

**Submission
No 724**

INQUIRY INTO THE PROVISION OF EDUCATION TO STUDENTS WITH A DISABILITY OR SPECIAL NEEDS

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Government Funding for Students With Disabilities in NSW Private Schools

A Submission to the Inquiry into the Provision of Education to Students With a Disability or Special Needs by the NSW Legislative Council

Save Our Schools

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Key Findings

1. The claim by private school organisations that students with disabilities in private schools are funded far less than those in government schools is incorrect.
2. On average in NSW, private schools have a significant funding advantage over government schools in funding for students with disabilities. Additional funding for students with disabilities in NSW private schools is 26 - 38% higher per student than that available to NSW government schools.
3. On average, the additional funding for students with disabilities in NSW Catholic schools is 23% higher per student than in government schools. The additional funding for students with disabilities in NSW Independent schools is nearly 80% higher than in government schools.
4. Additional funding for students with disabilities varies greatly between individual schools. Many private schools receive much higher levels of additional funding than government schools. Some receive less.
5. Private schools with very low enrolments of students with disabilities in comparison with government schools receive very high additional funding for these students which is between two and six times that provided in government schools.
6. The current system of government funding of private schools contains perverse incentives for private schools to limit their enrolment of students with disabilities. The lower the enrolment ratio of these students, the greater is the additional funding available for them or to be diverted to other students.
7. Students with disabilities in the most highly resourced NSW private schools receive the highest additional per capita funding from the NSW Government while those in the most disadvantaged private schools receive the lowest level of additional funding.
8. The costs of educating students with disabilities in government schools should be removed from the calculation of average government school costs used as the basis of government funding for private schools to eliminate the potential for double-dipping.
9. Additional funding for students with disabilities should be the same for each student, irrespective of the sector in which they are enrolled.

Summary

Introduction

This submission analyses the claims of private school organisations and others that additional government funding for students with disabilities in private schools is less than that provided to these students in government schools.

Funding for students with disabilities in NSW private schools is analysed in three different ways: for NSW as a whole; by sector – Catholic and Independent; and modelling of individual schools with different enrolments of students with disabilities and different levels of government funding. The analysis is based on 2008 data.

The submission does not comment on the overall adequacy of funding for students with disabilities in government and private schools. Its focus is to assess the claims that additional funding for students with disabilities in private schools is much less than that provided in government schools.

Private sector claims do not look at the whole picture

The private school claims that they receive less funding for students with disabilities than government schools are misleading because they only consider direct additional government funding for these students. They ignore substantial indirect additional funding for students with disabilities in private schools which occurs because Commonwealth and NSW Government general recurrent grants to private schools are linked to government school costs, which includes the costs of educating students with disabilities.

Government schools enrol a much higher proportion of enrolments of students with disabilities than private schools (5.9% compared to an average of 3.5% in NSW) and incur correspondingly higher costs. Private schools receive a portion of this higher expenditure even though they enrol far fewer students with disabilities than government schools. This provides a source of additional funding for students with disabilities in private schools or which can be diverted to other students. Claims for even more direct funding grants for students with disabilities amount to double-dipping by private schools.

This case that students with disabilities are better funded in private schools than in government schools has been previously submitted to a Senate inquiry into funding for students with disabilities. It was endorsed by a bi-partisan Senate committee report which concluded:

....the Commonwealth funds provided to non-government schools through the general recurrent grants implicitly includes a proportion of funding for the education of students with disabilities. Where non-government schools either do not enrol many students with disabilities or where they do not provide appropriate levels of support for students with disabilities, they benefit disproportionately from Commonwealth financial assistance. The committee agrees that the needs of students with disabilities in this sector would be more appropriately served if the sector made better use of its current resources. It therefore makes no recommendations in relation to further assistance to non-government schools.

Unfortunately, private school lobbies continue to ignore this point, and continue to argue for increased funding on the false grounds that additional funding for students with disabilities is higher in government schools than in private schools.

State level analysis

Three different estimates of the average level of additional funding for students with disabilities in all NSW private schools are calculated using different data sources. In each case, the average additional funding is significantly higher than that available to students with disabilities in government schools [see Chart 1]. The analyses assume that the average additional government funding for students with disabilities in government schools is approximately \$20 000 per student.

Estimate 1 is based on average Commonwealth Government funding for private schools through the link to average government school recurrent costs (AGSRC) and enrolment figures on students with disabilities published in the Report on Government Services.

On this estimate, students with disabilities in NSW private schools receive additional funding of \$6 600 more per student than government schools. That is, additional funding for private schools is 33% higher than in NSW government schools.

Estimate 2 is based on national funding and expenditure data published in the National Report on Schooling and enrolment figures on students with disabilities published in the Report on Government Services.

On this estimate, students with disabilities in NSW private schools receive additional funding of \$5 240 more per student than government schools, or 26% more than that provided in NSW government schools.

Estimate 3 is based on national funding figures published in the Commonwealth Government's Green Report on financial assistance to the states and unpublished enrolment figures for students with disabilities provided by the Commonwealth Department of Education, Employment and Workplace Relations (DEEWR).

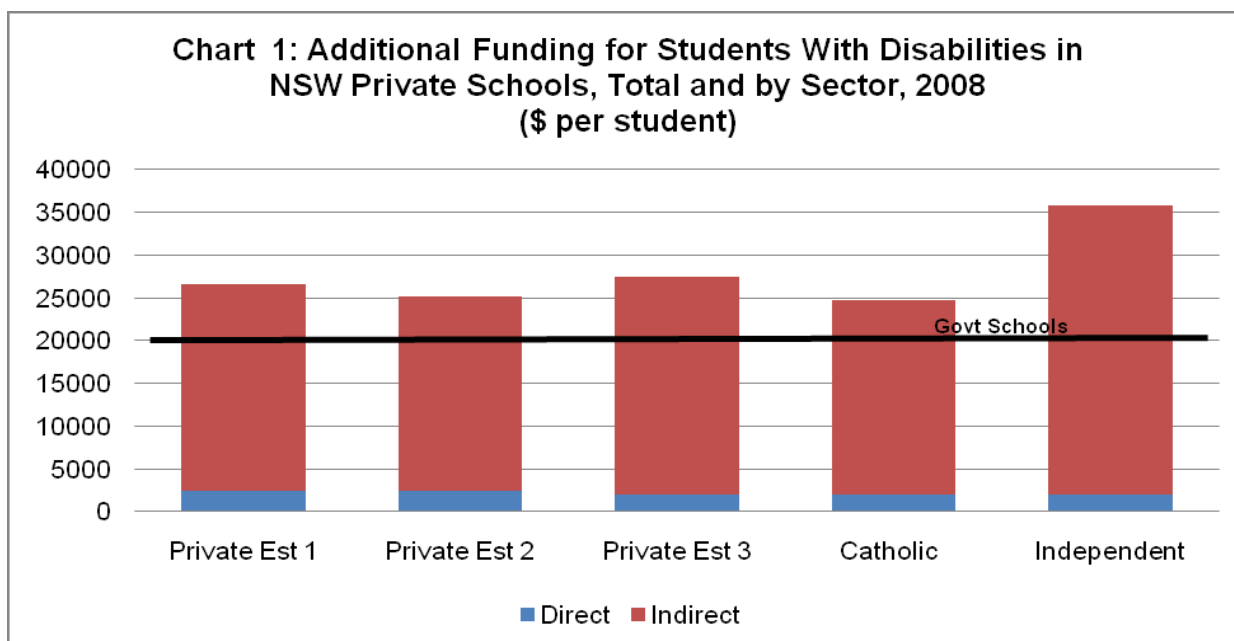
On this estimate, students with disabilities in NSW private schools receive additional funding of \$7 500 more per student than government schools, or 38% more than that provided in NSW government schools.

Sector analysis

The submission also analyses the specific claims of the Catholic and Independent school sectors using funding data from the Green Report on financial assistance to the states and enrolments of students with disabilities provided by DEEWR. The estimates of additional funding available to students with disabilities in both sectors are provided in Chart 1.

It is estimated that students with disabilities in NSW Catholic schools receive additional funding of \$4 680 more per student than government schools, or 23% more than that available to these students in government schools.

It is estimated NSW Independent schools receive additional funding of \$15 800 more per student with a disability than government schools, which is 79% more than that available to these students in government schools.



Notes: See p.24.

Modelling of schools with different SWD enrolments and government funding rates

There are a diversity of schools in both the Catholic and Independent school sectors which should be considered in analysing the additional funding available for students with disabilities. The additional funding available differs between individual schools according to differences in their proportion of these students and differences in government funding ratios.

As a general rule, if the government funding ratio for any school is higher than its percentage of enrolments of students with disabilities compared to the government school average, then the school has additional indirect funding available to be spent on these students. The number of private schools that are under-funded for students with disabilities will be relatively few because, on average, private schools enrol a far lower proportion of these students than government schools.

However, the detailed data necessary for a school-by-school analysis is not published. The committee inquiry should carry out such an analysis to find the small number of private schools where additional funding for students with disabilities could be justified.

This submission models additional funding for individual schools with different enrolment and government funding ratios to assess the extent of additional funding for students with disabilities and the circumstances where some private schools may be under-funded. The results of this modelling are presented in Chart 2.

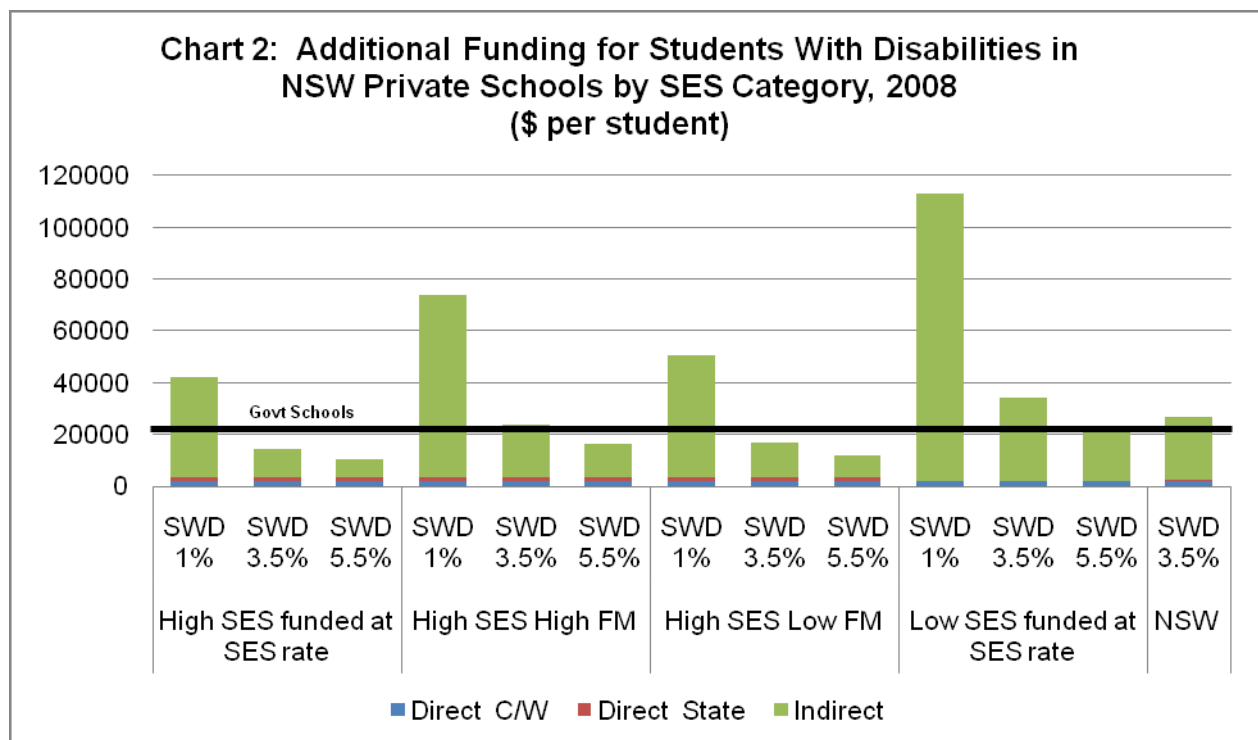
Private schools with very low enrolments of students with disabilities (1%) in comparison with government schools receive very high additional funding for these students which far exceeds that provided in government schools. The additional funding for these schools ranges from \$40 000 to over \$100 000 per student; that is, at least double additional funding for students with disabilities in government schools, and up to nearly six times as much.

On the other hand, private schools whose enrolments of students with disabilities as a proportion of total enrolments is similar to government schools (5.5%), generally receive less

additional funding than provided in government schools. However, few private schools have such high enrolments of students with disabilities and this disadvantage in funding is not consistent across schools with higher enrolments of these students. In particular, additional funding for these students in very low SES schools is similar to that in government schools.

The additional funding available for private schools which enrol the average proportion of students with disabilities for all private schools (3.5%) varies with their government funding ratio. Low SES schools funded at their SES rate will receive more than is available in government schools as will high SES schools which are high funding maintained (FM) under the Commonwealth SES funding model.

In contrast, high SES schools funded at their SES rate, or who are low funding maintained, are likely to receive less than that available in government schools. However, very few high SES schools have enrolments of students with disabilities around the average of all private schools or higher.



Notes: See p.34.

Perverse incentives facing private schools

In general, schools that receive high levels of government funding and whose enrolments of students with disabilities are low compared to the government sector are likely to receive much greater additional funding for these students than government schools. Schools with high levels of government funding and higher enrolments of students with disabilities, even with ratios approaching that of government schools, are also likely to greater additional funding for students with disabilities than government schools.

These results demonstrate perverse incentives for private schools to limit their enrolment of students with disabilities. The lower the enrolment ratio of these students, the greater is the additional funding available for them or to be diverted to other students. The closer the

proportion of students with disabilities in private schools is to that in government schools, the less the additional funding available to private schools.

Thus, it is the link with government school costs which provides the disincentive for private schools to enrol more students with disabilities, not inadequate direct government funding for these students.

The way to overcome this perverse incentive is to remove the costs of educating students with disabilities in government schools from the calculation of average government school costs. This would eliminate the potential for double-dipping. Additional funding could be offered to schools with identified students with disabilities enrolled, based on the nature of the disability and the additional needs of the students, irrespective of the sector in which they are enrolled.

Another perversity in the funding of students with disabilities in NSW private schools is that the level of additional funding provided by the NSW Government is inversely related to the resources of the school. Students with disabilities in the most highly resourced schools receive the highest additional per capita funding from the Government while those in the most disadvantaged private schools receive the lowest level of additional funding.

1. Claims that private schools receive less government funding for students with disabilities than government schools

The terms of reference for the inquiry of the General Purpose Standing Committee No. 2 of the NSW Parliament into the provision of education to students with a disability or special needs require it to report on, among other matters, the level and adequacy of funding for the education of children with a disability.

The inquiry has received several submissions canvassing this issue, many of which claim that government funding for students with disabilities in private schools is less than that received by these students in government schools. For example, the Association of Independent Schools of NSW (AISNSW) claims that students with disabilities in independent schools receive significantly less government funding for their education than if they were educated in government schools. It says that while the Commonwealth and NSW governments provide some additional funding for students with disabilities in independent schools, a significant gap remains. It says that the specific payments from the Commonwealth and NSW governments for students with disabilities are a small proportion of the cost of educating these students.

The AIS states that schools are required by the *Disability Discrimination Act* to accept students with disabilities, but without the commensurate funding to support them. It says that school communities bear the additional funding burden for students with disabilities rather than the broader Australian community through taxation. It says that it is unreasonable that significant additional costs be arbitrarily borne by families who make up an individual school community.

The CEO submission states that there is a large shortfall in government funding for these students in Catholic schools. It claims that additional government funding for these students in regular Catholic schools amounts to \$2359 per student, which is substantially below the average cost per student with a disability. For example, the CEO says that these grants meet only 22% of the additional costs of students with disabilities of 'medium needs'.

Both the CEO and the AIS submissions cite the findings of a Monash University study that students with disabilities in private schools receive substantially less government funding than students with disabilities in government schools.

This submission addresses these claims. It considers both funding provided to students with disabilities through general recurrent grants and through additional funding specifically targeted to these students. Its focus is on the relative funding of private and government schools and it does not attempt to assess the adequacy of overall funding for students with disabilities.

Before assessing the claims, it is necessary to briefly describe the various sources of funding for students with disabilities in NSW private schools.

2. Sources of recurrent government funding for students with disabilities in NSW private schools

Students with disabilities receive several forms of recurrent government funding from both the Commonwealth and NSW governments.

2.1 Commonwealth Government funding

The Commonwealth Government is the major source of government recurrent funding for students with disabilities in private schools. The main forms are:

- general per capita grants to private schools based on enrolment numbers;
- per capita grants for students with disabilities in regular and special private schools;
- literacy and numeracy funding; and
- other targeted programs.

General recurrent funding for private schools is based on the socioeconomic status (SES) of the school community. Under the SES model, the level of funding ranges from 70% of Average Government School Recurrent Costs (AGSRC, the average cost of educating a child in a government school)¹ for private schools serving the poorest communities to 13.7% of AGSRC for schools serving the wealthiest communities. All special schools for students with disabilities are funded at the maximum rate of 70% of AGSRC.

AGSRC is a cash-based measure of state government expenditure on government schools, excluding capital, capital related expenditure (such as depreciation) and superannuation. It also excludes Commonwealth government grants to government schools. It is calculated separately for primary and secondary school students.

The per capita funding rate for many private schools is higher than their SES rate because they are subject to special arrangements – a ‘no losers’ guarantee (or ‘funding maintained’), which has applied since 2001, and the ‘funding guaranteed’ status introduced in 2005. Over 50% of private schools in Australia are funded at above their SES rate.²

The Commonwealth Government also provides direct grants to private schools for students with disabilities through the Literacy, Numeracy and Special Learning Needs program. The direct per capita grant for students with disabilities in 2009 was \$853. In addition, funding for students with disabilities is also available through the educationally disadvantaged component of the program. However, per capita funding levels for this program are not specified in the legislation or regulations; nor are they provided in the Commonwealth Government submission to the inquiry. The CEO submission states that the program provides \$1131 per student with a disability in mainstream Catholic schools. The following analysis assumes that approximately \$2000 per student is provided to students with disabilities in private schools by the Commonwealth Government.

Additional funding is available through other targeted programs which may benefit students with disabilities in private schools. These programs include funding for education in country areas and indigenous education.

¹ It should be noted that the AGSRC is for Australia and not NSW.

² Department of Education, Science and Training. Review of SES Funding Arrangements for Non-Government Schools, December 2006.

Save Our Schools. An Analysis of Over-Funding of Private Schools under the SES Model, March, 2008. Available at: <http://www.saveourschools.com.au>

Commonwealth Government funding accounts for about 72% of government funding for Catholic schools in NSW and 69% of government funding for Independent schools.

2.2 NSW Government funding

There are three main forms of NSW Government recurrent funding:

- per capita grants which are payments to registered private schools based on enrolment numbers;
- the Interest Subsidy Scheme, which provides payments to private schools in relation to the interest paid on loans for approved capital works; and
- the Supervisor Subsidy Scheme which provides a subsidy towards the cost of providing supervisors or teachers for classes in special schools catering for students with moderate to severe intellectual disabilities or autism.

Per capita grants for private school students are distributed from a total pool consisting of 25% of equivalent government school costs. The government school cost benchmark consists of recurrent expenditure on items that are considered to be common to government and private schools. This benchmark is called the Regimen. The base per capita rates for primary and secondary schools are 25% of the total common recurrent costs of each sector divided by the number of enrolments. These rates are applied to private school enrolments to establish the funding pools to be distributed to primary and secondary schools. In 2008, the base rates were approximately \$1620 per primary school student and \$2070 per secondary student.³

Different private schools receive different levels of funding according to the funding category of the school using the Commonwealth Government's former Education Resources Index. There are twelve funding categories with category 12 schools deemed most in need and receiving the highest level per capita grants while category 1 schools are those least in need and receive the lowest funding per student.

Students with disabilities in private schools are funded at the category 12 rate. Thus, each student receives funding at the funding rate for the category of school plus an additional amount equal to the difference between the category rate for the school and the category 12 rate. This means that the level of additional funding for students with disabilities in NSW private schools is inversely related to the assessed need of the school. Students with disabilities in the most highly advantaged school receive the highest additional per capita amount while those in the most disadvantaged schools receive the lowest level of additional funding.

For example, in 2008 the per capita grant for a category 1 secondary school student in NSW was \$1029.⁴ However, a student with a disability in this school was funded at the category 12 rate of \$2583 per student. Thus, each student with a disability received additional funding of \$1554. In contrast, a student with a disability in a disadvantaged private school in category 11 received additional funding of only \$216 per student.

³ Minister for Education and Training, Question on Notice Tabled at the Parliamentary Estimates Hearing, 15 October 2008. Answer to Question No. 16. The answer refers to the rates for January – June 2008. This base rate has been slightly more than doubled to give an annual figure because the second half year rates are always slightly higher than the rates for the first half year.
[http://www.parliament.nsw.gov.au/Prod/parlament/committee.nsf/0/964b5afc3232149aca2574fd0027b18a/\\$FILE/Education%20-%20compiled%20Answers%20to%20QoN.pdf](http://www.parliament.nsw.gov.au/Prod/parlament/committee.nsf/0/964b5afc3232149aca2574fd0027b18a/$FILE/Education%20-%20compiled%20Answers%20to%20QoN.pdf)

⁴ NSW Legislative Council, Questions and Answers, No. 134, 23 February 2010, Answer to Question No. 3817.
<http://www.parliament.nsw.gov.au/prod/lc/lcpaper.nsf/0/D01A2AF521686645CA2576D40004430E>

These sources of State Government funding contribute about 28% of total government funding for Catholic schools in NSW and 31% of government funding for Independent schools. However, there are several other sources of funding not included in these estimates.

Students with disabilities in private schools also receive funding through the School Student Special Transport Scheme which provides transport between home and school for students with disabilities in both private and government schools.

Indirect funding support for private schools is provided by the NSW Government through administration of private school programs, including the Interest Subsidy Scheme; administration of curriculum, examination, registration and accreditation processes; distance education and general student transport subsidies. Students with disabilities receive funding support in many of these ways.

Private schools also benefit from other forms assistance such as exemption from local government rates and payroll tax (which is payable by government schools). Parents contributing to school building funds can also claim tax deductions for the amounts donated. Students with disabilities in private schools benefit from these arrangements.

3. Additional indirect funding for students with disabilities

Apart from these direct and indirect sources of government funding, there is also another source of funding for students with disabilities in private schools which is not generally acknowledged, but which should be taken into account in assessing the relative funding for these students in private and government schools because it provides significant additional resources to private schools.

This additional funding for students with disabilities is available because general recurrent grants for private schools are linked to government school costs and because students with disabilities are a much lower proportion of private school enrolments, on average, than in government schools. Government school costs are enlarged by the costs of a much higher proportion of enrolments of students with disabilities than in private schools. Private schools receive a portion of this higher expenditure even though their ratio of students with disabilities to total enrolments is lower. This provides additional funding for students with disabilities in private schools or which can be diverted to other students.

Thus, if the proportion of students with disabilities increases in government schools part of the additional cost automatically flows on to private schools even if they do not enrol any students with disabilities, even if their enrolments of these students remain unchanged or increase more slowly than in government schools and even if they reduce their enrolment of these students.

The NSW CEO and the AISNSW only take direct additional government funding for students with disabilities into account. They ignore substantial indirect additional funding for students with disabilities in private schools which occurs because Commonwealth Government general recurrent grants to private schools are linked to AGSRC. They also ignore additional funding through State Government recurrent grants which are linked to the Regimen.

The Monash University study cited by private school organisations uses the same flawed analysis. It only compares direct funding for students with disabilities in government and private schools and ignores the funding received by private schools through general recurrent grants linked to government school costs.

In fact, many private schools receive quite substantial additional government funding for students with disabilities because these students constitute a much lower proportion of enrolments in private schools than in government schools. This can be demonstrated at the state level (section 4), by private school sector (section 5) and for individual schools (section 6).

Each section examines the **additional** funding for students with disabilities because private school organisations claim these students receive much greater special funding in the government sector than in the private sector. This means that the average level of expenditure per student in the government sector is ignored and that fees, other charges and donations by parents and other groups to private schools are also ignored. The data used is for 2008. It is assumed that the average additional funding for students with disabilities in government schools in 2008 was approximately \$20 000.⁵

⁵ NSW Government submission, p.25.

4. Estimation of additional indirect funding for students with disabilities in private schools: state analysis

The extent of additional indirect funding for students with disabilities in private schools depends on their ratio of enrolments of students with disabilities to their total enrolments compared to that of government schools and on the percentage of government school costs received as government funding.

Students with disabilities constitute 3.5% of total enrolments in NSW private schools compared with 5.9% in NSW government schools. However, there are some issues in estimating government funding of private schools and as a proportion of government school costs.

Two different approaches are used here to estimate the additional funding available for students with disabilities in NSW private schools. One is based on an estimate of average AGSRC funding and the other is based on national funding and expenditure data.

4.1 AGSRC analysis

Box 1 sets out the basic methodology for estimating the additional indirect funding available to schools arising from the link between recurrent funding and government school costs.

The first step is to estimate the average level of government funding for NSW private schools as a percentage of government school costs. As noted in section 2, private schools are funded at varying rates based on AGSRC for Commonwealth Government funding and on the 'Regimen' for NSW Government funding. However, there are difficulties in obtaining estimates of the average level of funding based on these cost benchmarks.

There is no published estimate of the average Commonwealth Government funding rate for NSW private schools linked to AGSRC. The published Commonwealth per capita funding rates as a percentage of AGSRC differ for primary and secondary schools and they also vary according to the assessed school SES scores in both sectors. It is not possible to even estimate the weighted average funding for NSW private schools linked to AGSRC because data on the number of students at each SES category in both primary and secondary schools is not published. Moreover, the published AGSRC funding rates for each SES category do not include the additional funding for FM schools, which constitute over 50% of all private schools.

Furthermore, there does not appear to be a published estimate of the average NSW funding rate for private schools linked to the 'Regimen' of government school costs. There are separate rates for primary and secondary schools.

However, it is possible to use total recurrent Commonwealth Government funding grants to NSW private schools as a proxy for funding linked to AGSRC. An advantage of using this data is that it includes both funding linked to AGSRC through the rates for different school SES scores as well as the additional funding for FM schools. In 2007-08, it was \$4471 per student.⁶

⁶ This figure is estimated from enrolment and recurrent funding data provided in the Report on Government Services 2010: Attachment A, Tables 4A.2 and 4A.11.

A figure for NSW Government recurrent grants can be calculated by applying information on the average base rates for per capita allowances for private primary and secondary schools provided in the NSW Budget Estimates (see section 2) to primary and secondary school enrolments. This gives a weighted average of \$1844 per student in 2008.

The total general recurrent government funding for NSW private schools linked to government school costs was therefore \$6315 per student in 2008.

The next step is to estimate government school costs and the ratio of government funding for private schools to government school costs. The government school cost figure is estimated as the weighted average of AGSRC for primary and secondary schools which was \$8839 per student in 2007-08. The ratio of government funding of NSW private schools to government school costs is therefore 0.71, which is considerably higher than the ratio of students with disabilities to total enrolments in private schools.

As the enrolment ratio is less than its funding ratio, private schools are effectively receiving additional funding for students with disabilities. They are able to allocate a higher rate of funding to students with disabilities than is indicated by its pro rata funding for these students through Commonwealth and NSW government recurrent funding. The extent of the extra funding available to private schools can be illustrated by the following example in which it is assumed that the average *additional* cost per student with a disability in the government sector is \$20 000, as is approximately the case according to the NSW Government submission to the inquiry [Box 1].

Given their government funding ratio of 0.71, private schools will, on average, receive \$14 200 per student with a disability in additional funding ($0.71 \times \$20\,000$). It is important to note here that the 71% funding link to AGSRC means that the school receives 71% of the average cost of a government school student, which includes both lower and higher cost students; it receives 71% of the cost of lower cost students and 71% of the cost of higher cost students.

However, because private school enrolments of students with disabilities in NSW are a much lower proportion of their total enrolments than in government schools, they effectively receive additional indirect funding. Students with disabilities are under-represented in NSW private schools by a factor of 1.7 ($5.9/3.5$). This means they are effectively receiving \$24 140 per student with a disability in additional indirect funding, 21% more than the additional funding provided to students with disabilities in government schools.

This additional indirect funding for private schools should be added to direct Commonwealth and NSW Government grants to obtain a figure for total additional funding for students with disabilities in private schools. As noted above, Commonwealth grants are assumed to be approximately \$2000 per student. The NSW Government additional direct grants can be calculated as the difference between the weighted average of the base rates for per capita recurrent grants to private schools in 2008 (\$1844) and the weighted average of the category 12 funding rates which is used to fund students with disabilities (\$2305). In 2008, this was approximately \$460 per student. Thus, students with disabilities in NSW private schools are receiving about \$2460 per student in additional direct government funding.

The total additional funding (incorporating direct and indirect funding) available to students with disabilities in NSW private schools is therefore \$26 600 per student, or 33% more than that provided for these students in government schools.

Box 1: Additional funding for students with disabilities in NSW private schools: state estimate

Background features

NSW government schools:
AGSRC 2008:

Primary schools: \$8044 per student
Secondary schools: \$10 061 per student
Weighted average: \$8839 per student

SWD as a proportion of total enrolments: 5.9%

SWD additional funding: \$20 000 per student

NSW private schools:

Total enrolments 2008:

Primary schools: 187 588
Secondary schools: 186 583
Total: 374 171

SWD proportion: 3.5%

Ratio of government SWD to private SWD: 1.7

Private School Funding

Commonwealth general recurrent funding 2007-08:

Total: \$1 672 969 000
Per student: \$4471

NSW general recurrent base funding rates 2008:

Primary schools: \$1620 per student
Secondary schools: \$2070 per student
Weighted average: \$1844 per student

C/W + NSW: \$4471 + \$1844 = \$6315 per student

Ratio to government school funding: $\$6315/\$8839 = 0.71$

Additional indirect funding estimate:

$\$14\,200 (0.71 \times \$20\,000) \times 1.7 = \$24\,140$ per student

Direct grants for SWD:

Commonwealth: \$2000 per student
NSW: \$460 per student
Total: \$2460 per student

Total additional SWD funding:

$\$24\,140 + \$2460 = \$26\,600$ per student

SWD over-funding: \$6 600 per student – 33% higher than in govt schools

4.2 National expenditure data analysis

Another way to assess whether private schools are under-funded for students with disabilities in comparison with government schools is to use national expenditure and funding data published in the National Report on Schooling in Australia and in the Government Services Report published by the Productivity Commission. This is a less precise method because these figures include all government funding for private schools, not just funding directly linked to government school costs.

However, an advantage of using this data is that it allows consistent comparisons of funding students with disabilities between the states and with the national average. The funding for students with disabilities in NSW private schools can be compared with that available to private schools in the other states and territories.

A comparison of the ratio of total per capita Commonwealth and state/territory government funding for private schools to total funding for government schools with the ratio of the proportion of students with disabilities in private and government schools is given in Tables 1 and 2. They show that the enrolment ratio for students with disabilities in private schools is below their government funding ratio in all jurisdictions.

Expenditure per student in government schools includes expenditure on students with disabilities in special schools, special units and in mainstream classes averaged across the government school population. Private schools receive a proportion of this total average expenditure per student from governments as shown in Table 1. For example, total government funding for NSW private schools is 67% of average government school funding, a proportion which is similar to the average level of government funding provided to private schools throughout Australia.

Table 1: Total Government Funding of Private and Government Schools, 2007-08 (\$ per student)

	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Australia
Private	7252	6642	7467	6947	7123	7585	11481	6348	7121
Govt	10842	9732	10194	11257	12499	11311	16615	13037	10761
Ratio	0.67	0.68	0.73	0.62	0.60	0.67	0.69	0.49	0.66

Source:

National Report on Schooling in Australia 2008

Note:

Private and government school funding includes Commonwealth and state and territory government funding. Government school funding figures exclude the user cost of capital.

It should be noted before continuing that there are issues about the comparability of government expenditure on private and government schools which influence the estimation of the government funding ratios shown in Table 1. Official figures for government school expenditure include several items that are not included in the government expenditure estimates for private schools. For example, the government school expenditure figures include an estimate of the user cost of capital, payroll tax, and school bus transport which are not included in government expenditure on private schools. The administration of government funding, registration and public accountability arrangements is excluded from private school funding while out-of-school costs associated with central office administration is included in government school expenditure.

In addition, several government subsidies are excluded from government expenditure on private schools. These include taxation concessions and a range of services provided free by state and territory education departments.

All these exclusions of government expenditure on private schools mean that official figures significantly under-estimate government expenditure on private schools in comparison with government school expenditure. However, the figures for government school expenditure in Table 1 are adjusted to exclude the user cost of capital only. As a result, the ratios of government expenditure on private and government schools in the table are under-estimated. Government funding for private schools as a proportion of total government school funding is significantly higher than the ratios shown in Table 1.

The funding ratios shown in Table 1 mean that private schools receive from governments the same proportion of per capita funding devoted to students with disabilities in the government sector. That is, as NSW private schools receive 67% of total government school funding, they also get 67% of the special funding for students with disabilities.

The calculated funding ratios assume that the private and government schools have the same proportion of students with disabilities to total enrolments. However, the proportion of students with disabilities in private schools is much less than that of government schools in all jurisdictions in Australia as shown in Table 2. For example, in NSW students with disabilities comprise 3.5% of private school enrolments compared to 5.9% in government school enrolments. The proportion of enrolments in private schools is only 59% of that in government schools. Australia-wide it is only 51%.

Table 2: Enrolments of Students with Disabilities in Private and Government Schools, 2007-08

	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Australia
Private	13010	8451	4597	2726	2321	454	278	434	32270
Govt	43080	29658	21106	14891	8087	2996	3650	1748	125216
Private % of total enrolments	3.5	2.8	2.0	3.1	2.0	1.9	2.8	1.7	2.8
Govt % of total enrolments	5.9	5.5	4.4	9.2	3.5	5.1	12.5	5.1	5.5
Ratio	0.59	0.51	0.45	0.34	0.57	0.37	0.22	0.33	0.51
Under- enrolment factor	1.7	2.0	2.2	3.0	1.8	2.7	4.5	3.0	2.0

Source:

Productivity Commission, Report on Government Services 2010, Table 4A.24.

The enrolment ratios in Table 2 are significantly less than the respective government funding ratios shown in Table 1. The NSW enrolment ratio for students with disabilities is 12% below that of the government funding ratio. For Australia as a whole, the enrolment ratio is 26% below the funding ratio. In several states, the disparity is very high. For example, in South Australia and Tasmania the enrolment ratio is 45% below the funding ratio; in Queensland, it is 38% below and 33% below in the ACT.

In reality, these disparities are much higher because the funding ratios are under-estimated as several forms of government expenditure on private schools are not included in private school funding figures.

As shown in the previous analyses, the generally lower proportions of students with disabilities in private schools compared to their proportion of government school funding has very profound implications for the funding of students with disabilities in private schools. It means that private schools are not supporting the level of enrolment of students with disabilities that they are funded to do so. Private schools are able to allocate a higher rate of funding to their students with disabilities, or to transfer it to other students, than is indicated by their pro-rata funding for these students through grants from the Commonwealth and State/Territory Governments. Putting it another way, private schools in all jurisdictions in Australia, could increase their enrolment of students with disabilities significantly within the limits of the government funding that they currently receive.

The extent of the extra funding available to private schools can be illustrated by the following examples in which it is assumed that the average *additional* cost per student with a disability in the government sector is \$20 000; that is, the average total cost of students with disabilities is assumed to be nearly three times that of an average student in Australia (see Table 1).

Government funding for NSW private schools is 67% of total government school funding (Table 1), so they would receive \$13 400 per student with a disability. If private schools had enrolled students with disabilities in the same proportion as NSW government schools they would have enrolled 22 061 students. As their actual enrolments in 2007-08 were 13 010 (Table 2), students with disabilities are under-represented in private schools by a factor of 1.7. As a result, they are effectively receiving an additional \$22 780 for each student with a disability, which is about 14% more than the additional funding for students with disabilities in the government sector.

This advantage is extended when the direct additional funding of \$2460 per student is added. NSW private schools are effectively receiving total additional funding of \$25 240 per student with a disability, or 26% more than that provided in NSW government schools.

While NSW private schools thus receive substantially greater additional funding per student with a disability than provided in government schools, private schools in all other states and territories, except Western Australia, receive even more per student (Table 3). Additional indirect funding for students with disabilities in private schools is very high in some jurisdictions because they have very low proportions of students with disabilities to total enrolments and relatively high levels of government funding.

For example, if private schools in SA had enrolled students with disabilities in the same proportion as SA government schools they would have enrolled 8187 students compared to their actual enrolments of 2726 students (Table 2). As a result, students with disabilities are under-represented in SA private schools by a factor of 3. Now, government funding for SA private schools is 62% of total government school funding, so that these schools receive \$12 400 for each student with a disability. But, because these students are under-represented by a factor of 3 in private schools they are effectively receive \$37 200 per student, or 86% more than the additional funding for students with disabilities in the government sector.

Table 3: Additional Indirect Government Funding for Students With Disabilities in Private Schools, Australia, 2007-08 (\$ per student)

	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Australia
Govt Funding Ratio	0.67	0.68	0.73	0.62	0.60	0.67	0.69	0.49	0.66
Pro rata SWD funding	13400	13600	14600	12400	12000	13400	13800	9800	13200
Under enrolment factor	1.7	2.0	2.2	3.0	1.8	2.7	4.5	3.0	2.0
Additional Indirect Funding	22780	27200	32120	37200	21600	36180	62100	29400	26400

Notes:

1. These estimates are based on the assumption of additional funding for students with a disabilities in government schools of \$20 000 per student.
2. The estimates do not include additional direct government grants for students with disabilities.

If ACT private schools had enrolled students with disabilities in the same proportion as ACT government schools they would have enrolled 1283 students compared with their actual enrolment of 434 students (Table 2). Thus, students with disabilities are under-represented in ACT private schools by a factor of 3.

Given that government funding for ACT private schools is 49% of government school funding (Table 1), they are receiving \$9800 for each student with a disability. However, because students with disabilities in these schools are under-represented by a factor of 3 they are effectively funded at \$29 400 per student, 47% more than the additional funding for students with disabilities in ACT government schools.

As government funding for private schools across Australia is 66 per cent of total government school funding (Table 1) they would receive an additional \$13 200 per student with a disability. If they enrolled students with disabilities in the same proportion as government schools, they would have enrolled 64 336 students. Given their actual enrolment of 32 270 students (Table 2), students with disabilities are under-represented in private schools by a factor of 2.0. This means that private schools are effectively receiving an additional \$26 400 for each student with a disability, or 32 per cent more than the additional funding applied to students with disabilities in the government sector

Thus, the much lower ratio of students with disabilities to total enrolments in private schools than in the government sector means that private schools receive significantly more funding per student with a disability than does a student with a disability in a government school.

4.3 Alternative benchmark for assessing private school performance

The above analysis is based on the premise that private schools should be expected to enrol similar proportions of students with disabilities as government schools. This is not unreasonable. Most private schools are associated with particular religious, ethnic or social groups, and claim to serve their needs. A priori, it would be anticipated that the proportion of students with disabilities would be similar across social groups and that private schools should serve these students without discrimination. This expectation is reinforced by the fact

that many private schools are classified as charities or public benevolent institutions, and benefit from considerable taxation concessions on this basis.

However, it could be argued that private schools should only be expected to adopt a purely mercenary policy of enrolling students with disabilities in proportion to their government funding ratio. For example, if NSW private schools receive 71% of the additional funding for students with disabilities in government schools, they should be able to support an enrolment that is 71% of the proportion of students with disabilities enrolled in government schools. This is clearly not the case, as actual enrolments of students with disabilities in NSW private schools is only 59% of the proportion in government schools. Thus, private schools are not even meeting this less principled expectation in relation to the enrolment of students with disabilities. As a result, they will still receive additional indirect funding for students with disabilities under this lesser expectation.

Adoption of this benchmark would result in a substantial reduction of the additional indirect funding available, but it is still similar to that provided to students with disabilities in government schools.

Under the AGSRC-based analysis, NSW private schools would have enrolled 4.2% of their total enrolments as students with disabilities (0.71×5.9) if they had enrolled these students in the same proportion as their government funding ratio. As their actual enrolments of students with disabilities is 3.5% of total enrolments, they are under-represented on this expectation by a factor of 1.2 ($4.2/3.5$), instead of 1.7 as in the above analysis. In this case, private schools would effectively receive additional indirect funding of \$17 040 per student with a disability ($1.2 \times \$14\,200$). The total additional funding per student with a disability, including direct Commonwealth and NSW government grants would then be \$19 500 per student, which is similar to the additional funding provided in government schools.

Using the national funding data as the basis for the estimates, NSW private schools would have enrolled 4% of their enrolments as students with disabilities if their enrolment ratio matched their government funding ratio (0.67×5.9). In this case, their actual enrolment of these students is under-represented by a factor of 1.14. Here they would receive additional indirect funding of \$15 276 per student. With the additional direct grants by the Commonwealth and NSW Governments, total additional funding for students with disabilities in NSW private schools would be \$17 736 per student, or 11% below that provided in government schools.

5. Estimation of additional indirect funding for students with disabilities in private schools: sector analysis

Both the Catholic and Independent school sectors claim that students with disabilities in their schools receive less additional funding than their counterparts in government schools. However, they fail to consider the additional indirect funding that is available because their general recurrent funding provided by the Commonwealth and NSW Governments is based on government school costs and these costs include a higher proportion of students with disabilities than in either private school sector.

As noted in the previous section, the extent of additional indirect funding for students with disabilities in private schools depends on their ratio of enrolments of students with disabilities to their total enrolments compared to that of government schools and on the percentage of government school costs received as government funding. Figures on government funding and enrolments of students with disabilities in NSW Catholic and Independent schools are provided in Table 4.

Table 4: Government general recurrent funding and enrolments of students with disabilities in NSW private schools, 2008

	Catholic	Independent	Total Private
C/W Govt general recurrent funding (\$)	1 195 865 119	514 608 303	1 710 473 422
Total enrolments	238 879	135 292	374 171
C/W funding per student (\$)	5006	3804	4571
NSW Govt funding per student (\$)	2176	1906	2079
Total Govt recurrent funding per student (\$)	7182	5710	6650
Govt funding ratio (proportion of AGSRC - \$8839 per student)	0.81	0.65	0.75
SWD enrolments	9865	3085	12 950
% SWD enrolments	4.1	2.3	3.5
SWD enrolment ratio	0.69	0.39	0.59

Sources:

1. Commonwealth general recurrent funding: Commonwealth Department of Education, Employment and Workplace Relations, Financial Assistance Granted to Each State in Respect to 2008 (Green Report), 2009. Available at: <http://www.deewr.gov.au/Schooling/RecurrentGrants/NonGovSchools/Pages/GrantsToStates.aspx>
The Green Report classifies Catholic non-systemic schools as Independent schools. Commonwealth funding for these schools is included in Catholic schools in the table.
2. Enrolments: Australian Bureau of Statistics, Schools Australia (catalogue no. 4221.0), 2008.
3. NSW Government recurrent funding: National Report on Schooling in Australia 2008, Table 23. These figures include targeted funding programs such as funding for students with disabilities and other programs. It is not possible to obtain separate estimates of funding for targeted programs and general recurrent NSW government funding.
4. Enrolments of students with disabilities in NSW private schools: Commonwealth Department of Education, Employment and Workplace Relations, unpublished.
5. The SWD enrolment ratio is calculated as the ratio of the proportion of enrolments of students with disabilities in private schools to the proportion of enrolments of students with disabilities in government schools, the latter being 5.9%.

As the enrolment ratio for students with disabilities in Catholic and Independent schools is less than their government funding ratio, they are effectively receiving additional funding for students with disabilities. They are able to allocate a higher rate of funding to students with disabilities than is indicated by their pro rata funding for these students through Commonwealth and NSW Government recurrent funding.

The same methodology used in the previous section to estimate the total additional funding available for students with disabilities in the previous section is used here. The estimates are provided in Table 5.⁷

Table 5: Additional Government Funding for Students With Disabilities in NSW Private Schools, 2008 (\$ per student)

	Catholic	Independent	Total Private
Govt Funding Ratio	0.81	0.65	0.75
Pro rata SWD funding	16 200	13 000	15 000
Under-enrolment factor	1.4	2.6	1.7
Additional Indirect Funding	22 680	33 800	25 500
SWD C/W Govt Direct Funding	2 000	2 000	2 000
Total SWD Govt Funding	24 680	35 800	27 500
SWD Over-funding	4 680	15 800	7 500
% Over-funding	23.4	79.0	37.5

Notes:

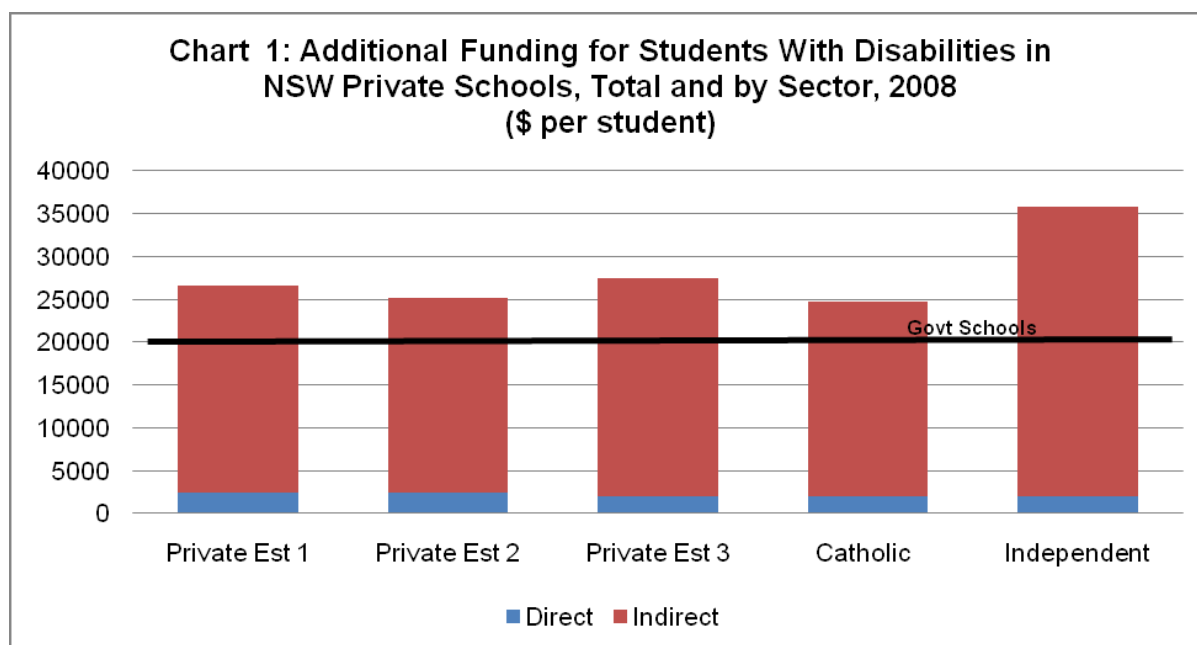
3. The estimates are based on the assumption of additional funding for students with a disabilities in government schools of \$20 000 per student.
4. The under-enrolment factor is calculated as the ratio of the proportion of students with disabilities in government schools (5.9%) to the proportion of students with disabilities in private schools (see Table 4).
5. NSW Government direct funding for students is not included in the total additional funding estimates because these grants are included in the government recurrent funding figures used to calculate the government funding ratio for private schools.

Catholic schools have a government funding ratio of 0.81, so that they will receive, on average, an additional \$16 200 per student with a disability (0.81 x \$20 000). Students with disabilities are under-represented in NSW Catholic private schools by a factor of 1.4 (5.9/4.1). This means they are effectively receiving \$22 680 per student with a disability in additional indirect funding, 13% more than the additional funding provided to students with disabilities in government schools. They also receive approximately \$2000 per student with a disability as a targeted grant from the Commonwealth Government. Thus, NSW Catholic schools receive total additional funding of \$24 680 per student with a disability, which is 23% more than that available to these students in government schools.

Independent schools have a government funding ratio of 0.65 and therefore receive an additional \$13 000 per student with a disability (0.65 x \$20 000). Students with disabilities are under-represented in Independent schools by a factor of 2.6 (5.9/2.3). This means they are effectively receiving \$33 800 per student with a disability in additional indirect funding. They are assumed to also receive approximately \$2000 per student with a disability as a targeted

⁷ It should be noted that much of the data used to calculate the additional funding available for students with disabilities in NSW Catholic and Independent schools is derived from different sources to that used in the previous section. See the sources for Table 4.

grant from the Commonwealth Government. Thus, NSW Independent schools receive total additional funding of \$35 800 per student with a disability, which is 79% more than that available to these students in government schools.



Notes:

1. Additional funding refers to funding which is additional to recurrent per capita grants for all students. Average additional funding for students with disabilities in NSW government schools is approximately \$20000 per student.
2. Private Estimate 1 is the estimate for all private schools in Section 4.1 based on AGSRC.
3. Private Estimate 2 is the estimate for all private schools in Section 4.2 based on national expenditure data.
4. Private Estimate 3 is the estimate for all private schools in Section 5 based on the Green Report data and SWD enrolment data provided by DEEWR.
5. Direct government funding is Commonwealth Government funding for SWD in the estimates for Private Estimate 3 and for Catholic and Independent. It also includes NSW Government funding for SWD in Private Estimates 1 & 2.
6. Indirect government funding is additional funding attributable to the link between government funding of private schools and government school costs and to the lower enrolment ratios for SWD in private schools.

It is also noted that the estimates of additional funding available for students with disabilities in all NSW private schools are broadly similar to the estimates in the previous section which used different data sources - \$27 500 per student here, compared to \$ 26 600 and \$25 240.

Alternative estimates of the additional funding available to private schools can be made on the basis that they should only be expected to enrol students with disabilities in proportion to their government funding ratio, instead of in the same proportion as government schools.

On this basis, NSW Catholic schools would have enrolled 4.8% of their enrolments as students with disabilities (0.81×5.9). As their actual proportion of enrolments of students with disabilities is 4.1%, they are under-represented by a factor of 1.2 ($4.8/4.1$). They would effectively receive additional indirect funding of \$19 440 per student with a disability in this case. The total additional funding per student with a disability, including direct Commonwealth government grants would then be \$21 440 per student, which is 7% higher than the additional funding provided in government schools.

Independent schools would have enrolled 3.8% of their enrolments as students with disabilities (0.65 x 5.9). As their actual enrolments of these students are 2.3%, they are under-enrolled by a factor of 1.7 (3.8/2.3). In this case, Independent schools would effectively receive additional indirect funding of \$22 100 per student with a disability. With the inclusion of direct Commonwealth grants, students with disabilities in Independent schools are receiving additional funding of \$24 100 per student, which is 21% higher than in government schools.

Thus, even on a significantly reduced expectation about the social obligations of private schools in enrolling students with disabilities, NSW Catholic and Independent schools receive higher additional funding for these students than is available to government schools.

It should be emphasized that there are a diversity of schools in both the Catholic and Independent school sectors which should be considered in analysing the additional funding available for students with disabilities. The additional funding available differs between individual schools according to differences in their proportion of these students and differences in government funding ratios. While, on average, Catholic and Independent schools receive more additional funding for students with disabilities than government schools this is not necessarily true in the case of each individual school. Some may be receiving less additional funding than government schools.

The next section analyses the circumstances of schools with different enrolment proportions of students with disabilities and different levels of government funding.

6. Estimation of additional indirect funding for students with disabilities in private schools: school analysis

In principle, it should be possible to estimate the extent of additional indirect funding for students with disabilities received by each private school. The extent of this additional funding for each school depends on the percentage of government school costs received as government funding and their ratio of enrolments of students with disabilities to their total enrolments.

Different private schools receive different proportions of government school costs. If their government funding proportion is higher than their proportion of students with disabilities relative to that in the government sector, they effectively have more to spend on students with disabilities or to divert to mainstream students. This is generally the case because private schools enrol less than half the percentage of students with disabilities as do government schools.

While the lack of individual school data precludes analysis of particular schools, it is possible to construct some hypothetical examples to illustrate how much additional indirect funding is available to different types of schools. Two sets of examples are drawn here – one for a high SES private school and one for a low SES private school.

6.1 High SES schools

The first set is for a high SES secondary school with an SES score of 125; total enrolments of 1000 and 10 students with disabilities [see Box 2]. The school receives 20% of AGSRC in Commonwealth funding, amounting to \$2012 per student in 2008, given that AGSRC for a government secondary school in 2008 was \$10 061 per student.⁸ Thus, the school's funding ratio is 0.20.

However, its proportion of enrolments of students with disabilities to total enrolments is only 1%, which, while considerably below the average for NSW government schools in 2007-08 of 5.9%, is not unusual for high SES schools.⁹ The ratio of the proportion of enrolments in the school to the proportion in government schools is 0.17. As this ratio is less than its funding ratio of 0.20, the school is effectively receiving additional funding for students with disabilities. It is able to allocate a higher rate of funding to students with disabilities than is indicated by its pro rata funding for these students through Commonwealth recurrent funding.

Example 1 in Box 2 sets out the basic methodology for estimating the additional indirect funding available to schools arising from the link between recurrent funding and government school costs. This example abstracts from NSW Government recurrent funding and direct government grants for students with disabilities.¹⁰

As in the previous state analysis, the average additional cost per student with a disability in government schools is assumed to be \$20 000, as is roughly the case according to the NSW

⁸ The AGSRC and Commonwealth Government per capita funding rates for private schools are provided on the Socioeconomic Status funding website of the Department of Education, Employment and Workplace Relations: https://schools.dest.gov.au/spp/help/html/ses/funding_05_08/ses_rates_08.html

⁹ Enrolments of students with disabilities are provided in: Productivity Commission, *Report on Government Services 2010*, Table 4A.24.

¹⁰ Alternative estimates are also given for schools which have the average proportion of students with disabilities in NSW private schools (3.5%) and a proportion close to that of government schools (5.5%).

Government submission to the inquiry. In this example, the school would receive an additional \$4000 per student with a disability, or 20% of the additional cost of a student with a disability in the government sector. Once again, it is important to note here that the 20% funding link to AGSRC means that the school receives 20% of the average cost of a government school student, which includes both lower and higher cost students; it receives 20% of the cost of lower cost students and 20% of the cost of higher cost students.

If the school enrolled students with disabilities in the same proportion as government schools, it would have enrolled 59 students. Given that its actual enrolment is 10, students with disabilities are under-represented by a factor of 5.9. This means the school is effectively receiving an additional \$23 600 per student with a disability ($5.9 \times \$4000$), or 18% more than the additional funding available to students with disabilities in the government sector.

The level of additional indirect funding received is also affected by the funding status of the school under the SES funding model. The hypothetical school would receive more indirect funding if it were an FM school than if its funding was determined by its SES score. FM schools also have their funding indexed to increases in government school costs.

Over 50% of private schools are funding maintained and the additional funding available over their SES score varies considerably. Some FM schools receive up to \$2000-3000 more per student in funding over their SES score entitlement while others receive much less.¹¹ For example, the average level over-funding for FM Catholic secondary schools in the higher SES score range of 116-125 was over \$2700 per student in 2007 while that for FM Independent secondary schools in this score range was nearly \$700 per student.

If the school received an additional \$2700 per student under its FM status, its funding ratio would have been 0.47. In this case, it would have received 47% of the additional cost of a student with a disability in the government sector, or \$9400. As students with disabilities are under-enrolled in the school by a factor of 5.9, it would have effectively received \$55 460 per student which is nearly three times that available to these students in the government sector.

On the other hand, if it received additional FM funding of \$700 per student its overall funding ratio would have been 0.27. In this case, it would have received 27% of the additional cost of a student with a disability in the government sector, or \$5400, which translates to additional funding of \$31 860 per actual student with a disability in the school, over 1.5 times that provided in the government sector.

The school also receives additional indirect funding via the 25% link between NSW Government funding and the Regimen of government school costs. This funding should also be included in estimates of the additional funding available for students with disabilities in the school.

¹¹ Save Our Schools. An Analysis of Over-Funding of Private Schools under the SES Model, March, 2008. Available at: <http://www.saveourschools.com.au>

Box 2: Additional indirect funding estimates for students with disabilities in NSW private schools: high SES schools

Background features

NSW government schools:

AGSRC – secondary 2008: \$10 061 per student

SWD as proportion of total enrolments: 5.9%

SWD additional funding: \$20 000 per student

Private school:

Enrolments: 1000

SWD: a) 10; b) 35; c) 55

SWD proportion: a) 1%; b) 3.5%; c) 5.5%

SES score: 125

State funding category: 2

Ratio of government SWD to private school SWD: a) 5.9; b) 1.7; c) 1.1

Example 1: High SES secondary school funded at SES rate

Recurrent funding grants:

SES funding rate: 20% of AGSRC

C/W: \$2012 per student

Ratio to government school funding: 0.20

Additional indirect funding estimate:

a. $\$4000 (0.20 \times \$20\,000) \times 5.9 = \$23\,600$ per student

b. $\$4000 \times 1.7 = \6800 per student

c. $\$4000 \times 1.1 = \4400 per student

Example 2: High SES secondary school funded at SES rate with NSW funding

Recurrent funding grants:

SES funding rate: 20% of AGSRC = \$2012 per student

NSW funding: \$1338 per student

C/W + NSW: $\$2012 + \$1338 = \$3350$ per student

Ratio to government school funding: $\$3350/\$10\,061 = 0.33$

Additional indirect funding estimate:

a. $\$6600 (0.33 \times \$20\,000) \times 5.9 = \$38\,940$ per student

b. $\$6600 \times 1.7 = \$11\,200$ per student

c. $\$6600 \times 1.1 = \7260 per student

Example 3: High SES FM secondary school with high over-funding

Recurrent funding grants:

SES funding rate: 20% of AGSRC = \$2012 per student

FM funding: \$2700 per student

NSW funding: \$1338 per student

C/W + NSW: $\$2012 + \$2700 + \$1338 = \6050 per student

Ratio to government school funding: $\$6050/\$10061 = 0.60$

Additional indirect funding estimate:

a. $\$12\,000 (0.60 \times \$20\,000) \times 5.9 = \$70\,800$ per student

b. $\$12\,000 \times 1.7 = \$20\,400$ per student

c. $\$12\,000 \times 1.1 = \$13\,200$ per student

For the purpose of these examples, the state funding can be added to the Commonwealth Government funding and the total funding ratio be calculated as a proportion of AGSRC. However, it should be noted that the per capita Regimen cost is somewhat less than the AGSRC. In 2008, the base rate for NSW Government funding of secondary schools was about \$2070 per student.¹² Given this is 25% of the Regimen, the per capita Regimen cost for a secondary school was about \$8280 per student compared to the AGSRC of \$10 061.

Example 2 in Box 2 estimates the additional indirect funding for a high SES Category 2 school with Commonwealth funding at its SES rate and NSW recurrent funding. As a category 2 school, it does not receive the base rate associated with the link to the Regimen of government school costs, but something less. In 2008, its funding entitlement was \$1338 per student.¹³ Therefore, its total per capita recurrent grant from the Commonwealth and NSW Governments is \$3350 per student, giving a new funding ratio of 0.33.

In this case, the school receives 33% of the additional cost of a student with a disability in the government sector, or \$6600 per student. However, because students with disabilities are under-represented in the school by a factor of 5.9 it is effectively receiving \$38 940 per student, or nearly twice that for these students in the government sector.

Example 3 in Box 2 is for a high SES funding maintained school with high over-funding. If its over-funding were \$2700 per student, which approximates that of the higher SES Catholic secondary schools, its total government funding would be \$6050, giving an overall funding ratio of 0.60. In this case, it would receive \$12 000 for every student with a disability, which translates into \$70 800 per actual student with a disability in the school – nearly 4 times that available for students with disabilities in the government sector. If its enrolments were at the state average for private schools it would receive \$20 400 per student.

Although not included in Box 2, an estimate can also be made of the additional indirect funding for a high SES FM school with low over-funding. If its over-funding were \$700 per student, which approximates that of the higher SES independent secondary schools, its total government funding would be \$4050 per student, giving an overall funding ratio of 0.40. In this case, the school would receive \$8000 for every student with a disability, which translates into \$47 200 per actual student with a disability in the school – over double that for these students in the government sector.

The above examples are based on very low enrolment ratios of students with disabilities compared to government schools, but which is characteristic of high SES private schools. If the high SES school had enrolled students with disabilities at the average for NSW private schools (3.5%) the additional indirect funding available would be considerably less. In the case of the high SES school being funded according to its actual SES score, its additional indirect funding of \$6800 would have been significantly less than the additional funding for

¹² Minister for Education and Training, Question on Notice Tabled at the Parliamentary Estimates Hearing, 15 October 2008. Answer to Question No. 16. The answer refers to the rates for January – June 2008. This base rate has been slightly more than doubled to give an annual figure because the second half year rates are always slightly higher than the rates for the first half year.
[http://www.parliament.nsw.gov.au/Prod/parlment/committee.nsf/0/964b5afc3232149aca2574fd0027b18a/\\$FILE/Education%20-%20compiled%20Answers%20to%20QoN.pdf](http://www.parliament.nsw.gov.au/Prod/parlment/committee.nsf/0/964b5afc3232149aca2574fd0027b18a/$FILE/Education%20-%20compiled%20Answers%20to%20QoN.pdf)

¹³ NSW Legislative Council, Questions and Answers, No. 134, 23 February 2010, Answer to Question No. 3817. <http://www.parliament.nsw.gov.au/prod/lc/lcpaper.nsf/0/D01A2AF521686645CA2576D40004430E>.

these students in the government sector. Even when state recurrent funding is included in the analysis, the school would have received only \$11 200 per student.

However, it were an FM school with high over-funding it would still receive more additional indirect funding than the additional funding for students with disabilities in the government sector. In this case, it would receive \$20 400 per student.

Schools with enrolment of students with disabilities approaching the proportion of such students in the government sector would receive considerably less additional indirect funding as shown in the examples. Schools which enrolled students with disabilities in the same proportion in government schools would receive no additional indirect funding. Each student with a disability would just receive the same per capita funding linked to government school costs as other students.

Thus, the link between government funding of private schools and government school costs may provide substantial additional indirect funding for students with disabilities in private schools. In particular, private schools which have very low enrolment proportions of students with disabilities compared to government schools receive much greater funding for these students than is available in the government sector. This advantage is magnified in the case of higher SES private schools with FM status, and these schools form a majority of private schools.

However, high SES private schools that are funded at their SES rate and enrol the private school average proportion of students with disabilities are likely to be under-funded for these students in comparison to government schools. High SES schools with FM status, particularly those with high levels of over-funding, will receive higher levels of additional indirect funding for their students and in many cases is likely to be greater than that available to government schools.

6.2 Low SES schools

A second set of examples is for a low SES secondary school with an SES score of 85; total enrolments of 1000 [see Box 3]. The school receives 70% of AGSRC in Commonwealth funding, amounting to \$7043 per student in 2008 based on AGSRC for that year of \$10 061 for a secondary school. Thus, the school's funding ratio is 0.70. Again, the estimates of additional indirect funding are calculated for three different ratios of enrolments of students with disabilities – 0.10; 0.35 and 0.55, which are much less than its funding ratio. The worked example here is for a school with 3.5% of its students with disabilities.

Few low SES private schools are funding maintained and those that are do not receive of large amounts of over-funding per student, so the examples relating to FM schools above are generally not applicable in the case of very low SES schools and are not given in Box 2.

Given its funding ratio of 70%, the school will receive an additional \$14 000 for each student with a disability. However, students with disabilities are under-represented in the school compared to government schools by a factor of 1.7 which means it is effectively receiving an additional \$23 800 per student with a disability, or 19% more than that available to these students in the government sector (see example 1 in Box 3).

However, the school also receives NSW Government funding linked to government school costs. Example 2 in Box 3 shows that as, say a Category 11 school, it would have received

\$2366 per student in 2008 so that its total recurrent funding from the Commonwealth and NSW Governments was \$9409 per student, giving an overall funding ratio of 94%. This means it would have received \$18 800 per student with a disability, which translates to effective additional funding of \$31 960 per student given its under-enrolment of these students – 60% more than that available to students with disabilities in the government sector.

Box 3: Additional indirect funding estimates for students with disabilities in NSW private schools: low SES schools

Background features

NSW government schools:

AGSRC – secondary 2008: \$10 061 per student

SWD as proportion of total enrolments: 5.9%

SWD additional funding: \$20 000 per student

Private school:

Enrolments: 1000

SWD: a) 10; b) 35; c) 55

SWD proportion: a) 1%; b) 3.5%; c) 5.5%

SES score: 85

State funding category: 11

Ratio of government SWD to private school SWD: a) 5.9; b) 1.7; c) 1.1

Example 1: Low SES secondary school funded at SES rate

Recurrent funding grants:

SES funding rate: 70% of AGSRC

C/W: \$7043 per student

Ratio to government school funding: 0.70

Additional indirect funding:

a. $\$14\,000 (0.70 \times \$20\,000) \times 5.9 = \$82\,600$ per student

b. $\$14\,000 \times 1.7 = \$23\,800$ per student

c. $\$14\,000 \times 1.1 = \$15\,400$ per student

Example 2: Low SES secondary school funded at SES rate with NSW funding

Recurrent funding grants:

SES funding rate: 70% of AGSRC = \$7043 per student

NSW funding: \$2366 per student

C/W + NSW: $\$7043 + \$2366 = \$9409$ per student

Ratio to government school funding: $\$9409/\$10\,061 = 0.94$

Additional indirect funding:

a. $\$18\,800 (0.94 \times \$20\,000) \times 5.9 = \$110\,920$ per student

b. $\$18\,800 \times 1.7 = \$31\,960$ per student

c. $\$18\,800 \times 1.1 = \$20\,680$ per student

In this case, the high ratio of government funding ensures high additional indirect funding for students with disabilities even though the school has a higher enrolment ratio for students with disabilities than in the examples of the high SES school. Even if this low SES school has an enrolment ratio for students with disabilities that is only slightly less than the average for government schools, it would still receive higher additional indirect funding per student than available in the government sector. For example, if it enrolled 55 students (5.5% of total enrolments compared to 5.9% in NSW government schools), it would receive an additional \$20 680 per student.

These examples show that private schools in receipt of high levels of government funding will gain substantial additional indirect funding for students with disabilities even when their enrolment ratios for these students are at average levels for private schools and even when they approach the government school ratios. Thus, low SES private schools will generally have higher funding for students with disabilities than government schools, unless their enrolment ratio is very similar to that of government schools.

6.3 Total additional funding for students with disabilities

As noted, the above estimates of the additional funding available for students with disabilities in private schools are based only on the additional indirect funding derived from the link between recurrent government funding and government school costs. They do not include additional direct grants for these students which should be added to the above estimates to obtain the total additional funding available. This is done in Box 4. The estimates are summarised in Chart 2, which also includes the average additional funding for NSW estimated in section 4.1 for comparative purposes.

Commonwealth Government direct grants for students with disabilities in mainstream schools appear to amount to about \$2000 per student. In addition, NSW Government direct grants for these students vary according to the category of the school, with higher SES schools receiving higher per capita amounts and lower SES schools receiving less.

In the above examples, the high SES category 2 school would have received an additional grant of \$1244 per student with a disability while the low SES category 11 school would have received an additional \$216 per student. Thus, the high SES school would have received total additional direct funding of \$3244 per student and the low SES school would have received \$2216 per student. This funding should then be added to the estimates of additional indirect funding available by virtue of the links with government school costs.

In example 1 in Box 3, the high SES school being funded at its SES rate and having 1% of its students with disabilities would gain total additional funding of \$42 184 per student with a disability, over double that available for students in government schools. The high SES funding maintained school with high over-funding would receive \$74 044 per student or nearly four times that for government schools (example 2, Box 4). The high SES FM school with low over-funding would receive \$50 644 per student, or 2½ times that in government schools (example 3, Box 4).

The low SES school would receive much greater total additional funding for its students with disabilities because government funding for these schools is a much higher proportion of government school costs. Example 4 in Box 4 shows that the low SES school with only 1% of its students with disabilities would receive total additional funding of \$113 136 per student with a disability, nearly six times that available to students in government schools.

Box 4: Total additional funding estimates for student with disabilities in NSW private schools (\$ per student)

Example 1: High SES secondary school funded at SES rate and NSW funding

	SWD 1%	SWD 3.5%	SWD 5.5%
Additional direct funding per student:			
Commonwealth	\$2000	\$2000	\$2000
NSW	\$1244	\$1244	\$1244
Additional indirect funding	\$38940	\$11200	\$7260
Total additional funding	\$42184	\$14444	\$10504
Additional SWD – Govt schools	\$20000	\$20000	\$20000
Over (under) funding	\$22184	(\$5556)	(\$9496)
% over (under) funding	111%	(28%)	(47%)

Example 2: High SES FM secondary school with high SES over-funding

	SWD 1%	SWD 3.5%	SWD 5.5%
Additional direct funding per student:			
Commonwealth	\$2000	\$2000	\$2000
NSW	\$1244	\$1244	\$1244
Additional indirect funding	\$70800	\$20400	\$13200
Total additional funding	\$74044	\$23644	\$16444
Additional SWD – Govt schools	\$20000	\$20000	\$20000
Over (under) funding	\$54044	\$3644	(\$3556)
% over (under) funding	270%	18%	(18%)

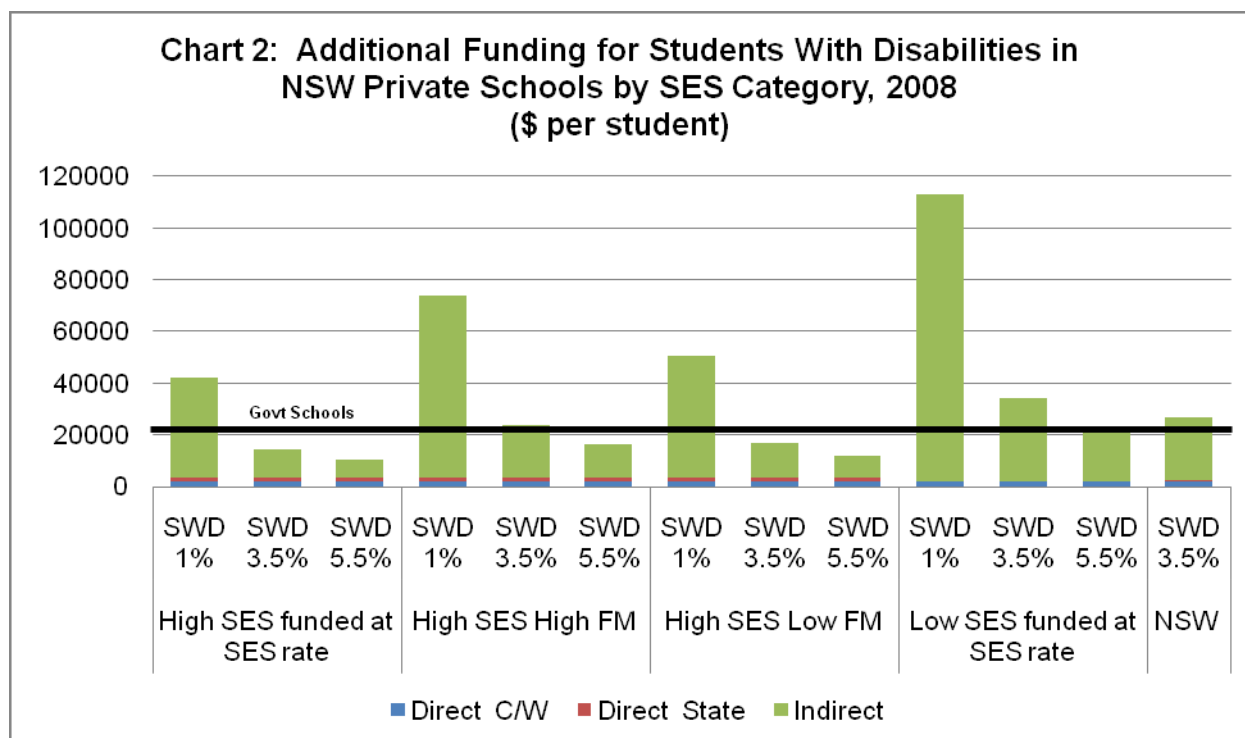
Example 3: High SES FM secondary school with low SES over-funding

	SWD 1%	SWD 3.5%	SWD 5.5%
Additional direct funding per student:			
Commonwealth	\$2000	\$2000	\$2000
NSW	\$1244	\$1244	\$1244
Additional indirect funding	\$47200	\$13600	\$8800
Total additional funding	\$50644	\$16844	\$12044
Additional SWD – Govt schools	\$20000	\$20000	\$20000
Over (under) funding	\$30644	(\$3156)	(\$7956)
% over (under) funding	153%	(16%)	(40%)

Example 4: Low SES secondary school funded at SES rate and NSW funding

	SWD 1%	SWD 3.5%	SWD 5.5%
Additional direct funding per student:			
Commonwealth	\$2000	\$2000	\$2000
NSW	\$216	\$216	\$216
Additional indirect funding	\$110920	\$31960	\$20680
Total additional funding	\$113136	\$34176	\$22896
Additional SWD – Govt schools	\$20000	\$20000	\$20000
Over (under) funding	\$93136	\$17600	\$2896
% over (under) funding	466%	71%	14%

In each case, the total additional funding would be less if each school had the average proportion of students with disabilities in private schools (3.5%). Indeed, the high SES school funded at its SES score would receive less than the additional amount available to students with disabilities in the government sector. However, the high SES FM school with high over-funding would have received greater additional funding per student than government schools while the high SES FM school with low over-funding would receive less additional funding than government schools. Low SES schools are likely also to have greater additional funding for students with disabilities than government schools, even when their enrolment ratios are close to that of government schools.



Notes:

1. Additional funding refers to funding which is additional to recurrent per capita grants for all students. Average additional funding for students with disabilities in NSW government schools is approximately \$20000 per student.
2. SWD: students with disabilities
3. FM: Funding maintained under the Commonwealth Socio-Economic Status (SES) funding model.
4. Direct government funding is funding targeted specifically to SWD.
5. Indirect government funding is additional funding attributable to the link between government funding of private schools and government school costs and to the lower enrolment ratios for SWD in private schools.

A matrix of general funding outcomes for students with disabilities is provided in Table 6. In general, schools that receive high levels of government funding and whose enrolments of students with disabilities are low compared to the government sector are likely to receive much greater additional funding for these students than government schools. Schools with high levels of government funding and higher enrolments of students with disabilities, even with ratios approaching that of government schools, are also likely to greater additional funding for students with disabilities than government schools.

On the other hand, schools whose proportions of enrolments of students with disabilities approach the government school proportion and whose government funding as a proportion of government school costs is low are more likely to be under-funded for students with

disabilities. Schools with both low funding and enrolment ratios are likely to have greater additional funding for students with disabilities than the government sector.

In between these cases there will be a variety of outcomes depending on the particular funding and enrolment ratios of students with disabilities of individual schools.

Table 6: Matrix of Additional Funding for Students With Disabilities in Private Schools Compared to Government Schools

Funding ratio	Low	Low	High	High
SWD ratio	Low	High	Low	High
Additional SWD funding relative to govt schools	Greater	Less	Greater	Greater

6.4 Disincentive for private schools to enrol students with disabilities

This analysis points to the need to have regard to the particular circumstances of individual schools in assessing the claims of less funding for students with disabilities in private schools. Some schools will have more additional funding than the government sector and others less. However, the number of private schools that are under-funded for students with disabilities will be relatively few because, on average, private schools enrol a far lower proportion of these students than government schools.

For a given ratio of private school funding to government school funding, the additional indirect funding available for students with disabilities in private schools varies according the ratio of enrolments of these students in private schools to government schools. The closer the proportion of students with disabilities in private schools is to that in government schools, the less the additional indirect funding available to private schools. A very low enrolment ratio relative to the funding ratio causes private schools to have additional funding for students with disabilities which is much higher than the additional funding available in government schools.

These contrasting examples also demonstrate that the link between government funding of private schools and government school costs acts as a very powerful disincentive for private schools to increase their enrolments of students with disabilities. A very low enrolment ratio relative to their funding ratio maximises the additional indirect funding available to private schools for students with disabilities, or to divert to other students, and ensures that it is much higher than the additional funding available in government schools. The closer the proportion of students with disabilities in private schools is to that in government schools, the less the additional indirect funding available to private schools. Thus, it is the link with government school costs which provides the disincentive for private schools to enrol more students with disabilities, not inadequate direct government funding for these students.

6.5 Alternative benchmarks for assessing private school performance

The above examples can also be re-worked for the alternative expectation of private schools that they only enrol students with disabilities in the same proportion as their government funding ratio.

For example, if the high SES school funded at its SES score had enrolled had enrolled students with disabilities in the same proportion as its government funding ratio rather than the proportion of enrolments in government schools, it would have enrolled 1.9% of its total

enrolments as students with disabilities (5.9×0.33), or 19 students. If its actual enrolments were 10 students, they would be under-represented by a factor of 1.9, instead of 5.9, and the school would effectively receive additional indirect funding of \$12 540 per student with a disability. The total additional funding per student with a disability, including direct Commonwealth and NSW government grants would then be \$15 784 per student, which is 21% less than the additional funding available in government schools.

If the high SES funding maintained school with high over-funding had also enrolled students with disabilities in the same proportion as its government funding ratio, it would have enrolled 3.5% of its total enrolments as students with disabilities (5.9×0.60), or 35 students. In this case, its actual enrolments of these students would be under-represented by a factor of 3.5, instead of 5.9, and it would effectively receive an additional \$42 000 per student with a disability, instead of \$70 800. Its total additional funding would be \$45 244 per student. This is still more than double the additional funding available for students with disabilities in government schools.

If the high SES funding maintained school with low over-funding had enrolled students with disabilities in the same proportion as its government funding ratio, it would have enrolled 2.4% of its total enrolments as students with disabilities (5.9×0.40), or 24 students. Thus, its enrolments of these students are under-represented by a factor of 2.4. As a result, it would receive additional indirect funding of \$19 200 per student with a disability and its total additional funding would be \$22 544 per student, or 13% more than that available in government schools.

If the low SES school had enrolled students with disabilities in the same proportion as its government funding ratio, it would have enrolled 5.5% of its total enrolments as students with disabilities (5.9×0.94), or 55 students. Its enrolments would be under-represented by a factor of 5.5. As a result, it would receive additional indirect funding of \$103 400 per student.

This analysis suggests that even when a lesser expectation of the social obligation of private schools is adopted, the large majority of schools with above average SES scores will be better funded for students with disabilities than government schools because they have FM status which delivers higher recurrent funding. Over 50% of all private schools are funding maintained and these are concentrated amongst schools with above average SES scores and their average level of over-funding is in the range of \$1000 – \$2000 per student.

It should be noted that even with this lesser, more mercenary, expectation of private schools the disincentive to enrol students with disabilities remains strong. A very low enrolment ratio relative to their funding ratio maximises the additional indirect funding available to private schools for students with disabilities, or to divert to other students.

7. Conclusion

The claim by private school organisations that students with disabilities in private schools are funded less than those in government schools is incorrect. On average in NSW, they have a significant funding advantage over government schools. Additional funding for students with disabilities in NSW private schools is 26 - 38% greater than that available to NSW government schools.

Private schools in all other states and territories also receive additional indirect funding for students with disabilities which is greater than that provided to government schools. For example, private schools in South Australian and Tasmania receive additional indirect government funding for students with disabilities which is nearly double the additional funding provided to government schools in those states. On average, additional indirect funding for private schools in Australia is 32% higher than that provided for students with disabilities in government schools.

The source of this advantage is additional indirect funding which flows to private schools through the link with government school costs which include the costs of a much higher proportion of students with disabilities to total enrolments than exists on average in private schools. The claims made by private school organisations fail to take account of this source of additional funding and only take direct additional funding for students with disabilities into account.

The lower proportion of students with disabilities in private schools compared to their proportion of government school funding has very profound implications for the funding of students with disabilities in private schools. It means that private schools are not supporting the level of enrolment of students with disabilities that they are funded to do so. Private schools are able to allocate a higher rate of funding to their students with disabilities, or to transfer it to other students, than is indicated by their pro-rata funding for these students through grants from the Commonwealth and State/Territory Governments.

Putting it another way, private schools in NSW and other jurisdictions in Australia, could increase their enrolment of students with disabilities significantly, within the limits of the government funding that they currently receive. It raises the question of whether the central offices of private school organisations are distributing government funds for their schools on the basis of need.

Even on a lesser expectation that private schools should only be obliged to enrol students with disabilities in the same proportion as their government funding, private schools in NSW receive additional funding for these students which is similar to that provided in government schools.

The deficiency in the case presented by private schools was acknowledged several years ago in a bi-partisan Senate committee report on students with disabilities. It made the following conclusion about the case presented by the private school sector:

The committee also notes that the Commonwealth funding formula for the non-government school sector reflects actual expenditure by the two levels of government on government schools. This includes the funds allocated for students with disabilities and the support services provided. Therefore the Commonwealth funds provided to

non-government schools through the general recurrent grants implicitly includes a proportion of funding for the education of students with disabilities. Where non-government schools either do not enrol many students with disabilities or where they do not provide appropriate levels of support for students with disabilities, they benefit disproportionately from Commonwealth financial assistance. The committee agrees that the needs of students with disabilities in this sector would be more appropriately served if the sector made better use of its current resources. It therefore makes no recommendations in relation to further assistance to non-government schools.¹⁴

Other reports on the funding of students with disabilities have ignored this issue. The frequently cited Monash University study found that students with disabilities attending private schools receive substantially less government disability funding than students with disabilities in government schools.¹⁵ It states that parents of students with disabilities who send their child to a private school forego substantial levels of government support and face greater financial barriers in this choice than do other parents.

The report does acknowledge that recurrent payments to private schools by the Australian Government based on government school costs include a component for the costs of students with disabilities in the government sector. However, it fails to examine the funding implications of this link to government school costs for students with disabilities in private schools. Its finding is based solely on a comparison of targeted funding in private and government schools. It does not appear to have considered the Senate committee finding as there is no reference to the Senate report in the literature review in the Monash study.

A second general conclusion is that students with disabilities in both the NSW Catholic and Independent school sectors are better funded than students with disabilities in government schools. However, students with disabilities in the Catholic sector, on average, receive substantially less additional funding than students in the Independent sector.

The additional funding for students with disabilities in NSW Catholic schools is 23% higher per student than in government schools. The additional funding for students with disabilities in NSW Independent schools is nearly 80% higher than in government schools.

The third general conclusion from the above analysis is that the average over-funding of students with disabilities in private schools compared to government schools disguises major overfunding in schools which enrol a low percentage of students with disabilities. Private schools with very low enrolments of students with disabilities in comparison with government schools receive very high additional funding for these students which far exceeds that available in government schools. The additional funding for these schools is double or more than in government schools.

On the other hand, private schools whose enrolments of students with disabilities as a proportion of total enrolments is similar to government schools, generally receive less additional funding than is available in government schools. The exception is very low SES schools which have a very large proportion of their total funding provided by governments.

¹⁴ Senate Employment, Workplace Relations and Education Committee 2002, *Education of Students with Disabilities*, December, para 7.26.

¹⁵ Ferrier, Fran; Long, Michael; Moore, Dennis; Sharpley, Chris and Sigafos, Jeff 2007. *Investigating the Feasibility of Portable Funding for Students with Disabilities*, Final Report, Monash University, June.

Whether the additional funding available for private schools which enrol the average proportion of students with disabilities for all private schools (3.5%) is greater or less than that available in government schools depends on their government funding ratio. High SES schools with the average proportion of enrolments of students with disabilities and funded at their SES rate, or who are low funding maintained, will receive less than that available in government schools. In contrast, low SES schools funded at their SES rate will receive more than is available in government schools as will high SES schools who are high funding maintained. However, very few high SES schools will have enrolments of students with disabilities around the average of all private schools or higher.

Only a few examples of private schools have been included in this analysis. There will be significant variations between schools in terms of their government funding and enrolment ratios which will lead to substantial differences in the additional funding available for students with disabilities. This indicates the need to examine the particular circumstances of each private school in assessing claims about the inadequacy of additional government funding.

The analysis also shows that the current system of linking the funding private schools to government school costs creates perverse incentives for private schools to minimise their enrolment of students with disabilities. A very low enrolment ratio relative to their funding ratio maximises the additional indirect funding available to private schools for students with disabilities, or to divert to other students, and ensures that it is much higher than the additional funding available in government schools. The closer the proportion of students with disabilities in private schools is to that in government schools, the less the additional indirect funding available to private schools. Thus, it is the link with government school costs which provides the disincentive for private schools to enrol more students with disabilities, not inadequate direct government funding for these students.

The way to overcome this perverse incentive is to remove the costs of educating students with disabilities in government schools from the calculation of average government school costs. This would eliminate the potential for double-dipping. Then, additional funding could be offered to schools with identified students with disabilities enrolled, based on the nature of the disability and the additional needs of the students, irrespective of the sector in which they are enrolled.