

## **LEGISLATIVE COUNCIL BRIEF**

### **PRE-PRIMARY EDUCATION VOUCHER SCHEME**

#### **INTRODUCTION**

At the meeting of the Executive Council on 16 June 2009, the Council ADVISED and the Chief Executive ORDERED that –

- (a) similar to the arrangement before the Pre-primary Education Voucher Scheme (PEVS), the fee remission ceilings under the Kindergarten and Child Care Centre Fee Remission Scheme (KCFRS)<sup>1</sup> should be adjusted annually starting from the 2009/10 school year (sy) onwards on the basis of the respective weighted average fees (WAF) of the non-profit-making (NPM) half-day and whole-day kindergartens (KGs) eligible for PEVS to ensure a reasonable choice of eligible and affordable KGs for needy families, and
- (b) the Administration should kick start the review process later in the year. Pending the outcomes of the review, the other policy parameters of PEVS, including the value of the voucher, would remain unchanged.

#### **JUSTIFICATIONS**

2. The PEVS implemented since the 2007/08 sy is a worthwhile endeavour to support the family by easing the financial burden of parents and to raise the quality of KG education. The vision of the scheme is for all KG children to receive affordable and quality pre-primary education through parental choice, well-qualified teaching staff and accountability. While PEVS does not set out to cover the full tuition fee of KG education for all children, particularly given the diversity and heterogeneity of the pre-primary sector, parental choice is being facilitated by direct fee subsidy to parents in the form of a non-means tested voucher at \$10,000 per student per annum (pspa) in the 2007/08 sy, which will progressively increase to \$16,000 pspa by the 2011/12 sy. As of September 2008, about 83% of teachers serving in regular posts in local KGs have either acquired Certificate in Early Childhood Education [C(ECE)] qualification or above or enrolled on C(ECE) course, benefiting from a training subsidy under PEVS. We anticipate that the rest of them will progressively attend the course according to their needs and individual

<sup>1</sup> Under KCFRS, there are three levels of assistance, i.e. 100%, 75% or 50% of the maximum level of subsidy. The level of assistance is determined by a means test based on the Adjusted Family Income (AFI), calculated on the basis of the gross annual household income and household size. The fee remission amount will be determined by the level of assistance, the actual fee or the maximum level of subsidy, i.e. \$16,000 pspa for half-day students or \$25,400 pspa for whole-day students with social need whichever is the less, and the voucher value, calculated by “Actual fee or Maximum level of subsidy x Level of assistance minus Voucher value”.

plan. Accountability is to be achieved through a quality assurance mechanism that combines self evaluation and external review. Up to April 2009, Education Bureau (EDB) has conducted Quality Review (QR) for 320 KGs, representing 41.2% of the KGs joining PEVS, and QR reports have been uploaded to the EDB website to facilitate access by parents. By the beginning of the 2012/13 sy, only those meeting the prescribed standards may redeem the voucher.

3. PEVS in tandem intends to consolidate the existing financial schemes<sup>2</sup> for KG children into one voucher in the 2011/12 sy, i.e. when the value of voucher reaches \$16,000 pspa and is fully dedicated towards fee subsidy. On this basis, the KCFRS by then will no longer be needed for KG children, save those attending whole-day KG classes due to “social need”<sup>3</sup> and those attending child care centre, day nursery or day crèche.

4. The fee remission ceilings under KCFRS fixed at \$16,000 pspa for half-day KGs and \$25,400 for whole-day KGs since the introduction of PEVS in the 2007/08 sy and to remain at those levels until the 2011/12 sy have limited parental choice.

5. Compared to some 52.9% of the half-day KGs and 59.8% of the whole-day KGs charging fees below the respective WAF in the 2006/07 sy<sup>4</sup>, the percentage of half-day and whole-day NPM KGs under PEVS charging tuition fee at or below the fixed fee remission ceilings was 54% (half-day) and 26% (whole-day) in the 2007/08 sy, and further dropped to 38.6% (half-day) and 18% (whole-day) in the 2008/09 sy.

6. The gap between the fee remission ceilings and notional WAF has widened. As a result, more needy families requiring additional financial support through KCFRS now need to top up by a greater amount of tuition fees, compared to the situation prior to the introduction of PEVS when fee remission ceilings were adjusted annually by the monthly WAF of NPM KGs.

7. In the 2006/07 sy, prior to the introduction of PEVS, 78% of the whole-day KG children receiving full fee remission and 76% of the half-day KG children receiving full fee remission under KCFRS did not need to top up the tuition fee. In the 2008/09 sy, the respective percentages had fallen to 46% and 64%. If WAF is applied as the fee remission ceilings in the 2008/09 sy, the percentages are estimated to become 71% and 75% respectively.

2 They include the Kindergarten and Child Care Centre Subsidy Scheme (KCSS) which had ceased to operate for KGs after PEVS and KCFRS for half-day KGs. PEVS also intends to explore the feasibility of subsuming the amount of rents, rates and government rents into the voucher value after the 2011/12 school year.

3 Eligibility includes child’s parents who are full-time employees, child’s father or mother holding a two-way permit from China, parents who have to take care of an elderly family member aged 70 or above, families with twins and triplets or with 2 siblings aged below 6 or 4 children aged below 12, etc.

4 Prior to the introduction of PEVS, the fee remission ceilings were subject to annual adjustment and were set at the monthly weighted average level of fees charged by NPM KGs, which in the 2006/07 school year was \$1,379 per student per month (pspm) for half-day KGs or \$2,301 pspm for whole-day KGs.

8. While the beneficiaries of KCFRS prior to the introduction of PEVS<sup>5</sup> who were receiving fee remission above the fixed fee remission ceilings set under PEVS have continued to receive no less fee assistance at higher level of study until their completion of pre-primary education in the same KG as a transitional arrangement, children who started their education in KGs eligible for KCFRS after the 2007/08 sy are not covered by this “no worse off” principle.

9. Although PEVS intends not to impose the regulatory controls embodied in the traditional subvention model on KGs, we see the need to guard against exorbitant increase in KG tuition fees. Pursuant to PEVS, we have tightened the vetting and approval procedure for KGs’ applications for tuition fee increase to ensure that the proposed fee increases are properly justified. We have put in place a more stringent mechanism to examine applications for KG fee increases and have issued guidelines to advise KGs to be responsible for ensuring that expenditure should be largely devoted to supporting teaching and learning activities.

10. To restore the annual adjustment for the fee remission ceilings will ensure that there will be sufficient KG places within the fee remission ceilings to facilitate parental choice. Adopting the notional annual WAF of the NPM PEVS KGs in the 2008/09 sy as the fee remission ceilings, the percentage of KGs within the fee remission levels will increase from 38.6% (half-day) and 18% (whole-day) to 59% and 56.6% respectively.

11. Consistent with the established arrangements, full grant beneficiaries of KCFRS who attend KGs charging above the revised fee remission ceilings in future will still have to top up the school fees with their own funds. Children who choose to attend KGs not joining PEVS will not be eligible for fee remission under KCFRS. Likewise, children under the Comprehensive Social Security Assistance Scheme (CSSA) in receipt of a special grant to cover KG fees on top of the subsidy from the voucher will be given the additional financial support up to the same fee remission ceilings.

12. We will need to study carefully the other issues on PEVS raised at the Education Panel meeting held on 20 March 2009 as they may have profound policy implications. In view of the concerns expressed by LegCo and the sector, we plan to kick start the review process later in the year.

## **IMPLICATIONS OF THE PROPOSAL**

### *Financial aspect*

13. Reinstating the KCFRS fee remission ceilings to the WAF levels for three school years starting from the 2009/10 sy pending the overall review would incur

<sup>5</sup> This includes needy students enrolled as of the 2007/08 sy to eligible KGs which are affected by school fee increase solely due to cessation of the KCSS. As at end February 2009, the total number of students benefiting from the no worse off principle is 14 510.

around \$60 million in 2009-10, \$92 million in 2010-11, \$100 million in 2011-12 and \$34 million in 2012-13<sup>6</sup> (\$286 million in total for the four financial years). The estimation is made with reference to the latest distribution of half-grant, 75% grant and full grant KCFRS recipients (as at end February 2009) and the two-year average rate of increase in WAF for both half-day and whole-day KGs in the 2007/08 and 2008/09 sy.

14. To tie in with the reinstatement of the KCFRS fee remission ceilings to WAF levels, the maximum amount for the special grant on pre-primary education for CSSA students would be revised accordingly between the 2009/10 sy and the 2011/12 sy. We estimate that such a change would increase the CSSA expenditure by \$25 million in 2009-10, \$44 million in 2010-11, \$56 million in 2011-12 and \$20 million in 2012-13<sup>7</sup> (\$145 million in total for the four financial years).

#### *Other aspects*

15. The proposal is in conformity with the Basic Law, including provisions concerning human rights. It has no economic, productivity or environmental implications. It should not have significant sustainability implications as it mainly serves to improve the affordability of parents for KG education for their children and reduce the financial burden and anxiety of not affording the needed KG services for children. Civil service implications, if any, will be absorbed within the existing manpower resources of EDB.

## **PUBLIC CONSULTATION**

16. At the LegCo Education Panel meeting held on 20 March 2009, the 30 deputations, amidst their views expressed, unanimously asked for an early review on the fee remission ceilings under PEVS to lift the financial burden of needy families. A motion was also passed to call on the Government to establish instantly a committee which includes representatives of the pre-primary education sector and parents to immediately review the KG fee subvention system. Reinstatement of the adjustment mechanism for the fee remission ceilings is a positive response to the request for imminent measures to address the concern of the needy families regarding choice of KGs within the fee remission ceilings. In view of the other concerns about PEVS, we will kick start the review process later in the year.

## **PUBLICITY**

17. We plan to promulgate the improvement measures through KGs and the media. We shall update the information note for parents in due course.

<sup>6</sup> The financial implication for 2012-13 which has seen a drop from previous years represents the part-year financial impact of implementing the reinstatement in the 2011/12 sy.

<sup>7</sup> The financial implication for 2012-13 which has seen a drop from previous years represents the part-year financial impact of implementing the reinstatement in the 2011/12 sy.

## **BACKGROUND**

18. Since the 2007/08 sy, PEVS has been implemented on the basis of the following principles-

- (a) only children attending local NPM KGs or relevant classes in local NPM KG-cum-Child Care Centres are eligible to join PEVS, save the 3-year transition period up to the end of the 2009/10 sy for students of local private independent (PI) KGs and subject to (b);
- (b) the voucher should only be redeemed by KGs charging a school fee not exceeding \$24,000 pspa for a half-day place or not exceeding \$48,000 pspa for a whole-day place;
- (c) all KGs are subject to a quality assurance mechanism so that starting from the 2012/13 sy only KGs meeting the prescribed standards may redeem the voucher;
- (d) all KGs should enjoy full discretion in determining teacher salaries, subject to market forces;
- (e) a training subsidy as subsumed in the voucher amount or on its own as the case may be to serving KG principals and teachers to upgrade their professional qualifications; and
- (f) modifications are made and transitional arrangements put in place under KCSS and KCFRS as a consequence of the introduction of PEVS, including the setting of fixed KCFRS fee remission ceilings for a period of five school years from 2007/08 to 2011/12.

19. PEVS is progressively meeting its target to cover 90% of KG students and 80% KGs. As at September 2008, 820 or 85.1% of 964 KGs have joined PEVS, including 44 PI KGs joining the scheme under the 3-year transition arrangement up to the end of the 2009/10 sy. 116 900 (85%) out of the total of 137 600 KG students are benefiting from direct fee subsidy under PEVS in the 2008/09 sy.

Education Bureau  
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