Date Introduced: 21 August 1980
House: House of Representatives
Presented by: Hon. I.M. Macphee, M.P., Minister Assisting the Treasurer

Short Digest of Bill

Purpose

To authorize the payment of capital grants of $435.75m to the States in 1980-81 and the borrowing of the necessary amounts by the Commonwealth Treasurer.

Background

At the June 1970 Premiers' Conference it was agreed that a portion of the State Governments' Loan Council program would be provided in the form of interest-free non-repayable grants in lieu of what would otherwise be interest-bearing borrowings by the States. Such grants have been paid to the States each year since 1970-71 under various States Grants (Capital Assistance) Acts similar to this Bill.

The grants are designed to help the States finance capital works from which debt charges are not normally recovered such as schools, police buildings and the like. They are not, however, subject to conditions as to the purposes for which they may be expended. As the grants replaced borrowings that would otherwise have been made by the States, there have been substantial savings to the States in debt charges.

As from 1975-76 it was agreed that the portion of the total States' Loan Council program provided in the form of capital grants would be one-third. At the June 1980 meeting of the Australian Loan Council the total Loan Council program for 1980-81 agreed upon was $1,307.25m. Therefore this Bill seeks authorisation for capital grants comprising one-third of that program i.e. $435.75m.

The total Loan Council Program for 1980-81 is 5 per cent higher than the program for 1979-80. Trends in other types of Commonwealth payments to the States, including general revenue funds, specific purpose payments, State authorities' borrowings (including infrastructure financing programs) etc. are outlined in the Treasurer's Second
Reading Speech for this Bill. More details may be found in Budget Paper No. 7 "Payments to or for the States, the Northern Territory and Local Government Authorities 1978-81", in particular on pages 6, 7, and 8.

Main Provisions

The capital grant payable to each State in 1980-81, by virtue of clause 3 of the Bill, is set out in column 2 of the Schedule to the Bill. These amounts total $437.75m. Where advance payments of capital grants have already been made to the States in 1980-81, pending passage of this legislation, under the authority of section 4 of the States Grants (Capital Assistance) Act 1979, sub-clause 3(1) provides for amounts in column 2 to be correspondingly reduced.

Clause 4 and column 3 of the Schedule specify the maximum amounts which may be paid to the States in the first six months of 1981-82 pending the passage of similar legislation in that year. These amounts are exactly half of the total grants payable in 1980-81.

Since loan raisings cannot be accurately estimated in advance, clause 5 provides that payments may be made out of either the Loan Fund or the Consolidated Revenue Fund (CRF). If payments are made from CRF then the Treasurer may reimburse that fund at some future time by transferring funds from the Loan Fund when loan proceeds become available, (sub-clause 8(1)), and the amount transferred will be offset against CRF expenditure rather than shown as receipts of CRF (sub-clause 8(2)).

The Treasurer's authority to borrow the amounts required under this Bill is provided for in clause 6, and the effect of clause 7 is to limit the use of funds borrowed under clause 6 to the meeting of borrowing expenses, the making of capital grants to the States and the reimbursement of the CRF for any payments made from that fund under sub-clause 8(1).

Clause 9 provides the necessary appropriations.