

SAVE OUR SCHOOLS

A Review of the Gonski School Funding Inquiry and Report

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Preface

This working paper aims to provide a comprehensive review of the Gonski inquiry and its report on school funding in Australia. It is the third in a series of papers on the introduction of the Gonski funding model and its demolition by successive Coalition Governments.

The two previous papers covered the sabotage of the Gonski model by the Abbott and Turnbull Governments and the abandonment of needs-based funding by the Morrison Government. These papers are published on the SOS website.

Two further papers on the history of the Gonski funding model are in preparation – one on the implementation of the model by the Gillard and Rudd Governments and the other on changes to the model made by the Turnbull Government. Another paper will outline a funding model that builds on the principles and framework developed by the Gonski review of school funding.

Comments on this paper are invited. Notification of issues not covered and mistakes of fact, analysis and interpretation will be appreciated. Please excuse any remaining typos and repetitions. Comments can be sent to the email address of Save Our Schools: saveourschools690@gmail.com .

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1. Introduction

The Review of Funding for Schooling (hereafter referred to as the Gonski Report) was established by the Rudd Government to do a comprehensive review of school funding in Australia. It examined funding by the Australian and state and territory governments and funding for public and private schools. It focused on increasing equity in education. It documented the relationship between social disadvantage and poor education achievement and demonstrated that disadvantage is highly concentrated in government schools.

The Review dramatically changed the terms of the debate about school funding in Australia. It provided a focus on equity rarely seen in Australian education policy. It put equity front and centre in public discussion of education policy and funding. It designed a funding model that would overturn decades of funding policies directed at increasing choice and supporting privilege in education.

2. Establishment of the review

The review of school funding was announced by the then Federal Education Minister, Julia Gillard, on 15 April 2010 in a speech to the Sydney Institute.¹ She said the review was needed to improve education outcomes and ensure that all students could fulfil their potential. This required a review of the full range of student needs and the ways in which all schools were resourced. She said that the existing funding system (the so-called SES model) was incoherent, failed to address disadvantage in education and there were several inadequacies in the way private schools were funded. A departmental brief for the following Minister for Education, Simon Crean, for an early meeting of the panel said the current model “does not really work” an “is arbitrary and suffers from a lack of transparency”.²

Gillard was at pains to reassure private schools that they would not lose funding. In announcing the review, she said “this is not about taking money away from schools”.³ She said that “no school will lose a dollar of funding in the sense that their school budget per student will not reduce in dollar terms”. She said that the same funding guarantee would apply as under the Howard Government’s SES model whereby schools that would have lost funding if their SES scores increased had their funding frozen at their existing level until the funding according to the new score reached that level. These were the so-called Funding Guaranteed (FG) schools.

The announcement of the review was welcomed by several school organisations.⁴ The Independent Schools Council of Australia welcomed the review and said the funding guarantee would “go some way in providing schools with confidence about stable and predictable funding”. The Australian Education Union said the review was “an important moment in the history of school funding in Australia”.

Gillard announced the composition of the review panel to be chaired by David Gonski on 1 May.⁵ She also released a discussion paper and draft terms of reference for the review.⁶ The discussion paper

¹ Julia Gillard, A Future fair for All: School Funding in Australia, Speech to the Sydney Institute, Sydney, 15 April.2010.

² Department of Education, Employment and Workplace Relations, Minister Crean’s Event Brief: Speaking Points, Third meeting of the panel for the Review of Funding for Schooling, DEEWR Briefing No. BR10-003929, 9 July 2010, FOI Request, TRIM Reference L21/1763, 8 February 2021.

³ Julia Gillard, A Future fair for All: School Funding in Australia, Speech to the Sydney Institute, Sydney, 15 April.2010.

⁴ Dan Harrison, Gillard reassures private schools, *The Age*, 16 April 2010.

⁵ Julia Gillard, Expert Panel for School Funding Review, *Media Release*, 1 May 2010.

said the guiding principle of the review is to design a funding system that will support schools to raise the educational standards of all school students whilst reducing achievement gaps between students. It outlined a number of key issues including:

- What is the basic entitlement needed to provide a child with a high quality education?
- How should funding models factor in the higher cost of students with high learning needs?
- What lessons can be learned from overseas and domestic funding models?
- Which features of state and territory government funding models could and should be considered at a national level?
- What can data tell us about the relationship between school resources, school effectiveness and student outcomes?

The final terms of reference were announced by Minister Crean on 9 July.⁷ The review was requested to design funding arrangements for schools beyond 2013. In doing so it should consider the role of funding in supporting improved educational outcomes including funding to address barriers to educational achievement, the funding roles of the Australian and state and territory governments, effective funding mechanisms and accountability and transparency in funding.

The Government also directed the review that no school would lose a dollar of funding as a result of its recommendations. Crean emphasised this in an early meeting with the panel.⁸ Notably, this direction was not included in the formal terms of reference. David Gonski subsequently said the panel was guided by both the terms of reference and the Government's instruction.⁹ He noted that this meant any change to funding would therefore lead to increased funding.

The Government's guarantee was designed to placate private schools, assure them that their taxpayer funding was not under threat and head off any campaign by the Opposition about a 'hit list'.¹⁰ Gillard later admitted this was the goal: "At the outset, I sought to neutralise potential hit-list-style politics...because I lived haunted by echoes of the 2004 election campaign".¹¹

Gillard's Deputy Chief of Staff later said that the guarantee was a response to the campaign by private school organisations that "destroyed Labour's school funding election policy in 2004".¹² He said the guarantee "was politically necessary to prevent meltdown" and agreement between panel members would have been difficult in the absence of the guarantee.¹³

However, it remained a contentious issue for private school organisations. Gillard's reference to FG schools under the SES model implied that some schools would have their funding frozen. Catholic school authorities were concerned about a possible freeze in funding because there was no commitment that funding would be increased in line with rising costs and therefore could result in a cut in real funding.

⁶ Australian Government, Review of Funding for Schooling: Discussion Paper and Draft Terms of Reference, 2010.

⁷ Simon Crean, Review of School Funding – Final Terms of Reference, *Media Release*, 9 July 2010.

⁸ Department of Education, Employment and Workplace Relations, Minister Crean's Event Brief: Speaking Points, Third meeting of the panel for the Review of Funding for Schooling, DEEWR Briefing No. BR10-003929, 9 July 2010, FOI Request, TRIM Reference L21/1763, 8 February 2021.

⁹ David Gonski, Jean Blackburn Oration, University of Melbourne, 21 May 2014. See also David Gonski, *I Gave a Gonski*, Penguin, 2015, p. 34.

¹⁰ Dan Harrison, Gillard reassures private schools, *The Age*, 16 April 2010.

¹¹ Julia Gillard, *My Story*, Random House, Sydney, 2014, pp. 257, 262.

¹² Tom Bentley, Other People's Children: School Funding Reform in Australia. In Tom Bentley and Glenn Savage (eds.), *Education Australia*, Melbourne University Press, Melbourne, 2017, p. 340.

¹³ *Ibid*, p. 341.

This was a key issue in negotiations between the Government and the Catholic Church in the lead up to the August 2010 election.¹⁴ The Chairman of the Bishops Commission for Catholic Education said there is no commitment that funding would increase to cover rising costs and hundreds of Catholic schools faced a funding freeze from January 2013 which threaten the viability of many. Gillard buckled under the pressure and agreed to extend the SES funding arrangements until the end of 2013.¹⁵ She later revealed that these “inexplicably difficult” negotiations were instrumental in her decision to delay implementation of new funding arrangements.¹⁶ She said that the delay:

...would provide sufficient certainty for the time being and give them a clear moment of political fightback if they wanted it because another election would fall before the implementation of the new model.

An interesting question is what the review would have recommended if it had chosen to remain fully independent and ignore the Government’s instruction. Would it have recommended that the funding of over-funded schools be reduced and would it have recommended that high fee elite private schools have their taxpayer funding reduced? The logical process would have been to provide two clear options – one that presented the panel’s preferred option to deliver on its formal terms of reference and one that met the Government’s policy. In the event, the review did the Government’s bidding which resulted in some tortuous findings and recommendations as discussed below.

3. The issues paper and submissions

The review panel undertook an extensive public consultation process in the second half of 2010 to gain an understanding of the issues. Following this, it published an issues paper and called for public submissions on the issues raised.¹⁷ A total of 1290 submissions were received. However, very few proposed alternative funding models. Major submissions that proposed a new funding model and those of the main private school organisations are outlined below.

3.1 The issues paper

The Emerging Issues Paper identified seven key themes from the public consultation: (1) equity of educational outcomes; (2) recurrent funding; (3) capital funding; (4) targeted and needs-based funding, including funding for Aboriginal and Torres Strait Islander students; (5) support for students with special needs and students with disability; (6) governance and leadership; and (7) community and family engagement.

The panel noted that equity of educational outcomes for all students was a key issue raised in the consultation, but equity had different meanings and interpretations for different groups. It therefore felt impelled to state its view of what equity means. It said:

It believes that equity should ensure that differences in educational outcomes are not the result of differences in wealth, income, power or possessions. The panel does not intend it to mean that all students are the same or will achieve the same outcomes, but rather that they will not

¹⁴ Justine Ferrari, Catholic schools 'under threat', bishops warn, *The Australian*, 15 July 2010; Bruce McDougall, Catholics go to war on funds, *Daily Telegraph*, 15 July 2010; Julia Gillard, *My Story*, Random House, Sydney, 2014, p.258.

¹⁵ Anna Patty, Labor counts votes and cash in funding debate, *The Sydney Morning Herald*, 16 August 2010.

¹⁶ Julia Gillard, *My Story*, Random House, Sydney, 2014, p.258. See also Tony Taylor, *Class Wars*, Monash University Publishing, 2018, pp. 234-235.

¹⁷ Review of Funding for Schooling, Emerging Issues Paper, December 2010.

be prevented from achieving their maximum potential because of their background or family circumstances.¹⁸

It then drew out the implications of this definition for the funding of schools:

Integral to this is ensuring the funding that is available is equitably distributed among schools; that is, directed to where it is needed most so that students are supported to overcome barriers to achievement, regardless of their background or where they go to school.¹⁹

The paper noted that there was widespread agreement that current funding arrangements were complex and not easily understood. There were particular concerns about the existing socio-economic status (SES) funding model and the Average Government School Recurrent Costs (AGSRC) measure used as the basis for calculating Commonwealth Government recurrent funding for private schools and for indexation purposes. Others supported these arrangements as providing certainty of funding.

A variety of concerns about funding for capital and infrastructure were expressed, especially in relation to the costs of maintaining and updating ageing infrastructure and learning facilities in existing schools, as well as developing and establishing new schools, particularly in population growth areas.

There was also widespread concern to ensure that funding was better targeted to students facing educational disadvantage and made more consistent way across jurisdictions. It was noted that these students often experience multiple dimensions of disadvantage and that this is often concentrated in particular geographic locations and can affect schools in all sectors.

It was generally agreed that current funding arrangements did not adequately address disadvantage experienced by low SES, Indigenous, disability and non-English speaking students or those living in rural and remote communities. There was universal support for targeted needs-based funding to support educationally disadvantaged students, with most stakeholders favouring a model where targeted funding is paid in addition to a common funding amount for all students.

3.2 Submissions by public school organisations

3.2.1 Australian Education Union

The Australian Education Union was highly critical of the existing funding arrangements because public schools were not adequately funded and many private schools were over-funded according to the principles of the SES funding model.²⁰ It criticised the AGSRC mechanism which transferred the higher average costs of educating a child in public schools to higher funding for private schools which educate fewer children with complex needs.

The Union called for a new funding model that funded public and private schools separately and which ended the linkage through the AGSRC. It said that all public schools should be resourced to a standard which guarantees a world-class education for all children in their local community. This required a baseline funding guarantee with loadings to address disadvantage including intersecting and compounding disadvantage - low SES, Indigeneity, geographic location, English language needs, and special needs/disabilities.

¹⁸ Ibid, p. 5.

¹⁹ Ibid, p. 8..

²⁰ Australian Education Union, Schools Funding Review Submission, March 2011.

It said that the level of funding should be determined by rating each private school through criteria including:

- enrolment practices [the degree to which they are inclusive/exclusive];
- student profile
- compliance with mandated curriculum;
- public accountability;
- level of fees; and
- the total income, assets and resources at the disposal of a school in order to ensure that the total level of funding and resources do not exceed funding and resources of public schools.

Private schools whose enrolment includes students with identified special needs/disabilities, students from low SES families, and Indigenous students would be able to access a pool of money to enable them to meet the learning needs of these students. In addition, full public disclosure of expenditure and all sources of income such as fees, donations, bequests, trusts, etc should be a condition of receipt of public funding.

3.2.2 Save Our Schools

Save Our Schools was also highly critical of the SES funding model.²¹ It said that the model was “inequitable, wasteful, capricious and incoherent”. It submitted that achieving equity in education outcomes should be adopted as the major education policy objective by all Australian governments. It said that equity in education should comprise a dual objective:

- Completion of Year 12 or its equivalent by all students (the adequate education objective); and
- The achievement of similar average outcomes by students from all social groups including high SES, low SES, Indigenous and remote area students (the social equity objective).

The submission said that completion of Year 12 or its equivalent is necessary in the modern age to enable all students to make their own way as adults in society. It said that society has a moral obligation to ensure that all children receive an adequate education and that the moral authority of a society that calls itself a democracy depends in no small part on providing all its citizens with an adequate education. It is a matter of justice and a moral obligation of society that all children should receive a minimum formal education required to make their own way as adults in society and to contribute to society.

It said that it is in society’s interest to ensure that all children receive an adequate education. Social waste is incurred if some children do not receive an adequate education. It means that human talents that could contribute to society are not fostered. All children have talents that can be realised through education and formal learning. By failing to develop those talents, society incurs lost opportunities for its development and enrichment.

SOS also argued that achieving equity in education should also mean that students from different social groups achieve similar average results as well as the minimum threshold level of attainment. It said that the distribution of education outcomes between different social groups has a key bearing on access to occupations and positions of power in society. Even if all young people achieve the minimum standard of education, large inequalities in outcomes above the threshold can still occur between social groups and differentially affect the life chances of individuals according to their membership of social groups.

²¹ Save Our Schools, A Fair Go for All Kids: Funding for Equity in Education, March 2011. This model was also outlined in the SOS submission on the research reports published by the Review panel. See Save Our Schools, , Towards a New School Funding Model, A Submission in Response to the School Funding Review Research Reports, September 2011.

It should be expected that low SES and Indigenous students achieve similar results to high SES students. It emphasised that this does not mean that all students should achieve exactly the same outcomes. It means that students from different social groups should have similar results in terms of group averages while students within each group will achieve a range of results.

The submission proposed that the SES funding model for private schools should be terminated and replaced by a new integrated funding model for public and private schools which also integrated funding by federal and state/territory governments. It said that a new integrated school funding model should have four main features: a community standard of resources, a baseline funding component, an individual equity funding component, and a social equity funding component.

For immediate purposes, it said that the community standard of resources for schools should be set as the resources currently available to highly successful public schools where a very high proportion of students achieve an adequate education. It proposed that an expert task force be established to develop a community resource standard for Australian schools for the longer term.

The baseline component for public 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 varied according to the extent to which private schools meet the same social and democratic obligations of public schools.

The baseline funding component for private schools should fill the difference between privately sourced funding and the community standard for schools that adopt inclusive, non-selective enrolment practices and provide access to a comprehensive curriculum. Private 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. Private schools whose private-sourced income exceeded the community standard should not be entitled to the baseline funding component.

The submission further proposed that all public and private schools be eligible for equity funding. Equity funding should consist of two components – an individual equity funding adjustment and a social equity funding adjustment.

The individual equity funding component should be directed at ensuring that all students not achieving expected progress are able to complete Year 12 or its equivalent. It would be available to all schools in which over five per cent of students are not achieving adequate outcomes as they proceed through school.

Different needs adjustments would be required for students with different background characteristics as their average results differed. It would require different per student funding loadings as a percentage of a given resource standard for different backgrounds. The per student funding loadings should have regard to research findings about the resources necessary to ensure that students from these targeted equity groups achieve an adequate education. The submission noted that effective loadings applied in Australia were about 0.2 or 0.3 at most, while many research studies showed that loadings of up to 1.0 or over are necessary to provide an adequate education to low SES and minority students.

The submission also proposed a school composition component for schools in which a high proportion of students is not making expected progress. The funding loading should be higher for schools with higher proportions of low SES and other students whose backgrounds are associated with lower achievement.

The final element of the proposed model was a social equity funding adjustment to deliver similar average outcomes for students from different social groups. Schools with high proportions of low SES, Indigenous and remote area students should be provided with additional funding to increase social equity in education outcomes.²²

In a paper submitted to the Review, SOS also said new institutional arrangements such the establishment of a federal schools commission would be needed to coordinate school funding between the Commonwealth and the states.²³

3.3 Submissions by private school organisations

The listening tour conducted by the review panel found that private school organisations generally supported the SES funding model.²⁴ Their main concerns for any new funding model were to ensure a basic funding entitlement for every school; no loss of funding for any school and maintenance of the existing link with public school funding. The latter ensured that private schools gained a proportion of any increase in public school funding.

3.3.1 Independent Schools Council of Australia

ISCA maintained that a central principle for future funding models should be to encourage and support enrolment growth in the Independent sector. It said that any reduction in the growth and contribution of the independent sector will ultimately lead to increased costs for governments.

ISCA argued that a basic principle for school funding should be that every school receive a basic funding entitlement from the Commonwealth and state governments.

All schools contribute to the common good and the nation's social and economic wellbeing... The concept of a base grant, to which all students are entitled regardless of the school they attend, acknowledges that every student is a member of the Australian community, and that all schools bring benefits to society. The existence of a base level of support, or entitlement, provides assistance and incentive to parents who are willing to pay substantial after-tax dollars for schooling – in addition to paying their share of taxes.²⁵

ISCA submitted that the combined basic grant from the Commonwealth Government and state and territory governments should be equivalent to at least 25 per cent of the cost of education in public schools. It would be provided to all schools regardless of need as in the SES model.

It proposed that this basic entitlement be supplemented by additional funding on a needs-basis. It said that it is essential that general recurrent funding continue to be complemented by targeted funding to enable Independent schools to better meet the education needs of particular groups of students. This included funding for students with disabilities, students in special assistance schools which cater for students with social emotional and behavioural issues, rural and remote students, students from a language background other than English, students who are at educational risk and Indigenous students. It placed considerable emphasis on increased funding for Indigenous and

²² Save Our Schools subsequently revised its proposed funding model to combine the individual and social equity loadings. See Save Our Schools, *Towards a New School Funding Model, A Submission in Response to the School Funding Review Research Reports, September 2011* See also Trevor Cobbold and Ian Morgan, *School funding: An equity model, Teacher, No. 223, 2011.*

²³ Trevor Cobbold and Ian Morgan, *School funding: An equity model, Teacher, No. 223, 2011.*

²⁴ Department of Education, Employment and Workplace Relations, *Briefing for Minister for School Education, Early Childhood for Meeting with Mr. David Gonski, Attachment I: Summary of Listening Tour, Brief No. BR10-005181, 12 October 2010.*

²⁵ Independent Schools Council of Australia, *Submission to the Review of Funding for Schooling, March 2011, pp. 27, 28.*

disability students, but there was no mention of targeted funding for low SES students despite it being raised in the Emerging Issues Paper. It also said that supplementary funding to address disadvantage should be the same regardless of the location of the school or its affiliation.

The submission proposed that funding for targeted programs for Independent schools should continue to be directed through the state Independent school associations because it maximised the use of such funding by increasing the purchasing power of available funding.

It said that the SES funding model had provided an effective and efficient mechanism for directing Commonwealth Government recurrent funding according to need. Despite this, consideration should be given to increasing funding for low fee independent schools in the lower SES bands who have limited capacity to raise private income. This was needed to ensure that these schools can operate at a reasonable resource base.

Furthermore, Average Government School Recurrent Costs (AGSRC) should continue to be used as an index to supplement general and targeted recurrent funding for Independent schools over time.

Its use ensures that the relationship between Australian Government funding for non-government schools and overall government expenditure in government-owned schools is broadly maintained.²⁶

It also proposed that no independent school or student should receive less funding in real terms under any new funding arrangements. It said that any reduction in government funding would have to be met by increasing the level of private income or through a reduction in the quality of the educational provision in affected schools.

ISCA also supported a significant increase in funding under the Capital Grants Program to expand and improve existing schools and to meet future enrolment pressures. In addition, other strategies should be supported including interest subsidies and start up grants.

ISCA opposed the introduction of any further accountability requirements that would increase the administrative burden on schools, compromise their ability to be responsive to the communities they serve, discourage innovation and excellence in educational programs and their delivery or reduce the diversity of the independent sector.

3.3.2 Independent Schools Victoria

One of the affiliates of ISCA, Independent Schools Victoria (ISV), went further than the national body and proposed two alternative models, including a full voucher model.²⁷

The full voucher model, called the Portable Funding Allowance, comprised a base component and additional funding loadings for individual special needs, which would be available to all public and private schools. It said that the base component would be the dominant component of the funding model. It proposed that the base component be set at the average cost of a mid-range SES public school with minimum levels of disadvantage.

Needs-based loadings would include funding for Indigenous students, students with a disability, students from a Language Background Other Than English (LBOTE) and students from remote areas. There would be no funding loadings available for students from low SES families. It did not suggest

²⁶ Ibid. p. 9.

²⁷ Independent Schools Victoria, Review of Funding for Schooling Response, n.d.

what funding loadings should be applied to the base component to obtain the additional funding estimates for targeted student populations.

The proposal specifically excluded low SES students from receipt of funding loadings on the grounds that the relationship between low SES and education outcomes is “at best weak”.²⁸ It later claimed that low SES only has a minor influence on student outcomes.²⁹ Furthermore:

Independent Schools Victoria maintains that low SES background students are not necessarily constrained in their ability to achieve at, or beyond that of students with higher SES background rankings.³⁰

ISV specifically excluded the payment of fees from the determination of government funding on the grounds that such fees were paid from post-tax income.

...personal or private contribution towards a child’s education should have no bearing on the level of funding they receive.

How parents legally spend their own after-tax dollars is not a public policy issue, and should be dismissed in the context of a review of government funding for education.³¹

In essence, ISV proposed an entitlement model of funding that ignored other sources of income of private schools. It ensured that private schools would always have more total resources per student than public schools with similar student profiles. Private schools would receive the same base funding and disadvantage loadings as similar public schools but would be able to top up this funding with income from fees, charges and donations. Moreover, public schools would be further deprived because the model did not include loadings for low SES students, the large majority of whom attended public schools.³² It was a proposal designed to guarantee private schools more resources than public schools.

The alternative model proposed by ISV was a modified version of the SES funding model. It said that while census data was the best source of information with which to calculate a school’s funding entitlements, some additions could be made to ensure that a funding mechanism utilising SES more accurately targeted individual student needs. It said the using data from Census mesh blocks instead of collection districts would improve the accuracy and reliability of the measure of family SES. It also proposed other changes including a measure of family size in the model and a school-level remoteness index.

ISV did not provide any costing of its voucher model. There was good reason for this reticence – it would be a funding bonanza for private schools. Based on figures provided in the submission, Save Our Schools estimated that government funding for private schools would increase by \$3.3 billion compared with their actual funding in 2009.³³ Funding for Independent schools would increase by

²⁸ Independent Schools Victoria, Review of Funding for Schooling Response, n.d, p. 35.

²⁹ Independent Schools Victoria, Review of Funding for Schooling – Response to Commissioned Research *Schooling Challenges and Opportunities*, n.d. p. 9.

³⁰ Independent Schools Victoria, Review of Funding for Schooling – Response to Commissioned Research *Assessment of Current Process for Targeting of Schools Funding to Disadvantaged Students*, n.d. p. 5.

³¹ Independent Schools Victoria, Review of Funding for Schooling Response, n.d pp. 31, 35.

³² Barbara Preston, The social make-up of schools, A report prepared for the Australian Education Union, October 2007.

³³ Trevor Cobbold, Voucher Models Will be a Funding Bonanza for Private Schools, Research Report, Save Our Schools, December 2011; Trevor Cobbold, Private Schools Will Get a Funding Bonanza from Voucher Models, Education Research Brief, Save Our Schools, 7 December 2011.

\$1.8 billion, an increase of 55 per cent, or \$3,644 per student. Catholic schools would receive an additional \$1.5 billion, an increase of 26 per cent, or \$2,122 per student.

In contrast, the model would strip funding from public schools. Funding for public schools would decrease by \$2.5 billion, a decrease of 9 per cent, or \$1,098 per student. The large part of this reduction was due to the exclusion of low SES students from any additional funding.

These funding increases would provide a massive resource advantage for Independent schools over public schools. Total resources (from private and government sources) per student in Independent schools would be nearly double that of public schools while that of Catholic schools would be 30 per cent higher. Total resources in Independent schools would be \$19,609 per student and \$13,511 in Catholic schools compared to \$10,467 in public schools.

3.3.3 National Catholic Education Commission

The NCEC submitted that government recurrent funding of schools should take account of a national resource standard, particular school characteristics relating to student composition and location and private income available to schools. Government funding should consist of a base entitlement plus equity funding.³⁴

It proposed that base funding for private schools be determined as a percentage of national and state resource standards. The resource standards would be based on expenditure on public schools. Australian Government funding would be determined in relation to the national resource standard and state funding by the state resource standards. The base funding would take account of the private income of schools and the socio-economic status of the school population. It opposed a funding model based solely on the SES of schools.

It proposed that base funding of Catholic schools by the Australian Government should equate to 62.5 per cent of AGSRC and that state and territory government funding be set at 25 per cent of AGSRC for each state or territory. It conceded that these arrangements would result in an increase in funding for Catholic schools. It said that the model would “enable Catholic schools to expand their representation of students from disadvantaged educational backgrounds”.³⁵

Equity funding should be provided to all schools with high support needs. These included students with disabilities, Indigenous students, students in regional and remote areas and students with English as a second language. It should also include schools with special characteristics. It did not include funding loadings for low SES students.

The NCEC said that base and equity funding should be indexed against public school costs in order to maintain their same proportion of the funding for public schools. It claimed that quality and resource levels in public schools are a cost driver for private schools. It said that improvements in quality standards in public schools, such as lower class sizes, provision of teacher aides and welfare officers and increased information technology would risk loss of enrolments and staff in private schools unless their funding was linked to public school costs.

Non-government schools that do not match these improvements would invariably face staffing shortages....Non-government schools must offer comparable quality to government schools in order to retain enrolments.³⁶

³⁴ National Catholic Education Commission, Submission to the Review of Funding for Schooling, 31 March 2011.

³⁵ Ibid, p. 24.

³⁶ Ibid, p. 27.

The NCEC did concede that the link should be net of the expenditure on students with disabilities and special needs schools. This was a partial concession to criticism of the link whereby private schools with few students with high needs received unwarranted funding increases.

The submission also said that the current block funding arrangements should be continued so that Catholic systems could distribute funding on a needs basis. It said these allowed systems to distribute funding according to local needs.

The submission noted that Catholic schools were already accountable in many ways and that duplication of accountability mechanisms should be avoided. It said that accountability should not be used to force uniformity in teaching and learning at the school level.

As in the case of ISCA, the NCEC also supported an increase in capital funding.

3.4 State governments

State education departments, except for NSW, also made a combined submission to the review but requested that it not be made public.³⁷ The submission was prepared by Professor Richard Teese of the University of Melbourne.³⁸

The submission noted that the existing funding arrangements were designed to support choice in education rather than close the gap in achievement by disadvantaged students: “Funds for equity fight funds for choice”. This led to increasing segmentation of the school system: “Basically we have funded parents from socially-advantaged backgrounds to withdraw their children from public schools”. As a result, public enrol the great majority of children from poorer families. They found themselves in an increasingly uncompetitive position as they did not have the staffing and cultural resources to compete successfully, and this weakness exposed them to further erosion of enrolments.

The submission outlined a unified approach to funding. It addressed issues of equity and proposed a broad regulatory framework to ensure that all communities are served by well-resourced, efficient and effective education systems. It aimed at an integrated policy framework in which levels of government work together rather than exercising responsibility for different sectors of schooling.

The NSW Government made a separate submission.³⁹ It stated that Australian schools are under-resourced by international standards and they need more funding if they are to deliver a world-class education. It said that, while a student's individual socio-economic background had an impact on their results, the extent of this impact varied depending on the overall level of advantage of their school. Therefore, any new funding model would need to consider the impact that high concentrations of disadvantaged students have on outcomes. It also said that public schools incur unique costs through their responsibility to provide education to all. The government had to operate small schools in isolated areas where economies of scale could not be achieved.

3.5 Other submissions

Many submissions supported the principle of base funding plus supplementary funding according to various types of student need. However, few provided detailed proposals for the future funding of schools.

³⁷ Justine Ferrari, Schools funding ‘fails to close gap’, *The Australian*, 1 February 2012.

³⁸ Richard Teese, From opportunity to outcomes. The changing role of public schooling in Australia and national funding arrangements, September 2011.

³⁹ Dan Harrison, Background of classmates defines student success, educators say, *The Sydney Morning Herald*, 20 July 2011.

Professor Jack Keating of the University of Melbourne proposed a model that could be applied to all schools, irrespective of school sector, in a paper published by the Foundation for Young Australians not long after the Review of funding was announced.⁴⁰ This model was presented to an early meeting of the review panel.⁴¹ His submission to the Review added to the proposal.⁴²

Keating saw two major problems in the current system of funding schools. One was Australia's unusual system of public funding of private schools that restricted enrolments through fees and the socio-economic characteristics of students. He said, "the core issue is selectivity".⁴³

The other problem was the collapse of community links caused by school choice. He said that a wider approach was needed which encouraged and rewarded open enrolments and schools that take all comers, irrespective of sectors. It should also encourage building school and community links and supports schooling as a valuable community asset.

To meet these objectives, he proposed a national funding model that integrated Commonwealth and state government funding for both public and private schools. It would have two major elements. One was needs-based resourcing and the other a set of resources to encourage a community approach to schooling which gives access to all and builds strong links with their communities and community agencies.

Keating proposed that the Commonwealth and state and territory governments would provide a resourcing guarantee for all schools, public and private, called a community standard. The standard would be set at about 18-20 per cent below the median level of government school resource levels. It meant that all schools would be guaranteed a base level of funding consisting of a combination of Commonwealth, state and private funds. Without this, Keating said, "a settlement is impossible".⁴⁴

Public funding to meet the community standard would decline as private sources of funding increased. However, a minimum level of private funding would be allowed before any reduction in public funding which would allow schools to receive private funding above the community standard before public funding was reduced. The justification for the minimum level of funding was to encourage the continuation of private contributions and to reduce the call on public revenue. In addition, all schools would be guaranteed a minimum level of public funding irrespective of their private revenue levels which would be set at about 15 per cent of the community standard.

A key component of the model was needs-based funding in addition to the base funding. This would apply to all schools, irrespective of sector, and would be larger than the current levels. Keating distinguished needs-based funding from other special purpose programs such as careers education, special needs, literacy programs, indigenous and rural education programs which would continue.

Keating also proposed a community guarantee fund to serve two purposes. One was to provide an incentive for schools to have open enrolment policies and to cooperate with each other in improving the quality of schooling. He saw the fund as rewarding inclusive enrolment and delivery practices.

⁴⁰ Jack Keating, *Resourcing Schools in Australia: a proposal for the restructure of public funding*, Foundation for Young Australians, July 2010.

⁴¹ Department of Education, Employment and Workplace Relations, Minister Crean's Event Brief: Speaking Points, Third meeting of the panel for the Review of Funding for Schooling, 9 July 201, DEEWR Briefing No. BR10-003929,

⁴² Jack Keating, *Submission to the Review of Funding for Schooling*, 31 March 2011.

⁴³ Jack Keating, *School funding's political realities need acknowledging*, *The Age*, 15 July 2010.

⁴⁴ Jack Keating, *Funding key to school reform*, *The Australian*, 1 July 2010.

The other was to support closer integration of schools with their communities. Keating saw this fund as a way to compensate schools that do not increase revenue through fees and other charges.

Keating's model was not related to education outcomes goals. In particular, it was not designed to achieve any particular equity goal. The community standard was set arbitrarily and not related to desired school outcomes. It was set at a level below that of the median resource levels of public schools in order to provide sufficient public funds for the other elements of the model rather than to achieve designated outcomes.

The model was presented more as a political solution to the ongoing imbroglio over the comparative funding of public and private schools. Indeed, in his submission to the Gonski review, Keating acknowledged that a core weakness of his model was that public schools would be disadvantaged because it allowed a minimum level of private funding before any reduction in public funding.

The lacuna in the proposal, however, remains the potential for government schools to have a net effective resourcing level that is below that of non-government schools because of the discounting of private against public revenue proposed in the proposal.⁴⁵

While this disadvantage was partially compensated by a higher level of needs-based funding and the community guarantee fund, he conceded that there remained a strong likelihood that public schools would have less resources than private schools.

A new funding model was also proposed by Lyndsay Connors and Jim McMorrow before the funding review was announced.⁴⁶ It was also presented to an early meeting of the review panel.⁴⁷

Their model made equal access to quality teaching the centrepiece of school funding. It proposed pooling funding by the Commonwealth and states to be directed at achieving national teaching resource standards across school sectors. It was designed to encourage investments in quality teaching, address educational need, and locate high quality teachers in schools where they were most needed.

A key step in the model was the development of a profile of the teaching resources needed by various types of schools in order to meet national educational goals for their students. A school's staffing entitlement would be defined by teaching workload, based on needs arising from their student population and community circumstances, so that schools with a comparable teaching workload would receive a comparable staffing entitlement. Flexible resource standards would consider the costs of delivering curriculum and teaching in various contexts, such as the higher costs involved for schools in remote areas.

Separate standards would be developed for non-teaching staff, technology, building and maintenance. The combined standards would determine the total level of resources available for schools. The standards would be developed by drawing on existing research and national and international experience.

⁴⁵ Jack Keating, Submission to the Review of Funding for Schooling, 31 March 2011i, p. 2.

⁴⁶ Lyndsay Connors and Jim McMorrow, *New Directions in School Funding: A Proposed Model*, Faculty of Education and Social Work, University of Sydney, March 2010. See also Lyndsay Connors and Jim McMorrow, *Rethinking the Education Revolution*, ABC, 30 March 2010.

⁴⁷ Department of Education, Employment and Workplace Relations, Minister Crean's Event Brief: Speaking Points, Third meeting of the panel for the Review of Funding for Schooling, DEEWR Briefing No. BR10-003929,

The submission by Chris Curtis similarly focused on providing the resources necessary to achieve a quality education.⁴⁸ It proposed funding a “base student learning entitlement” based on an explicit pupil teacher ratio, an explicit teaching load limit, an explicit provision for leadership time and an explicit provision of non-classroom teaching time. The base entitlement would be supplemented by student learning entitlements for English as a Second Language students, students with disabilities and students from low-income backgrounds. The learning entitlement for private schools would decrease as fees increased above a minimum of \$1,000 per student.

These submissions failed to ask the basic question as to what the education system should achieve. As in the case of the Keating model, they failed to define the expected outcomes for students. The models were constructed to provide “quality teaching”, which was not defined, and without regard to what outcomes should be expected for all students and for students of different backgrounds. The Connors/McMorrow model did refer to providing the resources needed to meet agreed national goals and priorities for schooling. However, the national goals at the time were focused on equity in access to resources rather than equity in education outcomes and had weakened previous commitments to improve equity in outcomes.⁴⁹

The submissions considered above were all based on delivering equity in access to resources. However, equity in access does not require any particular level of achievement for all students or the elimination of achievement gaps between rich and poor or between Indigenous and non-Indigenous students. It is consistent with wide inequalities in outcomes between students from different social backgrounds. As such, equity in access to education is a recipe for continuing inequity. It is a fundamentally unjust principle.

3.6 Federal opposition

The Federal Coalition of the Liberal and National parties also made a submission to the Review.⁵⁰ It questioned the focus on equity in education outcomes and said it should be balanced by recognising the importance of parent choice of schools.

It objected to the discussion of ‘residualisation’ of the public sector caused by the existing SES funding model. It blamed the shift of enrolments to private schools on the culture of public schools.⁵¹ It said that the response to the shift should consider “what problems are inherent in the culture within the Government sector and how this can be addressed”. It supported greater autonomy for public schools to restructure their resources to better accommodate student needs. It said wholesale reform was required to work towards a system of ‘self-managing schools’.

The submission supported the SES funding model as promoting equity and school choice. It rejected claims that the model provided too much funding to private schools. Indeed, Pyne later said that the Coalition was “fully committed to the SES funding model”.⁵² However, it recognised the need to better target funding for disadvantaged students in both public and private schools. It supported some kind of voucher scheme whereby a funding supplement would follow a student identified as having an educational disadvantage.

⁴⁸ Chris Curtis, Submission to the Review of Funding for Schooling, 15 March 2011.

⁴⁹ Trevor Cobbold, New National Education Goals for Education Fail on Equity, Policy Brief, Save Our Schools, January 2009.

⁵⁰ Christopher Pyne, Review of Funding for Schooling: A submission on behalf of the Federal Coalition, March 2010.

⁵¹ Justine Ferrari, Coalition blames government school culture for exodus, *The Australian*, 27 July 2010.

⁵² Patricia Karvelas, Coalition may adopt Labor review findings, *The Australian*, 8 July 2010.

4. The research papers

In August 2011, the Review published four commissioned research reports on which public submissions were invited by the end of September.

The Deloitte Access Economics Report examined and assessed existing Commonwealth Government and state and territory government funding models used to support public and private schools.⁵³ It identified criteria by which the effectiveness of different school funding models could be assessed and applied these criteria to the existing funding models. It said that while there were some models operating better than others, "there was no best model among the current variants".

The Australian Council for Educational Research Report examined the current funding of disadvantaged students, namely students with disabilities, indigenous students, students with limited English proficiency, low SES students and rural and remote students.⁵⁴ It also considered how the educational needs of these students are defined, identified and measured. It found that the public school sector had by far the highest share of disadvantaged students.

One of its more significant findings was that funding for low SES students was modest, amounting to only about 10 per cent of average per student costs. It recommended governments should target significant investments in schools in low socio-economic areas, saying allocations for such schools were too low.

The NOUS Consulting Group Report examined the relationship between schooling and socio-economic factors.⁵⁵ It found Australia's schools were among the best performing in the world, but that there was wide variability in results for children from different backgrounds. It also found a strong correlation between the results of students and the socio-economic composition of the school they attended and suggested rewarding schools that took on under-performing students and lifted their level of achievement. It said governments should focus funding on under-performing schools.

The Allen Consulting Report examined the feasibility of a national resource standard for schools and applying funding loadings to that standard to meet the learning needs of disadvantaged students.⁵⁶ It also considered the advantages and disadvantages of different methodologies for developing a resource standard.

The report found that it was feasible to develop a national school resource standard which it defined as the total recurrent resources necessary to achieve expected national education outcomes. Schools would be funded to this level regardless of sector, after considering all their sources of funding, including the Commonwealth Government, state and territory government, and private contributions.

It also found that it is possible to determine loadings to be applied to the resource standard to meet learning needs arising from social and economic disadvantage. Schools would get extra funding for

⁵³ Deloitte Access Economics, *Assessing Existing Funding Models for Schooling in Australia*, Department of Education, Employment and Workplace Relations, June 2011.

⁵⁴ Adam Rorris, Paul Weldon, Adrian Beavis, Phillip McKenzie, Meredith Bramich and Alana Deery, *Assessment of Current Process for Targeting of Schools Funding to Disadvantaged Students*, Australian Council for Educational Research, July 2011.

⁵⁵ NOUS Group, *Schooling Challenges and Opportunities*, August 2011.

⁵⁶ Allen Consulting Group, *Feasibility of a National Schooling Recurrent Resource Standard*, August 2011.

taking more children from poorer families, Indigenous children, remoteness of the school and so on. Students with disabilities would be funded separately.

Overall, the reports provided the basis for a more rational, transparent, equitable and effective approach for public funding of schools. They provided a sound beginning for a new approach to school funding to improve equity in education outcomes. The Allen Consulting report in particular provided the foundation for a new funding model.

The reports demonstrated that public schools were not adequately funded to meet their challenges. They confirmed that public schools enrolled 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 were clearly lower.

The reports clearly showed that public schools were disadvantaged in their funding compared with Catholic and Independent schools. Public schools had similar resource levels to Catholic schools and much lower resource levels than Independent schools but they carried a much higher burden of students whose background is associated with lower student results.

The Allen Consulting report attracted the most attention because it provided the basis for a new funding model. However, it ignored some critical questions.⁵⁷ It failed to clarify national equity objectives and failed to consider future funding for schools whose private income exceeded the national resource standard. It also failed to adapt the resource standard to an integrated national school funding model by limiting its use to guiding Commonwealth Government funding to schools.

There were also some significant flaws in the details of the proposed model. As pointed out by Save Our Schools, the loadings for social and education disadvantage were far too low to improve equity in education outcomes. Research findings indicated 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 proposal that the resource standard be determined by the resources available to reference schools in which 80 per cent of students achieve national literacy and numeracy benchmarks was too low, being well below existing average national outcomes. The measure of school outcomes was limited to NAPLAN results and should have included Year 12 outcomes. It also excluded system costs from the determination of the resource standard.

The reaction from public school organisations was generally cautiously positive, especially with the recognition by the reports that public schools enrol the vast proportion of disadvantaged students who need extra funding.

On the other hand, there was a hysterical reaction from the Independent school organisations. ISCA and the Association of Heads of Independent Schools said the reports showed “inherent bias against non-government schooling”.⁵⁸ The NSW Parents’ Council said the reports were a “shameful attempt to develop class war debate”. ISCA said the NOUS Report consisted of “ideologically-driven attacks on non-government schools” and relied on “ideological and emotive opinions rather than empirical

⁵⁷ Save Our Schools, *Towards a New School Funding Model: A Submission in Response to the School Funding Review Research Reports*, September 2011.

⁵⁸ Andrew Stevenson, *Private schools say Gonski studies wrong, prejudiced*, *The Sydney Morning Herald*, 5 October 2011.

research”.⁵⁹ It also accused the ACER Report of taking an “ideological” approach.⁶⁰ ISV accused the NOUS report of focussing on “class warfare between low and high SES”⁶¹ and said the ACER report was an “ideologically driven tract”.⁶²

However, as an editorial in *The Age* commented on the hysteria:

There is merit in questioning the extent to which wealthy schools - both public and private - should be able to use public money to cement their privileges while students from less advantaged families are forced into under-resourced schools. The discussion should not be avoided for fear of the criticism, regularly voiced, that it fosters class distinctions. That it is a complex subject should not deter the government from acting. The health of the public school system is fundamentally important to the future of the country and must be of primary concern.⁶³

5. Focus on improving equity in education

Equity was the central issue of the review from the outset. In announcing the review, Gillard said:

...if we accept that educational potential is possessed by students, not schools or sectors, and if we accept that background and type of school should not determine whether a student achieves their full potential, then we must be prepared to examine the funding of all schools from all sources.

In other words, we cannot do justice to this question unless we are prepared to look at the full range of student needs and the full range of ways in which schools are resourced, across all schools.⁶⁴

On the release of the research papers prepared for the review, Gonski said:

Of particular concern to the panel, is that it must overcome the equity and performance challenges facing this country and fully support the opportunity for all students to achieve their potential regardless of their background or the school which they attend.

Looking at students with disadvantage is a clear focus of the review and the panel is continuing to examine all the ways a funding model can address disadvantage.⁶⁵

The final report stated: “Achieving greater equity in Australia’s schooling system is central to the panel’s remit...”⁶⁶ It said that the challenge for the review was to design a funding model that enabled resources to be directed to where they were most needed.⁶⁷ It made it clear that its concept

⁵⁹ Independent Schools Council of Australia, Review of Funding for Schooling - Response to Commissioned Research, September 2011, p. 20.

⁶⁰ Ibid, pp. 28, 30.

⁶¹ Independent Schools Victoria, Review of Funding for Schooling – Response to Commissioned Research *Schooling Challenges and Opportunities*, n.d. p. 21.

⁶² Independent Schools Victoria, Review of Funding for Schooling – Response to Commissioned Research *Assessment of Current Process for Targeting of Schools Funding to Disadvantaged Students*, n.d. p. 5.

⁶³ *The Age*, Almost 40 years on, still lessons to be learnt, 2 September 2011.

⁶⁴ Julia Gillard, A Future fair for All: School Funding in Australia, Speech to the Sydney Institute, Sydney, 15 April.2010.

⁶⁵ Peter Garrett and David Gonski, Transcript of press conference with David Gonski on school funding research, 31 August 2011.

⁶⁶ Review of Funding for Schooling, Final Report. Canberra: Department of Education, Employment and Workplace Relations, 2011, p. 105.

⁶⁷ Ibid, p. 29.

of equity related to equity in educational outcomes and adopted the following definition of equity in schooling:

The panel has defined equity in schooling as ensuring that differences in educational outcomes are not the result of differences in wealth, income, power or possessions. Equity in this sense does not mean that all students are the same or will achieve the same outcomes...

Central to the panel's definition of equity is the belief that the underlying talents and abilities of students that enable them to succeed in schooling are not distributed differently among children from different socioeconomic status, ethnic or language backgrounds, or according to where they live or go to school.⁶⁸

This social equity objective was similar to that proposed by Save Our Schools in its submissions to the Review.⁶⁹ It was a key part of the Gonski review's concept of equity in education as was later explained by one of its panel members:

...the range of achievement, and the mean achievement, of sub-groups of students within the total student cohort should become similar, over time – whether the subgroup be recent arrivals for whom English is not a first language; or children in small and remote central schools; or Aboriginal children; or children of single parents living on benefits; or Moslem children; or children with hearing impairments; or children attending Faith Lutheran School Tanunda, or Melbourne Girls Grammar School, or Dimboola High School, or Marist College Ashgrove, or Newington College, or Moree Christian School, or Cabramatta High School. ...That is what we mean when we say that differences in educational outcomes should not be the result of differences in wealth, income, power or possessions. That is what we mean by talking about a fair go for all young Australians.⁷⁰

Notwithstanding this, the report also supported another equity goal in schooling. It said:

...no student in Australia should leave school without the basic skills and competencies needed to participate in the workforce and lead successful and productivity lives.⁷¹

This meant attainment of Year 12 or its equivalent as a minimum standard of education for all.

Australia's school system needs to help ensure that the targets for students attaining Year 12 or equivalent qualifications are met and that students leave school with the skills and capacities required to actively participate in society, and contribute to Australia's prosperity.⁷²

⁶⁸ Ibid, p. 105.

⁶⁹ Save Our Schools, A Fair Go for All Kids: Funding for Equity in Education, Submission to the School Funding Review, March 2011; Save Our Schools, A Proposal for a New School Funding Model, April 2011; Save Our Schools, Towards a New School Funding Model, Submission in Response to the School Funding Review Research Reports, September 2011.

⁷⁰ Ken Boston, Beyond Politics: Gonski, the national interest, and a fair go for young Australians, Speech to Christian Schools National Policy Forum, Canberra, 21 May.2012. See also Ken Boston, What's in it for Young People in Schools, Speech to Gonski Public Education Forum, Parliament House, Canberra, 23 May.2012.

⁷¹ Review of Funding for Schooling, Final Report. Canberra: Department of Education, Employment and Workplace Relations, 2011, p. xiv.

⁷² Review of Funding for Schooling, Final Report. Canberra: Department of Education, Employment and Workplace Relations, 2011, p. xxix.

This was another equity goal also proposed by Save Our Schools in its submissions to the review.⁷³ Save Our Schools referred to this as providing an adequate education for all students.

In effect, the Review adopted the dual equity objective as proposed by Save Our Schools under which all children should receive an adequate education and children from different social groups should achieve similar results. It was highly critical of the extent of inequity in education in Australia and the failure to direct funding to improving equity.

The focus on equity was strongly rejected by the Independent school sector. ISCA and its affiliates were clearly worried about the implications for its schools of a funding model based on equity because of their small proportion of their students from low SES families. ISCA questioned the strength of the link between SES background and student outcomes and said that the ACER report placed too much emphasis on low SES.⁷⁴ It claimed that low SES only has a minor influence on student outcomes. ISV made a similar claim. It claimed that Australian and international evidence indicated that student SES is a weak predictor of their performance.⁷⁵ It complained that the four research reports placed too much weight on the impact of low SES.⁷⁶

In their opposition to the focus of the review on equity in education, ISCA and ISV failed to provide any substantial evidence to justify excluding funding loadings for low SES students. ISV failed to cite the Australian and international evidence it claimed that showed low SES is a weak predictor of performance. It ignored the extensive Australian and international evidence at the time that SES has a significant effect on student education outcomes.⁷⁷

6. The Gonski report

The final report was given to the Government in December 2011 and publicly released in late February 2012. On its release, David Gonski made it clear that the panel saw the report as setting a new direction in school funding:

Our report seeks to provide the impetus and we may call it a road map for a genuine, long-term partnership involving all levels of government and across schooling sectors. As you would expect, I truly believe that this report offers an opportunity to embrace change and to do something that will transform our schooling system for the better. This is the only way we can ensure that our children and young people receive an excellent education in schools that are funded appropriately for need regardless of sector and jurisdiction.⁷⁸

⁷³ Save Our Schools, op.cit.

⁷⁴ Independent Schools Council of Australia, Review of Funding for Schooling - Response to Commissioned Research, September 2011, pp. 13, 30.

⁷⁵ Independent Schools Victoria, Review of Funding for Schooling – Response to Commissioned Research *Assessment of Current Process for Targeting of Schools Funding to Disadvantaged Students*, n.d. p. 21.

⁷⁶ Independent Schools Victoria, Review of Funding for Schooling – Response to Commissioned Research *Feasibility of a National Schooling Recurrent Resource Standard*, n.d. p. 23.

⁷⁷ For example, Selcuk R. Sirin, Socioeconomic status and student achievement: a meta-analytic review of research, *Review of Educational Research* 75 (3) 417-45, 2005; Greg Duncan and Richard Murnane (eds.), *Whither Opportunity? Rising Inequality, Schools and Children's Life Chances*, Russell Sage, New York, 2011; Joseph Murphy, *Understanding and Closing Achievement Gaps*, Corwin, Thousand Oaks, CA, 2010; Sheldon Rothman, The changing in influence of socioeconomic status on student achievement: Recent evidence from Australia, Longitudinal Surveys of Australian Youth (LSAY), Australian Council for Educational Research, 2003; Richard Teese and Stephen Lamb, Low achievement and social background: patterns, processes and interventions, Discussion Paper, Centre for Post-Compulsory Education and Lifelong Learning, University of Melbourne n.d.

⁷⁸ Julia Gillard and Peter Garrett, Transcript of joint press conference - Gonski Review of Funding for Australian Schooling Report, 20 February 2012.

He wrote:

We now have the opportunity to turn Australia's good education system into a better system, one that ensures differences in education outcomes are not the results of differences in wealth, income power or possession.⁷⁹

The Report made a damning critique of the existing approach to funding schools. It found that resources were not being provided where they were most needed and that Australia lacked a logical, consistent and publicly transparent approach to funding schooling.

When considered holistically, the current funding arrangements for schooling are unnecessarily complex, lack coherence and transparency, and involve a duplication of funding effort in some areas. There is an imbalance between the funding responsibilities of the Australian Government and state and territory governments across schooling sectors.⁸⁰

It said that the Australian Government could play a greater role in supporting state and territory governments to meet the needs of disadvantaged students, especially in government schools.

It is clear that the Australian Government could play a greater role in funding government schools. Greater support for government schools is particularly important given the need to lift the outcomes of a greater number of students, the comparatively poor state of government school infrastructure, and the higher concentrations of disadvantaged students in government schools.⁸¹

It called for change in the funding arrangements for disadvantaged students:

A significant shift is required in the way all governments provide funding to address educational disadvantage. Existing arrangements are complex and do not accurately capture student need within student groups. They also fail to take account of the significant impact of concentration of disadvantage at the school level.⁸²

Gonski later explained why the Panel wanted to change the funding arrangements as follows:

We also believed that the existing funding arrangements were outdated, too complex and involved duplication and overlap between the two levels of government, Commonwealth and state. There were also inconsistencies between sectors and states. Our view was that this piecemeal system should be replaced by a new funding system in which both levels of government worked in partnership to meet the schooling needs of all Australian children.⁸³

6.1 The funding model

It recommended a completely new approach to funding schooling that integrated Commonwealth Government and state and territory government funding for public and private schools. It recommended that a national recurrent schooling resource standard (SRS) be used to as the basis for all recurrent government funding. It proposed that the SRS be comprised of a basic per student

⁷⁹ David Gonski, *The race is on, and Australia is losing ground*, *The Age*, 21 February 2012.

⁸⁰ Review of Funding for Schooling, Final Report. Canberra: Department of Education, Employment and Workplace Relations, 2011, p. xiv.

⁸¹ Review of Funding for Schooling, Final Report. Canberra: Department of Education, Employment and Workplace Relations, 2011, p.51.

⁸² *Ibid*, p. 137.

⁸³ David Gonski, *I Gave a Gonski*, Penguin, 2015, p. 35.

amount for primary and secondary school students and loadings for various student-based and school-based sources of disadvantage.

The per student amounts would be determined by the average level of recurrent funding of schools required to enable students who attend schools with minimal levels of educational disadvantage to achieve agreed national education outcomes. The recommended benchmark for these “reference schools” was at least 80 per cent of students achieving above the NAPLAN minimum standard for each year level tested in reading and numeracy in each of the three years 2008 to 2010.⁸⁴ It estimated that the indicative per student SRS amounts at about \$8000 per primary school student and \$10,500 per secondary school student based on 2009 financial data. A regression analysis was used to estimate the SRS because the reference schools were not homogenous and had different levels of disadvantage, sizes and locations.⁸⁵

The report indicated that the outcomes benchmark should include a broad range of education goals and include attendance, retention and completion and post-school destinations. However, it said that the only consistent national data available were the NAPLAN results but expressed concern that they were only a partial measure and that a broader range of outcome measures would have to be developed in the future.

Public schools would receive the full amount of the per student SRS while the SRS amount for private schools would be adjusted according to the level of private contributions to a school. It said that some special private schools should be publicly funded for the full SRS and loadings. The report proposed that the per student resource standard be indexed annually based on changes in the wage and non-wage costs of the reference schools.

The loadings for disadvantage would apply to all eligible students regardless of the school they attended. They would be available for low SES students, Indigenous students, disability students and students with limited English language proficiency. Higher loadings would be provided for concentrations of disadvantage. In addition, there would be loadings based on school size and location.

The proposed low SES loadings ranged from 10 per cent of the resource standard for each low SES student in schools with under 10 per cent of students in the lowest SES quarter to 50 per cent for each low SES student in schools with more than 75 per cent of students in the lowest SES quarter. The loadings were based on set thresholds for given ranges of concentration of low SES students so that a low SES concentration in a certain range attracted the same loading percentage.

The report recognised that there were also many under-achieving students in the second lowest SES quarter. It said that one way to address this might be to have a separate, but lower, loading for these students as well as those in the lowest quartile. It suggested that further work be undertaken on the extent and on what basis a low SES loading should be provided to the two lowest SES quarters.

The loadings for Indigenous students ranged from 40 per cent of the resource standard for each Indigenous student in schools with between 5 and 25 per cent of students who are Indigenous to 100 per cent for each Indigenous student in schools with more than 75 per cent of students who are Indigenous. The loadings for students with limited English proficiency ranged from 15 to 25 per cent

⁸⁴ Only Year 9 performance was used for secondary schools because Year 7 is part of primary school in some jurisdictions and part of secondary school in others.

⁸⁵ Review of Funding for Schooling, Final Report. Canberra: Department of Education, Employment and Workplace Relations, 2011, pp. 155-158.

per student. The report noted that determining the loadings for disability students would require further work. The school size and location loadings ranged from 10 per cent for medium-sized schools in remote locations to 100 per cent for very small schools in very remote locations.

6.2 Private school funding

The Report supported the principle of needs-based funding of private schools. It considered whether this principle should be based on the capacity of families to contribute to the cost of education or on the income of schools and recommended that funding continue to be based on the capacity of families to contribute to the cost of education.

...the assessment of a non-government school's need for public funding should be based on the anticipated capacity of the parents enrolling their children in the school to contribute financially towards the school's resource requirements.⁸⁶

However, the Report was highly critical of the existing mechanism.

Current Australian Government and state and territory funding for non-government schools is a patchwork of different funding methodologies and models that have accrued over a long period of time. These arrangements are complex, confusing, opaque and inconsistent among jurisdictions, and obscure educational goals and accountability.⁸⁷

It found that the SES funding model introduced under the Howard Government was deficient in several ways. It said that basing Commonwealth funding of private schools based on AGSRC was not "an appropriate funding mechanism" and "does not meet some key funding principles required for funding Australian schooling into the future".⁸⁸

It said that the area-based SES index used to determine the SES status of schools was prone to "significant error" and a "large degree of inaccuracy" because of variability in family SES within ABS collection districts.⁸⁹ It noted studies by the ABS that show large differences in the individual and family SES within Census collection districts. This creates the potential for error in the measured SES of schools in circumstances where higher SES families in low SES areas attend private schools. Schools that draw higher income families from low SES areas were given a lower SES rating than if they were measured by a family-based measure of SES and attracted a higher level of government funding than warranted.

The report recommended that a more precise measure of school SES should be developed as a priority to replace the existing measure. In the meantime, the report used the existing measure as the basis for estimating the extent of the private contribution that should count towards meeting the resource standard in private schools.

The report also expressed concern about the extent of exceptions to the application of the model. It found that only 60 per cent of private schools were funded according to their SES score in 2011, the remaining schools being either Funding Maintained (FM) or Funding Guaranteed (FG). Schools in these categories received greater funding than warranted by their SES score. These exceptions to strict SES funding were the result of a "no losers" guarantee, given to private schools by the Howard Government when the SES model was introduced, that schools whose funding at the time exceeded that determined by their SES score would not have their funding reduced.

⁸⁶ Ibid, p. 79.

⁸⁷ Ibid, p. 48.

⁸⁸ Ibid, pp. 55, 70.

⁸⁹ Ibid, pp. 85, 177.

The review estimated that FM schools received an additional \$615 million in 2010, of which \$492 million went to Catholic schools and \$123 million to Independent schools.⁹⁰ All this additional funding went to medium and high SES schools and high SES schools received the largest additional amounts.

The provision for FM and FG schools meant that schools on the same SES score received different levels of funding. The report demonstrated that there were different levels of funding for schools on the same SES score at virtually all SES scores at or above 95. In some instances, there were 10 or more different funding levels for schools on the same SES score with very large differences in the funding levels for higher SES schools. For example, some high SES schools received 56.2 per cent of AGSRC and others received 13.7 per cent. This amounted to a difference in funding of \$4275 per primary student and \$5290 per secondary student in 2012.

The report criticized the extent of exceptions to the SES model under the FM arrangements and said that funding for all private schools should be based on a common measure of need.

The panel was also concerned about the extent of the exceptions to the SES model under the Funding Maintenance arrangements. In the panel's view, it is critical that funding for all non-government systems and schools is based on a single measure of need to ensure the integrity and fairness of new funding arrangements. The extent of the exceptions in the current arrangements calls into question the integrity of the overall model for funding non-government schools.⁹¹

The report said that government funding for private schools should occur within a coherent and principled framework applied consistently to all private schools. It recommended that the maximum public contribution would be 90 per cent of the SRS, excluding loadings. The report also proposed a minimum public contribution per student for every private school in order to adhere to the requirement set by the Government that no school would lose a dollar per student as a result of the review. The report said that a level of between 20 and 25 per cent of the SRS was necessary as it was approximately equivalent to the existing minimum level of combined funding from the Commonwealth and state and territory governments for very high SES private schools (with an SES score of 130 or above). This existing minimum amount included the additional funding provided for FM schools.

6.3 Increase in government funding

The review estimated that its recommended funding model would require additional government recurrent funding of \$5 billion a year based on 2009 costs.⁹² This was about a 20 per cent increase on government funding for all schools based on 2009-10 figures. The report said that about 75 per cent of this would go to public schools because of its larger enrolment share and its relatively higher proportion of disadvantaged students. It indicated that the Australian Government would contribute about 30 per cent of this increased funding. However, the report did not indicate what proportion of the additional \$5 billion was attributed to bringing schools up to the per student resource standard and what was due to funding the disadvantage loadings.

6.4 Other features

The report recommended the establishment of an independent national schools resourcing body to advise governments on the future resourcing of schools.⁹³ It recommended that the body should

⁹⁰ Ibid, p. 74.

⁹¹ Ibid, p. 85.

⁹² Ibid, p. 208.

⁹³ Ibid, pp. 191-193.

have responsibility for advising governments on the national resource standard, disadvantage loadings, indexation, and ongoing research, analysis and data improvement. It said that such a body was needed to ensure an open and transparent process in which the Commonwealth Government, the states and territories and the private school sector all shared responsibility for oversight.

The report said that there was a need to complement the recurrent resource standard with a stream of capital funding by the Australian Government.⁹⁴ It recommended that the Government establish a Schools Growth Fund to support the establishment of new schools and expansions of existing schools. It also recommended that the Government establish a School Infrastructure Development Grants program to provide funding for capital projects in existing schools. It called for a more co-ordinated approach to planning school infrastructure and recommended cross-sectoral planning authorities in each jurisdiction.

The report also recommended that the Australian Government should create a fund to provide national leadership in philanthropy in schooling.⁹⁵ It said that better arrangements were needed to connect schools, especially in the government sector, to philanthropic partners.

The report also supported continuing efforts to strengthen and reform Australia's schooling system although it did not make any specific recommendations. It supported efforts to make teaching a high status profession and increase excellence in teaching through early identification and remediation for students falling behind, improved teacher training, and more instructional leadership from senior teachers and principals.

The panel was supportive of more responsibility for principals in making decisions about the school budget and hiring staff. It said that government schools, in particular, require greater autonomy and flexibility in decision making than existed at the time although it should not interfere with the important role that systems played in supporting schools. It also supported more innovation and use of new technology in the classroom and greater parental engagement in the learning of their children and in the operation of schools.

6.5 Response to the report

6.5.1 General reaction

The public response to the Report was widespread acclaim, guarded support by private school organisations, outright opposition from the Liberal Party and other conservatives, and puzzlement by many about the Government's decision to conduct a further round of consultation.⁹⁶

Education academics generally welcomed the Report as did many education commentators.⁹⁷ For example, the Chair of the Australian College of Educators, Professor Robert Lingard, said the College was broadly in agreement with the recommendations of the review. The Chief Executive of the Australian Council for Educational Research, Professor Geoff Masters, said the Report "charts a much needed direction for the reform of school funding". Education commentator, Chris Bonnor, said the Report was a "game-changer".

⁹⁴ Ibid, pp. 185-190.

⁹⁵ Ibid, p. 206.

⁹⁶ Marilyn Harrington, 'Brave new world'? The Gonski Review of Funding for Schooling, *Flag Post*, Parliamentary Library, 22 February 2012; Stakeholders welcome funding recommendations, *Education Review*, 23 February 2012.

⁹⁷ Gonski review: experts respond, *The Conversation*, 20 Feb 2012; Jack Keating, Gonski review: the aim is worthy, but the implementation will be difficult, *The Conversation*, 21 February 2012; Geoff Masters, Review pointing in the right direction, *The Age*, 29 February 2012; Jane Caro and Chris Bonnor, Chance to put money where it will make a difference, *The Sydney Morning Herald*, 22 February 2012.

Public school organisations also welcomed the Report. Peter Garrigan, President of the Australian Council of State School Organisations said the Report was “certainly a way forward”.⁹⁸ President of the Australian Education Union, Angelo Gavrielatos, said the Report presented “a once in a generation opportunity to move to a fairer funding system that better meets the needs of all students”.⁹⁹

Private school organisations welcomed the Report but were guarded about the details of the funding model and its impact.¹⁰⁰ ISCA said the Report it provided “a comprehensive blueprint” that overcame the divisive debate of public versus private schools. However, it was uncertain about what the Report meant for future funding levels and called for more details. Chair of the National Catholic Education Commission, Therese Temby, said the Report was a roadmap for the future, but that there was a lot of work to be done and further questions to be answered.¹⁰¹

The Shadow Minister for Education, Christopher Pyne, claimed that every private school was on a “hit list”.¹⁰² He accused the Government of moving towards means testing of private school parents which would cause school fees to increase, a proposition that Gonski himself refuted.¹⁰³ The NCEC rejected the claim.¹⁰⁴ Paul Kelly said the claim was ludicrous while another Murdoch journalist said the Coalition had started a scare campaign against the Report and was “playing loose with the facts”.¹⁰⁵

State governments generally expressed a willingness to work towards a new funding system but wanted more details. However, the Western Australian Premier, David Barnett, dismissed the Report as another grab for power by the Commonwealth.¹⁰⁶

Several conservative commentators were highly critical of the Report. Jennifer Buckingham of the Centre for Independent Studies claimed that the proposed model discriminated against private schools because they would not receive as much funding as public schools.¹⁰⁷ Scott Prasser of the Public Policy Institute at Australian Catholic University, and who later became chief policy advisor to Christopher Pyne as Minister for Education, questioned whether more funding would improve education outcomes and said there would be more bureaucratic structures if the Report was adopted.¹⁰⁸ John Roskam of the Institute of Public Affairs said that the relationship between funding and education outcomes was tenuous and that the Report was designed to fulfil ALP promises to teacher unions.¹⁰⁹

⁹⁸ ABC, World Today, Experts debate Gonski report on school funding, 24 February 2012.

⁹⁹ Australian Education Union, Gonski Review Supports Greater Public School Funding, Media Release, 24 February 2012.

¹⁰⁰ Caroline Milburn, Acclaim, but will Gonski fly? *The Age*, 27 February 2012; Justine Ferrari, Private schools back Gonski on funding, *The Australian*, 29 February 2012.

¹⁰¹ National Catholic Education Commission, Families Must Come First in New School Funding Model, Media Release, 20 February 2012.

¹⁰² ABC AM, Pyne responds to Gonski school funding report, 21 February 2012.

¹⁰³ Justine Ferrari, David Gonski denies fees will increase, *The Australian*, 6 March 2012.

¹⁰⁴ Justine Ferrari, Catholics reject Pyne ‘scare campaign’, *The Australian*, 22 February 2012.

¹⁰⁵ Paul Kelly, School culture the big problem, *The Australian*, 23 February 2012; Justine Ferrari, Winning idea subject to a scare, *The Australian*, 23 February 2012.

¹⁰⁶ Pip Freebairn, Governments clamour for detail before signing up, *Australian Financial Review*, 21 February 2012; Pip Freebairn, Joanne Mather and Peter Kerr, Just another power-grabbing move: WA, *Australian Financial Review*, 22 February 2012; Justine Ferrari and Nicolas Perpetch, Barnett declares Gonski Review a goner, *The Australian*, 22 February 2012.

¹⁰⁷ Jennifer Buckingham, Gonski: less for private schools, *Australian Financial Review*, 21 February 2012.

¹⁰⁸ Scott Prasser, We don’t need a funding education revolution, *The Australian*, 22 February 2012.

¹⁰⁹ John Roskam, Victims of class warfare, *The Australian*, 25-26 February 2012.

6.5.2 Government response

The Minister for Education, Peter Garrett, had foreshadowed that there would be a lengthy consultation process once the Report was released.¹¹⁰ The Government stuck to this. The Prime Minister refused to endorse it when it was released. She said, “there is a lot of nuts and bolts work to do” and “we need to make sure that any new funding model is sustainable over time and fits within government budgets”.¹¹¹ The Minister for Education later said that “the model is not government policy”.¹¹²

The Government intended to take a set of funding principles to the next meeting of the Council of Australian Governments and to work with state and territory governments and private school organisations to develop and test a new funding model. The report would be sent out to parents and schools for consultation.

Although the Prime Minister and the Minister for Education refused to endorse the report, they did indicate support for including disadvantage loadings in any new model. They also re-affirmed their commitment that “no school will lose a dollar” and that indexation would be a feature of the new model. When questioned about the justification for government funding for high fee private schools, Gillard replied that there is a “citizenship entitlement” to government funding for all students. It was also reported that the Government had rejected the recommendation of the Report for a National Schools Resourcing Body.¹¹³

Many were puzzled by the delay in a formal Government response and its decision to conduct another extensive consultation.¹¹⁴ Angelo Gavrielatos called for immediate action: “We now have a once in a generation opportunity to move to a fairer funding system that better meets the needs of all students.”¹¹⁵ Journalist Paul Kelly said that Gillard had blundered in not immediately backing the Report when the response from public and private schools was “remarkably supportive”.¹¹⁶

7. Analysis of the model

7.1 The Report set a new direction in school funding

The Gonski funding model was a watershed change of direction in school funding in Australia. It put reducing inequity in education outcomes at the centre of the policy debate. It provided a new way of allocating funds to schools based on a resource standard to be met for all schools and giving systematic weight to the number of disadvantaged students. It provided a nationally integrated school funding model for the first time. It provided a huge funding boost for under-resourced schools and disadvantaged students. It especially benefited public schools because they enrol the large proportion of disadvantaged students.

¹¹⁰ Misha Shubert, School funding review to urge \$5bn boost, *The Age*, 19 February 2012.

¹¹¹ Julia Gillard and Peter Garrett, Transcript of joint press conference - Gonski Review of Funding for Australian Schooling Report, 20 February 2012.

¹¹² Anna Patty, Gonski report not government policy, insists Garrett, *The Sydney Morning Herald*, 29 March 2012.

¹¹³ Judith Sloan, Futile federalism lesson fails to probe real issues, *The Australian*, 21 February 2012.

¹¹⁴ Andrew Stevenson, Stop talking and start changing, *The Sydney Morning Herald*, 21 February 2012; Bianca Hall and Andrew Stevenson, Fixing education a matter of urgency, Gillard warned, *The Sydney Morning Herald* 22 February 2012; Trevor Cobbold, Gonski’s strength diluted by Gillard, *Canberra Times*, 24 February 2012.

¹¹⁵ Australian Education Union, Gonski Review Supports Greater Public School Funding, Media Release, 24 February 2012.

¹¹⁶ Paul Kelly, School culture the big problem, *The Australian*, 23 February 2012.

Another watershed in the new model was that it broke the link between government funding for private schools and AGSRC. This was a highly significant change. The link was a major source of inequity in school funding. Every time state governments increased funding for disadvantaged students in public schools, a portion of it flowed through to private schools including the most privileged and richest. It allowed private schools to double dip on government funding. Not only did they get direct grants from the Australian and state/territory governments but they received indirect funding increases via increased funding to public schools. Private schools with none or very few disadvantaged students received windfall gains from any increases in funding for disadvantaged students in public schools.

However, while representing a fundamental break with the past in school funding because of its focus on equity, several issues associated with the Gonski model limited the extent to which greater equity in education could be achieved. These include:

- Limited equity targets;
- Over-reliance on NAPLAN to measure school outcomes;
- Faulty design of the National Resource Standard;
- Inadequate disadvantage loadings;
- The impact of the new “no losers” guarantee on private schools;
- Adoption of the concept of capacity to contribute.

7.2 Limited equity targets

As discussed above, the Gonski report set two challenging equity objectives – one that all children should be expected to complete Year 12 or its equivalent (the adequacy objective) and the other that the average results and range of achievement for various disadvantaged groups should be similar to those of high SES students (the social equity objective). Despite this there remains an inconsistency between these target outcomes and that adopted by the report in estimating school funding levels. The funding estimates were designed to achieve more limited outcomes targets than those implied by the dual equity objective.

The outcome benchmark used to estimate the per student funding amounts in the SRS is 80 per cent of students in a school achieve above the national minimum standards for their year level in reading and numeracy for three successive years. This is inconsistent with the equity goals in several respects.

First, the target allows for 20 per cent of students not to achieve the minimum NAPLAN standards. The report rejected using a 90 per cent benchmark because it considered the number of schools achieving this was too small at 271 schools because it could contain too many atypical schools, although what is meant by ‘atypical’ was not explained.

Although the report saw the 80 per cent benchmark as a demanding standard it is somewhat short of the objective that all students, except for those with intellectual disabilities, should achieve a minimum standard of education. The average percentage of students achieving national reading and numeracy benchmarks in Years 3 & 5 at the time of the report was around 95 per cent and in Years 7 & 9 it was around 90 per cent of students. Inspection of the My School website shows that successful high SES primary schools with few or no disadvantaged students have close to 100 per cent of students achieving above the national benchmarks while the successful high SES secondary schools have over 95 per cent of students achieving above the benchmarks.

In order to achieve the objective of an adequate education, defined by the Report as completion of Year 12, students should be making satisfactory progress through the school years. The Report’s target allows for 20 per cent of students not to achieve minimum standards and is inconsistent with its own adequacy objective. Students who do not make satisfactory progress through the school

years are at risk of not completing Year 12 or its equivalent. At the time of the Report, 30 per cent of all students, 20 per cent of high SES students and nearly 40 per cent of low SES students did not complete Year 12.¹¹⁷

This lower adequacy target is likely to have significant funding implications. It implies that the base per student funding amounts were under-estimated because it allowed for some 20 per cent of students in schools with minimum levels of disadvantage not to achieve the NAPLAN benchmarks. Higher funding would likely be needed to ensure that 95-100 per cent of students in these schools achieved the benchmarks and that all students complete Year 12 or its equivalent.

The disadvantage funding loadings are also limited to achieving the same 80 per cent benchmark. The report states that the loadings are designed to give disadvantaged students the same opportunity to achieve nationally agreed outcomes as those in highly successful schools. While having 80 per cent of students in disadvantaged schools achieve at above the national minimum NAPLAN standards would represent a significant improvement in equity, it would not meet the adequacy objective that all disadvantaged students achieve a minimum standard of education, namely, Year 12 or its equivalent. This suggests that the disadvantage loadings recommended by the Report are too small to achieve its adequacy objective which would result in significant under-funding of disadvantaged schools as discussed below.

Second, the Report ignored its own social equity objective in setting a performance target for disadvantaged groups. The 80 per cent target is not sufficient to achieve social equity in education outcomes. Even if disadvantaged students achieved the 80 per cent target, there could still be a significant disparity in the percentage of students achieving above minimum standards between disadvantaged and advantaged students. As noted, some 95-100 per cent of students in high SES schools achieve above the minimum NAPLAN standards which is much higher than if 80 per cent of disadvantaged students were achieving at this level.

Another inconsistency between the equity objectives and the outcomes targets set by the Report is that the targets are expressed only in terms of the proportion of students above national minimum standards rather than average results and the range of achievement. Even if the limited targets were achieved by disadvantaged students, large differences would likely remain between the average scores and range of scores of disadvantaged and high SES students. The disadvantage funding loadings would need to be much higher to achieve social equity in student outcomes.

7.3 Over-reliance on NAPLAN to measure school outcomes

The Report relies on NAPLAN test results to set the student outcomes benchmark despite setting the adequacy objective as completion of Year 12 or an equivalent qualification. It conceded that that NAPLAN is only a partial measure of schooling outcomes and recommended the development of a broader set of school outcomes to determine target benchmarks. However, it noted that if a target of completion of Year 12 is to be met, the vast majority of students will need to be exceeding minimum NAPLAN standards by Year 9.

Its justification for relying solely on NAPLAN was that it is the only nationally consistent measure available. Obviously, this is the case in setting the outcomes benchmark for primary schools. However, data on the Report's adequacy objective, Year 12 completion, has been available for many years with aggregate figures published in the National Report on Schooling in Australia and the Report on Government Services and vocational equivalents published by the Australian Bureau of Statistics. Presumably, school level data used to compile these aggregates was obtainable from state education authorities.

¹¹⁷ Productivity Commission, Report on Government Services 2013, Canberra, Table 4A.109.

NAPLAN may not be completely reliable as an indicator of Year 12 results, although there is evidence of a strong relationship.¹¹⁸ The last year for which NAPLAN results are available is Year 9. While most students complete Year 9, many students from disadvantaged groups do not complete secondary school. In addition, NAPLAN tests only literacy and numeracy while Year 12 students are examined in four to six subjects of their choice and which may not include mathematics. For these reasons, it is necessary to include Year 12 results in setting funding levels to achieve an adequate education for all.

The danger was that NAPLAN would remain the sole measure of outcomes over the longer-term. This has proved to be the case. While Year 12 completion data has been reported on the My School website since 2014, it is still not used in determining the SRS per student funding amounts for secondary schools.

Year 12 retention and completion rates should also be used to set the SRS funding rates for secondary schools. As the Report stated, completion of Year 12 or its equivalent is the minimum education standard that should be expected for all students.

7.4 Faulty design of the Schooling Resource Standard

As noted above, the basic per student funding component of the SRS would be determined by the resources available to reference schools with minimal levels of education disadvantage. The Report found that 1408 schools met its outcomes standard, of which 51 per cent were public schools, 30 per cent were Catholic schools and 19 per cent were Independent schools. At the secondary school level, 56 per cent of the reference schools were private schools.

The list of reference schools was not published in the Report, but the requirement that they have minimal levels of education disadvantage suggests a strong likelihood that they were high SES schools.¹¹⁹ Over half of these schools are private schools and per student expenditure in high SES private schools was generally much higher than for high SES public schools.¹²⁰

This raises the issue of efficiency. The terms of reference for the review required the panel to have regard to the financial efficiency of any funding mechanism and the Report stated that a new funding model should be based on the principle of value for money among others.¹²¹

However, this principle was ignored in constructing the reference schools to determine the base SRS amounts because many of them were high expenditure private schools. The Report failed to distinguish between high cost and low cost schools to be included in the reference schools. As a result, it is likely that the base per student funding amounts were over-estimated by the Report.

An alternative way to estimate the basic resource standard for schools is the funding per student in highly successful public schools with minimal levels of disadvantage.

Many high SES public schools achieve very high results with about half the total recurrent cost of high SES private schools and considerably less than many other equally successful private schools.

¹¹⁸ Brendan Houg and Moshe Justman, NAPLAN Scores as Predictors of Access to Higher Education in Victoria, Melbourne Institute Working Paper No. 22/14, Melbourne Institute of Applied Economic and Social Research, University of Melbourne, October 2014.

¹¹⁹ This is confirmed by the list of reference schools for the funding model introduced by the Labor Government. See Senate Standing Committee on Education and Employment, Answer to Question on Notice No. ED0209_14, Supplementary Budget Estimates 2013-14.

¹²⁰ Trevor Cobbold, Inequity, Disadvantage and Education Outcomes. *Dissent*, No. 36, Spring, 32-35, 2011.

¹²¹ Review of Funding for Schooling, Final Report. Canberra: Department of Education, Employment and Workplace Relations, 2011, p. 151.

For example, an analysis of the education outcomes and total recurrent resources of a sample of 82 high SES K-12 private schools and 45 high SES public secondary schools and 45 primary schools matched from the same local area shows very similar results for high SES public and private schools.¹²² The sample was drawn from the major metropolitan cities using 2010 data obtained from the My School website.

The study showed that high SES public schools achieved similar results to high SES private schools, even though the average SES score of public schools in the sample was slightly lower than the private schools. The high SES public schools achieved similar results to high SES private schools with far fewer resources. The total income per student in high SES private schools in Sydney and Melbourne was well over double that of the high SES public schools. The income of high SES private schools in Brisbane, Adelaide and Perth was 67-75 per cent greater per student than that of high SES public schools.

This comparison suggests that high SES public schools are much more efficient at achieving national education objectives than high fee private schools. They would provide a better measure of the resource standard to achieve national education outcomes where there are minimum levels of disadvantage.

Use of more efficient public schools as the reference schools would result in lower base SRS estimates and therefore less funding required to meet national standards. It would also lead to less funding for disadvantaged students because the disadvantage loadings are calculated as a percentage of the per student resource standards. However, as discussed below, there is strong evidence to suggest that the Gonski report set the disadvantage loadings too low. The funding saved by having lower per student resource standards could be devoted to increased funding for disadvantaged students.

Selecting highly successful schools and using regression analysis to discount the influence of particular factors (such as school type, size, location and proportion of disadvantaged students) that may contribute to variations in expenditure between these schools is a well-established approach used elsewhere. Other methods such as using professional judgement panels and estimating school district cost functions are also used.¹²³ It would have been useful if the Report had compared the results from its successful schools model with those of other approaches.

7.5 Inadequate disadvantage loadings

The Gonski funding loadings for disadvantaged students appear to be too low to achieve the limited performance targets set in the report. The maximum loading for low SES students proposed by the report is 0.50 for students in schools with very high concentrations of low SES students, that is, additional funding of 50 per cent of the per student resource standard. The maximum loading for Indigenous students is 1.0 and 0.25 for students with limited English proficiency. The loadings are much less generous for students in schools with lower concentration of disadvantage.

The Report stated that the loadings were designed to meet the review's equity objective that "differences in education outcomes are not the result of differences in wealth, income, power or

¹²² Trevor Cobbold, *Inequity, Disadvantage and Education Outcomes*, *Dissent*, No. 36, Spring, 32-35, 2011.

¹²³ For example, see Helen F. Ladd, Helen, Rosemary Chalk and Janet S. Hansen, Janet S. (eds.), *Equity and Adequacy in Education Finance*. Washington D.C.: National Academy Press, 1999; Allen R. Odden and Lawrence O. Picus. *School Finance: A Policy Perspective*, New York: McGraw-Hill, 2007; Thomas A. Downes and Leanna Stiefel, *Measuring equity and adequacy in school finance*. In Ladd, Helen F. & Fiske, Edward B. (eds.), *Handbook of Research on Education Finance and Policy*, London: Routledge, 222-237, 2008.

possessions". However, the Report did not provide any justification for the particular loadings it recommended. No research studies were cited in support of the loadings.

The recommended loadings appear to be too low to achieve social equity in education. They were much lower than loadings suggested by overseas research studies available at the time and which were generally only designed to achieve an adequacy objective, not social equity in outcomes between different social groups of students.

Research studies at the time suggest that the maximum loadings recommended are too small and that the loadings for lower concentrations of these disadvantaged students are much too low. Overseas research studies show that the additional expenditure required for low income students to achieve at adequate standards is up to double or more the cost of educating a non-poor student. This implies disadvantage funding loadings of 1.0 or more.

One path-breaking cost study investigated disadvantaged student funding loadings to achieve a given performance target.¹²⁴ It estimated loadings relative to the cost of a non-poor student to achieve given pass rates on elementary and secondary mathematics and reading tests in New York State. It found loadings for students in poverty ranging from 1.2 to 1.7, limited English proficiency loadings ranging from 1.0 to 1.4, and disability student loadings of 2.1 to 2.6. One review of cost studies found poverty loadings of between 1.0 and 1.5 for US states with large urban areas.¹²⁵ Other studies have produced a large variety of estimates with many less than 1.0.¹²⁶ The estimates vary from state to state and reflect different variables included in the modelling, different cost structures and different performance measures used.

Other studies use professional judgement panels and the loadings produced from these studies are generally lower than those obtained from cost studies and range from about 0.6 to 1.0.¹²⁷ However, professional judgement panel studies are criticised for under-estimating the cost of educating children living in poverty to a given education standard.

As regards Indigenous students, the upper end loadings recommended in the Report are more like those recommended by research studies on disadvantaged students generally. However, these higher loadings will only apply to schools with very high proportions of Indigenous students.

While there appears to be little research evidence to guide loadings for students with limited English language proficiency, the loadings ranging from 0.15 to 0.25 recommended by the Report seem surprisingly low. Many studies have found much higher weights are needed.¹²⁸ In addition, the average results for some groups of students with limited English proficiency were very low, suggesting at least comparative loadings with low SES or Indigenous students.

The loadings estimated by the overseas research studies were generally designed to achieve a 'weak' equity objective of a given pass rate or standard which could be considered as a benchmark for an

¹²⁴ William A. Duncombe and John Yinger, How much more does a disadvantaged student cost? *Economics of Education Review*, 24(5): 513-532, 2005.

¹²⁵ William A. Duncombe and John Yinger, Measurement of cost differentials. In Helen F Ladd and Edward B Fiske (eds.), *Handbook of Research on Education Finance and Policy*, London: Routledge, 238-256, 2008.

¹²⁶ Julie Anna Golebiewsk, An Overview of the Literature Measuring Education Cost Differentials, *Peabody Journal of Education*, 86:1, 84-112, 2011.

¹²⁷ Bruce Baker, Lori Taylor and Arnold Vedlitz, Adequacy Estimates and the Implications of Common Standards for the Cost of Instruction. Washington DC: National Research Council, 2008.

¹²⁸ Julie Anna Golebiewsk, An Overview of the Literature Measuring Education Cost Differentials, *Peabody Journal of Education*, 86:1, 84-112, 2011.

adequate education. The loadings to achieve a 'strong' equity objective such as the pass rate achieved by high SES students or the average test scores of high SES students would be much higher.

7.6 Impact of the new “no losers” guarantee for private schools

The Government's new “no losers” guarantee was intended to placate wealthier private schools and assure them that their millions in taxpayer funding were not under threat. The recommendations of the Gonski review delivered on this requirement by providing for a minimum taxpayer contribution for private schools. The report made it clear that this minimum level of funding was designed to meet the Government's requirement.

To meet the Australian Government's announcement that no school will lose a dollar per student as a result of this review, a minimum public contribution towards the cost of schooling should apply to non-government schools at a level between 20 to 25 per cent of the resource standard per student amounts without loadings.¹²⁹

The report made no other justification for continuing taxpayer funding of higher SES private schools. The implication is that, in the absence of the new “no losers” guarantee, it may have more seriously considered the case against taxpayer funding of higher SES private schools. The “no losers” guarantee ensures that the most privileged schools continue to receive government funding to aid them maintaining that position. As one commentator observed:

How can funding be levelled up if there is no control over “up”? All Gonski can do is recommend a minimum governmental input to a school's funding, not a limit to the total... It will still be possible for schools with the deepest pockets, the most prominent social position and the most powerful clientele to do whatever it takes to maintain an advantaged position for themselves and a relatively disadvantaged one for everyone else.¹³⁰

The high-fee schools will take Gonski money then spend more to keep a safe distance between the best and the rest, and in the process they will sustain the “residualisation” dynamic that inexorably makes the educationally rich richer, and the poor poorer.¹³¹

The “no losers” guarantee also required the review panel to maintain the over-funding of FM schools. In effect, the exceptions to the Howard Government's SES model had to be formally incorporated into the new funding model. This created a major dilemma for the review because, as noted above, one of its criticisms of the SES model was that schools on the same SES score had vastly different funding levels. As the Report stated:

It would be difficult to completely address the funding anomalies associated with Funding Maintenance by recalibrating the existing funding model in a way that did not disadvantage any school and also retained a reasonable degree of targeting of assistance to schools in need.¹³²

A new funding schedule would have to be designed to reduce the incoherence of the SES model but ensure that FM schools continued to receive their extra funding. Inevitably, it would involve schools

¹²⁹ Review of Funding for Schooling, Final Report. Canberra: Department of Education, Employment and Workplace Relations, 2011, Recommendation 19, p. 177.

¹³⁰ Dean Ashenden, Gonski's review: another salvo in the Hundred Years' War, *Inside Story*, 24 February 2012.

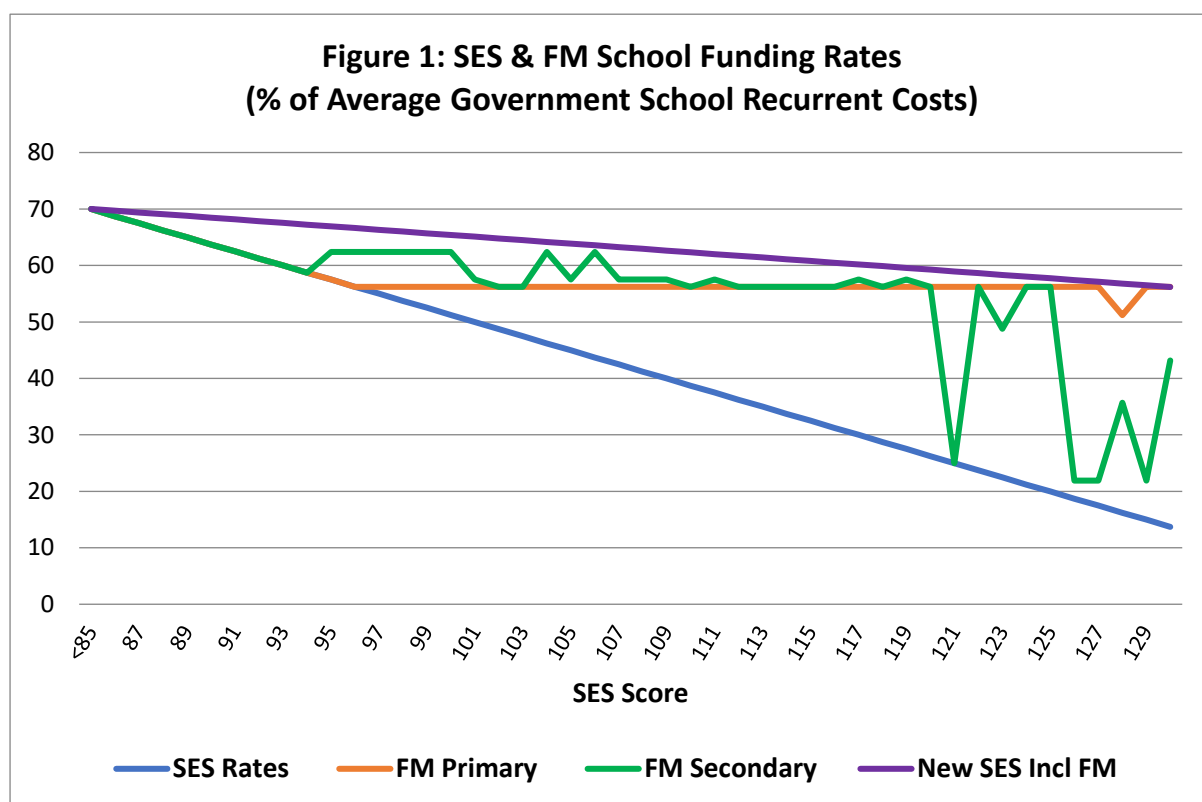
¹³¹ Dean Ashenden, Gonski, Again, *Inside Story*, 2 August 2012.

¹³² Review of Funding for Schooling, Final Report. Canberra: Department of Education, Employment and Workplace Relations, 2011, p. 82.

on the same SES score receiving different levels of funding. This could only be avoided if the highest existing FM rates were used as the basis for a new funding rate schedule.

The dilemma faced by the review panel can be illustrated by Figure 1 which shows the structure of Commonwealth Government funding rates under the SES model. It shows the percentage funding rates per student for all schools if they were funded at their SES score and the maximum FM rates applying to primary and secondary schools at each SES score.¹³³ Many FM schools were also funded at below the maximum rate.

The SES funding rates decline as a percentage of AGSRC as designed for the SES funding model. Lower SES schools get a larger percentage of AGSRC in government funding than high SES schools. However, the FM rates are very different. FM rates only begin to apply at SES score 95, which can be considered a medium-level SES score. The maximum primary school FM rates are virtually the same from SES score 96 to beyond 130. The maximum secondary school rates are virtually the same from SES score 94 to 125, after which they fluctuate.



Sources:

SES funding rates: Department of Education, Employment and Workplace Relations, *2009 SES per capita rates*.
 FM funding rates: Department of Education, Employment and Workplace Relations, *SES Scores, funding status and levels for non-government schools - 2009-2012*.

If all schools at each SES score were to be funded at the same percentage rate per student and no school to lose a dollar of funding, the maximum FM rates would largely determine the future funding rates. This would present quite a different structure of funding rates than one solely based on school SES. Figure 1 shows that the SES rates would apply only up to SES score 91. Beyond this

¹³³ This figure is similar to Figure 31 in the Gonski report which shows funding rates by SES score and funding status.

the secondary school FM rates would determine the funding rates up to SES score 120 and the primary school FM rates would apply to schools with SES scores from 121 to 130 and beyond.

The highest FM rate for some SES scores is below the FM rates at higher SES scores. In these cases, further adjustments would be necessary to ensure that schools are not funded at a lower rate than other schools with higher SES scores. For example, the funding rates for SES scores 92-94 would have to be increased to 62.4 per cent to ensure that the funding rate for schools at these lower SES scores were at least equal to the funding rates applying at SES score 95 and beyond. Similarly, the funding rates for schools on SES scores 101-103 would have to be increased to ensure that they do not receive a lower funding rate than higher SES schools such as those on SES 104 and 106.

Figure 1 indicates that there would be only four tiers of funding: declining funding in line with increasing SES up to SES 91; a flat rate of 62.4 per cent for schools from SES 92 to 106; a flat rate of 57.5 per cent for scores 107 to 119; and a slightly lower rate of 56.2 per cent for scores of 120 and above.

Such a funding structure could hardly be considered as reflecting the capacity of the school community to support a school as it would be only marginally related to school SES. High SES schools with an SES score of 120 and above would only receive slightly less funding than low SES schools of 90 or below. Effectively, adoption of this structure would abandon any pretence that government funding of private schools should be related to the socio-economic capacity of their communities.

Figure 1 also shows that basing a new schedule of funding rates on the maximum FM rates would result in large increases in funding for schools funded at their SES rate, especially for higher SES schools. For example, the SES funding rate for a very high SES secondary school with an SES score of 130 was \$1705 in 2012 compared with the maximum FM rate for this SES score of \$6994 per student, a difference of \$5269 per student. Thus, a school of 1000 students previously funded at its SES score would gain an additional \$5,269,000 if the new funding schedule were based on the maximum FM rate. Such an increase in funding for a very high SES school would be contrary to the focus of the review on increasing funding for disadvantaged students and schools.

An alternative way to comply with the principle of increasing funding with need as assessed by school SES was to construct a completely new set of rates which integrate the maximum FM rates but ensure that funding rates decline systematically as SES scores increase across the whole spectrum of SES scores. This is shown in Figure 1 as the "SES Incl. FM" line.

Technically, it meets the principle of funding according to need but the difference between the maximum and minimum funding rates is much less than under the current arrangements. The maximum funding rate for low SES schools remains the same at 70 per cent but the minimum rate is 56.2 per cent compared to 13.7 per cent under the current model. This would have significant funding implications with the largest increases in funding going to higher SES schools.

In the light of these difficulties, the Report handed the problem of designing a new schedule of funding rates back to the government with a tortuously worded recommendation that said in part:

The precise school SES scores and the shape of the anticipated private contribution between these two points [minimum and maximum private contribution] should be set in a way that balances:

minimising the extent and incidence of any differences between the school resource standard required by each non-government school system and school and the resources currently available to it from all sources...¹³⁴

It is little wonder that one of the panellists, Ken Boston, later said that the no losers guarantee was “an albatross around our necks”.¹³⁵

Thus, the effect of the new “no losers” guarantee was to ensure that FM schools keep their privileged funding. They were mainly medium and high SES schools which had large privately sourced funding and so were able to maintain a large resource advantage over lower SES public and private schools. The Report left it to the Government to decide how to incorporate it into the new funding model.

7.7 Capacity to contribute

The Report recommended that government funding for private schools should continue to be based on the capacity of schools to raise income as measured by the socio-economic status of their communities. However, this approach is inherently flawed. There are insuperable problems in accurately determining capacity to contribute and they result in over-funding private schools.

The Report acknowledged significant problems in using an area-based measure of SES to determine capacity to contribute. This measure was compiled from Census data on a range of variables including the percentage of the population of an area with different levels of education and occupations and the percentage of households with incomes below and above certain levels. The Report noted that there is potential for error in making judgements about the capacity of individual families because the SES of families is not necessarily homogeneous in given areas. This can lead to errors in determining the financial need of schools and their funding.

Studies by the Australian Bureau of Statistics had showed that some high income families live in low SES areas and vice versa, so the actual SES of some students will be above the area-average and others below the area-average.¹³⁶ High SES families enrol their children in private schools at double the rate of low SES families. In 2011, 60 per cent of high income families across Australia enrolled their children in private secondary schools compared to 27 per cent of low income families.¹³⁷

As a result, the area-based measure of school SES tends to under-estimate the SES of private schools that draw enrolments from high SES families living in lower SES areas. When high income families in low SES areas attend private schools, they carry their low area SES rating with them. This artificially reduces the measured SES of the private schools they attend. The lower SES measure entitles these schools to greater government funding than if SES was measured according to actual family SES.

¹³⁴ Review of Funding for Schooling, Final Report. Canberra: Department of Education, Employment and Workplace Relations, 2011, Recommendation 21, p. 179.

¹³⁵ Ken Boston, Vision or Hallucination? Some Reflections on Gonski, Address to the T.J. Ryan Foundation, Brisbane, 14 February 2017.

¹³⁶ Adhikari, Pramod, Socio-Economic Indexes for Areas: Introduction, Use and Future Directions. Research Paper, Australian Bureau of Statistics, Canberra, 2006; Joanne Baker and Pramod Adhikari, Socio-economic Indexes for Individuals and Families. Research Paper, Analytic Services Branch, Australian Bureau of Statistics, Canberra, 2007; Phillip Wise and Rossalynn Mathews, Socio-Economic Indexes For Areas: Getting a Handle on Individual Diversity Within Areas. Methodology Research Papers, Australian Bureau of Statistics, Canberra, 2011; Peter Radisich and Phillip Wise, Socio-Economic Indexes For Areas: Robustness, Diversity Within Larger Areas and the New Geography Standard. Methodology Research Papers, Australian Bureau of Statistics, Canberra. 2012.

¹³⁷ Barbara Preston, The social make-up of schools. A paper prepared for the Australian Education Union, 2013.

Private schools would receive a higher per student allocation and a greater funding for low SES students than warranted.

Another source of bias not mentioned in the Report occurs because the area-based measure excludes international students, the large proportion of who are enrolled in high SES private schools. They are excluded because it is not possible to geo-code their addresses to a Census collection district. This also artificially lowers the SES rating of some high SES schools because it is only wealthy overseas families who can afford the high tuition and boarding fees and associated costs of sending their children to Australia. This bias may not be large because of the relatively small number of international students, but it does add to the inherent bias in using the area-based SES index to measure school SES.

In the light of such problems, the review also considered using the Index of Community Socio-Educational Advantage (ICSEA) compiled by the Australian Curriculum, Assessment and Reporting Authority and used to measure the socio-economic status of schools. However, it had concerns about the robustness of this measure which was relatively new at the time of the Report although it did not explain the details of this concern.

ICSEA was initially based on area-based SES data but was increasingly based on parent education and occupation information provided in school enrolment forms. ICSEA is now calculated using only the direct parent background data.¹³⁸ As such, it is an indirect measure of capacity to contribute because it is not based directly on family income.

Another problem in using ICSEA scores at the time is that they were not calculated for all schools. Scores were not calculated for special schools, early childhood schools (e.g., K-2) and senior secondary schools until 2018. Another problem in using ICSEA is that it is not a measure of school SES alone as it also includes data on a school's enrolment of Indigenous students and whether it is located in a remote area.

A significant problem with this measure is that it would hand back control of the base data to private schools and there would be strong incentives for schools to manipulate the information provided on enrolment forms to minimise their assessed capacity to contribute. There are other problems such as enrolment forms only being filled out on enrolment and are not usually updated. As a result, they may not reflect changes in family circumstances during the years at school.

All this suggests that the Report was correct in dismissing ICSEA as a possible measure of family capacity to contribute. However, it recommended continued use of the area-based SES measure until another measure could be developed. This ensured that many private schools would continue to be over-funded because of the flaws in this method.

The Report was caught in a dilemma of choosing between flawed measures of the capacity to contribute because it failed to question the concept of capacity to contribute as the basis for assessing the financial need of schools. The fundamental flaw in adopting the principle of capacity to contribute to assess the financial need of schools is that it assumes that parents pay school fees and that they have no other sources of income.

¹³⁸ Australian Curriculum, Assessment and Reporting Authority (ACARA), Guide to understanding 2013 Index of Community Socio-educational Advantage (ICSEA) values, Sydney, 2014. Australian Curriculum, Assessment and Reporting Authority (ACARA), Guide to understanding the Index of Community Socio-educational Advantage (ICSEA) values, Sydney, 2020.

The fact is that many families have other sources of non-declared income that can be used directly or indirectly to fund the payment of school fees. A glaring omission in all measures of capacity to contribute is income and in-kind resources provided by grandparents. Grandparents financially support their children in a myriad of ways including paying school fees in full or in part, deposits on houses, house renovations, household assets, cars, holidays, etc. They all increase the capacity to contribute of families directly or indirectly but are not included in the measures of family income. For example, income provided for other purposes frees up family income to be used to pay school fees. As a result, the capacity to contribute is under-estimated and therefore the financial need of schools attended by children of such families is over-estimated.

This approach also ignores family wealth which is a significant factor in capacity to contribute. Assets such as shares, securities and other investments are just as much part of capacity to contribute as direct income. In addition, it ignores several sources of school income and wealth. For example, private donations are a significant source of income for private schools, especially high fee schools.

The insuperable problems associated with assessing capacity to contribute mean that the review should have adopted a completely different approach to funding private schools. The basic principle should be that every school would operate with sufficient resources required to provide an adequate education for all students. Governments have the responsibility to ensure that children should not be deprived of an adequate education because they attend an under-resourced school.

Such a model was proposed to the review by Save Our Schools but it was not taken up. Under this model government funding would only fill the gap between the income from fees, donations and other sources a private school receives and the community standard. Schools with private income above the community standard should not be entitled to baseline government funding because such extra funding simply extends their advantage over public schools. The model incorporates three features:

- A baseline component that varies between schools to take account of the funding obtained from private sources such as fees and donations;
- Baseline funding would be discounted according to the extent to which private schools meet the same social obligations of public schools so as to preclude private schools becoming more dependent on government funding while excluding students; and
- Funding loadings for schools with disadvantaged students.

This model would finally provide a genuine needs-based funding model that ends the extraordinary over-funding of private schools.

7.8 Other issues

The recommendation of the report to increase the involvement of philanthropic organisations in the funding of government schools failed to consider the experience with such organisations in other countries, in particular, in the United States. In contrast to Australia, philanthropic organisations are heavily involved in school education in the United States and distribute billions of dollars in funding to schools. The Gates, Walton and Broad foundations have come to exercise vast influence over American education policy through their strategic investments in education. The grants are used to support charter schools, performance pay, vouchers and other market-based policies in education. As the former US Assistant Secretary of Education for President George Bush Snr., Diane Ravitch, commented:

There is something fundamentally anti-democratic about relinquishing control of the public education policy agenda to private foundations run by society's wealthiest people.¹³⁹

¹³⁹ Diane Ravitch, *The Death and Life of the Great American School System*, New York: Basic Books, 2013, p. 52.

The experience with these wealthy philanthropic foundations in the United States is a warning about increasing the role of philanthropy in public schools in Australia.

The report's support for greater autonomy for principals over budgeting and staffing decisions is cavalier in that it failed to do a comprehensive review of the evidence and selectively cited only one study in support of its recommendation.¹⁴⁰ This study was based on a cross-country study using the 2003 PISA data. Its findings were contradicted by the 2009 and 2012 PISA studies which found no causal relationship between school autonomy in budgeting and staffing and student achievement.¹⁴¹ The conclusion of the most recent of these studies was emphatic and compelling: "...greater responsibility in managing resources appears to be unrelated to a school system's overall performance."¹⁴²

The mass of evidence from studies of school autonomy across several countries at the time was that it has little impact.¹⁴³ The evidence comes from New Zealand's 20-year experiment with decentralized schools, charter schools in the United States, 'free' schools in Sweden, academies and foundation schools in England.

New Zealand had the most decentralized school system in the OECD with schools exercising full control over budgets and staffing. The head of research at the NZ Council for Educational Research said that there had not been any significant gains in overall student achievement, new approaches to learning, or greater equity in education opportunity since decentralization was implemented in 1989.¹⁴⁴

Charter schools in the United States were another form of school autonomy. They are independent public schools. The weight of evidence from the most sophisticated studies of charter schools is that there is no difference in results between them and traditional public schools.¹⁴⁵ Indeed, some studies show that charter schools do worse. A large national study of charter schools found that three-quarters of all charter schools are doing no better than traditional schools in reading and 70 per cent are doing no better in mathematics.¹⁴⁶

Free schools in Sweden are privately-operated schools that receive the same level of government funding as municipal schools. The research evidence on these schools is mixed – some showing better performance by free schools and some showing better performance by municipal public

¹⁴⁰ Ludger Wöbmann, Elke Lüdemann, Gabriela Schütz and Martin R. West, *School Accountability, Autonomy, Choice, and the Level of Student Achievement: International Evidence from PISA 2003*, OECD Education Working Papers, No. 13, OECD Publishing, 2007.

¹⁴¹ Organisation for Economic Co-operation and Development (OECD), *PISA 2009 Results: What Makes a School Successful? – Resources, Policies and Practices (Volume IV)*, Paris: OECD Publishing, 2010; Organisation for Economic Co-operation and Development (OECD), *PISA 2012 Results: What Makes Schools Successful? Resources, Policies and Practices (Volume IV)*, Paris: OECD Publishing, 2013.

¹⁴² Organisation for Economic Co-operation and Development (OECD), *PISA 2012 Results: What Makes Schools Successful? Resources, Policies and Practices (Volume IV)*, Paris: OECD Publishing, 2013, p. 52.

¹⁴³ Trevor Cobbold, *School Autonomy is Not the Success Claimed*, Education Research Brief, Save Our Schools, June 2012.

¹⁴⁴ Cathy Wylie, *Cathy, Vital Connections: Why we need more than self-managing schools*, Wellington: New Zealand Council for Educational Research, 2012.

¹⁴⁵ Save Our Schools, *School Autonomy Fails to Increase Student Achievement and Undermines Collaboration Between Schools*. Submission to Senate Education Committee, Canberra, 2013.

¹⁴⁶ Center for Research on Education Outcomes (CREDO), *National Charter School Study 2013*, Stanford University, Stanford CA, 2013.

schools.¹⁴⁷ A review of studies published by the Institute of Education at the University of London found that the benefits were small, largely concentrated on children from highly educated families and do not persist through to the end of school.¹⁴⁸

Academies and foundation schools in England are publicly-funded schools that have greater freedom over how to allocate their budgets and over staffing than other state schools. Research evidence on foundation schools shows no increase in student achievement while some studies of academies show improvement and others no improvement.¹⁴⁹ A study of academy schools showed that they have not increased student achievement.¹⁵⁰

Finally, the evidence from Australia's experiments with school autonomy was not encouraging. The only substantive research on the impact of independent public schools (IPS) in Western Australia found no improvement in student outcomes in schools that joined the program. The report stated that:

....there was no evidence of substantial differences in outcomes between schools that were selected into IPS and those that were not.¹⁵¹

The last two national reports on Australia's PISA results show virtually no statistical difference in student results between NSW, with lower autonomy for government schools, and Victoria which has a higher degree of autonomy.¹⁵² Moreover, achievement by 15 year-olds in private schools in Australia, which generally have a higher degree of school autonomy than government schools, is no higher than in the more centralised government school system when the different socio-economic composition of the sectors is taken into account.

A further issue ignored by the Report is that school autonomy in public schools in Australia has been accompanied by widespread accountability measures covering financial management, student well-being, behaviour management and safety, teacher appraisal, compliance training, school review processes, curriculum standards, student progress based on standardised test results, workplace health and safety, and auditing. This has led to increased bureaucratisation throughout the system - at central and regional offices, schools and for individual teachers.¹⁵³ It has resulted in a strengthening of central control over schools and a focus on management and administration rather than direct support for teaching and learning.

¹⁴⁷ Save Our Schools, *School Autonomy Fails to Increase Student Achievement and Undermines Collaboration Between Schools*, Submission to Senate Education Committee, Canberra, 2013.

¹⁴⁸ Rebecca Allen, Replicating Swedish 'Free School' Reforms in England, *Research in Public Policy*, Issue 10, Summer, 4-7, 2010.

¹⁴⁹ Rebecca Allen, Measuring Foundation School Effectiveness Using English Administrative Data, Survey Data and a Regression Discontinuity Design, *Education Economics*, 21(5): 431-446, 2013; Stephen Machin and James Veroit, *Changing School Autonomy: Academy Schools and their Introduction to England's Education*. Paper No. CEE DP 123, Centre for the Economics of Education, London School of Economics, London 2011; Stephen Gorard, What are academies the answer to? *Journal of Education Policy*, 24(1): 101-113, 2009.

¹⁵⁰ Academies Commission, *Unleashing Greatness: Getting the best from an academised system*, London: Royal Society for the Encouragement of Arts, Manufactures and Commerce, 2013.

¹⁵¹ Melbourne Graduate School of Education, *Evaluation of the Independent Public Schools Initiative*, Final Report, 2013, p. 9.

¹⁵² Sue Thomson, Lisa De Bortoli, Marina Nicholas, Kylie Hillman and Sarah Buckley, *Challenges for Australian Education: Results from PISA 2009*, Camberwell: Australian Council for Educational Research, 2010; Sue Thomson, Sue, Lisa De Bortoli, Lisa and Sarah Buckley, *PISA 2012: How Australia Measures Up*, Camberwell: Australian Council for Educational Research, 2013.

¹⁵³ Trevor Cobbold, *The Bureaucratisation of Public Education in Australia*, Education Research Paper, Save Our Schools, Canberra, August 2020.

8. Conclusion

The Gonski Report was a watershed in the history of school funding in Australia. It changed the whole focus of school funding from choice under the Howard Government's SES model to making equity in education the centrepiece of education policy. It made the biggest commitment to improving equity in education in the history of school funding in Australia. As Professor Jack Keating said:

It contains the most impressive and ambitious national proposals on school funding since the Karmel report.¹⁵⁴

The strength of the Report was that it recognised the problem of disadvantage in Australian schooling and made serious recommendations about future funding to reduce disadvantage. It made several contributions to the development of a more equitable school funding system.

First, it adopted far reaching equity objectives. It supported a minimum level of education for all students which it set at Year 12 or its equivalent and the social equity objective that differences in educational outcomes are not the result of differences in wealth, income, power or possessions.

Second, it established the principles and framework for a funding system to achieve greater equity in education. It recommended a needs-based model comprised of a base funding level and funding loadings for various categories of disadvantage. Public and private schools would be funded according to the same principles and framework.

Third, it recommended a large increase in funding of \$5 billion a year, the large part of which would go to public schools because they enrol the vast majority of disadvantaged students.

Fourth, it recommended a nationally integrated funding model combining Commonwealth and state funding. It also recommended the establishment of an independent National Schools Resourcing Body to oversee the maintenance and development of the model.

However, the recommendations of the report promised only limited progress towards its ambitious and challenging equity goals. There were several key weaknesses in the report that would serve to perpetuate inequity in education.

First, there were several inconsistencies between the equity goals set in the report and the outcomes targets used to determine the estimated funding increases. The funding estimates were based on more limited outcomes targets than those implied by the dual equity objective adopted by the report. In particular, the Report adopted a limited measure of adequacy in education and ignored its own social equity objective in setting the standard for the SRS.

Second, too much of the additional funding would be directed to adequately resourced schools because the SRS was set too high. It left too little to be directed at disadvantaged students. This was exacerbated by funding loadings for low SES students, Indigenous students and students with limited English proficiency that were far too small and unlikely to prove effective.

Third, the new "no losers" guarantee was a severe self-imposed constraint on the scope of what the review could recommend. The review panel effectively rewrote its formal terms of reference in adhering to the Government's guarantee that no school will lose a single dollar. This self-inflicted weakness undermined its commitment to equity and served to sustain inequity. It meant that the

¹⁵⁴ Jack Keating, Gonski ticks all the boxes, *The Age*, 21 February 2012.

over-funding of many well-off private schools that resulted from exceptions to the Howard Government's SES model would be formally incorporated into the future funding model. High SES private schools would continue to receive large amounts of government funding which contributes to their large resource advantage over lower SES government and private schools. This funding could be better used in funding disadvantaged schools.

Fourth, the Report's recommendations for the funding of private schools were based on the flawed concept of capacity to contribute. All available measures of the capacity to contribute over-estimate the financial need of schools because they ignore income and in-kind resources provided by grandparents and ignore private donations to private schools and their assets. These omissions from the assessment of capacity to contribute results in significant over-funding of private schools.

Fifth, the Report's support for greater resort to philanthropy in funding government schools had little regard to the influence that philanthropic organisations have acquired over education policy in some overseas countries and their predilection to support market-based education policies.

Sixth, the Report's support for greater autonomy for principals in making decisions about budgeting and staffing was somewhat cavalier in that it had little regard to the extensive research evidence that shows that autonomy in these areas has little to no impact on student achievement.

However, these flaws should not detract from recognising the contribution of the Report in to achieving a more equitable funding model. It made equity in education the central focus of education policy and funding and promised a much needed funding boost for disadvantaged schools. It provided the basis for developing a genuine nationally integrated needs-based funding system. Unfortunately, its weaknesses meant that the massive over-funding of private schools would continue.