



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

**STATES GRANTS (PRIMARY
AND SECONDARY EDUCATION
ASSISTANCE) AMENDMENT BILL 1999**

Second Reading

SPEECH

Wednesday, 1 September 1999

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

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Questioner
Speaker Cox, David, MP

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Mr COX (Kingston) (7.08 pm)—One of the subjects which is never far from a parent's mind is the quality of their children's education. I know from very recent experience just how important this becomes when your children are about to start school. Parents know that the early years can be the most important. Problems that occur with literacy or numeracy in the very first years of schooling will be very hard to correct. When parents are worrying about that, they want to know that governments, both state and federal, share that priority. The only way governments can demonstrate that sense of priority is to ensure by their policies and funding that both government and non-government schools are able to provide the quality education that children need.

More than ever before, it will be a good education that will be the key to your child realising his or her full potential. The States Grants (Primary and Secondary Education Assistance) Amendment Bill 1999 helps by providing a modest amount of funding to the states as specific purpose grants for education in four areas: \$36.3 million to fund literacy and numeracy programs for students in the early and middle years of schooling for the 2000 school year; \$26.4 million to extend funding for the National Asian Languages and Studies in Australian Schools strategy for the 2000 school year; continuation of previous capital funding arrangements for non-government schools; and contingency funding for struggling non-government schools in the transition to the new system of funding non-government schools. The literacy programs funded by the Commonwealth provide grants to schools to foster literacy and numeracy development, targeting educationally disadvantaged students. The additional money provided by this bill will support new initiatives for middle school—that is, upper primary to year 10 students.

The national Asian languages strategy deserves special mention. As a result of it, children in their first year of schooling are learning a language. My five-year-old son who has just started at a local primary school is learning Japanese. That will open up for him and his classmates 12 years from now opportunities which probably would not otherwise have been available to them. The capacity to speak Japanese will certainly improve their job prospects. Some examples are running a cellar door at McLaren Vale catering to Japanese tourists, working as an engineer at the local Mitsubishi engine plant and negotiating trade contracts for Australian products or commodities in Tokyo. Much of the credit for the national Asian languages strategy must go to my colleague the member for Griffith who, in one of his former professional lives as the Director-General of the Queensland Cabinet Office, extracted a commitment to it from the former federal Labor government.

The additional capital funding grants for non-government schools honours a coalition commitment to maintain that funding at the same real value as was provided by the former Labor government in the years 1993 to 1996. The additional funding for short-term emergency assistance for non-government schools will assist those schools which are expected to benefit from the new funding system announced in the 1999-2000 budget but which are having difficulty surviving until it takes effect. But these modest provisions to help fund our children's education should not be looked at in isolation. What needs to be kept in focus is how the Howard government has reduced the capacity of the states to fund education.

At the time the Howard government came to office, Commonwealth grants represented about 13 per cent of total funding on government schools with the balance being met by state governments. About 38 per cent of total support for non-government schools is provided by the Commonwealth with 18 per cent being provided by the states and territories and the remaining 44 per cent from private sources. The Howard government has cut financial assistance grants to the states and territories which has reduced their capacity to fund schools from the resources available to them. In both 1994 and 1995 the federal Labor government had provided the states and territories with a real terms per capita guarantee for financial assistance grants. But when the Howard government took office in 1996 it maintained the real per capita guarantee base but negated it by requiring the states to make a fiscal contribution to the Commonwealth.

That fiscal contribution amounted to \$1.5 billion over the first three years of the Howard government. The precise amounts were \$619 million in 1996-97, \$627 million in 1997-98 and \$313 million in 1998-99. The

liability for those contributions was allocated amongst the states on an equal per capita basis. That meant that the smaller states, like South Australia, carried a disproportionate burden given their relatively higher cost structures and smaller capacities to raise revenue. The result was a reduced capacity for the states to fund their school systems. The ABS government financial estimates show how much in total the South Australian government was able to spend on primary and secondary education since 1993-94.

In South Australia's case, severe budget pressures predated the cut to financial assistance grants in 1996-97. The last year that Labor was in office at a state level was 1993. Because of Premier Arnold's commitment to education—he was both a former teacher and education minister—he had endeavoured to quarantine funding for schools from the significant cuts that were necessary elsewhere in his budget. Spending on schools from the state's own sources, including financial assistance grants, was \$834 million in 1993-94. As soon as the Liberals took office, they cut it, first to \$807 million in 1994-95 and then as low as \$744 million in 1995-96. South Australia's education system has been struggling ever since.

There was a small increase in 1996-97 to \$776 million. Schools got a larger increase to \$899 million in 1997-98, which was, of course, a state election year and a year in which the education department got some supplementation from the state government for a pay rise for teachers. Commonwealth grants to South Australia for current school spending over that period rose steadily from \$198 million in 1993-94 to \$208 million in 1994-95, \$218 million in 1995-96, \$213 million in 1996-97 and \$261 million in 1997-98. However, in the Howard government's first budget in 1996, it made a general cut to direct Commonwealth funding for education by applying an efficiency dividend to Commonwealth own purpose outlays and specific purpose payments. The consequence for the total education budget was a cut of \$13 million in 1996-97, \$35.2 million in 1997-98, \$46.5 million in 1998-99 and \$55.4 million in 1999-2000. With this efficiency dividend spread over the whole of the education budget, the implications for school funding are small.

The big issue with specific purpose payments for schools is the shift in funding growth from government to private schools. The 1996 budget papers showed expected growth in funding to government schools of 3.8 per cent in 1996-97, 1.1 per cent in 1997-98, 1.2 per cent in 1998-99 and 0.7 per cent in 1999-2000. By comparison, growth in funding to non-government schools was expected to be much stronger: 6.1 per cent in 1996-97, 6.9 per cent in 1997-98, 6.9 per cent in 1998-99 and 6.3 per cent in 1999-2000. This shift in funding is the result of a combination of factors, including higher average specific purpose payments for children in non-government schools and a growth in the number of parents seeking better educational opportunities for their children through private education.

However, in the 1996 budget the Howard government introduced a more controversial factor—the enrolment benchmark adjustment. The Howard government claims that the cost to state governments of a child in a non-government school is some \$3,400 less than the cost of a child in a government school. The enrolment benchmark adjustment uses 1996 as the base year and compares shares of enrolments in the government and non-government sectors for each subsequent year.

Each year, if the comparison with 1996 shows a decline in the percentage of enrolments in government schools, the Commonwealth takes away approximately half the claimed savings to the states. That is around \$1,700 per student represented in the percentage change. The calculation is done on a state by state basis. A buffer has been applied in each of the EBA's two years of operation—500 in 1997 and 1,500 in 1998. The Howard government claims that the states achieve significant savings from declines in government school enrolments, but in reality the changes that occur are spread thinly across the state education system and there are no significant changes in teaching or administrative costs.

The enrolment benchmark adjustment has cost South Australia \$2.28 in 1997 and \$3.1 million in 1998. Nationally the savings to the Commonwealth were \$11.9 million in 1997 and \$21.1 million in 1998. The EBA cut is a cut in addition to any shift in per capita payments from the Commonwealth as a result of changing enrolment populations. Because the EBA formula is based on the proportion of enrolments rather than raw numbers, government schools can actually increase the absolute number of students they enrol and the state will still be subjected to EBA cuts.

Mr Sidebottom—And still lose money.

Mr COX—Yes, they will still lose money, because private school enrolments have increased by more. Fortunately, this has not happened in South Australia. It is also the case that the EBA does not work in reverse. That is, if the proportion of students in government schools grows, no additional EBA funds are provided.

There is also a big question mark hanging over the future of Commonwealth funding for the states general purposes including schools and directly for schools. Financial assistance grants will be replaced by the revenue from the GST from 1 July 2000. Initially the GST revenues will not be enough to fund the states' current expenditure and the new responsibilities they will have to assume. The arrangements for distributing GST revenues between the states are yet to be worked out. That means that it is an open question whether the states, particularly the smaller states, will have a large enough revenue base to properly support their education system, in the long term. While there will be a transitional period during which the Commonwealth has guaranteed that the states will not be worse off under the new arrangements, this is far from a long-term guarantee of maintenance of all of their funding. Clause 5(v) of the Intergovernmental Agreement on Commonwealth-State Financial Relations says:

The Commonwealth will continue to provide Specific Purpose Payments to the States and Territories and has no intention of cutting aggregate SPPs as part of the reform process set out in this Agreement, consistent with the objective of State and Territory Governments being financially better off under the new arrangements.

The words 'no intention' are very far from a guarantee that SPPs will not be cut. Even if they are maintained in aggregate, they may be cut in real terms or not given growth funding commensurate with growth in demand for the services they are supposed to cover. This is how the Howard government will claw back the growth in state revenues which the GST is expected to provide. Whenever it is necessary to cut Commonwealth expenditure, it will always be easier for a coalition government to cut specific purpose payments to the states for education than it will be to cut the federal government's own programs.

South Australia's school system will be extremely vulnerable to any adverse changes in specific purpose payments or the level of GST revenues. One of the main functions of a federal system is to ensure that there is a fair redistribution of resources amongst the states to fund essential government services like education. Whether or not running a school system is, in the first instance, a role of the states, at the end of the day the federal government shares the responsibility to every child in Australia to see that their school is properly funded.