

ITEM FOR FINANCE COMMITTEE

HEAD 173 – STUDENT FINANCIAL ASSISTANCE AGENCY Subhead 275 Student travel scheme

Members are invited to approve supplementary provision of \$42 million to Head 173 Student Financial Assistance Agency Subhead 275 Student travel scheme for payments of assistance under the Student Travel Subsidy Scheme.

PROBLEM

The approved provision for payment of assistance under the Student Travel Subsidy Scheme (STSS) 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 \$42 million to Head 173 Subhead 275 for payment of assistance under the STSS in 2000-01.

JUSTIFICATION

3. A provision of \$336.966 million has been included in the 2000-01 Estimates for the payment of assistance under the STSS. However, on the basis of the latest projection of the number of successful applicants and the average amount of travel subsidy payable to eligible students, C,SFAA estimates that the expenditure in 2000-01 will be around \$379 million, exceeding the approved provision by about \$42 million.

4. The shortfall is due to the following reasons –
- (a) an increase in the number of successful applicants, accounting for \$16.5 million of the estimated shortfall. In preparing the 2000-01 Estimates, we based our forecast primarily on the past pattern of successful claims, and projected that there would be about 201 000 successful applicants in 2000-01. Based on the latest application results, C,SFAA estimates that there will be about 210 000 successful applicants; and
 - (b) an increase in the amount of travel subsidy, accounting for about \$25.5 million of the estimated shortfall. In May, we estimated that the average travel subsidy per student per annum would be about \$1,680, after taking into account the provision of 100% of the average travel fare to the most needy students with effect from the 2000/01 school year. Present application results indicate that the average allowance per student per annum is about \$1,805.

FINANCIAL IMPLICATIONS

5. If Members approve the proposal, we will offset the supplementary provision of \$42 million by reserving an equivalent amount under Head 106 Miscellaneous Services Subhead 251 Additional commitments.

BACKGROUND INFORMATION

6. The STSS provides travel subsidy to full-time students aged 12 or above who have not yet completed their first degree, who pass a means test and who live beyond ten minutes' walking distance from school. Previously under the Scheme, for home-school travel during term time, eligible students were given a subsidy at half the average adult travel fare and, in the case of the Mass Transit Railway (MTR), half the concessionary fare. With Members' approval on 26 May 2000, a two-tier subsidy system was introduced with effect from the 2000/01 school year. Successful applicants now receive, depending on their means, a full rate or half rate subsidy. The full rate subsidy is set at a level equivalent to full average adult fare and, in the case of the MTR, the concessionary fare. To meet the additional financial implications arising from this improvement, Members approved a supplementary provision of \$40 million to Head 173 Subhead 275, increasing the original provision of \$296.966 million to \$336.966 million.