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Submission to DGR Review

Dear Sir/Madam,

The Productivity Commission's *Foundations for Future Giving Draft Report* highlights the importance of philanthropy to building social capital and connectedness in Australian communities. As an Anglican School in a regional (non-metropolitan) area, we are only too aware of the benefits from members of our community who generously give to support the services of churches and other not for profit organisations who provide welfare, support and services in areas that otherwise would not be funded at all or would force people to rely on Governments directly for support.

In our school, like many others, we emphasise to our students and community the values of giving to others, providing service to the community and helping out people in need, both in volunteering of time and money. It is one of the features of our regional area that builds fraternity and a sense of belongingness in our community. Last year our students in one event raised over \$25000 to support the Leukemia Foundation, including shaving student hair and that of the Principal.

Our school has been in existence for over 105 years and the large bulk of our building and infrastructure is the result of the work and generosity of a small group of parents and friends over time to raise funds to support education. That we are now enrolling over 1000 students is testament to that. We are well aware that every independent school enrolment, whilst attracting some federal and state funding, also saves significant money, should those children otherwise attend a government school.

Whilst we have completed some recent building, something unaffordable to us for around 20 years, the Federal Government BGA funding provided to support this has not covered even 20% of the costs, the large majority being covered by parents, our new School Foundation, bank loans and the small surpluses from our school operation. Our most current build has secured funding at less than 8% of the high cost.

Calrossy Anglican School, like most of the Independent Schools in Australia is not a wealthy 'sandstone' school, as 'stereotyped' by the media. A large proportion of our parents make significant sacrifices for quality education for their children. Schools such as ours, like the majority in our sector, are not amongst the small group of city schools who boast unlimited funds, seeking to have better facilities than the school next door, in a competition for enrolments.

Being located in the country, we cater for Rural and Regional students, many of whom are boarders out of necessity. As such we do not possess cash reserves or huge capacity to support our future needs. We suffer from the vagaries of drought, flood, commodity price variations and interest loan rate fluctuations. We are experiencing growth and seek to move from portable classroom and temporary facilities to use our funding responsibility to provide the best possible facilities. The very modest contributions to our Building, Library and Scholarship funds do make a difference and provide services for our students that they otherwise would not enjoy, including residential facilities for our live-in students.

Our school believes that the values inherent in community service and giving that we emphasise as part of our wellbeing and community work, would be undermined by the removal of tax deductible gift recipient status from non-government school building, scholarship and library funds.

DGR status is a vehicle that not only provides a mechanism for donations towards what is essential infrastructure and access to education for us; it is also a means to engage and develop the school community while assisting in building facilities to further their aims. As already indicated, our school, like

others in our sector, has a focus that encourage giving, develops civic engagement and promotes volunteerism. These things contribute to quality graduate adults and ultimately supports a more cohesive society, one of the goals of education.

We believe that the draft recommendation is misconceived, that its rationale is flawed and not supported by evidence. I am Chair of a Regional Advisory Council, in partnership with the Association of Independent Schools NSW, working with other medium and low fee schools Principals outside the Metropolitan area. Supported by our group of Heads, I strongly believe the following:

- The report demonstrates a lack of understanding of the broad socioeconomic and cultural diversity of non-government schools and their families, especially those outside the regions and in population growth areas,
- The recommendations are flawed in understanding the impact that removing DGR status from non-government school building, scholarship and library funds would have on non-government schools like ours and our capacity to meet parent demand for classroom places in the future,
- Fails to comprehend the type and level of government support provided to non-government schools,
- The report exaggerates the potential for private benefit to donors and fails to recognise the actual generational benefit provided to schools over time,
- Erroneously believes that prospective school building fund donors will redirect their donations to other charities.

I write on behalf of our school and volunteer Board of a not-for-profit school in emphasising that this report and the potential to take away DGR benefits has caused significant anxiety for our school and those who support us.

Calrossy Anglican School enrolls 1050 students and employs 180 teaching and non-teaching staff. We have contributed to the social and economic life of the Tamworth community and North Western NSW Region since 1919. Like most independent school and particularly those that are regional, we considerably impact on the local rural economy and enjoy high engagement with local companies and organisations as a result. We are the largest school in our region and our imprint is significant.

Calrossy is a not-for-profit entity, registered with the Australian Charities and Not-for-Profits Commission (ACNC) with the charitable purpose of 'advancing education' and this underpins the DGR status of our school building fund at our school and many others like us. At Calrossy, we rely on a newly established building fund to finance our capital works projects, which are essential to meeting demand from families for places and ensuring educational facilities are upgraded.

In our region, more than one-third of all students in NSW attend non-government schools, something that is consistent across Australia. The State Government relies on schools like ours to ensure there are enough places for all NSW school students. Whilst we have undertaken over \$20 million dollars of building in recent years, we have received only two grants from the Block Grant Authority, representing less than 10% of the costs of upgrading dated and unsuitable facilities. The remaining project funds were financed by loans that are being repaid over time from our operational surpluses and a small amount of contributions to our school building fund.

The removal of DGR status of our Building fund would have a significant negative impact on our school community and many others like us around Australia. It would seriously jeopardise our school's ability to raise the funds necessary to provide and improve our teaching and learning infrastructure.

The Productivity Commission's report alleges that in the case of school building funds "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." This claim is not supported by any evidence or data - and it is highly unlikely that such a benefit would accrue to donors.

Obtaining a benefit from a donation is expressly excluded in the Australian Taxation Office rules for Tax Deductible Gift Recipient Funds; if it did occur, it would be grounds to deregister the DGR fund through existing compliance mechanisms. The report's concern for any 'potential' private benefits needs to be weighed up against the actual benefit of donations that have helped to deliver school infrastructure with a life that extends far beyond the 13 years a child spends at school. In most cases, an asset will be completed well after the child of the donor parent has finished their schooling. It is not only the families of current students who contribute to school building funds but alumni, community groups, philanthropic donors and others through a range of fundraising activities. One of the criteria for Federal funding under the Block Grant Authority is that projects will prove to be a community asset. It is extremely unlikely that a community member or a school alumnus – who may have left the school many years ago – could benefit directly from these donations.

It is our contention that removing DGR status for non-government school building funds will only reduce contributions from donors and restrict non-government schools' capacity to meet future demand for student places. It will shift more of the financial burden of providing the necessary classroom places for our state's children onto governments, who will be forced to build new capacity in government schools at a higher cost to taxpayers than the current DGR-based system.

On behalf of our students, families and the wider school community we ask that the Productivity Commission withdraw this recommendation from its final report.

Yours sincerely,

David Smith

Principal, Calrossy Anglican School