



CANBERRA AND GOULBURN ANGLICAN SCHOOLS COMMISSION

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Philanthropy inquiry

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RESPONSE TO THE PRODUCTIVITY COMMISSION DRAFT REPORT ON PHILANTHROPY

The Anglican Schools Commission, Diocese of Canberra and Goulburn welcomes the opportunity to respond to the Productivity Commission (Commission) Draft Report on Philanthropy.

We are focussing on the recommendation that Deductible Gift Recipient (DGR) status no longer continue for school building funds. In reaching this recommendation the Commission has relied on justifications around equity and the possibility of the gaining of a personal benefit by donors.

CONTEXT

The Commission's Draft Report is recommending inter-alia that the DGR status for school building funds no longer continue. The recommendation is contained in "Part 6 – Reforming the Deductible Gift Recipient System". The Report asserts that there is a possibility that DGR donations may be converted to private benefits to donors, that the DGR status of school buildings funds is subsidised by other taxpayers with the implication that there is not a community benefit, and that this status is inequitable.

PUBLIC BENEFIT AND EQUITY

The Report in its recommendation also includes those school building funds associated with public schools. The incidence seems low as of the approximately 2,595 public schools in NSW only about 127 have DGR registered building funds ie around 5%¹. There is a spread of ICSEA scores (Index of Community Socio-Educational Advantage) in these schools and although the share of overall philanthropy (DGR) is not readily apparent it is a source of revenue for these schools. However, because of the low number we consider that their influence is likely to be small.

¹ ABN Lookup Details for ABN 18 246 198 266 NSW Government Schools DGR Status

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

Independent Schools Australia estimate that the saving to the public purse of the Independent School sector is \$5.7 billion per annum. There are around 688,000 students in Independent Schools. If we assume that the figure of \$800 million in donations for 2021 quoted in the draft report (p189) (DGRs) relates only to Independent Schools' buildings contributions, the maximum budget impost would be \$360 million assuming all DGR eligible contributions attracted the maximum of 45 percent 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.

The Anglican Diocese of Canberra and Goulburn has eight Independent Schools and these receive contributions from Governments both capital (decided on a greatest need basis) and recurrent grants that vary according to the ability of the parents to pay fees. It should be noted that at least three of those schools that receive small per capita grants of recurrent funding would also be unlikely to receive capital grants even though, in aggregate, their enrolments have grown by 14% in the last 10 years. The growth in citizens choosing to pay for their children's education in the non-government sector has substantially reduced the budget pressure for governments as it no longer has the obligation of fully funding education facilities for these students.

It should also be noted that Primary and Secondary Education is compulsory in Australia from around ages 5 or 6 to 17 years. Parents are required by law to ensure that their children take part in education. The following is a quote from the Australian Government Department of Education paper²

“There have been decades of international qualitative and quantitative research that demonstrate the positive benefits of education. Additional educational attainment develops higher skills, leading to higher rates of employment, higher productivity and higher lifetime earnings for individuals.³

The primary argument in justifying government investment in education has historically been based on these positive labour market and economic returns.⁴ However, education can also provide broader benefits for Australian society such as increased community engagement, improved family and child health and well-being, reduced tax burden for public services, a cleaner environment and reduced crime.^{5,6} Even after controlling for increases in income education still affects these social outcomes.⁷”

Australian society through our governments has mandated attendance at Primary and Secondary education for the benefits mentioned above and therefore has accepted an obligation through its taxes to contribute to the cost of that education.

² “Benefits of Educational Attainment” Australian Government Department of Education 30 November 2020.

³ OECD(2018) *Education at a Glance*, OECD Publishing, Paris; Norton A, Cherastidham I & Mackey W (2018) *Mapping Australian higher education 2018*, Grattan Institute.

⁴ Lamb, S. and Huo, S. Counting the costs of lost opportunity in Australian education. *Mitchell Institute report No. 02/2017*. Mitchell Institute, Melbourne.

⁵ *Ibid*; Behrman R & Stacey N (1997) *The Social Benefits of Education*, University of Michigan Press, Ann Arbor

⁶ OECD(2018) *Education at a Glance*, OECD Publishing, Paris

⁷ OECD (2013) What Are the Social Benefits of Education? *Education Indicators in Focus* No. 10, OECD Publishing, Paris

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. So that two families that have the same economic circumstances, the children of one that attend a non-government school and the children of the other attend a government provided school have a different funding model. 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 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 mentioned above is only around 14 percent 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 that they are delivering benefits at a lower cost to the public purse, there should be more, not less, incentives offered.

FUTURE CHALLENGES

The case for providing additional incentives to the non-government school sector is a strong one and this may need further thought regarding the methodologies best suited to deliver those incentives. The Commission’s Draft Report mentions that there may need to be incentives given to lower income earners through tax credits (Information request 4.2 p38). This provided in addition to the existing incentive for higher income earners through DGR could reduce the inevitable demand on taxpayer resources allocated to government schools given the projected growth in enrolments in non-government schools and also the need to maintain existing infrastructure in government provided schools.

The suggestion in the Commission’s Draft Report regarding tax credits could be a real incentive to the communities of non-government schools located in lower socio-economic areas. It may be that tax credits could be designed to provide incentives that mirror the top taxation rate i.e. rather than tax deductions all donors could receive a tax credit at the highest tax rate (\$0.45 per \$ donated). This would make administration of the tax system more efficient and simpler (key principles of public finance economics) and could also be adjustable for the greatest effect on the propensity for individuals to donate.

The following is a table prepared by Independent Schools Australia giving an estimate of demand for schools out to 2030.⁸

ADDITIONAL ENROLMENTS PROJECTED TO 2030

SECTOR	CURRENT ENROLMENTS 2020	PROJECTED ENROLMENTS 2025	PROJECTED ENROLMENTS 2030	ADDITIONAL ENROLMENTS 2020-2025	ADDITIONAL ENROLMENTS 2025-2030	ADDITIONAL ENROLMENTS 2020-2030
INDEPENDENT	647,371	719,688	778,390	+72,317	+58,702	+131,019
CATHOLIC	729,817	745,580	755,655	+15,762	+10,075	+25,837
GOVERNMENT	2,624,698	2,826,637	3,012,701	+201,939	+186,064	+388,003
ALL SECTORS	4,001,887	4,291,905	4,546,746	+290,019	+254,841	+544,859

PERSONAL BENEFIT

The Draft Report relies for the exclusion of school building funds on an argument regarding donors deriving benefits from their donations. This is not a compelling argument because as the Draft Report indicates there are at least 3 classes of potential donors. Students themselves, their parents and alumni. A student or their parents giving to the fund raising for a building may derive a benefit through the student's use of the building if in fact the student uses that facility however there will be a wider benefit for present and future students over the life of the building who have not made donations to that building. Further public benefits arise from ancillary local community use of those facilities. It should be noted that non-government school facilities have been widely and regularly available in the past for general community use. A recent unplanned example of this was the Canberra Capital's (basketball) game in December 2023 that used the facilities at Radford College because the planned venue was not available. In addition the ACT Government has now, as part of land allocations to new non-government schools, required the schools to make their facilities available for wider community use.

There may be an indirect benefit in fees not rising as much as they might if there was no DGR fund raising however that would depend on the financial position of the school and how much it might need to borrow and the preparedness/ability of the parents to pay the otherwise higher fees. It is difficult to see the relevance of donations from alumni as in our experience that does not lead to direct benefits for those donors.

Ruling out the potential for obtaining a benefit from a DGR donation is impossible to achieve in practice. Would one, for example, rule out someone making a DGR donation to a medical research institute conducting research into a condition they themselves have? A better test is whether benefits accrue *primarily or exclusively* to the person making the donation. It is hard to envisage many if any donations to school building funds falling foul of this test.

SUMMARY

In summary the removal of the DGR status from school Building Funds will have a detrimental effect on the delivery of education in Australia and further exacerbate the inequities in the current funding models across the education sectors in Australia. The present DGR status is a useful tool in allowing schools to either add to the limited grant funding available or where they are ineligible for grants to raise funds for capital purposes. This relieves society, through reduced government expenditure pressures on funding all primary and secondary education obligations, and from otherwise being pressured to provide more costly alternatives. Note should be given to the projections of enrolments which will only add to cost pressures for the taxpayer through the

provision of infrastructure and recurrent costs which the retention of the DGR status would assist in relieving.

This form of philanthropy should be encouraged by the retention of the present DGR status and enhanced with consideration being given to tax credits for lower income earners. Consideration should also be given to replacing tax deductions with tax credits across the board set at the highest tax rate or at a level that would maximise the propensity of all individuals to make donations.

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