



Appropriation Bill (No. 3) 2007-08

Richard Webb
Economics Section

Contents

Purpose	2
Background	2
Annual appropriations	2
The Senate’s powers and ‘money’ bills	3
Additional estimates	3
Departmental and administered expenses	4
Advance to the Finance Minister	4
Basis of policy commitment	4
Department of Defence	5
Department of Education, Employment and Workplace Relations	5
Department of the Environment, Water, Heritage and the Arts	6
Department of Families, Housing, Community Services and indigenous Affairs	6
Department of Health and Ageing	6
Department of Immigration and Citizenship	7
Department of Infrastructure, Transport, Regional Development and Local Government	7
Department of Innovation, Industry, Science and Research	7
Financial implications	7
Main provisions	7

Appropriation Bill (No. 3) 2007-08

Date introduced: 13 February 2008

House: House of Representatives

Portfolio: Finance and Deregulation

Commencement: On Royal Assent

Links: The *relevant links* to the Bill, Explanatory Memorandum and second reading speech can be accessed via BillsNet, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

Purpose

To appropriate additional money for the ordinary annual services of the government.

Background

Section 83 of the Constitution states:

No money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law.

There are two broad categories of appropriations:

- annual appropriations, and
- special (or standing) appropriations.

There are usually six annual appropriation Bills. They authorise about 25 per cent of annual Commonwealth spending.

Special (or standing) appropriations—the terms are often used interchangeably—authorise about 75 per cent of spending. An example of a special appropriation is the *Social Security (Administration) Act 1999* under which age pensions and other social security payments are made.

Annual appropriations

Annual appropriations are usually contained in six Appropriation Acts although there can be more. The first three are:

Warning:

This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

- *Appropriation Act (No. 1)*
- *Appropriation Act (No. 2)*, and
- *Appropriation (Parliamentary Departments) Act (No. 1)*.

The Bills for the first three Acts are introduced at the same time as the Budget. The Acts authorise the payment of specified amounts for particular purposes. Appropriation Act (No. 1) provides for the appropriation of money from the Consolidated Revenue Fund for the ordinary annual services of government. Appropriation Act (No. 2) provides for the appropriation of money from the Consolidated Revenue Fund for purposes other than the ordinary services of government.

The Senate's powers and 'money' bills

Section 53 of the Constitution states:

Proposed laws appropriating revenue or moneys, or imposing taxation, shall not originate in the Senate. But a proposed law shall not be taken to appropriate revenue or moneys, or to impose taxation, by reason only of its containing provisions for the imposition or appropriation of fines or other pecuniary penalties, or for the demand or payment or appropriation of fees for licences, or fees for services under the proposed law.

The Senate may not amend proposed laws imposing taxation, or proposed laws appropriating revenue or moneys for the *ordinary annual services of the Government*.

The Senate may not amend any proposed law so as to increase any proposed charge or burden on the people.

The Senate may at any stage return to the House of Representatives any proposed law which the Senate may not amend, requesting, by message, the omission or amendment of any items or provisions therein. And the House of Representatives may, if it thinks fit, make any of such omissions or amendments, with or without modifications.

Except as provided in this section, the Senate shall have equal power with the House of Representatives in respect of all proposed laws.

As this Bill is concerned with the ordinary annual services of the government, it may not be amended by the Senate.

Additional estimates

Funding requirements usually change after the Budget is brought down. The government may agree to additional funding if the amounts in the three Budget Appropriation Acts are inadequate and so has to seek parliamentary approval for additional spending. The process

Warning:

This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

whereby additional funds are provided is called 'additional estimates' and usually begins around November of the Budget year. The approved additional estimates are incorporated into Appropriation Bills 3 and 4 and Appropriation (Parliamentary Departments) Bill No. 2. These Bills are the counterparts of Appropriation Bills No. 1 and 2 and Appropriation (Parliamentary Departments) Bill No. 1 respectively.

Portfolio Additional Estimates Statements are the additional estimates counterparts of Portfolio Budget Statements and contain explanations of Appropriation Bills 3 and 4 and Appropriations (Parliamentary Departments) Bill No. 2.

Departmental and administered expenses

Expenses are classified as either departmental or administered. Departmental expenses are the resources that agencies control and use to produce outputs. In essence, departmental expenses are the cost of running agencies. Examples of departmental expenses are salaries, other employee entitlements, and the use of equipment. Departmental expenses are appropriated as a single amount for each agency.

Administered expenses are spending that agencies manage on the government's behalf. Examples of administered expenses are subsidies, grants and benefit payments, and the financial assistance grants the Commonwealth makes to local governments.

Advance to the Finance Minister

The Advance to the Finance Minister (AFM) provides flexibility in that it allows the spending of funds for unforeseen contingencies. The AFM is a provision authorised by the annual Appropriation Acts and made available to the Finance Minister as a central contingency fund to provide urgent funding to agencies throughout the financial year. Examples of the AFM provision are in section 11 of *Appropriation Act (No. 1) 2007-2008* and section 12 of *Appropriation Act (No.3) 2006-2007*.

AFM funding is available only if it meets two tests:

- the need for funding must be urgent, and
- the need was unforeseen or arose because of erroneous omission or understatement.

Basis of policy commitment

The Bill proposes additional funding for a number of agencies, some of which flows from election policies. It is not clear whether some of the policies can be considered to constitute new programs. Traditionally, new programs are funded under Appropriation Bills No. 2 and 4. After funding for the programs has been approved, the programs are

Warning:

This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

considered to be ordinary annual services and so are funded through Appropriation Bills No. 1 and 3.

The following lists, by agency, some of the measures the Bill covers.

Department of Defence

In the [second reading speech](#), the Minister for Finance and Deregulation identified additional funding for:

- \$402 million for depreciation expense
 - this is offset by a reduction in capital spending, so the net effect on the Budget is neutral
- \$38.8 million for Stage 2 of the Enhanced Land Force Initiative, and
- \$70.6 million for additional costs incurred for Operation Astute in East Timor in 2006-07.

Department of Education, Employment and Workplace Relations

Programs the Minister identified are:

- \$100 million for the [National Secondary Schools Computer Fund](#)
 - this will provide for grants of up to \$1 million for schools to assist them to provide for new or upgraded information and communications technology for secondary school students in years 9 to 12
- \$33.3 million for the [Skilling Australia for the Future](#) program
 - the government estimates that this program will cost \$1.3 billion over four years
- \$92.6 million to meet additional costs associated with the previous government's Skills for the Future program and to extend that program until the *Skilling Australia for the Future* program begins in April 2008
- \$16.2 million to establish the Television Technical Operators College and the WesTrac National Skills Training Centre of Excellence
- \$22.7 million for assistance to schools in declared Exceptional Circumstances areas to increase equitable access to high-quality education opportunities
- \$45.7 million in 2007-08 to establish the [Workplace Authority](#), and
- \$15 million to establish the [Office of the Workplace Ombudsman](#).

Warning:

This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

Department of the Environment, Water, Heritage and the Arts

Additional funding for the Department of the Environment, Water, Heritage and the Arts includes:

- \$50.8 million for the Great Barrier Reef Marine Park Structural Adjustment Package
- \$31.8 million to provide [rebates](#) to households for installing solar hot water heaters
- \$50.8 million for the [National Solar Schools Plan](#) to encourage improved energy and water efficiency in schools, and
- \$15.2 million to take early action on the [National Plan for Water Security](#), to accelerate investment in water savings infrastructure and the purchase of water allocations
 - this brings forward spending from 2011-12
- \$25 million for the [National Water Commission](#) to assist groundwater licence holders in New South Wales to adjust to reductions in water access entitlements.

Department of Families, Housing, Community Services and indigenous Affairs

The Department of Families, Housing, Community Services and Indigenous Affairs will receive an additional \$189.8 million to assist people with disabilities, their families and carers

- this includes annual tax-free payments of \$1,000 for each child under the age of 16 with a disability for whom the carer is receiving [Child Carer Allowance](#), and \$9 million to increase the support available to people in disability business services.

Department of Health and Ageing

Additional funding earmarked for the Department of Health and Ageing includes:

- \$14 million to provide incentives to support the take-up of [Medicare Easyclaim](#) by patients attending participating general practices and specialist practices
- \$33.1 million to provide up-front capital grants and recurrent funding for the establishment of 31 [GP Super Clinics](#), and to provide incentive payments to GPs and allied health providers to relocate to these clinics
- \$11.7 million to establish a specialist training school at [Greenslopes Private Hospital](#) at the University of Queensland, and
- \$31.6 million for hospitals and community health under the *Better Outcomes for Hospitals and Community Health* program
 - this includes funds for specific commitments announced during the election such as \$10 million for the [Flinders Medical Centre](#) clinical teaching facilities upgrade.

Warning:

This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

Department of Immigration and Citizenship

The Bill provides for the Department of Immigration and Citizenship (DIAC) to receive the following additional amounts:

- \$18 million to upgrade the [Border Control System](#)
- \$81.6 million through the DIAC funding model for increases in the volume of DIAC's transactions, including visa applications (mainly student and skilled migrant) during 2007-08.

Department of Infrastructure, Transport, Regional Development and Local Government

The Bill provides for \$2.5 million to establish [Infrastructure Australia](#).

Department of Innovation, Industry, Science and Research

The Bill provides \$15.2 million for the introduction of the [Enterprise Connect](#) program, which will replace the Howard Government's Australian Industry Productivity Centres.

It is not clear whether some of the policies can be considered to constitute new programs. Traditionally, new programs are funded under Appropriation Bills No. 2 and 4. After funding for the programs has been approved, the programs are considered to be ordinary annual services and so are funded through Appropriation Bills No. 1 and 3.

Financial implications

The Bill provides for expenditure of more than \$2.436 billion. This compares with \$1.119 billion for the equivalent 2006-07 Act.

Main provisions

The provisions in the Bill are virtually identical with those of *Appropriation Act (No. 3) 2006-07* and *Appropriation Act (No. 1) 2007-08*.

Clause 6 authorises expenditure of \$2 436 108 000. The amounts allocated to each agency, and the breakdown between departmental and administered items, are set out in **Schedule 1**.

Subclause 7(1) empowers the Finance Minister to issue money from the Consolidated Revenue Fund for departmental items for an entity but restricts the total to that specified in **Schedule 1**.

Warning:

This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

Clause 8 deals with administered items in the basic appropriation. **Subclause 8(1)** limits the amount of money the Finance Minister can issue from the Consolidated Revenue Fund to the amount specified (in **Schedule 1**), and the amount that the Finance Minister includes in a determination. The general procedure with respect to the latter is as follows:

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 amount of the appropriation that has not been expensed in the year from being issued from the Consolidated Revenue Fund. By convention the Finance Minister issues determinations in relation to administered expenses appropriations following the completion of each financial year ... the determinations for administered expenses do not reduce the appropriation. Rather, they set the maximum amount that may be issued from each administered expense appropriation. The effect of the determination is that administered expense appropriations that have not been expensed in a year cannot be spent in later years.¹

Clause 9 deals with reductions of appropriations. The general process for reductions is:

Amounts appropriated for departmental outputs and for non-operating costs can be subject to a reduction process, first introduced in the additional estimates appropriations acts for 2003-2004. Under this process, on request in writing from a responsible minister, the Finance Minister may issue a determination to reduce the entity'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.²

[Section 11](#) of *Appropriation Act (No. 3) 2006-07* titled 'Departmental items-adjustments' empowered the Finance Minister to increase the amount allocated to a departmental item up to a maximum of \$20 million. As noted, departmental expenses are essentially the costs of running agencies such as salaries and rent. Section 11 provided flexibility in that when situations arise where an agency finds that it does not have enough funds for departmental expenses and the shortfall cannot be met through the normal additional estimates processes, it may request additional funds by means of a determination that the Finance Minister issues.

It is not clear why a comparable clause has been dropped from this Bill. A possibility is that it is a way of enforcing financial discipline on agencies in the context of the government seeking to cut expenditure for fiscal policy purposes. By eliminating access to this option, agencies will be forced to operate within the budgets available through the annual appropriations and additional estimates processes.

-
1. Budget Paper No. 4 2007-08, p. 6.
 2. *ibid.*

Warning:

This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

Clause 11 deals with the AFM (see page 4 of the Digest). **Subclause 11(3)** limits the combined total the Finance Minister can issue under *Appropriation Act (No. 1) 2006-07* and the Bill to \$175 million. **Subclause 11(5)** provides that such an AFM determination by the Finance Minister is a legislative instrument, but is not disallowable.

A clause comparable to **Clause 12** has not appeared in previous Appropriations Bills. This clause derives from the intervention in indigenous affairs in the Northern Territory. A special account named the ‘Northern Territory Flexible Funding Pool Special Account’ has been created [a special account is a device to simplify accounting whereby all financial transactions—whether money flowing in (credit) or out (debit)—that are related to a particular activity are recorded]. The Minister, in the [second reading speech](#), provided the following explanation of this **Clause 12**:

We have inserted a new provision in Appropriation Bill (No.3)—section 12—to facilitate the achievement of whole-of-government outcomes relating to Indigenous employment initiatives. The new provision will provide relevant agencies with the necessary appropriation in order to spend amounts received from the Northern Territory Flexible Funding Pool Special Account. Participating agencies will be identified in an annual determination by the finance minister. The Flexible Funding Pool model was adopted to permit the reallocation of funds between participating agencies, where required, to more effectively meet employment objectives relating to the Northern Territory Emergency Response.

Subclause 12(1) provides that **clause 12** applies when three conditions apply:

- an amount is paid to an agency from the Northern Territory Flexible Funding Pool Special Account
- the item is an administered item, and
- the item is specified in a written determination the Finance Minister makes.

Subclause 12(3) provides that the agency must use the money only for the purpose set out in the determination.

Subclause 12(5) provides that the determination is a legislative instrument but is not disallowable.

© Copyright Commonwealth of Australia

This work is copyright. Except to the extent of uses permitted by the *Copyright Act 1968*, no person may reproduce or transmit any part of this work by any process without the prior written consent of the Parliamentary Librarian. This requirement does not apply to members of the Parliament of Australia acting in the course of their official duties.

This work has been prepared to support the work of the Australian Parliament using information available at the time of production. The views expressed do not reflect an official position of the Parliamentary Library, nor do they constitute professional legal opinion.

Warning:

This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

Feedback is welcome and may be provided to: web.library@aph.gov.au. Any concerns or complaints should be directed to the Parliamentary Librarian. Parliamentary Library staff are available to discuss the contents of publications with Senators and Members and their staff. To access this service, clients may contact the author or the Library's Central Entry Point for referral.

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

Warning:

This Digest was prepared for debate. It reflects the legislation as introduced and does not canvass subsequent amendments.

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.