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Appropriation Bill (No. 1) 2004–05

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Bills Digest
Nos. 140–141 2003–04

Appropriation Bill (No. 1) 2004-05

Appropriation Bill (No. 2) 2004–05

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Appropriation Bill (No. 1) 2004–05

Appropriation Bill (No. 2) 2004–05

Date Introduced: 11 May 2004

House: House of Representatives

Portfolio: Treasury

Commencement: When they receive the Royal Assent

Purposes

Appropriation Bill (No. 1) 2004–05 appropriates funds for the ordinary annual services of government.

Appropriation Bill (No. 2) 2004–05 appropriates funds for the other annual services of government.

Background

Under section 83 of the Constitution, no monies may be withdrawn from the Consolidated Revenue Fund except 'under an appropriation made by law'. Laws authorising spending are either:

- special appropriations, or
- six (usually) annual appropriation acts.

Special appropriations—which account of about 75 per cent of spending—are acts that provide money for particular purposes. For example, age pensions, disability support pensions and the Newstart Allowance are paid under the *Social Security (Administration) Act 1999*, while the Family Tax Benefits A and B are paid under *A New Tax System (Family Assistance) (Administration) Act 1999*.

There are usually six annual appropriation bills. Three—Appropriation Bill (No. 1), Appropriation Bill (No. 2) and Appropriation (Parliamentary Departments) Bill (No. 1)—are introduced with the Budget. Appropriation Bill (No. 1) appropriates funds for the

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ordinary annual services of the government while Appropriation Bill (No. 2) appropriates funds for other annual services. Appropriation (Parliamentary Departments) Bill (No. 1) appropriates funds for the Parliamentary departments. There is a separate Bill for the Parliamentary departments because the services they provide are not considered to be either ordinary or other annual services.

The other three appropriation bills are introduced in the spring sitting of Parliament and are usually called additional estimates. They are Appropriation Bill (No. 3) for ordinary annual services, Appropriation Bill (No. 4) for other annual services, and Appropriation (Parliamentary Departments) Bill (No. 2) for the Parliamentary departments.

Section 53 of the Constitution provides that the Senate may not amend laws appropriating money for the ordinary annual services while Section 54 requires that there be a separate law appropriating funds for the ordinary annual services of the government. That is why there are separate bills for ordinary annual services and for other annual services. The distinction between ordinary and other annual services was set out in a 'Compact' between the Senate and the government in 1965 (the Compact was updated to take account of the adoption of accrual budgeting).

Both Bills appropriate funds to departmental outputs and administered expenses. Departmental outputs are expenses that agencies control. Examples are salaries and other day-to-day operating expenses. Administered expenses are those that agencies administer on the Government's behalf. The examples of special appropriations above are administered expenses.

Departmental outputs and administered expenses contribute to outcomes. They are the results or consequences for the community that the Government wishes to achieve. For example, Appropriation Bill (No. 1) 2004–05 appropriates funds for the Federal Magistrates Service under Outcome 1 which is:

> To provide the Australian community with a simple and accessible forum for the resolution of less complex disputes within the jurisdiction of the Federal Magistrates Service.

The data in the Bills are aggregated. Additional information can be found in Portfolio Budget Statements.

ALP/Australian Democrat/Greens policy position/commitments

The Labor Party, the Australian Democrats and the Greens have indicated that they will oppose some of the Government's proposals contained in the Budget. An attempt to block these proposals is *not* an attempt to 'block supply'. Any changes that the Opposition parties want to make to the Government proposals would entail amendment to either Appropriation Bill (No.2) or will be special appropriations legislation.

Main Provisions

The amount available for agencies' spending on departmental and administered items is specified in **Schedules**. The total specified in Schedule 1 of Appropriation Bill (No. 1) 2004–05 is $45.060 billion, while the total specified in Schedule 2 of Appropriation Bill (No. 2) 2004–05 is $5.187 billion.

Both Bills contain a clause 'Advance to the Finance Minister'. These clauses allow the Minister to pay sums for emergency or unforseen purposes. The maximum is $175 million for Appropriation Bill (No. 1) 2004–05 and $215 million for Appropriation Bill (No. 2) 2004–05 [**sub-clauses** 12(3) and 13(3) respectively]. The Minister has to account to Parliament for the sums spent from the Advances.

Appropriation Bill (No. 1) 2004–05

Appropriation Bill (No. 1) 2004–05 is largely identical to Appropriation Bill (No. 1) 2003–04. The changes are:

- the definition of 'agency' now includes the High Court (**Clause 3**)
- the definition of 'entity' now includes the Australian National Training Authority (**Clause 3**)
- **Clause 9** deals with 'reduction of appropriations upon request'. In this context, it is important to distinguish between the processes for *departmental* appropriations and annual *administered* appropriations. In short:
  - departmental appropriations do *not lapse* at the end of the financial year. They therefore remain legally valid until spent. The unspent balances of all departmental appropriations remain available across all financial years unless the Finance Minister withdraws drawing rights, and
  - annual administered appropriations are determined by the Finance Minister. If the amount determined is less than the original appropriation, the difference *lapses*.

The Introduction to Budget Paper No. 4 explains this more fully:

> The annual appropriations acts are not expressed in terms of a particular financial year and so do not automatically lapse. Amounts appropriated for departmental expenses and for non-operating costs[1] can be subject to a lapsing process first introduced in the additional estimates appropriations bills for 2003-2004. Under this process, on request in writing from a responsible minister for an agency, the Finance Minister may issue a determination to reduce the agency's departmental expense or non-operating costs appropriation. Requests for amounts to be lapsed may arise, for example, because the appropriation is no longer required. Until the Finance Minister issues a determination

> under this process, moneys appropriated for departmental expenses and non-operating costs may be issued from the CRF in the budget or later years.
>
> Appropriations for administered expenses are subject to a determination by the Finance Minister on the amounts to be issued. The effect of that determination is to prevent any part of the appropriation that has not been expensed in the year from being issued from the CRF. By convention the Finance Minister issues determinations in relation to administered expenses appropriations following the completion of each financial year.[2]

Clause 9 gives effect to the intention to lapse unspent departmental expenses.

- **Clause 10** deals with 'net appropriations'. Subclause 4 deals with items that are taken to be administered 'marked net appropriations', and adds paragraph 4(e) which provides that the administered item for outcome 2 of the Department of Transport and Regional Services is also to be marked as a net appropriation.

Appropriation Bill (No. 2) 2004–05

Appropriation Bill (No. 2) 2004–05 is largely identical to *Appropriation Bill (No. 2) 2003–04*. The changes are:

- the definition of 'agency' now includes the High Court (**Clause 3**)
- the definition of 'entity' now includes the Australian National Training Authority (**Clause 3**)
- **Clause 11**: 'reduction of appropriations upon request'. This clause is identical in wording to Clause 9 in the Appropriation Bill (No. 1) 2004–05 except that whereas Clause 9 refers to reducing 'a departmental item' [sub-clauses 9(1) and 9(2)], Clause 11 refers to reducing 'an administered assets and liabilities item or an other departmental item' [sub-clauses 11(1) and 11(2)].

Endnotes

1 Non-operating costs include things such as equity injections and loans.

2 Agency Resourcing 2004-05, Budget Paper No. 4, p. 5.

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