



**Catholic
Schools
NSW**



Volume 1

THE CASE FOR CATHOLIC SCHOOLS

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This report is volume 1 in a series of 3 volumes explaining the benefits of the Catholic schools sector in NSW.

Financial modelling that forms the basis of this report was independently prepared by Ernst & Young.

REPORT ON A PAGE

- Catholic Schools in New South Wales play a critical role in the delivery of school education. Catholic Schools in NSW enrol over one-fifth of the state's students, with 250,000 students in 598 Catholic schools and 30,916 total staff.
- They are part of an unbroken tradition of almost 200 years of contributing to the intellectual and pastoral formation of millions of children.
- The benefits of Catholic schools go beyond the important role of educating students. An enduring compact with government has emerged where the Catholic Church is a partner in schooling, relieving the government of the need to provide resources for the entire student population.
- The benefits of parallel school sectors are many. These benefits will be the subject of a three-volume series of reports: *The Case for Catholic Schools*. Volume 1 highlights the economic contribution made to NSW by Catholic Education, while illustrating the scale of its operation across the state.
- Government funding of NSW Catholic schools has come and gone and returned over this 200-year history. NSW Catholic Schools currently operate on a funding mix of public and private contributions. This arrangement has resulted in significant financial savings to the government, while enriching the student experience for NSW students.
- Ernst & Young (EY) has calculated that under current funding arrangements, NSW Catholic schools result in a net reduction in recurrent government expenditure of \$480 million in 2018. From 2018 to 2022, savings to government will reach a cumulative total of \$2.56 billion. From 2014 to 2017, the accumulated savings are \$1.46 billion.
- The current agreement between the NSW and Commonwealth Governments mean that the NSW Government saves \$1.7 billion through not having to fund the full cost of educating those students currently enrolled at NSW Catholic schools.
- Capital funding to build NSW Catholic schools has been sourced primarily from private contributions. In 2016, 91 per cent of capital funding for NSW Catholic schools was sourced from private contributions. This reflects the fact that private contributions continue to be the main source of Catholic school capital funding, representing a substantial saving for government.
- Modelling by EY identified that if the NSW Government were required to educate all students at NSW Catholic schools, it would require up to \$7.91 billion in additional capital expenditure to build the necessary school capital.
- These savings mean that governments are able to invest more in government schools, or other essential government services.
- The availability of government funding for Catholic schools means Catholic schools are affordable for more families across the state. Without this support, many families would not be able to choose a Catholic education. Recent literature from the United States suggests that without government support, Catholic schools could become accessible only to high income households. This would ultimately increase the cost burden for government.

\$1.69
BILLION

**RECURRENT SAVINGS FOR
NSW GOVERNMENT
2018**

\$2.56
BILLION

**NET RECURRENT SAVINGS
FOR GOVERNMENT
2018-2022**

\$1.46
BILLION

**NET RECURRENT SAVINGS
FOR GOVERNMENT
2014-2017**

\$7.91
BILLION

CAPITAL SAVINGS

NSW CATHOLIC SCHOOLS AT A GLANCE - 2018



254,952
STUDENTS

130,141	PRIMARY
124,811	SECONDARY



598
SCHOOLS

424	PRIMARY
135	SECONDARY
32	COMBINED
7	SPECIAL
14	BOARDING



30,916
STAFF



8,124
ABORIGINAL AND
TORRES STRAIT
ISLANDER STUDENTS



**STUDENT TO
TEACHER RATIOS**

16.9	PRIMARY SCHOOLS
12.4	SECONDARY SCHOOLS



**SCHOOLS BY
GEOGRAPHICAL
REMOTENESS**

65%	MAJOR CITIES
23%	INNER REGIONAL
10%	OUTER REGIONAL
1%	REMOTE
1%	VERY REMOTE

EXECUTIVE SUMMARY

- Catholic Schools in NSW educate one-fifth of the state's students, with 250,000 students in 598 Catholic schools.
- Ernst & Young (EY) has calculated that under current funding arrangements, the operation of NSW Catholic schools resulted in a net saving in recurrent government expenditure of \$480 million in 2018. In the five years from 2018 to 2022, savings will reach a cumulative total of \$2.56 billion.
- Many Catholic and government schools are not currently receiving their full entitlement under the funding model, but are gradually transitioning towards that entitlement. As government move closer to fully implementing the funding model under the *Australian Education Act 2013* (Cth), these savings will increase.
- The current agreement between the NSW and Commonwealth Governments requires the NSW government to fund most of the cost of government schools, and a smaller portion of the cost of non-government schools. This agreement means that the NSW Government saves \$1.7 billion through not having to fund the full cost of educating those students currently enrolled at NSW Catholic schools.
- This net saving is calculated by looking at the base recurrent funding received by NSW Catholic school students and comparing this to a scenario where those students are at NSW government schools.
- Modelling by EY identified that if the NSW Government were required to educate all students currently at NSW Catholic schools, it would require up to \$7.91 billion in additional capital expenditure to develop the necessary school capital.
- Capital funding to build NSW Catholic schools has been sourced primarily from private contributions. The operation of Catholic schools in NSW therefore allows government to invest more in government schools, rather than taking funding away from government schools.
- Public funding of Catholic schools does not detract from investment in government schools. Rather, it provides government the opportunity to invest more in government schools.
- Government funding for NSW Catholic schools means they are accessible to families across NSW. Without this support, many families would not be able to choose a Catholic education. The withdrawal of government funding would therefore mean a significant shift in enrolments towards government schools, and a significantly increased cost burden for government. The recent history of Catholic schools in the United States supports this view.

INTRODUCTION

The benefits of parallel systems of government and non-government schooling are many. This paper is the first in a series that will identify the various benefits and contributions of the Catholic education sector, and the broader non-government schools sector. The focus of this paper is to highlight the economic benefits of Catholic schools, with a primary focus on the financial advantages for governments in supporting the Catholic schools sector.

NSW Catholic schools continue a 200 year tradition which started with the establishment of a Catholic school in Parramatta in late 1820 or early 1821. Catholic education continued to expand over the next century with the arrival of teaching priests, brothers and nuns. By 1895, there were over 35,000 pupils enrolled in Catholic schools. Today, Catholic education in NSW has expanded to a sector of 598 schools that educates 250,000 students across metropolitan and regional NSW, and employs some 31,000 total staff.

The history of government funding of non-government schools is long and tumultuous. Under current funding arrangements, the net cost to government of a child attending a Catholic school is substantially less than if that child attended a government school. This is because Catholic school families are expected to contribute to their children's education according to their financial capacity.

Modelling by EY has estimated the total costs averted for governments to be \$910 million in 2018 under the model in the Australian Education Act 2013 (AEA), and \$480 million when adjusted for the percentage of funding entitlement that government and non-government school students are actually receiving.

The twin benefits of this funding model are that governments, while having an overall reduced financial obligation, are supporting the right of parents to choose an education that supports the values they wish to instil in their children, a long settled bipartisan policy in Australia.



The NSW Catholic schools sector is the single largest provider of non-government school education in Australia.

AN OVERVIEW OF CATHOLIC EDUCATION IN NSW

Catholic education is founded on the philosophy that schools should seek to educate the whole person. The Catholic education sector recognises that parents are the first and primary educators of children, and Catholic educators complement the education parents impart to their children. His Holiness Pope Francis expressed that:



Catholic educational institutions offer everyone an education aimed at the integral development of the person that responds to the right of all people to have access to knowledge and understanding.¹

From their earliest days in Australia, Catholic teachers - both religious and lay - have sought to teach generations of young people on the basis of this principle.

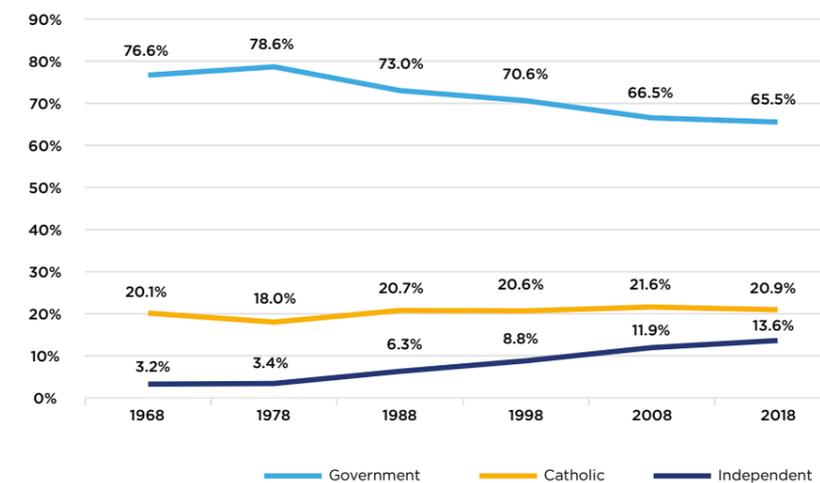
Catholic education started early in the then colony of New South Wales, with piecemeal attempts from the 1790s onwards at schooling for the children of Catholic sailors, free settlers (when these started to arrive) and Catholic convicts. Thirty-two years after the First Fleet arrived, Father John Therry opened a school in Hunter Street, Parramatta for 31 students.

The history of Catholic education in NSW marches alongside the political history of the state and the nation. Monetary support from the government to Catholic and other non-government schools was a controversial issue, which most politicians preferred to deal with by disregard. However, in NSW and other colonies the cry of 'free, compulsory and secular education for all' became increasingly strident, and in 1880 the *Public Instruction Act 1880* (NSW) ended what little government financial support there had been.²

'State aid' was not to be restored until the 1960s after a group of Catholic parents in Goulburn - unable to send their children to a preparatory school which was threatened with closure because of substandard sanitary facilities, for which there was no money to repair - went 'on strike' and presented their children for enrolment at the over-crowded local public school in 1962. The cause gained huge national publicity and both the NSW and Commonwealth governments were forced to act.³

Catholic education in NSW steadily grew, funded by dioceses, religious orders and families. NSW Catholic schools now educate over one-fifth of all school students in NSW.

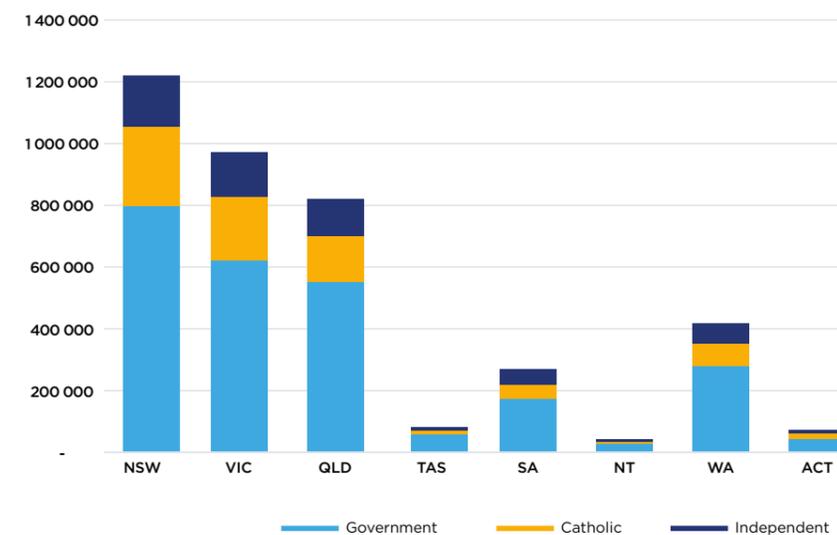
Since the 1970s, there has been a steady trend of increased enrolments in NSW non-government schools - from 21.4% in 1978, to 27% over the next decade. By 1998, it was 29.4% and in 2018, 34.5% of NSW students were studying at non-government schools, with 20.9% at NSW Catholic schools (see Figure 1). Over the past 15 years, Catholic schools have taken on more than 20,000 new students.⁴



Source: Australian Bureau of Statistics

Figure 1: Share of Enrolments in NSW by school sector

Enrolments in NSW Catholic schools, across both primary and secondary schools, currently sit just under 255,000. This represents one-third of Catholic school enrolments across Australia. The proportion of students educated at Catholic schools in NSW is also higher than the proportion across the rest of Australia (19.7%).⁵



Source: Australian Bureau of Statistics

Figure 2: School Enrolments by Sector (2018)

The NSW Catholic schools sector is the single largest provider of non-government school education in Australia. It is almost the size of the public school system in Western Australia and larger than the public school system of South Australia, Tasmania, the ACT and the Northern Territory.⁶

Catholic schools students in NSW are almost evenly split between primary and secondary schools, although Catholic primary schools outnumber Catholic secondary schools almost 3 to 1. The state's 598 Catholic schools represent one third of all Catholic schools in Australia.⁷



SES ↓ 100 IN MORE THAN HALF OF SCHOOLS

Catholic schools educate students from a wide variety of socio-economic backgrounds. More than half of NSW Catholic schools have a Socio-Economic Status (SES) score lower than 100, with the highest concentration between 90 and 95 (see Figure 3).⁸



71% STUDENTS AT NSW CATHOLIC SCHOOLS ARE CATHOLIC

Students in NSW Catholic schools come from many religious and non-religious backgrounds. While the major religion in Catholic Schools is Catholicism (71%), a significant proportion of students at Catholic schools are of other religious affiliations or have no religious affiliation (see Figure 4).⁹

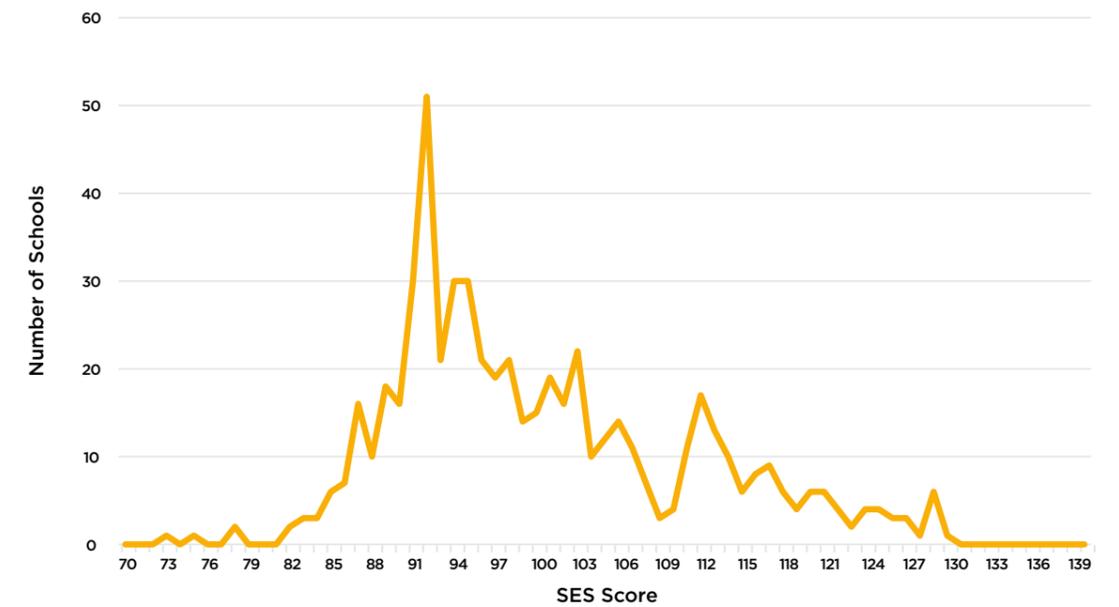


16% CATHOLIC STUDENTS AT NSW GOVERNMENT SCHOOLS

At government schools, Catholic students still represent a sizable portion of the student population. NSW Department of Education data indicates that in 2018 just over 16% of students at NSW government schools were Catholic (see Figure 5).¹⁰ Catholic students in government schools are a direct pastoral concern for the Bishops, meaning the Catholic Bishops of NSW have a genuine concern to see quality educational outcomes at government schools.

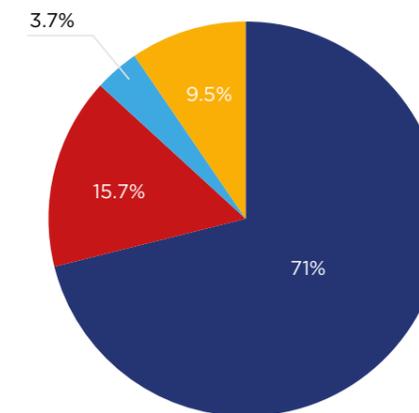


Figure 3: Number of Catholic Schools by SES Score



Source: Australian Government Department of Education and Training

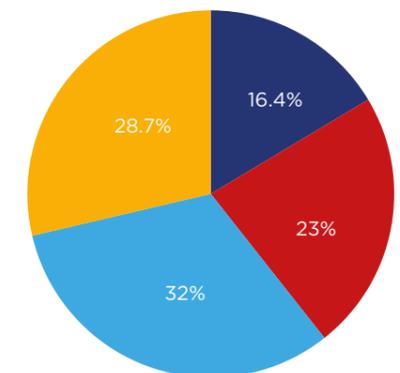
Figure 4: Religious affiliation of students in NSW Catholic schools (2018)



- Catholic
- Other Christian
- Other faith
- Unknown/no religion

Source: Catholic Schools NSW

Figure 5: Religious affiliation of students in NSW Government schools (2018)



- Catholic
- Other Christian
- Other religion
- No religion

Source: NSW Department of Education

THE SAVINGS FROM NSW CATHOLIC SCHOOLS

The current funding formula under the AEA sets a 'Schooling Resource Standard' (**SRS**) for every student. This is made up of 'base' funding amounts for primary (\$11,343) and secondary (\$14,254) students, which are common to all students across Australia, regardless of sector. Additional to this, are loadings to support disadvantaged students. The 'base' amounts are intended to cover the basic cost of educating a student and are indexed annually. Students attract additional loadings for disadvantage through disability, low Socio-economic Status (**SES**), non-English speaking background, Aboriginal or Torres Strait Islander background, or if the school is small or in a remote area.¹¹

Under the AEA, students at government schools are entitled to the full amount of base funding. However, students at non-government schools attract a reduced amount of base government funding according to the SES score assigned to their school. This acts as a proxy for the capacity of families to financially contribute to their child's education.¹² This capacity is often referred to as the Capacity to Contribute (**CTC**). The higher a school's SES, the greater its deemed CTC leading to a lower level of government funding. This is a form of means testing on the part of the government.

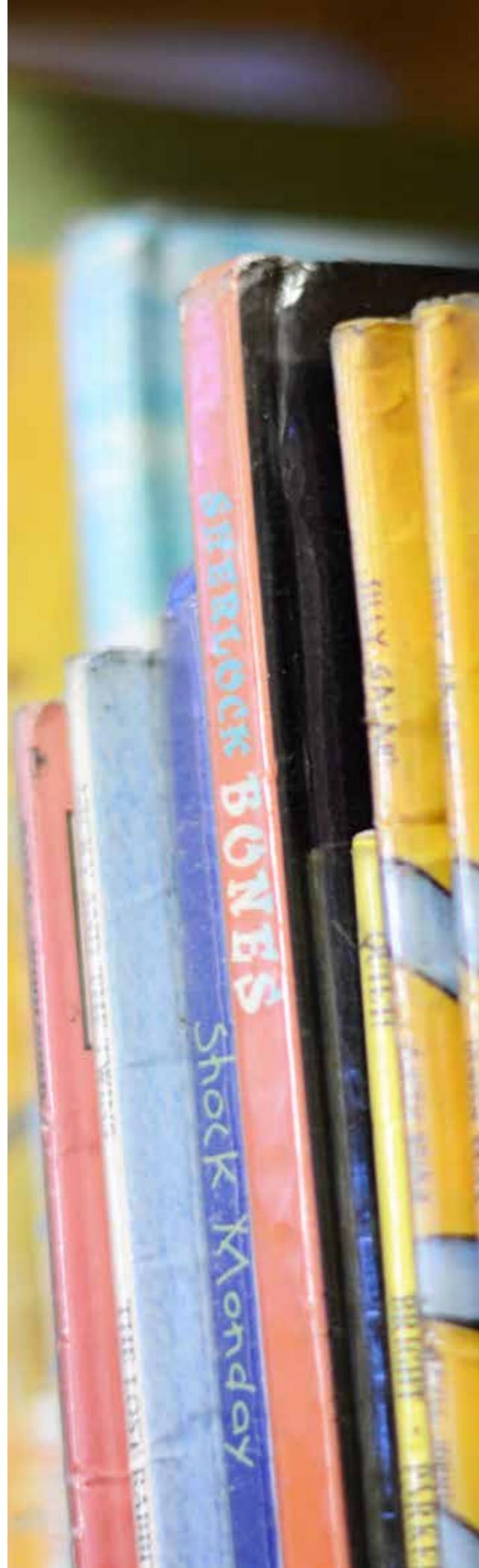
NON-GOVERNMENT SCHOOLS AND RECURRENT EXPENDITURE

The Productivity Commission's 2019 Report on Government Services found that recurrent expenditure by Australian, State and Territory governments on school education in 2016-17 was \$57.8 billion, of which \$43.7 billion was spent on government schools. This means that 75.7% of recurrent school expenditure by governments goes towards public schools that educate 65.5% of the student population, whilst the remaining 24.3% of public funding served the remaining 34.5% of students at non-government schools.¹³

Across Australia, governments funded 57.5% of total recurrent expenditure on non-government schooling, with the remaining 42.5% sourced through private contributions.¹⁴

The Productivity Commission also found that across Australia in 2016-17, the average cost of educating a student at a government school was \$17,531, compared with \$10,644 at a non-government school. It should be noted that while the figure for the average cost to governments includes the User Cost of Capital (UCC), the cost for non-government schools does not include UCC.¹⁵ If UCC were excluded from the cost to government schools, the average cost per student in government schools would be \$15,020.¹⁵

¹⁵ The Productivity Commission defines the User Cost of Capital as "the notional costs to governments of the funds tied up in capital (for example, land and buildings owned by government schools) used to produce services. The notional UCC makes explicit the opportunity cost of using government funds to own assets for the provision of services rather than investing elsewhere or retiring debt." See Productivity Commission, Report on Government Services 2019, Chapter 4: School Education, at Box 4.7.



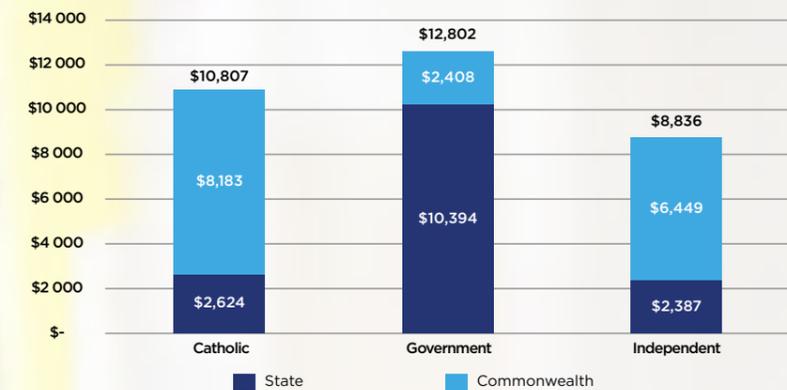
According to 2016 MySchool funding data, NSW Catholic schools attracted \$10,807 per student in total government recurrent funding - substantially lower than the \$12,802 for each government school student. The equivalent figure for Independent schools is \$8,836 per student (see Figure 6). The remaining cost of educating a child at a Catholic school is covered by private contributions (see Figure 7).¹⁶

In 2016, private contributions made up almost 30% of recurrent funding for students at NSW Catholic schools, compared with 60% at independent schools and just 4.3% at government schools.¹⁷ These private contributions are a decision by families of students at Catholic schools to contribute extra money for their children's education, beyond the amount they already contribute to public education through taxation.

This data matches the intent of the existing funding model which aims to fund the entire cost of an education at government schools, and only a portion of the cost at non-government schools. Students at government schools attract 100% of the base funding amount. Students at non-government schools can attract no more than 90% of this base funding amount (and a minimum of 20%).

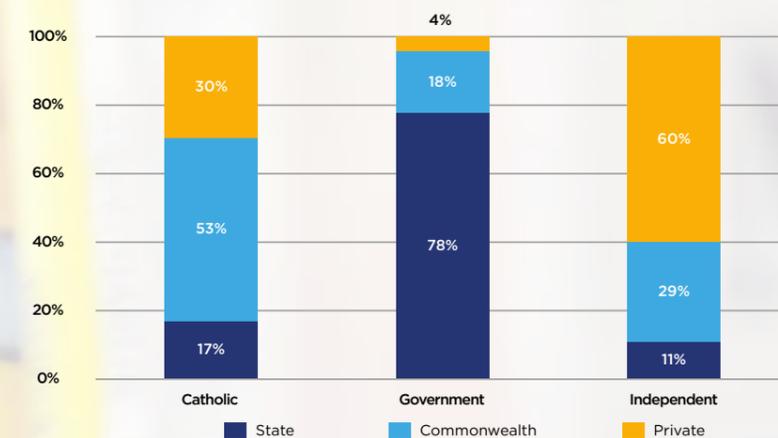
Where a student attends a non-government school, that student will therefore cost the government less than if that student attended a government school. It is also apparent that there is a financial incentive for state governments to support students remaining in non-government schools as the Commonwealth bears the majority of the recurrent cost of non-government schools.

Figure 6: Average government recurrent funding per student (2016)



Source: MySchool Recurrent Funding Data, 2016

Figure 7: Source of recurrent funding (2016)



Source: MySchool Recurrent Funding Data, 2016

SAVINGS TO GOVERNMENT FROM NON-GOVERNMENT SCHOOLS

There has been some contention about whether non-government schools save governments money,¹⁸ and there has been a variety of attempts to calculate what these savings might be. However, the proposition that government, on aggregate, experiences savings from non-government schools is not contested by some of the Catholic sector's traditional critics, and various studies have quantified government savings in the billions.

Studies published by the NSW Teachers Federation (NSWTF) by Chris Bonnor and Bernie Shepherd found that non-government schools in Australia relieved governments of around \$2.2 billion in recurrent expenditure,¹⁹ and in another report, no more than \$1.9 billion in recurrent expenditure.²⁰ These calculations support the argument that non-government schools reduce government spending. However, they are also likely to contain inaccuracies because they are based on the Index of Community Socio-Educational Advantage (ICSEA). School funding is based on the previously mentioned SRS methodology which includes loadings for six types of disadvantage (ICSEA is based on different elements). They also compare students within an ICSEA range, rather than relying on actual values, which can result in students being compared against students with higher or lower ICSEA scores. This means that while a helpful indicator, ICSEA is not an accurate comparison of government and non-government schools for funding purposes.

The Independent Schools Council of Australia (ISCA) provides a much higher estimate, finding the aggregate savings to be \$4.6 billion for all governments across Australia.²¹ The methodology for calculating this number is unclear and therefore difficult to verify.

If a calculation were to be based solely on the Productivity Commission's findings of the difference in the average cost of educating non-government and government school students, the findings would likely be inflated. This is because of the different average SES score between Catholic and government schools.



\$480 MILLION
NSW CATHOLIC SCHOOLS SAVED
GOVERNMENT \$480 MILLION
IN 2018



\$2.56 BILLION
CUMULATIVE SAVINGS TO
GOVERNMENT FROM 2018
TO 2022



\$1.46 BILLION
CUMULATIVE SAVINGS TO
GOVERNMENT FROM 2014
TO 2017

SAVINGS TO GOVERNMENT FROM CATHOLIC SCHOOLS

EY's analysis for Catholic Schools NSW (CSNSW) identified the costs averted for governments from the operation of Catholic schools in NSW¹¹ under current funding arrangements. This figure has been calculated by a comparison of how much base funding each Catholic school student in NSW would attract from each of the NSW and federal governments under the AEA and existing funding agreements, if all NSW Catholic school students moved to government schools.

EY only referenced base funding as loadings are sector-blind, i.e. they are fully funded by government, regardless of school sector. However, a student at a non-government school will attract less base funding because of the CTC discount.

EY's methodology also accounts for the fact that very few schools are currently receiving their full funding entitlement under the AEA and are gradually transitioning to their target over the next decade. Current transition arrangements will ensure underfunded schools receive their full funding entitlement by 2023 while overfunded schools will reach their funding target by 2029.²² Currently, many schools receive less or more than 100 percent of their SRS under the AEA.

As a result of these transition arrangements, this question at hand cannot be answered by only calculating the funding each student attracts under the AEA. It therefore accounts for two scenarios: one in which each student receives their full base funding amount under the AEA (scenario 2), and one in which this is adjusted by the percentage of the SRS that each student's school currently receives (scenario 1).

Scenario 2 represents what the savings would be if Catholic and Government schools were receiving their full funding entitlement. It therefore demonstrates the *policy intent* of the current funding formula under the AEA, rather than an actual, present-day savings amount. It does not account for the fact that many schools are receiving less or more than 100 percent of their SRS under the AEA.

Scenario 1 accounts for the fact that not all schools are receiving their full entitlement under the AEA by adjusting the findings by the percentage of the SRS students at Catholic and government schools in NSW are receiving, and have received since 2014 (when the current funding model was introduced). Scenario 1 therefore reflects the current reality of school funding and demonstrates the actual savings to government.

Forecasts presented here are based on two enrolment projection scenarios calculated by EY. The first is based on a moving average of NSW Catholic school enrolments through 2012 to 2017, which can be referred to as 'historical enrolments'. The second, labelled 'fixed proportions', relies on NSW Department of Planning and Environment (DPE) population growth forecasts and assumes that until 2022, NSW Catholic schools will continue to educate its current

¹¹ This calculation includes systemic Catholic schools, which are those run by Catholic Dioceses, and non-systemic schools, run by, for example, religious orders.

proportion of students, or a 'fixed' proportion. Historical enrolments forecasts are slightly more modest than fixed proportions forecasts. Enrolment numbers are difficult to forecast given potential variation in enrolment shares between school sectors, and the possibility of population growth moving below or above current DPE forecasts, especially considering current debates on immigration.²³

EY's analysis identified that in scenario 1, under the current funding model, NSW Catholic schools saved governments \$480 million in 2018. In 2014, the aggregate savings for government were \$340 million. By 2022, the aggregate annual savings for governments will have increased to \$550 million when relying on 'historic enrolments' projections. Using 'fixed proportions' projections, the savings increase to \$570 million per year by 2022.^[11]

Each year, governments save hundreds of millions more dollars in recurrent expenditure because of NSW Catholic schools. Over the five years from 2018 to 2022, the aggregate savings to government are \$2.56 billion. From 2014 to 2017, the cumulative savings for government were \$1.46 billion.

Given current funding arrangements between the States and the Commonwealth in which the Commonwealth provides most of the recurrent funding for non-government schools and the State provides most of the funding for government schools, most of the financial benefit of supporting Catholic schools accrues to State and Territory governments. As illustrated in Figure 8, in 2018 the total savings for the NSW Government from NSW Catholic schools were \$1.69 billion. This increases to \$2.03 billion by 2022.

Figure 8 identifies the annual savings from 2018-2022 based on the more conservative 'historic enrolments' projections, while Figure 9 identifies the cumulative savings from 2018-2022. Annual savings for 2014-2017 are identified in Figure 10.

In scenario 2, which identifies the savings that would be realised if all Catholic and non-government schools were receiving their full funding entitlement, the findings show, as expected, much higher net cost aversion for governments. This is because, as a result of ambitious funding targets for government schools, government schools are often receiving less than their full entitlement under the AEA.

The findings of EY's analysis for scenario 2 identify that if all NSW schools were receiving their full entitlement under the AEA, government savings would total \$910 million in 2018. This amount would increase to \$990 million per year by 2022 if 'historic enrolments' forecasts are adopted, as identified in Figure 11. Using 'fixed proportions' enrolment forecasts, the savings would be as high as \$1.03 billion in 2022.

¹¹Limited data is available on the share of funding of NSW government schools borne by the NSW and Commonwealth Governments between 2014-2017. Some 'non-systemic' NSW Catholic school funding data was also unavailable. This means that it is difficult to calculate how costs shift between the NSW and Commonwealth Governments for 2014-2017. As a result, only aggregate cost aversion figures are included for those years. The percentage of the SRS received for these years is calculated on the basis of Senate Estimates Questions on Notice. See: Department of Education and Training. *Outcome: Schools and Youth, Answer to Question on Notice SQ15-000888*. Senate Committee: Education and Employment, Supplementary Budget Estimates 2015-2016; Department of Education and Training. *Data and modelling - School Resourcing Standard, Answer to Question on Notice SQ16-000852*. Senate Committee: Education and Employment, Supplementary Budget Estimates 2016-2017.

Figure 8: Actual Annual Recurrent Cost Aversion

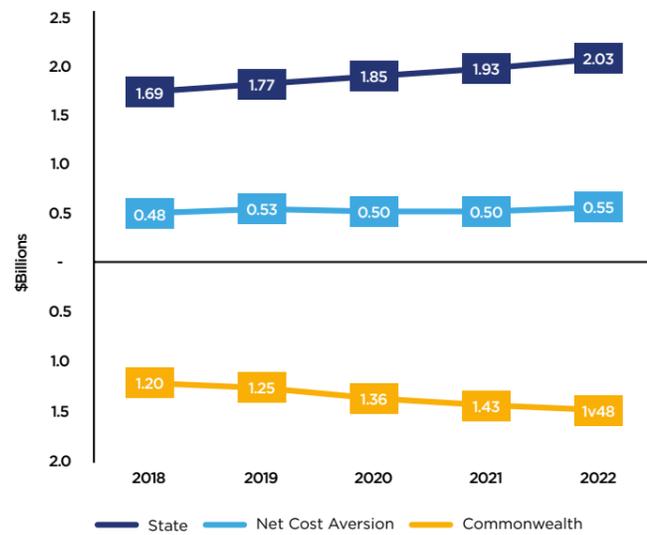


Figure 9: Actual Cumulative Recurrent Cost Aversion

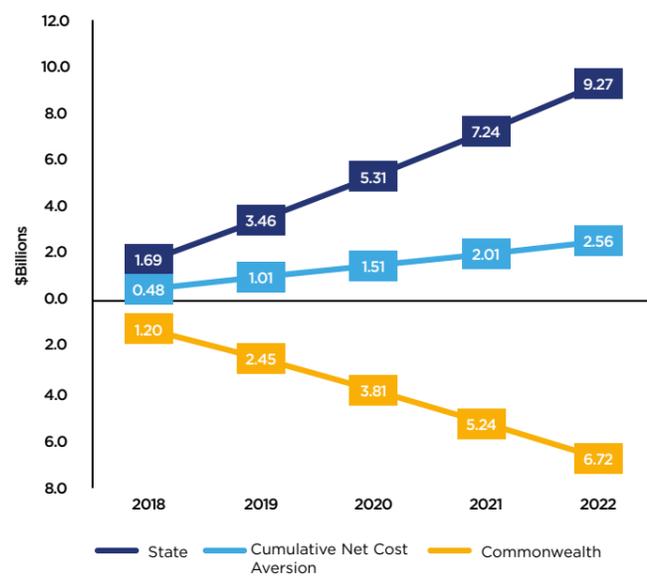


Figure 10: Actual Annual Recurrent Cost Aversion

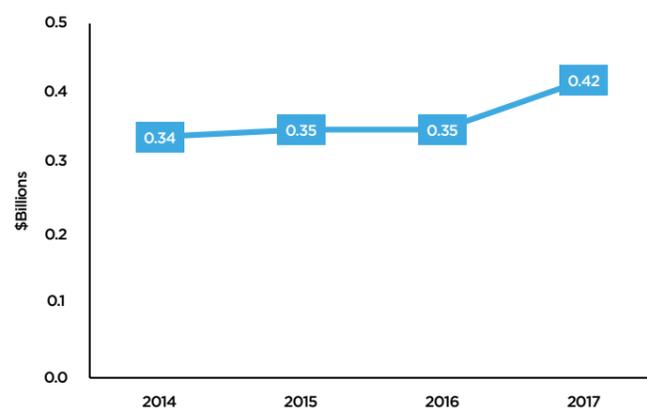


Figure 11: Recurrent Annual Cost Aversion for Government Under the AEA

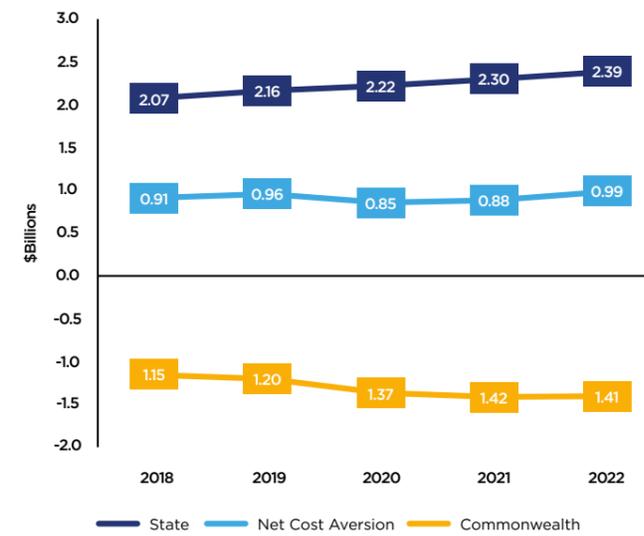
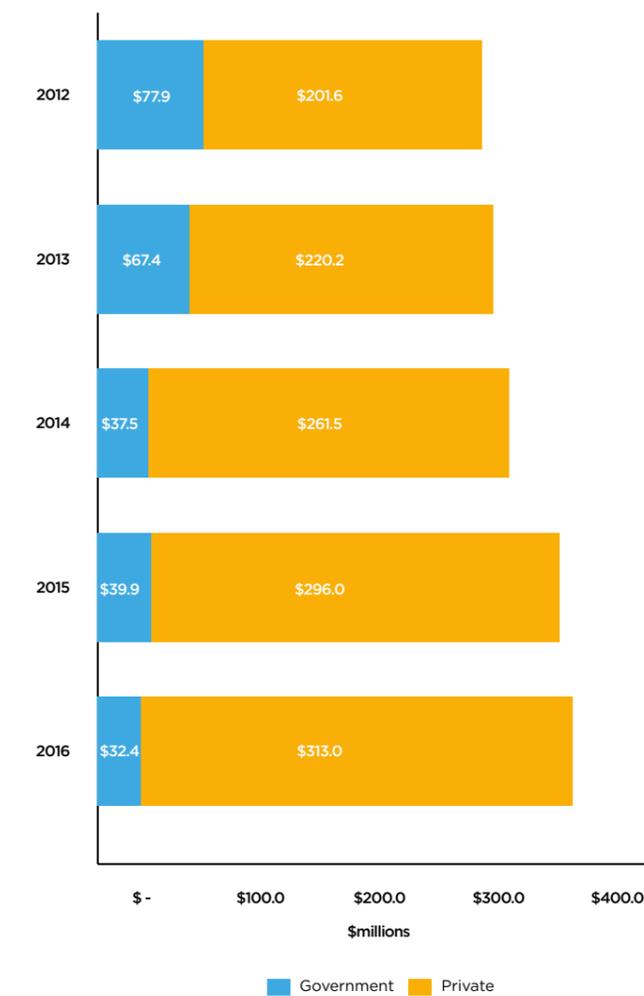


Figure 12: Catholic Schools Capital Expenditure



GOVERNMENT SAVINGS BEYOND NSW

These findings only represent the savings flowing from Catholic school enrolments in NSW. NSW accounts for around one-third of Catholic school enrolments across Australia, and 19% of total non-government school enrolments.

This means that the averted costs of \$480 million in 2018 represent only a portion of the total savings for governments from non-government schools nationally. Given the generally higher average SES of students at independent schools,²⁴ it is unsurprising that in 2016 they attracted, on average, around 80% of the recurrent government funding per student received by Catholic schools. Independent schools would therefore likely save governments even more money than Catholic schools.

NSW Catholic school enrolments make up around one-fifth of all Australian non-government sector enrolments.²⁵ Assuming independent schools had the same average SES as Catholic schools, the savings to government would be at least five times the amounts detailed above. This would put savings at a conservative minimum of \$2.5 billion for 2018. In reality, the figure is likely to be much higher considering that a student at an independent school receives on average less recurrent funding than a Catholic school peer. However, this figure is speculative, given the limited data available on the percentage of the SRS that non-government schools receive.



Building the education infrastructure for the current 255,000 NSW Catholic school students would require up to \$7.91 billion in additional capital expenditure.

CAPITAL EXPENDITURE AND FURTHER SAVINGS: HEAVY LIFTING BY FAMILIES

Non-government schools deliver further savings to governments by relieving them of much of the cost of building school infrastructure. EY's analysis included modelling on the potential capital cost of building schools for those students currently enrolled at NSW Catholic schools. This involved determining a capital cost per student for primary and secondary schools, and applying that cost per student to the current primary and secondary school enrolments at Catholic schools. The cost per student decreases as the size of the school increases, and is higher for secondary students.

EY's analysis estimated that building the education infrastructure for the current 255,000 NSW Catholic school students would require up to **\$7.91 billion in additional capital expenditure**. This finding only includes actual building costs, and does not include the cost of land. It also does not represent the total investment of families in Catholic education throughout its almost 200-year history in Australia. Many schools have been closed or re-developed, meaning that the actual historical capital expenditure would be higher given the history of turnover and reinvestment.

The source of this capital expenditure has primarily been families that choose a Catholic education. This figure therefore represents a significant outlay of cash that the NSW Government has avoided.

If Catholic schools students were to transfer to the public sector, some could be absorbed by existing government schools. However, recent figures indicate that around 600 of the state's 2200 government schools are at or above capacity while almost half (1052) were at 90% or higher.²⁶ This means that a large proportion of the 255,000 Catholic schools students could not be absorbed into existing state facilities. This underscores the point that the historical accumulation of capital assets by Catholic schools in NSW represents an avoided capital cost for the NSW Government. The continued growth of Catholic schools also represents a future saving.

According to 2016 MySchool funding data, 91% of capital spending in Catholic schools was sourced from private contributions. This reflects the history of Catholic schools whose buildings have been funded primarily by the school communities themselves. While there is limited historical data available on capital expenditure on Catholic schools, MySchool data between 2012 and 2016 illustrates their growing contribution (see Figure 12).²⁷

Current projections by the NSW Government indicate by 2031, the non-government schools sector will educate an additional 105,000 students, and the government sector an additional 164,000.²⁸ The NSW Government has therefore allocated \$6.5 billion over the next four years to support growth in public school enrolments.²⁹ If current enrolment shares are maintained, Catholic schools will need to support 56,000 additional students by 2031. While the NSW Government has indicated that it will fund a substantial increase to the capital program of non-government schools,³⁰ families will likely remain the primary source of capital funding for Catholic schools. This means continued savings in capital expenditure for government.



MAKING THE MOST OF THE EDUCATION DOLLAR

Saving taxpayer dollars is not, and should not be, the primary consideration in developing education policy. Sound education policy is about much more than funding; levels of funding are important only insofar as they support and improve educational outcomes. Recent research suggests changing school policies and practices can reduce education inequity and improve educational outcomes, without increases to school funding.³¹ This indicates policy-makers and educators should think beyond the debate about school funding for ways to improve Australia's lagging education outcomes.³²

In Australia, the amount spent on education is well above the international average.³³ It is therefore difficult to argue that simply spending more on education will deliver better educational outcomes.³⁴ However, having additional funds to invest in school education can help to drive better outcomes, so the effective allocation of available resources should always be part of the conversation about improving education outcomes.³⁵ More broadly, savings for government in one area mean the ability to invest more elsewhere, contributing to better schools, hospitals, roads, or other infrastructure.

Whether or not education funding increases, policy-makers should be held accountable for ensuring that existing education spending is a value-for-money proposition for taxpayers. Policy-makers and administrators should always be looking to use resources more efficiently and effectively in order to maximise their impact.

To expand or improve services, government can always draw down more on their taxpayers or take on more debt. For governments considering the allocation of limited financial resources, it is essential to understand that financial support for non-government schools means more resources are available to invest in government schools and other essential government services.



The public funding of Catholic schools does not detract from investment in government schools. Rather, it provides government the opportunity to invest more in government schools.

WHAT WOULD GOVERNMENTS LOSE IF THEY DIDN'T FUND CATHOLIC SCHOOLS?

Before the introduction of a comprehensive system of funding for all schools in NSW, Catholic schools were low-fee (or sometimes even free) alternatives to government schools. While early colonial governments, including NSW, provided some aid to Catholic schools, no government financial support was available from the late 19th century onwards.³⁶

To survive, Catholic schools had the benefit of a volunteer labour force in the form of dedicated religious orders. From the 1960s onwards, religious orders declined in numbers. This meant that Catholic schools could only continue to operate if they relied on salaried lay teachers to educate their students. The gradual reintroduction of state aid from this time was a critical factor in ensuring that Catholic schools were able to continue without parents having to cover the entire cost of their children's school education.³⁷

It is not easy to calculate how many Catholic school students would move to government schools if government funding were withdrawn. Some families would have the means to continue to pay the full cost of their child's school education. However, as highlighted earlier, the highest concentration of Catholic schools are in the 90-95 SES range. Catholic schools are therefore not the domain of wealthy families. Most would be unlikely to afford the additional \$10,000 per student in their family budgets to make up the difference. Without public funding, there is a real risk that most Catholic or non-government schools would become accessible only to high-income families.

Recent literature from the United States (US) identifies the cost of education at a Catholic school as a major factor in middle-class families being priced out of non-government schools. A six-fold increase in the cost of education at US Catholic schools, driven primarily by the disappearance of low-cost work-force in the form of religious congregations, saw a massive reduction in enrolments from their peak in the mid-1960s,³⁸ when Catholic school enrolments were around 5 million (from a national population of 180 million).³⁹ Today, they are less than 2 million students in US Catholic schools (and a national population of 330 million).⁴⁰ A school sector that once serviced many low and middle-income families increasingly serves high-income families. In 2015, private schooling in the US had become accessible to only 9 per cent of US residents.

The direct consequence of the removal of public funding of Catholic schools would likely be a flood of public school enrolments, requiring billions in increased government spending. The indirect consequence would be the closure of Catholic schools that would no longer be financially viable because of reduced enrolments, as has occurred in other overseas jurisdictions, and even further increased costs for government.

If all Catholic school students were to move to government schools, the net additional cost to government for 2019 for NSW alone would be \$530 million in recurrent expenditure.

CONCLUSION

This report does not demonstrate that non-government schools are cheaper to run. On average, they receive more income per student than government schools. This higher average is a consequence of the additional financial resources made available by parents who are able and willing to make a direct contribution to their children's education on top of the taxes they already pay.

Rather, this report demonstrates that under the current funding arrangements, government funding for NSW Catholic schools reduces total government expenditure on education to the tune of around half a billion dollars annually. As governments move closer to meeting their full obligations under the current funding formula, this figure will only rise.

This demonstrates that the public funding of Catholic schools, and other non-government schools, does not detract from investment in government schools. Rather, it provides government the opportunity to invest more in government schools or other essential government services.

Financial support for school choice is, therefore, ultimately cheaper for government than a public monopoly. This also indicates that government support for non-government education does not detract from government support of students at government schools. To the contrary, it frees up government funds for students at government schools.

A shift towards Government schools is therefore bad fiscal news for taxpayers because, regardless of which government pays it, governments ultimately pay more.

So in simple dollar terms, this funding mix for Australian schools is a win-win for all.

GLOSSARY OF TERMS

AEA (Australian Education Act 2013)	The Act that prescribes the government funding formula and compliance requirements for schools in Australia.
Base funding	A per student, base amount of funding for all school students in Australia, deemed the minimum amount necessary for schools to provide a quality education for a student.
Capacity to Contribute	The anticipated capacity of a school community to contribute towards the school's operating costs.
Capital expenditure	Expenditure related to creating or expanding assets, such as school buildings, land, facilities or equipment.
Capital funding	Funding given to schools to cover the cost of assets, such as new school buildings or facilities, or purchasing land or equipment.
CSNSW (Catholic Schools NSW)	The NSW Approved System Authority for NSW Catholic schools, overseeing funding, compliance, policy development and public advocacy for Catholic schools in NSW.
ICSEA (Index of Community Socio-Economic Advantage)	A measure of student advantage or disadvantage calculated for each school, based on parental occupation, parental education, school location, and proportion of indigenous students.
Loadings	Additional funding above base funding, provided for students who experience disadvantage, and intended to offset this disadvantage.
Non-systemic Catholic schools	Those Catholic schools in NSW not governed by Catholic diocesan authorities, but by congregational or individual Catholic bodies, such as religious orders.
Recurrent expenditure	Expenditure related to operations, wages, salaries, maintenance and the purchase of goods and services.
Recurrent funding	Funding given to schools to cover the day-to-day costs of educating students, including day-to-day operations, staff and teacher salaries, and the purchase of related goods and services.
SES (Socio-Economic Status) Score	A measure of socioeconomic advantage or disadvantage based on a geographical area's income, education and occupation.
SRS (Schooling Resource Standard)	An estimate of the total recurrent funding a school needs to meet the educational needs of its students. This is made up of base funding and loadings.
Systemic Catholic schools	Those Catholic schools in NSW governed by Catholic diocesan authorities.

ENDNOTES

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