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BERG Not-for-Profit consultation
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Department of Social Services
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Blueprint Expert Reference Group
Developing a Not-for-Profit Sector Development Blueprint

The National Catholic Education Commission (NCEC) welcomes the opportunity to contribute to the Blueprint Expert Reference Group's (BERG) development of a Not-for-Profit Sector Development Blueprint (the Blueprint).

NCEC strongly supports the intention of the Blueprint to provide a roadmap for government reforms and sector-led initiatives to boost the sector's capacity to support and reconnect Australian communities. NCEC notes that the Blueprint will complement other relevant national strategies, agreements, and frameworks intended to support the future of the not-for-profit sector.

However, this submission will highlight two particular current policy challenges which, if implemented, would severely threaten a significant section of Australia's not-for-profit sector.

Current proposals by the Australian Law Reform Commission to restrict the ability of faith-based schools to operate according to their ethos, and by the Productivity Commission to remove Deductible Gift Recipient status for building funds for faith-based schools, work against the intent of the Blueprint.

These policy challenges are at odds with the Australian Government's commitments to protect parents' religious freedom to send their children to a faith-based school in line with their religious beliefs and values, and to ensure funding certainty for Catholic and other non-government schools which is threatened under the Productivity Commission's proposed reforms to DGR status.

NCEC does not intend to address all of the matters discussed or associated questions raised in the 10 Sections of the Not-for-Profit Sector Development Blueprint Issues Paper (the Issues Paper). This submission identifies some matters of particular interest to Catholic schools and systems in Sections 2, 4, 5, and 6. This submission seeks to accentuate the statement of the Assistant Minister for Competition, Charities and Treasury, the Hon Dr Andrew Leigh MP, that the 'charity sector is under pressure.'¹

Background

NCEC is the peak body for Catholic education in Australia and is responsible for the national coordination and representation of Catholic schools and school authorities. Our role is to ensure the needs of Catholic schools are served through funding, legislation, and policy.

¹ Release of the Productivity Commission's Draft Report on Philanthropic Giving, Media Release, 1 December 2023.

Working closely with state and territory Catholic Education Commissions, NCEC advocates at the national level on behalf of the Catholic sector and the hundreds of thousands of Australian families who entrust the education of their children to our schools.

The mission of Catholic education since its inception has been to serve students from a range of socioeconomic backgrounds, particularly the disadvantaged and marginalised. NCEC works to foster a thriving Catholic education sector that offers parents a choice of, and affordable access to, faith-based education for their children. Catholic education continues to advocate for fair and inclusive funding that sustains both government and accessible faith-based schools across Australia.

Catholic schools are universal in reach, open to all families who seek a Catholic Education and are the nation's largest provider of education outside government. Australia's 1,759 mostly low-fee Catholic schools educate one in five, or nearly 794,000, students and employ more than 104,000 staff.

Catholic education supports over 85,000 full time equivalent teaching and non-teaching jobs and estimates the total Gross Value Added (GVA) contribution to the Australian economy to be approximately \$12.7 billion.² This represents more than 17% of the school education sector per year. Our schools ensure that parents can choose an affordable education that is consistent with Catholic beliefs, values, and teachings. Guided by the teaching and example of Jesus, promoting the message of the Gospel, and founded on the faith-based principles of Catholic Social Teaching, Catholic education is a direct contributor to social inclusion in Australia.

Our schools welcome students from a range of backgrounds including an increase in Aboriginal and Torres Strait Islander students (up 63% in the last ten years). Students with disability represent almost 21% of Catholic school enrolment, and 42% of students experience socio-educational disadvantage. Almost 40% of Catholic schools are in regional and remote areas.

Catholic schools make a significant contribution to the educational, moral, and social fabric of the nation. Over 200 years, Catholic schools have educated millions of Australian children. Catholic school alumni have gone on to make substantial contributions in civic life, in business, in the Church, in community leadership, in social outreach, and among other arenas of public and private life.

Our schools are committed to educational excellence and are underpinned by charisms of prayer, witness, catechesis, social justice, and pastoral care. Providing learning opportunities for students, staff, and parents to nurture and display these qualities in service of others plays a crucial role in the educational, service, and faith formation provided by Catholic schools.

Section 2 The not-for-profit sector in Australia & Section 4 Policy, advocacy, communications and engagement

NCEC strongly supports the Issues Paper's recognition of the importance, and acknowledgement of the contribution, of the not-for-profit sector in Australia. NCEC urges that in charting a better future for the sector, the Blueprint must build on, and not undermine, the well-established and recognised strengths of the sector identified in the Issues Paper.

² Estimation based on 2019 Ernst & Young analysis of Catholic Education Western Australia.

The Issues Paper reveals a significant appreciation of the not-for-profit sector's contribution to the social, civic, economic, cultural, and environmental dimensions of life in Australia.³ It recognises that:

Giving expression to the goals and values of many communities and groups, the sector is embedded in community networks, and creates places and space in which people connect with each other and come together to meet their shared needs and fulfil common purposes. These connections support people's wellbeing and strengthen our democracy ... The sector is a direct contributor to social inclusion.⁴

Notably, the Issues Paper stresses:

As part of an active civil society, a strong and independent not-for-profit sector is a cornerstone of pluralism, or diversity of voice and influence, in democratic societies. Advocacy by the ... sector contributes to the democratic system and provides an important bridge between people, communities, and government. Advocacy to governments and the public ... is a critical part of the feedback loop ...⁵

Diversity of voice, values, and purpose is definitely one of the sector's strengths. NCEC agrees that such diversity underpins the democratic contribution of the sector and must not be needlessly diminished. Importantly, the Issues Paper illustrates the importance of the not-for-profit sector as non-government community associations, which means they:

are often conduits between communities and policy makers, because of the breadth and depth of their networks with people who are both affected by and responding to issues on the ground.⁶

Further, NCEC strongly welcomes the recognition in the Issues Paper of the essential role played by religious organisations to building connection, community, and maximising the ability of Australians to contribute fully to the nation.⁷ The active and ongoing participation of people of faith and faith-based organisations is vital to a strong not-for-profit sector and a well-functioning Australia.

Catholic Education as part of the Not-for-profit Sector

Education is one of the foremost services that not-for-profit organisations provide to the Australian community. In keeping with the *Australian Education Act 2013* and other relevant legislation, all Catholic schools and systems are not-for-profit.

Provision of high quality, equitable school education in Australia is one of a wide range of government agendas and policies identified in the Issues Paper that cannot be fulfilled without the support of a strong and effective not-for-profit sector.

³ Issues Paper, 5.

⁴ Issues Paper, 9.

⁵ Issues Paper, 17.

⁶ Issues Paper, 17.

⁷ Issue Paper, 8.

As noted by the Issues Paper, the not-for-profit sector in Australia is well regulated, and is often funded and regulated by a mixture of federal and state bodies. As not-for-profit educational organisations, this is undoubtedly the case for Catholic schools and systems.

Catholic schools and systems provide annual educational and financial reports to federal and state governments as part of a rigorous and detailed process of transparency and accountability.

As with all non-government schools in receipt of Commonwealth funding, Catholic systems and schools have strict not-for-profit requirements and must provide reports to the Australian Charities and Not-for-profits Commission (ACNC) under the *Australian Charities and Not-for-profits Commission Act 2012* and the Australian Taxation Office. Many Catholic systems and schools also have organisational and business reporting obligations to the Australian Securities and Investments Commission (ASIC).

Australian Law Reform Commission’s Religious Educational Institutions Inquiry

As highlighted above, NCEC welcomes the Issues Paper’s strong emphasis that an active civil society, a strong and independent not-for-profit sector, is a cornerstone of pluralism in democratic societies.

However, recent proposals have opposed the ability of some not-for-profit organisations, most notably faith-based schools, to operate according to their ethos. Such proposals actively work to undermine Australia’s democratic pluralism.

In 2022, the Australian Law Reform Commission (ALRC) was asked by the Hon Mark Dreyfus KC MP, Attorney-General of Australia, to review current exemptions in anti-discrimination laws for religious schools. The proposals outlined in its Consultation Paper seriously threaten the ability of faith-based schools to prioritise the employment of teachers and staff who share their faith and fail to provide protections for faith-based schools to operate and teach according to their religious beliefs or to build an authentic community of faith.

Since 2017, successive Australian governments have committed to proactive legislation to protect religious freedoms and the rights of parents to choose a faith-based school for their children, and the right of faith communities to continue to teach and operate faith-based schools.

The Australian Labor Party has committed through their national platform to support “the right of all Australians to have and to manifest their religion or beliefs, and the right of religious organisations to act in accordance with the doctrines, tenets, beliefs or teachings of their faith.”⁸

NCEC has strongly welcomed these bipartisan commitments.

Since late 2019 NCEC has written the following submissions in response to national reviews and inquiries concerning these matters:⁹

- [Australian Government Attorney-General Religious Discrimination Bills – First Exposure Drafts Consultation](#) (October 2019)
- [Human Rights Commission regarding their Discussion paper: Priorities for federal discrimination law reform](#) (November 2019)

⁸ ALP National Platform 2023, <https://www.alp.org.au/media/3569/2023-alp-national-platform.pdf>

⁹ Each submission is publicly available on the NCEC website.

- [Australian Government Attorney-General Consultation Regarding Legislative Reforms on Religious Freedom providing feedback on the Second Exposure Drafts](#) (January 2020)
- [Parliamentary Joint Committee on Human Rights regarding Religious Discrimination Bill 2021 and related bills](#) (December 2021)
- [Senate Legal and Constitutional Affairs Legislation Committee regarding Religious Discrimination Bill 2021 and related bills](#) (January 2022)
- [Australian Law Reform Commission's \(ALRC\) Inquiry into Religious Educational Institutions and Anti-Discrimination Laws](#) (March 2023)
- [Parliamentary Joint Committee on Human Rights Inquiry into Australia's Human Rights Framework](#) (July 2023)

In each of these submissions, NCEC has explained that the mission of the Catholic school is a manifestation of the Catholic faith. This communal manifestation is not the only role of the Catholic school, but it is fundamental to its identity and purpose. As such, Catholic schools should be enabled to preference the employment or enrolment of people of the Catholic faith, and those willing to support the ethos and mission of their schools.

This is clearly reasonable and fair in a free, democratic, multicultural, and pluralist society.

In seeking the freedom to operate in accordance with their religious beliefs, Catholic schools do not discriminate or seek to discriminate against any staff or student based on their personal attributes (race, culture, sexual orientation, gender identity, disability, marital status, parental status, pregnancy etc).

As is the case for other educational institutions across Australia, whether government or non-government, Catholic schools expect students and staff to be sympathetic to and supportive of the mission and ethos of the school, and to comply with a reasonable code of conduct and other such relevant policies.

Additionally, NCEC has argued that harmonisation of legislation relating to these matters across Australia to provide clarity and certainty to ensure all Australians, no matter where they live, are afforded the protections they are due.

NCEC outlined serious concerns to the ALRC including the lack of understanding of religion and religious freedom in the Consultation Paper, and the serious deficiencies in the ALRC's initial proposals which fail to protect religious rights.¹⁰ NCEC indicated that any changes to current anti-discrimination laws must go together with the introduction of laws to protect religious freedom.

While the ALRC has undertaken further research and consultation with the government's expert advisory group on these proposals, they remain of significant concern to Catholic schools and systems as, if implemented, they would undermine the pluralism, diversity, and democracy of Australian society.

Section 5 Philanthropy and volunteering

NCEC welcomes the acknowledgment in the Issues Paper that regulatory conditions, taxation policies, and funding arrangements across all levels of Australian government influence not-for-profits activities and outcomes.¹¹ Government policy intervention can be used to encourage, support, and enhance

¹⁰ NCEC, Submission 409 <https://www.alrc.gov.au/inquiry/anti-discrimination-laws/submissions/>.

¹¹ Issues Paper, 10.

reasons for volunteering and giving. However, ill-advised policy intervention which is not fit for purpose can also limit and restrict the ability of individuals and groups to contribute to the important work of not-for-profits.

As not-for-profit organisations providing services in numerous communities across Australia, Catholic schools and systems have a significant interest in encouraging philanthropy and maximising the potential for identifying opportunities, as well as increasing the quantum of philanthropic giving. NCEC strongly welcomes the commitment of the Australian Government to work towards doubling philanthropic giving in Australia by 2030.

In 2021, Catholic school parents, families, and communities supplemented government funds by contributing approximately \$3.9 billion of after-tax dollars in recurrent funding towards their children's education. This commitment represents a substantial saving to Australian taxpayers, but it is only one element of the generous contribution that parents, families, and school communities make to Australia's common good through education.

Catholic school parents, families, and communities also make substantial contributions through donating additional funds for classrooms, libraries, sports facilities, and other capital projects. In 2021 these funds amounted to \$2 billion or almost 90% of the cost of capital expenditure in Catholic schools. The issue of capital funding will be further addressed below.

Catholic Education also acknowledges the ongoing support by Australian governments in the funding of Catholic schools.

In addition to the significant financial donations and contributions to funding school expenses, Catholic school parents, families, and community members donate countless hours of their time in formal and informal volunteering and in-kind donation of goods and services, across a broad array of activities.

Catholic school communities are deeply reliant on the contributions which parents, families, and others make to ensure they can provide a high-quality education for students. Encouraging philanthropy and maximising opportunities for financial and non-financial contributions are vital for Catholic schools recurrent as well as long term sustainability.

Motivations for giving

The Issues Paper highlights that motivation for donating and volunteering can be multiple and mixed, vary across time, and be intimately connected to an individual's or family's values and life experiences. Importantly the paper recognises that religious faith, practice, and connections can be the source and inspiration for giving.¹²

As noted above, Catholic schools are inclusive, welcoming students from all backgrounds. Australia's low-fee Catholic schools give families the choice of a holistic, balanced, and affordable education. Almost 40% of Catholic schools are located outside major metropolitan areas and 42% of students enrolled in Catholic schools experience socio-educational disadvantage. Sharing our Catholic faith, lifting educational standards, and supporting the diverse needs and wellbeing of students is at the heart of our mission.

¹² Issues Paper, 20.

The latest Australian Bureau of Statistics (ABS) Census data shows Catholic education remains the major provider of education outside of government, with enrolments growing from 766,088 students in 2017 to almost 794,000 in 2022.

The ABS data also shows strong growth across all faith-based non-government schools, with enrolments increasing by around 8% over five years. Overall enrolments in faith-based schools increased from over 1.2 million in 2017 to 1.3 million in 2022.

More than 30% of all Australian students are educated in faith-based schools, and Catholic schools are the major provider of faith-based education in the country, enrolling about 60% of students in the non-government sector. This growth, and the sustained trend over many years, shows the great importance Australian families place on choosing a school that meets the needs of their child and reflects their values and beliefs.

The faith-based nature of Catholic schools and their communities, similar to other faith-based non-government schools, is highly likely to underpin the motivation of many parents and donors to make significant financial contributions, formal and informal volunteering, and in-kind donations to Catholic education.

A 2017 report by Deloitte Access Economics *Economic value of donating and volunteering behaviour associated with religiosity*¹³ examined the economic impact of religiosity (specifically, attendance at religious services of any organised religious denomination) on giving and volunteering behaviour in Australia. Analysing data from a national survey of over 7,000 Australians, the study indicated that religious people are more likely to be donors and volunteers than non-religious people.¹⁴

Deloitte Access Economics calculated that the approximate extra volunteering hours and extra financial donations associated with religiosity resulted in an annual value to society of volunteering and giving associated with religiosity was conservatively estimated at \$481 million in 2017.

The conclusions of the study that in Australia ‘there appears to be a relationship between religiosity and the likelihood of volunteering and giving’ and ‘religious organisations play an important role in promoting the wellbeing of individuals and communities’ is in keeping with a range of similar research internationally.

The Deloitte Access Economics study conclusions indicate that there is a significant likelihood that Catholic school parents, families, and communities are strongly motivated to donate and volunteer due to their faith and beliefs. Potentially, there is a greater motivation and a stronger likelihood to donate and volunteer when parents and families are able to choose a school that meets the needs of their child and reflects their values and beliefs.

¹³ See <https://www2.deloitte.com/content/dam/Deloitte/au/Documents/Economics/deloitte-au-economics-donating-volunteering-behavior-associated-with-religiosity-01062018.pdf>, accessed 2 May 2023.

¹⁴ The study was commissioned by The Study of the Economic Impact of Religion on Society (SEIROS) which is an organisation formed to study the role and impact of religious institutions and practice in Australian society. See <https://seiros.study/>, accessed 2 May 2023.

Section 6 Governance, organisation and legal environment

The Deductible Gift Recipient (DGR) framework

As the Issues Paper notes Deductible Gift Recipient (DGR) status is the main mechanism through which the Federal Government incentivises Australian taxpayers to donate to charitable organisations¹⁵ by enabling an entity to receive tax-deductible gifts and contributions from the public.

While required by law to be not-for-profit, Catholic schools and systems do not automatically receive DGR status for all educational activities. As providers of education services, Catholic schools and systems must meet the Australian Tax Office (ATO) Education Category requirements to be eligible for DGR endorsement.

The Current DGR Framework

Generally, Catholic schools and systems are endorsed for DGR status for the following two main purposes:

Type and Item number	Requirements
School building fund 2.1.10	<p>A public fund established and maintained solely for providing money for the acquisition, construction or maintenance of a school or college building.</p> <p>The building must be used, or going to be used, as a school or college.</p>
Scholarship fund 2.1.13	<p>A public fund that is established and maintained solely for providing money for eligible scholarships, bursaries, or prizes.</p> <p>To be eligible, the scholarship, bursary or prize must have all the following characteristics:</p> <ul style="list-style-type: none"> awarded only to Australian citizens or permanent residents within the meaning of the <i>Australian Citizen Act 2007</i> open to individuals or groups of individuals throughout a region of at least 200,000 people, or at least an entire state or territory for the purpose of promoting the recipients' education in approved Australian courses, and/or at educational institutions overseas to study as a component of an approved Australian course awarded on merit or for reasons of equity.¹⁶

There are, however, also circumstances where Catholic schools and systems have DGR status for funds for the acquisition, construction, or maintenance of a rural school hostel building or other Catholic education entities for the provision of religious instruction in government schools.

¹⁵ Issues Paper, 24.

¹⁶ DGR table - Deductible Gift Recipient Categories – Education. See <https://www.ato.gov.au/Non-profit/Getting-started/In-detail/Types-of-DGRs/DGR-table---Deductible-Gift-Recipient-Categories/?anchor=Education#Education>, accessed 5 May 2023.

Eligible Catholic schools (those with a value below 1000 on the Index of Community Socio-Educational Advantage (ICSEA)) can also receive support from independent bodies with DGR status such as Schools Plus, a national education charity which improves the education outcomes of students in need by increasing philanthropic support to disadvantaged schools and school communities.

Schools Plus was founded in response to Recommendation 31 of the *Review of Funding for Schools – Final Report* (the ‘Gonski Report’) which identified a need for philanthropic funding in schools to help close the education gap caused by disadvantage. Schools Plus provides sector neutral project funding for individual schools or school clusters, via a competitive application process, to facilitate the delivery of strategic school projects that improve learning outcomes.¹⁷

School building (or capital works) funds and Scholarship funds enabled and endorsed under the DGR framework are significant sources of philanthropic contributions by parents, families, and others to Catholic school communities.

Catholic school parents and communities must raise the costs of capital projects privately, although disadvantaged schools can apply for assistance through government grants. In contrast, government school capital costs are mainly funded by state and territory governments with a small contribution from parents.

For example, in making the choice of a Catholic education, families take on almost 90% of the funding required to support school buildings and capital works in Catholic schools. In 2021 alone, this investment was about \$2.0 billion in capital projects, with federal and state governments contributing 4.4% and 6.9% respectively.

This is in addition to the nearly \$3.9 billion of after-tax dollars in recurrent funding which parents and families contribute towards their children’s education noted above.

Through these generous donations, facilitated by the current DGR framework, Catholic school communities contribute to Australia’s capital infrastructure through the construction and maintenance of school and community assets.

Productivity Commission Future foundations for giving, Draft Report

As an area of significant financial support for Catholic school communities, which falls outside of government funding, consideration should be given to reforms that would maintain and enhance the current DGR framework to further encourage donations to school building funds.

The current DGR status for Catholic schools and systems is, however under challenge by the proposal in the Productivity Commission’s draft report for its Philanthropy inquiry, *Future foundations for giving*, to remove DGR status for building funds for faith-based schools.

NCEC considers the proposal to be a direct attack on not-for-profit social services provided by faith communities.

This recommendation, if implemented, would have significant impact on Catholic schools and systems as well as for health and other social services provided by faith-based organisations. The removal of

¹⁷ See <https://www.schoolsplus.org.au/>, accessed 12 May 2023.

DGR status for building funds for faith-based schools will be particularly profound on low-fee faith-based school communities.

For Catholic and other non-government schools, it will add a further financial burden on families who contribute to school education and are already dealing with significant cost-of-living pressures. Governments provide all the capital funding (e.g., buildings and facilities) for government schools, but only a fraction of the capital needs of faith-based schools. DGR status is one means by which the government provides indirect support for the capital needs of faith-based schools.

The proposed policy intervention for significant change to government regulatory conditions would directly impede philanthropic giving and limit the work of Catholic schools and systems. Such changes would act against the emphasis in the Issues Paper that positive policy and regulatory reforms are required to increase giving and volunteering in the not-for-profit sector.¹⁸

This is in direct contrast with the Australian Government's stated aim for a strong and independent not-for-profit sector through strengthening the sector's capacity and capability, and to double philanthropic giving by 2030.¹⁹

It also goes against the Labor Government's pre-election commitments that "arrangements that exist for non-government schools under the government right now, will continue in full under Labor" and that there would be no cuts to Catholic school funding.

In a letter from then Shadow Minister for Education Tanya Plibersek MP, Labor also promised to "continue to deliver capital funding for Catholic schools under the Capital Grants Program" and the ALP committed to work with States and Territories as part of the next school funding agreements so that school systems have the facilities they need to teach growing numbers of students".

The Productivity Commission's proposed reforms threaten the \$2 billions of donations that Catholic school families make each year towards building and maintaining Australia's social infrastructure through educational facilities as well as other school education activities.

Conclusion

The not-for-profit and philanthropic sectors play an essential and vibrant role in the Australian community. As not-for-profit, non-government organisations which are the nation's largest provider of education outside government, low-fee Catholic schools and systems have a vital interest in the development of the Blueprint.

NCEC strongly welcomes the Blueprint as a road map for government reforms and sector-led initiatives to boost the sector's capacity to support and reconnect Australian communities. A well-functioning Australia needs a strong not-for-profit sector.

As stated above, this submission identifies two particular current policy challenges which, if implemented, would severely threaten a significant section of Australia's not-for-profit sector.

Current proposals by the Australian Law Reform Commission to restrict the ability of faith-based schools to operate according to their ethos, and by the Productivity Commission to remove Deductible Gift

¹⁸ Issues Paper, Section 5.

¹⁹ *Release of the Productivity Commission's Draft Report on Philanthropic Giving*, Media Release, 1 December 2023.

Recipient status for building funds for faith-based schools, work against the intent of the Blueprint and also contravene the Australian Government's current commitments to faith-based schools.

NCEC looks forward to further consultation on the Blueprint in support of the government's intent to develop workable and effective reforms which will strengthen social capital and a vibrant sector.

Should you have any further questions in relation to this submission, please contact me via phone 02 8229 0808 or via email jacinta.collins@ncec.catholic.edu.au.

Yours sincerely



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