Appropriation Bill (No. 1) 1991-92

Date Introduced: 20 August 1991
House: House of Representatives
Portfolio: Treasury

Purpose
To appropriate $14,650,161,000 from the Consolidated Revenue Fund (CRF) for the ordinary annual services of government during the 1991-92 financial year.

Background
The second reading speech for this Bill is the vehicle used to introduce the Budget.

This Bill forms part of a package relating to government finance. The Bill covers expenditure for the ordinary annual services of government, while the Appropriation Bill (No. 2) 1991-92 deals with expenditure on capital works and services, payments to the States and other purposes not authorised by special legislation. Appropriation for the Parliamentary Departments is contained in the Appropriation (Parliamentary Departments) Bill 1991-92. Authority to spend under these Bills lapses on 30 June.

Additional appropriation may be sought in further Appropriation Bills, commonly known as the additional estimates, when the appropriation sought in the Appropriation Bills is insufficient for the financial year. The additional appropriations are usually sought in the March/April period. The additional estimates also lapse on 30 June.

In the period between 1 July and the Budget, authority to spend is obtained under the Supply Acts. These are normally passed a month or so before the end of the financial year and generally do not allow for more than five months spending. The amounts authorised under the Supply Acts are later incorporated in the Appropriation Acts for the year to which the expenditure relates.

Outline
For the first time since 1986-87 the Budget will be in deficit, with the estimated deficit being $4.732 billion. The deficit is the result of decreased revenue and increased expenditure.

Revenue
Revenue will fall in dollar terms by $1.161 billion compared to the previous year, and represents 24.5% of GDP, compared with 25.8% in the previous year. The need to finance the deficit will increase the Commonwealth's activity in the bond market and increase the overall demand for borrowings. Estimated PAYE receipts will rise marginally compared with the previous year (by approximately $100 million), as will other tax receipts from individuals, while company tax receipts will fall marginally (by approximately $700 million). Total tax revenue will fall approximately $1.5 billion to $89.667 billion. The major reason for the fall is the reduced spending and employment associated with the current period of reduced economic activity. The major increase in revenue announced in the Budget will come from changes to the rules for lodgement of returns by tax agents and will raise an additional $300 million in 1991-92, with this amount being brought forward from the next financial year. The other major increase in revenue, $50 million, will come from tightening the rules governing employment declaration forms. Changes to the rate of the fringe benefits tax will have effect in the 1992-93 financial year.

Outlays
The major increase in outlays will be in the social security portfolio, $3.4 billion, which largely reflects increased payments to the unemployed. This is the result of increased unemployment levels, which
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are expected to remain high for a number of years. The outlay for the Department of Employment, Education and Training will increase by $1.17 billion, with significant increases in labour adjustment assistance and community based strategies designed to assist the unemployed. The outlays for the Department of Finance will fall from $1 046 million to $64 million. This reflects adjustments in superannuation and asset sales.

The Budget estimates and forecasts are based on a number of assumptions, including:
* an increase in average weekly earnings over the year of 4.5%;
* GDP growth of 1.5%;
* average crude oil prices of $US19 per barrel;
* a CPI increase of 3%;
* an unemployment rate of 10.5%; and
* a fall in non-farm real unit labour costs of 2%.

Main Provisions
Clause 3 will authorise the Minister for Finance to issue $14 650 161 000 from the CRF for the purposes specified in Schedule 3 of the Bill (this gives a portfolio and program breakdown of the expenditure).

Clause 4 deals with the amalgamation of this Bill with the Supply Act (No. 1) 1991-92 to authorise total expenditure of $26 693 962 000 during 1991-92.

Clauses 5 and 6 allow for additional appropriations under the Appropriation and Supply Acts for increases in salaries that become payable during 1991-92.

Other provisions relate to increases under the Supply Act (No. 1) 1991-92 for a number of government Departments.

Bills Digest Service
Parliamentary Research Service

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For further information, if required, contact the Economics and Commerce Group on 06 2772460.

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

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