



Australian Education Union

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18 January 2017

Budget Policy Division
Department of the Treasury
Langton Crescent
Parkes ACT 2600

Email: prebudgetsubs@treasury.gov.au

Dear Sir/Madam,

**Re: AEU Pre-Budget submission to the Department of Treasury on priorities for the
2017-2018 Budget**

Please find attached the Australian Education Union's submission in response to the invitation from the Minister for Small Business to provide a pre-Budget submission on our priorities for the 2017-18 Budget.

Please contact me if you have any questions in relation to this submission.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'S Hopgood', is written in a cursive style.

Susan Hopgood
Federal Secretary



Australian Education Union

Pre-Budget submission to the Department of Treasury on priorities for the 2017-18 Budget

January 2017

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INTRODUCTION

The Australian Education Union (AEU) represents around 189,000 educator members employed in the public primary, secondary, early childhood and TAFE sectors throughout Australia.

We welcome the opportunity to respond to the invitation from the Minister for Small Business, Michael McCormack, to submit our views on priorities for the 2017-18 Budget.

We note the focus in the letter of invitation on the Turnbull Government's commitment to economic growth, boosting job creation, and "sensible and responsible" restraint in government expenditure, in the interests of positioning Australia to handle future challenges in the global financial system and ensuring the future of government services.

It is our strong view that properly funding and resourcing education, from the early years through schooling to post-secondary education in the VET and tertiary sectors, should be seen as a "sensible and responsible" investment rather than viewed in a reductionist way as simply a cost which must be contained.

In our view, which is supported by a large and credible body of national and international research, this investment is vital to Australia's productivity, strong economic growth and employment, and our capacity to meet future challenges associated with globalisation and technological and demographic changes.

The OECD's most recent *Education at a Glance* (September 2016) accurately conveys this view when it says:

Giving all people a fair chance to quality education is a fundamental part of the social contract. It is critically important to address inequalities in education opportunities in order to improve social mobility and socio-economic outcomes, and to promote inclusive growth through a broadened pool of candidates for high-skilled jobs. ...

Higher levels of educational attainment are associated with several positive individual, economic and social outcomes... [individuals] generally have better health, are more socially engaged, and have higher employment rates and higher relative earnings.¹

Schooling

The current situation with regard to school education is untenable, and neither "sensible" nor "responsible". For decades it was widely recognised that our schooling system was inequitable. Funding arrangements were in large part characterised by ad hoc political accommodations and failed to take account of the actual needs of Australian schools, students and school communities.

This has been a major factor in the much-publicised decline in the performance of Australian students in international testing, and in achievement and educational attainment gaps between students from disadvantaged backgrounds and those from more advantaged backgrounds which are greater than in comparable nations.

¹ OECD, *Education at a Glance 2016: OECD Indicators*, p.32. OECD Publishing, Paris. September 2016
DOI: <http://dx.doi.org/10.1787/eag-2016-en>

Decades of research, including the Gonski Review and the body of independent research commissioned by the review, has established beyond doubt that those most affected by these inequities are the most vulnerable and disadvantaged students — including those from low socio-economic and Indigenous backgrounds, those with disabilities and special needs, those with language difficulties, and those from remote locations — and the schools, predominantly in the public sector, which serve them.

Most recently, 2015 PISA data (released late in 2016), provides further confirmation of the long-term trend whereby students from relatively advantaged backgrounds perform significantly better than those from disadvantaged backgrounds. It shows that achievement gaps in science, maths and reading performance between students in the highest and lowest SES quartiles are around three years of schooling (about one year between each quartile);² one and a half years between metropolitan and remote school students;³ and over two years (two and a third to two and a half) between Indigenous and non-Indigenous students.⁴

These understandings formed the basis of the major changes to Australia’s funding arrangements proposed by the Gonski Review and the subsequent legislation, the *Australian Education Act 2013*, which was enacted to give effect to the key Gonski proposals. The aim was clear and very much in the national interest; to lift the achievement of all students by increased investment in schooling, and, critically, to target disadvantage more effectively in order to reduce the impact of aggregated social disadvantage and inequality on educational outcomes and close the achievement gap between students, schools and sectors.

By implementing and fully funding the Gonski funding arrangements over a six year transition period beginning in 2014 — a base per-student funding level with additional needs-based loadings targeted to disadvantage — the objective was to bring schools across the country up to an appropriate level of resources, the Schooling Resource Standard (SRS). This standard was recognised as the minimum requirement to give every child regardless of background the greatest opportunity to achieve their full potential.

Our 2016-17 Budget submission outlined the key aspects of the negotiations which took place between the Federal and State/Territory governments around the implementation of the Gonski arrangements and key developments since 2014, and there is no need to restate them here. It is sufficient for the purposes of our current submission to outline the consequences for the pursuit of the objectives of equity and equality in Australian schooling which have flowed from the former Abbott Government’s flagging of its intention to end the Gonski funding arrangements at the end of 2017.

The Abbott Government plan centred on savagely cutting the funding which would have flowed in 2018 and 2019 (two-thirds of the full six year quantum of Gonski funding) and negotiating a new ‘flatter’ model of non-needs-based funding with the states and territories for implementation beyond 2017. After Malcolm Turnbull took over leadership of the government from Prime Minister Abbott, and the subsequent re-election of the Coalition with Malcolm Turnbull as Prime Minister in July 2016, there have been some moderate changes to the Coalition’s intentions regarding schools funding.

² ACER, *PISA 2015: a first look at Australia’s results*. Sue Thomson, Lisa De Bortoli, Catherine Underwood. December 2016. pp.60-63

³ ACER, *PISA 2015*, op.cit., pp.56-59

⁴ ACER, *PISA 2015*, op.cit., pp.56-59

However we now find ourselves, in early 2017, less than twelve months out from the 2018 school year, little closer to having a clear understanding of what the new arrangements under the Turnbull Coalition Government will be.

What is known though is that:

- cutting needs-based funding from the end of 2017 will deprive schools of vital resources just as they are starting to deliver results.
- a funding system that is based on sector, not student need as its top priority, will hurt disadvantaged schools and their students.
- many schools will never reach minimum resource standards recommended by the Gonski Review and set out in the 2013 Act, and their students and school communities will be the poorer for it.

The Turnbull Government's current intentions

The Turnbull Government claims its as yet clearly specified new arrangements, as announced in the May 2016 Federal Budget, will be less extreme than those previously announced by the Abbott Government in the 2013-14 Budget. It has reduced the severity of cuts to funding from 2017, and said that post-2017 and the end of Gonski funding, an additional \$1.2 billion funding will be available and delivered on a needs-basis to “where it is most needed”.

This has already been challenged, however, by analysis of available data and policy decisions from the 2016-17 Budget undertaken by education funding expert Dr Jim McMorrow. His August 2016 report, *The Precarious State of Schools Funding in Australia following the 2016 Election*, shows that the Coalition's intentions (as known at this stage) will leave schools \$3.9 billion worse off in 2018 and 2019 alone; \$5.28 billion from 2016-17 to 2019-20 compared with the full six years of Gonski funding.⁵

The 2016 Budget's headline announcement of an extra \$1.2 billion for schools is, he says, at best “disingenuous”:

The Government has moved away from the Abbott Government's decision to link funding levels after 2017 in all schools and systems to changes in the Consumer Price Index (projected at around 2.5 per cent per annum) and has replaced it with a new 'education sector specific' index of 3.56 per cent. ...

Having abandoned the goal of enabling all schools to reach the 'Gonski' recurrent resource standards set out in the Australian Education Act, the Government's decision to index grants annually by 3.56 per cent after 2017 effectively 'freezes' the Commonwealth's contribution at the 2017 school year in real terms.⁶

The analysis also exposes Education Minister Simon Birmingham's claim that the additional \$1.2 billion for indexation from 2018 to 2020 will be distributed on a needs-basis as being impossible to realise,⁷ and demonstrates that non-government schools will receive the greatest share of the additional \$1.2 billion. 62 per cent of the extra Federal funding would flow to private schools, and just 38 per cent to public schools.⁸ In fact, the Budget Papers

⁵ Dr Jim McMorrow, *The Precarious State of Schools Funding in Australia following the 2016 Election*, August 2016. p.2 Dr McMorrow's report is attached as Appendix One to this submission.

⁶ *ibid.* p.2

⁷ *op.cit.* p.3; pp.7-8

⁸ *op.cit.* p.3

show that public schools in Tasmania and the Northern Territory would lose funding after 2017 under this new model, despite having high levels of need.

He notes that for a government school of around 500 students, the projected increase in funding by 2019-20 “would be enough to finance an additional 0.9 [FTE] of a teacher, on average, compared with its current level of resources [*while*] a non-government school of the same size would receive additional funding equivalent to 1.5 teachers over the same period.”⁹

This is an unacceptable policy situation given, as recognised by Gonski and subsequent legislation, the higher number and proportion of students requiring more intensive support in the public sector. Because the Gonski funding was targeted to the actual needs of students, public schools were due to receive over 80 per cent of the new additional federal funding.

The myth that schools funding has dramatically improved without any improvement in student and school outcomes

The Coalition bases its rationale on claims that schools funding has increased significantly in real terms over the last decade without any improvement in educational outcomes; specifically with regard to Gonski that “despite all the investment funnelled into schools through Gonski funding over the past years we haven’t necessarily seen improved educational outcomes”.¹⁰

Education has not been a priority in the 2014-15, 2015-16 and 2016-17 Budgets, and there are a number of analyses which challenge the view that schools are in receipt of record levels of funding and have all the money they need to deliver much better outcomes at the school level and across the board.

When the Productivity Commission stated in September 2016 that there had been a 24 per cent real increase in overall government recurrent expenditure on schools between 2004-05 and 2013-14 (almost 14 per cent per student across government and non-government schools),¹¹ Dr Peter Goss, the School Education Program Director at the Grattan Institute submitted the claim to close analysis. He found that after accounting for a 9 per cent increase in student numbers across this period as outlined in the Commission’s annual *Report on Government Services*, and a growth in teachers wages each year about 1 per cent above inflation as shown by Australian Bureau of Statistics Wage Price Index data, it was not only unsurprising that education spending had increased over the last decade but that the effective increase is closer to half the Productivity Commission’s figure of 14% per student across government and non-government schools.¹²

Former Productivity Commissioner economist Trevor Cobbold (Save Our Schools) has also looked closely at the Productivity Commission data and the methodology used to reach its conclusions.¹³ His analysis raises serious questions about the methodology employed by the

⁹ McMorrow 2016; op.cit. p.7

¹⁰ Federal Education Minister Simon Birmingham quoted in Eryk Bagshaw, ‘NSW Education Minister Adrian Piccoli blasts new federal minister on Gonski comments’, Sydney Morning Herald, 3 February 2016

¹¹ Productivity Commission, *National Education Evidence Base*, Draft Report, Canberra September 2016

¹² Dr Peter Goss, *FactCheck: has education spending gone up while student achievement has stalled or declined?*, The Conversation, 7 September 2016. <http://theconversation.com/factcheck-has-education-spending-gone-up-while-student-achievement-has-stalled-or-declined-64955>

¹³ Save Our Schools, *Productivity Commission Fails to Lift the Bonnet on its Own Funding Figures*, 11 September, 2016 <http://www.saveourschools.com.au/funding/productivity-commission-fails-to-lift-the-bonnet-on-its-own-funding-figures>

Commission and also demonstrates how the Commission's claims fail to take into account how the increase in funding was distributed.

*The Commission has greatly exaggerated the actual increase in funding and it has missed the key point that past funding increases have not been directed at reducing under-performance. Past funding increases have favoured more advantaged schools over disadvantaged schools. As a result, school performance has largely stagnated over the past 10 years.*¹⁴

Taking these factors into account, he concluded that from 2005 to 2014 combined government funding to public schools increased by just 3.3% per student compared to 9.8 per cent for private schools. This is despite the fact that student need is much higher in public schools, as demonstrated by the fact that 82 per cent of students from low SES families are enrolled in public schools, analysis of My School data which shows that “*low-SES students comprise 30 per cent of all public school enrolments compared to 15 per cent in Catholic schools and only 9 per cent in Independent schools,*”¹⁵ and 2016 Productivity Commission *Report on Government Services* data showing that in 2014, 84 per cent of Indigenous students,¹⁶ 79 per cent of remote area students and 87 per cent of very remote area students attended public schools.¹⁷

Taking into account the established connection between relative equity and inequity within and between schools and school systems and student, school and system outcomes, he concludes that the positive of a small overall rise in schools funding over the decade is more than outweighed by the negative consequences of failing to distribute it on the basis of need.

These findings are confirmed by submissions from the Victorian, Queensland and New South Wales Governments following the release of the Productivity Commission's draft report, all of which contest the methodology and rationale for the claim of a 24 per cent increase in funding without a corresponding increase in outcomes.

The Victorian submission cogently argues that the Commission's finding fails to fully capture the level and nature of increased school education expenditure over the past decade and its relationship to student achievement, and that the effective increase in expenditure is closer to half the figure provided by the Commission, and so considerably less per student.¹⁸

The submission from the NSW Government argues that under half (10 per cent) of the 24 per cent increase for the period was as result of population growth, with an increase in the number of students for all sectors creating a need for more government spending. When this is taken into account the remaining 14 per cent growth over this period (or growth per student) is 1.5 per cent per annum which includes significant changes in education delivery

¹⁴ Save Our Schools Australia, (Trevor Cobbold), *Productivity Commission Fails to Lift the Bonnet on its Own Funding Figures*, 11 September 2016. p.1 <http://www.saveourschools.com.au/funding/productivity-commission-fails-to-lift-the-bonnet-on-its-own-funding-figures>

¹⁵ Cobbold 2016; op.cit. p.2

¹⁶ Productivity Commission, *Report on Government Services 2016*, Chapter 4, Volume B. Table 4A.29

¹⁷ *ROGS 2016*; op.cit. Table 4A.35

¹⁸ Vic Government Post-Draft Report Submission to the Productivity Commission's draft report, National Education Evidence Base. Submission Number DR144. 20 October 2016. http://www.pc.gov.au/__data/assets/pdf_file/0005/209318/subdr144-education-evidence.pdf 20 October 2016

with increased cost impacts such as technology, increasing family and community expectations around retention to year 12, individualised support for students, and greater inclusion and higher expectations for students with special needs. The submission also notes that this 1.5 per cent per annum also includes items not related to educational resources for individual students – which includes user cost of capital, depreciation, payroll tax and school transport costs.¹⁹

The NSW submission also established that the Productivity Commission report's consideration of investment against outcomes depends on PISA data which predates Gonski funding increase which are needs-based. It concludes, from NSW Department of Education analysis of the Productivity Commission's own *Report on Government Services* expenditure data, which excludes user cost of capital, depreciation, payroll tax and school transport costs,²⁰ that for government schools "*real growth over the period 2004-05 to 2013-14 was only 0.65 per cent annum per student.*"

The Queensland Government provides evidence of improved educational performance to make its case that the Commission's finding that increased expenditure on education has not delivered significant improvement at the national level is misleading.²¹ Its submission provides evidence to support its position that Queensland's improved performance "*demonstrates that increased resourcing makes a difference to education outcomes.*"²² In fact, Queensland's best-ever performance on national assessments in 2016 has been enabled by the increased funding available to schools to support the use of evidence-based approaches to improving performance.²³

All three government submissions provide evidence that 'money does matter' and support the case for sustained needs-based funding increases over time, accompanied by better use of data and evidence to support the targeting of resources to areas that improve outcomes for students in order to produce significant benefits over the long-term. For example, the McKinsey Report, *How the world's most improved school systems keep getting better* (2010), cites a minimum of six years for significant improvements to be achieved across a system (our emphasis).²⁴

Three years is simply too short a time to see sweeping macro-level improvements in student and school outcomes. This is particularly so in the current Australian context, where additional resources are being delivered under new funding arrangements designed to overcome the consequences of a funding model which saw combined government per student funding to public schools fall by 3 per cent in real terms from 2009-10 to 2013-14, while private school funding rose by 10 per cent.

¹⁹ NSW Government Post-Draft Report Submission to the Productivity Commission's draft report, National Education Evidence Base. Submission Number DR145. 24 October 2016.

http://www.pc.gov.au/__data/assets/pdf_file/0006/209319/subdr145-education-evidence.pdf

²⁰ Productivity Commission Report on Government Services expenditure data (Source: ABS 5518.0.55.001) deflated using Wage Price Index – NSW Department of Education

²¹ NSW Submission; op,cit. p.4

²² Queensland Government Post-Draft Report Submission to the Productivity Commission's draft report, National Education Evidence Base. Submission Number DR142. 24 October 2016. p12

http://www.pc.gov.au/_data/assets/pdf_file/0003/209316/subdr142-education-evidence.pdf p4

²³ *ibid.*

²⁴ NSW Submission; op,cit. p.1

Evidence from schools on the positive difference being made with Gonski funding

Notwithstanding the importance of time, in addition to the research and information provided to the Productivity Commission and Federal Government by the states, there is substantial evidence from schools in states where increased needs-based funding is flowing of promising early improvements.

Schools in New South Wales, Queensland, South Australia and Victoria, along with their education departments, are indicating that additional funding, with the largest increases targeted to schools where students' needs are greatest and schools have a greater capacity to direct increased resources to initiatives where they are most needed, is making a difference to schools, students and school communities and lifting results for students, particularly those in disadvantaged school communities.

They are able to employ and utilise the expertise of specialist teachers and support staff more effectively; provide more effective professional development and training for all staff; develop and implement new literacy and numeracy programs; and to provide greater individual support to students both in and out of mainstream classrooms, including the early intervention support they need. There have been demonstrable improvements in student achievement, engagement and attendance, and increased confidence, morale and efficacy amongst teaching and support staff.

The AEU's 2016 *State of Our Schools* report showed that 67 per cent of principals responding were receiving funding compared to just 34 per cent in 2015. Half of the schools receiving Gonski funding in 2016 received over \$100,000 and 27 per cent received over \$400,000. Of the schools which received over \$200,000, 95 per cent said it was making a positive difference.

Principals reported spending their funding on a range of ways to benefit students including:

- professional development to improve the quality of teaching (53 per cent);
- additional student support staff (51 per cent);
- specialist literacy and numeracy teachers and coaches (40 per cent);
- one-on-one support for students with learning difficulties (34 per cent); and
- additional classroom teachers to cut class sizes (21 per cent).

The AEU has also been conducting research throughout 2016 into the different ways in which schools are using their Gonski funding to meet the needs of a diverse range of students and the tangible outcomes it is producing. The fundamental goals of lifting literacy and numeracy are central to schools' use of their funding, although approaches differ depending on the needs of their student populations.

Given the importance of data and evidence in determining what is required, it is particularly significant how many schools have invested in resources which produce better quality data and in the time and skills required by staff to make better use of the data to inform school strategies, allow more effective targeting and improve teaching and learning programs.

Many schools say this is the first time they have been able to offer some much-needed programs and services, and many have seen significant increases in their students' learning and academic results and positive engagement with schooling in relatively short amounts of time.²⁵

²⁵ Australian Education Union, *Getting Results. Gonski Funding in Australian Schools*, 2016. Available at

Schools are running innovative new programs in STEM subjects, expanding extra-curricular activities and Gifted and Talented programs to give their students opportunities they didn't have before, and most are investing in their staff by using their Gonski resources to improve the quality of teaching through increased professional development, mentoring and collaboration in schools. Many secondary schools are able to provide greater levels of individual and group support to students, giving them the best chance of completing Year 12 and going on to work or further education.

Consequences of the policy decision to end Gonski funding post-2017

The research shows clearly that schools, their students and school communities, will suffer and many innovative programs and impressive results will fall by the wayside if Gonski funding is discontinued. Schools are also acutely aware that not only will what they have achieved with relatively limited amounts of Gonski funding be compromised or lost, but the promise of much greater benefits from the substantially increased amounts of Gonski funding scheduled for 2018 and 2019 will not materialise.

The direct evidence from schools reinforces the need for the political willingness to look beyond the short-term. Schools which had made significant improvements with Literacy and Numeracy and Low SES National Partnerships funding prior to 2014 were fearful of what would be lost if new funding arrangements were not put in place following the Gonski Review and subsequent legislation and negotiations.

The National Partnerships funding was, by definition, of limited duration, and without Gonski its benefits would have been diminished or lost. Schools and systems now face the loss of Gonski post-2017, funding which would have provided continuity over time, and they anticipate that their earlier fears will now be materialised and subsequent cohorts of students will bear the cost of the failure to deliver ongoing funding.

Together with the experience of schools in states/territories where Gonski funding arrangements were not negotiated and compensatory increases were not delivered to schools on a needs-basis, if at all, it is clear that most public schools and their students still face issues of under-resourcing and, in many cases, of significant under-resourcing.

The AEU Survey, for example, showed clearly that, even with the increases in Gonski funding, 45 per cent of principals reported that their schools still do not have an adequate level of resources to meet the needs of all their students. In Victoria, where Gonski funding was delayed until 2016, that figure rose to 65 per cent of principals.

Breaking the link between social and economic disadvantage and poor school outcomes, and closing the resource and attainment gaps between schools

The evidence is clear that breaking the link between social and economic disadvantage and poor school outcomes, and closing the resource and attainment gaps between schools, remain an urgent national priority. The 2017-18 Budget would be an appropriate vehicle to reverse the Turnbull Government's decisions to not proceed with major needs-based funding reform and to abandon the final two years of Gonski funding, and allow the improvements which are being delivered to flourish and expand.

Maintaining its current position will put Australia even further out of step with global institutions such as the OECD, the World Bank and the IMF. All these institutions have taken

<http://www.aeufederal.org.au/application/files/1914/6284/3484/GonskResults2016.pdf>

a strong line on the negative economic and social consequences of growing inequality and the crucial role of education in promoting economic growth and employment.

They increasingly emphasise the essential role of governments in creating education systems which address inequality and investing in quality education for all, in particular for children from disadvantaged backgrounds, and the substantial economic and social costs of failing to give every child and young person the opportunity to succeed.

Most recently, the OECD's analysis of the PISA 2015 results and their implications for policy highlights the relationship between how educational resources are allocated and distributed among students from different backgrounds and equity in education opportunities and outcomes.²⁶ The most successful systems, both in terms of quality and equity, work to increase social inclusion and reduce the concentration of disadvantaged and low-performing students in particular schools by distributing the highest quality resources to where these resources can make the most difference; i.e. the highest levels of additional resources are targeted to schools with high concentrations of low-performing and disadvantaged students.²⁷

*How equitably resources are allocated across schools determines whether or not all students are given equal opportunities to learn. In this context, an equitable resource allocation would mean that the schools attended by socio-economically disadvantaged students are at least as well-equipped as the schools attended by advantaged students, to compensate for inequalities in the home environment.*²⁸

Two of its most significant policy recommendations to improve educational outcomes at both school and system level are to:

- provide access to quality early education for all children; and
- above all (OECD emphasis), provide additional support to disadvantaged schools.

Abandoning needs-based Gonski funding and increasing indexation of 2017 funding levels to all schools and systems, irrespective of their levels of need, fails to heed the OECD's evidence-based policy advice and the well-established body of evidence on the inequality of resourcing between the government and non-government sectors across Australia and the consequent inequality in educational opportunities and outcomes.

Dr McMorrow's analysis of the 2016 Budget, which was effectively a critique of the Turnbull Government's current intentions, concluded that:

The Coalition has abandoned the Gonski schools funding without any rational alternative. Instead, it has emerged from the 2016 election with a policy that reflects an arbitrary political decision, with no underpinning principle in terms of the quality or fairness of schooling across Australia,

The single biggest problem in Australian education remains the unacceptable gaps in achievement between students from different backgrounds and locations. The evidence shows that delivering the full Gonski funding is our best chance to ensure that all

²⁶ OECD (2016), *PISA 2015 Results (Volume I): Excellence and Equity in Education*, PISA, OECD Publishing, Paris. Chapter 6. <http://dx.doi.org/10.1787/9789264266490-en>

²⁷ OECD PISA 2015, op.cit. p.205

²⁸ OECD (2016), *PISA 2015 Results (Volume II): Policies and Practices for Successful Schools*, PISA, OECD Publishing, Paris. p.187 <http://dx.doi.org/10.1787/9789264267510-en>

*students receive the support they need to achieve their potential and close these achievement gaps.*²⁹

The AEU calls on the Turnbull Government to recognise this in the 2017-2018 Budget and extend the Coalition's commitment to fund Gonski from 2014 to 2017 to the full six years, with increased levels of investment accompanied by targeting resources to where they are needed most across the entire education sector.

Early Childhood Education

The OECD policy recommendation from PISA 2015 (December 2016) regarding the crucial importance of access to quality early education for all children in order to improve educational outcomes at both school and system level is a good starting point for consideration of Early Childhood Education (ECE) in the 2017-18 Budget.

The recommendation reinforces the widely acknowledged strong evidence base on the importance of quality early childhood programs for all children, and particularly for vulnerable and disadvantaged children, and the long term social and economic benefits for the nation of early investment in education.

It also further underlines the economic irresponsibility of the Coalition since it came to government in September 2013 demonstrated by its ongoing reluctance to fully commit to ongoing provision of the Commonwealth's share of the funding required to ensure universal access to preschools programs for all children in the year before schooling.

This is occurring at a time when public debate is now focussing on the Commonwealth and the States/Territories collaborating to extend the provision of universal access to preschool for all 3 year old children, as is the case for most peer OECD countries which already provide two years of preschool. At such a time the uncertainty of the future of funding for universal access for four year olds is inexcusable.

The Universal Access to Early Childhood Education National Partnership, implemented by then Federal Labor government with the aim of ensuring that every child in Australia has access to high quality early childhood education taught by a university-trained teacher in the year before school, provided funding from 1 July 2013 to 31 December 2014. The Abbott Government was forced by public pressure to extend funding but would only make a commitment to extend funding for one year from 1 January 2015 to 31 December 2015. Again, in response to further pressure, a subsequent \$840 million extension of funding was made from 1 January 2016 to the end of December 2017.

That this funding has led to major improvements in access to preschool for four year olds, including substantial increases in enrolments, and higher quality early learning, is acknowledged by the Federal Minister himself.

Minister for Education and Training Simon Birmingham said the data from the 'ABS' Preschool Education, Australia, 2015' publication showed the Government's Universal Access Agreement has encouraged an additional 16,088 children into early childhood education. The Government's support for high quality early learning continues through its \$843 million commitment to Universal Access, which ensures every

²⁹ McMorrow, op.cit. p.8

*Australian preschool child access to 15 hours of early learning a week. Quality early education in the year before a child starts school not only helps them develop vital literacy and numeracy skills, but also develops the important social skills that will help children adjust to classroom and playground settings.*³⁰

Even with the increased funding, Australia's investment in early childhood education still underinvests in early childhood education by international standard, with the OECD's most recent Education at a Glance (2016) confirming that Australia's spending accounts for just 0.5% of GDP compared to the OECD average of 0.8%.³¹

The need for the Commonwealth to, at the very least, maintain its funding share is highlighted by not only the gains that have been achieved through the universal access funding that has been committed to date, but also the data which shows that despite the substantial increase in preschool enrolments over the last several years and evidence of the provision of higher quality ECE, there is still too strong a relationship between access and quality and SES.

A recent research study by the Mitchell Institute, *Quality Early Education for All* (April 2016) highlights what it calls "the mismatch between investment and opportunity in early childhood policy in Australia" and shows that, despite the gains made, current policy settings are still not meeting the needs of many children.

*Early education is one of the most significant investments in productivity that governments make. It has positive impacts on all children and is key strategy for overcoming the impact of early disadvantage on educational outcomes and life chances. However, in Australia, there remains an unacceptable divide in both opportunity and outcomes between the poorest and wealthiest communities, between cities and very remote towns, and between children from different cultural backgrounds.*³²

The evidence shows that currently:

- a third of Australian children, who are in the main the ones who need it most, do not attend preschool for the number of hours needed to make a difference,³³ and children in poorer communities have fewer high-quality services available to them.³⁴
- more than one-in-five children (around 60,000), 15 per cent of whom are from the lowest SES quintile, still start school with developmental vulnerabilities that can make it hard for them to take up the opportunities that schooling provides, with increased risks of early disengagement from schooling, and mental health and other issues which jeopardise their chances of successful schooling and lead to further cost imposts on the system in later years.

³⁰ Simon Birmingham, *More preschoolers benefitting from early education*, Media Release. March, 18 2016 <http://www.senatorbirmingham.com.au/Latest-News/ID/2996/More-preschoolers-benefitting-from-early-education>

³¹ O'Connell M, Fox S, Hinz B and Cole H (2016). 'Quality Early Education for All: Fostering, entrepreneurial, resilient and capable leaders', Mitchell Institute policy paper No. 01/2016. p.(v) Mitchell Institute, Melbourne. Available from: www.mitchellinstitute.org.au

³² Mitchell Institute 2016, op.cit. *Executive Summary*

³³ While most children (86 per cent) are enrolled in preschool for 15 hours a week, a significant minority do not attend for this time, with participation skewed to higher SES areas. More than a quarter of children – 80,000 out of nearly 300,000 – attend less than 15 hours per week. (ABS 2015) Mitchell p26

³⁴ <http://www.mitchellinstitute.org.au/reports/quality-early-education-for-all/>

- children that are under-represented in preschool participation include Aboriginal and Torres Strait Islander (ATSI) children, CALD (Culturally and Linguistically Diverse) children, children with a disability and children from low-income families.³⁵
- while a substantial proportion of services have been independently assessed as working towards the minimum quality standards outlined in the NQF, and improvements in quality have been made, nearly one-in-four services experience difficulty in meeting the NQF's 'education program and practice' standard which focuses on embedding children's individual learning, exploration and identity in everyday practice.³⁶

The research also shows that many of the children who enter school developmentally vulnerable fail to catch up, with around 10 per cent remaining behind throughout the middle years and in their attempts to transition into further education or work. This increases the pressure on the schooling system and its attempts to close the gaps in achievement with which we are all familiar.

Within this context the gains that have been made in the participation of ATSI children over the last several years of increased levels of targeted funding are particularly noteworthy. While participation is still below the national average, their attendance rate in the year before school has increased to nearly 70 per cent; up from 60 per cent in 2012.³⁷

Together with the fact that Australia is now close to international norms in the attendance of 4-year-olds in preschool, despite the gaps which remain, the marked improvement in ATSI participation underlines, as pointed out by the Mitchell Institute study, the importance of both targeted funding and intergovernmental collaboration as part of the National Partnership Agreements.³⁸

The AEU calls on the Turnbull Government to show its commitment to embedding the gains which have been made and closing the gaps which remain, by announcing in the Budget that it will, as a bare minimum, deliver its funding share of the commitment by all governments across Australia to universal access to preschool for all children in the year before schooling and improving the quality of early education services across the country on a permanent basis.

Further, in order to bring our national commitment to, and investment in, preschool education closer to peer countries in the OECD, the 2017-18 Budget would also be an appropriate place to introduce steps towards the goal of providing high quality, developmentally appropriate preschool education in the two years prior to school. Such a move would be very much in the national interest. All children benefit from high quality preschool education, but particularly those from disadvantaged and vulnerable backgrounds, from whom 15 hours a week in the year before schooling is simply not enough to ensure they are on the path to long-term health and wellbeing, successful education and a positive future.

Funding for students with disabilities and special needs

The Coalition Government's ongoing failure to keep its 2013 election commitment to properly fund all students with disability is compounded by its stated intention of abandoning

³⁵ Mitchell Institute 2016, op.cit. p26 (citing 2015 Productivity Commission figures)

³⁶ Mitchell Institute 2016, op.cit. p.vi

³⁷ Mitchell p26; ROGS 2016 Table 3A.36

³⁸ ibid

the last two years of needs-based Gonski funding agreements. Taken together these two positions ensure that funding for students with disabilities remains in crisis across Australia despite the overwhelming evidence of unmet need, and that it is likely to change sufficiently in the future to be acceptable.

Recently published data shows that the proportion of students with disability in schools remains significantly higher than the number of students funded, and that the level of need is almost twice as high in government schools than in non-government schools. The Nationally Consistent Collection of Data on Disability (NCCD) Data for 2015 (the first year in which all schools participated in the collection, and only publicly released on 20 December 2016) shows that:

- 12.5 per cent of students needed supplementary, substantial or extensive support for a disability or learning difficulty.
- the government sector, which has the highest share of the total school population and has consistently educated a higher proportion of students with disability than private schools, continues to have the highest share of students requiring adjustments.³⁹

Distribution of students with disability by sector and level of adjustment as a percentage of total student population (2015)⁴⁰

Level of Adjustment	Government	Catholic	Independent	All Sectors
Supplementary	8.3%	8.6%	6.9%	8.2%
Substantial	3.4%	1.7%	2.0%	2.8%
Extensive	1.9%	0.4%	0.8%	1.5%
Share of all students requiring an adjustment	13.6%	10.7%	9.7%	12.5%

However data on the number of students receiving funded support for their disability from the Productivity Commission’s most recent Report on Government Services (2016) shows that only 5.3% of all students (and 6.1% of all public school students) received funded support for their disability in 2014.⁴¹

This means that less than half the number of students requiring support for their disability are receiving it, a continuation of a long-running trend.

The reason given for the ongoing delay in fully funding the promised level of support for students with disability is concerns with the quality and consistency of the NCCD data. But given that the NCCD process has been running for six years and has consistently shown huge levels of underfunding of disability, the repeated extensions of the time by which the data will be considered sufficient to inform the full promised disability loading is simply unacceptable.

That the Education Minister can announce in December 2016 that the data “fails a basic credibility test” and cannot yet be used as a benchmark for making primary funding decisions

³⁹ Education Council, *Improving educational outcomes: Emergent data on students with disability in Australian schools*, p.11 Education Service Australia, 2016
<http://www.educationcouncil.edu.au/site/DefaultSite/filesystem/documents/Accessible%20version%20of%20Improving%20educational%20outcomes%20report.pdf>

⁴⁰ p. 8 Table 1

⁴¹ Productivity Commission, *Report on Government Services 2016*, Chapter 4, Volume B. Table 4.9

for students with disability, when it has been a national education priority for years, is a national disgrace.

That the need is chronic and urgent is backed by research and surveys of parents of children with disability and AEU surveys of educators. A 2016 survey conducted by Children and Young People with Disability Australia (CYDA) confirmed that more than 250,000 students were missing out on funded support at school, more than half the total who need it, and that two-thirds of parents said funded support for their child was inadequate.⁴² For example, the AEU's April 2016 'State of Our Schools' survey found that 87% of principals responding reported having to shift funding from other parts of their school budget to assist students with disability, up from 84% in 2015.

The Coalition went to the 2013 election promising to properly fund all students with disability from 2015. This commitment was broken, with the then Education Minister Christopher Pyne subsequently promising, in June 2015, that from 2016: "*every child in Australia with disability will be able to receive the correct loading, as they should, to match their disability*".

The 2016-17 Budget confirmed that this promise too has been broken and that this funding will now not be delivered until 2018 at the earliest. The additional \$118.2 million over 2016 (\$86.7m) and 2017 (\$31.6m) announced in the Budget for SWD, with no details as to how it would be targeted,⁴³ was yet another inadequate interim measure. It falls far short of what is required to ensure all students receive the support they deserve and have been promised, and Minister Simon Birmingham is still unable to say how much extra funding will be provided or how it will be distributed.

All the evidence shows that every year of delay denies another cohort of students with disability the vital support and the chance to benefit fully from their education.

Clearly the issue is one of governments failing to act, not the lack of evidence of a huge unmet need in disability education. Properly funding students with disability is critical for ensuring that schools can meet the needs of all their students. It is crucial that the 2017-2018 Budget provides solid evidence of the Turnbull Government's intention to progress the long-delayed funding to which students with disability are entitled.

Indigenous Education

Meeting the goals of 'Closing the Gap' in order to redress significant gaps between Indigenous and non-Indigenous Australians remains another major national priority. The Prime Minister's 2016 *Closing the Gap* report highlights the importance of education as a key driver in addressing significant disparities in the health, wellbeing and prosperity between Indigenous and non-Indigenous Australians.⁴⁴

⁴² Education Survey Results 2015 – Children with Disability Australia <http://www.cda.org.au/cda-education-survey-results>

⁴³ Commonwealth of Australia, Budget Paper No. 2, *Budget Measures 2016-17* BP 2-80

⁴⁴ Commonwealth of Australia, *Closing the Gap Prime Minister's Report 2016*, http://closingthegap.dpmc.gov.au/assets/pdfs/closing_the_gap_report_2016.pdf

The report highlights areas where some progress has been made in achieving the ‘Closing the Gap’ targets, but notes significant persistent gaps in access, outcomes and school attendance rates between Indigenous and non-Indigenous students remain, with the widest gaps being in remote areas.⁴⁵

Data from national and international testing shows that Indigenous students are two to three years behind their non-Indigenous peers in school achievement, 18 per cent of Indigenous students fail to meet minimum standards in reading and writing compared to 6 per cent of non-Indigenous students, and Indigenous rates of completion for Year 12 are still far lower than for non-Indigenous students.

While these problems have often appeared to be intractable there are a number of recent encouraging signs.

In its consideration of the importance of literacy and numeracy skills to student success at school and in moving into employment, the PM’s report notes that while the literacy and numeracy gap remains, the numbers required to halve the gap are within reach. It also cites the findings of a recent study that if Indigenous and non-Indigenous students reach the same level of academic achievement by the time they are 15, there is no significant difference in subsequent educational outcomes such as completing Year 12 and participating in university or vocational training (Mahuteau, Karmel, Mayromaras, & Zhu, 2015).⁴⁶

The report also highlights what preceding sections of our submission have made clear: the need for a twofold approach improving literacy and numeracy through (i) addressing early childhood education, and (ii) accelerating learning for students currently at school.⁴⁷ It is crucial that these understandings are taken into consideration in the formulation of the 2016-27 Budget.

In light of the Government’s intention not to fund years 5 and 6 of Gonski it is somewhat ironic to note the section in the report on accelerating progress towards overcoming the disparity in literacy and numeracy outcomes. It cites the provision of additional funding for ATSI students in 2015 through a loading to provide additional support for students within needs-based school funding arrangements (a key Gonski initiative) as a contributing factor to gains that have been made.

This is supported by the growing body of evidence on the difference Gonski funding has been making for Indigenous students in schools. The funding delivers additional resources directly to schools which educate significant numbers of Aboriginal and Torres Strait Islander students and allows for more early intervention support and one-on-one support in classrooms and small groups, extra intensive literacy and numeracy programs and access to services such as speech therapy and greater engagement with local Indigenous communities. This has resulted in improved literacy and numeracy achievement, rising attendance rates, increased Year 12 completion, and greater involvement of parents and communities in schooling.⁴⁸

⁴⁵ The Report notes that while only 14 per cent of Indigenous Australians live in very remote areas, they make up a large proportion (45 per cent) of Australians living in these areas, and that the gap in attendance rates between Indigenous and non-Indigenous students widens as Indigenous students progress through school, particularly in remote and very remote areas where it is significantly greater.

⁴⁶ PM’s Closing the Gap Report, op.cit. p18

⁴⁷ PM’s Closing the Gap Report, op.cit. p19

⁴⁸ Australian Education Union, *Getting Results. Gonski Funding in Australian Schools*, 2016. Available at <http://www.aeufederal.org.au/application/files/1914/6284/3484/GonskResults2016.pdf>

Given that this has been achieved with Gonski funding at much lower levels than would have been provided in years 5 and 6, it is incumbent on the Turnbull Government to match its stated commitment to ‘Closing the Gap’ with appropriate resourcing commitments. As a minimum this would entail a fully-resourced expansion of educational opportunities and models of delivery to meet the diverse needs of ATSI students across Australia, particularly in remote and very remote communities, including the maintenance of Gonski funding in 2018 and 2019, with state and territory governments required to fully meeting their funding obligations.

There is no chance of closing access, opportunity and achievement gaps without closing the gaps in resources between schools by moving to permanent needs-based resourcing of the schools Indigenous students attend and ensuring needs-based funding measures in all states and territories. Too many Indigenous students are attending schools that fail to meet minimum resource standards, especially those in remote areas. Further, the Government also needs to take into account that their broken promises regarding funding for students with disability disproportionately impact on ATSI students given the higher rates of disability in young Indigenous people compared to their non-Indigenous peers.

TAFE

In addition to providing the levels of investment required by the public early childhood and schooling sectors to reverse decades of under-funding and resourcing, the Turnbull Government must also recognise the need for significantly increased commitment to, and investment in, the public vocational education and training sector.

Vocational education is the worst funded of the education sectors, as evidenced by the year-on decline in funding recorded in the Productivity Commission’s *Report on Government Services*. A recent Mitchell Institute research paper showed that expenditure in the vocational education sector has declined dramatically to below levels from 10 years earlier in real terms. From 2005-06 to 2014-15 national expenditure fell by 4.2 per cent (\$300 million) when adjusted for inflation. In the most recent reporting year, between 2013-14 and 2014-15, vocational education expenditure fell by 9 per cent or \$600 million.

The Mitchell paper makes the point that while there has been a decline in VET expenditure there has at the same time been increasing Commonwealth government outlays to training providers through VET FEE-HELP. As a matter of public record, 84% of VET FEE HELP has gone to the private for-profit vocational education sector. Overall government-funded VET enrolments have fallen by almost 17 per cent since 2012 across all jurisdictions. In addition, Commonwealth funding to the states for vocational education delivery is expected to fall by nearly \$500 million in 2017-18 as a result of the expiration of the National Partnership Agreement on Skills Reform.

The treatment of TAFE in previous Budgets highlights the fact that not only is there no government policy currently in place to halt the decline in funding, but also the continuing disparity between vocational education and the other education sectors. The situation in vocational education is particularly urgent because the ongoing decline in enrolments can be attributed in part to the increasing lack of certainty around funding, the damage to public

provision at TAFE institutes, and the ongoing reputational damage caused by the activities of a poorly regulated private for-profit sector.⁴⁹

The ongoing lack of investment by Australian governments in TAFE and in vocational education sends the strongest possible message to the sector as a whole, but also to the Australian community that governments hold the sector in low regard. Failure by successive governments to address poor investment in vocational education, and the lack of decisive action around the activities of a corrupt private for-profit sector have combined to damage the sector's reputation. The recent "abolition" of the VET FEE-HELP scheme, and its replacement by an as yet untested new scheme will not address the fundamental problems in vocational education because there has been no examination by the government of investment in the sector as a whole.

The problems with the VET FEE-HELP scheme cannot be considered in isolation from the other problems which currently exist across the sector, and from the impact of market reforms in the sector overall. Many of the problems identified with VET FEE HELP - low quality provision, low student engagement, poor progression, inconsistent assessment and low completion rates, unscrupulous providers and wasted financing are all evident across the whole sector, and were not confined to VET FEE-HELP provision.

Neither can any of these problems be considered separately from the effect of the other key requirement of the *2012 National Partnership Agreement for Skills Reform* - the introduction of a so-called "national entitlement" which opened public funding to public and private providers. Together, it was these two requirements which comprised the key components of a concerted shift to organise the vocational education sector along market lines. The introduction of the National Entitlement and the expansion of the VET FEE-HELP scheme were the beginning of a process which has seen a massive expansion of the private for-profit VET sector in Australia, through rapid opening up of government funding. In 2014, more than 46.4 per cent of recurrent government funding was allocated contestably, up from 18.6 per cent in 2005. The shift in funding allocated to non-TAFE providers has grown from 6.7 per cent in 2005 to 28.7 per cent in 2014.⁵⁰

The AEU calls for the 2017-18 Budget to demonstrate that the Turnbull Government has heeded the calls from most vocational education stakeholders for a real commitment to the TAFE sector. The Budget should indicate the Federal Government's intention to make re-investment in TAFE and public vocational education an urgent priority ahead of a commitment for a thorough-going review of funding in vocational education in Australia.

⁴⁹ The Productivity Commission, in analysing the government real recurrent expenditure per annual hour says that it has increased 4.1 per cent since 2005, whereas the number of government funded annual hours has increased by 51.8 per cent. This is an average annual rate of decline of 4.1 per cent since 2005. For a comprehensive comparison of expenditure between the sectors, Figure 6: Expenditure by education sector 2003-04/2013/14 from the Mitchell Institute's VET funding in Australia: Background Trends and Future Directions by Peter Noonan is instructive.

⁵⁰ SCRGSP (Steering Committee for the Review of Government Service Provision) 2016, Report on Government Services 2016, Productivity Commission, Canberra

APPENDIX ONE

The Precarious State of Schools Funding in Australia following the 2016 Federal Election

Jim McMorrow
August 2016

Jim McMorrow has held a number of strategic policy positions at national and state levels, including as Deputy Director-General, NSW Department of Education and Training, Director of Policy and Planning in the former NSW Ministry of Education, and First Assistant Commissioner of the Commonwealth Schools Commission.

The re-election of the Turnbull Government in July 2016 confirms the uncertain and troubling state of public policy for the funding of schools in Australia.

The Coalition had very little to say about its schools funding policies during the election campaign. Its election policy commitments were, to say the least, limited in both rhetoric and scope¹. To the extent that those commitments had any real substance, they were limited to the policy decisions contained in the May 2016 Federal Budget.

That Budget confirmed that the Coalition Government has abandoned the national goal of enabling all schools to reach the recurrent resource standards recommended by the Gonski Review and set out in the *Australian Education Act*. Whatever the many shortfalls and inequalities in their funding at the end of 2017, schools have been served notice that a Coalition government in Canberra has no plan to deal with them after that date. As far as the Coalition is concerned, schools operating at resource levels below their 'Gonski standard' will just have to soldier on.

Even the Budget's 'headline' announcement, \$1.2 billion extra for schools, is disingenuous. This \$1.2 billion has been allocated over four years from 2017-18 to 2020-21, to provide enhanced indexation of Commonwealth recurrent funding for schools over the calendar years 2018 to 2020.

The Government has moved away from the Abbott Government's decision to link funding levels after 2017 in all schools and systems to changes in the Consumer Price Index (projected at around 2.5 per cent per annum) and has replaced it with a new 'education sector specific' index of 3.56 per cent².

Recurrent spending in schools is essentially directed to teacher and non-teacher salaries, with a smaller proportion provided for non-salary educational items. The Budget papers project wages growth of 3 to 3.5 per cent per annum for the period after 2017-18³, and enrolment growth of over 1 per cent⁴. This suggests that the Commonwealth's additional \$1.2 billion over four years effectively adjusts its per student grants to offset the effects of inflation in schools.

Having abandoned the goal of enabling all schools to reach the 'Gonski' recurrent resource standards set out in the *Australian Education Act*, the Government's decision to index grants annually by 3.56 per cent after 2017 effectively 'freezes' the Commonwealth's contribution at the 2017 school year in real terms. Had the Coalition not allowed in the Budget for indexation to reflect education expenses, it would have been announcing a progressive cut in Commonwealth funding to schools from 2018 on, in real terms.

¹ Liberal Party of Australia, *Putting Students First*, July 2016.

² Budget 2016 Paper No. 2, page 80.

³ Budget 2016, Paper No. 1, Table 2, page 1-8.

⁴ Budget 2016, Department of Education and Training Budget Statements, Table 2.1.2, page 28.

Having repudiated any obligation for the fifth and sixth years of needs-based funding increases linked to the achievement of resource standards, the Commonwealth Minister has declared that the additional \$1.2 billion for indexation from 2018 to 2020 ‘...will be tied to a needs-based distribution of funding and reforms in our schools to help every parent have confidence that their (sic) child is receiving the teaching they (sic) require’⁵.

What this means is that the Commonwealth expects any re-distribution of its funding, to better reflect student need, to be effected by government and, perhaps, non-government system authorities. Because Commonwealth funding after 2017 will effectively be adjusted only for ‘education specific costs’, it implies that some schools within systems would need a funding cut to enable increases to flow to needier schools.

Of course, there is no way that such a re-distribution can apply across different schools within the non-systemic independent schools sector, where the least and the best resourced schools would receive the same rate of indexation.

(Note: at this stage, the Commonwealth Minister has not announced whether differential indexation would apply to schools operating above the national resource standard, as set out in Section 60 of the *Australian Education Act 2013*.)

Non-government schools will receive the greatest share of the additional \$1.2 billion. Based on projected enrolment and funding shares between the sectors, non-government schools can expect to receive around \$750 million, with the remaining \$450 million (or 38 per cent) allocated to government schools.

The Budget Papers provide more detailed information on the Commonwealth’s funding commitments to the 2019-20 financial year. The Budget’s summary table for schools is outlined below:

⁵ Simon Birmingham media release, *The quality reforms needed to get all Australian students ahead*, 1 May 2016

Table 1**Budget 2016: Commonwealth Students First Funding for Schools****Outturn prices**

	Estimates		Projections			Increase	
	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16 to	2019-20
	\$m	\$m	\$m	\$m	\$m	\$m	%
government schools	5,766	6,442	6,936	7,277	7,671	1,904	33.0%
non-government schools	9,869	10,554	11,061	11,556	12,106	2,237	22.7%
All schools	15,636	16,996	17,997	18,833	19,777	4,142	26.5%

Source: Budget Paper No. 3 2016, Table 2.5

Excluded from this table are the allocations over the Budget period for National Partnership Programs (NPPs), which were the banner programs introduced by the Rudd and Gillard governments to promote quality and equity in schooling. Almost all NPPs for primary and secondary education are budgeted to terminate over the Budget estimates period⁶, with the exception of the schooling component of the Northern Territory Aboriginal Investment program.

Table 1 shows the effects of the Government's decisions to complete the phasing-in of the first four years of the 'Gonski' funding model (2014 to 2017) and the adoption of the uniform annual indexation rate of 3.56 per cent from 2018 to 2020. Funding for government schools in 2019-20 compared with 2015-16 is budgeted to increase by \$1.9 billion for government schools, or 33 per cent, and \$2.2 billion for non-government schools (23 per cent). The overall funding for all schools is projected to increase by just over \$4 billion, or 27 per cent⁷.

But the figures in Table 1 are expressed in 'outturn' prices, namely the money amounts allocated for each year. A better picture of the impact on schools is provided by adjusting the figures for the effects of inflation on the funding schools receive. This is done in Table 2 below, which 'deflates' the outturn amounts by estimated and projected price increases. As noted above, the major recurrent expenditure items in the operation of schools, around 75 per cent, are salaries and wages, especially for teaching staff, which are measured by the Australian Bureau of Statistics in the education component of their wage price index⁸. Changes in non-salary recurrent expenditures in schools generally reflect trends measured

⁶ Note that this includes the controversial \$60m per annum School Chaplaincy program, which at this stage is budgeted to end in 2017-18.

⁷ The higher rate of increase for government schools reflects the effects of the introduction of the Gonski funding model, with loading for schools and students with special needs, up to 2017-18.

⁸ ABS, *Wage Price Index*, 6345.0, December 2015

by the Bureau's consumer price index⁹. In this paper, data from these sources were applied to develop a *Schools Price Index* to report on the real changes in Commonwealth funding for schools in Table 2.

Table 2

Budget 2016: Commonwealth Students First Funding for Schools

constant Year 2015-16 prices

	Estimates			Projections			Increase 2015-16 to 2019-20	
	2015-16	2016-17	2017-18	2018-19	2019-20	\$m	%	
	\$m	\$m	\$m	\$m	\$m	\$m	%	
government schools	5,766	6,304	6,610	6,728	6,868	1,101	19.1%	
Annual increase (\$m)		537	306	118	140			
Annual increase (%)		9.3%	4.9%	1.8%	2.1%			
non-government schools	9,869	10,327	10,540	10,684	10,839	970	9.8%	
Annual increase (\$m)		458	213	144	155			
Annual increase (%)		4.6%	2.1%	1.4%	1.5%			
All schools	15,636	16,631	17,150	17,412	17,707	2,071	13.2%	
Annual increase (\$m)		995	519	262	295			
Annual increase (%)		6.4%	3.1%	1.5%	1.7%			

Sources: Budget 2016 papers (see Table 1); ABS education wage price indexes and consumer price indexes, selected years.

As can be seen in Table 2, the estimated real increase in Commonwealth funding for government schools over the Budget period to 2019-20 is calculated at around \$1.1 billion, or 19 per cent; while the increase for non-government schools is estimated at \$970 million or almost 10 per cent. Note the tapering down of the annual levels and rates of increase over the funding period: funding for government schools in the current budget year, 2016-

⁹ ABS, *Consumer Price Index*, 6401.1, March 2016.

17, is estimated to increase by 9 per cent over the previous year, reducing to around 2 per cent in 2019-20; while the annual rate of increase for non-government schools reduces from around 5 per cent in 2016-17 to 2 per cent in 2019-20.

The Government's decision to move to a version of a 'schools price index' based on major school expenditure weightings (75 per cent education salaries and 25 per cent Consumer Price Index) is a basis for protecting the real value of the Commonwealth's contribution to schools.

In doing so, however, it has chosen to apply a fixed rate of 3.56 per cent across the full three calendar years 2018 to 2020 in the Budget allocations. By contrast, the calculations underpinning Table 2 conform with the more conventional approach of using annual changes in education wage costs and overall consumer prices as projected in Budget Paper No. 1¹⁰.

In addition, the Government has chosen to adopt the education component of the CPI, rather than the full index across all categories, in its calculations. This means that its indexation rate is influenced by increases in school fees rather than by changes in the non-salary recurrent resources provided in schools. Increases in school fees are not necessarily a direct measure of inflation in schools. They frequently reflect aspirations by school authorities to provide resource betterments, including capital works, rather than compensating for changes in the price of a comparable 'basket' of recurrent resources across schools over time.

There is no educational rationale for using changes in school fees as a measure of inflation in schools. In adopting the education component of the CPI (that is, changes in school fees) as part of its indexation methodology, the Government appears to have accepted some of the pre-Budget submissions of non-government school authorities¹¹.

Because of these difference in indexation methodologies, the estimates in Table 2 show a small annual real increase in Commonwealth funding for schools after 2017-18. In this sense, this very small increase in Commonwealth investment in Australia's schools is the result of an accounting technicality rather than of a vision for a higher quality and more equitable school system.

The overall amounts in Tables 1 and 2 do not take account of levels and changes in student numbers in both sectors. An outline of the budget changes on a per student basis is set out in Table 3 below:

¹⁰ Budget 2016, Paper No. 1, Table 2, page 1-8.

¹¹ E.g. National Catholic Education Commission, *2015-16 Pre-Budget Submission*, 6 February 2016, pages 4-5.

Table 3**Budget 2016:
Commonwealth per student
for Schools****constant Year 2015-16 prices**

	Estimates			Projections		Increase	
	2015-16	2016-17	2017-18	2018-19	2019-20	2016-17 to 2019-20	
	\$	\$	\$	\$	\$	\$	%
government schools	2,369	2,552	2,632	2,679	2,735	183	7.2%
Increase (\$)		183	80	47	56		
Increase (%)		7.7%	3.1%	1.8%	2.1%		
non-government schools	7,580	7,871	7,955	8,063	8,180	309	3.9%
Increase (\$)		291	83	109	117		
Increase (%)		3.8%	1.1%	1.4%	1.5%		
All schools	4,185	4,397	4,471	4,539	4,616	219	5.0%
Increase (\$)		212	73	68	77		
Increase (%)		5.1%	1.7%	1.5%	1.7%		
Projected enrolments							
government schools	2,434,000	2,470,000	2,511,000	2,511,000	2,511,000	0	
non-government schools	1,302,000	1,312,000	1,325,000	1,325,000	1,325,000	0	
all schools	3,736,000	3,782,000	3,836,000	3,836,000	3,836,000	0	

Sources: Budget Paper No. 3 2016, Table 2.5; Department of Education and Training Budget Statements Table 2.1.2

See also sources to Table 2

The trends in Table 3 reflect the greater numbers of enrolments in government schools as well as the larger share of Commonwealth funding directed to non-government schools. When Commonwealth funding is adjusted for inflation and expressed in per student terms, the Budget projects a real increase in funding of \$183 (around 7.2 per cent) for each student in a government school between 2015-16 and 2019-20. Although the rate of increase for each non-government school student is lower than this at 3.9 per cent, the total per student increase in non-government schools funding is higher, at \$309.

For a government school of around 500 students, the projected increase in funding by 2019-20 would be enough to finance an additional 0.9 of a teacher, on average, compared with its current level of resources. A non-government school of the same size would receive additional funding equivalent to 1.5 extra teachers over the same period.

System authorities, both government and non-government, would have the capacity to distribute the extra funding to provide targeted support for schools with the most needs;

but, as noted above, this is unlikely to be possible to achieve across all schools in the independent school sector.

The current Government's 2016 Budget reveals its decision not to commit to substantial reform of schools funding. Its decision to increase indexation of 2017 funding levels for all schools and systems regardless of relative need ignores the need for policies that address the growing inequalities in resources and outcomes within and between government and non-government school sectors across Australia.

At best, the Coalition Government has budgeted for a holding pattern in its policies and priorities for schools funding. There is no educational rationale for its future funding arrangements, other than its reluctant promise at the 2013 election to phase in the Gonski funding model to 2017 and effectively to freeze the resource standards achieved at that date for a further three years to 2020. The Coalition has abandoned the Gonski schools funding model without any rational alternative. Instead, it has emerged from the 2016 election with a policy that reflects an arbitrary political decision, with no underpinning principle in terms of the quality or fairness of schooling across Australia.

This is an unstable, and unsustainable, policy position. State governments will be increasingly urged by the Commonwealth and by the community to increase their funding for schools, and for the planning and funding of government schools in particular, to meet demographic pressures, which are also affecting a range of other essential services.

In this case, the Commonwealth may draw attention to its precarious Budget position in contrast with that of the apparent budget surpluses in most States. This kind of argument, however, is misleading, if not duplicitous. Commonwealth Budget conventions are very different from those of the States: Commonwealth budget positions compare revenues with all spending, both recurrent and capital, while States refer to 'operating' balances where only recurrent spending is deducted from revenue¹². When the Commonwealth makes this argument, it appears to be a new take on the Commonwealth/State blame game that bedevils the Australian federal system of government.

By contrast, the Labor Opposition has provided a clearer statement on policy priorities for schools. Labor has declared a strong commitment to a '...permanent and ongoing shift to needs-based funding' based on the Gonski model'¹³. Its funding commitments can be translated into the Budget framework and compared with the Coalition Government's allocations, as set out in Table 4 below.

¹² Ross Gittins, *Federal Budget 2016: what not to believe on the night*, Sydney Morning Herald, 1 May 2016.

¹³ Australian Labor Party, *Your child; our future*, February 2016.

Table 4
Difference between
Coalition and Labor
policies on Schools
Funding

Outturn prices

	Estimates		Projections			Aggregate 2016-17 to 2019-20
	2015-16	2016-17	2017-18	2018-19	2019-20	
	\$m	\$m	\$m	\$m	\$m	\$m
government schools						
<i>Coalition</i>	5,766	6,442	6,936	7,277	7,671	28,326
<i>Labor</i>	5,766	6,442	7,342	8,898	10,119	32,801
<i>Difference</i>	0	0	-406	-1,621	-2,448	-4,475
non-government schools						
<i>Coalition</i>	9,869	10,554	11,061	11,556	12,106	45,278
<i>Labor</i>	9,869	10,554	11,125	11,835	12,568	46,083
<i>Difference</i>	0	0	-64	-279	-462	-805
All schools						
<i>Coalition</i>	15,636	16,996	17,997	18,833	19,777	73,603
<i>Labor</i>	15,636	16,996	18,467	20,733	22,687	78,883
<i>Difference</i>	0	0	-470	-1,900	-2,910	-5,280

Sources:

Budget Paper No. 3 2016, Table 2.5; Budget Paper No. 2 2016, Part 2, page 80;

Australian Labor Party, Your Child our Future: Labor's positive plan for schools, 2016;

Parliamentary Budget Office, *Post-election report, 5 August 2016*

Note: a negative number in the *Difference* rows and columns indicates an increase in spending and, therefore, a call on the Commonwealth Budget bottom line.

The estimates of Labor's funding commitments over the Budget period in Table 4 are based on its public statements and documents, and an understanding of how these would be presented in a budgetary process. At this stage, Labor has not specified the detail of how it would apply the further transition to the Gonski funding model or the way it would index funding for schools operating above and below the Gonski standards. The estimates in Table

4 assume that the total amount would reflect the funding arrangements provided for in the *Australian Education Act 2013* and the costings undertaken by the Parliamentary Budget Office prior to the July 2016 election¹⁴.

The estimates for Labor's contributions also take into account its intention to provide interim funding for students with a disability (\$267 million over 2016-17 to 2018-19), as well as the additional funding for these students allocated by the Coalition Government in the 2016 Budget (\$118 million over 2016-17 to 2017-18)¹⁵.

On these assumptions, Labor's policy commitments would increase the current Budget projections of Commonwealth funding for all schools by almost \$5.3 billion over the four years of the Budget estimates from 2016-17 to 2019-20: \$4.5 billion extra for government schools and \$0.8 billion for non-government schools. This difference between the sectors recognizes the significance of the Gonski funding model for government schools in the light of the higher number and proportion of students requiring more intensive support in the public sector.

Labor's commitments would enable the Commonwealth to meet its share (65 per cent) of the additional funding required for almost all schools to reach the recurrent resource standards recommended by the Gonski Review. It would then fall on the States and Territories to commit to their share (35 per cent) of the increased investment required to meet the Gonski targets.

The comparisons between the two major parties are stark. Rarely has a federal election had so much at stake for the nation's public schools. Its outcome – a narrow Coalition victory and an unpredictable Senate – has increased the state of uncertainty about the longer-term future of Commonwealth funding policy for schools. This is especially the case for the underlying rationale for Commonwealth funding responsibility for public schools.

Despite some uncertainties about the detail of Labor's policy commitments – such as the indexation rates that would apply to different categories of schools and the nature of agreements with states and territory governments – the essence of its policy is clearly drawn from the advice of the Gonski Review Panel and the provisions of the extant *Australian Education Act 2013*. Underlying that policy framework are the values set out in the preamble of the Act, including the principle that:

The quality of a student's education should not be limited by where the student lives, the income of his or her family, the school he or she attends, or his or her personal circumstances.

It is not clear that the funding commitments put forward by the Coalition during the election¹⁶ are consistent with this principle. Rather than commit to any clear position on

¹⁴ Australian Labor Party, *Your child, Our Future: Labor's positive plan for schools*. July 2016; Parliamentary Budget Office, *Post-election Report*, 5 August 2016.

¹⁵ Budget 2016, Paper No. 2, page 80.

¹⁶ Liberal Party, *Election Policy Commitments Issue 12: Putting Students First*, July 2016.

equity and needs-based funding, the Coalition's election policies refer more generally to national agreements on teaching quality, school autonomy, parent engagement and curriculum reform – all in a resources vacuum.

The Coalition's current policy, as noted above, effectively 'freezes' Commonwealth funding for schools at the level reached in 2017. This is well short of the funding required for all schools to reach resource standards set out in the Gonski report and the Australian Education Act. As a result, Commonwealth funding for schools in 2018 and beyond will not be distributed according to the needs-based formulae provided for in the legislation. It is likely that the legislation will need to be amended, at least in relation to the indexation rate provisions in sections 34 and 60 of the Act. Whether or not the Government will attempt to repeal the Act in full or amend relevant sections through regulations or the Parliament as a whole, including the extract from the preamble quoted above, is unclear at this stage.

This is an insecure and potentially volatile situation for schools. The politics of this instability will play out both overtly and covertly over the months ahead until the issues are brought to head through any changes to the legislation and in the context of the next election.