LEGISLATIVE RESEARCH SERVICE
DEPARTMENT OF THE PARLIAMENTARY LIBRARY

STATES (WORKS AND HOUSING) ASSISTANCE BILL 1985

Date introduced: 21 August 1985
House: House of Representatives
Presented by: Hon. Paul Keating, M.P., Treasurer

DIGEST OF BILL

Purpose

The Bill provides for the payment of capital grants to the States in 1985-86 and for loans to the States and Northern Territory for public housing for 1985-86 to 1987-88.

Background

Federal and State government borrowings are co-ordinated by the Loans Council which limits the total amount that may be borrowed in each financial year. The borrowing is undertaken by the Federal government for its own purposes and on behalf of the States. Since 1970-71 part of the annual borrowing approved by the Loans Council for State governments has been provided by the Federal government as non-repayable, interest-free grants. From 1975-76 to 1984-85 these capital grants have amounted to one-third of each States Loan Council borrowings. It was decided at the 30 May 1985 Loan Council meeting that State government borrowings for 1985-86 would remain at the same level as in 1984-85, i.e. $1,564.5m. It was further decided that for 1985-86 only, the grant proportion would rise by 7 per cent (to approximately 35.7 per cent of total borrowings) and the loan proportion would be decreased by an equal amount.

Since 1982-83, the States have been able to nominate part of their approved borrowings for public housing. These funds are available at a concessional interest rate of 4.5% per annum, and are repayable over 53 years. To be eligible for the concessional interest rate the States must first have fulfilled their obligations under the Commonwealth/States Housing Agreement. At its 30 May 1985 meeting, the Loans Council placed limitations on the
amounts that may be used for public housing. After a transitional period, the maximum that the States and Northern Territory will be able to nominate for public housing will be limited to 30 per cent of their total borrowing. The transitional period is necessary for South and Western Australia as, in 1984-85, those States decided to take the whole of their borrowings in housing loans. To reduce the effect on these States of the 30 per cent limit, which exceeds the proportion nominated for housing by any other State, the whole of their 1985-86 borrowings will be allowed to be taken as housing loans. This will reduce to 60 per cent in 1986-87 and 30 per cent thereafter.

Outline

The Bill will provide for general purpose capital grants to the States and Northern Territory for 1985-86, the pre-payment of such grants in the first half of 1986-87 and for loans to the States and Northern Territory for public housing for 1985-86 to 1987-88.

Main Provisions

A detailed explanation of the clauses of the Bill is contained in the Explanatory Memorandum.

Clause 4 provides for the payment of grants to the States for capital expenditure during 1985-86.

Advance payments to the States for the first six months of 1986-87 is authorised by clause 5. This will allow grants to continue pending further legislation.

Public housing loans are made available to the States by clause 6 which also specifies the proportion such loans may make up of total borrowings. Clause 7 requires States to meet their obligations under the Commonwealth/State Housing Agreement as a condition of such loans. If they are not met, the Treasurer is empowered to request repayment of part of the loans (clause 8). Clauses 10, 11 and 12 perform the same role for loans to the Northern Territory.

Clause 9 authorises the Treasurer to make advances of loans for public housing to the States. Clause 13 performs the same role in respect of the Northern Territory.
The Treasurer is given power to borrow money equal to the amounts payable under this Bill and expenses by clause 15. Any money so raised must be used in accordance with this Bill (clause 16).

For further information, if required, contact the Economics and Commerce Group.