FAITH
LUTHERAN
COLLEGE

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To whom it may concern

Faith Lutheran College submission to the Productivity Commission's Draft Report - *Future Foundations for Giving*

Introduction

The Productivity Commission's draft report into Philanthropy – *Future Foundations for Giving* – has provided a range of recommendations in relation to philanthropic giving in Australia, and Faith Lutheran College welcomes the opportunity to provide feedback.

This submission will focus on the recommendation to remove DGR status for school building funds on the basis that there is "the potential for a donor to be able to convert a tax-deductible donation into a private benefit."

We are extremely concerned that the Productivity Commission in its interim report has recommended the removal of Deductible Gift Recipient (DGR) status for School Building Funds and we believe that this action would have a significant negative impact on our community and thousands of others around Australia, and urge the Commission to reconsider.

Faith Lutheran College is in Tanunda, South Australia, and currently enrols 820 students and employs 130 teachers and other staff. Being a regional college, it contributes to the social and economic life of the community here in the Barossa Valley.

Schools as not-for-profit entities

Like most non-government schools in Australia, Faith Lutheran College is a not-for-profit entity registered with the Australian Charities and Not-for-Profits Commission (ACNC) with the charitable purpose of 'advancing education'. This recognition of the importance and public benefit of the work of schools in educating Australia's young people underpins the DGR status of the school building fund at our school and others around Australia.

The importance of building funds for schools

Across Australia, Independent school families, alumni and communities collectively contribute 86 per cent of school capital income nationally. Two-thirds of Independent schools receive no government funding for capital expenditure. In many schools, 100 per cent of capital funding is sourced from parents and school communities.

In 2021, the value of this contribution from Australian Independent school families, alumni and communities was around $1.14 billion for school building and capital works. These same families contribute around $5.7 billion annually to the ongoing costs of educating their children, with their after-tax dollars.

During 2022/23 the value of parents and community donations to capital works at Faith Lutheran College was more than $20,000 and went towards developing much-needed school infrastructure. For example, this funding was used to upgrade the Food and Hospitality learning area and student restrooms.

Any building work at Faith Lutheran College is for the use of future and current students and is also often utilised by the broader community, like the Barossa Arts Centre.

Private Benefit

The Productivity Commission has argued in its report that in the case of school building funds, there is “the potential for a donor to be able to convert a tax-deductible donation into a private benefit is especially apparent for primary and secondary education, particularly where students are charged fees.”

However, the Productivity Commission has shown no real evidence to support its argument that there is a material risk of tax-deductible donations to school building funds being converted into a private benefit.

School Building Funds support capital works programs and develop assets with a life that extends far beyond the 13 years a child spends at school. Further, it is not only the families of current students that contribute to school building funds, but alumni, community groups, and others through various fundraising activities. It is doubtful that a community member or a school alumnus – who may have left the school many years ago – could benefit directly from these donations.

And while the draft report raised the possibility of there being a link between donations and fees charged for education services, this is not the case in schools. Capital works are funded separately to the recurrent operating costs that are recouped through fees, and deductible donations to a School Building Fund, therefore, do not materially reduce the fees payable by parents.

Impact of the removal of DGR status for school building funds

Removing DGR status for non-government school building funds will shift more financial burden onto families, who already make significant sacrifices to support their children's education and are doing their best to manage the ever-increasing cost of living pressures.

For Faith Lutheran College, removing DGR status for school building funds will directly impact the school's capacity to provide our students with the best possible learning environment. This will include future building projects such as expanding our Early Learning Centre, a new and improved Wellness Centre, and upgrades to the Student Service Centre and staffroom.

Conclusion

Faith Lutheran College does not support the Productivity Commission's recommendation to withdraw DGR status from school building funds. It is concerned about the detrimental impact it could have on providing quality education nationally.

On behalf of our students, families and the wider school community, we ask that the Commission reconsider this recommendation.

Thank you for your consideration of this submission.

Anton van Breda

Business Director
Faith Lutheran College
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