

MISSING THE FOREST FOR THE TREES: How Australia's dynamic federal structures and processes affect the school funding settlement.

*A paper submitted for the 2009 Australian Social Policy Conference:
'An Inclusive Society? Practicalities and Possibilities'*

ABSTRACT

Schools funding is repeatedly identified as one of the policy areas most in need of reform to Commonwealth-State relations. It possesses many of the said shortcomings of our federal system, including complexity, inefficiency, duplication and limited accountability. This negatively impacts upon service delivery, schooling outcomes and equity. Research to date has had little impact because it ignores the complex, dynamic and interactive nature of Australian federalism within which school funding operates. This paper argues that understanding federalism as a complex and dynamic set of governance systems, processes and structures, interacting with society and political actors and institutions, is central to understanding and enhancing Australia's school funding settlement and indeed other spheres of complex and concurrent State and Commonwealth activity. After outlining this problem and its broader federal context in detail, the paper discusses some dimensions of federal evolution and reform under the Howard and Rudd governments. It concludes by proposing a theoretical and conceptual framework, drawing on elements of new institutionalism and frame reflection, as an essential foundation for future research and reforms seeking to restore equity and fairness to Australian schooling.

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Introduction

Australia's school funding system is one of the most complex, inconsistent and opaque in the developed world.¹ Consequences of this complexity include unprecedented overlap and duplication between different levels of government; widening gaps in educational outcomes and resources between public and private, and rich and poor schools; increasing social stratification in school sectors; and limited accountability. This has led to a strong and compelling calls for the reform of the intergovernmental funding arrangements.

Federalism and the overlapping State and Commonwealth responsibility for schools is repeatedly highlighted as both a major challenge and potential vehicle for reform. Yet, while debate on both school funding arrangements and Australian federalism has reached almost fever pitch, there has been no rigorous analysis of federalism in relation to school funding in Australia – either from a political science perspective or from the education community.

Consequently, it is not known how and to what extent federalism affects Australia's school funding arrangements, including how it can enhance and obstruct policy goals.

This paper does not focus on the inequities of the current school funding arrangements, which are well established are already the subject of ongoing debate. Instead, I focus on the bigger picture, the federal system in which these funding arrangements are created and operate, which has received almost no attention, to the detriment of Australian students.

I argue that it is essential to understand Australia's dynamic federal system in order to successfully reform the school funding settlement. Indeed, without this understanding, any reform attempts – including revising funding shares in favour of the most disadvantaged schools – will be severely limited. For example, even if government funding to private schools was abolished, school funding and accountability policies and thus school outcomes, would continue to be shaped – positively and negatively – by federal processes and institutions.

I commence with a brief discussion of Australia's school funding settlement and the limitations of research to date, before placing this settlement in its broader federal context. I then underline the dynamic interactions between federal structures, processes, institutions, policy actors and values; and discuss how the evolution of the broader federal framework under Howard and Rudd affected school funding arrangements. The paper concludes by proposing a new theoretical and conceptual framework, drawing upon elements of new institutionalism and frame reflection, as an essential foundation for future inter-disciplinary research and government reforms.

¹ {Schooling Subgroup of the Productivity Agenda Working Group of COAG, 2008 #373}, p.10

Part 1: The Australian school funding settlement.

Australia's State and Commonwealth governments spend over \$34 billion each year on primary and secondary schools.² This includes funding to government schools (enrolling 66 per cent of all students)³ and non-government schools. However, the processes of school funding, including the way in which amounts are calculated, distributed and reported upon, are unavailable not only to the wider public, but to some extent even to those working in education.⁴ This administrative complexity is widely attributed to the structure of Australian federalism and overlapping State and Commonwealth responsibilities.⁵

[NB: Chart showing growth in funding, and funding split between levels of government, and government and non-government schools will be shown.⁶]

Under section 51 of the Australian Constitution, education - and by implication school funding and provision- is a residual power and rests with the State governments. This was largely the case until 1973, when the Commonwealth began systematically funding both government and non-government schools.⁷ This Commonwealth involvement is largely (but not entirely) based on section 96 of the Constitution, which allows the Commonwealth to make payments to the States on such terms and conditions as it sees fit.

This involvement has increased under every successive Commonwealth government, to the extent that education policy and schools funding have become a shared responsibility between the Commonwealth and the States. The degree to which it is

² \$34.2 billion was spent in total by Commonwealth, State and Territory governments on all schools in 2006-07. Productivity Commission (2009) 'School education' in *Report of Government Services 2009*, Canberra, Productivity Commission, p.4.4. Note that this does not include school fees paid by parents or capital expenditure by governments, which would raise the total to approximately \$37 billion (based on most 2005 figures). A. Dowling (2007) 'Australia's School Funding System', *Policy Analysis and Program Evaluation*, (Paper 1), Melbourne, Australian Council for Education Research, p.1. Available online at <http://research.acer.edu.au/policy_analysis_misc/1/> [Last accessed 2 February 2009]

³ Australian Bureau of Statistics (ABS) (2009) *Schools Australia*, Canberra, ABS, available online at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4221.02008?OpenDocument> [Last accessed 20 May 2009]

⁴ *ibid.*

⁵ See for example: L. Connors (ed.) (2007) *Making Federalism Work for Schools: Due Process, Transparency, Informed Consent*, Sydney, New South Wales Public Education Alliance; B. Lingard (2000) 'Federalism in Schooling Since the Karmel Report: From Modernist Hope to Postmodernist Performativity', *Australian Educational Researcher*, 27(2) pp.25-61; J. McMorrow (2008) *Reviewing the Evidence: Issues in Commonwealth Funding of government and non-government schools in the Howard and Rudd years*, Melbourne, Australian Education Union; Productivity Commission (2008) *op. cit.*; Independent Schools Council of Australia (2006) *Policy Positions on the Funding of Independent Schools*, Canberra, ISCA, Available online at <<http://www.isca.edu.au>> [Last accessed 24 December 2007]; J. Keating (Forthcoming) *A New Federalism in Australian Education*, Melbourne, Foundation for Young Australians; Council for the Australian Federation (2007) *Federalist Paper 2: The Future of Schooling in Australia. A Report by the States and Territories*. Melbourne, Council for the Australian Federation; Centre for Postcompulsory Education and Lifelong Learning (2004) *A New National Agenda for Education and Training in Australia. Overview Report for the Department of the Premier and Cabinet*, Melbourne, Victorian Government, Available online at <<[http://www.dpc.vic.gov.au/CA256D800027B102/Lookup/CommonwealthStateRelations_Nationalreport/\\$file/a%20new%20national%20agenda.pdf](http://www.dpc.vic.gov.au/CA256D800027B102/Lookup/CommonwealthStateRelations_Nationalreport/$file/a%20new%20national%20agenda.pdf)>> [Last accessed 17 January 2008]

⁶ Productivity Commission (2009) *op. cit.* p.4.4

⁷ Lingard (2000) *op. cit.*

shared is unique among federations.⁸ While the States have retained legislative and regulatory responsibility for education and training, a range of national agreements and Commonwealth financial conditions influence the nature of State legislation, regulation and funding.⁹ Additionally, the Commonwealth is largely and increasingly responsible for the funding of non-government schools, leaving the States responsible for government schools (which cater to a disproportionate amount of disadvantaged students), curriculum¹⁰ and registrations. This settlement, particularly the Commonwealth government's expanding role, has been largely driven by a combination of political ideology and political pragmatism, rather than constitutional fidelity or federal principles such as subsidiarity, and has been aided by increasing Commonwealth fiscal and administrative power. This settlement has resulted in significant administrative overlap, inconsistency and complexity, particularly when combined with the sectoral divisions within the school system: government, Catholic systemic, and independent.¹¹

While shared or overlapping policy responsibilities are not uncommon in Australia,¹² (or in any federation for that matter),¹³ school funding is one of the areas in which the roles of the Commonwealth and States are least clearly delineated or integrated, with funding decisions made independently by individual governments, rather than through intergovernmental planning.¹⁴ Additionally, there are different funding processes between sectors, as well as between States; and a lack of financial comparability between the States and the Commonwealth, with different accounting systems and even different reporting years used.¹⁵ This, combined with competing political agendas of different governments, has severely limited the influence and efficacy of intergovernmental institutions such as the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA).¹⁶

There is growing evidence that this settlement, particularly separate funding mechanisms for government and non-government schools, is contributing to growth of the private school systems at the expense of the government school system, and the widening gap in educational and social outcomes between public and private, and rich and poor schools.¹⁷ [NB: At this point, chart will be shown to audience, highlighting different educational outcomes, socio-economic backgrounds of students, and funding per student (government and other sources); based on school sectors.]

⁸ N. Warren (2006) *Benchmarking Australia's Intergovernmental Fiscal Arrangements*, Sydney, New South Wales Government, p.2,

⁹ Centre for Postcompulsory Education and Lifelong Learning (2004) *op. cit.*, pp.13-14.

¹⁰ The roles of State and Commonwealth Governments on school curriculum are currently under reform.

¹¹ Keating (Forthcoming) *op. cit.*, p.25; M. Angus, (2007) 'Commonwealth-State Relations and the Funding of Australia's Schools', in Connors (ed.) (2007) *op. cit.* p.27.

¹² A. Twomey (2007) 'Reforming Australia's Federal System', *Federal law Review*, 26(1) pp.57-81.

¹³ B. Galligan (2008) 'Processes for Reforming Australian Federalism', *University of New South Wales Law Journal*, 31(5) pp. 617-642.

¹⁴ Centre for Postcompulsory Education and Lifelong Learning (2004) *op. cit.*, p.13.

¹⁵ M. Angus et al. (2007) *In the balance: The future of Australia's primary schools*, ACT, Australian Primary Principals Association, p.31.

¹⁶ S. Jones (2008) 'Cooperative Federalism?: The Case of the Ministerial Council on Education, Employment, Training and Youth Affairs', *The Australian Journal of Public Administration*, 67(2) pp.161-172.

¹⁷ Connors (2007) *op. cit.*

Unsurprisingly, there is now widespread consensus that the current school funding settlement is inefficient, inconsistent, opaque, and obstructive.¹⁸ These criticisms have come from the States, Commonwealth, and all school sectors.¹⁹

Yet, while a great deal has been written on Australia's school funding arrangements, this research has severe limitations and lacuna. Foremost among these are:

- Poor methodology, including limited or skewed data, weak or non-existent conceptual and theoretical frameworks;
- A focus on the relative funding shares of government and non-government schools, and/or outcomes in terms of test scores, social equity or 'choice'. While interesting and important, these issues are tangential to the larger questions on the role of federalism.
- Trenchant ideological, political, sectoral and geographical fragmentation of researchers, lobby groups and policy actors.
- An emphasis on the Commonwealth government at expense of the broader, intergovernmental settlement, intergovernmental relations or political structures.

Most seriously, federalism is falsely characterised as static and there is an underlying assumption that rewriting the rules, or clarifying government roles and responsibilities will lead to improved services and outcomes. Evidence on this is scant either way.²⁰ What is certain is that the dynamic intergovernmental relations, institutions and processes, and their interaction with and influence on each other, with governments and with societies are rarely acknowledged, let alone rigorously investigated. This is most serious. Federalism, the system in which school funding arrangements operate, simply is not understood. And, as I argue that federalism is at the core of this research problem and reform solutions.

Part 2. Understanding federalism and its importance

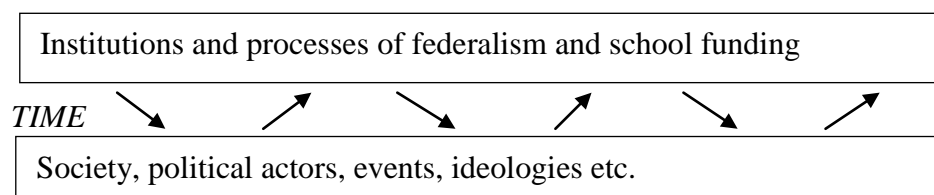
While a federation is a specific political structure, federalism is far more complex. It encompasses the dynamic relations and processes between levels of government, political institutions and actors. It is embedded in, and interacts with, society. It is the broader context or system in which the federation operates and evolves.

¹⁸ See, for example: Lingard (2000) *op. cit.*; Connors, (2007) *op. cit.*; McMorrow (2008) *op. cit.*; Dowling (2007) *op. cit.* B. Caldwell (2007) 'Options for a New Federalism in Australia', in L. Connors *op. cit.* Steering Committee for the Review of Government Service Provision (2006) *Report on Government Services 2006 (Part B: Education)*, Canberra, Commonwealth of Australia; Independent Schools Council of Australia (2006) *op. cit.*; Australian Education Union (2004) *Fact Sheet 7: How the SES funding system is flawed*, Melbourne, AEU, Available online at <<http://www.aeufederal.org.au/publications>> [Last accessed 24 December 2007]; *op. cit.*; Anderson et al. (2005) 'The Structure and Funding of the School System', *Australian Economic Review*, 38(1) pp. 83-90; S. Pascoe (2000) 'Non-government schools in Australia: The 25 Years Since the Karmel Report', in P. Karmel (ed.) (2000) *School Resourcing: Models and Practices in Changing Times*, Canberra, Australian College of Education; Keating (Forthcoming) *op. cit.*

¹⁹ Senate Employment, Workplace Relations and Education References Committee (2004) *Report on Commonwealth Funding for Schools*, Canberra, Commonwealth of Australia.

²⁰ J. Wanna (2007) 'Federalism Symposium. Improving Federalism: Drivers of Change, Repair Options and Reform Scenarios', *Australian Journal of Public Administration*, 66(3): 275-279.

W.S. Livingstone correctly identified that social forces shape political institutions.²¹ However, as Alan Cairns and Donald Smiley have pointed out, this causal relationship goes both ways: once created, institutions themselves channel and shape societies.²² The relationship between a society, its constitutions, federal structures, processes and political institutions are not static but involve continual interaction.



[Adapted from Watts (2008) p.22]

In other words, Australian federalism has evolved with Australia. As political actors, objectives and values change, so too do the institutions and the way in which the federal architecture or framework is used, which in turn, shapes the behaviour and objectives of the next set of political actors and institutions, and so on.²³

In any federation, it is these intergovernmental processes – fiscal, political etc- and the dynamic interplay between these processes, political actors and institutions within the federal framework, that are most indicative of a federation’s evolution and actual operation (as opposed to a written constitution).²⁴ These processes and interactions are also the most promising avenues for reform.²⁵

While these complex federal interactions and processes is widely acknowledged within the literature to be of paramount importance, it has received minimal analysis in the Australian context, and no significant research in regards to education and school funding. Put simply, it is not understood how federalism (in its broadest sense) has affected the creation and reform of successive school funding settlements.

Broadly speaking, the federal governance structures, intergovernmental processes and institutions most affecting school funding settlements include:

- The Constitution, including section 96, which allows for special purpose payments (SPPS) or tied Commonwealth grants in areas of State responsibility; section 51 on State responsibilities and section 91 on concurrency.
- Intergovernmental bodies, such as the Council of Australian Governments (COAG) and MCEETYA.
- Intergovernmental fiscal arrangements.
- Intergovernmental regulation.

²¹ W.S. Livingstone, *Federalism and Constitutional Change*, Oxford, Clarendon Press, 1956, pp.1-2

²² A. Cairns (1977) ‘The Governments and Societies of Canadian Federalism’, *Canadian Journal of Political Science*, 10(4) pp.695-725; D. V. Smiley (1987) *The Federal Condition in Canada*, Toronto, University of Toronto Press, Cited in R. Watts (2008) *Comparing Federal Systems*, 3rd ed., Kingston, Canada, Institute of Intergovernmental Relations, Queens University, p.21.

²³ For example, in schools policy, as the boundaries between public and private have changed, so have the governance structures and practices altered in response. J. Stewart (2005) ‘Educational policy: politics, markets and the decline of “publicness”’, *Policy and Politics*, 33(3), p.480.

²⁴ Watts (2008) *op. cit.*

²⁵ Galligan (2008) *op. cit.*

These governance structures, institutions, and processes are moderated by prime ministers, premiers and other actors such as teachers unions, who use them in different ways in pursuit of their own political agendas and core values. So, the operation - and impact - of each differs under different constellations of political power.

Let us now briefly explore the evolution of Australian federalism under the Howard and Rudd governments. This is not a comprehensive account, but simply a few snapshots to illustrate how dynamic this broader system is and how its evolution impacts on the school funding settlement. In short, it shows that correcting funding and accountability anomalies is far more complex than simply changing funding shares of government and non-government schools.

Part 3. Federal processes and their transformation under Howard and Rudd

Parkin and Anderson have identified four dimensions to the trajectory of Commonwealth-State relations in the Howard period: parallel federalism; program federalism; fiscal federalism and regulatory federalism.²⁶ While centrifugal in effect, viewing these dimensions simply as part of continued centralist trend, or even a power grab, ignores the transformation in federal processes and architecture underpinning structural changes in schooling and other areas. We will discuss the first two, which are most relevant.

Program federalism is where ‘tied grant’ programs are re-engineered as vehicles for pursuing Commonwealth policy and program priorities, resulting in much stronger Commonwealth oversight of and influence over state-delivered programs. Parkin and Anderson argue that this strategy was ramped up from the very beginning of the Howard government’s tenure.²⁷ In the schools sphere, the Howard government put advisory arrangements under direct ministerial control, in contrast to the less centralised statutory bodies favoured during the Hawke-Keating Labor era.²⁸ The Howard Government also set strong accountability and performance requirements for government schools which duplicated much of the State’s own arrangements, while leaving non-government schools relatively opaque in terms of public scrutiny.²⁹

Elements of program federalism have continued under the Rudd government, albeit in different ways and towards different objectives. Late last year, the Rudd government extended the accountability and performance reporting requirements to the non-government sector, and stated that these requirements will be in accordance with the new National Education Agreement negotiated by COAG.³⁰ Similarly, the recent

²⁶ A. Parkin and G. Anderson (2007) ‘The Howard Government, Regulatory Federalism and the Transformation of Commonwealth-State Relations’, *Australian Journal of Political Science*, 42(2)

²⁷ Parkin and Anderson (2007) *op. cit.*

²⁸ Stewart (2005) *op. cit.* p.481

²⁹ The Howard government justified this involvement stating that as the single largest funder of school education, it had the right and responsibility to set financial, policy and administrative directions and to attach conditions to ensure that important reforms are implemented. Australian Government (2004) *Government Response to the Senate Employment, Workplace Relations and Education References Committee, Report ‘Commonwealth Funding for Schools’*, Canberra, Commonwealth of Australia, p.5.

³⁰ M. Harrington (2008) ‘Schools Assistance Bill 2008’, *Bills Digest*, 37, p.2; Senate Committee on Employment, Workplace Relations and Education References (2008) *Report on the Schools Assistance Bill 2008*, Canberra, Australian Senate, p.1.

economic stimulus package, 'Building the Education Revolution', delivers \$14.7 billion to the States on the condition they it spent as soon as possible constructing or upgrading school infrastructure such as language laboratories.³¹ This tied-funding will obviously result in amendments to State government education budgets, and thus the overall school funding settlement.

Of course, the landmark reform of Commonwealth payments, replacing over 90 special purpose payments (SPPs) with six broad 'National Partnership Payments' (NPPs), represents an enormous structural shift in the operation of program federalism and intergovernmental financial relations. Indeed, Rudd referred to these reforms as keeping his election promise to 'fix federalism' and 'end the blame game'.³² The new NPPs theoretically allow the States greater autonomy in how they use Commonwealth funding to deliver programs or services in their areas of responsibility.³³ In the education sphere, COAG signed up to a National Education Agreement, which seeks to 'achieve a new era of transparency and stronger use of evidence to inform the allocation of resources'. This is accompanied by a National Partnership on Teacher Quality worth \$550 million, a National Partnership on Literacy & Numeracy worth \$540 million and a National Partnership on Low SES School Communities worth \$1.1 billion over five years, delivered by the Commonwealth Government.³⁴

The actual policy significance of the conditions embedded in conditional grants is the subject of ongoing debate. Some legal and economic analysts argue that the conditions erode State power,³⁵ while some political scientists submit that the States retain a great deal of the policy and program autonomy.³⁶ The limited empirical

³¹ Australian Government (2009) *Building the Education Revolution in secondary schools. A fact sheet*. Published online at: <<http://www.deewr.gov.au/buildingtheeducationrevolution>> [Last accessed 4 February 2009]; ABC News (2009) Rudd tells states to cooperate or lose funding, *ABC Online*, 4 February, Published online at <<http://www.abc.net.au/news/stories/2009/02/04/2481630.htm>> [Last accessed 4 February 2009].

³² Council of Australian Governments, 'Communique on meeting of 29 November 2008: Intergovernmental Agreement on Federal Financial Relations', published online 29 November 2008 at http://www.coag.gov.au/coag_meeting_outcomes/2008-11-29/index.cfm [Last Accessed 9 December 2008]

³³ Moran, T. (2008) 'Splicing the perspectives of the Commonwealth and States into a workable federation', Speech given to the ANZSOG 2008 Annual Conference, Making Federalism Work, 12 September 2008. Available online at <http://www.pmc.gov.au/media/speech_2008_09_12.cfm> [Last accessed 12 October 2008]

³⁴ K. Rudd and J. Gillard, (2008) *Media Statement: Historic Education Reform Agreement*, Canberra, Department of Education, Employment and Workplace Reform, 30 November, Available online at: <<http://mediacentre.dewr.gov.au/mediacentre/Gillard/Releases/HistoricEducationReformAgreement.htm>> [Last accessed 4 February 2009]

³⁵ See for example R. Else-Mitchell (1983) 'Unity or Uniformity?' in J. Aldred and J. Wilkes (eds) *A Fractured Federation? Australia in the 1980s*, Sydney, Allen and Unwin; R. Matthews (1983) 'The Commonwealth-State Financial Contract' in J. Aldred and J. Wilkes (eds) *A Fractured Federation? Australia in the 1980s*, Sydney, Allen and Unwin; C. Walsh (1989) 'An Economic Perspective' in B. Galligan (ed.) *Australian Federalism*, Melbourne, Longman Cheshire; L. Zines (1989) 'A Legal Perspective' in B. Galligan (ed.) *Australian Federalism*, Melbourne, Longman Cheshire; D. James (1992) *Intergovernmental Financial Relations in Australia*, Sydney, Australian Tax Research Office; cited in A. Parkin and G. Anderson (2007) *op. cit.*, p.304.

³⁶ See for example B. Galligan (1988) *Comparative State Policies*, Melbourne Longman; R. Chapman (1990) 'Australian Public Policy. Federalism and Intergovernmental Relations: The Federal Factor', *Publius*, 20(2) pp.69-89; C. Sharman (1990) 'The Commonwealth, the States and Federalism', in J. Summers, D. Woodward and A. Parkin (eds) *Government, Politics and Power in Australia*, Melbourne, Longman Cheshire; Parkin and Summers (1996) 'The States, South Australia and the Australian

research suggests that the relationship between tied funding and the locus of policy control has varied between policy areas and over time. For example, even when the conditions attached to tied grants have been detailed and restrictive, this might simply reflect the consensual outcome of genuine intergovernmental negotiation, such as the National Education Agreement.³⁷ This does not appear to have been the case under the Howard Government. It is too early to tell whether the Rudd government's momentous reforms, which commenced on 1 January, give greater flexibility and policy autonomy to States on schooling and related matters, or whether they will result in additional Commonwealth reporting and regulation, and increased intergovernmental complexity and overlap. The extent of consultation and engagement with COAG, particularly on the National Education Agreement and National Partnerships, suggests the former. However, Rudd's threat to cut Commonwealth funding to States that refuse to comply with intergovernmental agreements and Commonwealth directives suggest the latter.³⁸

Parallel federalism, 'incidences of unilateral action by the Commonwealth that bypasses, marginalises or directly overlaps with the States in areas long considered to be within their jurisdictional and program responsibilities',³⁹ is another dimension of paramount importance to the intergovernmental school funding settlement. Its use in the education portfolio dates back to the Menzies government's grants for school science blocks, parallel federalism took on particular significance under the Howard, and now Rudd governments. Under Howard, numerous grants were provided directly to schools – as opposed to state education authorities. Examples include general recurrent grants and establishment grants provided to private schools; and capital works or special grants, such as the infamous flagpole policy, which were provided to any eligible school community. The most controversial, perhaps, was Howard's changes to the funding formula for non-government schools, from the educational resource index (ERI) system to the Socio-economic Status (SES) system, which ignored a school's revenue from fees and donations.

The SES funding system was implemented without meaningful consultation with the States, and intentionally ignored the funding guidelines established by MCEETYA.⁴⁰ It resulted in greater funding – relative and absolute- to private schools, delivering funding increases to most private schools, including some of the wealthiest. This policy contributed to the destabilisation and residualisation of government schools, and higher recurrent per-capita funding costs for the State governments, who were left

Federal System', in A. Parkin (ed.) *South Australia, Federalism and Public Policy*, Canberra, Federalism Research Centre; Parkin (2007) 'Commonwealth-State Relations' in B. Galligan and W. Roberts (eds) *Oxford Companion to Australian Politics*, Melbourne, Oxford University Press; Cited in Parkin and Anderson (2007) *op. cit.* p.304

³⁷ *ibid.*

³⁸ ABC News (2009) Rudd tells states to cooperate or lose funding, *ABC Online*, 4 February, Published online at <<http://www.abc.net.au/news/stories/2009/02/04/2481630.htm>> [Last accessed 4 February 2009].

³⁹ *Ibid.* p.296

⁴⁰ In the Howard Government's own words: '[We] did not endorse the funding principles developed by MCEETYA because they were developed without consultation with the non-government sector. As the Australian Government is committed to collaboration with all stakeholders and to effective choice for parents educating their children, it could not endorse these principles as an agreed framework to apply to education funding within Australia.' Australian Government (2004) *op. cit.* p.61

with an increased proportion of socially, economically and educationally disadvantaged students.⁴¹

While direct funding to schools (and the controversial SES funding policy) has continued under Rudd, engagement with COAG has significantly increased, and more grants are now delivered to State education authorities than under Howard. The cash injections for 'Building the Education Revolution' are a case in point.⁴² However, as Gallop has noted, none of the Rudd government's education revolution reforms can be achieved without cooperation between the states and the Commonwealth. It will be interesting to see whether Rudd will adopt a uni-lateral, 'parallel federalism' approach when implementing his proposed shake-up of school funding, to be introduced in 2011.

Part 4. A foundation for interdisciplinary analysis

I propose a new, interdisciplinary approach to studies on school funding settlements, allowing the complex, dynamic nature of federalism to be taken into account. No single theoretical or conceptual approach is adequate. However, new institutionalism and frame reflection appear to be particularly novel and insightful places to begin.

New institutionalism, elaborated by James March and Johan Olsen, emphasises the interdependent and dynamic nature of political institutions and settlements, and is particularly interested in change, which it sees as a constant feature of institutions and political settlements.⁴³ It is, therefore, a particularly pertinent approach within which to initially examine the creation reform of school funding settlements within Australian federalism. Not all policy is path-dependent. New institutionalism can help us understand the evolution and interaction of political processes and actors, and identify current and alternative policy trajectories.

Frame-reflection is a tool to bridge the divide between education and public policy research. Frames help policy analysts and participants to understand more clearly what their particular perspective includes, and, just as importantly, excludes, when they engage in analysis and debate. 'Frame reflection' is the process through which these differing perspectives can be brought to fruitfully engage, instead of 'talking past each other'.⁴⁴ For example, 'Public' and 'choice' are two particularly strong value-frameworks used in the school funding debate. To what extent, does, or should, choice exist? To what extent are, or should, all schools receiving government funds be considered 'public' (considering their public mission and public funding?) How do these values shape the behaviour of policy actors, and in turn, political institutions? Do they explain the asymmetries in the current, haphazard intergovernmental funding settlement? And how can these two, competing frames, be integrated for productive discussion and reform?

⁴¹ Senate Employment, Workplace Relations and Education References Committee (2004) *op. cit.*

⁴² Australian Government (2009) *op. cit.*

⁴³ J. March J. Olsen (2006) 'Elaborating the "New Institutionalism"' in R. A. W. Rhodes, S. Binder and B. Rockman (eds) *The Oxford Handbook of Political Institutions*, Melbourne, Oxford University Press, pp. 3-22. This chapter provides an excellent introduction to new institutionalism and various elements, as well as good list of further reading.

⁴⁴ D. Schon and R. Rein (2004) 'Managing value conflict in public policy', *Governance*, 17(4) pp.457-86; Stewart (2005) *op. cit.*

Concluding remarks

Federal processes, dynamics and institutions have played a major role in shaping the creation, evolution and operation of Australia's school funding settlement. Research on this complex, contested funding arrangement must take this dynamic federal framework - and its interaction with political actors and processes- into account.

With major reform initiatives in both intergovernmental relations and schools funding currently under consideration or implementation, and in an uncertain economic climate, the need to thoroughly understand the mechanics and dynamics of current and past funding settlements within their federal framework has never been greater.

This understanding and inter-disciplinary analysis could and should contribute to the reform of school funding arrangements in Australia, potentially improving the quality, equity and accountability of school systems and schooling outcomes. This research might also provide important insight into the reform of other complex and shared policy areas such as health, and serve to enhance collaborative and effective policy-making and service delivery.

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