

## **LEGISLATIVE COUNCIL BRIEF**

### **TUITION FEES FOR UNIVERSITY GRANTS COMMITTEE - FUNDED INSTITUTIONS IN 2000/01**

#### **INTRODUCTION**

At the meeting of the Executive Council on 13 June 2000, the Council ADVISED and the Chief Executive ORDERED that

- (a) the tuition fees for the University Grants Committee (UGC)-funded institutions for 2000/01 should be frozen at the current (i.e. 1997/98 to 1999/2000) levels; and
- (b) the proposal to introduce a differential fee system by broad programme categories should not be pursued at this stage.

#### **BACKGROUND**

##### **Tuition Fee Freeze in 1998/99 and 1999/2000 Academic Years**

2. Since February 1998, Government has frozen most Government fees and charges as an exceptional relief measure at a time of economic adjustment. In line with this measure, the Administration has frozen the tuition fees for all publicly-funded education programmes (including those offered by the UGC-funded institutions) for the 1998/99 and 1999/2000 academic years at the 1997/98 level.

##### **Tuition Fees for the 2000/01 Academic Year**

3. As the economy gradually recovers, the Government intends to resume fee revisions. As announced in the 2000/01 Budget Speech, the Administration would discuss with the Legislative Council (LegCo) how to deal with the revision of fees for different types of public services. We will first deal with fees that do not directly affect people's livelihood or general business activities. Livelihood-related fees will be dealt with at a later stage.

4. In line with this decision, the fees for senior secondary and adult education in 2000/01 will be frozen at the present level. Whilst the tuition fees for the UGC-funded institutions are not Government fees, the indicative tuition fee levels are determined by Government and we consider it appropriate to follow the same practice. On this basis, it was decided that the tuition fees for the UGC-funded institutions for 2000/01 should continue to be frozen at the current (i.e. 1997/98 to 1999/2000) level, as shown in the following table:

Degree and above programmes	\$42,100
Sub-degree programmes (except those offered by the Hong Kong Institute of Education (HKIEd) )	\$31,575
Sub-degree programmes offered by the HKIEd	\$15,040

5. As a result of the freeze, the cost recovery rate of the tuition fees will be about 17.3%<sup>1</sup> of the average student unit cost based on the level of grants to the UGC-funded sector for 2000/01. This has already taken into account the institutions' committed 10% average student unit cost reduction to be achieved by the end of the current 1998/99 to 2000/01 triennium, with half of the savings being ploughed back to the UGC for reallocation. Nevertheless, the deflation during the current triennium will, in line with the established practice in determining the Cash Limit for a triennium, be reflected in the level of grants to the UGC-funded sector for the 2001/02 to 2003/04 triennium. We therefore expect that the tuition fee level will be sufficient to recover 18% of the average student unit cost by 2001/02.

### **Differential Fees**

6. At present, a uniform tuition fee is payable on all degree and above level programmes despite the cost differences between disciplines. This results in different ratios of Government subsidy for students of different disciplines. This practice differs from those commonly adopted in many other places. In view of this, the Administration has sought the advice of the UGC on the feasibility and details of introducing a differential fee system by broad programme categories and levels in the

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<sup>1</sup> The cost recovery rate will be about 17.3% (including the HKIEd's Certificate of Education (CE) courses which are subject to a different scale of tuition fees) and 17.5% (excluding the HKIEd's CE course) of the average student unit cost.

UGC-funded sector. The UGC has conducted a research on international practices on the charging of tertiary tuition fees, and has recently tendered its advice to the Administration on this issue.

7. Having considered the UGC's advice, the Administration has taken a decision that the proposal to introduce a differential fee system by broad programme categories should not be pursued at this stage for the following reasons -

- (a) As programme curricula become more diverse and credit unit systems are more widely implemented, it will be increasingly difficult to categorise any given academic programme into one or the other broad programme categories;
- (b) Laboratory-based disciplines (e.g. science and technology related disciplines) usually involve higher costs. In view of the fact that these disciplines are currently not very popular among our best students, a higher tuition fee for these disciplines will place them in a more disadvantageous position in terms of attracting high quality students. This is not conducive to developing Hong Kong into a high value-added and technology-driven economy; and
- (c) The Education Commission has published a consultation document setting out major education reform proposals. The education reform is an enormous and complex improvement process. Appropriate strategies for implementation will be the key to its success. We consider it prudent not to pursue the proposal to introduce a differential fee system by broad programme categories at this stage in order not to complicate the implementation process.

### **Financial Assistance to Tertiary Students**

8. It is Government's policy that no qualified students should be denied access to tertiary education due to a lack of means. To this end, we administer the Local Student Finance Scheme (LSFS) to provide means-tested financial assistance in the form of grants and low-interest loans to eligible full-time local students studying at specified tertiary

institutions<sup>2</sup>. We also introduced the Non-means-tested Loan Scheme (NLS<sup>3</sup>) for tertiary students with effect from the 1998/99 academic year.

9. In the 1999/2000 academic year (up to end of April 2000), we provided a total of about \$842.6 million in grants and \$664.2 million in loans to some 30 380 students (or about 47% of the student population). Successful applicants for the LSFS on average received \$27,980 in grants and \$21,940 in low-interest loans. In addition, we offered NLS loans of \$381 million in total, or \$34,330 on average, to about 11 100 full-time students in publicly-funded institutions covered by LSFS.

## FINANCIAL AND STAFFING IMPLICATIONS

10. The recurrent grant to UGC-funded institutions is a deficiency subvention calculated by deducting from the estimated gross expenditure an assumed income from tuition fees and from other sources. The assumed tuition fee income is an estimate that has to be reconciled when the actual fee level is available. This means that if the actual fee level for a certain academic year is lower than that assumed, such that the institutions are faced with a shortfall in income that they cannot readily accommodate, UGC may apply for supplementary provision to top up the shortfall. This is to ensure that the institutions will not, as a result of the Administration's decision on the level of tuition fees, have insufficient resources to deliver the services for which they have budgeted. On the other hand, if there is a surplus income as a result of the actual tuition fees level being higher than that assumed, it will be clawed back by Government. This adjustment mechanism has always been an integral part of the UGC's triennium funding.

11. As a result of the decision to maintain the 2000/01 tuition fees at the current level, we estimate that the tuition fee income for the UGC-

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<sup>2</sup> Institutions/Programmes covered by the LSFS are:

- (a) all the eight University Grants Committee (UGC)-funded institutions;
- (b) Higher Diploma, Diploma and Common First Year students of the Hong Kong Institute of Vocational Education of the Vocational Training Council;
- (c) the Prince Philip Dental Hospital; and
- (d) the Hong Kong Academy for Performing Arts.

<sup>3</sup> NLS covers students pursuing local award-bearing programmes offered by:

- (a) institutions covered by the LSFS;
- (b) Open University of Hong Kong; and
- (c) Hong Kong Shue Yan College.

funded institutions in the 2000/01 academic year will be \$522.4 million less than the amount assumed in determining the recurrent funding to the UGC in the current triennium. To meet the funding shortfall in full, we intend to seek the approval of Finance Committee of the Legislative Council for a supplementary provision to the UGC in the 2000/01 financial year. As a result of the freeze in tuition fee level, the estimated requirement for grants for students under the LSFS will be reduced by \$38.6 million for the 2000/01 academic year. In overall financial terms, the net additional expenditure for Government will therefore be \$483.8 million.

## **PUBLIC CONSULTATION**

12. The decision to freeze the tuition fees and not to pursue differential fees by broad programme categories at this stage has taken into account the views expressed by various sectors. The decision to freeze the tuition fees is also consistent with our pledge to consult LegCo on the revision of livelihood-related fees at a later stage.

## **PUBLICITY**

13. A press release will be issued on 14 June 2000 to announce the relevant decisions. A spokesman will be available to answer media enquiries.

## **ENQUIRIES**

14. In case of enquiry, please contact Ms Michelle LI, Principal Assistant Secretary for Education and Manpower, at 2810 3023.