BILLS DIGEST

Nos. 89-90, 92.1995

Appropriation Bill (No.1) 1995-96
Appropriation Bill (No.2) 1995-96
Loan Bill 1995
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Appropriation Bill (No. 1) 1995-96

Date Introduced: 9 May 1995
House: House of Representatives
Portfolio: Finance
Commencement: Royal Assent

Purpose

To appropriate $31 689 392 000 from the Consolidated Revenue Fund (CRF) for the ordinary annual services of the government.

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 Appropriation Bill (No. 2) 1995-96 deals with expenditure on capital works and services, payments to the States, and expenditure on any new initiatives not covered by any other legislation. Appropriation for the expenditure of the Parliamentary Departments is contained in the Appropriation (Parliamentary Departments) Bill 1995-96. Authority to spend under these Bill lapses on 30 June 1996.

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

Outline

A budget surplus of $0.7 billion is forecast for 1995-96, compared with a deficit of $12.2 billion in 1994-95.¹
Revenue:

Revenue is estimated to increase in 1995-96 by 12.8%, or $14165 million, over 1995-96. As a share of GDP, Commonwealth revenue is expected to increase from 24.1% in 1994-5 to 25.3% in 1995-96.

The largest share of revenue will come from individual income tax (approximately $62520 million), followed by indirect tax (sales tax, customs and excise $30690 million) and then by company tax ($17140 million).

Major changes in revenue in 1995-96 will come from:

- an increase in the company tax rate from 33% to 36% ($320 million);
- an increase in the wholesale sales tax rate on non-luxury passenger motor vehicles from 16% to 21% ($330 million);
- imposition of wholesale sales tax (12% rate) on builders' hardware and certain building materials used in the completion of buildings; and
- an increase in the Medicare Levy rate from 1.4 to 1.5%.

Outlays:

For 1995-96 outlays, including major asset sales, are expected to increase in nominal terms by 1.1% and fall by 2.5% in real terms. As a share of GDP, Commonwealth outlays are estimated to fall marginally from 26.7% in 1994-95 to 25.1% in 1995-96.

(a) Outlays - Reductions

- Reform of indexation arrangements for Commonwealth Own Purpose Outlays and Specific Purpose Payments to the States (estimated to save $2 billion over four years).
- Reduction of running costs of Commonwealth departments and statutory bodies (estimated to save $662 million over four years).

(b) Outlays - Major Initiatives

- A lump sum Maternity Allowance (estimated to cost $643 million over four years).
- An additional $254 million in funding over four years for the Better Cities Program.
- An additional $204 million over four years to improve the health of indigenous people.
Main Provisions

Clause 3 will authorise the Minister for Finance to issue $31,689,392,000 from the CRF for the purposes specified in Schedule 3 of the Bill (this gives a breakdown of authorised expenditures by portfolio).

Clause 4 and 5 allow for additional appropriations for increases in salaries that become payable in 1995-96 and amounts that the Minister for determines.

Other provisions of this Bill primarily provide for item changes that may arise from the creation of various proposed agencies. Part 2 of the Bill (clauses 18-20) provides for the application of certain provisions of the proposed Financial Management and Accountability Act relating to appropriations. The Financial Management and Accountability Bill 1994 is currently before the Senate. For a comprehensive analysis of that Bill the reader is referred to Digest No. 184 of 1994. This Digest is available on the PDBS system.

Remarks

Changes to government accounting practices may create the impression that agencies and other bodies will receive increased appropriations in 1995-96. In fact, overall funding available to meet agency running costs is to be reduced.

Included in the Government's 1995-96 Budget are across-the-board reductions in appropriations for the net running costs of budget funded agencies. ('Running costs' are the recurrent and minor capital costs incurred by departments and agencies in providing government services for which they are responsible.)

In 1995-96, most agencies are to have their running bases reduced by two percent. There are to be some exceptions to this general reduction in funding, as in the case of agencies with a running cost budget of less than $10,000,000. Running costs will also be adjusted for annual carryovers, borrowings and, most importantly in the present context, for the one percent annual efficiency dividend.

In most cases this three percent fall in available funds (the general two percent cut in running costs plus the annual one percent efficiency divided) is hidden by changed accounting arrangements for providing for the Commonwealth's (employer) contribution to public service superannuation schemes. Under present arrangements the Commonwealth's potential liabilities (excluding the three percent award-based super contribution) are largely unfunded.

From 1 July 1995, agencies subject to running cost controls will be required to make fortnightly payments to Commonwealth Superannuation Administration (ComSuper). The amounts payable will be equal to the notional cost to the Commonwealth of members of the Commonwealth Superannuation Scheme.
(CSS) and the Public Sector Superannuation Scheme (PSS) employed by each agency. As running cost agencies are to be supplemented for the costs of these payments in 1995-96, their appropriations have risen accordingly. These nominal increases serve only to cover ongoing liabilities and are not available to meet new or additional initiatives.

Say that a hypothetical Department of Urban Development (DUD) received an appropriation in 1994-95 of $100 million to cover running costs, comprising principally the salaries of its 1500 staff and other minor expenses associated with delivering various programs. In 1995-96 (all things being equal), DUD would have received an appropriation of $97 million resulting from the application of the 2 percent general cut in running costs in large agencies and the application of the 1 percent efficiency dividend. However, Appropriation Bill No.1 (1995-96) shows that DUD has been allocated $112.52 million. This is most likely due to the Department of Finance allocating DUD an extra 16 percent of 1995-96 running costs ($15.52 million) to allow DUD to fund its ComSuper liabilities. DUD then must, under new Commonwealth guidelines, pay these additional funds to ComSuper. The net effect of these changes is that DUD only has $97 million in 1995-96 to fund its running costs which in 1994-95 totalled $100 million.

Endnotes

2. ibid., p. 4-3.
3. ibid.
4. ibid.
5. ibid., p. 4-5.
6. ibid., p. 3-12.
7. ibid.
9. ibid., p. 8.

Ian Ireland (06 2772438)
Bills Digest Service
Parliamentary Research Service

26 May 1995

This Digest does not have any legal status. Other sources should be consulted to determine whether this Bill has been enacted and, if so, whether the subsequent Act reflects further amendments.

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Appropriation Bill (No. 2) 1995-96

Date Introduced: 9 May 1995  
House: House of Representatives  
Portfolio: Finance  
Commencement: Royal Assent

Purpose

To appropriate $4 365 461 000 from the Consolidated Revenue Fund (CRF) to provide for proposed expenditure on the construction of public works and buildings; the acquisition of sites, building, plant and equipment; for payments to the States and Territories; and expenditure on new activities not covered by other legislation.

Background

The reader is referred to the Digest for the Appropriation Bill (No. 1) 1995-96.

Outline

The Schedules to this Bill deal with the proposed allocation of funds appropriated by the Bill, a total of $4 365 461 000.

The majority of funds proposed to be appropriated go to the Department of Housing and Regional Development, $1 474 934 000. The major proposed outlays of the Department are under:

- Health Care Access, $471 152 000;
- Assistance for People with disabilities, $296 000 000; and
- Better Cities Programs, $140 178 000.
The second highest amount allocated, $562,178,000, is for the Department of the Treasury. The majority of this allocation, $397,880,000, is for payments to or for the States and Territories. Of this allocation:

- $68,800,000 in assistance for debt redemption;
- $49,080,000 in special revenue assistance to the Australian Capital Territory;
- $80,000,000 in special assistance to South Australia; and
- $200,000,000 is tax compensation for the privatisation of the Rural & Industries Bank of Western Australia.

The $4,365,461,000 sought by this Bill is $1,057,534,000 less than the amount appropriated by the Appropriation Act (No. 2) 1994-95 and the Appropriation Act (No. 4) 1994-95.

**Main Provisions**

Clause 3 authorises the Minister for Finance to issue $4,365,461,000 from the CRF for the services specified in Schedule 2 of the Bill. Schedule 2 gives a breakdown of authorised expenditures by portfolio.

Clause 4 deals with payments to the States. Schedule 2 details payments to States and Territories by each Department. Payments to the States detailed in Schedule 1 must be made on the terms and conditions determined by the specified Minister.

Part 2 of the Bill (clauses 7-9) provides for the application of certain provisions of the proposed Financial Management and Accountability Act relating to appropriations. The Financial Management and Accountability Bill 1994 is currently before the Senate. For a comprehensive analysis of that Bill the reader is referred to Digest No. 184 of 1994. This Digest is available on the PDBS system.

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Loan Bill 1995

Date Introduced: 9 May 1995
House: House of Representatives
Portfolio: Finance
Commencement: Royal Assent or 1 July 1995, whichever is the later.

Purpose

To provide for the financing of a prospective deficit in the Consolidated Revenue Fund (CRF).

Background

The Commonwealth Public Account, which is the main bank account of the Commonwealth, consists of the CRF, the Loan Fund and the Trust Fund. The CRF is the main working account of the Commonwealth and its main sources of receipts are income tax, sales tax, payroll tax, customs duties, excise and other departmental receipts. The main payments from the CRF are for payments to or for other levels of government; social welfare and health benefits; defence services; departmental expenditure on running expenses, works and other services; and interest payments and sinking fund contributions.

All money raised by loans upon the public credit of the Commonwealth Government is placed to the credit of the Loan Fund. Loan money is raised under the authority of an Act and no loan money is spent, except under the authority of Parliament in the form of a loan appropriation. The main payments from the Loan Fund have been to finance the repayment of maturing loans, for defence purposes, or to reimburse the CRF under the authority of a Loan Act. Payments from the Loan Fund are also sometimes made to the States for civil works and education programs, and as advances for housing under dual appropriation legislation.
The Trust Fund contains money held in trust for people and authorities other than the Commonwealth Government; working accounts covering certain factories, stores and services; other money held in trust under the authority of Parliament to meet future expenditure; and funds and accounts not part of the accounts of the Minister for Finance but which, because of their enabling legislation, are part of the Trust Fund.

Funds in the CRF are appropriated by annual Appropriation Acts and special and standing appropriations under specific Acts. Standing appropriations generally refer to open-ended appropriations while special appropriations usually refer to a specified amount.

A budget surplus of $0.7 billion is estimated for 1995-96, compared to an estimated deficit of $12.2 billion for 1994-95. The Budget deficit will give rise to a deficit in the CRF of approximately $2.059 billion in 1995-96 compared with a deficit in the CRF of approximately $19.4 billion in 1994-95.

Main Provisions

The term 'current financial year' is defined by clause 3 to be the year ending 30 June 1996.

Clause 4 will authorise the Treasurer to borrow funds, by the issue of bonds or Treasury Bills, for defence services during the current financial year.

Clause 5 provides that funds raised under clause 4 are only to be spent on defence services and borrowing costs.

Clause 6 will authorise the Treasurer to borrow, during the financial year, funds to supplement the CRF. The amount borrowed is not to exceed the deficit in the CRF and borrowing costs, is to be raised by the issue of bonds or Treasury Bills and be within limits approved by the Loan Council. Funds so borrowed are only to be used to make payments to the CRF and to meet borrowing costs (clause 7).

Endnotes


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