Background Note
Updated 8 March 2013

Australian Government funding for schools explained: 2013 update
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Social Policy Section

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<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ABS</td>
<td>Australian Bureau of Statistics</td>
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<tr>
<td>AGSRC</td>
<td>Average Government School Recurrent Costs</td>
</tr>
<tr>
<td>BER</td>
<td>Building the Economic Revolution</td>
</tr>
<tr>
<td>CCDs</td>
<td>Census Collection Districts</td>
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<tr>
<td>COAG</td>
<td>Council of Australian Governments</td>
</tr>
<tr>
<td>COPEs</td>
<td>Commonwealth Own-Purpose Expenses</td>
</tr>
<tr>
<td>DEEWR</td>
<td>Department of Education, Employment and Workplace Relations</td>
</tr>
<tr>
<td>ERI</td>
<td>Education Resources Index</td>
</tr>
<tr>
<td>FG schools</td>
<td>Funding guaranteed schools</td>
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<td>FM schools</td>
<td>Funding maintained schools</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GRGs</td>
<td>General Recurrent Grants</td>
</tr>
<tr>
<td>IGA</td>
<td>Intergovernmental Agreement on Federal Financial Relations</td>
</tr>
<tr>
<td>MCEECDYA</td>
<td>Ministerial Council on Education, Early Childhood Development and Youth Affairs</td>
</tr>
<tr>
<td>NEA</td>
<td>National Education Agreement</td>
</tr>
<tr>
<td>NP/s</td>
<td>National Partnership/s</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PC</td>
<td>Productivity Commission</td>
</tr>
<tr>
<td>SES</td>
<td>Socio-economic status</td>
</tr>
<tr>
<td>SPP</td>
<td>Specific Purpose Payment</td>
</tr>
<tr>
<td>SRS</td>
<td>Schooling Resource Standard</td>
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Introduction

There is much anticipation about the future of school funding with proposed new arrangements for school funding scheduled to be presented to the Council of Australian Governments (COAG) meeting in April this year. The meeting will be the culmination of the latest iteration of the debate about school funding that has been ongoing since the Australian Government announced its Review of Funding for Schooling (the Gonski Review) in April 2010.1

The Labor Government took its first steps towards reforming school education funding when in 2009 it transformed a funding structure that in essence had been in place since 1974. It restructured its funding for schools, particularly for government schools, as a result of a new federal financial relations framework established through COAG’s Intergovernmental Agreement on Federal Financial Relations (IGA).2 The Government also implemented new programs that have resulted in increased funding for schools. Of these initiatives, it was the Building the Education Revolution (BER) economic stimulus programs that produced the greatest increase in funding, albeit temporarily and for infrastructure only.3

Although the Labor Government has made some moves towards reforming school funding arrangements, the underlying historic pattern of ongoing government funding for schools remains essentially unchanged. In 2012–13 the Australian Government will provide an estimated $12.9 billion to schools, most of which (64.6 per cent) will be provided to non-government schools.4 Conversely, state and territory governments provide most of their funding to government schools.

This Background Note updates a previous version of this publication. Its purpose is to explain how the Australian Government provides funding to schools by answering some commonly asked questions. In doing this, the Background Note provides: a brief history of Australian Government funding for schools, explains the system of funding and examines expenditure trends. It also provides an overview of the final report of the Gonski Review and the Government’s response to date.

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1. J Gillard (Minister for Education), A future fair for all – school funding in Australia – address to Sydney Institute, speech, 15 April 2010, viewed 21 January 2013, http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2FVIMGW6%22
The Australian Government’s role in school education

Constitutionally, state and territory governments have responsibility for school education. They therefore regulate school education and administer government schools. State and territory governments are the major provider of public funds for government schools and they also provide funding for non-government schools.

The Australian Government provides funding for government schools and is the major provider of public funds for non-government schools. While there is no explicit education power in the Australian Constitution, there are a number of constitutional powers that enable the Commonwealth to enter the education arena and give it significant control. Section 96 is the key power that has been used to legitimise Commonwealth intervention in the field of education. It provides that ‘the Parliament may grant financial assistance to any State on such terms and conditions as the Parliament thinks fit’.5 Using this power, the Commonwealth can tie the payment of grants to the states to implement certain Commonwealth education policies.

The Melbourne Declaration on Educational Goals for Young Australians, agreed to by all education ministers in 2008, underpins the formulation of school education policies and programs.6 The Australian Government and state and territory governments work together through COAG and its Standing Council on School Education and Early Childhood (SCSEEC) to achieve these mutual goals for school education.7

A brief history of Australian Government funding for schools to 2008

Prior to 1964 there was no direct Australian Government funding for school education in the states. The Commonwealth was responsible only for schooling in the Australian Capital Territory, the Northern Territory and in Australia’s overseas territories. The only other form of Australian Government assistance for school education was through taxation concessions for school fees and donations towards school buildings.8

1964: capital funding for schools introduced

A pivotal change occurred in 1964 when the *States Grants (Science Laboratories and Technical Training) Act 1964* was passed. This Act, which provided grants for science laboratories and equipment in government and non-government secondary schools, marked the Australian Government’s substantive entry into school funding. In 1969, the *States Grants (Secondary School Libraries) Act 1969* extended Australian Government capital assistance to finance library facilities in both government and non-government secondary schools. Capital assistance for schools was broadened in 1972 by the *States Grants (Capital Assistance) Act 1971–72* which authorised $20 million for capital expenditure on government primary and secondary schools. From 1973, these grants were extended to non-government schools.

1970: the beginning of recurrent funding for school students

Australian Government general recurrent per student grants for non-government schools were introduced in 1970, a major impetus for which was the struggling Catholic school sector. The *States Grants (Independent Schools) Act 1969* authorised payments to non-government schools at the flat rates of $35 per primary school student and $50 per secondary school student. From 1973, these grants were fixed at a rate equivalent to 20 per cent of the cost of educating a child in a government school.

1973: the report of the Interim Committee for the Australian Schools Commission

The report of the Interim Committee for the Australian Schools Commission, chaired by Professor Peter Karmel, marked a turning point for the funding of school education. The Committee was established in December 1972 by the Whitlam Labor Government to examine the needs of schools and advise on school financing. The Committee’s recommendations advocated needs-based funding to ensure that all schools achieved minimum acceptable standards.

As a result of the Karmel Committee’s recommendations, Australian Government recurrent funding was extended to government schools in 1974. In the same year, special funding programs (targeted programs) were introduced, which provided additional funding for disadvantaged schools, special education, teacher professional development and innovation.

The Schools Commission was also established in 1974 to administer school funding. Payments to the states, providing general recurrent grants, capital grants and grants for targeted programs for

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9. For more of this history, see Wilkinson and others, op. cit. In particular, see Chapter 2 from p. 23.

government and non-government schools, were authorised on a triennial basis by means of annual States Grants (Schools Assistance) Acts.

This basic legislative and funding structure continued until 2008, although there were changes in funding formulae and the Schools Commission was abolished in 1988. From 1985 to 2008, most Australian Government funding for government and non-government schools was provided on a four-yearly basis under the one Commonwealth Act. Specific purpose payments (SPPs) continued with general recurrent grants (GRGs), which were allocated differently for government and non-government schools, capital grants and grants for targeted programs. Over that period there were different resource standards that determined the amount of per student recurrent funding. From 1993, GRGs, (which constituted the majority of ongoing Australian Government funding for schools), were provided on a per student basis as a percentage of the resource standard known as Average Government School Recurrent Costs (AGSRC).

Australian Government funding for schools from 2009

In 2009, the Australian Government restructured its funding for schools when COAG agreed to a new framework for federal financial relations.

Most Australian Government funding for schools is provided under the National Schools Specific Purpose Payment (National Schools SPP), which has two components—one for government schools and one for non-government schools.

Other Australian Government funding for school education is provided through National Partnerships (NPs) and the Australian Government’s own school education programs, known as Commonwealth Own-Purpose Expenses (COPEs). These programs are mostly administered by the Department of Education, Employment and Workplace Relations.

See Figure 1 for an outline of these arrangements.

National Schools Specific Purpose Payment—government schools component

The National Schools SPP for government schools is provided through the Intergovernmental Agreement on Federal Financial Relations (the IGA). The previous SPPs for government schools, with some additions, were combined into an agreed base amount of $3.3 billion for 2009–10, on the basis of 10 per cent of AGSRC for per student recurrent funding.

The National Schools SPP base amount included new funding as a result of increased per student funding for government primary school students. This funding increased from 8.9 per cent to 10.0 per cent of AGSRC—the same percentage rate as for government secondary school students.\textsuperscript{13} Funding for Indigenous students in government schools, previously provided under the \textit{Indigenous Education (Targeted Assistance) Act 2000}, was also incorporated into the base amount.\textsuperscript{14}

The National Schools SPP is indexed each year, according to a formula based on increases in the AGSRC primary and secondary amounts (converted to a weighted average) and growth in full-time equivalent enrolments.\textsuperscript{15} The projected growth factor for 2013–14 to 2015–16 is currently 5.6 per cent.\textsuperscript{16} (See section on Average Government School Recurrent Costs for further information.)

\textbf{The National Education Agreement}

The National Education Agreement (NEA) between the Australian Government and the state and territory governments is formulated under the IGA.\textsuperscript{17}

The NEA sets out the agreed objectives and outcomes for schooling, the roles and responsibilities of each level of government, performance indicators and benchmarks, reporting mechanisms and ‘policy and reform directions’.

State and territory government education authorities have discretion as to how to spend the National Schools SPP to achieve the agreed outcomes.\textsuperscript{18}

\textsuperscript{14} The \textit{Education Legislation Amendment Act 2008} amended the \textit{Indigenous Education (Targeted Assistance) Act 2000}, ceasing funding for six Indigenous school education programs. The funding for the government schools component of these programs transferred to the new funding arrangements for government schools.
\textsuperscript{15} Ibid., p. D-3.
**Figure 1. Australian Government funding for school education, as at 1 January 2013**

<table>
<thead>
<tr>
<th>National Schools SPP(^{(a)})</th>
<th>Non-government schools</th>
<th>National Partnerships(^{(b)(c)})</th>
<th>Other(^{(d)})</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intergovernmental Agreement on Federal Financial Regulation (includes the National Education Agreement (NEA))</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Single SPP that state and territory governments have the discretion as to how to spend to achieve the outcomes agreed to in the NEA.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• From 2009, funding provided by previous SPPs for general recurrent grants, capital grants, targeted programs, and funding for Indigenous education, were combined into an agreed base amount. Funding for primary school students was increased from 8.9 per cent to 10 per cent of AGSRC(^{(e)})—the same rate as for government secondary school students.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The National Schools SPP for government schools is indexed annually according to increases in AGSRC and growth in full-time equivalent enrolments.</td>
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<td></td>
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</tbody>
</table>

| **Schools Assistance Act 2008** | | | |
| • Includes funding for general recurrent grants (GRGs) that are funded on a needs basis according to the SES system\(^{(f)}\), capital grants, targeted programs and Indigenous Supplementary Assistance (ISA). |  |  |  |
| • GRGs, targeted programs and ISA are indexed annually according to increases in AGSRC. Capital grants are indexed annually according to movements in the Producer Price Index Non-Residential Building Construction Australia. |  |  |  |

| **National Partnership agreements** | | | |
| • Digital Education Revolution |  |  |  |
| • Empowering Local Schools |  |  |  |
| • More Support for Students with Disabilities |  |  |  |
| • Reward for School Improvement |  |  |  |
| • Rewards for Great Teachers |  |  |  |
| • Smarter Schools |  |  |  |
| o Improving Teacher Quality |  |  |  |
| o Literacy and Numeracy |  |  |  |
| o Low Socio-economic Status School Communities |  |  |  |
| • Trade Training Centres in Schools |  |  |  |
| • Youth Attainment and Transitions |  |  |  |

| **Commonwealth Own-Purpose Expenses (COPEs)** | | | |
| For example: |  |  |  |
| • Australian Baccalaureate |  |  |  |
| • Grants and Awards |  |  |  |
| • National School Chaplaincy and Student Welfare Program |  |  |  |
| • Online Diagnostic Tools |  |  |  |
| • Quality Outcomes Program – includes, for example: |  |  |  |
| o Australian Government Quality Teacher Program |  |  |  |
| o Civics and citizenship |  |  |  |
| o Schools national projects |  |  |  |
| • Teach Next |  |  |  |

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\(^{(a)}\) Specific Purpose Payment.

\(^{(b)}\) Includes National Partnerships administered by the Department of Education, Employment and Workplace Relations. Note: education components of the Closing the Gap in the Northern Territory National Partnership are not included in this figure.

\(^{(c)}\) Authorised by the *Federal Financial Relations Act 2009*.

\(^{(d)}\) Authorised by the *Financial Management and Accountability Act 1997*, section 32(b).

\(^{(e)}\) Average Government School Recurrent Costs.

\(^{(f)}\) Socioeconomic Status system.
National Schools Specific Purpose Payment—non-government schools component

Funding for the non-government schools component of the National Schools SPP is provided under the *Schools Assistance Act 2008*. The Act originally provided for funding for the years to 2009 and 2012. In 2011 the Act was amended to extend recurrent funding until 2013 and capital funding until 2014, pending the outcome of the Gonski Review.19

The National Schools SPP for non-government schools provides for the same programs—GRGs, capital grants and grants for targeted programs—that existed prior to 2009. The targeted programs for non-government schools include the Literacy, Numeracy and Special Learning Needs Program; the English as a Second Language – New Arrivals Program; the Schools Languages Program; and the Country Areas Program.22

The *Schools Assistance Act* also provides for additional recurrent funding for Indigenous students in non-government schools, non-government schools in remote areas and distance education students:

- Funding for Indigenous students in non-government schools was previously provided through a number of different programs under the *Indigenous Education (Targeted Assistance) Act 2000*. This funding was replaced by a single per student payment—Indigenous Supplementary Assistance. An Indigenous Funding Guarantee provides transitional funding to ensure that schools do not receive less funding than under the previous arrangements, taking into account enrolment changes.23

- Non-government schools that have campuses located in defined remote areas receive a per student remoteness loading at 5 per cent, 10 per cent or 20 per cent of a school’s socioeconomic status (SES) system funding rate for general recurrent grants, depending on the degree of remoteness of the school campus.

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20. The amending Act was the *Schools Assistance Amendment (Financial Assistance) Act 2011* (Cth).
• Non-government schools also receive funding for distance education students, at the base rate of 13.7 per cent of AGSRC on a full-time equivalent basis.

Payments to non-government school education authorities cannot be made until an authority has signed an agreement with the Australian Government. The agreements prescribe the conditions with which an education authority must comply in order to receive funding. The conditions include educational and financial performance and accountability requirements.

**General recurrent funding for non-government schools—the Socioeconomic Status (SES) system**

Australian Government general recurrent per student funding for non-government schools is based on a measure of need. Since 2001, the rate at which non-government schools receive GRGs is determined by a measure of the estimated capacity of a school’s community to support its school; that is, its SES. This measure was calculated by linking student residential addresses to the latest Census Collection Districts (CCDs)—the current SES scores are based on 2006 CCDs. The SES Index includes three dimensions—income, education and occupation. These SES scores are recalculated every four years, according to information from the latest Census of Population and Housing.24

A non-government school’s SES score determines its per student general recurrent funding rate, as a percentage of AGSRC. In total, there are 46 SES funding scores, with funding rates ranging from 13.7 per cent to 70.0 per cent of AGSRC:

• those non-government schools with the lowest SES scores (85 or less) are funded at 70.0 per cent of AGSRC

• those non-government schools with the highest SES scores (130 or greater) are funded at 13.7 per cent of AGSRC and

• those non-government schools with an SES score between 85 and 100 are funded along a continuum, with each single point change in the SES score resulting in a change in funding. 25

Some non-government schools automatically receive the maximum rate of funding, regardless of their SES score. These schools include:

• non-government special schools—schools that cater for students with disabilities

• Special Assistance Schools—schools that mainly cater for students with social, emotional or behavioural difficulties and

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24. Under usual circumstances, SES scores would have been recalculated in 2012 for the 2013–2016 funding quadrennium. However, this did not occur because of the extension of the 2009–2012 funding arrangements to 2013, pending the outcome of the Review of Funding for Schooling (the Gonski Review).

- Majority Indigenous Student Schools—schools with 80 per cent or more Indigenous enrolments or, for very remote schools, 50 per cent or more Indigenous enrolments.

**Box 1. The Education Resources Index**

There have been a number of systems for determining the need of non-government schools for Australian Government general recurrent funding. From 1985 to 2000, the Education Resources Index (ERI) determined need according to a measure of the capacity of a non-government school to generate its own income through fees, investments, fundraising and donations, compared to a standard level of resources. The higher a school’s ERI rating was, the lower the level of general recurrent funding. There were 12 funding categories under the ERI system, with Category 1 schools rated as in least need of assistance.26

**Why are some non-government schools not funded according to their SES score?**

When the SES system was introduced in 2001, the Howard Government made a commitment that no school would be financially worse off under the new system.27 As a result of this ‘no losers’ commitment, the following arrangements apply.

**Funding maintained schools**

- Those non-government schools which, because of their SES score, were entitled to less funding under the SES system when it was introduced in 2001, had their general recurrent funding maintained at their year 2000 per student funding rate. This funding is indexed each year according to increases in AGSRC.

- For each new funding period, all non-government schools have their SES scores recalculated according to the information in the latest Census of Population and Housing. Schools therefore had their SES scores recalculated for the 2005–2008 and 2009–2012 funding periods. Those year 2000 ‘funding maintained’ (FM) schools which still had an SES score with a funding entitlement less than their current level of funding at the beginning of each new funding period, continued to have their funding maintained at their year 2000 per student funding rate with indexation.

- Catholic systemic schools did not join the SES system until 2005. From 2001 to 2004, Catholic systemic schools continued to be funded according to the level of funding received under the previous system of general recurrent funding for non-government schools—the Education

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27. D Kemp (Minister for Education, Training and Youth Affairs), Major reform of non-government school funding, media release, 11 May 1999, viewed 21 November 2012, [http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2FBE806%22](http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2FBE806%22)
Resources Index (see Box 1). As a result of the Howard Government’s no losers commitment, FM arrangements were also created for Catholic systemic schools. Therefore, those Catholic systemic schools which had an SES score with a lower funding entitlement than previously, had their funding maintained at their 2004 per student funding rates with indexation. The year 2004 FM arrangement for Catholic systemic schools continued for the 2009–2012 funding period for those schools which still had an SES score with a lower funding entitlement than their pre-existing funding.

Funding guaranteed schools

• This arrangement does not apply to FM schools. Unlike the FM arrangements, the funding guaranteed arrangements are intended as a transitional measure whereby schools eventually move on to their SES score funding rates.

• Non-government schools are ‘funding guaranteed’ (FG) if they had, as a result of the recalculation of their SES score for the 2005–2008 and/or 2009–2012 funding periods, an SES funding entitlement lower than their previous SES funding rates (either year 2004 or year 2008 respectively).

• FG schools are maintained at their previous funding amount without indexation. When the funding amount based on an FG school’s SES score becomes equal to, or greater than, its frozen funding amount, the school is then funded according to the funding rate for its SES score with indexation.

• Currently, under these arrangements, an FG school has its general recurrent funding frozen (that is, the funding is not indexed) at its year 2008 per student funding rate. There are no longer any FG schools with funding frozen at year 2004 rates. All these schools have either transitioned to their SES funding entitlement or, as the result of school changes (closures and mergers), no longer exist.

28. The non-government school sector includes independent self-governing schools and systemic schools, which are groups of schools administered by a central organisation, which usually has a particular religious or philosophical focus. Catholic systemic schools are administered by Catholic Diocese Education Offices. From 2001 to 2004, Catholic systemic schools had a separate arrangement for general recurrent funding with the Australian Government. Catholic systemic schools in the Australian Capital Territory were funded at 51.2 per cent of AGSRC and those in other states and territories were funded at 56.2 per cent of AGSRC. This funding equated to the per student rates for SES scores 100 and 96 respectively and was the same rate of funding that had applied prior to the introduction of the SES system. These arrangements were outlined in: D Kemp (Minister for Education, Training and Youth Affairs), Choice and equity: funding arrangements for non-government schools 2001 – 2004, Ministerial Statement, Commonwealth of Australia, Canberra, 11 May 2009, p. 6.
Box 2. Summary of funding arrangements for non-government schools

As at 1 January 2012, under the SES system, non-government schools were either:

- funded according to the rate for their SES score with indexation
- funding maintained at their year 2000 rate with indexation
- funding maintained at their year 2004 rate with indexation or
- funding guaranteed at their year 2008 rate without indexation.

As a result of these various funding arrangements, there are schools with the same SES score funded at different rates.

How many schools are funded according to their SES score?

Figure 2 (below) shows the number and percentage of non-government schools funded according to the various arrangements described above.

Figure 2. Funding status of non-government schools, as at 1 January 2012

As at 1 January 2012, of the 2722 non-government schools funded by the Australian Government:

- 60.3 per cent (1642 schools) were funded according to the per student amount/s for their SES score \(^{29}\)
- 39.5 per cent (1075 schools) were funding maintained with indexation. Of these:
  - 6.7 per cent (182 schools) were independent schools funding maintained at their year 2000 per student amount/s and
  - 32.8 per cent (890 schools) were Catholic systemic schools funding maintained at their year 2004 per student amount/s and
- 0.2 per cent (5 schools) were funding guaranteed without indexation at their year 2008 per student amount/s.

**Trends in the funding status of non-government schools since 2001**

Table 1 (below) shows the number of non-government schools by their funding status for the years 2001 (when the SES system was introduced); 2005 (the beginning of the second funding period under the SES system and when Catholic systemic schools joined the SES system); 2009 (the beginning of the third funding period under the SES system); and as at 1 January 2012.

Some of the movements in funding status reflected in Table 1 would be accounted for by school changes (such as new, closed and merged schools), the inclusion of Catholic systemic schools in the SES system from 2005 and changes in school SES scores. These movements are not quantifiable.

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\(^{29}\) There are different per student recurrent funding amounts for primary and secondary school students. Therefore, combined schools which have both primary and secondary enrolments will have more than one funding amount.
Table 1. Funding status of non-government schools, 2001–2012

<table>
<thead>
<tr>
<th>Funding status</th>
<th>2001 as at 1/1/2005</th>
<th></th>
<th>2009 as at 1/1/2009</th>
<th></th>
<th>2012 as at 1/1/2012</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>no.</td>
<td>%&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>no.</td>
<td>%&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>no.</td>
<td>%&lt;sup&gt;(a)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Schools funded according to ERI category or SES score&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Catholic systemic schools</td>
<td>2385</td>
<td>90.4</td>
<td>1355</td>
<td>51.0</td>
<td>1127</td>
<td>41.6</td>
</tr>
<tr>
<td>Independent schools</td>
<td>774</td>
<td>29.3</td>
<td>720</td>
<td>27.1</td>
<td>581</td>
<td>21.5</td>
</tr>
<tr>
<td>Funding maintained schools</td>
<td>254</td>
<td>9.6</td>
<td>1202</td>
<td>45.2</td>
<td>1078</td>
<td>39.8</td>
</tr>
<tr>
<td>Catholic systemic schools&lt;sup&gt;(c)&lt;/sup&gt;</td>
<td>na</td>
<td>na</td>
<td>976</td>
<td>36.7</td>
<td>893</td>
<td>33.0</td>
</tr>
<tr>
<td>Independent schools&lt;sup&gt;(d)&lt;/sup&gt;</td>
<td>254</td>
<td>9.6</td>
<td>226</td>
<td>8.5</td>
<td>185</td>
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<td>318</td>
<td>11.7</td>
</tr>
<tr>
<td>Total funded non-government schools</td>
<td>2639</td>
<td>100.0</td>
<td>2657</td>
<td>100.0</td>
<td>2708</td>
<td>100.0</td>
</tr>
<tr>
<td>Catholic systemic schools</td>
<td>1611</td>
<td>61.0</td>
<td>1611</td>
<td>60.6</td>
<td>1624</td>
<td>60.0</td>
</tr>
<tr>
<td>Independent schools</td>
<td>1028</td>
<td>39.0</td>
<td>1046</td>
<td>39.4</td>
<td>1084</td>
<td>40.0</td>
</tr>
</tbody>
</table>

Figures may not add due to rounding.
na: not applicable.

(a) Per cent of all funded non-government schools.
(b) Catholic systemic schools were not part of the SES system until 2005. From 2001 to 2004, they continued to be funded at the same rate as under the previous ERI system. All other non-government schools were funded under the SES system.
(c) Schools funding maintained at year 2004 rates.
(d) Schools funding maintained at year 2000 rates.
(e) Schools funding guaranteed at year 2004 rates.
(f) Catholic systemic schools funding guaranteed at year 2008 rates. Other non-government schools funding guaranteed at year 2004 or year 2008 rates.
(g) Schools funding guaranteed at year 2008 rates.


Disregarding the non-quantifiable factors mentioned above, it would appear that from the figures in Table 1:

- At the beginning of 2012, 60.3 per cent of non-government schools were funded according to the per student rate for their SES score, compared to 90.4 per cent of non-government schools that were funded according to either the per student rate for their SES score or, in the case of Catholic systemic schools, according to the equivalent of their ERI funding category in 2001.

- Slightly more independent non-government schools (893 schools) than Catholic systemic schools (749 schools) were funded according to the per student rate for their SES score in 2012.
• There has not been a significant change in the number of funding maintained schools since 2005 when Catholic systemic schools joined the SES system, and the numbers have remained stable since 2009. The decline in the number of funding maintained schools since 2005 would be accounted for by school changes, such as closures and mergers, or by a reclassification of SES score in 2009.

• A significant majority of FM schools are Catholic systemic schools (these schools are funding maintained at year 2004 rates). Of the 1075 schools that were funding maintained at the beginning of 2012, 83.1 per cent (893 schools) were Catholic systemic schools. The remainder (independent non-government schools) were funding maintained at year 2000 rates.

• All year 2004 FG schools (except for those affected by school changes) have transitioned to the funding rate for their SES score. The increase in the number of FG schools in 2009 was due to the reassessment of SES scores for the new funding period and the consequent inclusion of Catholic systemic schools as FG schools for the first time. By the beginning of 2012, 99.0 per cent of FG schools (498 schools) that were funding guaranteed in 2009, except schools affected by closures or mergers, had transitioned to the per student funding rates for their SES score. As at 1 January 2012, there were only five schools that were funding guaranteed.

• As at 1 January 2012, of all Catholic systemic schools (1643 schools), 45.6 per cent (749 schools) were funded according to the funding rate for their SES score, 54.4 per cent (893 schools) were funding maintained at year 2004 rates and one school was funding guaranteed at its year 2008 rates. 30

• As at 1 January 2012, of all independent non-government schools (1079 schools), a significant majority of 82.8 per cent (893 schools) were funded according to their SES score, 16.9 per cent (182 schools) were funding maintained at year 2000 rates and 0.4 per cent (four schools) were funding guaranteed at year 2008 rates. 31

• There has been a significant increase in the percentage of non-government schools funded according to their SES score since 2005. However, most of this increase (apart from school changes or SES score reclassifications) would be due to the declining number of FG schools, rather than any changes in status to FM schools.

It appears that with the introduction of each new funding exception to the SES system (because of the no losers commitment), the percentage of non-government schools funded according to the per student rates for their SES score fell. The increase in the percentage of schools funded according to the per student rates for their SES score between 2009 and 2012 is likely the result of the transitioning of FG schools to the funding amount for their SES score. As there are only a few of these schools remaining, it is not likely that there will be a further significant increase in the number of schools funded according to the rate for their SES score.

30. Figures do not add to 100 per cent due to rounding.
31. Ibid.
Given the trends evident in Table 1, the proportion of FM schools will remain significant under the current the SES system. However, if the trend for FG schools continues, it is likely that most FG schools will have transitioned to the per student rate for their SES score by the end of 2013. It thus appears that the funding guaranteed arrangement is achieving its purpose as a transition measure.

National Partnerships

Additional funding for government and non-government schools is provided through a number of special purpose National Partnerships (NPs). Most NPs have been formulated through COAG and have as their basis an agreed national goal. The structure and conditions of the NPs vary, and include, in some cases, co-payments with state and territory government and non-government education authorities, performance rewards and the creation of pilot programs.

School-related NPs administered by the Department of Education, Employment and Workplace Relations (DEEWR), excluding education components of the Closing the Gap in the Northern Territory National Partnership, include:


- **Empowering Local Schools**—the [NP Agreement](http://deewr.gov.au/empowering-local-schools) expires on 30 June 2014 or on completion of projects

- **More Support for Students with Disabilities**—the [NP Agreement](http://www.deewr.gov.au/Schooling/Programs/Pages/MoreSupportforSWD.aspx) expires on 30 June 2014 or on completion of the project

- **Reward for School Improvement**—reward payments to commence in 2015

- **Rewards for Great Teachers**—the [NP Agreement](http://deewr.gov.au/rewards-great-teachers-0) will provide up to $1.1 billion over eight years (2011–12 to 2018–19)

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Australian Government funding for schools explained

• **Smarter Schools NPs**:  
  - **Low Socio-economic Status School Communities**—the NP Agreement expires on 30 June 2015  
  - **Improving Teacher Quality**—the NP Agreement expires on 31 December 2013 and  
  - **Literacy and Numeracy**—the NP Agreement expired on 30 June 2012. However, the Government has extended funding until 31 December 2013.

• **Trade Training Centres in Schools Program**—will provide $2.5 billion from 2008 to 2018 and  

• **Youth Attainment and Transitions**—the NP Agreement expires on 31 December 2013.

**Building the Education Revolution**

The Building the Education Revolution (BER) NP was the largest component of the Nation Building – Economic Stimulus Plan. It provided $16.2 billion over four years (2008–09 to 2011–12) for school infrastructure through three program elements:

• $14.1 billion for Primary Schools for the 21st Century (P21)

• $1.28 billion for the National School Pride program and

• $821.8 million for Science and Language Centres for 21st Secondary Schools.

Funding for the BER has now ceased.

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February 2013,  


Other funding

There are other school education programs which are called ‘Commonwealth Own-Purpose Expenses’ (COPEs). Most are administered by DEEWR and are funded through annual appropriations. Examples include:

- Grants and awards
- National School Chaplaincy and Student Welfare Program\(^42\)
- National Trade Cadetships\(^43\) and
- the Quality Outcomes Program, elements of which include Schools National Projects, Community Festivals, Parliament and Civics Education Rebate, the Australian Government Quality Teacher Program, civics and citizenship education, the Australian Institute for Teaching and School Leadership and the Australian Curriculum Assessment and Reporting Authority.\(^44\)

Average Government School Recurrent Costs

Average Government School Recurrent Costs (AGSRC) are the basis for calculating Australian Government recurrent funding for government and non-government school students. There is a different primary and secondary AGSRC amount because of the differences in the costs associated with educating primary school students and secondary school students.

The Australian Government’s per student (government and non-government) recurrent funding is provided at a percentage of AGSRC. In the case of the National Schools SPP for government schools, the base amount was calculated on the basis of 10 per cent of AGSRC for per student recurrent funding. Per student GRGs for non-government school students ranges along a continuum from 13.7 per cent of AGSRC to 70.0 per cent of AGSRC. (See previous sections on the National Schools SPP for further information.)

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The 2012 AGSRC amounts are $10,057 (primary) and $12,445 (secondary). These amounts are used as the initial 2013 amounts until indexation occurs later this year. The National Schools SPP for government schools and per student GRGs for non-government school students and targeted programs for non-government schools are indexed annually in line with changes in AGSRC. Targeted programs for non-government schools are indexed annually in line with movements in the AGSRC Index.

How are the AGSRC amounts calculated?

The AGSRC amounts are based on state and territory government recurrent expense data (thus excluding capital expenditure, depreciation and notional user cost of capital), which includes both Australian Government and state and territory government funds, maintained by the Standing Council on School Education and Early Childhood (SCSEEC). The recurrent expense data includes:

- employee-related expenses:
  - salaries, wages and allowances paid to ‘in-scope’ staff (including both teaching and non-teaching staff) and
  - salary on-costs, including superannuation, payroll tax, long service leave, workers compensation insurance and fringe benefits tax

- out-of-school expenses: that is, expense items that do not fit the definition of in-school expenses, such as teachers based in a regional office and the costs of regional and central administration (apportioned across primary and secondary levels of schooling according to enrolments at each level)

- redundancies: payments of accrued leave, other entitlements, superannuation and special incentives

- other operating expenses: student transport, cleaning, utilities, repairs and maintenance, minor stores, plant and equipment, rentals and leases and other (for example, telephone, computer lines, postage and security) and

- grants and subsidies paid directly to schools for any school education purpose.

The final primary and secondary AGSRC amounts for any one year are calculated by dividing the total of these expenses for each level of education (primary and secondary) in the previous financial year

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47. Ibid.
by the average of government school primary and secondary enrolments for the previous two years, using Australian Bureau of Statistics enrolment data. Therefore, the 2012 AGSRC amounts were calculated using 2010–11 expense data divided by average enrolments for 2010 and 2011.

The AGSRC Index

The AGSRC Index used to determine the annual increases in funding for Commonwealth targeted programs for non-government schools is calculated by removing redundancy payments and Australian Government grants to government schools from state and territory government recurrent expense data. The adjusted total state government expenditure is then divided by total government school enrolments for the same period to arrive at a per capita state government expenditure. The AGSRC Index is the percentage change in the per capita state government expenditure between two financial years. The AGSRC Index for 2012 is therefore based on the movement between the adjusted per capita state government expenditure for 2009–10 and 2010–11. 48

How much has the AGSRC increased over time?

Table 2 (below) shows AGSRC (in actual and real prices), annual average growth rates, and the weighted average (primary and secondary) AGSRC, from 1999 to 2012. The movement in the percentage change in real prices reflects how the actual prices percentage change moved in comparison to the change in inflation as measured by the implicit price deflator for non-farm domestic product.

From 1999 to 2012:

- the actual primary AGSRC amount increased by 115.2 per cent from $4674 to $10 057 per student, reflecting an annual average growth rate of 6.1 per cent
- the actual secondary AGSRC amount increased by 97.7 per cent from $6294 to $12 445 per student, reflecting an annual average growth rate of 5.4 per cent and
- the weighted average AGSRC (primary and secondary combined) increased by 107.2 per cent from $5305 to $10 992, reflecting an average annual growth rate of 5.8 per cent.

After adjusting for inflation, the increases are significantly less:

- the real primary AGSRC amount increased by 33.4 per cent, with an annual average growth rate of 2.2 per cent
- the real secondary AGSRC amount increased by 22.6 per cent, with an annual average growth rate of 1.6 per cent and

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the weighted average AGSRC (primary and secondary combined) in real terms increased by 28.5 per cent, with an average annual increase of 1.9 per cent.

Table 2. Average Government School Recurrent Costs (AGSRC), 1999–2012, $ per student and % increase

<table>
<thead>
<tr>
<th></th>
<th>Actual prices</th>
<th>Weighted average</th>
<th>Real prices**</th>
<th>Weighted average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Primary AGSRC</td>
<td>[primary and secondary]</td>
<td>Secondary AGSRC</td>
<td>[primary and secondary]</td>
</tr>
<tr>
<td>1999</td>
<td>$4,674</td>
<td>6,294</td>
<td>$5,305</td>
<td>7,539</td>
</tr>
<tr>
<td>2000</td>
<td>$5,056</td>
<td>6,822</td>
<td>$5,666</td>
<td>7,798</td>
</tr>
<tr>
<td>2001</td>
<td>$5,378</td>
<td>7,101</td>
<td>$6,046</td>
<td>8,067</td>
</tr>
<tr>
<td>2002</td>
<td>$5,657</td>
<td>7,459</td>
<td>$6,358</td>
<td>8,228</td>
</tr>
<tr>
<td>2003</td>
<td>$6,056</td>
<td>7,821</td>
<td>$6,316</td>
<td>8,600</td>
</tr>
<tr>
<td>2004</td>
<td>$6,580</td>
<td>8,595</td>
<td>$7,361</td>
<td>8,993</td>
</tr>
<tr>
<td>2005</td>
<td>$6,787</td>
<td>8,994</td>
<td>$7,646</td>
<td>9,844</td>
</tr>
<tr>
<td>2006</td>
<td>$7,216</td>
<td>9,810</td>
<td>$8,088</td>
<td>9,864</td>
</tr>
<tr>
<td>2007</td>
<td>$7,014</td>
<td>9,724</td>
<td>$8,444</td>
<td>9,097</td>
</tr>
<tr>
<td>2008</td>
<td>$8,044</td>
<td>10,061</td>
<td>$8,888</td>
<td>9,872</td>
</tr>
<tr>
<td>2009</td>
<td>$8,380</td>
<td>10,646</td>
<td>$9,272</td>
<td>9,338</td>
</tr>
<tr>
<td>2010</td>
<td>$9,070</td>
<td>11,339</td>
<td>$9,487</td>
<td>9,550</td>
</tr>
<tr>
<td>2011</td>
<td>$9,697</td>
<td>11,945</td>
<td>$10,583</td>
<td>9,823</td>
</tr>
<tr>
<td>2012</td>
<td>$10,057</td>
<td>12,445</td>
<td>$10,992</td>
<td>9,992</td>
</tr>
</tbody>
</table>

Growth 1999–2012, %: 115.2
defined growth rate 1999–2012, %: 6.1

The cost of educating a student in a government secondary school, as measured by the AGSRC, is currently about 23.7 per cent greater than that for a student in a government primary school. In real terms, however, the cost of educating a government primary school student has grown at a significantly faster rate than the cost of educating a government secondary school student. It is not possible to accurately determine the reasons for this (as discussed in the following section).

The annual rate of increase in the AGSRC has been quite variable, and not necessarily uniform between the primary and secondary amounts. For instance, in 2006, in actual prices, the primary AGSRC rate of increase recovered significantly, more than doubling from the previous year when it had more than halved on the 2004 rate. However, the rate of increase for the secondary AGSRC, which had also experienced a significant decline in 2005, continued to fall in 2006. It was not until 2010 that the rates of increase for both AGSRC amounts recovered to their 2004 levels. In real terms, the AGSRC rates of increase in 2005 and 2008 (and in 2006 for the secondary AGSRC) declined.

The rates of increase in the actual AGSRC amounts, particularly for the primary AGSRC amount, also experienced a significant decline between 2011 and 2012. The rate of increase for the primary
AGSRC amount declined by about one-third and there was a small decline in the rate of increase for the secondary AGSRC. Consequently, the rate of increase for the weighted average AGSRC also almost halved from 6.0 per cent to 3.9 per cent. This has significant consequences for Australian Government funding for schools. The 2012–13 Budget estimates for school funding were based on the average AGSRC amount maintaining its rate of increase at 6.0 per cent. The growth factor has since been adjusted downwards to 5.6 per cent.

It is difficult to speculate about the reasons for the periods of negative average annual growth in real terms. However, what can be safely said is that in those periods the AGSRC indexation rate was lower than the inflation rate, as measured by the (non-farm gross domestic product) deflator used to convert current prices to 2012 prices.

The rates of increase in the AGSRC amounts in real terms are significantly different. For instance, from 2011 to 2012, the decline in real terms in the rate of increase for the primary AGSRC was small (from 2.7 per cent to 2.4 per cent); the rate of increase in the secondary AGSRC amount more than trebled (from 0.8 per cent to 2.9 per cent); and the rate of increase in the weighted average AGSRC increased by more than one-third (from 1.8 per cent to 2.5 per cent). This reflects the low inflation rate for the period.

Reasons for AGSRC increases

Employee-related expenses are the major component of the expense data used to calculate AGSRC. According to the report of the Review of Funding for Schooling Report (the Gonski Report), AGSRC growth is mostly driven by teacher-related expenses. These expenses contributed about 60 per cent of the AGSRC increase between 2001 and 2011. Administrative staff expenses contributed about 20 per cent of the increase for the primary AGSRC amount and 16 per cent for the secondary AGSRC amount.

According to the Gonski Report, most of these increases are attributable to wages growth and changes in student-to-staff ratios. From 2001 to 2011, wages growth reflected the 51 per cent increase in the ABS Labour Price Index for public sector education and training; 12 per cent from a fall in the aggregate student-to-teacher ratio; and the remaining one-fifth of the increase in teacher expenses is unexplained.

Changes in the remaining components of the AGSRC calculation, including ‘other operating expenses’ and grants and subsidies, are not specifically explained in the Gonski Report. It merely

52. Ibid., p. 61.
observes that they may be due to a ‘range of factors, including policy decisions by both levels of
government’ (the Australian Government and state and territory governments). 53

Without access to the detail of the components of the AGSRC calculations, it is not possible to
accurately determine what has driven particular rate increases in the AGSRC amounts over time.

How does the Australian Government distribute funding to
schools?

To receive Australian Government funding, government and non-government schools must be
approved and registered to operate as a school with state and territory government education
authorities. This requires that they meet state and territory governments’ registration requirements,
which include matters such as curriculum, buildings and staffing. Government and non-government
school systems and independent schools must also enter into formal agreements with the Australian
Government. The agreements set out the conditions for funding, including educational and financial
accountability arrangements.

The Australian Government does not provide its funding directly to schools. The National Schools
SPP (both the government and non-government school components) is paid by the Australian
Treasury to state and territory government treasuries which then distribute the funds to state and
territory government education departments and non-government school education authorities.
Similarly, NP payments are paid by the Australian Treasury to state and territory treasuries according
to the terms of the individual NP agreements.

National Schools Specific Purpose Payment—government schools component

The government schools component of the National Schools SPP becomes part of the total state or
territory government funding pool (which includes Australian and state and territory government
funds). Each state and territory government then allocates funds from this total pool (or distributes
resources) to schools based on its particular allocative mechanism. 54

National Schools Specific Purpose Payment—non-government schools
component

The distribution arrangements for the non-government schools component of the National Schools
SPP vary. State and territory treasuries distribute GRGs direct to independent schools.
Non-government schools that are part of non-government school systems are paid through their

53.  Ibid.
54.  State and territory funding models for government schools are explained in Deloitte Access Economics, Assessing
existing funding models for schooling in Australia, [research report for the Review of Funding for Schooling], Deloitte
Access Economics, 2011, pp. 37–49, viewed 26 November 2012,
http://www.deewr.gov.au/Schooling/ReviewofFunding/Documents/DAE-
AssessingExistingFundingModelsforSchoolinginAustralia.pdf
system authorities, which, as for government education systems, have the flexibility to distribute these funds according to their own allocative methods.  

Australian Government funding for targeted programs and capital grants for non-government schools are distributed through non-government systemic school authorities and independent school associations in each state and territory.

How much funding does the Australian Government provide to schools?

Table 3 (below) shows Australian Government funding (actual and real expenditure) for government and non-government schools from 1999–00 (the last full financial year prior to the introduction of the SES system of general recurrent funding for non-government schools) through to the budget forward estimates for 2013–14. It also shows the proportionate share of this funding for government and non-government schools.

The data for Table 3 are taken from the summary of expenses (across all portfolios) by function (Education) and sub-function (Schools) in Budget Paper No. 1 and the Final Budget Outcome. The Schools sub-function includes funding for the National Schools SPP, which is the bulk of ongoing Australian Government funding for schools. However, it does not include all school funding nor is the expenditure information under the Schools sub-function comparable over time as the budget classification of expenditure items has varied. (See Box 3, ‘Finding school funding information in the Commonwealth budget papers, for more information.)

56. Ibid., p. 55.
### Table 3. Australian Government funding for schools, 1999–00 to 2013–14

<table>
<thead>
<tr>
<th>Year</th>
<th>Government schools</th>
<th>Non-Government schools</th>
<th>All schools</th>
<th>Real expenditure (a)</th>
<th>Government schools</th>
<th>Non-government schools</th>
<th>All schools</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>% of total funding</td>
<td>$m</td>
<td>% of total funding</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>1999–00</td>
<td>1 909</td>
<td>39.8</td>
<td>2 883</td>
<td>60.2</td>
<td>4 792</td>
<td>2 981</td>
<td>4 502</td>
</tr>
<tr>
<td>2000–01</td>
<td>1 893</td>
<td>35.7</td>
<td>3 405</td>
<td>64.3</td>
<td>5 297</td>
<td>2 833</td>
<td>5 096</td>
</tr>
<tr>
<td>2001–02</td>
<td>2 058</td>
<td>35.5</td>
<td>3 737</td>
<td>64.5</td>
<td>5 795</td>
<td>3 009</td>
<td>5 464</td>
</tr>
<tr>
<td>2002–03</td>
<td>2 143</td>
<td>35.6</td>
<td>3 869</td>
<td>64.3</td>
<td>6 013</td>
<td>3 047</td>
<td>5 500</td>
</tr>
<tr>
<td>2003–04</td>
<td>2 284</td>
<td>33.9</td>
<td>4 452</td>
<td>66.1</td>
<td>6 735</td>
<td>3 143</td>
<td>6 127</td>
</tr>
<tr>
<td>2004–05</td>
<td>2 404</td>
<td>32.5</td>
<td>4 990</td>
<td>67.5</td>
<td>7 394</td>
<td>3 179</td>
<td>6 598</td>
</tr>
<tr>
<td>2005–06</td>
<td>2 910</td>
<td>35.0</td>
<td>5 414</td>
<td>65.0</td>
<td>8 324</td>
<td>3 664</td>
<td>6 816</td>
</tr>
<tr>
<td>2006–07</td>
<td>3 071</td>
<td>35.1</td>
<td>5 677</td>
<td>64.9</td>
<td>8 748</td>
<td>3 686</td>
<td>6 814</td>
</tr>
<tr>
<td>2007–08</td>
<td>3 078</td>
<td>33.6</td>
<td>6 085</td>
<td>66.4</td>
<td>9 163</td>
<td>3 533</td>
<td>6 985</td>
</tr>
<tr>
<td>2008–09</td>
<td>4 206</td>
<td>36.8</td>
<td>7 210</td>
<td>63.2</td>
<td>11 416</td>
<td>4 579</td>
<td>7 850</td>
</tr>
<tr>
<td>2009–10</td>
<td>9 974</td>
<td>51.0</td>
<td>9 575</td>
<td>49.0</td>
<td>19 550</td>
<td>10 762</td>
<td>10 331</td>
</tr>
<tr>
<td>2010–11</td>
<td>3 926</td>
<td>35.1</td>
<td>7 261</td>
<td>64.9</td>
<td>11 188</td>
<td>3 993</td>
<td>7 384</td>
</tr>
<tr>
<td>2011–12</td>
<td>4 505</td>
<td>36.8</td>
<td>7 737</td>
<td>63.2</td>
<td>12 243</td>
<td>4 505</td>
<td>7 737</td>
</tr>
<tr>
<td>2012–13</td>
<td>4 561</td>
<td>35.4</td>
<td>8 311</td>
<td>64.6</td>
<td>12 872</td>
<td>4 515</td>
<td>8 227</td>
</tr>
<tr>
<td>2013–14</td>
<td>4 510</td>
<td>33.4</td>
<td>8 977</td>
<td>66.6</td>
<td>13 487</td>
<td>4 357</td>
<td>8 672</td>
</tr>
</tbody>
</table>

Figures may not add due to rounding.

(a) Expressed in 2011–12 dollars using the implicit price deflator for non-farm gross domestic product.
(b) First full financial year of the SES system of general recurrent funding for non-government schools.
(c) Increased funding is mostly the result of the BER.
(d) Implicit price deflator for 2011–12 estimated from projections in *Mid-year Economic and Fiscal Outlook: 2012–13*.  

Table compiled with the assistance of the Statistics and Mapping Section, Parliamentary Library.

### Expenditure trends in Australian Government funding for schools

From 1999–00 to 2013–14, Australian Government funding for schools will increase in actual terms by an estimated 181.0 per cent, from $4.8 billion in 1999–00 to an estimated $13.5 billion in 2013–14. In real terms (2011–12 dollars), funding will increase by an estimated 74.0 per cent, from $7.5 billion to an estimated $13.0 billion.

The unusual expenditure increase in 2009–10 is mostly accounted for by the $16.2 billion Building the Economic Revolution (BER). From the 2010–11 Budget, BER expenditure was moved from the Schools sub-function to the ‘School education – specific funding’ budget line item in Budget Paper No. 1. The BER expenditure for 2010–11 and 2011–12 (when funding for the BER finished),

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therefore, does not feature in Tables 3 and 4 of this Background Note. (See Box 3, ‘Finding school funding information in the Commonwealth budget papers’, for more information.)

As Table 4 (below) shows, Australian Government funding for schools will grow from 0.72 per cent of Gross Domestic Product (GDP) in 1999–00 to an estimated 0.88 per cent of GDP in 2013–14. From 1999–00 to 2013–14, the annual average growth rate in Australian Government funding for all schools as a proportion of GDP will be an estimated 3.9 per cent in real terms. The periods of unusual growth (2009–10) and decline (2010–11) again reflect the impact of the BER.

Table 4. Australian Government funding for schools as a proportion of GDP, 1999–00 to 2013–14

<table>
<thead>
<tr>
<th>Year</th>
<th>Government schools</th>
<th>Non-government schools</th>
<th>All schools</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Per cent of GDP</td>
<td>Real growth rate %</td>
<td>Per cent of GDP</td>
</tr>
<tr>
<td>1999–00</td>
<td>0.29</td>
<td>..</td>
<td>0.44</td>
</tr>
<tr>
<td>2000–01</td>
<td>0.27</td>
<td>-5.0</td>
<td>0.48</td>
</tr>
<tr>
<td>2001–02</td>
<td>0.27</td>
<td>6.2</td>
<td>0.50</td>
</tr>
<tr>
<td>2002–03</td>
<td>0.27</td>
<td>1.2</td>
<td>0.48</td>
</tr>
<tr>
<td>2003–04</td>
<td>0.27</td>
<td>3.2</td>
<td>0.52</td>
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<td>2004–05</td>
<td>0.26</td>
<td>1.1</td>
<td>0.54</td>
</tr>
<tr>
<td>2005–06</td>
<td>0.29</td>
<td>15.3</td>
<td>0.54</td>
</tr>
<tr>
<td>2006–07</td>
<td>0.28</td>
<td>0.6</td>
<td>0.52</td>
</tr>
<tr>
<td>2007–08</td>
<td>0.26</td>
<td>-4.1</td>
<td>0.52</td>
</tr>
<tr>
<td>2008–09</td>
<td>0.34</td>
<td>29.6</td>
<td>0.58</td>
</tr>
<tr>
<td>2009–10</td>
<td>0.77</td>
<td>135.0</td>
<td>0.74</td>
</tr>
<tr>
<td>2010–11</td>
<td>0.28</td>
<td>-62.9</td>
<td>0.52</td>
</tr>
<tr>
<td>2011–12 (est.)</td>
<td>0.32</td>
<td>13.1</td>
<td>0.54</td>
</tr>
<tr>
<td>2012–13 (est.)</td>
<td>0.31</td>
<td>-1.6</td>
<td>0.56</td>
</tr>
<tr>
<td>2013–14 (est.)</td>
<td>0.29</td>
<td>-3.3</td>
<td>0.59</td>
</tr>
</tbody>
</table>

Annual average growth rate
1999–00 to 2013–14²(b) |

(a) Percentage change calculated in 2011 dollars using the implicit price deflator (IPD) for non-farm gross domestic product (GDP).
Table compiled with the assistance of the Statistics and Mapping Section, Parliamentary Library.

Australian Government funding share between government and non-government schools

As Table 3 (above) shows, from 1999–00 to 2013–14, the government school share of Australian Government funding will increase in actual terms by an estimated 136.2 per cent, from $1.9 billion in 1999–00 to an estimated $4.5 billion in 2013–14. The non-government school share will increase by
an estimated 211.4 per cent, from $2.9 billion to an estimated $9.0 billion. In real terms, Australian Government funding for government schools will increase by an estimated 46.2 per cent and, for non-government schools, by an estimated 92.6 per cent.

These figures also show the underlying pattern of Australian Government funding for schools. In 2013–14, the Australian Government will provide an estimated two-thirds of its funding to non-government schools. The most recent figures for the National Schools SPP component of Australian Government funding for schools, from the *Mid-year Economic and Fiscal Outlook* 2012–13, show similar proportions. Of the estimated $12.8 billion for the National Schools SPP in 2013–14, an estimated $4.1 billion (32.7 per cent) will be provided to government schools and an estimated $8.6 billion (67.3 per cent) will be provided to non-government schools.\(^{58}\)

While overall the government school sector share of Australian Government funding continues to decline, the changes in the proportionate share between the two school sectors have not been uniform. The estimated share of funding for 2013–14, for instance, is similar to the funding share in 2007–08. In 2009–10 the BER significantly altered the historic pattern of Australian Government funding for government and non-government schools. Just over two-thirds (an estimated 68.8 per cent) of total BER funds (which were allocated on the basis of enrolments) was provided to government schools.\(^{59}\) Consequently, in 2009–10, government schools received 51.0 per cent of Australian Government funding for schools. If the BER expenditure for 2010–11 and 2011–12 was factored into Table 3, the figures would show that government schools also received the majority of Australian Government funding in 2010–11, before reverting to the usual pattern of funding in 2011–12.

It is difficult to determine with certainty the influence of other government policies on the funding share between the two school sectors. For instance, there was a significant change of 4.1 per cent in the funding share between 1999–00 and 2000–01, after the first six months of the SES system’s operation.\(^{60}\) (See Table 3.) However, as shown in Table 5 (below), the introduction of the SES system in 2001 was also accompanied by a noticeable increase in non-government school enrolments. From 1999 to 2001, full-time equivalent (FTE) enrolments in non-government schools increased by 4.2 per cent compared to an increase of 0.04 per cent in government school enrolments. The increase in FTE enrolments in independent schools, which were part of the new SES system at that time, was 8.2 per cent.\(^{61}\) (See further discussion on student enrolments below.)

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61. Ibid. Catholic systemic schools did not join the SES system until 2005.
Table 4 (above) shows the trends in expenditure on government and non-government schools in GDP terms. On a school sector basis, the annual average real growth rate in GDP terms for non-government schools (4.7 per cent) is significantly higher than that for government schools (2.7 per cent). From 1999–00 to 2007–08 (before the impact of the BER), Australian Government expenditure on government schools as a proportion of GDP fell from 0.29 per cent to 0.26 per cent. For non-government schools, expenditure as a proportion of GDP grew from 0.44 per cent to 0.59 per cent over the same period. As a result of BER expenditure in 2009–10 (the peak of BER funding), Australian Government expenditure on government schools as a proportion of GDP almost trebled from 2007–08 (prior to the BER’s implementation). For non-government schools, Australian Government expenditure increased by around 40.0 per cent.

A significant factor in the shift in the funding share between the two school sectors is the growth in student enrolments in non-government schools relative to government schools. Another factor is the increase in funding for non-government schools under the SES system (just under half of non-government schools are funded at a higher rate than the per student rate for their SES score).

Reasons for funding changes

There are three factors that influence changes in the level of Australian Government funding for schools. As has previously been shown, indexation and the implementation and cessation of government programs (such as the BER) are two factors. The other main factor is changes in student enrolments. Of these three factors, the most significant and an ongoing factor in funding increases is indexation.62

Student enrolments

As Table 5 (below) shows, from 1999 to 2011, full-time equivalent (FTE) student enrolments grew by 9.0 per cent, from 3 238 937 FTE students in 1999 to 3 529 519 FTE students in 2011. The majority of students (65.3 per cent in 2011) are enrolled in government schools.63

While enrolments have grown in both government and non-government schools, the enrolment growth rate in non-government schools has been greater. From 1999 to 2011:

- FTE enrolments in government schools grew by 2.0 per cent, compared to an enrolment growth of 25.1 per cent in non-government schools and

---

62. For instance, for the period 2001 to 2004, it was estimated that indexation and supplementation accounted for 78 per cent of Australian Government school funding increases, enrolment growth for 13 per cent and new money for 9 per cent. M Harrington, Commonwealth funding for schools since 1996: an update, Research note, no. 41, 2003–04, Parliamentary Library, Canberra, 2004, viewed 27 February 2013, http://parlinfo.aph.gov.au/parlinfo/search/display/display.w3p;query=Id%3A%22library%2Fprspub%2Fi4TB6%22

63. ABS, Schools Australia 2011, op. cit.
government school students accounted for 15.4 per cent of the total increase in student numbers and non-government school students accounted for 84.6 per cent of the increase.\textsuperscript{64}

Within the non-government school sector, the majority of FTE students (59.1 per cent in 2011) attend Catholic systemic schools. From 1999 to 2011, FTE enrolments in Catholic systemic schools increased by 13.9 per cent and in independent schools by 45.7 per cent.\textsuperscript{65}

Table 5. Full-time equivalent school enrolments by sector, 1999–2011

<table>
<thead>
<tr>
<th></th>
<th>Government schools</th>
<th>% of total enrolments</th>
<th>Non-government schools</th>
<th>% of total enrolments</th>
<th>All schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>2 259 002</td>
<td>69.7</td>
<td>979 934</td>
<td>30.3</td>
<td>3 238 937</td>
</tr>
<tr>
<td>2000</td>
<td>2 260 331</td>
<td>69.3</td>
<td>1 000 127</td>
<td>30.7</td>
<td>3 260 458</td>
</tr>
<tr>
<td>2001</td>
<td>2 259 861</td>
<td>68.9</td>
<td>1 021 088</td>
<td>31.1</td>
<td>3 280 949</td>
</tr>
<tr>
<td>2002</td>
<td>2 268 769</td>
<td>68.4</td>
<td>1 046 154</td>
<td>31.6</td>
<td>3 314 924</td>
</tr>
<tr>
<td>2003</td>
<td>2 264 968</td>
<td>68.0</td>
<td>1 065 374</td>
<td>32.0</td>
<td>3 330 342</td>
</tr>
<tr>
<td>2004</td>
<td>2 260 247</td>
<td>67.6</td>
<td>1 083 647</td>
<td>32.4</td>
<td>3 343 894</td>
</tr>
<tr>
<td>2005</td>
<td>2 255 617</td>
<td>67.2</td>
<td>1 103 345</td>
<td>32.8</td>
<td>3 358 963</td>
</tr>
<tr>
<td>2006</td>
<td>2 257 527</td>
<td>66.8</td>
<td>1 121 817</td>
<td>33.2</td>
<td>3 379 344</td>
</tr>
<tr>
<td>2007</td>
<td>2 277 435</td>
<td>66.5</td>
<td>1 149 581</td>
<td>33.5</td>
<td>3 427 016</td>
</tr>
<tr>
<td>2008</td>
<td>2 273 252</td>
<td>66.0</td>
<td>1 171 221</td>
<td>34.0</td>
<td>3 444 474</td>
</tr>
<tr>
<td>2009</td>
<td>2 283 242</td>
<td>65.8</td>
<td>1 189 143</td>
<td>34.2</td>
<td>3 472 385</td>
</tr>
<tr>
<td>2010</td>
<td>2 291 798</td>
<td>65.5</td>
<td>1 205 769</td>
<td>34.5</td>
<td>3 497 567</td>
</tr>
<tr>
<td>2011</td>
<td>2 303 782</td>
<td>65.3</td>
<td>1 225 737</td>
<td>34.7</td>
<td>3 529 519</td>
</tr>
</tbody>
</table>

Total increase 1999–2011 % 2.0 25.1 9.0


\textsuperscript{64} Ibid.

\textsuperscript{65} Ibid.
Box 3. Finding school funding information in the Commonwealth budget papers

The data for Table 3 is taken from the summary of expenses (across all portfolios) by function (Education) and sub-function (Schools) in Budget Paper No. 1 and the Final Budget Outcome. The Schools sub-function includes funding for the National Schools SPP, which is the bulk of ongoing Australian Government funding for schools.

The expenditure information under the Schools sub-function is not necessarily comparable over time as the classification of expenditure items may vary from year to year. A significant example of this is the funding for the BER programs. Until the 2011–12 Budget, this funding was included in the Schools sub-function. However the latest budget papers show that the BER expenditure item has moved to the ‘School education – specific funding’ sub-function and the estimates from 2010–11 have been adjusted accordingly.

The Schools sub-function also does not include some other Australian Government expenditure on school education. As well as the BER expenditure, the ‘School education – specific funding’ sub-function includes, for example, the Digital Education Revolution, Trade Training Centres in Schools, and Youth Attainment and Transitions. This sub-function does not itemise each of these expenditure items nor does it disaggregate funding by school sector. It also includes ‘non-school’ expenditure items, such as funding for early childhood education.

Budget Paper No. 2 itemises new budget measures. This information is also provided in the Portfolio Budget Statements (see below).

Budget Paper No. 3 provides information about each payment to the states and territories for school education, disaggregated by school sector, and including those school expenditure items covered by the School education – specific funding sub-function. Information about funding for each state and territory is also provided in this budget paper. However, these figures are not directly comparable with those in Budget Paper No. 1 because they do not include funding for national projects under some of the major school programs, and other programs and outlays administered directly by the Australian Government (chiefly through DEEWR).

The Portfolio Budget Statements (PBS) for the Education, Employment and Workplace Relations and Treasury portfolios itemise the administered and departmental expenses for each school program, including separately itemising new budget measures. As Treasury makes the payments to the states, the funding for that part of those programs covered by these payments is published in the Treasury PBS. The PBS also provide information about the funding authorisation (such as the Act which authorises the expenditure) for particular programs. The Education, Employment and Workplace Relations PBS also provide detailed information about program sub-elements.

The Mid-year Economic and Fiscal Outlook includes new revenue and expense measures subsequent to the current Budget, and updates the estimated payments for education to the states and territories, by year (through to the out-years), by state and territory and by school sector. The current and previous Budget papers are available on the Australian Budget website.
Total funding for schools from all sources

Recurrent funding for schools

Table 6 (below) shows schools’ gross and net recurrent income for 2010, from all sources and by school sector. In 2010, total net recurrent income for schools from all sources amounted to $41.0 billion, of which $34.1 billion was from government funding sources and $8.6 billion was from private sources. State and territory governments provided the significant majority (68.9 per cent) of total government recurrent funding for all schools.

Government schools received the majority (72.9 per cent) of total government recurrent funding, which is about in proportion to the enrolment share between government and non-government schools—two-thirds of all school enrolments in 2010 were in the government school sector. Non-government schools received most of the income from private sources (81.8 per cent).

Table 6. Total net recurrent income of schools, by school sector, all funding sources, 2010 ($billion)

<table>
<thead>
<tr>
<th></th>
<th>Government schools</th>
<th>Catholic schools</th>
<th>Independent schools</th>
<th>All non-government schools</th>
<th>All schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross recurrent income</td>
<td>26.42</td>
<td>7.38</td>
<td>8.76</td>
<td>16.14</td>
<td>42.56</td>
</tr>
<tr>
<td>Government sources</td>
<td>24.87</td>
<td>5.47</td>
<td>3.76</td>
<td>9.23</td>
<td>34.10</td>
</tr>
<tr>
<td>Australian Government</td>
<td>3.82</td>
<td>4.11</td>
<td>2.66</td>
<td>6.77</td>
<td>10.59</td>
</tr>
<tr>
<td>State and territory government</td>
<td>21.05</td>
<td>1.36</td>
<td>1.1</td>
<td>2.46</td>
<td>23.51</td>
</tr>
<tr>
<td>Private sources</td>
<td>1.56</td>
<td>1.92</td>
<td>5.09</td>
<td>7.01</td>
<td>8.57</td>
</tr>
<tr>
<td>Fees, charges, parental contributions</td>
<td>0.98</td>
<td>1.57</td>
<td>4.57</td>
<td>6.14</td>
<td>7.12</td>
</tr>
<tr>
<td>Other private sources</td>
<td>0.58</td>
<td>0.35</td>
<td>0.52</td>
<td>0.87</td>
<td>1.45</td>
</tr>
<tr>
<td>Less deductions(a)</td>
<td>0.06</td>
<td>0.57</td>
<td>0.96</td>
<td>1.53</td>
<td>1.59</td>
</tr>
<tr>
<td>Net recurrent income</td>
<td>26.37</td>
<td>6.82</td>
<td>7.8</td>
<td>14.62</td>
<td>40.99</td>
</tr>
</tbody>
</table>

Note: totals may not add due to rounding.
(a) Includes recurrent income allocated for capital purposes.

Government schools

Government schools receive almost all of their funding (94.1 per cent) from government sources. Most gross recurrent income (79.7 per cent of total) is provided by state and territory governments. Australian Government funding accounts for 14.5 per cent of total gross recurrent income. Income

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66. Unless otherwise indicated, information in this section, ‘Total funding for schools from all sources’, is from Australian Curriculum, Assessment and Reporting Authority (ACARA), 2010 National finance data for My School 2012, unpublished.

67. ABS, Schools Australia 2011, cat. no. 4221.0, op. cit.
from private sources accounts for 5.9 per cent of government school total gross recurrent income, with fees, charges and parental contributions contributing 3.7 per cent of total recurrent income.68

On a per student basis, as shown in Table 7 (below), government schools, on average, received $1668 in recurrent funding from the Australian Government, $9200 from state and territory governments and $680 from private sources in 2010. Parents of government school students paid, on average, $427 in fees, charges and contributions for each child.

**Non-government schools**

Non-government schools receive just over half of their total gross recurrent income (57.2 per cent) from government sources. Australian Government funding accounts for 42.0 per cent of total gross recurrent income and state and territory funding for 15.2 per cent. Non-government schools receive significant income (43.4 per cent) from private sources, with fees, charges and parental contributions accounting for 38.0 per cent of total recurrent income.69

As shown in Table 7 (below), in per student terms, Catholic systemic schools students, on average, received $6229 in recurrent funding from the Australian Government, $2057 from state and territory governments and $2918 from private sources in 2010. Parents of Catholic systemic school students paid, on average, $2383 in fees, charges and contributions for each child. The corresponding amounts for independent schools were, on average, $4933 from the Australian Government, $1865 from state and territory governments and $9437 from private sources. Parents of independent school students paid, on average, $8468 in fees, charges and contributions for each child.

The non-government school sector is diverse and, as can be seen from the above discussion, there is significant variation in funding within it. The significantly higher Australian Government funding for Catholic systemic schools is partly accounted for by enrolments—in 2010, Catholic systemic school enrolments were 59.2 per cent of all non-government school enrolments.70 The socioeconomic status of schools also affects the distribution of Australian Government funding for non-government schools.

There is also significant difference in the private income between Catholic systemic schools and independent schools. Overall, private income accounted for 26.0 per cent of Catholic systemic schools recurrent income. The private income of independent schools was over half of their total gross recurrent income (58.1 per cent) and more than double the private income of Catholic systemic schools. Most of this variation is in the income from fees, charges and parental contributions.

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68. Figures may not add due to rounding.
69. Ibid.
70. ABS, *Schools Australia 2011*, cat. no. 4221.0, op. cit.
Table 7. Average net recurrent income per student, by school sector, all funding sources, 2010 ($)

<table>
<thead>
<tr>
<th></th>
<th>Government schools</th>
<th>Catholic schools</th>
<th>Independent schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Government</td>
<td>1 668</td>
<td>6 229</td>
<td>4 933</td>
</tr>
<tr>
<td>State and territory government</td>
<td>9 200</td>
<td>2 057</td>
<td>1 865</td>
</tr>
<tr>
<td>Private sources</td>
<td>680</td>
<td>2 918</td>
<td>9 437</td>
</tr>
<tr>
<td>Fees, charges, parental contributions</td>
<td>427</td>
<td>2 383</td>
<td>8 468</td>
</tr>
<tr>
<td>Other private sources</td>
<td>253</td>
<td>535</td>
<td>969</td>
</tr>
<tr>
<td>Less deductions(^{(a)})</td>
<td>24</td>
<td>861</td>
<td>1 780</td>
</tr>
<tr>
<td>Net recurrent income</td>
<td>11 523</td>
<td>10 344</td>
<td>14 456</td>
</tr>
</tbody>
</table>

Note: totals may not add due to rounding.\(^{(a)}\) Includes recurrent income allocated for capital purposes.

According to the Productivity Commission (PC), as shown in Table 8 (below), on average, Australian Government recurrent expenditure on non-government school students (Catholic systemic and independent school students combined) was $5871 per student in 2010–11. This was almost 3.5 times the $1703 it provided per government school student. State and territory governments’ average recurrent expenditure per government school student was $13 299. This was 6.5 times the $2221 they provided for non-government school students.

Table 8 again shows that state and territory governments provide the vast majority of government recurrent funding for schools. In 2010–11, state and territory governments contributed 75.0 per cent of the $44.3 billion in government recurrent funding for schools.

Table 8. Australian, and state and territory government recurrent expenditure on schools, 2010–11, ($)

<table>
<thead>
<tr>
<th></th>
<th>Government schools</th>
<th>Non-government schools</th>
<th>All schools</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total funding (^{(a)})</td>
<td>Per student funding (^{(a)})</td>
<td>Total funding</td>
</tr>
<tr>
<td>Australian Government</td>
<td>3 912 533</td>
<td>1 703</td>
<td>7 137 208</td>
</tr>
<tr>
<td>State and territory government</td>
<td>30 558 097</td>
<td>13 299</td>
<td>2 700 078</td>
</tr>
<tr>
<td>Total government</td>
<td>34 470 630</td>
<td>15 002</td>
<td>9 837 286</td>
</tr>
</tbody>
</table>

\(^{(a)}\) Per full-time equivalent student.

The difference between the PC data and that provided by My School (as set out in Table 7 above) is partly explained by the PC data being based on the National Schools SPP, all of which is categorised as recurrent funding. It does not distinguish between capital and recurrent purposes, although the non-government schools component does include a separate capital grants program. Funding for the BER, the Digital Education Revolution and Trade Training Centres in Schools, which are not part of
Australian Government funding for schools explained

the National Schools SPP, is capital expenditure and therefore is not included in the PC data. Another difference is that the PC data is on a financial year basis and the My School data is for the calendar year.

Capital funding for schools

Table 9 (below) shows that, in 2010, total capital expenditure on all schools from all sources was $12.46 billion, of which 57.9 per cent was expended on government schools.

Capital expenditure on schools almost doubled in 2010, compared to the previous year, mostly due to the impact of the BER. As a result of the BER, the Australian Government’s contribution increased from 43.7 per cent of total capital expenditure in 2009 to 70.4 per cent in 2010. The BER resulted in Australian Government capital funding for government schools increasing by 281.3 per cent and, for non-government schools, by 143.0 per cent.

Table 9. Total capital expenditure, by school sector and funding source, 2009 and 2010 ($billion)

<table>
<thead>
<tr>
<th></th>
<th>Government schools</th>
<th>Catholic schools</th>
<th>Independent schools</th>
<th>All non-government schools</th>
<th>All schools</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital funding</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010 Australian Government</td>
<td>5.49</td>
<td>2.06</td>
<td>1.22</td>
<td>3.28</td>
<td>8.77</td>
</tr>
<tr>
<td>2009 Australian Government</td>
<td>1.44</td>
<td>0.76</td>
<td>0.59</td>
<td>1.35</td>
<td>2.79</td>
</tr>
<tr>
<td>2010 state and territory government</td>
<td>1.58</td>
<td>0.03</td>
<td>0.04</td>
<td>0.07</td>
<td>1.65</td>
</tr>
<tr>
<td>2009 state and territory government</td>
<td>1.53</td>
<td>0.06</td>
<td>0.04</td>
<td>0.10</td>
<td>1.63</td>
</tr>
<tr>
<td><strong>Fee income allocated for capital purposes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>0.05</td>
<td>0.21</td>
<td>0.44</td>
<td>0.65</td>
<td>0.70</td>
</tr>
<tr>
<td>2009</td>
<td>0.17</td>
<td>0.21</td>
<td>0.24</td>
<td>0.45</td>
<td>0.62</td>
</tr>
<tr>
<td><strong>New school loans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>0.04</td>
<td>0.27</td>
<td>0.40</td>
<td>0.67</td>
<td>0.71</td>
</tr>
<tr>
<td>2009</td>
<td>0.00</td>
<td>0.26</td>
<td>0.40</td>
<td>0.66</td>
<td>0.66</td>
</tr>
<tr>
<td><strong>Other specific private sources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>0.05</td>
<td>0.20</td>
<td>0.38</td>
<td>0.58</td>
<td>0.63</td>
</tr>
<tr>
<td>2009</td>
<td>0.01</td>
<td>0.21</td>
<td>0.46</td>
<td>0.67</td>
<td>0.68</td>
</tr>
<tr>
<td><strong>Total capital expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>7.21</td>
<td>2.77</td>
<td>2.48</td>
<td>5.25</td>
<td>12.46</td>
</tr>
<tr>
<td>2009</td>
<td>3.15</td>
<td>1.50</td>
<td>1.74</td>
<td>3.24</td>
<td>6.39</td>
</tr>
</tbody>
</table>

Figures may vary due to rounding.

(a) Includes BER funding.


Almost all of the capital funding for government schools is provided by governments (98.1 per cent of total capital funding in 2010 and 94.3 per cent in 2009). The contribution of governments to capital funding for non-government schools is much less (63.8 per cent of total capital funding in
2010 and 44.8 per cent in 2009). State and territory governments, in general, do not provide capital funding to non-government schools, except for interest subsidy schemes.\(^{71}\)

The contribution of private sources (fee income, new school loans and ‘other specific private sources’) to capital funding for government schools is quite small (1.9 per cent of total capital funding in 2010 and 5.7 per cent in 2009). For non-government schools, this contribution is noticeably more (36.2 per cent in 2010 and 55.0 per cent in 2009).\(^{72}\)

### International comparisons

The Organisation for Economic Co-operation and Development (OECD) estimates that total expenditure (public and private) on ‘primary, secondary and post-secondary non-tertiary education’ in Australia was 4.2 per cent of GDP in 2009\(^ {73}\), just above the OECD average of 4.0 per cent.\(^ {74}\) However, Australia diverges from other OECD countries when the funding is disaggregated by funding source (public and private.) This in part reflects the large size of Australia’s non-government school sector compared to those of other OECD countries.\(^ {75}\)

#### Government and private expenditure on schools as a proportion of Gross Domestic Product, 2009

Government expenditure on Australian schools was below the OECD average, amounting to 3.6 per cent of GDP (the same as two other countries one of which is Korea), compared to the OECD average of 3.7 per cent. In more than half of the 32 OECD countries for which data was available, public expenditure was greater than that for Australia.\(^ {76}\)

Private expenditure on Australian schools was double the OECD average, amounting to 0.6 per cent of GDP, compared to the OECD average of 0.3 per cent. Only four countries (Chile, Luxembourg, Mexico and New Zealand) of the 26 OECD countries for which data was available, had greater private expenditure as a proportion of GDP.\(^ {77}\)

#### Proportion of government and private expenditure on schools, 2009

Government expenditure accounted for 84.1 per cent of total expenditure on Australian schools, below the OECD average of 91.2 per cent. Only four countries (Chile, Korea, Mexico and the United

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72. Figures do not add due to rounding.
76. Ibid., p. 246.
77. Ibid.
Kingdom) of the 30 OECD countries for which data was available, had lower levels of public expenditure.  

Private expenditure accounted for 15.9 per cent of total expenditure on Australian schools, significantly above the OECD average of 8.8 per cent.

**Annual government expenditure on government and non-government schools, per student, 2009**

Annual government expenditure on Australian government schools was $US8744 per student, above the OECD average of $US8511. Australia ranked in about the middle of the 27 OECD countries for which data was available.

Annual government expenditure on Australian non-government schools was $US6825 per student, significantly above the OECD average of $US4810. In only five of the 23 OECD countries for which data was available, did governments spend more on non-government schools.

**The Review of Funding for Schooling**

In April 2010, the then Minister for Education, Julia Gillard, announced the Review of Funding for Schooling (the Gonski Review). It was the first comprehensive review of school funding since the work of the Interim Committee for the Australian Schools Commission in the early 1970s. The Gonski Review examined Australian Government and state and territory government school funding, and the role of private funding in school education.

The final report of the Gonski Review was released in February 2012. It presented a blueprint for a major overhaul of funding for school education, including the proposal for a fundamental realignment of the historic funding roles of the Australian and state and territory governments whereby there would be a ‘more balanced alignment of public funding responsibilities for government and non-government schools’. The final report’s recommendations also took account of the Australian Government’s initial commitment that no school would ‘lose a dollar of funding in the sense that their school budget per student will not reduce in dollar terms’. This commitment was later extended when the Government confirmed that not only would funding for all schools increase, but it would also increase in real terms.

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78. Ibid., p. 258.
79. Ibid.
80. Ibid., p. 261.
81. Ibid.
82. J Gillard (Minister for Education), *A future fair for all*, [p. 7], op. cit.
84. Ibid., p. xvii.
86. E Alberici, ‘Every school will get more funding: Garrett’, *Lateline*, transcript, Australian Broadcasting Corporation (ABC), 20 August 2012, viewed 21 January 2013, [http://www.abc.net.au/lateline/content/2012/s3572064.htm](http://www.abc.net.au/lateline/content/2012/s3572064.htm)
The Gonski Review’s core recommendation was that the level of recurrent funding for all school students should be determined by a Schooling Resource Standard (SRS) that would include a per student amount (with different amounts for primary and secondary school students) and loadings for various student-based and school-based sources of disadvantage (SES background, disability, English language proficiency, Indigeneity, and school size and location).87

The per student SRS amounts (estimates were $8000 per primary school student and $10 500 per secondary school student in 2009 prices) would be based on the resources used by high-achieving schools (reference schools), as identified by their performance in the National Assessment Program – Literacy and Numeracy (NAPLAN), and indexed annually.88 Government schools would receive the full amount of the per student SRS.89 The SRS amount for non-government schools would be adjusted according to the anticipated level of a school’s private contribution.90 Some non-government schools, such as special schools and those that do not have the capacity to charge fees, would receive the full SRS per student amount.91 The Gonski Review recommended that the minimum public contribution per student for every non-government school be applied, set at between 20 per cent and 25 per cent of the SRS, excluding loadings.92 The loadings for disadvantage would apply to all eligible students regardless of the school they attended.93

The Gonski Review estimated that its proposals would require an additional $5 billion in annual recurrent funding (2009 prices).94 This estimate did not include its recommendations for expanded capital funding.95 Nor does it take account of the recommendation for the Australian Government to establish a fund to promote philanthropy in schooling.96

The final report of the Gonski Review acknowledged that the Review had left much work to be done. The Gonski Review’s recommendations for the calculation of the SRS were presented in broad terms only, and no specific methodologies for determining the various disadvantage loadings or a new indexation system were presented.97

88. Ibid., p. 208.
89. Ibid., p. 175.
90. Ibid., pp. 177–9.
91. Ibid., p. xvii.
92. Ibid., p. 175.
93. Ibid., pp. 166–70.
94. Ibid., p. 208.
95. For further information about the recommendations for capital funding, see Review of Funding for Schooling Expert Panel, op. cit., pp. 185–90.
96. Ibid., pp. 199–206.
The Australian Government’s response

The Australian Government responded to the final report of the Gonski Review in September 2012. Through its National Plan for School Improvement (National Plan), under the banner of Better Schools, it accepted the core recurrent funding recommendations of the Gonski Review; that is, an SRS for all school students supported by various loadings for disadvantage.

The proposed new funding model will be accompanied by an improvement framework for schools and teaching and an overarching goal of ensuring that by 2025 Australia is ranked amongst the top five countries in the world for student performance in reading, science and mathematics. In total, the Government expects that the National Plan, when fully implemented by 2020, will see an additional $6.5 billion spent on schools each year by the Australian and state and territory governments, in line with the estimates in the final report of the Gonski Review.

The Government’s response included a timeline for the reforms:

- the National Plan to be implemented over six years from 2014 to 2020
- negotiations with the states and territories to be finalised by the first COAG meeting of 2013 and
- a Bill for the Australian Education Act, which would ‘enshrine the core principles’ of the National Plan and the new approach to school funding to be introduced into Parliament before the end of 2012.

The National Plan, as announced, did not respond to all of the Gonski Review’s recommendations. Some further detail about the SRS and Indigenous loadings, and the rejection of the Gonski Review’s recommendation to establish an independent body to oversee school funding, was provided in subsequent announcements.
To date, the Government has not responded to the Gonski Review’s recommendations regarding capital funding, although it did establish a working group to consider these recommendations. The role of philanthropy in school education was also not mentioned in the Government’s formal response to the Gonski Review.

The future of Australian Government funding for schools

The Government has met its deadline for the introduction of the Bill for the Australian Education Act. The Bill is aspirational, setting out ‘a national vision for schooling reform and for the development of the National Plan for School Improvement’. It does not contain any funding provisions; rather, the Explanatory Memorandum states, the Bill ‘provides assurance that the Commonwealth will introduce a needs-based funding model for future Commonwealth funding’. The Government’s intention is for subsequent amendments to the legislation once the future funding plan for schools is finalised. These amendments are planned for 2013 with the aim that the new funding arrangements will apply from 1 January 2014.

The Government expects its plan for the future of school funding will be presented to the April 2013 COAG meeting. If accepted, the plan should reveal the answers to many questions that have been left unanswered by the Gonski Review’s final report and the Government’s response so far. These questions include:

- the relative funding roles of the Australian and state and territory governments
- the SRS amounts and how they will be calculated
- the indexation formula
- the level of funding for non-government schools and how their need for SRS funding will be assessed
- the methodologies for calculating the various disadvantage loadings and


102. J Collins (Parliamentary Secretary for School Education), *Working group to discuss Gonski capital funding findings*, media release, 26 April 2012, viewed 22 January 2013, [http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F1767079%22](http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F1767079%22)

103. Parliament of Australia, ‘Australian Education Bill 2012 homepage’, Australian Parliament website, viewed 23 January 2013, [http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;adv=yes;orderBy=date-eFirst;page=0;query=Title%3A%22Australian%20Education%22%20Dataset%3AbillsCurBef_pressclp_jrnart_jrnart88%20Dataset_Phrase%3A%22billhome%22;rec=0;resCount=Default](http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;adv=yes;orderBy=date-eFirst;page=0;query=Title%3A%22Australian%20Education%22%20Dataset%3AbillsCurBef_pressclp_jrnart_jrnart88%20Dataset_Phrase%3A%22billhome%22;rec=0;resCount=Default)


105. Ibid., p.2.

106. Ibid., p. 3.
• how the transition to the new funding system over the planned six-year implementation period will occur.

For many, the overriding question is the source of the additional $6.5 billion each year for the proposed new funding scheme\textsuperscript{107}, especially at a time when some state governments have cut their education budgets and the Treasurer has announced it is unlikely there will be a budget surplus.\textsuperscript{108} Neither the Gonski Review nor the Government’s response to date has outlined any specific plans for procuring the additional funds.

The current arrangements for Australian Government funding for schools expire at the end of 2013. Therefore, whatever the outcome for the Government’s school funding plan, it is essential that new school funding arrangements be finalised before then.

\textsuperscript{107} For example, see A Kohler, ‘Both sides of politics lose the fiscal plot’, \textit{The Drum}, 7 September 2012, viewed 23 January 2013, \url{http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressclp%2F1908204%22}
