

**Education Research Paper**

# **Public Schools Face a Funding Crisis; Private Schools Are in Clover**

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## Key Points

**The latest figures published by the Australian Curriculum, Reporting and Assessment Authority (ACARA) show that government funding increases continue to massively favour private schools over public schools. As a result, Catholic and Independent schools are far better resourced than public schools in every state even though public schools enrol over 80% of all disadvantaged students and 95% of all disadvantaged schools are public schools. This funding trend is set to continue under current funding arrangements and more special deals for private schools from the Morrison Government. It is a recipe for continuing educational, social and economic inequality.**

### Total income

- The total recurrent income per student in Catholic and Independent schools in Australia was higher than for public schools in 2018. The average total income per student in public schools in Australia was \$14,940 compared to \$23,029 per student in Independent schools and \$16,401 in Catholic schools.
  - The total income per student of Catholic and Independent schools exceeded that of public schools in all states in 2018.
- Between 2009 and 2018, the increase in total income per student, adjusted for inflation (“real” income), of private schools was nine to ten times higher than for public schools. The real total income of Independent schools increased by \$2,585 (16.9%) per student and by \$2,096 (19.7%) in Catholic schools compared to an increase of only \$241 (2.1%) per student in public schools.
  - Real total income per student in private schools increased by large amounts in all states.
  - Real income in public schools fell by large amounts in Western Australia, the ACT and the Northern Territory and the increases in the other states were far less than in private schools.
- The increase in the resource advantage of private schools was due to much larger Commonwealth funding increases for Catholic and Independent schools than for public schools, a significant cut in state and territory government (“states”) funding for public schools and increased income from fees and other sources for private schools.
  - Government funding increases have been pivotal in ensuring that private schools have far more teacher and physical resources than public schools. Government funding accounted for 77% of the increase in Catholic school income and 62% of the increase for Independent schools.

### Government funding

- The increase in real government funding for Catholic and Independent schools between 2009 and 2018 was over five times that for public schools. Catholic school funding increased by \$1,620 (21%) per student and by \$1,603 (25.4%) for Independent schools compared to only \$306 (2.9%) per student in public schools.
  - Government funding changes massively favoured private schools in all states. Catholic and Independent schools received large funding increases in all states while public schools in NSW, Victoria, Queensland, South Australia and Tasmania received much smaller increases and funding was cut for public schools in Western Australia, the ACT and the Northern Territory.
- The increase in real Commonwealth funding for private schools was over twice that for public schools. Catholic school funding increased by \$1,502 (26.2%) per student and for Independent schools by \$1,427 (31.5%) compared to \$637 (39.7%) for public schools.
  - Commonwealth funding increases for private schools far exceeded that for public schools in every state except for Independent schools in the Northern Territory. The increases were over double that for public schools in several states.

- The states cut their real funding for public schools by \$330 (-3.7%) per student while increasing funding for Catholic schools by \$118 (6%) per student and \$166 (9.5%) for Independent schools.
  - Every state government except Victoria cut its funding for public schools while five governments increased their funding for Catholic schools and six increased funding for Independent schools

### **Public schools bear the large burden of disadvantage**

- Government funding increases have favoured advantage over disadvantage. Public schools enrol the vast majority of disadvantaged students; disadvantaged students in public schools comprise a much higher proportion of total enrolments than in private schools; nearly all disadvantaged schools are public schools. In 2018:
  - Public schools enrolled 82% per cent of all low SES students; 84% of Indigenous students, 77% of high disability students and 82% of remote area students.
  - Disadvantaged students accounted for 46% of all public school enrolments compared to 20% in private schools.
  - 95% of schools with 50% or more students from the lowest socio-economic status (SES) quartile were public schools, 3% were Catholic schools and 2% were Independent schools.

### **Public schools will be under-funded indefinitely while private schools are in clover**

- The priority given to funding advantaged students and schools over disadvantaged students and schools is set to continue indefinitely. Four special funding arrangements will ensure that private schools continue to receive large funding increases beyond 2018 regardless of need while public schools are condemned to remain under-funded:
  - Under the current Commonwealth/state funding agreements, public schools will only ever be funded at 91% of their Schooling Resource Standard (SRS) at most while private schools will be funded at or over 100% from 2023.
  - The Morrison Government is providing a \$3.4 billion funding boost to private schools over ten years through its direct income measure of parent capacity to contribute in private schools.
  - The Morrison Government will provide private schools with an increase of \$1.2 billion over ten years by way of its Choice and Affordability slush fund.
  - The Morrison Government is providing over \$200 million in special assistance funding for private schools over several years from 2019 that is not available for public schools.

### **Public schools face a funding crisis**

- Public schools face the prospect of being underfunded indefinitely. Under the current arrangements, Commonwealth funding increases will continue to heavily favour private schools for at least the next ten years while the states will continue to underfund public schools while overfunding private schools. Cumulative under-funding of public schools will amount to about \$60 billion over the period 2018 to 2027 under the current Commonwealth/state funding agreements.
- As a result, the large majority of disadvantaged students are condemned to an inferior education than their advantaged peers. It is an appalling social injustice that will continue the reproduction of educational, social and economic inequality. It will also restrict Australia's economic growth and prosperity.

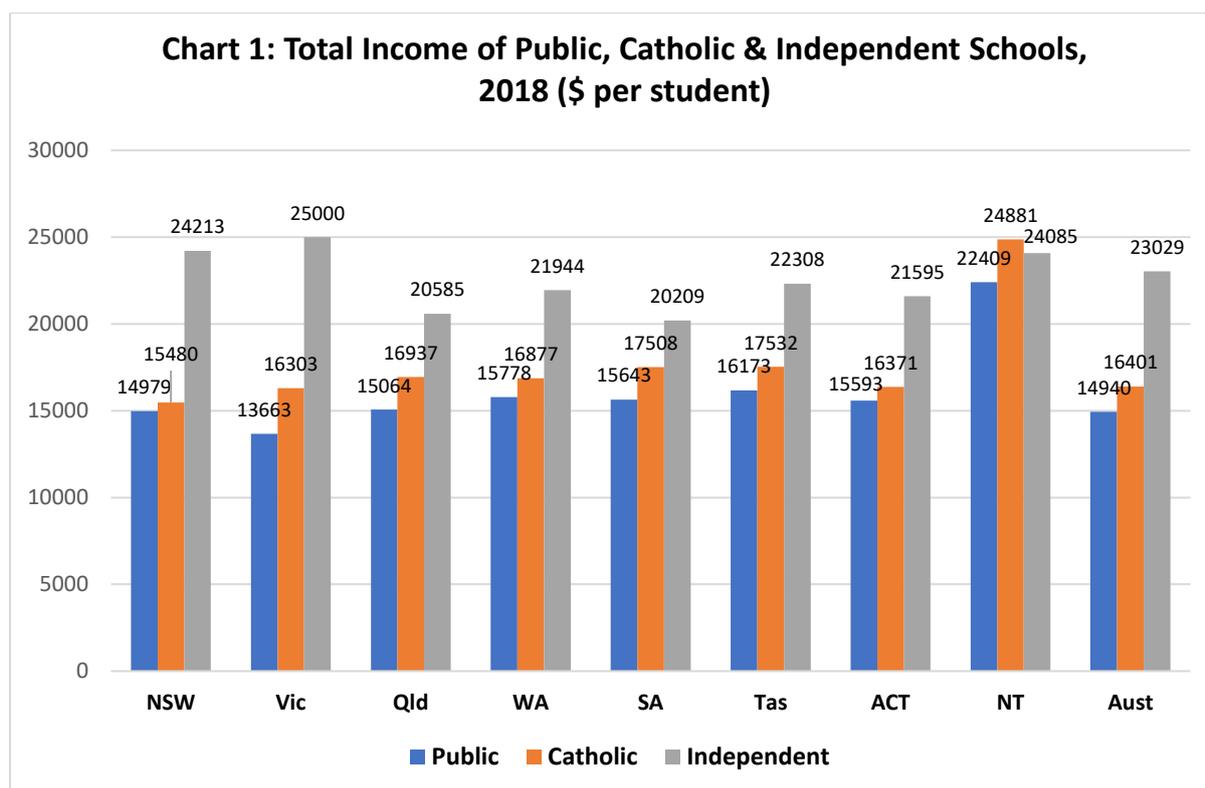
## 1. Introduction

New figures published by the Australian Curriculum, Assessment and Reporting Authority (ACARA) on its [National Report on Schooling data portal](#) show that the total recurrent income per student of Catholic and Independent schools is significantly higher than that of public schools and that their income has increased much more than that of public schools since 2009.

The recurrent income and funding figures published by ACARA have been adjusted here for rising costs using a combined index of the Wage Price Index for public and private education and training and the Consumer Price Index published by the Australian Bureau of Statistics (see Attachment). Total recurrent income per student used here refers to gross income figures published by ACARA (see Attachment). Income and funding adjusted for rising costs reflects the real human and material resources available to schools. An increase in real income and funding means that more teaching, non-teaching and material resources are available for schools while a decrease means less.

## 2. Total income 2018

The total recurrent income per student in Catholic and Independent schools in Australia was higher than for public schools in 2018. The average total income per student in public schools in Australia was \$14,940 compared to \$23,029 per student in Independent schools and \$16,401 in Catholic schools [Chart 1].

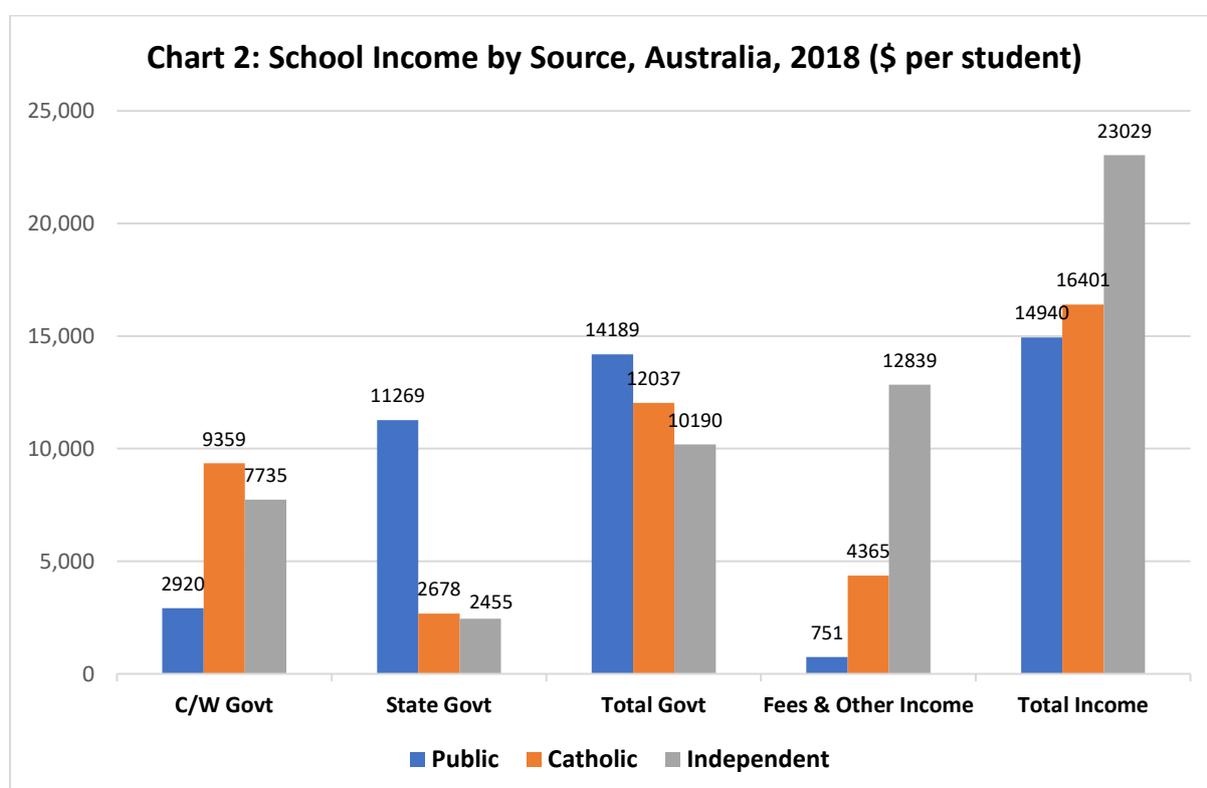


Catholic and Independent schools had more resources than public schools in every state and territory ("states"). The total income of Independent schools far exceeded that of public schools in all states. The gap was particularly large in Victoria and NSW. In Victoria, the income of Independent schools was nearly double that of public schools – \$25,000 compared to \$13,663 per student. In NSW, the per student income of Independent schools was \$9,234 per student higher than that of public schools, or 62% higher.

The income of Catholic schools exceeded that of public schools in all states. The gap was largest in Victoria where it was \$2,640 per student higher (19%). In the Northern Territory the income gap favouring Catholic schools was \$2,472 per student (11% higher).

In 2018, government funding provided 95% of the total recurrent income of public schools, 73% of that of Catholic schools and 44% of that of Independent schools [from Chart 2]. Commonwealth Government funding provided 20% of the total recurrent income of public schools, 57% of that of Catholic schools and 34% in Independent schools. In contrast, state governments provided 75% of the total income of public schools, 16% of the income of Catholic schools and 11% of that of Independent schools.

Income from fees, charges and other sources constitutes a very small proportion of the income of public schools compared to Catholic and Independent schools. Privately sourced income contributed 5% of the income of public schools, 27% in Catholic schools and 56% in Independent schools.

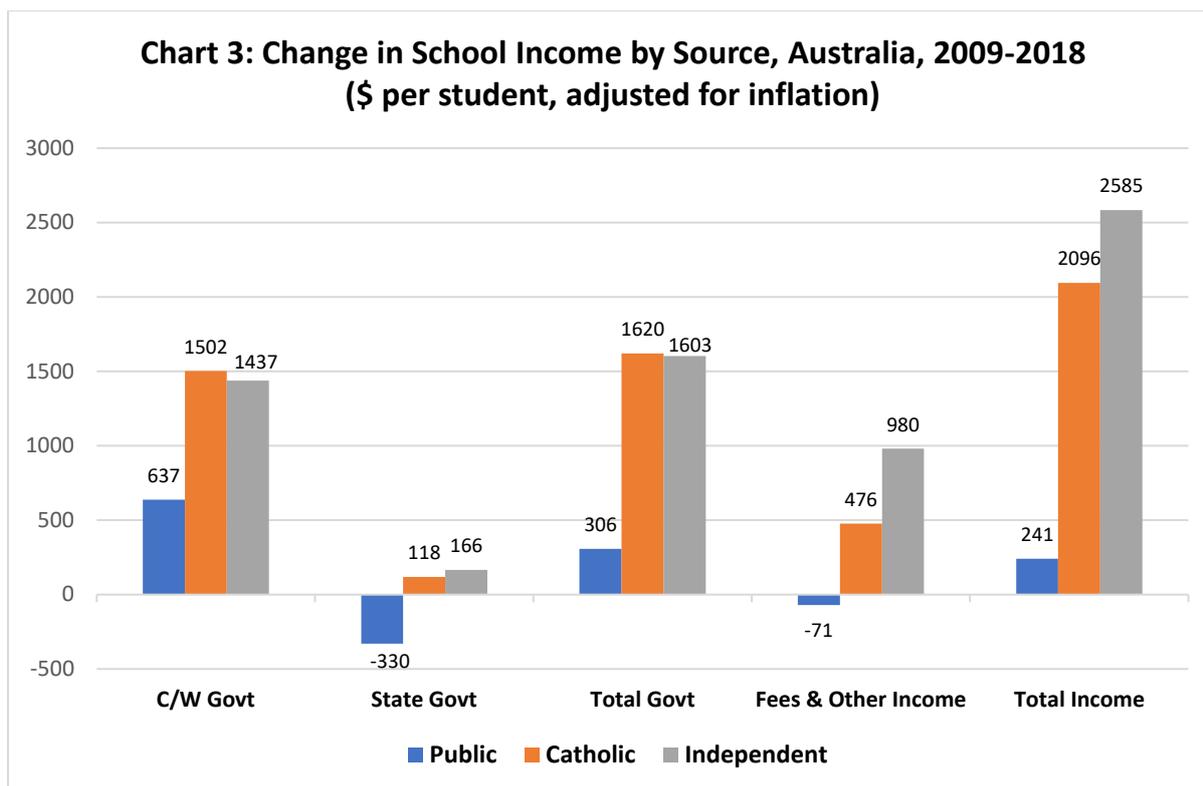


### 3. Funding sources 2009 to 2018

#### 3.1 Australia

Between 2009 and 2018, real total income per student in private schools increased by nine to ten times the increase for public schools. The real total income of Independent schools increased by \$2,585 (16.9%) per student and by \$2,096 (19.7%) in Catholic schools compared to an increase of only \$241 (2.1%) per student in public schools [Chart 3].

As a result, the resource disparity between public and private schools has widened substantially since 2009. In 2018, the total real income per student in Independent schools was 54% higher than that of public schools compared to 36% in 2009. In 2009, the real income of public schools was 6% higher than in Catholic schools, but by 2018 the income of Catholic schools was 10% higher than in public schools.



The increase in the resource advantage of private schools was due to much larger Commonwealth funding increases for Catholic and Independent schools than for public schools, a significant cut in state government funding for public schools and increased income from fees and other sources for private schools. Government funding increases have been pivotal in ensuring that [private schools have far more teacher and physical resources](#) than public schools. Government funding accounted for 77% of the increase in Catholic school income and 62% of the increase for Independent schools.

Real government funding for Catholic and Independent schools increased by over five times that for public schools. Catholic school funding increased by \$1,620 (21%) per student and by \$1,603 (25.4%) for Independent schools compared to only \$306 (2.9%) per student in public schools. The increase for public schools averaged a measly \$34 per year over the nine years.

Commonwealth funding for private schools increased by over twice that for public schools. Catholic school funding increased by \$1,502 (26.2%) per student and for Independent schools by \$1,427 (31.5%) compared to \$637 (39.7%) for public schools.

State governments cut funding for public schools by \$330 (-3.7%) per student while increasing funding for Catholic schools by \$118 (6%) per student and \$166 (9.5%) for Independent schools. The state contribution to total public school funding fell from 80% in 2009 to 75% in 2018. The states are clearly taking advantage of Commonwealth funding increases for public schools to cut their own funding. However, they continue to increase their funding for private schools.

Real increases in income from fees and donations for Catholic and Independent schools also contributed to the increase in their resource advantage. Fees and donations in Catholic schools increased by \$476 (16.3%) per student and by \$980 (10.9%) per student in Independent schools compared to a fall of \$71 (-10.9%) per student in public schools.

## 3.2 States

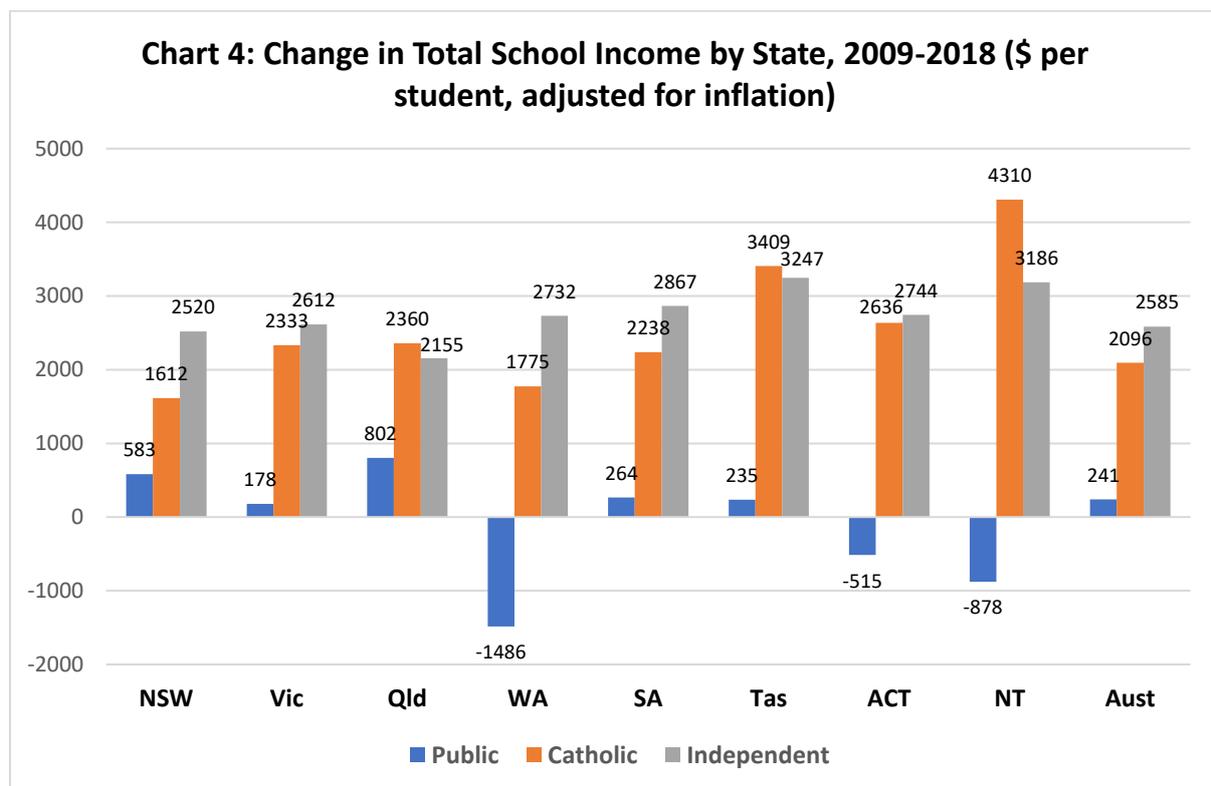
### 3.2.1 Total income

Real total income per student in private schools increased massively in all states between 2009 and 2018 while real income in public schools fell in three states and the increases in the other five states were far less than in private schools.

Real total income of Independent schools increased by about \$2,000 per student and more in all states, the largest increases being in South Australia (\$2,867; 22.4%), Tasmania (\$3,247; 23.1%) and the Northern Territory (\$3,186; 20.5%) [Chart 4]. The real income of Catholic schools also increased by large amounts in all states. The largest increases were in Tasmania (\$3,409; 33.4%) and the Northern Territory (\$4,310; 28.7%).

The increases in private school income dwarfed that of public schools. The largest increases in public schools were \$583 (5.3%) per student in NSW and \$802 (7.5%) in Queensland. The increases in three other states were very small while income fell in Western Australia (-\$1,486; -1.9%), the ACT (-\$515; -4.1%) and the Northern Territory (-\$878; -4.9%).

As a result, the resource disparity between public and Independent widened substantially in all states. Catholic schools now have a resource advantage over public schools in all states. In 2009, the total income per student in public schools exceeded that of Catholic schools in all states except Victoria. By 2018, the situation was reversed with the income of Catholic schools exceeding that of public schools in all states (see Chart 1).

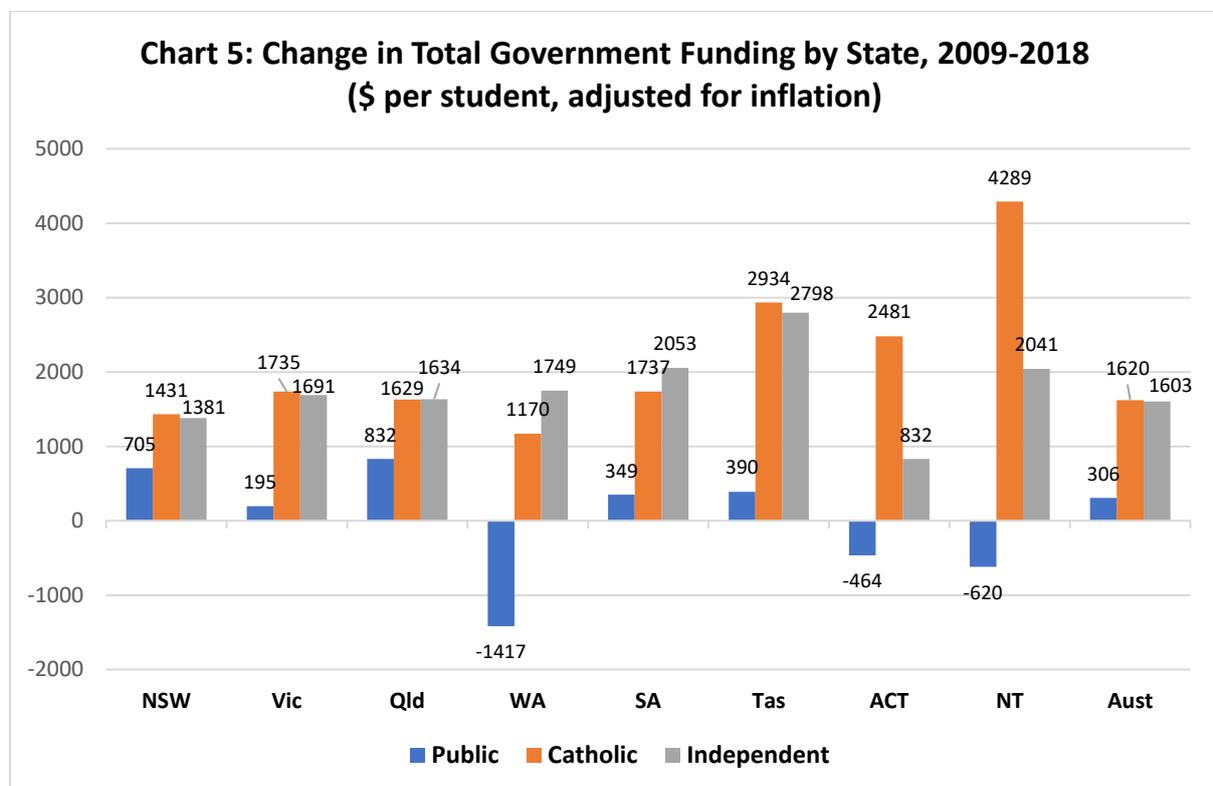


The increase in the resource advantage of private schools in all states was due to much larger Commonwealth funding increases for Catholic and Independent schools than for public schools, cuts in state government funding for public schools in all states except Victoria and increased income from fees and other sources for private schools.

### 3.2.2 Government funding

Overall government funding changes massively favoured private schools in all states between 2009 and 2018. Catholic and Independent schools received large funding increases in all states while public schools in NSW, Victoria, Queensland, South Australia and Tasmania received much smaller increases and funding was cut for public schools in Western Australia, the ACT and the Northern Territory [Chart 5]. Funding increases for Catholic and Independent schools were similar in all states except the ACT and the Northern Territory where Catholic schools received much larger increases.

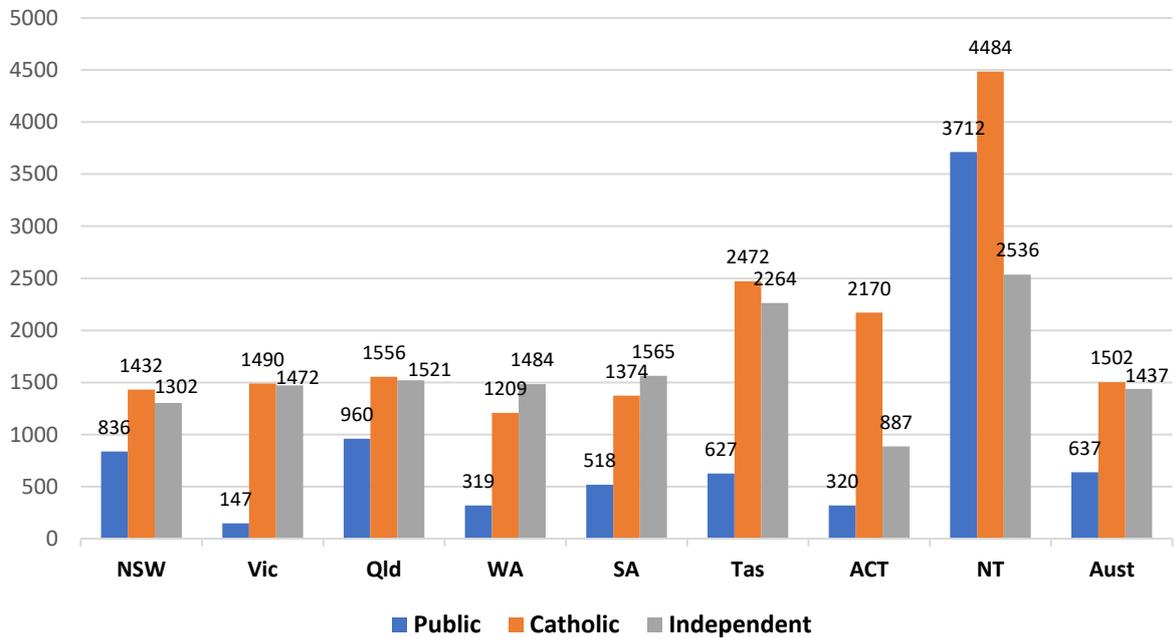
The contrast between the funding of private and public schools was particularly stark in Western Australia where real funding per student in public schools was cut by a massive \$1,417 (-10.8%) per student but increased for Catholic schools by \$1,170 (14.4%) and by \$1,749 (25.8%) for Independent schools. There was also a huge disparity between public and private schools in the Northern Territory: funding for public schools was cut by \$620 (-3.6%) per student but increased for Catholic schools by \$4,289 (37.4%) per student and by \$2,041 (18.7%) per student in Independent schools. Government funding for public schools in the ACT was cut by \$464 (-3.9%) per student but increased for Catholic schools by \$2,481 (37.1%) and by \$832 (14.5%) in Independent schools.



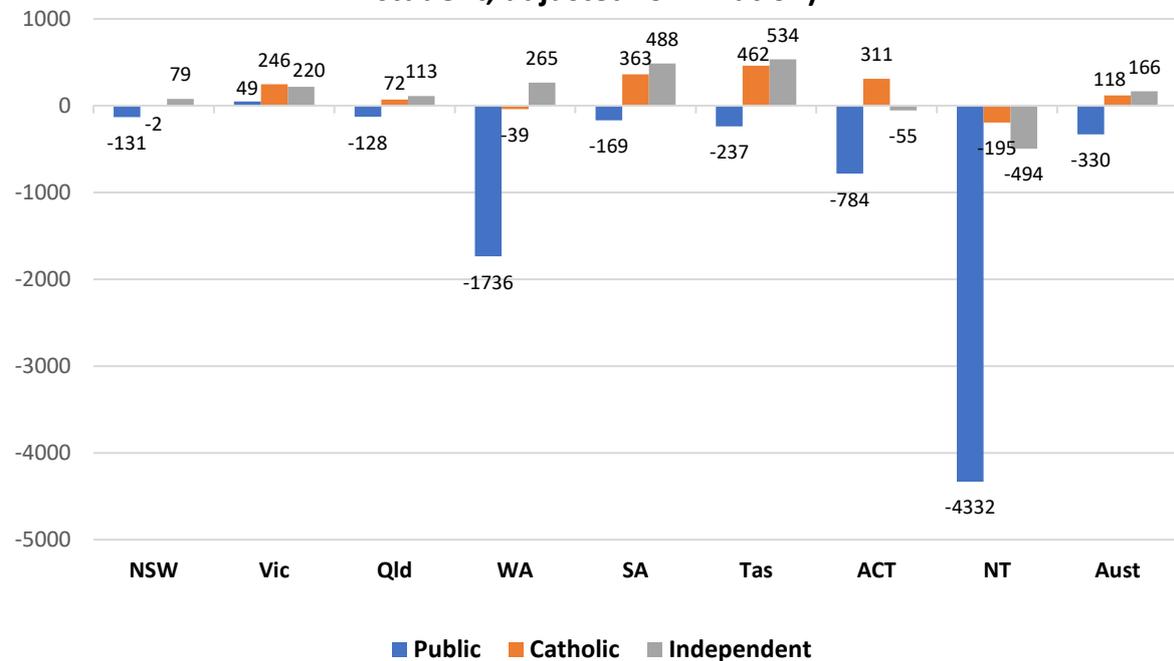
The Commonwealth increased funding for private schools by much more than for public schools in every state except in the case of Independent schools in the Northern Territory. The Commonwealth increases for public schools ranged from \$147 per student (8.6%) in Victoria to \$3,712 (185.4%) in the Northern Territory [Chart 6]. Apart from the Northern Territory, the biggest increases were \$960 (61.1%) per student in Queensland and \$836 (57.1%) in NSW.

Commonwealth funding increases for Catholic and Independents schools were about double or more of that for public schools in all states except NSW, Queensland and the Northern Territory. The increases for Catholic schools ranged from \$1,209 (21.2%) in Western Australia to \$4,484 (51.1%) in the Northern Territory while the increases for Independent schools ranged from \$887 (21.5%) in the ACT to \$2,536 (33%) in the Northern Territory.

**Chart 6: Increase in Commonwealth Government Funding by State, 2009-2018 (\$ per student, adjusted for inflation)**



**Chart 7: Change in State Government Funding, 2009-2018 (\$ per student, adjusted for inflation)**

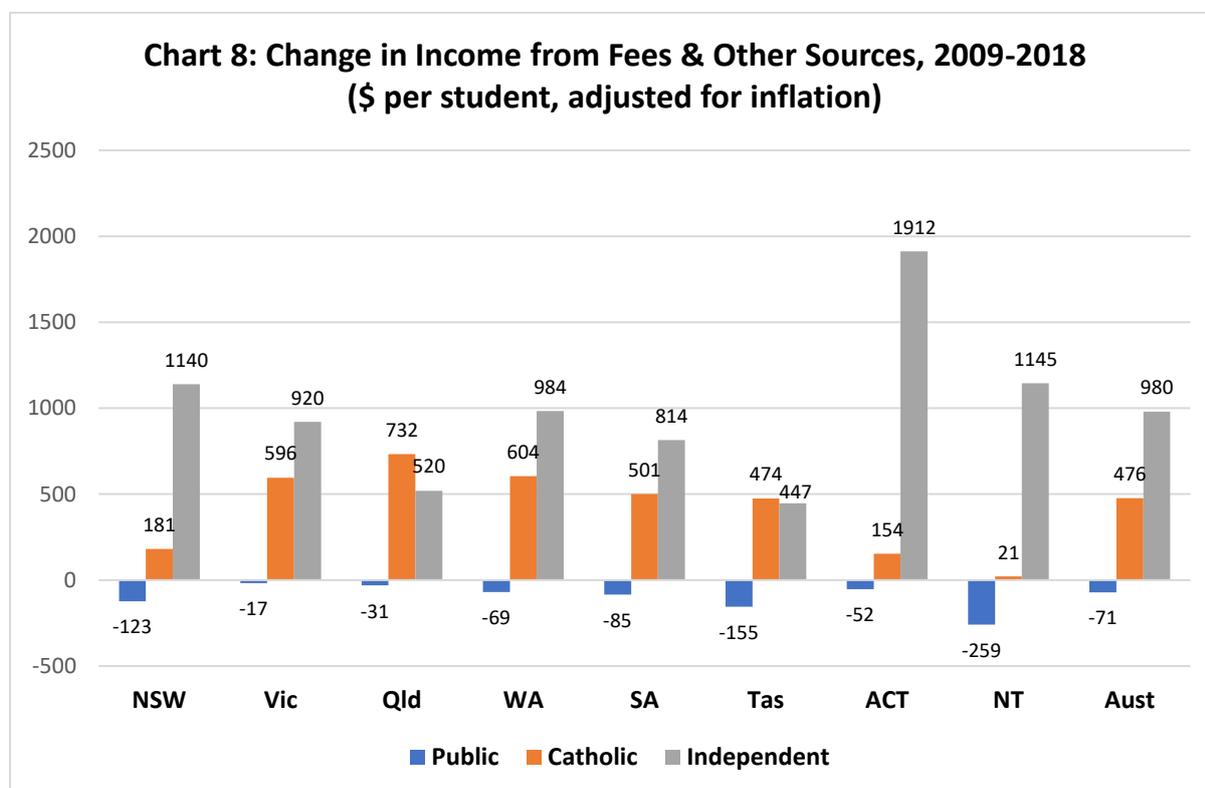


Every state government except Victoria cut its funding for public schools between 2009 and 2018 while five governments increased their funding for Catholic schools and six increased funding for Independent schools [Chart 7]. Both Coalition and Labor governments cut funding for public schools while increasing funding for private schools. Massive funding cuts to public schools occurred in

Western Australia (-\$1,736; -15.1%) and the Northern Territory (-\$4,332; -28.3%). A large cut also occurred in the ACT (-\$784; -7.1%).

In contrast to their cuts to funding for public schools, the Queensland, South Australian and Tasmanian governments increased funding for Catholic and Independent schools by significant amounts of up to around \$500 per student. The NSW and Western Australian governments increased funding for Independent schools but cut funding for Catholic schools by very small amounts. The ACT Government increased funding for Catholic schools but cut funding for Independent schools while the Northern Territory government cut its funding for both Catholic and Independent schools. The cuts to private school funding were far less than the cuts to public schools in each relevant state.

Despite receiving large increases in real government funding per student, private schools in nearly every state also increased their income from fees, charges and other income by much more than necessary to cover cost increases [Chart 8]. The ability of private schools to draw on this source of income provides a significant means to increase human and material resources and has contributed to the widening resource gap between public and private schools.



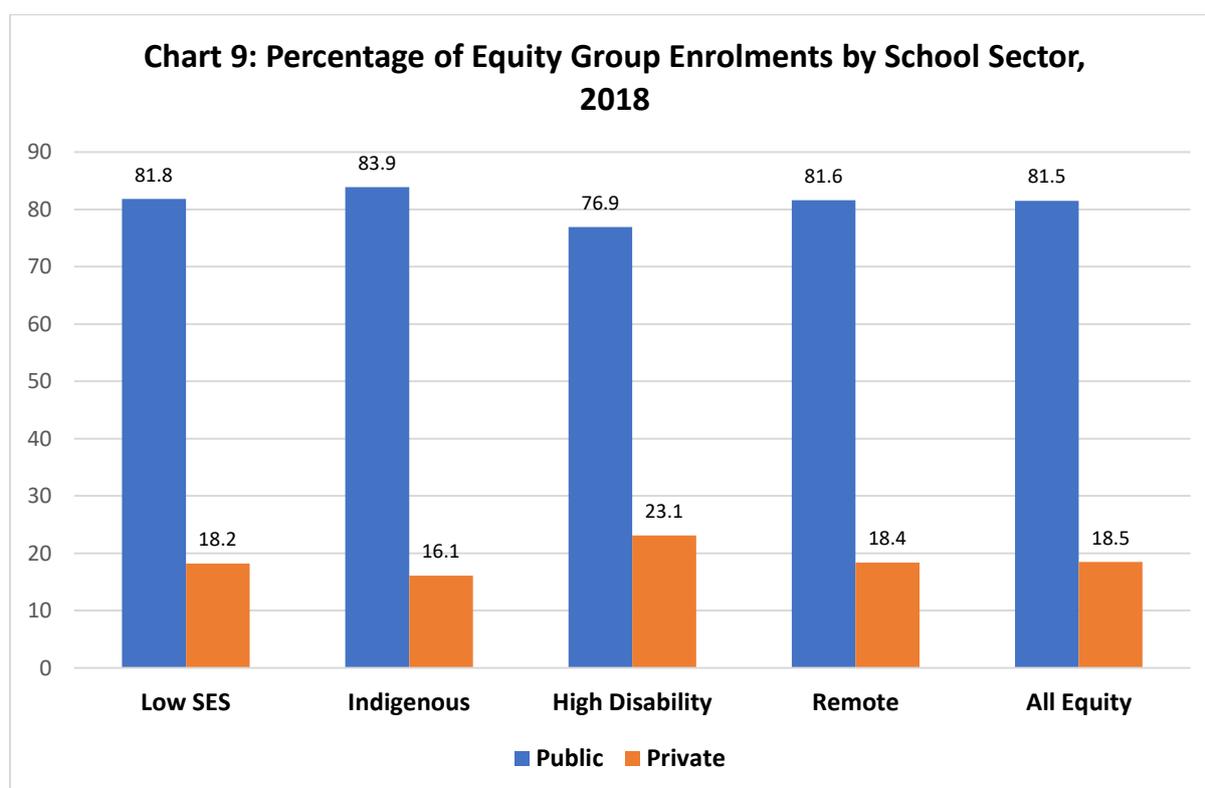
The real increases in Independent schools' private income were very large in most states. The largest was \$1,912 (23%) per student in the ACT. Other large increases occurred in NSW (\$1,140; 11.6%), Victoria (\$598; 8.1%), Western Australia (\$984; 13.1%) and the Northern Territory (\$1,145; 24.8%). Catholic schools also increased income from fees, charges and other sources by more than costs in all states except the Northern Territory. Large increases in real income from these sources occurred in Victoria (\$596; 19.9%), Queensland (\$732; 24.1%) and Western Australia (\$604; 19%).

In contrast, income from fees, charges and other sources failed to keep pace with rising costs in public schools. It fell in real terms in every state between 2009 and 2018, most significantly in Tasmania (-\$155 per student; -29%) and the Northern Territory (-\$259; -33.9%).

#### 4. Public schools bear the largest burden of disadvantage

There is a vast gulf between the rhetoric of school funding policies and practice in Australia. Formally, the Commonwealth and state governments support the principle of needs-based funding, but the reality is that funding increases continue to overwhelmingly favour the most advantaged school sectors – Catholic and Independent schools – over the most disadvantaged sector – public schools.

Public schools cater for the vast majority of the most disadvantaged students – low SES, Indigenous, high disability and remote area students. In 2018, public schools enrolled 82% of low SES students; 84% of Indigenous students, 77% of high disability students and 82% of remote area students [Chart 9]. Yet, the increases in funding received by schools serving these students since 2009 was five times less than that provided to Catholic and Independent schools which enrol much smaller proportions of these students.

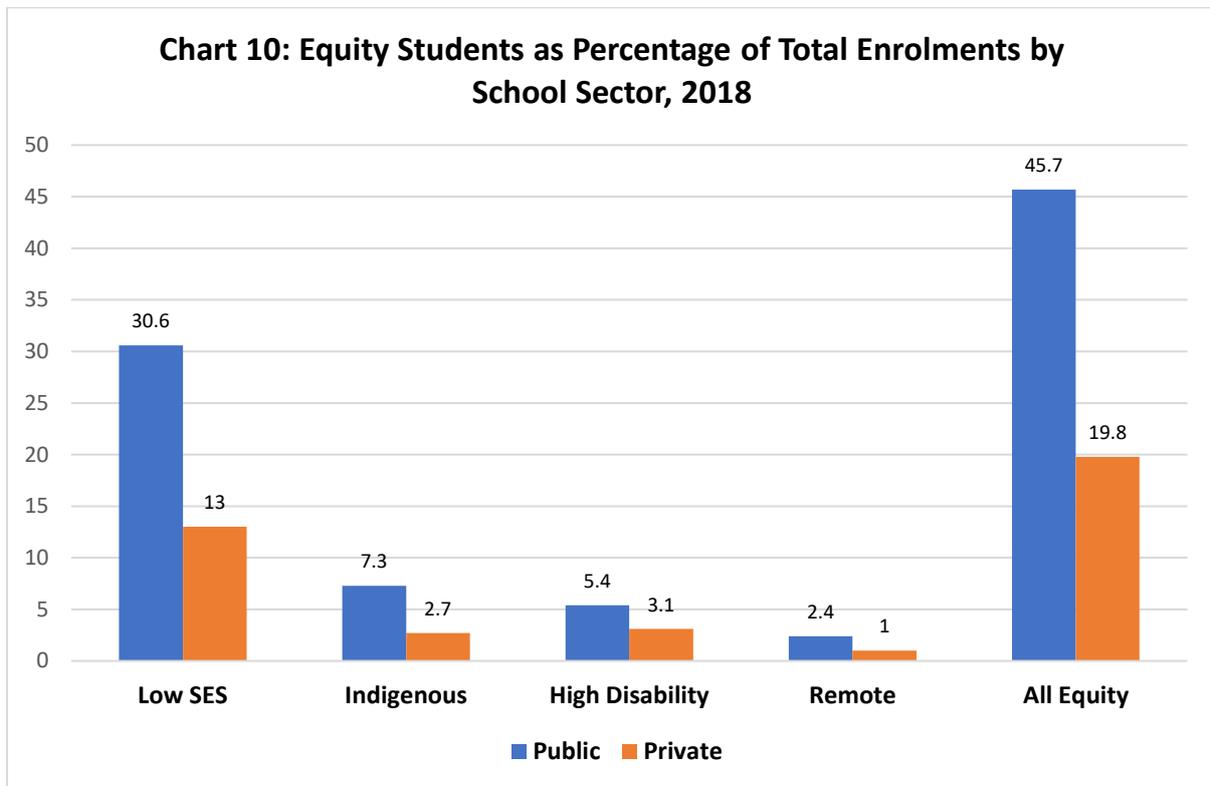


Source: ABS Schools Australia 2018; Report on Government Services 2020

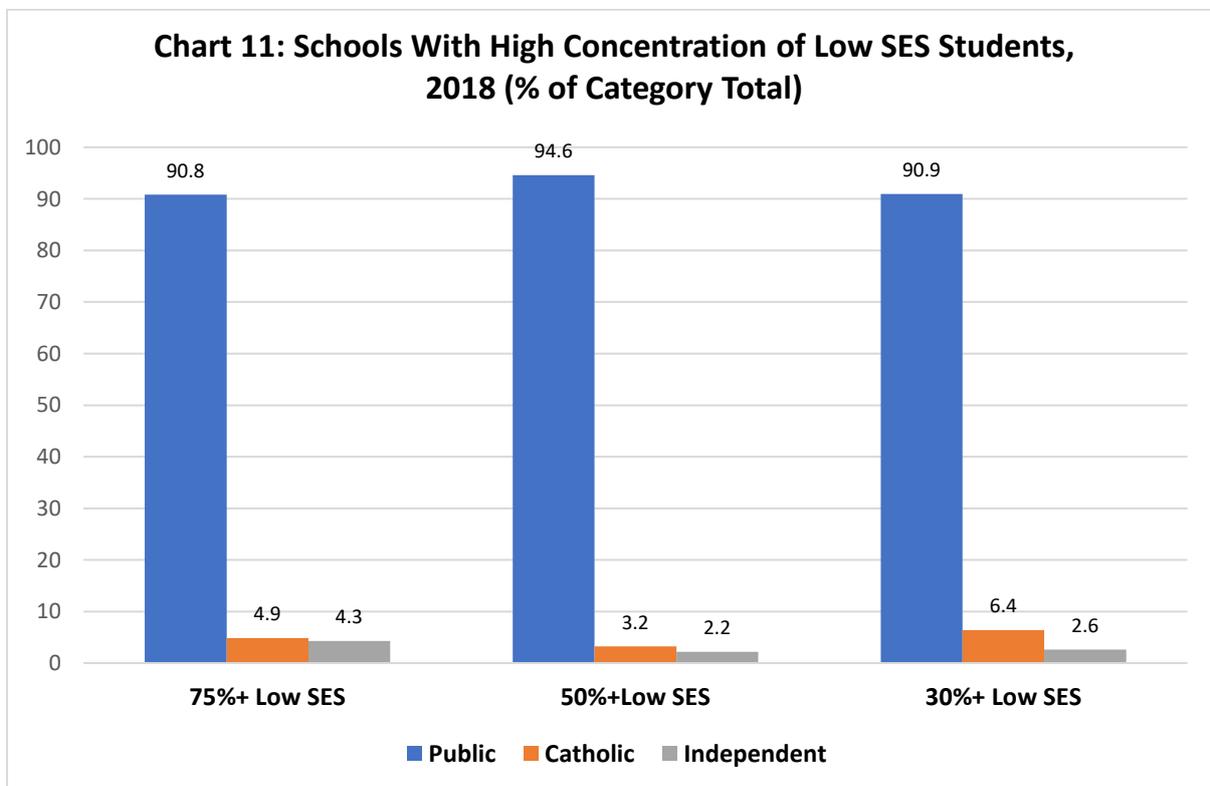
Disadvantaged students comprise a much higher proportion of enrolments in public schools than private schools. In 2018, low SES students comprised 31% of all public school enrolments compared to 13% in private schools; Indigenous students comprised 7% of public school enrolments compared to 3% in private schools; high disability students were 5% of public school enrolments compared to 3% in private schools and remote area students made up 2% of public school enrolments compared to 1% in private schools [Chart 10]. Disadvantaged students accounted for nearly half (46%) of all public school enrolments compared to 20% in private schools.

The vast proportion of highly disadvantaged schools are public schools. The My School website shows that in 2018 there were 349 schools that could be identified by school sector with 75% or more of their students from the lowest SES quartile. Of these, 91% were public schools, 5% were Catholic schools and 4% were Independent schools [Chart 11]. There were 1,827 schools with 50% or more students from the lowest SES quartile. Of these, 95% were public schools, 3% were Catholic

schools and 2% were Independent schools. There were 4,031 schools with 30% or more of their students in the lowest SES quartile and 91% were public schools, 6% were Catholic schools and 3% were Independent schools.



Source: ABS Schools Australia 2018; Report on Government Services 2020



Source: My School

## 5. Private schools are in clover

The priority given to funding advantaged students and schools over disadvantaged students and schools is set to continue. Four special funding arrangements will ensure that private schools continue to receive large funding increases beyond 2018 while public schools are condemned to remain under-funded:

- Under the current Commonwealth/state funding agreements, many private schools will continue to be over-funded while public schools will be under-funded indefinitely.
- The Morrison Government is providing a \$3.4 billion funding boost to private schools over ten years through its direct income measure of parent capacity to contribute in private schools.
- Private schools will receive another increase of \$1.2 billion over ten years by way of the Morrison Government's Choice and Affordability slush fund.
- The Morrison Government is providing over \$200 million in special assistance funding for private schools over several years from 2019 that is not available for public schools.

### 5.1 Commonwealth/State funding agreements

Under the [Commonwealth/state funding agreements](#), public schools will only ever be funded at 91% of their Schooling Resource Standard (SRS) at best while private schools will be funded at or over 100% from 2023 at the latest.

The Commonwealth will increase its funding of public schools to 20% of their SRS by 2023. State governments are only due to increase their share to 75% by 2027 (2028 in the case of Victoria, 2032 for Queensland and no time limit for the Northern Territory). However, an accounting trick in all agreements, apart from ACT agreement, allows the states to claim other non-school based expenditure (depreciation, school transport, regulatory agencies) up to 4% of the SRS towards their commitment. This means they are only required to increase funding to 71% of the SRS by 2027. Consequently, public schools will only ever be funded at 91% of their SRS at best.

The Commonwealth has guaranteed that private schools will be funded at 80% of their SRS by 2023. Every state except Victoria and the Northern Territory currently funds private schools at over 20% of their SRS and there are caveats in the agreements (except the ACT) that allows them to continue to be funded at above 20%. Thus, private schools will be funded at over 100% of their SRS by 2023 at the latest and it will very likely continue indefinitely.

The phase-in arrangements overwhelmingly favour private schools. The Commonwealth has guaranteed that private schools currently funded below 80% of their SRS will achieve the target by 2023 while the states do not have to achieve the smaller 75% funding target for public schools until at least 2027. Private schools currently funded by the Commonwealth at over 80% of their SRS have until 2029 to adjust to their lower funding while public schools in Western Australia and the ACT funded at over 80% of their SRS will have their funding share reduced by 2022 and 2023 respectively. Over-funded private schools also get special assistance to adjust to their lower SRS that is not available to public schools in similar circumstances.

### 5.2 Funding for direct income measure in private schools

The Morrison Government is providing an additional \$3.4 billion to private schools over ten years which is supposedly to implement a new [direct income measure of parent capacity to pay](#) in private schools. Catholic schools will receive \$3.2 billion.

Morrison announced the funding increase before the actual measure of the direct income of families was determined. It was announced on 20 September 2018, the same day as a Technical Working Group was appointed to work out how the direct income of families was to be measured. Knowing

the exact amount of the increase before the measure of capacity to contribute had been determined strongly indicates this is another special funding deal for private schools.

This proved to be the case. A [report by the Senate Education and Employment Legislation Committee](#) on the direct income measure unequivocally showed that its financial cost was never properly calculated by the Government. Evidence presented to the Committee showed there is no rational basis to the figure. In effect, it was plucked from the air.

The report states that the Commonwealth Department of Education “acknowledged that the Working Group was only provided with papers covering the theoretical aspects of the new methodology...” [p. 13]. The report also cites the submission by the Independent Schools Council of Australia (ISCA), which was represented on the Technical Working Group, that no data or modelling was available to the Group to assess the financial impact.

Given this, the only conclusion possible is that the increase is yet another special deal to placate the Catholic Church after it ran a ruthless campaign against the Turnbull Government’s abolition of the system-weighted average funding arrangement that had so benefitted Catholic schools. As [Adrian Piccoli](#), former NSW Education Minister and now Director of the Gonski Institute, said of the new deal which was announced together with the Government’s Choice and Affordability Fund: “This is purely a political fix to shut down a powerful lobby group”.

### **5.3 Choice and Affordability Fund for private schools**

The Choice and Affordability Fund provides private schools with an additional \$1.2 billion over 10 years from 2020 to 2029. [Figures obtained under FOI](#) show that Catholic schools will receive \$718 million and Independent schools \$485 million. Several commentators, including [Peter Goss from the Grattan Institute](#) and [Adrian Piccoli](#), have called it a “slush fund”. In his memoirs *A Bigger Picture*, former Prime Minister Malcolm Turnbull said the Fund was introduced by the Morrison Government “without any particular rationale, other than as a way of buying some peace” [p. 533].

The Fund breaks with the principle of needs-based funding because it is confined to private schools. There is no funding increase for public schools, which enrol over 80% of disadvantaged students and account for over 90% of all disadvantaged schools. [Morrison dismissed the needs of public schools](#) as a matter for state governments saying that the federal government “has always been the principal funder of non-government schools”. It continues the Coalition’s long tradition of guaranteed funding of private schools and no guarantees for public schools.

[The Prime Minister himself acknowledged](#) that the new funding package is a special deal. He told the ABC’s AM program that his new announcements “sit outside” the current needs-based funding arrangements. Even the normally supportive [Centre for Independent Studies](#) described it as a “special deal” that undermines the Coalition’s Gonski 2.0 funding model.

The [Guidelines for the Fund](#) state that its purpose, among several, is to support parent choice, provide adjustment assistance for non-systemic Independent schools whose funding will be reduced under the Commonwealth’s Gonski 2.0 funding arrangements and special assistance for schools in rural, regional and remote locations and areas affected by drought or other natural disasters.

The Morrison Government has unashamedly re-affirmed the Howard-era mantra of school choice as a policy priority. The heading of the Prime Minister’s media release announcing the funding increase said it all: “[More choice for Australian families](#)”. School choice has always been a cover for more funding for private schools. As many research studies around the world and in Australia have shown,

school choice is a policy that promotes social segregation in schools and exacerbates inequity in education.

The Fund incorporates funding for the National Adjustment Assistance Fund, another special deal for private schools that was announced in conjunction with the introduction of the Government's Gonski 2.0 funding arrangements. This provides additional funding of \$40 million over 10 years. Over-funded private schools have ten years to adjust to reduced funding levels and the adjustment funding serves to compensate for the reductions for some schools.

The case for additional funding for private schools in rural, remote and drought-affected areas does not stand up. Private schools comprise only a small minority of schools in these areas. The [Halsey inquiry](#) into regional and remote education reported that 80% of schools in outer-regional and remote areas are public schools. The Government is effectively saying that private schools in these areas deserve more funding than public schools. Moreover, the disadvantage loadings in the Gonski model are designed to provide extra support for students in these areas. If it were considered that schools in regional and remote areas warrant further support, the appropriate option would have been to provide it to all schools, not just private schools.

#### **5.4 Special assistance funding for private schools**

Private schools also benefit from several special assistance arrangements that provide additional funding above that provided under the Gonski 2.0 funding model. They include transitional assistance to the new direct income measure of capacity to contribute, drought assistance, hygiene assistance and adjustment assistance for ACT private schools. None of this funding is available to public schools and will serve to extend the resource advantage of private schools over public schools from 2019.

In 2019, the Government provided \$170.8 million in additional funding for private schools as part of the transition to the direct income measure of capacity to pay to apply from 2020. This additional funding included:

- Funding for low growth Independent schools to guarantee a minimum of 3% growth in funding for the year.
- Funding for system-weighted average SES schools.
- Funding equivalent to the benefit that a school would receive if updated 2016 Census data were used to calculate SES scores.

Figures provided to [Senate Estimates](#) show that the additional funding for low growth schools in 2019 was \$8.3 million and nearly all of it went to the most advantaged private schools in Australia. In Sydney, Loreto Kirribilli in Sydney received \$370,000; St Aloysius' College received \$358,000 and Monte Sant' Angelo Mercy College received \$344,000. Melbourne Grammar School received \$154,000.

Up to 2017, schools in some private school systems attracted funding based on the average SES score for the whole system rather than that of the individual schools. This funding was particularly beneficial to the Catholic school system. This system-weighted average method of funding was extended to 2019. Figures provided to [Senate Estimates](#) show that the Government provided additional funding of \$83 million in 2019, of which \$69 million was for Catholic school systems.

Prior to the change to the direct income measure for assessing the capacity to contribute of private schools, SES scores were based on an area-based measure derived from Census data. Up to 2018, 2011 Census data was used to determine SES scores. In 2019, additional funding was provided to schools that would financially benefit from using 2016 Census data to determine their SES scores.

Figures provided to [Senate Estimates](#) show that this resulted in additional funding of \$78 million in 2019.

In 2020, the Government is providing additional funding for private schools affected by drought and for hygiene assistance following COVID-19. In November 2019, the Minister for Education, announced that the Morrison Government would provide \$10 million additional funding to support private schools facing financial hardship because of [drought conditions](#). In January 2020, it increased the amount of funding to \$20 million. In May 2020, the Minister for Education announced that the Government would provide \$10 million in additional funding for private schools to improve [COVID-19 hygiene measures](#).

Another multi-million-dollar special deal was provided to ACT private schools as part of the Gonski 2.0 funding arrangements. Under Gonski 1.0, ACT private schools were [heavily over-funded](#), a fact acknowledged by the then Minister for Education, [Simon Birmingham](#), who said it would be removed under Gonski 2.0. However, after a concerted campaign on behalf of private schools by ACT Liberal and Labor MPs, the Government provided a new special deal worth \$46 million for ACT private schools, ostensibly to enable them to adjust to lower levels of funding. Figures provided to [Senate Estimates](#) show that Catholic schools will receive \$31.1 million from 2018 to 2023 and Independent schools \$14.9 million to 2021.

## **6. Public schools face a funding crisis**

Public schools face a funding crisis. They are badly underfunded for the challenges they face. The vast majority of disadvantaged students are enrolled in public schools and they comprise nearly 50% of enrolments in public schools, which is over double that in private schools. Nearly all disadvantaged schools are public schools.

Yet, government funding increases have been badly mis-directed to the school sectors with the least need. Commonwealth funding increases have heavily favoured private schools since 2009. State governments have cut funding for public schools while increasing funding for private schools. It is a gross injustice to the large majority of disadvantaged students and disadvantaged schools.

Together with increasing income from fees and donations in private schools, it has created a [vast gulf between the resources of public and private schools](#) - private schools have far more, and better quality, teacher and physical resources than public schools. Government funding has entrenched advantage and privilege in education at the expense of increasing the resources of public schools.

Public schools face the prospect of being underfunded indefinitely. Under the current arrangements, Commonwealth funding increases will continue to heavily favour private schools for at least the next ten years while the states will continue to underfund public schools, and several will continue to overfund private schools. The cumulative under-funding to 2027 is [estimated at about \\$60 billion](#).

This will continue to condemn the large majority of disadvantaged students to a lesser education than their advantaged peers. This leads to lower school completion rates, higher unemployment, lower incomes, lower health outcomes and less access to positions of power and influence in society for disadvantaged students. School funding policies thereby contribute to the social reproduction of inequality in our society. It is an appalling social injustice, but it is also a drag on Australia's economic growth and prosperity because education is a key factor in this.

## Attachment: Data sources and methodology

Data on school income and government funding in current dollars for 2009 to 2018 is published by ACARA on its [National Report on Schooling data portal](#).

### Adjustment for rising costs

The current dollar income and funding figures have been adjusted for rising costs by a combined index of the [Wage Price Index \(WPI\)](#) for private and public education and training and the [Consumer Price Index \(CPI\)](#) published by the Australian Bureau of Statistics.

According to the Commonwealth Department of Education and Training [[Submission to the Senate Select Committee into the Australian Education Amendment Bill 2017](#), May 2017, p. 13] historical school education expenditure shows that wages comprise 70-74% of private school operating costs and approximately 80% of public school operating costs. Following this, a composite index of 70%WPI and 30%CPI is used here to adjust private school income and funding figures for rising costs. However, the public school percentage was under-estimated because it was based on official figures that include user cost of capital, depreciation, payroll tax and school transport. These items are not included in the total recurrent expenditure for private schools. When adjusted for these items, wages constitute about 85% of total recurrent costs of public schools. A composite index of 85%WPI and 15%CPI is used here to adjust the income of public schools for rising costs.

### Gross and net current income

ACARA publishes figures for both gross and net recurrent income for public and private schools. The difference in income per student between public and Independent schools is less for net income per student while Catholic schools have slightly lower net income than public schools. Net income excludes income allocated to current and future capital projects and income allocated to debt servicing. The reason these items are excluded is that private schools must provide for part of their capital expenditure out of current income whereas capital expenditure for public schools is funded separately by government.

However, it is well known that many non-systemic Catholic schools and many Independent schools give high priority to upgrading their capital facilities (multiple sporting ovals, indoor swimming pools, gymnasiums, tennis courts, auditoriums, wellness centres, equestrian centres, etc.) as a way of marketing their school and attracting enrolments. Indeed, many have referred to this competition as an “arms race”. These lavish facilities provide a considerable advantage for private schools in attracting enrolments from public schools. In contrast, capital expenditure on public schools is confined to providing a base standard of facilities. Governments do not provide funding for multiple sporting ovals, indoor swimming pools, gymnasiums, tennis courts, auditoriums, wellness centres and equestrian centres in public schools.

While private schools are prohibited from using recurrent funding for capital purposes, increasing recurrent government funding allows private schools to reduce the proportion of income from fees and donations devoted to staff and other recurrent costs and direct more of this income to capital projects. Exclusion of recurrent income allocated to plush, over-standard school facilities from income comparisons of schools reduces the apparent funding advantage of Catholic and Independent schools over public schools, even though expenditure of this income provides a significant advantage for these private schools.

The total income of Catholic and Independent schools is also under-estimated by the exclusion of several items from the figures. While the total income of public and private schools includes notional allocations for various central administration costs, a number of other items are excluded which are of considerable financial benefit to private schools such as the cost of tax deductible donations, the

cost of Australian and state government administration of private school funding and the cost of private school regulation by state governments.

Most private schools offer tax deductibility on contributions to building and library funds set up by the school and allows parents of private school students to reduce the level of personal tax they pay. This cost to government is not included in private school income. The Commonwealth Government administers the large part of government funding of private schools, but the cost of this is not included in private school income whereas the cost of state/territory government administration of public schools is notionally allocated to schools. In addition, the cost of state government services and regulation of private schools, such as school registration and accreditation, are not included as part of their income.

The exclusion of private school own-funding of over-standard school facilities and the exclusion of several Commonwealth and state government costs for administration and services specifically related to private schools means that the current measure of net recurrent income under-estimates the real resources available to private schools compared to public schools. On the other hand, the inclusion of private school own funding of standard facilities in total recurrent income over-estimates the income of private schools compared to public schools. Given these considerations, it is likely that total recurrent income is a reasonably comparable measure of public and private school income. For this reason, gross income is used here to compare the total income of private schools instead of net income.