Short Digest of Bill

Purpose

To authorize general purpose capital assistance grants to the States, and loans for public housing purposes to the States and the Northern Territory, forming part of the borrowing program approved at a meeting of the Loan Council.

Background

The substantive provisions of the Bill are similar to those of the States (Works and Housing) Assistance Act 1983. The Bill appropriates funds for payment to the States by way of capital assistance grants, and for payment to the States and the Northern Territory of loan funds for the purposes of public housing.

The agreement of a borrowing program on behalf of the States at an annual Loan Council meeting dates from the Financial Agreement of 1927.

From 1970-71, some part of the States' loan program has been in the form of an interest-free, non-repayable grant. Since 1975-76, these capital grants have constituted one-third of the total States' Loan Council program. The remaining two thirds of the States' borrowings require payment of interest. The capital grants are not subject to conditions as to use.

Following the Loan Council meeting in June 1982, the States have been able, in certain circumstances, to allocate a component of their remaining borrowing program to public housing. These borrowings are on concessional terms similar to those applying to Commonwealth funds under the Commonwealth-State Housing Agreement (CSHA) of 1981 [see Bills Digest for Housing Assistance Bill 1984]. One requirement under the CSHA is that the States 'match' the CSHA loan funds on a dollar-for-dollar basis. Fulfilment of
the CSHA matching requirement is preliminary to entitlement to the Loan Council funds on concessional terms appropriated by the present Bill, but does not extend to require these loan funds themselves to be matched. The Budget estimate for the total amount to be nominated by the States in 1984-85 is $275m, a total of $227.1m having been nominated in 1983-84.[1]

The capital assistance grants under the Bill total $521.5m.

In respect of both capital assistance grants and Loan Council funds for public housing, the Bill provides for advances to cover up to six months of the succeeding financial year. Conversely, the Bill provides for notional recovery of sums advanced in 1984-85 under the previous legislation, the States (Works and Housing) Assistance Act 1983.

Main Provisions

The Bill is to commence with Royal Assent and appropriates funds for the 1984-85 year, less any amounts advanced under the States (Works and Housing) Assistance Act 1983 in respect of the six months from 1 July 1984. These funds comprise financial assistance to the States in expenditure of a capital nature, totalling $521.5m, in proportions among the States set out in the Schedule (clause 4); and loans to the States for public housing purposes (clause 6). The Schedule specifies the maximum amount of such loans to be all of the remaining two-thirds of the agreed borrowing program.

Loans for public housing to the Northern Territory to an additional $91.6m are authorized by clause 10, with provision for compliance with the CSHA, and advances in 1985-86 (clauses 11, 13).

Clause 15 authorizes the Treasurer to borrow funds to cover all loans, grants and advances to the States and all loans and advances to the Northern Territory made by the Bill, less any amount already borrowed in respect of the 6 months from 1 July 1984 under authority of the 1983 Act.

Remarks

The Bill appropriates two components of the agreed borrowing program: capital assistance grants to the extent of one-third of the total program, and loans to the States on concessional terms in a sum nominated by the States. The
remaining component, borrowing for the States on the credit of the Commonwealth at non-concessional rates, falls within the terms of the Financial Agreement 1927 and the power of appropriation for the purposes of the agreement in the Financial Agreement Act 1928.

For further information, if required, contact:

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Reference

1. Payments to or for the States, the Northern Territory and Local Government Authorities, 1984-85 Budget paper No.7, pp.58.