1 “Net totals of the revenues and expenditures” are the ordinary net account totals of 3,090 organizations (47 prefectures, 1,719 municipalities, 23 special wards, 1,236 special districts and 112 inter-municipal/prefectural joint authorities).
2 Figures for each item that are less than the given unit are rounded off. Therefore, they do not necessarily add up exactly to the total.
3 In FY2011, the revenues and expenditures of ordinary accounts were divided into the regular portion (Overall settlement figures less the Great East Japan Earthquake portion) and the Great East Japan Earthquake portion (Covering the revenues and expenditures related to recovery and reconstruction work and nationwide disaster prevention work).
Prefectures and municipalities (cities, towns, and villages) are the central actors in various areas of public services, including school education, public welfare and health, police and fire services, and public works such as roads and sewage systems, thereby fulfilling a major role in the lives of the citizens of the nation. This brochure describes the status of local public finance (which comprises collectively the finances of individual local governments), the state of settlements for FY2013, and the initiatives of local governments towards sound public finances (mainly the status of the ratios for determining their financial soundness), with particular attention given to ordinary accounts (Public enterprises, such as water supply, transportation, and hospitals are described in the section on Local Public Enterprises).

Classification of the Accounts of Local Governments Applied in the Settlement Account Statistics

The accounts of local governments are divided into the general accounts and the special accounts, which vary in scope between local governments. Therefore, to secure standardization in the tabulation of local finance, the accounts are classified as ordinary accounts, which cover the general administrative sector, and other accounts (public business accounts). This makes it possible to clarify the financial condition of local governments as a whole and to make a statistical comparison between local governments.
How large is local public finance compared with central government finance?

The ratio of gross domestic product (expenditure) consisting of local public finance is 11.7%, about 2.4 times that of the central government.
In which areas is the share of local expenditures high?

The share of local governments’ expenditures is higher in areas that are deeply related to daily life, such as public health and sanitation, school education, police and fire services, and social education.

### Share of Expenditures by Purpose of Central and Local Governments (final expenditure basis)

<table>
<thead>
<tr>
<th>Expenditure Category</th>
<th>Local</th>
<th>Central</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sanitation expenses</td>
<td>3.6%</td>
<td>100%</td>
</tr>
<tr>
<td>School education expenses</td>
<td>8.8%</td>
<td></td>
</tr>
<tr>
<td>Judicial, police, and fire service expenses</td>
<td>3.9%</td>
<td>78%</td>
</tr>
<tr>
<td>Social education expenses, etc.</td>
<td>2.8%</td>
<td>22%</td>
</tr>
<tr>
<td>Public welfare expenses (excluding pension expenses)</td>
<td>20.2%</td>
<td></td>
</tr>
<tr>
<td>Land development expenses</td>
<td>8.7%</td>
<td>74%</td>
</tr>
<tr>
<td>Land conservation expenses</td>
<td>1.6%</td>
<td>70%</td>
</tr>
<tr>
<td>Commercial and industrial expenses, Disaster recovery expenses, etc.</td>
<td>5.3%</td>
<td>67%</td>
</tr>
<tr>
<td>Debt services</td>
<td>20.9%</td>
<td>38%</td>
</tr>
<tr>
<td>Agriculture, forestry and fishery industry expenses</td>
<td>1.8%</td>
<td>41%</td>
</tr>
<tr>
<td>Housing expenses, etc.</td>
<td>1.7%</td>
<td>59%</td>
</tr>
<tr>
<td>Onkyu pension expenses</td>
<td>0.3%</td>
<td>96%</td>
</tr>
<tr>
<td>Pension expenses (of public welfare expenses)</td>
<td>6.3%</td>
<td>55%</td>
</tr>
<tr>
<td>Defense expenses</td>
<td>2.9%</td>
<td>100%</td>
</tr>
<tr>
<td>General administration expenses, etc.</td>
<td>7.9%</td>
<td>81%</td>
</tr>
<tr>
<td>Other</td>
<td>2.7%</td>
<td>100%</td>
</tr>
</tbody>
</table>
1 **Revenues**

¥101,099.8 billion (up ¥1,257.0 billion, 1.3% year on year)

- Regular portion: ¥96,228.9 billion (up ¥2,394.9 billion, 2.6% year on year)
- Great East Japan Earthquake portion: ¥4,870.9 billion (down ¥1,137.9 billion, 18.9% year on year)

The increase of revenues in the regular portion resulted from an increase of national treasury disbursements; local taxes and local corporation special transfer tax, which are both part of general revenue resources, etc.

The decrease of revenues in the Great East Japan Earthquake portion resulted from a decrease of national treasury disbursements (grants to measures for earthquake disaster reconstruction), general revenue resources (earthquake disaster reconstruction allocation tax), etc.

2 **Expenditures**

¥97,412.0 billion (up ¥993.5 billion, 1.0% year on year)

- Regular portion: ¥93,166.5 billion (up ¥2,067.8 billion, 2.3% year on year)
- Great East Japan Earthquake portion: ¥4,245.5 billion (down ¥1,074.3 billion, 20.2% year on year)

The increase of expenditures in the regular portion resulted from an increase of ordinary construction work expenses, subsidizing expenses, etc.

The decrease of expenditures in the Great East Japan Earthquake portion resulted from a decrease of reserves (reserves for the funds related to Great East Japan Earthquake reconstruction), etc.

3 **Revenue and Expenditure Settlement**

The real balance showed a surplus of ¥1,957.8 billion.

<table>
<thead>
<tr>
<th>Category</th>
<th>Settlement Period</th>
<th>No. of local governments with a deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY2013</td>
<td>FY2012</td>
</tr>
<tr>
<td>Real balance</td>
<td>¥1,957.8 billion</td>
<td>¥1,767.5 billion</td>
</tr>
<tr>
<td>Single year balance</td>
<td>¥190.9 billion</td>
<td>▲ ¥28.1 billion</td>
</tr>
<tr>
<td>Real single year balance</td>
<td>¥763.7 billion</td>
<td>¥437.8 billion</td>
</tr>
</tbody>
</table>

Notes: Real balance refers to the amount calculated by subtracting the revenue resources that should be carried over to the next fiscal year from the income expenditure balance. Single year balance refers to the amount calculated by subtracting the real balance of the previous fiscal year from the real balance of the relevant fiscal year. Real single year balance refers to the amount calculated by adding reserves and advanced redemption of local loans for the public finance adjustment fund to the single year balance and subtracting public finance adjustment fund reversals.
4 Trend in Scale of Account Settlement

Both revenues and expenditures of the regular portion increased for the first time in four years.

5 Major Financial Indices

Ordinary balance ratio declined 1.1 percentage points year on year, to 91.6%.
Real debt service ratio declined 0.4 percentage points, to 10.9%.

<table>
<thead>
<tr>
<th>Category</th>
<th>FY2013</th>
<th>FY2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary balance ratio</td>
<td>91.6%</td>
<td>92.7%</td>
<td>▲1.1</td>
</tr>
<tr>
<td>Real debt service ratio</td>
<td>10.9%</td>
<td>11.3%</td>
<td>▲0.4</td>
</tr>
</tbody>
</table>

6 Outstanding Borrowing Borne by Ordinary Accounts

Outstanding borrowing, which includes outstanding local government borrowing as well as borrowing from the special accounts for local allocation tax and outstanding public enterprise bonds (borne by ordinary accounts), amounted to ¥201,359.9 billion (up ¥312.2 billion, 0.2%, year on year).

<table>
<thead>
<tr>
<th>Category</th>
<th>FY2013</th>
<th>FY2012</th>
<th>Change amount</th>
<th>Change rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding local government bonds (excluding bonds for the extraordinary financial measures)</td>
<td>¥100,952.3 billion</td>
<td>¥104,100.8 billion</td>
<td>▲¥3,148.5 billion</td>
<td>▲3.0%</td>
</tr>
<tr>
<td>Outstanding local government bonds</td>
<td>¥145,917.1 billion</td>
<td>¥144,705.2 billion</td>
<td>¥1,211.9 billion</td>
<td>0.8%</td>
</tr>
<tr>
<td>Outstanding borrowing from the special accounts for local allocation tax</td>
<td>¥33,317.3 billion</td>
<td>¥33,417.3 billion</td>
<td>▲¥100.0 billion</td>
<td>▲0.3%</td>
</tr>
<tr>
<td>Outstanding public enterprise bonds (borne by ordinary accounts)</td>
<td>¥22,125.5 billion</td>
<td>¥22,925.2 billion</td>
<td>▲¥799.7 billion</td>
<td>▲3.5%</td>
</tr>
<tr>
<td>Total</td>
<td>¥201,359.9 billion</td>
<td>¥201,047.7 billion</td>
<td>¥312.2 billion</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Note: Outstanding public enterprise bonds (borne by ordinary accounts) are estimates based on settlement account statistics.
What are the revenue sources for local governments’ activities?

1 Revenue Breakdown

The revenue of local governments consists mainly of local taxes, local allocation tax, national treasury disbursements, and local bonds, in order of share size. Among them, revenue resources which can be spent for any purpose, such as local taxes and local allocation tax, are called general revenue resources. It is important for local governments to ensure sufficient general revenue resources in order to handle various administrative needs properly. In FY2013, general revenue resources accounted for 55.0%.

### Composition of Revenues (FY2013 settlement)

#### Prefectures total

- **General revenue resources**: ¥27,846.6 billion (54.0%)
  - Local taxes: ¥16,809.2 billion (32.6%)
  - Local transfer tax: ¥2,136.8 billion (4.1%)
  - Special local grants: ¥50.2 billion (0.1%)
  - Local allocation tax: ¥8,848.9 billion (17.2%)
  - Other general revenue resources: ¥1.5 billion (0.0%)

- **Other revenue resources**: ¥16,713.8 billion (16.5%)

#### Municipalities total

- **General revenue resources**: ¥29,620.3 billion (51.9%)
  - Local taxes: ¥19,560.1 billion (32.6%)
  - Local transfer tax: ¥422.0 billion (0.7%)
  - Special local grants: ¥75.3 billion (0.1%)
  - Local allocation tax: ¥8,746.6 billion (15.3%)
  - Other general revenue resources: ¥1,811.3 billion (3.2%)

- **Other revenue resources**: ¥7,342.5 billion (14.2%)

- **Local bonds**: ¥6,781.0 billion (13.1%)

- **National treasury disbursements**: ¥7,342.5 billion (14.2%)
2 Revenues in Regular Portion and Great East Japan Earthquake Portion

Net Total

- **Other revenue resources** ¥14,809.0 billion (15.4%)
- **Local bonds** ¥11,875.0 billion (12.3%)
- **National treasury disbursements** ¥14,513.9 billion (15.1%)
  - Of this amount, ordinary construction expenses were ¥1,561.2 billion (10.6%)
  - Of this amount, recovery and reconstruction expenses were ¥163.2 billion (32.5%)

Regular portion ¥96,228.9 billion

- **General revenue resources** ¥55,031.0 billion (57.2%)

- **Other revenue resources** ¥8,033.1 billion (16.5%)
- **Local bonds** ¥6,643.2 billion (13.7%)
- **National treasury disbursements** ¥6,402.3 billion (13.2%)
  - Of this amount, ordinary construction expenses were ¥1,066.4 billion (21.2%)
  - Of this amount, recovery and reconstruction expenses were ¥177.2 billion (26.5%)

Regular portion ¥48,584.9 billion

- **General revenue resources** ¥340.4 billion (11.4%)
  - Of this amount, earthquake disaster reconstruction allocation tax was ¥270.0 billion (9.0%)

- **Local bonds** ¥137.8 billion (4.6%)
- **National treasury disbursements** ¥940.2 billion (31.5%)
  - Of this amount, ordinary construction expenses were ¥47.9 billion (1.6%)
  - Of this amount, recovery and reconstruction expenses were ¥268.7 billion (9.0%)
  - Of this amount, grants to measures for earthquake disaster reconstruction were ¥53.8 billion (1.8%)

Great East Japan Earthquake portion ¥4,870.9 billion

- **General revenue resources** ¥1,569.3 billion (52.5%)

- **Other revenue resources** ¥1,933.2 billion (39.7%)
  - Of this amount, ordinary construction expenses were ¥1,581.9 billion (32.1%)
  - Of this amount, recovery and reconstruction expenses were ¥163.2 billion (8.4%)

- **National treasury disbursements** ¥1,904.7 billion (39.1%)
  - Of this amount, ordinary construction expenses were ¥201.9 billion (4.1%)
  - Of this amount, recovery and reconstruction expenses were ¥403.5 billion (8.3%)
  - Of this amount, grants to measures for earthquake disaster reconstruction were ¥450.7 billion (9.3%)

- **Other revenue resources** ¥660.0 billion (25.6%)
- **Local bonds** ¥275.2 billion (10.7%)
- **Prefectural disbursements** ¥372.0 billion (14.4%)
- **National treasury disbursements** ¥993.0 billion (38.4%)
  - Of this amount, ordinary construction expenses were ¥154.0 billion (16.0%)
  - Of this amount, recovery and reconstruction expenses were ¥134.8 billion (24.0%)
  - Of this amount, grants to measures for earthquake disaster reconstruction were ¥396.9 billion (15.4%)

Great East Japan Earthquake portion ¥2,582.9 billion

Prefectures

- **Other revenue resources** ¥8,620.9 billion (15.8%)
- **Local bonds** ¥5,250.7 billion (9.6%)
- **Prefectural disbursements** ¥3,142.9 billion (5.8%)
- **National treasury disbursements** ¥8,111.6 billion (14.9%)
  - Of this amount, ordinary construction expenses were ¥470.8 billion (6.0%)
  - Of this amount, recovery and reconstruction expenses were ¥46.0 billion (0.1%)

Regular portion ¥64,445.6 billion

Municipalities

- **Other revenue resources** ¥8,602.9 billion (15.8%)
- **Local bonds** ¥5,250.7 billion (9.6%)
- **Prefectural disbursements** ¥3,142.9 billion (5.8%)
- **National treasury disbursements** ¥8,111.6 billion (14.9%)
  - Of this amount, ordinary construction expenses were ¥470.8 billion (6.0%)
  - Of this amount, recovery and reconstruction expenses were ¥46.0 billion (0.1%)

Regular portion ¥54,445.6 billion

- **General revenue resources** ¥29,337.5 billion (53.9%)

- **Other revenue resources** ¥282.7 billion (10.9%)
  - Of this amount, earthquake disaster reconstruction allocation tax was ¥237.1 billion (8.2%)

- **Local bonds** ¥275.2 billion (10.7%)
- **Prefectural disbursements** ¥372.0 billion (14.4%)
- **National treasury disbursements** ¥993.0 billion (38.4%)
  - Of this amount, ordinary construction expenses were ¥154.0 billion (6.0%)
  - Of this amount, recovery and reconstruction expenses were ¥134.8 billion (24.0%)
  - Of this amount, grants to measures for earthquake disaster reconstruction were ¥396.9 billion (15.4%)

Great East Japan Earthquake portion ¥2,582.9 billion
Revenues

Revenue Trends

The ratio of the general revenue resources turned upward in FY2010, but has been on the decline since FY2011.

<table>
<thead>
<tr>
<th>Year</th>
<th>General Revenue Resources</th>
<th>Local Taxes</th>
<th>Local Transfer Tax</th>
<th>Special Local Grants</th>
<th>Local Allocation Tax</th>
<th>Bonds for Extraordinary Financial Measures</th>
<th>Other Revenue Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2003</td>
<td>¥32.7 trillion (34.4%)</td>
<td>¥18.1 trillion (19.0%)</td>
<td>¥13.1 trillion (13.8%)</td>
<td>¥13.8 trillion (14.5%)</td>
<td>¥15.6 trillion (16.4%)</td>
<td>¥0.7 trillion (0.7%)</td>
<td>¥1.0 trillion (1.1%)</td>
</tr>
<tr>
<td>FY2004</td>
<td>¥35.2 trillion (35.8%)</td>
<td>¥15.8 trillion (16.1%)</td>
<td>¥16.8 trillion (17.1%)</td>
<td>¥12.4 trillion (12.6%)</td>
<td>¥16.4 trillion (16.7%)</td>
<td>¥1.3 trillion (1.3%)</td>
<td>¥0.5 trillion (0.5%)</td>
</tr>
<tr>
<td>FY2005</td>
<td>¥34.3 trillion (36.2%)</td>
<td>¥17.2 trillion (17.6%)</td>
<td>¥14.3 trillion (14.7%)</td>
<td>¥13.0 trillion (13.3%)</td>
<td>¥16.2 trillion (16.7%)</td>
<td>¥2.1 trillion (2.1%)</td>
<td>¥0.4 trillion (0.4%)</td>
</tr>
<tr>
<td>FY2006</td>
<td>¥34.2 trillion (34.1%)</td>
<td>¥18.8 trillion (18.7%)</td>
<td>¥16.0 trillion (16.0%)</td>
<td>¥11.8 trillion (11.8%)</td>
<td>¥16.8 trillion (16.8%)</td>
<td>¥2.2 trillion (2.2%)</td>
<td>¥0.4 trillion (0.4%)</td>
</tr>
<tr>
<td>FY2007</td>
<td>¥34.5 trillion (34.5%)</td>
<td>¥18.3 trillion (18.3%)</td>
<td>¥15.5 trillion (15.6%)</td>
<td>¥12.3 trillion (12.4%)</td>
<td>¥16.9 trillion (16.8%)</td>
<td>¥2.3 trillion (2.3%)</td>
<td>¥0.1 trillion (0.1%)</td>
</tr>
<tr>
<td>FY2008</td>
<td>¥35.1 trillion (35.2%)</td>
<td>¥18.3 trillion (18.3%)</td>
<td>¥15.5 trillion (15.6%)</td>
<td>¥12.3 trillion (12.4%)</td>
<td>¥16.9 trillion (16.8%)</td>
<td>¥2.6 trillion (2.5%)</td>
<td>¥0.1 trillion (0.1%)</td>
</tr>
<tr>
<td>FY2009</td>
<td>¥35.4 trillion (35.0%)</td>
<td>¥17.6 trillion (17.4%)</td>
<td>¥16.5 trillion (16.3%)</td>
<td>¥12.3 trillion (12.2%)</td>
<td>¥16.6 trillion (16.5%)</td>
<td>¥35.4 trillion (35.0%)</td>
<td>¥17.6 trillion (17.4%)</td>
</tr>
<tr>
<td>FY2010</td>
<td>¥55.7 trillion (55.0%)</td>
<td>¥16.5 trillion (16.3%)</td>
<td>¥12.3 trillion (12.2%)</td>
<td>¥16.6 trillion (16.5%)</td>
<td>¥61.7 trillion (61.0%)</td>
<td>¥55.7 trillion (55.0%)</td>
<td>¥16.5 trillion (16.3%)</td>
</tr>
</tbody>
</table>

Note: “National treasury disbursements” includes “special grants to measures for traffic safety” and “grants to cities, towns, and villages where national institutions are located.”

Net Total

¥94.9 trillion
¥98.4 trillion
¥97.5 trillion
¥100.1 trillion
¥99.8 trillion
¥101.1 trillion

[ ] shows general revenue resources + bond for temporary substitution for local allocation tax.
Local Taxes

Local taxes consist of prefectural taxes and municipal taxes.

### Composition of Revenue from Prefectural Taxes (FY2013 settlement)

- **Automobile acquisition tax**: ¥193.4 billion (1.3%)
- **Prefectural tobacco tax**: ¥172.5 billion (1.2%)
- **Real estate acquisition tax**: ¥357.0 billion (2.4%)
- **Light oil delivery tax**: ¥943.1 billion (6.4%)
- **Automobile tax**: ¥1,574.4 billion (10.7%)
- **Local consumption tax**: ¥2,649.6 billion (17.9%)
- **Enterprise tax**: ¥2,855.2 billion (19.3%)
- **Prefectural inhabitant tax**: ¥5,943.2 billion (40.2%)
- **Other taxes**: ¥85.5 billion (0.6%)

**Total**: ¥14,773.9 billion

### Composition of Revenue from Municipal Taxes (FY2013 settlement)

- **Municipal tobacco tax**: ¥983.2 billion (4.8%)
- **City planning tax**: ¥1,226.7 billion (6.0%)
- **Fixed asset tax**: ¥8,652.6 billion (42.0%)
- **Other taxes**: ¥565.9 billion (2.7%)

**Municipal inhabitant tax**: ¥9,172.0 billion (44.5%)

**Total**: ¥20,600.4 billion

Note: In the case of the special wards of Tokyo, the Tokyo Metropolitan Government collects a portion of the municipal taxes. Municipal tax revenue figures include municipal taxes collected by the Tokyo Metropolitan Government.
Prefectural tax revenues had been on a downward trend since FY2009, but turned upward in FY2012 and increased as well in FY2013.

Municipal tax revenues had remained almost at the same level since FY2009, but increased slightly in FY2013.
In order for local governments to provide public services in response to local needs on their own responsibility and at their own discretion, it is necessary to build a less imbalanced and stable local tax system. Comparing local tax revenue amounts, with the national average set at 100, Tokyo, the highest, was approximately 2.6 times the amount for Okinawa Prefecture, which was the lowest.

### Index of Per Capita Revenue in Local Tax Revenue (with national average as 100)

<table>
<thead>
<tr>
<th>Prefecture</th>
<th>FY2013 settlement amount</th>
<th>Local taxes total</th>
<th>Individual inhabitant tax</th>
<th>Two corporate taxes</th>
<th>Local consumption tax (post settlement)</th>
<th>Fixed asset tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hokkaido</td>
<td>¥34.7 trillion Max/Min 2.6</td>
<td>83.1</td>
<td>78.6</td>
<td>67.6</td>
<td>61.8</td>
<td>56.4</td>
</tr>
<tr>
<td>Aomori</td>
<td></td>
<td>71.1</td>
<td>63.6</td>
<td>53.3</td>
<td>50.0</td>
<td>42.6</td>
</tr>
<tr>
<td>Iwate</td>
<td></td>
<td>74.5</td>
<td>67.7</td>
<td>55.8</td>
<td>53.0</td>
<td>45.0</td>
</tr>
<tr>
<td>Miyagi</td>
<td></td>
<td>90.4</td>
<td>83.0</td>
<td>75.7</td>
<td>72.5</td>
<td>61.4</td>
</tr>
<tr>
<td>Akita</td>
<td></td>
<td>69.4</td>
<td>70.8</td>
<td>65.9</td>
<td>62.9</td>
<td>57.8</td>
</tr>
<tr>
<td>Yamagata</td>
<td></td>
<td>75.0</td>
<td>75.1</td>
<td>69.7</td>
<td>66.7</td>
<td>59.5</td>
</tr>
<tr>
<td>Fukushima</td>
<td></td>
<td>85.2</td>
<td>92.2</td>
<td>88.6</td>
<td>86.7</td>
<td>78.0</td>
</tr>
<tr>
<td>Ibaraki</td>
<td></td>
<td>32.2</td>
<td>31.0</td>
<td>28.8</td>
<td>27.1</td>
<td>23.7</td>
</tr>
<tr>
<td>Tottori</td>
<td></td>
<td>98.1</td>
<td>96.0</td>
<td>93.3</td>
<td>90.8</td>
<td>85.5</td>
</tr>
<tr>
<td>Gunma</td>
<td></td>
<td>32.6</td>
<td>86.0</td>
<td>83.3</td>
<td>81.5</td>
<td>78.0</td>
</tr>
<tr>
<td>Saitama</td>
<td></td>
<td>90.5</td>
<td>107.3</td>
<td>104.0</td>
<td>102.9</td>
<td>99.0</td>
</tr>
<tr>
<td>Chiba</td>
<td></td>
<td>95.7</td>
<td>112.5</td>
<td>110.6</td>
<td>109.3</td>
<td>105.1</td>
</tr>
<tr>
<td>Tokyo</td>
<td></td>
<td>108.7</td>
<td>130.7</td>
<td>128.0</td>
<td>126.4</td>
<td>122.3</td>
</tr>
<tr>
<td>Kanagawa</td>
<td></td>
<td>106.2</td>
<td>102.0</td>
<td>99.0</td>
<td>96.0</td>
<td>91.9</td>
</tr>
<tr>
<td>Niigata</td>
<td></td>
<td>87.6</td>
<td>96.9</td>
<td>94.0</td>
<td>91.0</td>
<td>87.0</td>
</tr>
<tr>
<td>Toyama</td>
<td></td>
<td>93.0</td>
<td>94.0</td>
<td>91.0</td>
<td>88.0</td>
<td>84.0</td>
</tr>
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Notes:
1. “Max/min” indicates the value obtained by dividing the maximum value of per-capita tax revenue for each prefecture by the minimum value.
2. Local tax revenue amounts do not include local corporation special transfer tax and also exclude overassessment and discretionary tax.
3. Individual inhabitant tax revenue is the total of the prefectoral individual inhabitant tax (on a per-capita basis and on an income basis), and the municipal individual inhabitant tax (on a per-capita basis and on an income basis), and excludes overassessment.
4. Revenue from the two corporate taxes is the total of the corporate prefectoral inhabitant tax, the corporate municipal inhabitant tax, and the corporate business tax, and excludes overassessment.
5. Fixed asset tax revenues include prefectoral amounts, and exclude overassessment.
6. Calculations were made in accordance with the basic resident register population as of January 1, 2014.
Local Allocation Tax

From the perspective of local autonomy, it would be ideal for each local government to ensure the revenue sources necessary for their activities through local tax revenue collected from their residents. However, there are regional imbalances in tax sources, and many local governments are unable to acquire the necessary tax revenue. Accordingly, the central government collects revenue resources that would essentially be attributable to local tax revenue and reallocates them as local allocation tax to local governments that have weaker financial capabilities.

1. Determining the total amount of local allocation tax
The total amount of the local allocation tax is determined in accordance with estimates of standard revenue and expenditures in local public finance as a whole, based on a fixed percentage for national taxes (32% for income tax and liquor tax, 34% for corporate tax, 29.5% for consumption tax, and 25% for tobacco tax). The total amount of the local allocation tax in FY2013 was ¥17,595.5 billion, down 3.8% year on year.

2. How regular local allocation taxes are calculated for each local government
The regular local allocation tax for each local government is calculated through the following mechanism.

\[
\text{Standard financial requirements} \times \text{Correction coefficient} = \text{Standard local tax revenue} + \text{Local transfer tax, etc.}
\]

3. Function of the local allocation tax
The function of the local allocation tax is to adjust imbalances in revenue resources between local governments and to ensure their financial capacity to provide standard public services and basic infrastructure to residents across the country. The adjustment of revenue resources through local allocation tax makes the ratios of general revenue resources to the total revenues between local governments practically flat regardless of the size of population.

Note: 1. Standard financial requirements are figured out based on the rational and appropriate service standards for each local government. For this reason, the local share of the services, such as compulsory education, benefits for livelihood protection, and public works which are subject to national obligatory share, is mandatorily included. Beginning in FY2001, part of the standard financial requirements is being transferred to special local bonds (bond for temporary substitution for local allocation tax) as an exception to Article 5 of the Local Finance Law.

2. Normal local tax revenue does not include Non-Act-based Tax or “over-taxation” that sets tax rates above the standard tax rate stipulated in the Local Tax Act.
What are expenses spent on?

1 Expenses Classified by Purpose

Classifying the expenses by purpose demonstrates that much of public money is appropriated for public welfare expenses, education expenses, and debt service. In prefectures, education expenses, public welfare expenses, and debt service have the highest shares in that order. In municipalities, public welfare expenses, general administration expenses, and civil engineering work expenses account for the largest amounts in that order.

### Composition of Expenditure Classified by Purpose (FY2013 settlement)

- **Public welfare expenses**: ¥23,463.3 billion (24.1%)
- **Education expenses**: ¥16,087.8 billion (16.5%)
- **Debt service**: ¥13,127.1 billion (13.5%)
- **Net total**: ¥97,412.0 billion

### Prefectures total

- **Public welfare expenses**: ¥7,521.8 billion (15.0%)
- **Education expenses**: ¥10,598.3 billion (21.2%)
- **Debt service**: ¥7,149.8 billion (14.3%)
- **Other expenses**: ¥7,267.9 billion (14.4%)
- **Agriculture, forestry and fishery expenses**: ¥3,561.6 billion (7.1%)
- **Commerce and industry expenses**: ¥4,088.6 billion (8.2%)
- **Sanitation expenses**: ¥1,735.4 billion (3.5%)
- **General administration expenses**: ¥3,433.1 billion (6.9%)
- **Civil engineering work expenses**: ¥5,643.7 billion (11.3%)

### Municipalities total

- **Public welfare expenses**: ¥18,827.6 billion (34.3%)
- **Education expenses**: ¥5,577.0 billion (10.2%)
- **Debt service**: ¥6,028.5 billion (11.0%)
- **Other expenses**: ¥2,944.7 billion (5.3%)
- **Agriculture, forestry and fishery expenses**: ¥1,303.5 billion (2.4%)
- **Commerce and industry expenses**: ¥4,426.2 billion (8.1%)
- **Sanitation expenses**: ¥1,878.7 billion (3.4%)
- **General administration expenses**: ¥7,188.1 billion (13.1%)
- **Civil engineering work expenses**: ¥6,685.9 billion (12.2%)

Public welfare expenses: Expenses for the construction and operation of welfare facilities for children, the elderly, the mentally and physically disabled, etc., and for the implementation of public assistance, etc.

Education expenses: Expenses for school education, social education, etc.

Civil engineering work expenses: Expenses for the construction and maintenance of public facilities, such as roads, rivers, housing, and parks.

Debt service: Expenses for the payment of principal, interest, etc., on debts.
Expenditures in Regular Portion and Great East Japan Earthquake Portion (Expenses Classified by Purpose)

Net total

- Other expenses ¥6,142.6 billion (6.6%)
- Recovery and reconstruction expenses ¥293.2 billion (0.3%)
- Agriculture, forestry and fishery expenses ¥3,204.5 billion (3.5%)
- Sanitation expenses ¥5,893.8 billion (6.3%)
- Commerce and industry expenses ¥6,477.0 billion (5.9%)
- General administration expenses ¥9,371.0 billion (10.1%)

Regular portion ¥93,166.5 billion
- Public welfare expenses ¥22,447.1 billion (24.1%)
- Education expenses ¥15,665.2 billion (16.8%)
- Debt service ¥13,122.2 billion (14.1%)
- Civil engineering work expenses ¥11,459.7 billion (12.3%)

Great East Japan Earthquake portion ¥4,245.5 billion
- Public welfare expenses ¥1,016.0 billion (23.9%)
- Recovery and reconstruction expenses ¥589.2 billion (13.9%)
- Agriculture, forestry and fishery expenses ¥206.4 billion (4.9%)
- Sanitation expenses ¥94.8 billion (2.2%)
- Commerce and industry expenses ¥438.6 billion (10.3%)
- General administration expenses ¥629.5 billion (14.8%)

Prefectures

- Other expenses ¥6,525.3 billion (13.7%)
- Recovery and reconstruction expenses ¥172.8 billion (0.4%)
- Agriculture, forestry and fishery expenses ¥2,421.7 billion (5.1%)
- Sanitation expenses ¥1,650.2 billion (3.3%)
- Commerce and industry expenses ¥3,620.7 billion (7.8%)
- General administration expenses ¥3,253.9 billion (6.9%)

Regular portion ¥47,454.8 billion
- Public welfare expenses ¥6,725.3 billion (14.2%)
- Education expenses ¥10,554.7 billion (22.2%)
- Debt service ¥7,149.4 billion (15.1%)
- Civil engineering work expenses ¥5,380.8 billion (11.3%)

Great East Japan Earthquake portion ¥2,598.4 billion
- Public welfare expenses ¥158.5 billion (6.1%)
- Recovery and reconstruction expenses ¥411.3 billion (15.8%)
- Agriculture, forestry and fishery expenses ¥192.9 billion (7.4%)
- Sanitation expenses ¥85.2 billion (3.3%)
- Commerce and industry expenses ¥467.9 billion (18.0%)
- General administration expenses ¥178.2 billion (6.9%)

Municipalities

- Other expenses ¥2,487.1 billion (4.7%)
- Recovery and reconstruction expenses ¥159.8 billion (0.3%)
- Agriculture, forestry and fishery expenses ¥1,214.5 billion (2.3%)
- Sanitation expenses ¥4,395.6 billion (8.4%)
- Commerce and industry expenses ¥1,856.3 billion (3.5%)
- General administration expenses ¥6,698.7 billion (12.8%)

Regular portion ¥52,513.4 billion
- Public welfare expenses ¥19,831.5 billion (37.4%)
- Education expenses ¥5,186.8 billion (9.9%)
- Debt service ¥6,023.0 billion (11.5%)
- Civil engineering work expenses ¥6,264.1 billion (11.9%)

Great East Japan Earthquake portion ¥2,346.7 billion
- Public welfare expenses ¥293.0 billion (12.8%)
- Education expenses ¥390.2 billion (16.6%)
- Debt service ¥5.5 billion (0.2%)
- Civil engineering work expenses ¥241.8 billion (18.0%)
- General administration expenses ¥489.3 billion (20.9%)
While civil engineering work expenses and agriculture, forestry and fishery expenses were on a downward trend, public welfare expenses significantly rose.

**Trends in Expenditures Classified by Purpose (Net total)**

- **Indices use FY2003 as base year of 100**

**Trends in Breakdown of Public Welfare Expenses by Purpose**

- Disaster relief
- Public assistance
- Social welfare
- Elderly welfare
- Child welfare

Local Public Finance, 2015 –Illustrated–
### Breakdown of Public Welfare Expenses by Purpose

**Net total**: ¥23,463.3 billion
- **Disaster relief**: ¥7,183.5 billion (30.6%)
- **Public assistance**: ¥5,662.2 billion (24.1%)
- **Social welfare**: ¥5,645.3 billion (24.1%)
- **Elderly welfare**: ¥3,964.0 billion (16.9%)
- **Child welfare**: ¥1,008.3 billion (4.3%)

**Municipalities**: ¥18,827.6 billion
- **Disaster relief**: ¥1,378.4 billion (18.3%)
- **Public assistance**: ¥2,887.2 billion (38.4%)
- **Social welfare**: ¥2,069.1 billion (29.3%)
- **Elderly welfare**: ¥271.2 billion (3.6%)
- **Child welfare**: ¥778.2 billion (10.3%)

**Prefectures**: ¥7,521.8 billion
- **Disaster relief**: ¥640.9 billion (35.3%)
- **Public assistance**: ¥4,451.4 billion (23.6%)
- **Social welfare**: ¥3,744.6 billion (19.9%)
- **Elderly welfare**: ¥589.8 billion (3.1%)

### Breakdown of Educational Expenses by Purpose

**Net total**: ¥16,087.8 billion
- **Senior high school**: ¥4,700.4 billion (29.2%)
- **Junior high school**: ¥2,779.9 billion (17.3%)
- **Elementary school**: ¥2,802.3 billion (17.4%)
- **Social education**: ¥2,121.0 billion (13.2%)
- **Health and physical education**: ¥1,245.6 billion (7.8%)  
- **Educational general affairs**: ¥1,148.6 billion (7.1%)  
- **Harbors**: ¥297.2 billion (1.8%)  
- **Other**: ¥160.6 billion (1.0%)

**Municipalities**: ¥5,577.0 billion
- **Senior high school**: ¥1,385.6 billion (24.8%)
- **Junior high school**: ¥816.2 billion (14.6%)
- **Elementary school**: ¥731.3 billion (13.1%)
- **Social education**: ¥641.4 billion (11.6%)
- **Health and physical education**: ¥417.8 billion (7.6%)

**Prefectures**: ¥10,598.3 billion
- **Senior high school**: ¥3,357.9 billion (31.3%)
- **Junior high school**: ¥1,967.6 billion (18.6%)
- **Elementary school**: ¥2,115.5 billion (19.9%)
- **Social education**: ¥1,956.1 billion (19.9%)
- **Health and physical education**: ¥956.1 billion (9.1%)

### Breakdown of Civil Engineering Work Expenses by Purpose

**Net total**: ¥12,125.2 billion
- **Urban planning**: ¥4,330.2 billion (35.7%)
- **Road and bridges**: ¥4,147.7 billion (34.2%)
- **Rivers and coasts**: ¥1,315.4 billion (10.8%)
- **Housing**: ¥1,167.7 billion (9.6%)
- **Harbors**: ¥708.7 billion (5.9%)  
- **Other**: ¥461.4 billion (3.8%)  
- **Other**: ¥312.7 billion (2.5%)  
- **Other**: ¥161.8 billion (1.3%)  
- **Other**: ¥119.1 billion (1.0%)

**Municipalities**: ¥6,685.9 billion
- **Urban planning**: ¥3,357.9 billion (50.2%)
- **Road and bridges**: ¥1,825.9 billion (27.3%)
- **Rivers and coasts**: ¥1,654 billion (25.5%)
- **Housing**: ¥734.7 billion (11.0%)
- **Harbors**: ¥417.8 billion (6.2%)

**Prefectures**: ¥5,643.7 billion
- **Urban planning**: ¥1,037.7 billion (18.4%)
- **Road and bridges**: ¥2,365.0 billion (41.9%)
- **Rivers and coasts**: ¥1,165.8 billion (20.7%)
- **Housing**: ¥461.4 billion (8.2%)
- **Harbors**: ¥312.7 billion (5.5%)  
- **Other**: ¥161.8 billion (2.9%)  
- **Other**: ¥119.1 billion (1.1%)

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*White Paper on Local Public Finance, 2015*
Expenses Classified by Type

Expenses are also classified, according to their economic nature, into “mandatory expenses” (consisting of personnel expenses, social assistance expenses, and debt service), the payment of which is mandatory and the amount of which is difficult to reduce at the discretion of individual local governments, “investment expenses” including ordinary construction work expenses, and “other expenses,” (such as goods expenses, subsidizing expenses, reserves, transfers to other accounts).

What are expenses used for?

Composition of Expenditures Classified by Type (FY2013 settlement)
Expenditures

Expenditures in Regular Portion and Great East Japan Earthquake Portion (Expenses Classified by Type)

### Net total

- **Other** ¥11,603.1 billion (12.5%)
- **Reserves** ¥3,473.8 billion (3.7%)
- **Subsidizing expenses** ¥11,603.1 billion (12.5%)
- **Goods expenses** ¥8,190.2 billion (8.8%)

#### Regular portion

- **Mandatory expenses** ¥93,166.5 billion (50.9%)
  - Personnel expenses ¥22,139.2 billion (23.8%)
  - Social assistance expenses ¥12,165.6 billion (13.1%)
  - Debt service ¥13,093.8 billion (14.1%)

#### Great East Japan Earthquake portion

- **Mandatory expenses** ¥4,245.5 billion (22.4%)
  - Personnel expenses ¥338.7 billion (0.9%)
  - Social assistance expenses ¥7.6 billion (0.2%)
  - Debt service ¥5.0 billion (0.1%)

### Prefectures

- **Other** ¥4,294.2 billion (9.0%)
- **Reserves** ¥1,809.4 billion (3.8%)
- **Subsidizing expenses** ¥11,442.5 billion (24.1%)
- **Goods expenses** ¥1,522.4 billion (3.2%)

#### Regular portion

- **Mandatory expenses** ¥47,454.8 billion (45.3%)
  - Personnel expenses ¥13,334.1 billion (28.1%)
  - Social assistance expenses ¥1,012.2 billion (2.1%)
  - Debt service ¥712.0 billion (15.0%)

#### Great East Japan Earthquake portion

- **Mandatory expenses** ¥2,346.7 billion (14.6%)
  - Personnel expenses ¥1,338.1 billion (57.6%)
  - Social assistance expenses ¥172.3 billion (7.3%)
  - Debt service ¥585.8 billion (24.6%)

### Municipalities

- **Other** ¥7,333.5 billion (13.9%)
- **Reserves** ¥1,664.5 billion (3.2%)
- **Subsidizing expenses** ¥3,943.8 billion (7.5%)
- **Goods expenses** ¥6,667.8 billion (12.7%)

#### Regular portion

- **Mandatory expenses** ¥25,959.3 billion (49.5%)
  - Personnel expenses ¥8,805.0 billion (16.8%)
  - Social assistance expenses ¥11,173.4 billion (21.3%)
  - Debt service ¥6,016.8 billion (11.5%)

#### Great East Japan Earthquake portion

- **Mandatory expenses** ¥2,153.9 billion (49.2%)
  - Personnel expenses ¥1,748.7 billion (81.7%)
  - Social assistance expenses ¥5.5 billion (0.2%)
  - Debt service ¥5.5 billion (0.2%)

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White Paper on Local Public Finance, 2015
While investment expenses and personnel expenses were on a downward trend, social assistance expenses, subsidizing expenses and transfers to other accounts rose.

**Trends in Expenditures Classified by Type (Net total)**

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Indices use FY2003 as base year of 100

**Trends in Breakdown of Social Assistance Expenses by Purpose**

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<td>3.2</td>
<td>2.0</td>
<td>2.1</td>
</tr>
<tr>
<td>FY2008</td>
<td>8.5</td>
<td>0.5</td>
<td>3.3</td>
<td>2.1</td>
<td>2.3</td>
</tr>
<tr>
<td>FY2009</td>
<td>9.1</td>
<td>0.5</td>
<td>3.3</td>
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<td>2.6</td>
</tr>
<tr>
<td>FY2010</td>
<td>11.2</td>
<td>0.5</td>
<td>5.0</td>
<td>2.1</td>
<td>2.7</td>
</tr>
<tr>
<td>FY2011</td>
<td>12.0</td>
<td>0.8</td>
<td>5.2</td>
<td>2.1</td>
<td>2.8</td>
</tr>
<tr>
<td>FY2012</td>
<td>12.0</td>
<td>0.7</td>
<td>5.0</td>
<td>2.3</td>
<td>3.0</td>
</tr>
<tr>
<td>FY2013</td>
<td>12.2</td>
<td>0.6</td>
<td>5.0</td>
<td>2.5</td>
<td>3.1</td>
</tr>
</tbody>
</table>
Expenditures

### Trends in Breakdown of Subsidizing Expenses by Purpose

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>General administration expenses</td>
<td>7.1</td>
<td>6.8</td>
<td>7.2</td>
<td>7.4</td>
<td>7.5</td>
<td>8.1</td>
<td>9.4</td>
<td>8.9</td>
<td>9.2</td>
<td>9.5</td>
<td></td>
</tr>
<tr>
<td>Commerce and industry expenses</td>
<td>1.2</td>
<td>1.0</td>
<td>1.0</td>
<td>0.9</td>
<td>0.8</td>
<td>1.0</td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Public welfare expenses</td>
<td>2.8</td>
<td>1.4</td>
<td>0.7</td>
<td>0.8</td>
<td>1.6</td>
<td>1.7</td>
<td>2.1</td>
<td>2.5</td>
<td>2.7</td>
<td>3.0</td>
<td>3.3</td>
</tr>
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<td>Sanitation expenses</td>
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<td>3.5</td>
<td>3.6</td>
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<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Education expenses</td>
<td>3.6</td>
<td>3.6</td>
<td>3.6</td>
<td>3.6</td>
<td>1.1</td>
<td>1.1</td>
<td>1.3</td>
<td>1.3</td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Agriculture, forestry and fishery expenses</td>
<td>0.7</td>
<td>0.7</td>
<td>0.8</td>
<td>0.8</td>
<td>0.9</td>
<td>0.9</td>
<td>1.1</td>
<td>1.1</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Other</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
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<td>1.0</td>
</tr>
</tbody>
</table>

### Trends in Breakdown of Transfers to Other Accounts

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Local public enterprise accounts (Enterprise to which the Local Public Enterprise Law is not applied)</td>
<td>4.5</td>
<td>4.6</td>
<td>4.6</td>
<td>4.6</td>
<td>4.8</td>
<td>4.9</td>
<td>5.0</td>
<td>5.1</td>
<td>5.2</td>
<td>5.1</td>
<td>5.1</td>
</tr>
<tr>
<td>National health insurance accounts</td>
<td>0.0</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Elderly health care accounts</td>
<td>0.7</td>
<td>0.7</td>
<td>0.8</td>
<td>0.8</td>
<td>0.9</td>
<td>0.9</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Latter-stage elderly healthcare accounts</td>
<td>1.7</td>
<td>1.6</td>
<td>1.5</td>
<td>1.5</td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
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<tr>
<td>Elderly nursing care insurance accounts</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
<td>1.2</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
<td>1.2</td>
<td>1.2</td>
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<td>1.2</td>
</tr>
<tr>
<td>Fund</td>
<td>0.1</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Other</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
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<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
</tbody>
</table>
Personal expenses for FY 2013 decreased year on year due mainly to initiatives taken by each local government in accordance with the national government’s measures to reduce salary payments to national public servants.

**Trends in Personnel Expenses**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Total (¥)</th>
<th>Prefectures (¥)</th>
<th>Municipalities (¥)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2003</td>
<td>25,932.3</td>
<td>15,344.3</td>
<td>10,587.9</td>
</tr>
<tr>
<td>FY2004</td>
<td>25,613.3</td>
<td>15,217.6</td>
<td>10,395.7</td>
</tr>
<tr>
<td>FY2005</td>
<td>25,264.3</td>
<td>15,008.6</td>
<td>10,255.7</td>
</tr>
<tr>
<td>FY2006</td>
<td>25,135.3</td>
<td>15,086.9</td>
<td>10,124.0</td>
</tr>
<tr>
<td>FY2007</td>
<td>24,605.2</td>
<td>14,729.7</td>
<td>9,875.5</td>
</tr>
<tr>
<td>FY2008</td>
<td>23,975.6</td>
<td>14,286.2</td>
<td>9,689.5</td>
</tr>
<tr>
<td>FY2009</td>
<td>23,536.2</td>
<td>14,110.1</td>
<td>9,426.1</td>
</tr>
<tr>
<td>FY2010</td>
<td>23,448.5</td>
<td>14,082.8</td>
<td>9,365.7</td>
</tr>
<tr>
<td>FY2011</td>
<td>23,017.6</td>
<td>13,893.6</td>
<td>9,124.0</td>
</tr>
<tr>
<td>FY2012</td>
<td>15,344.3</td>
<td>8,822.4</td>
<td></td>
</tr>
<tr>
<td>FY2013</td>
<td>13,355.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Breakdown of Personnel Expenses by Item**

- **Employee salaries**
  - Prefectures: 46.4%
  - Municipalities: 14.8%

- **Base salaries**
  - Prefectures: 69.3%
  - Municipalities: 14.8%

- **Other allowances**
  - Prefectures: 22.9%
  - Municipalities: 3.5%

- **Temporary employee salaries**
  - Prefectures: 2.8%
  - Municipalities: 1.8%

- **Retirement allowances**
  - Prefectures: 10.4%
  - Municipalities: 1.1%

- **Local public servant, mutual-aid associations, etc.**
  - Prefectures: 5.5%
  - Municipalities: 4.5%

- **Other**
  - Prefectures: 15.3%
  - Municipalities: 9.5%
How financially capable are local governments to respond to local demands?

It is necessary that local governments have financial resources for not only the mandatory expenses but also for projects, to properly address challenges caused by changes in the social economy and administrative needs so that they can adequately meet the needs of their residents. The extent to which the resources for such purposes are secured is called the “flexibility of the financial structure.”

1 Ordinary Balance Ratio

The FY2013 ordinary balance ratio declined 1.1 percentage points year on year, to 91.6%, staying above 90% for the tenth consecutive year.

Shifts in the ordinary balance ratio

Breakdown of the ordinary balance ratio (Net total)
2 Real Debt Service Ratio and Debt Service Payment Ratio

Close attention should be paid to the trend of the debt service, which is the expense required to repay the principal and interest of the debts of local governments and has an especially negative impact on financial flexibility. The real debt service ratio and the debt service payment ratio are indices that determine the extent of the burden of the debt service.

Trends in the Real Debt Service Ratio

Trends in the Debt Service Payment Ratio

* For more detailed information please refer to page 33.

Debt service payment ratio: The debt service payment ratio indicates the ratio of general revenue resources allocated for debt service (amount of repayment of the principal and interest on local bonds) in the total amount of general revenue resources. This index is used to determine the flexibility of the financial structure by assessing the degree to which debt service restricts the freedom of use of general revenue resources.
What is the status of debt in local public finance?

1. Trends in Outstanding Local Government Borrowing

Outstanding local government borrowing amounted to approximately ¥146 trillion at the end of FY2013, and has been increasing in recent years with the growing issue of bonds for the extraordinary financial measures. The figure is 1.44 times larger than the total revenue and about 2.65 times larger than the total general revenue resources.

2. Trends in Outstanding Borrowing Borne by the Ordinary Accounts

Outstanding local public finance borrowing—which includes borrowing in the special account for local allocation tax and transfer tax for addressing revenue resource shortages, as well as the redemption of public enterprise bonds borne by the ordinary accounts, remains at a high level, amounting to approximately ¥201 trillion at the end of FY2013.
What is the status of local public enterprises?

**Ratio of Local Public Enterprises**

Local public enterprises play a major role in improving the standard of living of residents.

<table>
<thead>
<tr>
<th>Service</th>
<th>Ratio</th>
<th>Population</th>
<th>Passengers</th>
<th>Beds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water-supply business (including small-scale water supply business)</td>
<td>99.5%</td>
<td>124.59 million</td>
<td>91.3%</td>
<td></td>
</tr>
<tr>
<td>Sewage disposal population</td>
<td>13.4%</td>
<td>102.40 million</td>
<td>12.3%</td>
<td></td>
</tr>
<tr>
<td>Transportation business (railways)</td>
<td>12.3%</td>
<td>3,050 million</td>
<td>194,000</td>
<td></td>
</tr>
<tr>
<td>Transportation business (buses)</td>
<td>20.6%</td>
<td>929 million</td>
<td>194,000</td>
<td></td>
</tr>
<tr>
<td>Hospitals</td>
<td>13.4%</td>
<td>194,000</td>
<td>194,000</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. The graph shows the ratio of local public enterprises when the total number of business entities nationwide is set at 100.
2. Figures for the total number of enterprises nationwide have been compiled from statistical materials of related organizations. Figures for local public enterprises have been compiled from figures for the total number of enterprises and settlements for the same fiscal year.
Number of Businesses Operated by Local Public Enterprises

There are 8,703 businesses that are operated by local public enterprises. By type of business, sewage accounts for the largest ratio, followed, in order, by water supply, hospitals, care services, and residential development.

![Diagram showing the number of businesses operated by local public enterprises.]

Scale of Financial Settlement

The scale of total financial settlement is ¥16,871.7 billion. By type of business, sewage accounts for the largest ratio, followed, in order, by hospitals, total water supply, transportation, and residential development.

![Diagram showing the scale of financial settlement.]

White Paper on Local Public Finance, 2015
Local public enterprises had a surplus of ¥508.1 billion. By type of business, total water supply, electricity, and sewages showed a surplus.
1. Settlement of Disaster-Struck Organizations

1. Specified Disaster-Struck Prefectures

In FY2013, the total revenues of the nine specified disaster-struck prefectures amounted to ¥11,069.8 billion, decreasing by ¥337.5 billion year on year, or 3.0% (1.2% national increase). Total expenditures for the entities amounted to ¥10,504.4 billion, falling by ¥271.2 billion year on year, or 2.5% (1.2% national increase).

Specified disaster-struck prefectures: Prefectures stipulated in Article 2, Paragraph 2 of the act on special public finance support and assistance to deal with the Great East Japan Earthquake (Act No. 40 of 2011). These prefectures are Aomori, Iwate, Miyagi, Fukushima, Ibaraki, Tochigi, Chiba, Niigata, and Nagano prefectures.

### Revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Change</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>¥2,293.6 billion (20.1%)</td>
<td>¥1,270.8 billion</td>
<td>55.0%</td>
</tr>
<tr>
<td>FY2013</td>
<td>¥2,293.6 billion (20.1%)</td>
<td>¥2,069.4 billion</td>
<td>90.0%</td>
</tr>
</tbody>
</table>

### Expenditures Classified by Purpose

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditures</th>
<th>Change</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>¥7,155.4 billion (66.4%)</td>
<td>¥2,293.6 billion</td>
<td>31.1%</td>
</tr>
<tr>
<td>FY2013</td>
<td>¥6,954.4 billion (66.2%)</td>
<td>¥2,069.4 billion</td>
<td>29.9%</td>
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</table>

### Expenditures Classified by Type

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditures</th>
<th>Change</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>¥5,019.5 billion (46.6%)</td>
<td>¥2,293.6 billion</td>
<td>45.2%</td>
</tr>
<tr>
<td>FY2013</td>
<td>¥4,812.5 billion (45.8%)</td>
<td>¥2,069.4 billion</td>
<td>43.5%</td>
</tr>
</tbody>
</table>
2. Specified Disaster-Struck Municipalities

In FY2013, the total revenues of the 227 municipalities designated as specified disaster-struck municipalities amounted to ¥8,152.5 billion, decreasing by ¥361.6 billion year on year, or 4.2% (1.6% national increase). Total expenditures for the entities amounted to ¥7,621.2 billion, falling by ¥410.9 billion year on year, or 5.1% (1.3% national increase).

Specified disaster-struck municipalities: Municipalities designated in Appended Table 1 and those designated in Appended Tables 2 and 3 that are other than specified disaster-struck local public bodies of the Japanese government ordinance (No. 127, 2011) concerning Article 2, Paragraphs 2 and 3 of the act on special public finance support and assistance to deal with the Great East Japan Earthquake. (A total of 227 organizations in 11 prefectures, including, 33 organizations within Iwate Prefecture, 35 organizations within Miyagi prefecture, and 59 organizations within Fukushima prefecture.)

### Revenues

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Local tax</th>
<th>Local allocation tax</th>
<th>Special portion for earthquake restoration</th>
<th>National treasury disbursements</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>¥2,145.5 billion (25.2%)</td>
<td>¥1,381.2 billion (16.2%)</td>
<td>¥2,211.2 billion (26.0%)</td>
<td>¥2,776.2 billion (32.6%)</td>
<td></td>
</tr>
<tr>
<td>FY2013</td>
<td>¥2,186.9 billion (26.8%)</td>
<td>¥1,229.6 billion (15.7%)</td>
<td>¥1,645.7 billion (20.2%)</td>
<td>¥3,040.3 billion (37.3%)</td>
<td></td>
</tr>
</tbody>
</table>

### Expenditures Classified by Purpose

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>General administrative expenses</th>
<th>Public welfare expenses</th>
<th>Disaster relief expenses</th>
<th>Sanitation expenses</th>
<th>Disaster recovery expenses</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>¥1,995.7 billion (24.8%)</td>
<td>¥2,297.6 billion (28.6%)</td>
<td>¥506.7 billion (6.3%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2013</td>
<td>¥1,251.8 billion (16.4%)</td>
<td>¥2,403.5 billion (31.6%)</td>
<td>¥232.9 billion (3.1%)</td>
<td></td>
<td></td>
<td></td>
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</table>

### Expenditures Classified by Type

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Mandatory expenses</th>
<th>Investment expenses</th>
<th>Ordinary construction expenses</th>
<th>Disaster recovery project expenses</th>
<th>Other</th>
<th>Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>¥1,116.0 billion (13.9%)</td>
<td>¥232.4 billion (2.8%)</td>
<td>¥1,455.6 billion (18.1%)</td>
<td>¥4,171.4 billion (51.9%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2013</td>
<td>¥2,699.7 billion (35.4%)</td>
<td>¥4,295.7 billion (45.9%)</td>
<td>¥1,425.8 billion (18.7%)</td>
<td>¥667.1 billion (8.8%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Financial Status of Businesses of Local Public Enterprises of Disaster-Struck Organizations

Total revenues and expenditures of local public enterprises of disaster-struck organizations amounted to a surplus of ¥59.0 billion, decreasing by ¥17.3 billion year on year, or 22.7%. There were 844 businesses with surpluses, or 90.0% of all businesses, while 94 businesses had deficits, or 10.0%.

Settlements by Businesses of Local Public Enterprises of Disaster-Struck Organizations

Net amount ¥76.3 billion

Net amount ¥59.0 billion

Surplus ¥76.3 billion

Surplus ¥76.8 billion

Deficit △¥17.8 billion

Total water supply (including small-scale water supply)

Industrial-use water

Transportation

Electricity

Gas

Hospitals

Sewage business

Other
Overview of the Act on Assurance of Sound Financial Status of Local Governments

A number of drawbacks were pointed out with the conventional system of financial reconstruction of local governments, including the lack of a legal obligation to disclose comprehensible financial information and rules for early warning. In response, the Act on Assurance of Sound Financial Status of Local Governments was enacted and has been in force since April 2009. The act establishes new indexes and requires local governments to disclose them thoroughly, aiming to quickly achieve financial soundness or rebuild.

Outline of the Act on Assurance of Sound Financial Status of Local Governments

Sound stage
- Establishment of indexes and thorough disclosure
  - Flow indexes: Real deficit ratio, consolidated real deficit ratio, real debt service ratio
  - Stock indexes: Future burden ratio = indexes by real liabilities, including public enterprises, third-sector enterprises, etc.
  - Subject to auditor inspection, reported to the council and publicly announced

Early financial soundness restoring stage
- Restoring financial soundness through their own efforts
  - Formulation of financial plans (approval by the council), mandatory requests for external auditing
  - Report on progress of implementation to the council and public announcement every fiscal year
  - If the early achievement of financial soundness is deemed to be significantly difficult, the Minister for Internal Affairs and Communications or the prefectural governor makes necessary recommendations

Financial rebuilding stage
- Solid rebuilding through involvement of the central government, etc.
  - Formulation of financial rebuilding plans (approval by the council), mandatory requests for external auditing
  - Agreement on the financial rebuilding plan can be sought through consultation with the Minister for Internal Affairs and Communications
  - If financial management is deemed not to conform with the plan, the Minister for Internal Affairs and Communications makes necessary recommendations, such as budget changes

Financial soundness of public enterprise

- Real deficit ratio
  - Prefectures: 3.75%
  - Municipalities: 11.25% ~ 15%
- Consolidated real deficit ratio
  - Prefectures: 8.75%
  - Municipalities: 16.25% ~ 20%
- Real debt service ratio
  - 25%
- Future burden ratio
  - Prefectures, Government-ordinance-designated city: 400%
  - Municipalities: 350%
- Finance shortfall ratio (for each public enterprise)
  - 20%

Public announcement of indexes began with FY2007 settlement of accounts. Obligatory formulation of financial soundness plan was applied as of FY2008 settlement of accounts.
2 Status of the Ratios for Determining Financial Soundness

Real Deficit Ratio

The following graph shows the trend in the number of local governments with a real deficit.

Based on FY2013 account settlements, among the municipalities, there were two local governments with a real deficit (i.e., with a real deficit ratio that exceeds 0%). Of those local governments, none had a real deficit ratio that equals or exceeds the early financial soundness restoring standard.

![Graph showing the trend in the number of local governments with a real deficit.](image)
Consolidated Real Deficit Ratio

The following graph shows the trend in the number of local governments with a consolidated real deficit.

Based on FY2013 account settlements, there were six local governments with a consolidated real deficit (i.e., with a consolidated real deficit ratio that exceeds 0%) among municipalities. Of those local governments, none had a consolidated real deficit ratio that equals or exceeds the early financial soundness restoring standard.

The consolidated real deficit ratio is an index of the deficit level for all local governments by taking the sum of the deficits and surpluses of all accounts, and represents the extent to which financial administration has worsened for local governments as a whole.

Real Debt Service Ratio

The following graph shows the trend in the number of local governments with a real debt service ratio equal to or exceeding 18%.

Based on FY2013 account settlements, there was one local government with a real debt service ratio equal to or exceeding the financial rebuilding standard.

The real debt service ratio is an index of the size of the redemption amount of debts (local bonds) and similar expenditure, and represents the cash-flow level.

* Local governments with a real debt service ratio equal to or exceeding 18% require the approval of the Minister of Internal Affairs and Communications, etc., to issue local government bonds.
**Promotion of the Financial Soundness of Local Public Finance**

### Future Burden Ratio

The following graph shows the trend in the number of local governments with a future burden ratio equal to or exceeding the early financial soundness restoring standard. Based on FY2013 account settlements, there was one local government with a future burden ratio equal to or exceeding the early financial soundness restoring standard.

![Future Burden Ratio Chart]

**The future burden ratio is an index of the current outstanding balance of burden, including that of debts (local bonds) of the general account, etc. as well as other likely future payments, and represents the extent to which finances may be squeezed in the future. No financial rebuilding standard is established for the future burden ratio.**

### Financial Shortfall Ratio

The following graph shows the trend in the number of local public enterprises with a financial shortfall. Based on FY2013 account settlements, there were 60 local public enterprises with a financial shortfall (i.e., with a financial shortfall ratio that exceeds 0%) among municipalities. Of these, 18 local public enterprises had a financial shortfall ratio that equals or exceeds the management soundness standard.

![Financial Shortfall Ratio Chart]

**The financial shortfall ratio is an index of the deficit of funds of public enterprises compared to the size of their profit (size of business of local public enterprises), and represents the extent to which financial health has worsened.**
FY2013 Settlement

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