



# What is the Direct Measure of Income?

For most non-government schools, the calculation of Commonwealth funding includes a reduction for the assessed capacity of the school community to financially contribute to the school's operating costs. This is called the 'capacity to contribute' (CTC) assessment.

In 2020 the Australian Government introduced a new method for calculating a school community's CTC based on a Direct Measure of Income (DMI) of parents and guardians of students at a school.

The DMI is based on the median income of parents and or guardians as determined through the linkage of personal income data and residential address data collected through the [Multi-Agency Data Integration Project \(MADIP\)](#).

The median family income of each school is converted to an annual DMI score, which is used to create the CTC score of the school. The CTC score is then used to discount the amount of base funding a school receives from the Australian Government.

The DMI impacts only on the Commonwealth's contribution to the base amount of funding under the [Schooling Resource Standard \(SRS\)](#) for non-government schools. There are no changes to other components of school funding including the six loadings that provide extra funding for disadvantaged schools and students, for example, students with disability, students with low English proficiency, students from Aboriginal and Torres Strait Islander backgrounds, students from socio-educationally disadvantaged background, students in regional and remote areas and small schools.

The DMI is a reliable and robust way to calculate the CTC of a school community. It is also very stable, with the majority of schools experiencing no change in their DMI-based CTC scores year-on-year. This targeted and accurate approach to calculating the CTC of a school ensures that more Commonwealth funding goes to those schools that need it the most.

## How is a DMI-based CTC score calculated?

The Department of Education, Skills and Employment (the Department) has published details of the [methodology for the DMI](#). In brief, a school's DMI score is based on the median family income and is worked out by:

- calculating the annual family income for each student at the school by adding the income of up to two parents and/or guardians.

- identifying the median (middle) income from each student’s family income within the school community.
- calculating the annual DMI score for each school by converting the median income into a standardised score (with the mean of 103 and the standard deviation of 13) while comparing it against the median income of all non-government schools where DMI policy applies.
- rounding the average of the annual DMI scores for three years immediately preceding that year. For example, a school’s DMI-based CTC score that applies to 2022 is the average of the annual DMI scores for the school worked out for 2019, 2020 and 2021.

## How are DMI scores validated and quality assured?

The Department, in partnership with the Australian Bureau of Statistics (ABS), has developed a [Data Quality and Validation Framework](#) (the Framework) to quality assure and validate DMI scores. The Framework is used annually to assess whether data is fit for purpose, reliable and robust. This comprehensive quality assurance process was not used to calculate previous area-based scores prior to the introduction of the DMI.

Under the Framework, data, calculations and results undergo a rigorous assessment in line with the ABS’s seven dimensions of quality – *institutional environment, relevance, timeliness, accuracy, coherence, interpretability and accessibility*. The Department uses this framework to better understand the quality of data to decide whether it is appropriate to use a DMI score to calculate funding for a school. The [Refined Area Based](#) (RAB) CTC methodology is used where it is not appropriate to use the DMI methodology.

## What transition support is provided to schools?

In 2022, as part of the Quality Schools reforms, all non-government schools completed the transition from the previous area-based socio-economic status (SES) methodology to the DMI. To support the change, the Australian Government put in place a package of support for schools, including:

- Gradual transition to the DMI commencing in 2020. Schools were funded according to the most financially beneficial score of their 2011 Census SES, 2016 Census SES or average DMI score in 2020 and 2021.
- Assisting schools to gradually transition to the nationally consistent share of the SRS by providing an additional two years to 2029, if they are transitioning downwards. Schools currently funded below their share will continue to transition upwards by 2023.
- Assisting schools to transition to the DMI and schools in regional and remote areas with an extra \$1.2 billion for non-government schools through the establishment of the [Choice and Affordability Fund](#). A minimum of nine per cent of this funding will be dedicated to assist regional schools as they transition to the DMI. This funding is administered through the state Non-Government Representative Body representing the school.

## For more information

- [What is the methodology for the Direct Measure of Income \(DMI\)?](#)
- [Direct Measure of Income Methodology](#)
- [The National School Resourcing Board Review of the SES score methodology: Australian Government Response](#)

- [ABS Capacity to Contribute Data Quality Framework](#)
- [Capacity to Contribute Data Validation and Quality Assurance Process](#)