

ITEM FOR FINANCE COMMITTEE

HEAD 173 - STUDENT FINANCIAL ASSISTANCE AGENCY Subhead 153 Textbooks and stationery grants

Members are invited to approve supplementary provision of \$28 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 estimated expenditure in 2001-02.

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 \$28 million to Head 173 Subhead 153 for payment of assistance under the STAS in 2001-02.

JUSTIFICATION

3. A provision of \$458.021 million has been included in the 2001-02 Estimates for the payment of assistance under the STAS. However, on the basis of the latest projection of the number of successful applicants eligible for full and half grants and the approved grant rates for the 2001/02 school year, C,SFAA estimates that the expenditure in 2001-02 will be around \$486 million, exceeding the approved provision by about \$28 million.

4. Of this shortfall, \$22.8 million is due to an increase in the rates of the grants for all class levels, arising from an increase in the cost of textbooks to students. The cost of textbooks at the primary level has registered a 10.5% increase, of which 6.5% is due to additional books required for the continual extension of the teaching of Putonghua and computer studies and 4% due to price increase. There are increases of 2.9% to 6.7% in the cost of textbooks at the secondary levels.

5. As for the remaining \$5.2 million of the shortfall, the cause is that there is a greater number of full-grant recipients, partly offset by a fewer number of half-grant recipients, than we have budgeted for in the 2001-02 Estimates. In preparing the 2001-02 Estimates, we based our forecast primarily on the past pattern of successful claims and the proportion of successful applicants receiving full grant or half grant. As it turns out, there are more successful applicants who are eligible for full grant but less for half grant in the 2001/02 school year, as shown below –

Type of assistance provided	Number of successful applications		Changes
	Original estimate	Revised estimate	
	2001/02	2001/02	
Full Grant	81,800	90,100	+10.1%
Half Grant	292,100	277,700	-4.9%
	373,900	367,800	-1.6%

FINANCIAL IMPLICATIONS

6. If Members approve the proposal, we will offset the supplementary provision of \$28 million by reserving an equivalent amount under Head 106 Miscellaneous Services Subhead 251 Additional commitments.

BACKGROUND INFORMATION

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

8. In accordance with the mechanism approved by this Committee, the grant rates are determined annually by the Secretary for the Treasury (S for Tsy) under delegated authority. The rates for the textbook grant are determined 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 is revised annually according to the movement of the Composite Consumer Price Index.

9. In September 2001, the S for Tsy approved under delegated authority the rates of the textbook grant and the flat rate grant for the 2001/02 school year in accordance with the approved formula. The revised rates of the textbook grant and the flat rate grant, as well as the overall grant payable, are shown below –

2001/02 school year (\$ per student per annum)

Class level	Textbook grant	Flat rate grant	Overall grant rate (rate for 2000/01 school year in brackets)
Primary 1 to 6	1,536	392	1,928 (1,790)
Secondary 1 to 3	2,290	392	2,682 (2,546)
Secondary 4	2,082	392	2,474 (2,382)
Secondary 5	1,148	392	1,540 (1,516)
Secondary 6	1,808	392	2,200 (2,144)
Secondary 7	458	392	850 (840)

Education and Manpower Bureau
November 2001