PRESBYTERIAN AND METHODIST SCHOOLS ASSOCIATION

2 February 2024

The Productivity Commission
Level 8
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Victoria

The Presbyterian and Methodist Schools Association (PMSA) submission to the Productivity Commission's Draft Report - *Future Foundations for Giving*

Introduction
The PMSA is a Not-for-Profit Group that owns and operates Brisbane Boys' College, Somerville House, Clayfield College and Sunshine Coast Grammar School.

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. The PMSA 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.

The schools owned and operated by the PMSA are located in South-East Queensland and currently enrols 4,805 students and employs 1,714 teachers and other staff. Our schools contribute to the social and economic life of the communities in which they are situated.

Schools as not -for profit entities
Like the majority of non-government schools in Australia, the PMSA is a not-for-profit entity, registered with the Australian Charities and Not-for-Profits Commission (ACNC) with the charitable purpose of 'advancing education and advancing religion'. 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, capital funding is 100 per cent sourced from parents and school communities. In 2021, the value of this contribution from 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.

In 2023 the value of parents and community donations to capital works at PMSA schools was $1.8m and went towards the development of much-needed school infrastructure. For example, this funding was used to build, develop or refresh sports fields, class rooms, staff facilities and boarding facilities.

Any building work at PMSA schools is for the use of future, as well as current, students and is also often utilised by the broader community including Boarders from regional and remote areas. An example of this is one of our schools will shortly be installing lights on a sporting field partially funded by donations which will facilitate use by the broader community.

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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 12 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 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.

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 the PMSA the removal of DGR status for school building funds will directly impact the capacity of the school to provide the best possible learning environment for our students. This will include future building projects such as additional General and Flexible learning areas including STEAM facilities, sporting and cultural areas.

Conclusion
The PMSA does not support the Productivity Commission’s recommendation to withdraw DGR status from school building funds and is concerned about the very detrimental impact it could have on the provision of 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.

Shane Coppin
Chief Executive Officer
The Presbyterian and Methodist Schools Association