



QCEC SES Options Paper 2018

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Background

- The Government established the National School Resourcing Board (NSRB) to provide independent oversight over Commonwealth school funding. NSRB will undertake reviews of individual parts of the funding model under the *Australian Education Act 2013*.
- NSRB's first review will consider how socio-economic status (SES) scores are calculated and the way in which a non-government school's capacity to contribute (CTC) to the running costs of their school is assessed.
- The Review will accept public submissions until 20 February 2018.

Purpose

In preparation for the NSRB Review, this paper:

- Identifies four (4) issues in relation to SES that are the most pressing; and
- Canvasses three (3) options that could be considered under the Review to address the issues identified.

Major Issues Identified with current SES methodology

1. Underpinning data is only refreshed once every five (5) years through Census.
2. Generalisation of individual family circumstances, particularly across state-based systems that support low-income families and regional and remote communities.
3. Individual school's record of raising private income has not been taken into account.
4. The deemed CTC for primary school parents in medium to high SES areas differs vastly from the actual willingness to pay.

The options considered below suggest potential solutions for these issues.

Principles of Option Design

The options identified below, as well as any other options proposed, should be guided by the following principles:

Promotes Inclusive and Accessible Schools that enables Parental Choice			
A Stable, predictable and sustainable funding model	C Direct measures	E Use of more agile and contemporary data	G Accommodates system and school diversity
B Needs-based funding	D Simple, logical and principle-based	F Minimises legislative change	H Minimises financial shocks to schools

Historical Perspective

While the 2011 Gonski report recommended SES as the best measure to determine funding for schools, the report also recommended the development of a measure that

- “adopt[s] a common concept of need for public funding based on the capacity of the school or system to contribute” and
- provides “a better measure of the capacity of parents to contribute”.

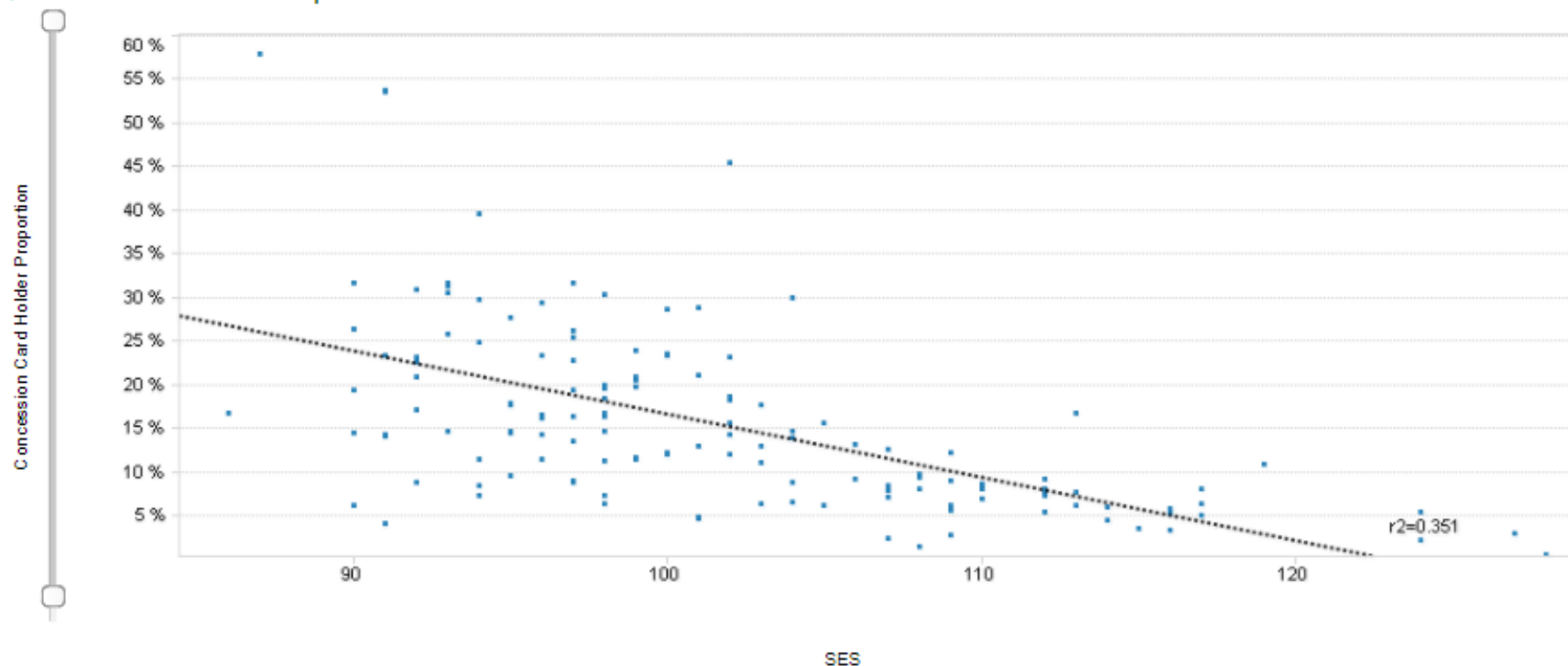
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Option		Description	Pros	Cons	Issues Addressed	Principles Conformed	
1	Concession Card Exemption	<p>What Concession Card holders are deemed to have a reduced CTC.</p> <p>How Families identified by the existing means testing of the welfare system will be considered as low income and therefore have a reduced CTC. Concession granted on presentation of an eligible Commonwealth Concession Card (e.g. Health Care Card).</p> <p>Impact With a CTC of 0% there is an estimated \$192M in additional funding per year to Catholic schools that benefits all jurisdictions. At 5% CTC there is an additional \$140M.</p>	<ul style="list-style-type: none"> Minimal administrative burden Independently verifiable Highly targeted financial relief that considers family size Recognition of the current financial relief provided to low-income families in the Catholic system Sector blind measure 	<ul style="list-style-type: none"> Strict adherence to existing means testing regime with no flexibility Requires other budget offsets to achieve cost neutrality for the Government Requires adjustment to the SES calculations to account for the potential for double counting income measures 	<p>1 <input checked="" type="checkbox"/></p> <p>2 <input checked="" type="checkbox"/></p> <p>3 <input type="checkbox"/></p> <p>4 <input type="checkbox"/></p>	<p>A <input checked="" type="checkbox"/></p> <p>B <input checked="" type="checkbox"/></p> <p>C <input checked="" type="checkbox"/></p> <p>D <input checked="" type="checkbox"/></p> <p>E <input checked="" type="checkbox"/></p> <p>F <input checked="" type="checkbox"/></p> <p>G <input checked="" type="checkbox"/></p> <p>H <input checked="" type="checkbox"/></p>	
	2	Base Funding Tapering for High Fee Schools	<p>What Schools that charge high fees will have their Commonwealth funding tapered.</p> <p>How If school fee exceeds deemed CTC by a margin, any additional school fee will reduce Commonwealth school funding at a taper rate. A minimum level of Commonwealth funding set at a percentage of SRS to act as the safety net.</p> <p>Impact With margin set at \$10,000, taper rate at 25 cents per dollar and minimum funding at 10% of SRS, this option will achieve savings of over \$216M per year, with Catholic Schools accounting for \$9M of the total.</p>	<ul style="list-style-type: none"> Discourages medium fee schools from increasing fees substantially further Incentivises schools to maximise revenue within an acceptable range Accounts for private income and evidence of CTC Highly flexible system that allows fine tuning and transitional arrangement 	<ul style="list-style-type: none"> Requires significant adjustment to the current school funding formula Uncertain behavioural response by families and schools 	<p>1 <input checked="" type="checkbox"/></p> <p>2 <input checked="" type="checkbox"/></p> <p>3 <input checked="" type="checkbox"/></p> <p>4 <input type="checkbox"/></p>	<p>A <input checked="" type="checkbox"/></p> <p>B <input checked="" type="checkbox"/></p> <p>C <input type="checkbox"/></p> <p>D <input checked="" type="checkbox"/></p> <p>E <input checked="" type="checkbox"/></p> <p>F <input type="checkbox"/></p> <p>G <input type="checkbox"/></p> <p>H <input type="checkbox"/></p>
		3	Primary School CTC Rescale	<p>What Adjust CTC scaling of Primary School funding to align with secondary CTC line gradient and better reflect parent's willingness to pay.</p> <p>How Recognise the lower propensity to pay for primary school education over secondary school education by adjusting CTC scaling to better reflect this market reality.</p> <p>Impact An adjustment to the Primary CTC from SES111 to run parallel to the Secondary CTC line would benefit the Catholic sector by \$27M per annum.</p>	<ul style="list-style-type: none"> Increasing CTC expectations of high SES Primary and Secondary schools would align. Better reflects the lower willingness to pay for primary education irrespective of education provider Maintains affordability of primary education 	<ul style="list-style-type: none"> Requires adjustment to the current school funding legislation. 	<p>1 <input type="checkbox"/></p> <p>2 <input type="checkbox"/></p> <p>3 <input type="checkbox"/></p> <p>4 <input checked="" type="checkbox"/></p>

Major Issue: SES fails to identify schools with low income families

- Concession Card Holders are low income families means tested by the Commonwealth.
- It is estimated that there are over 100,000 students at Catholic Schools on concessions cards.
- Many non-State schools offer considerable discounts to concession card holders. For example: in WA a flat fee of \$1,500 is charged to concession card holders. This covers capital replacement and renewal with little remaining for recurrent expenditure.
- Western Australia Catholic Education has a complete data set of health care and pensioner card discounts offered by their schools. The below diagram shows the relationship between SES and the percentage of concession card holders in WA Catholic schools.
- With an R2 of .351, SES poorly predicts the number of concession card holders at a school.

Concession Card Holder Proportion vs. SES



Source: Western Australian Catholic Education Concession Card Holders in 2017

Detailed Costing – Option 1 – Concession Card Exemption

Summary of Proposal

- The proposal provides low income families with fee concession at Catholic Schools.
- Families with the Health Care Card, Pensioner Concession Card and DVA Health Cards would be eligible for the fee concession.
- Students from these families would receive the maximum amount of school funding within the current funding model or would have a set CTC rate.
- The proposal would have effect from the commencement of the 2019 school year.

Key Assumptions

In costing the proposal, the following assumptions have been made:

- The proportion of students in families with a Commonwealth Concession Cards have been estimated based on data from the Cairns Diocese and Western Australia Catholics School System. The data is then applied to the rest of Australia through a regression between SES scores and proportion of students with Commonwealth Concession Cards.

Methodology

- Concession card students were estimated for each Catholic school.
- The Funding Estimation Tool was modified to provide a set CTC for concession card students.
- Two scenarios (0% CTC and 5% CTC) were applied.

Data Sources

- WA Concession card data
- Funding Estimation Tool

Explicit Support for Low Income Families

The proposal is estimated to benefit 105,663 low income families currently with children attending non-government schools, with the state distribution as follow:

NSW	32,518
VIC	31,183
QLD	21,276
WA	9,662
SA	7,042
TAS	2,873
ACT	445
NT	664
Total	105,663

Option 1 - Concession Card Exemption

Before	2018	2019	2020	2021	2022	2023	Total
NSW	1,993,858,697	2,076,562,300	2,162,608,224	2,248,652,002	2,338,084,816	2,431,003,687	13,250,769,726
VIC	1,908,330,096	1,984,262,414	2,063,162,312	2,141,838,452	2,223,513,936	2,308,276,798	12,629,384,007
QLD	1,341,504,852	1,391,249,690	1,442,821,651	1,493,982,790	1,546,978,576	1,601,862,738	8,818,400,297
WA	599,430,268	625,758,504	653,195,672	680,735,058	709,403,307	739,233,468	4,007,756,277
SA	387,664,207	403,811,185	420,613,009	437,418,609	454,888,389	473,041,002	2,577,436,401
TAS	156,640,566	164,380,407	172,470,967	180,649,015	189,186,495	198,094,594	1,061,422,044
ACT	110,675,221	110,393,657	109,951,089	109,166,621	108,203,988	107,050,333	655,440,909
NT	77,033,726	83,158,794	89,621,465	96,289,348	103,308,515	110,690,039	560,101,887
Total	6,575,137,632	6,839,576,951	7,114,444,387	7,388,731,895	7,673,568,022	7,969,252,659	43,560,711,547

Current Federal Funding Estimate.

Source: Funding Estimation Tool

After @ 0%	2018	2019	2020	2021	2022	2023	Total
NSW	1,993,858,697	2,133,495,812	2,221,900,631	2,310,303,686	2,402,188,500	2,497,655,106	13,559,402,433
VIC	1,908,330,096	2,039,876,671	2,120,987,698	2,201,869,154	2,285,833,816	2,372,972,548	12,929,869,984
QLD	1,341,504,852	1,430,151,473	1,483,165,321	1,535,757,143	1,590,234,787	1,646,653,708	9,027,467,285
WA	599,430,268	647,003,089	675,371,614	703,846,080	733,487,623	764,330,612	4,123,469,285
SA	387,664,207	415,284,887	432,564,065	449,847,207	467,813,366	486,481,788	2,639,655,520
TAS	156,640,566	168,491,509	176,784,395	185,166,987	193,917,986	203,048,885	1,084,050,328
ACT	110,675,221	113,522,275	113,067,140	112,260,460	111,270,547	110,084,210	670,879,853
NT	77,033,726	84,247,718	90,795,006	97,550,208	104,661,288	112,139,475	566,427,419
Total	6,575,137,632	7,032,073,435	7,314,635,870	7,596,600,926	7,889,407,913	8,193,366,333	44,601,222,108

Adjusted Federal Funding Estimate after applying 0% CTC for Concession Card holders.

Source: Funding Estimation Tool

Difference	2018	2019	2020	2021	2022	2023	Total
NSW	-	56,933,513	59,292,407	61,651,683	64,103,684	66,651,419	308,632,707
VIC	-	55,614,257	57,825,387	60,030,703	62,319,880	64,695,750	300,485,977
QLD	-	38,901,784	40,343,670	41,774,353	43,256,211	44,790,970	209,066,989
WA	-	21,244,585	22,175,942	23,111,022	24,084,316	25,097,144	115,713,008
SA	-	11,473,702	11,951,056	12,428,598	12,924,977	13,440,787	62,219,119
TAS	-	4,111,102	4,313,429	4,517,971	4,731,491	4,954,291	22,628,284
ACT	-	3,128,618	3,116,051	3,093,840	3,066,558	3,033,877	15,438,944
NT	-	1,088,923	1,173,541	1,260,860	1,352,773	1,449,436	6,325,533
Total	-	192,496,484	200,191,483	207,869,030	215,839,891	224,113,674	1,040,510,561

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Option 1 - Concession Card Reduction to 5% CTC

Before	2018	2019	2020	2021	2022	2023	Total
NSW	1,993,858,697	2,076,562,300	2,162,608,224	2,248,652,002	2,338,084,816	2,431,003,687	13,250,769,726
VIC	1,908,330,096	1,984,262,414	2,063,162,312	2,141,838,452	2,223,513,936	2,308,276,798	12,629,384,007
QLD	1,341,504,852	1,391,249,690	1,442,821,651	1,493,982,790	1,546,978,576	1,601,862,738	8,818,400,297
WA	599,430,268	625,758,504	653,195,672	680,735,058	709,403,307	739,233,468	4,007,756,277
SA	387,664,207	403,811,185	420,613,009	437,418,609	454,888,389	473,041,002	2,577,436,401
TAS	156,640,566	164,380,407	172,470,967	180,649,015	189,186,495	198,094,594	1,061,422,044
ACT	110,675,221	110,393,657	109,951,089	109,166,621	108,203,988	107,050,333	655,440,909
NT	77,033,726	83,158,794	89,621,465	96,289,348	103,308,515	110,690,039	560,101,887
Total	6,575,137,632	6,839,576,951	7,114,444,387	7,388,731,895	7,673,568,022	7,969,252,659	43,560,711,547

Current Federal Funding Estimate.

Source: Funding Estimation Tool

After	2018	2019	2020	2021	2022	2023	Total
NSW	1,993,858,697	2,117,467,492	2,205,208,164	2,292,947,067	2,384,141,577	2,478,890,961	13,472,513,958
VIC	1,908,330,096	2,024,351,847	2,104,845,572	2,185,111,464	2,268,437,098	2,354,912,640	12,845,988,719
QLD	1,341,504,852	1,419,519,838	1,472,139,584	1,524,340,447	1,578,413,108	1,634,412,614	8,970,330,443
WA	599,430,268	642,273,216	670,434,363	698,700,663	728,125,514	758,743,021	4,097,707,046
SA	387,664,207	411,835,743	428,971,410	446,111,008	463,927,949	482,441,319	2,620,951,636
TAS	156,640,566	167,107,097	175,331,844	183,645,561	192,324,658	201,380,532	1,076,430,258
ACT	110,675,221	113,199,081	112,745,243	111,940,859	110,953,763	109,770,803	669,284,969
NT	77,033,726	84,026,239	90,556,316	97,293,759	104,386,145	111,844,672	565,140,857
Total	6,575,137,632	6,979,780,554	7,260,232,498	7,540,090,827	7,830,709,811	8,132,396,563	44,318,347,885

Adjusted Federal Funding Estimate after applying 5% CTC for Concession Card holders.

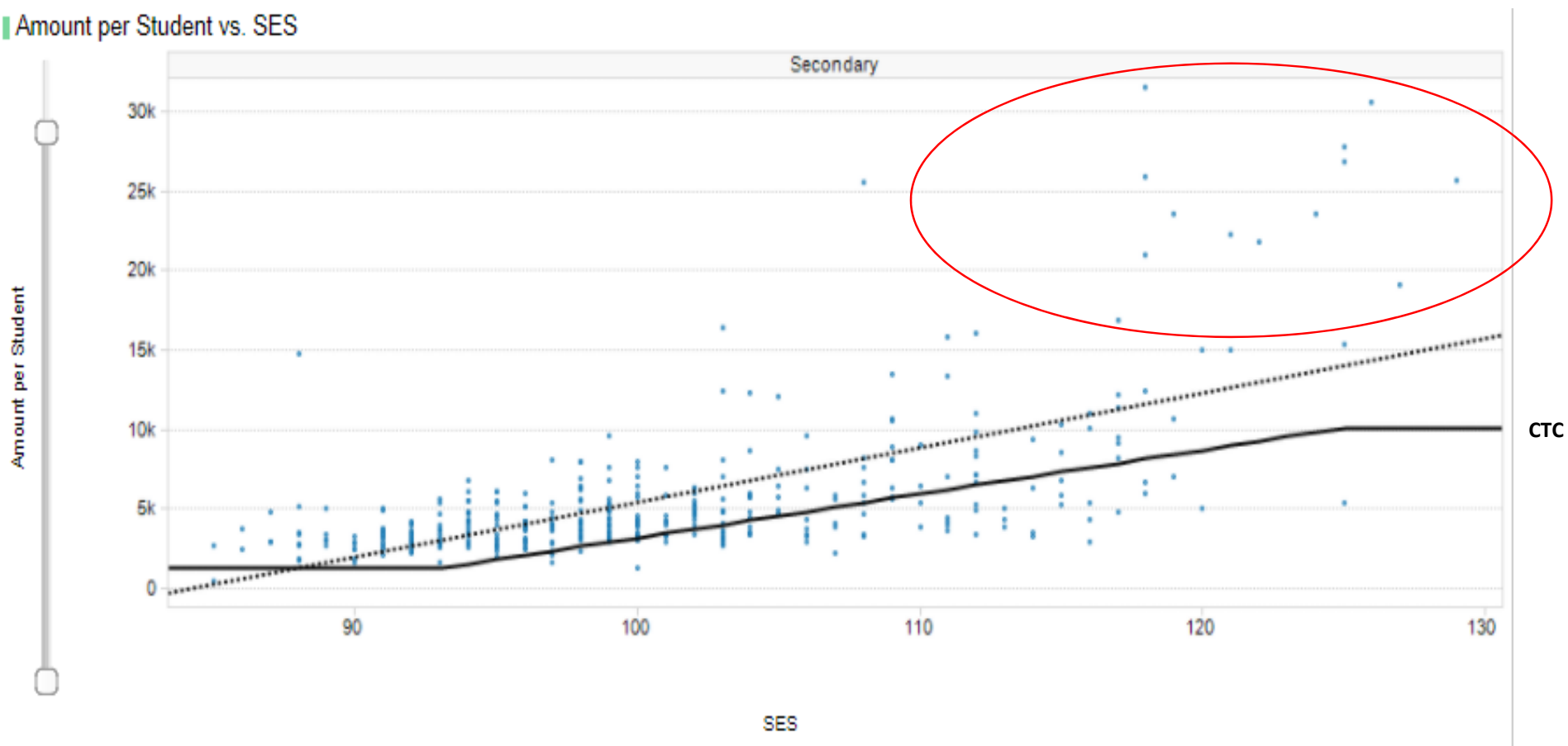
Source: Funding Estimation Tool

Difference	2018	2019	2020	2021	2022	2023	Total
NSW	-	40,905,192	42,599,940	44,295,064	46,056,761	47,887,274	221,744,232
VIC	-	40,089,433	41,683,261	43,273,013	44,923,163	46,635,842	216,604,711
QLD	-	28,270,149	29,317,933	30,357,656	31,434,532	32,549,876	151,930,146
WA	-	16,514,712	17,238,692	17,965,605	18,722,206	19,509,553	89,950,769
SA	-	8,024,558	8,358,401	8,692,398	9,039,560	9,400,318	43,515,235
TAS	-	2,726,690	2,860,878	2,996,546	3,138,163	3,285,938	15,008,214
ACT	-	2,805,424	2,794,154	2,774,238	2,749,775	2,720,470	13,844,061
NT	-	867,445	934,852	1,004,411	1,077,630	1,154,633	5,038,970
Total	-	140,203,603	145,788,111	151,358,932	157,141,789	163,143,903	757,636,338

Major Issue: SES fails to identify schools with high private income

- Some schools charge fees considerably higher than the amount determined as the school's capacity to contribute using SES.
- In 2015 there were 193 schools that recorded private income of \$10,000 or more per student above the schools deemed CTC.
- The below diagram maps private income per student to SES for all Secondary schools.

Amount per Student vs. SES

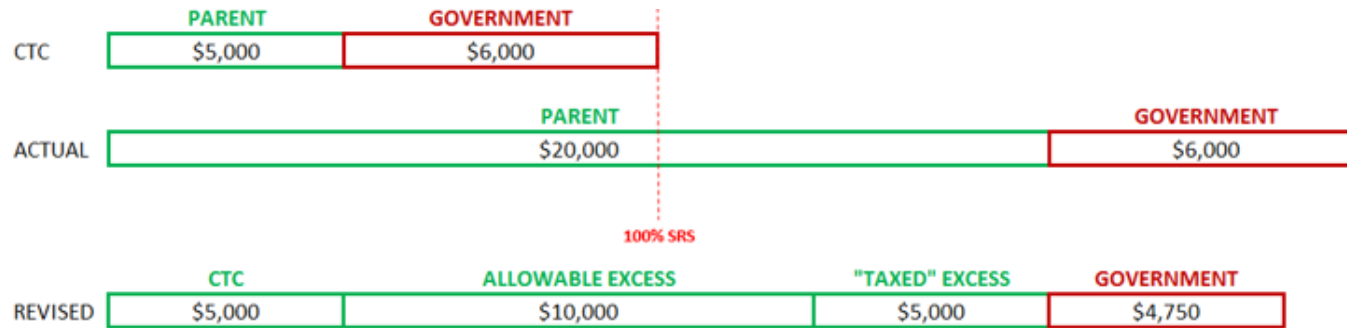


Source: MySchools Fee Income 2015 for all Secondary Schools

Option 2 - Base Funding Tapering for Very High Fee Schools

Summary of Proposal

- The proposal reduces Government funding for schools whose private income exceeds the CTC by a considerable amount
- The below option suggests an allowable excess of \$10,000 per student before Government funding is reduced.
- The reduction in Government funding would be set at 25c per \$1 raised with a minimum of 10% of the SRS set.



Methodology

- MySchools 2015 financial data was used to estimate schools per student private income.
- This was compared to the new CTC line but with 2015 SRS rates to determine schools impacted by the reduction in government funding.

Data Sources

- MySchools 2015 Financial Data
- Funding Estimation Tool

Number of schools with Fees substantially above CTC

The number of schools estimated to charge fees at \$10,000 per student above CTC is estimated to be 193 with the financial savings of the option estimated at \$216M.

	Independent	Catholic
NSW	71	-
VIC	58	5
QLD	16	3
WA	20	-
SA	14	-
TAS	4	-
ACT	2	-
NT	-	-
Total	185	8

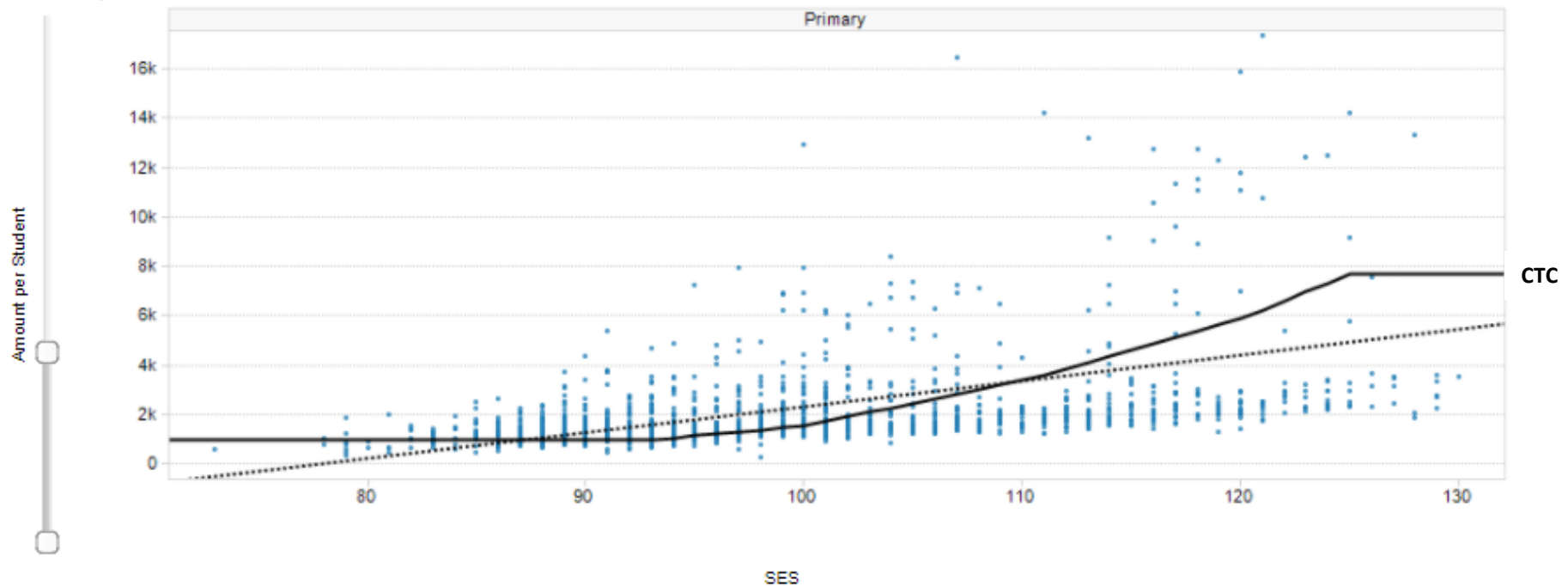
Reduction of SRS at 80%	Independent	Catholic
NSW	(76,378,855)	-
VIC	(87,868,950)	(5,316,976)
QLD	(10,146,875)	(3,914,429)
WA	(19,531,251)	-
SA	(11,572,269)	-
TAS	(689,219)	-
ACT	(529,979)	-
NT	-	-
Total	(206,717,400)	(9,231,406)

Major Issue: Primary School CTC accelerates as SES increases.

- For every SES point increase from 93 to 125 a Secondary school family is expected to contribute an additional 2.2% of the SRS Base amount.
- Primary schools have an adjustment to recognise the lower CTC of primary schools however this is taken away as SES increases.
- From SES 111, a primary school parent is deemed to have an increasing capacity to contribute greater than that of a secondary school.
- A Primary school parent in a SES 121 school is deemed to have an increased capacity to contribute of \$413 compared to a SES 120 school while a Secondary school parent would only have an increased capacity to contribute of \$301.
- This also does not reflect the actual change in private income of schools as SES increases. The below diagram shows actual private income per student for all non-State primary schools compared to SES with CTC line overlay.

SES	% SRS Increase		\$ CTC Increase	
	Primary	Secondary	Primary	Secondary
93-100	0.9%	2.2%	94	301
101-110	1.9%	2.2%	208	301
111-120	2.6%	2.2%	287	301
120-125	3.8%	2.2%	413	301

Amount per Student vs. SES

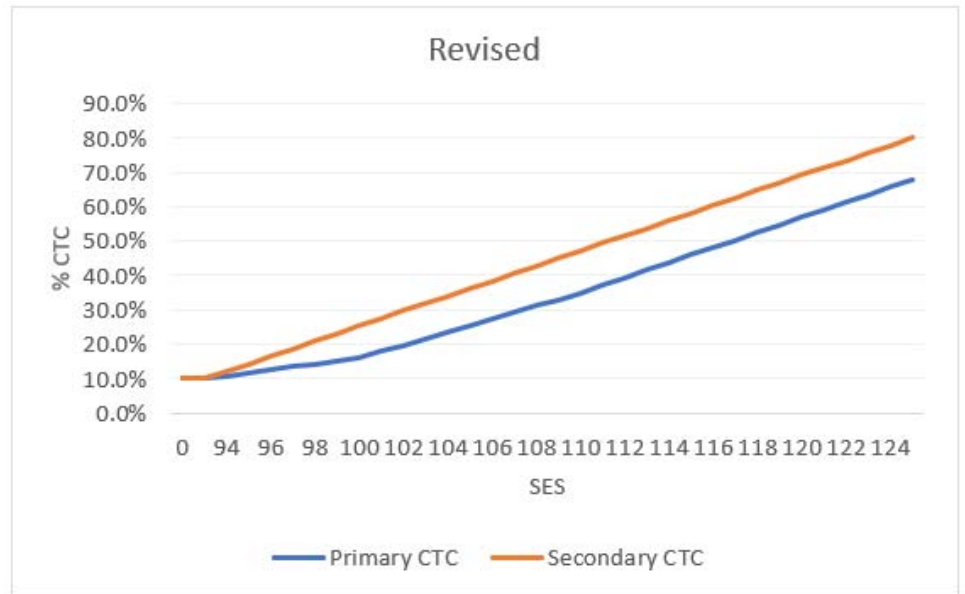
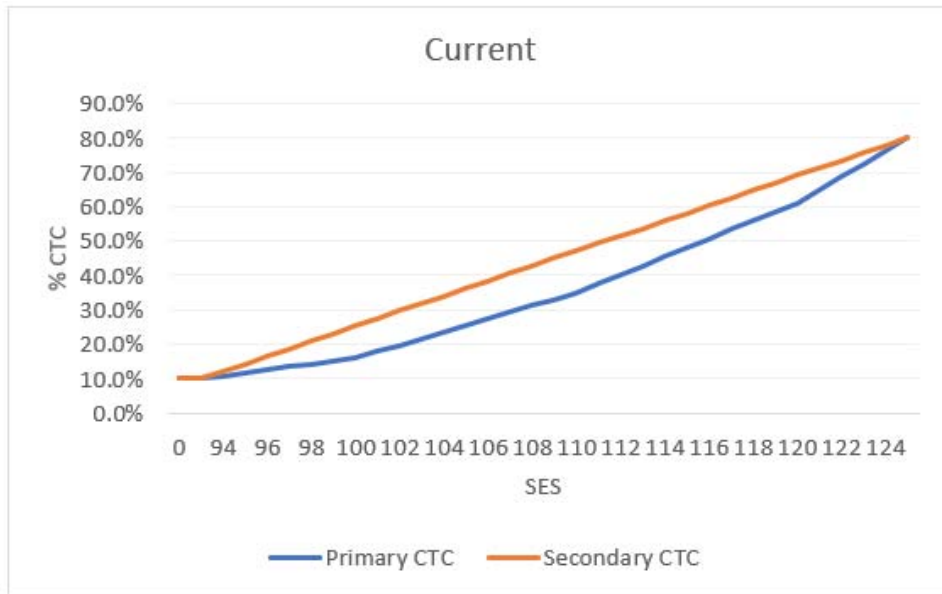


Source: MySchools Fee Income 2015 for all Primary Schools

Option 3 - Primary School CTC Rescale

Summary of Proposal

- The proposal adjusts the Primary School CTC curve to run parallel with the Secondary curve from SES 111.



Methodology

- The Primary CTC curve was adjusted from SES 111.
- The Funding Estimation Tool was used to recalculate school funding.

Data Sources

- Funding Estimation Tool

SES	Current				Revised			
	% SRS Increase		\$ CTC Increase (2018)		% SRS Increase		\$ CTC Increase (2018)	
	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
93-100	0.90%	2.20%	94	301	0.90%	2.20%	94	301
101-110	1.90%	2.20%	208	301	1.90%	2.20%	208	301
111-120	2.60%	2.20%	287	301	2.20%	2.20%	239	301
120-125	3.80%	2.20%	413	301	2.20%	2.20%	239	301

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WA	599,430,268	625,758,504	653,195,672	680,735,058	709,403,307	739,233,468	4,007,756,277
SA	387,664,207	403,811,185	420,613,009	437,418,609	454,888,389	473,041,002	2,577,436,401
TAS	156,640,566	164,380,407	172,470,967	180,649,015	189,186,495	198,094,594	1,061,422,044
ACT	110,675,221	110,393,657	109,951,089	109,166,621	108,203,988	107,050,333	655,440,909
NT	77,033,726	83,158,794	89,621,465	96,289,348	103,308,515	110,690,039	560,101,887
Total	6,575,137,632	6,839,576,951	7,114,444,387	7,388,731,895	7,673,568,022	7,969,252,659	43,560,711,547

Current Federal Funding Estimate.

Source: Funding Estimation Tool

After	2018	2019	2020	2021	2022	2023	Total
NSW	1,993,858,697	2,086,315,606	2,172,765,895	2,259,213,610	2,349,066,473	2,442,421,635	13,303,641,916
VIC	1,908,330,096	1,990,749,607	2,069,907,606	2,148,840,827	2,230,783,332	2,315,823,218	12,664,434,685
QLD	1,341,504,852	1,395,352,466	1,447,076,610	1,498,388,535	1,551,540,604	1,606,586,559	8,840,449,626
WA	599,430,268	627,705,156	655,227,721	682,852,739	711,610,171	741,533,102	4,018,359,157
SA	387,664,207	404,182,546	420,999,829	437,820,877	455,306,723	473,476,024	2,579,450,207
TAS	156,640,566	164,380,407	172,470,967	180,649,015	189,186,495	198,094,594	1,061,422,044
ACT	110,675,221	114,377,142	113,918,676	113,105,836	112,108,466	110,913,144	675,098,485
NT	77,033,726	83,158,794	89,621,465	96,289,348	103,308,515	110,690,039	560,101,887
Total	6,575,137,632	6,866,221,724	7,141,988,770	7,417,160,787	7,702,910,778	7,999,538,314	43,702,958,006

Adjusted Federal Funding Estimate after applying

Source: Funding Estimation Tool

Difference	2018	2019	2020	2021	2022	2023	Total
NSW	-	9,753,306	10,157,671	10,561,608	10,981,657	11,417,948	52,872,189
VIC	-	6,487,193	6,745,295	7,002,375	7,269,396	7,546,419	35,050,678
QLD	-	4,102,777	4,254,959	4,405,745	4,562,028	4,723,821	22,049,330
WA	-	1,946,652	2,032,050	2,117,681	2,206,864	2,299,634	10,602,880
SA	-	371,361	386,820	402,268	418,334	435,023	2,013,806
TAS	-	-	-	-	-	-	-
ACT	-	3,983,485	3,967,587	3,939,215	3,904,478	3,862,811	19,657,576
NT	-	-	-	-	-	-	-
Total	-	26,644,773	27,544,383	28,428,892	29,342,756	30,285,655	142,246,459