

School funding promises washed out as Minister relies on poor forecast

Education Minister Simon Birmingham’s reliance on Treasury forecasts to predict future school funding rates will only end in disappointment for schools across Australia, Catholic education Executive Director Stephen Elder says.

From 2021, school funding from the Australian Government will be indexed by a variable rate based on two economy-wide indexes: the Wage Price Index (WPI) and the Consumer Price Index (CPI). The Australian Government has told schools that the new index will be weighted at 75% of WPI and 25% of CPI.

‘The Government’s estimates of how much funding its new funding proposal will deliver to schools over the next 10 years depends critically on Treasury’s forecasts of future values of WPI and CPI,’ Mr Elder said.

‘In the media this weekend, the Minister has stood by Treasury’s predictions, telling Australian schools that indexation from 2021 will be 3.3%.

‘But let’s be honest: Treasury has a very strong track record in overestimating future values of the wage price index and the consumer price index.

‘The Minister’s forecast indexation rate for schools from 2021 – and the total amount of funding he estimates schools will receive – should be taken with a grain of salt.’

Catholic education says that forecasts of these variables by Treasury over the past 5 federal budget have been grossly misjudged.

Data obtained from the past 5 budgets, shows that the Treasury has over-estimated future values of the WPI and CPI in each and every budget. In those 5 budgets, the new indexation rate that will apply to school funding from 2021 has been over-estimated by about 1% on average.

Budget	Forecast year	Treasury forecast CPI	Treasury forecast WPI	Treasury forecast indexation rate for school funding (25% CPI, 75% WPI)	Financial year	Actual data CPI	Actual data WPI	Actual indexation rate for school funding (25% CPI, 75% WPI)	Actual versus Treasury forecast
2015-16	2016-17	2.50%	2.75%	2.69%	2016-17*	2.1%	1.9%	1.95%	-0.74%
2014-15	2015-16	2.50%	3.00%	2.88%	2015-16	1.0%	2.1%	1.80%	-1.07%
2013-14	2014-15	2.25%	3.50%	3.19%	2014-15	1.5%	2.3%	2.08%	-1.10%
2012-13	2013-14	2.50%	3.75%	3.44%	2013-14	3.0%	2.6%	2.70%	-0.74%
2011-12	2012-13	3.00%	4.25%	3.94%	2012-13	2.4%	2.9%	2.80%	-1.14%
Average overestimate in funding indexation									-0.96%

*Final data not available for the full financial year. Uses latest available data
All data sourced from Budget Papers (various years) and the Australian Bureau of Statistics

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With this data, Mr Elder warned that the Treasury's dismal track record in forecasting could result in funding for all schools in Australia under the Minister's 10-year being \$7 billion lower than forecast.

For Catholic schools in Victoria, funding is likely to have be over-estimated by as much as \$700 million.

Mr Elder also reiterated that, based on historical data, the new indexation rate will be unlikely to cover increases in school costs, so all schools are likely to have their funding reduced from 2021 in real terms.

'Parents and school communities should take into account Treasury's track record in forecasting the indices for future funding from 2021 – the true indexation rate for all schools from 2021 is likely to be much lower than the Minister is predicting.'

'This should be of paramount concern to all school communities across Australia.'

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