

The Schooling Resource Standard in Australia

IMPACTS ON PUBLIC SCHOOLS

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2020-23

Purpose of Analysis

The purpose of this expenditure analysis is to examine the extent to which budget allocations and financial agreements (between governments) will enable public schools to attain the Schooling Resource Standard (SRS) minimum funding levels that have been negotiated between governments.

Background

The SRS is minimum funding required

The Schooling Resource Standard (SRS) is an estimate of how much total public funding a school needs to meet its students' educational needs, and is based on recommendations from the 2011 Review of Funding for Schooling, led by Mr David Gonski AC. The SRS is made up of a base amount for all primary and secondary students and up to six needs-based loadings for student priority cohorts and disadvantaged schools.

The SRS funding amounts were calculated by analysing funding levels in schools (known as 'reference schools') including where at least 80 per cent of students had achieved above the national minimum standard in NAPLAN for reading and numeracy for three years in a row. The SRS funding amounts are indexed each year to keep in line with or surpass any increases to wages and consumer prices.

In terms of government responsibility for schooling, it is important to understand that the SRS is not an aspirational standard of

school funding. It is not a desirable level of funding that would give schools an ideal pool of resources to discharge their teaching and learning obligations towards children.

The SRS is the minimum funding required so that schools can have at least 80% of their students achieving learning outcomes above the national minimum standard in NAPLAN for reading and numeracy. It does not provide for 20% of the hardest to reach students in literacy and numeracy. It makes no provision for attaining learning benchmarks in other subjects. It does not for example, make provision for quality teaching and resources in vocational education and training that might reasonably be expected to be important in reaching students at risk of completing school without meeting expected benchmarks in participation and learning. In other words, the SRS is an essential minimum level of funding for school systems. **The SRS is not an aspirational funding standard.**

Current arrangements between governments for school funding.

The current funding arrangements between the Commonwealth and State/Territory governments have now locked in segregated funding discrimination against public schools. This has been progressively delivered in six keyways.

01

Commonwealth overfunds private schools until at least 2029

The Commonwealth has agreed to deliver **at least 80% of SRS funding for private schools by 2023**. Many of the wealthiest private schools already receive above 80% of their SRS funding from the Commonwealth. In these cases, the wealthiest schools have their funding gradually reduced to 80% by 2029. To make it even easier for them, they are given multiple ways of calculating their educational advantage status. This affords them the softest and most gradual impact on any reduced funding. These wealthiest private schools are overfunded at the same time as governments cannot meet the minimum SRS funding levels required by some of the poorest public schools across the country. This has been agreed to by the Commonwealth through its Bilateral agreements with state/territory governments and with private school systems.

02

Commonwealth underfunds public schools until at least 2023

The Commonwealth has agreed to deliver **up to 20% of SRS funding for public schools by 2023**. No public school system (except NT) receives their mandated Commonwealth funding (20% of SRS) until 2023. The Commonwealth adopts a **ceiling** to its funding of public schools, in contrast to the **floor** in funding for private schools.

03

States and territories overfund private schools but do not reach 75% of SRS targets for public schools until 2023

Under section 22A of the Australian Education Act 2013 (the Act), states and territories must meet or exceed minimum funding contribution requirements for both public (government) and private (non-government) sectors as a condition of receiving Commonwealth funding. State and territory governments have discretion to fund above these requirements. Minimum state and territory funding requirements from 2018 to 2023 are outlined in bilateral reform agreements signed by the Australian Government and each state and territory. Bilateral funding agreements signed between Commonwealth and State/territory governments

- (a) only reach 95% of minimum SRS funding level for public schools (except for ACT) by 2023,
- (b) guarantee at least 100% for all private schools by 2023, and
- (c) NSW and QLD continue to overfund private schools (above 20% of SRS) at least until 2023.

04

Capital Depreciation Tax (4%) applied to public but not private schools

The Bilateral Agreements signed (2018/19) between states/territories and the Commonwealth for school funding specify that for **public schools only**, State/territory contributions towards the SRS can include non-recurrent cost (capital depreciation as an accrual cost) as well as the cost of education standards authorities. These authorities provide service to both public and private schools yet are charged entirely as expenses for public schools only.

The majority of the 4% allowable figure is absorbed by the capital depreciation line item. The effect of this tax is that States/territories can reduce by 4% the amount of funding they need to make as part of their contribution towards SRS level funding for public schools. No such reduction is applied by either Commonwealth or State/territory governments towards private schools.

05

By agreement between the Commonwealth and State/territory governments, all public school systems (except for ACT) by 2023 will be 5%–20% short of minimum required SRS funding to deliver their essential school services.¹

The greatest shortfall in funding is in the NT where public schools will be 20% short of the SRS funding they require. QLD will be nearly 11% short of its required SRS funding. All the other states have shortfalls of between 5–10% by the year 2023 (except for ACT).

06

By agreement between the Commonwealth and State/territory governments, all private school systems (except for NT) by 2022, will be funded more than their specified SRS funding level.

See table to follow for sector analysis by state/territory and year.

¹ This excludes the impact of the capital depreciation tax that is applied to public schools.

Table 1. Share of SRS publicly funded

BY SECTOR AND YEAR

PUBLIC

STATE	2018	2019	2020	2021	2022	2023
NSW	88.6%	89.1%	89.9%	90.6%	91.4%	92.2%
VIC	85.0%	85.8%	86.8%	87.9%	89.2%	90.4%
QLD	87.4%	87.8%	88.2%	88.5%	88.9%	89.3%
SA	91.6%	92.3%	93.0%	93.7%	94.3%	95.0%
WA	99.7%	96.9%	94.8%	93.6%	94.1%	95.0%
TAS	92.2%	92.6%	93.0%	93.3%	93.8%	94.1%
ACT	108.8%	107.5%	106.1%	104.8%	103.3%	100.0%
NT	78.7%	79.1%	79.7%	80.3%	80.4%	80.6%

PRIVATE

STATE	2018	2019	2020	2021	2022	2023
NSW	102.6%	102.6%	100.6%	102.0%	105.5%	106.4%
VIC	96.8%	97.5%	96.0%	97.8%	101.1%	102.4%
QLD	100.1%	100.3%	99.2%	100.2%	104.2%	104.5%
SA	94.9%	95.9%	95.4%	97.2%	101.0%	102.3%
WA	101.1%	101.4%	95.4%	97.4%	103.3%	104.1%
TAS	95.9%	96.7%	95.9%	97.4%	100.7%	101.7%
ACT	151.6%	144.6%	109.8%	108.4%	107.8%	106.2%
NT	83.6%	85.9%	87.9%	90.5%	95.8%	97.6%

Source: (a) Federal Shares of SRS from SQ 20-000151, (b) State/Territory Shares from Bilateral Agreements between Federal and State/Territory Govts 2018.

Note: Red highlighted figures indicate where combined public funding is below SRS minimum funding level.

Study Approach

The expenditure analysis is based on data from two key sources. Data provided by the Commonwealth in response to a question in the Senate Committee on Education and Employment (Department of Education and Training Question No. SQ20-000151). The second source is the bilateral agreements signed by the Commonwealth government with State/Territory governments. These agreements specify (i) the contribution of each level of government towards the SRS level (expressed as a percentage of SRS), and (ii) the permissible incorporation of capital depreciation costs and curriculum/examination related costs within the SRS contribution of States/Territories up to a maximum of 4% of the SRS total costs. The permissible incorporation of capital depreciation costs (as specified in the signed Bilateral funding agreements) only applies to the government school sector and is not applied to private schools. This analysis explores the cost implications of this divergence in treatment between the public and private schools.

The analysis provides an estimate of the shortfall in spending for each state and territory during the years 2020–23 when the Bilateral agreements expire. The calculations present the shortfall as a per student amount and as a global cost to each state and territory.

Part A of the school funding analysis excludes the impact of the capital tax that is imposed upon public schools (but not private schools).

Part B separates out the impact of the capital tax on public schools by state and territory. It then combines the value of this negative

impact on public schools with the results of the Part A analysis to give a measure of the True SRS Funding Gap for public schools in Australia.

Data Sources

The data used for this analysis has been retrieved from the following sources. All are publicly available. They are either reported directly by the Commonwealth Department of Education, Skills and Employment or are part of the Bilateral funding agreements between Commonwealth and State/Territory Govts 2018.

Data sources for resource allocations

State/Territory resourcing shares – *Bilateral Agreements between Commonwealth and State/Territory Govts 2018*.

Commonwealth resourcing and SRS values – *Senate Standing Committees on Education and Employment QUESTION ON NOTICE Additional Estimates 2019 – 2020 Outcome: Schools Department of Education, Skills and Employment Question. No. SQ20-000151*.

Data source for enrolment projections

Senate Standing Committees on Education and Employment, QUESTION ON NOTICE, Additional Estimates 2019 – 2020, Outcome: Schools, Department of Education, Skills and Employment. Question No. SQ20-000156, Projections for enrolments in schools.

A.

School Funding Analysis – Excluding Capital Tax

The first part of the analysis accepts the segregated application of the capital tax on public schools (see explanation in background section). It does not consider the impact of that tax in reducing the amount of cash resources available to public school systems. It examines the shortfall/excess school funding that is allocated across the public and private school systems by state/territory jurisdiction.

Total Funding for State/Territory Systems by Sector (excluding capital tax)

01

KEY FINDING 1

Massive \$19 billion Shortfall in Funding for Public Schools 2020–23.

The combined funding of Commonwealth and State/Territory governments leaves Australian public schools with a cumulative shortfall of \$19 billion in required funding to attain the mandated School Resourcing Standard across all states and territories.

02

KEY FINDING 2

NSW, VIC, and QLD each have cumulative shortfalls for 2020–23 that are more than \$5 billion for each respective public school system.

All three states have annual shortfalls in the required SRS funding levels that amount to between \$1.2–1.5 billion every year.

03

KEY FINDING 3

Private schools are over-funded by approximately \$1 billion during the period 2020–23 while public schools are under-funded by \$19 billion.

Private school sectors (in all jurisdictions apart from NT) attain and exceed SRS funding levels by 2022 at the latest. There is greater variety in the attainment of SRS funding levels amongst private schools. NT private schools remain below the SRS funding level for the whole period 2020–23.

Private schools in NSW, Victoria, and Queensland each have annual public funding that is vastly more than their SRS required levels by 2023. NSW private schools are overfunded by \$367 million, Victoria schools by \$118 million and QLD schools by \$180 million in 2023.

Table 2. Annual Public Funding for Schools

ABOVE OR BELOW SCHOOL RESOURCING STANDARD (SRS)

	2020	2021	2022	2023	CUMULATIVE TOTAL
PUBLIC	-\$4,872,181,854	-\$4,879,707,969	-\$4,714,517,971	-\$4,514,714,035	-\$18,981,121,830
NSW	-\$1,469,388,458	-\$1,425,227,560	-\$1,353,904,646	-\$1,275,297,677	-\$5,523,818,342
VIC	-\$1,460,557,476	-\$1,419,631,974	-\$1,332,984,043	-\$1,238,814,907	-\$5,451,988,399
QLD	-\$1,232,583,193	-\$1,256,589,096	-\$1,262,016,499	-\$1,264,523,232	-\$5,015,712,021
SA	-\$230,740,185	-\$216,430,997	-\$206,976,911	-\$188,790,247	-\$842,938,340
WA	-\$265,807,225	-\$342,166,498	-\$327,208,168	-\$288,544,182	-\$1,223,726,073
TAS	-\$75,567,859	-\$74,410,812	-\$71,955,975	-\$70,271,426	-\$292,206,072
ACT	\$41,630,692	\$34,453,986	\$25,435,688	\$0	\$101,520,366
NT	-\$179,168,151	-\$179,705,018	-\$184,907,417	-\$188,472,363	-\$732,252,949
PRIVATE	-\$332,390,091	-\$82,349,522	\$602,479,656	\$791,573,805	\$979,313,848
NSW	\$32,703,364	\$106,509,264	\$300,768,987	\$366,880,256	\$806,861,871
VIC	-\$177,061,874	-\$103,310,735	\$53,868,192	\$118,362,025	-\$108,142,391
QLD	-\$30,914,812	\$9,180,605	\$161,675,842	\$180,181,271	\$320,122,906
SA	-\$57,006,136	-\$36,130,363	\$13,322,822	\$31,483,097	-\$48,330,580
WA	-\$80,739,873	-\$47,472,438	\$58,681,535	\$75,726,901	\$6,196,124
TAS	-\$15,341,047	-\$10,234,620	\$2,795,207	\$7,081,927	-\$15,698,533
ACT	\$24,599,925	\$22,192,607	\$21,350,778	\$17,715,928	\$85,859,239
NT	-\$28,629,639	-\$23,083,842	-\$9,983,707	-\$5,857,601	-\$5,857,601

Note: Red cells indicate where combined public funding is below SRS minimum funding level. White cells where combined public funding is above SRS minimum funding level.

Per Student Comparisons in Funding (excluding capital tax)

04 KEY FINDING 4

By 2022 private school systems in all jurisdictions (except for Northern Territory) have per student allocations more than SRS funding levels. NSW has the highest per student allocations above SRS (\$816 per student by 2023).

Table 3. SRS Funding for Private Schools is above SRS levels by 2022

PER STUDENT

	2018	2019	2020	2021	2022	2023
NSW	\$278	\$290	\$76	\$243	\$678	\$816
VIC	-\$353	-\$292	-\$493	-\$283	\$145	\$315
QLD	\$9	\$36	-\$110	\$32	\$552	\$606
SA	-\$587	-\$496	-\$593	-\$371	\$136	\$318
WA	\$123	\$167	-\$580	-\$338	\$415	\$532
TAS	-\$552	-\$466	-\$616	-\$402	\$108	\$270
ACT	\$3,258	\$2,911	\$862	\$762	\$720	\$587
NT	-\$3,399	-\$3,023	-\$2,727	-\$2,216	-\$969	-\$575

Note: Red cells indicate where combined public funding is below SRS minimum funding level. White cells where combined public funding is above SRS minimum funding level.

05 KEY FINDING 5

All jurisdictions (except for ACT) under-fund their public school systems by more than \$1,000 per student by 2022 and 2023. The greatest under-funding per student is found in Northern Territory (more than \$6,000) and in QLD (more than \$2,000 per student).

Table 4. Underfunding of Public Schools

PER STUDENT SPENDING BELOW THE MINIMUM SCHOOL RESOURCING STANDARD

	2018	2019	2020	2021	2022	2023
NSW	-\$1,885	-\$1,873	-\$1,815	-\$1,737	-\$1,633	-\$1,525
VIC	-\$2,400	-\$2,372	-\$2,285	-\$2,162	-\$1,991	-\$1,819
QLD	-\$2,127	-\$2,141	-\$2,152	-\$2,164	-\$2,155	-\$2,147
SA	-\$1,443	-\$1,384	-\$1,303	-\$1,209	-\$1,147	-\$1,040
WA	-\$44	-\$533	-\$922	-\$1,167	-\$1,102	-\$965
TAS	-\$1,373	-\$1,367	-\$1,335	-\$1,313	-\$1,268	-\$1,241
ACT	\$1,256	\$1,108	\$930	\$752	\$544	\$0
NT	-\$5,788	-\$5,932	-\$5,973	-\$5,972	-\$6,125	-\$6,264

Note: Red cells indicate where combined public funding is below SRS minimum funding level. White cells where combined public funding is above SRS minimum funding level.

Progress toward attaining the School Resourcing Standard (SRS)

06

KEY FINDING 6

Public school systems (with exception of ACT) are stuck at 95% or below the mandated SRS level of funding by 2023.

07

KEY FINDING 7

All private school systems (with exception of Northern Territory) are publicly funded above SRS levels by 2023.

Table 5. Percentage of SRS Publicly Funded by Commonwealth & State/Territory govts, (%)

	2018	2019	2020	2021	2022	2023
NSW						
PUBLIC	89%	89%	90%	91%	91%	92%
PRIVATE	103%	103%	101%	102%	105%	106%
VIC						
PUBLIC	85%	86%	87%	88%	89%	90%
PRIVATE	97%	97%	96%	98%	101%	102%
QLD						
PUBLIC	87%	88%	88%	88%	89%	89%
PRIVATE	100%	100%	99%	100%	104%	105%
SA						
PUBLIC	92%	92%	93%	94%	94%	95%
PRIVATE	95%	96%	95%	97%	101%	102%
WA						
PUBLIC	100%	97%	95%	94%	94%	95%
PRIVATE	101%	101%	95%	97%	103%	104%
TAS						
PUBLIC	92%	93%	93%	93%	94%	94%
PRIVATE	96%	97%	96%	97%	101%	102%
ACT						
PUBLIC	109%	107%	106%	105%	103%	100%
PRIVATE	152%	145%	110%	108%	108%	106%
NT						
PUBLIC	79%	79%	80%	80%	80%	81%
PRIVATE	84%	86%	88%	90%	96%	98%

B.

Impact of the Capital Tax on Public Schools

Capital Depreciation Tax – A Tax Imposed on Public Schools

The Bilateral Agreements between states/territories and the Commonwealth for school funding specify that for **public schools only**, contributions can include non-recurrent cost (capital depreciation (an accrual cost) as well as the cost of education standards authorities (these authorities provide service to both public and private schools, yet are charged entirely as expenses for public schools only). The majority of the 4% allowable figure is absorbed by the capital depreciation line item. Below is the example from the NSW Bilateral agreement:

Up to 4 per cent of the total SRS for the public sector each year for the following funding:

- NSW Education Standards Authority
- capital depreciation.

The effect of the ‘capital depreciation charge’ is to apply a segregated rort against public schools. It harms public schools primarily in that it allows state/territory governments to effectively reduce their cash allocations for public schools, by inserting into their ‘contributions’ towards the SRS the entirely notional figure for capital depreciation. This is an accrual based allocation that does not touch the side of any real classroom or school. It is in effect a capital depreciation tax.

The injustice of the ‘capital depreciation tax’ is magnified because it is only and arbitrarily applied to public schools. No such ‘capital depreciation tax’ is applied to the private sector. Nor are the private schools apportioned (based on their enrolment size) a share of the public costs associated with authorities responsible for education standards and curriculum.

08

KEY FINDING 8

The Bilateral Agreements between the Commonwealth and the State/Territory governments that were signed in 2018 and 2019 effectively impose a new tax – a capital depreciation tax on public school systems. Nationally, the capital depreciation tax deprives public schools close to \$2 billion a year. This is the value of additional SRS funds public schools would have received by the earlier Bilateral agreements that did not impose a capital depreciation tax.

Table 6. Capital Depreciation Tax

– LEVEL OF FUNDING DEPRIVED TO PUBLIC SCHOOL SYSTEMS

STATE	2020	2021	2022	2023	2020-23 CUMULATIVE TOTAL
NSW	\$579,069,343	\$604,550,397	\$629,723,091	\$655,680,040	\$2,469,022,871
VIC	\$443,264,788	\$468,912,295	\$492,785,228	\$517,790,975	\$1,922,753,286
QLD	\$416,413,241	\$435,559,479	\$453,147,756	\$470,958,373	\$1,776,078,849
SA	\$131,851,534	\$137,416,506	\$145,246,955	\$151,032,198	\$565,547,193
WA	\$202,906,279	\$212,525,775	\$221,836,046	\$230,835,345	\$868,103,445
TAS	\$43,120,033	\$44,557,373	\$46,051,824	\$47,480,693	\$181,209,923
ACT	\$0	\$0	\$0	\$0	\$0
NT	\$35,304,069	\$36,488,329	\$37,736,208	\$38,860,281	\$148,388,886
NATIONAL TOTAL	\$1,851,929,287	\$1,940,010,153	\$2,026,527,108	\$2,112,637,905	\$7,931,104,454

09

KEY FINDING 9

The amount of funding lost per public school student from the capital depreciation tax varies across states and territories, from approximately \$650 per annum in WA to more than \$1,200 in per annum NT.

Table 7. Capital Depreciation Tax

– AMOUNT OF FUNDS DEPRIVED PER PUBLIC SCHOOL STUDENT

STATE	2018	2019	2020	2021	2022	2023
NSW	\$663	\$690	\$715	\$737	\$759	\$784
VIC	\$640	\$669	\$693	\$714	\$736	\$760
QLD	\$673	\$700	\$727	\$750	\$774	\$800
SA	\$687	\$719	\$745	\$768	\$805	\$832
WA	\$653	\$679	\$704	\$725	\$747	\$772
TAS	\$707	\$735	\$762	\$786	\$811	\$839
ACT	\$0	\$0	\$0	\$0	\$0	\$0
NT	\$1,087	\$1,135	\$1,177	\$1,213	\$1,250	\$1,292

10 KEY FINDING 10

The capital depreciation tax is not applied to the private school systems. This uneven treatment between sectors effectively bequeaths a cumulative gift to private schools of approximately \$2.7 billion in additional funds. This is the value of additional funds currently being allocated by governments to private schools, and which could otherwise be directed to public schools that are slated to remain below the SRS target level beyond 2023.

Table 8. Value of capital depreciation tax

NOT APPLIED TO PRIVATE SCHOOLS

STATE	2020	2021	2022	2023	2020-23 CUMULATIVE TOTAL
NSW	\$185,106,032	\$195,164,414	\$214,029,004	\$223,153,898	\$817,453,347
VIC	\$158,469,558	\$168,139,095	\$183,630,286	\$191,069,633	\$701,308,572
QLD	\$130,309,543	\$138,627,978	\$151,120,797	\$157,720,626	\$577,778,945
SA	\$44,393,776	\$47,421,048	\$50,852,854	\$52,764,618	\$195,432,296
WA	\$62,307,409	\$66,147,412	\$71,413,987	\$73,994,960	\$273,863,768
TAS	\$13,429,188	\$14,407,185	\$15,551,350	\$16,197,190	\$59,584,913
ACT	\$7,210,434	\$7,608,441	\$10,461,191	\$10,915,224	\$36,195,290
NT	\$8,697,339	\$8,929,142	\$9,283,559	\$9,494,959	\$36,404,999
NATIONAL TOTAL	\$609,923,280	\$646,444,714	\$706,343,027	\$735,311,109	\$2,698,022,130

11 KEY FINDING 11

The True SRS Funding Gap in resources made available to Australian public schools is approximately \$6.7 billion every year during the period 2020-23. The cumulative shortfall over the four years 2020-23 amounts to approximately \$27 billion.

The True SRS Funding Gap includes the negative impact of the capital depreciation tax on public schools. The True SRS Funding Gap captures the shortfall in funding for public schools. The True SRS Funding Gap is the amount of additional funding required by public schools so they can meet the needs of at least 80% of their students for satisfactory participation and learning outcomes in literacy and numeracy.

Table 9. True SRS Funding Gap

– INCLUDING IMPACT OF CAPITAL TAX ON PUBLIC SCHOOLS

PUBLIC SECTOR	2020	2021	2022	2023	CUMULATIVE FUNDING GAP 2020-23
NSW	-\$2,048,457,801	-\$2,029,777,957	-\$1,983,627,738	-\$1,930,977,717	-\$7,992,841,213
VIC	-\$1,903,822,263	-\$1,888,544,269	-\$1,825,769,271	-\$1,756,605,882	-\$7,374,741,685
QLD	-\$1,648,996,434	-\$1,692,148,574	-\$1,715,164,255	-\$1,735,481,606	-\$6,791,790,870
SA	-\$362,591,719	-\$353,847,503	-\$352,223,866	-\$339,822,445	-\$1,408,485,533
WA	-\$468,713,504	-\$554,692,273	-\$549,044,214	-\$519,379,527	-\$2,091,829,518
TAS	-\$118,687,892	-\$118,968,185	-\$118,007,799	-\$117,752,120	-\$473,415,996
ACT	\$41,630,692	\$34,453,986	\$25,435,688	\$0	\$101,520,366
NT	-\$214,472,221	-\$216,193,346	-\$222,643,624	-\$227,332,644	-\$880,641,836
NATIONAL	-\$6,724,111,142	-\$6,819,718,122	-\$6,741,045,079	-\$6,627,351,941	-\$26,912,226,284

Note: Red cells indicate where combined public funding is below SRS minimum funding level. White cells where combined public funding is above SRS minimum funding level.

ADAM RORRIS

Adam Rorris is an education economist and policy analyst working extensively in Australia and overseas. He has worked for the World Bank, UNICEF, UNESCO, Department of Foreign Affairs and Trade (DFAT) and other international agencies to help develop robust funding systems for national school systems throughout Asia and the Pacific. During 2002-2007 Adam worked as the *Manager/Principal Analyst* of the Schools Resourcing Taskforce for the Ministerial Council of Australian Education Ministers. He has worked with all state and Commonwealth departments of education as well as representatives of the nongovernment school sector.

AEU briefing on “The Schooling Resource Standard in Australia 2020-23 – Impacts on Public Schools” by Adam Rorris

A new independent analysis by Adam Rorris (educational economist and former advisor to Australian Government, UNESCO and the World Bank) uses the Federal Government’s own funding figures and enrolment projections to show the annual and cumulative shortfall between the recurrent funding that is available to public schools in Australia and the amount required to reach the minimum Schooling Resource Standard (SRS).

What is the SRS?

The SRS is an estimate of how much total funding a school needs to meet a student’s educational needs and is based on recommendations from the 2011 review of funding for schooling. It is a base per student funding level, supplemented by additional needs-based loadings targeted to disadvantage. In terms of government responsibility for schooling, it is important to understand that the SRS is not an aspirational standard of school funding. It is not a desirable level of funding that would give schools an ideal pool of resources to discharge their teaching and learning obligations towards children. **The SRS is the minimum required funding per student to give every child, regardless of background, the opportunity to achieve their potential.**

However, both Federal and State and Territory governments have since attempted to recast the SRS as an aspirational target, rather than the minimum requirement, and all jurisdictions have signed bi-lateral agreements with the Commonwealth through to 2023 that limit funding to an absolute maximum of 95% of the SRS (with the Commonwealth contribution capped at 20%). All jurisdictions except the ACT and the vast majority of public school students will not reach even this heavily diluted target.

Where is the data from?

This is a new analysis of data provided by the Commonwealth Department of Education, Skills and Employment in March 2020 in response to questions raised in Senate Estimates.¹ It makes use of Commonwealth Government funding figures for 2020 – 2023 and Commonwealth enrolment forecasts to show the massive recurrent funding shortfalls for public schools that have been locked in by these agreements.

Key findings

Public schools are \$19 billion in recurrent funding below the SRS over four years – this amounts to a shortfall of \$1,775 per student per year to 2023.

- The combined funding of Federal and State/Territory governments leaves Australian public schools with a **cumulative shortfall of \$19 billion in required funding** to attain the mandated School Resourcing Standard across all states and territories from 2020-2023.
- NSW, Victoria and Queensland each have cumulative shortfalls for 2020-2023 that are in excess of \$5 billion for each respective public school system.
- All jurisdictions (except for ACT) under-fund their public school systems by more than \$1,000 per student by 2022 and 2023. Across all jurisdictions the average shortfall is \$1,775 per student per year to 2023.
- **Private schools are over-funded by approximately \$1 billion above the SRS during the period 2020-23 while public schools are under-funded by \$19 billion.**
- Private schools in NSW, Victoria and Queensland each have annual public funding that is vastly in excess of their SRS required levels by 2023. NSW private schools are overfunded by \$367 million, Victoria schools by \$118 million and QLD schools by \$180 million in 2023.

¹ Department of Education, Skills and Employment Question No. SQ20-000151 & SQ20-000156

- By 2022 private school systems in all jurisdictions (except for Northern Territory) have per student allocations in excess of SRS funding levels. NSW has the highest per student allocations above SRS (\$816 per student by 2023).
- Public school systems (with exception of ACT) are stuck at or below 95% of the mandated SRS level of funding by 2023. In NT, public schools will reach only 81% of SRS by 2023, in QLD, public schools will reach just 89% of SRS, in Victoria public schools will only reach 90% of SRS and in NSW, public schools will reach only 92% of SRS by 2023.
- Private school systems in all states and territories (with exception of Northern Territory) will be publicly funded above 100% SRS levels by 2023. The wealthiest private schools are overfunded at the same time as governments cannot meet the minimum SRS funding levels required by some of the poorest public schools across the country.

But the true combined impact of entrenched underfunding of the SRS in public schools and the capital depreciation tax on public schools to 2023 is almost \$27 billion.

- There is a massive combined government funding shortfall of \$26.9 billion for public schools from 2020-2023, an average of \$6.7 billion for each of the four years from 2020-2023.
- This underfunding is the result of governments' failure to meet 100% of the SRS and an additional 4% SRS allowance – the Capital Depreciation Tax, which is built into the bi-lateral agreements

The Capital Depreciation Tax is imposed on public schools only and deprives them of \$7.8 billion to 2023

In addition to the massive recurrent funding shortfall of \$19 billion (averaging \$4.75 billion per year for public schools) the bi-lateral agreements specify that **for public schools only**, state or territory contributions to SRS can include capital depreciation, in some cases school transport costs, and the cost of running education standards authorities (these authorities provide service to both public and private schools, yet are charged entirely as expenses for public schools only). On this provision and its impact on public schools, Rorris states:

“The effect of the ‘capital depreciation charge’ is to apply a segregated rort against public schools. It harms public schools primarily in that it allows state/territory governments to effectively reduce their cash allocations for public schools, by inserting into their ‘contributions’ towards the SRS the entirely notional figure for capital depreciation. This is an accrual based allocation that does not touch the side of any real classroom or school. It is in effect a capital depreciation tax.

The injustice of the ‘capital depreciation tax’ is magnified because it is only and arbitrarily applied to public schools. No such ‘capital depreciation tax’ is applied to the non-government sector. Nor are the private schools apportioned (based on their enrolment size) a share of the public costs associated with authorities responsible for education standards and curriculum.”

- Nationally, the capital depreciation tax deprives public schools of close to \$2 billion a year
- The capital depreciation tax is not applied to the private school systems, this effectively bequeaths a cumulative gift to private schools of approximately \$2.7 billion in additional funds to 2023. This is the value of additional funds currently being allocated by governments to private schools, and which could otherwise be directed to public schools that are slated to remain below the SRS target level beyond 2023