

# 立法會 *Legislative Council*

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## **Panel on Education**

### **Background brief prepared by the Legislative Council Secretariat for the meeting on 8 May 2006**

#### **University tuition fees**

#### **Purpose**

1. This paper summarises the deliberations of the Panel on Education on issues relating to university tuition fees.

#### **Background**

2. The principles for setting tuition fees for higher education are decided by the Government. On 18 January 1991, the Governor in Council decided that the cost recovery target for fees for degree courses should be increased by phases from 12% by 1993-1994 to 18% by the end of 1995-1996 to 1997-1998 triennium. According to the Administration, the policy was designed to strike a reasonable balance between students and the community in sharing the costs of tertiary education; help meet the substantially enhanced funding for the accelerated expansion of tertiary education; and follow largely the generally higher cost recovery rates prevailing elsewhere.
3. Pursuant to this policy, the fees for 1993-1994 and 1994-1995 increased by 46.6% and 41.2% respectively. In June 1994, the Legislative Council passed a motion calling on the Government to freeze the level of tuition fees for higher education and undertake a comprehensive review of the policy on the determination of tuition fees and the provision of grants and loans to students.
4. After reviewing the policy, the Executive Council decided on 6 February 1996 that the 18% recurrent cost recovery target to be achieved by 1997-1998 and thereafter should be maintained. According to the Administration, in

arriving at the decision, consideration had been given to the system of student financial assistance; the relative share in responsibility for funding tertiary education; the share of scarce resources for other programme areas; the trend of student unit costs; and possible changes in the unit costs to be recovered by fees including potential for further cost-saving measures. The indicative fee for degree courses for 1997-1998 was \$43,100 per annum. The actual fee subsequently announced was \$42,100.

5. Since February 1998, the Administration had frozen most fees and charges for Government services as an exceptional relief measure at a time of economic adjustment. Revision of Government fees and charges resumed since 2000-2001 when the economy gradually recovered. As far as the tuition fees for the University Grants Committee (UGC)-funded institutions are concerned, they have been frozen since 1997-1998. The tuition fee for degree courses has been maintained at the 1997-1998 level, i.e. \$42,100 per annum.

### **Deliberations of the Panel**

6. The Panel has not discussed the policy on the determination of tuition fees for tertiary education per se. In the context of examining the decision of the Administration not to introduce a differential fee system by broad programme categories in 2000 and the proposed reform to the academic structure for senior secondary education and higher education in 2004 and 2005, the Panel had discussed the following issues –

- (a) differential fee system;
- (b) overcharging of tuition fees for tertiary education; and
- (c) increase of university tuition fee.

7. The deliberations of the Panel on these issues are summarised in the following paragraphs.

#### Differential fee system

8. At present, a uniform tuition fee is payable for all degree and above programmes despite the cost differences between disciplines. In 2000 the Administration sought the advice of the UGC on the feasibility of introducing a differential fee system by broad programme categories. The UGC conducted a research on international practices on the matter and tendered its advice to the Administration. Having considered the UGC's advice, the Administration decided not to introduce a differential fee system by broad programme categories. The reasons provided by the Administration were that –

- (a) as programmes curricula became more diverse, it would be

increasingly difficult to categorise any given academic programme into one broad programme category;

- (b) laboratory-based disciplines usually involved higher costs and a higher tuition fee would make these disciplines even less popular; and
- (c) as the Education Commission had just published a consultation document setting out major education reforms, it was prudent not to introduce another new proposal to complicate the implementation of the reforms.

9. At the meeting of the Panel on 19 June 2000, members noted that many places, such as the Mainland, Australia, Japan, and the United States, adopted a differential fee system. They asked if the Administration would reconsider the proposal to introduce such a system in future.

10. The Administration responded that it had not ruled out the possibility of reconsidering a differential fee system in the light of changing circumstances and international developments in future.

#### Overcharging of tuition fees for tertiary education

11. At the Panel meeting on 19 June 2000, some members sought clarification from the Administration of media reports that there was overcharging of tuition fees for tertiary education as a result of deflation over the past few years, although the tuition fees had been frozen at the 1997-1998 level. These members considered that the overcharged fees should be refunded to students who had paid the tuition fees by student loans.

12. The Administration explained that the tuition fees for the UGC-funded institutions should be set at levels to recover 18% of the average student unit cost. In line with the Government's decision to freeze fees and charges as an exceptional relief measure at a time of economic adjustment, the tuition fees for the UGC-funded institutions for 1998-1999 and 1999-2000 had been frozen at the 1997-1998 level (i.e. \$42,100 and \$31,575 for degree and sub-degree programmes respectively) and would continue to be frozen at that level for 2000-2001. As a result of the freeze, the cost recovery rate of the tuition fees would be around 17.3% of the average student unit cost based on the level of grants to the institutions for 2000-2001. This calculation had taken into account the institutions' committed reduction of 10% average student unit cost to be achieved by the end of the 1998-1999 to 2000-2001 triennium, with half of the savings being ploughed back to the UGC for reallocation.

13. The Administration also clarified that Government did not have a policy for refund of overcharged tuition fees. The current funding for the UGC-funded institutions was determined on a deficiency grant basis after deducting from the estimated gross expenditure an assumed income from tuition fees and from other sources. The assumed tuition fee income was an estimate which had to be reconciled when the actual fee levels were known. This meant that if the actual fee levels subsequently approved by the Administration for a certain academic year were lower than those assumed in determining the recurrent grant, the Government would normally provide additional funds to meet the shortfall. On the contrary, if there was a surplus income as a result of the actual tuition fee being higher than the assumed level, the excess in recurrent grant would be clawed back by the Government. As a result of the freeze of tuition fees, the Government had already provided the UGC-funded institutions an additional grant of \$129.5 million in the 1998-1999 academic year.

#### Increase of university tuition fee

14. When the Panel discussed the consultation paper entitled “Reforming the Academic Structure for Senior Secondary Education and Higher Education – Actions for Investing in the Future” which was issued in October 2004, members noted the Administration’s proposal to adopt a shared funding model to implement the reform and increase the existing university tuition fee from \$42,100 to \$50,000 per annum at the price level of 2005. Some members had expressed concern about the impact of the proposed increase of tuition fee for undergraduate programmes on low-income families. They considered that the proposed increase would add substantial financial burden to these families. Members also pointed out that the proposed increase did not follow the existing policy of recovering 18% of the average student unit cost. Increasing the tuition fee to \$50, 000 per annum would raise the cost recovery rate to 24%.

15. The Administration had explained that the tertiary sector would require an annual recurrent cost of about \$1.8 billion to run an additional year of undergraduate programmes to sustain the new academic structure. In the light of the heavy financial investment needed and the financial constraint of Government, the Administration therefore proposed a shared funding model. The Administration considered it reasonable for financially capable parents to share part of the costs for implementing the reform to higher education.

16. As regards the cost recovery rate for undergraduate programmes, the Administration pointed out that Hong Kong compared favourably with overseas places in this respect. The cost recovery rates in the United Kingdom and the United States ranged from 30% to 60%. The Administration would carefully examine the issue before the implementation of the new academic structure for higher education. It would also consider ways to improve the student financial assistance schemes to assist needy students.

**Relevant papers**

17. A list of the relevant papers on the Legislative Council website is in the **Appendix**.

Council Business Division 2  
Legislative Council Secretariat  
4 May 2006

## Relevant documents on University tuition fees

Date of meeting	Council/ Panel	Document	Paper No.
9.9.98	Council meeting	Prof Hon NG Ching-fai raised an oral question on “Freeze on tuition fees for tertiary institutions”	<a href="#">Official Record of Proceedings</a>
13.10.99	Council meeting	Hon CHEUNG Man-kwong raised a written question on “Refund of tuition fees by UGC-funded institutions to new students who have applied for withdrawals before the academic year begins”	<a href="#">Official Record of Proceedings</a> (page 58 – 65)
19.6.00	Panel on Education	Minutes of meeting	<a href="#">CB(2)2558/99-00</a>
		Legislative Council Brief on Tuition fees for university Grants Committee-funded institutions in 2000/01	<a href="#">EMBCR 5/1716/46 Pt. 19</a>
15.1.01	Panel on Education	Minutes of meeting	<a href="#">CB(2)1107/00-01</a>
		Administration’s paper on “Recurrent funding for University Grants Committee-funded institutions in the 2001/02 to 2003/04 triennium”	<a href="#">EMB CR 2/2041/86 Pt 9</a>
29.10.04	Panel on Education	Minutes of meeting	<a href="#">CB(2)350/04-05</a>
		Consultation document on “Reforming the academic structure for senior secondary education and higher education – Actions for investing in the future”	<a href="#">Consultation document on “Reforming the academic structure for senior secondary education and higher education – Actions for investing in the future”</a>