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9 June 2014, 7.10am AEST

Is education better off in state or federal hands?

AUTHOR



Kevin Gould

Researcher in Economics of Education at Central Queensland University

DISCLOSURE STATEMENT

Kevin Gould has received funding for doctoral research from Central Queensland University.

Central Queensland University does not contribute to the cost of running The Conversation. [Find out more.](#)



What's the ideal arrangement for funding education? Would responsibility lie with the federal or state governments? AAP

The federal budget reignited debate over federal-state relations with a decision to cut \$80 billion funding for the state responsibilities of schools and hospitals over the coming years. So how can federal-state co-operation in education make Australia a better country?

It is not surprising that the financing of education in Australia has been a hot topic for decades. Almost everyone is affected or connected in some way to it. Considerations have been made about performance standards and equity in attaining desired standards, but these issues have tended to morph into “give us more money” and “who should pay”.

This focus on finance has enabled centralists to move the federal government more into the management of education institutions with the use of its stronger financial situation.

However, this is limited by the constitution, which gives states responsibility for education. The centralist wish for eliminating state involvement is fanciful, since there is little chance of any constitutional change.

What's the alternative?

The alternative approach is to decentralise the financing of education to allow decisions to be made by those closest to the action. Both the Gonski review **final report** and the Commission of Audit **report** proposed the adoption of decentralisation through the principle of subsidiarity.

A decentralised approach essentially involves the federal government minimising its role to national co-ordination, **leaving the states to manage education**.

With regard to schooling, the overall objective should be that school sector authorities in each state have sufficient recurrent finance to give all of their students the same opportunity to achieve minimum performance standards at each school level, culminating in Year 12 graduation. This could be achieved by a small group in Canberra with responsibilities:

- to set minimum student performance standards for each school level;
- to develop a school sector funding model based on resource policies (student-teacher ratios, average teacher salary package, other recurrent costs, and expected private financial input);
- to recommend financial allocations to each school sector in each state, within defined financial limits and taking account of sector differences and future financial sustainability; and
- to monitor average sector student performance and to research the reasons for school sectors that are slow to improve.

The federal government would take the group's financial recommendations to the states to determine agreed contributions, which would then be placed in each state's coffers. A state would retain the amount earmarked for government schools, distribute the Catholic sector funds to the Catholic authorities, and distribute funds for the independent school sector to a school registration authority in the state for distribution.

School sectors would report annually to the school registration authority in their state and to the federal government, explaining the method of allocating funds to their schools and on changes in student performance standards.

The federal government should be the dominant funder of the universities and the vocational education sector due to their importance for Australia's international reputation.

Decentralisation in the form of more reliance on market prices is contained in the recent federal budget. States, however, should still be responsible for vocational education providers that operate only within one state.

Some associated issues with the current system

Each state needs to address the issue of equity across their upper secondary programs in schools and vocational education institutions. Governments across Australia should consider compulsory schooling or equivalent being extended from 17 years of age to completion of Year 12 or equivalent program.

Currently, states do not have the funds to match their education financing needs. A growth tax could resolve this.

Some time ago the GST was introduced for similar reasons. An increase in the GST rate, however, is unlikely to occur given the difficulty of obtaining general public support. An alternative is to redirect an agreed percentage of income tax to the states for particular areas such as education.

It must be hoped that sorting out decentralised education funding arrangements will lead to a renewed focus on what is done with the money – namely, ways to improve educational outcomes for all students.

Further reading: [The Reforming the Federation series](#)

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