SES FUNDING MODEL – EMERGING ISSUES

Introduction

In May last year, Dr Kemp announced a major reform in the funding arrangements for non-government schools for the 2001-2004 quadrennium.

From 2001 Commonwealth recurrent funding for non-government schools will be based on a different measure of need. The current mechanism, the Education Resources Index (ERI), which assesses need based on a school’s own resource levels, will be replaced with a measure of the socioeconomic status (SES) of school communities.

The new arrangements are the outcome of the Review of the ERI and represent a simpler, fairer and more transparent basis for funding non-government schools.

An SES Simulation Project undertaken in 1998, in which over 90% of the non-government school sector participated, confirmed that an SES approach to Commonwealth funding was valid and feasible.
The SES funding model

- The legislation which will give effect to the new SES funding arrangements was introduced into the House of Representatives on 29 June 2000.

- This matrix shows how the SES arrangements will affect non-government schools and systems.
  [The copy of the matrix in the handout includes references to the legislation.]

- In a nutshell, the features of the SES funding model are:
  
  o minimum funding set at 13.7% of Average Government School Recurrent Costs (AGSRC) to schools with SES scores of 130 and above
    [roughly equivalent to Category 1 funding under the ERI]
  
  o maximum funding set at 70% of AGSRC to schools with SES scores of 85 and below and to Special Schools
    [about 14% higher than 1998 maximum funding under the ERI]
  
  o funding for schools with SES scores between 85 and 130 payable on a continuum
  
  o a consistent primary/secondary differential reflecting the primary and secondary rates of AGSRC
  
  o annual adjustment of per capita rates in line with the most recently agreed AGSRC figures
    [1998/99 AGSRC will determine final funding levels for 2000]
  
  o increased funding phased in over the quadrennium at 25% of the increase each year
  
  o security of funding for schools that would otherwise have their funding reduced under the new arrangements
    [year 2000 per capita entitlements maintained in real terms]
  
  o funding for Catholic school systems (except ACT) at 56.2% of AGSRC and the ACT at 51.2% of AGSRC
  
  o funding for all other systems based on the aggregate entitlement of their individual member schools
Other provisions

In addition, from 2001:

- establishment grants will be available to all new schools for the first two years of their operation. The amounts will be $500 and $250 per capita respectively, and will also be available to new non-systemic schools that applied for funding after 11 May 1999; and

- distance education students will attract Commonwealth recurrent funding set at 13.7% of AGSRC.
How the SES works

- The SES approach relies on the following information to obtain a measure of the capacity of a school community to support its school:
  - the latest (1996) ABS national Census data [on which the SES Index is based]
  - the SES Index which comprises three dimensions – Occupation, Education and Income (½ Household Income and ½ Family (with children) Income) [recommended by the SES Simulation Project Steering Committee]
  - Australian Bureau of Statistics (ABS) Census Collection Districts (CDs) [which comprise between 200 to 250 households]
  - CD SES scores [derived from the SES Index]
  - students’ residential addresses [addresses only, not names].

- A school’s community will be defined in terms of the CDs from which it draws its students and the percentage of students from each CD.

- Schools may seek a review if they consider that:
  - their score has been inaccurately calculated; or
  - the SES of the community has changed significantly since their original SES score was calculated.
• This overhead of the City of Adelaide overlaid with ABS Census Collection Districts shows the ability of the SES Index to differentiate between CDs in terms of the socioeconomic status of their residents.

• As we can see from this map, even though Adelaide contains a diverse range of CDs with SES scores ranging from 136 (in Toorak Gardens) [GREEN] to 80 (in Hindmarsh) [LILAC], on the whole, the groupings of CDs are relatively homogeneous in SES terms. There are, however, some CDs with SES scores that are quite different from their neighbouring CDs.

For example:

In the **Adelaide** area there are only 2 CDs with SES below 100;

In **North Adelaide** only 1 CD has a score below 113; and

In **College Park** only 2 CDs have scores below 100.
When we analysed the 1996 Census data to find out why these CDs [YELLOW] had lower scores than their neighbouring CDs [BLUE], we found the following distinguishing features:

**Adelaide - SES score of 92 compared with 115**
- High unemployment - 24.2% compared with 5.6%
- 40% of CD population is not in the labour force
- Majority of people earn less than $400 per week with the mode being $160-$199 per week

**Adelaide - SES score of 93 compared with 122**
- High unemployment - 14.5% compared with 3.8%
- Contains a number of lodging/boarding houses

**North Adelaide – SES score of 97 compared with 122**
- Majority of people are not in the labour force
- Nearly half the population attends a university or other tertiary institution
- Luther Seminary, including some of its boarding houses, contained within the CD

**College Park - SES score of 94 compared with 120**
- High unemployment - 26.8% compared with 4.9%
- 85% of people earn less than $500 a week with the median being in the range of $160-$199 per week
- Low number of managers and professionals compared with neighbouring CD

**College Park - SES score of 87 compared with 133**
- High unemployment of 15.7%
- 65% earn less than $400 per week compared with neighbouring CD where
  - 50% earn over $500 per week;
  - 60% of couples with children earn more than $1000 a week; and
  - 32% earn more than $2000 per week

We also looked for the distinguishing features of the one CD [RED] in Mile End which has an SES score above 100 and found:
- A lower unemployment rate than surrounding CDs (7.3%);
- A higher proportion of people in the labour force; and
- The area was undergoing redevelopment.
• What this map also shows is the importance for accuracy in every detail of a student’s residential address.
  
o  If, for example, we look at two of the CDs in College Park, we can see that although they share a boundary, they are quite different in SES terms, with scores of 133 and 87.
  
o  Depending on which side of the boundary street a student lives, their address will return a score of either 133 or 87 – a difference of 46 SES points. As you can appreciate, this would significantly influence a school’s SES score if one or more students were inaccurately geocoded.

**CD Map of Barossa Valley  OVERHEAD 6**

• Out of interest, we also mapped the Barossa Valley region and found, as this overhead shows, that this region, unlike Adelaide, is relatively homogeneous in SES terms. Despite this homogeneity, the SES scores range from a low of 79 [PURPLE] to a high of 105 [GREEN].
  
o  Therefore, even in a homogeneous area, there can be differing scores in neighbouring CDs, and inaccurate addresses can still have a significant effect on a school’s funding.
Students’ residential addresses are linked to CDs by a process called geocoding which matches each individual address to the correct CD.

The collection of students’ residential addresses via a purpose-built Internet application commenced on 20 March and was fully completed in early May.

This flowchart shows the geocoding process and the comprehensive range of databases and other resources that are being interrogated to achieve an accurate geocoding result for as many addresses as possible without having to return to schools for additional information.

Unfortunately, some addresses provided by schools did not include enough information to allow accurate geocoding and, therefore, it will still be necessary to ask these schools to provide more information or to indicate the location of ‘difficult’ addresses on maps produced by the Department.

When the geocoding process is complete, schools’ student addresses with CD identifiers and CD SES scores will be published on the SES website. Schools will be able to access this information, which we expect will be available in August, using their unique Sign On and Password.
Progress to date

This slide shows:

- the number of addresses that have been geocoded so far
- the percentage of the total that this number represents; and
- the total number of addresses for each State and Territory.

Early SES trends

Although geocoding of students’ residential addresses is not yet finished, I thought it would be interesting to show some early trends based on the addresses that have been successfully geocoded so far.

[New South Wales and Queensland not yet available].
**Average SES scores by State**  

- The weighted average SES scores for each of the States and Territories are not unexpected:
  - Victoria 111
  - Western Australia 106
  - South Australia 103
  - Tasmania 103
  - Northern Territory 101
  - ACT 120

  [The weighted average SES scores are based on the number of addresses for each school and the school’s SES score.]

**Percentage distribution of schools by SES score**

- This graph shows that there is no common pattern of distribution of schools across the SES bands.

- Victoria has a relatively even distribution of schools across the range of SES scores, but with the largest proportion of schools in the 120-124 band.

- By way of contrast:
  - South Australia, Tasmania and the Northern Territory have no schools with SES scores above 120
  - South Australia and Western Australia have relatively high concentrations of schools in the 90-94 and 95-99 bands – with nearly 50% of their schools falling within this range
  - Tasmania and the Northern Territory have no schools with SES scores above 114.

- This reflects the relatively high average SES score for Victoria shown in the first graph.
With the exception of the Northern Territory, the pattern of distribution of students indicates that schools with higher SES scores tend to have larger student populations.

- For example:
  - in Victoria, approximately 26% of students are in schools with SES scores between 120-124, but only 16% of schools have SES scores in this band
  - in Western Australia, approximately 19% of students are in schools with SES scores between 110-114, but only 11% of schools have SES scores in this band
  - but, in the Northern Territory, approximately 17% of students are in schools with SES scores between 110-114, whilst 30% of schools have SES scores in this band.

NB I should reiterate that these findings are preliminary only and have not been based on finalised data.
**Emerging issues**

**Principles**

- The key principles that underpin the SES funding arrangements are that:
  - parents have the right to choose the type of education they want for their children
  - every child is entitled to a base level of public funding towards their education
  - every child has the right to a quality education
  - schools should have the flexibility to adjust their operations to cater for their communities
  - private investment in education should not be discouraged; and
  - the funding approach should be transparent and simple

**Aims**

- Based on these principles, the Commonwealth anticipates that following the implementation of the SES arrangements:
  - parents at all income levels will have greater choice in selecting the most appropriate schooling for their child
  - low income families will have greater access to the schools of their choice
  - schools will have greater flexibility –
    - to respond to the changing needs of students and their families; and
    - to direct their resources towards achieving the best possible learning outcomes for their students
  - the increased funding for Special Schools will result in greater benefits for students with intellectual, physical, social and emotional difficulties
  - the increased funding for schools serving the most needy communities will extend choice to the most disadvantaged students
  - there will be greater private investment in education
  - the funding system for non-government schools will be fairer, simpler and more transparent.
Final steps

- Peak Bodies briefing on the States Grants legislation with respect to the SES funding arrangements will be held on 27 July 2000
- Inform schools and systems of the details of the SES funding arrangements
- Advise schools and systems of individual schools’ SES scores [via the SES Website in August 2000]
- Respond to Senate Enquiry into the SES funding arrangements [submissions close on 4 August 2000] [due to report on 6 September 2000]
- When the latest AGSRC figures become available and the Schools Census has been collected (September/October), calculate all schools’ funding entitlements to determine whether schools will be funded according to their SES score or whether they will be funding maintained.
- Following the successful passage of the States Grants legislation through both Houses of Parliament formally advise schools of their funding entitlements for the next quadrennium.

NB The timing of formal advice to schools about their funding entitlements will depend on the enactment of the States Grants legislation.