

Friday, 30 January 2026

The Hon Dr Daniel Mulino MP  
Assistant Treasurer and Minister for Financial Services

**2026-27 Pre-Budget Submission**  
**National Catholic Education Commission**

Dear Assistant Treasurer

The National Catholic Education Commission (NCEC) is pleased to share this submission to the Australian Government for the 2026-27 Budget.

**Summary of Recommendations:**

- 1. Continue the Choice and Affordability Fund as part of the formulation of non-government school funding through the life of the Better Fairer Schools Agreement**
- 2. Ensure fair and inclusive recurrent funding through a timely review of Direct Measure of Income and Capacity to Contribute settings**
- 3. Increase capital funding for non-government schools**
- 4. Provide clarity and sustainable funding for boarding schools**

**Context of Catholic Education**

Catholic education is Australia's largest non-government school provider, educating 830,000 students across 1,750 mostly low-fee schools and employing around 115,000 staff. Catholic schools enrol one in five Australian school students and operate 724 early childhood education and care (ECEC) services (including preschool/kinder, long daycare, out of school hours care and family day care).

As a universal and inclusive system, Catholic education serves families across metropolitan, regional, rural and remote areas, offering an alternative, faith-based model of schooling that has operated alongside government schools for more than 200 years.

Catholic education contributes significantly to Australia's social cohesion, workforce development, economic productivity, and budget sustainability. Families who choose Catholic schooling often do so at considerable personal sacrifice, motivated by alignment with Catholic beliefs, values and community. At the same time, Catholic schools save taxpayers billions of dollars annually through lower recurrent and capital funding requirements while still delivering strong educational and social outcomes. Catholic education benefits all Australians.

In the current economic environment, the need for secure and certain future government funding has intensified. Catholic schools and families are facing substantial cost-of-living pressures.

The Australian Bureau of Statistics (ABS) 28 January 2026 data release showed that the Consumer Price Index (CPI) rose 3.8 per cent in the 12 months to December 2025, and trimmed mean inflation was 3.3

per cent. It is important to note that, in addition to increasing housing costs (rising by 5.5 per cent), education costs rose at a higher rate than overall CPI at 5.4 per cent in the 12 months to December 2025. The ABS notes that secondary education (increase of 6.3 per cent) was the main contributor to this growth.

Staffing pressures, wage growth, and higher operating costs compound these challenges, with 70–80 per cent of school expenditure typically directed to salaries. These pressures fall disproportionately on families in Catholic school communities due to capacity to contribute (CTC) expectations of parental contribution within the current non-government funding model.

Against this backdrop, and as the government pursues major reform under the Better and Fairer Schools Agreement (BFSA), the 2026–27 Budget presents the essential opportunity to ensure Catholic school communities continue to have access to and security regarding fair, sector-neutral support and funding that recognises their contribution to national educational outcomes and fiscal sustainability.

Catholic systems and schools are bound by the BFSA (2025-2034) reform initiatives, however funding of non-government schools is provided by separate arrangements for the term 2020-2029.

### **Commonwealth Government Commitments**

Successive federal governments have acknowledged the critical role Catholic education plays in ensuring every child has access to a quality education regardless of their location, background or socio-economic status. In recognising the enormous contribution of Catholic education, the government has affirmed its commitment to providing genuine school choice for Australian families.

Ahead of the last election, the Minister for Education affirmed the Albanese government's commitment to funding arrangements for non-government schools. This included an estimated \$10.4 billion in recurrent funding for the Catholic sector in 2025, \$74.3 million through the Choice and Affordability Fund (CAF), and \$134.9 million through the Capital Grants Program (CGP), indexed in line with wage and price growth and growth in the Catholic sector.

The government also reaffirmed that future policy programs would be sector neutral—an essential principle of the Gonski reforms. This is crucial as non-government schools are often excluded from state and territory initiatives. Unfortunately, some programs, particularly the exclusion of Catholic schools from the Commonwealth Teaching Scholarships Program, departed from this principle. Such exclusions run counter to long-standing principles of sector neutrality and undermine national responses to shared challenges such as workforce stability.

### **The Choice and Affordability Fund**

The CAF was created in 2020 in direct response to structural flaws in the Capacity to Contribute (CTC) model that threatened the viability of hundreds of Catholic schools. CAF is an essential corrective to funding settings that would otherwise force widespread fee increases and/or school closures—particularly in low-fee primary schools.

CAF, which may be considered a non-continuing program in the budget forward estimates, remains essential for the effective functioning of the non-government schools funding model as it partly ameliorates the severe primary CTC that continues in the Act.

Its ongoing necessity is clear. As illustrated in the Prime Minister’s own electorate of Grayndler, there are eight Catholic primary schools that, without CAF, would have to raise an additional \$6million annually to meet the Schooling Resource Standard. Without CAF moderating the effect of the CTC, these schools will become increasingly inaccessible to middle and lower-income families. Similar pressures exist in electorates across the country.

Without CAF, low-fee schools would be unable to remain affordable, undermining the government’s commitments to school choice, equity, and housing-related population planning.

CAF is also a key mechanism for delivering government priorities—from support for disadvantaged students to responses to natural disasters—and is administered by Catholic system authorities best placed to identify real need. Annual reporting by state and territory non-government representative bodies (NGRB) demonstrate its effectiveness and alignment with national reform goals.

It is neither accurate nor feasible to treat CAF as a finite program concluding in 2029 with the end of the current funding agreement. The need it addresses is structural, persistent, and central to maintaining affordable, accessible schooling for Australian families. Financial stability through assurance of the continuation of CAF, or an equivalent mechanism, must therefore be embedded in future funding arrangements.

**Recommendation 1: Continue the Choice and Affordability Fund as part of the formulation of non-government school funding through the life of the BFSA**

CAF remains critical to ensuring that Catholic schools can meet their obligations under the BFSA and continue delivering affordable education to families at a time of rising costs. Catholic schools have been excluded from some government reform programs, and CAF fills an essential gap by supporting reform initiatives that non-government schools otherwise cannot access.

Given the growing cost pressures on families and the structural expectation of parental contribution within the non-government model, ongoing CAF funding would help maintain affordability while supporting equity, wellbeing, and reform delivery across the Catholic sector.

Extending CAF for the duration of the BFSA would strengthen sector-neutrality, uphold government commitments, and ensure Catholic systems can plan for long-term implementation of national reforms.

**Recommendation 2: Ensure fair and inclusive recurrent funding through a review of Direct Measure of Income (DMI) and CTC settings**

Recurrent funding for non-government schools is determined through application of the DMI, which assesses family capacity to contribute through income tax data consequently reducing government funding by between 10 and 80 per cent.

While this model is more equitable than earlier approaches, and Catholic education supports the continuation of needs-based recurrent funding, the model does not always reflect the diversity of school communities or the financial realities of families facing rising living costs.

The impact of DMI on schools and school systems is a key concern for the Catholic sector and needs timely review. Communities where the DMI continues to increase, tests the ability of schools to

respond and drives CTC scores higher, creating a cycle which increases school fees and makes it difficult to retain enrolments from lower-income families.

Educational disadvantage in Australia is a challenge faced across all schooling sectors, not just government schools. Catholic schools educate a substantial and growing proportion of students from disadvantaged backgrounds, students with disability, First Nations students, and play a critical role in ensuring educational equity. Over 42 per cent of Catholic school students are in the bottom two socio-educational advantage quartiles.

The term of the non-government schools funding agreement, concluding in 2029, provides the opportunity to refine the DMI and CTC methodology to ensure genuine fairness, sustained affordability, and appropriate recognition of the contribution Catholic schools make to relieving pressure on government budgets and government-run schools. ACARA data<sup>1</sup> shows that Catholic schools contribute more than \$17 billion annually to Australia's economy and recent analyses conservatively estimate that taxpayer savings in recurrent funding to Catholic schools amounts to between \$2.21 billion and \$3.19 billion annually.

### **Recommendation 3: Increase capital funding for non-government schools**

Despite identifiable need, Catholic schools have significant capital funding needs that are not sufficiently recognised in current funding arrangements.

Capital funding is overwhelmingly sourced from Catholic school communities which are funding more than 90 per cent of their annual capital expenditure. This is a need driven by enrolment growth in Catholic schools for seven consecutive years and population expansion which drives significant demand for new and expanded school facilities.

Catholic schools and school systems are impacted by the same cost of living pressures which run alongside capital costs increasing construction and maintenance costs. This is particularly pronounced in regional, rural and remote Australia, yet the CGP indexation model accounts only for capital city costs. As a result, the program does not reflect real need and has not kept pace with growth or inflation.

Increasing capital funding would allow Catholic schools to renew ageing infrastructure, expand capacity in high-growth areas, and continue relieving state and territory budgets of capital expenditure responsibilities—savings currently estimated at \$2.44 billion annually<sup>2</sup>.

The current provision of the Building Early Education Fund provides a welcome and sector-neutral approach to strengthening early childhood access, especially in areas identified as 'childcare deserts'.

Catholic education currently operates 724 ECEC services (including preschool/kinder, long daycare, out of school hours care and family day care) but demand greatly exceeds supply, particularly in regional and remote communities. Co-locating early childhood services on Catholic school sites supports continuity of learning and smooth transitions into primary school.

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<sup>1</sup> Australian Curriculum, Assessment and Reporting Authority (ACARA) [National Report on Schooling in Australia 2023](#) (non-systemic Catholic schools included in Catholic sector).

<sup>2</sup> Kathleen Burrow Research Institute (2025) [Money Invested, Money Saved](#)

Continuing to support this priority in the federal budget and providing access to non-government schools will improve access to early learning, expand provision where it is most needed, and strengthen outcomes for children and families.

**Recommendation 4: Provide clarity and sustainable funding for boarding schools**

Catholic education operates 53 boarding schools, serving more than 6,500 students including 1,188 First Nations students. Boarding is essential—rather than optional—for numerous remote and regional families, many of whom have very real learning, social and allied health needs. The operational and capital costs associated with boarding, particularly in remote areas, are significant and rising, placing strain on both schools and families. The lack of certainty in this space has led to the closure of boarding provisions disadvantaging those equity cohorts who most benefit from accessible boarding facilities.

A sustainable and consistent funding model is needed to support living expenses, wellbeing, cultural support, and the broader pastoral care necessary for boarding students. Long-term clarity is necessary to strengthen the stability of these schools and ensure regional, remote, and First Nations students can continue accessing meaningful educational opportunities.

**Conclusion**

Catholic schools deliver high-quality, affordable education while providing significant economic, social, and budgetary value to the nation. In an environment of rising costs and major system reforms, security and certainty in government funding is essential to sustain genuine school choice, equity, and stability for families across Australia.

The NCEC believes that a high-quality, affordable education that meets the needs of students and their families is the foundation for improving productivity, building economic resilience, and strengthening Australia's budget sustainability.

The NCEC welcomes ongoing collaboration with the Australian Government to ensure the Catholic sector can continue its significant contribution to national goals through a fair, inclusive, and sector-neutral approach to education policy and funding.

NCEC appreciates the opportunity to make this submission for the 2026-27 Budget. Should further information be required in relation to this submission, please contact me via phone (02) 8229 0808 or email [jacinta.collins@ncec.catholic.edu.au](mailto:jacinta.collins@ncec.catholic.edu.au).

Yours sincerely

Jacinta Collins

**Executive Director**

National Catholic Education Commission

cc: Jason Clare, Minister for Education [Minister.Clare@education.gov.au](mailto:Minister.Clare@education.gov.au) and [Jason.Clare.MP@aph.gov.au](mailto:Jason.Clare.MP@aph.gov.au)

cc: Dan Skehan, Senior Advisor Office of the Hon Jason Clare MP [Dan.Skehan@education.gov.au](mailto:Dan.Skehan@education.gov.au)