

School funding explained in five easy steps

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Why do governments fund non-government schools?

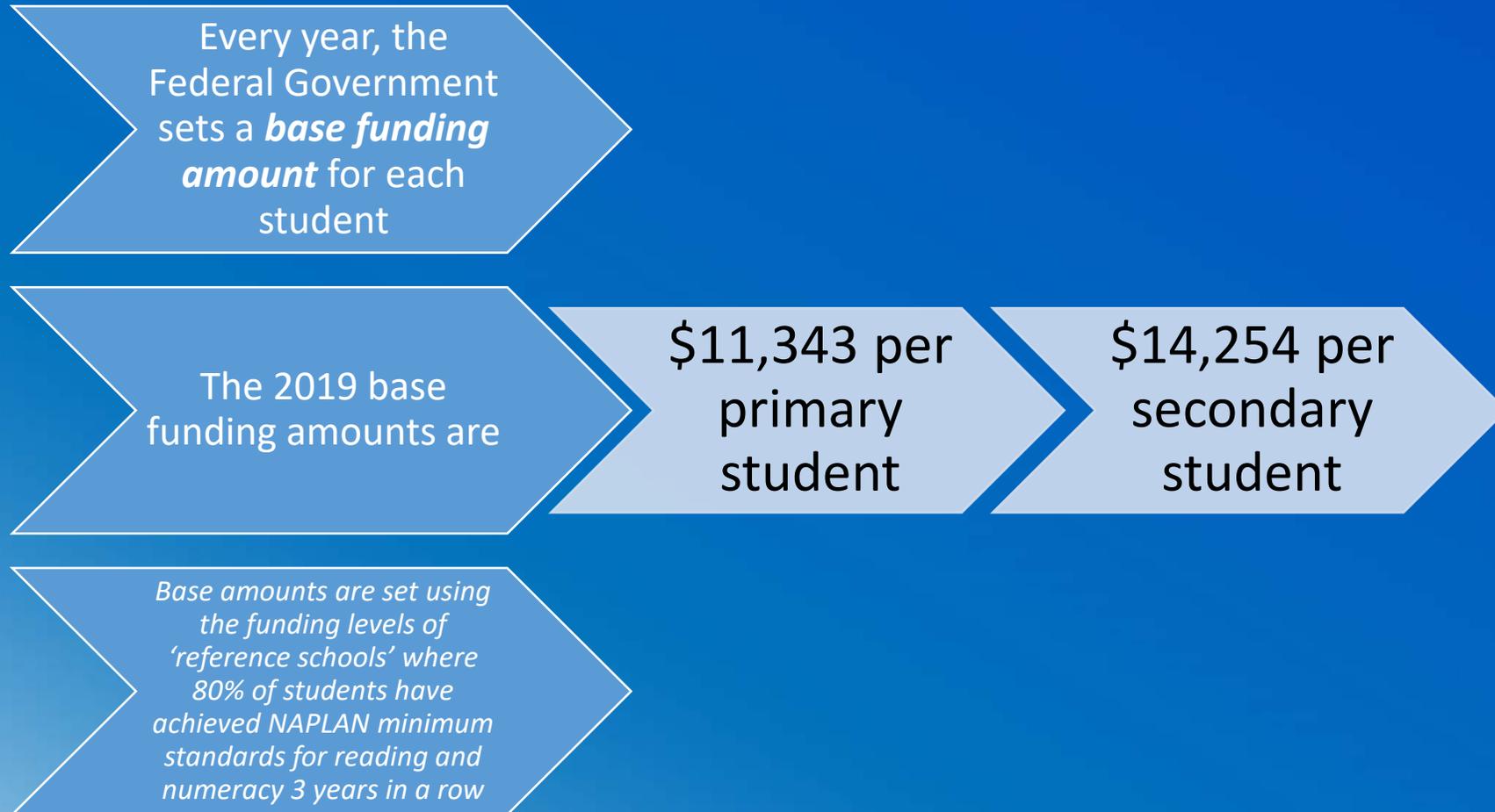
A school education costs more than \$13,000 per student per year (regardless of sector). Most families could not afford this cost without government support, especially if they have two or more children

State and federal governments therefore fund all not-for-profit schools to some degree because *schooling is compulsory and beneficial to the nation*

Governments also subsidise other non-government activities that have high underlying costs and social value eg, GP visits, prescriptions, child care, aged care, transport, etc

So how do governments calculate funding for each school?

1. It starts with a base amount



2. Disadvantage loadings are added

The Federal Government then adds extra funding called *loadings* for six types of disadvantage

- Disability (43%)
- Low socio-economic advantage (38%)
- Small schools (7%)
- Remote schools (7%)
- Aboriginal or Torres Strait Islander (4%)
- Language Background Other Than English (1%)

The percentages represent the proportion of disadvantage funding received by NSW Catholic schools

3. Base + disadvantage loadings = SRS



Base amount + loadings =
Schooling Resource Standard
(SRS)

All students are funded to
this measure,
regardless of school or
sector



The SRS is a different
amount for each school,
because it is based on
the needs of students at
that school



A primary school with a high
number of students with
disabilities and non-English
speaking backgrounds may
have an SRS of \$16,000+
per student



A primary school whose
students have fewer needs
might have an SRS of
\$12,000+ per student

4. How the SRS is funded: government schools

The SRS is solely funded by taxpayers in government schools

- Government schools receive most of their funding from their State/Territory Government, with a minority of funding from the Federal Government
- Parents are not required to contribute towards a government school's SRS

Government schools can also raise private funding without losing any public funding

- In 2016, NSW's 2200+ government schools raised more than \$450 million between them in private funding
- Each school keeps the private funding it raises without losing any of its SRS funding

5. How the SRS is funded: non-government schools

Non-government schools only attract 20-90% of the SRS base amount in public funding, based on their parents' ability to pay

- **The more parents can afford to pay in fees, the less public funding a non-government school attracts**
- Government pays 100% of disadvantage funding for all schools (government and non-government)

Non-government schools attract less public funding per student than government schools

- In the most *advantaged* areas, the local Catholic school will attract only 20% of its SRS base amount in public funding, while the local public school will attract 100%
- In the most *disadvantaged* areas, the local Catholic school will attract 90% of its SRS base amount in public funding, while the local public school will attract 100%

That's how SRS funding is calculated

One point to note...

- The SRS is a funding *target*, introduced in 2014. Very few schools currently receive 100% of their SRS for a range of reasons (historic differences in state funding levels, past funding arrangements and promises, etc), so it will take time before every school receives its correct SRS funding
- The Commonwealth is aiming to have all underfunded government and 'system' schools at agreed SRS levels by 2023 (and independent schools by 2029)

Means testing non-government school parents

Public funding is allocated to each non-government school based on a means test to estimate parents' 'capacity to contribute' (CTC)

- The current means test uses ABS household census data and students' addresses
- From 2020, a more accurate methodology will be used, based on parents' actual income tax data

The means test gives each non-government school a socio-economic status (SES) score from 60 to 140

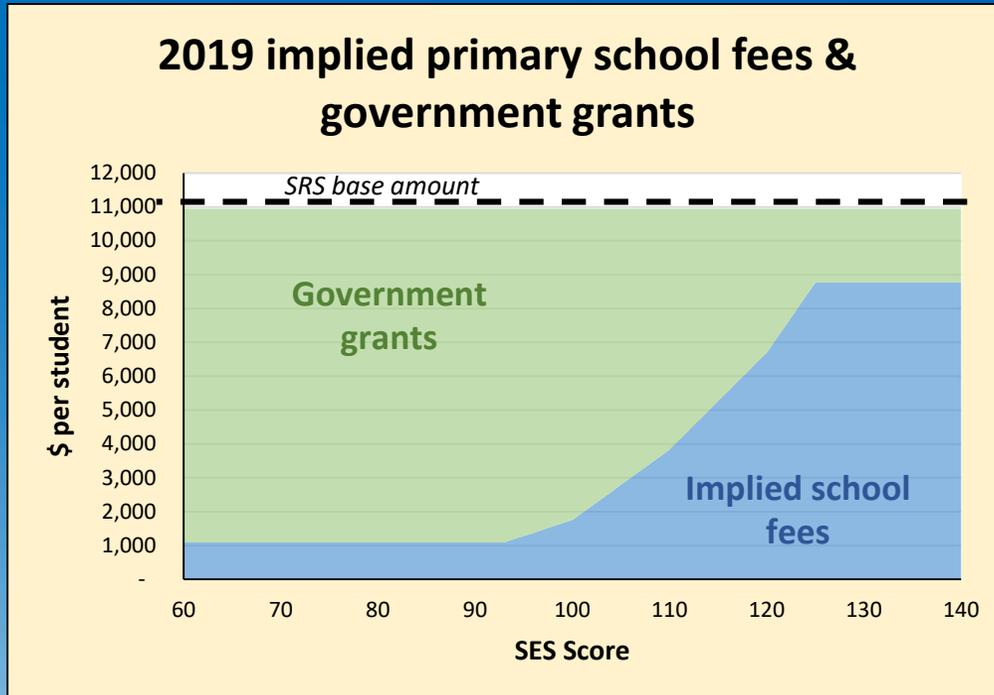
- The higher the SES score, the less public funding a non-government school attracts
- Each school's SES score comes with a 'CTC discount' which cuts the level of government funding it attracts, as per the next slide

CTC discounts

Item	SES Score	Primary School CTC discount	Secondary School CTC discount
1	93 or lower	10.00	10.00
2	94	10.86	12.19
3	95	11.71	14.38
4	96	12.57	16.56
5	97	13.43	18.75
6	98	14.29	20.94
7	99	15.14	23.13
8	100	16.00	25.31
9	101	17.90	27.50
10	102	19.80	29.69
11	103	21.70	31.88
12	104	23.60	34.06
13	105	25.50	36.25
14	106	27.40	38.44

15	107	29.30	40.63
16	108	31.20	42.81
17	109	33.10	45.00
18	110	35.00	47.19
19	111	37.62	49.38
20	112	40.23	51.56
21	113	42.85	53.75
22	114	45.46	55.94
23	115	48.08	58.13
24	116	50.69	60.31
25	117	53.31	62.50
26	118	55.92	64.69
27	119	58.54	66.88
28	120	61.15	69.06
29	121	64.92	71.25
30	122	68.69	73.44
31	123	72.46	75.63
32	124	76.23	77.81
33	125+	80.00	80.00

What this means for primary school funding



1. The lowest SES non-government schools (those with an SES score of 93 or less) have a CTC discount of 10%, ie they attract 90% of their base funding from government, or **\$10,209** per student. This implies parents should be charged fees of **\$1134** per primary school student
2. As SES scores climb from 94-125, government funding falls and parents are expected to pay more
3. The highest SES non-government schools (125 or more) attract only 20% of their base funding from government, or **\$2269** per student. This implies parents should be charged fees of **\$9074** per primary school student

Funding distribution

- We've seen how school funding is calculated... and the focus has been on how much funding each school *attracts* – not how much funding each school *receives*
- How much a school receives depends on whether it is independent or belongs to a system eg, a diocesan Catholic Education Office
- Each independent school receives the government funding it attracts directly from the state and federal governments (NSW has 46 independent Catholic schools)

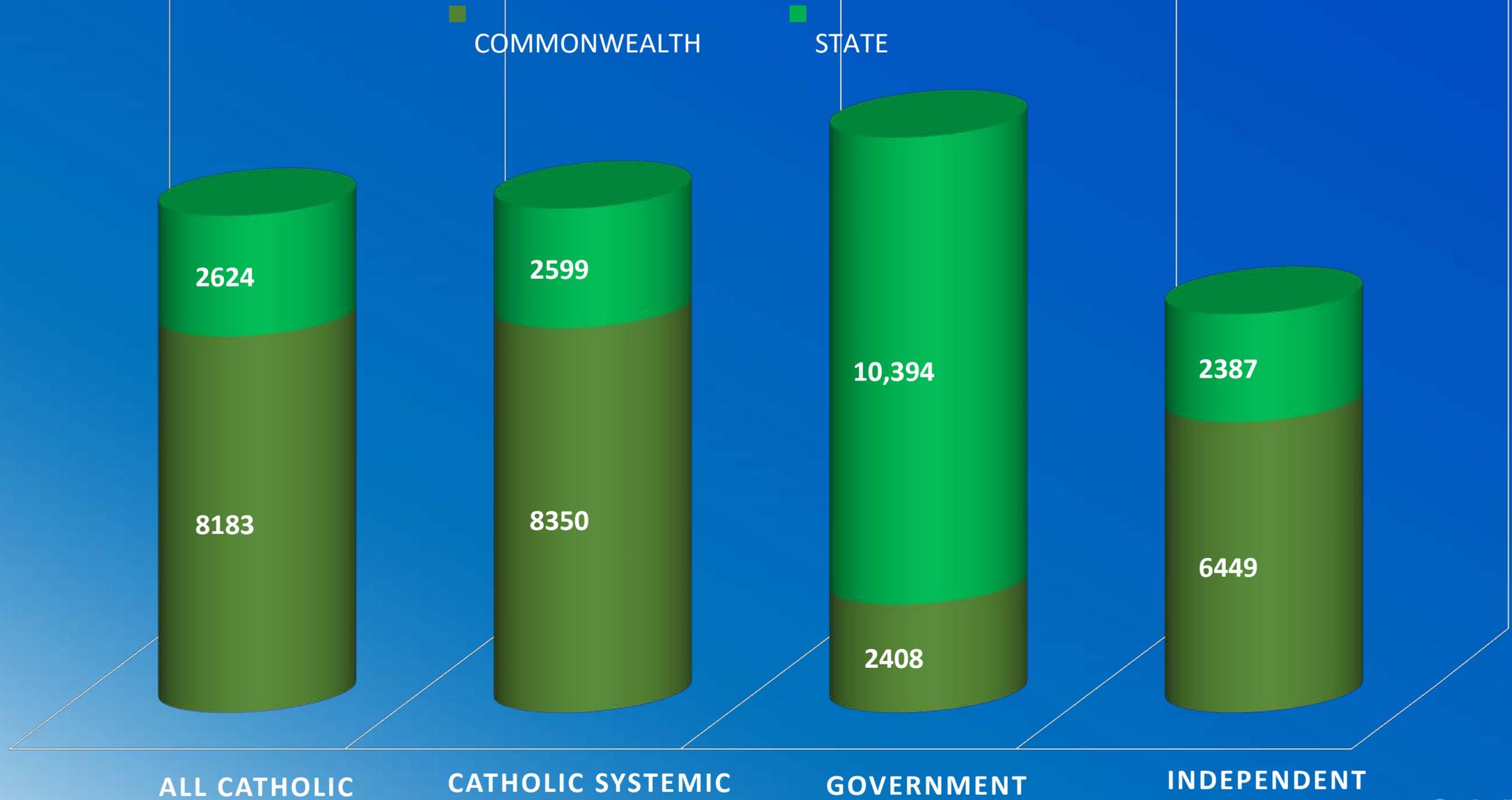
Funding distribution: system schools

- Schools that belong to a system of schools receive their government funding through a 'system authority'
- Catholic Schools NSW is the system authority for NSW's diocesan Catholic schools
- CSNSW receives and distributes government funding to the 11 diocesan Catholic education/school offices, based on enrolments and student needs
- Those offices then resource each school according its students' needs

Funding distribution – system schools



RECURRENT PUBLIC FUNDING AMOUNTS 2016 - \$ PER STUDENT

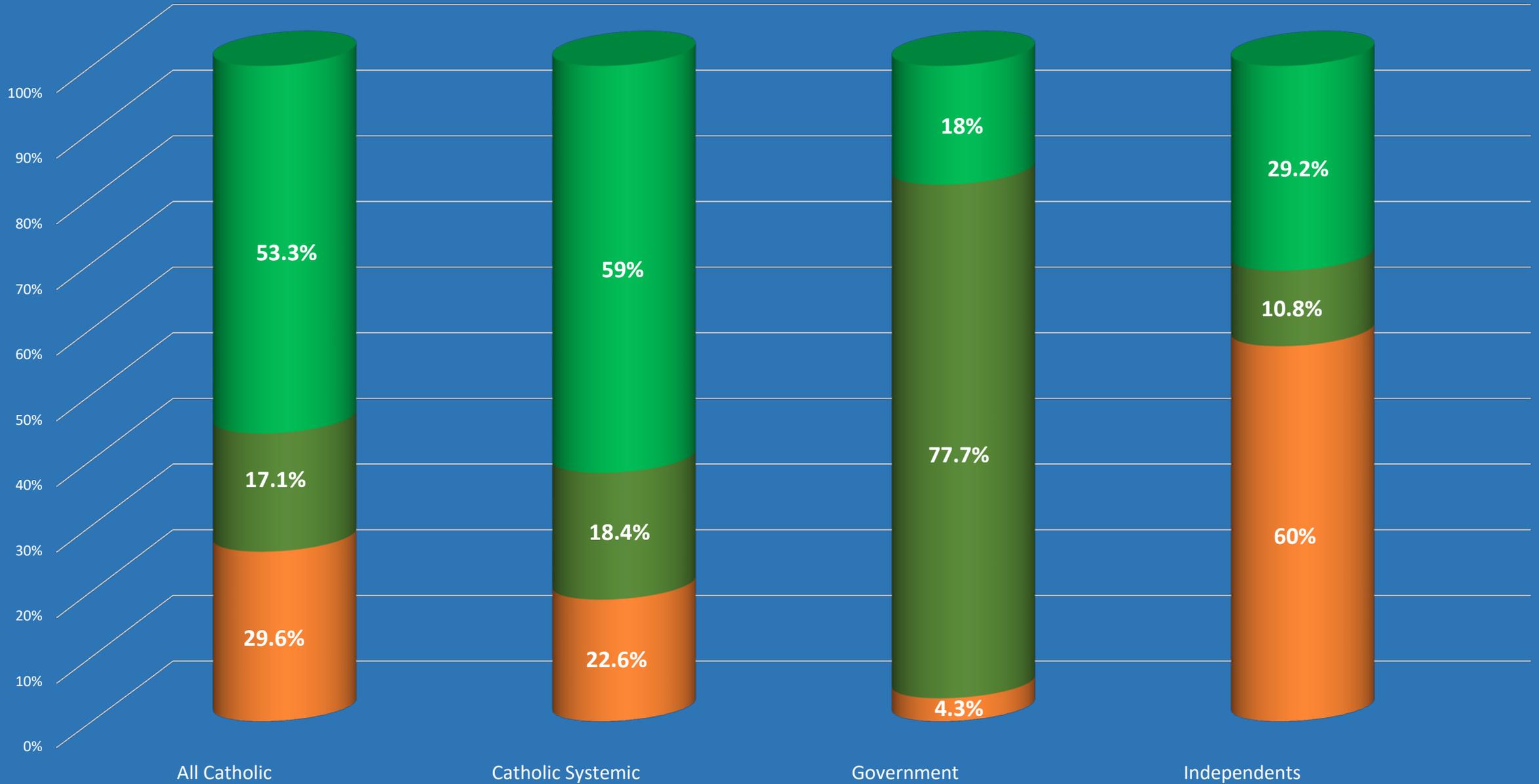


RECURRENT FUNDING BY SOURCE 2016

Parents' fees & other private

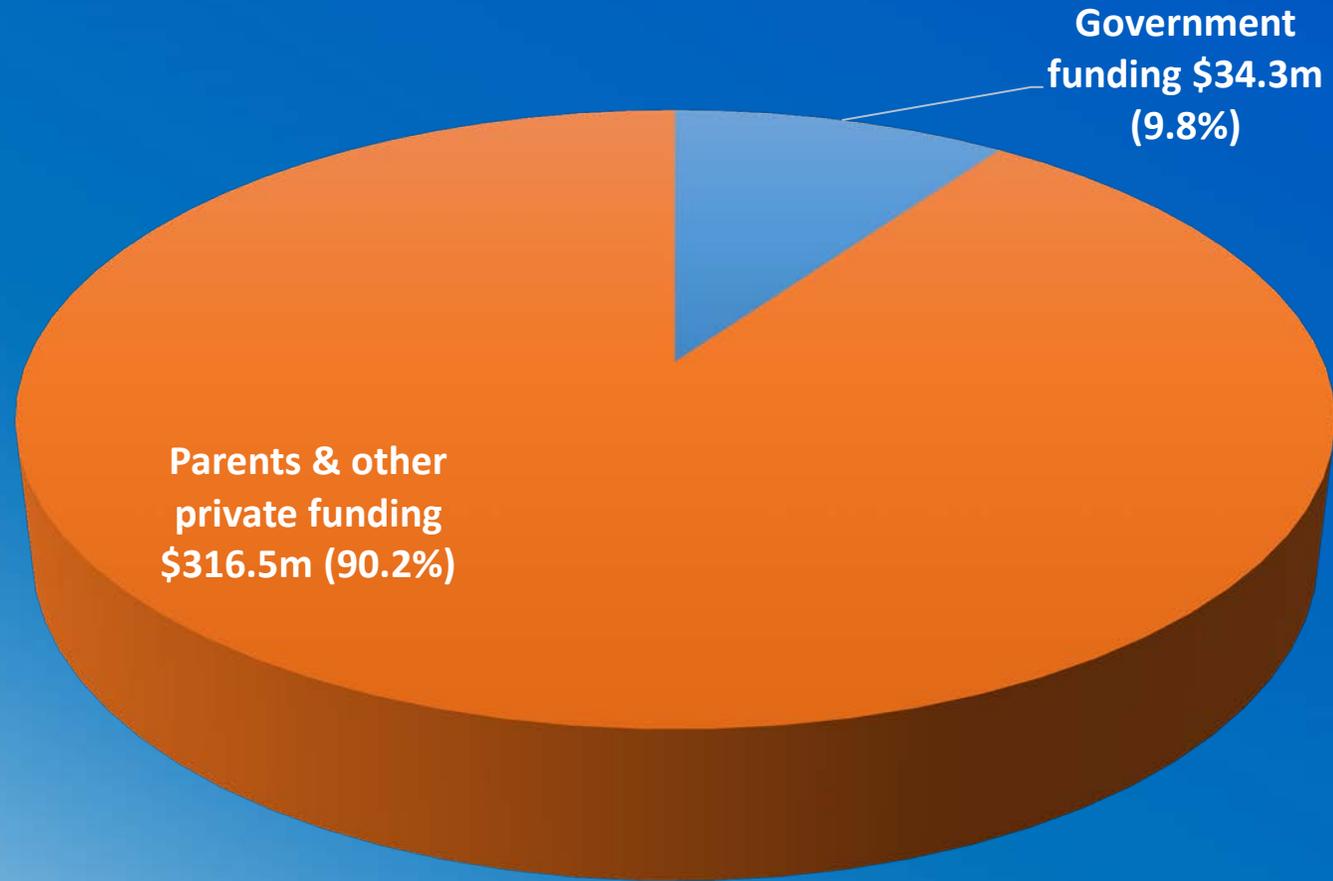
State funding

Commonwealth funding



Capital funding sources (2016)

All Catholic schools



20 September 2018 funding announcement

The Federal Government announced changes that were estimated to increase funding to the non-government schools sector (some 2800 schools) by \$4.6 billion over the 10 years to 2029

- The increase is largely due to a new, fairer, more accurate means test that uses parents' income tax data (not postcodes and five-yearly ABS data). This was recommended by the 2011 Gonski Review and the 2017/18 Chaney Review
- From 2020:
 - many low-fee schools will have lower SES scores and therefore attract more public funding
 - some high-fee schools will have higher SES scores and attract less public funding
- The result will be a fairer distribution of the non-government school funding pie
- The overall increase is due to there being hundreds more low fee schools than high fee schools
- **Public schools' SRS will continue to be solely funded by taxpayers**

Why did the SES methodology need to change?

- The current system mischaracterised Catholic schools and their families as being wealthier and therefore able to pay higher fees. This meant the Catholic schools sector received less government funding
- Catholic education had been arguing for years that the methodology used to assess parents' ability to pay was flawed because it favoured high fee schools and disadvantaged low fee schools
- Compare the SES scores, fee levels and base government funding received by the following high fee independent schools with two suburban Catholic primary schools

Why did the SES methodology need to change?

School	Average annual fees (2016)	SES score	Base funding – primary	Base funding – secondary
Trinity Grammar, Summer Hill	\$24,000	114	\$5,969	\$6,070

SES score outcomes – independent schools

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Under the current SES methodology, 58 low fee, suburban and regional NSW Catholic schools have been assigned a higher SES score than Trinity Grammar and therefore attract less public funding per student.

Frequently Asked Questions & Answers

1. Why do non-government schools receive any public funding?

There are many good reasons all governments support public funding of non-government schools:

1. **AFFORDABLE CHOICE:** A school education costs more than \$13,000 per student per year, regardless of sector. It's not a real choice if only wealthy families can afford to choose.
2. **IT'S FAIR:** All parents are taxpayers and therefore deserve some funding support towards their children's education. A fairly funded non-government sector ensures parents can afford a school that reflects their values and beliefs – an important feature of a pluralist society
3. **SHARES THE LOAD:** Non-government schools educate one in three students. The public schools sector is at capacity in most areas; without an affordable non-government schools sector, it would need to increase its capacity by 50%
4. **HEALTHY COMPETITION:** In a compulsory activity such as schooling, a parallel network of accessible schools provides healthy competition and improves all schools
5. **TAXPAYERS SAVE:** On average, NSW Catholic school parents pay 30% of the annual cost of a child's education in Catholic schools and 90% of capital works in schools. In 2016, our parents paid \$1.5 billion in fees and capital costs towards their children's education – a huge saving to taxpayers

Governments also fund other socially valuable non-government activities, eg, GP visits, pharmaceutical medicines, aged care, child care and private bus services.

2. Why do non-government schools that charge fees much higher than the SRS base amount receive any government funding?

It is government policy to provide some public funding to all not-for-profit, non-government schools.

The amounts provided are based on a school's SES score – not on how much funding a school actually raises in fees and other income.

There is no obligation on non-government schools to raise *any* funding from parents – and no limit on how much they can raise (or charge).

3. Do non-government schools really use public funds to build flashy facilities like theatres and indoor swimming pools?

CSNSW can only speak for Catholic schools, but these types of facilities are generally funded by high-fee schools through loans paid off by parents over 10-20 years (through building levies, fund-raisers, etc).

NSW Catholic school parents fund 90% of capital works in their children's schools (mainly new learning areas and classroom upgrades).

In 2016, parents contributed \$316.5 million while government capital grants totalling \$34.3 million were distributed between 38 schools. Government funds are prioritised to low SES schools in need of upgrades or expansion and schools in fast growing areas.

ALL school income is accounted for annually to Commonwealth government agencies and is subject to audit.

3a. But surely some high-fee non-government schools use government recurrent funding to free up some of their parents' fee income to fund flashy facilities?

Recurrent government funding can only be used to pay for operational costs such as teaching, student welfare, power and water, maintenance, etc.

It was reported in April 2018 that 21% of Victorian independent schools (responding to a government survey) used some fee income from parents for capital works.

This must be declared in the school's annual Financial Questionnaire to government.

4. Do non-government schools deprive government schools of funds?

No. Public funding for government schools has always increased every year - at least in line with enrolments and indexation (sometimes more) - since government funding was extended to all school sectors. The extension of public funding to non-government schools simply increased the total funding spent on Australian school children.

All schools are funded according to the same benchmark – the Schooling Resource Standard (SRS). This is a funding target based on student needs at each school.

In public schools, the SRS is solely funded by government. In non-government schools, parents are expected to contribute according to their ability to pay; therefore the SRS is only part-funded by government in non-government schools.

Government and non-government schools do not compete for public funding any more than government schools compete with defence, welfare, sport or arts for funding.

6. How can some elite schools be overfunded, including one by “283% of its SRS”?

This incorrect claim was made in a 2016 SMH story. The fault lies with a departmental answer to a *Question On Notice* that gave the impression the SRS is entirely publicly funded for non-government schools. Schools serving the highest SES communities receive the lowest government funding possible - 20% of the base amount (plus disadvantage loadings, which are publicly funded for all schools).

One high-SES school was listed as being “overfunded” by “283.1%”. Readers were left to assume it received 283.1% of its SRS (which would have been some \$40,000) in government funding.

In fact, it received 283.1% of 20% - under \$8,000 per student, when it should have been receiving around \$2700 per student. The overfunding was due to factors beyond the school’s control (differences in state and federal governments indexation rates, past decisions such as ‘no school will lose a dollar’, etc).

All overfunded schools are being moved to their correct funding level over the next decade.

7. Why should public money go to private schools that make a profit?

It doesn't. By law, government funding can only be provided to not-for-profit schools (s83C, *NSW Education Act 1990*).

News reports have sometimes claimed that non-government schools (or 'private schools') have made a 'surplus' – implying the school is operating for profit.

If a school - government or non-government - has money in its bank account at the end of a month, a year or any other reporting period, it has a 'surplus'. That surplus will be used by the school to pay future expenses (eg, salaries, power, water, maintenance).

A profit is money that can be removed and distributed to an entity's owners each year as income after all expenses have been paid.

8. Why do some Catholic schools receive more government funding per student than similar public schools, according to MySchool?

The funding data on the MySchool website doesn't show how much funding each school *receives*, but how much it *costs* to run each school on a per-student basis.

System schools (eg, public and Catholic diocesan schools) are not 'given' funding on a per-student basis; they are provided with the teachers and staff they need to meet their students' needs. The cost must be expressed in per-student terms for reporting purposes. This can be misleading when comparing schools because smaller schools cost more to run on a per-student basis (there are minimum fixed costs common to all schools - a principal, admin staff, a library, librarian, etc – that must be spread over fewer students).

Similar per student funding discrepancies occur between similar public schools, for example:

SCHOOL	ICSEA	ENROLMENTS	GOVT FUNDING (PER STUDENT)
Canterbury PS	1041	330	\$16,504
Canterbury South PS	1048	276	\$10,545
Rydalmere East PS	1013	177	\$12,771
Beresford Rd, Greystanes	1016	643	\$9,966
Broken Hill High School	915	646	\$19,181
Willyama High, Broken Hill	920	471`	\$17,193
Asquith Boys High	1047	602	\$13,986
Asquith Girls High	1074	821	\$11,789