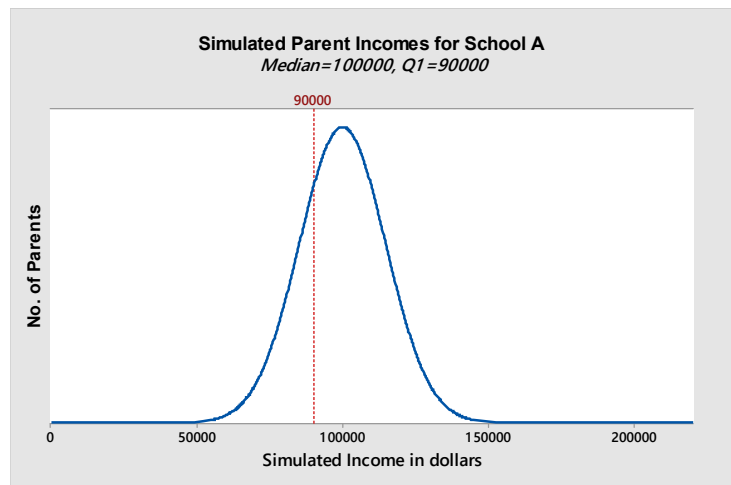


COALITION OF REGIONAL INDEPENDENT SCHOOLS AUSTRALIA

UNFAIR “MEDIAN INCOME” FUNDING FORMULA THREATENS VIABILITY OF SCHOOLS SERVING DIVERSE COMMUNITIES

The Federal Government uses Australian Taxation Office data to calculate the **median income** of parents and guardians for each non-government school and allocate funding on this basis, assuming it measures the school community’s “capacity to contribute” to the costs of schooling. Analysis of the statistics of this approach shows it will unfairly penalise certain schools.

Consider “School A” which has a hypothetical parental income distribution as shown, with median \$100,000 and first quartile (“Q1”, below which there are 25% of parents) at \$90,000.

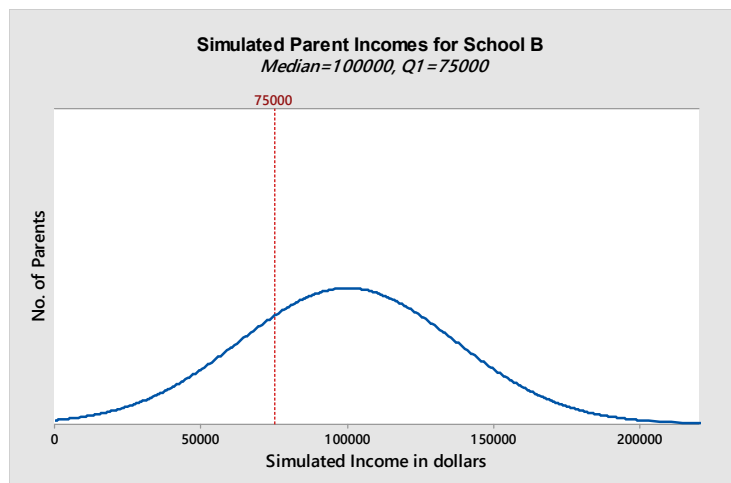


The proposed funding model asserts that the median is a fair measure of capacity to contribute, which it could be if school fees were paid on a sliding scale according to income. However, schools must set a fixed fee. The model assumes that all School A parents can pay fees commensurate with the \$100,000 income. Since the income distribution of parents in School A is narrow, this might be a tolerable, if imprecise, basis for funding.

If all school communities were like this, the median might be fair as the sole funding criterion, because all schools would be treated equitably, which is an intended paradigm of the new model.

Now consider “School B”, which has a different hypothetical parental income distribution.

This school also has a median parental income of \$100,000, but the first quartile is \$75,000. Many parents’ incomes are well below the median. The assumption that the median indicates this community’s “capacity to contribute” is wrong. Strictly, only those above the median have that capacity. If School B gives fee remissions to parents with incomes below Q1, as some schools do, then Q1 would be a fair measure of the community’s “capacity to contribute”.



Measures like the first quartile or variance must be incorporated in the funding formula to make it fair to all schools.

Why might Schools A and B be different?

School A is typically a metropolitan school. Families in its catchment area have a choice of low-fee, medium-fee and high-fee independent schools which they can access, and they choose a school with fees which are commensurate with their income level.

School B is typically a regional school. It is often the only independent school in its community and is therefore the only choice for those seeking independent education. Note that other schools, particularly in outer-metropolitan areas, have similar community access limitations, and there are metropolitan schools which support very diverse communities, some with particular religious affiliations. These are similar to School B.

A school like School B cannot afford to “price out” a large proportion of its constituency, so it must set fees commensurate not with the median, but significantly lower.

“Choice and Affordability Fund” improper and inadequate

For regional schools in general and other schools with broad demographics, the median parental income approach is likely to lead to an unfair over-estimate of the SES. Schools which charge lower fees to offer choice to marginalised families would suffer reduction in government funding. Given the fragility of regional economies, this would penalise a significant number of these schools to the point where they will not survive, even if a long phase-in period means a slow death.

This should not be addressed by uncertain discretionary “top-up” funding but by a **fundamental reconsideration of the median income funding parameter so that base funding is allocated in line with principles of fairness and equity**. In any case, in our estimates, the proposed “Choice and Affordability” funding is inadequate to address the funding impairment unfairly imposed on schools with diverse communities.

Realities of impact

Example:

- Existing metropolitan school of 880 primary and secondary students
- Current SES score 104 and Year 12 fee \$27,700

In comparison:

- Existing regional school of 700 primary and secondary students
- Current Year 12 fee around \$15,000
- If SES were to go from current 96 to 104, as is possible under the “median parental income” formula, the school would lose around \$1.5M per annum. It would have to substantially cut programs and raise fees out of reach of many families, setting in place a downward enrolment spiral, possibly leading to closure.

There is very good reason to believe that this scenario is not far-fetched and would be played out right across regional and outer-metropolitan areas of Australia if the median is the sole income measure used for school funding calculation. Regional schools, often the lifeblood of local communities, are also subject to the vagaries of the rural economy, and in a downturn, could fall over before a “rolling average” catches up. Some, of course, will also be dealing for years with the exigencies of current climatic disasters.

The Coalition of Regional Independent Schools Australia, which comprises regional, rural and outer-metropolitan schools, is committed to funding fairness for all schools. We call for fine-tuning of the median model to take account of variance and ensure funding equity for schools with diverse populations, via a simple and transparent statistical solution.

Stephen Higgs OAM

Chair

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