

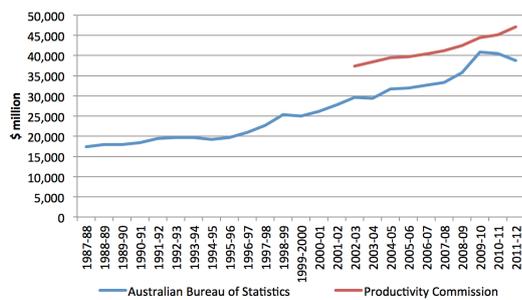
School Funding on a Budget

Jennifer Buckingham

SNAPSHOT

Government funding for schools has more than doubled in real terms over the last 25 years, while enrolments have grown by only 18%.

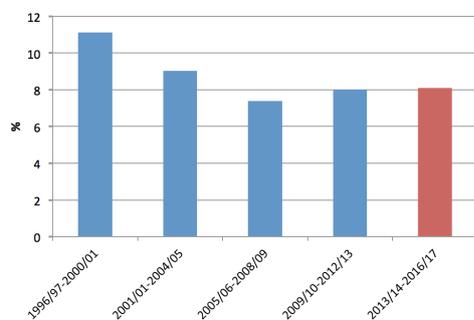
Figure 1: Government expenditure on primary and secondary education, 1987–88 to 2011–12, real (adjusted for 2011–12 dollars)



Source: Australian Bureau of Statistics (ABS), *Government Finance Statistics, Australia* (various years); Productivity Commission, *Report on Government Services 2014*.

The biggest increases in funding in this time period have been from the federal government. Annual increases in federal funding under the new Students First funding system (8% per annum) are not projected to exceed increases in previous funding periods, but far exceed expected increases in student numbers (less than 2% per annum).

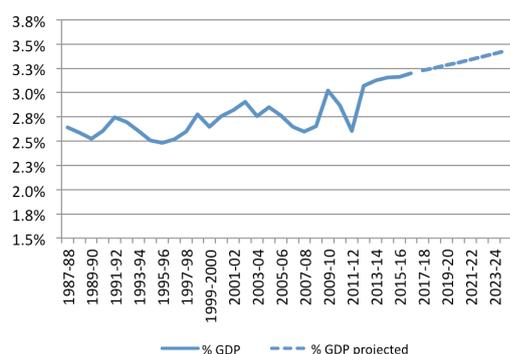
Figure 4: Annual average increase in federal funding to schools, 1996–97 to 2016–17



Source: Productivity Commission, *Report on Government Services* (various years); DEEWR (Department of Employment, Education and Workplace Relations), *Portfolio Budget Statements 2012–13 and 2013–14*; *Mid-Year Economic and Financial Outlook 2013–14 (MYEFO)*.

Government funding for schools as a proportion of GDP has grown from 2.6% to 3.1% over the last 25 years, and is conservatively projected to reach 3.4% by 2025, based on historic trends.

Figure 5: Government expenditure on schools as a percentage of GDP, 1987–88 to 2024–25



Sources: See Appendixes 1 and 2.

Increases in schools funding have not been associated with increases in student achievement levels in Australia or internationally. Australia's PISA results since 2000 support this finding.

Figure 6: Per student funding (real 2010–11 dollars) and PISA mean scores, Australia



Source: Productivity Commission, *Report on Government Services 2014*, Table 4A.11. Figures adjusted using CPI price deflator data from ABS (Australian Bureau of Statistics), *Australian Economic Indicators, 2012*, Cat. 1350.0 (Canberra: ABS, 2012); OECD, *PISA 2012 Results, Volume 1: What Students Know And Can Do* (Paris: OECD, 2013).

The funding projections do not indicate a current crisis in government budgets for school education. However, with no relationship between spending and achievement, and with public debt rising, school budgets must be reviewed to minimise waste and maximise productivity.

Every dollar spent on a program or policy that does not benefit students is a missed opportunity to fund a policy or program that does.

Eight ideas are proposed to either create savings to government, or to improve school productivity, or both.

Idea	Benefits
1. Review the federal government funding model	Un-estimated future savings
2. Abolish the federal department of education	\$100 million pa savings
3. Reduce the cost of state and territory bureaucracy	\$465 million pa savings
4. Remove mandatory class size maximums and eschew further class size reductions	\$891 million pa savings and improved productivity
5. Education bursaries for low-income students to attend non-government schools	\$500 million pa savings
6. Charge high-income families to attend government schools	\$250 million pa savings
7. Reduce the oversupply of teachers by elevating entry standards to teaching degrees	\$256 million pa savings and improved productivity
8. Decentralise teacher employment and make it easier to dismiss ineffective teachers	Improved productivity

It is not a simple exercise to find savings in education budgets or to reduce expenditure on schools. It is easier by far to rein in spending by avoiding excessive increases budgets in the first instance.

Focus idea: Education bursaries for low-income students to attend non-government schools

In 2011–12, the average total recurrent government funding for students in government schools was \$15,768 per student. For students in non-government schools, it was an average of \$8,546.

Although there is a range of family incomes in each school sector, low-income students are most likely to go to government schools, sometimes by choice but often because parents cannot afford the tuition fees charged by non-government schools. Non-government schools might enrol more students from low-income families if government funding levels allowed them to reduce their fees sufficiently.

Low-income students could be offered an education bursary valued above the average per student expenditure on non-government schools but below the average cost of attending a government school (say \$10,000). For each student who moved out of a government school into a non-government school, governments would save the difference—approximately \$5,000. The family may still have to pay some tuition fees (depending on the school), but schools with a usual funding rate of less than the bursary amount would be able to reduce their fees for low-income students considerably.

Table 6: Students in government, Catholic and independent schools, by household income, 2011

	Low income <\$64,999 pa	%	Medium income \$65,000– \$129,999 pa	%	High income >\$130,000	%
Government school students	967,588	76	852,399	66	483,794	50
Catholic school students	188,322	15	289,727	22	246,268	26
Independent school students	115,326	9	155,439	12	230,652	24
		100		100		100

Source: Barbara Preston, *The Social Make-Up of Schools* (Canberra: Barbara Preston Research, 2013); ABS (Australian Bureau of Statistics), *Schools Australia 2011*, Cat. No. 4221.0 (2011).

If just 10% of the almost 1 million low-income students in government schools took up the option of a \$10,000 bursary to enrol in a non-government school, the government would save approximately \$500 million each year.

Focus idea: Reduce the over-supply of teachers by elevating entry standards to teaching degrees

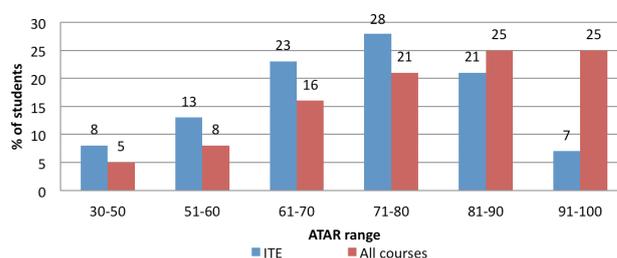
The highest performing education systems around the world tend to draw teachers from the top 30% of school graduates. In Australia, 44% of students commencing teaching degrees in 2011 had ATARs below 70, compared with 27% of students commencing degrees in all disciplines. The difference is just as great at the other end of the distribution—28% of students commencing teaching degrees had ATARs over 80, compared with an average of 50% of students commencing all degrees.

Around 40% of teacher education students enter using their ATAR scores; others gain entry using a variety of other methods. By these estimates, approximately 20% of total teacher education entrants have ATARs lower than 70.

The number of people graduating with teaching degrees far exceeds the number of jobs available. As a result, a significant proportion of these people, particularly those with primary teaching degrees, will not find permanent employment in schools. A survey of teaching graduates in 2011 found that only half were employed full-time in schools and another quarter of graduates were employed part-time.

An imbalance in the supply and demand for teachers creates considerable costs to government—more than \$250 million each year, based on numbers of teaching graduates and their employment rates.

Figure 9: Proportion of students commencing university courses in each ATAR band, initial teacher education (ITE) and all courses, 2011



Source: Australian Institute of Teaching and School Leadership, *Initial Teacher Education: Data Report* (Carlton South: Standing Council on School Education and Early Childhood, May 2013).

Table 7: Estimated cost of oversupply of teaching degrees each year

Number of teaching graduates each year ⁴⁸	16,000
Approximate number of teaching graduates not employed in schools ⁴⁹	4,000 (25%)
State and territory funding for each teaching degree ⁵⁰	\$64,000
Cost of excess teaching degrees each year	\$256 million

Note: Table and figure numbers correspond to the same in the report.

AUTHOR

Dr Jennifer Buckingham is a Research Fellow at The Centre for Independent Studies. She has written widely on school funding, teacher education, school choice, literacy, and other education topics in CIS publications, academic journals, and in the media.

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