

**St Michael's Grammar School
submission to the Productivity Commission in response to the
Draft Report *Future foundations for giving.***

St Michael's Grammar School is an independent, co-educational, K-12 school based in Melbourne, Victoria with a student enrolment of around 1200. We were established by the Anglican order of the Community of the Sisters of the Church as a school for girls in 1895 and transitioned to co-education almost 50 years ago, in the 1970s. The Sisters also ceded management of the School to a Board in the 1970s. We remain true to our Anglican traditions but welcome students of all faiths and have a diverse student population as a result. We also continue to be guided by the Sisters' strong commitment to social justice and community building. Our vision is that ...'*In a respectful co-educational environment our students demonstrate daily the power of confident, forthright young people, working in synergy to solve the challenges of today and tomorrow.*'

We strongly support the Productivity Commission's inquiry to explore how we collectively might increase philanthropic giving in Australia and appreciate the opportunity to provide a response to the draft report. Our response centres on the findings relating to the Deductible Gift Recipient (DGR) status of donations to Schools.

In particular, we wish to address the recommendation in the interim report to remove Deductible Gift Recipient (DGR) status for School Building Funds, and we believe that this action would have a significant negative impact on our School and our broader community.

As with most non-government schools in Australia, St Michael's is a not-for-profit organisation, registered with the Australian Charities and Not-for-Profits Commission (ACNC). Our activity is summarised as follows:

St Michael's Grammar School provided education services to a range of students with a range of demographic backgrounds. Some families receive assistance through scholarships or bursaries. These are funded through donations and bequests made to the School. Members of the School community donate their time to a range of school events, functions and committees.

The Productivity Commission has put significant emphasis on the importance of addressing areas of greatest need. It is surely beyond doubt that education is an area of high importance for Australia, and indeed for every nation, and that education provides broad community-wide benefits.

Our current national education system, below the level of tertiary institutions, is comprised of government, Catholic and independent schools. Australia, as a nation, has a higher proportion of students attending non-government schools than most countries. Around 60%

of students attend government schools and around 40% attend either Catholic or independent schools. All three categories receive government funding from both Federal government and their respective State governments. For Catholic and independent schools this is for a clearly defined purpose for which schools are fully accountable.

St Michael's receives a Schooling Resource Standard (SRS) allocation each year based on its student enrolment adjusted for the School's capacity to contribute (CTC). When calculating the value of the SRS, the Australian Government explicitly excluded the capital costs of school education.

Capital works at the School are funded through parent fees, and to a far lesser degree, philanthropy. In most cases it is necessary for the School to borrow money and then repay it over a period of years.¹ The School does not hold significant endowed funds in its Building Fund. We believe that this is the case with most non-government schools.

We are also committed to making our facilities available to the broader community, subject to the constraints of our own needs and child safety and child safeguarding issues. We have a range of partnerships with external bodies which routinely involve the use of our facilities. This can be on a reciprocal basis (in exchange for use of other facilities off-campus), sometimes we ask for a small fee to cover security or cleaning but often facilities are offered at no charge. Increasingly we are looking to collaborative arrangements for the joint development of facilities that will both assist our students and benefit the broader community.

Funding for school infrastructure has emerged as a significant issue for both government and non-government schools. It is apparent that governments are struggling to maintain and upgrade existing school facilities in government schools and that there will be a need to make enormous investments to meet future demand. Private investment, by way of the fees paid by parents to educate their children at non-government schools, and through philanthropic gifts from parents and others committed to the school clearly alleviates the pressures on governments to contribute to the capital requirements of these schools. Removing the DGR status of Building Funds surely creates greater pressure on government.

Across Australia, non-government school families, alumni and communities collectively contribute over 80 per cent to school capital expenditure. Around two-thirds of non-government schools receive no government funding for capital expenditure and those that do are mainly specialist schools or in remote locations. As with St Michael's, in many schools, capital funding is entirely sourced from parents and school communities.

It is also suggested in the Commission's draft report that 'significant benefits accrue to individuals donating to School building funds'. It is not clear what the evidence is for this, but it is at odds with the existing Australian Taxation Office (ATO) guidelines which explicitly

¹ We cannot find any School records that indicate that the government has contributed to capital works at the School.

state that to be eligible for a deduction – ‘It must truly be a gift or donation – that is, you are voluntarily transferring money or property without receiving, or expecting to receive, any material benefit or advantage in return. A material benefit is something that has a monetary value.’

The ATO is even more explicit when it comes to donations to School building funds as it provides an example specifically referencing the fact that you cannot claim a deduction for - ‘payments to school building funds made in return for a benefit or advantage – for example, as an alternative to an increase in school fees or placement on a waiting list.’

As there is already a mechanism in place to prevent donors from receiving a personal benefit from a donation and in the absence of any substantive evidence of the prevalence of the abuse it seems an overreaction to remove DGR status from all School Building Funds for this reason.

In summary we strongly believe that removing DGR status for non-government school building funds will shift more financial burden onto families who are already making a sacrifice to send their child to a non-government school, will impact the capacity of schools to provide the best learning environment for students, all of whom are entitled to access such facilities, and will put greater pressure on governments to provide increased capital funding to schools. It will therefore not achieve the stated goals of the inquiry.

Your further consideration of these issue before finalising your report would be appreciated.

Mr Gerard Houlihan
Head of the School