



8 FEBRUARY 2024

RE: DRAFT REPORT – FUTURE FOUNDATIONS FOR GIVING

JOINT SUBMISSION BY AUSTRALIAN ASSOCIATION OF CHRISTIAN SCHOOLS, CHRISTIAN SCHOOLS AUSTRALIA AND ASSOCIATED CHRISTIAN SCHOOLS

1. This submission is made jointly by the Australian Association of Christian Schools (AACS), Christian Schools Australia (CSA) and Associated Christian Schools (ACS). Our three organisations represent over 300 schools across Australia, with a total student population of over 150,000.
2. ACS made a submission to the Productivity Commission in respect of the Philanthropy Inquiry on 4 May 2023 (Submission #92), and we support and reiterate the statements made in that submission.

Schools and education should be valued as a charitable endeavour

3. Our member schools are disappointed that the Draft Report has failed to adequately recognise the importance and value of education as a specific charitable endeavour (and perhaps one of, if not the most, important charitable endeavour).
4. In this regard, your report identifies philanthropy as contributing to a better society (page 3). We agree, but we would suggest that the value of education is a far more important contributor to a better society. The benefits of education are delivered throughout every students' lifetime, as distinct to a philanthropic donation generally providing a single return on the investment. For this reason, philanthropic giving to educational activities must be encouraged and not dissuaded.

Government Funding is an inadequate source of funding for capital infrastructure - Schools need philanthropic donations

5. The primary focus of this submission, therefore, is to respond to your surprising recommendation that School Building Funds should not have Deductible Gift Recipient Status, and presumably should not receive philanthropic donations.
6. You suggest that "less than 5000 charities" are in this group. That might be so, but this recommendation has a far greater impact than you suggest. This recommendation is essentially an attack on the 40% of school students (and their families) who choose to attend a private school in Australia (not to mention those students who attend a government school that wisely chooses to make use of School Building Funds).

7. Your recommendation appears to be informed from a view that schools are largely government funded. Whilst this may be the case, the reality is that Government recurrent funding only covers a proportion of a school's actual costs. It is shortsighted to expect Government funding to be the sole funder of schools.
8. Indeed, government recurrent funding cannot be used for certain school activities, including funding capital infrastructure. Where government funding is available for capital infrastructure, this covers a significantly lower proportion of the costs (generally between 20 to 50% of the actual costs), and the amount of funding is calculated based on the needs of the school. The balance of the funding must be sought through alternate means.
9. Whilst our member schools strive to deliver building projects cost effectively, the reality is that building projects are expensive, with mandatory compliance obligations for every building project. Inflationary pressure has significantly added to these costs. Simply put, the capital infrastructure costs for schools are a large and ongoing part of their expenses.
10. It goes without saying that parent fees alone cannot meet this significant shortfall. This would require a significant increase in school fees, which would create further inflationary and cost of living pressure on the 40% of families that choose to send their children to private schools. Parents are already choosing to privately fund the education of their children (which ultimately lowers the cost of government needing to deliver educational services to these families). It is unfair to expect these parents to absorb these additional costs, when they already pay above their fair share.
11. For this reason, schools have historically pursued philanthropic donations, through the use of School Building Funds (just as they have wisely adopted other DGR giving to raise funds for their charitable endeavours, such as Public Library Funds, Necessitous Circumstances Funds, Scholarship Funds).

It is “fair” to include School Building Funds in the DGR System

12. You note that the DGR system should be fairer (page 16), and set out three steps for determining whether a class of charitable giving should be within the scope for the DGR system. We use those headings below, to highlight how schools, through their School Building Funds, are delivering significant benefits to the community and should be encouraged to continue in these charitable pursuits:



a. *The activity will generate net community-wide benefits.*

Schools are an obvious and significant provider of community wide benefits. Schools, by their very nature of educating children and young people, are delivering life-long benefits to the community. In our submission, there could be no greater source of community-wide benefits. Our graduates are seen as significant contributors to the community, through their employment, family commitment and voluntary services to those in need.

Additionally, our member schools are directly involved in the broader community. Their facilities are regularly made available for community activities. Their students are regular contributors to the public, through the myriad of community activities these students are engaged in (such as attending aged care homes to connect with the elderly, or providing care for young children in early learning centres).

As we identify above, these services extend to the actual use of school facilities (which have been built through the assistance of School Building Funds). In a recent survey of our member schools, they reported that their facilities (including sporting buildings and fields, toilets, classrooms and auditoriums) are regularly used by the broader community outside of schools hours, including youth groups, sporting groups, and other community organisations.

It is also worth noting that this has been a specific priority of past governments. When the Building the Education Revolution funding was devised, a specific feature was that schools would make these facilities available to community groups at a nominal cost. Our member schools have always embraced this philosophy; not only for auditoriums, but also for their broader facilities, as their desire is to equip and serve the local community.

b. *There are net benefits from providing government support for the activity through tax deductible giving.*

Again, such benefits are obvious. All schools need to build capital infrastructure to deliver their activities. As we have identified, these costs are substantial, and increasing through inflationary pressure. It is far preferable for schools to be able to raise these monies through philanthropic giving, so as to not be entirely dependent on government funding or create additional and unacceptable burdens on their enrolled families.



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- c. *The activity is unlikely to be a material risk of converting tax-deductible donations to private benefits for donors.*

It seems that this is your primary concern. However, it is difficult to understand how philanthropic giving to School Building Funds can legitimately be a risk in this regard.

Firstly, a child's education will be for a significantly shorter period of time than the life of the building. A student will be at a school for only a few short years, far less than the duration a building will be used for. The donation from any particular parent is unlikely to materially benefit that parent.

Secondly, parents of independent schools already pay school fees (which are equally set for all families within the school). Any philanthropic giving is voluntary, and in addition to parent fees. The parent derives no private benefit from making a donation (other than the personal satisfaction of donating monies to a worthwhile community service).

Thirdly, it is incorrect to assume that only parents donate to School Building Funds. This is not the case. Significantly funds are donated by alumni, extended family and friends of students, and other supporters of the College community.

In this regard, in a survey of our member schools, a significant number noted that their primary donors are former parents, alumni and other community members.

The reality is that donors choose to support projects and endeavours that they are passionate about. It should come as no surprise that this will include the schools they sent their children too, or they attended personally. We should not begrudge this giving, or criticise those who choose to give in this way to these purposes. Rather, we should value and support the willingness of these donors who sacrificially donate their funds to the charitable endeavour of education.

Tax Ruling TR 2013/2 adequately addresses your concerns

13. School Building Funds are already the subject of appropriate regulatory oversight, which adequately address your perceived concerns.
14. Taxation Ruling TR 2013/2 (which was appropriately amended in 2013 following consultation with schools) sets out the various rules and expectations that apply to the



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collection and use of School Building Fund monies. It is surprising that your Draft Report does not refer to this Tax Ruling, given our view that the application of the Tax Ruling ameliorates your concerns.

15. In this regard, the Tax Ruling requires the following:

a. That any contribution to the Fund be a gift.

By its very nature, a gift must be voluntary, and given without any expectation of a return benefit. It cannot be a “gift” where it is given with the expectation of a private benefit in return.

b. There must be a “school”.

A school is a place where people come together to be instructed in an area of knowledge, and that school must be delivering regular, ongoing and systematic instruction in a course of education. Our member schools are obviously directly engaged in this activity.

Not only that, but our member schools deliver this activity directly to children, who are most in need of education, and for whom the benefit is most tangible and long-lasting. Schools, as a place of learning and instruction, are delivering a significant public benefit.

c. There must be a “building”, being a permanent, roofed structure.

Our member school buildings are providing a long-lasting benefit to the school community (both present and future), as well as the broader community that make use of the building.

In the context of our schools, these are not elaborate and unnecessary buildings. Rather, they are appropriate designed and constructed buildings, meeting the specific need of each particular school, and being used regularly by students in the delivery of education. Our member schools routinely devise master plans, in line with their strategic objectives, that are delivered over a sustained period of time, so that every building constructed will serve the strategic objectives of the school.

d. The building must be used as a school.

This must be the substantial purpose of the building; any other use must be incidental and not change the character or the building as a school building (including by having regard to any modifications made to the building for non-school use).

All buildings constructed by our member schools are substantially used for the benefit of the school and the delivery of the school's charitable educational activities. As we have already stated, these are not elaborate and unnecessary buildings. They are the types of buildings that you would expect to see in many schools, including government schools.

Philanthropic giving reduces the burden on Government revenue

16. In your report, at page 189, you provide financial statistics regarding donations to School Building Funds and government grants for school capital infrastructure. We note that these figures seem highly speculative and we query their accuracy. However, even if one uses the figures from your report, the false economy of your recommendation becomes apparent.
17. You note that, in 2022, the Australian government allocated \$194 million to capital infrastructure for schools. As we have already noted, these monies are allocated to schools on a "needs" basis. You also assume that, in 2021, donations to School Building Funds may be approximately \$800 million. Whilst you acknowledge that your analysis is incomplete, it nonetheless highlights the significant disparity between government funding and philanthropic giving to schools.
18. If that philanthropic giving is removed, the only likely outcome is for government funding to replace the shortfall. Such an outcome, in our submission, is at odds with the underlying reason for the establishment of this inquiry, to increase philanthropy and decrease government expenditure.
19. We urge the Commission to reconsider this recommendation, and support the ongoing use of School Building Funds by schools for tax deductible giving.



20. We look forward to attending the Productivity Commission's hearing on 13 February, to elaborate on the matters we have raised herein.

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