

**UNIVERSITY GRANTS COMMITTEE:
RECURRENT FUNDING FOR 2008/09 ROLL-OVER YEAR**

INTRODUCTION

At the meeting of the Executive Council on 20 November 2007, the Council ADVISED and the Chief Executive ORDERED that, regarding the 2008/09 roll-over year –

- (a) the distribution of indicative student number targets as proposed by the University Grants Committee (UGC) (**Annex A**) should be approved (**paragraphs 4 to 5 below**);
- (b) the UGC's specific recurrent funding recommendations at a total cost of \$10,596.8 million as summarized in **paragraphs 6 to 7 below** should be endorsed, subject to the acceptance of the financial implications by the Finance Committee of the Legislative Council; and
- (c) the indicative tuition fees should remain at their current (i.e. 1997/98 to 2007/08) levels (**paragraphs 8 to 9 below**).

JUSTIFICATIONS

Planning of the 2008/09 roll-over year

2. As the implementation of the new four-year undergraduate programme under the “3+3+4” academic structure from 2012 onwards will entail significant changes to the UGC-funded institutions, the Administration decided that the 2005/06 to 2007/08 triennium should “roll over” for one year to cover the 2008/09 academic year, and correspondingly postpone the next triennium to cover the academic years 2009/10 to 2011/12. This will give the institutions, the UGC and the Administration more time to consider the academic planning as well as the associated funding requirements from the 2012/13 academic year onwards, when we

will introduce the new four-year undergraduate programme under the “3+3+4” academic structure.

3. For the 2008/09 roll-over year, only a few changes will be introduced in respect of the overall student numbers (mainly in the increase in senior year places) and their distribution, and for accommodating necessary changes in manpower requirements for specific sectors.

(A) Student number targets

4. The UGC’s recommendations on the distribution of indicative student numbers (by institution and by level) are set out at **Annex A**. In summary, the number of publicly-funded First-Year-First-Degree places will be maintained at 14 500 full-time-equivalent (fte). The number of publicly-funded sub-degree (SD) and taught postgraduate (TPg) places will decrease by 112 fte and 185 fte respectively in the 2008/09 roll-over year, mainly due to the residual effect of the Administration’s decision to phasing out SD and TPg programmes that fail to meet the retention criteria for subvention. At the research postgraduate (RPg) level, the total approved student number will remain at 4 765 fte.

5. In view of the robust development of the self-financing post-secondary sector, there is a rapidly increasing demand for publicly-funded senior year undergraduate places at the UGC-funded institutions to provide more articulation opportunities for SD holders and holders of relevant qualifications. There are 1 934 publicly-funded senior year undergraduate places (i.e. 967 places in each of Year 2 and Year 3) in the 2007/08 academic year. With the rapid increase of sub-degree graduates, UGC has agreed to provide an additional 960 Year 2 places in the 2008/09 roll-over year by using the savings from phasing out publicly-funded TPg programmes, without additional subvention from the Government. By doing so, the total number of senior year places will increase to 2 894 places (i.e. 1 927 Year 2 places and 967 Year 3 places) in the 2008/09 roll-over year.

(B) UGC’s funding recommendations

6. The UGC has submitted to the Administration the funding recommendations on the 2008/09 roll-over year recurrent grants for the eight UGC-funded institutions. The recommendations reflect the roles and missions of the institutions, the ways in which they could best contribute to

the needs of Hong Kong, and the institutions' Academic Development Proposals. The recommended Cash Limit for the entire UGC-funded sector in the 2008/09 roll-over year is \$10,596.8 million, reflecting changes in student numbers, cumulative inflation over the 2005/06 to 2007/08 triennium, civil service pay increase in 2007, and a higher level of other assumed income reflecting the higher interest rate environment. The total recurrent grants recommended for the entire UGC-funded sector in the 2008/09 roll-over year is as shown below –

	2008/09 Academic year (July to June) (in \$million)
(a) City University of Hong Kong	1,213.3
(b) Hong Kong Baptist University	604.1
(c) Lingnan University	260.6
(d) The Chinese University of Hong Kong	2,208.6
(e) The Hong Kong Institute of Education	479.8
(f) The Hong Kong Polytechnic University	1,648.9
(g) The Hong Kong University of Science and Technology	1,256.6
(h) The University of Hong Kong	2,123.5
Sub-total of Recurrent Grants for eight institutions	9,795.5
Earmarked Research Grants	656.0
Others	145.3
Total Recurrent Grants to the UGC-funded institutions	10,596.8

7. While the reduction in publicly-funded TPg programmes will result in savings, we have agreed with the UGC that, as in the 2004/05 roll-over year and the 2005-08 triennium, such reduction will not be taken into account for funding purposes. The amount will instead be kept by the UGC in the 2008/09 roll-over year for redeployment to finance, *inter alia*, the provision of additional senior year places as set out in paragraph 5 above.

(C) Tuition fees for the 2008/09 roll-over year

8. Since February 1998, the Government has frozen most Government fees as an exceptional relief measure at a time of economic adjustment. Having regard to the social and economic situations of Hong Kong at the time, the Administration has also frozen the indicative tuition fees for UGC-funded programmes for nine academic years from 1998/99 to

2007/08. The indicative tuition fees have remained at the 1997/98 level, as shown below –

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 ¹	\$15,040

9. We recommend that the indicative tuition fees of the UGC-funded institutions for the 2008/09 roll-over year should remain at their current (i.e. 1997/98 to 2007/08) levels.

(D) Admission of Non-Local Students

10. The quota for admission of non-local students (including students from the Mainland, Taiwan and Macao) at publicly-funded SD, undergraduate (Ug) and TPg levels had been increased to 10% of the student number targets with effect from the 2005/06 academic year. For the purpose of subvention calculation for UGC-funded institutions, this 10% quota is split into 4% within approved student number targets and 6% outside approved student number targets. The quota for admission of non-local RPg students was removed in December 2002.

11. In recognition of the educational, cultural and economic benefits that non-local students can bring to Hong Kong, the Administration will implement further measures to develop Hong Kong as a regional education hub. These include, *inter alia*, increasing the non-local student quota for publicly-funded SD, Ug and TPg programmes to 20% of the student number targets by phases. This 20% quota will be split into 4% within approved student number targets and 16% outside approved student number targets.

¹ Sub-degree programmes of HKIED are subject to a different scale of tuition fees. HKIED's sub-degree programme tuition fees mainly come from the full-time Certificate in Education courses which are currently charged at \$15,040 per academic year.

IMPLICATIONS OF THE PROPOSAL

12. The proposal has financial, economic and sustainability implications as set out at **Annex B**.

13. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. It has no productivity, civil service or environmental implications.

PUBLIC CONSULTATION

14. The recommendations contained in this paper are developed in consultation with the UGC. The recommendations regarding the recurrent funding for the 2008/09 roll-over year are based on the UGC's proposals.

PUBLICITY

15. We will consult the Legislative Council Panel on Education, after which we will invite the Finance Committee of the Legislative Council to accept the financial implications of the recurrent funding for the UGC-funded institutions in the 2008/09 roll-over year.

ENQUIRIES

16. For enquiries regarding this Legislative Council brief, please contact Ms Amy Wong, Principal Assistant Secretary for Education, at 3540 7468.

Education Bureau
December 2007

Annex A**Final distribution of indicative Student Number Targets
in Full-time Equivalent (FTE) for 2008/09**

Institution	Taught Postgraduate
City University of Hong Kong	53
Hong Kong Baptist University	355
Lingnan University	0
The Chinese University of Hong Kong	700
The Hong Kong Institute of Education	490
The Hong Kong Polytechnic University	38
The Hong Kong University of Science and Technology	0
The University of Hong Kong	798
Total	2 434

Institution	Research Postgraduate
City University of Hong Kong	421
Hong Kong Baptist University	160
Lingnan University	42
The Chinese University of Hong Kong	1 378
The Hong Kong Institute of Education	0
The Hong Kong Polytechnic University	431
The Hong Kong University of Science and Technology	961
The University of Hong Kong	1 372
Total	4 765

Institution	Degree (total number including senior year places)
City University of Hong Kong	7 758
Hong Kong Baptist University	4 345
Lingnan University	2 259
Chinese University of Hong Kong	9 524
Hong Kong Institute of Education	2 931
Hong Kong Polytechnic University	8 207
Hong Kong University of Science and Technology	5 605
University of Hong Kong	9 159
Total	49 788

Institution	Undergraduate Senior Year Places *
City University of Hong Kong	944
Hong Kong Baptist University	300
Lingnan University	192
The Chinese University of Hong Kong	190
The Hong Kong Institute of Education	0
The Hong Kong Polytechnic University	964
The Hong Kong University of Science and Technology	114
The University of Hong Kong	190
Total	2 894

* - numbers incorporated in 'Degree' table above.

Institution	First-Year-First-Degree Places *
City University of Hong Kong	2 212
Hong Kong Baptist University	1 294
Lingnan University	676
The Chinese University of Hong Kong	2 946
The Hong Kong Institute of Education	468
The Hong Kong Polytechnic University	2 311
The Hong Kong University of Science and Technology	1 846
The University of Hong Kong	2 747
Total	14 500

* - numbers incorporated in 'Degree'

Institution	Sub-Degree
City University of Hong Kong	1 066
Hong Kong Baptist University	0
Lingnan University	0
The Chinese University of Hong Kong	0
The Hong Kong Institute of Education	1 293
The Hong Kong Polytechnic University	3 125
The Hong Kong University of Science and Technology	0
The University of Hong Kong	0
Total	5 484

Institution	Total Enrolment#
City University of Hong Kong	9 297
Hong Kong Baptist University	4 860
Lingnan University	2 301
The Chinese University of Hong Kong	11 602
The Hong Kong Institute of Education	4 714
The Hong Kong Polytechnic University	11 801
The Hong Kong University of Science and Technology	6 566
The University of Hong Kong	11 329
Total	62 471

Include all the 2 894 senior year places.

Note: Figures may not add up to the corresponding totals owing to rounding

Implications of the Proposal

Financial Implications

The overall funding requirement for the UGC sector is worked out on the basis of an established framework for assessing the funding requirement of the sector, which takes into account the changes in price level and student numbers from the previous triennium. The estimated total cost for implementing the UGC's recurrent funding recommendations for the 2008/09 roll-over year (i.e. the Cash Limit) will be \$10,596.8 million, with an estimated cashflow of \$7,947.6 million in 2008-09 financial year and \$2,649.2 million in 2009-10 financial year. The required funding will be met from the Secretary for Education's operating expenditure (OPEX) envelope for the relevant financial years.

2. While the UGC will fund the addition of senior year undergraduate places without additional subvention from the Government, the additional places may give rise to additional funding requirements in other areas outside of the recurrent funding recommendation for the 2008/09 roll-over year, such as student financial assistance in the form of grants and loans, as well as capital subventions for construction of campus buildings and student hostels. For student financial assistance, it is estimated that the increase of 960 Year 2 places in the 2008/09 roll-over year would require around \$10.5 million for grants and \$5.0 million for low-interest loans that year. As for capital subvention for student hostels, it is estimated that around 570 additional hostel places at a capital funding of \$125 million will be required.

Economic Implications

3. Taking into account the manpower requirement for various sectors and the expected economic and financial conditions over the medium term, the present proposals seek to sustain the development of tertiary education in Hong Kong with stable funding so as to maintain its quality of teaching and research. Quality education at the tertiary level helps enhance the capability and competitiveness of Hong Kong's human capital, and prepare our workforce for high value added economic activities in the

knowledge-based and innovation-prone setting. This is beneficial to the long-term development of Hong Kong and will strengthen its role as an international business and financial centre.

Sustainability Implications

4. The proposal would improve the return of investment in education in terms of better teaching quality, student outcome and research performance, and are in line with the sustainability principle of enabling individuals to fulfil their potential by providing access to adequate and appropriate education. It should also facilitate the efficient use of educational resources. Appropriate financial assistance should continue to be provided to the lower income groups to help them acquire higher education and enhance competitiveness, thereby cultivating social integration and social mobility in Hong Kong.