

For information
on 21 July 2006

Legislative Council Panel on Education
Review of the Means Test for Student Financial Assistance Schemes

Purpose

We have completed a review of the income ceiling for full grant assistance under the student financial assistance schemes administered by the Student Financial Assistance Agency (SFAA) (“SFAA schemes”). This paper sets out the findings of the review.

Background

Government policy

2. It is the Government’s policy to ensure that no student is deprived of education due to lack of means. At present, the SFAA administers a number of means-tested and non-means-tested financial assistance schemes for needy students. In the 2005/06 school year, student financial assistance provided by the Government amounted to about \$4.6 billion, of which about \$3 billion was in the form of cash grants or fee waivers, and about \$1.6 billion in the form of loans.

Concerns over income ceiling of SFAA schemes

3. During the discussion on a proposal relating to student travel subsidy in November 2004, some Members noted that a student from a 4-member family with a monthly household income exceeding \$8,055 would be eligible for “half grant” assistance only but not a “full grant”. They considered such an income ceiling more stringent than the monthly average payment for a household of the same size under the Comprehensive Social Security Assistance (CSSA) Scheme, and requested the Administration to conduct a review.

Review of the Means Test of SFAA Schemes

Means Test

4. To safeguard the use of public money and ensure financial assistance is provided to students with genuine financial need, a means test is applicable to all SFAA schemes, except for the non-means-tested loan schemes for post-secondary students, which are operated on a no-gain-no-loss and full cost recovery basis.

5. The means test follows an Adjusted Family Income (AFI) mechanism. The mechanism serves as the assessment tool with regard to an applicant's gross annual household income and household size to determine whether he/she is eligible for student financial assistance. In the case of SFAA schemes for pre-primary, primary and secondary students¹, for instance, the AFI is measured against a Ready Reckoner to determine the level of assistance payable at 100%, 75% or 50%, as applicable, of the maximum assistance. Details of the AFI mechanism are set out at **Annex 1**.

Comparison with the CSSA Scheme

Income eligibility

6. The CSSA Scheme provides a safety net for local residents who cannot support themselves financially because of age, disability, illness, low earnings, unemployment or family circumstances. It is designed to bring their income up to a prescribed level to meet their basic needs, through cash assistance in the form of standard rates assistance, special supplements and special grants. For each CSSA case, the amount of assistance is determined by the monthly income and needs of the family concerned, being the difference between the total assessable monthly income of the family and its total monthly needs as recognized under the CSSA Scheme of all family members living under the same roof.

7. It should be noted that CSSA payment includes education-related expenses. The income ceiling for SFAA schemes, however, takes into account household income only and does not include education-related grants or assistance. For a meaningful comparison with average CSSA payment, the total disposable income of the families receiving financial assistance under SFAA schemes, being the sum of their income ceiling and average SFAA assistance, should be used.

8. Based on the application data under SFAA schemes for pre-primary, primary and secondary students in the 2004/05 school year, it is noted that the overall weighted difference between the "adjusted" monthly income ceiling for full grant assistance under SFAA schemes and the monthly average CSSA payment was very small, only \$170 (or 1.7%) lower than the average CSSA payment. Seen in this light, the two regimes are broadly comparable. Details are set out in **Annex 2**.

Other scheme features

9. Serving different policy purposes, the two regimes have different features. A broad comparison suggests that SFAA schemes are more relaxed than the CSSA Scheme in the following aspects—

¹ Financial assistance is provided for pre-primary students, primary and secondary students in the form of fees remission, textbook assistance, travel subsidy, etc. as applicable under specific schemes.

- (a) CSSA applicants have to undergo an asset test (the asset limit to a 4-able-bodied-member family being \$58,000) while SFAA schemes applicable to pre-primary, primary and secondary students are not subject to any asset test;
- (b) only 30% of the income of siblings living with the family is counted towards the total family income under SFAA schemes while normally 100% of such income is counted under the CSSA Scheme;
- (c) dependent parents not residing with the family are also counted as family members in arriving at the adjusted family income of applicants under SFAA schemes. A residence requirement applies to the CSSA Scheme; and
- (d) SFAA schemes basically only take into account gross household income and the application and assessment procedure is relatively simple.

10. Given the scope and nature of financial assistance under SFAA schemes and the CSSA Scheme and having regard to the review findings as above, we shall maintain the existing income eligibility criteria for full grant assistance under SFAA schemes.

Education and Manpower Bureau
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Adjusted Family Income (AFI) Mechanism for SFAA schemes

The AFI mechanism was first put in place in the 1998/99 academic year. It now applies to all financial assistance schemes administered by the SFAA, including those for pre-primary, primary and secondary students (for the provision of school fee remission, textbook assistance, travel subsidy, etc.). The formula is as follows -

$$\text{AFI} = \frac{\text{Gross annual income of the family}^1}{\text{Number of family members}^2 + 1^3}$$

2. The AFI determines against a Ready Reckoner whether an applicant is eligible for any financial assistance and, if so, the percentage of maximum assistance payable. The Ready Reckoner for the 2005/06 school year⁴, put simply, is as follows -

<u>AFI band (\$)</u>	<u>Level of assistance</u>
0 to 19,332	Full assistance
19,333 to 51,630	Varies with scheme as a percentage of full assistance
Over 51,630	No assistance

3. The AFI cut-off points for the Ready Reckoner are subject to annual adjustment in accordance with the movement of the Consumer Price Index (A).

¹ Gross annual income of the family includes the annual income of the applicant and the spouse; 30% of the annual income of unmarried child/children residing with the family if applicable; and the contribution from relatives/friends if applicable. It excludes unavoidable medical expenses for chronically ill household members, which are subject to a cap and annual adjustment according to the movement of the Consumer Price Index (A).

² The members of a family normally refer to the applicant, the spouse, the unmarried child/ children residing with the family and the dependent parent(s) of the family.

³ For single-parent families of 2 to 3 members, the “plus 1 factor” in the divisor of the AFI formula will be increased to 2.

⁴ Same as that for the 2004/05 school year.

4. The AFI mechanism operates on a per capita annual household income basis and is simple to administer. For easy reference, AFI bands may be converted into monthly income. To illustrate, the income ceilings for full assistance under SFAA schemes for different household sizes for the 2005/06 school year are as follows –

<u>Family size</u>	<u>Monthly income ceiling (\$)</u>	
	<u>Full assistance</u>	<u>No assistance</u>
3	6,444	17,210
4	8,055	21,513
5	9,666	25,815

5. There is no asset test for SFAA schemes for pre-primary, primary and secondary students.

Comparison of Income Ceiling under SFAA Schemes and CSSA Payment

Family Size	Monthly Income Ceiling for full-grant under SFAA Schemes (\$) (A)	Monthly Average SFAA Financial Assistance ¹ (\$) (B)	Adjusted monthly income ceiling for full-grant under SFAA schemes (\$) (C) = (A) + (B)	Monthly Average CSSA Payment ² (\$) (D)	Difference	
					(\$) (E) = (D) – (C)	% (F) = (E)/(D)
3 ³	7,073	588	7,661	7,689	28	0.4%
4	8,055	712	8,767	8,997	230	2.6%
5	9,666	934	10,600	10,655	55	0.5%
Overall	8,906	811	9,717	9,887	170	1.7%

¹ The average financial assistance is calculated according to the actual provision figures under the Kindergarten and Child Care Centre Fee Remission Scheme, Student Travel Subsidy Scheme, School Textbook Assistance Scheme, Senior Secondary Fee Remission Scheme and the Examination Fee Remission Scheme for, as applicable, pre-primary, primary and secondary students.

² For CSSA cases with child recipient aged 3 or above and no income other than CSSA payments.

³ The statistics of this family size include 3-member single-parent families under SFAA schemes.