Submission to the Productivity Commission's report on the "Future Foundations for Giving".

Joint Submission from Christian College Geelong and Christian College Geelong Foundation

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Background

Christian College Geelong commenced with 60 students in 1980, offering co-education for Prep to Year 10 on one campus. Today it has 2,000+ students from Pre-school to Year 12 over five campuses.

Christian College Geelong Foundation has been in operation since 2014. Its sole purpose is to seek funds from outside the Christian College Geelong (CCG) community. The raised funds are then used for two purposes:

1. to provide non-academic scholarships for families who cannot afford to send their children to CCG and students whose families are faced with the prospect of leaving CCG due to financial hardship.
2. to provide funds towards CCG's building program.

In April 2021, the Christian College Geelong Foundation Ancillary Fund (PuAF) was formed to establish an investment fund to provide sustainable funds for CCG.

Response to the Productivity Commission Recommendation

Draft Recommendation 6.1 which refers to *"A simpler, refocused deductible gift recipient system that creates fairer and more consistent outcomes for donors, charities, and the community.*

While the Commission's recommendations suggest an expansion of the opportunity to give, it reduces a key constituency of those who choose to send their child/ren to an Independent School. Recommending *"the Australian Government should expressly exclude primary, secondary, religious, and other informal educational activities, with an exception for activities that have a specific equity objective (such as activities undertaken by a public benevolent institution)",* will have a profound impact on meeting the Federal Government's goal of doubling giving by 2030. Included in the Commission's report, (refer to Figure 5) shows Australia has 25,000 DGR-registered charities. School building funds make up 6,000 of those registrations and is the second highest category or approximately 25% of those with DGR registration. Therefore, removing school building funds will negatively impact the Federal Government's goal of doubling giving by 2030 rather than helping it.

The recommendations appear to make four key assumptions:

1. most parents who send their children to Independent Schools are high-income earners.
2. a significant number of Independent Schools provide discounts to students who attract large donations to school building funds, thereby providing a benefit to the donor that under the *Income Tax Assessment Act 1997 (Cth)* a donor is not entitled to receive.
3. Current school facilities "do not accrue benefits to the community as a whole".
4. Benefits provided do not target government priorities.

To address these assumptions, we would like to express CCG's perspective.

Assumption 1

By far most CCG families are two-income families so they can afford to send their child/ren to a school of their choice for not only an excellent education but also to a school that aligns with their values.

Based on the Victorian Education Department occupational categories, the breakdown of CCG families is as follows:

Occupational Category	Percentage
Senior management, in large organisations, government administration and defence, and qualified professionals	29.2%
Other business managers, art/media/sportspersons, and associated professionals	24.3%
Tradespeople, clerks and skilled office, sales and service staff	23.9%
Machine operators, hospitality staff, assistants, labourers and related workers	3.3%
Not in paid work in the last 12 months and not stated	19.3%
Total	**100%**

This table shows very few could be classified as high-income earners.

Assumption 2:

CCG does not provide fee discounts to students based on significant donations to the school building fund or donors connected to those students.

The Draft Report suggests there is wide-scale abuse of the DGR tax system. We cannot see any evidence provided in the Draft Report which supports wide-scale abuse by Independent Schools of the DGR system, therefore penalising all Independent Schools seems a gross overreaction to what maybe just a small number of schools who are not complying.

What is also disturbing with the draft recommendation, is why university and research organisations building funds are excluded from the recommendation. If the determining principle is a "benefit to the donor", surely building funds owned by universities and research organisations should not be exempt. It is in the best interest of commercial organisations to donate if there is the possibility of gaining a commercial benefit in donating, even if that benefit is viewed merely as "good public relations" thereby looking for a commercial advantage.

Assumption 3:

For many years now, CCG has been providing its facilities during non-school times to community sporting clubs, music events, weddings, and charitable events.

Some clear examples of community use of CCG facilities can be seen following the introduction of the Building the Education Revolution (BER) program by the Rudd Government in 2009, in response to the 2008 Global Economic Crises (refer audit report https://www.anao.gov.au/work/performance-audit/building-the-education-revolution-primary-schools-the-21st-century). A condition of the funding agreement provided by BER was for schools to provide facilities which the local community could also use outside of school requirements.

CCG built two facilities with the BER funds provided:

1. At CCG's Highton campus, an indoor heated swimming pool is currently used six days per week by community groups of the southwest area of Geelong. It is used for before-school swimming training and coaching as well as after-school swimming lessons. The facility also has a gym and basketball courts which are used regularly by local sporting groups.
2. At the Bellarine campus, each week the Bellarine Peninsula Basketball Association uses the basketball courts for their local competition. The facility has also been used by local groups such as the Rotary Club of Drysdale for its annual arts fair.

Assumption 4:

The education of all Australian children is believed to be a "target government priority" and the provision of resources such as fit-for-purpose buildings and their maintenance is a necessary part of any child's education. If this wasn't a government priority, why would so much funding be provided to all schools by both Federal and State Governments?

The capital raising dilemma schools face: Government recurrent funding provided to Independent Schools, can only be used for the operational costs of running the school and not capital purposes.

Capital funding is primarily provided by:

- families as an additional fee, non-taxable fee
- donations from a variety of sources
- bank borrowings
- and limited government capital funds from the Block Grant Authority.

Removal of the DGR status for school building funds will put even more pressure on non-donated sources.

Benefits of Public Ancillary Funds for School Building Sustainability: As mentioned previously, CCGF formed a (PuAF) in 2021, with the expressed purpose of providing sustainable support for students who meet the scholarship requirements of CCG, plus providing funds to assist in the future development of buildings and the maintenance needs of CCG. The removal of the DGR status from building funds reduces one of the key purposes of the PuAF and would impact the future development of the resources needed to provide a quality education.

There is a debate that could be had that the CCGF PuAF is providing a PBI benefit by discounting school fees and providing resources in the form of buildings that benefit many of those students who meet the PBI definition.

Statistical information: According to data provided by Independent Schools Australia, in 2022, 688,638 students attended one of the 1,209 Independent Schools in Australia, which represents 17% of all Australian students, and saw a growth of 3.2% in student numbers from 2021. Including Catholic schools, this percentage grows to a total of 35% of Australian students attending non-public schools, as confirmed by the Australian Bureau of Statistics (refer Schools, 2022 | Australian Bureau of Statistics (abs.gov.au). Additional education expenditure of $5.7 billion would be required by a combination of both State and Federal Governments if there were no Independent Schools. In other words, parents who send their child/ren to Independent Schools, help reduce the demand on both State and Federal Governments to provide capital funding. To take away the building tax incentive only punishes those families despite the fact they are contributing significantly to the cost of educating their child/ren. In 2021, $1.14 billion was provided by parents and other non-government sources for capital expenditure. If the DGR incentive was removed, this would negatively impact the capital funding available to Independent Schools (refer to ISA_SNAPSHOT_2023_WEB_FINAL.pdf).

To give this further perspective, the removal of DGR incentives for school building funds would see a reduction in capital available to schools to provide educational facilities for 688,638 Australian students attending Independent Schools. In the case of CCG, of the 2,000+ students attending CCG in 2023, 22.7% are made up of a combination of Aboriginal and Torres Islander, refugees, low social and economic backgrounds or have a disability. Many of these students can only attend CCG with the provision of a scholarship.

While the cost of sending a student to an Independent School is much higher than a Government School, this is largely due to less recurrent funding being provided by both State and Federal Governments. The gap is therefore made up by tuition fees paid by parents plus any extracurricular parents choose for their child/ren.

The *Charities Act of 2013 (Cth)* lists 12 charitable purposes, one of which CCG complies with being the *"advancing of education".* CCG meets this purpose as it is a registered not-for-profit company, limited by guarantee. The removal of DGR status for the building fund thereby undermines the charitable purpose of providing the advancing of education, by restricting its opportunity to raise funds for building purposes.

Solution

Rather than punishing the majority of complying school building funds, two possible solutions that could address the concerns raised in the Draft Report are:

1. Compliant schools with DGR building funds, must provide the ACNC with a statutory declaration listing the names of all donors who provide funds over an agreed amount. As part of the declaration, they would also declare no person or organisation has directly or indirectly benefited from any donation made to the school's DGR-compliant building fund. The ACNC could then audit the school building fund records and if there was evidence of non-compliance by providing a student with a fee discount who has a connection with the donor, the donor could then be prosecuted for receiving a tax donation from which they received a benefit. A prosecution may also include the removal of the school's building fund DGR eligible.
2. An alternative solution aimed primarily at high fee-paying schools, could be to limit the amount of income building funds can receive for which a tax deduction claim could be made. For example, if a limit was placed on the amount a donor could make in a single year, it would reduce the incentive to provide a discount on school fees.

Thank you for receiving our submission. We look forward to seeing the removal of **Draft Recommendation 6.1** concerning the removal of school building funds from DGR exemption in the final report of the PC.

Yours sincerely

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