

AUSTRALIAN COUNCIL FOR THE DEFENCE OF GOVERNMENT SCHOOLS

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Rich enough? Do church schools really need government money?

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Australian churches are supported by the taxpayer though tax-exemptions as “charities” and their tax-exempt schools also receive substantial direct grants from the taxation citizens pay: a double whammy. The church schools always want more, but the churches themselves are not prepared to reveal their accounts to show that additional public funds are in fact needed. Author of *The Purple Economy*, Dr Max Wallace* reveals what is known about this murky situation and suggests a way to clear up the financial secrecy.

Introduction



This paper poses a paradox: the post-Gonski situation appears uncertain for mainly low SES government schools as the apparent government-in-waiting, the Coalition, have made a number of ominous statements as to whether they will follow through on the Gillard government’s embrace of the Gonski funding reform.

Gonski said these government schools require \$5B+ as an investment to lift standards. The paradox is that it is possible that the revenue of the tax-exempt churches that stand behind religiously based schools, together with the revenue of these tax-exempt schools, is more than enough to fund them. If this is so, the \$8.9B the government is now giving to mainly non-government religious schools is arguably not needed. The problem is, it seems, we cannot find out what the truth is about church wealth and revenue. As they are publicly supported charities, this is something taxpayers should be entitled to know.

School Funding

According to the Australian Bureau of Statistics, in 2011 there were 9,435 schools. 6,705 were government (71 per cent), 1,710 were Catholic (18 per cent) and 1,020 were Independent (11 per cent). The figure is continually shifting as schools open and close.

A parliamentary research paper found that in 2010-11, total net recurrent income for all schools from federal, state and territory governments amounted to \$44.3B. [1]

Around two thirds of all children go to government schools.

Of the one third of children who attend non-government schools, approximately 60 per cent go to Catholic schools, most to systemic, and a minority to the very wealthy Catholic elite schools.

However, the Catholic Church revealed in 2007 that about half of all children from Catholic families who cannot afford the lowest fees at their basic, systemic church schools do in fact attend government schools because they cannot afford the least expensive fees at systemic schools. [2] It is unlikely this situation has changed much since then.

According to the latest 2013-14 budget figures, the federal government will be funding non-government schools to the tune of \$8.9B. [3] If non-government school parents also pay \$8.8B [4] and government pays \$8.9B then, it seems, on the face of it, that non-government schools have at least \$18B annually to finance their activities.

Roughly, if all Catholic schools receive 60 per cent of the \$8.9B allocated to non-government schools then they are receiving from taxpayers approximately \$5.3B, about the same amount Gonski said government schools need. In turn, other non-government schools would be receiving about \$3.6B.

Another way of looking at this situation is to consider government and non-government spending per-capita. These figures tend to anaesthetise reality: in 2010 government school students received \$11,523 per capita, Catholic systemic (and similar) \$11,539 and Independent \$14,456. [5]

The key difference between government and non-government schools is indeed the fees that wealthier parents can (or will) afford to pay, giving them a pedagogical edge, in terms of available resources, over most government schools, depending how far up the fee chain respective non-government schools are. This resulting inequality is, I understand, what Gonski wanted to redress.

On the *Q & A* program on 11 March 2013, the Shadow Minister for Education, Christopher Pyne, said that non-government schools in Australia were saving taxpayers \$8.8B annually. His reasoning was that if the parents of private school parents were not paying fees the government would have to find that sum for the education of these children in the government school system.

However, taking that statement at face value, how do we know that the revenue the tax-exempt churches generate annually from their investments, together with the \$8.8B their tax-exempt schools receive from parents, could not fund all of their own schools themselves, in addition to their other enterprises?

The churches and money

In a review of the Catholic Church's finances in *Business Review Weekly* in 2005 [6] Adele Ferguson reported the church has 'more than 4,500 organisations separately registered for GST. Some file accounts, some file nothing'. She calculated that 'the five big churches had revenue of \$21.7B in 2004.' On a page captioned 'Inside the Catholic Church' she detailed the revenues of the five top churches, with the Catholic Church, the largest by far, with a turnover then of 'at least' \$15B.

In round figures, the Uniting Church was said to have revenue of \$3B, The Anglican Church \$2.4B, the Salvation Army and Seventh Day Adventists combined, \$1B. Importantly, there is no source for these plucked-out-of-the-air figures and they are now nine years old.

Adele Ferguson noted the Catholic Church is Australia's largest land holder and Australia's largest private employer. The Uniting Church has claimed it is '... the largest employer in Australia except perhaps for the Catholic Church. Growth in community work, largely paid for by state and federal governments, accounts for the employee base.' [7] It has been reported that the Uniting Church has assets of about \$8B in NSW alone. [8]

Adele Ferguson said: 'The Catholic Church does not consolidate its accounts and it is in its interests not to do so.' This described the situation but it did not explain it. Why was it not in the interests of the Catholic

Church not to consolidate its accounts, and, if it does not consolidate its accounts, where did the \$15B figure come from?

As noted, no source for this \$15B revenue figure was given and it was soon qualified. It didn't include hundreds of millions of dollars from collection plates; it did not adequately measure the revenue the church makes from its welfare businesses. There was uncertainty as to whether their welfare revenue was \$2B, \$3B, \$4B or \$5B.

Rob Brian, describing himself as 'a loyal member of the Catholic Church' wrote a letter to *BRW* following Adele Ferguson's article. He commented

priests have told me even they are not kept aware of how funds are being used ... finance committees, which are required by canon law, are mostly a farce ... qualified people who have sat on [finance committees] have said the books would not pass an audit ... Donations ... lie idle in the bank until appropriated from another part of the church ... [9]

In 2006 a former member of the Opus Dei sect within the Catholic Church told *Time Magazine* that the Australian branch of the sect's 'accounts were in complete chaos ... we didn't know how much was in the bank ... There was money missing. Some account balances were off by hundreds of per cents.' [10]

In a 2012 major review of the wealth of the church in the US, *The Economist* [11] reported that the annual spending of American Catholic churches was \$171.6B. They said '... the [church's] financial mismanagement and questionable business practices would have seen widespread resignations at the top of any other public institution ... documents leaked by Pope Benedict's XVI's former butler to an Italian journalist suggest that maladministration in the Vatican goes beyond mere negligence ... '

A recent review paper on the American church's finances published in the *National Catholic Reporter* [12] cites a leading Catholic financial analyst, Joseph Harris. His guesstimate for the total annual revenue of the US church was \$153B but 'we don't know what we have or what we spend it on, so we lurch from crisis to crisis ... [but] this is not an impoverished organization.'

The point is, when it comes to Catholic finances generally, they are opaque. Speaking to the overall church wealth situation in Australia, a *Business Review Weekly* editorial said that when the magazine began to research this topic 'one government department after another gave *BRW* the run around, most politicians ran a mile when asked to comment, and most business people would only speak off the record.' [13]

Charities Commissions

The establishment of a Charities Commission opened the possibility that the air may be cleared somewhat on the question of religious wealth. In 2005 Adele Ferguson cited Father Brian Lucas, now General Secretary of the Australian Catholic Bishops Conference saying that in his opinion Australia did not need a charities commission. It would add another level of bureaucracy to that already required of the sector. He was cited as saying that if religious groups had to consolidate their accounts it could be detrimental to them on the grounds that 'efficiency doesn't mean efficacy'.

That point was lost on New Zealand when they set up their Charities Commission in 2005. In 2012 it was scaled down to a section within Inland Revenue but nevertheless, religious groups, along with other charities are required to report their wealth annually. Eventually Australia set up a commission in 2012.

However, there is a big difference between the New Zealand and the Australian commissions. Where New Zealand has a wealth reporting requirement Australia does not. This was noticed by the Not-For-Profit Project at the Law School of the University of Melbourne. In a submission to parliament concerning the charities legislation they said:

The exemption from disclosure and governance standards for ‘basic religious entities’ is very unusual. There is no explanation for this special treatment in the Explanatory Materials and no other charitable entity attracts this treatment. [14]

Further, the Charities Commission of England and Wales not only requires wealth figures but also requires charities to prove ‘what it is that the charity does that provides a benefit to the public through their activities ... even religious institutions are required to do so in England and Wales.’ [15]

Who designed the Australian Charities and Not-For-Profit Commission Bill 2012 so that it omitted a wealth reporting and governance standard requirement for churches? It seems highly likely the government caved into church pressure. [16]

Why is it not in the interests of the Catholic Church to consolidate its accounts? Could the reason be that the information, if it was publicly exposed on the Commission’s website, could show the true wealth and revenue of the church in Australia? Adele Ferguson noted that Anglican Church refused to cooperate with her inquiries into their financial affairs. Could the wealth and revenue exposed through a requirement to report to the Charities Commission demonstrate that in fact all the churches could easily cover that part of the \$8.9B they now receive from the government for their schools? Is this what they don’t want revealed?

Just how rich are they really and what is their net revenue per annum? Why is religion given an exemption from reporting even though they are publicly supported through their tax-exempt status?

Credibility

I suggest the credibility of the churches concerning what little they were prepared to say about their finances in 2005 has to be weighed against other evidence.

If the Catholic Church in Australia in particular was an honourable organisation why are there inquiries in New South Wales and Victoria largely dedicated to inquiring about their behaviour with respect to hindering and avoiding responsibility for sexual abuse cases, and why will the federal royal commission be largely centred around child sexual abuse in their churches and schools?

Given the track record of churches generally with respect to covering up sexual abuse cases for decades, could we believe anything they have said so far about their finances?

Conclusion

If a member of parliament were to draft a private member’s bill to amend the law to allow the Charities Commission to require annual reporting of the wealth of religious organisations, the response would be very interesting. If the churches argued against it, the inference would be they had something to hide. If political parties in turn refused to pass the amendment, it would be tantamount to confirmation that separation of church and state in Australia does not exist in the sense that government is a willing hostage to church pressure.

That something could be evidence that the churches do not need most of \$8.9B to help fund their schools and they are prepared to leave children in government schools to their underfunded fate. It would not be unreasonable to assume, I suggest, that the revenue of the Catholic Church, notwithstanding the GFC, has increased in absolute terms by more than \$5.3B since 2004, that is, enough to cover the cost of running their schools.

A 23 year-old, sceptical, American Christian recently posed a question to his colleagues relevant in this context: ‘Are you building the kingdom? Or are you building your kingdom?’ [17]

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Notes

1. M. Harrington, 'Australian Government funding for schools explained', Parliamentary Library, Canberra, updated 8 March 2013, p.32.
2. 'Catholic schools too expensive, says bishop', *Sun-Herald*, 19 August 2007.
3. *Sydney Morning Herald*, 15 May 2014, Budget Liftout section, p.6.
4. Christopher Pyne, Shadow Minister for Education, *Q & A*, 11 March 2013.
5. I am indebted to Trevor Cobbold of Save Our Schools for these numbers. www.saveourschools.com.au.
6. *Business Review Weekly*, March 24-30, 2005, p.47.
7. *Canberra Times*, 10 November, 2002.
8. *Sydney Morning Herald*, 30 September, 2008.
9. Rob Brian, Letter, *Business Review Weekly*, April 14-20, 2005.
10. *Time*, 24 April 2006, p. 42.
11. 'The Catholic Church is as big as any company in America', *The Economist*, 18 August, 2012.
12. John L. Allen, 'The Church's deep pockets', *National Catholic Reporter*, 17 August, 2012.
13. *Business Review Weekly*, March 24-30, 2005.
14. Not-For-Profit Project, University of Melbourne Law School, Submission to the House of Representatives Standing Committee on Economics, Exposure Draft, Australian Charities and Not-For-Profit Commission Bill, 2012, 25 July 2012.
15. Dr Michael Gousmett, 'Tax-payer subsidised charities and their business activities – time for change.' New Zealand Centre for Political Research, nzcpr.com, 8 April 2013.
16. See for example, Australian Catholic Bishops Conference, 'Response to The Discussion Paper, 'Australian Charities and Not-For-Profit Commission: Implementation Design', February 2012. PDF.
17. Robert Jewe, 'Why I Won't Give to Your Church', *Leadership Journal (US)*, Spring 2013, p.37.

See <http://www.concordatwatch.eu/kb-37945.934>