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Appropriation Bill (No. 6) 2003–04

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INFORMATION AND RESEARCH SERVICES

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Appropriation Bill (No. 5) 2003-04

Appropriation Bill (No. 6) 2003–04

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Appropriation Bill (No. 5) 2003–04

Appropriation Bill (No. 6) 2003–04

Date Introduced: 11 May 2004

House: House of Representatives

Portfolio: Treasury

Commencement: When they receive the Royal Assent

Purposes

Appropriation Bill (No. 5) 2003–04 appropriates funds for the ordinary annual services of government.

Appropriation Bill (No. 6) 2003–04 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Under section 83 of the Constitution, no monies may be withdrawn from the Consolidated Revenue Fund except 'under an appropriation made by law'.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*.

Annual appropriations

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 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.

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. 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 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).

The 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.

Additional estimates

As noted, there are usually six annual appropriation bills of which three are introduced when the Budget is brought down. However, funding requirements often change after the Budget is brought down. Governments make new policy commitments which have to be funded. Agencies reassess their requirements and, if necessary, submit requests for additional funding. The Government may agree to additional funding if the amounts in the first three Appropriation Acts are inadequate. The process whereby additional funds are provided is called additional estimates and begins around November. The approved additional estimates are normally incorporated into three appropriation bills, which are introduced in the spring sitting of Parliament. 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.

Supplementary additional estimates

Appropriation Bill (No. 5) 2003–04 and Appropriation Bill (No. 6) 2003–04 are unusual in that they are *supplementary* to the usual additional estimates bills. However, they are not unusual in that they are, to all intents and purposes, the same as the usual additional estimates bills. Appropriation Bill (No. 5) 2003–04 appropriates additional money for ordinary annual services while Appropriation Bill (No. 6) 2003–04 appropriates money for other annual services.

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

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. 5) is $604 million, while the total specified in **Schedule 2** of Appropriation Bill (No. 6) is $183 million. The largest item in Appropriation Bill (No. 5) is $450 million for the Australian Rail Track Corporation, which will reportedly use the funds to upgrade the section of the interstate (standard gauge) rail network that runs between Brisbane and Sydney.[1] The largest item in Appropriation Bill (No. 6) is $129 million for the Health and Ageing portfolio.

Appropriation Bill (No. 5) 2003–04

Appropriation Bill (No. 5) 2003–04 is largely identical to Appropriation Act (No. 3) 2003–04. Differences include:

- the definition of 'agency' now includes the High Court (**Clause 3**)
- the definition of 'entity' now includes the Australian National Training Authority (**Clause 3**)
- in several cases, for example, **Clause 4)** references to Portfolio Budget Statements and Portfolio Additional Estimates Statements have the added reference to Portfolio Supplementary Additional Estimates Statements
- **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

- 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[2] 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.[3]

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. However, the Bill does not define net appropriations. Subclause 10(2) contains a reference to section 31 of the *Financial Management and Accountability Act 1997*, which deals with net appropriations, but even that Act does not define net appropriations.

Appropriation Bill (No. 6) 2003–04

Appropriation Bill (No. 6) 2003–04 is largely identical to *Appropriation Act (No. 4) 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 Appropriation Bill (No. 5) 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 Tansy Harcourt, 'Auslink's $550m boost for rail', *Australian Financial Review*, 20 May 2004, p. 1.

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

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