



What is the methodology for the Direct Measure of Income (DMI)?

A non-government school's capacity to contribute is the anticipated capacity of the school community to financially contribute towards the school's operating cost. It forms one component of funding for most non-government schools and is used to discount the amount of base funding these schools receive from the Australian Government under the [Schooling Resource Standard](#) (SRS). Capacity to contribute is not applied to any of the loading amounts to which a school is entitled under the SRS; however, it is important to note that transition arrangements currently in-place for most schools affect both their base and their loading entitlements.

From 2020, a [Direct Measure of Income \(DMI\)](#) is being used to determine capacity to contribute (CTC). This is a shift from the previous arrangement which used the socio-economic status (SES) score of the area(s) where the students reside.

The impact of the introduction of the DMI will vary school by school and for this reason it will be applied gradually.

From 2020 to 2021, school funding calculations will use a school's most financially beneficial CTC score — the 2011 Census SES score, 2016 Census SES score or the DMI. The new direct measure will apply to all schools by 2022.

The Australian Government's implementation of the DMI measure will provide an estimated additional \$3.2 billion in funding for the non-government sector during the transition to new arrangements from 2020 to 2029.

How will a DMI score be calculated?

The DMI is based on the median income of parents or guardians at the school (that is, the family income that sits in the middle of the range of incomes at a school). The median family income is translated into a DMI score by comparing the median family income of a school against the median family income of other non-government schools. The data are standardised to a mean of 103 and a standard deviation of 13, weighted by enrolments.

Minimising year-on-year fluctuations

The CTC score that applies to funding for a school using this methodology is the average of the DMI scores for the school for the previous 3 years. For 2020 however, this will be the average of the previous 2 years, as the first parent/guardian names and addresses collection was in 2018. For small and very small schools, the year-on-year change in CTC scores will be capped at 2 points.

The use of a rolling average and capping change for small schools will minimise year-on-year fluctuations in funding. These measures aim to balance accuracy (the use of the most up to date data and information on a community) and stability (a score that stays the same as community circumstances change) and provide certainty for the non-government school sector.

Data used

The DMI uses parent and guardian names and addresses linked to data within the [Multi Agency Data Integration Project \(MADIP\)](#). There is an 18-month delay in the availability of income data through MADIP. Parent and guardian names and addresses provided in 2018 were linked to 2015-16 MADIP data. Parent and guardian names and addresses provided in 2019 were linked to 2016-17 MADIP data.

Adjusted taxable income (ATI) is used to calculate the median income of the parents and guardians of a school community. The use of ATI is supported by stakeholders and is consistent with other government policy for payments such as Family Tax Benefits and the Child Care Subsidy.

Additional data (such as concessional Australian Government financial benefits, Pay As You Go (PAYG) and spouse reported income data) are used to improve the accuracy of the measure by improving the coverage of data and capturing low income earners and others not included in taxation records.

In using this information a particular calculation order is used. This order is important and aims to improve accuracy. Parent and guardian income is based on the first direct source available in MADIP from the list below:

- i. ATI from tax returns of the relevant financial year.
- ii. Where one parent or guardian linked but the other did not, the linked parent or guardians' reported spouse ATI from their tax returns is used if it was greater than zero.
- iii. In the next step, PAYG gross income from payment summaries is used if it was greater than zero.
- iv. Pensioner Concession Card or Health Care Card information (excluding foster child and carer allowance) are used to include low income earners. Pensioner Concession Card and Health Care Card holders are assumed to have nil income.
- v. The final step is to examine ATI from previous year tax returns, indexed by the Wage Price Index (WPI). This is to capture those who submitted a tax return late. These data are indexed by WPI to make it more comparable to ATI from the relevant financial year.

What is the Multi-Agency Data Integration Project?

A direct measure of income which links personal income taxation and student address data is possible through the data linkage capability of the MADIP.

MADIP is a partnership among 6 Australian Government agencies that brings important national datasets together securely to maximise their value for policy analysis, research, and statistical purposes. The participating agencies are the Australian Bureau of Statistics (ABS), the Australian Taxation Office, and the Department of Education, Skills and Employment, Department of Health and Services Australia.

Each agency participating in the MADIP collects personal information related to its functions or activities and discloses this information to the ABS for the MADIP as authorised by law for policy analysis, research, and statistical purposes. The ABS implements the MADIP in accordance with its functions to collect, compile, analyse, and disseminate statistics established by the *Australian Bureau of Statistics Act 1975* and the *Census and Statistics Act 1905*. Further information on MADIP, including relevant privacy protections, is available from the [MADIP page](#) on the ABS website.

Further Information

The DMI is based on findings from the National School Resourcing Board's [review of the socio-economic status \(SES\) score methodology](#).

The government announced its response to the National School Resourcing Board's (the Board) report, [Review of the socio-economic status \(SES\) score methodology](#) on 20 September 2018.

The government accepted all 6 recommendations made by the Board, including that from 2020 the capacity to contribute for a non-government school should be determined based on a direct measure of median income of parents and guardians of the students at a school.