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18 May 2007, no. 151, 2006–07, ISSN 1328-8091

Appropriation Bill (No. 1) 2007-08

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Appropriation Bill (No. 1) 2007-08

Date introduced: 8 May 2007

House: House of Representatives

Portfolio: Finance and Administration

Commencement: On Royal Assent

Purpose

To appropriate approximately $58.986 billion for the ordinary annual services of the Government.

Background

Section 83 of the Constitution provides that no monies may be withdrawn from the Consolidated Revenue Fund (CRF) except ‘under an appropriation made by law’.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 spending authorised by Acts for particular purposes. Examples are age pensions, carer payments, and the seniors concession allowance paid under the *Social Security (Administration) Act 1999*, and the Family Tax Benefits A and B paid under *A New Tax System (Family Assistance) (Administration) Act 1999*.

Appropriation Bill (No. 1) 2007-2008 (the Bill) appropriates funds for the ‘ordinary annual services of the Government’. By comparison Appropriation Bill (No. 2) 2007-2008 appropriates funds for other annual services. Section 54 of the Constitution 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 has been updated to take account of the adoption of accrual budgeting).

The amounts allocated to each portfolio and the breakdown between departmental outputs and administered expenses, are set out in **Schedule 1**.

Departmental outputs are expenses that portfolio departments and agencies control. They are essentially the cost of running agencies, for example, salaries and other day-to-day operating expenses. The bulk of appropriations in the Bill are for departmental expenses. Administered expenses are those that agencies administer on the Government's behalf. While most administered expenses are funded through special appropriations, some are funded through the Bill. The 'regional partnerships' program and the Bass Strait Passenger Vehicle Equalisation Scheme are examples of administered expenses funded through the Bill.[1]

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, under the Attorney-General's portfolio, the Bill appropriates funds for the Federal Magistrates Court of Australia 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 Court of Australia.[2]

The Senate's powers in relation to ordinary annual services

Section 53 of the Constitution provides that the Senate may not amend proposed laws appropriating revenue or moneys for the ordinary annual services of the Government. The Senate may, however, return to the House of Representatives any such proposed laws requesting, by message, the omission or amendment of any items or provisions therein.

Financial implications

The total amount appropriated from consolidated revenue under the Bill is more than \$58.986 billion (compared with about \$53.335 billion in *Appropriation Act (No. 1) 2006-2007*). As usual, by far the largest single portfolio appropriation is Defence with some \$19.721 billion. Whilst aggregate appropriations for the various portfolios and agencies within each portfolio are contained in **Schedule 1** of the Bill, more detailed information for all portfolios can found in their respective Portfolio Budget Statements at http://www.budget.gov.au/2007-08/pbs/html/index.htm.

Main provisions

The provisions of the Bill are generally identical to those in *Appropriation Act (No. 1) 2006-07*. The main difference is that the Bill drops the section relating to adjustments to departmental items.

Section 11 of *Appropriation Act (No. 1) 2006-07* allowed the Finance Minister to increase, by determination, spending on departmental items. The maximum allowed was \$20 million. Such determinations were legislative instruments but were not disallowable under the *Legislative Instruments Act 2003*. The Bill, by removing this section, eliminates the power of the Finance Minister to increase departmental appropriations by determination. The practical effect is that the amount authorised for departmental appropriations is capped at the amounts specified in the Bill. The minister, in the second reading speech for Appropriation Bill (No. 2) 2007-08, gave the following as the reason for this change:

> We have also taken the opportunity to remove a redundant provision from appropriation bills Nos. 1 and 2 and the parliamentary departments appropriation bill. The Departmental Items Adjustments and other similar provisions will no longer be required in the annual appropriation bills. These sections were originally included to smooth the transition to the accrual arrangements implemented in 1999-2000. They have not been exercised for some five years and are no longer required.[3]

However, the power to make some supplementation remains. Under **proposed section 12**, the Finance Minister may increase the total amount appropriated in **Schedule 1** by up to a total of $175 million in urgent cases where the need for an additional amount was unforeseen or not provided for due to an 'erroneous omission or understatement'. A determination by the Finance Minister increasing the appropriation is a legislative instrument, but is not disallowable under the *Legislative Instruments Act 2003*: **proposed subsection 12(4).**

Endnotes

1. Department of Transport and Regional Services, Portfolio Budget Statements 2007-08.
2. Appropriation Bill (No. 1) 2007-08, p. 32.
3. Hon G Nairn, Special Minister of State, 'Second reading speech: Appropriation Bill (No. 2) 2007–08', V*otes and Proceedings*, 8 May 2007, p. 60.

Members, Senators and Parliamentary staff can obtain further information from the Parliamentary Library on (02) 6277 2464.