School Funding Equity in Australia

A risk and resource brief on Australian schools across the government, Catholic and independent sectors

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Summary

This brief applies the first step of the framework for evaluating and reforming education finance systems (Baker, Atchison & Levin, 2026) to Australia, following analyses of Mexico, Brazil, France and the Republic of Korea. **Risk analysis** asks which characteristics of students and communities predict lower outcomes. **Resource analysis** asks whether resources are greater where those risks are concentrated, after accounting for cost factors that are not need. Australia is distinctive among the cases: about a third of students attend non-government schools that receive substantial public funding and also charge fees. The analysis covers 9,350 primary, secondary and combined schools in all three sectors from 2015 to 2025, using ACARA's open school profile data, the national school finance dataset, NSW school-level formula funding and Victorian senior secondary results.

- **Students' socio-educational background dominates risk.** ACARA's Index of Community Socio-Educational Advantage (ICSEA), built to predict NAPLAN results from parental education and occupation, remoteness and Indigenous enrolment, alone explains 73% of the variation in Victorian schools' median VCE study scores. Schools at the 90th and 10th percentiles of ICSEA differ by 7.4 study-score points (2.3 standard deviations). Once ICSEA is held constant, independent and Catholic schools do no better than government schools.
- **Government schools staff progressively.** Comparing government schools of similar size and remoteness in the same state, those at the 90th percentile of need have 1.15 times the teaching staff per student and 1.63 times the non-teaching staff of those at the 10th. The pattern has been stable since 2015.
- **The independent sector staffs regressively.** Within the independent sector, the most advantaged schools have the most staff: the teaching staff ratio is 0.72 and the non-teaching ratio 0.60. Holding need, size, remoteness and state constant, independent schools have 9% more teaching staff and 28% more total staff per student than government schools.
- **Across all schools, progressivity is modest.** Because advantaged students are concentrated in well-staffed independent schools, the all-school ratio for teaching staff is only 1.07.
- **Private income sustains the sector gap.** In 2024, independent schools received $28,643 in recurrent income per student, $14,817 of it from fees and other private sources, against $20,368 in government schools ($804 private). Government schools received the most public funding per student ($19,564), and independent schools $13,826, despite serving far more advantaged students (mean ICSEA 1099 against 1012).
- **Cost modeling is feasible with licensed data.** Open data do not support an education cost function, but school-level NAPLAN and finance data from ACARA's Data Access Program meet nearly every requirement, and would allow the Schooling Resource Standard loadings to be tested against the cost of outcomes.
- **Targeted state formulas can be strongly progressive.** NSW's Resource Allocation Model, which funds equity loadings for socio-economic background, Aboriginal background, English proficiency and disability, provides public schools in the highest-need tenth with $5,139 per student, against $772 in the lowest-need tenth.

1. Framing

The framework starts from the purpose of a school finance system: to deliver the resources schools need to give every child an equal opportunity to achieve common, adequate outcome goals (Baker, Atchison & Levin, 2026). Equal opportunity requires differentiating resources by the obstacles students face, and the evidence for those obstacles is the relationship between student characteristics and outcomes. Step 1a, risk analysis, estimates that relationship (Outcomes = f(Needs, Context)). Step 1b, resource analysis, tests whether resources rise with need after accounting for cost factors that are not need, such as school size and remoteness (Resources = f(Needs, Context)).

Australia has no constitutional right to education, but it is a party to the International Covenant on Economic, Social and Cultural Rights and the Convention on the Rights of the Child, and its national goals commit governments to an education system that promotes excellence and equity (Alice Springs (Mparntwe) Education Declaration, 2019). Since the Review of Funding for Schooling (Gonski et al., 2011), Commonwealth funding has been based on the Schooling Resource Standard (SRS): a base amount per student ($13,977 primary and $17,565 secondary in 2025) plus loadings for socio-educational disadvantage, Aboriginal and Torres Strait Islander students, low English proficiency, disability, school size and location. For non-government schools, the base amount is reduced by an assessed parental capacity to contribute, and the Commonwealth funds 80% of the resulting SRS. For government schools, states and territories are the majority funders; under the Better and Fairer Schools Agreement 2025–2034, the Commonwealth's share is to rise to 25% of the SRS by 2034, conditional on states reaching 75% (Department of Education, 2026).

Two features shape the analysis. First, about 37% of students attend Catholic or independent schools, which receive public funding and charge fees. Second, school-level NAPLAN results and school-level finance data are available only through a licensed data access program, so this brief uses open data: staffing from ACARA's school profile, finance by sector, state and remoteness from the national school finance dataset, NSW school-level formula funding, and Victorian school-level senior secondary results.

Table 1. Data sources

Domain	Source	Level / years	Use
Need and staffing	ACARA School Profile: ICSEA, SEA quarters, Indigenous and LBOTE enrolments, teaching and non-teaching staff FTE, enrolments	School; 2008–2025 (2015–2025 used)	Need index; resources
Location	ACARA School Location 2025	School	Remoteness, geography
Outcomes	VCAA Senior Secondary Completion and Achievement Information	Victorian school; 2022–2025	Median VCE study score
Finance	ACARA National Report on Schooling school finance dataset	Sector × state × level × remoteness; 2024	Income per student by source
Targeted funding	NSW Department of Education Resource Allocation Model	NSW public school; 2025	Equity loadings per student

Note: All data are openly published by ACARA, VCAA and NSW Department of Education (data.nsw.gov.au), retrieved October 2026. Special schools are excluded from the staffing analysis.

2. Risk: which needs predict lower outcomes?

ICSEA is constructed by ACARA from the proportions of students whose parents are in each quarter of socio-educational advantage (based on parental occupation and education), together with school remoteness and the proportion of Indigenous students. Its weights are those that best predict school

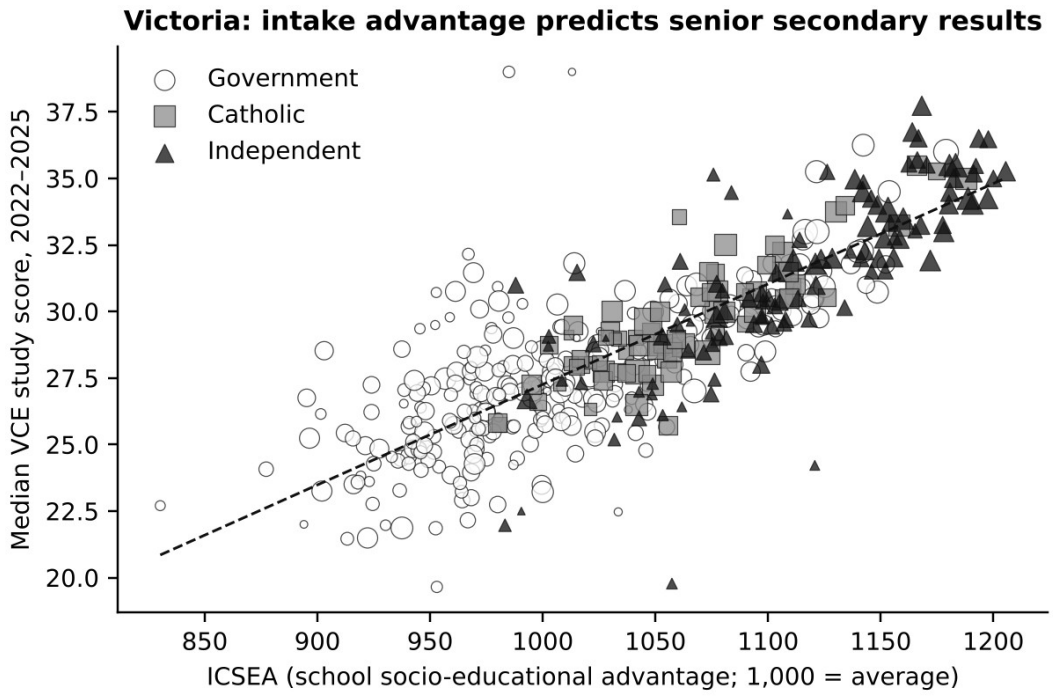
NAPLAN results, and it is scaled so that the average is 1,000 and the standard deviation 100. In the framework's terms, ICSEA is already a risk-weighted need index. Because school-level NAPLAN results are not open, its predictive validity is tested here against the one open school-level outcome measure: Victorian schools' median VCE study scores, averaged over 2022–2025 for 453 schools with at least ten VCE students.

Table 2. Predictors of Victorian schools' median VCE study score

Measure	R^2 alone	Direction
ICSEA	0.73	higher scores
Top SEA quarter (%)	0.72	higher scores
Bottom SEA quarter (%)	0.62	lower scores
Indigenous enrolments (%)	0.30	lower scores
Outside major cities	0.10	lower scores
Language background other than English (%)	0.02	higher scores

Note: Weighted by VCE enrolments. Forward selection on cross-validated R^2 (folds by local government area) selects ICSEA and the top SEA quarter share (cross-validated R^2 0.74).

Figure 1. Median VCE study score and ICSEA, Victorian schools, 2022–2025

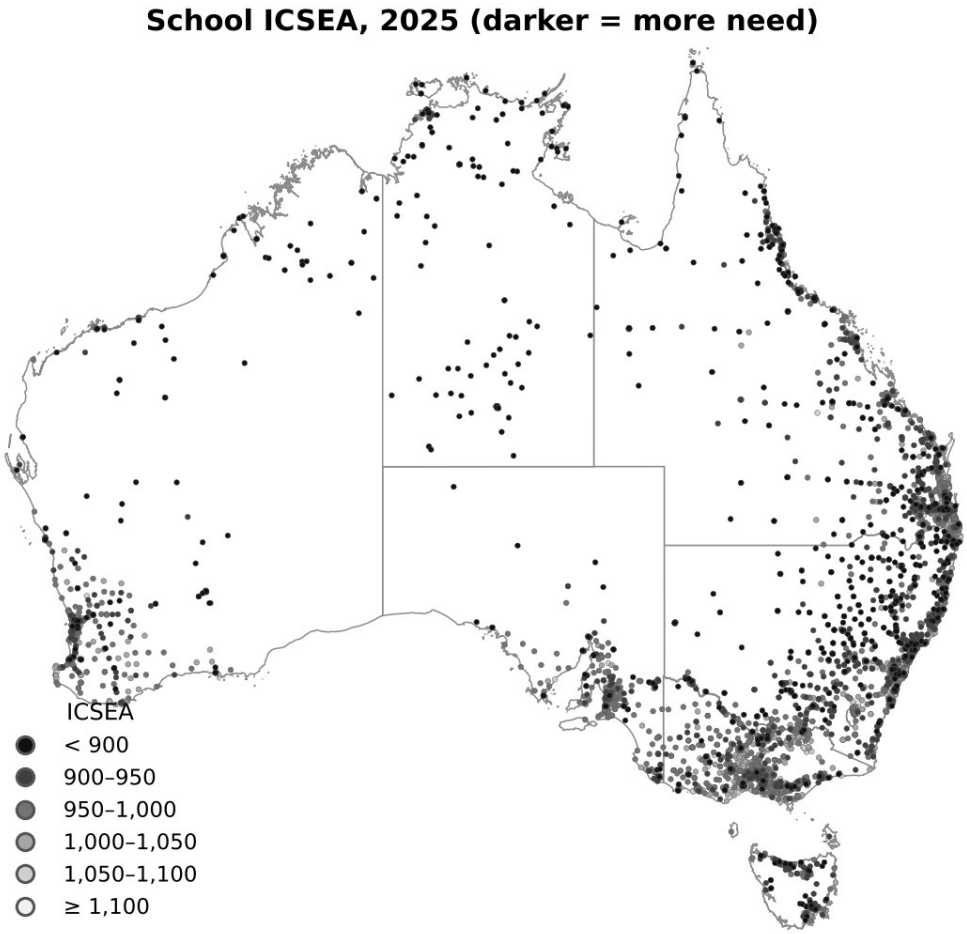


Note: Marker size proportional to VCE enrolment. Dashed line: weighted linear fit.

ICSEA alone explains 73% of the variation; adding the share of students in the top SEA quarter raises the cross-validated R^2 only to 0.74. Schools in the highest ICSEA tenth have a median study score of 34.2 and 20% of study scores of 40 or more; schools in the lowest tenth, 24.8 and 1.4%. With ICSEA held constant, independent schools score +0.3 points and Catholic schools -0.0 points relative to government schools, neither statistically significant. The higher results of non-government schools are explained by their intakes.

The need index used in the resource analysis is therefore ICSEA itself, re-expressed so that higher values mean more need: need = (1,000 − ICSEA) / 100. Across students in 2025, the 10th and 90th percentiles of need correspond to ICSEA values of about 1,142 and 931.

Figure 2. School ICSEA, 2025



Note: Each dot is a school; darker dots indicate lower ICSEA (more need).

3. Resources: do staff follow need?

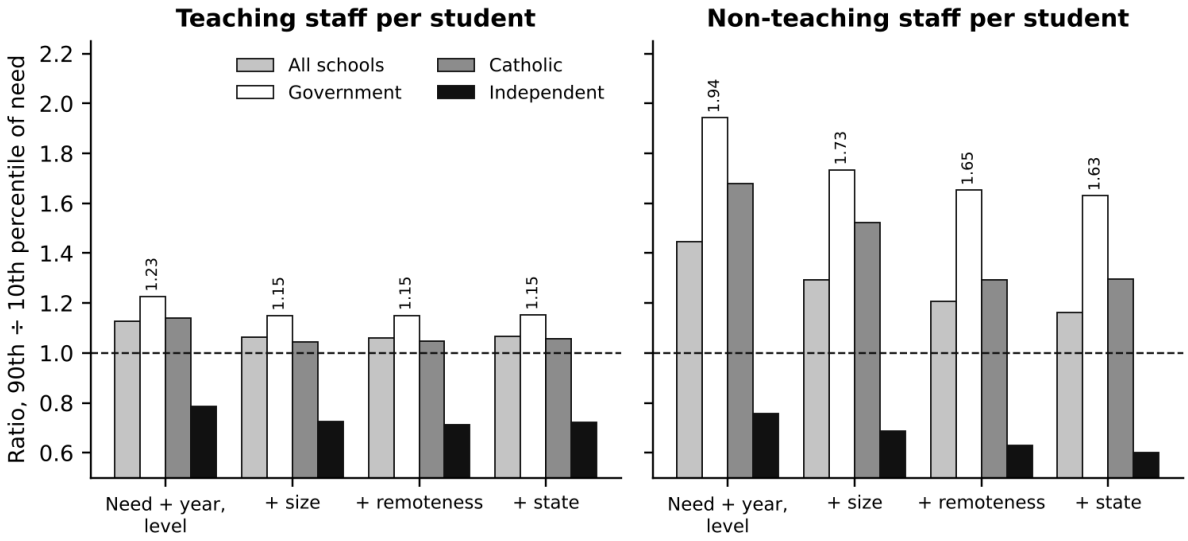
School-level finance is not open, but staffing is. Teaching and non-teaching staff full-time equivalents per 100 full-time-equivalent students are available for every school, in all sectors, from 2008. Staff costs account for most school spending. Each staffing measure (in logs) is regressed on the need index with student weights, year and school-type effects, and standard errors clustered by statistical area (SA3), in four nested specifications: need only (S1); adding a quadratic in log enrolment (S2); adding ABS remoteness categories (S3); and adding state fixed effects (S4). The summary is the ratio of predicted staffing at the 90th and 10th percentiles of need.

Table 3. Ratio of predicted staffing at the 90th and 10th percentiles of need

Resource	Schools	S1	S2	S3	S4
Teaching staff per student	All schools	1.13	1.06	1.06	1.07
	Government	1.23	1.15	1.15	1.15
	Catholic	1.14	1.04	1.05	1.06
	Independent	0.79	0.73	0.71	0.72
Non-teaching staff per student	All schools	1.45	1.29	1.21	1.16
	Government	1.94	1.73	1.65	1.63
	Catholic	1.68	1.52	1.29	1.29
	Independent	0.76	0.69	0.63	0.60

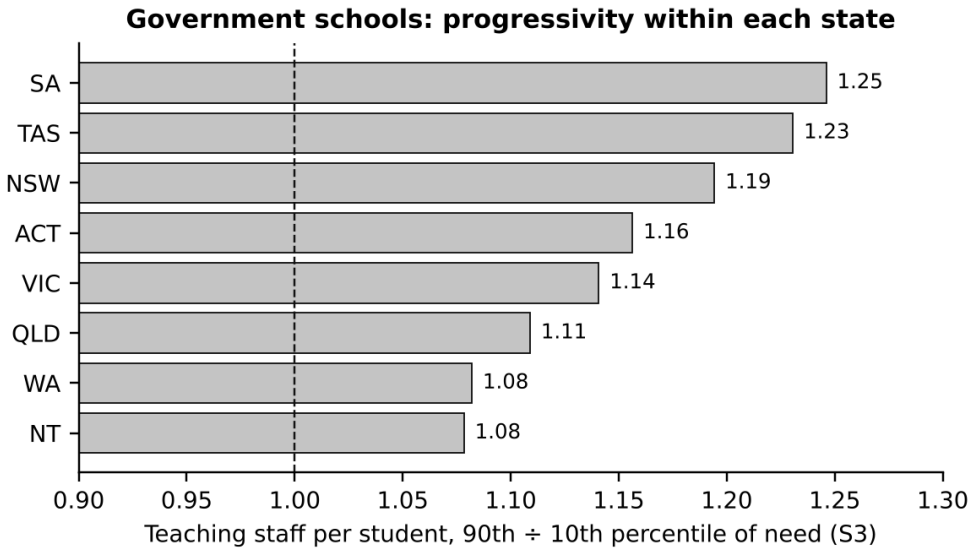
Note: 97,042 school-years, 2015–2025 (9,350 schools). S1 need + year + school type; S2 + enrolment; S3 + remoteness; S4 + state fixed effects. Percentiles of need are computed across all students in 2025.

Figure 3. Staffing at high relative to low need, by sector and specification



In government schools, staffing rises with need in every specification. Holding size, remoteness and state constant, high-need government schools have 15% more teaching staff per student and 63% more non-teaching staff, which includes education support and Aboriginal and Islander education workers. The ratio has been between 1.14 and 1.16 every year since 2015. Every state staffs its government schools progressively, from 1.08 in the least progressive to 1.25 in South Australia.

Figure 4. Teaching staff per student at high relative to low need, government schools, by state



Within the Catholic sector, staffing is mildly progressive for teaching staff (1.06) and more so for non-teaching staff. Within the independent sector, it is regressive: the most advantaged independent schools employ the most staff per student (0.72 for teaching staff and 0.60 for non-teaching staff). Comparing schools with the same need, size, remoteness and state, independent schools employ 9% more teaching staff and 28% more total staff per student than government schools; Catholic schools about the same as government schools.

Because the most advantaged students are concentrated in the independent sector, the system as a whole is much less progressive than its government sector. Independent schools enrol 44% of students in the most advantaged tenth but 2% in the highest-need tenth (Figure 5). Across all schools, the teaching staff ratio is 1.07, and most of the extra staffing in the highest-need tenth reflects small, remote schools: 19% of students in that tenth attend remote or very remote schools, and their schools average 205 students against 712 in the lowest-need tenth.

Figure 5. Staffing and sector of enrolment by need decile, 2025

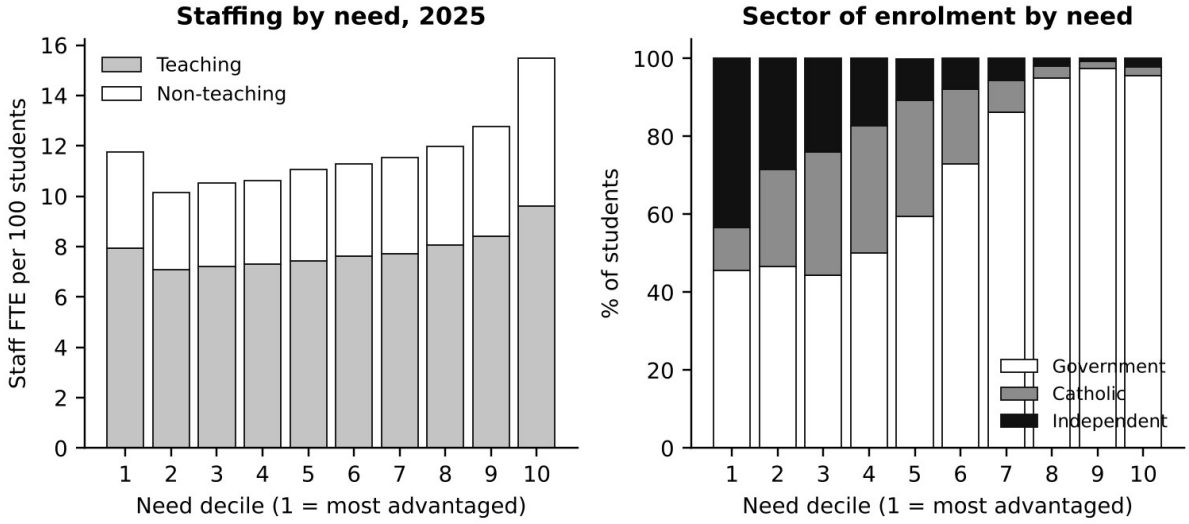
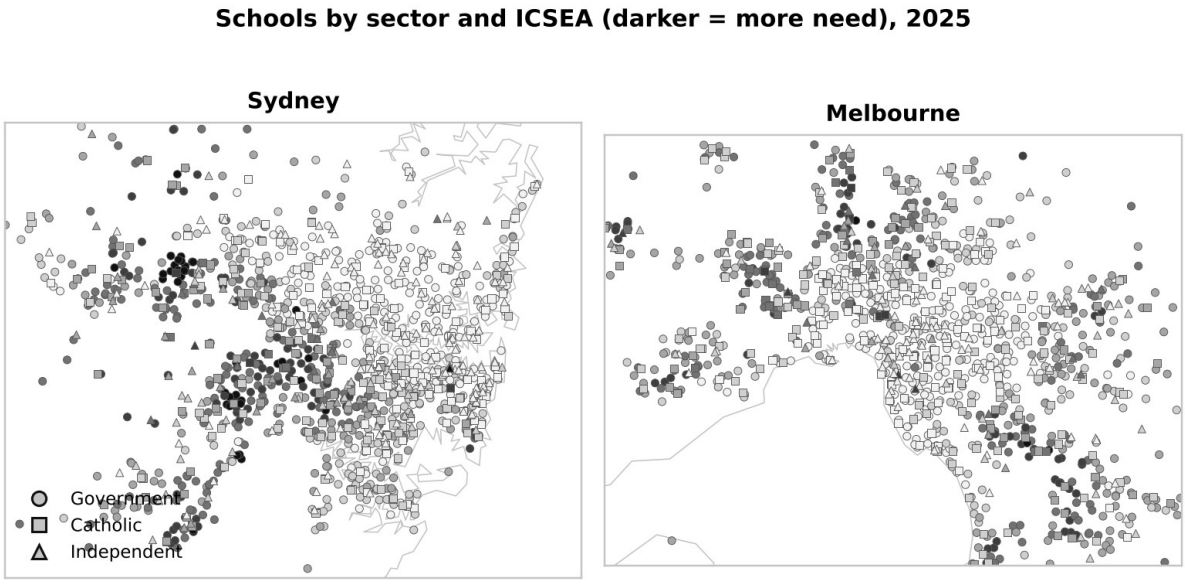


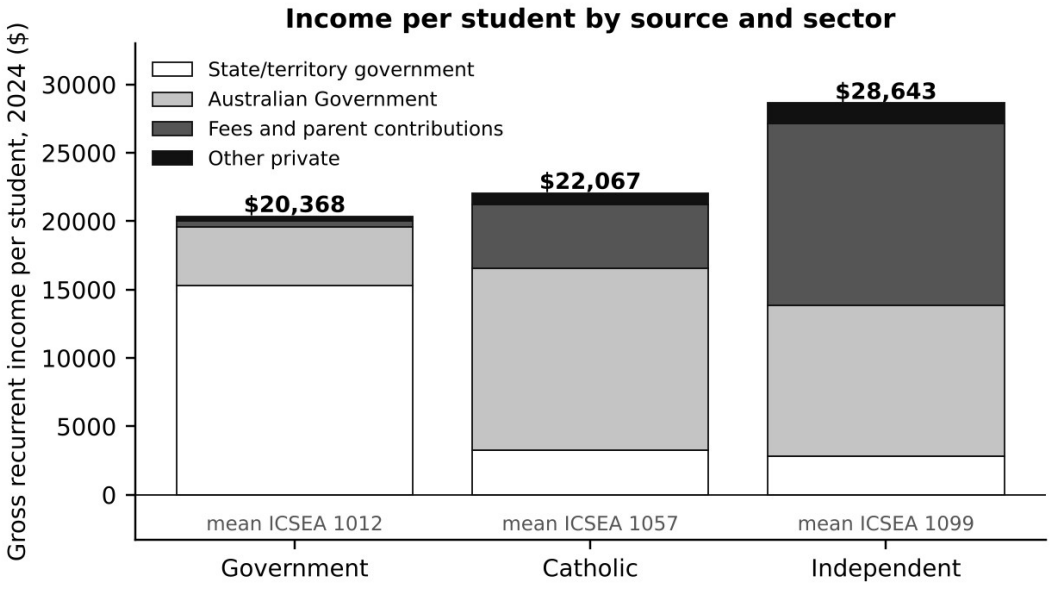
Figure 6. Schools by sector and ICSEA, Sydney and Melbourne, 2025



4. Funding by sector and source

The national school finance dataset reports recurrent income per student by sector, state, school level and remoteness. In 2024, government schools received $19,564 per student in public recurrent funding (mostly from states and territories) and $804 from fees and other private sources. Catholic schools received $16,590 in public funding (mostly Commonwealth) and $5,477 privately; independent schools $13,826 publicly and $14,817 privately, for a total of $28,643, or 41% more than government schools.

Figure 7. Gross recurrent income per student by source and sector, 2024

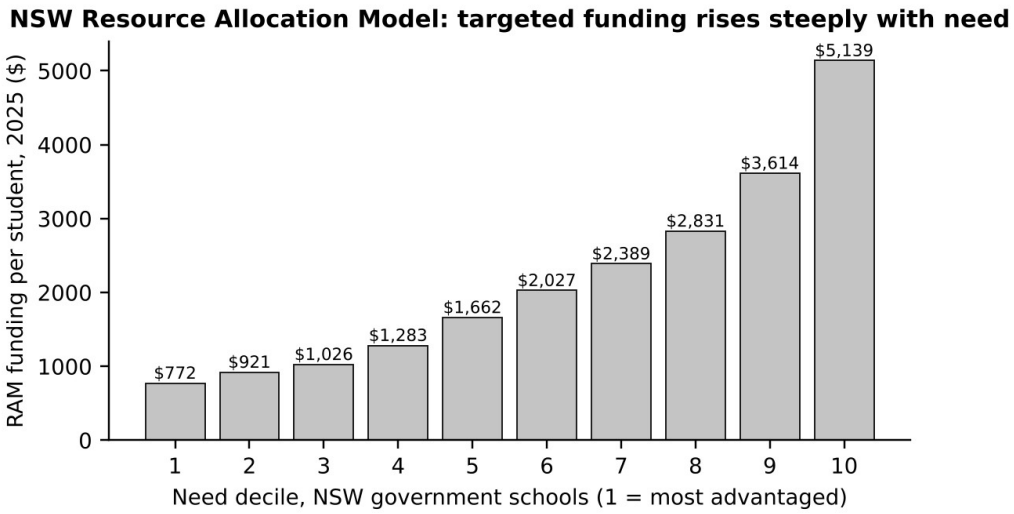


Public funding per student is higher in the government sector and rises with remoteness, from $18,166 in major cities to $37,996 in very remote government schools. But public funding does not

offset the private income of independent schools, which enrol the most advantaged students. In the framework's terms, this is a failure of fiscal neutrality across sectors: the resources available to a student depend on the capacity of families to pay fees, and the families most able to pay are concentrated in the schools with the least need.

Within government school systems, formula funding can be strongly targeted. NSW's Resource Allocation Model adds equity loadings (socio-economic background, Aboriginal background, English language proficiency and low-level disability) and base loadings for location and per-capita costs to each public school's staffing entitlement. Matched to ACARA data for 2,117 of 2,219 NSW public schools, RAM funding averaged $1,811 per student in 2025 and rose from $772 in the lowest-need tenth to $5,139 in the highest. Holding size, remoteness and school type constant, the ratio at the 90th and 10th percentiles of need is 4.6. RAM is a small share of total school resources, but it shows how a targeted component can be designed.

Figure 8. NSW Resource Allocation Model funding per student by need decile, 2025



5. Potential for cost modeling (Step 2)

Step 2 of the framework estimates what it would cost for schools serving different students, at different scales and in different places, to reach a common outcome goal. The preferred approach is an education cost function: a model of spending as a function of outcomes, student need, input prices and structural cost factors, with controls for inefficiency and with outcomes treated as endogenous. A cost function needs, at the level where resources are deployed, (1) valid outcome measures across years, (2) comparable spending, (3) need measures, (4) input price measures, (5) structural cost factors, (6) variation in spending among schools with similar needs, and (7) plausibly exogenous sources of that variation to use as instruments.

Australia already has a cost benchmark of a kind. The Schooling Resource Standard was derived by the Review of Funding for Schooling from the recurrent spending of "reference schools" in which at least 80% of students were above the national minimum standard in NAPLAN reading and numeracy, with loadings added for disadvantage, size and location (Gonski et al., 2011). That is a successful-schools approach: it estimates the cost of outcomes for schools that already achieve them, mostly low-need schools, and sets the need loadings separately rather than estimating them

from the relationship between need, spending and outcomes. A cost function would test whether the loadings are large enough.

Table 4. Data requirements for an education cost function, Australia

Requirement	Open data	ACARA Data Access Program (on application)	Assessment
Outcomes	Victorian VCE only	School-level NAPLAN results (Years 3, 5, 7, 9) and student progress, all states and sectors, since 2008	Strong with DAP; not feasible with open data
Spending	Sector × state × remoteness aggregates	School finance: recurrent income by source, capital expenditure	Strong with DAP; income rather than expenditure
Need	ICSEA, SEA quarters, Indigenous, LBOTE	Same, plus attendance; de-identified student-level data	Strong
Input prices	None at school level	Staff FTE only	Weak. Would need state teacher salary schedules or a comparable-wage index by region
Structural costs	Enrolment, ABS remoteness, school type, location	Same	Strong
Spending variation	Not observable	Large, especially across sectors	Sufficient, but cross-sector variation reflects fees, not need
Instruments	—	SRS transition paths; 2020 shift to the Direct Measure of Income for capacity to contribute; state funding agreements	Promising

Note: The Data Access Program licenses school-level NAPLAN, finance, student progress, attendance and senior secondary data to researchers under a licence agreement, with data held in Australia (ACARA, 2026).

With open data alone, a cost function cannot be estimated for Australia: there are no national school-level outcomes and no school-level spending. With ACARA's Data Access Program, every requirement except input prices is met for about 9,500 schools over more than a decade, a stronger base than most countries have. Three design issues would need attention. First, the model should be estimated for government schools, or with sector-specific terms, because spending in independent schools reflects fee income and parental preference as much as the cost of outcomes, so independent schools would appear inefficient by construction. Second, teacher salaries are set by state awards and enterprise agreements, so state effects partly capture price differences and partly policy; a regional comparable-wage index from outside teaching would separate them. Third, NAPLAN completed its move online in 2022 and introduced new proficiency standards with a break in the time series in 2023, so outcome series must be analysed separately before and after the change.

A cost function for Australian government schools would answer the question this brief leaves open: how much more than the roughly 15% extra staffing found in high-need government schools would be needed to give their students an equal chance of reaching national minimum standards. It would also provide an empirical test of the SRS loadings, which the Better and Fairer Schools Agreement now commits governments to fund in full.

6. Implications

- **The government sector's progressivity is real but modest relative to the gap it addresses.** A 15% difference in teaching staff is small against a gap of more than two standard deviations in senior secondary results. Cost modeling (Step 2) is needed to estimate what equal opportunity would require.
- **Sector structure undermines system-wide equity.** Independent schools, with the most advantaged students, have the most staff, sustained by fees on top of substantial public funding.

Equal opportunity across the system would require either directing public funding away from schools whose families can pay, or raising government-school resources well above current levels in high-need communities.

- **Full SRS funding of government schools is the minimum.** Reaching 100% of the SRS in government schools under the Better and Fairer Schools Agreement would add funding where high-need students are concentrated; the loadings determine how much of it reaches them.
- **Open data would allow full analysis.** Releasing school-level NAPLAN and finance data as open data, as England and Korea do for comparable data, would allow risk and spending analysis in dollars, across all states and sectors.

Limitations

- Staffing is measured in FTE, not dollars; staff salary costs differ by experience and sector. Finance is analysed only in aggregate cells, not by school.
- ICSEA is used as the need index; it is a validated predictor of NAPLAN results, but its weights are set by ACARA, and the open outcome test is limited to Victorian senior secondary results, which cover students who remain to Year 12.
- Special schools are excluded. Multi-campus schools are reported as one entity where ACARA rolls them up.

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