

AUSTRALIAN COUNCIL FOR THE DEFENCE OF GOVERNMENT SCHOOLS

Press Release 1009

Over One Billion on Over-Funding Richest Families and Schools

Trevor Cobbold from Save Our Schools has done the taxpayers of Australia a great service for many years in exposing the real figures of State Aid to the private school sector. His mission continues in his latest News Release at <https://saveourschools.com.au/funding/over-one-billion-of-taxpayer-funding-squandered-on-over-funding-the-richest-families-and-schools/#more-5484>

Substantial parts of his Press Release have been reproduced in both the *Sydney Morning Herald*, *the Age* and the *Guardian*.

He writes:

New figures reveal a scandalous squandering of \$1.3-1.4 billion in Commonwealth Government over-funding private schools that enrol children of the richest families in Australia. The over-funding estimate is based on never before published data provided to Senate Estimates on the median income of families with children in private schools. This over-funding of the schools of the rich is in stark contrast to massive under-funding of public schools that serve the vast majority of disadvantaged students. The current school funding system heavily favours the already advantaged sectors of Australian society at the expense of the most disadvantaged. There is still no plan by governments to correct this grossly unfair system.

The new estimates show that just 105 private schools with a median family income of \$209,000 or more a year will be over-funded by \$692 million over the period 2022-2028 (see Table 1). These schools are over-funded relative to the amount they should receive as the Commonwealth funding share of their School Resourcing Standard (SRS). There are 52 schools with a median family income of over \$260,000 per year and they will be over-funded by \$316.7 million. Twenty-one schools with family income between \$234,000 and \$260,000 will be over-funded by \$163/8 million while 32 schools with a family income between \$209,000 and \$234,000 will be over-funded by \$211.7 million. These 105 schools will receive \$4.9 billion in Commonwealth funding during 2022-2028.....

There are 263 private schools with a median family income of \$209,000 or more. Of these, 105 are over-funded and a mere 31 are not. The other 127 schools belong to school systems and the Commonwealth funding shares of the Schooling Resource Standard are only available at the system level and not for the individual schools. Also, the systems include schools whose family income is less than \$209,000.

As these 127 systemic schools comprise nearly 50% of the total, it is reasonable to estimate that they are over-funded by an amount similar to the 136 schools for which data is available. The level of Commonwealth funding is determined by the median income of families with students at the schools. This suggests that the total over-funding of all schools with a median family income of \$209,000 or more is of the order of \$1.3-1.4 billion. This is about one-quarter of the total over-funding for all private schools of \$5.8 billion over the period. The over-funding is heavily concentrated in these 263 schools as they account for only about 10% of all private schools.

Essendon & Penleigh Grammar School in Melbourne with a median family income between \$235,000 and \$260,000 will be over-funded by \$24 million during 2022-2028. Other highly over-funded schools include St. Augustine's College in Sydney at \$22.7 million and Haileybury College in Melbourne at \$21.9 million. The 20 schools will be over-funded by \$294 million.

In fact, the over-funding of private schools is vastly under-estimated because the current funding method fails to take account of lucrative sources of income of families and schools. The above estimates are just the tip of the iceberg of taxpayer funding of the most privileged families and schools.

Under the current arrangements for Commonwealth Government funding of private schools, the extent of funding is determined according to the capacity of families to contribute financially. This is determined by the family income of families with children at the school, referred to as the Direct Measure of Income (DMI) model. The level of Commonwealth funding is determined by the median income of families with students at the schools. Family income is measured by the Adjusted Taxable Income (ATI).

ATI is a better measure of family income than taxable income because it includes several forms of income not included in taxable income such as employer and personal superannuation contributions, fringe benefits from exempt employers such as re-imbusement of school fees, tax-free government pensions and benefits and losses from negative gearing. However, it does not include income and payments made by grandparents – the Bank of Mum and Dad. School fees are often partially or fully paid by grandparents who also gift money for home deposits and other expenditures such as cars, household assets,

childcare, etc. that frees up income to be spent on school fees. Nor does ATI include non-taxed capital gains or business and investment diverted to family trusts, which are largely the preserve of high income earners. It also ignores income held in secret overseas bank accounts and tax havens, another preserve of the rich.

These omissions and others mean that family income is likely to be significantly higher than estimated by ATI. Based on [Australian Taxation Office statistics](#) the average total income of families with an assessed ATI of \$260, 000 is likely to be significantly above \$300,000. For example, [many millionaires](#) are able to use deductions to reduce their taxable income below \$180,000 and some even some pay no tax. All this indicates that ATI significantly under-estimates family income and therefore private schools, especially the so-called elite schools are substantially over-funded.

Basing government funding of private schools solely on family income also ignores lucrative sources of income of high-fee schools such as donation, investment income, rental income and income from the hire of facilities. Figures obtained from the Australian Charities and Not-for-profits Commission show that 50 private schools received \$611 million in donations and investment income over five years from 2017 to 2021. Donations totalled \$461 million and investment income was \$50 million. Just 10 schools raked in \$291 million, or nearly one-third of the total of donations and investments. In 2022, Melbourne Grammar received \$5.2 million in donations and \$6.4 million in investment income.

Many high fee private schools also derive income from rental properties and the hire of school facilities. For example, Abbotsleigh received over \$1 million in rental income in 2022 while Kincoppal-Rose Bay – Pool received \$1.4 million from the hire of school facilities. Both schools have a median family income of over \$260,000.

None of these sources of family and school income are included in the assessment of the financial need of private schools for government funding. It means that official figures on Commonwealth over-funding of private schools are vastly under-estimated.

The fact is that the current funding model for private schools is designed to over-fund them.

In 2024, public schools across Australia will be under-funded by about \$6.8 billion while private schools will be over-funded by about \$1 billion. Public schools in NSW and Victoria will be under-funded by about \$1.8 billion and those in Queensland by about \$1.7 billion (Chart 2). Private schools in those

states will be over-funded by \$382 million, \$132 million, and \$205 million respectively.

The massive under-funding of public schools is evident in large shortages of teachers, support staff and educational materials as well as inadequate infrastructure. These shortages contributed to the large achievement gaps of five or more years in learning between highly advantaged and disadvantaged 15 year old students revealed in the latest PISA results.

The new national schools reform agreement being negotiated between the Commonwealth and state/territory governments must correct the bias against public schools. The current school funding system is destroying public education. Public education is being progressively dismantled and reduced to a welfare safety net while the privatisation of education increases. Inequality in school outcomes and social segregation between schools is deepening. Apart from the disastrous effect on the lives of disadvantaged students, it has serious implications for the nature of our society and Australia's future economic prosperity.

DOGS POSITION

The DOGS predicted the current situation in 1964 when the State Aid experiment first began as a trickle of funding for Science and Library blocks in the private sector. The Save our Schools group are performing a wonderful service to the Australian community in exposing the gross inequities in the funding situation. By concentrating on the 'equity' problem and throwing a searchlight upon the wealthy private schools however they are not addressing the fundamental problem – which is the taxpayer funding of the private sector itself leads to the inevitable preferential public funding of that sector. Every so called "Needs" policy has been gamed by the private sector and turned into a "Greeds" policy.

The private sector is and has always been parasitic upon the public sector. Most schools in the private sector are completely dependent upon public funding. Australia is in its current completely unsustainable position, falling behind the International standards because our politicians have slavishly followed the British class based education system. We have allowed religious men and parents from the wealthy alongside the aspirational, insecure middle class to systematically undermine the educational opportunities of the majority of our Australian children in public schools.

We would do well to learn from our own history, withdraw public funding from the private sector – and make public schools out of those private institutions

which are already overfunded. We should imitate, not ‘the mother country’, but Finland.

For, when Finland, after the devastation of the Second World War, effectively abolished private education, it made the correct assumption that, if the rich and powerful knew their own children were likely to attend state-maintained private schools, they would be keen to ensure that such schools were well funded.

Finland is now among Europe’s most educationally successful countries. Australia should follow its example.

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