

## Inquiry into Philanthropy in Australia – *Future Foundations for Giving* Response to the Draft Report 9 February 2024

### Background - Why this Inquiry?

According to the Draft Report into the *Philanthropy Inquiry, Future foundations for giving* produced in November 2023, the Productivity Commission has been asked by the Treasurer, Dr Jim Chalmers, to analyse motivations for philanthropic giving in Australia and identify opportunities to grow it further.

### Educate Plus Contribution

This is an important piece of research that will frame future philanthropy in Australia and Educate Plus was delighted to contribute substantive recommendations and practical suggestions on how to achieve the ambitious goal of increasing philanthropic support in Australia.

### Areas of Agreement

The report highlights various findings and makes recommendations that would potentially increase philanthropy and achieve the brief as identified in this Inquiry.

Our members work in Advancement in schools, residential colleges and universities and, for the purpose of this submission, we are particularly focussed on those working in fundraising in schools.

We are in total agreement with the following findings of the Report:

- Donors to education have increased their giving by at least 26% since 2017
- They tend to give more with increased income
- Donors give for different reasons to causes they believe in (education broadly and directly to the community in which that educational institution finds itself)
- Their philanthropy contributes to a better society and a better Australia
- Volunteering is decreasing and emphasis on supporting that is crucial
- Donors are seeking less complexity in making a gift
- Tax incentives directly impact on philanthropy
- Reform is needed to make it easier for donors to give

Also worth noting, trends indicate that because fundraising as a profession, particularly in schools, is becoming more sophisticated with more investment in skilled fundraising practitioners, the overall culture of philanthropy is becoming more entrenched at an earlier age thus contributing to the overall increase in philanthropy in Australia.

### Support for Recommendations

We are in broad support of the following recommendations and are willing to assist in providing the information requests for those recommendations:

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|----------------------------------|--|
| <b>Draft recommendation 4.1</b>  | Remove the \$2 threshold for tax deductible donations  |
| <b>Draft recommendation 6.2</b>  | Supporting reforms to improve (and simplify) the deductible gift recipient (DGR) system<br><b>Note:</b> We do not support the Commission's application of the framework to school building funds |
| <b>Draft recommendation 7.5</b>  | Explicitly consider the effects on volunteers when designing policies and programs   |
| <b>Draft recommendation 9.1</b>  | Creating more value from the data held by Australian Government agencies   |
| <b>Draft recommendation 9.5</b>  | Improve the usefulness of public information sources on volunteering   |
| <b>Draft recommendation 10.1</b> | Establishing an Aboriginal and Torres Strait Islander philanthropic foundation   |

### Areas of Disagreement

It is an oft assumed premise when discussing Independent schools that they are all alike - large, wealthy, well-resourced and that they draw donors from the top end of philanthropy. Of course, these schools exist, and they do exceedingly well in their philanthropy programs but as a membership organisation, the vast majority of our Educate Plus members are smaller Independent schools often based in the outskirts of cities, in regional Australia or are systemic faith based schools that draw students from a wide SES landscape. If the Commission is taking a principles-based approach to this Report and aiming for equity, it is important to consider the impact on smaller communities who will fall further and further behind in their philanthropic programs if the incentives to donate are curtailed.

### Draft Recommendation 6.1

We fundamentally disagree and challenge the Commission's recommendation that DGR status be withdrawn from school building funds.

### Counterarguments

In our opinion, the rationale applied by the Productivity Commission does not support the overall brief of this Inquiry for the following reasons:

- According to the Commission's Draft Report, school or college building funds are the second largest concentration of DGR in Australia, and in 2020 – 2021, over \$4.4 billion was donated through tax-deductible donations by individuals.

Limiting or withdrawing tax incentives which, according to the Commission's Draft Report, contribute to giving, will not be a positive enabler to doubling or even increasing philanthropy by 2030. It will, in fact, have the adverse effect.

There is no evidence that if donations are not given to school building funds because there is no tax deductibility, that those donations will then be given to other causes. The outcome will, therefore, be a reduction in overall philanthropic giving in Australia and not the increase proposed by the Commission.

- The Commission states that its recommendations are based on data and research, yet the Draft Report does not include any data around this recommendation. Please could you provide the data that supports the Commission's premise that a potential risk exists that parents are being charged lower fees as a direct reward for giving to building funds with DGR?

Legislation already exists to prevent donors receiving a substantive benefit as a result of their gift (ATO rules). Additionally, schools who are actively fundraising have governance and ethics standards that they abide by so as NOT to deliberately create any personal gain to donors. ②

The construction cycle of larger building projects often equals or extends beyond the school life-cycle of a student so any personal benefit of a newly constructed building is mostly felt and experienced by future generations. The notion of 'paying it forward' or providing for future generations is a core focus for many building projects and is the foundation on which more established schools build their philanthropy programs.

- Scant reference was made in the Report about the wider community benefit and impact that projects delivered through school building funds have made possible. Many schools have more externally focussed engagement with and support of their local community as a strategic priority. This would also be hugely impacted should donating to school building funds decrease as a result of the withdrawal of DGR incentives. Many of these community focussed facilities benefit regional and Indigenous communities where larger philanthropic programs are more difficult to implement or take longer to complete, but where they also have very considerable impact across those communities.

- Creating state-of-the-art facilities for our young people to learn in not only benefits the individual students but contributes to the overall quality of education in Australia. With over 776,657 additional enrolments in Government, Catholic and Independent schools between 2000 – 2022 ①, the Government is unable to keep pace with infrastructure demands without individual support through philanthropy.

### Data and Feedback

[Educate Plus](#) and [CASE](#) (Council for Advancement and Support of Education) ③ are two of the largest membership organisations supporting those in education who handle fundraising in schools in Australia. When the Draft Report was released, we immediately collaborated and consulted with our members to gather data that could better inform this discussion. Our members are very keen to engage in more profound discussions with the Commission, offer real-life insights and provide data sourced directly from Australian schools.

We held a webinar, open to anyone working in fundraising in schools, and over 130 people registered including Heads of School, Directors of Philanthropy, Foundation Managers and Business Managers.

We discussed the Draft Report and stressed the need for real data to share with the Commission.

Herewith the findings of a survey we distributed to our members: (Survey results are available on request)

- Participants represented every state in Australia (except the ACT)
- 84.62% were from Independent K – 12 schools
- Over 30.77% have raised more than \$5,000,000 philanthropically in the past five years
- 73% indicated an increase in donors to the Building Fund compared to no increase to the Library Fund and 61.54% increase to the Scholarship Fund
- 96% of their donors included tax deduction as one of their primary giving motivations
- Over 80% of survey participants believed there would be at least a 75% decline in gifts if DGR status were to be withdrawn from school building funds
- On average, between 30 – 56% of donors to the Building Fund were current parents. The majority were Alumni or friends who have no immediate and personal involvement in the school
- Community projects supported by building projects in the past five years included:
  - Community and Arts Precincts
  - Sport facilities
  - Boarding facilities with bespoke support for regional and Indigenous students
  - Boarding facilities to foster international exchange programs
  - Community Centres
  - STEAM Centres
  - Music Centres
  - Car parks which reduce congestion on local streets
  - Wellbeing studio - Purruna Centre (Scotch College, Adelaide) opened in February 2023 and has been made available to the local community in a range of different contexts:
    - Through partnership with the YMCA, the majority of the building is available for public use on a daily basis
    - Local sporting clubs and associations use the facilities weekly
    - The aquatics facility is the largest provider of swimming lessons in the LGA, and the only pool available for public swimming
    - A range of external allied health professionals use the treatment and consulting rooms in the building, providing mental health, paediatric developmental and physiotherapy services to the local community
    - The building has hosted community events, educational conferences and Adelaide-wide student events.

### Feedback from the participants (actual quotes drawn from the survey)

- All of our buildings are made available to our local community including our pool, aths track, gymnasium, soccer and hockey pitches, AFL oval, Science building, chapel, and the newly developed Community & Arts Precinct. In particular, sporting clubs, dance schools and other local primary schools use our facilities on a regular basis as they are unable to access these types of facilities anywhere else in order to deliver their sporting/performing arts/dance programs. Without the use of our facilities, these clubs would not be able to sell or provide their products and services to our local community. This means they would cease to operate which would reduce the amount of co-curricular opportunities for all students and children on the Mornington Peninsula and negatively affect the local economy – *School in VIC*
- All new buildings at the school serve a public benefit - the school theatre is used full time every school holidays for community groups and school holiday camps as well as at the weekend and after hours during term time. The school is committed to ensuring any new buildings have the same public benefit. We highly value the community where our school is located and, therefore, we want to ensure they can benefit from our facilities - *School in NSW*
- It is manifestly unfair to introduce a SES funding model for independent schools which quite rightly reduces government support for those schools deemed to have wealthier constituents, but then remove the ability of those schools to effectively raise funds from those constituents – *School in VIC*
- The presumption of material benefit by current families supporting the building fund is fundamentally flawed. In our experience, most donors who support these works will not see their children experience the benefits of the new building, given the timeline of building works. Moreover, we have a substantial group of alumni (who are not current parents) who support the building fund and will not utilise these buildings. This support has been particularly essential over recent years, with declining government funding for our school and an increase to the cost of building works.

Finally, it does not appear evident, so far, that there has been a truly consultative process in the construction of this report with those who would otherwise be impacted by the recommendations. There is also a distinct lack of evidence, which provides a basis upon which some of these recommendations (particularly the removal of DGR status of school building funds) have been made. We want to grow philanthropy in Australia together so taking these proposed measures would be counter to this objective – *School in NSW*

- Our parents pay FULL fees and any Building Fund donation is on a purely OPTIONAL basis. It does not reduce the fees they pay, nor give them any other advantages. They donate on top of their fees as they know this is necessary to invest in the capital infrastructure of the school. What they donate today will not change the environment a lot for their kids during their stay at the school, the investment is over a much longer period and they recognise that the donations from decades ago have provided the buildings we see today, as their donations will build the future. The donations are an inherent investment in the future and NOT for immediate personal gain. The only gain they get immediately is the tax deduction of their donations – *School in QLD*
- We are working hard to build a culture of giving at our school. Any impediment to continuing to raise funds for much needed capital facilities will negatively impact that objective. As a school we strongly object to any proposal that acts as a disincentive to giving/philanthropy – *School in Tasmania*
- Our school fundraises to support our capital projects as we are generally ineligible for Government grants or other community grants to support the building of large infrastructure. As a small, independent rural K-12 School, not having the ability to raise funds through community would impact the ability to complete projects and we believe the incentive for families to be able to claim the tax. The amount that people would contribute would also be affected should the DGR status of these funds be removed - *School in WA*

- Removing the Deductible Gift Recipient (DGR) status for non-government school building funds will have adverse consequences. Subsequent effects could include a downturn in the local economy, particularly as substantial construction endeavours tend to generate employment opportunities. Sectors like construction, transportation, catering, and accommodation may experience heightened demand during the construction phase. Institutional building projects typically entail the development or improvement of infrastructure in the neighbouring area, such as roads, utilities, and public and community spaces. This, in turn, contributes to overall community development and enhances the quality of life for local residents and community groups. The elimination of DGR status threatens to have a detrimental impact on planned projects, thereby affecting the broader community negatively – *School in VIC*
- Many of our building projects in recent years have been largely self-funded, with limited emphasis on fundraising. This is changing, however, as schools are hit with new legislation such as the payroll tax and other govt levies. Independent schools are by necessity having to diversify their revenue streams, thus the importance of tax deductible giving into the future will be critical for the sustainability of many schools – *School in VIC*
- The Purruna Centre drove innovative design to make it one of the most environmentally sustainable facilities in the country. This has allowed other schools and systems to imagine what is possible, and become a lighthouse in the LGA for sustainable development – *School in SA*

#### **For the Commission's consideration**

- Philanthropic contributions from parents, alumni and supporters of education as a cause, serve as the financial backbone for capital projects. This is a critical area often overlooked by government funding which faces other pressing educational priorities. This is particularly true in Independent schools and capital projects like this are impossible to solely fund from school fees
- The benefits of this increasing source of philanthropy reverberates across entire school communities for many decades, relieving the operational school budgets to focus on recruitment of skilled staff, teaching and learning and student wellbeing
- As a nation, we need to encourage philanthropy and make it easy by providing as many options and incentives as possible to donors. In so doing, we meet the brief of this Inquiry
- As per our initial submission on 23 May 2023, we emphatically urge the Commission to champion policies that facilitate increased private philanthropy for all schools and advocate for the automatic conferral of full DGR status to all Government and NFP schools. This plea gains urgency in the face of diminishing government funding and increased taxation such as the Payroll Tax in Victoria

In reading the Report, it is difficult to understand why the framework of DGR status applied to universities differs from that applied to schools. If the aim is to use a principles-based approach and to create more equity in the application of DGR status across all sectors, it would make sense for all educational institutions to have the same DGR status

- Primary and secondary educational institutions are pivotal in the education of Australians, maintaining the high standards of life we aspire to and in developing as a multi-cultural nation. If implemented, this recommendation by the Commission would significantly reduce philanthropic giving which would be counter to the intent of the Inquiry, not to mention the damaging impact it would have on the educational landscape in Australia.

### How can we help to achieve the Commission's objectives?

- We can conduct any further research that will assist the Commission to provide greater understanding of how implementation of this recommendation will truly impact the educational and philanthropic landscape in Australia

### Conclusion

We are grateful for the hard work by the Productivity Commission to compile this Draft Report of the *Philanthropy Inquiry, Future foundations for giving* and we welcome the chance to provide our input to achieve the intended outcome of the Inquiry – to increase philanthropy in Australia.

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- ① Independent Schools Australia – (2023) *Snapshot* [www.isa.edu.au](http://www.isa.edu.au)
  - ② Fundraising Institute of Australia – *Code* (Ethics and Standards Framework) [www.fia.org.au](http://www.fia.org.au)  
The Code is based on the International Statement of Ethical Principles in Fundraising. All FIA members (of which many are from schools) agree to adhere to the Code and they undertake training in the Code. Over the past four years about 9,000 fundraisers, CEOs and directors have taken the training. The Code is recognised by State and Commonwealth regulators as an ethical best-practice framework for professional fundraising
  - ③ CASE – Council for the Advancement and Support of Education is a global membership organisation dedicated to educational Advancement professionals, particularly those working in fundraising [www.case.org](http://www.case.org)

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9 February 2024