

White knight takes on a tax dragon

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Philanthropists offering a helping hand to state schools are hitting an unexpected wall, writes Caroline Milburn.

JULIUS Colman belongs to a rare group of Australians – a millionaire who wants to give a large slice of his wealth to poor students in government schools.

But his ground-breaking decision to donate \$6.8 million to a new school in the Melbourne suburb of Doveton is being stymied by federal tax laws.

At a time when federal and state governments are encouraging business to help close the achievement gap between rich and poor students by providing philanthropic support to disadvantaged schools, Mr Colman finds the irony of his situation hard to bear.

"It's the policy equivalent of encouraging you to walk while chopping off one leg," says the retired property developer, whose Colman Foundation, established with his wife, Pamela, is the first non-profit agency to commit to a long-term investment in a Victorian government school, Doveton College.

The partnership, announced in 2009 by the Brumby government, is believed to be the first of its kind in Australia. The new prep to year 9 school, part of which opened last week, has integrated prenatal, early childhood and welfare services on the Laurel Avenue site. The foundation pledged to provide \$6.8 million over 10 years on top of the state and federal government funds used to build and operate the school.

But Mr Colman has spent the past two years wrangling with the Australian Tax Office, over its refusal to allow the foundation to directly fund specialist programs or equipment for the school. As a result, Mr Colman has had to set up an ancillary fund, a complicated and indirect way of channelling money to the college.

"The fund is a hopelessly inadequate vehicle because it can't carry out projects on its own," says Mr Colman, who will lobby the Gillard government to change the tax laws. "Now it has to chase around to find other non-profit groups to whom it must hand over funds and then beg them to carry out tasks. It's ludicrous."

A national research project investigating the impact of philanthropy in education supports Mr Colman's claim that tax laws discourage non-profit trusts from getting involved with schools.

The difficulty posed by the laws is the "elephant in the room" that must be confronted by policymakers, according to survey findings from the Leading Learning in Education and Philanthropy research project, launched last year.

"The tax issues are really complex and are a major barrier for philanthropic grant-making, particularly in government schools," says the project's director, Dr Michelle Anderson of the Australian Council for Educational Research. "Even the language used – terms like Deductible Gift Recipient status – is a bit like speaking Martian."

Despite unfriendly tax laws, many philanthropic trusts have up to \$1 million in their budgets earmarked for education grants, according to the project's survey findings. "Philanthropy is more than just dollar signs walking through the school door," says Dr Anderson. "One of the light bulb findings from our study is that trusts offer a variety of resources, like professional expertise, mentoring, volunteer support, scholarships."

Yet the survey found schools know little about philanthropic trusts. When asked who they sought extra funds from, almost 45 per cent of schools cited school and community fund-raising as their biggest source.

The next largest was business (11 per cent), followed by federal and state governments (about 7 per cent each). Only 4 per cent nominated philanthropic trusts.

The Colmans' battle to give their money to an underprivileged school contrasts starkly with America. Philanthropy in US public education has a proud tradition, stretching from the early 20th century when business tycoons started donating vast sums to improve schools.

The current crop of billionaire philanthropists include Microsoft's founder, Bill Gates, who has poured \$5 billion into education grants since 2000 to lift low student graduation rates. Facebook founder Mark Zuckerberg has pledged \$100 million to Newark's troubled public schools.

In Australia the tradition of schools benefiting from individual philanthropists is strongest in the independent and Catholic sector, whose non-

government status makes it easier under tax laws for individuals to give money to a school.

An entrenched alumni culture, in which wealthy families donate to their former school or their children's school, also helps private schools build impressive facilities and trust funds.

Mr Colman, 65, is an alumnus of Elwood High School, a middle-class government school in Melbourne's inner bayside region. It was a different school when he was a student, full of children like himself, whose parents fled Europe as refugees after World War II. The experience fired his ambition to create a non-profit education foundation.

"If we, as a country, can get in early to help underprivileged kids achieve better educational outcomes we'll be helping to produce future leaders," he says. "The Cronulla riots came about in a community that didn't feel part of our society. Helping kids to love learning is a way to stop that from happening again."

Doveton is one of Victoria's poorest areas and home to recently arrived refugees from Africa and Afghanistan. It is blighted by a 12 per cent jobless rate. Only 30 per cent of its residents have attained a year 12 education.

Bretton New, the school's inaugural principal, says the Colman Foundation's 10-year commitment is a refreshing change from short-term grants schools get to fund innovative projects.

"Too often funding disappears after two years just when you've sorted out what you're doing," he says. "It's wonderful the foundation understands you're not going to make a significant difference in two years. If improvement is going to be transformational, then you're in it for the long haul."

Concern about Australia's skill shortages and students failing to reach their potential is also fuelling interest in the business sector about education philanthropy. The literacy and numeracy results of year 9 students from poor families are three to four years behind their peers from wealthy families, according to national test data from NAPLAN.

Michael Ullmer, chairman of the charity Business Working With Education Foundation, says corporate philanthropy is growing as business leaders realise they can help cut the achievement gap between rich and poor.

"From a macroeconomic strategic view it's in the interest of business to do whatever they can to lift the educational outcomes of school leavers," says Mr Ullmer, who retired last year as National Australia Bank's deputy chief executive.

Mr Ullmer oversaw the bank's Schools First program, a partnership with the Foundation for Young Australians and the Australian Council for Educational Research. It awards \$5 million each year to school-community projects that lift student outcomes.

When the bank launched the national award in 2009 it was greeted with suspicion by some teachers, who condemned it as a marketing exercise. That animosity has waned.

Mr Ullmer says public understanding of business involvement with schools has grown as the quality of the partnerships has risen.

Last year a survey of 1500 Australians with school-age children found 86 per cent believed schools should partner with external organisations to help educate their children.

Eight per cent of parents rejected the idea because they were concerned about the commercialisation of their children's education, according to the poll commissioned by Schools First. Four per cent objected because they felt schools should not need to seek outside help.

Mr Ullmer says some businesses previously got involved with schools for self-promotion or to indulge in corporate team building. Fewer were doing so now. "If you're a corporate lawyer, to go to a school and give eight hours of your time as a lawyer is immensely more valuable to the school than spending your time painting the school fence," he says.

"From a teacher's perspective, they welcome involvement which increases the resources they have to teach children. What they don't want to see is government stepping back and abdicating responsibility for funding the education system."

In 2010 the federal government commissioned a national round table of representatives from the business, education and community sectors to develop a strategy to help all schools benefit from a connection with business. Mr Ullmer chaired the round table and last year most recommendations from its report, *Realising Potential: Business Helping Schools to Develop Australia's Future*, were accepted by the Gillard government.

He is chairman of the independent charity, Business Working with Education Foundation, established by the former Brumby government to help business provide philanthropic support to public schools.

He says the foundation has also had trouble navigating the thicket of tax law. And the tax system fails to recognise the inbuilt advantage private schools have in accessing tax concessions that allow parent groups to set up school building and library funds.

Those schools have parent groups with the skills to access the tax concessions, unlike most state schools, Mr Ullmer says.

"Overall it's bizarre the tax laws are not encouraging people who want to support kids. You'll get people coming up through the state school system, who've done well in business, who want to give back, yet the Tax Office works against you."

The federal Assistant Treasurer, Mark Arbib, says some exemptions are available under tax law that allow all schools to receive donations from individual philanthropists or philanthropic trusts.

"The government is undertaking the most comprehensive reforms to our not-for-profit sector in over 100 years," he says. "It is consulting broadly with charities and the not-for-profit sector as the reform process develops."
