

1981-82

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA  
HOUSE OF REPRESENTATIVES

STATES GRANTS (CAPITAL ASSISTANCE) BILL 1981.

EXPLANATORY MEMORANDUM

(Circulated by Authority of the Treasurer, the Hon John Howard, MP)

## STATES GRANTS (CAPITAL ASSISTANCE) BILL 1981

### GENERAL OUTLINE AND MAIN PURPOSE OF BILL

The main purpose of the Bill is to obtain the approval of Parliament for the payment in 1981-82 of interest-free capital grants to the States of \$435,750,000 as part of the 1981-82 States' Loan Council programs which were approved at the June 1981 Loan Council meeting.

The grants for State works are being made in accordance with arrangements originally agreed at the June 1970 Premiers' Conference as part of new revenue assistance arrangements between the Commonwealth and State Governments under which the Commonwealth Government provides a portion of the States' Loan Council programs as capital grants in lieu of loan raisings.

The purpose of the grants is to relieve the States of debt charges they would otherwise have to pay and thus free funds for other purposes. Grants amounting to \$435,750,000, equal to one-third of the approved Loan Council program for the States in 1981-82, were agreed to at the June 1981 Loan Council meeting. The Bill also authorises the payment of capital grants in the first six months of 1982-83 pending passage of similar legislation in that year.

The amount of the grants is included in the borrowing program approved by the Loan Council for the Commonwealth Government and the Bill provides the necessary borrowing and appropriating authority.

### CLAUSE 1 - SHORT TITLE

This clause provides that the Act be cited as the States Grants (Capital Assistance) Act 1981 which is similar to the titles of corresponding legislation in previous years.

### CLAUSE 2 - COMMENCEMENT

The legislation is to come into operation on the date on which it receives the Royal Assent.

It should be noted that, pending passage of this legislation, monthly payments of the grants are being made in the first half of 1981-82 under the authority of section 4 of the States Grants (Capital Assistance) Act 1980, the counterpart in that legislation to clause 4 in this Bill.

### CLAUSE 3 - GRANTS TO STATES DURING YEAR 1981-82

Sub-clause (1), in conjunction with the second column of the Schedule to the Bill, sets out the amount payable to each State during 1981-82 as its share of the total grants of \$435,750,000 in that year. The grants are expressed as being "in connection with expenditure of a capital nature" but the States are free to apply them as they decide themselves.

The capital grants are distributed between the States in the same proportion as the total State Loan Council programs approved at the June 1981 Loan Council meeting.

Sub-clause (1) also provides that any amounts paid in 1981-82 under authority of section 4 of the States Grants (Capital Assistance) Act 1980 shall have the effect of reducing the amounts payable under this Bill. The purpose of this provision is to ensure that the total grant paid to each State in 1981-82 is not greater than the amount payable to it as set out in the second column of the Schedule to the Bill.

Sub-clause (2) authorises the Treasurer to approve the amounts and timing of payments making up a State's entitlement for 1981-82 which is the normal practice with respect to these and other general purpose grants to the States. In practice, the grants are paid monthly.

### CLAUSE 4 - ADVANCE PAYMENTS TO STATES FOR 1982-83

This clause authorises the Treasurer to make payments to the States of capital grants during the first six months of 1982-83 pending the enactment of corresponding legislation for that year.

Pending the passage of corresponding legislation in 1982-83, the amount to be paid to the States during the first six months of 1982-83 under this clause will not exceed one-half of the grants paid to them in 1981-82.

### CLAUSE 5 - PAYMENTS TO STATES TO BE MADE FROM CONSOLIDATED REVENUE FUND OR FROM LOAN FUND

The effect of this clause is to allow payments under the Act to be made either from Consolidated Revenue Fund or from the Loan Fund. However, the total amount payable from the two funds combined is determined by clauses 3 and 4.

#### CLAUSE 6 - AUTHORITY TO BORROW

Sub-clause (1) authorises the Treasurer to borrow, during the period beginning on the date of commencement of the Act and ending 31 December 1982, an amount not exceeding \$653,625,000, being the total of the grants payable under clauses 3(1) and 4, plus the expenses of borrowing which will be charged to Loan Fund.

Sub-clause (2) provides that the amount that may be borrowed under sub-clause (1) is to be reduced by the sum of any amount borrowed in accordance with the provisions of section 6(1) of the States Grants (Capital Assistance) Act 1980, for the purpose of making payments in accordance with section 4 of that Act. The effect of this sub-clause is to ensure that any borrowings made before the commencement of the Act which are applied to the financing of grants under the Act will not be additional to the borrowings authorised under the Act.

#### CLAUSE 7 - APPLICATION OF MONEYS BORROWED

The effect of this clause is to limit the use of any funds borrowed under clause 6 to the meeting of borrowing expenses, the making of interest-free capital grants to the States, and the reimbursement of the Consolidated Revenue Fund for any payments made from that Fund under this legislation (see sub-clause (1) of clause 8).

#### CLAUSE 8 - REIMBURSEMENT OF CONSOLIDATED REVENUE FUND FROM LOAN FUND

Sub-clause (1) authorises the Minister for Finance to reimburse the Consolidated Revenue Fund for payments of the grants made from it if and when loan proceeds become available.

Sub-clause (2) provides authority to enable amounts paid from the Loan Fund to the Consolidated Revenue Fund in accordance with sub-clause (1) to be shown, in the statements of receipts and expenditure of the Consolidated Revenue Fund (prepared under section 50 of the Audit Act 1901 as amended), as deductions from expenditure from that Fund rather than as receipts of that Fund. This practice is designed to ensure consistency between the formal Department of Finance accounts and various other statements on the financial transactions of the Commonwealth Government.

#### CLAUSE 9 - APPROPRIATION

This clause appropriates the Consolidated Revenue Fund and the Loan Fund for payments to be made under the Act.