national benchmarks. Successful secondary schools have over 95% of students achieving benchmarks. Clearly, 80% of students achieving expected national literacy and numeracy benchmarks is an inadequate measure of a successful school, and application of this low standard is bound to under-estimate the resources required to achieve the agreed standards.

This low threshold for determining a successful school also contradicts the definition of a national resource standard recommended by the Allen Consulting report. Its definition refers to the resources which "would enable students attending schools serving communities with minimal levels of educational disadvantage the opportunity to meet agreed national educational outcomes" [p.viii]. A school with 20% of its students not achieving national literacy and numeracy benchmarks is not a school operating with minimum levels of education disadvantage.

It is not clear why this 80% threshold has been adopted. It raises the question of whether the loadings for student disadvantage will only be applied to schools with greater than 20% of their students not achieving expected national education outcomes. If this is the case it could lead to a significant under-estimation of the funding needed to ensure that all students achieve expected national education outcomes. However, the report does state that the loadings will be calculated on the basis of individual student and school characteristics and applied if the total loading is greater than 10% of the NRS.

It appears that the 80% threshold is more designed to allow some reference schools with low SES preponderance to be found. This may also result in significant under-funding for schools serving disadvantaged communities (see below).

The problems with this sort of approach are illustrated by two aspects of the reports. Analysis of funding programs to address SES issues show at best higher, and not always consistently higher, levels of resources in the most disadvantaged schools. However, as Figure 18 of the NOUS, NLS, MGSE report shows, disadvantage based on SES is a continuum. If the performance of the top 80% of schools is taken as the reference, then it under-estimates the real need for additional funding for the most disadvantaged schools, and it fails to acknowledge the needs of schools with intermediate levels of SES disadvantage. While students from the lowest SES levels clearly have the highest needs, particularly because low SES often overlaps with other sources of disadvantage, equity issues related to SES can only be addressed in a comprehensive manner if the top performing, highest SES schools are taken as the reference point.

A major problem with the report's definition of a reference school is that it fails to incorporate efficiency considerations. The principle of efficiency is a key underlying principle behind the concept of a national resource standard adopted by the report (p. viii). However, given the low threshold for the definition of a reference school and given the much higher proportion of students achieving national literacy and numeracy benchmarks, the large majority of schools, including private schools, are likely to be included in the analysis to estimate the national resource standard. The report fails to distinguish between high cost schools and low cost schools to be included in the analysis to determine the national resource standard.

As discussed above, the NRS should be determined through an analysis of efficient reference schools from the government sector. Many high SES government schools achieve very high proficiency levels which are equivalent to, and in some cases better than, those of the highest fee private schools with half the resources of those private schools. These government schools provide a convenient reference point to determine a school resource standard which is efficient and effective – the two principles underlying the Allen Consulting report's definition of a national school resource standard.

6. Student and school loadings

The Allen Consulting report proposes that loadings be applied to the NRS to identify additional resources required by schools to assist students with specific needs to achieve specified outcomes. Loadings would also reflect higher costs faced by schools with certain characteristics, such as those in remote localities.

This proposal is strongly supported by SOS and was proposed by SOS in its original submission to the Review. It should be a central component of any future school funding model.

The report proposes that the additional loadings required for various student and school characteristics be determined through the identification of reference schools with these characteristics, that is, schools with these characteristics which have 80% or more of their students achieving expected national education outcomes.

As discussed above, this threshold is unacceptably low. Apart from the reasons given above, it also implies that the equity goal is for schools to have over 80% of their students achieving national literacy and numeracy benchmarks. This is unacceptable as a national equity goal. It is also inconsistent with the stated equity goal of the School Funding Review issued in its original discussion paper for the inquiry. As outlined in the original SOS submission to the review, the national equity goal must be for all students (apart from those with significant intellectual disabilities) to achieve minimum national standards and for students from different socio-economic backgrounds to achieve similar average outcomes with a similar distribution of outcomes.

Another major problem in using reference schools to identify appropriate student and school loadings, especially in relation to education disadvantage, is that the current loadings applied in Australian schools are generally much too low to achieve equity in education. For example, the financial data on My School 2.0 suggest that the weightings applied to schools serving low SES students are about 1.2 or 1.3 at most.

This loading is substantially below estimates reported in research studies to ensure that low SES and minority students achieve an adequate education. Research studies show that large additional funding is needed to bring educationally disadvantaged students up to average levels of achievement. For example, several education cost studies show that the additional expenditure required for low income students to achieve at adequate levels is double or more the cost of educating an average student (references to these studies are supplied in the original SOS submission to the School Funding Review). The findings of the studies imply that the loading for low SES students should be up to 2.0 or more.

These findings are not really considered by the Allen Consulting report, or indeed any of the other research reports, in discussion of the loadings to ensure that low SES and other disadvantaged students achieve expected national education outcomes. The report's discussion of weighted student funding is very weak and ignores much of the literature providing estimates of the loadings required to achieve education adequacy [p.25ff].

The problem of estimating an adequate loading for low SES students and schools is not resolved by using "all schools" as proposed in the Allen Consulting report (note to Figure 7.2, p.86). This would result in an even lower loading for disadvantage. The ACER research report published by the Review

Committee found that funding for low SES students is modest, amounting to only about 10% of average per student costs:

> The ACER survey found that targeted allocations for Low SES factors within schools average less than $1,000 per student per annum. These are very modest additional allocations when it is considered that average annual expenditure per student in government schools exceed $10,000. [p.82]

Additional loadings should be applied in the case of those schools with high proportions of students from disadvantaged backgrounds as proposed in the original SOS submission and the Allen Consulting report. It is not simply a matter of totalling up the number of students with the selected characteristics as the Allen Consulting report suggests (p.48). Concentrations of disadvantage have an added impact on student outcomes as noted in the ACER research report. As outlined in the SOS submission, many research studies show that the compositional characteristics of schools affect individual student achievement beyond the impact of individual family backgrounds. Studies show that a student attending a school where the average SES of the student body is low is likely to have lower outcomes than a student from a similar background attending a school where the average SES of the student body is high. There is also a "double jeopardy" effect for students from low SES and minority families in that they tend to be disadvantaged because of their circumstances at home, but when they are also segregated into low SES and/or predominantly minority schools their school outcomes are likely to be even worse. There is strong evidence of such effects in Australian schools as reported in the 2009 PISA results and other studies.

Another issue about student loading concerns the loadings to be applied to what are generally called students from Language Backgrounds Other than English (LBOTE). There is some ambiguity with this category. Some of the research reports discuss this group in terms of students who qualify for entry to English as a Second Language (ESL) programmes, which are generally aimed at recent arrivals who need intensive intervention courses in order to get started with schooling in English. These students tend to be concentrated in government schools.

A much larger group is comprised of students from Language Backgrounds Other than English (LBOTE), who tend to be slightly concentrated in non-government schools. On average, outcomes for these students are not very different to the average, but this average performance disguises a marked disparity between ethnic groups, which unfortunately receives little detailed analysis. However, the evidence is clear that students of Chinese and more generally East Asian origin, and of South Asian origin, are more successful than the mean, while students of Middle Eastern and Pacific Islander origin are less successful.

Information on the relative performance of these groups of students is, on one hand, almost common knowledge to teachers and many parents, yet there is a marked paucity of official data. Part of the reason that data in these areas is hard to obtain is that issues of race and ethnicity are seen as politically delicate, so we should stress that these patterns are consistent with the relative emphasis on educational success placed in the cultures, and the educational backgrounds of the parent body in these groups – in other words the cultural capital of the ethnic groups. We believe that this area needs more hard-nosed and fine-grained analysis and targeted funding, because the social consequences of continuing under-performance concentrated in particular ethnic groups are obvious, particularly where they are also associated with religious differences. From the perspective

of schools, it is also clear that the challenges faced by schools with a high proportion of students of Chinese and Indian origin are much less than those faced by schools with a high proportion of students of Middle Eastern or Pacific Islander origin, which needs to obe addressed with specific funding mechanisms.

The ladings need to recognise immediate ESL needs and also be applied in an ethnic specific manner so as to improve the education outcomes of those groups which are substantially below average.

SOS considers that the development of loadings is bound to be a continuing project, best carried out by a National Schools Commission. The existence of marked disparities in educational outcomes shows that current funding is insufficient. We believe it is possible, based on existing research, to develop initial estimates for loadings which must be higher than current loadings. We advocate regular review of these funding levels against outcomes, with the preview process aimed at identifying new evidence-based loadings, while at the same time identifying programs which work. The long-term end-point of such a process will be the identification of funding levels and programs which successfully address equity issues in Australian education.

7. Funding for students with disabilities

The current situation of funding for students with disabilities has been misinterpreted in the research reports that consider this issue. For example, the ACER report mistakenly supports the assertion of private school lobbies that students with disabilities in private schools receive less government funding than similar students in government schools. This finding is based on an inadequate analysis of SWD funding in private schools.

The private sector has consistently argued that they receive less funding for students with disabilities, which is correct if only the targeted funding is considered. However, most funding for private schools is based on a percentage of AGSRC, which includes all the funding dedicated to students with disabilities in government schools. It is a reasonable expectation that these schools will use an appropriate proportion of this funding to support students with disabilities. Thus, if a private school is on 50% AGSRC, it is receiving the funding to cover, on average, the needs of a level of enrolment of students with disabilities half that of government schools. More comprehensively, if a private school enrols a percentage of students with disabilities relative to the enrolment in government schools which is lower than the percentage of AGSRC that they receive, then they have the funding needed to support those students, but if their relative enrolment ratio is higher than their percentage of AGSRC, then they would be under-funded.

In addition to this funding for students with disabilities coming through the AGSRC mechanism, private schools receive targeted funding to support students with disabilities. Therefore, in many cases private schools are better-funded than government schools to support students with disabilities, particularly since the students with the most severe disabilities requiring the highest levels of support tend to be enrolled in government schools.

Research on this issue undertaken by SOS indicates that most private schools are in the over-funded category, relative to the real needs of their students. This analysis is provided in the original SOS submission to the School Funding Review. Further detail and case studies is provided in a submission made by SOS to a recent inquiry into students with disabilities by a committee of the NSW Legislative Council. A copy of this submission was attached to the original SOS submission to the

School Funding Review. It is to be noted that the Legislative Council Committee report did not accept the arguments in many submissions from the private school sector that they receive less funding for students with disabilities than the government sector.

In most cases, private schools spend their AGSRC funding on mainstream students while complaining about under-funding, rather than devoting an appropriate level of support to students with disabilities from their AGSRC funding. This is a difficult area because levels of disability and funding needs are highly variable, and there may need to be limits on the extent to which parental choice of school or system can be matched by commitment of high levels of resources for specialised facilities to particular schools, but such cases will probably be rare.

8. Conclusions and recommendations

The proposal by the Allen Consulting report for a base plus model of school funding represents a sound basis for a new school funding model to increase equity in education outcomes. However, the report's recommended approach is only a start. It is not a full funding model and it contains several flaws. It is incomplete in three important aspects: it fails to provide an adequate definition of equity objectives in education; it fails to consider whether government funding should be available for schools which have greater total resources than the national resource standard; and it fails to adapt the NRS to a national school funding model by limiting its use to guiding Australian Government funding to schools. There are also several flaws in the report's approach to defining and developing the NRS and its approach to determining the appropriate loadings to meet equity objectives. These flaws, unless corrected, are likely to lead to a funding model which fails to fully achieve equity in education, and which could exacerbate inequity in education.

The School Funding Review Committee is urged to consider the SOS funding model outlined in its previous submission because it extends the approach adopted by the Allen Consulting report and provides a more comprehensive national school funding approach.

The Review Committee has an historic opportunity to recommend the development of a funding model based on a national resource standard, which will deliver the funding needed to provide equity for all students in Australia. This will take us beyond the often fruitless debate between government and non-government schools, not by providing government support to enhance parental choice and the resource advantage of many non-government schools, but by focussing attention on the role of government in ensuring that all Australian students have a level of resources to support their education which will achieve equitable outcomes.

Attachment

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School funding: An equity model

IT'S TIME FOR A NEW APPROACH TO SCHOOL FUNDING THAT PROVIDES INCREASED FUNDING FOR DISADVANTAGED SCHOOL COMMUNITIES IN THE INTERESTS OF EQUITY, SAY Trevor Cobbold AND Ian Morgan.

There is widespread agreement that Australia needs a new approach to school funding. Commonwealth Minister for School Education Peter Garrett in April said the current socioeconomic status (SES) funding model for private schools has 'reached its use-by-date.' Even the major private school lobbies concede that it has had its day, although they still want to retain the privileged funding it gives them.

Save Our Schools (SOS) has recommended a funding model for government and private schools designed to improve equity in education, which integrates funding from Commonwealth and state or territory governments. An equity based model will inevitably provide a funding boost for government schools, but it recognises the existence of disadvantage in the private sector which should be dealt with in the same way. It also provides incentives for private schools to become more inclusive.

A strong case for change

The current SES funding model is riven by exceptions and special deals that make it inequitable and inconsistent, a conclusion also reached by an internal Commonwealth review in 2006 by what was then called the Department of Education, Science and Technology. It directs much government funding to supporting privilege rather than overcoming disadvantage. It has wasted about $6 billion on the wealthiest schools and families in Australia.

The link in the funding model for private schools to government school costs means that increased funding for disadvantaged and disability students automatically flows on in part to private schools even if they have none or few of these students. The scheme is so incoherent that it delivers significantly different levels of funding to private schools with the same socioeconomic status, as the 2008 SOS paper, 'An analysis of over-funding of private schools under the SES model – national overview,' explains.

The result of all this ill-directed funding and waste, as Trevor Cobbold makes clear in 'Privilege and disadvantage' in *Dissent*, is that large achievement gaps continue unabated.

The latest results from the Program for International Student Assessment of the Organisation for Economic Cooperation and Development show that low-income, Indigenous and remote-area students remain two to three years in learning behind high-income students – and 80 per cent or more of these students are enrolled in government schools which are not sufficiently well-resourced to reduce the gaps.

The Emerging Issues Paper of the Commonwealth government's Review of School Funding chaired by David Gonski indicates that its focus is on improving equity in education and that 'equity should ensure that differences in educational outcomes are not the result of differences in wealth, income, power or possessions.'

The model proposed by SOS is designed to deliver a dual equity goal: an adequate education for all students and equity in outcomes between students from different social groups. (For details of the model see the SOS submission to the Commonwealth government's Review of School Funding.) All students should achieve a minimum standard of education which should be completion of Year 12 or its equivalent. Social equity demands that low-income, Indigenous and remote-area students achieve similar average results and distribution of results as high-income students.

The model has three main features: a community standard of resources, baseline funding for schools and equity funding.

Community resource standard

A community standard of resources for all government and private schools should be established which provides the base resources for achieving an adequate education across a comprehensive curriculum to Year 12 for schools which are not faced with significant disadvantage. It should enable government schools to meet the social obligations of universal and non-selective access in all locations; non-discriminatory and non-exclusionary enrolment policies and a comprehensive secular curriculum. These obligations provide a standard of provision against which to assess the social role of private schools.

For immediate practical purposes, the community standard should be set as the resources currently available to high SES government schools where a very high proportion of students achieve an adequate education. Currently, this is about $8,000 to $9,000 per primary student and about $10,500 to $11,500 per secondary student in New South Wales and Victoria according to the My School website.

An expert task force should be established to develop a community resource standard for Australian schools for the longer term. This would be an opportunity to review the education tasks of schools and the resources needed to achieve them.

The community standard should be sufficiently flexible to allow schools to provide additional support for very low proportions of students not making expected progress, to support advanced learning and other education needs of students.

The application of the standard would vary slightly between schools according to their year levels, school size, location and other factors. It would also be indexed against rising education costs.

Baseline funding

The second feature is a baseline funding component to ensure that all schools meet the community standard of resourcing. The baseline funding for all government schools should be fixed at the community standard.

The baseline component for private schools should vary between schools to take account of the resources provided from private sources of funding and a discount factor which varies according to the extent to which private schools meet the same social obligations of government schools.

The baseline funding component should bring private schools below the community standard of resources up to the government school community standard after taking into account fees and other sources of private income to ensure that they can provide an adequate education. No private school should operate with fewer resources than the community standard required to achieve an adequate education.

The full difference between privately sourced funding and the government school community standard would be provided to private schools that meet similar social obligations as government schools; that is, schools that adopt inclusive, non-selective enrolment practices and provide access to a comprehensive curriculum.

Schools that adopt selective or discriminatory enrolment policies or provide less than a comprehensive curriculum would receive less than 100 per cent of their eligible baseline component. For example, schools which select students on the basis of ability, income, or religious or other background characteristics would not be entitled to the full baseline funding component. The same principle would apply to schools which fail to provide a comprehensive curriculum which includes, for example, teaching evolution in science, adequate sex education and vocational education.

All Australian children have a right to a community standard of education and information, and government funding should not be used to support sectarian alternatives chosen by some parents which aim to keep their children in ignorance about important areas of learning. This would not affect the right of schools to teach particular beliefs as part of their religious education, but it would

affect schools which, for example, reserve the right to expel gay students.

Private schools which insist on being able to discriminate against some students or deny access to a community standard curriculum would therefore receive less government funding and some may find themselves with less than the community standard of resources. These schools would face three options. One is to increase their fees to cover the gap. The second is to adopt the community standard enrolment and curriculum policies. The third is to have their registration annulled on financial grounds because they do not meet the community resource standard.

Private schools should therefore be classified into funding categories according to the extent to which they enrol students on a socially inclusive, non-discriminatory basis and the extent to which they provide a comprehensive curriculum. The classification would specify the maximum percentage of baseline government funding which schools in each category would receive.

An important implication of this approach is that private schools whose privately sourced income exceeds the government school community standard are not entitled to the baseline funding component. The principle is that public funding should not be provided to schools with private resources above the community standard because it would give more privileged students additional advantages over less privileged students, and that would be inconsistent with the goal of improving equity in education outcomes.

Equity funding

The third feature of the proposed funding model is equity funding. All government and private schools should be eligible for equity funding on the grounds that children should not be deprived of an adequate and equitable education because of the choices made by their parents.

Students in government and private schools not making expected progress should be supported to achieve an adequate education. Low-income, Indigenous and remote-area students in either sector should be supported to achieve similar results to high-income students.

Additional funding should be provided to all schools in which students are not achieving adequate outcomes as they proceed through school. Different funding levels will be required for students with different background characteristics as their average results differ. The financial data on My School 2.0 suggest that the weightings applied in Australia are about 1.2 or 1.3 at most. In contrast, many research studies show that weightings up to 2.0 and higher are necessary to provide an adequate education to low-income and minority students. (For more on this, see the work of Andrew Reschovsky and Jennifer Imazeki; William Duncombe; William Duncombe and John Yingerin 2005 and 2008; Bruce Baker; and Helen Ladd.)

The funding weighting should also be higher for schools with higher proportions of low-income, Indigenous and remote-area students. These schools face additional challenges. Overseas studies show that a student attending a school where the average SES of the student body is low is likely to have lower outcomes than a student from a similar background attending a school where the average SES of the student body is high. (For more on this, see the work of Miquel Angel Alegre and Gerard Ferrer; Geoffrey Borman and Maritza Dowling; Jaap Dronkers and Mark Levels; Beatrice Rangvid; Russell Rumberger and Gregory Palardy; and Douglas Willms.)

There is strong evidence of such effects in Australian schools according to Andrew McConney and Laura Perry. According to analysis of 2009 PISA results by Sue Thomson, Lisa De Bortoli, Marina Nicholas, Kylie Hillman, and Sarah Buckley, the school compositional effect is much greater than the individual family effect. Additional funding should be available for these schools to address multiple sources of disadvantage and mobilise their communities in support of educational improvement.

Supplementary funding should also be provided to students with disabilities and it should be the same for government and private schools.

A review mechanism should be established to monitor progress towards improving equity in education and to ensure that equity funding is directed to programs that work.

The SOS model is much more strongly based on equity considerations, entirely consistent with the focus of the Gonski review, than is the current approach to funding government and private schools.

The model calls for much greater emphasis on equity in the funding of government schools, which

should lead to substantially increased funding for disadvantaged school communities. It also provides incentives for private schools to adopt inclusive non-discriminatory enrolment practices, provide comprehensive curriculum offerings and enrol disadvantaged students. These are important social aims which deserve to be supported by government funding.

The model will require new institutional arrangements such as the establishment of a federal schools commission to coordinate school funding. It will also require a reasonable phase-in period to allow schools time to adjust to the new arrangements.

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