

**For discussion  
on 9 May 2011**

## **Legislative Council Panel on Education**

### **Enhancement of Means-tested Financial Assistance for needy students**

#### **Purpose**

This paper seeks Members' views on the proposals to relax the means test mechanism for financial assistance schemes administered by the Student Financial Assistance Agency (SFAA) and to enhance assistance provided to needy post-secondary students from the 2011/12 academic year as announced in the 2011-12 Budget.

#### **Background**

2. Education is an important means of enabling students to achieve self-reliance and independence. To provide greater support for needy students so that their studies would not be affected by lack of financial means, the Financial Secretary announced in the 2011-12 Budget on 23 February 2011 to implement the following proposals starting from the 2011/12 academic year –

- (a) relax the income ceiling for the full level of student financial assistance under the means test mechanism of SFAA;
- (b) adjust the existing tiers of financial assistance for post-secondary students on the basis of (a) so that students not on full assistance will also receive a larger amount of assistance; and
- (c) increase the amount of academic expenses grant for post-secondary students.

#### **Existing Means Test Mechanism**

3. At present, SFAA administers nine means-tested financial assistance schemes covering students from pre-primary to post-secondary levels<sup>1</sup>. A standard income test is adopted for these means-tested financial

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<sup>1</sup> The nine schemes are the Kindergarten and Child Care Centre Fee Remission Scheme (KCFRS), School

assistance schemes, which operates on an Adjusted Family Income (AFI) formula -

$$\text{AFI} = \frac{\text{Gross annual income of the family}^2}{\text{Number of family members}^3 + 1^4}$$

The AFI calculated is then referenced against a Ready Reckoner to determine whether an applicant is eligible for any financial assistance under a particular scheme and if so, the percentage of maximum assistance receivable. The AFI cut-off points in the Ready Reckoner are adjusted annually according to the movement of the Consumer Price Index (CPI) (A). The Ready Reckoner for the 2011/12 academic year covering the nine means-tested schemes under the existing mechanism, after the annual price adjustment<sup>5</sup>, is at Annex 1 and is broadly illustrated below –

<b>AFI Value (\$)</b>	<b>Level of Assistance</b>
0 to 21,532	Full Assistance
21,533 to 57,502	Varying percentages of full assistance depending on the scheme <sup>6</sup>
Over 57,502	No assistance <sup>7</sup>

When translated into monthly family earnings, the equivalent monthly family income limits<sup>8</sup> for full level of assistance and for any assistance for

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Textbook Assistance Scheme, Student Travel Subsidy Scheme, Subsidy Scheme for Internet Access Charges, Examination Fee Remission Scheme, Tertiary Student Finance Scheme – Publicly-funded Programmes (TSFS), Financial Assistance Scheme for Post-secondary Students (FASP), Tuition Fee Reimbursement for Project Yi Jin, and Financial Assistance Scheme for Designated Evening Adult Education Courses. TSFS and FASP, being the two schemes for post-secondary students, also have an asset test, where the percentage of assistance obtained after the income test may be discounted according to a sliding scale of net asset values per family member.

<sup>2</sup> Gross annual income of the family includes the annual income of the applicant and the spouse, or if the applicant is unmarried, the income of his parents; 30% of the annual income of unmarried child(ren)/sibling(s) residing with the applicant if applicable; and the contribution from relative(s)/friend(s) if applicable. It excludes unavoidable medical expenses for chronically ill household member(s), which are subject to a cap that is adjusted annually according to the movement of the Consumer Price Index (A).

<sup>3</sup> The members of a family normally refer to the applicant, the spouse/the parents of an unmarried applicant, the unmarried child(ren)/sibling(s) residing with the applicant, and the dependent parents/grandparents of the applicant.

<sup>4</sup> For single-parent families of 2 to 3 members, the “plus 1” factor in the divisor of the AFI formula will be increased to “plus 2”.

<sup>5</sup> The year-on-year change of CPI (A) between 2009 and 2010 is +2.7%.

<sup>6</sup> Means-tested financial assistance schemes for primary and secondary students consist of two levels of assistance, i.e. full and half grant. KCFRS for pre-primary children provides three assistance levels, i.e. 50%, 75% and 100% fee remission. Financial assistance schemes for post-secondary students, i.e. TSFS and FASP, comprise 17 tiers of assistance from 4% grant and 2% loan to 100% grant and loan.

<sup>7</sup> Non-means-tested 30% tuition fee reimbursement is made to all eligible students who complete Project Yi Jin or designated evening adult education courses. However, to be eligible for full fee reimbursement of Project Yi Jin or full/half fee reimbursement of designated evening adult education courses, the applicant has to pass the income test.

<sup>8</sup> In calculating the equivalent monthly family income limits, we have not taken into account the discount effect of counting only 30% (instead of 100%) of the income of unmarried child(ren)/sibling(s) residing

different family sizes are around 40% and around 100% of the relevant median household incomes respectively. In the 2010/11 academic year, around 30% of all students passing the means test of SFAA receive full level of assistance.

## **Detailed Proposals**

### **(A) Relaxation of the Means Test Mechanism of SFAA**

#### **(i) Relaxing the threshold for full level of assistance**

4. To provide enhanced support for needy students, we propose to relax the income ceiling for the full level of student financial assistance under the means test mechanism of SFAA starting from the 2011/12 academic year. It is estimated that this relaxation would increase the percentage of full assistance beneficiaries from around 30% at present to about 50% out of the total number of recipients.

5. Specifically, we propose to relax the eligibility for full level of assistance by making the following changes:

- (a) Relax the AFI threshold for full level of assistance in respect of all family sizes, from \$21,532 as mentioned in paragraph 3 above under the existing mechanism to \$29,738 in the 2011/12 academic year.

For post-secondary students, the new AFI threshold of \$29,738 for full level of assistance would be effected by merging the existing first five tiers of assistance (covering 82% to 100% of the maximum level of grant assistance) in the Ready Reckoner applicable to the financial assistance schemes for post-secondary students, i.e. the Tertiary Student Finance Scheme – Publicly-funded Programmes (TSFS) and the Financial Assistance Scheme for Post-secondary Students (FASP). This new AFI threshold, when translated into monthly family income, is equivalent to around 53% of the median monthly household income of a 4-member household<sup>9</sup>. This new AFI threshold for full level of assistance will also apply to needy pre-primary, primary and secondary students.

- (b) Further relax the AFI threshold for full level of assistance for 3-member families from \$29,738 to \$36,000.

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with the applicant given the many possible permutations depending on the precise family compositions.

<sup>9</sup> According to the Quarterly Report on General Household Survey for the 2<sup>nd</sup> quarter of 2010 published by the Census & Statistics Department, the median monthly household income of a 4-member household was \$23,600 in that quarter.

We propose this further adjustment primarily for the purpose of taking care of smaller families, having regard to the survey findings that 2-member and 3-member households tend to have higher per capita expenditure<sup>10</sup>, and hence relatively less room to deploy resources at times of need. As a result, the equivalent monthly family income limit for full assistance in the case of 3-member families will be raised from \$7,177 under the existing mechanism to \$12,000, which is equivalent to 67% of the median monthly household income of a 3-member household in the 2<sup>nd</sup> quarter of 2010.

As for 2-member families, the profile of applicant families indicates that the vast majority of two-member applicant families have been single-parent families. Under the existing income test mechanism of SFAA, they are treated as if they were 3-member families, through increasing the “plus 1” factor in the divisor of the AFI formula to “plus 2”, and hence they are subject to a higher AFI threshold for full level of assistance than ordinary two-member families, an arrangement which is more beneficial to them. In future, along the same principle, these families would continue to be treated as if they were 3-member families, and thus will be subject to the revised AFI threshold for full level of assistance for ordinary three-member families, i.e. \$36,000, or an equivalent monthly family income limit of \$12,000. We consider that this income limit for full level of assistance reasonable in the case of two-member single-parent families, and hence do not see the need to further relax the AFI threshold for full level of assistance for two-member families.

- (c) Further relax the AFI threshold for full level of assistance for 4-member families from \$29,738 to \$33,120.

Following the further relaxation of the AFI threshold for full level of assistance for 3-member families, we propose to adjust the AFI threshold for full level of assistance in respect of 4-member families accordingly, in order to maintain the relativity in the eligibility for full level of assistance between 3-member families and 4-member families. As a result, the equivalent monthly family income limit for full level of assistance of 4-member families will be increased from \$8,971 under the existing

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<sup>10</sup> According to the 2004-05 Household Expenditure Survey conducted by the Census & Statistics Department, the monthly expenditures per person for a 2- and a 3-member household were \$7,929 and \$6,094 respectively, which were visibly higher than that of a 4- and a 5-member household (i.e. about \$5,200).

mechanism to \$13,800, which is equivalent to 58% of the median monthly household income of a 4-member household in the 2<sup>nd</sup> quarter of 2010.

6. The AFI thresholds for both full level of assistance and any student financial assistance in respect of different family sizes together with the equivalent monthly family income limits as translated from the AFI formula in the 2011/12 academic year would be as follows -

Family Size	New AFI threshold for full level of assistance	Equivalent monthly family income limit for <u>full</u> assistance	% of median monthly household income (Q2 2010)	AFI threshold for any assistance	Equivalent monthly family income limit for <u>any</u> assistance	% of median monthly household income (Q2 2010)
1	\$29,738	\$4,956 (\$3,588)	76%	\$57,502	\$9,583	147%
2	\$29,738	\$7,434 <sup>11</sup> (\$5,383)	53%	\$57,502	\$14,375 <sup>12</sup>	103%
3	\$36,000	\$12,000 <sup>13</sup> (\$7,177)	67%	\$57,502	\$19,167 <sup>14</sup>	106%
4	\$33,120	\$13,800 (\$8,971)	58%	\$57,502	\$23,959	102%
5	\$29,738	\$14,869 (\$10,766)	51%	\$57,502	\$28,751	99%
6	\$29,738	\$17,347 (\$12,560)	53%	\$57,502	\$33,542	103%

N.B. Figures in brackets indicate the limits under the existing mechanism before relaxation.

The thresholds for full level of assistance would be adjusted annually in accordance with the existing price adjustment mechanism, i.e. according to the annual movement of CPI (A). According to the latest estimates, the proposed relaxation of income thresholds for full level of assistance as set out in paragraphs 4 to 5 above would raise the assistance level of around 98 000 students, including 84 000 pre-primary, primary and secondary students and 14 000 post-secondary students, to the full level of assistance. The percentage of students receiving full level of assistance would be substantially increased from around 30% at present to around 59% of all beneficiaries in the 2011/12 academic year, with breakdown by study level as follows –

<sup>11</sup> Monthly family income limit for full level of assistance for 2-member single-parent families is increased to \$12,000.

<sup>12</sup> Monthly family income limit for any assistance for 2-member single-parent families is increased to \$19,167.

<sup>13</sup> Monthly family income limit for full level of assistance for 3-member single-parent families is increased to \$13,800.

<sup>14</sup> Monthly family income limit for any assistance for 3-member single-parent families is increased to \$23,959.

Study Level	Number of students receiving student financial assistance	No. of students receiving full level of assistance under the existing mechanism	Additional no. of students receiving full level of assistance after relaxation of AFI thresholds for full level of assistance	Total no. of students receiving full level of assistance after the relaxation
	(a)	(b)	(c)	(d) =(b)+(c)
Pre-primary children	30 000	13 000 (43%)	12 000	25 000 (83%)
Primary and secondary students	278 000	82 000 (29%)	72 000	154 000 (55%)
Post-secondary students	52 000	19 000 (37%)	14 000	33 000 (63%)
<b>Total</b>	<b>360 000</b>	<b>114 000 (32%)</b>	<b>98 000</b>	<b>212 000 (59%)</b>

N.B. Figures in brackets indicate the percentage share of the relevant total number of students receiving financial assistance.

(ii) Adjusting the tiers of assistance for post-secondary students

7. Following the merging of the first five tiers of assistance in the Ready Reckoner applicable to post-secondary students to help define the new AFI threshold for full level of assistance as proposed in the preceding paragraphs, we propose to simplify and revise the remaining 12 tiers of assistance in the Ready Reckoner for post-secondary students such that those who are not eligible for full level of assistance would also receive a greater amount of assistance. This would also help expedite the application procedures for both TSFS and FASP.

8. Specifically, we propose, on top of relaxing the threshold for full level of assistance by merging the first five tiers of assistance in the Ready Reckoner as proposed in the preceding paragraphs, that we consolidate the remaining 12 tiers of assistance into four tiers as set out below -

Existing Tiers of Assistance	Existing % of maximum grant assistance	Existing % of maximum loan assistance	New Tiers of Assistance	New % of maximum grant and loan assistance
1- 5	82% to 100%	83% to 100%	<b>1</b>	<b>100%</b>
6 - 8	53% to 72%	50% to 72%	<b>2</b>	<b>75%</b>
9 - 11	28% to 44%	24% to 39%	<b>3</b>	<b>50%</b>
12 - 14	11% to 21%	8% to 16%	<b>4</b>	<b>25%</b>
15 - 17	4% to 8%	2% to 6%	<b>5</b>	<b>15%</b>

With the above consolidation of the existing tiers of assistance,

post-secondary students who apply for assistance under TSFS or FASP and are eligible for less than full level of assistance under the means test would be eligible for an increase in the amount of grant and loan receivable. The proposal is estimated to benefit around 19 000 post-secondary students who pass the means test of SFAA but are eligible to receive less than full assistance in the 2011/12 academic year. The proposal is also estimated to benefit around 1 200 pre-primary children under KCFRS in the 2011/12 academic year, whose assistance level would be raised from 50% fee remission level to 75% fee remission level due to the relaxation of the AFI threshold for 75% assistance.

9. The new Ready Reckoner under the relaxed means test mechanism of SFAA, after incorporating the changes and improvements as set out in paragraphs 4 to 8 above, for the 2011/12 academic year is at Annex 2. The cut-off points in the new Ready Reckoner would be adjusted annually in accordance with the existing price adjustment mechanism, i.e. according to the annual movement of CPI (A).

**(B) Increasing the Amount of Academic Expenses Grant for Needy Post-secondary Students**

10. At present, post-secondary students eligible for financial assistance under TSFS or FASP can receive a grant to help cover tuition fees and an academic expenses grant. In the 2010/11 academic year, the maximum amount of academic expenses grant ranges from \$3,210 to \$34,380 per year, depending on the type, discipline and level of the study programme enrolled by the student.

11. To provide enhanced support for needy post-secondary students, we propose that an additional amount of academic expenses grant be provided to all post-secondary students eligible for assistance under TSFS or FASP according to the result of the means test with effect from the 2011/12 academic year. Specifically, each post-secondary student eligible for full level of assistance will be eligible to receive an additional amount of academic expenses grant of \$1,000 per year, whilst those who are eligible for less than full assistance would receive an additional grant amount proportionate to the level of assistance they receive on the basis of the relaxed means test. The additional amount of academic expenses grant will be disbursed together with their original grant entitlement. Students can flexibly deploy the whole sum of the academic expenses grant to meet the academic expenses, such as to purchase textbooks and reference books, or to acquire, replace or upgrade the necessary study aids, including computer and related equipment. The new measure is estimated to benefit around 52 000 post-secondary students who can pass the means test in the 2011/12

academic year. The additional amount of grant will be adjusted annually as part of the academic expenses grant in accordance with the existing price adjustment mechanism.

### **Financial Implications**

12. The above proposals would entail additional financial implications on a recurrent basis. We estimate that the proposal to relax the income thresholds for full level of assistance as set out in paragraphs 4 to 6 above would entail additional recurrent expenditure of around \$429 million in means-tested grants in 2011-12; and the proposal to adjust the existing tiers of assistance for post-secondary students as set out in paragraphs 7 to 8 above would entail additional recurrent expenditure of around \$102 million in means-tested grants in 2011-12. In addition, the new Ready Reckoner at [Annex 2](#) arising from these relaxation proposals would not only apply to means-tested grants but also means-tested loans for post-secondary students. The estimated amount of additional means-tested loans to be disbursed is about \$79 million in 2011-12. On the other hand, the proposal to increase the academic expenses grant for needy post-secondary students would result in additional recurrent expenditure of around \$41 million in 2011-12.

### **Implementation Timetable**

13. We aim to implement the proposals to relax the means test of SFAA and to increase the amount of academic expenses grant for needy post-secondary students from the 2011/12 academic year. SFAA has started processing the applications for student financial assistance for the new academic year of 2011/12. It is crucial to secure the approval of the Legislative Council of the proposals as early as possible so that SFAA can assess the level of assistance of the applicants according to the new relaxed means test mechanism, and disburse assistance to the first batch of needy students as early as in August 2011.

### **Advice Sought**

14. Subject to Members' views, we would seek funding approval from the Finance Committee on 27 May 2011 so that the proposals to relax the means test of SFAA and to increase the amount of academic expenses grant for needy post-secondary students can be implemented from the 2011/12 academic year.

Education Bureau  
Student Financial Assistance Agency  
May 2011



**Ready Reckoner for Income Test for 2011/12 academic year (under the existing mechanism)**

No.	AFI Value between (\$)			Level of assistance					
				TSFS and FASP		STSS, STAS, IAS, EFRS	KCFRS	PYJ	FAEAEC
				% of max grant	% of max loan				
1	0	and	21,532	100%	100%	Full assistance			
2	21,533	and	22,910	95%	96%	Half assistance	Half assistance		
3	22,911	and	25,188	91%	92%				
4	25,189	and	27,466	86%	88%				
5	27,467	and	29,738	82%	83%				
6	29,739	and	31,967	72%	72%				
7	31,968	and	34,196	63%	61%				
8	34,197	and	36,427	53%	50%				
9	36,428	and	38,652	44%	39%				
10	38,653	and	40,824	36%	31%				
11	40,825	and	42,997	28%	24%				
12	42,998	and	45,173	21%	16%				
13	45,174	and	47,343	13%	9%				
14	47,344	and	49,582	11%	8%				
15	49,583	and	51,817	8%	6%				
16	51,818	and	54,055	6%	4%				
17	54,056	and	57,502	4%	2%				
18	Over		57,502	0%	0%			Nil	Nil

Means-tested Financial Assistance Schemes

TSFS - Tertiary Student Finance Scheme - Publicly-funded Programmes  
 FASP - Financial Assistance Scheme for Post-secondary Students  
 STSS - Student Travel Subsidy Scheme  
 STAS - School Textbook Assistance Scheme  
 IAS - Subsidy Scheme for Internet Access Charges  
 EFRS - Examination Fee Remission Scheme  
 KCFRS - Kindergarten and Child Care Centre Fee Remission Scheme  
 PYJ - Tuition Fee Reimbursement for Project Yi Jin  
 FAEAEC - Financial Assistance Scheme for Designated Evening Adult Education Courses

Asset Test - Sliding Scale of Net Asset Values Per Family Member for Discounting Grant and Loan Assistance (only for TSFS and FASP)  
 (for 2011/12 academic year)

Net Asset Value Per Family Member	Discounting Factor of
Over \$561,000	-100% (i.e. no assistance)
\$471,001 to \$561,000	-80%
\$381,001 to \$471,000	-60%
\$301,001 to \$381,000	-40%
\$199,001 to \$301,000	-20%
\$199,000 or below	-0% (i.e. no reduction of assistance)

**New Ready Reckoner for Income Test for 2011/12 academic year**  
**(after relaxation of the threshold for full level of assistance and adjustment of tiers of assistance for post-secondary students)**

No.	AFI Value between (\$)		Level of assistance					
			TSFS and FASP		STSS, STAS, IAS, EFRS	KCFRS	PYJ	FAEAEC
			% of max grant	% of max loan				
1	0	and 21,532	100%*	100%*	Full assistance*			
2	21,533	and 22,910						
3	22,911	and 25,188						
4	25,189	and 27,466						
5	27,467	and 29,738						
6	29,739	and 31,967	75%	75%	Half assistance	75% fee remission	30% assistance	Half assistance
7	31,968	and 34,196						
8	34,197	and 36,427						
9	36,428	and 38,652	50%	50%				
10	38,653	and 40,824						
11	40,825	and 42,997						
12	42,998	and 45,173	25%	25%	Half assistance	Half fee remission	30% assistance	Half assistance
13	45,174	and 47,343						
14	47,344	and 49,582						
15	49,583	and 51,817	15%	15%				
16	51,818	and 54,055			Nil	Nil	30% assistance	
17	54,056	and 57,502						
18	Over	57,502	Nil	Nil	Nil	Nil	30% assistance	

\* AFI thresholds for full level of assistance for three-member and four-member families would be \$36,000 and \$33,120 respectively.

**Means-tested Financial Assistance Schemes**

TSFS - Tertiary Student Finance Scheme - Publicly-funded Programmes  
 FASP - Financial Assistance Scheme for Post-secondary Students  
 STSS - Student Travel Subsidy Scheme  
 STAS - School Textbook Assistance Scheme  
 IAS - Subsidy Scheme for Internet Access Charges  
 EFRS - Examination Fee Remission Scheme  
 KCFRS - Kindergarten and Child Care Centre Fee Remission Scheme  
 PYJ - Tuition Fee Reimbursement for Project Yi Jin  
 FAEAEC - Financial Assistance Scheme for Designated Evening Adult Education Courses

**Asset Test - Sliding Scale of Net Asset Values Per Family Member for Discounting Grant and Loan Assistance (only for TSFS and FASP)**

(for 2011/12 academic year)

Net Asset Value Per Family Member	Discounting Factor of
Over \$561,000	-100% (i.e.no assistance)
\$471,001 to \$561,000	-80%
\$381,001 to \$471,000	-60%
\$301,001 to \$381,000	-40%
\$199,001 to \$301,000	-20%
\$199,000 or below	-0% (i.e. no reduction of assistance)