



# GABRIEL FOUNDATION LIMITED

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## **Philanthropy inquiry**

Productivity Commission

GPO Box 1428

Canberra City ACT 2601

## **RESPONSE TO THE PRODUCTIVITY COMMISSION'S DRAFT REPORT ON PHILANTHROPY- *Future Foundations for Giving***

### **Introduction**

The Gabriel Foundation welcomes the opportunity to respond to the Productivity Commission's (Commission) Draft Report on Philanthropy. The Gabriel Foundation is a foundation that supports Canberra Girls Grammar School (CGGS).

This submission focuses 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 Commission in its draft report has recommended the removal of Deductible Gift Recipient (DGR) status for School Building Funds. There is no doubt this action would have a significant negative impact on the CGGS school community and thousands of others around Australia. While it is a good idea to develop a way forward to encourage philanthropy, we urge the Commission to reconsider this recommendation, which would actively discourage philanthropy.

CGGS is an Anglican school located in Canberra and currently has 1302 students enrolled and employs 400 staff, and an additional 120 volunteers. The School contributes to the social and economic life of Canberra and has done so since it was established in 1926. CGGS was the first non-government school established in Canberra.

### **Schools as not -for -profit entities**

Like the majority of non-government schools in Australia, CGGS is a not-for-profit entity, registered with the Australian Charities and Not-for-Profit Commission 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 and others around Australia.

### **Community benefits of the Independent School sector**

In Australia, education is considered a democratic right and is mandated between 5-6 years and 16 years. The economic and social benefits of education are well documented.

The Report does not address properly the community benefits that derive from the provision of education by non-government entities.

Independent Schools Australia estimates that the saving to the public purse of the Independent School sector is \$5.7b per annum. There are around 688,000 students in Independent Schools. If we assume that the figure of \$800m in donations for 2021 quoted in the draft report (p189) relates only to Independent Schools' building contributions, the maximum budget impost would be \$360m, assuming all DGR eligible contributions attracted the maximum 45% deduction for a total from governments of \$542m, which is around a third of the total capital funding of Independent School infrastructure. This a significant Public Benefit.

There is a strong argument that despite "Gonski", the funding of education in Australia is inequitable with two different funding models. Some families are prepared to pay for their children's education and others take advantage of low or no fee government-provided schools. The funding of a student in the non-government sector is based on the ability of the family to pay (based on the median family income at the school), whereas students at government-provided schools are fully funded with no measure of their parents' ability to pay required. Therefore, there is a different funding model in play for two families that have the same economic circumstances, depending on whether their children attend an Independent school or a government-provided school. The first receives funding based on the parents' ability to pay fees, while the second is fully funded. The support from taxpayers equates to less than half of the cost of education for students in Independent Schools in Australia.

To remove the DGR status for school building funds would further exacerbate this inequity. The capital support for Independent Schools through grants is only around 14% of Independent Schools' capital spend and is directed to schools with the greatest perceived need. This perceived need is again dependent on the schools' potential to raise funds. To remove the DGR incentive of donors to give to building funds is an abrogation of society's obligation to support all education.

Society should be indifferent to whether a student is educated in a non-government or government-provided school as what matters is the benefit to our society and the economic and social outcomes achieved from that education. In fact, given the success of non-government schools and the fact that they are delivering benefits at a lower cost to the public purse, there should be more, not less, incentives offered.

### **The importance of building funds for schools**

Across Australia, Independent school families, alumni and communities collectively contribute 86% of school capital income nationally. Two-thirds of Independent schools receive no government funding for capital expenditure. In

many schools, capital funding is 100% sourced from parents and school communities.

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

Over the last five years, the Gabriel Foundation has funded capital works for CGGS at the Early Learning Centre, Junior School and Senior School to the value of \$16.5m.

The Gabriel Foundation is currently funding the total redevelopment of the only oval at the Senior School at CGGS at a cost of \$7m. The oval is in a poor state and unable to be used for competition and has significantly reduced use for the Senior School. This is an essential infrastructure spend for a busy Senior School and will benefit current and future students, as well as the broader community who also utilise the oval.

### **Private Benefit**

The 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 which is especially apparent for primary and secondary education, particularly where students are charged fees.”

However, the 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 (parents and grandparents) of current students who contribute to school building funds, but alumni, community groups, and others through a range of fundraising activities. It is extremely unlikely that a member of the community, or a school alumnus – who may have left the school many years ago – could benefit directly from these donations.

Indeed, significant public benefits arise from local community use of Independent school facilities. It should be noted that non-government school facilities have been widely and regularly available in the past for general community use.

Here are a few examples of both the organised and unplanned use of CGGS facilities by the ACT community. The ACT Muslim Women’s Association has used the CGGS swimming pool to run learn to swim classes in a safe environment for many years. And, a local ACT swimming school has used the CGGS pool after school and at weekends for at least 20 years. A relevant unplanned example of the use of CGGS facilities was when Llewellyn Hall at the Australian National University was flooded some years ago and the ANU School of Music used the CGGS Senior School hall for their practices and performances for an extensive period.

Importantly, 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, so deductible donations to a School Building Fund do not materially reduce the fees payable by parents.

**Impact of the possible removal of DGR status for school building funds**

Removing DGR status for non-government school building funds will reduce contributions from donors and restrict non-government schools' capacity to meet demonstrated future demand for student places.

It will also increase the financial burden on families, who already make significant sacrifices to support their choice to educate their children in Independent Schools, while doing their best to manage the ever-increasing cost of living pressures. Potentially, schools will be forced to increase fees specifically to fund essential capital works, which in turn, may drive some families to move their children to government schools, thus increasing the cost to governments and tax payers.

It is essential that school building funds retain their DGR status so non-government schools can raise the necessary capital funding to provide school infrastructure for increasing enrolments.

For CGGS, the removal of DGR status for school building funds will directly impact the capacity of the School to provide the best possible teaching and learning environment for students.

**Conclusion**

The Gabriel Foundation does not support the Commission's recommendation to withdraw DGR status from school building funds and is concerned about the detrimental impact it would have on the provision of quality education at CGGS and nationally across the Independent school sector.

We ask that the Commission reconsider this recommendation.

Belinda Moss OAM FAICD  
Chair Gabriel Foundation

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