

5 February 2024

To: Productivity Commission

Re: Submission on Draft Report – Future Foundations of Giving

We are writing this submission to the Productivity Commission's Draft Report – Future Foundations of Giving as members of the Building Fund Management Committee for Port Macquarie Steiner School.

We have read the Overview of the report and do not agree with the Commission's recommendation to remove DGR status from registered school building funds. This recommendation would in no way further the Australian Government's "goal of doubling giving by 2030". Nor does it "identify opportunities to grow [philanthropic giving] further." These are two of the key tasks for the Productivity Commission's analysis and report.

School building funds appear to have been targetted in this report, perhaps not unsurprisingly because the report identifies that building funds are the recipients in total of the second highest amount in donations of all the categories with DGR status (p. 21 of the report Overview). It is difficult to understand then, how removing DGR status from school building funds would achieve the objective of increasing giving.

The report argues that this category was created in 1954 before government increased its direct funding support of non-government schools. The report states, "Providing in-direct government support through school building funds [by income tax deductions to donors] means government funding is not prioritised according to a systemic assessment of the infrastructure needs of different schools." No, it means that individual donors can chose to direct a percentage of their income to support an individual school's infrastructure needs, because government funding support, proportioned by state government Block Grant Authorities to schools who apply for such grants, is not sufficient to meet the total costs of capital works, nor is it intended to be. Schools themselves, according to the current system of apportioning government funding fairly and appropriately, must provide a proportion of funding for capital works through whatever means at their disposal, which includes donations. We're surprised by the (seemingly) narrow understanding in the report of how government funding to independent schools is assessed by government funding bodies for schools' infrastructure needs.

The report claims "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. Potential donors are most likely to be people directly involved with the school and benefit directly from donations, such as students, their parents, or alumni." (p. 24) Where is the evidence to support this assumption? By "benefit directly" does the Commission consider that by donating to a school building fund the children of a parent making the donation would directly benefit because they may get a new classroom? What about all the other children who will be using that classroom long into the future? Is this not a benefit ultimately to the community?

Building Fund Management Committees are obliged to follow the tax laws and ensure that donations made to the fund are used strictly in accordance with those laws. This includes ensuring that there are no actual direct benefits to donors.

This argument in the report illustrates an implied suggestion by the focus of the report on school building funds that somehow independent schools, "where students are charged fees", are

considered separately to other (public?) schools in terms of their benefit to the community. Independent schools provide choice to parents for their child's education. They are an integral part of the diverse provision of schooling across the country.

To give a real-life example from our experience with Port Macquarie Steiner School, we can say truthfully that the majority of donations made to our school building fund have not been from parents or anyone with a direct involvement, and with no direct benefit to them except in the tax deductions they receive by the DGR, and the fulfillment of a genuine desire to help a small, young school achieve its goals.

We put to the Productivity Commission that people give to school building funds, in the main, out of this desire to help the education of young children. The DGR certainly provides incentive and is important to maintain. In fact, if the government wants to really encourage more giving, then opening up more opportunities to do that through expanding the DGR categories would be the way to go. We support the Productivity Commission in its recommendations towards that outcome.

We believe removing the DGR status from school building funds would be counter-productive to the government's goal of doubling giving in Australia, and encouraging opportunities for donors.

Sincerely,

Cheryl Meyer Millican

John Oxley

Port Macquarie Steiner School Building Fund Management Committee