

**Education Policy Brief**

# **Top Public Service Mandarin Badly Bungled School Funding Figures**

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In an extraordinary move earlier this month, the head of the Prime Minister's Department, Michael Thawley, [criticised increased funding for education](#) within days of the Prime Minister suggesting that the Government would consider fully funding the Gonski school plan. Only a week after Malcolm Turnbull floated the idea of restoring the last two years of the Gonski plan that was abandoned by Abbott, Thawley used flawed figures to warn against increasing school funding.

This seems to have been triggered by [the Prime Minister's comment](#) that everyone agrees "we need more resources into education and it needs to be needs-based". Turnbull recognises that a high quality education for all children regardless of family background is fundamental for a fair society and a prosperous economy.

In response, Thawley, who is a consistent warrior in the cause of small government, lower taxes and cuts to government services, claimed that school funding increased by 40 per cent in the last ten years without improving school outcomes. It is a claim widely used by opponents of the Gonski plan to discredit it and justify the Abbott Government's decision to abandon it.

However, Thawley bungled the figures. He grossly exaggerated the actual increase in school funding. Funding per student, adjusted for inflation, actually increased by only 5.3 per cent in total between 2003-04 and 2012-13, some eight times less than Thawley claimed (see table attached). This is an increase of only 0.57 per cent a year which amounts to the miniscule average increase of \$59 per student per year.

Thawley did not source his claim but it appears to be based on the often-repeated claim by former education minister, Christopher Pyne, that school funding adjusted for inflation (that is, real funding) increased by 44 per cent between 2003-04 and 2012-13. When questioned in Senate Estimates by former Senator Penny Wright about its source, Department of Education officials stated that it was derived from the Productivity Commission's Report on Government Services (ROGS) for 2015.

This claimed funding increase is far from the mark. It is incorrect for several reasons.

First, the ROGS figure cited by Pyne refers only to Commonwealth Government funding and excludes state/territory funding. The ROGS shows that school funding by all governments increased in real terms by 21.7 per cent, about half the figure claimed by Pyne (and Thawley).

By citing Commonwealth Government funding only, Pyne and Thawley use a highly misleading measure of government funding increases because state/territory governments account for nearly three-quarters of government funding for schools. In 2012-13, state/territory governments accounted for 73.7 per cent of total government funding for schools.

Second, Pyne's figure fails to take account of increasing enrolments. It ignores per student funding figures published in the ROGS. These show that real total government funding per student increased by only 12.7 per cent, which is between three and four times less than what Pyne claimed.

Third, the ROGS figures exaggerate the increase in government funding because they include book-entry items for public schools (user cost of capital and depreciation) and other items (payroll tax and school transport) that have increased significantly but which have no impact on school outcomes. These items are not included in figures for government funding of private schools and they are also excluded, on the advice of the accounting firm Deloitte Australia, from the funding figures on the My School website for public and private schools. They accounted for about 32 per cent of the current dollar increase in public school funding since 2003-04. The user cost of capital per student increased by 94 per cent over the period while depreciation increased by 142 per cent.

Fourth, the ROGS over-estimates the increase in real funding because it under-estimates cost increases facing schools. The ROGS uses the general government consumption expenditure price index to adjust for rising costs. However, this price index fails to distinguish between different rates of cost increases in specific areas of public provision.

A more accurate measure of increasing costs in schools is the wage price index for the education and training sector published by the Australian Bureau of Statistics. Using this measure to adjust school funding data for inflation makes a significant difference to the estimates of real funding increases.

The ROGS method of adjusting for rising costs results in a much higher increase in real government funding per student than by using the wage price index for education and training. In fact, the increase in total government funding (less book entries, payroll tax and student transport) per student deflated by the wage price index is nearly half that using the ROGS method – 5.3 per cent compared to 9.8 per cent (see table). Both estimates are a far cry from the increase claimed by Thawley and Pyne.

The fact is that Pyne “cooked the books” by using a selective and highly misleading measure of school funding. The purpose was to undermine the case for funding the last two years of the Gonski plan which would have delivered an increase in Commonwealth Government funding of about \$7 billion, the large part of which would have gone to public schools who enrol the vast majority of disadvantaged students.

Thawley simply jumped on the Pyne bandwagon to dissuade the Prime Minister from following through on fully funding Gonski. It is hardly an example of disinterested, objective and accurate advice from the nation’s top bureaucrat.

There can be little wonder why Australia’s national and international test results have failed to improve or have declined. The real funding increase was miniscule and funding has not been targeted to need. The largest increase went to private schools who enrol only a small proportion of disadvantaged students. The increase for public schools was less than half that for private schools. Private school funding per student, adjusted for inflation, increased by 9.8 per cent (or 1.04 per cent a year) compared to 4.7 per cent (or 0.5% a year) for public schools.

Indeed, a research study done at the [Melbourne Institute for Applied Economic and Social Research](#) in 2013 found that the decline in Australia’s international test results between 2003 and 2009 was concentrated in private schools. It noted that the decline in performance in both Independent and Catholic schools occurred despite substantial increases in government funding. This is not surprising, given that so much of the funding given to private schools

goes to support lavish facilities, which give them a marketing advantage over public schools but are of minimal educational benefit.

However, despite the decline in Australia's international test results and stagnation in national test results, there have been some significant improvements.

Year 12 results have improved significantly since 2003. Average retention rates to Year 12 increased from 75 to 82 per cent and increased for Indigenous students from 40 to 55 per cent. Average Year 12 completion rates increased from 69 to 74 per cent and increased for low SES students from 64 to 68 per cent. The proportion of Year 12 students achieving an ATAR score of 50+ increased from 25 to 43 per cent between 2006 and 2013. There have also been significant improvements in some primary school results in international and national tests.

Critics also ignore the fact that Australia's school system has been highly successful in integrating the children of immigrant families into school as shown by [a recent OECD report](#). Australia's immigrant students have amongst the highest results of immigrants in the OECD and Australia is one of only four OECD countries where immigrant students achieve similar or better results than non-immigrant students. Social alienation amongst Australian immigrant students is low compared to many other countries. The success of schools in integrating immigrant children is a very significant factor behind Australia's multicultural success story.

Thus, school results are not as bleak as that represented by Thawley and, before him, Pyne. Nevertheless, it is true that there is much room for improvement.

In particular, achievement gaps between rich and poor are large, have not decreased in recent years and have increased in several instances. Disadvantaged students remain two to four years of learning behind their wealthy peers at age 15. A large proportion of disadvantaged students do not achieve international and national benchmarks in reading and numeracy. For example, 23 per cent of 15 year-old low SES students did not achieve the OECD's proficiency standards in reading and 33 per cent did not achieve the mathematics standard in 2012.

The fact is that needs-based funding in Australia, especially for low SES students, has only ever been a very small proportion of total school funding as demonstrated by a research report prepared for the Gonski review in 2011. This is the whole point of the Gonski reforms – to better target future increases in school funding. As David Gonski himself stated in response to the criticism of his plan by the National Commission of Audit that increased funding has failed to improve outcomes:

...the essence of what we contended, and still do, was that the way monies are applied is the important driver. Increasing money where it counts is vital. The monies distributed over the 12-year period to which the commission refers were not applied on a needs based aspirational system. [[Jean Blackburn Oration](#), 21 May 2014]

The case for fully funding the Gonski plan remains compelling and accords with the Prime Minister's long-held vision of a fair, economically prosperous multicultural society. Increasing needs-based funding in schools is critical to reducing injustice and inequity in education, maintaining social tolerance and cohesion, improving workforce participation and skills, and increasing productivity.

Thawley's public comment immediately following Turnbull's comments on needs-based funding can only be seen as an astounding and flagrant rebuttal of his Prime Minister. It was blatantly designed to appeal to conservative opponents of increasing education and social expenditure by a Prime Minister who recognises their worth to society and the economy. But then, Thawley was appointed as the Government's top advisor by Tony Abbott.

This week Thawley announced his resignation from PM&C to take effect from the end of January. [The ABC reported](#) that there have been tensions in Government ranks about Thawley's performance during the changeover from Abbott to Turnbull, with suggestions he was not as responsive as he should have been. His comments on education funding so soon after Turnbull's may well have been a turning point.

In contrast to Abbott, Pyne, Thawley and others, the Australian people have consistently supported Gonski funding, so much so that Abbott was forced to proclaim that he had a unity ticket with the ALP on the issue before the last election, only to abandon it immediately after he was elected. Pyne ducked and weaved and lied about implementing Gonski before and after the election.

Now, Labor is dancing around fully implementing the plan it devised in government. It talks about its support of the Gonski principles, but avoids any commitment to funding the last two years when the necessary big increases are due. Labor's timidity about a plan that it designed and which has widespread support is disgraceful. What has happened to its ideals of a fair society and equity in education? Labor needs to stand up for Gonski.

## Recurrent Government Funding of Schools, 2003-04 to 2012-13

	2003-04	2012-13	Increase	Increase
<b>Total Govt Funding (current\$)</b>	\$	\$	\$	%
Total Govt Funding - All schools	28,644,413,000	47,941,065,000	19,296,652,000	67.4
Public School Funding	22,632,366,000	36,852,802,000	14,220,436,000	62.8
Less: User Cost of Capital	2,883,162,000	5,599,677,280	2,716,515,280	94.2
Depreciation	688,526,000	1,666,318,000	977,792,000	142.0
Payroll Tax	782,611,379	1,156,486,429	373,875,050	47.8
School Transport	900,000,000	1,354,000,000	454,000,000	50.4
Total Exclusions	5,254,299,379	9,776,481,709	4,522,182,330	86.1
Total Public School Funding less Exclusions	17,378,066,621	27,076,320,291	9,698,253,670	55.8
Private School Funding	6,012,046,000	11,088,263,486	5,076,217,486	84.4
Total School Funding less Exclusions	23,390,112,621	38,164,583,777	14,774,471,156	63.2
<b>Enrolments (FTE)</b>				
Public School Enrolments	2,262,607	2,346,798	84,191	3.7
Private School Enrolments	1,074,510	1,258,298	183,787	17.1
Total Enrolments	3,337,118	3,605,096	267,978	8.0
<b>Govt Funding per student (current \$)</b>				
Total Govt Funding per student	7,009	10,586	3,577	51.0
Public School Funding per student	7,681	11,538	3,857	50.2
Private School funding per student	5,595	8,812	3,217	57.5
<b>Real Govt Funding per student (\$2012-23 - deflated by WPI)</b>				
Wage Price Index: Public & Private Education & Training	69.7	100.0		43.5
Total Govt Funding per student	10,056	10,586	530	5.3
Public School Funding per student	11,019	11,538	518	4.7
Private School funding per student	8,027	8,812	785	9.8
<b>Real Govt Funding per student (\$2012-13 - deflated by GGFCE)</b>				
GGFCE Price Index	72.7	100.0		37.6
Total Govt Funding per student	9,641	10,586	945	9.8
Public School Funding per student	10,565	11,538	973	9.2
Private School funding per student	7,696	8,812	1,116	14.5

### Data sources:

Public school recurrent funding: Report on Government Services, 2006 & 2015.

Private school recurrent funding: Report on Government Services, 2006 & 2015.

User cost of capital: Report on Government Services, 2006 & 2015.

Depreciation expenditure: Report on Government Services, 2006 & 2015.

Payroll tax rates: NSW Treasury, Interstate Comparisons of Taxes, 2003-04 & 2014-15. Rates are applied to total salary expenditure for public schools sourced from the Report on Government Services, 2006 & 2015.

School transport: ABS, Government Financial Statistics, Education. The cost of transport of students to private schools is not included in private school funding.

Enrolments (Full Time Equivalent – FTE): ABS, Schools Australia.

Wage Price Index (WPI): ABS (re-based to 2012-13=100)

General Government Final Consumption Expenditure Price Index (GGFCE): Report on Government Services 2015.