THE EFFECTS OF ASSET AND INCOME ELIGIBILITY TESTS FOR AUSTRALIAN FARM HOUSEHOLDS SEEKING AUSTUDY

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ABSTRACT Eligibility for the AUSTUDY scheme is tested on the basis of a household's income and asset levels. Under the asset test in place in 1995 farm assets could be discounted by 50 per cent. The asset test has been criticised as it excludes 'asset rich but income poor' farm households from assistance, and so reduces the educational opportunities of some farm children. Rural and farm family lobby groups have called for the abolition of the asset test. In the 1996 Federal election campaign the incoming Australian Government promised to lift the discount rate allowed on farm assets from 50 per cent to 75 per cent, a promise they did not deliver on. The purpose in this study is to consider the effect this promise would have had, had it been implemented, in terms of the number of households that would have become eligible for AUSTUDY. Head count ratios are used to assess the number of households affected by different levels of assets and income used for AUSTUDY eligibility. It was found that 22 per cent of the surveyed farm households would have been denied AUSTUDY in 1994/95 solely on the basis of their asset levels. Raising the discount level to 75 per cent would have made 65 per cent of those surveyed households previously denied assistance, eligible for AUSTUDY.

1. INTRODUCTION

Farmer and parent organisations lobbied the Liberal and National Parties, when they were in opposition, to reform the AUSTUDY asset and income tests that applied to farming families (see Meade, 1994 and Houweling, 1994). The lobby groups, particularly the National Farmers Federation and the Isolated Children Parents Association, argued that the asset test discriminated against a family that must maintain a relatively substantial asset base in order to gain a modest income - the typical family farm situation. As a consequence, it is believed there was an inequitable exclusion of what are generally known as 'asset rich, but income poor' farm families from the AUSTUDY scheme.

The claims of the farmer and parent lobby groups was supported by the Senate Rural and Regional Affairs Transport Committee (1995) and the Social Development Committee (1995), who found that the rural sector, relative to the urban population, has experienced declining participation and achievement rates in secondary and tertiary education. The consequence of this discrimination is that

farm households can not make the most of the educational opportunities on offer. This, it is argued, has led to a reduction in the welfare of rural societies, as industry performance is impeded because a farmer's management skills are not as high as they could be. Furthermore, the quality of career opportunities available to those exiting farming could be limited by inadequate educational opportunities (National Rural Finance Summit Activating Committee, 1997 and Department of Primary Industries and Energy, 1997).

The policy designed to redress the problems of inadequate access to education is the AUSTUDY program. AUSTUDY is a "... targeted means of assisting in overcoming financial barriers for people who would otherwise have no visible means of accessing education, particularly at the more senior levels which our society now requires..." (Senate Employment, Education and Training References Committee, 1995 p3). In line with many other government programs, eligibility for assistance is both asset and income means tested to ensure that those in genuine need receive it.

A problem with the means test is that those families that are asset rich, but income poor, may not be able to access assistance (Milham and Davenport, 1995 and Stayner and Wolstenholme, 1996). In 1991 the House of Representatives Standing Committee on Employment, Education and Training investigated the provision, administration and effectiveness of student financial assistance schemes. They concluded that access to education and training by people in regional Australia would become strained if there were a downturn in the rural economy (House of Representatives Standing Committee on Employment, Education and Training, 1991). Towards the end of 1995, the financial strain of an economic downturn became evident as a widespread drought occurred. For the students on farms in isolated regions of Australia, whose post-compulsory education pursuits invariably involved travel to and boarding at a school or tertiary institution in more populated regions, the extra costs became such that education opportunities became limited.

2. OBJECTIVES AND HYPOTHESES

The purpose in this study is to assess the effects of reducing the asset test restrictions (by increasing its farm asset discount rate) on the number of farm households eligible for assistance under the Federal Governments AUSTUDY program. It should be noted that while the Liberal-National Parties went to the 1996 election with the promise to increase the farm asset discount rate from 50 to 75 per cent, this was not considered to be a 'core commitment'. However, after the election the Government revamped the AUSTUDY program completely. The policy in place to assist students in 1995 bore little resemblance to the one in existence by the following Federal election. Despite this, the effect of relaxing the asset test, in terms of the number and welfare status (measured in terms of income) of those families who were eligible for assistance from AUSTUDY, in a depressed

regional economy was never calculated. The aim in this paper is to make that calculation, assuming that the AUSTUDY program remained as it was in 1995.

Given the diversity of Australian agricultural industries it is illuminating to also consider this problem from the viewpoint of each individual broad acre industry, of which there are six defined by the Australian Bureau of Agricultural and Resource Economics (hereafter ABARE). This is particularly important as each individual industry may experience different seasonal and market conditions and to a degree tends to be located in different regions of Australia.

The following hypotheses will be tested:

H^1_0 That more than 30 per cent of low-income farm households are denied AUSTUDY because of the value of the farm asset specified in the 1995 asset test.

H^1_1 That H^1_0 is false.

H^2_0 That more than 90 per cent of those households so denied would have been eligible, had the Federal Government's pre-election commitment to increase the discount rate of farm assets in asset testing from 50 to 75 per cent been implemented.

H^2_1 That H^2_0 is false.

The two hypotheses will be tested using head count ratios, after accounting for the levels of farm household's income and level of assets reflected in the AUSTUDY eligibility criteria.

There are three important elements in testing these hypotheses. The first relates to questions of defining 'low income'. The level of low income adopted in testing these hypotheses is calculated on the joint parental adjusted income level set for AUSTUDY eligibility. If parental incomes are below $22 600 per household per annum, the children are entitled to full AUSTUDY benefit. Between $22 601 and $46 000 per household per annum, families are entitled to some benefit from AUSTUDY, yet at a declining rate as incomes rise. The second question relates to the level of assets and its discount rate. In 1994-5 the level of assets a household could hold and still receive assistance from the AUSTUDY program was $393 750. Farm households were allowed up to $787 500 in assets, while the proposal was for them to hold up to $1 575 000 in assets, before they became ineligible for AUSTUDY assistance. The third question relates to percentage rates specified in the hypotheses. The '30 per cent ... denied' and the '90 per cent' who become eligible testing levels were adopted because they were in line with the claims made by the National Farmers Federation and the Isolated Children's Parent's Association during the time leading up to the 1996 Federal election.

3. METHOD

To calculate how many people are eligible for assistance if the asset level is increased, the approach employed in this study is analogous to a study of the extent of poverty. What occurs in poverty studies is an attempt to measure the number of people who fall below a set income level. Once the absolute number is known, the proportion of the total population affected can be calculated using a technique known as the 'head count ratio'. A similar, but opposite approach is taken in this study. From a surveyed population, the number of farm households that fall above a given set of assets and income level is assessed.

The head-count measure gauges the number or percentage of the population that fall on one side of a certain income level. The head-count ratio can be written as:

$$H = \frac{n}{q} \tag{1}$$

where H is the head count ratio;
n is the number of families on one side of the particular income level; and
q is the total number of people in the population.

The head count measure can be used to observe changes in the proportion of the population that have been targeted by a policy change. This type of measure is useful in testing the effectiveness, over time, of policies intended to identify the relative number of people in question. It can also be helpful in assessing the targeted group from amongst different groups and/or those living in different regions.

A major deficiency of the head-count ratio is that it does not indicate the distribution of household incomes away from the specified level. In addition, the income share of each selected group above and below a selected line is not revealed. Thus, it is impossible to distinguish between a household who is one dollar away from the specified level and another that is significantly further away from it. What is being called into question is the dispersion of results, which are difficult to calculate in studies such as this, because the tails of distributions that are being analysed. To overcome this problem income gap indices are employed. An income gap index measures the amount of income required to raise or lower the average household in a subset of a sample to the selected line. Thus income gap indices not only measure the dispersion of a sample, but are also serve a policy use as well. Income gap indices are reported in this study.

4. DATA

The data needed to complete the analysis are the assets of farm households, with children who would be eligible for AUSTUDY, and their income levels, for a range of farms by activities. These farms are disaggregated into industry sectors of the wheat and other crops, mixed livestock-crops, sheep, beef, sheep-beef and dairy industries.

Data was obtained from the 1994-95 Australian Agriculture and Grazing Industry Survey and the Australian Dairy Industry Survey, conducted ABARE, (1994 and 1995). Only data collected for family farms (i.e. those using more than 48 weeks of owner family and/or partner labour) were used in this study (Beare *et al*, 1995). Of the 1753 farms surveyed, 644 were found to eligible for AUSTUDY assistance purely on the grounds that the households consisted of children who were of the right age. In a minority of cases the sampled farms include more than one household. In those cases, only the share of the household's income and assets are considered.

The income of farm households includes components earned on- and off-farm. Data on farm cash income is the difference between total cash receipts and total cash costs on the farm. Total cash receipts include all cash inflows from the farm business, such as livestock and crop sales, royalties, rebates and return on any plant hire. Total cash costs include items expended by the farm operation, such as that paid for labour, materials, services, leasing charges, produce purchases, rent, interest etc, but not capital or household costs. Depreciation and appreciation is included in farm cash income as either a cost or income item, respectively. Appreciation is the value of all growth in inventory of trading stock during the year for which there is an option to sell. This would include herd build-up (or decline), stocks of wool or other produce and could well be negative when inventories are run down. Depreciation includes all plant, equipment or buildings not leased. Depreciation is estimated using the diminishing value method based on the current replacement cost and age of each item. The rates of appreciation or depreciation are those allowed by the Commissioner of Taxation. As ABARE's farm cash income does not include any off-farm income earned by the household it closely approximates taxable income earned on the farm on an annual basis. However, ABARE's farm cash income must be adjusted to include a household's off-farm income, which was reported in the survey. The income earned by a household is then discounted according to the number of children in the household at that time (reflecting the practice employed by AUSTUDY). For the first sibling $1 200 per annum is discounted, $2 500 per annum for a second and $3 700 per annum for each additional sibling who would also be eligible for AUSTUDY. The ABARE survey data provides for this adjustment by including the date of birth of each member of the household.

In the ABARE survey, the value of assets is self-assessed by the farmer. The household's assets are measured as the on-farm, unencumbered, capital and tradable assets, less the value of family home (house and curtilage). ABARE takes $150 000 as a value for a farm home, which is approximately the average value of the domestic home of NSW farm pension applicants whose properties were referred to Australian Valuation Office in 1994/95 (ABARE, 1996).

In the ABARE farm surveys information is not collected on any off-farm assets held by the farm household. Given the nature of farms being considered in this analysis (family farms with dependant children who were eligible to attend secondary and tertiary education institutions), the significance of this omission

may only be minor. An ABARE study has shown that the significance of off-farm investment and the income derived from it declines relative to farm income and off-farm salary and wages income as children are born into the family (ABARE, 1996). Also Robinson and McMahon (1980) report that in 1977/78, 85 per cent of grazing farm families held some form of off-farm asset, but this was mostly held as liquid assets in trading bank deposits and shares in co-operatives. The average value of all off-farm investments was $17 000 per farm. As such, it is likely such assets were held as working capital for the efficient operation of the farm. They found that only 4.8 per cent of surveyed farms had investments in off-farm real estate, and of those who did have it, the average value of the real estate was around $30 000 (Robinson and McMahon, 1980). The Department of Primary Industries and Energy (1994a) cite the Department of Social Security who found that few farmers held additional assets to those on the farm. The Australian Taxation Office has also indicated that in 1992-93 gross dividends received by taxable primary producers was $118 million, gross interest received amounted to $303 million and $2 billion was received from salaries and wages (Department of Primary Industries and Energy, 1994b). It is more than likely that a minority of high-income farmers, rather than the average and lower income farmers probably hold these assets, while the Department of Social Security's observations would only be on the later.

To undertake the analysis, households are segregated into levels of farm household assets at the 50 per cent and 75 per cent discount levels. The limit upon which farm households are eligible for AUSTUDY support was first set at twice the asset cut off level of $393 750 for 1994/95 (i.e. $787 500) for a 50 per cent discount of assets. Then for a 75 per cent write down at four times the prescribed asset levels, which is equivalent to $1 575 000. Those in each category are then sorted into the three categories of household farm cash income used by AUSTUDY. That is:

- below the maximum income allowed for full AUSTUDY assistance (i.e. less than $22 600 per annum);
- within the maximum and minimum incomes that provide a sliding scale of entitlement (i.e. between $22 601 and $46 000 per annum); and
- those above the maximum level of income for any AUSTUDY eligibility (i.e. greater than $46 001 per annum).

A potential problem in this study is that the usefulness of the results could be called into question because the analysis is undertaken on a survey and not on a census. To make the result more meaningful the observed results derived from the surveyed households need to be translated into those that are applicable to the whole population. This is achieved using the sample weights information reported by ABARE (1996). In undertaking this task it is assumed that the characteristics of the selected and assessed 644 households used in the study are the same as the 1753 households selected and surveyed by ABARE.

5. RESULTS

In this study it is important to apply the data to tests of both income and asset levels. Thus, all households surveyed will fall into one of four categories. Those households whose incomes fall below the income test for AUSTUDY (i.e. at $46 000) can be classified as 'income poor', while those who exceed it can be classified as 'income rich'. Those households whose assets are below the AUSTUDY assets level can be termed 'asset poor', while those who exceed it can be classified as 'asset rich'. So any individual household can be classified as being either: 'asset rich and income poor' or 'asset poor and income poor' or 'asset rich and income rich' or 'asset poor and income rich'. The arguments assessed in this study are first, what number of household can be classified as 'asset rich and income poor' and second, do more than 90 per cent of that sub group of the sample become asset poor and income poor if assets are discounted at 75 per cent.

Observing the whole sample to begin with, it was found that 324 households had assets below the 50 per cent discount level and 320 had assets above the 50 per cent discount level (see Table 1). Of the 320 households with assets in excess of the 50 per cent discounted level, 98 had an income less than the $22 600 limit that allows for the maximum rate of AUSTUDY payments. In addition, another 44 households had an income between $22,601 and $46 000 per annum, which would allow a partial rate of AUSTUDY payment. Thus, 142 households in the sample, or 22 per cent, were ineligible for AUSTUDY solely on the basis of their level of assets, less than the 30 per cent claimed by the lobby groups. A further 178 households, or 28 per cent, were excluded from assistance not solely because of their asset holdings, but also because of their high income levels.

This result can be compared with the Department of Employment, Education and Training's estimate given to the Senate Rural and Regional Affairs and Transport References Committee who suggested that 19 per cent of farm students were excluded from AUSTUDY because of asset testing. The Department of Employment, Education and Training estimate was derived only from those students who lodged applications, which may explain why it is lower than that reported above (Senate Rural and Regional Affairs and Transport References Committee, 1995).

Of the 124 beef farms surveyed, 74 households, representing 60 per cent of the sample of that sub group of the population, had assets in excess of the 50 per cent discounted level. Of these, 45 households, or 36 per cent of that surveyed population, were found to be denied AUSTUDY solely on the basis of having too many assets. An additional 23 per cent also denied assistance because they were found to be income and asset rich. The beef industry represented the highest proportion of farms in the higher asset bracket that would be denied AUSTUDY solely because of their asset levels. As the large grazing properties of rural Australia are incorporated within this group, the higher asset levels would be at least a part reflection of the large capital involved in land values. In the wheat and

Table 1. The Number of Surveyed Farm Households and the Head Count Ratios When Assets are Discounted by 50 Per Cent.

Item Asset Test	Units	Asset Poor (assets less than $787 500)			Asset Rich (assets greater than $787 501)			Total
Income Test		Poor (<$22 600)	Medium	Rich (>$46 001)	Poor (<$22 600)	Medium	Rich (>$46 001)	
Crops Industries								
- number of households	no.	33	17	23	14	3	21	111
- head count ratio	%	30	15	21	13	3	19	100
- income gap	index	-1.51	-0.39	0.89	-4.19	-0.29	2.24	
Livestock and Crops Industries								
- number of households	no.	35	11	19	19	9	29	122
- head count ratio	%	29	9	16	16	7	24	100
- income gap	index	-1.24	-0.25	4.44	-2.94	-0.29	1.25	
Sheep Industry								
- number of households	no.	28	8	8	4	10	19	77
- head count ratio	%	36	10	10	5	13	25	100
- income gap	index	-1.07	-0.30	0.93	-1.40	-0.18	1.99	
Beef Industry								
- number of households	no.	29	7	14	37	8	29	124
- head count ratio	%	23	6	11	30	6	23	100
- income gap	index	-1.24	-0.20	0.59	-3.68	-0.22	2.04	

Table 1. The Number of Surveyed Farm Households and the Head Count Ratios When Assets are Discounted by 50 Per Cent *(contd)*

Item Asset Test	Units	Asset Poor (assets less than $787 500)			Asset Rich (assets greater than $787 501)			Total
Income Test		Poor (<$22 600)	Medium	Rich (>$46 001)	Poor (<$22 600)	Medium	Rich (>$46 001)	
Sheep-Beef Industries								
- number of households	no.	17	6	10	13	6	32	84
- head count ratio	%	20	7	12	15	7	38	100
- income gap	index	-1.42	-0.28	0.94	-2.64	-0.25	1.63	
Dairy Industry								
- number of households	no.	19	19	21	11	8	48	126
- head count ratio	%	15	15	17	9	6	38	100
- income gap	index	-0.87	-0.30	0.62	-2.43	-0.27	1.34	
All Industries								
- number of households	no.	161	68	95	98	44	178	644
- head count ratio	%	25	11	15	15	7	28	100
- income gap	index	-1.24	-0.26	0.72	-3.33	-0.24	1.57	

Table 2. The Number of Surveyed Farm Households and the Head Count Ratios When Assets are Discounted by 75 Per Cent.

Item Asset Test	Units	Asset Poor (assets less than $1 575 000)			Asset Rich (assets greater than $1 575 001)			Total
Income Test		Poor (<$22 600)	Medium	Rich (>$46 001)	Poor (<$22 600)	Medium	Rich (>$46 001)	
Crops Industries								
- number of households	no.	43	18	38	4	2	6	111
- head count ratio	%	39	16	34	4	2	5	100
- income gap	index	-1.82	-0.23	1.29	-9.75	-0.30	3.03	
Livestock and Crops Industries								
- number of households	no.	45	17	37	9	3	11	122
- head count ratio	%	37	14	30	7	2	9	100
- income gap	index	-1.47	-0.27	0.71	-3.69	-0.26	1.80	
Sheep Industry								
- number of households	no.	32	15	17	0	3	10	77
- head count ratio	%	42	19	22	0	4	13	100
- income gap	index	-1.11	-0.25	0.85	0.00	-0.17	1.22	
Beef Industry								
- number of households	no.	50	12	24	16	3	19	124
- head count ratio	%	40	10	19	13	2	15	100
- income gap	index	-1.43	-0.20	1.08	-6.30	-0.25	2.19	

Table 2. The Number of Surveyed Farm Households and the Head Count Ratios When Assets are Discounted by 75 Per Cent. *(contd)*

Item Asset Test Income Test	Units	Asset Poor (assets less than $1 575 000) Poor (<$22 600)	Medium	Rich (>$46 001)	Asset Rich (assets greater than $1 575 001) Poor (<$22 600)	Medium	Rich (>$46 001)	Total
Sheep-Beef Industries								
- number of households	no.	25	11	24	5	1	18	84
- head count ratio	%	30	13	29	6	1	21	100
- income gap	index	-1.68	-0.26	0.94	-3.27	-0.29	2.09	
Dairy Industries								
- number of households	no.	29	25	45	1	2	24	126
- head count ratio	%	23	20	36	1	2	19	100
- income gap	index	-1.48	-0.30	0.87	-0.36	-0.11	1.61	
All ndustries								
- number of households	no.	224	98	185	35	14	88	644
- head count ratio	%	35	15	29	5	2	14	100
- income gap	index	-1.50	-0.26	0.96	-5.12	-0.19	1.92	

other crops, livestock and crops, sheep and dairy industries the percentage of income poor and asset rich households was found to be 16, 23, 18, 22 and 15 per cent, respectively, all well below the 30 per cent specified by the lobby groups. The only producers who fit into the profile outlined by the lobby groups are the beef producers.

The income gap indices reported in Table 1 each relate to the different values of income. In the two columns of those households where income was found to be less than $22 600, the income gap indices represent the mean value of income below $22 600. So in the case of all industries, an income gap index number of –1.24 can be used to calculate a mean income of that sample group that are income and asset poor of negative $5424 per annum (i.e. it is equivalent to $22 600 +(-1.24 * $22 600)). In the case of all other income levels in other columns of the table, the preset income level of $46 000 is used. So for households in all industries in the medium income group, an income gap index of –0.26 yields a mean income of the group of $34 040 (which can be computed as $46 000 + (-0.26 * $46 000). The income gap indices reported in Table 2 can be interpreted in exactly the same manner. The income gap indices reveal that household incomes are widely dispersed in all income groups. This means that the number of households in each group is not that sensitive to small changes in the specified income levels. However, a large change in asset levels, such as that tested below, could have a significant effect.

The results of allowing farmers to discount assets by up to 75 per cent is detailed in Table 2. Obviously the number of asset rich households falls, while the number of asset poor households rises. It is not meaningful to discuss the head count ratio results reported in Table 2 in a similar manner to those reported in Table 1 as a different question is being asked. However, for consistency the results are reported in a similar manner, incorporating the number of households in each group, the head count ratios and the income gap indices. By comparing the results presented in Table 1 with those presented in Table 2, an indication of the effect of the policy initiative to allow farm households to discount assets by up to 75 per cent is provided (see Table 3).

Under the 50 per cent asset discounting policy 142 households were denied AUSTUDY solely on the basis of their asset levels. This is reduced to 49 households when assets are discounted by 75 per cent. Thus, 93 households denied AUSTUDY solely because of their asset levels become eligible if assets are discounted by 75 per cent. This represent 65.5 per cent change in the circumstances of farm households, well under the 90 per cent quoted by the lobby groups.

A cursory glance at the households by industry that were once denied AUSTUDY, but would become eligible if assets were discounted by 75 per cent reveals that all industries fall well short of the 90 per cent mark. The dairy households exhibited the highest increase in AUSTUDY uptake of 84 per cent with the increase in the asset test discount rate. Of the 19 dairy farm households

Table 3. The Proportion of Farm Families Denied Eligibility Under the 50 Per cent Asset Discount Rule, Who Become Eligible at 75 Per cent

Industry	Surveyed Results Households now Eligible		Population Results Households now Eligible	
	Number	% Change	Number	% Change
Crops industries	11	64.71	513	4.76
Livestock and crops industries	16	57.14	843	4.75
Sheep industry	11	78.57	628	5.21
Beef industry	26	57.78	1229	6.18
Sheep-beef industries	13	68.42	645	5.88
Dairy industries	16	84.21	661	4.82
All industries	93	65.49	4520	5.31

that would have been denied AUSTUDY solely on the basis of their assets, only three remained after the discount rate is increased to 75 per cent. The other industries ranged from 57 per cent in the livestock and crops industry to 79 per cent in the sheep industry.

Translating the results into industry and sector wide trends yields and interesting picture (see Table 3). It was found that the move to increase the rate at which assets are discounted from 50 to 75 per cent would benefit 4520 farm households, approximately 5.3 per cent of all farm households. The move would benefit approximately 4.8 per cent of all households in the crops, livestock and crops and dairy industries. It was found that 5.2, 5.9 and 6.1 per cent of households in the sheep, sheep-beef and beef industries, respectively, would benefit from the change.

6. SUMMARY

From the head count analysis it was found that 22 per cent of farm families would be ruled ineligible for AUSTUDY solely on the basis of their assets. A further 65 per cent of those so denied would have been eligible had the Government's pre-election commitment to increase the asset discount rate to 75 per cent been carried through. (For a summary of the results see Table 3.) While these findings are in broad accordance with the assertions made by lobby groups at the time of the election, in the sense that they are large, the number of households who were affected by the policy and who could benefit from changing it, was overstated. The lobby groups asserted that the predominant hurdle facing farm

household AUSTUDY applicants was the asset test and that reforming the test would affect a large number of households.

The head count response to increasing the asset discount rate was highest in the dairy industry (an 84 per cent shift) and least in the livestock and crops industry (only 57 per cent). The differences in industry figures is significant as it is indicative of the inconsistencies in assessing families across sectors, as differing incomes are associated with different levels of assets. On the current level of asset discount rate, 15 per cent of the dairy farm households are in the income poor but asset rich position - with an adjusted household income below $46 000, but with household assets in excess of the AUSTUDY limit of $787 500. This proportion of households was reduced to five per cent with the increase in the asset discount rate to 75 per cent, the largest group to benefit from the policy change. This indicates that a shift in discount rate will have different effects across different sectors, and as a policy instrument could raise as many inequities as it was intended to solve.

The two hypotheses used to guide this study were:

H^1_0 That more than 30 per cent of low income farm households are denied AUSTUDY because of the value of the farm asset specified in the 1995 asset test.

H^1_1 That H^1_0 is false.

H^2_0 That more than 90 per cent of those households so denied would have been eligible, had the Government's pre-election commitment to increase the discount rate of farm assets in asset testing from 50 to 75 per cent been implemented.

H^2_1 That H^2_0 is false.

The first hypothesis was rejected at the $46 000 income levels in aggregate and across all sectors, with the exception of the beef industry. From the head count ratio analysis 22 per cent of the low income families were found to be denied AUSTUDY on the basis of the 50 per cent discount test alone. There was considerable variation in associated response between sectors. Of the very low income beef producing families 36 per cent would have failed in that year on the basis of their asset levels alone.

The second hypothesis can also be rejected, as only 65 per cent of sector farm households, who previously were denied AUSTUDY, would become eligible if the policy on discounting assets were relaxed. The highest response to the change in discount rate was detected in the dairy producing households, and the lowest in the beef producing households.

An overall question that may well be asked is, "Would the raising of the asset discount rate have been successful?" If success is measured as the delivery of asset rich low income households into the eligible bracket, it could be said that the move would have been 65 per cent successful, as 35 per cent of that low income group remained ineligible after the change in discount rate. Policy makers could consider

the factors behind this 35 per cent not being eligible. However, the movement of these households with assets in excess of $1.5 million into eligibility raises a number of social policy questions. If the household control that level of assets, should it not be expected to borrow against them to cover their children's educational expenses? If financial institutions will not offer finance on this level of assets held by farm households, then how realistic are the values assigned to those assets? If the household is unwilling to borrow on these assets, then what value do the members of the household place on education? While in this study the effect in terms of the numbers eligible for assistance through AUSTUDY as the asset/income criteria are shifted are assessed, no attempt is made to resolve these social policy questions. They should be the subject of further research.

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