



Appropriation Bill (No. 5) 2005–2006

Appropriation Bill (No. 6) 2005–2006

Mary Anne Neilsen
Law and Bills Digest Section

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Appropriation Bill (No. 5) 2005–2006

Appropriation Bill (No. 6) 2005–2006

Date introduced: 9 May 2006

House: House of Representatives

Portfolio: Finance and Administration

Commencement: Day of Royal Assent

Purpose

Appropriation Bill (No. 5) 2005–06 appropriates funds for the ordinary annual services of government.

Appropriation Bill (No. 6) 2005–06 appropriates funds for the other annual services of government.

Background¹

Under section 83 of the Constitution, no monies may be withdrawn from the Consolidated Revenue Fund except ‘under an appropriation made by law’.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

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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) 2005–06 and Appropriation Bill (No. 6) 2005–06 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) 2005–06 appropriates additional money for

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ordinary annual services while Appropriation Bill (No. 6) 2005–06 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 \$1 336 450 000, while the total specified in **Schedule 2** of Appropriation Bill (No. 6) is \$2 289 288 000.

Appropriation Bill (No. 5) 2005–06

Basic appropriations are provided for in **Part 2** of the Bill. **Clauses 7 and 8** provide for appropriations for departmental items and administered items respectively. Specific amounts are outlined in **Schedule 1** and include:

- additional funding to the Department of Agriculture, Fisheries and Forestry to enable a payment of \$500 million to the Murray-Darling Basin Commission in 2005-06
- an additional \$310.4 million to fund a coordinated package of measures to assist those adversely affected by Tropical Cyclone Larry, including:
 - \$97 million to the Department of Families, Community Services and Indigenous Affairs to provide support in the form of ex-gratia payments to individuals and families, a one-off diesel and petrol subsidy program to assist businesses, including farmers, and a one-off program of income support payments
 - \$86.9 million in wage subsidy payments to businesses and farmers affected by the cyclone, and
 - an additional \$126.5 million in grants to affected businesses to assist with restocking, replanting, re-establishment and clean-up
- grants totalling \$265 million to a number of medical research facilities, including \$50 million each to the Walter and Eliza Hall Institute of Medical Research and the John Curtin School of Medical Research at the Australian National University and \$165 million to a number of other medical research facilities for a variety of development and expansion projects, including \$37 million to the Howard Florey Institute
- an additional \$243 million to the Department of Transport and Regional Services to enable a \$270 million payment to be made to the Australian Rail Track Corporation to

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assist with investment in Australia's interstate rail network, including the upgrading of the North-South corridor

- contributions totalling \$87 million to universities, including \$75 million to the Australian National University for general capital works, subject to the university also contributing \$50 million of its own resources; \$12 million will be provided to the University of Wollongong to expand the Centre of Transnational Crime Prevention; and a one-off contribution of \$23 million to support the establishment of new medical schools in Victoria
- an additional \$19.5 million financial assistance to support primary producers in regions that have been declared eligible for exceptional circumstances assistance and those in regions that have been declared eligible for interim income support.
- a \$10 million contribution to the construction cost of a non-government, community managed boarding college to deliver education and related services to Indigenous high school students on the Tiwi Islands, and
- grants to sporting facilities, including \$15 million towards the establishment of the South Australian State Aquatic Centre, \$15 million to the Melbourne Cricket Ground to support the establishment of an Australian sports museum; and \$9.6 million toward upgrade of Toyota Park, home of the Cronulla Sharks Rugby League Club, to enhance spectator safety and security and improve disabled access.²

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.

This has been explained more fully thus:

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 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 as required.

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[...]

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.

Appropriation Bill (No. 6) 2005–06

Basic appropriations are provided for in **Part 2** of the Bill. **Clauses 7** and **8** provide for appropriations for departmental items and administered items respectively. Specific amounts are outlined in **schedule 2**. The major item is additional funding to the Department of Transport and Regional Services to enable a total payment of \$1.759 billion for a range of highway projects.

Clause 11: ‘Reduction of appropriations upon request’. This clause is identical in wording to clause 9 in Appropriation Bill (No. 5) 2005–06 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 This section is drawn from previous work by Richard Webb, of the Economics, Commerce and Industrial Relations Section, Parliamentary Library.
- 2 Mr Gary Nairn, MP Secretary to the Minister for Finance and Administration, ‘Second reading speech: Appropriation Bill (No.5) 2005-2006’, House of Representatives, *Debates*, 9 May 2006, p. 43.
- 3 Agency Resourcing 2006-07, Budget Paper No. 4, p. 6.

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