

# **‘Special deals’ for wealthy schools in the Schooling Resource Standard model**

## Introduction

Education Minister Simon Birmingham has made bold claims about his new school funding proposals:

*'Our new school funding arrangements are fair, transparent, equitable and needs-based ...'*

*'We will end the special deals made by the former Government ...'*

*'What we're committing to do is ensure that we ... get every school on to a fair needs-based formula, that is truly sector-blind ...'*

The Catholic Education Commission of Victoria Ltd (CECV) – as well as the facts and evidence – disagree.

This paper responds to the Minister's claims. It is not an attack on the principle of needs-based funding as encapsulated by the Schooling Resource Standard (SRS) model. It merely seeks to explain, in a succinct and accessible manner, how the Minister is misleading the community on school funding.

This paper identifies two 'special deals' for wealthy schools in the SRS model. These 'special deals' are hidden from public view by those who benefit from them and the complexity of the SRS model.

It is hard to imagine that the Minister is not aware of the 'special deals' discussed in this paper. His failure to address these 'special deals' reveals that he has been highly selective in his proposed changes to the SRS model. They reveal his strong language about his proposed changes to school funding to be more spin than substance.

School funding issues are complex, making it even more important that debate in the Parliament, the media and the community is fully informed about problems and concerns about the SRS model – not just the issues the Minister has cherry-picked.

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## Special deal 1

### Making wealthy schools look 'needy'

There is a widespread, mistaken belief among education commentators that only one element of current school funding arrangements exists to ensure that 'no school loses a dollar'.

There are actually two. The first is well known because it is explicit. Schools which are estimated to receive more government funding than they need – that is, schools which are estimated to be 'over-funded' – have their existing funding increased by 3% per student per annum. This has been heavily criticised by many parties. The CECV does not disagree with this criticism.

The second element, however, is less well known because it is hidden in how the resource standard is calculated. The distortion in funding outcomes from this element is much larger. This element is school 'capacity to contribute', and how this is calculated for wealthy non-government schools. This 'special deal' ultimately impacts on how much private income all schools are expected to raise in the SRS model.

The Gonski panel said of this measure<sup>1</sup> :

***On the basis of the Australian Government's announcement that under a new funding arrangement no school would lose a dollar per student as a result of the review, the panel has recommended that a minimum public contribution per student for every non-government school be applied, set at between 20 and 25 per cent of the schooling resource standard excluding loadings.***

Ultimately, based on the Gonski panel recommendations, the SRS model adopted a minimum funding rate of 20% of the Schooling Resource Standard, excluding loadings.

As is clear from the quote, this rate was set to try and ensure that 'no school would lose a dollar' as a result of the review. The rate enters into the calculation of school 'need'. In other words, the way school 'need' is measured in the SRS model has a built-in mechanism to make sure wealthy schools did not lose out and were protected. Only the wealthiest schools could not be accommodated by this mechanism, and so instead became eligible for the funding increases of 3% per student per annum.

The recommendation was deeply flawed, and betrays a lack of understanding by the Gonski panel about its brief and about school funding models.

The Gonski panel<sup>2</sup> was charged with providing recommendations directed towards 'achieving a funding system for the period beyond 2013 which is transparent, fair,

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<sup>1</sup> Expert Panel (Gonski, Boston, Greiner, Lawrence, Scales, Tannock) 2011, *Review of Funding for Schooling – Final Report*, Canberra, December, xvii.

financially sustainable and effective in promoting excellent educational outcomes for all Australian students'. The brief was not to develop a funding model in which no school would lose a dollar.

The Gonski panel should have sought to develop a model that best estimated what funding schools need. If there is a clear policy intention that 'no school lose a dollar', the correct way to apply this intention is in the way schools transition to a new funding level. This is indeed how the Government at the time did implement its commitment through the minimum 3% funding increase. It was not appropriate to manipulate the estimated need of wealthy schools in the funding model.

The minimum funding rate of 20% inflates the need of wealthy schools. If this rate were lower, many more wealthy schools would be assessed as 'over-funded'.

Since the Minister has announced that the 'no school would lose a dollar' guarantee will no longer apply, the Minister must also review his minimum funding rate of 20% for wealthy schools. The minimum 20% rate is, in every respect, a 'special deal' for those schools.

Most of the schools which benefit from this 'special deal' are independent schools. School SES scores, although deeply flawed, are the current basis through which the government considers a school to be 'wealthy' (see Special deal 2). Schools with SES scores of 125 and above are considered to be 'wealthy', and are the ones subject to the minimum funding rate of 20%. Table 1 shows the number of these schools by school sector. The independent sector has 63% of the schools with SES scores of 125 or above, and it has 84% of the students in schools with SES scores of 125 or above.

**Table 1: Schools with SES scores of 125 and above, by sector, in 2016**

School Sector	Schools		Students	
	Number	Share	Number	Share
Catholic systemic schools	22	37%	6,471	16%
Independent schools*	37	63%	34,396	84%
<b>Total</b>	59		40,867	

\*Includes independent Catholic schools

Source: ACARA MySchool website and federal Department of Education and Training

Many of the schools highlighted in Table 1 set parental fees and charges at such a high level that they already raise the full amount of income they are estimated to need (i.e. their resource standard) entirely from private sources. Table 2 shows the likely number of these schools, by school sector, using the reasonable assumption that their total resource standard is less than \$17,000 per student. Almost all of these (117 of 119 schools) are independent schools. Altogether, in 2015, the Australian Government

<sup>2</sup> Expert Panel (Gonski, Boston, Greiner, Lawrence, Scales, Tannock) 2011, *Review of Funding for Schooling – Final Report*, Canberra, December, p225

provided \$453 million in funding to these schools – of which, \$443 million was provided to independent schools.

Yet these schools do not require any public funding to reach their resource standard – i.e. they do not require any public funding to enable them to reach the level of achievement targeted by the government in the SRS model<sup>3</sup>.

**Table 2: Schools with private income above \$17,000 per student per annum in 2015\***

School Sector	Schools	Students**
Catholic systemic schools	2	2,717
Independent schools***	117	121,917
<b>Total</b>	<b>119</b>	<b>124,634</b>

\*Refers to private income allocated to recurrent purposes, consistent with the SRS model

\*\*Only includes students eligible for Australian Government funding (e.g. excludes full fee paying overseas students)

\*\*\*Includes independent Catholic schools

Source: ACARA MySchool website

In recent times, the Minister has repeatedly made the point that significant increases in government funding over the past two decades have not improved educational outcomes. The SRS model provides insight on this issue. Perhaps there has been no improvement because the Government provides large amounts of funding to wealthy independent schools which, the SRS methodology tells us, do not actually require any public funding. If the rationale for funding these schools is to instead promote ‘school choice’, then it is hard to see how these schools genuinely offer ‘choice’ to families, given their high fees and charges.

<sup>3</sup> The outcome benchmark that underpins the SRS model is: at least 80 per cent of students are achieving above the national minimum standard, for their year level, in both reading and numeracy, across each of the past three years.

## Special deal 2

### The dubious measure of 'need' that favours the wealthiest families

The second 'special deal' for wealthy independent schools also lies in the way their need for government funding is estimated.

For most non-government schools, the most important measure in the SRS model is their Socioeconomic Status (SES) score.

School SES scores are supposed to be a means-test of school families. As the estimated 'financial means' of a school community increases (as currently measured by their SES score), the amount of funding that school is estimated to 'need' from the Government decreases.

For non-government schools, the credibility of the SRS as a 'needs-based' model hangs on whether SES scores are an accurate means test of school families. However, all the evidence suggests school SES scores are probably the worst-conceived means test in any public policy, anywhere in Australia. Their flaws are manifold. For example:

- Although school SES scores are supposed to be a means test, financial components comprise only one-third of school SES scores. Wealthy families are the obvious beneficiaries of this.
- Although school SES scores are supposed to be based on families in each school, they are instead based on the neighbourhoods in which the families live. All families are assumed to have the average characteristics of their neighbourhood. This again benefits the wealthiest family in each neighbourhood while disadvantaging the worse-off.
- The financial data that are used in school SES scores are sourced from the Census of Population and Housing, and so they are of very poor quality. The data are so poor that only three crude groupings can be used to classify incomes. Wealthy families benefit from this because they are grouped with middle-income families.

As SES scores are deeply flawed, they do not accurately estimate the financial means of families in non-government schools. This is reflected in the fact that the correlation between school private incomes, and school SES scores, is not strong. This correlation is even lower in Catholic systemic schools<sup>4</sup>.

Almost all of the major flaws in school SES scores cause SES scores to under-estimate the financial means of wealthy families. Figure 1 shows the distribution of families by

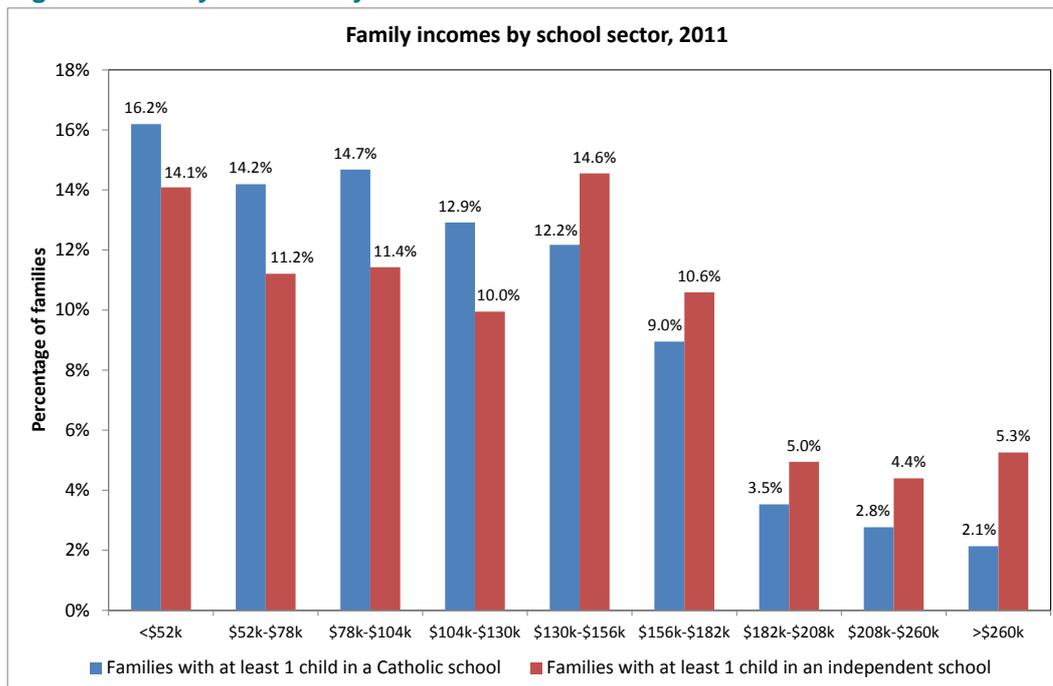
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<sup>4</sup> Based on 2015 data, the correlation between school SES scores and school fees, charges and parental contributions is only 0.53. For Catholic schools, the correlation is only 0.37.

income by school sector. Since wealthy families are concentrated in independent schools, it is these wealthy independent schools that benefit from school SES scores.

If SES scores better measured the true financial circumstances of each family, then the SES scores of wealthy independent schools would increase and many more would be assessed as ‘over-funded’. Conversely, school SES scores over-estimate the financial means of lower and middle-income families. Among non-government schools, these families favour low-fee Catholic and low-fee independent schools. Accordingly, these schools are disadvantaged by the use of school SES scores.

**Figure 1: Family incomes by school sector**



*Note: families with ‘nil’ or ‘negative’ incomes, families where partial incomes were stated, and families where all incomes were not stated are not shown (hence the figures do not sum to 100%)*

*Source: ABS 2011, Census of Population and Housing (unpublished)*

The bias in school SES scores in favour of wealthy families and wealthy schools is contrary to the premise of the SRS model. A funding model that purports to be ‘needs-based’ is, in fact, corrupted by school SES scores and ultimately favours the least-needy non-government schools. Any funding model which uses school SES scores as a means-test simply cannot claim to be needs-based.

The CECV has highlighted in detail the limitations with school SES scores as a financial means-test of school families. Our research report is publicly available on the CECV website.<sup>5</sup>

Catholic education has called on the Minister to urgently review school SES scores and develop a better means test for the SRS model. This was also recommended by the Gonski panel. Despite the Gonski recommendation, and compelling evidence that school SES scores are flawed and biased, the Minister has refused to do this.

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<sup>5</sup> See *Capacity to contribute and school SES scores* on the CECV website  
<http://www.cecv.catholic.edu.au/getmedia/2f706a07-58a6-4acc-a3c6-b4ce10c5b72f/Capacity-to-contribute-and-school-SES-scores.aspx?ext=.pdf>