

**For Information
On 17 June 2013**

**Legislative Council Subcommittee on Poverty
Student Financial Assistance Schemes for Needy Students
of Various Education Levels**

Purpose

This paper briefs Members on the various student financial assistance schemes provided by the Government through the Student Financial Assistance Agency (SFAA).

Student Financial Assistance Schemes

2. The Government's policy on student finance is to ensure that no student is denied access to education due to lack of means. At present, the SFAA administers various means-tested and non-means-tested student financial assistance and loan schemes, covering students from pre-primary to post-secondary levels and people pursuing continuing education. In the 2011/12 academic year, the SFAA disbursed about \$5.3 billion under various financial assistance and loan schemes, benefitting about 380 000 students, of which 360 000 (from pre-primary to post-secondary levels) were provided with means-tested financial assistance.

Means-test Mechanism

3. In the 2011/12 academic year, the Government reviewed the SFAA's means-test mechanism for various means-tested financial assistance schemes and subsequently relaxed the income ceiling for full level of assistance under the mechanism. With the implementation of the improvement measure, the percentage of students (from pre-primary to post-secondary levels) receiving full level of assistance increased significantly from about 30% in previous academic years to about 59% of beneficiaries in the 2011/12 academic year.

4. The means-test mechanism of the SFAA assesses applicants' eligibility and the level of financial assistance on the basis of the gross annual household income and household sizes of the applicants. Generally speaking, students from families with monthly income at around the median household income are

eligible for financial assistance while those from families with monthly income at about 50% to 60% of the median household income are eligible for full level of assistance.

5. In the 2011/12 academic year, the percentages of students receiving means-tested financial assistance at various education levels as against the total student population are as follows:

Education Level	Total Student Population	Total Numbers of Students receiving Means-tested Financial Assistance	Percentages of Students receiving Means-tested Financial Assistance against Total Student Population
Pre-primary	167 500	36 117	21.6%
Primary and Secondary	749 500	276 003	36.8%
Post-secondary	150 200	49 208	32.8%

Individual Financial Assistance Schemes and Improvement Measures

6. From time to time, the Government reviews the student financial assistance schemes so as to ensure that students are provided with appropriate support. In fact, a number of comprehensive reviews on the means-test mechanism and individual financial assistance schemes had been conducted in recent years, and the rates of assistance are adjusted regularly.

Pre-primary Education

7. Needy parents of pre-primary children may apply for financial assistance under the Kindergarten and Child Care Centre Fee Remission Scheme (KCFRS) to cover their children’s tuition fees on top of the fee subsidy under the Pre-primary Education Voucher Scheme (PEVS). The KCFRS also provides fee remission to children aged 0 to three who are receiving whole-day

child care services. In the 2011/12 school year, the Government introduced a series of enhancement measures to the KCFRS, which include revising the formula for calculation of fee remission, removing the social needs assessment for eligibility for whole-day rate of fee remission, and adjusting annually the meal allowance ceiling for needy kindergarten children with reference to the Consumer Price Index (A). A total of about \$0.4 billion were disbursed for over 36 000 children under the KCFRS in the 2011/12 school year, on top of the over \$2 billion disbursed under PEVS¹.

Primary and Secondary Education

8. As for primary and secondary levels, the Government has been offering 12-year free education since the 2008/09 school year so that students from Primary 1 to Secondary 6 in public sector schools are not required to pay tuition fees. Needy primary and secondary students may seek assistance under various means-tested financial assistance schemes to cover school-related expenses. These schemes include -

- (a) the School Textbook Assistance Scheme (STAS) which provides assistance to students for covering the expenses on purchase of essential textbooks and miscellaneous school-related expenses;
- (b) the Student Travel Subsidy Scheme (STSS) which provides subsidies to students for covering travelling expenses to and from school;
- (c) the Subsidy Scheme for Internet Access Charges (SIA) which provides subsidies to low-income families for covering Internet access charges for e-learning at home for their children; and
- (d) the Examination Fee Remission Scheme (EFRS) which provides fee remission to eligible students for covering public examination fees.

In the 2011/12 school year, more than 276 000 primary and secondary students benefited under various financial assistance schemes. The total amount of assistance disbursed was about \$1.2 billion.

¹ Subsidy is provided by the Education Bureau in the form of a redeemable voucher.

9. In addition to relaxing the income ceiling for full level of assistance under the SFAA's means-test mechanism so that more students become eligible for full assistance, the Government has also introduced new financial assistance schemes or refined the existing ones. Some highlights are as follows -

- (a) to enhance support for needy students to meet various school-related expenses, the Government increased substantially the flat-rate grant under the STAS in the 2011/12 school year. The flat-rate grant was increased from \$408 in the 2010/11 school year to \$1,000 in the 2011/12 school year for each full-grant student, and from \$204 to \$500 for each half-grant student. In subsequent school years, the Government would continue to adjust the flat-rate grant with reference to the movement of the CCPI. The flat-rate grant was increased to \$1,054 per full-grant student in the 2012/13 school year;
- (b) having regard to the trend that the younger generation increasingly uses the Internet and electronic tools in their learning activities in this digital age, the Government introduced the SIA in the 2010/11 school year to provide financial assistance to low-income families with children who are receiving full-time education at primary and secondary levels in meeting the Internet access charges for e-learning at home for their children; and
- (c) in the 2012/13 school year, the ambit of the EFRS was expanded such that eligible and needy non-Chinese speaking students sitting for non-local Chinese language examinations² other than the GCSE (Chinese) Examination could apply for full or half fee remission.

As a result of the implementation of various improvement measures, the amount of assistance disbursed to primary and secondary students in the 2011/12 school year increased by 30%, with each student receiving an average assistance of about \$5,000.

² In the 2011/12 school year, NCS students were eligible for examination fee remission only if they took the GCSE (Chinese) Examination. In the 2012/13 school year, the Scheme was extended to cover Chinese language examinations under the International General Certificate of Secondary Education Examination, the General Certificate of Education Advanced Subsidiary Level Examination and the General Certificate of Education Advanced Level Examination.

Post-secondary Education and Continuing Education

10. As regards post-secondary students, the Government currently provides financial assistance to eligible students pursuing full-time publicly-funded programmes, and full-time locally-accredited self-financing sub-degree/degree programmes under the Tertiary Student Finance Scheme – Publicly-funded Programmes (TSFS) and Financial Assistance Scheme for Post-secondary Students (FASP) respectively. For post-secondary students who have passed the means test, they are provided with grants to cover tuition fees and academic expenses, and low-interest loans to meet living expenses. In addition, they may apply for subsidies under the STSS to cover travelling expenses.

11. In the 2011/12 academic year, the TSFS and the FASP together disbursed financial assistance of over \$2.4 billion, including about \$1.9 billion of grants and about \$0.5 billion of low-interest loans. As for the STSS, about \$130 million were disbursed to nearly 44 000 post-secondary students. Overall speaking, each eligible post-secondary student received a grant of about \$38,000, a low-interest loan of about \$29,000, and a travel subsidy of about \$2,900 in the academic year.

12. To cater for the needs of full-time students who do not wish or fail to go through the means test under the TSFS and the FASP, the Government has also introduced the “Non-means-tested Loan Scheme for Full-time Tertiary Students” and the “Non-means-tested Loan Scheme for Post-secondary Students” to provide non-means-tested loans to students who are eligible for the TSFS and the FASP respectively to cover their tuition fees. Besides, the Government has introduced the Extended Non-means-tested Loan Scheme to provide loans to eligible students pursuing specific part-time and full-time post-secondary, and professional and continuing education programmes to cover tuition fees. In the 2011/12 academic year, loans of about \$1,100 million were disbursed to over 21 000 students under the three non-means-tested loan schemes.

13. Under the existing policy of the Social Welfare Department, students who have completed secondary study would no longer receive assistance under the Comprehensive Social Security Assistance (CSSA) Scheme. Students from CSSA families who pursue post-secondary education may apply to the SFAA for student financial assistance. In general, post-secondary students from CSSA families would be granted full level of assistance under the means-tested assistance schemes. In the 2011/12 academic year, over 11 000 post-secondary

students from CSSA families, including those pursuing publicly-funded and self-financing programmes, were granted full level assistance. The SFAA will also give priority to their applications for financial assistance so as to enable them to receive financial assistance as early as possible to tide over financial hardship.

14. As regards the means-tested financial assistance schemes, apart from the relaxation of the means-test mechanism, the Government also adjusted the tiers of assistance and increased the maximum amount of grants for academic expenses by \$1,000 in the 2011/12 academic year. With the implementation of these improvement measures, the average amount of grant disbursed to each eligible post-secondary student increased by nearly 20% to about \$38,000.

15. In the 2012/13 academic year, the Government also implemented a series of improvement measures to the FASP, including relaxing the age limit from 25 to 30, lifting the restrictions on academic qualifications for the purpose of applying for assistance, and removing the grant repayment requirement for students failing to obtain the intended qualification, as part of the efforts to provide more appropriate support to students pursuing self-financing programmes.

16. To alleviate the financial burden of student loan borrowers, the Government has lowered the interest rate of the TSFS and the FASP loans from 2.5% to 1% per annum since the 2012/13 academic year. The standard repayment period has also been extended from five years to 15 years. Based on the median living expenses loan of \$37,250 borrowed by graduates who commenced repayment in the 2011/12 academic year, after lowering the interest rate and extending the repayment period, the monthly repayment amount of loan borrowers has significantly been reduced by 66% from \$662 to \$223.

17. On non-means-tested loan schemes, the Government has implemented a series of improvement measures upon the conclusion of a two-phased public consultation on the review of the schemes in 2012. The measures include reducing the risk adjustment factor rate from 1.5% to 0% per annum (the current interest rate is 1.395% per annum, subject to review in three years after implementation) and extending the standard repayment period from ten years to 15 years. Taking a student pursuing a four-year post-secondary programme and obtaining a total loan amount of \$100,000 as an example, the monthly repayment amount has been reduced by nearly 40% from \$1,040 to \$650.

18. Borrowers of non-means-tested or means-tested loans may apply for deferment of loan repayment on grounds of financial hardship, serious illness or further full-time study. The approval rate of deferment of loan repayment is more than 80%. For approved deferment cases, the standard repayment period may be extended for a maximum of two years, meaning that the entire repayment can be up to 17 years. No interest will be charged during the approved two-year deferment period.

19. The above measures will greatly ease the repayment burden of student loan borrowers and offer appropriate support to students in need.

Others

20. The Government also provides financial assistance to other people pursuing study. The Financial Assistance Scheme for Designated Evening Adult Education Courses offers financial assistance in the form of tuition fee reimbursement to adult learners (aged 17 or above) attending evening secondary courses in designated centres. Students who have met the prescribed criteria for tuition fee reimbursement may receive non-means-tested reimbursement of 30% of the tuition fees. Eligible students who have passed the means test and are eligible for full level or half level of assistance may receive reimbursement of 100% or 50% of the tuition fees. In the 2011/12 school year, more than 800 students received tuition fee reimbursement, amounting to about \$3.6 million.

21. Furthermore, the Government launched the Project Yi Jin (PYJ) in 2000 to provide additional continuing education opportunities to Secondary 5 school leavers and adult learners. The PYJ provided financial assistance to eligible students in the form of tuition fee reimbursement. Students who had met the prescribed criteria for tuition fee reimbursement might receive non-means-tested reimbursement of 30% of the tuition fees. Eligible students who had passed the means test and were eligible to receive full level of assistance might receive reimbursement of 100% of the tuition fees. In the 2011/12 academic year, a total of about 7 900 students received tuition fee reimbursement, amounting to \$48 million. To align with the introduction of the New Senior Secondary Academic Structure, the Government launched the new Yi Jin Diploma (YJD) programme in the 2012/13 school year. To give further assistance to needy students, the YJD also reimburses students eligible for half level of assistance through the means test mechanism with 50% of the tuition fees, on top of providing eligible students with non-means-tested reimbursement of 30% of the tuition fees and means-tested reimbursement of 100% of the tuition fees.

Advice Sought

22. Members are invited to note the paper and give their views on which areas of the existing student financial assistance schemes could be enhanced.

Education Bureau
June 2013