



Youth Allowance

STUDENT INCOME SUPPORT—INFORMATION FOR RURAL STUDENTS

Key elements of the Australian Government’s proposed response to the Bradley Higher Education Review will ensure that, subject to legislation, student income support payments are better targeted and more assistance is provided to those students who need it most, including rural students. While legislation to give effect to the proposed reforms was already passed the House of Representatives, the Senate has not passed the legislation. The Government has indicated that it intends to again seek passage of the reforms by the Senate in early 2010.

More rural youth to qualify for student income support payments under proposed changes to the age of independence

Under existing arrangements, a young person on Youth Allowance or ABSTUDY is considered to be dependent on their parents until they turn 25, unless they establish their independence through other means.

The package of student income support reforms proposes to progressively lower the age of independence to 24 years in 2010, 23 in 2011 and 22 years in 2012 to ensure that the age

of independence accurately reflects when individuals become independent of their parents.

Changes to the Parental Income Test proposed to reduce financial barriers for dependent rural students

Around 68 000 additional dependent young people would gain access to Youth Allowance or ABSTUDY through a more generous Parental Income Test threshold and around 34 600 will receive a higher rate of payment as a result of the Government’s proposed changes to the parental income test.

Subject to the passage of the legislation, rural students with parents earning up to \$44 165 will receive the maximum rate of payment (up from the 2009 threshold of \$32 800). Youth Allowance or ABSTUDY payments would only start to reduce for parental incomes above this threshold, with many rural students able to receive some Youth Allowance or ABSTUDY payment up to a much higher income cut-out point, based on their family circumstances.

The potential cut-out points for different types of family circumstances are set out in the table below.

Table 1: Examples of Family Situations and Parental Income Test Cut-out Points

Family Situation: Number of children on Youth Allowance by Age	Parental Income Cut-out Points	
	Current Arrangements*	New Arrangements
1 Child aged 18 at home	\$58,288	\$75,937
1 Child aged 18 away from home	\$71,532	\$92,447
2 Children aged 16 and 17 at home	\$57,794	\$97,023
2 Children aged 18 and 20 at home	\$62,080	\$107,709
2 Children aged 17 and 21 away from home ¹	\$75,324	\$140,729
2 Children aged 19 and 23 away from home	\$79,117	\$140,729

NOTES:

* Based on 2009 parental income threshold of \$32,800

1. Assumes 17 year old at school and 21 year old at university

The Independence criterion would be tightened to better reflect actual circumstances

The Bradley Review found that student income support was poorly targeted. It found that 36 per cent of independent students living at home were from families with incomes above \$100 000. The Review estimated that 18 per cent of students in this situation came from families earning incomes above \$150 000 and 10 per cent came from families earning above \$200 000.

The Government has proposed to tighten the eligibility criterion for independence to ensure that support is available to students who need it most, including rural and regional students.

As a result most students would gain access to student income support through the parental income test and the independence criterion would be limited to students who have demonstrated their independence through either personal circumstances or full time attachment to the labour force.

Students who work an average of at least 30 hours per week for at least 18 months during a two year period would still be considered to be financially independent from their parents.

While some students who may previously have gained financial independence under these rules for Youth Allowance or ABSTUDY would no longer do so, many of these students would qualify as dependants under the much more generous provisions of the proposed new parental income test.

In addition, subject to the passage of the legislation, transitional arrangements would allow young people who completed Year 12 in 2008, took a 'gap year' in 2009 and start university during 2010 until 31 December 2010 to meet the current workforce participation criterion for independence, on condition that:

- they would be required to live away from home to study at university; or
- their combined parental income is less than \$150 000 for the tax year.

The new transitional arrangements for 'gap year' students would be of particular benefit to students from rural and regional areas.

Students who are in Year 12 in 2009 and are considering taking a gap year before commencing university should be aware that the current rules for Youth Allowance would change if the Government's new legislation is approved.

Rural students receiving student income support would get more help

Any university student who receives at least a part-payment of Youth Allowance or ABSTUDY would also receive a range of other assistance of particular benefit to rural young people and their families, under the Government's proposed reforms.

All university students receiving student income support would be entitled to the new annual **Student Start-up Scholarship**, subject to the passage of legislation, valued at \$1434 in 2010 and increasing to \$2254 plus indexation in 2011, which is equivalent to the value of the old Commonwealth Education Costs Scholarship (CECS) (except for those already receiving a CECS). Students would receive the Student Start-up Scholarship for each year they receive student income support while studying at university. This change is expected to benefit over 150 000 students in 2010, compared with the 5120 allocated for commencing students in 2007 and the 12 900 that were allocated for 2010.

Table 2 shows that 133 700 more students will receive a scholarship in 2010, subject to the passage of legislation, to assist with their course-related expenditure than under current

Table 2: Numbers of additional scholarships in 2010 for education costs

Year	New CECS Forecast*	Total Student Start-up Scholarships Offered	Grandfathered CECS Recipients#	Total Start-up Scholarships and CECS for 2010	Increase over previous CECS Allocation
2010	12,900	159,100	20,345	179,445	146,200

* Expected grants to new university students in 2010, if not for the closure of this program to new entrants and its replacement by the Start-Up Scholarship.

Continuing university students who will continue to receive a CECS under grandfathering arrangements.

In the past, the number of CECS available fell well short of student demand. University students would have an automatic entitlement to the Student Start-up Scholarship if they qualify for an income support payment – Youth Allowance, Austudy or ABSTUDY. The number of Start-up Scholarships would continue to grow as the CECS are phased out.

Rural and regional students who have to move away from home to attend university may also be eligible for a **Relocation Scholarship** of \$4000 in the first year and \$1000 in subsequent years. They may also receive Rent Assistance to assist with the cost of private rental, including university college accommodation.

Many more students would receive scholarships to assist with the costs of accommodation than under the current

Commonwealth Accommodation Scholarships (CAS) arrangements. Subject to the passage of legislation, there would be 14 200 of Relocation Scholarships accessed in 2010, rising to 28 700 by 2013. This compares with the 3571 Commonwealth Accommodation Scholarships allocated in 2007 for commencing students and the 8100 allocated in 2010.

Table 3 shows that 6100 more students are expected to receive a scholarship in 2010 to assist with the costs of establishing accommodation away from the family home.

Students will receive this on top of the new Student Start-up Scholarship.

Table 3: Numbers of additional scholarships in 2010 for accommodation/relocation

Year	New CAS Forecast*	Total Relocation Scholarships Offered	Grandfathered CAS Recipients#	Total Relocation Scholarships and CAS for 2010	Increase over previous CAS Allocation
2010	8,100	14,200	13,633	27,833	6,100

* Expected grants to new university students in 2010, if not for the closure of this program to new entrants and its replacement by the Start-Up Scholarship.

Continuing university students who will continue to receive a CAS under grandfathering arrangements.

The Relocation Scholarship would replace the CAS and support university students who have to move away from home to study, or who cannot live at home because of family circumstances and personal disadvantage, by providing assistance with the costs of establishing accommodation.

The new Student Start-up Scholarships and the new Relocation Scholarships would introduce flexibility for students in determining which university they attend and which course they study. The new scholarships would also be paid on a more timely basis as payment attaches to enrolment and will be delivered through Centrelink.

Other benefits attaching to Youth Allowance

Rural students receiving Youth Allowance or ABSTUDY would still have access to the higher “away-from-home” rate of payment as well as Remote Area Allowance, Fares Allowance for up to two return trips home per year and other benefits such as the low-income Health Care Card and Pharmaceutical Allowance.

For rural students who are dependent on their parents, the family assets test applying to dependent Youth Allowance recipients takes account of current market values, net of business or farm related debt (this valuation disregards the principle family home and up to two hectares of surrounding

land). The limit is currently set at \$571 500 for most families and is indexed each year.

Further, a 75 per cent discount is applied when assessing business assets, including farm assets. This means that Youth Allowance and ABSTUDY can be received by dependent young people from small business and farming families with assets up to the value of \$2.286 million.

Families in drought affected areas who are in possession of a drought relief exceptional circumstances certificate, in receipt of the Exceptional Circumstances Relief Payment, and receiving a payment under the Farm Household Support Act 1992, are also exempted from the application of the Parental Income and Assets Tests for student income support payments.

Table 4 provides some scenarios indicating, subject to the passage of legislation, the amount of Youth Allowance potentially payable per fortnight and includes the equivalent fortnightly amount to be provided through scholarships at different family income points. The second half of the table reflects the gain in value provided through the student income support reforms over and above previous student income support arrangements.

Table 4: Family Scenarios for Parental Incomes of \$60,000, \$80,000 and \$100,000:

1. Actual financial assistance per fortnight from student income support under proposed new arrangements, including distributed scholarship value.
2. Additional value of payment per fortnight gained from proposed new arrangements over and above previous student income support settings

Number of dependent children on Youth Allowance and rate of payment [2].	Family income		
	\$60,000	\$80,000	\$100,000
	1. Fortnightly equivalent value of payment (\$) [1]		
1 YA child aged 18 at home	209.05	0	0
1 YA child aged 18 away from home ³ .	489.47	335.63	0
2 children aged 18 and 20 at home	539.90	386.06	232.21
2 children aged 17 & 21 away from home ⁴ .	985.68	831.84	677.99
2 children aged 19 & 23 away from home ⁴ .	985.68	831.84	677.99
	2. Additional value of payment: fortnightly equivalent (\$) [1]		
1 YA child aged 18 at home	209.05	0	0
1 YA child aged 18 away from home ³ .	378.89	335.63	0
2 children aged 18 and 20 at home	500.02	386.06	232.21
2 children aged 17 & 21 away from home ⁴ .	619.06	831.84	677.99
2 children aged 19 & 23 away from home ⁴ .	619.06	831.84	677.99

NOTES:

- [1] Assistance available is subject to the passage of the enabling legislation.
- [2] Dollar amounts incorporate distributed fortnightly value of scholarships paid annually (Relocation Scholarship) or in twice yearly instalments (Student Start-up Scholarship). Scenarios are based on 2009 payment values for children attending university and receiving student income support payments plus scholarships attaching to the benefit. Scenarios are indicative and actual and final assessments will depend on individual circumstances. The scenarios exclude Rent Assistance, payable to students in private rental accommodation.
- [3] Under the new arrangements every university student receiving student income support will be eligible for the Student Start-up Scholarship (\$2,254 in 2011), payable as a twice yearly instalment. University students paid at the dependent away-from-home rate will receive the Relocation Allowance at the commencement of each year of their course. Commencing university students will receive \$4,000 and continuing students receive \$1,000.
- [4] For the one child aged 18 away-from-home scenario, it is assumed that the student is commencing at university.
- [5] For the two children living away from home scenario, it is assumed that one student is commencing their university studies and the other is continuing.