



**Education
FOUNDATION
DIVISION**

Resourcing schools in Australia

A PROPOSAL FOR THE
RESTRUCTURE
OF PUBLIC FUNDING

JACK KEATING



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Contents

In the context of a major *Review of Funding for Schooling in Australia*, this proposal responds to fundamental issues related to funding, such as the principles against which funding should be measured and the most effective means of distributing resources. It is the latest in a body of thinking dating back several years and a call to action by Education Foundation (now a division of The Foundation for Young Australians) which seeks to stimulate discussion, thinking and policy change to improve the conditions for equity and quality of Australian schooling.

This paper, “Resourcing schools in Australia: A proposal for the restructure of public funding”, is the second part of a proposal for national reform agenda developed by Professor Jack Keating, Education Foundation Thought Leader. Along with Professor Keating’s 2009 paper “A New Federalism in Australian Education”, this proposal provides insight into how all Australia’s schools are currently funded, and how the historical development of these funding arrangements have shaped Australian schooling in a unique and often inequitable way. In particular, Professor Keating identifies certain structural arrangements, systems and regulations for the resourcing of schools that are inconsistent and lack transparency and sometimes are unfair.

As we enter public discussion about funding Australian schooling, this proposal highlights the importance of providing safeguards and standards to ensure an equitable distribution of funding to ensure quality education for all in the future. As the Minister for Education, Julia Gillard, suggests: “How we resource schools goes directly to aspirations Australians have for the future, for their children, for their communities and for their sense of fairness in Australian society.”

In recent years, we have seen growing attention given to the purposes of schooling in relation to social justice. A key proposition within this paper is that any reform in educational funding needs to keep social justice at the front and centre of public debate and policy. With rights come obligations, and with the receipt of public money come certain public commitments. Mindful of this core feature of all publicly funded education, the current discussion about funding must be accompanied by robust and vigorous debate about the social ideals and political principles for schooling in Australia. This proposal seeks to provide a conceptual framework upon which such a discussion and articulation can take place concerning what Professor Keating refers to as the “public guarantee.”

Where much of the current thinking focuses (and with good reason) on particular elements such as transparency and accountability, teacher quality and curriculum, this proposal responds to the broader historical and institutional landscape of resourcing Australian schools.

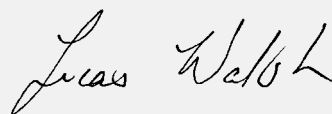
Through this proposal, the Foundation wants to lift the debate beyond the seemingly intractable and often highly ideological debates over school funding. In the past these debates have become lost in arguments over accountability and compliance, school sectors’ share of funding, and the meaning of secularism in the context of Australian democracy.

There has arguably never been a better time to reflect upon what we need to do to develop a world class education system for all students. As Minister Gillard asserts in the draft Terms of Reference for the *Review of Funding for Schooling*, “the time is right to have this discussion in a constructive and open manner.”

During the many forums, discussions and consultations that took place during the development of this proposal, one recurring theme has been that the “devil will be in the detail”. This proposal does not seek to provide all the answers, but to enrich the discussion of school funding and ensure that reform identifies, articulates and incorporates core principles and standards alongside and underneath “the detail”. It represents another major contribution by the Foundation, in collaboration with The R. E. Ross Trust, to thinking and policy related to equity and quality in Australian schooling. Over the last year in particular, numerous stakeholders have been consulted through forums, conferences and informal consultations. We are grateful for the generosity of thought and time. Most of all, Ellen Koshland has been a driving force behind this initiative and I would like to express my gratitude for her vision, passion and support.

School resourcing continues to be a sensitive and highly politicised issue. In submitting this proposal for public debate, the Foundation strongly argues that discussion should remain focused on core issues such as what we expect of schooling within an Australian democracy, and how the structure, values and institutions of funding support these expectations.

The proposal provides a framework through which it becomes possible to move beyond historical and ideological battlegrounds so that the distribution of resources can be better directed to reduce gaps in achievement. It presents a language of possibility through which we can articulate a realistic and viable option to improve the distribution of funding.



Dr Lucas Walsh
Senior Executive, Research
The Foundation for Young Australians

Preface

This paper is presented in two parts. The first part provides a brief overview of a proposal by Education Foundation, a division of The Foundation for Young Australians. You are urged to read this overview first as it seeks to provide a synopsis of key themes, issues and contexts, as well as a summary of the full proposal. The second part of this paper provides a more detailed discussion and analysis for those wishing to delve in more deeply.

How to read this proposal

This paper proposes a model of public resourcing for school education in Australia that can be applied to all registered Australian schools, irrespective of the sector in which they are located. The systems and regulations for the public and private resourcing of schools across the government, Catholic and independent school sectors are inconsistent, lack transparency and are arguably unfair. They have an impact upon the patterns of school enrolments in Australia, the quality of schooling that is delivered, and the patterns of educational outcome of students across the country. The methods and conditions for the distribution and use of public resources in schooling also raise questions about their consistency with the social objectives of government, including those of social inclusion.

Public resourcing of schooling in Australia is located at two levels of government: states and territories, and the Commonwealth or national level. We have previously argued that federalism has had a major influence upon the structures and sociology of schooling in Australia (Keating, 2009a). Therefore major structural changes, including that of resourcing reform, will need to be undertaken across the federalist frame.

The purpose of the full proposal is to posit an approach to school resourcing that:

- > Is more consistent, transparent and fair than the current arrangements;
- > Can contribute to or be less of a barrier to the broad social and economic goals that have been set for schooling by Australian governments;
- > Is politically viable in that it would provide the basis for negotiations with the three school sectors and across the two levels of government.

The proposal does not include a high level of detail about the amount of resourcing or the formula that would need to be employed in implementing it. The resourcing model that it proposes is essentially conceptual. It proposes a way of inter-relating resourcing from private, state and Commonwealth sources, the requirements and triggers for the supply of public resources, and their relationship to student populations and agreed educational and associated social and economic goals. As a model there must be flexibility in these relationships to take account of the realities of government fiscal requirements and capacities, and as a basis for negotiations.

An overview

Principles

The proposal takes as its starting point the Melbourne Declaration on Educational Goals for Young Australians (MCEETYA, 2008b). This presents a twofold goal: that Australian schooling promotes equity and excellence; and that all young Australians become successful learners, confident and creative individuals, and active and informed citizens.

While these goals inevitably have a rhetorical tone they are associated with tangible goals set for schooling by Australian governments (COAG, 2008). The goals and targets include greater equity, the common good, improvements in numbers of students reaching literacy benchmarks, and higher levels of completion of Year 12 or its equivalent.

Current patterns of public resourcing of schools and the conditions for this funding are not optimal for the achievement of these goals. Schools within an educational market are not encouraged to be inclusive in their enrolment patterns, and the burden of catering for communities and students with the greatest need is falling upon a relatively small proportion of schools.

Autonomy

The core issue in school resourcing is autonomy. Most countries provide public funds for non-government schools. In most of these cases the public funds come with some restrictions upon the autonomy of the recipient schools. Typically their capacity for private resource gathering is restricted and frequently there are some restrictions on the autonomy of recipient schools' enrolment practices. Non-government schools in Australia are unusual in their license to gain public funding while charging enrolment fees and having a high level of autonomy over their enrolment practices.

Autonomy in schooling is typically associated with the character of the school, including religious character, curriculum and enrolment practices, including fees. All of these elements are present in Australian non-government schools. The governance frames for these elements are the legal requirements and processes of school registration and the conditions and reporting processes for funding.

Under current arrangements non-government schools are free to express philosophies, which in most cases are religious. It is expected that these characteristics should not threaten the wider good of the community, or restrict the rights of students. School registration requirements should protect the community good and students' rights. In regards to public funding, a logical appendage of the registration requirements should be that public funding either is not used for the teaching of religion, or that publicly funded religious instructions and activities should be confined to nominal hours in the schools' timetables.

Countries with institutions and traditions of state religion have been more likely to allow public funds to be used for religious instructions. Those that have needed to dampen sectarianism and/or protect religious freedom, such as the USA, Germany and Australia, have typically been more cautious about the use of public funds for religious instruction.

In regards to the curriculum, there does not appear to be significant pressure from schools to stray far beyond what might be seen as a mainstream school education. With the advent of a national curriculum there is the opportunity for this relationship to become clearer, such that all registered schools would be expected to deliver the core elements of the school curriculum. In regards to funding this could be linked to a principle that all registered schools that deliver the core elements of a national curriculum should be guaranteed a minimum or community standard of resources.

It is the third element of autonomy over enrolments that is problematic in Australia. Australia is unusual in the capacity of schools that are publicly funded, and in most cases mostly publicly funded, to receive public funds but restrict enrolments through fee barriers, scholastic and sporting capacities, and behavioural and other social and economic characteristics of students. Restrictive or selective enrolment practices exist in the government sector. However, they are much more prevalent across the non-government sector, and it is these practices within a context of substantial public funding regimes that most contribute to the high levels of disputation over school resourcing policy in Australia.

The direct regulation of non-government school enrolments in Australia is not possible. The principle and conditions of autonomy of non-government schools are well established. Historically there were restrictions on the setting of fees through the reduction of Commonwealth payments to non-government schools based upon a measure of private resource income, the Education Resource Index. This type of arrangement continues for state government grants to non-government schools, but has weakened at the national levels since the introduction of the SES (socio economic index) model. It would appear to still have a place in a new resourcing model.

Fees are just one form of enrolment restriction and the processes of segregation within schooling are multi-dimensional. Historically in most countries, schooling had a community or local base, and was typically located largely at the local level of government. Australia was exceptional here in locating schooling at the level of the state government, and schooling's community aspect was realised through zoning. This has now collapsed and the principle of school choice is well established across the Australian community and polity.

A more positive and wider approach to schooling and community is needed. It should be one that encourages and rewards open enrolments and schools that take all comers, irrespective of sector. However, it should also be an approach that encourages the more active building of school and community links and locates schooling as an identifiable and valuable community asset. In this regard community has a strong geographic definition. This should not exclude other forms of community. However, such communities should also be contributors to the social goals of the Melbourne Declaration, including the idea of the common good.

A new funding model could contribute to these objectives through two elements. One is needs based resourcing, which has resurfaced as a principle and resourcing mechanism in Australian schooling. The other is a set of resources designed to encourage a community approach in schooling such that schools are encouraged to work together to give access to all, work with each other and build strong links with their communities and community agencies.

Public guarantee

Public investment in schooling needs to be premised upon the purpose of public benefit. This benefit can be constructed in different ways. Within a public choice frame it could be the aggregation of private benefits. Within a community frame the relational elements of the educational benefit need to be taken into account, so within this frame the distribution and equity of benefits are important.

Irrespective of these different constructs of public benefit, within a universal and compulsory system of schooling there is a core responsibility to protect the right of all to access schooling of reasonable quality and by doing this protect the community good from a failure to achieve this. The state and its governments have a core responsibility to protect, or to provide the public guarantee of access. Governments may utilise other agencies to achieve this guarantee. However, the state retains the fundamental responsibility.

For Australian governments the challenge in the resourcing of schools is to assess whether the current resourcing arrangements are undermining this responsibility, and if so what should be done about it.

The politics of school resourcing

School resourcing is a sensitive political issue. It has been contested for several decades and this contestation continues. It also has different dimensions. For the government school sector, resource issues are concentrated upon state governments and their education departments and state treasuries. These issues are most manifest in class sizes and teachers' pay levels. For non-government schools the issues are located mainly, but not exclusively, at the national level and are manifest in relative levels of public funding to those of government schools, and the conditions for this funding.

These differences have created quite different political climates for policy decisions on school funding. For government schools the politics are essentially industrial and are located within the total state government budgetary frames, where the state treasuries play key roles. For non-government schools they are located on a more exposed political stage, and have more to do with the cycles and electoral contexts of government.

The two broad sectors therefore have different engines for public funding of their schools. These engines run at different rates and have different patterns that have contributed to the inconsistencies, lack of transparency, and ostensible lack of fairness in school resourcing arrangements in Australia. Only by bringing the two systems together – state and Commonwealth, and government and non-government – can these differences be reconciled.

Resource sources

The costs of schooling are considerable. Apart from the direct enrolment costs met through government payments and enrolment fees there are incidentals that are estimated to cost families over \$2,000 for every child at school (Bond and Horn, 2009). There also are the opportunity costs of the 13 years that most young people spend in schooling.

Government investment in enrolment costs of students are just one element of the considerable social investment in schooling. Bond (2009) estimates that 40 non government organisations in Victoria contribute over one billion dollars per year to extra educational activities.

These patterns raise the difficult question of the relationship between household educational investments and public investment. Parents should not be penalised for investing in their children's education through the reduction of public funding. However, the institutionalisation of this investment into school fee regimes that restrict enrolments threaten the public guarantee.

The current system for avoiding this threat is the maintenance of a government school system that is formally based upon free tuition. A healthy and universally accessible public system can avoid this threat, and so the existence of private schools that have restrictive access as small minority sectors is accepted in virtually all countries.

However, there are two trends in Australia that may increase the threat. The first is a steady drift of enrolments from the free government schools to the fee based and autonomous non-government schools. At some point this drift will threaten the capacity of the government school system to maintain its role as the public guarantor. The second trend, which is in part a response to the first, is the tendency of the government system to become more selective in its enrolment practices.

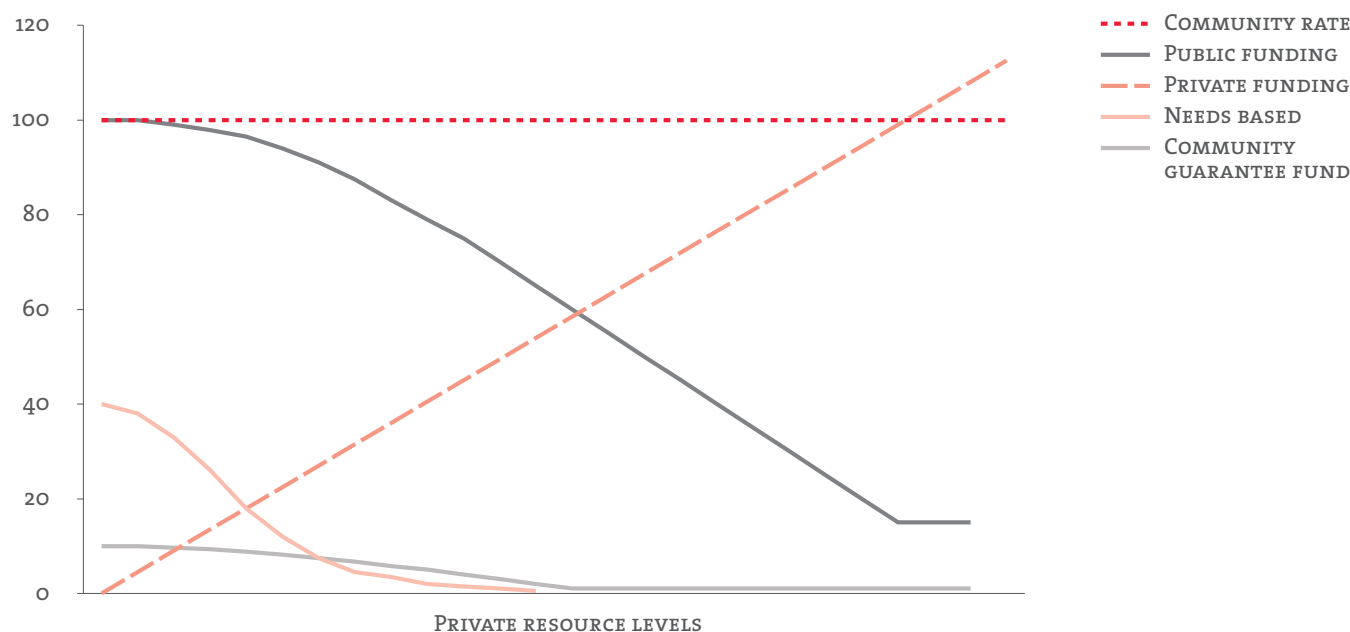
Each of these trends at least in part is an expression of school choice. Although this principle is firmly established in Australian schooling there is a question of whether the relationship between public and private resourcing should be such that it restricts access and choice for the less advantaged.

Mechanisms

The Australian context and the history of resourcing of schooling in this country preclude the typical option of linking public funding with restrictions on enrolments and a requirement for free access. Alternative mechanisms need to be found that allow much of the autonomy of the sector to be preserved but that encourage more inclusive enrolment and delivery practices. To achieve this end the following are proposed:

- > Public resourcing systems should be consistent across the federalist frame. That is state and Commonwealth governments funding systems should apply to government and non-government schools in the same manner;
- > Base level funding and a guaranteed minimum resource level should be linked to schools meeting the requirements for registration and delivering the national curriculum.
- > Public resource levels needs to be linked, at least in part, to private resource levels. While the SES model was introduced in part as a means of encouraging private investment, it decouples the link with enrolment fees and so removes a disincentive for schools to implement the main form of enrolment restriction.
- > At the wider level resourcing mechanisms should seek to preserve overall levels of private investment. There are advantages in having private resources that can subsidise and allow for more targeted public investment.
- > Needs based resourcing should be maintained and enhanced, given the growing concentrations of educational need.
- > Government should also invest in education community building. This is for the purposes of encouraging and rewarding open enrolment and delivery practices and for building the integration of schools and their communities, especially at the geographical level.
- > Government will need to retain the capacity for intervention for special needs and programs.

Figure 1
Proposed national common resourcing model



1 The proposed model is outlined in the figure above and would work as follows:

- > The Commonwealth and state and territory governments would provide a resourcing guarantee for all schools, government and non-government in the form of a **community rate** (represented as a constant level of 100 on the 'y' axis).
- > The community rate would be set at a level below that of the median resource levels for schools in order to provide sufficient public funds for the other elements of the model. The discount of the community rate against the median resource levels would need to be about 18 to 20 percent.
- > The median resource level would be some construct of average government school resource levels.

2 Against this community rate would be a guaranteed resourcing level that combined public and private funding. This would consist of:

- > The **public funding** rate (dark grey line) made up of Commonwealth and state funds, at a ratio of approximately 40:60.
- > **Private revenue** (represented as a constant factor of 'x' axis as the dotted pink line).

There is an inverse ratio between the public and private resources. However, this is not a constant ratio. There are advantages in maintaining a high level of private revenue as this reduces the pressures upon public revenue and increases the public capacity for needs based funding. Almost all schools have some level of private resourcing, although it is small in most.

- > Therefore the inverse relationship between public funding and private revenue would need to:
 - Have a buffer that allows schools to reach a level of *private revenue* before there is any reduction in *public funding*;
 - Be tapered so that a 1:1 reduction in *public funding* for increases in *private revenue* is approached gradually.
- > All schools irrespective of their *private revenue* levels would be guaranteed a minimum level of *public funding*. A level of 15 percent might be feasible. This is represented on the graph as the levelling off in the decline in the base rate.

There are competing arguments for basing *public funding* on SES or private revenue. SES removes disincentives for schools to raise private revenue. Conversely this can lead to pressure upon families to pay for schooling. The SES model also appears to have contributed to some inconsistencies in resource levels across schools. In systems that are block funded and where there is some deliberate or planned distribution of funding, which includes the Catholic systemic schools and government schools, the arguments for the SES model are weaker because the relationship between private revenue and public funding is less direct. Therefore, it is proposed that *public funding* should be linked to a measure of *private revenue* and that educational need should be met through a separate funding stream.

- > Those schools, government and non-government, with low levels of private revenue would have resource levels that are not above or much above the community benchmark. The compensation for this would be through two other sources of public funds.

3 **Needs based** funding (light pink line) could be allocated by the state or Commonwealth governments, or a combination of the two. They should be larger than current levels, notwithstanding the recent Commonwealth investment under the National Partnerships. With the savings from the discounting of the level of *public funding* against real school recurrent resource levels approximately \$2.8 billion would be available for *needs based* funding.

4 **Community guarantee fund** (light grey line) would be a new innovation under the model. The purpose of these resources is twofold: as an incentive for schools to have open enrolment policies and to cooperate with each other in delivering and improving the quality of schooling; and as a means of supporting closer integration of schools with their communities. If successful this would be a substantial fund of up to 10 percent of the current revenue of most non and low fee schools. It could be for as many as 60 percent of all schools, and probably a greater percentage of primary schools. On the basis of current funding levels it would represent about \$2.0 billion.

5 **Special purpose funding**
The Commonwealth and the states and territories would continue to invest in special purpose programs, such as careers education, special needs, literacy programs, indigenous and rural education programs.

The outline of the system as shown above is indicative only, as levels and relationships between elements of funding would require greater investigation and modelling.

The community guarantee fund

The model put forward by this proposal therefore has two core innovations. One is the *elimination of the parallel systems of funding* within the federalist frame. This is critical for any genuine and long standing reform. The parallel system has been the basis for the aberrations of the Australian approaches to school resourcing and its maintenance will ensure their continuance.

The other is the proposal for a *Community Guarantee fund*. This fund is designed to act as a bridge between those elements of the government and non-government sectors that share common educational and social objectives. In doing this, together with the availability of a substantial amount of needs based resources, it helps to compensate those schools that do not seek increased revenue through fee regimes and other charges, which the model continues to allow. With the savings from the discounting of the level of *public funding* against real school recurrent resource levels, approximately \$2 billion would be available for this fund.

An overlapping purpose is to enhance the public guarantee, or community guarantee of quality schooling for all. This guarantee needs to be at two levels:

> Access to schooling for all. This has been served mainly by the government school sector, but not exclusively and not consistently – especially at the secondary level. Given trends in enrolments between the sectors and within them there is a need for mechanisms to expand the school contributions to this guarantee.

> Quality for all. There are multiple efforts to increase school quality and deliver the objective shared by both levels of government of quality schooling for all. The mechanisms include market based approaches, and forms of interventions including place based interventions. The *Community Guarantee* fund is premised upon the argument or historical observation that market mechanisms will always produce residualising consequences. Given the embedded status of educational choice and the principle of transparency of educational outcomes, community approaches are needed to complement them and moderate their negative impacts.

The community or local level has been a long established organisational base for public school systems in most countries, and several including the Scandinavian countries have devolved the funding and some other central governance functions of schooling to the municipal or local level in recent decades. In Australia several states have employed network approaches to school improvement and program delivery.

Schools would retain their autonomy, but there would be a local or district function of supporting schools, linking them with other agencies, providing services, supporting and informing parents, and linking schools. The approach would have some similarities with the 'Health Networks' that currently operate in Victoria with apparent success.

Some governance questions

Subsidiarity

The largest group of low fee and relatively open access non-government schools are located in the Catholic sector. The sector is based upon subsidiarity, the principle that decisions should be taken as close as possible to those that they directly affect. This reflects its historical base of parishes, complex governance structure and legacy of the teaching orders.

The principle underpins its history of autonomy, and there would be substantial barriers to the incorporation of the Catholic sector within a wider public system, as has been the case in the UK and New Zealand. It needs to be recognised that each of these forms of incorporation have been done on different terms. New Zealand Catholic schools have 'special characteristics'. In England most of the 2400 Catholic schools are voluntary aided. These schools in each country have been included in a wider public system on a voluntary and negotiated basis.

The New Zealand and English contexts and histories are different to those in Australia, and the experience of the Australian Catholic schools has reinforced the principles of subsidiarity and autonomy. The option of some voluntary incorporation within the state systems, even if it was on offer, would not be accepted.

The principle of subsidiarity therefore suggests that any partnership with Catholic schools in enhancing the public guarantee needs to be at the local level and on a voluntary basis. The same applies to independent schools, which by definition are independent.

So a purpose of the *Community Guarantee* fund is to locate an element of the funding at a level where non-governments schools can be engaged. Whether this is done at state, regional or local levels would need to be investigated.

Systemic funding

It is suggested that systemic funding should continue to operate. Block grants through systemic agencies have been a significant instrument for the establishment and delivery of the needs based principle in non-government school funding (O'Brien, 1999).

Capital works and charitable status

The proposed funding model is based upon the assumption that the formal ownership of a school should not influence its level of public funding.

At the international level, within incorporated or voluntary aided models, capital works are typically partially the responsibility of non-government schools. This provides the justification for their charitable status. This paper does not address the issue of capital funding. However, to be consistent with the public funding principles outlined in the paper, public investment in non-government school capital should be subject to planning criteria, such as the former Commonwealth New Schools policy, and be benchmarked against a facilities standard.

There is a case to be made that charitable status should be awarded either to all schools or upon the basis of their mission, rather than their capacity to charge fees and have autonomy over enrolments, which in effect are the current arrangements in Australia. Given the legal complexities, the most viable approach is to allow all schools that meet registration requirements to have charitable status. Given the greater capacity of the non-government sector and especially elements within it to raise private funds, this status would continue to advantage these schools.

Funding distributions

The current total levels of income for recurrent costs for Australian schools approach \$45 billion per year. Commonwealth payments also include approximately \$2 billion in specific program payments. Nevertheless its share of total costs is less than 25 percent of all school education revenue and less than 30 percent of all government payments. Without a shift in GST this would need to be reflected in the aggregates for each of the elements of the proposed model.

The bulk of the funding within the proposed model is located in the *public funding* component. It is not politically feasible to have a further transfer of GST funds back to the Commonwealth. Therefore, responsibility for the delivery of this component would need to be shared between the Commonwealth and the states and territories on a ratio of approximately 40:60.

There is logic in locating the needs based funding at the state level and the *Community Guarantee* fund at the state and territory level. However, if needs based funding is formula based, it could be located at the Commonwealth level, or both. The *Community Guarantee* fund, ideally, should have more localised governance.

Introduction

This paper proposes a new model for government funding of Australian school education. It follows the publication by Education Foundation, a division of the Foundation for Young Australians, of a set of proposed reforms and program initiatives that are designed to restructure the federalist arrangements for school education (Keating, 2009a).

The earlier publication argued that while the quality of Australian schooling is high by international standards, its relative levels have recently been falling and a major contribution to this is the significant number of students from disadvantaged backgrounds with poor outcomes. This analysis was recently reflected in an announcement from the Deputy Prime Minister (Gillard, 2010a). It argued that there are underlying structural factors in Australian schooling that are contributing to these trends, most significantly through a growing concentration in some schools of students from low income households and with high levels of education need.

The publication argued for structural changes in Australian schooling to complement the investments to improve school leadership and quality and the quality of teaching. These changes included the movement towards a common governance framework for government and non-government schools and area based investments in cross sectoral programs at key stages in schooling.

The key structural and governance issue in Australian schooling is funding. This paper picks up from the previous publication. It argues the case for the centrality of funding as a key policy issue and proposes a reformed model for the public funding of all registered schools in Australia.

This paper reviews some of the issues that were elaborated in the first publication and then explores the administrative and political aspects of school funding in Australia. It posits that the characteristic of public funding systems and their evolution have done much to influence the characteristics of the relationships between government and non-government schooling in Australia. It proposes a restructure of funding systems around the federalist frame.

The proposal

Funding and Australian federalism

Numerous authors (e.g. Marginson, 1993; Meadmore, 2001; Lingard, 2000) have noted the unusual governance arrangements for schooling in Australia. Schools are located within the administrative authorities of state government agencies or non-state faith based agencies or are autonomous entities¹. Regulatory frameworks are established through state government legislation and are administered by state government appointed agencies. The regulatory systems apply either to all schools or differently to the three sectors of government, non-government systemic (mostly Catholic), and independent schools. Responsibility for curriculum and awards is mostly located within state government appointed agencies, but some responsibility is shifting towards a national agency (the Australian Curriculum, Assessment and Reporting Authority or ACARA), and schools have different levels of autonomy over curriculum. Funding is through state governments, the Commonwealth Government, and private revenue. The ratio between these three sources and the formula and criteria for them across the three sectors are different.

These governance arrangements have become more dynamic in recent decades. State governments have devolved elements of governance to schools to varying degrees, although recent patterns of state and Commonwealth interventions may indicate a cessation or even a reversal of these trends. Most recently there has been a marked shift in funding and curriculum responsibilities and some administrative roles to the Commonwealth Government, and there is the possibility of a shift of some regulatory responsibilities to the Commonwealth.² These changes have accompanied enrolment changes across the sectors with a long term shift towards the non-government sector and a more recent shift to the independent sector. The enrolment shifts are having the effect of increasing the differences in the average socio-economic status (SES) of student enrolments between the three sectors (Watson and Ryan, 2009). The social patterns of these enrolments are matched by similar shifts in enrolments within the government and to a lesser extent within the Catholic sectors, and especially at the secondary level.

It has been argued that these shifts in enrolments are threatening the principle of equity in schooling, are weakening the capacity of the Australian school system to raise overall standards of educational outcomes, and are weakening the capacity of schooling to promote greater social inclusion (Keating, 2009a). There is a world wide trend towards greater economic inequality across societies (Wilkinson and Pickett, 2009) and the trend has been quite strong in Australia (Stilwell, 2008). School enrolment patterns can compensate for or exacerbate this trend.

De la Croix and Doepke (2007) postulate that within democratic societies public education has evolved as a compensatory response to income inequality and its growth has corresponded with declining levels of income inequality. Within these relationships democratic governance has influenced income distribution, and they conclude that *“the size of the public system depends on the evolution of the income distribution”* (p43). However, they also argue that strong public school systems are an outcome of democratic governance, and this gives the characteristics of school systems a degree of independence from national social and economic characteristics. In a segregated (public and private) school system *“the quality of public schools is sufficiently low for rich households to prefer paying for private schools to enhance the education of their children. When inequality is low, on the other hand, the rich decide to send their children to public schools...”* (p41).

Australia does have strongly democratic governance, but it also has growing levels of income inequality and increased levels of poverty that are concentrated within households with school age children (Parliament of Australia, 2008) and growing levels of segregation within schooling. The latter is a product of two trends: an enrolment drift of students mainly from better off households from government to non-government schools (Watson and Ryan, 2009) and the trend within the government and Catholic school systems of greater difference in the household income levels of students between schools (Lamb, 2007; Long and Burke, 2004).

1 Most of these non state agencies are within the Catholic system and consist of the diocesan based Catholic Education Offices and state and national Catholic Education Commissions, as well as the teaching orders. Other faith based schools also are classified as systemic, notably the Anglican schools, and also have central agencies. The degree of autonomy of the schools within all of these agencies is variable.

2 The Commonwealth through its National Audit and Registration Agency (NARA) has recently assumed most of the regulatory responsibility for the Vocational Education and Training Sector. The Commonwealth Government has made it clear that it wants all states and territories to delegate their registration and quality assurance functions to the Agency (Gillard, 2008a). There are gradual moves towards a national structure for teacher registration with the establishment of national framework for the professional standards for teaching (MCEETYA, 2003) and the establishment of the Australian Institute for Teaching and School Leadership.

We have previously argued that the institutional settings for the governance of schooling are exacerbating rather than ameliorating these trends, despite state and national government policy positions that recognise the importance of an inclusive school system for the agendas of building human capital and social inclusion (Keating, 2009a). The institutional settings have created a policy path dependency that governments find impossible to alter in regards to the distribution of autonomy and funding regimes, and their inter-relations with key educational and political constituencies. All OECD countries have public and private schools. In some or most, private schools receive public funding, and in most cases this is at levels close to those for public schools. In all cases there is a relationship between the provision and level of public funding and the autonomy of schools over key governance matters, including enrolments and fee charging (Eurydice, 2000). Australia is exceptional in its weak relationship between public funding and enrolment practices.

It also has been argued that the core historical reasons for this unique set of governance arrangements have been the intersection of the separation of governance arrangements for government and non-government schooling and Australian federalism. In short, the institutional overlay of federalism has cemented the segregated governance arrangements, including the differences in funding regimes and in the distribution of levels of autonomy of schools and sectors. As a consequence there are weak and inconsistent links between public and private revenue regimes across the school sectors, and these weaknesses and inconsistencies have allowed a school system to evolve that has weak capacity for social inclusion and, as a consequence, a weak capacity to deliver a national objective of high levels of human capital for all.

A set of structural reforms and program initiatives has been proposed as a means of changing this path towards segregation within schooling (Keating, 2009a). To an extent some of them have already been initiated in Australia. A national curriculum, more consistent regulatory arrangements and funding directed towards schools and communities with high levels of educational need are consistent with this set of proposals (COAG, 2008). However, central to any real change must be the question of public funding of schooling. This is for two reasons. First it has been the most contested. The contestation has ensued for at least three decades (Furtado, 2001), and arguably for over a century (Austin, 1961). Although the contestation may have a limited influence upon the school funding decisions of Commonwealth and state governments, it does have an impact upon the relationships between government and schools and their agencies, and especially those of the non-government sector. The second is that funding is linked to the question of autonomy. In turn the distribution of autonomy across a school system in a market environment is a major factor that influences its capacity for social inclusion or exclusion.

Why funding

In 2006 Australia spent 3.9 percent of its gross domestic product (GDP) on schooling, a level slightly above the OECD average of 3.7 percent. Of this, 73 percent was government spending, of which 24.5 percent was direct and indirect payments to non-government providers, the highest amongst OECD countries (OECD, 2009; MCEETYA, 2008a).

From 1990 to 2008 the share of government educational expenditure as a percentage of GDP had been stable at 2.7 percent (MCEETYA, 2008a). Given the substantial economic growth over this period, and a declining level of the school age population as a percentage of the overall population, this pattern represents a significant real increase in government spending on schooling. It compares with a relative decline in public expenditure on higher education and vocational education and training (VET) – until the most recent years.³ This increase together with more rapidly growing levels of private investment in schooling suggest a broader societal commitment that is based upon expectations of public and private returns from schooling.

Public funding of schooling is contested in all countries, and within a context of expectations of growing returns to education this contestation intensifies. Social and private investment in schooling is also driven by the individual consequences of non-completion of schooling. The likelihood of social and economic exclusion is reduced through educational attainment (Robinson & Lamb, 2009).

The structures and governance of schooling in Australia are relatively complex. Schooling is delineated between government and non-government sectors, with the non-government sector consisting of independent and mostly Catholic systemic schools. Responsibility for schooling is divided between the Commonwealth and state and territory governments. As an area of public policy, school funding has proven to be politically sensitive in Australia. This politicised nature of school funding does much to explain its complexity, and lack of consistency and transparency (McMorrow, 2008; Dowling, 2007; ANAO, 2009).

³ From 1996 to 2004 public funding of universities rose by 12.6 percent, in absolute levels (Universities Australia, 2005). From 2002 to 2006 public investment in VET rose by 12.6 percent in absolute levels, and from 2004 to 2008 by 21.0 percent in absolute levels (NCVER, 2008).

The case for the reform of funding for school education in Australia needs to be considered in terms of the history of non-government school and Commonwealth funding and the contemporary political relationships within the wider education policy community. This includes the variable relative levels of autonomy that are held by different schools and different school sectors, and their relations with different governance, regulatory and funding agencies. The funding systems have evolved over the past half century, but have mutated quite recently (Wilkinson et al, 2006). From a historical base of minimal levels of public funding, non-government schools have advanced to a position where their overall medium and average revenue levels are more than those for government schools, and where some low fee non-government schools can receive almost as much public funding as government school averages (McMorrow, 2008).⁴ On a trend basis, both public and private revenue per student levels for non-government schools are likely continue to grow at faster rates than levels for government schools.⁵

Corresponding to these trends in funding have been trends in enrolments. Following the advent of large scale public funding of non-government schools from the mid 1970s, the then trend of an increased government school enrolment share had reversed by the late 1970s (Watson and Ryan, 2009). Over the past 25 years there has been an average annual enrolment share gain by the non-government sector of 0.4 percent, and this rate has increased slightly over the past decade. The impact is stronger in the secondary school sector. Table 1 indicates the enrolment share of the three secondary school sectors over the past two decades and projected trends if the current rates of enrolment change continue over the next two decades. At the current rates, within a generation most secondary school students will be in fee based schools, and this will be a percentage that far exceeds those for any other OECD country⁶. This status will be reached within 15 years across Year 12 enrolments, and on a trend basis the state of Victoria will have a minority of students in government secondary schools before the end of this decade.⁷

The enrolment drift is socially skewed, with most new non-government school enrolments being from higher socio-economic status (SES) households (unpublished data, Department of Education and Early Childhood Development; ANAO, 2009). The effect of the enrolment drift has been to lower the average SES levels of both the government and non-government sectors (while increasing it for the Catholic sector). However, Watson and Ryan (2009) show that the increased enrolments in non-government schools have had a relatively small downwards impact upon their social mix and their fee regimes. The increased funding has been used to improve services and this, they conclude, has attracted a larger student clientele. So, correspondingly, non-government school enrolment patterns are likely to be skewed in favour of students with stronger scholastic backgrounds. This is because higher SES students typically achieve stronger educational outcomes and students whose parents actively choose schools tend to achieve stronger outcomes than those who stay with local schools (Reay, 2004; Bell, 2005; Cullen et al, 2005).⁸

Table 1
Enrolment share by sectors, secondary schools, 1988 – 2008 and 2028 trend

	1988	1998	2008	2028 (TREND)
Government	69.13	65.24	60.82	51.98
Catholic	19.73	20.79	21.65	23.45
Independent	11.14	13.96	17.53	24.67

4221.0 – Schools, Australia, 2008

Virtually all testing regimes demonstrate this. A combination of consumption and education production functions produces these results.⁹ Since families with stronger economic and cultural capital are more likely to choose and pay the fees of non-government schools, the test results of these schools will be stronger than those schools with the residual student populations.¹⁰ The productive capacities of the non-government schools have increased through increased resource levels and the relative stability of their scholastic capital. That is, a selective and more homogeneous student population creates greater certainty in student enrolment numbers, less demands in terms of subject range, and less demands and more certainty in the development and targeting of teaching methods. These schools are in a better position to establish and strengthen successful scholastic programs.

4 Added to the direct recurrent and capital grants to non-government schools are indirect transfers in the form of government revenue loss through the charitable status of non-government schools and the non-government sector share of administrative and service costs of Commonwealth and state governments. State government grants to non-government schools vary from about 19 percent of average government school resource costs in Victoria (to rise to 22 percent in 2010) to over 25 percent in Queensland. As a consequence when all of these factors are added some estimates show some non-government schools in Queensland receive as much public funding as government schools (correspondence with officials from the Department of Education and Training, Queensland).

5 Private revenue in government schools is approximately 5 percent of all revenue, although the medium level is below this percentage (McMorrow, 2008).

6 Three OECD countries, the Netherlands, Belgium and Ireland have a larger percentage of enrolments in non-government schools than Australia. However, most of these schools are fully publicly funded and do not have enrolment fees. Across the OECD after Australia, Spain has the highest enrolment levels in 'private' schools that have enrolment fees and substantial levels of autonomy. Outside of the OECD there is more variation across countries (Eurydice, 2008). Amongst middle level countries Chile and Argentina are similar to Australia with private and relatively autonomous fee charging schools that also are publicly subsidised (McEwan, 2002).

7 ABS Schools Australia, 2000–2008.

8 This is the same pattern within government schools. For example, Year 12 students in government schools living in the Victorian northern metropolitan region who attended a school other than their local school achieved an average percentile assessment score that was 10 per cent higher than those students who attended their local high school (calculated from Victorian Curriculum and Assessment Authority data).

9 Here the consumption function is that of typical consumption patterns based upon assumptions of a stable autonomous consumption factor plus a variable of increased disposable income. An education production function is the school based factors that influence educational outcomes.

10 Education consumption patterns have not been fully analysed in Australia. The social distribution of non-government school enrolments can be observed using census data (Preston, 2003). However, as Smith (2008) shows, amongst those families who use the Catholic system and who have two or more children about a quarter also send one or more of their children to government schools. So factors other than economic influence school choice.

As indicated in several studies (Long and Burke, 2004; Lamb, 2007; Bonnor, 2009; Keating, 2009a) there are corresponding internal enrolments trends within the government school sector and, to a lesser extent, within the Catholic school sector, especially at the secondary level. These enrolment patterns do not carry the uneven resource levels through enrolment fees that exist across the non-government sector. However an educational production function does operate: some schools are actively chosen for their perceived quality by families and others have more of a default status based upon neighbourhood and accessibility. A positive production function operates through economies of scale and the greater certainty and stability of student enrolments, and as a consequence in workforce stability, that are delivered through the investment.¹¹ Peer concentrations of scholastically weak and strong students weaken and strengthen the production function, respectively (Holmes-Smith, 2006).¹²

Under pressure from a more active school education market, especially at the secondary level, state governments and education agencies over the past two decades have reduced enrolment regulations, established per capita recurrent funding regimes and allowed and initiated scholastic selective practices across their secondary schools. As a consequence of these practices and the enrolment drifts across the sectors, there appears to be a growing concentration of students with high levels of educational needs and mainly from low income households in mostly small and under-performing schools (Lamb, 2007; Achterstraat, 2008).

There is a considerable recent literature on the impact of the liberalisation of the school education market in nations such as England (Taylor, 2002), the USA (Viteritti, 2005), Chile (Carnoy and McEwan, 2000) and Sweden (Bunar, 2010). The effects of these measures are contested. However, on balance, it does seem that they do lead to greater selectivity in schooling – especially as the purpose is to increase choice – and as a consequence to greater inequality.¹³ The broad impact upon enrolment patterns is easy to demonstrate in Australia. However, the peculiarities of the Australian market do require better localised analyses.

There has been a coincidence of a reversal in the relative decline in non-government school enrolments and the advent of large scale state funding in the mid 1970s. However, as Williams (1985) and Watson and Ryan (2009) demonstrate, increased state funding in the ensuing three decades did not result in a reduction in real fee levels across the Catholic and independent sectors, apart from a short period of decline in the independent sector from 1979 to 1985. In all other periods, there has been a patterns of rising fee levels in the independent sector and rising fee levels in the Catholic sector, albeit from a low base and within a context of rising levels of disposable income across large sections of the population.

They conclude that the increased investment in private schooling is associated with an improvement in the quality of their programs.¹⁴ This quality improvement has resulted from a combination of resource increases and the advantaged conditions for an increased educational production function (Hanushek, 2007). However, these conditions existed in elements of the independent sector prior to the advent of public funding. The decline in non-government school enrolments prior to this was caused by the crisis in the indigent Catholic sector that was related to a combination of a decline in contributing resources¹⁵ and the relative improvement in the resources of government schools. Declining resource levels did not exist in the independent sector at this time, yet its enrolment share was not increasing. Therefore, the correspondence between real increases in independent school fee levels and increases in enrolment share must be related to perceptions of greater quality differences between government and independent schools (perceptions of a production function), a greater capacity to invest through increased disposable income (a consumption function), and perceptions of greater relative or competitive returns to education – or greater pressure for positional competition, especially in secondary schooling and its relationship with higher education access.

It seems likely that state funding had the impact of halting the decline and then increasing the enrolment share of the Catholic sector in the late 1970s. Over the past 15 years, this enrolment share has stabilised and most of the recent and accelerated increase in the non-government sector market share is in the independent sector. Watson and Ryan (2004, 2009) and Williams (1985) have identified the increase in public funding as the main factor in the increased absolute and relative enrolments in both the Catholic and independent sectors. However, it is suggested that this explanation should be expanded to accommodate these three functions related to perceptions of quality differences, disposable income, and private returns.

11 Secondary schools can have more stable client populations that can be achieved by fee regimes or selective practices in context of high enrolment demand. Under these circumstances such schools tend to have a more narrow range of subjects delivered in the senior years, a more narrow range of scholastic levels amongst students, less turnover in teaching staff and high concentration of experience staff in cores subject areas. For example, independent schools have fewer students undertaking VET subjects than the other sectors (NCVER, 2008), and amongst non-government schools in Victoria the range of student assessment scores narrows as school enrolment fee levels increase (Keating and Lamb, 2004).

12 The effect of different combinations of peer groups has been the subject of a substantial body of research. The effects are complex and disputed. However, there are relatively consistent findings of greater gaps in educational outcomes from segregating high and low performing students.

13 See articles in Plank and Sykes, 2003.

14 There also was a substantial retirement of debt, especially throughout the 1980s.

15 Contributing resources included the contribution of the religious teaching orders that were at low costs.

Enrolments and changes in enrolments across the three sectors have different social characteristics. Government school enrolments are skewed towards low SES students and independent school enrolments are strongly skewed towards high SES enrolments (Preston, 2003). Correspondingly, the exchange of students between these sectors, especially at the point of transition from primary to secondary schooling, exacerbates these differences (Williams, 1985). Catholic sector enrolments are the most heterogeneous in terms of SES and the most stable of the three sectors.

The relative stability of the Catholic sector enrolments may be instructive. The sector is more homogeneous in its provision (e.g. mainly comprehensive secondary schools) and resourcing models (ANAO, 2009). Long and Burke's (2004) study suggests that low SES children from Catholic families are less likely to attend Catholic schools than high SES children from Catholic families, and the sector has consistently lost a small percentage of secondary enrolments amongst high SES students to the independent sector (Watson and Ryan, 2009; Long and Burke, 2004). The reasons for the relative stability of the Catholic sector in what constitutes a robust school education market may be an exhaustion of its natural market amongst Catholic families and an unwillingness to compromise its curriculum model and its corresponding fee regimes.¹⁶ Or, correspondingly, the growth in the independent school enrolments may be associated with the sector's greater diversity, including its capacity to respond to expanding middle and high fee markets.

Too much should not be read into these national patterns as there are significant regional variations in the levels of enrolment share across the three sectors. Nevertheless, the counter-intuitive patterns of increased non-government sector enrolment prices accompanying increased demand do require some explanation. The attributed explanation of increased quality would explain at least some of this. The consumption functions and positional competitive function are generated by factors that are external to school systems. In terms of education policy, this leaves the education consumption function and the perceptions of it as the main variable. However, most of the increased resources that have been gained from public and private sources have been invested in reductions of student-teacher ratios (McMorrow, 2008). Although not all of these resources have been used for reducing class sizes, a large proportion will have been. Most analyses of education production functions conclude that the productivity of this investment is very low (Hanushek, 2007). Given the consistency of findings about class sizes, there must be either other factors that contribute to the production function in private and better resourced schools or other aspects of quality, or the perceptions of them, that are driving the market.

A study of the 2000 OECD PISA data concluded "*that private government-dependent schools are more effective than comparable public schools with the same students, parents and social composition. The main explanation of this higher effectiveness is the better school climate in the former; in comparison to the latter (and) that private independent schools are less effective than public schools with the same students, parents and social composition. The main explanation of their initially higher effectiveness is the better social compositions of these schools*" (Dronkers and Robert, 2004, p8). These findings match those of Coleman et al's (1982) seminal work of 'social capital' in Catholic schools in New York.

As Willms (1984) notes, school effectiveness varies far more within than between sectors, an observation about Australian schools made by Lamb et al (2004). Schools with the highest level of demand are to be found in the government sector, not the Catholic and private sectors. Academically, selective government schools have large levels of unmet demand, which ultimately is related to their relative scarcity. There is no such scarcity of these schools in the private sector because demand is mediated by price rather than scholastic capacity. There is a scarcity of such schools in the Catholic sector, albeit less so than in the government sector. However, demand in the Catholic sector also is mediated by fee costs.

There are different patterns of demand, enrolment fees, and autonomy over enrolments across and within the three sectors. School systems that have high degrees of autonomy typically are more diversified (Ringer, 1979). Typically, autonomy is mediated by the characteristics and behaviour of government. However, it can also be mediated through other organisational forms, such as churches or faith or other purposeful groups, and these mediations can be enhanced or weakened through the relationships between government and the other organisational forms. In Australia, the organisational forms of the Catholic school sector in its formal relationship, including funding with government, has limited the autonomy of its schools. These limitations are expressions of social philosophy and a complex set of historical interactions between religious and educational authorities within the sector and negotiations and relations with government and its agencies (O'Brien, 1999; Praetz, 1982).

The dimensions and extent of the agencies' autonomy in schooling, which are mostly individual schools and collective authorities – whether through statute, ownership or voluntary – are key factors that influence the characteristics of school systems. This is especially so in a relatively liberal or market environment for schooling, which is the case in Australia.

¹⁶ For example, in Australia the Catholic sector has not invested in selective entry secondary schools, although there are some high fee Catholic schools.

This suggests that any reform of school resourcing in Australia should take into account the nature of the relationships between government, schools and collective authorities or agencies. Governance of schooling does not reside solely with government in any liberal democratic state. This is especially the case in Australia where non-government school agencies, including those of the Catholic sector that form the bulk of the non-government sector, publicly argue that their schools should continue to have the autonomy and flexibility necessary to achieve their mission (Praetz, 1982; Elder, 2009).

Increased parental financial investment in schooling could have a number of causes. They could include an expectation across the population that families now have to pay for schooling, illustrated by the evolution of voluntary fees in government schools and the substantial incidental costs of schooling as estimated by Bond and Horn (2009); increased average family disposable income and reduced family size (consumption function); the increase economic and social risks of educational failure and non-completion; and a perception of increased private economic returns from education.

As a market, schooling in Australia is healthy, with amongst the highest and most rapidly increasing levels of private investment amongst OECD countries, mostly strong performance levels (OECD, 2009), and relatively high albeit falling levels of parental satisfaction (DEST, 2007). The Howard Government took measures to stimulate this market, and this was a core reason for cutting the nexus between the levels of private and public investment in non-government schooling (DEETYA, 1996). While per capita grants to non-government schools have increased public costs, the transfer of students from government to non-government schools has reduced overall public expenditure demands, and resulted in costs shifting from the states to the Commonwealth.

There are high levels of private demand for both higher education and resource intensive secondary schooling in Australia. The higher education undergraduate market has proven to be sustainable, and has allowed the Commonwealth Government to make cuts in real student per capita funding because of the strength of private investment and the capacity of the universities for increased revenue raising. The private investment in schooling has been stimulated by substantial real increases in public funding, and this appears to be through the production function of the private sector rather than the substitution of private for public costs (Williams, 1985). Public investment in private schooling has stimulated higher demand not through fee or price reduction but through increased quality of services. Given that public subsidies remain below those for government schools, there is a marginal fiscal payoff for government in subsidies that stimulate enrolment transfers from government to non-government schools.

Overall, the annual budgetary costs to government if all non-government school enrolments were to shift to government schools, based upon the difference between average government resource allocations to government and non-government school students, would be in the order of \$2.7 billion.¹⁷

However, the real costs for government of increases in subsidies for private schooling are only marginal as increases in subsidies to increase private investment apply to all non-government school enrolments, not just new ones. Over the period 1996 to 2006, the net cost to state and Commonwealth governments of the increase in grants to non-government schools and the increase in non-government school enrolments was approximately \$62 million per annum.¹⁸ As Watson (1998) points, out as government subsidies have increased, “the net fiscal benefit to governments from private schooling has diminished.” (p.146). Upon this basis, the most fiscally advantageous funding policy for government would be to maintain funding to non-government schools with an expectation that enrolment drifts to the sector will continue, albeit at a lesser rate than one that is stimulated by increased public subsidies.

Therefore, in terms of budgetary policy, there appears to be no justification for increased levels of public payments for private schools relative to those for government schools. Governments should be secure in this budgetary argument, and in the observation that the average levels of private school revenue are higher than those for the government sector and that the Catholic sector has average levels that are equivalent to those of the government sector (McMorrow, 2010). While government payments across the sectors are unequal, in part this is related to the desire of the non-government sector to maintain fees.¹⁹

17 Using 2006 data from McMorrow (2010) these data are: $(AGSRC + \text{capital costs}) \times 0.95$ (discount for 5% private income) = $(\$8,7894 - \$6,350$ (average government resource allocations)) $\times 1,121,128$ enrolments = \$2.73 billion. (It is possible that this is an underestimate as MCEETYA data for 2007–8 show that average per capita recurrent expenditure for government school students was \$12,639, and the Productivity Commission average for 2006–7 was \$11,864. All figures are subject to challenge because of what allocations should and are used in their calculations.)

18 This is calculated for the 1996–2006 period, using data from McMorrow (2008) as follows:

- > The net increase in government grants to non government schools (NGS) minus the net increase for government schools = \$768 per enrolment.
- > The total increase in non-government school enrolments for the period was 199,670)
 - Net increase in NGS per capita grants \times 2006 enrolments: $\$768 \times 921,458 = \698m
 - Plus increase in NGS enrolments \times 2006 average grants: $199,670 \times \$6350 = \$1,268\text{m}$
 - Total increased government costs(per annum): **\$1,817 m**
 - Minus costs if increased NGS enrolments were in government schools:
 - $199,670 \times \$8790$ (average grants to government schools) = **\$1,755m**
 - Net annual increased costs: **\$62m**

(These estimates have not incorporated the impact of the Enrolment Benchmark Adjustments (EBA) introduced by the Commonwealth Government in 1996. This mechanism effectively funds each new non-government school enrolments with cuts in funding to government schools. It would appear to be a mechanism designed to prevent the cost shifting from the states to the Commonwealth as the enrolment share of the non-government sector increases.

19 There are a handful of private schools that do not charge fees. Most of these either serve particular communities such as indigenous students, or are innovations to meet special needs. For example some of the former Australian Technical Colleges (ATC) have investigated the possibility of re-establishing themselves as private schools to gain public funding (personal correspondence with ATC personnel). The National Catholic Education Commission (NCEC) has adopted a position that private revenue should be approximately 17 percent of total revenue (Interview, Doyle, 2009).

On the other hand, there are some non-government schools that do not want to charge fees. They include schools established or sponsored by NGOs that are delivering programs to particular social groups. In most and possibly all cases, these schools do not receive the same levels of public resources as government schools. There is a strong case that they should.

At this point in time, a historical position has been reached. Non government schools, and especially the Catholic sector that has been the main political driver for non government school funding for over a half century, have achieved their objective of resourcing parity. However, this achievement has created three effects that now need to be dealt with.

The first is the complex, inconsistent and opaque resourcing arrangements and their apparently inherent characteristic of a stronger resource multiplier for the private sector compared to that for the government sector. It is possible that the relative growth rates of public resourcing between the sectors may become more even, and there are some early signs of this through the Rudd Government's resourcing initiatives. However, upon the basis of the patterns of the past three decades and the political processes through which funding decisions are negotiated and made within the federalist frame (Furtado, 2001), there must be some doubts. In all likelihood, private per capita investment in schooling, which is predominantly within the private sector, will grow at a more rapid rate than public per capita funding. It is unlikely that this will be matched with a commensurate disproportionate growth in public funding of government schools.

The second is that the politics of school funding over the past three decade have shaped its purposes to emphasise a concept of funding entitlement rather than broader social purposes. The policy and political discourses have been centred upon relative levels of and the right or entitlement to funding.

In a context where governments are looking towards schooling to deliver human capital, social inclusion, social cohesion and higher school completion rates – as well as the traditional civic purposes of responsible, tolerant and engaged citizens – a funding system premised mostly on entitlement seems inadequate. However, the claim of entitlement, which essentially is based upon individual rights, has now become established, both rhetorically and institutionally. Australia is unusual in basing its public funding of private schools mainly upon the principle of entitlement rather than the more traditional social principles or purposes such as citizenship (Heater, 2004).²⁰

The Australian experience, influenced by the particular history of non-government schooling and federalism, has shaped the strong link between public funding and individual entitlement. Public or community purpose has been located in the state funded government school systems and in Commonwealth programs that are targeted at elements of the community and particular problems in schooling, notably literacy. This has led to a degree of de facto needs based funding. However, these funding programs have only partially been carried by and have had a limited capacity to promote a public purpose discourse of community building, social cohesion and inclusion.

Justifying public funding

All public funding should be built upon public purposes, otherwise it is difficult to justify. A minimalist position on public purpose would be the liberal idea that the state should have no role, apart from that of a safety net or a guarantor in the context of the failure of the non-government sector (Mill, 1975). Another might be a redistributive role. Yet even these minimal positions are based upon public purpose. This does not mean that the entitlement claim does not have legitimacy. However, in abstraction, it is a principle without clothes as it is a claim that should only have traction within a public purpose construct. As such it needs to be mediated by the public purposes, and this requires a funding system that helps to shape the mediation. In the absence of public purposes the institutional arrangements, including the political processes that have allowed the schools with the greatest levels of autonomy from government and thus the weakest links to public purpose to gain the most from increased public funding, will continue. And despite the existence of the Melbourne Declaration, which is a strong statement of public purposes, the prevailing discourse, especially that related to funding, will remain attached to the concept of individual entitlement.

A third effect is to emphasise a clear distinction between public and private schools. This distinction does not allow the blurring of lines between the two. The NGO sector contributes several billion dollars per annum to schooling in Australia, both directly and in the form of family support.²¹ While much and probably most of these funds are sourced from government, most is directed towards high need student groups and their families. Public funding regimes have little capacity to recognise and accommodate this provision, apart from its inclusion within the formula based funding for non-government schools. These formulae are based upon the assumption of additional private fee based revenue, which is unlikely to exist in the case of high need groups.

²⁰ The concept of entitlement has several dimensions. The right or entitlement of an individual is broadly recognised across school systems and notably through the UN Declaration of Human Rights (UNESCO, 2001). However, the concept of entitlement within public sector principles is more disputed. In Australia the claim of the entitlement of the church schools to public funding was not accepted by the colonial and subsequent parliaments (Gregory, 1973) and subsequent funding has largely been based upon the principle of need. While there are subtle differences between 'need' and 'entitlement' the more direct claims of entitlement based upon a single per capita payment have not been supported by any Australian national or state government (O'Brien, 1999).

²¹ Bond (2009) shows that 49 community agencies contributed \$1,015,816 in emergency education relief in Victoria in 2008–9. "Given there are an estimated 700 non-government organisations providing emergency providing emergency relief in Victoria this represents just a fraction of the likely total annual cost." (Bond, 2009, p.v). On a population basis these figures would be quadrupled at the national level.

However, public purposes should not be a monolithic concept. Increases in government payments to non-government schools are justified by arguments other than costs and entitlement. The Catholic sector in particular sees itself as part of a broader public sector and argues that it makes a substantial contribution to the community (Sheehan, 2004). This takes the question of public investment back to the question of autonomy. Autonomy is frequently justified upon the basis of school effectiveness. This justification can be applied to all schools, not just non-government schools, and it is used as a justification for vouchers and market based systems of funding and governance. So relative or different types of autonomy within a public funding regime need to relate to the different types of mission and institutional²² or community contribution in schooling.

Debate on funding of schooling in Australia and the associated patterns of the relative autonomy of school sectors from regulation and management has concentrated upon the differences between government and non-government schools. However, both sectors are internally heterogeneous. There are differences within the sectors between patterns of enrolment and enrolment practices of schools, and levels of private income – although these differences are greater within the non-government sector. As a consequence there are similarities between some elements of the two sectors in enrolments, enrolment practices and private income.

On the other hand, there remain significant differences in the formal governance arrangements between the two sectors, and especially the location of responsibility for public schooling in the state government education departments which have taken defensive actions in the face of the broad enrolment drift to the non-government sector. These defensive actions in the form of greater scholastic selectivity and competitive behaviours by individual schools to secure more scholastic student enrolments lead to a complex question about the nature and purpose of school sectors. They also tend to sully the arguments for autonomy in terms of their impact upon the effectiveness of school systems and the particular contributions of different missions and philosophies to communities and the nation.

The ostensible purpose of selection is to provide opportunities for academically capable students to thrive within schools and programs that have stronger peer effects because of the concentration of scholastic capital. This has been an historical feature of many secondary school systems. In its origins it was a democratic feature that gave opportunities to poor but bright young people, as in the Scottish tradition of a 'lad of parts'.²³ It became controversial in the context of mass secondary and especially upper secondary education.

As Shirley Williams noted fully 40 years ago:
"...a grammar school must necessarily and logically imply the existence of a non-grammar school, and a non-grammar school is not, and cannot be, the same thing as a comprehensive school. It is really a form of semantic "double-think" that the late George Orwell so rightly condemned to talk about a comprehensive school existing side by side with a grammar school. A "creamed" comprehensive school is no longer a comprehensive school"
 (Williams, 1970, p.716).

The real purpose of selective programs is to project an image of scholastic excellence within the government sector, reinforced by polling that shows that these schools are popular 'amongst voters'. Because the initiatives of establishing these schools and programs are located within a comparative frame between government and non-government schools that is concentrated upon academic performance, it has hampered the diversification of Australian secondary schooling (Keating, 2009b). Schools that specialise in non-academic areas run the considerable risk of a flight of students from their schools. More directly however they face problems of resourcing, curriculum and tertiary pathways and have not been able to find their places within policy regimes that are concentrated upon the building of academic excellence.²⁴ Australia arguably has the most generalist of secondary school systems and the relationship between the sectors is likely to be one of the causes of this.²⁵ A new funding model needs to reduce the competitive relationship between the school sectors and encourage rather than inhibit diversity.

The traditional concept of a school system as the public or state school system that guaranteed schooling on a neighbourhood basis was challenged by the Karmel Report (1973; see also Whitlam, 1985). The report put forward a broader idea of a more eclectic school system that contributed to the schooling of children and the public or common good. This was a view that appears to have been embraced by large elements of the non-government school sector. The Catholic sector in particular sees itself as offering "the Catholic community and the people of Australia an educational foundation for life to the full, meaning the full development of the person" (NCEC, 2009, p2), and argues that it makes a significant contribution to the economy and community (Sheehan, 2004).

22 Institutional here is defined in broader terms and includes organisations and systems, their codes of practices and procedures, whether planned or through habit and expectations.

23 The lad of parts symbolised the opportunity for the bright Scottish 'lad' to progress from the village school into the Scottish academy and universities, and opportunity that did not exist for his counterpart south of the border in England.

24 There are numerous examples of the reluctance of policy makers to recognise and support diversity. The Australian Government has not continued the funding of Australian Technical Colleges; Initiatives such as the Vocational College established by Holmesglen TAFE have struggled to gain policy support and funding; applied learning programs that have been sponsored by schools and other organisations have rarely gained government funding.

25 Amongst 17 year olds in full time education 90.4 percent were in schools and 4.7 percent were in TAFE in 2006 (ABS, 2006 census). Amongst senior secondary school students 33.4 percent were enrolled in VET in Schools programs (NCVER, 2008) in 2007. Of these most were taking one subject in year 11. Thus the vast majority of 17 year olds in full time education and training take generalist senior secondary programs.

The location of such concepts within the education consumption ideology that has been dominant across the Australian polity is not clear, and arguably quite problematic for the market based assumptions that underpin the consumption approach. The model ranges from a broad acceptance of the right of parents to choose to send their children to those schools that are available to them to a more contested concept of open school competition within an educational market place. If agencies, including schools, other than the state or those controlled by the state are to claim degrees of autonomy in schooling within a publicly funded regime, they need to be accountable for their particular contributions. Formal accountability systems are quite extensive for non-government schools, and greater accountability for outcomes is being established through national testing and reporting programs. However, the claims of mission and contribution to community and the behaviours of schools and sectors within a school market raise more subtle questions of relational accountability – that is, accounting for the impact of behaviours that serve some communities above other communities or the national community. Such accountability is unlikely to be established through regulation, as it is more a product of dialogue and engagement.

However, funding systems can play a part. Voucher systems have been proposed, and to an extent implemented in Australia, as means of delivering autonomy to the educational consumer and promoting quality improvement through competition for enrolments (Novak, 2009). While these arguments tend to ignore the unequal distribution of autonomy across schools and sectors, they do make the point that funding regimes are not neutral in regards to their impact upon the delivery of mission and purpose in education.²⁶ With an absence of public and community mission and purpose in schooling it is difficult to justify its core institutions of curriculum, compulsion and, arguably, public funding.

Australia is not the only theatre for debates about schooling, public and private purposes, and the educational market place. However, it is unusual in having a strong competitive relationship between the public and private sectors, which in turn appears to have driven an internally competitive and more selective model within the public sector. Complex sets of relationships have evolved between schools, between schools and their sectoral agencies within and across sectors, and between sectoral agencies. In this context, the foci of the competitive relationships can become lost. So measures within the government sector to increase selectivity as a means of competing with the non-government sector will draw students from non or less selective schools in the government sector as well as less selective and low fee schools in the non-government sector.

Both of these types of schools are likely to be neighbourhood based and are central to strategies for improving educational outcomes and increased school retention rates (MCEETYA, 2008a; COAG, 2008). This is because the capacity for marginal improvements in outcomes and completions in the more socially and economically selective schools, whether fee or scholarship based, are minimal given their existing high levels of outcomes and completions. The same pattern of limited capacity for marginal improvements will exist in the communities that these schools serve. Improvements need to come from the generalist and non selective schools that serve the bulk of communities.

A weakening of the scholastic base of these schools through greater scholastic selectivity will weaken their capacity for improvement. The defensive reaction of the government school authorities towards the enrolment drift is mostly targeted as a competitive relationship with the Catholic sector that incorporates most of the low fee non-government schools. Parents who might be encouraged to move their children to the government sector are most likely to be those that are using low fee schools. Amongst families who use Catholic schools and that have two or more children, one quarter also use schools in the government sector (Smith, 2008). It is possible that the increased use of selective enrolment strategies within the government sector may incite similar responses from the Catholic sector.

A drive towards a school system differentiated into selective and non-selective schools will have implications for the targets and goals for Australian schooling established by the national state and territory governments. It will be difficult to achieve the target for Year 12 completion when the marginal increases in staying-on rates need to come from schools that face the greatest demands in terms of educational needs and that frequently are least equipped to innovate and provide the diversity of programs that will be needed to engage students in learning. There are implications for the principles of social justice and equality of opportunity in education. The lack of progress over the past two decades in achieving greater social equity in patterns of participation and outcomes in schooling and correspondingly in access to higher education (Bradley, 2008) could deepen and begin to reverse the gains that were made in the 1960s and 1970s.

A core question here is the concept and exercise of autonomy in schooling and its relationship to diversity. Autonomy is valued by schools and school agencies for reasons of both market and operational capacity and educational and social principles.

²⁶ Per capita enrolment funding is now common across government school systems. This has a similar impact to that of vouchers as it encourages schools to seek extra enrolments. However, as Watson (1998) notes “policies to promote client choice can only be implemented effectively if all schools – both government and non-government – are funded within a common policy framework.”(p146)

On the other hand, schooling has always had a large element of commonality, including commonality in curriculum, which is being reinforced with the movement towards a national curriculum. It also has included the idea of the collective as both a public good through neighbourhood effect²⁷ and as a social or democratic principle of life opportunities or social and economic inclusion. There are tensions within the relationship between autonomy, commonality and collective across all education systems, and especially within liberal democracies. However, there is and must be a relationship – which is something that both the claimants of high levels of autonomy and advocates of voucher systems based upon narrow human capital principles ignore. Funding systems, therefore, are important mediators in this relationship.

It has been argued that the current structures of governance and funding of public and private schooling in Australia have a restrictive impact upon public policy in Australia (Keating, 2009a). The core issue in regards to private or non-government schooling is its autonomy from government requirements for enrolments, which for most government schools are open enrolments on an area basis. Non-government schools can charge fees, and restrict enrolments on the basis of scholastic records, behavioural patterns and religion. Effectively, they do not carry the responsibilities for delivering the principle of universal access to schooling. This is not withstanding the observation that elements of the government systems have adopted selective or restrictive enrolment practices and that elements of the non-government sector have enrolment practices of taking all comers, and, in some cases, of providing fee relief for some parents.

Unsurprisingly, therefore, governments typically have looked towards the idea of accountability as a means of inducing non-government schools to accept a share of the public or social responsibility for schooling. Regulatory regimes for teacher registration, school registration and curriculum have been implemented mainly by state governments and both levels of government have detailed accountability and auditing requirements for government funding. The Rudd Government early in its term signalled that it would require increased accountability from the non-government sector and subsequently has pursued an agenda of greater public accountability for educational outcomes from all schools.

Funding, however, remains the fundamental issue in the relationships between public and private schooling. This is for several reasons. The first is the size and market power of the non-government sector. As a relatively autonomous private sector as well as a publicly funded private sector rather than an incorporated sector, it is by far the largest in terms of market share amongst OECD countries.²⁸ This factor alone would seem to require a funding regime that is based upon a clear and relatively widely accepted set of principles and procedures. Neither of these exists in Australia.

A second reason is the complexity and inconsistency in the current funding arrangements. Dowling (2007) cites several commentators who have criticised and noted the inconsistencies in these arrangements. The existence of three different Commonwealth funding systems from which non-government systems can effectively choose their best option is the most obvious inconsistency, as these arrangements produce significant differences in funding levels for individual schools.²⁹ Apart from this variability there has been inconsistency in the levels of Commonwealth funding in relationship to the levels for government schools. Commonwealth funding has been based on a percentage link to Average Government Schools Resource Costs (AGSRC). As such, any increases in government school funding by state governments automatically lead to an increase in Commonwealth payments to non-government schools. However, the Commonwealth for policy reasons and under political duress has added further increases on top of these percentage increases (McMorrow, 2008). There has been no reverse relationship, as increases in Commonwealth funds to government schools are based upon a constant supplementation to state based resourcing of their schools of 9 percent and 10 percent for primary and secondary schools respectively. The Rudd Government has redressed this imbalance by raising the primary levels to that for secondary schools.

27 Neighbourhood effect is the community benefits of lower crime rates, better health, greater social cohesion, etc.

28 In 2007, 57.07 percent of all non-government schools recurrent revenue was from state and Commonwealth grants. For the Catholic sector the figure was 71.97 percent, and for the independent sector it was 41.17 percent (MCEETYA, 2008a). Commonwealth per capita payments varied between 13.7 and 70.0 percent of AGSRC. The medium for the independent sector was above 50 percent. The introduction of SES per capita funding following agreements in 2007 will have altered these figures by increasing the percentages of government funding. All schools remain outside direct government agency management in matters such as staffing and salaries, enrolment policies and the length of the school year. Most non-government schools in the UK, Canada and most European countries have been incorporated within the publicly funded and administered systems and are fully or almost fully funded. Their degree of autonomy varies. However, in almost all of these cases the schools cannot charge fees and have restrictions on their capacity to select students.

29 The three systems are the Socio Economic Status (SES) system; the no disadvantage system: the option for those schools who would have a funding reduction under the SES model to stay in the previously arrangements based upon the Education Resource Index that linked Commonwealth funding to the private resources available to non-government schools; and the arrangements for Catholic systemic schools that are funded as a bloc at one level of funding rate. Only the ERI model links public funding to levels of private resourcing. Across the government sector where there are a handful of schools that have high levels of private income of up to \$6,000 per student enrolment, and there are no links between levels of public and private revenue.

Another element of the inconsistency is the levels of state government funding that have varied by much as much as 43 percent across the states (MCEETYA, 2008a). It is possible that the relatively low level of funding in Victoria, which has its largest impact upon the low fee and mostly Catholic schools, have added drive to the claims of the non-government sector upon the Commonwealth for the increased levels of funding that have been delivered over the past decade which has driven average resource levels in the sector to at least and possibly higher than the levels for government schools in some states.³⁰

These inconsistencies and the lack of transparency are related to a third reason for confronting the funding issue as they compound the high degree of contestation across the educational community over the issues of funding. This contestation has ensued for the past three decades, with little change in positions and composition of the protagonists. On the one side, people associated with the government schools see the increase in public funding to non-government schools as unjustified given their high degree of autonomy, especially over enrolments and fees. They also have observed the drifts in and compositions of enrolments and the relative increases in resource levels of non-government compared with government schools. On the other, people in the non-government sector note that non-government schools reduce the costs for government for resourcing school education in comparison to most other OECD countries. They also are aware of the legacy of opposition to any public funding of non-government schools, traces of which remains observable in state education agencies.

A fourth is the impact of the current arrangements for non-government schooling upon the governance of schooling in Australia. There are two effects here. An immediate effect is the lack of consistency in the application of regulations, directions and initiatives across schooling. The incapacity of state education authorities to influence non-government school enrolment and fee policies has been a point of contention. However, there also appears to be a default position within state education departments of confining their initiatives to the government school sector. These behaviours reinforce a pre 1970s culture of public versus private schooling, which in regards to public policy is increasingly dysfunctional. For example, Australian governments have set a target for Year 12 or equivalent completion rates to be reached by 2025. By this date, on current trends, the share of students in non-government secondary schools will be almost half and the share of Year 12 students will be more than half. The behaviours also serve to reinforce the cultural and policy separation between government and non-government schooling.

In a context where state governments individually and collectively are setting state and national targets for levels of educational outcomes, it is difficult to implement coherent strategies for these targets when increasing percentages of students and provider capacity are located outside of the government school sector. This broad enrolment trend, together with the wider movement of education system governance trends in Australia and internationally, constitute wider and deeper effects that need to be considered in some detail before alternative funding strategies are considered.

Governance and funding

In primary schooling, 29.86 percent of students were enrolled in non-government schools in 2007 with a projected level of 32.29 percent in 2016 (MCEETYA, 2008a). At this rate of enrolment drift, it would take half a century before the non-government sector would achieve a majority status, compared with 25 years for secondary education.

Within a decade, a third of primary students will be in non-government schools and within a generation, a majority of secondary enrolments will be in non-government schools. When demographic factors of birth rates across low income sections of the community, the growing incidence of school age children living in low income, single or no parent and unemployed households, and area and school concentrations of refugee, indigenous and disabled students are added, it is likely that primary schooling will increasingly reflect some of the social and scholastic segregation characteristics that are increasingly apparent across secondary schooling in Australia. Under these circumstances, it would seem highly unlikely that Australian governments will continue to be able to abide differentiated governance systems for the government and non-government sectors if they are to maintain and deliver on their goals for participation, outcomes and equity in education.

There have been broad governance trends of greater autonomy for schools across most OECD countries over the past two decades. These trends have attracted an enormous volume of literature. Much of it has analysed the impact of market based approaches in educational governance and recently there has been a large body of work on the future of education systems, including the work that has emanated from the OECD Schooling for Tomorrow project³¹.

³⁰ This is a key factor in the Australian 'system'. The non-government sector has a mistrust of the states and so has looked to the Commonwealth for consistency and certainty in funding. However, they also have maintained pressure upon the states to gain funds, and particular relations with state governments in some states, notably New South Wales and Queensland, have led to quite generous levels of funding. Victoria in an obtuse sense may have been a driver as it has been the state that has strengthened the feeling that its governments and agencies are not supportive of the non-government sector, and especially the Catholic sector. The Split in the Labor Party and its aftermath were concentrated in this state, and the legacy may have been a driver for the considerable push for Commonwealth funding.

³¹ See: http://www.oecd.org/document/6/0,3343,en_2649_35845581_31420934_1_1_1_1,00.html

The main governance changes have delivered greater decision making power over the allocation of resources and staff appointments and management to school leaders and councils or boards. Most schools are now funded on a per capita basis, with principals being responsible for the allocation of these resources and balancing budgets. In the USA and the UK, some public schools also have been able to operate in a similar manner to private schools by effectively breaking away from education authority supervision, although some restrictions on enrolment practices continue to exist. In the USA, this has been through Charter schools and in the UK through a number of initiatives including schools that 'opt out' of local government control, the secondary 'academies' that have autonomy over most elements of school operations apart from enrolments, and Trust schools that were introduced under the 2007 Education Act.

In some countries, the changes have been designed to introduce an educational market. Chile was the first country to introduce more radical market principles into school education in the 1980s. New Zealand also introduced market oriented measures in the 1990s. Somewhat unexpectedly, the Sweden Social Democratic government in the 1990s allowed publicly funded independent schools, including for-profit schools and chains of schools, to enter the market and gain government funding.

These changes have also come with greater 'steerage' of school systems. Steerage is typically enacted through the setting of goals and targets and greater accountability requirements – including accountability for meeting performance measures. This has led to more direct interventions in 'failing' schools in the form of the replacement of school leadership and in some cases school staff, and greater direction over school budgets and some other aspects of school operations.

There are different accounts of the reasons for the introduction of market oriented governance in school education. Much of the literature has concentrated upon the ideological drive of neo-liberalism in public policy. However, public and private demands upon education have increased substantially over the past two decades, and while governments – including Australian governments – have invested more in schooling, they expect greater returns.

All OECD countries appear to accept the human capital imperative of education, despite some scepticism amongst some economists. As a consequence, governments regard the quality of national education systems as a key component of international economic competitiveness, and also invest for the neighbourhood effect. Education's role in individual economic and social outcomes is widely validated. As a consequence, its centrality to social policy is accepted by all governments. Under these conditions and in a context where there are heavy demands from other areas upon budgets, governments have required schools to be more accountable for the outcomes of public investment in schooling and have sought to improve the quality of educational inputs and outcomes.

At the same time, private investment in and demands upon education have increased. Politically, it has not been feasible in most countries to deny parents some capacity for choice in schooling. This is especially the case in Australia where there is such a large non-government sector. Apart from the direct effect of the capacity of a large percentage of Australian parents to choose fee based non-government schools compared with all other OECD countries, there is its effect upon the government schools sector where state governments have been required to reduce zoning and other regulations to allow greater parental choice, as reflected in some recent state government legislation (Parliament of Victoria, 2006).

For many governments, and especially those in Australia, the movement towards a more market based model has major benefits. It encourages private investment in an area that many governments deem as a national priority. It is politically attractive – especially in meeting the demands of the 'chattering classes'. And it incorporates organisational development tools that have been used across a wide range of industries to drive efficiency and quality improvement.

However, it has consequences. Schools that have weak production functions are more vulnerable in educational markets. The weaknesses can be related to poor quality of leadership, teaching quality and program delivery, or other input factors or the nature of enrolments. In a market context, schools need to seek market power which can be gained through the quality of programs and delivery, outcomes and physical and cultural resources. Outcomes and cultural resources can be enhanced or weakened through selective practices. As a consequence, choice and educational markets typically have negative impacts upon educational equity and exacerbate some schools' vulnerability to failure and the risk of becoming 'sink' schools. These tendencies also have been increased in a context of greater social inequity where most OECD countries – including Australia – have experienced rises in their Gini indices of poverty since the early 1980s.

In response to these two effects, governments have adopted two types of measures. First, they have intervened more directly in failing schools through programs designed to strengthen the quality of leadership and teaching and, if necessary, through more drastic measures including change of school leadership and staff and school closures and amalgamations. Second, they have moved towards area based approaches that are designed to encourage partnerships or forms of mentoring between schools (Smith, 2002). On the one hand, this is based upon the logic of the practice of transporting the successful practices and capacities of one school to less successful schools. On the other, it is part of the placed based approach to social policy that governments have turned to in the context of high concentrations of indicators of social stress including poverty, unemployment, poor health, crime and poor educational outcomes (COAG, 2008).

Post systems – governance and funding

One of the more interesting and possibly most instructive spaces in school education governance in terms of its relevance for the Australian context is that of England. Here, successive governments have undertaken a series of reforms over the past two decades that have been designed to increase the quality of school education outcomes. They are based upon a set of liberalisation measures together with more centralised steerage. Liberalisation measures include the relaxation of enrolment regulations, the establishment of greater autonomy for schools from local authorities, and the encouragement of specialisation and diversity in secondary schooling. Steerage has been increased through accountability demands that include national curriculum and testing regimes, school inspections and the publication of school performance measures. More recently, there have been innovations similar to the Charter schools in the USA. Trust schools and academies are established with similar governance rights to those of independent schools, albeit overlaid with the intervention measures of leadership programs and accountability measures, as well as some restrictions on enrolment practices.

England appears to be heading towards a 'post system' form of school education. Here the concept established in England at the beginning of the 20th century of a school system that is highly standardised in regards to operational characteristics – including industrial modes – and based upon neighbourhood enrolments is giving way to one of autonomous operational modes and market or semi market based enrolment patterns.³² Central management is through outcomes steerage in the form of standards based curriculum and assessments that also facilitate the market input into quality building. Social policy in regards to goals of equity and universal access are also achieved through accountability measures.

The limitations of these approaches for equity outcomes have required new concepts of partnership between schools and area based approaches. Base line access to schooling is delivered through the maintenance of some area based enrolment requirements. These limitations are intensified in a situation of under or limited supply of schools, which existed in secondary schooling in Australia until the 1980s. Under these circumstances, there is little capacity for choice. The plan of the British Conservative Party to allow private for profit companies to enter the publicly funded schools market (Furlong, 2009) is designed to expand supply.

The English case is instructive because there is some evidence that the current Commonwealth government policy is framed in a similar form and possibly has been influenced by the English approach. The crisis of the government school system, especially at the secondary level, and the long standing and intractable issue of public versus private schooling could also have driven the adoption of a 'post system' or a quasi integrated system approach in school education policy, especially from the standpoint of the Commonwealth. Australia also has areas of oversupply of schools, which has been strengthened by the abolition of the New Schools Policy.³³ A national curriculum, national targets for schooling, a gradual movement towards a national regulatory framework, national testing programs and greater accountability requirements for non-government schools together with statements from the Federal Minister that the old divisions between government and non-government schools are no longer relevant (Gillard, 2008b) are consistent with a model of post system or quasi integrated system approach to school education governance.

³² Two principals of schools in England that had gained high degrees of autonomy (Andrew Hutchinson, Parkside Community College, Cambridge (21.9.2009), and David Daniels, Petchey Academy, Hackney Downs (22.9.2009) both observed that schooling in England is moving towards a post system model in presentations to a study tour group.

³³ An earlier expansion of the number of independent schools has now abated. However, the enrolment share of the sector has increased as established schools have increased their enrolments and added new campuses, or added primary or secondary levels (MCEETYA, 2008a).

Statements that the divisions between public and private schools are no longer relevant can be premised upon an assumption that the current state systems will or should evolve into a collection of relatively autonomous schools similar to independent schools and collections of schools from the government and Catholic sector. The alternative of the 'incorporation' of elements of the non-government sector into the state funded school systems has been mooted in the past, but has never been a viable policy option for logistical and political reasons (Praetz, 1980; Furtado, 2001). This approach can dovetail with the movement towards governance arrangements that are based upon goals and targets, standards and accountability systems – all within the dynamic of a robust school market as a driver for efficiency and quality. The My Schools website³⁴ as a platform of common measures and criteria is a tangible step towards this. The options of a national inspectorate and common student identifiers as a means of tracking student progress (Harrison, 2010) mooted by the Commonwealth Minister for Education would be further tangible steps towards a post systems approach. These measures would weaken the responsibilities of the state education departments and the Catholic education offices in favour of a national framework and intervention system for under performing schools and students.

Supplementing this are measures for needs based funding and area based approaches to educational regeneration. Some of the initial policy moves towards area based approaches have been through COAG and within the state school sectors.

The post system approach to school governance has a core rationale consisting of three elements:

- > Schools are today located in a market where the principle of choice is well established and strongly realised in elements of the community;
- > Under these circumstances, there is a need and an opportunity to move towards a governance model of autonomous schools operating within a consistent regulatory framework, with standards based accountability systems that are linked to measurable national goals;
- > Because the market impact on top of patterns of community disadvantage will exacerbate differences in educational outcomes, there is the need for more active interventions to address need and to intervene in cases of poor quality.

The approach also appears to have elements of the *social investment states* (Perkins et al, 2004) concept proposed by Anthony Giddens as one of the elements of the Third Way policies of the former British New Labour government. This concept is both post welfare and post neo liberal and is located in the idea of social inclusion that has been a key plank of state and national Labor governments in the 21st century (Smyth, 2010). In education, it leads to a new construct of its traditional role of citizenship and nation building. Social inclusion goes beyond welfare that concentrates upon income support and the punitive neo liberal idea of mutual obligation. A broader idea of human capital that allows people to participate in both economic and social life beckons the responsibility of the state to invest in individuals, and to intervene when individuals are at risk of social exclusion through educational failure. Numerous statements from the national Labor Government and national policy statements from COAG and MCEETYA reflect this approach.

This model of schooling is more likely to evolve at the secondary rather than the primary level. Primary schooling remains more strongly public, both in the percentages of students in government schools and the characteristics of the Catholic schools that make up two third of non-government primary schools. Together, 90 percent of primary schools are neighbourhood based and no or low fee. They also enjoy a high level of parental satisfaction (DEST, 2007) that dampens market manifestations of private investment and active school choice, especially beyond neighbourhoods (De la Croix and Doepke, 2007).

Secondary schools are more diverse in their ownership and characteristics and there is a robust secondary education market with a large percentage of students travelling to government and non-government schools outside of their local areas. Parental satisfaction is not as high and is declining. Correspondingly, the levels of private investment are higher in secondary education. The policy temptations for governments to move towards a post system model in secondary education are considerable. This approach potentially distances political responsibility for weak schools, locates school failure, whether real or apparent, within the failure of the production function within a school rather than within a system, and provides an apparent solution through school choice³⁵. It justifies a standard to which the school rather than government can be held accountable, justifies stronger interventions for school failure, and appears to provide a potential solution to the public-private school issue by effectively moving all schools towards an autonomous or independent model. It could be termed a 'third way' to the traditional government versus non-government school policy dualism of the past three decades and the purer choice or market based approach of the Howard Government.

³⁴ <http://www.myschool.edu.au/>

³⁵ To an extent this mechanism works. Schools that appear to fail typically are abandoned by a large proportion of parents. Systems are then left with a sink school with low enrolments and initiate procedures for the closure or amalgamation of these schools.

The movement towards less system based model of schooling in Australia raises issues of equity and public purposes or objectives for schooling, and questions of the obstacles to its evolution. In regards to equity, apart from the contestation over the impact of choice or market based approaches in secondary schooling upon levels of equity, there is the core problem of the capacity of private schools to charge fees and have autonomy over their enrolments. Apart from Australia, only Chile and Argentina amongst advanced and middle level economies extend this autonomy to publicly subsidised private schools. The foremost models of publicly funded autonomous schools – those in the USA, England and Sweden – all deny these schools the capacity to charge fees and control their enrolments. So there must be doubts as to whether the model that is evolving in Australia can overcome the intrinsic problems of growing inequity that are exacerbated by the public–private division. There is reason to expect that in the absence of other measures, these developments will exacerbate the tendency within government secondary education of the social and scholastic segregation of high demand and high performing and low demand and low performing schools that is so apparent, especially in the large urban settings. And in the meantime, the drift of mainly better off students with strong scholastic records to the non-government and mainly the independent sector will continue.

There also is the likely obstacle of resistance to the idea of a post systemic schooling from state governments and their agencies and the Catholic schools agencies – and, to some extent, some other faith school agencies or collectives.

Both sets of institutions retain a commitment to a collective of schools for many similar and some different reasons. The state governments and especially their agencies retain traditions of education for all that must remain area based, so that all students across each of the states are guaranteed access to free schooling. Increasingly, schooling has been linked to patterns of social and economic inclusion and to ideas of community building and whole of government services. The Catholic and some other faith school sub-systems have seen their schools as contributing to the broad social or public goals of schooling, traditional objectives of educating ‘the poor’, and, of course, sustaining their particular faith within their communities. As well, the Catholic school ‘system’ is a significant and arguably the most important asset of the Catholic Church and one that is unlikely to be abandoned to the idea of autonomous Catholic schools. The sector in establishing its independence following the 1870 education acts established its community links through the parish, rather than the state (Austin, 1961). It is unlikely to abandon this in favour of a market based upon the institutional autonomy of schools.

These issues mean that if the evolving model of schooling is to have ethical and political viability, it will need to accommodate collective elements – and not just common elements such as curriculum. Whether these collective elements are area or community based or faith based (or both), they will need to be negotiated and modelled through the federalist frame, and will need to tackle the core issue of funding. There is a vast literature on the impact of market based approaches to schooling, much of which attributes these trends to policy failure. Given the international nature of these trends, there must be environmental factors that are influencing them.

Under these circumstances, it is important to look for opportunities within the dynamics for change. A post system or quasi system model of schooling has potential advantages in Australia. The multi-system model has been one of the foundations of the current public–private structure of schooling, and parallel movements of greater school autonomy but within more common governance frameworks provide considerable opportunity. There are signs that the Commonwealth Government is aware of these opportunities in statements by the Deputy Prime Minister that consideration should be taken of funding “all schools from all sources” (Gillard, 2010b).

The politics of school funding

The highly politicised nature of schooling funding in Australia is demonstrated by its frequent presence in the pre election manoeuvres of governments and opposition parties, especially at the national but also at the state level. It is likely that it has a particular intensity in Australia due to its history and the division of responsibilities across the two levels of government.

It also is due to the particular construct and governance of non-government schooling in Australia. The sector is heterogeneous in its combinations of faith based collectives of schools and autonomous or unaffiliated schools. However, it also is grouped in a formal manner through Commonwealth funding as systemic and non-systemic schools. On a political level – where the funding decisions are made – there is a division between the Catholic schools and other non-government schools. In terms of public reporting of enrolment and other data, the sector is divided between Catholic and non-Catholic schools.

Catholic schools and the Catholic Church have been the main engine of the politics of educational funding in Australia. The Church and its schools were key players in the politics that led to the settlements of the 1870s education act. The decision of the Church to establish its own schools without state funding and its capacity to do this through the religious orders and the support of its parishes created the conditions that would undermine the settlement of the act. The personal links between the church and the Labor Party intensified the politicisation of the ‘state aid’ (for church schools) in Australia, and contributed to the 1955 ‘split’ in the Party (Murray, 1970). The intensity of the ‘state aid’ campaign provided an electoral motive for the Menzies Government to initiate elements of Commonwealth funding. The need to heal the split was one of the drivers for the Whitlam Government to provide recurrent funding to non-government schools.³⁶

The Catholic sector also has been the major force in shaping the funding system for non-government schools that exists today. At the time of the Karmel Report, the broader non-government sector and the Australian Parents Council favoured an entitlement based per capita funding undifferentiated by the SES background of students or the private income of schools. This had the support of a sizable percentage of the Catholic bishops and the strong advocacy of the influential B.A. Santamaria. The alternative of needs based funding was supported by the Schools Commission and other elements within the Church, including Fr. Frank Martin who was a member of the Commission. Needs based funding was delivered through block grants to the systemic schools and the advent of the Schools Commission saw the establishment of national and state Catholic Education Commissions (CECs). Block grants necessitated the establishment of Catholic Education Offices (CEOs) in each diocese. These offices mostly draw their personnel from the Catholic schools and in some cases from the government school systems. Some of the people from the Catholic schools have also previously worked in government schools (Praetz, 1982; O’Brien, 1999).

The governance arrangements for Catholic schooling therefore are complex. Parishes, religious orders, dioceses, CEOs, state and national commissions, and the bishops as individuals and collectives are all part of these governance arrangements. At the state and national level, the key agencies in the negotiations and public politics of funding and other major policy matters are the bishops as individuals and as collectives – especially the Australian Catholic Bishops, and the CECs. The CEOs and CECs provide an alternative voice to that of the bishops, and one that is more likely to represent the broader spread of the mainly low fee Catholic schools. Any political strategies and negotiations around funding need to be conscious of this.

There are intrinsic and historical barriers between the Catholic and government school sectors. The governance structure and the culture of the Catholic schools is a combination of the collective of Catholic social philosophy and multiple locations of autonomy: schools and their parishes, orders, the bishops and their dioceses, and the CEOs and the CECs. The movement towards greater school autonomy across the government systems has reduced the gulf in governance philosophies between the sectors. Nevertheless it was the characteristics of the ‘state systems’ in comparison to the ‘Catholic systems’ and their historical mutual rejection that has helped to shape the Catholic school sector and its defence of its autonomy (Austin, 1961; Albinski, 1966).

For these reasons, the option of the incorporation of the Catholic schools into the state systems along the lines of the arrangements in the UK, Canada and most European countries is not possible, and probably was never possible in Australia. In the 1970s, the Catholic sector in New Zealand accepted arrangements for their schools to be incorporated within the public sector while maintaining a ‘special character’ (Furtado, 2001). This did not occur in Australia, despite the position of the then Australian Prime Minister Gough Whitlam (Whitlam, 1985) and a proposal from the Schools Commission in 1975 (Praetz, 1982).

³⁶ The funding that followed from the Karmel report did not include the highest fee schools.

Given the history of the Whitlam Government and the hostility of the government sector school unions and some other stakeholders, together with the immaturity of Commonwealth–State relations in school education, in all probability this was not possible at the time. This was despite the crisis in the then indigent Catholic school sector with its falling enrolments. The political backdrop of the legacy of the Split in the Labor Party and the nature of the two party dominance of Australian governments always placed ‘state aid’ ahead of ‘incorporation’ as a solution to this crisis. Indicative of this have been the financial concessions that were granted by some of the states prior to the Whitlam Government and subsequently by all states (Watson, 1998; Wilkinson et al, 2006).

Various versions of the incorporation option have been mooted or inferred in reports and by political figures. David Kemp, the first education minister in the Howard Government, has been reported as supporting a goal of full public funding for Catholic schools (Furtado, 2006). As Prime Minister in 1991, Paul Keating put forward an option of the states taking over all responsibility for schooling while ceding training to the Commonwealth. In 1996, the National Commission of Audit recommended that the “*States should be responsible for preschool, primary and secondary education. The Commonwealth should be responsible for vocational education and higher education*” (p.8). The Victorian Department of Premier and Cabinet sponsored a report (Allen Consulting, 2004) that advocated and modelled an ‘integration’ model, funded by the Commonwealth. In 2009, the Queensland Premier Anna Bligh mooted a similar federalist division or responsibilities, or what is termed collateral federalism (Bligh, 2008).

These options are not possible in Australia because the non-government school sector and especially the Catholic sector as the majority of this sector and most cohesive policy and political force will not accept them. The Catholic sector has strong recent histories of working cooperatively with state governments and the government school sector, but is unwilling to cede autonomy to the states, or more specifically to the state school systems. This is a view that is shared across the multiple governance locations of the Catholic sectors, including the dioceses and their bishops and the CECs.

With its principle of subsidiarity (Congregation for Catholic Education, 1997) the Catholic sector has found the state centralised state systems to be unattractive. While different histories led Catholic schools in the UK led Catholic schools to be ‘grant aided’, these schools also had to deal with local authorities rather than large state systems of the Australian type.

There also are barriers within the state systems. The financial costs of incorporating low fee non-government schools would be considerable for the states (Allen Consulting, 2004). Incorporation could be facilitated by Commonwealth transfers to the states, as proposed by Watson (1998). However, this would add further complications and inconsistencies in the already opaque Australian school funding system (Dowling, 2007). There also remains a degree of hostility towards the incorporation of faith and denominational based schooling within the government school systems. Secularism and its underpinning of the liberal democratic state was a key and, some argue, the key factor in the decisions of the colonial parliaments to exclude church schools from the public funding regimes of the 1970s (Gregory, 1951). This position continues to be reasserted in public education forums (Robertson, 2009) and by government school personnel.

For the Catholic sector, the state school systems continue to represent a culture of schooling that is in tension with their social philosophy. Yet the real issue is funding and the conditions for funding. The social philosophies of the bulk of the low fee Catholic schools have much in common with the democratic principles of a public system that provides for all, and is in contrast to various tones of elitism and social separatism that have pervaded elements of the independent school sector. The sticking point is funding that links the Catholic schools to the administration, including the industrial administration, of the state school sectors.

Yet the Catholic sector wants a settlement. The objective of the ‘state aid’ campaigns has been largely achieved, with combinations of Commonwealth and state funding that are close to the 85 percent of Average Government School Resource Costs (AGSRC) in all states. Victoria, the state that has lagged in its contributions, has agreed to lift its contribution from 18 percent to 22 percent of AGSRC (Perkins, 2009). As usual, this decision and its announcement were made about a year prior to a state election.³⁷

A settlement for the Catholic sector would be in the form of consistent and agreed funding levels that provides a degree of certainty and consistency. Preferably, this would be embedded through legislation. For governments, such a settlement would need to be universal. It should apply to all schools, government and non-government, for political reasons and principles of good governance. Therefore, any solution to the decades old issue of public and private schooling needs to be based upon a funding regime for all schools that has its core or guaranteed element at the Commonwealth level.

³⁷ There is considerable disagreement about the real costs of schooling. AGSRC is typically lower than the data provided through the Productivity Commission and MEECDYA. However, state government expenditure can include some administrative expenditures that could in part be attributed to the non-government sector, and services such as buses also are used by the non-government sector. In a strict sense AGSRC should be used as a benchmark figure only, rather than a comparative measure of real average per capita school level funding within the government sector.

A new funding model

Objectives and principles

A new funding system for schooling would seem to be critical irrespective of the trajectory of public policy. This is because schooling has reached a highly dynamic phase. The current funding systems are historical constructs and their inconsistency, inequity, and lack of transparency are products of piecemeal adjustments to contextual changes, their openness to political opportunism, and ideological drives. The continued mutation of Australian schooling combined with political vicissitude and the overlay of Australian federalism – which also has a considerable dynamic – in the absence of a fundamental restructure will mean a continuation and deepening of the public funding hybrid.

There is a need to look towards a funding system that incorporates sets of policy principles designed to serve objectives for schooling, that are in turn based upon social and economic objectives. Funding can no longer exist only in a dependent relationship to the variables of the political manoeuvrings across Australian schooling. It needs to be protected with some sets of principles. They might include the following:

> Transparency and consistency are two obvious yet absent principles of the Australian school funding system. It is possible to locate and download the detailed funding base for all 22,000 English schools on the internet. This should be possible for Australia's 10,000 schools. The argument for consistency – not sameness – is self evident. A case would need to be made for lack of consistency, and there appears to be no credible case in any of the policy and academic literature.

- > Funding should include an element of needs based. This appears to again have been accepted politically in Australia, after languishing for a decade or more. The nature of the needs and the amount of funding and how the funding translates into educational programs are more complex. There is a body of research that suggests that small amounts of extra funding are unlikely to make significant differences in educational outcomes and that extra funding need to be directed towards planned and validated interventions with sufficient follow up to achieve sustained improvements in educational outcomes.
- > This suggests that needs based elements of funding should be located relatively close to schools and have the capacity for variation based upon program or intervention costs. Here there is an opportunity to link with Catholic schools with their principle of subsidiarity and the intrinsic autonomy of elements of the independent sector.
- > The question of needs and the principle of consistency lead to the complex question of *equity* in funding:
 - > If equity is student based it would mean, leaving to the side the question of need, that most students should have similar levels of resources available to them, whether through public or private sources. This principle underpins most of the OECD country school funding systems. Some countries provide a degree of leeway, such that schools can gain up to certain percentages of their revenue from private sources before the levels of public funding are decreased. This flexibility also allows the inclusion of non-public or non-secular elements of the curriculum such as faith based instruction to be regarded as extra and privately funded.
 - > An alternative interpretation is that all schools should have an entitlement to a base level of funding. In Australia all schools receive a minimum level of approximately 17.5 percent of AGSRC, consisting of 13.7 percent from the Commonwealth and the rest from the states.
 - > A further variation relates to the question of the right of parents to invest in their children's education. This right is almost universally accepted in regards to activities that are outside of the school, such as coaching, and language and music development. It is more disputed when applied to programs or services delivered through the school. The Education Resource Index (ERI) that has been used as a mechanism to assess the levels of private revenue for schools includes a wide range of sources and there is disputation as to whether revenue for such activities as school camps and extracurricular activities should be included.
 - > Another variation of the principle of equity is a combination of the principle of need and the principle of family effort, as embodied in the current SES Commonwealth funding model. Leaving aside the technical issues with the model and school selectivity within the collector districts from where the SES measures are drawn, the approach is based upon a principle of needs together with the right of families that wish to make extra contributions to their children's schooling.

- > These tensions suggest that all schools should be given a buffer in their capacity to raise private revenue and that governments need to be more specific in regards to what public funding pays for. For example, after the 2004 increases in Commonwealth funding to non-government schools, some independent schools indicated that this extra funding was to be used in part to expand their scholarship program. This may have been appropriate. However, it would also be appropriate for the Commonwealth to be more specific about what the funding was to be used for, especially as the political justification was to increase choice through fee reduction.
- > Funding should utilise appropriate mechanisms. These mechanisms include untied per capita grants, purchase based funding and program based funding. These mechanisms need to be used strategically across the two levels of government.
- > Funding needs to be restructured across the federalist frame. The current patterns of funding are historical and political artefacts that have been underpinned by Commonwealth grants to the states. The three core elements of funding – state funding for schools, direct Commonwealth funding for schools, and Commonwealth-state transfers – need to be incorporated in a new funding model.

Resourcing: public and private investment

All countries resource their schools through a combination of public and private revenue. Public resourcing is justified upon the basis of the social returns from schooling and as a stimulus for private investment.

Within human capital terms, this is a combination of a limited capital base and market failure. The sources of capital for private investment are limited and the discount rates for individuals are high and higher for poorer families. Within public policy terms, this is the substantial social and economic returns to societies. No developed nation has fashioned its school system in purely market terms, as all have implemented legal compulsion as a means of overcoming elements of market failure, but also for social purposes of citizenship and social inclusion.

These factors raise questions about the balance between public and private investment, the ratio between these elements across areas of education and populations, and the impact of the relationship between them upon national social and economic purposes, including those defined by principles such as equity and social inclusion. There have been debates about the relative rates of public returns for investment in different stages of education. Typically public investment in schooling, and especially primary schooling, is high because of the strength of the social returns and high discount rates for families, and especially poor families.³⁸ Correspondingly, it is lower for university education, where the discount rates for individuals is lower because of the relatively short period for gaining private returns and the social backgrounds of the typical participants.

If the social purposes of schooling which include social principles of equity of opportunity and social inclusion are taken as given, and in Australia have broadly been expressed in the Melbourne Declaration (MCEETYA, 2008b), then public investment patterns, and their regulatory arrangements, should optimally be designed to minimise or compensate for the unequal levels of discount rates across the community. As well, it should be recognised that discount rates are relative to returns. So investment in high quality schooling has a lower discount rate than in low quality schooling.

Here the patterns of public investment in schooling and their relationships with the patterns of private investments affect both the level of returns and the discount rates. If the funding regimes have the effect of concentrating educational under achievement, the individual returns to schooling are likely to be weaker, and the discount rate – including the relation of opportunity costs to returns for individuals – will be higher. Funding regimes, especially in a context where targets for levels of outcomes and participation rates are higher, should also recognise the variability in discount rates due to uneven distributions of economic and cultural capital (Bourdieu and Passeron, 1979).

Although governments have a fiscal imperative of maximising private investment in schooling, the relationships between public and private investment can influence relative discount rates. For example, if public funding has the effect of creating a more selective school system where private fees become a greater barrier to higher quality schooling, the relative discount rates for those who are excluded from this schooling would rise. So in straight human capital terms, this would justify stronger public investment for these students.

³⁸ Economic returns for primary schooling take a considerable time to be realised and it is difficult for poor families to make such long term investments.

Funding and autonomy, and the responsibility to protect

Schools systems have three sets of agencies. The user is mainly located in the family or parents; the state is the principal funding agency and cultural agency or broker; and schools or collections of schools are the delivery agencies. All other agencies are linked in client relationships with these agencies. The relationships between these agencies are based upon various degrees of sovereignty and responsibility, including client responsibility. The principle of choice derives from the acceptance that the state has limited sovereignty in schooling. This means that autonomy is distributed and relational.

The principle of choice has two justifications – as a stimulus to educational efficiency and effectiveness and as a social right or the sovereignty of the family within a liberal democracy. Within the relationship between publicly funded schooling and the client is the question of the autonomy of educational providers. Within a pure market model providers should have high levels of autonomy. This autonomy, however, is market dependent – that is, while a school can have a high level of autonomy it depends upon parents choosing to patronise it and thus delegating some of their sovereignty to the school or collective of schools.

Within schooling, public funding is based upon more than compensation for market failure: it has social purposes of citizenship and community building and it is designed to compensate for variable discount rates which are influenced by individuals' economic and social circumstances – including geographic circumstances. The relative discount rates also are influenced by market behaviours because restrictive market practices affect not only providers but student access. In the United Nations' terms the state "has the responsibility to protect" (Evans, 2009 – in title).

Providers or schools cannot have absolute autonomy, and this autonomy is reduced through regulations on curriculum, minimum provision standards, and duty of care requirements. However, an educational market also needs to have diversity, and within a liberal democracy parents also have the right to invest extra private resources in their children's education. Hence there is a natural tension between the social purposes of schooling, which are commonly assumed to be the responsibility of government, and the parental right of choice, including the choice to financially invest in schooling. These tensions exist in all democratic countries and in most they are moderated, at least to some extent, through public funding systems.

Public funding provides the guarantee for all to access education as well as to compensate for the higher discount rate of some students and to meet educational need. Public funding is also linked to the public curriculum. In this sense, public funding is linked to the common – the common guarantee and the common curriculum. The common guarantee includes the responsibility to protect or compensate.

Non-government schools and agencies typically have asserted their autonomy in terms of freedom³⁹ and rights. This has mostly been in terms of the right of parents to choose to send their children to non-government schools, or through a client relationship. On the other hand, the concept of social mission of a school or collection of schools is potentially a stronger assertion of the autonomy of a school or collection of schools. For example, the Queensland Catholic Education Commission based its study of Catholic schools on the question: *What are to be the defining features of Catholic schools in the context of the Church's evolving mission in the world?* (Harkness, 2002, p.2).

In this regard the schools are more than agencies in a regulated relationship with the state and a client relationship with parents. They have a mission, which in this case is located at a global level through the organisation of the church. So there is a need to acknowledge another element within the relationships between the state, the family and the provider agency. A core element of healthy liberal democracies has been a robust civil society, one definition of which is any 'voluntary' organisation – including churches or collections of schools that may be based to varying degrees upon missions, whether religious, social or economic. All voluntary organisations have a purpose, which can relate to the interest of their members or the whole society, or both. These organisations and their purposes should not threaten the common good or other legitimate groups within the society. Within robust liberal democracies, voluntary organisations including churches, business organisations, unions and non-government organisations have an active engagement with government as contributors to policy, partners in delivery, clients and service providers.

In the case of the Catholic school sector, there is an explicit expectation that the Catholic school "has not come into being as a private initiative, but as an expression of the reality of the Church, having by its very nature a public character" and "therefore, undertakes a cordial and constructive dialogue with states and civil authorities" (Congregation for Catholic Education, 1997, pp.16–17). There also is an explicit recognition that within a pluralist society there is a responsibility to express a set of views and values both as part of the plurality but also as engagement with the wider society.

In schooling, given that the state mission as expressed through regulation and the public curriculum is not total, there should be some capacity for collective missions, such as religiously based social missions.

³⁹ For example during the 'state aid' debate of the 1960s an Australian Association for the Freedom of Education was formed by supporters of state funding of non-government schools (Albinski, 1966).

However, this has two limitations. First, the state has the final and overriding responsibility to protect. The three agencies of the parent, the school and the state represent respectively the individual, the collective and the common. The parent retains sovereign rights. Elements of this sovereignty can be represented in a temporal manner and on particular matters through their voluntary ceding to collective agencies such as schools and churches. While the state's responsibility to further the common good can and should be in partnership with civil society, it has a central responsibility to protect all elements of the community, including the protection of the wider community against threats to their democratic rights and the protection of individuals against adverse circumstances and discrimination and disadvantage caused by the behaviour of others. As Levin (1989) has argued, just as parents have rights over the education of their children, the liberal democratic state also has the right to protect the conditions for this democracy, and this includes the knowledge and values that underpin the democratic institutions. The public guarantee is the guaranteed access of all to quality schooling and the state responsibility to protect the conditions for a liberal democracy. There is evidence of widespread acceptance of this responsibility. For example, the vast majority of people in Australia do not agree with the autonomy of 'private schools' to 'expel students because they are gay' or 'expel girls if they are pregnant'. The percentages of people who reject this autonomy did not vary whether they attended a public or private school or sent their children to a public or private school (Wilkinson, et al, 2004).

The second is the question of what the state should fund in schooling. A core argument for the limiting of state funding to state owned schools was that within a multi-religious or denominational society, schooling should remain secular and state funds should not be used for the promotion of any religion (Gregory, 1951). The developments of the past half century have swept away this argument and by the 1960s, most people in Australia favoured the public funding of church schools (Albinski, 1966). However, after a half century, Australian governments do not yet fully fund non-government schools,⁴⁰ and it is assumed that almost all non-government schools will raise private revenue.

The basis of the government funding has been a combination of schools' private revenue and publicly funded educational need. This principle has prevailed in different and to some extent corrupted forms since the Karmel Report (1973). However, no state or Commonwealth funding regimes, apart from those through Special Purpose Programs and targeted programs, have specified what the funding should be used for, apart from the delivery of the general curriculum. This compares with a nation such as Flanders that provides state funding for a specified number of hours of religious instruction, but requires schools to generate their own resources for provision above these hours.

It is suggested that a new funding model should specifically address these two questions. It should:

- > Be structured in a way that identifies and supports the common right of all to receive the public curriculum through quality provision;
- > Delineate what is and what is not publicly funded. The latter should include some circumstances where individuals choose to undertake and schools choose to deliver elements of the public curriculum in a restrictive manner;
- > Recognise educational need; and
- > Encourage school behaviors that are inclusive rather than restrictive and that reduce the discount rates for educational investments for those elements of the community with the weakest levels of economic and cultural capital.

These elements cannot be treated as absolutes or in isolation. They are essentially in-principle and need to be inter-connected in their implementation.

⁴⁰This is not with standing the calculations of some that some low fee schools in Queensland now receive at least the same level of public funding as equivalent government schools.

Public and private – the future of schooling

The separation between public and private schooling is based upon legal ownership and autonomy. There is an obvious relationship between the two. However this relationship also is variable. In the Netherlands, the majority of schools are under the legal ownership of the churches, but are subject to the same levels of government direction as the publicly owned schools.

In Australia the core issue in regards to public and private schooling is the default status of the government owned schools to provide the public guarantee of access to all and of serving the public mission of compensating for disadvantage, including lowering the discount rate of educational investment for the less advantaged. The evolution of public funding for non-government schools has acknowledged the principle of need. However, it has never incorporated the distribution of the responsibility for the public guarantee. This is despite the fact that the sector is approaching majority status in secondary schooling and that the bulk of schools within the sector gain the bulk of their resources from government. This is because of the nature of the political processes and contestations that fashioned the evolution of state funding (Albinski, 1966; Watson, 1998; Wilkinson et al, 2006), and the default position of state education departments that public schooling is entirely located within the jurisdictions of their state school systems. These two factors, together with the historical legacy of public education and funding in Australia (Austin, 1961; Gregory, 1951), have made impossible the fashioning and negotiation of a new settlement such as that achieved in New Zealand in the 1970s for the sharing of the public guarantee and the public mission.

The majority elements of the non-government sector with justification claim a contribution to the public mission, or, in the Melbourne Declaration terms, the ‘common good’ (Sheehan, 2004). Angelico (2006) notes that *“through the combined capacities of the institutions of religion and schooling, Catholic schools engage with broader social processes, such as, social cohesion, social stability, social integration and social transformation”*(p.2). However, in Australia they are not part of the public guarantee (as distinct from the public good) as they are in many other countries, and perhaps the main reason for this is that they have never been asked or expected to contribute, or because the terms of such contributions have never been acceptable, especially to the Catholic sector, and some other elements of the non-government school sector. An example of this is the expression by a senior Catholic education official of a willingness to have closer cooperation between the government and Catholic school sectors, but qualified by the signal *“that any plans for Catholic education to come under the control of the state would be opposed”* (Tomazin, 2008, p5).

The characteristic state centric model of public schooling (Furtado, 2001) that was formed from the 1880s through to the 1960s has largely remained intact in the subsequent half century. This was in the face of the existence of the fact that the percentages of students attending non-government schools throughout the 130 years of this history was always above 20 percent, a figure far exceeding those of the UK, North America, and New Zealand. It has been argued that the reasons for this, apart from the size of the Catholic community, are related to the particular history of the settlements that were constituted in the education acts of the 1870s and Australian federalism, and their subsequent and simultaneous collapse in the 1970s. As a consequence, the negotiated and incremental evolution of public funding of non-government schooling has included no dialogue over some sharing of the public guarantee.

We have argued that the public guarantee and the associated public missions of addressing need and disadvantage stem from the state responsibility to protect. This remains a state responsibility. However, it need not and should not be undertaken solely by the state. Alliances with civil society to achieve this in health and welfare are common and church owned schools in England, Canada, New Zealand and most European countries contribute towards the public guarantee. The state retains overall responsibility and this justifies its public expenditure on education. The sharing of the delivery of the guarantee is negotiated with non-government schools upon the basis of the public funding. The negotiations can, and where appropriate should, accommodate the particular mission of schools or groups of schools and this mission can contribute to the public mission and the public guarantee. But as a contractual relationship, where funding gains at least some of its direction from the public guarantee, autonomy cannot be absolute. It must be negotiated autonomy over the use of the public resources. That is, the principle of entitlement which has driven non-government school funding is conditional. The conditionality is related to the nature of school autonomy.

In contrast to other OECD countries, Australia has established a different relationship between government and the publicly funded non-government sector in schooling. Incremental levels of state funding have been achieved through intense and on-going political campaigns and manoeuvres that are strongly mediated by the Commonwealth and state electoral cycles. Large scale public funding was ‘won’ as a right or entitlement by the non-government sector and delivered largely as political concessions and opportunities.

It is significant that the most forthright public statement on the association between non-government schooling and the public mission in education was the Karmel Report in 1973, that was released more than a third of a century ago. The subsequent contestation over public funding has reinforced a division between non-government schools and the government school systems that assumes the ownership of the public guarantee and mission within the government school systems and which their state and territory governments ascribe to them. As a consequence, state government school departments have adopted defensive and competitive strategies against the incursion of the non-government schools at the same time as their governments have increased funding for the sector.⁴¹ Such policy schizophrenia is a result of the lack of a common ground for dialogue about the public guarantee and the public mission and negotiation over its delivery. These objectives have been replaced by the 'principle' of autonomy in the negotiations over funding.

Obdurate cultures have formed around the funding and governance of schooling in Australia. The idea of government schooling as the agency for the delivery of the public guarantee and mission and the associated rejection of the claims of and the potential for a non-government contribution towards this; the attachment of the non-government schools and their agencies to autonomy and an entitlement to public funding; and the institutional separations between the sectors have roots that have matured over many decades. Federalism has reinforced this, in part because it has allowed the states to avoid confronting the role of the non-government schools within their institutional arrangements for schooling. As the non-government school sector is fully aware, the achievement of its current levels of public funding solely through the state governments would have required a much greater level of compromise of the sector's level of autonomy.

As a consequence of federalism, the institutional arrangements have been premised upon the state governments' constitutional responsibility for delivering universal schooling, but entirely through the government school systems. Hence industrial, funding, governance, and planning institutions have not included non-government schools or their agencies, which rather than be included as contributors to the 'public system' have been regarded as competitors that weaken the government sector's capacity. This institutional mindset has had an element of self fulfilment. As a consequence, a concessional rather than a negotiated approach to funding has characterised the relationships between government and the non-government sector for a half century.

Given the long and obdurate history of the failure pre and post Karmel to achieve any substantial dialogue over the sharing of the public responsibility across the broader school sector, any significant progress will need to be achieved through a radical rather than a piecemeal approach to the reform of school funding. It will also need to be negotiated around the attachment of the non-government sector to its autonomy, which is now deeply embedded in its institutional structures and cultures. It will need to acknowledge the historical stand off between government or state schools and non-government or private schools. It will need to exploit the different types of funding and their location, and the relationships between funding and regulation. So it will need to exploit rather than be restricted by the federalist frame in schooling. It will need to recognise the heterogeneous nature of the non-government sectors, and, for that matter, the government sector.

Funding models

There have been several proposals for restructuring of major parts or all of the public funding of schooling. Most have been put forward over the past decade, apart from that put forward by the Schools Commission in 1975. With the exception of this proposal, which was forestalled by adverse political and economic circumstances, none of these options has gained any significant political traction, and most have had minimal stakeholder engagement.

However, these proposals all have their histories, and these histories can be revealing in helping to understand the institutional and culture barriers to the formation of public funding arrangements for schooling in Australia that meet the principles outlined above.

The status quo

A first option would be to maintain the status quo. From the non-government school perspective, most of what has been petitioned for has been achieved. The Catholic school sector is at or nearly at the levels of resourcing of their government school equivalents (Burke et al; 2004; McMorrow, 2008). There has been a significant movement towards national consistency in curriculum, regulation and accountability. With higher levels of self governance across government schools, it should therefore be reasonable for the Commonwealth Minister to conclude that the divisions between public and private schools has little relevance for the future (Gillard, 2008b).

⁴¹ For example the Victorian Government has announced two new selective entry high schools as a means of retaining more scholastic students within the government sector. It also has announced increased grants to non-government schools. In response the Victoria Opposition spokesman indicated that the "Government had stolen their education policy" (Perkins, 2009), which is reminiscent of the political strategies over 'state aid' of the 1960s (Albinski, 1966).

As has been suggested above, the idea of a post system model of schooling has some significant advantages. It is premised upon a heterogeneous school system where the principle of parental choice is widely accepted, and increased levels of provider autonomy. Within these arrangements, a movement towards a more consistent framework of curriculum, supply side regulation and outcomes accountability is appropriate. In a similar manner, a heterogeneous funding system, which is based upon a benchmark of average government schools resource costs and educational need, is appropriate. Federalism makes a complex funding system inevitable. However, it also gives it a dynamic character, which reduces the likelihood of it becoming outdated and corrupted.

The main weaknesses with this approach, apart from the fact that contestation shows no sign of abating, are that it does not acknowledge the unequal distribution across schools and sectors of autonomy and responsibility for the public guarantee, and the current trajectories of school resourcing in Australia. Educational need must be linked to responsibility because there are no direct and usable measures for levels of educational need and for levels of difficulty that schools face in providing schooling for individual students and achieving educational outcomes. Socio-economic status (SES) is only a proxy for educational need as many students from poor households are highly motivated and scholastically capable – and vice versa. The school challenge is related to the relative scholastic capacity and engagement of students, not their SES levels. There is no feasible way of distributing the responsibility for the public guarantee other than requiring schools to accept all corners, both within their formal enrolment conditions and behaviours and their scholastic and social cultures.

This was once achieved through ‘neighbourhood schools’ and to a significant extent this remains the case in primary schooling. However, it is a weakening mechanism, and especially in secondary schooling, which in Australia is approaching the unique status of being predominantly fee based.

Because it is not feasible to regulate to reduce autonomy across the non-government sector, a wider distribution of the responsibility for the public guarantee would need to be achieved through engagement and funding: that is, engagement with a public agenda of quality education for all and funding to support the responsibility.

An integrated system

The most common form of faith based schooling in most European countries (Eurydice, 2000), Canada, and New Zealand is through what is commonly termed ‘integrated’ or what the British term an ‘incorporated’ system. Under these arrangements church schools, while remaining the formal property of their parent organisations, are fully or almost fully funded for recurrent costs by government, and often for most of the capital costs. They effectively are part of a wider public system delivering the national curriculum, cannot charge fees, and are subject to the same regulatory regimes, including industrial regulations, as the government-owned schools. The churches maintain varying degrees of autonomy within these systems. However, in all cases this is much less than in Australia. In some countries, notably Sweden, private for-profit companies own schools that also are part of the public system (Bunar, 2010). They also are subject to similar regulatory regimes.

The most significant attempt to introduce an integrated model in Australia was the proposal from the Schools Commission in 1975 (Praetz, 1982). This option had been envisaged by the then Prime Minister Gough Whitlam (Whitlam, 1985), and several authors have questioned why Australia did not follow the New Zealand initiative of incorporating church schools into a wider public system at this time (Furtado, 2001), or subsequently.

While this option is defensible in principle and precedent, it is not feasible within the current and foreseeable polity of Australia, and arguably it never was. The existence of historical opportunities at the time of the Whitlam Government and the early years of the Hawke government for a New Zealand type settlement between government and the church schools, which in reality were the Catholic schools, makes for an interesting historical question. It seems doubtful that such a settlement could have been achieved in Australia because of the complexities of federalism (Lingard, 2000), the fact that the Catholic sector had twice the market share in Australia as it did in New Zealand, and the particular nature of the relationship between the Catholic Church and Australian politics (Albinski, 1966; Praetz, 1980; O’Brien, 1999). Irrespective of this historical question, an integrated system is not possible now because the non-government schools are in a far more powerful position than in the 1970s and will not be prepared to trade their autonomy, especially when they have achieved close to the levels of public funding that they historically have sought. Recent announcements by Commonwealth and State Government on funding of non-government schools have come with statements of ‘accountability’ (Gillard, 2008; Tomazin, 2008) but no suggestions of reduced autonomy.

More recently, the Allen Consultancy Group (2004) produced a proposal for the Victorian Department of Premier and Cabinet of an integrated model of school funding in Australia which envisaged full public funding for most low fee non-government schools. It gained little political traction, possibly because of the particular political context at the time, but also because of a potential cost of over \$2 billion.

Separation of roles – coordinate federalism

In 1991, the then Prime Minister Paul Keating proposed that the Commonwealth might relinquish its role in schooling in exchange for a complete takeover of the vocational education and training (VET) sector. The proposal was probably not very serious, having almost no possibility of being accepted by the states, would have faced substantial disquiet in the non-government schools sectors, and was designed to propel moves towards a national VET system.⁴² In 2006, the National Commission of Audit (2006) also proposed that the responsibility for schooling including funding should be located solely at the state level. Recently, the Queensland Premier Anna Bligh (2008) also speculated over the potential for a relocation of responsibilities for education and training between the Commonwealth and the states.

Each of these sets of proposals has been for a type of coordinate federalism (Wiltshire, 1981) where specific parts of education and training are the discrete responsibility of one level of government only. Each of these, if implemented, would shift funding responsibility for most elements of non-government schooling to the states.

These proposals are unlikely to be successful for political reasons. The Keating and Bligh proposals can be regarded as ambit and semi hypothetical proposals within the continuing political machinations of Australian federalism. The Audit Commission proposal was an observation about the complexity of the current funding arrangements.

More fundamentally, these proposals would be unacceptable to the non-government schools sector because they would be seen as tantamount to delivering their schools to the governance regimes of the states and their state education departments. Broadly the non-government school sector does not fully trust the states in schooling. There has been a significant gulf between the states in their levels of funding of non-government schools and their government school sectors remain the bastion of the resistance to state funding of non-government schools, albeit mostly through associated organisations.

Transfers to the states

Watson (1998) has proposed that the Commonwealth should transfer its recurrent funding of untied Financial Assistance grants to the states. The Commonwealth would retain a role of setting national frameworks for schooling in Australia, and would retain its targeted programs for these purposes. She also proposes the establishment of a national or an independent agency to monitor school performance. These changes would require some negotiated changes to the Grants' Commission's fiscal equalisation formula, without which non-government schools in Victoria and New South Wales would be disadvantaged.

The proposal has the obvious advantage of delivering the funding responsibility for all schools to the states and territories and of bringing all schools into more common regulatory and funding frameworks. However, as suggested above, such a move would be strongly resisted by the non-government sector, which in all likelihood would be militant in its resistance to their total reliance upon the states for public funding.

An alternative to this approach would be the transfer of special purpose and targeted programs funding to the states. This would require the states and their education departments to build more holistic or cross sectoral targeted intervention strategies in schooling. The Commonwealth would be reluctant to allow such transfers as these programs have been the main instruments of national policy in schooling. While most funding is recurrent grants to schools, a majority of which goes to non-government schools, these grants are more an expression of educational and political need and histories. Alternative means of satisfying the Commonwealth's policy prerogative in schooling would be needed to achieve this. The VET sector may offer some useful precedent here. Public funding within the national VET system has been based upon training profiles that are negotiated between the two levels of government.

Funding teaching

Connors and McMorrow (2010) have proposed a funding model that is based upon the public funding of teachers by the Commonwealth across the school sectors. It is designed to encourage investments in quality teaching, address educational need, and locate high quality teachers in schools where they are most needed. It is based upon the recognition that about 95 percent of Australian schools have a similar level of recurrent funding and need to have a consistent set of funding mechanisms at the national level.

⁴² This was achieved with a nationally integrated curriculum and qualifications, funding and regulatory framework. In recent years the Commonwealth role has increased with the establishment of a national provider regulatory agency to be implemented in 2010 with responsibility for the registration and audit of registered training providers and the accreditation of courses (COAG, 2009).

It is a detailed proposal that links within a consistent framework Commonwealth, state and private funding. It locates the responsibility for capital funding with the respective owners of schools and includes mechanisms to encourage schools to be more inclusive in their enrolment policies.

Vouchers

The allocation of vouchers to students and parents which could be realised at any registered schools has long been proposed in Australia. The Institute of Public Affairs has been a persistent advocate of this mechanism (Novak, 2009). Vouchers take the funding systems away from providers and sectors, and all schools would compete within an educational market for enrolments that would provide their income stream. As Novak (2009) proposes, vouchers can also accommodate educational need with weightings attached to various measures such as SES or parental occupations and educational levels. Under these circumstances, the differences between public and private schools diminish.

To an extent, a form of vouchers has evolved in most school systems. Enrolment based funding and funding linked to students' backgrounds have a similar effect to that of vouchers. So there would appear to be advantages in the establishment of a single and consistent system. Vouchers have been amongst the longest standing and most persistent proposals, and extend beyond those of Milton Friedman in the 1950s (Friedman, 1955). A form of vouchers has been introduced in Sweden, and vouchers have been used for program elements in Australia.

The main issue with vouchers is the conditions of their use: the capacity for extra or top-up fees, the use of other enrolment eligibility measures, and the capacity to refuse enrolments. Given the funding models in Australia, vouchers offer little that is new without allowing an extension of the autonomy enjoyed by non-government schools to the government schools. Without this extension, the market advantages of the non-government schools would be vastly superior and a highly segregated school system with a residualised government sector would be inevitable. With the extension of this autonomy, the conditions for the public guarantee would be undermined.

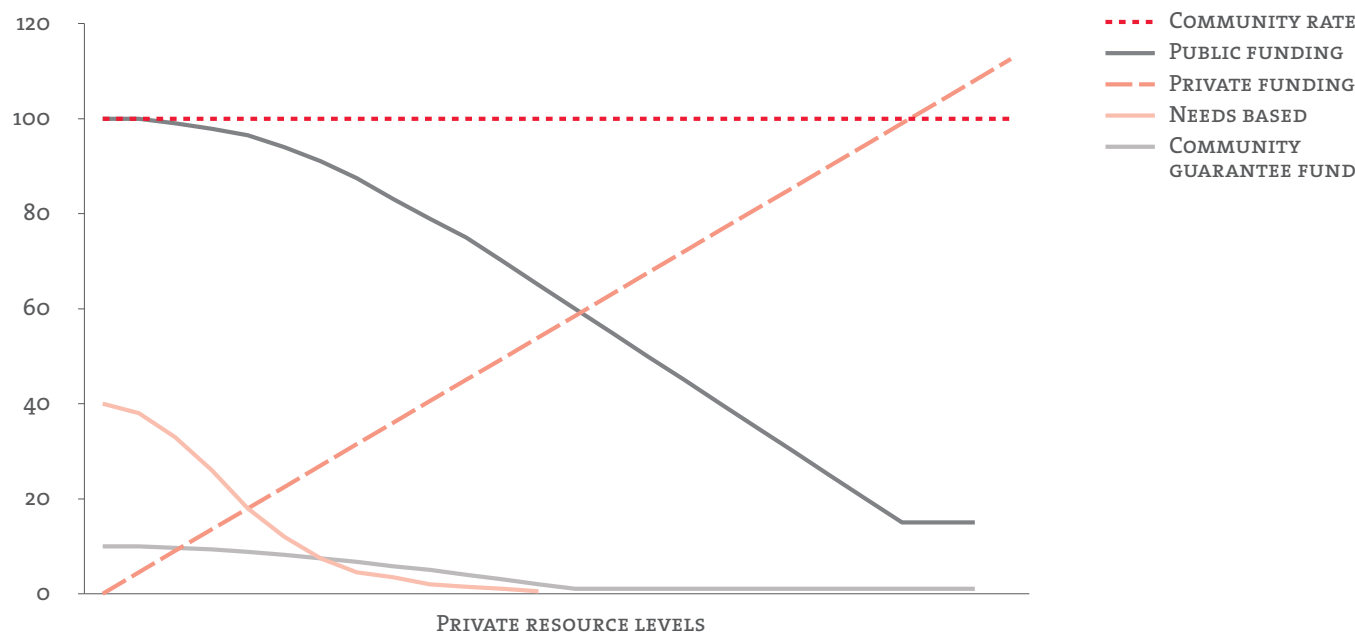
At a more fundamental level, vouchers appear to have a weak history of success. They have had some powerful advocates in and beyond government in the USA, the UK and Australia, and types of voucher systems have been introduced in elements of the education and training systems. Despite favourable political circumstances, they have rarely been introduced at scale. One exception was the Training Credits introduced by the Conservative Government in the UK in the 1980s, only to be abandoned by the same Government. It appears that one reason was the incapacity to vary levels of payments for the vouchers in order to accommodate different ratios of marginal to fixed and average costs across training providers. In order to be viable, and especially encourage new providers into the market, the Training Credits were too expensive.

School funding: an alternative proposal

Each of these options has weaknesses in their political feasibility, their impact or their operational logistics. As has previously been argued (Keating, 2009a) it is the federal structure of Australian government and its intersection with a large non-government school sector that over a century had established a strong culture of autonomy, in contrast with a then highly state centric public system (Butts, 1955; Furtado, 2001) that has produced Australia's heterogeneous school governance and funding arrangements. Any significant changes in funding arrangements will need to be through the federalist frame and will need to respect the character of the polity in which they sit. This includes the nature of the autonomy of non-government schools, their attitude towards state governments and education departments, the political needs of the Commonwealth and state governments, the policy prerogatives of the Commonwealth Government, and the role of state governments in delivering the public guarantee.

Radical reform proposals have swung between a traditional state centric model of non-government school integration or absorption within the state school systems to forms of privatisation through self governance and vouchers. Each of these approaches challenges the governance philosophy of one or other of the sectors: incorporation challenges the autonomy of the non-government schools, and self management and vouchers challenge the principle of the public guarantee. An alternative needs to provide a platform for the objectives of extending the responsibility for the public guarantee into elements of the non-government sector within agreed levels of autonomy for the sector.

Figure 1
Proposed national common resourcing model



This is based upon the assumption that significant elements of the non-government sector have a commitment to the common good and are willing to make a contribution to the public guarantee. It also is based upon the argument that current funding arrangements and the associated governance arrangements militate against a more direct and negotiated non-government sector contribution towards the public good.

Upon this basis it is proposed that a reformed funding model should:

- > Be consistently applied across the government and non-government school sectors;
- > Be within a national framework for all schools in regards to curriculum, standards of provision and duty of care, and appropriate organisational behaviours; which
- > Entitle all such schools to minimum resource levels, or what the Commonwealth has termed 'basic funding entitlement' (Gillard, 2010a);

- > Continue to locate the responsibility for achieving the public guarantee, consistent with the constitutional settlement, at the state government level, but through new partnerships with the Commonwealth at the national level and elements of the non-government sector at the regional or local level;
- > Locate the responsibility for goals and objectives – including those for different groups across the community – at the national level;
- > Locate the responsibility for interventions to achieve and improve outcomes at the state and government and non-government systems levels; and
- > Share responsibility for the monitoring and analysis of outcomes between the levels of government and government and non-government agencies.

- 1 The proposed model is outlined in the figure above and would work as follows:
 - > The Commonwealth and state and territory governments would provide a resourcing guarantee for all schools, government and non-government in the form of a **community rate** (represented as a constant level of 100 on the 'y' axis).
 - > The community rate would be set at a level below that of the median government recurrent resource levels for schools. This discounting is necessary in order to provide sufficient public funds for the other elements of the model. The discount of the community rate against the median resource levels would need to be at least 15 percent and probably about 20 percent.
 - > The median resource level would be some construct of average government school recurrent resource levels. McMorrow (2010) has estimated the total recurrent resources per student in 2006 as \$8,335 in Catholic and \$11,597 in independent schools. The AGSRC for 2006 was \$8,593.⁴³

⁴³ Comparisons of per capita resource levels between the sectors are difficult and disputed. The AGSRC is an index rather than a measure, and appears to under estimate the recurrent costs for government schools. The Productivity Commission (2010) estimated the average in school expenditure for government schools as \$10,539 for primary and \$13,366 for secondary schools in 2004–5. However, the funding formulae for government schools typically include enrolment based payments that are lower than average recurrent costs. A better measure may be student – staff ratios. Average student teacher ratios in 2009 were 14.0 for government schools, 15.1 for Catholic schools; and 12.2 for independent schools. The ratios of non teaching to teaching staff in 2009 were 0.36; 0.35; and .0.47 for the government, Catholic and independent sectors, respectively (calculated from data from ABS, 2009).

2 Against this community rate would be a guaranteed resourcing level that combined public and private funding. This would consist of:

- > The **public funding** rate (dark grey line) made up of Commonwealth and state and territory funds, at a ratio of approximately 40:60. This ratio would avoid any transfer of GST funds, which hampered the national health system negotiations between the Commonwealth and the states in April 2010.
- > **Private revenue** (represented as a constant factor of the 'x' axis as the dotted pink line).

There is an inverse ratio between the public and private resources. However, this is not a constant ratio:

- Schools that gained private revenue would not have their *public funding reduced* until this revenue surpassed a given level (possibly about \$1,500 per enrolment for secondary schools). This is necessary to prevent a major fall in private contributions to schooling.
- On the other hand this level could be lower as the bulk of low fee schools are Catholic schools and the National Catholic Education Commission has a position that private resources should represent about 15 percent of their schools' revenue.
- The discounting of public funding against private revenue would be graduated so as to moderate the disincentives for schools with medium levels of private revenue, such that schools with private revenue of \$3,000 might have their public funds discounted by \$1,500. After this level discounting might be close to dollar for dollar.

- Within a frame of cost neutrality any reduction of the discounting of the public funding for increases in private funding would have the effect of lowering the level of the community rate. Detailed research and modelling of the rates (community and discount) would need to be undertaken.
- School sub systems should continue to be bulk funded. This would allow system authorities to vary levels of funding for individual schools within the quantum of funding as currently occurs with the government and Catholic systems.
- All schools irrespective of their private revenue levels would be guaranteed a minimum level of public funding. Currently the combined minimum levels of Commonwealth and state funding is about 17.15 percent (McMorrow, 2008) of AGSRC. A level of 15 percent might be feasible. This is represented on the graph as the levelling off in the decline in the base rate.
- There is a case to be made that the level of benchmark funding should be linked to needs, using a measure such as the ICSEA scale. This has the advantages of:
 - Not effecting incentives for private revenue – although there is another side to this argument in that parents and families should not be subject to undue pressure to contribute to direct costs of schooling; and
 - Being based upon parents' and families' capacity rather than willingness to contribute.

An alternative would be to include two types of public funding: one based upon levels of private revenue and one based upon need. Together they would provide the guaranteed benchmark funding and the needs based funding above the benchmark level and could be delivered by the state and territory and Commonwealth Governments respectively, as is currently the case. This arrangement would moderate the pressures for reducing private revenue when public resourcing is discounted against private resource levels.

However, if such measures led to or constituted the abandonment of the long standing principle of free schooling they would be untenable. For this reason the benchmark funding would need to be linked to private revenue.

- So a core structural principle of the model is that the benchmark level or community rate must be separate from educational need. The community rate is the minimum resource level for all students. Needs are in addition to this level.
- Those schools, government and non-government, with low levels of private revenue would have resource levels that are not above or much above the community benchmark. The compensation for this would be through two other sources of public funds.

3 **Needs based** funds (light pink line) could be allocated by the state or Commonwealth governments, or a combination of the two. In either case they should be larger than current levels, notwithstanding the recent Commonwealth investment under the National Partnerships. A large allocation is needed to ensure that high need schools, which will mostly be no or low fee should not be disadvantaged by the need in the model to retain the incentives for private investment, as well as the more direct purpose of supporting educational need. Logically needs based funding should be located at the state level. However, as it is formula driven it could be located at either or both. As indicated above the needs component could be expanded at the cost of the minimum benchmark funding as a compromise between the use of an education resource index and an SES (or ICSEA) measure for levels of public funding. *With savings from the discounting of the community rate against the median school recurrent resource costs approximately \$2.8 million (see below) could be allocated for needs based funding.*

4 **Community guarantee fund** (light grey line) would be a new innovation under the model. The purpose of these resources is twofold: as incentive for schools to have open enrolment policies and to cooperate with each other in delivering and improving the quality of schooling; and a means of supporting closer integration of schools with their communities. If successful this would be a substantial fund of up to 10 percent of the current revenue of most non and low fee schools. It could be for as many as 60 percent of all schools, and probably a greater percentage of primary schools. *With savings from the discounting of the community rate against the median school recurrent resource costs approximately \$2.0 million could be allocated for the Community Guarantee fund.*

5 **Special purpose funding**
The Commonwealth and the states and territories would continue to invest in special purpose programs, such as careers education, special needs, literacy programs, indigenous and rural education programs.

The outline of the system as shown above is indicative only, as levels and relationships between elements of funding would require greater investigation and modelling.

The community guarantee fund

This model is conditioned by the political scope of school resourcing policy in Australia. As such it is not optimal in its administrative and governance design and arguably it retains characteristics of school autonomy that would be tolerated in few countries and are unjustified in principle. However this windmill of the autonomy of publicly funded private schooling has been tilted at for several decades, with little or no impact. Another approach is needed.

The model put forward by this proposal therefore has two core innovations. One is the *elimination of the parallel systems of funding* within the federalist frame. This is critical for any genuine and long standing reform. The parallel system has been the basis for the aberrations of the Australian approaches to school resourcing and its maintenance will ensure their continuance.

The other is the proposal for a *Community Guarantee fund*. As outlined above this has dual purposes. One is that of rewarding inclusive enrolment and delivery practices. This helps to counter the intrinsic segregating effects of the market model of the Australian system within which the public-private division has been a key driver. It is designed to act as a bridge between those elements of the government and non-government sectors that share common educational and social objectives. In doing this, together with the availability of a substantial amount of needs based resources, it helps to compensate those schools that do not seek increased revenue through fee regimes and other charges, which the model continues to allow.

The second and overlapping purpose is to enhance the public guarantee, or community guarantee of quality schooling for all. This guarantee needs to be at two levels:

- > *That of access to schooling for all.* This has been served mainly by the government school sector, but not exclusively and not consistently – especially at the secondary level. Given trends in enrolments between the sectors and within them there is a need for mechanisms to expand the school contributions to this guarantee.
- > *That of quality for all.* There are multiple efforts to increase school quality and deliver the objective shared by both levels of government of quality schooling for all. The mechanisms include market based approaches, and forms of interventions including place based interventions. The community guarantee fund is premised upon the argument or historical observation that market mechanisms will always produce residualising consequences. Given the embedded status of educational choice and the principle of transparency of educational outcomes, community approaches are needed to complement them and moderate their negative impacts.

It is argued that to reach or at least approach the objective of quality for all there is a need to move towards the local or community level. This has been a long established organisational base for public school systems in most countries, and several including the Scandinavian countries have devolved the funding and some other central governance functions of schooling to the municipal or local level in recent decades. In Australia several states have employed network approaches to school improvement and program delivery.

Schools would retain their autonomy, but there would be a local or district function of supporting schools, linking them with other agencies, providing services, supporting and informing parents, and linking schools. The approach would have some similarities with the 'Health Networks' that currently operate in Victoria with apparent success. It would not be feasible to locate their governance in local government or the existing government school regional or district education offices. A new set of arrangements would need to be established that located decision making at the local level, engender high levels of local participation and trust, but ensured probity and some degree of consistency in the allocation of funds.

Educational needs and the public guarantee

The model has two sets of relationships that influence government funding levels. The first is related to levels of private revenue, similar to the system used through the Education Resource Index. As indicated above, a buffer of private resourcing before any reduction in government funding would encourage the maintenance of the low levels of private revenue that exist in almost all schools. For example, the levels of private income in systemic schools are mostly in the \$1000 to \$3000 range (ANAO, 2009), and most would suffer no or only moderate reductions in base funding under the proposed model.

The other relationship is with educational need, which would most likely be based upon some measure of SES or family occupation. Thus a school could have a relatively high level of private income but also qualify for high levels of needs based funding, as is the case with the Commonwealth funding program, although such schools would be exceptional.

There are two weaknesses with the current Commonwealth SES model. Because it relies upon collected district census data (which it must do), it does not account for income differences within these districts and the academic selectivity that the SES proxy cannot identify. Second, it builds SES into the base level funding, which requires it to provide the no disadvantage concession when introducing the SES model. A funding model that links base level funding to a minimum resource level should account for private income. Needs based funding should be linked to measures of education disadvantage and income disadvantage because of the cost of schooling for families (Bond and Horn, 2009).

The levels of funding provided for education needs as a level of recurrent funding for government school standards has been low by international standards (Keating, 2009b). In the mid 2000s, the major source of funds for needs based investments within many of state systems under Labor governments were from the special purpose payments of the Commonwealth under the Coalition Government.

One of the three priorities of the Commonwealth Government is helping disadvantaged school communities (Gillard, 2008c). Given the patterns of educational participation in Australia and the intensification of poverty levels in households with school age students, any overall improvements will need to include improvements for the most disadvantaged. Most of these groups and communities are served by the government school system. The funding and associated program arrangements for educational need should be loosened from their base in general resource allocations that limit their targeting and appropriate use.

It is assumed that both levels of government would continue to undertake special purpose initiatives. These initiatives together with the Community Education Guarantee fund would be key mechanisms in delivering the public guarantee and in securing the partnership of elements of the non-government sector in fulfilling this role. The funds could be used across schools from different sectors and could be the basis of negotiated arrangements between government and schools and school sectors. In this way, while the non-government schools' autonomy is not threatened, government as the responsible agency for the public guarantee and mission can negotiate and effective purchase contributions from the non-government and government school sectors.

Systemic funding

It is suggested that systemic funding should continue to operate. Block grants through systemic agencies have been a significant instrument for the establishment and delivery of the needs based principle in non-government school funding (O'Brien, 1999). Their main use is within the Catholic sector. Their equalisation effect upon resource levels for schools can be seen in the levels of resources of systemic compared with non-systemic schools across different SES bands (ANAO, 2009). Schools within the systemic funding system with high levels of educational needs would also have access to the state government needs based funding and could participate in the state initiatives.

Block funding also can alleviate the problem of creating pressure upon some government schools that have high SES profiles to seek higher levels of private income, including putting pressure upon parents for voluntary fee payments. System authorities can ensure that all of their schools have adequate resource levels for their needs.

Charitable status

The proposed funding model is based upon the assumption that the formal ownership of a school should not influence its level of public funding. Funding is based upon four criteria:

- > Compliance with public purposes as established in the national and state curricula, and national and state regulations;
- > The realisation of private income;
- > Educational need; and
- > Autonomy and the realisation of autonomy – and conversely contributions towards an educational guarantee at the regional or local level.

There are complexities related to the last three criteria. The current Commonwealth SES model is based upon a measure of the capacity for private revenue, which is the same measure of educational need. The proposed model divides these two so that measured levels of private income are used for one funding stream and SES or another measure of educational disadvantage is used for needs based funding.

The second complexity is around the idea of autonomy. The inclusion of this funding stream is an explicit acknowledgement that there are social purposes of schooling that go beyond that of the single school. That is, there continues to be the need for a system and sub systems. The needs are located in the public guarantee and the responsibility to protect, which inherently are state responsibilities, but as has been argued, can only be strongly realised in Australia through partnerships with the non-government sector.

As such the state, and in this regard the state governments are the location of this responsibility, has the responsibility for ‘the system’. However, unlike the current arrangements, this system is not defined by and confined to government schools alone. It should – and we argue that in the future it must – include non-government schools. These schools would be in partnership with the state in delivering the public guarantee, either as individual schools or as sub systems. Their contribution through these partnerships is both through the direct provision of schooling and the engagement with other schools, school and other agencies, and government.

Through these partnerships, which would contain explicit objectives such as access for all, meeting the needs of disadvantaged communities, catering for refugee students, supporting students with disabilities, meeting the targets for indigenous students and dealing with students at risk of early school leaving, these schools and collectives – government and non-government schools – are supported with extra resources by government.

Under these arrangements, it would be consistent for the current inconsistency of the application of charitable status for schools to be changed. Charitable status should be awarded either to all schools or upon the basis of their mission, rather than their capacity to charge fees and have autonomy over enrolments, which in effect are the current arrangements. Given the legal complexities, the most viable approach is to allow all schools that meet registration requirements to have charitable status.

Levels of government

In the context of the national developments in schooling, the funding model would complement a national framework. There is logic in national approaches to curriculum and qualifications, provision standards, including professional standards for school principals and teachers. There is also a case for a national overview of the patterns of participation and outcomes in Australia.

The principle of devolution suggests that most intervention programs should be located at the state rather than the national level. Although the Commonwealth has a strong agenda of social inclusion and helping disadvantaged school communities, it would be more appropriate for state and territory governments to administer and design programs for schools, school communities and regions. This could be through the maintenance and extension of the National Partnerships, although the long term viability of this approach, given political vicissitudes, might be questioned.

The relative policy and administrative strength of the two levels of government would be influenced by their discretionary powers over the respective funding components. State governments continue to own and be responsible for most schools and through them retain core responsibility for the public guarantee. While the non-government sector would prefer to not deal with them and their departments, compromises need to be made. In the context of guaranteed benchmark levels of resources without any major compromises in their autonomy, the compromise of engagement with the states and their departments and some contribution towards the public guarantee in exchange for additional resources seems reasonable.

Nevertheless the non-government sector has observed the incapacities of state education departments to fully separate their governance and funding roles for all schools and their ownership and governance of government schools. For this reason the core discretionary element of the proposed funding model – *the Community Guarantee Fund* – should have a degree of autonomy from state governments and be located in its governance located at a local or regional level.

Funding distributions

The total levels of income for recurrent costs for Australian schools approached \$45 billion in 2006–7. The revenue sources and amounts are indicated in Table 1. Commonwealth payments also include approximately \$2 billion in specific program payments. Nevertheless its share of total costs is less than 25 percent of all school education revenue and less than 30 percent of all government payments. Without a shift in GST, this distribution of funding across the two levels of government would need to be reflected in the aggregates for each of the elements of this proposed model.

In 2007–8, the state government payments accounted for approximately 65 percent of schools' revenue and 77 percent of recurrent government payments to schools. In 2008, the bulk of systemic Catholic schools were funded by the Commonwealth at a rate of 56.2 percent of AGSRC. However, the average percentage was slightly higher than this. State recurrent funding for Catholic schools in 2008 was approximately 23 percent of AGSRC, so the combined level of 79.2 percent of AGSRC was close to the current percentage that state governments contribute to the public recurrent funding of schooling in Australia, and the proposed level of the community rate as a percentage of the average government school recurrent funding level. Private income for the Catholic sector in 2008 was \$3059 per student, which takes its total revenue close to the AGSRC.

It could be anticipated therefore that the vast bulk of schools, consisting of government schools, Catholics systemic schools, and independent schools with private revenue near or below that of the Catholic school average would receive revenue levels of at least 5 percent above the Community Rate.

This is because government schools gain about 5 percent of their revenue from private sources, and block funding of the government and Catholic sectors could ensure that schools with no private revenue are cross subsidised. Needs based funding and the Community Education fund would lift the bulk of schools to levels near the current levels for government schools.

The 'Public Funding' component of the model, assuming the maintenance of a similar total ratio of public to private revenue, would constitute about 86.2 percent of current government recurrent payments.⁴⁴ This would leave about \$4.8 billion for needs based funding and the Community Education Fund, based upon 2007–8 payments where total public funding was \$36.42 billion (Productivity Commission, 2010).

It is important for the integrity of the model that the *needs based* and the *Community Guarantee* funds should be substantial:

- > They need to compensate the bulk of schools that have no or low levels of private income;
- > Needs based payments need to be substantial to have any impact, which also means that they need to be relatively concentrated; and
- > Schools that accept all comers and contribute to the community guarantee need to be properly supported.

Table 1
School education revenue by sector and source, 2006–7 (\$000's)

	COMMONWEALTH	STATES AND TERRITORIES	TOTALS	PRIVATE INCOME	TOTAL
Government	2,950,665	26,272,069	29,222,734	1,461,367 (a)	30,684,101
Non-government	5,531,062	2,135,703	7,888,765	6,280,560	14,169,325
Combined	8,481,727	28,407,772	37,111,499	7,741,927	44,853,426

(a) Estimated at 5 percent of revenue.
Sources: MCEETYA, 2008a; Productivity Commission, 2009.

⁴⁴ This assumes that the ratio public to private expenditure in the non-government sector does not change significantly. The 15 percent reduction from real government school expenditure to the Community Rate would constitute an overall reduction of about 10.5 percent as one third of schools are non-government and would not have a significant reduction in their public revenue.

In the context of the debate and subsequent partial agreement between the Commonwealth and seven of the states and territories, another proposal for the transfer back of GST funds to the Commonwealth is not feasible. Therefore it would be necessary for the two levels of government to share the funding of the community rate, which would broadly be at a ratio of 60 percent states and territories and 40 percent Commonwealth, similar to that for the vocational education and training sector.

Commonwealth expenditure on school education for the current year is over \$16 billion (Table 2). The figure is inflated because of the impact of new initiatives and estimates for 2011–12 are \$13.8 billion (Table 2).

New relationships with government

The proposed arrangements offer the non-government sector greater security over funding, or base funding. This allows for a new set of relationships over the links between resourcing, the public guarantee, and autonomy. Within these relationships the public guarantee represents both the guarantee of access for all and the guarantee of schooling's contribution to the foundations of the liberal and secular democracy. Within them, the autonomy of the non-government school sector is also partially representative of the parental choice and right to have their children schooled within a particular philosophy, and partially a capacity in a pluralistic liberal democracy for other agencies or elements of civil society to directly contribute to schooling and to the national narrative on schooling to enhance the common good.

Public funding mediates this autonomy in four ways:

- > At the national level the settings for schooling are established and to be eligible for the base funding all schools need to meet these settings. They include curriculum and delivery standards. Base level funding is an acknowledgement that they have been met.
- > A reduction of base funding as private resources increase is based upon the fact that such schools have a reduced need for such funding and that the associated fee regimes limit access and any contribution to the public guarantee.
- > Needs based funding at the state level is an acknowledgement of educational need, the likelihood of low levels of private income, and recognition that the school – in all probability – is making a significant contribution to the public guarantee through its enrolment practices.
- > The *Community Guarantee* fund is a key mechanism for delivering the public guarantee and for locating partnerships at a level where the more autonomous non-government schools, systemic schools and other agencies are better able to engage.

The proposed funding model is designed essentially to address the impasse over the autonomy of non-government schooling in Australia by establishing a platform for a negotiated participation in the public guarantee and public mission for schooling, which are the basic justifications for public investment in education.

It is designed to build a platform for a negotiated contribution. To achieve this it is essential to provide security for the non-government sector for a base level of resources. A 'settlement' on this allows for a more open and shared dialogue between government and its agencies and non-government schools and their agencies – a more shared approach with civil society in the increasingly difficult challenge of improving school education outcomes and equity, especially from disadvantaged communities in Australia.

"A truly civil society" (Cox, 1995, in title) can't afford to retain the current separation between government and non-government schooling, and locate what may well become the majority sector outside of the systems that are required to deliver the public guarantee. The alternative of a marketised approach to schooling will become inevitable in Australia if the government school systems continue to decline and a national school system continues to evolve towards a majority of schools operating upon the principle of autonomy. The current militant approach of the Commonwealth Government towards school reform is a product of the limitations of the state governments and their education departments. However, the Commonwealth cannot fulfil the traditional role of the state school systems. Partnerships are needed and need to be embedded with the non-government sector. Funding is central to this and a radical approach is needed.

Table 2
2009 budget estimates for 2009–10, school education.

PROGRAMS	AMOUNT
Government schools	4,342
Non-government schools	6,306
School education – specific funding	5,765

Source: Commonwealth of Australia (2009)

Issues and alternatives

Resource index or SES

As previously discussed there are strengths and weaknesses of both systems. On the whole the independent school sector would most probably favour the SES model, and many independent schools have gained extra funding through the model. SES has two applications: one in relation to private income and the other in isolation from it. The current Commonwealth SES model cuts the link between private funding and public funding for non-government schools. However, it continues to assume a link because it assumes that schools with high SES enrolments will have substantial private revenue resources.

Therefore the maintenance of this link for a common public funding system would assume that all schools with mid to high SES enrolments would need to have substantial private revenue systems. This is untenable as it would constitute the abandonment of free schooling. No other OECD country has at taken this step. Therefore, the public guarantee of the community standard cannot be conditional on SES, and so must be related to the level of private income that schools choose to seek.

Special needs

A major complaint of the non-government sector has been the low levels of payments for students with special needs, including disabilities. The counter complaint from the government sector has been that the non-government sector does not enrol its share of students with special needs, indigenous students, and students who face difficult circumstances and who display associated behavioural and learning patterns.

The core principles of this model would require that all schools be treated in the same way in regards to special needs. However, it is also possible for schools to be selective in needs. Some factors such as student behaviours are not measurable and not subject to needs payments. This is one of the reasons that the *Community Guarantee* fund is proposed. It is a means of supporting those schools that take or endeavour to take all comers.

Fees in government schools

There are pressures upon the long standing principle that schooling should be free, and a new funding model should not increase these pressures. For this reason block funding and a public funding regime linked to levels of private funding are necessary.

Base funding and marginal funding

School systems structure their funding regimes to compensate for the diseconomies of scale of small schools. This typically comes in the form of base funding guarantees. This is necessary for a school system that must cater for all students in all localities, and is a factor that increases the average cost of government compared to non-government schools. It should be assumed that a non-government school will operate upon the basis of a viable enrolment number and base funding is not justified as non-government schools are not part of the public guarantee. However, in circumstances where some non-government schools share or contribute to this guarantee there may be a need to provide some base support. If such schools are part of a system, which in most cases would be a Catholic system, this funding could be accommodated through block funding. The *Community Guarantee* Fund could also support this contribution.

Capital funding

The paper has not addressed the question of public funding for the capital costs of non-government schools. The principles behind the proposal for recurrent funding are located in the idea of the public guarantee: a guarantee of quality education for all. While the principles accommodate the principle of choice they do not support an educational consumption model as a core driver of publicly funded schooling. The extension of these principles to capital funding would imply some constraints on public funding of the capital non-government schools. The constraints would be both planning constraints, such as those attempted under the former New Schools Policy of the Commonwealth Government, and limits upon the amount of funding benchmarked against an independent capital resourcing standard.

The devil is in the details

Any change in a funding system will create contestation. It will also inevitably create winners and losers, and for this reason changes will invariably come at a cost to government, the most obvious being the Commonwealth's guarantee that no non-government school would lose funding with the introduction of the SES model. So while cost neutrality is a core principle of the proposed model, if introduced it would inevitably involve some extra costs.

The proposed model is more relational than the current arrangements. The four funding systems for Australian schools are mostly uncoupled, with the most obvious exception being the link between AGSRC and non-government school funding levels. The lack of coupling is an expression of the political logic of the current 'system' and its lack of principle and purposeful logic.

The proposed model is an integrated system where there are more direct relationships between different elements of funding – Commonwealth, state and private – and educational need. As a consequence, these relationships and the levels of funding will be contested. Details of such matters as the relationship between private revenue and the Commonwealth base funding, the basis for the distribution of state level funding, levels of needs based funding and methods of allocation, and the roles of the two levels of government in targeted programs, would need to be subject to investigation and modelling.

The proposed model and the relationships between the different elements of funding are essentially notional. Degrees of funding and their mutual relationships would require both careful measuring and modelling and dialogue with key stakeholder agencies.

The proposal is based upon the core objective of a consistent funding system that eliminates the two fundamental weaknesses of the current arrangements: the inconsistent and unproductive differences in funding of public and private schools, and the inappropriate and unproductive relationships between state and Commonwealth funding. It is designed to create a single integrated system that would allow for a fair and consistent allocation of funds, would better recognise and support educational need, and would support and extend the public guarantee across the national school system, rather than encourage schools and systems to limit the public guarantee.

The politics of the model

The political sensitivity of school funding is all too obvious in its history and current forms. It must be assumed that the radical changes proposed in this document would be strongly contested. They also would be subject to complex negotiations between the two levels of government.

Yet there is a case to be made that the time is right for these changes. At a fiscal level, the current public funding for non-government schooling has reached a level where most non-government schools have resource levels that are equal to or greater than those of government schools. This should provide the basis of a new funding settlement that does not differentiate between school sectors. At a sectoral level, there are substantial advantages for the non-government schools to achieve a ‘settlement’ especially within the context of growing media concentrations upon the levels of public funding of ‘private’ schools. Within the state school sectors, there is a realisation amongst some people of a significant and growing crisis, especially in secondary education, that current strategies are unlikely to solve. A broader or more inclusive notion of ‘public schooling’ and mechanisms to broaden the responsibility for the public guarantee is needed. For the Commonwealth and the states, the current national trajectory of schooling needs a logical and acceptable conclusion. Partnerships between government at the national level and between schools at the local level seem a logical approach.

All of these stakeholders need to confront the funding blockage in Australian schooling.

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Andrew Hutchinson, Parkside Community College, Cambridge (21.9.2009);

David Daniels, Petchey Academy, Hackney Downs, London (22.9.2009)

Education Foundation,

A DIVISION OF THE FOUNDATION FOR YOUNG AUSTRALIANS

21-27 Somerset Place
Melbourne Victoria 3000

GPO Box 239
Melbourne Victoria 3001

P 03 9670 5436
F 03 9670 2272

www.fya.org.au