

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 173 – STUDENT FINANCIAL ASSISTANCE AGENCY Subhead 228 Student financial assistance**

Members are invited to approve, with effect from the 2004/05 school year, the merging of the Cross-net Travel Subsidy Scheme and the Student Travel Subsidy Scheme based on the existing eligibility criteria and subsidy arrangement under the latter scheme to encompass all local full-time primary to undergraduate students. The merging entails –

- (a) removal of the cross-net requirement currently applicable to students aged below 12;
- (b) enlarging the group of eligible applicants to include those needy students aged below 12 who are attending private schools and schools under the Direct Subsidy Scheme; and
- (c) subject to certain transitional arrangements, standardisation of the subsidy arrangement such that the offer of a half rate grant will also apply to applicants aged below 12.

### **PROBLEM**

The two means-tested student travel subsidy schemes administered by the Student Financial Assistance Agency (SFAA), i.e. the Student Travel Subsidy Scheme (STSS) and the Cross-net Travel Subsidy Scheme (CTSS) provide

/different .....

different treatment in the provision of travel subsidies to needy students. In particular, needy primary students attending schools located within their residing Primary One Admission (POA) Net are not eligible for any travel subsidy under the CTSS even if they live beyond ten minutes' walking distance from their schools. Needy students attending primary schools under the Direct Subsidy Scheme (DSS) and private primary schools are also not eligible. In addition, the one-tier subsidy arrangement currently applicable to students aged below 12 under the CTSS is not consistent with the two-tier arrangement for students aged 12 or above under the STSS. We propose to rationalize the two schemes.

## **PROPOSAL**

2. With the support of the Secretary for Education and Manpower, the Controller, Student Financial Assistance Agency proposes that CTSS and STSS be merged with effect from the 2004/05 school year. Specifically –

- (a) the cross-net requirement under the CTSS should be removed;
- (b) needy students aged below 12 who are attending DSS schools and private schools should also be eligible to apply, as in the case of needy students aged 12 or above attending these schools; and
- (c) subject to certain transitional arrangements, the subsidy arrangement should be standardised such that the offer of a half rate grant currently applicable to students aged 12 or above will also apply to applicants aged below 12.

## **JUSTIFICATION**

### **Eligibility criteria**

3 When the CTSS was first introduced, its primary objective was to assist needy primary students aged below 12 who attended public sector schools outside their residing POA Net and thus had to travel a relatively long distance to school.

4. Progressive development of whole-day primary schooling has resulted in students being relocated to new school premises which are farther away from home, even within the same school net. Furthermore, POA Nets are reviewed annually and redrawn, where necessary, primarily to meet the demand for school places and to provide parents with more choices in selection of schools. The number of POA Nets has been reduced from 59 in the 1998/99 school year to 55 in the 2003/04 school year, and further to 47 in the 2004/05 school year. These developments have resulted in more students having to incur travel expenses without any subsidy under the CTSS.

5. As needy students aged 12 or above attending DSS schools or private schools are now eligible for STSS, we also propose to extend the student travel subsidy to needy students aged below 12 attending DSS schools or private schools.

6. In addition, the proposal to merge the STSS and CTSS will benefit needy students who have not reached their 12<sup>th</sup> birthday but are in the first year of secondary school. Currently, such students are not eligible for the CTSS since they do not attend primary school, nor the STSS until they reach the age of 12. Under a merged scheme, all needy local full-time students from primary to undergraduate level and who live beyond ten minutes' walking distance from schools/institutions will be eligible.

### **Subsidy arrangement**

7. The present STSS for students aged 12 or above operates on a two-tier subsidy structure whereby the more needy students among those who have passed the means test would receive a full rate grant, and the rest a half rate grant. In other words, applicants receive a grant which is equivalent to either the full average fare on public transport payable or half of such fare. The two-tier arrangement is a well-established mechanism for determining the level of assistance, and it also applies to other primary and secondary student financial assistance schemes such as the School Textbook Assistance Scheme. Under the existing CTSS, however, only one level of subsidy at the full rate grant is provided. This is inconsistent with the subsidy arrangement for other student financial assistance schemes.

8. To uphold the principle of providing subsidy according to means and ensure consistency between various student financial assistance schemes, we recommend that a two-tier subsidy arrangement be applied to students aged below 12 as well under the merged student travel subsidy scheme.

9. In cases involving exceptional and unforeseen financial hardship, school principals may continue to recommend for approval by the SFAA a full or half rate subsidy having regard to the particular circumstances of the students concerned, as in the case for all other SFAA-administered student financial assistance schemes for primary and secondary students. This provision for discretionary awards under the current system will help to ensure that financial assistance will be made available to those genuinely deserving cases.

### **Overall impact**

10. We estimate that about 60 000 students aged below 12 would benefit from the proposal to relax the eligibility criteria. This is more than double the number of successful applicants at present.

11. Based on the profile of successful applicants under the CTSS in the 2003/04 school year, we estimate that about 22 000 students who would otherwise be eligible for a full rate grant under the existing mechanism will be affected. On average, an applicant so affected will have his/her subsidy reduced by \$50 a month. Further analysis shows that about 95% of the applicants would have their subsidy reduced by less than \$100 a month.

### **Transitional arrangements**

12. We propose to implement the new arrangements in the 2004/05 school year so as to benefit the needy students as early as possible. As transitional arrangements, we further propose that –

- (a) for students who are not eligible for assistance under the existing CTSS, but who would become eligible by virtue of the present proposal, their applications submitted in the 2004/05 school year would be processed in accordance with the revised set of eligibility criteria and subsidy arrangement under a merged student travel subsidy scheme; and
- (b) for students who are eligible for assistance under the existing CTSS for travel subsidy in 2004/05 school year, and pass the means test for a half rate grant, we would continue to provide them with travel subsidy equivalent to a full rate grant in the 2004/05 school year. The level of subsidy would be adjusted only with effect from the 2005/06 school year.

## FINANCIAL IMPLICATIONS

13. The net additional recurrent cost of the proposal to merge the existing student travel subsidy schemes is about \$30 million per annum based on the estimated number of successful applications and average subsidy for the 2004/05 school year. The transitional arrangements would cost an additional \$12 million for the 2004/05 school year. We have already earmarked funding in the 2004-05 approved Estimates in meeting the additional requirements in 2004-05. We will provide sufficient funding for future years in the context of the annual Estimates.

14. To implement the recommendations, SFAA will also have to incur one-off capital expenditure of about \$0.9 million to enhance its existing computer system.

## BACKGROUND INFORMATION

15. It is Government's policy to ensure that students are not deprived of education for lack of financial means. Besides providing free and universal basic education and heavily subsidized senior secondary education, we provide comprehensive student financial assistance schemes for primary and secondary students, including travel subsidy, assistance on school textbooks and miscellaneous expenses, senior secondary school fee remission and examination fee remission.

16. The STSS was introduced, as a means-tested scheme, in 1991 and substantially enhanced in 2000. Under the Scheme, needy students aged 12 and above who have not completed their first degree and who live beyond ten minutes' walking distance from their school and travel to school by public transport may receive, depending on their family financial situation, a full rate or half rate subsidy for home-school travel during term time. The full rate subsidy is set at a level equivalent to the full average fare on public transport and, in the case of the Mass Transit Railway, the concessionary student fare. The annual recurrent expenditure of the STSS was \$349 million in 2003-04.

17. The CTSS was introduced in 1998 to provide needy primary students aged below 12 with a travel subsidy if they attend public sector schools located outside their residing POA Net, live beyond ten minutes' walking distance from their school and travel to school by public transport. There is only one level of subsidy equivalent to the full average fare on public transport payable by the applicants (public transport operators generally charge children under 12 half of the adult fares). The annual recurrent expenditure of the CTSS was \$34 million in 2003-04.

/18. ....

18. We consulted the Primary One Admission Committee, which comprises representatives from the various educational bodies, at its meeting on 27 September 2004. Members fully supported the proposal.

19. We briefed the [Legislative Council Panel on Education on 8 November 2004](#) on the details of the proposals. Members generally appreciated the urgency of the proposals, which, if approved by this Committee, should be implemented as soon as possible in the 2004/05 school year to benefit the needy students. Some Members were concerned about the financial burden on the 22 000 applicants who would have their travel subsidy reduced under the proposed two-tier subsidy arrangement, and requested the Administration to consult parent organisations on the present proposals. Some Members also expressed concern that the existing means test for the travel subsidy schemes might not have addressed the needs of students from low-income families and suggested that the eligibility criteria be reviewed.

20. On the financial impact on the students to be affected by the standardisation of the subsidy arrangement, we have explained our analysis in paragraph 11 above. We are also consulting relevant parent organisations on the proposals and would summarise their views in the form of a supplementary paper for Members' reference before the meeting. We would also review the means test for various student financial assistance schemes to identify areas of improvement.

-----

Education and Manpower Bureau  
November 2004