



Political Donation Reform	
Party:	Independent Member for Indi
Summary of proposal: The proposal would amend the <i>Commonwealth Electoral Act 1918</i> to require all registered political parties, state branches of political parties, individual political candidates, groups of political candidates, or associated entities to declare all (cumulative) donations received above \$1,000 within 3 months, and above the Australian Electoral Commission (AEC) threshold (currently \$14,500) within 5 business days. The proposal would be ongoing and commence 1 July 2023.	

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by about \$83.2 million over the 2022-23 Budget forward estimates period. This impact entirely reflects an increase in departmental expenses.

The proposal would have an ongoing impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2032-33 is provided at Attachment A.

The financial implications of the proposal are highly uncertain and are sensitive to information and communication technology (ICT) costs as well as the number of staff required for compliance activities.

In addition, there may be revenue that arises from financial penalties from non-disclosure of donations. However, it is unclear what the level of non-compliance would be and how often the AEC would pursue these matters through legal action. Consequently, these revenues have been omitted from the financial implications in this response.

Table 1: Financial implications (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	-47.0	-11.8	-12.4	-12.0	-83.2
Underlying cash balance	-47.0	-11.8	-12.4	-12.0	-83.2

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- The AEC would need to replace the ICT system it currently uses for financial disclosures with a new system, which would result in initial and ongoing costs.
 - The initial costs for the ICT replacement would commence 12 months before the proposal start date (ie from 1 July 2022) to allow sufficient time for the replacement to be completed before the proposal would commence.
- Education and outreach costs would be ongoing, with the AEC receiving supplementary funding for election years.
- Compliance and auditing costs would grow in line with the wage cost index 3 (WCI3) and the efficiency dividend.

Methodology

ICT costs have been estimated based on historical ICT budget measures, but they are highly uncertain.

- The AEC's current ICT system for financial disclosures is both dated and bespoke. It would require an entirely new system as it is unlikely that the upgrades necessary to carry out a higher volume of disclosures and more timely reporting of disclosures could be made on the existing infrastructure.
- The PBO expects that ICT costs would be no less than what the Queensland Government has spent to upgrade the Electoral Commission of Queensland's ICT system to handle disclosure of political donations (scaled up for Australia's population) but no more than Australian Government's spending on the GovPass Program.
- If the proposal were to become government policy, it is highly likely it would be subject to an ICT Investment Approval Process (IIAP). More information about an IIAP can be found on the Digital Transformation Agency website¹. The PBO has not factored in an IIAP for this proposal, which means the costs of a first and second pass approval are not included in the financial implications. It is also likely that this proposal would take longer to implement if an IIAP was needed.

Education, outreach, compliance auditing costs were estimated separately and are based on information provided by the Department of Finance on the AEC's expenses related to political donations. There is uncertainty around the number of people needed to ensure disclosures are compliant with the legislation, given the significant lowering of the donation threshold. If more (or fewer) people are required compared to what has been assumed, the cost of compliance could be readily scaled up (or down).

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.²

Data sources

Information on the AEC's expenses related to political donations as at 10 February 2022 was provided by the Department of Finance.

Economic parameters were provided by the Treasury as at the *Pre-election Economic and Fiscal Outlook*.

¹ <https://www.dta.gov.au/help-and-advice/digital-and-ict-investments/ict-investment-approval-process>

² https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Australian Government (2019) [*Budget Measures Budget Paper No.2 2019-20*](#), Australian Government, accessed 9 June 2022.

Queensland Government (2016) [*Capital Statement Budget Paper No.3 Queensland Budget 2016-17*](#), Queensland Government, accessed 9 June 2022.

Wood D, Griffiths K and Crowley T (2022) [*More than half of funding for the major parties remains secret - and this is how they want it*](#), Grattan Institute, accessed 9 June 2022.

Attachment A – Political Donation Reform– financial implications

Table A1: Political Donation Reform – Fiscal and underlying cash balances (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Expenses													
<i>Australian Electoral Commission</i>	-47.0	-11.8	-12.4	-12.0	-12.1	-12.7	-12.3	-12.4	-13.0	-12.6	-12.7	-83.2	-171.0
Total (excluding PDI)	-47.0	-11.8	-12.4	-12.0	-12.1	-12.7	-12.3	-12.4	-13.0	-12.6	-12.7	-83.2	-171.0

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

Table A2: Political Donation Reform – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Fiscal balance	-0.5	-1.2	-1.5	-1.8	-2.2	-2.5	-2.9	-3.4	-3.9	-4.5	-5.4	-5.0	-29.8
Underlying cash balance	-0.5	-1.1	-1.5	-1.8	-2.1	-2.5	-2.9	-3.3	-3.9	-4.4	-5.3	-4.9	-29.3

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals of any of the tables above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary³.

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

³ [Online budget glossary – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)