

NOTE FOR FINANCE COMMITTEE

Rate of Subsidy under the Kindergarten Subsidy Scheme for 2000/01 School Year

INTRODUCTION

This Note informs Members that the enhanced rate of subsidy for kindergartens (KGs) under the Kindergarten Subsidy Scheme (KSS) will not be adjusted in the 2000/01 school year and will be the same as the basic rate for that school year (i.e. \$41,000 per class per annum (pcpa)).

THE KINDERGARTEN SUBSIDY SCHEME

2. It has been Government's policy target to require all KGs to employ at least 40% Qualified Kindergarten Teachers (QKTs)¹ by September 1997, at least 50% by September 1999 and at least 60% by September 2000. To encourage KGs to employ more QKTs at an earlier date than required in progressing to achieve the 60% target in the 2000/01 school year, the Finance Committee (FC) agreed on 3 April 1998 [FCR(98-99)9] that the subsidy for the period between the 1998/99 and the 2000/01 school years should be provided at two rates, namely, a basic rate for KGs employing the required percentage of QKTs, and an enhanced rate for KGs employing a higher percentage of QKTs (at least ten percentage points higher than the requirement). The schedule of revised rates as approved by FC is set out below -

School year	Minimum requirement of QKTs employed	Basic rate pcpa	Enhanced rate pcpa
1998/99	40%	\$29,400	\$34,700
1999/2000	50%	\$34,700	\$41,000

/2000/01

¹ QKTs are teachers who have completed one year's in-service training.

School year	Minimum requirement of QKTs employed	Basic rate pcpa	Enhanced rate pcpa
2000/01	60%	\$41,000 (a)	(b) = (a) x [1+CPI(A)]
2001/02 and thereafter	60%	(c) = (b) x [1+CPI(A)]	N/A

RATE OF SUBSIDY FOR THE 2000/01 SCHOOL YEAR

3. According to the above schedule, the basic rate of subsidy for the 2000/01 school year will be \$41,000 pcpa, and the enhanced rate will be calculated by adjusting the basic rate (\$41,000 pcpa) for inflation in accordance with the movement of the Consumer Price Index (A) (CPI(A)).

4. Latest available statistics show that the CPI(A) has decreased by 3.9% (average for the 12 months ending April 2000 compared with the average for the 12 months ending April 1999). Applying the deflationary CPI(A) in the 2000/01 school year would give rise to a situation where the enhanced rate would be less than the basic rate by \$1,599 pcpa. This defeats the purpose of introducing an enhanced rate. Having an enhanced rate lower than the basic rate would be unfair to KGs with a higher percentage of QKTs than Government's requirement, and would discourage other KGs to employ more QKTs.

5. To address the above anomaly, we will maintain the enhanced rate of subsidy at \$41,000 pcpa for the 2000/01 school year, which is the same as the basic rate for that year. This would mean that a single rate will in effect be adopted for all KGs under KSS from the 2000/01 school year, one year earlier than originally anticipated in FCR(98-99)9. This single rate of subsidy will be adjusted in future in accordance with the movement of CPI(A).

BACKGROUND INFORMATION

6. We introduced the KSS in September 1995 to improve the quality of kindergarten education through the provision of a direct subsidy to eligible KGs. The Scheme assists KGs in meeting the proportion of QKTs required by Government without having to increase their fees substantially. KGs joining KSS must operate on a non-profit making basis, meet the requirement on the percentage of QKTs, pay teachers according to the recommended salary scale, and charge school fees not exceeding that set by Government.

7. In the 1999/2000 school year, there are 769 KGs, of which 470 (61%) are non-profit making. The number of KGs joining KSS currently stands at 286, out of which 281 are taking the enhanced rate of subsidy under the Scheme.

Education and Manpower Bureau
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