

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 173 – STUDENT FINANCIAL ASSISTANCE AGENCY Subhead 153 Textbooks and stationery grants**

Members are invited to approve supplementary provision of \$51 million to Head 173 Student Financial Assistance Agency Subhead 153 Textbooks and stationery grants for payment of assistance under the School Textbook Assistance Scheme.

#### **PROBLEM**

The approved provision for payment of assistance under the School Textbook Assistance Scheme (STAS) is insufficient to meet the expenditure in 2000-01.

#### **PROPOSAL**

2. With the support of the Secretary for Education and Manpower, the Controller, Student Financial Assistance Agency (C,SFAA) proposes a supplementary provision of \$51 million to Head 173 Subhead 153 for payment of assistance under the STAS in 2000-01.

#### **JUSTIFICATION**

3. A provision of \$377.301 million has been included in the 2000-01 Estimates for the payment of assistance under the STAS. However, on the basis of the latest projection of the number of successful applicants and the approved grant rates payable to eligible primary and secondary school students, C,SFAA estimates that expenditure in 2000-01 will be around \$428 million, exceeding the approved provision by about \$51 million.

4. The shortfall is due to the following reasons –
- (a) an increase in the number of successful applicants, accounting for \$33.4 million of the estimated shortfall. In preparing the 2000-01 Estimates, we based our forecast primarily on the past pattern of successful claims, taking into account the anticipated increase in the number of applicants eligible for full grant as a result of a relaxation of the means test criteria starting from the 1999/2000 school year. As it turns out, there are more successful applicants who are eligible for full grant in the 2000/01 school year, as shown below –

Type of assistance provided	Number of successful applicants		Changes
	Original estimate 2000/01	Revised estimate 2000/01	
Full Grant	61 400	76 500	+24.6%
Half Grant	<u>272 400</u>	<u>273 500</u>	<u>+0.4%</u>
	333 800	350 000	+4.9%
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- (b) an increase in the number and net cost of textbooks and a corresponding increase in the rates of the grant, accounting for \$17.4 million of the estimated shortfall. The cost of textbooks at the primary level has registered a 13.5% increase, of which 9.5% is due to additional books required for the progressive introduction of the teaching of Putonghua and computer studies and target oriented curriculum; and 4% due to price increase. There is a 3.4% increase in the cost of textbooks at the junior secondary level.

## FINANCIAL IMPLICATIONS

5. If Members approve the proposal, we will offset the supplementary provision of \$51 million by reserving an equivalent amount under Head 106 Miscellaneous Services Subhead 251 Additional commitments.

## BACKGROUND INFORMATION

6. The STAS is available to eligible Primary 1 to Secondary 7 students in government schools, aided schools, caput schools, schools under the Bought Place Scheme and local schools under the Direct Subsidy Scheme. The assistance comprises a textbook grant for purchasing essential textbooks and a flat rate grant

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to cover miscellaneous school-related expenses. A successful applicant receives either a full grant or a half grant depending on the size and income of his family.

7. The rates of the textbook grant are determined annually by the Secretary for the Treasury under delegated authority, with reference to the average costs of textbooks at various levels of study as shown in the annual survey conducted before the start of the relevant school year. The flat rate grant was introduced with the approval of the Finance Committee with effect from the 2000/01 school year at an initial rate of \$400 per student per annum to replace the previous “stationery” element of the grant for all levels of study.

8. When approving the introduction of the flat rate grant on 26 May 2000, Members also approved an increase in the rates of the textbook grant for eligible secondary school students from 80% to 100% of the average costs of textbooks, as in the case of primary school students, with effect from the 2000/01 school year. To cater for these improvements, Members approved a supplementary provision of \$100 million to Head 173 Subhead 153 to meet the estimated additional expenditure in 2000-01, on top of the original provision of \$277.301 million in the printed Estimates.

9. On 8 August 2000, the Secretary for the Treasury approved under delegated authority the rates of the textbook grant for the 2000/01 school year. The revised rates of the textbook grant, together with the approved rate of the flat rate grant, are shown below –

<b>2000/01 school year (\$ per student per annum)</b>			
<b>Class level</b>	<b>Textbook grant</b>	<b>Flat rate grant</b>	<b>Overall grant rate</b>
Primary 1 to 6	1,390	400	1,790
Secondary 1 to 3	2,146	400	2,546
Secondary 4	1,982	400	2,382
Secondary 5	1,116	400	1,516
Secondary 6	1,744	400	2,144
Secondary 7	440	400	840