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Laura Perry and Emma Rowe, *The Conversation*, 3 October 2016.

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Yes, some Australian private schools are overfunded – here's why

October 3, 2016 3.12pm AEDT

Authors



Laura Perry

Associate Professor and Associate Dean,
Research, Murdoch University



Emma Rowe

Lecturer in the School of Education,
Deakin University

There is little regulation about how private schools spend public funding.

Education minister Simon Birmingham recently made the claim that some private schools are “overfunded”.

The comment received considerable interest because it opens the possibility that public funding of such schools may decrease.

This is a remarkable turnaround from the Gillard Labor government’s pledge that no school would see a reduction in the amount received from the public purse.

While Birmingham was reluctant to define what he meant by “overfunded”, the student resource standard established by the Gonski school funding review is a good place to start.

Since his comment, an analysis published in the Sydney Morning Herald found that more than 150 private schools in Australia are overfunded based on the Gonski resource standard. This overfunding amounts to more than A\$215 million per year.

Complex funding model

As Birmingham noted, the current funding system is extremely complex and opaque. It is a collection

of historical deals and arrangements rather than a coherent strategy.

In tracing a brief policy history, federal government grants were first provided for private schools in 1964. These were intended as one-off capital grants for struggling Catholic schools to purchase science blocks.

Recurrent per-student grants for private schools were introduced in 1970. While funding for private schools was initiated by the conservative Gorton government, Labor and Coalition governments since then have supported federal funding of private schools because it gained them popularity with voters.

For example, the Whitlam government in 1973 attributed large funds to private schools, but this was counteracted by his equally large funding for public schools.

Federal funding to private schools increased substantially during the Howard government. Between 1999 and 2005, federal funding for public schools increased by \$261 per student compared to an increase of \$1584 for each private school student.

How private schools are funded

All private schools receive public funds, mostly from the federal government but also from state governments.

They receive recurrent funding, to pay for ongoing costs like teacher salaries. They also receive capital funding, to pay for their buildings and facilities.

There is very little regulation about how private schools can spend their share of public funds. Research from over a decade ago showed that many private schools use public funds to improve their facilities rather than reduce fees.

Overall, total public funding (federal and state) has increased at a greater rate for private than public schools. Analyses of data from the Productivity Commission showed that total public funding has increased by 9.8% for private schools but only 3.3% for public schools over the last ten years.

Lower-fee private schools receive a larger amount of recurrent public funding than their higher-fee counterparts. This is because the socio-economic status (SES) dimension of the model, in which funding is based in part on the SES of students at the school. But high-fee schools receive a substantial amount as well.

A brief illustration from the federal government's MySchool website is telling.

We examined MySchool data from the six most expensive elite private schools in Perth that charge more than \$20,000 in fees per student.

On average, these six schools received \$2,200 per student from the state government and \$3,000 per student from the federal government in recurrent funding.

They also received on average \$3.7 million in capital funding from the federal government over the last five years. Taken all together, these figures amount to an estimated public spend of \$270 million over the last five years, for six schools that are already extremely well resourced.

Funding model is inefficient

The other problem with our current funding model is that it is inefficient. For example, a key prong of the federal government's innovation strategy is to increase the number of young people who study science, technology, engineering and maths (STEM) subjects. Yet research found that many low SES high schools don't offer these subjects due to funding constraints.

Our funding system is based on an illogical basis of entitlement, not need. In our current system, all schools are entitled to public funds, regardless of whether they actually need them or not. All parents are entitled to a "return" on their tax dollar, regardless of where they send their child to school.

Rather than basing our funding model on the entitlements of schools, it should be based on the needs of students and communities.

All students, regardless of where they live or how much money their parents earn, are entitled to an education that will develop their interests and capacities to the fullest. This would benefit individual students and their families and communities, but it would also benefit the nation as a whole.

Very few countries, if any to our knowledge, provide similarly high levels of recurrent and capital funding to private schools, while also allowing them to charge fees.

Not all private schools are overfunded. But it is probably safe to say that most high-fee private schools are overfunded, and conversely, that many low-fee private schools are underfunded. And this will only change if we abandon the old deals and start afresh with a simpler and more coherent funding model.