

Education Research Brief

Private Schools Are Over-Funded by \$5-6 Billion

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[The Labor Shadow Education Minister, Tanya Plibersek](#), rejects redistributing funding from well-off private schools to disadvantaged schools. She claims that over-funding of private schools involves “a very small number of schools” and “is a drop in the bucket of the extra money required” to fully fund the Gonski plan.

She is completely mistaken. Thousands of private schools are over-funded by governments. They are over-funded to the tune of \$4-\$5.6 billion a year. This huge amount of taxpayer funds would be far better used to support disadvantaged students in both public and private schools. It would easily fund the last two years of the Gonski funding plan (originally estimated at \$7 billion) which the Turnbull Government refuses to support.

Some 80-90% of the over-funding goes to so-called Independent schools, which largely serve the most well-off families in Australia. They are over-funded by \$3.6-\$4.4 billion a year. Yet, [nearly 50% of their students are from high socio-economic status \(SES\) families](#) and only 9% are from low SES families. Catholic schools are over-funded by \$0.45-\$1.2 billion a year.

This massive over-funding consists of Commonwealth and state/territory funding that enables Independent and Catholic schools to have higher total income levels than public schools even though they enrol a small minority of disadvantaged students. In 2014, only 18% of low SES students, 16% of Indigenous students and 18% of remote area students were enrolled in private schools.

This estimate of over-funding is much, much larger than the estimate of \$215 million [published by Fairfax media last year](#) following the [admission by the Federal Education Minister, Simon Birmingham](#), that many wealthy schools are over-funded. The reason for this disparity is that the Fairfax estimate refers only to the funding that about 150 wealthy private schools would have otherwise lost when the current funding model was introduced in 2014, but were allowed to keep under the guarantee by the Gillard Government that no school would lose a dollar in the new funding arrangements.

In contrast, the estimates here refer to the amount of government funding that accounts for the difference between the average total income per student in private schools and the average total funding per student in public school. Government funding fully accounts for the higher total income of Independent and Catholic schools compared to public schools.

The basis for the estimate of \$4-5.6 billion in over-funding is as follows.

Figures provided to Senate Estimates by the Australian Curriculum, Assessment and Reporting Authority [[Additional Estimates, Answer to Question on Notice EDSQ15-000118](#)] show that the average total income per student in public, Independent and Catholic schools in 2013 was \$12,576, \$18,590 and \$13,118 respectively (these are the latest official figures available for each school sector). Total government funding per student in each sector was \$11,865, \$7,791 and \$9,548 respectively. The higher total income of Independent and Catholic schools compared to public schools was entirely due to government funding.

Estimates of the respective funding levels in 2016 can be made by increasing these amounts by the percentage increase in the [ABS Wage Price Index for Public and Private Education and Training](#). The index increased from 115.4 in June 2013 to 125.7 in June 2016, an increase of 8.9%.

The resulting estimates of total income per student in 2016 are: Public - \$13,688; Independent - \$20,234; Catholic - \$14,278. The estimates of government funding are: Public - \$12,914; Independent - \$8,479; Catholic - \$10,392.

Reducing government funding of Independent schools so that their total income was equivalent to that of public schools would produce a saving of \$6,546 per student. Reducing funding of Catholic schools would make a saving of \$590 per student.

These per student amounts are multiplied by the total enrolments in each sector in 2016 derived from the [ABS Schools Australia](#) data to obtain the total savings. Independent school enrolments were 546,931 and Catholic school enrolments were 766,820 in Catholic schools.

The estimated total savings from reducing government funding so that the total income per student of private schools is similar to that of public schools are therefore \$3.58 billion for Independent schools and \$0.45 billion in Catholic schools. The total saving in 2016 would be \$4.03 billion.

However, these are likely to be lower estimates because government funding for private schools has increased by much more than in public schools over the long-term and in recent years. For example, figures derived from the Productivity Commission's [Report on Government Services \(ROGS\) 2017](#) show that recurrent government funding per student in private schools increased by 5.5% in 2014-15 compared to 3.2% in public schools (estimates of user cost of capital, depreciation, payroll tax and school transport are excluded from the ROGS figures as they are not included in the private school funding figures).

Applying these percentage increases to the 2013 total income and government funding figures above results in much larger annual savings from reducing government funding of Catholic and Independent schools. In this scenario, the estimates of total income per student in 2016 are: Public - \$13,817; Independent - \$21,848; Catholic - \$15,417. Reducing government funding of Independent schools to the level of public school funding would produce a saving of \$8,031 per student and reduced funding of Catholic schools would save \$1,600 per student. The total savings would be \$4.4 billion for Independent schools and \$1.2 for Catholic schools. The total saving from reducing overfunding in both sectors would be \$5.6 billion.

This over-funding takes two forms.

One is government funding for elite private schools whose income from fees and donations far exceeds government funding of public schools. These schools serve the wealthiest families in Australia and enrol virtually no disadvantaged students. They are already supremely well-resourced without government funding. Government funding adds icing on the cake for those least in need.

For example, Sydney Grammar had income from fees and donations of \$38,077 per student in 2015 (this is the latest year for which individual school funding data is available), nearly three times the estimated average income per student in public schools of \$13,339 for that year. However, it still received \$3,716 per student in government funding and total funding of \$4.2 million even though 98% of its students were from the highest SES quartile and it had none from the lowest SES quartile. Ascham with 87% of its students from the highest SES quartile and none from the lowest quartile had income from fees and donations of \$37,486 per student. Yet, it received \$3,347 per student and total funding of \$3.6 million from government.

In Victoria, Melbourne Grammar School had income from fees and donations of \$32,240 in 2015 and received \$4,149 per student and total funding of \$7.5 million from government even though 83% of

its students were from the highest SES quartile and none were from the lowest quartile. Scotch College had income from fees and donations of \$27,422 per student and received \$3,357 per student and total funding of \$6.3 million from government even though 84% of its students were from the highest SES quartile and only 2% were from the lowest quartile. Korowa Girls' School had income from fees and donations of \$26,876 per student and received \$3,636 per student and total funding of \$2.2 million from government even though 87% of its students were from the highest SES quartile and none were from the lowest quartile.

These elite schools would have far greater resources than the average public school even without their government funding. Without government funding, the income per student of Sydney Grammar would be 258% more than the average for public schools; Ascham's income per student would be 256% more; Melbourne Grammar's would be 211% more; Scotch College's would be 180% more; and Korowa's 174% more. Government funding for these schools is a direct subsidy for the wealthiest families in Australia. Why they should receive government funding is beyond reason.

The second form of over-funding occurs where government funding enables other private schools whose income from fees and donations are less than government funding of public schools to have a higher level of resourcing than public schools. That is, government funding pushes their total income per student above that of public schools. This is the far more common form of over-funding and it enables thousands of private schools to have a higher per student income than public schools.

This can be illustrated by a few examples of combined primary/secondary private schools taken from the My School website.

St. Paul's School in Brisbane had income from fees and donations of \$12,653 per student in 2015 which was less than the estimated average income per student in public schools of \$13,339. However, instead of receiving \$686 per student in government funding to take it up to the public school average it received \$7,972 per student. As a result, it had a total income per student of \$20,625, \$7,286 student (or 55%) more than the income of public schools. Yet, 66% of students at St. Paul's in 2015 were from the highest SES quartile and only 1% were from the lowest quartile.

Hunter Valley Grammar School in NSW had income from fees and donations of \$12,183 per student in 2015. Instead of receiving \$1,156 per student so that its total income would match the average of public schools, it received \$8,442 per student. This also gave it a total income of \$20,625 per student which was \$7,286, or 55%, more than the income of public schools. Yet, 58% of its students were from the highest SES quartile and only 3% were from the lowest quartile.

Ballarat Clarendon College in Victoria had income from fees and donations of \$12,578 per student in 2015. Instead of getting a government funding top up of \$761 per student to match the average income of public schools, it got \$8,127. This gave it a total income of \$20,705 per student which was \$7,286, or 55%, more than that of public schools. Yet, 67% of its students were from the highest SES quartile and only 2% were from the lowest quartile.

There are thousands of low fee private schools that receive high levels of government funding that enable them to have a higher total income per student than public schools. For example, Bishop Tyrrell Anglican College in NSW had income from fees and donations of \$6,861 per student. Instead of receiving \$6,468 per student so that its total income would match that of public schools, it received \$9,404 per student. This gave it a total income of \$16,266 per student, which was \$2,927 per student, or 22%, more than the total income of public schools. Yet, even 45% of students in this low fee school were from the highest SES quartile and only 7% were from the lowest SES quartile.

The above estimates of overfunding of private schools are indicative only. In all likelihood, the actual overfunding is even greater. This is because the above estimates are based on an assessment of the extent to which government funding accounts for the difference between the average total income per student in private schools and the average total funding per student in public schools. The latter figure is inflated by the higher costs of low SES, Indigenous, remote area and disability students, the very large majority of whom attend public schools. On average, private schools face fewer education challenges than public schools with similar levels of funding because they have far fewer disadvantaged students.

A more accurate method would be to calculate the difference between the current average government funding per student in Catholic and Independent schools and the level of government funding required bring them up to the current Schooling Resource Standard (SRS) plus funding loadings for disadvantaged students. However, the data necessary to make such a calculation is not available. Nevertheless, as the average SRS (average of the primary SRS and the secondary SRS) for 2015 (\$11,119) and 2016 (\$11,519) are significantly lower than the average government funding per student in public schools used as the basis for the above estimates (\$13,339 and \$13,688, respectively) and only small proportion of disadvantaged students attend private schools, the above figures of over-funding are likely to be underestimates.

There is no case for governments to fund private schools so that they have more total income than governments are willing to provide to public schools. Private schools should not be entitled to funding by governments that allows their total income to exceed that of public schools. It compounds the resource advantage of thousands of private schools over public schools and diverts billions of taxpayer funds away from those most in need. It is a deplorable waste of taxpayer funds when [one-third or more of low SES, Indigenous and remote area students are not achieving minimum standards in education and when their schools face large shortages](#) in teachers and educational materials.

Private schools claim their government funding saves taxpayer money because students in these schools get less government funding, on average, than those in public schools. But, far from saving governments money, funding of well-off private schools adds unnecessary costs to governments because it is not based on need. Some \$4-\$6 billion is being wasted when it could be better used to support disadvantaged schools and students in both the public and private sectors.

Government funding for private schools should be restricted to filling gaps between funding from fees and donations and the base SRS and support for disadvantaged students. Government funding for wealthy private schools should be terminated and funding for other private schools should be reduced so that their base SRS grant plus fees and donations is equal to the SRS, but they should continue to receive support for disadvantaged students. The savings should be redistributed to disadvantaged public and private schools.

Phasing out funding for the wealthiest private schools and reducing funding for other private schools with income levels exceeding the SRS is fundamental to reforming our education system to give the most disadvantaged schools the resources they need to improve the learning and life opportunities of their students. Re-directing \$4-6 billion a year from over-funded private schools to disadvantaged public and private schools would provide a huge boost to the human and physical resources of these schools and improve student results.