

# **AUSTRALIAN CATHOLIC BISHOPS CONFERENCE**

## **Complementary legislation for Australia pertaining to Acts of Extraordinary Administration and Alienation**

(See Item 10 and Item 11 of the "complementary norms" of ACBC, effective from 1/12/1985: *Australasian Catholic Record* Vol LXII No.4, October 1985)

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The amounts were to be *indexed in accordance with the annual rate of inflation*.

The indexation factor used in this Secretariat for interpreting this ruling is the *Consumer Price Index: All Groups Index Numbers Weighted Average, Eight Capital Cities*, as published by the Australian Bureau of Statistics.

Our records show that the Consumer Price Index has moved from 37.2 (old index reference period 66.8) in the year of determination (November 1984) to 105.9 (June 2014).

### **ACTS OF EXTRAORDINARY ADMINISTRATION CANON 1277**

<b>ANNUAL REPAYMENT</b>	<b>SUM FORGONE</b>
<b>November 1984</b>	<b>November 1984</b>
\$0.50 per capita or \$100,000	\$0.20 per capita or \$40,000
<b>June 2014</b>	<b>June 2014</b>
\$1.42 per capita or \$284,884	\$0.57 per capita or \$113,953

### **THE APPROVED AMOUNTS FOR ALIENATION OF TEMPORAL GOODS OF THE CHURCH CANON 1292#1**

The maximum sum for alienation determined by Conference in November 1984 was \$2,000,000; the minimum sum for alienation was \$10,000.

The maximum sum has increased to \$5,697,674 and the minimum to \$28,488.

Rev B J Lucas  
General Secretary  
8 August 2014

# MEMORANDUM

## Subject: Acts of Extraordinary Administration

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Canon 1277: In carrying out acts of administration which, in the light of the financial situation of the diocese, are of major importance, the diocesan Bishop must consult the finance committee and the college of consultors. For acts of extraordinary administration, except in cases expressly provided for in the universal law or stated in the documents of foundation, the diocesan Bishop needs the consent of the committee and of the college of consultors. It is for the Episcopal Conference to determine what are to be regarded as acts of extraordinary administration.

Australian Complementary Legislation (ACR October 1985)

10 Acts of Extraordinary Administration (Canon 1277)

The following are acts of extraordinary administration for diocesan bishops:-

- a). An act of administration by which a diocese would be committed to an annual repayment, principal and interest, in excess of 50 cents per capita of Catholic population or \$100,000, whichever being the greater;
- b). An act of administration by which a diocese would forgo an annual sum equal to 20 cents per capita of Catholic population or \$40,000 whichever being the greater. (Both figures to be indexed to inflation rate: the base rate being 1984)

The Conference determined to index these sums, and in August 2014, the Conference updated them to:

- a) \$1.42 per capita or \$284,884
- b) \$0.57 per capita or \$113,953

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There may be some uncertainty concerning the interpretation of paragraph 10 of the complementary norms of the Australian Catholic Bishops Conference concerning Acts of Extraordinary Administration. This memorandum provides some additional explanation.

Paragraph 10, as set out above, envisages two different situations:

- 1) the borrowing of money; and
- 2) the spending of money.

### 1) The Borrowing of Money

With respect to the borrowing of money, the Act of Extraordinary Administration requires an assessment of the amount involved in the annual repayment of principal and interest. This will vary depending on the amount of the loan, the interest rate and the length of the loan. It is specific to the particular Act and the terms of the loan will determine the amount involved.

The application of this section simply requires a calculation of the annual repayment of principal and interest for that specific loan and comparing that amount with the amount according to the indexation rate per head of Catholic population multiplied by the number of Catholics, or the fixed indexed amount as determined in the memorandum, whichever is the greater.

For example:

The Diocese of Somewhere borrows \$3m for a term of 10 years at 5% per annum (flat).

Annual repayment is \$300,000 principal and \$150,000 interest. Total per annum is \$450,000.

There are 300,000 Catholics in the Diocese of Somewhere.

The indexed amount per capita is \$1.42 (2014).

The relevant amount to determine an Act of Extraordinary Administration is the greater of \$426,000 (300,000 x \$1.42) or \$284,884, i.e. \$426,000.

The annual repayment (\$450,000) is greater than \$426,000 so the borrowing **is** an act of extraordinary administration.

## 2) The Spending of Money

The second form of Act of Extraordinary Administration is the spending of money.

The calculation in this case involves an assessment of the amount forgone per annum as a consequence of that expense. This assumes that what is bought with what is spent does not provide a financial return. Changing investments from one form to another, where there is no sum forgone, is not an Act of Extraordinary Administration.

In other words, the money being spent, if not spent, would earn a certain annual income. This could be based on a known investment return, for example the ninety-day commercial bank bill rate. The amount forgone will be that percentage of the amount spent.

That amount is then compared to either the indexation rate per head of Catholic population multiplied by the number of Catholics or the fixed indexed amount as determined in the memorandum, whichever is the greater.

While the application of paragraph a) is fixed to the specific transaction, the calculation for paragraph b) requires a determination of a relevant interest rate pertaining to the transaction at the particular time.

For example:

The Diocese of Somewhere spends \$500,000 on additional land for a school. The amount forgone per annum is say 7%, i.e. \$35,000.

There are 300,000 Catholics in the Diocese of Somewhere.

The indexed amount per capita is \$0.57 (2014).

The relevant amount to determine an Act of Extraordinary Administration is the greater of \$171,000 (300,000 x \$0.57) or \$113,953, i.e. \$171,000.

The annual sum foregone is \$35,000, so the spending **is not** an act of extraordinary administration.