

FY2008 Settlement

# White Paper on Local Public Finance, 2010

- Illustrated -



Ministry of Internal Affairs  
and Communications

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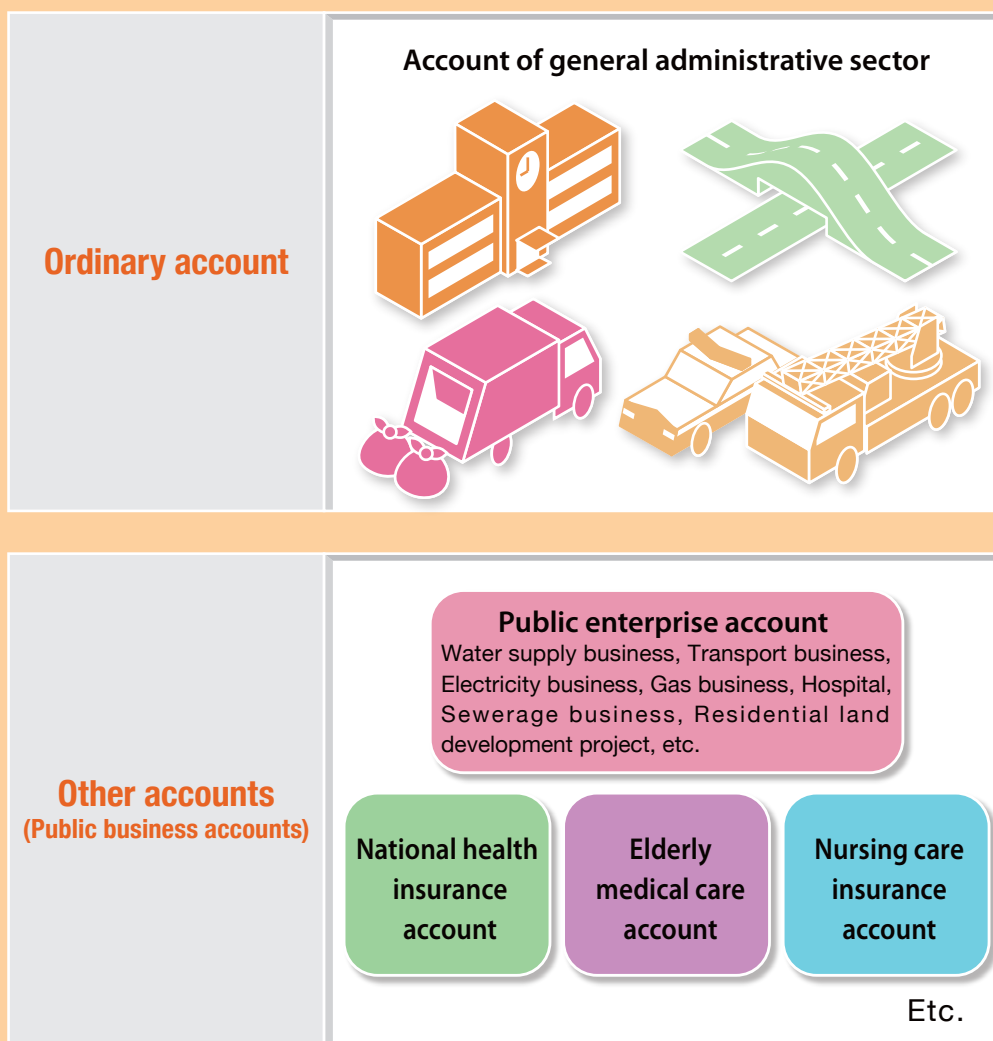
# The Role of Local Public Finance

Prefectures and municipalities (cities, towns, and villages) play a major role in various administrative areas, including school education, welfare and public health, police and fire services, and the construction of such public works as roads and sewerage systems. This brochure will introduce the state of local public finance, which is an assemblage of the finances of individual local governments, with particular focus on the state of settlements for fiscal 2008 and efforts toward financial soundness of the local public entities centered on the ordinary account.

## Classification of the Accounting of Local Governments Applied in the Settlement Account Statistics

Although the accounts of local governments are divided into general accounts and special accounts, the account classification of each local government is not uniform. Therefore, we have adopted a uniform method in the settlement account statistics by classifying accounts as an ordinary account, which covers the general administrative sector, and other accounts (public business accounts). This enables us to clarify the financial condition of local governments as a whole and to make a statistical comparison among local governments.

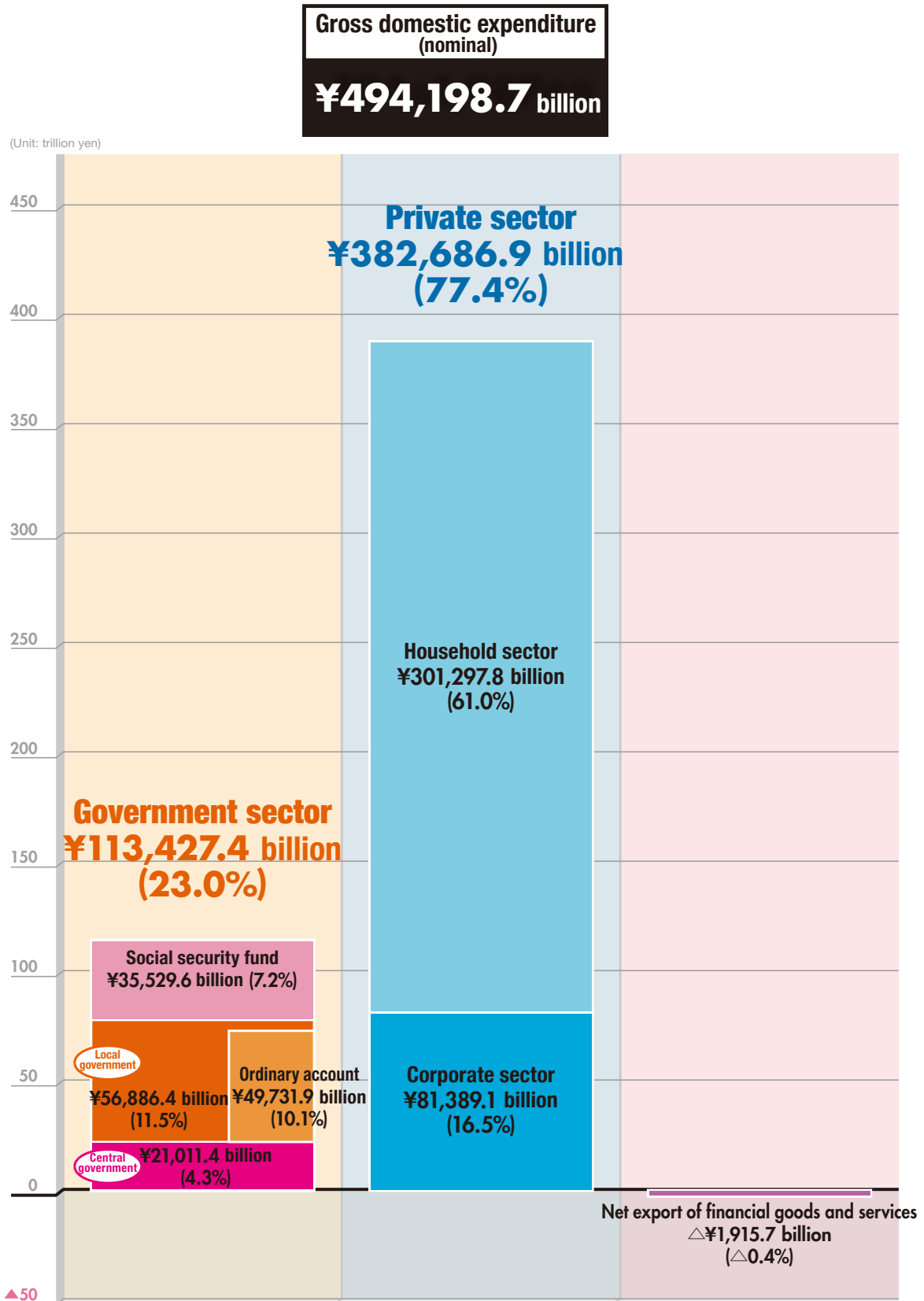
### Accounts of Local Governments



## How large is local public finance compared with central government finance?

The ratio of local public finance to gross domestic expenditure is 11.5%, which is about three times larger than the ratio of the central government.

### Gross Domestic Expenditure and Local Public Finance




















## In which fields are local expenditure ratios high?

Local expenditure ratios are higher in the areas that have a close relationship with our daily lives, such as public health and sanitation, school education, police and fire services, and social education.

### ● Shares of National and Local Governments in Main Expenditures by Function (final expenditure base)

Ratio of expenditures by function		Local ratio	National ratio
		59%	41%
 Sanitation expenses	3.7%	Public health centers, garbage and human waste disposal, etc.	97% 3%
 School education expenses	9.7%	Elementary and junior high schools, kindergartens, etc.	88% 12%
 Judicial, police and fire service expenses	4.3%		78% 22%
 Social education expenses, etc.	3.0%	Community centers, libraries, museums, etc.	75% 25%
 Land development expenses	10.5%	Urban planning, roads and bridges, public housing, etc.	70% 30%
 Public welfare expenses (except pension expenses)	18.6%	Child welfare, elderly care and welfare, livelihood protection, etc.	66% 34%
 Land preservation expenses	1.7%	Rivers and coast	64% 36%
 Housing expenses, etc.	1.4%		
 Commercial and industrial expenses	6.0%		59% 41%
 Public debt payments	21.5%		41% 59%
 Disaster reconstruction expenses, etc.	0.3%		41% 59%
 Agriculture, forestry and fishery industry expenses	1.8%		39% 61%
 Pension expenses (of public welfare expenses)	4.8%		100%
 Defense expenses	3.2%		100%
 General administration expenses, assembly expenses, etc.	8.3%	Family register, basic residents' register, etc.	78% 22%

# The State of Local Public Finance

## Overall Condition of FY 2008 Settlement

Expenditures and revenues rise due to national economic stimulus packages, etc.

### 1 Expenditures

**¥89,691.5 billion (¥543.9 billion [0.6%] increase on previous year)**

While personnel expenditure dropped by ¥651.1 billion and investment-related expenditure by ¥704.2 billion, economic stimulus packages by the national government (supplementary budget) and increases in social security related expenditure such as public assistance (¥303.0 billion increase in public assistance) allowed total expenditures to see an increase for the first time in nine years.

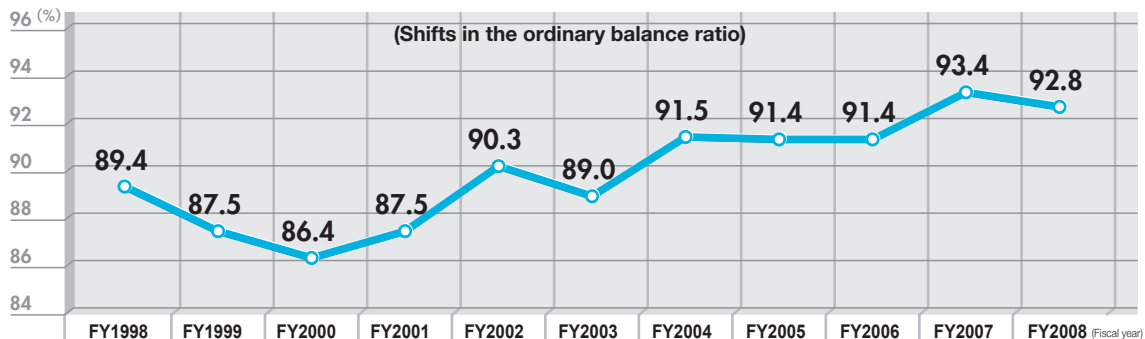
### 2 Revenues

**¥92,213.5 billion (¥1,032.1 billion [1.1%] increase on previous year)**

Local tax revenues decreased (decrease of ¥708.3 billion) for the first time in five years due to such factors as drops in revenues from the two corporate taxes resulting from the worsening economy. However, real local allocation tax revenues, which include bonds for extraordinary financial measures, increased (increase of ¥411.0 billion) for the first time in five years. Moreover, total revenues enjoyed an increase for the first time in nine years due to the ¥1,361.2 billion rise in national treasury disbursements and other reasons resulting from national government economic stimulus packages and other efforts.

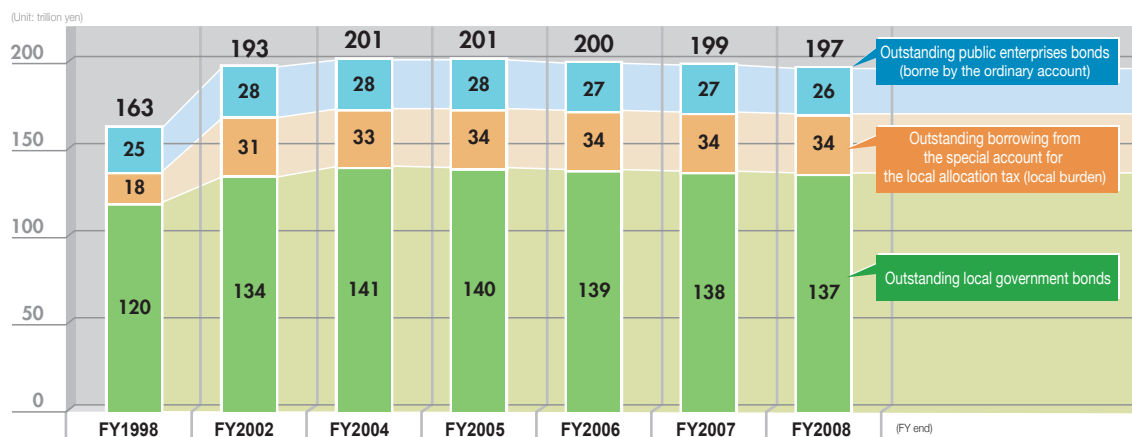
### 3 Flexibility of the Financial Structure

The financial structure remains rigid while the ordinary balance ratio maintained a high level.



### 4 Trends in Outstanding Borrowing that Should be Shouldered by the Ordinary Account

Amounts remained at a high level.



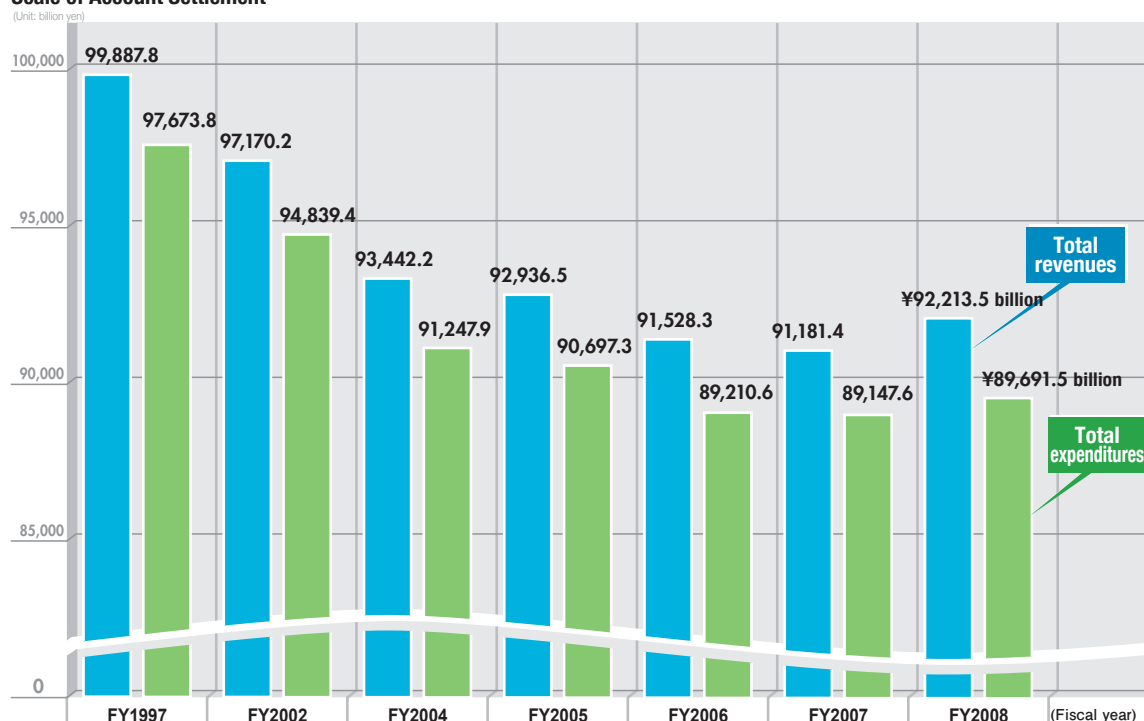
Notes:

1. Outstanding public enterprises bonds (borne by the ordinary account) are estimates based on settlement account statistics.
2. Outstanding local government bonds exclude special fun public investment bonds.

## Scale of Account Settlement

Local tax revenues decreased due to the worsening economy. However national treasury disbursements and special local tax grants showed increases. Moreover, despite falls in investment-related expenditures mostly for personnel and normal construction projects expenses fell, increases in other areas such as reserves led to the first increase in revenues and expenditures in nine years.

Scale of Account Settlement



## Revenue and Expenditure Settlement

The real single fiscal year balance produced a surplus for the first time in two years, while the real single year balance experienced a deficit for the second year in a row.

Category	Settlement figure		No. of deficit organizations	
	FY2008	FY2007	FY2008	FY2007
Real single FY balance	¥182.8 billion	△¥13.7 billion	611 (1,315)	899 (1,586)
Single FY balance	△¥78.4 billion	△¥161.3 billion	843 (1,539)	1,024 (1,723)
Real balance	¥1,279.7 billion	¥1,359.7 billion	19 (19)	25 (26)

Notes:

1. Real single FY balance: Calculated by adding reserves to the fiscal adjustment fund and advanced redemption of local loans to the single FY balance and subtracting the used part of the fiscal adjustment fund.  
Single FY balance: Calculated by subtracting the real balance of the previous fiscal year from the real balance of the fiscal year concerned.  
Real balance: Calculated by subtracting the revenue resources that should be carried over to the next fiscal year from the income expenditure balance.
2. The number of deficit organizations does not include partial administrative associations or wide-area local public bodies; the figures in parentheses are the number of organizations including partial administrative associations and wide-area local public bodies.
3. The organizations with a deficit in the fiscal year 2007 include one municipality with a deficit resulting from a discontinued settlement.

# Revenues

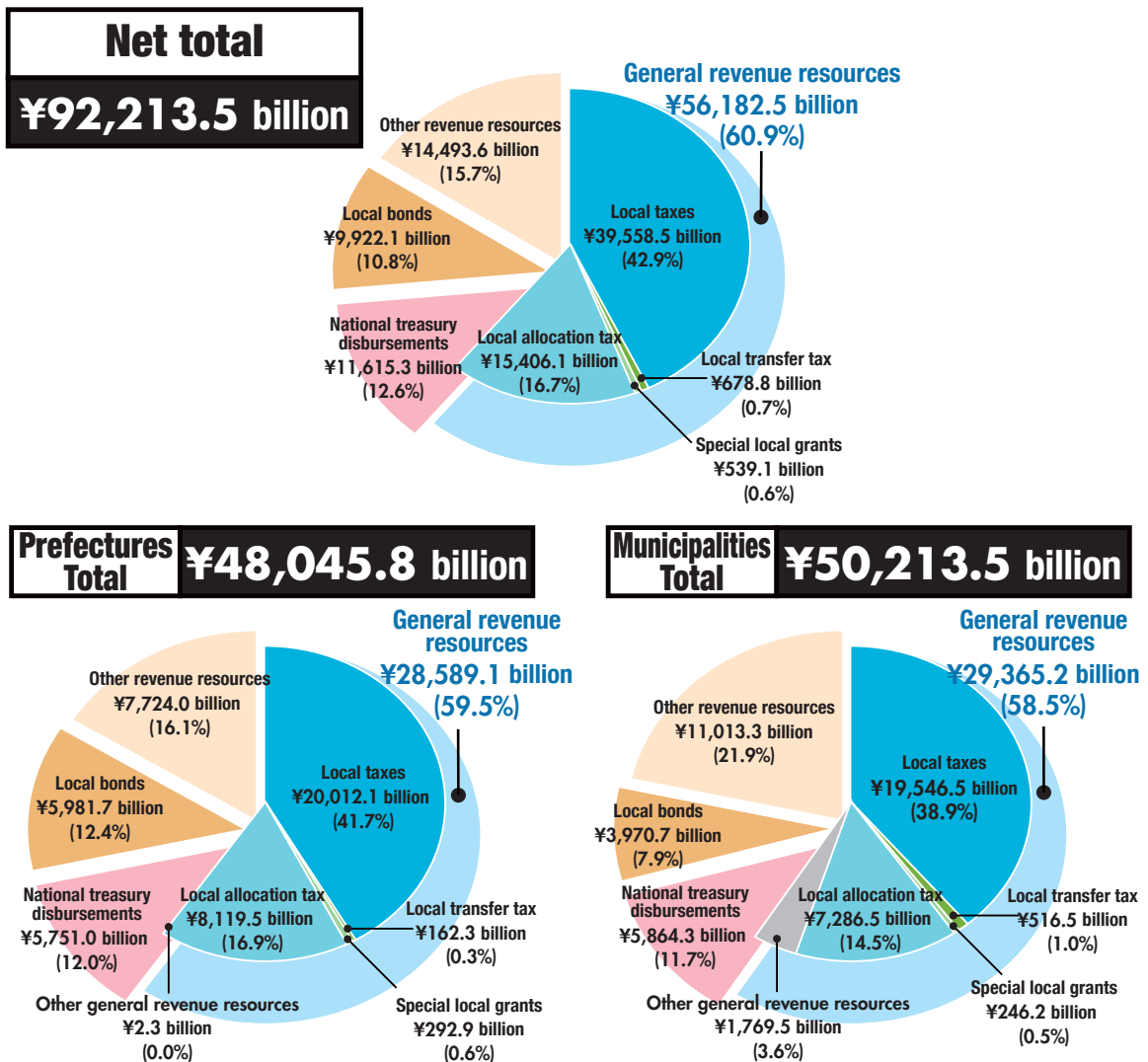
## Where do the funds for local government activities come from?

### Revenue Breakdown

The revenue of local governments comes mainly from local taxes (about forty percent), local allocation tax, national treasury disbursements, and local bonds, in that order.

### General Revenue Resources

Revenue resources for which the use is not specified, such as local taxes and the local allocation tax, are called general revenue resources. Here, the total of local taxes, local transfer taxes, the local allocation tax, special local grants, and so on is treated as general revenue resources. It is extremely important for local governments to ensure sufficient general revenue resources in order to handle various administrative needs properly.

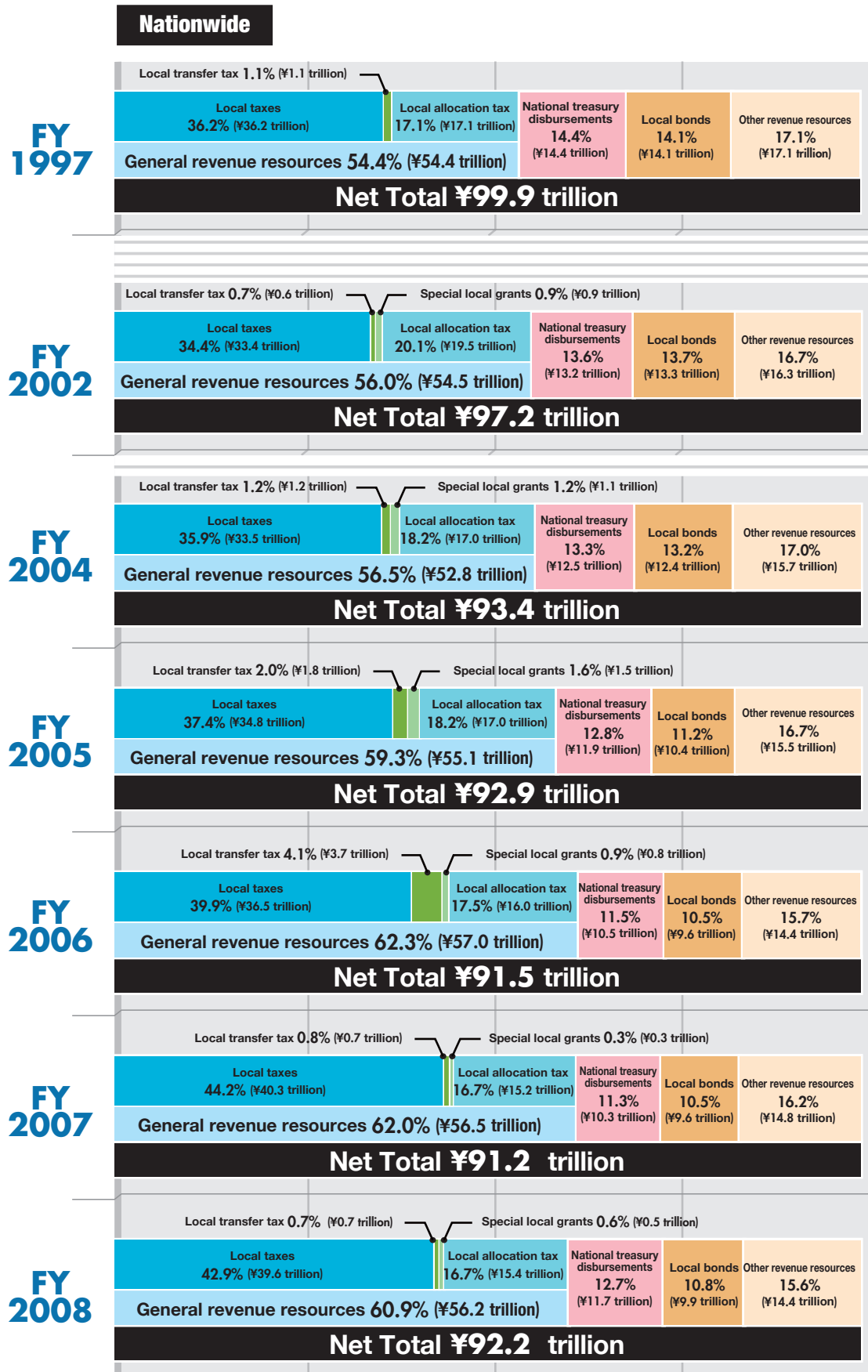


- \* Local transfer tax: Collected as a national tax and transferred to local governments. Includes local road transfer tax, etc.
- \* Special local grants: A revenue source with the character of a substitute for local taxes, including the special child allowance in response to the increased local burden as a result of the expanded child allowance system in FY2006 and FY2007.
- \* Local allocation tax: An intrinsic revenue source shared by local governments in order to adjust imbalances in tax revenue among local governments and to guarantee revenue sources so that local governments in whatever region can provide a certain level of administrative services. Calculated as a certain ratio of five national taxes. (See pg.11, '4. Local Allocation Tax')
- \* National treasury disbursements: A general name for funds disbursed from the central government to local governments for specified uses.
- \* Local bonds: The debts of local governments for which fulfillment continues for more than one fiscal year.

Notes:  
 1. The figures here are mainly for the ordinary account. (For the accounts of public enterprises, such as water supply and sewerage businesses, transportation businesses, and hospitals, see Local Public Enterprises)  
 2. The figures for each item are rounded off under the given unit. Therefore, they do not necessarily add up exactly to the total.

## 2 Revenue Trends

Local taxes account for approximately 40% of total revenues, while national treasury disbursements are on the rise after recovering from a downward trend.

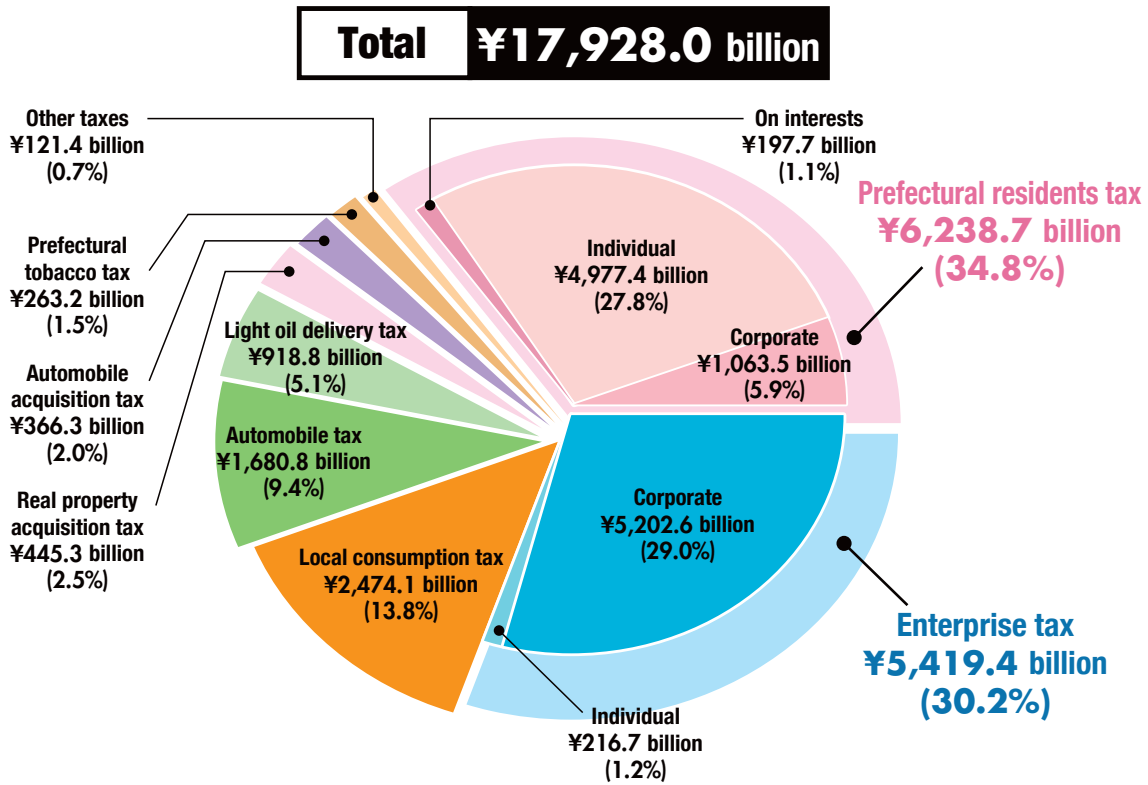


Note: "National treasury disbursements" includes "special grants to countermeasures for traffic safety" and "grants to cities, towns and villages where national institutions are located."

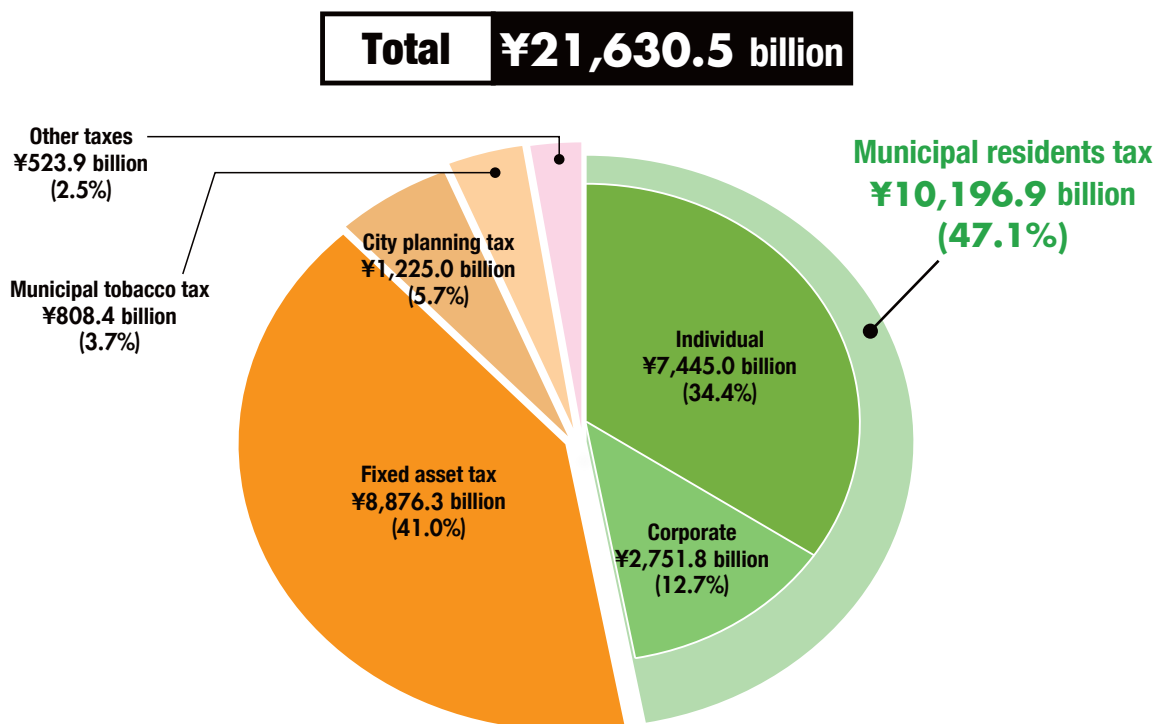
### 3 Local Taxes

Local taxes consist of prefectural taxes and municipal taxes. (In the case of the special wards of Tokyo, the Tokyo Metropolitan Government collects some municipal taxes.)

#### ● Composition of Revenue from Prefectural Taxes (FY2008 settlement)



#### ● Composition of Revenue from Municipal Taxes (FY2008 settlement)

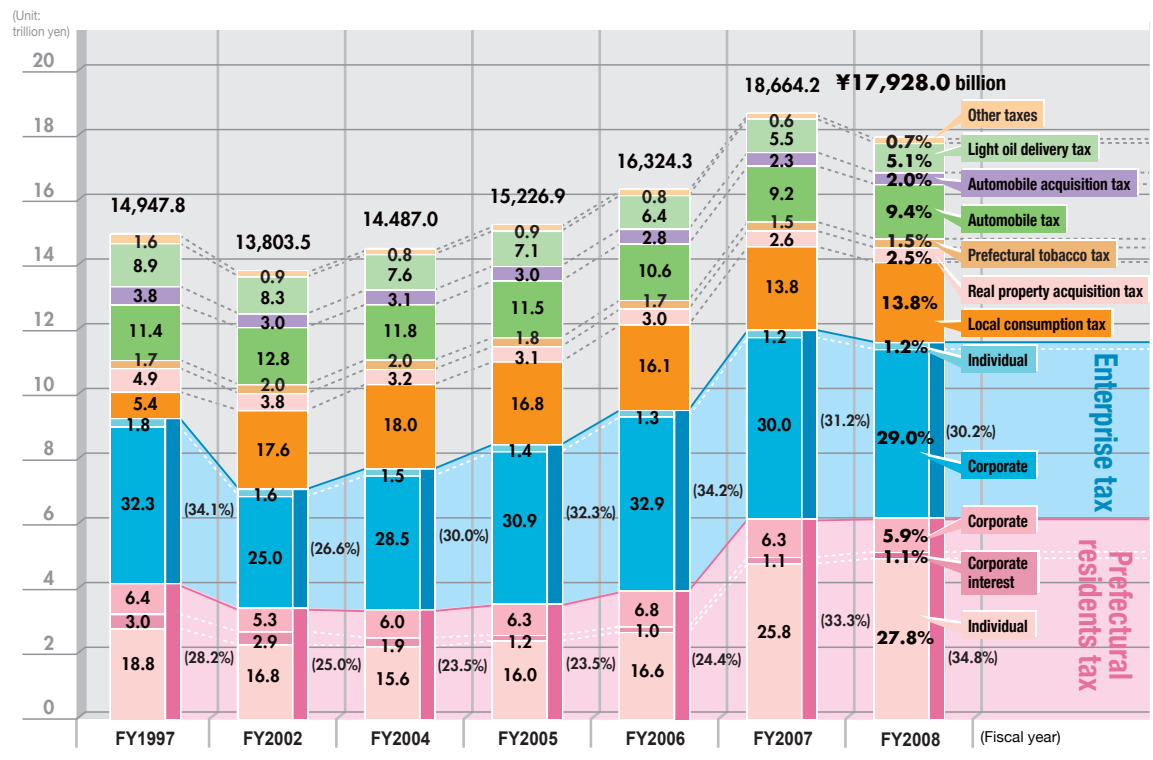


\*The municipal tax revenue figure includes municipal taxes collected by Metropolitan Tokyo.



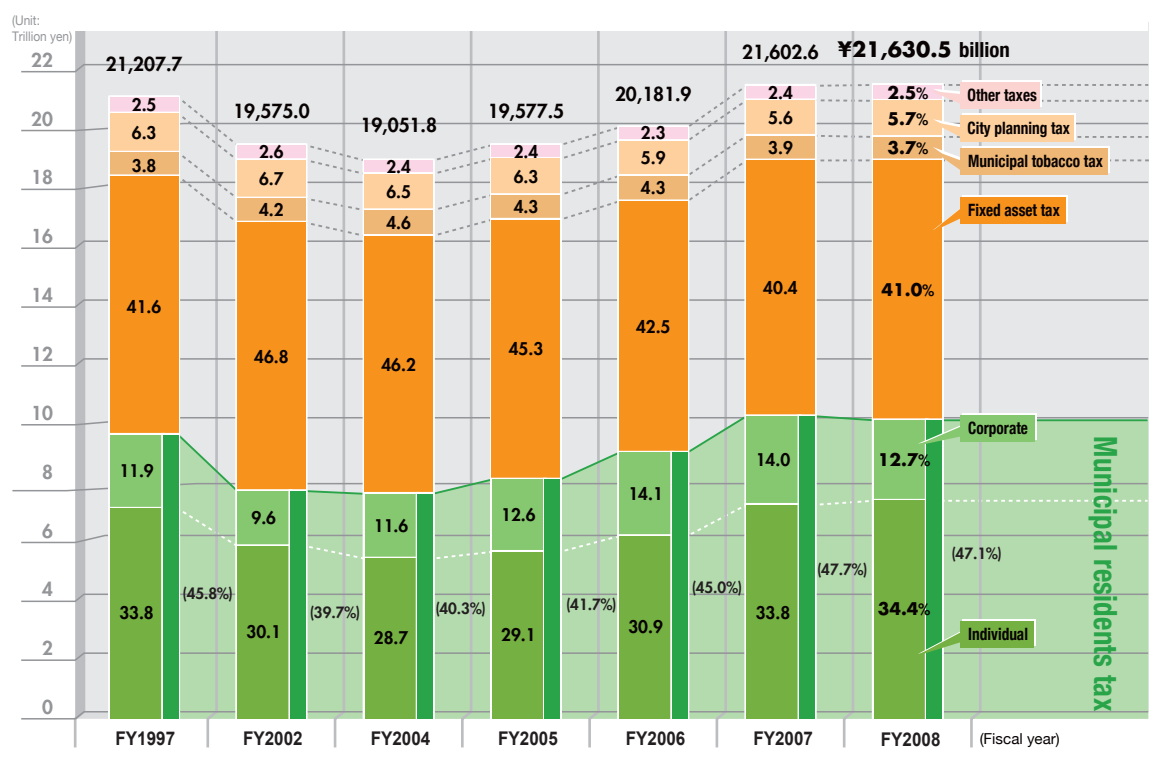
Prefectural tax revenues dropped on the previous fiscal year due to decreases in the two corporate taxes (corporate inhabitant tax and corporate enterprise tax) as a result of the worsening economy. In regards to municipal tax revenues, while revenues from municipal corporate taxes experienced a decline, rises in revenues from individual municipal taxes and fixed assets taxes led to an overall increase in tax revenues on the previous fiscal year.

### Trends in Prefectural Tax Revenues



\*Figures in parentheses are the component ratios of the business tax and prefectural residents tax.

### Trends in Municipal Tax Revenues

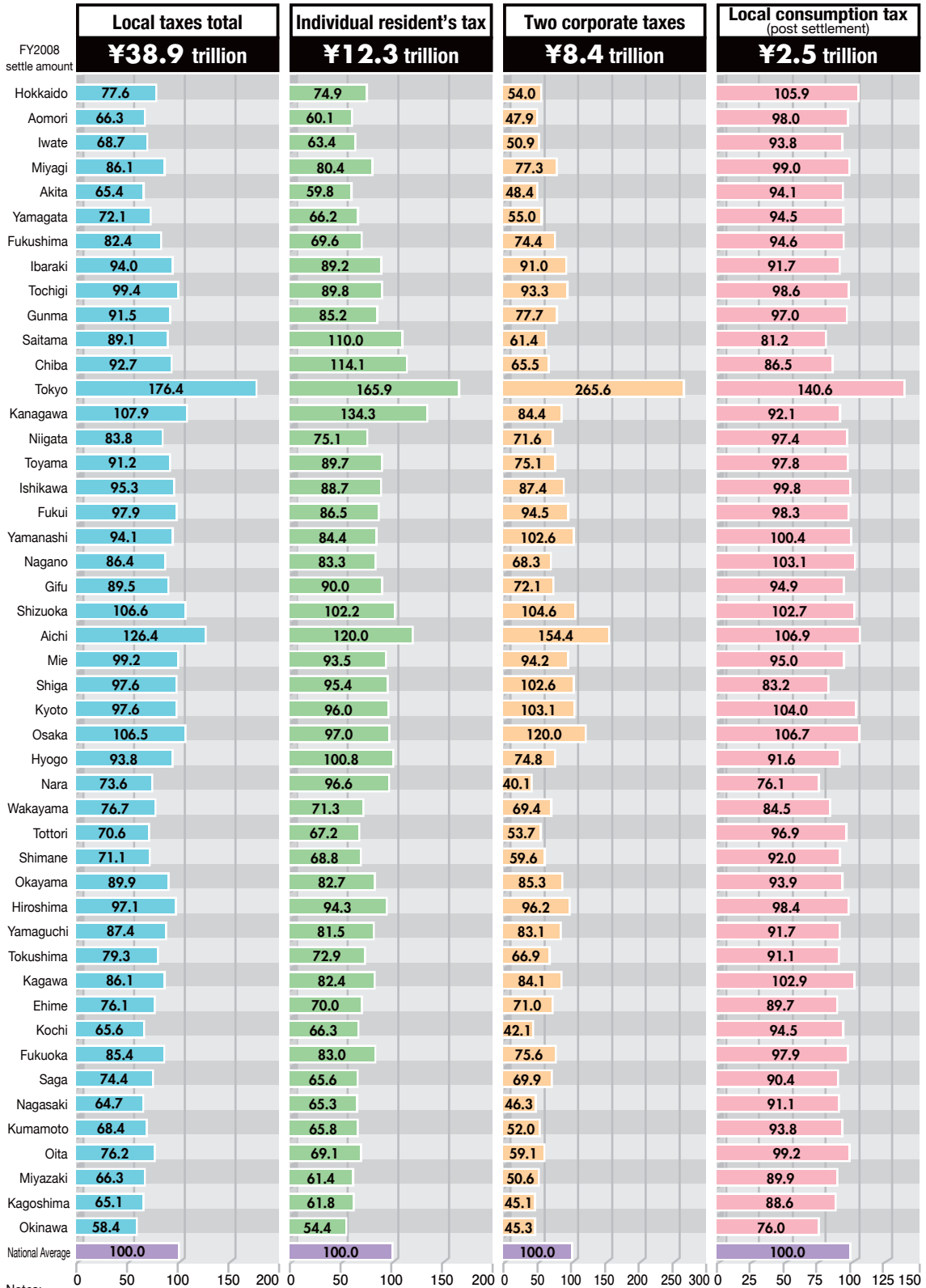


\*Figures in parentheses are the component ratio of the municipal residents tax.

\*The municipal tax revenue figure includes municipal taxes collected by Metropolitan Tokyo.

In order for local governments to provide administrative services in response to local needs with responsibility and at their own discretion, it is necessary to build a local tax system in which the uneven distribution of tax sources is limited and the stability of tax revenue is ensured.

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



Notes:

1. The local tax revenue total amounts do not include excess taxation, non-statutory ordinary taxes, or non-statutory special purpose taxes.
2. The revenue of the individual resident's tax is the total of the prefectural individual resident's tax (taxation on per capita basis and taxation on income basis) and the municipal individual resident's tax (taxation on per capita basis and taxation on income basis) and excludes excess taxation.
3. The revenue of the two corporate taxes is the total of the corporate prefectural resident's tax, the corporate municipal resident's tax, and the corporate business tax, and excludes excess taxation.
4. Calculations are made from the basic residents' register population as of March 31, 2009.

## 4 Local Allocation Tax

From the perspective of local autonomy, it would be ideal for each local government to ensure the revenue sources necessary for administrative activities through local tax revenue collected from their residents. However, there are regional imbalances in tax revenue, and many local governments are unable to acquire necessary tax revenue. Therefore, the central government collects financial resources that should fundamentally be attributable to local tax revenue through national taxation and reallocates them as the local allocation tax to local governments where financial resources are insufficient.

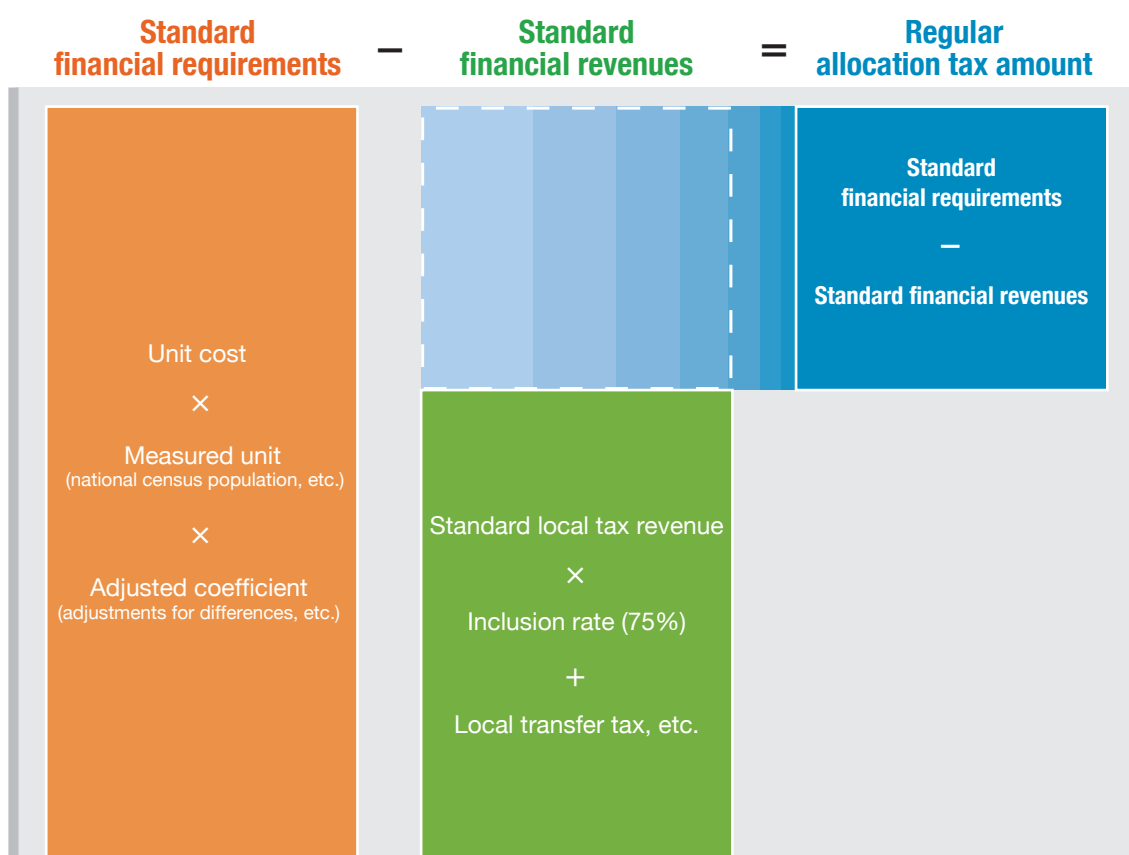
### 1 Determining the total amount of local allocation tax

The total amount of the local allocation tax is determined on the basis of certain ratios for national taxes (32% for income tax and liquor tax, 34% for corporate tax, 29.5% for consumption tax, and 25% for tobacco tax) as well as estimates of standard revenue and expenditure of local public finance as a whole.

The total amount of local allocation tax in fiscal 2008 was ¥15,406.1 billion, up 1.3% from the previous fiscal year.

### 2 How regular local allocation taxes are calculated for each local government

The regular local allocation tax for each local government is calculated using the following structure:



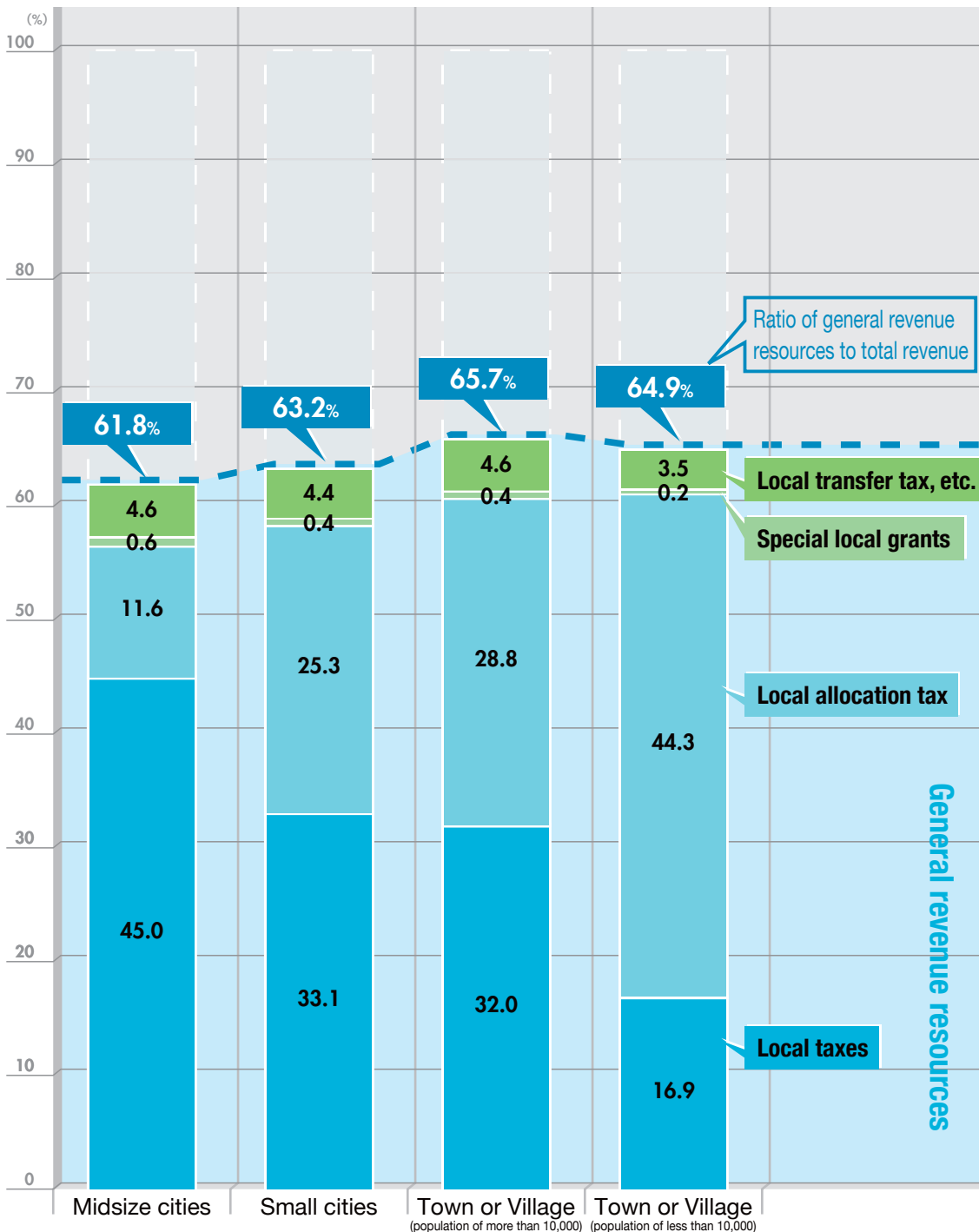
**Notes:**

1. Standard financial requirements are calculated as the financial requirements of each local government based on rational and appropriate standards. It is required to include the local share of the national treasury projects, such as compulsory education, livelihood protection, and public works. From FY 2001 to FY 2010, part of the standard financial requirements is being transferred to special deficit-financing local bonds (extraordinary financial countermeasures bonds) as an exception to Article 5 of the Local Finance Law.
2. Normal local tax revenue does not include "non-statutory ordinary taxes" or "non-statutory special purpose taxes" imposed independently by the local government, or "excess tax" that exceeds the standard tax rate stipulated in the Local Tax Law.

### 3 Function of the local allocation tax

The function of the local allocation tax is to adjust imbalances in revenue among local governments in order to guarantee revenue so that local governments can provide standard administrative services and basic social infrastructure to their residents in whatever region. Accordingly, as a result of the revenue adjustment mechanism through the local allocation tax, few differences in such factors as size of population have been found in the ratio of general revenue resources to total revenue.

#### Ratio of General Revenue Resources to Total Revenue for Municipalities



Notes:  
 A "midsize city" refers to a city with a population of more than 100,000 persons among cities excluding Government ordinance-designed major cities, core cities, and special cities, and a "small city" refers to a city with a population of less than 100,000.

# Expenditures

## What are taxes spent on?

### Expenses by Function

When expenses are classified by function, we see that a lot of revenue is expended for such items as public welfare expenses, education expenses, and civil engineering work expenses. In prefectures it is mainly expended for education expenses, debt servicing, and civil engineering work expenses, in that order. In municipalities it is primarily expended for public welfare expenses, civil engineering work expenses, and debt servicing, in that order.

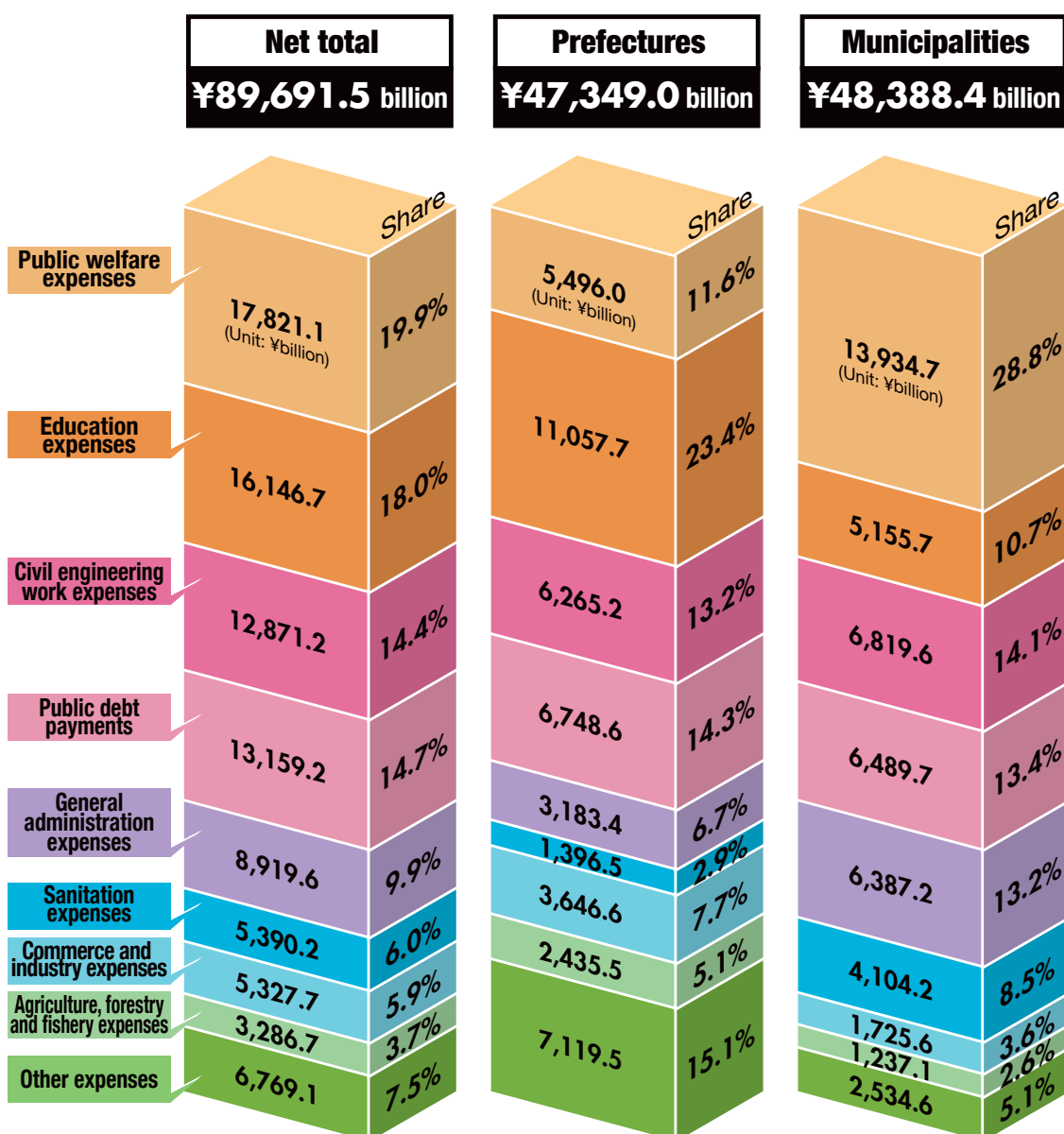
**Public welfare expenses:** Expenses for the construction and operation of welfare facilities for children, the elderly, the mentally and physically disabled, etc. and for the implementation of livelihood protection, etc.

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

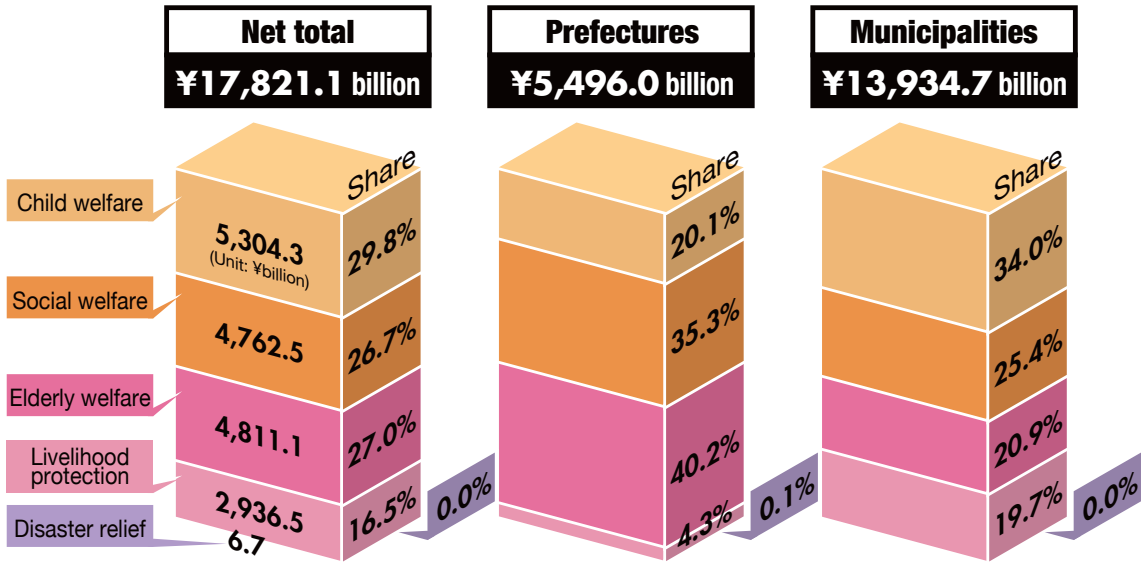
**Civil engineering work expenses:** Expenses for the construction and improvement of public facilities, such as roads, rivers, housing, and parks.

**Public debt payment:** Expenses for the payment of principal, interest, etc. on debts.

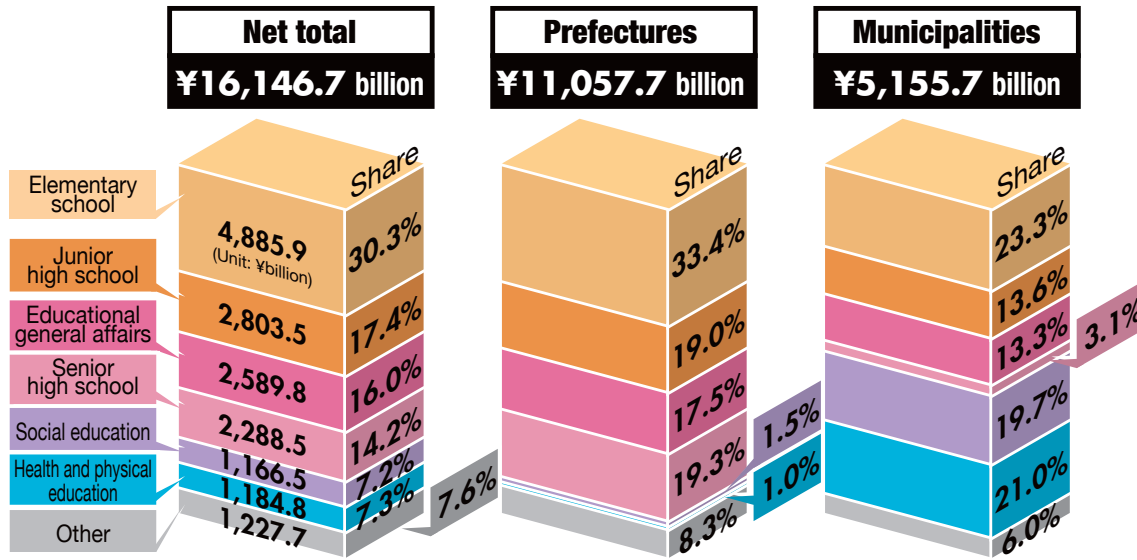
### Composition of Expenditure by Function (FY2008 settlement)



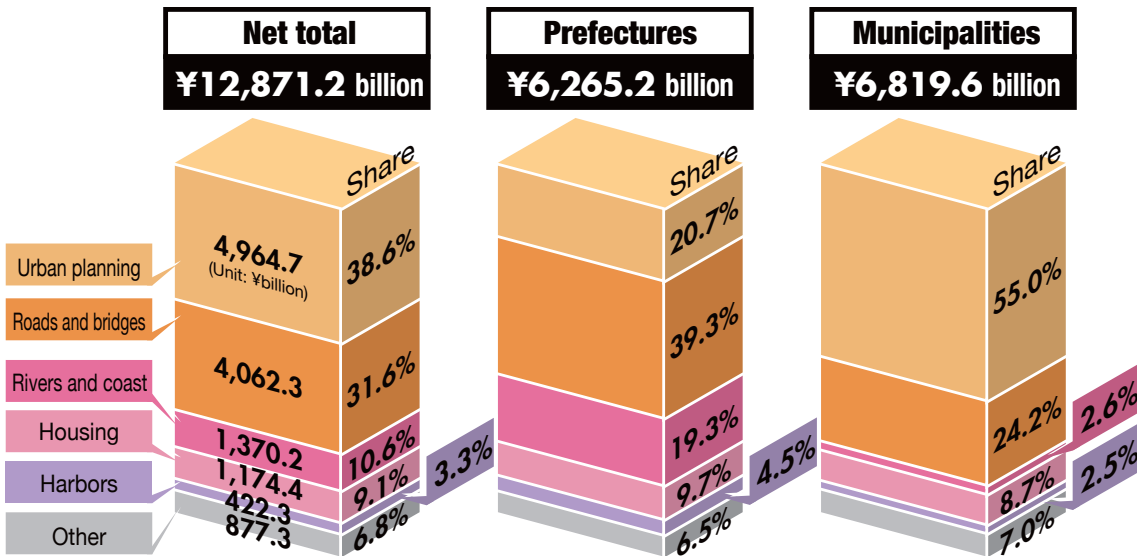
### Breakdown of Public Welfare Expenses by Purpose



### Breakdown of Educational Expenses by Purpose



### Breakdown of Civil Engineering Work Expenses by Purpose

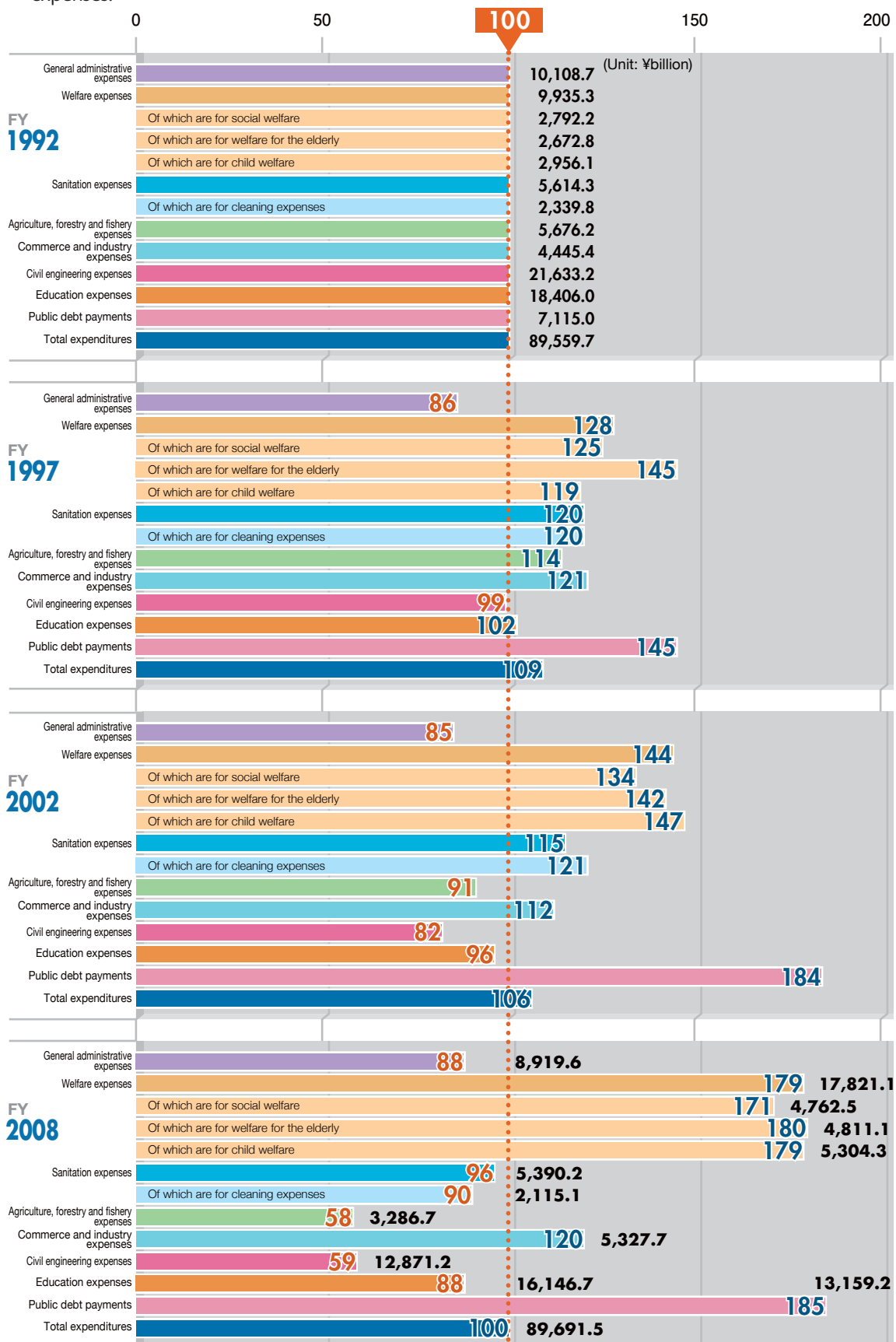




## Trends in the Breakdown of Expenditures by Function (ordinary account net total)

Unit: Ratio with FY1992 set at 100.

In recent years, welfare expenses, public debt payments and so on have been increasing, while there has been a decline in such items as agriculture, forestry, and fishery expenses and civil engineering work expenses.

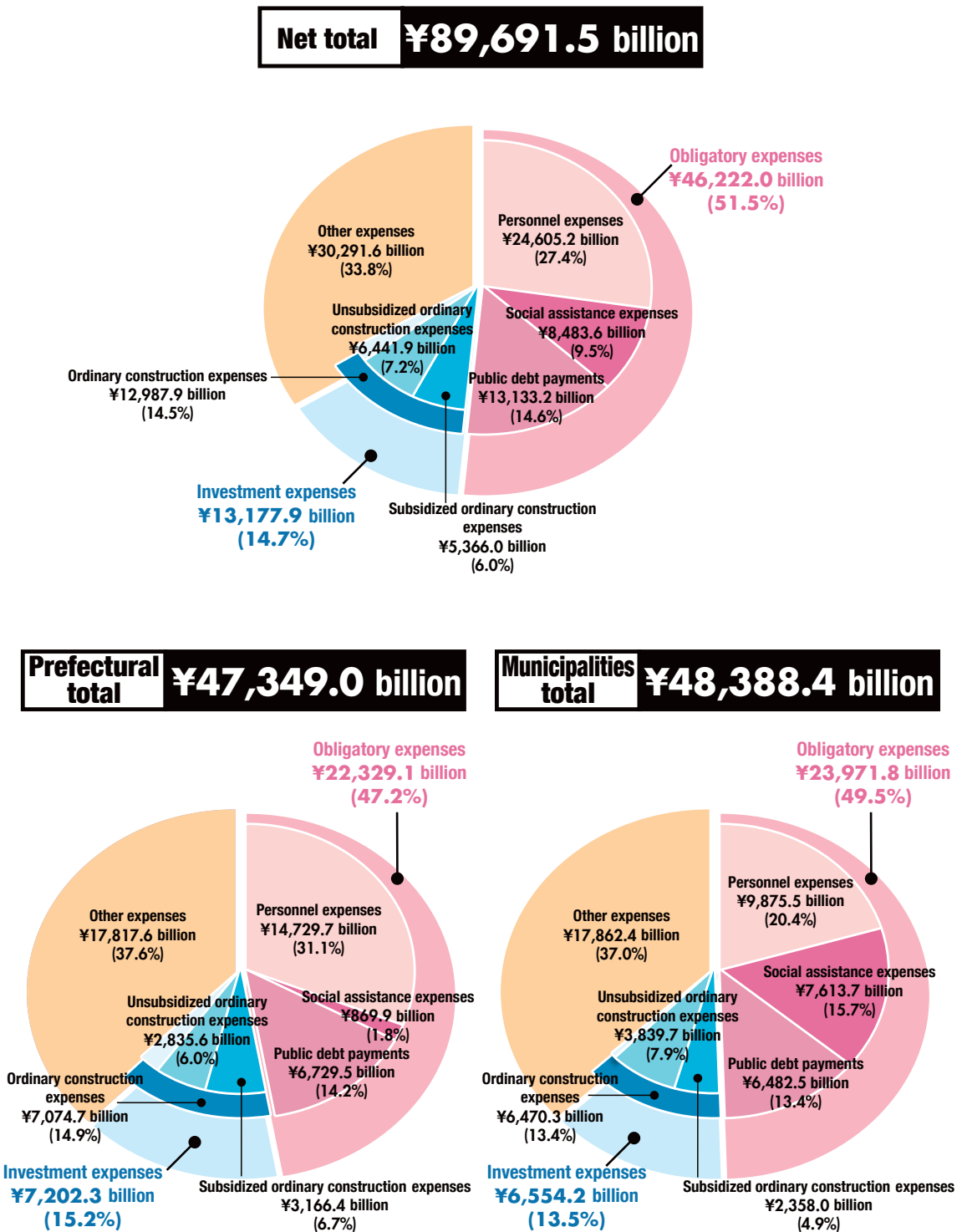


# What are expenses used for?

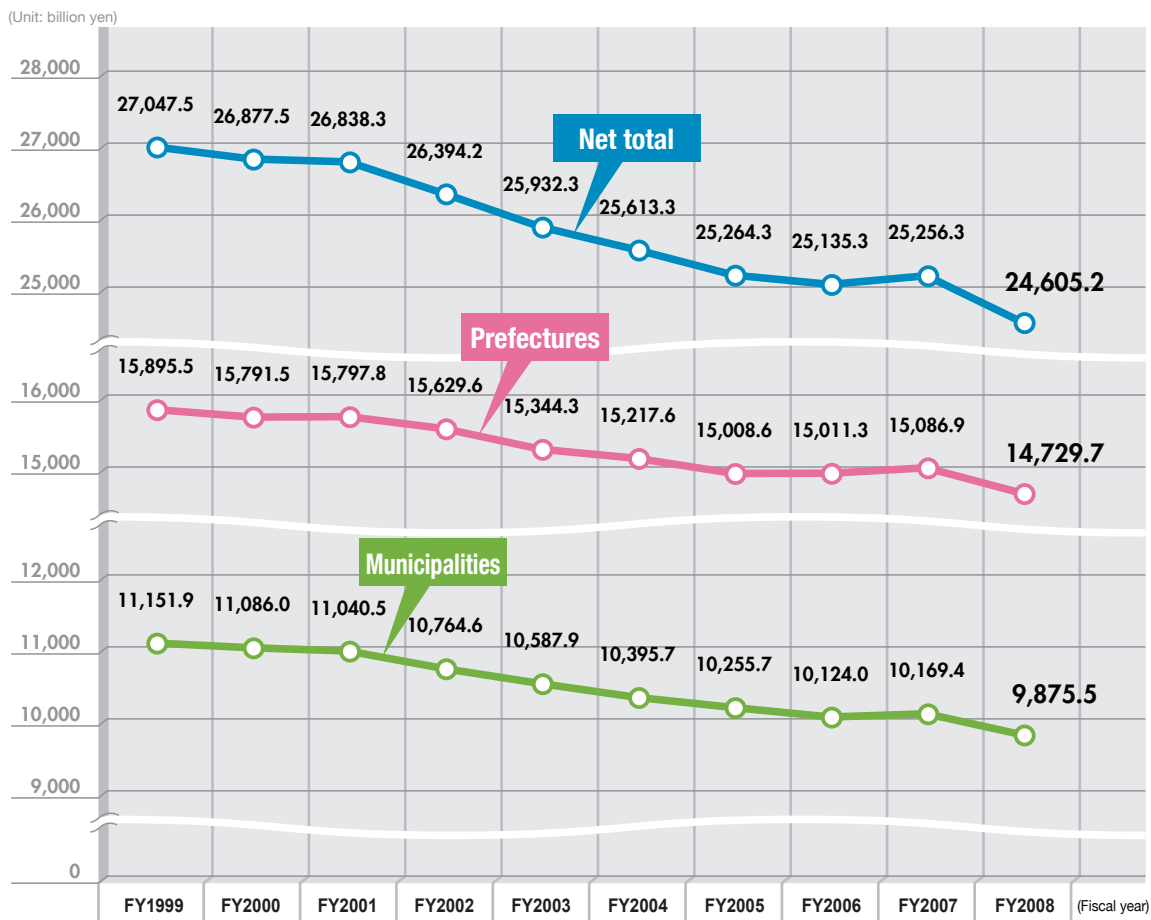
## 2 Expenses by Type

Classified by type, expenses can be divided into "obligatory expenses" (personnel expenses, social assistance expenses and public debt payments), which are mandatory and difficult to cut down at the discretion of individual local governments; "investment expenses," including ordinary construction expenses, etc.; and "other expenses."

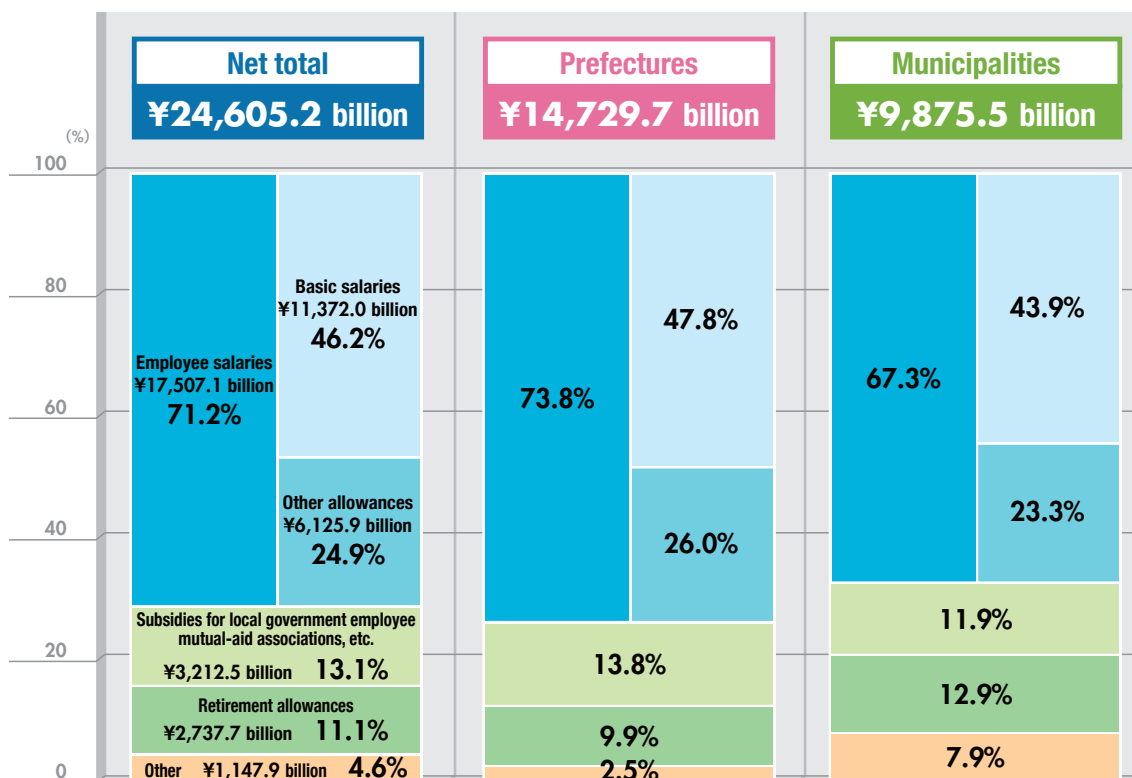
### Composition of Expenditures by Type (FY2008 settlement)



## Trends in Personnel Expenses



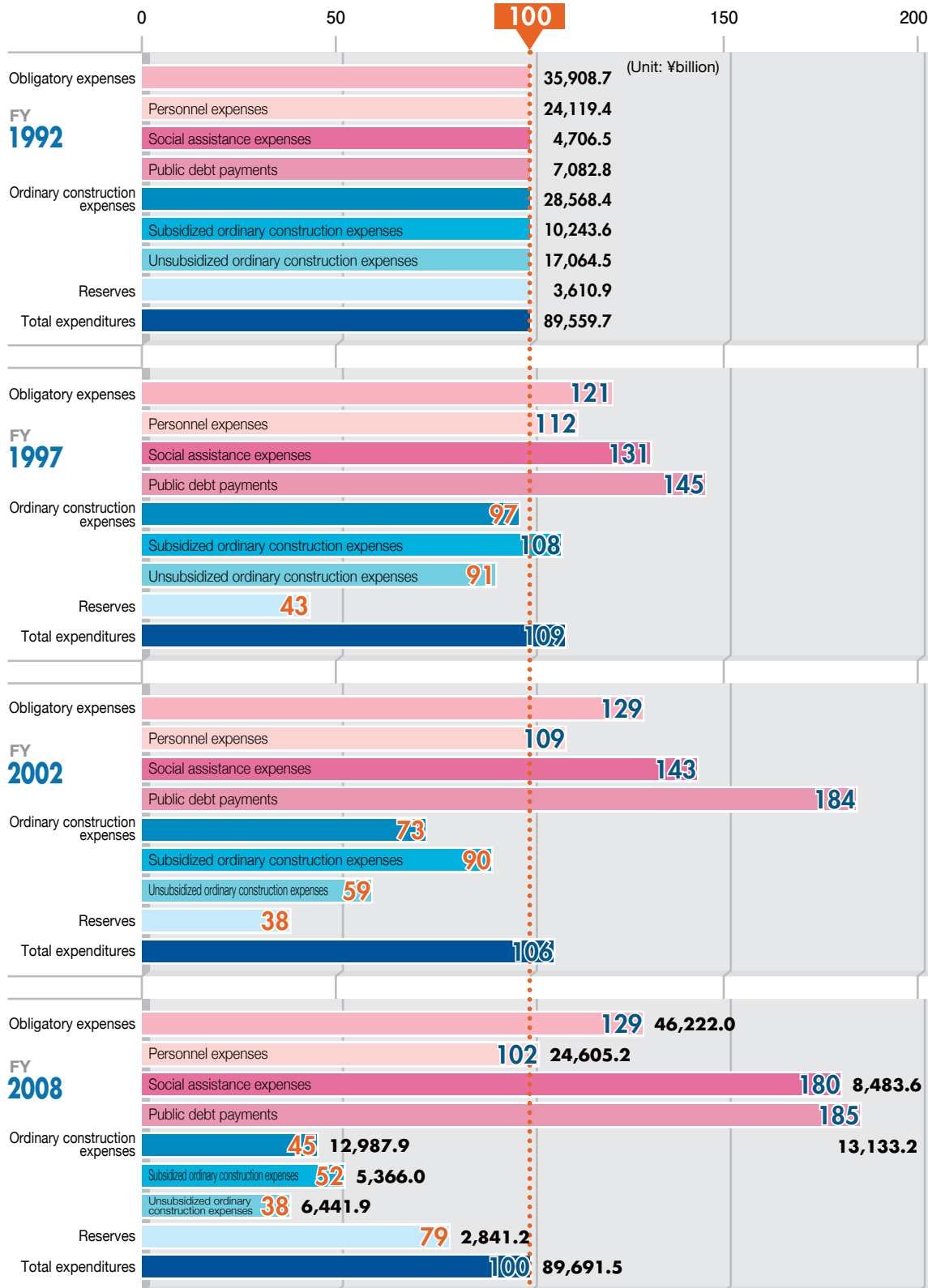
## Breakdown of Personnel Expenses by Item



## ● Trends in the Breakdown of Expenditures by Type (ordinary account net total)

Unit: Ratio with FY1992 set at 100.

In recent years, social assistance expenses, public debt payments and so on have been increasing, while there has been a decline in such items as ordinary construction expenses.



\***Social assistance expenses:** Expenses which include child welfare expenses, livelihood protection expenses, etc., aimed at assisting the needy, children, the elderly, mentally and physically disabled, etc., as a part of the social security system.

\***Ordinary construction expenses:** Expenses necessary for the construction of social capital, such as roads, bridges, parks, schools, etc.

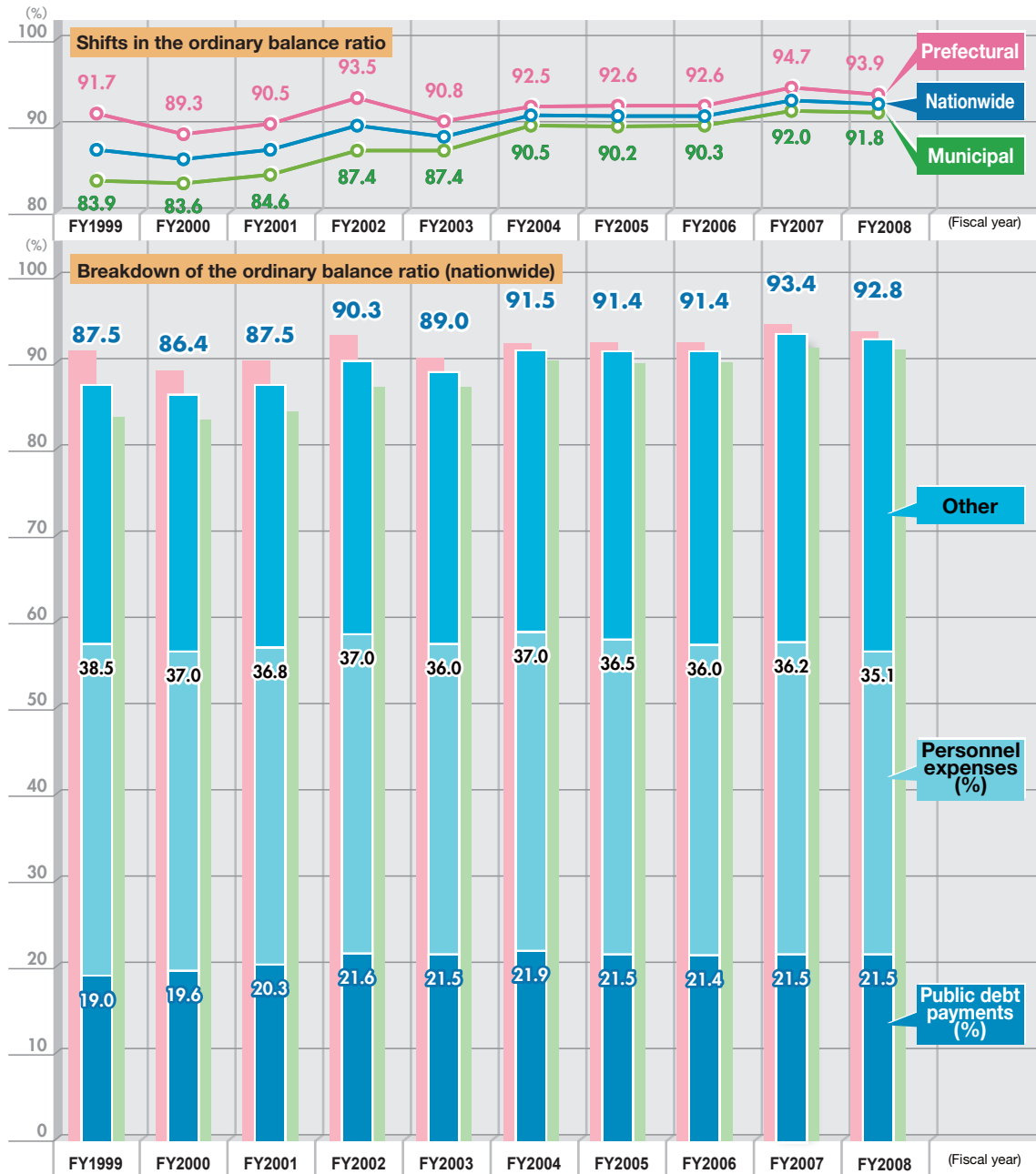
# Flexibility of the Financial Structure

## How can local finance respond to the demands of local governments?

In addition to revenue sources allocated for obligatory expenses that are needed each year, local governments must also secure revenue sources for measures to respond properly to changes in the social economy and administrative needs in order to accurately meet the needs of residents. The extent to which these revenue resources can be secured is called the “flexibility of the financial structure.”

### Ordinary Balance Ratio

The national average of the ordinary balance ratio (the ratio of ordinary revenues allocated to expenses recurring every fiscal year to the total of ordinary revenues recurring every fiscal year, centered on local taxes and the local allocation tax, as well as the special portion of tax reduction supplementary bonds and extraordinary financial countermeasures bonds) decreased by 0.6 percentage points from the previous fiscal year, falling to 92.8%. While this is a slight drop on the previous fiscal year, the ratio continues to maintain a high level.



Note: Tax-reduction supplementary bonds and extraordinary financial countermeasures bonds were added from fiscal 2001.

## 2 Real Debt Service Ratio and Debt Service Payment Ratio Used for Permission to Issue Local Bonds

It is necessary to keep a close watch on trends in public debt payments at all times, since public debt payments, payments of the principal and the interest on the debts of local governments, are expenses especially lacking flexibility.

The real debt service ratio and debt service payment ratio are indices used to determine the extent of the public debt payment burden.

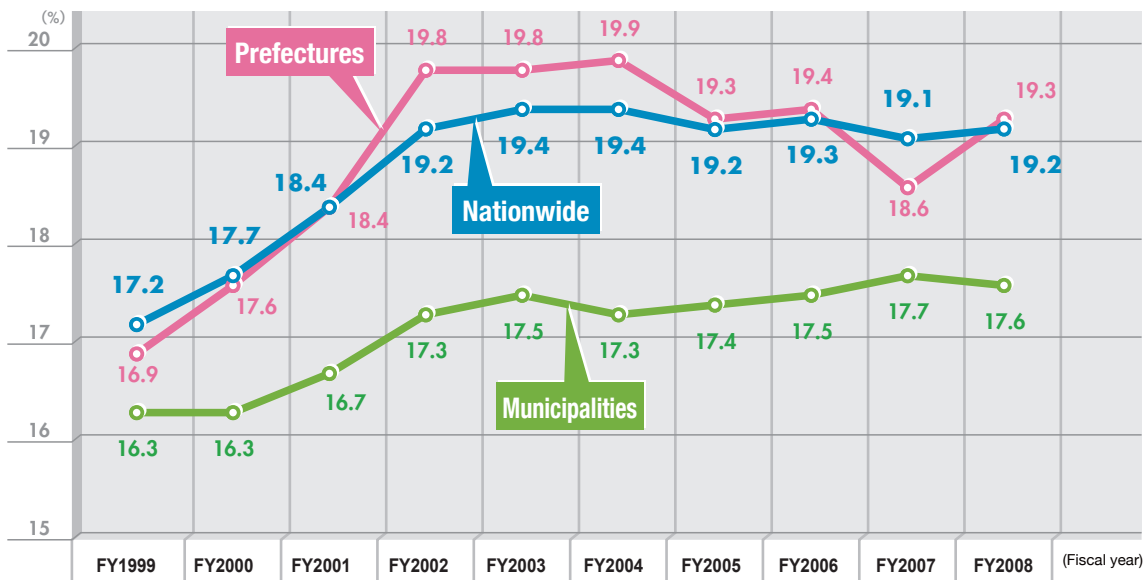
### State of the Real Debt Service Ratio

For information on the state of the real debt service ratio, please refer to the “State of the Ratio for Determining Soundness and Ratio of Fund Shortages” (on page 29).

**\*Real debt service ratio:**

The real debt service ratio indicates the ratio of the principal and interest repayments on local bonds (excluding advanced redemption, etc.) and the real debt service amount—which includes items corresponding to debt service expenses, such as disbursements to public enterprise bonds—minus the amount calculated for standard financial demand in the calculation of local allocation tax from that portion of general revenue resources that is allotted for the aforementioned purpose to the total of the standard financial scale (excluding public bonds calculated into the amount of standard financial demand in the calculation of local allocation tax, etc.). It is used to determine organizations that require consultations or permission to issue bonds. If the ratio is over 18%, the organization needs permission to issue bonds; if it is over 25%, the issue of certain kinds of local bonds is restricted; and if it is over 35%, the restrictions are tightened even more. It is also considered as a Ratio for Determining Soundness in “Law Relating to the Financial Soundness of Local Governments.” The early financial soundness criterion and the financial rebuilding criterion account for 25% and 35%, respectively.

### Trends in the Debt Service Payment Ratio Used for Permission to Issue Local Bonds



**\*Debt service payment ratio used for permission to issue local bonds:**

The debt service payment ratio indicates the ratio of general revenue resources allocated for public debt service (general financial resources allocated for public service, including the principal and interest repayments on local bonds) to the total amount of general revenue resources. This index is used to determine the flexibility of the financial structure by assessing the level that public debt payments restrict the freedom of use of general revenues.

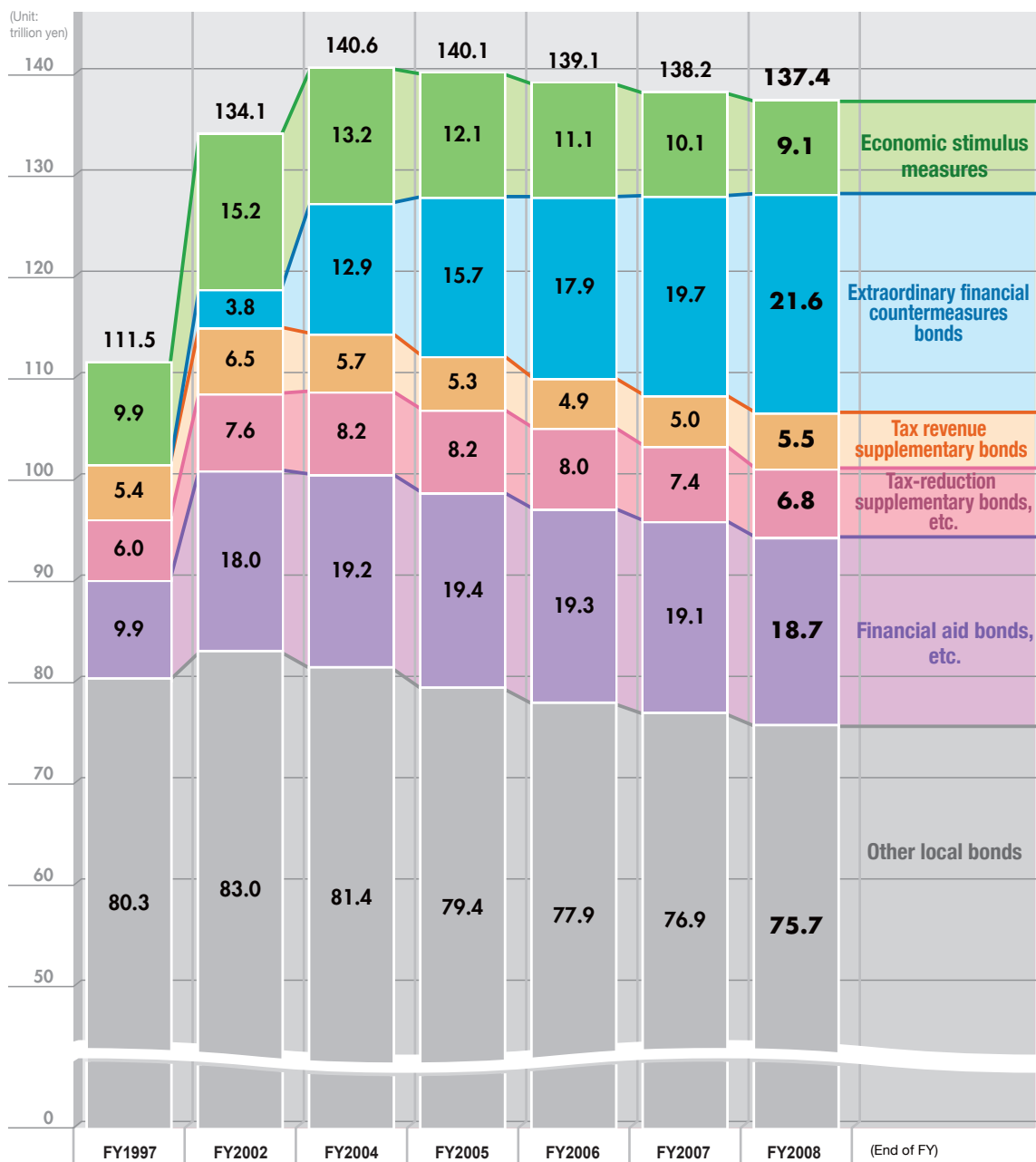


# Outstanding Local Government Borrowing

## What is the state of debts in local public finance?

### Trends in Outstanding Local Government Borrowing

Outstanding local government borrowing, the debts of local governments, amounted to approximately ¥137 trillion at the end of fiscal 2008. This figure has been increasing in recent years because of such factors as the need to supplement tax revenue as a result of tax cuts and the issue of extraordinary financial countermeasures bonds. The figure is 1.49 times larger than total revenue and about 2.44 times larger than the total sum of general revenue resources, such as local taxes and local allocation tax.



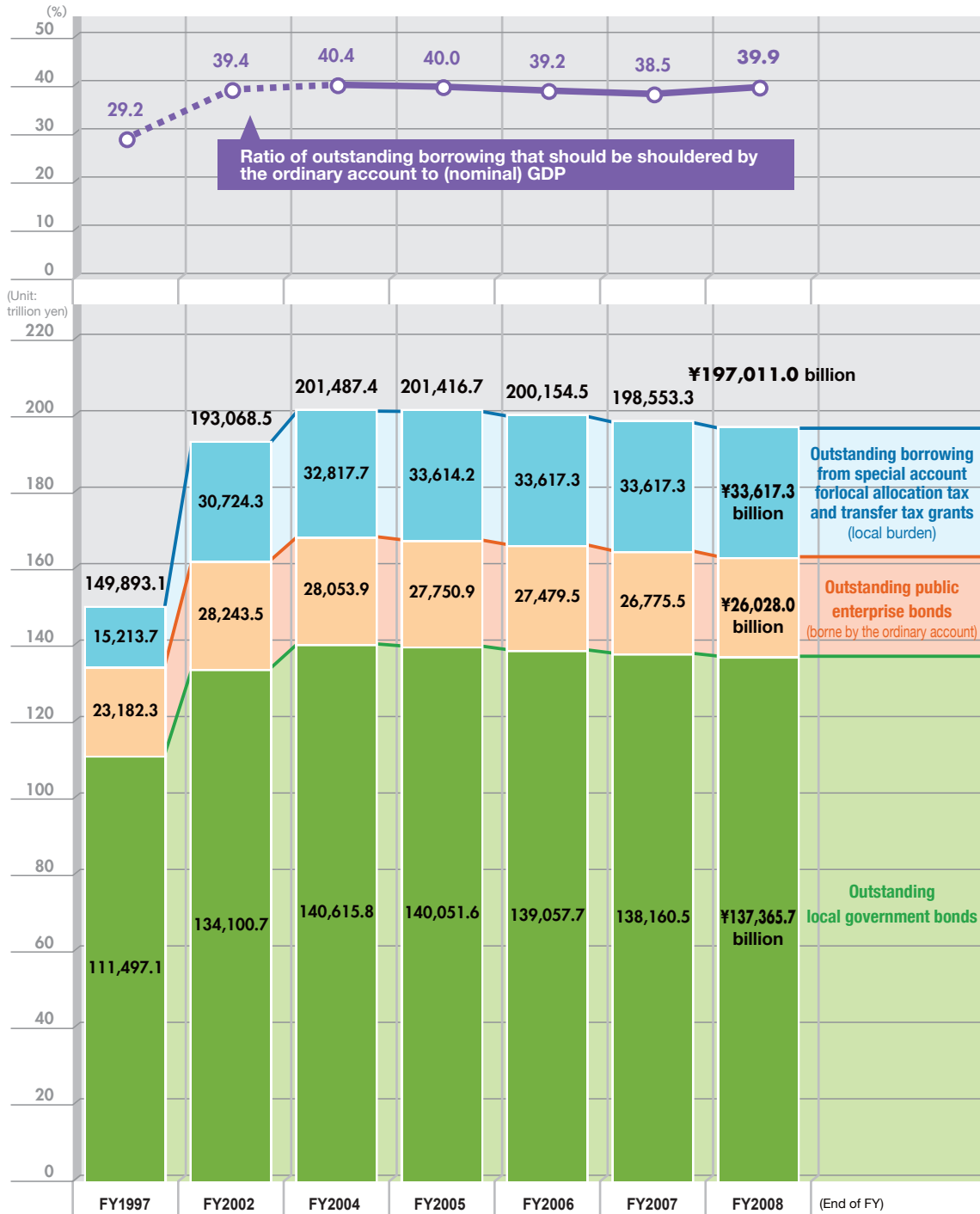
Notes:

1. Outstanding local government borrowing excludes special fund public investment bonds.
2. Figures for "economic stimulus measures" are estimates.

## 2 Outstanding Borrowing of Local Finance

Also, the outstanding borrowing of local public finance—which includes the local burden of borrowing from the special account for the local allocation tax and transfer tax grants, which are used to address local financial resource shortages, as well as the redemption of public enterprise bonds borne by the ordinary account—remains at a high level, amounting to approximately ¥197 trillion at the end of fiscal 2008.

### ● Trends in Outstanding Borrowing that Should be Shouldered by the Ordinary Account and the Ratio of Outstanding Borrowing to Gross Domestic Product



Notes:

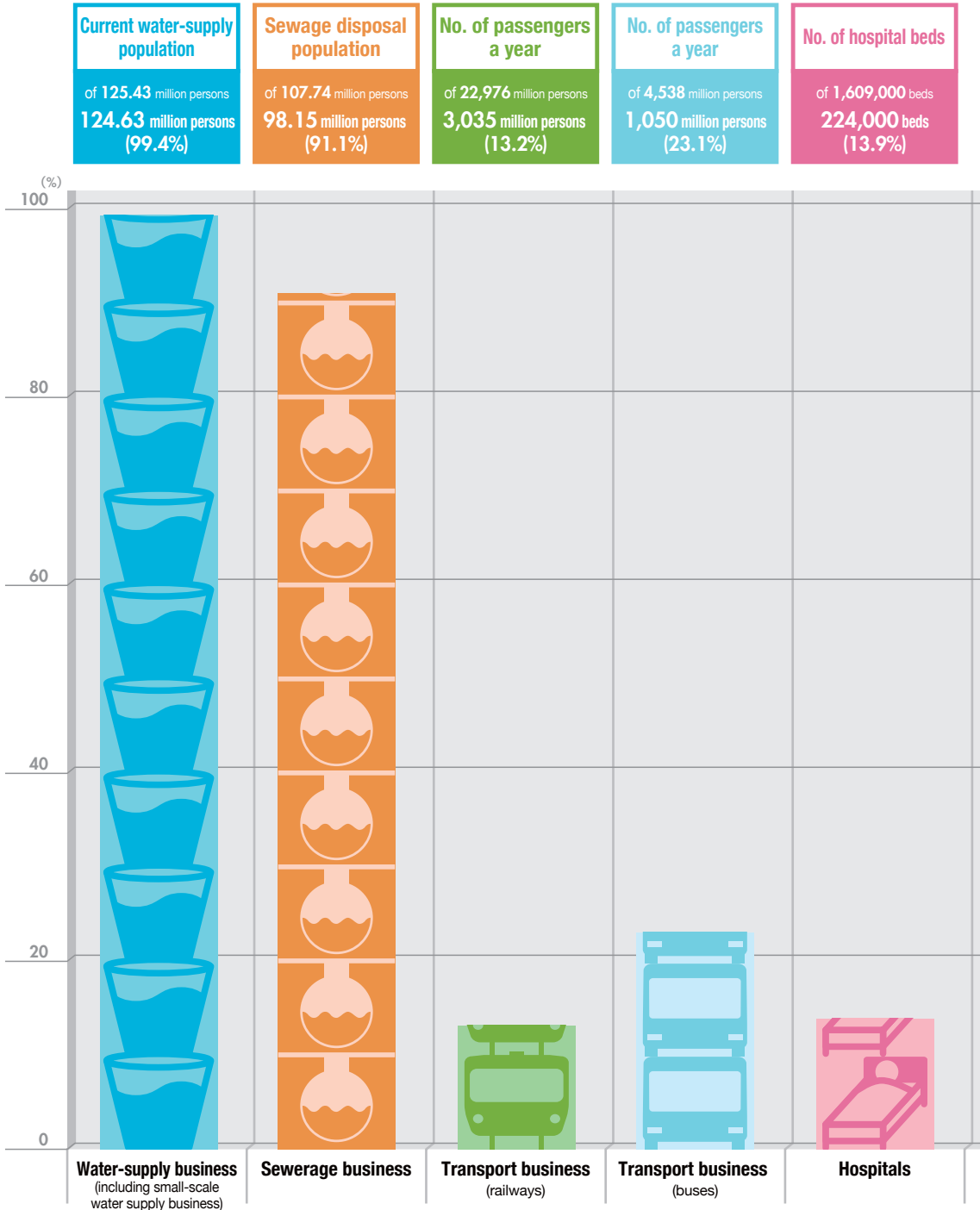
1. Outstanding local government borrowing excludes special fund public investment bonds.
2. Outstanding public enterprise bonds (borne by the ordinary account) are estimates based on settlement account statistics.

# Local Public Enterprises

## What is the state of local public enterprises?

### Ratio of Local Public Enterprises

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

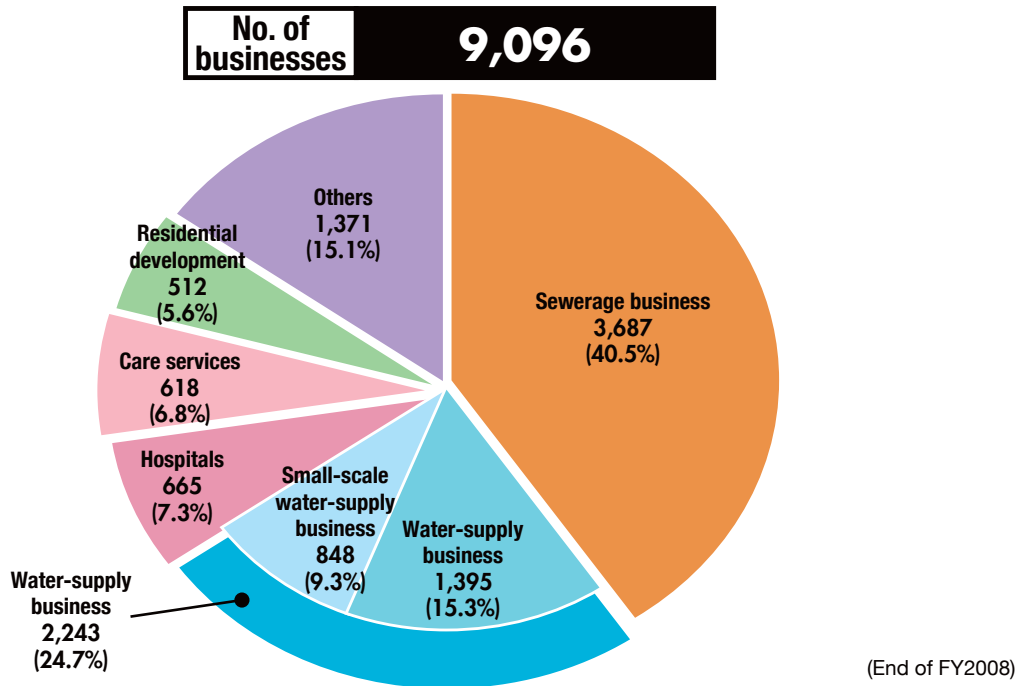


**Notes:**

1. The graph shows the ratio of local public enterprises when the total number of business entities nationwide is taken as 100.
2. Figures for the total number of enterprises nationwide are compiled from statistical materials of related organizations; figures for local public enterprises are compiled from figures for the total number of enterprises and settlements for the same fiscal year.

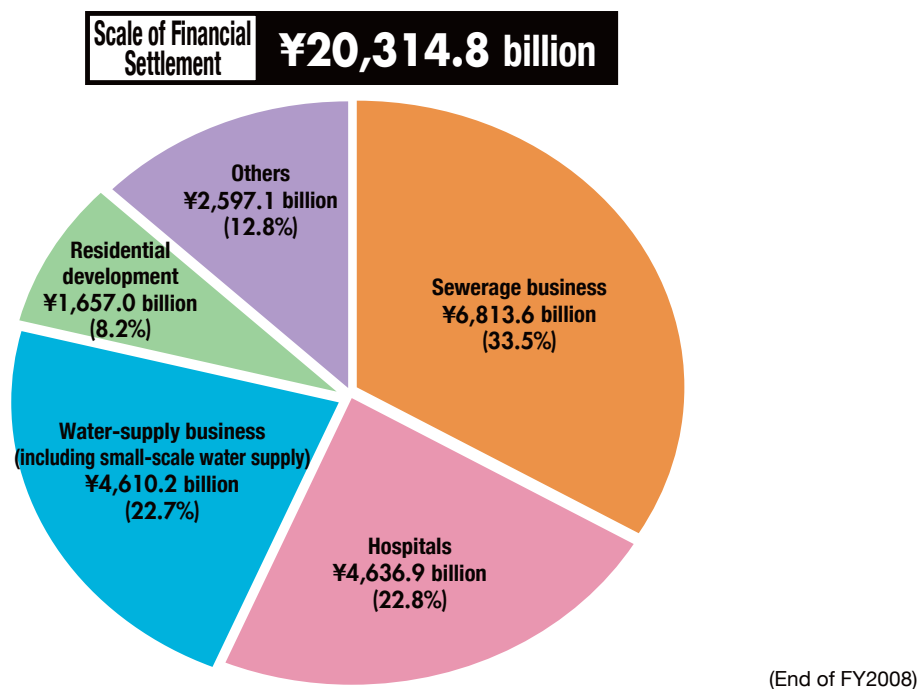
## 2 Number of Businesses Operated by Local Public Enterprises

The number of businesses is 9,096. By type of business, sewerage accounts for the largest ratio, followed in order by water supply, hospitals, care services, and housing development projects.



## 3 Scale of Financial Settlement

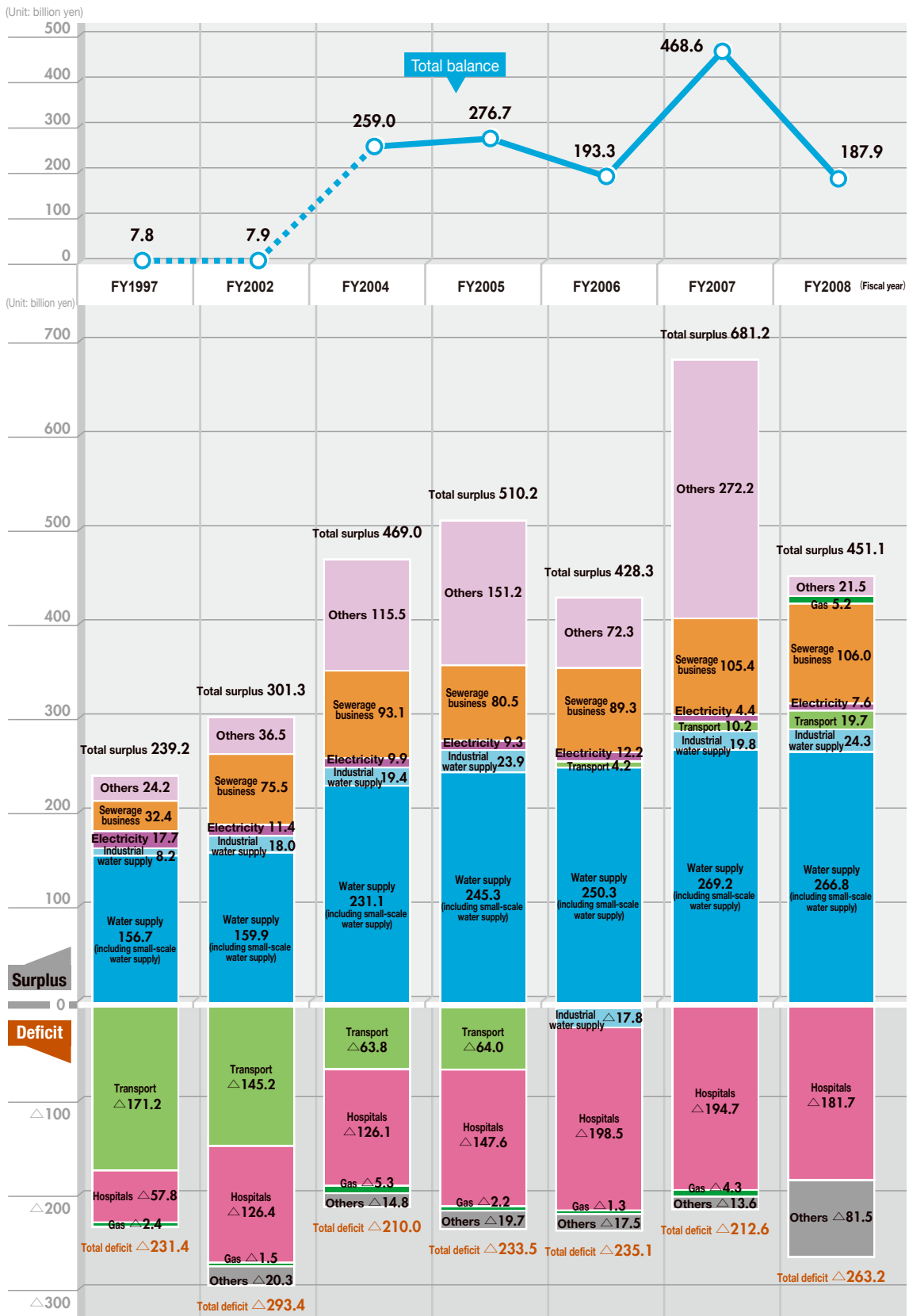
The total financial settlement scale is ¥20,314.8 billion. By type of business, sewerage accounts for the largest ratio, followed in order by hospitals, water supply, and residential development.



# 4 Management Conditions

Local public enterprises had a surplus of ¥187.9 billion. By type of business, while water supply, electricity, and sewerage showed a surplus, hospitals are continuing to register a deficit.

## Trends in Management Conditions of Local Public Enterprises



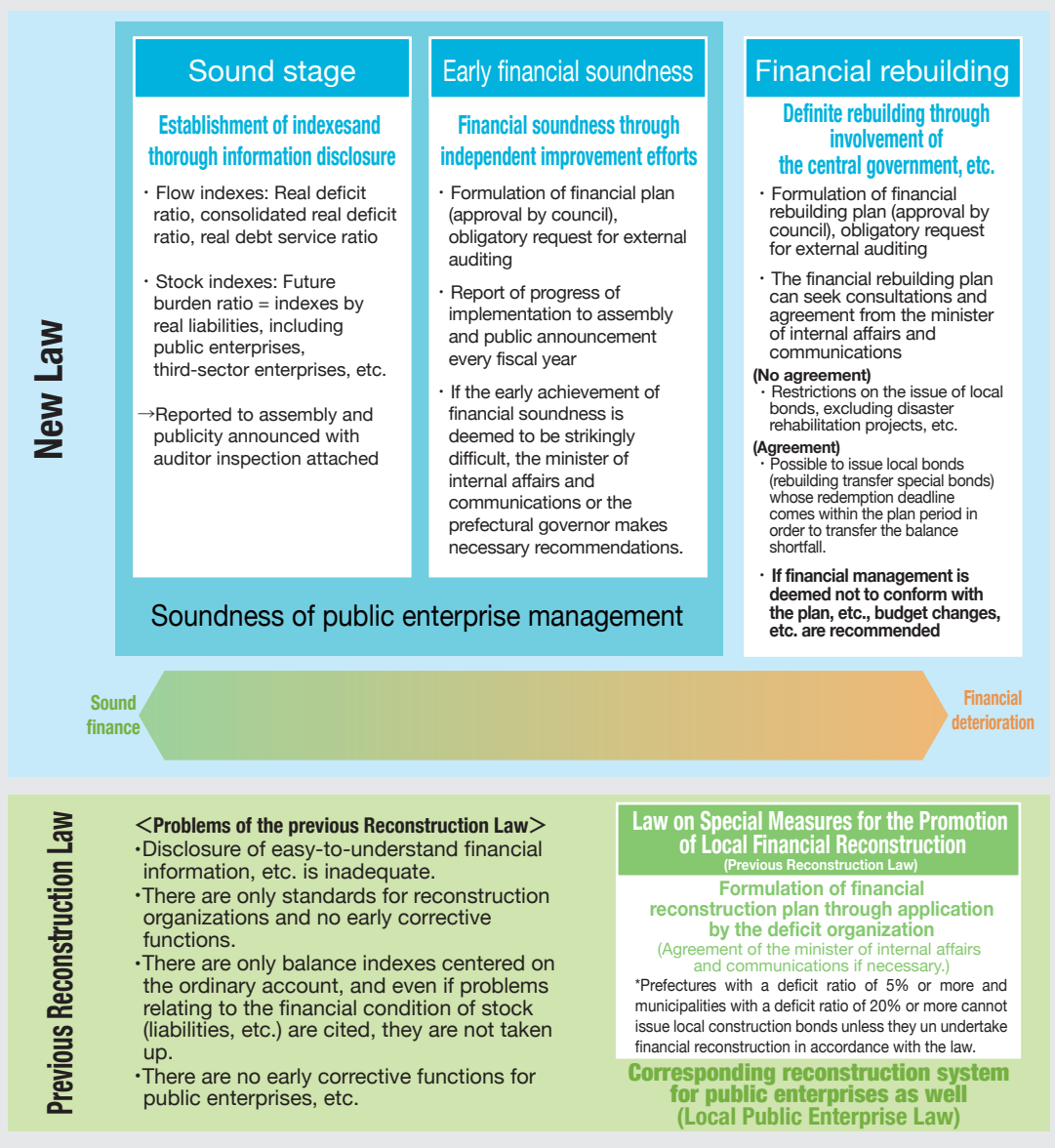
# Promotion of the Soundness of Local Public Finance

## Law relating to the Financial Soundness of Local Governments, etc.

Amid severe financial conditions caused by such factors as the redemption of local bonds and the advance of aging, local governments are required to conduct autonomous financial management that takes into account the needs of local residents. Furthermore, it is extremely important to establish the financial discipline of local governments in order to promote local power from now on. The conventional system for the reconstruction of local government finances only used flow indexes for the real deficit, such as the general account, and various problems were pointed out, such as the fact that this was a mechanism for reconstruction through application.

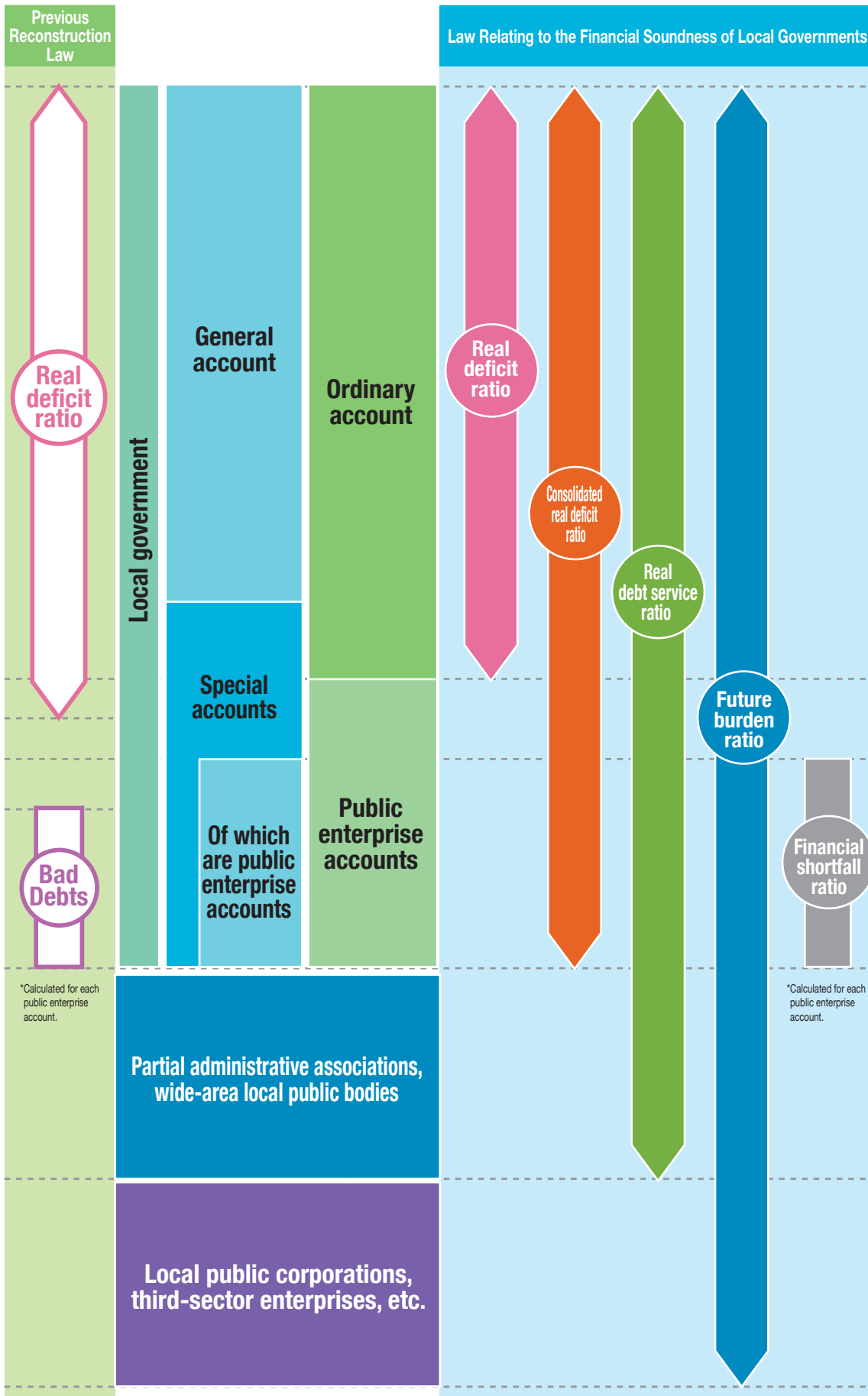
Therefore, the present system of local government financial reconstruction was drastically revised for the first time in about 50 years, and in June 2007 the Law Relating to the Financial Soundness of Local Governments (2007, Law No. 94) has been enacted as a new system to thoroughly establish and disclose financial indexes and to strive for the early soundness and rebuilding of financial affairs. Financial indexes have been in force since April 2008 and regulations concerning the duty to formulate financial soundness plans, etc., have come into force since April 2009.

### Comparison of New Law and Previous Reconstruction Law





## ● Subject of Ratio for Determining Soundness



## ● Outline of Ratio for Determining Soundness

$$\text{Real deficit ratio} = \frac{\text{Real deficit of general account, etc.}}{\text{Standard financial scale}}$$

- Real deficit of general account, etc.: Amount of real deficit in account corresponding to ordinary account among general account and special accounts
- Amount of real deficit = amount of advanced appropriation + (amount of deferred payment + amount of business balance carried forward)

$$\text{Consolidated real deficit ratio} = \frac{\text{Consolidated real deficit}}{\text{Standard financial scale}}$$

- **Consolidated real deficit: If the total amount of A and B exceeds the total amount of C and D, such exceeding amount**
  - A. Among general account and special accounts excluding public enterprises (enterprises regulated and enterprises not regulated by the Local Public Enterprise Law), the total amount of real deficit of accounts subject to real deficit
  - B. Among special accounts of public enterprises, the total amount of deficit of funds of accounts subject to deficit of funds
  - C. Among general account and special accounts excluding public enterprises, the total amount of real balance surplus of accounts subject to real balance surplus
  - D. Among special accounts of public enterprises, the total amount of surplus of funds of accounts subject to surplus of funds

$$\text{Real debt service ratio (3-year average)} = \frac{\text{(Redemption of principal and interest of local bonds + quasi-redemption of principal and interest) - (special revenue sources + amount included in standard financial requirements pertaining to redemption of principal and interest and quasi - redemption of principal and interest)}}{\text{Standard financial scale} - \text{(amount included in standard financial requirements pertaining to redemption of principal and interest and quasi-redemption of principal and interest)}}$$

- **Quasi-redemption of principal and interest: Total amount of A to E**
  - A. Amount corresponding to annual redemption of principal in a case of principal equal amortization where the redemption period is 30 years regarding bullet local bonds
  - B. Among the transfers from the general account, etc. to special accounts other than the general account, etc., the amount acknowledged to be appropriated for revenue resources for the redemption of public enterprise bonds
  - C. Among the burdens and subsidies to associations/local development corporations ("associations, etc."), the amount acknowledged to be appropriated for revenue resources for the redemption of local bonds issued by the associations, etc.
  - D. Expenditure based on liabilities that can be treated similarly to debt service among the expenditures based on debt burden
  - E. Interest of temporary loan

$$\text{Future burden ratio} = \frac{\text{Future burden amount} - \text{(amount of appropriable funds + estimated amount of special revenue sources + amount expected to be included in standard financial requirements pertaining to outstanding local government bonds, etc.)}}{\text{Standard financial scale} - \text{(amount included in standard financial requirements pertaining to redemption of principal and interest and quasi-redemption of principal and interest)}}$$

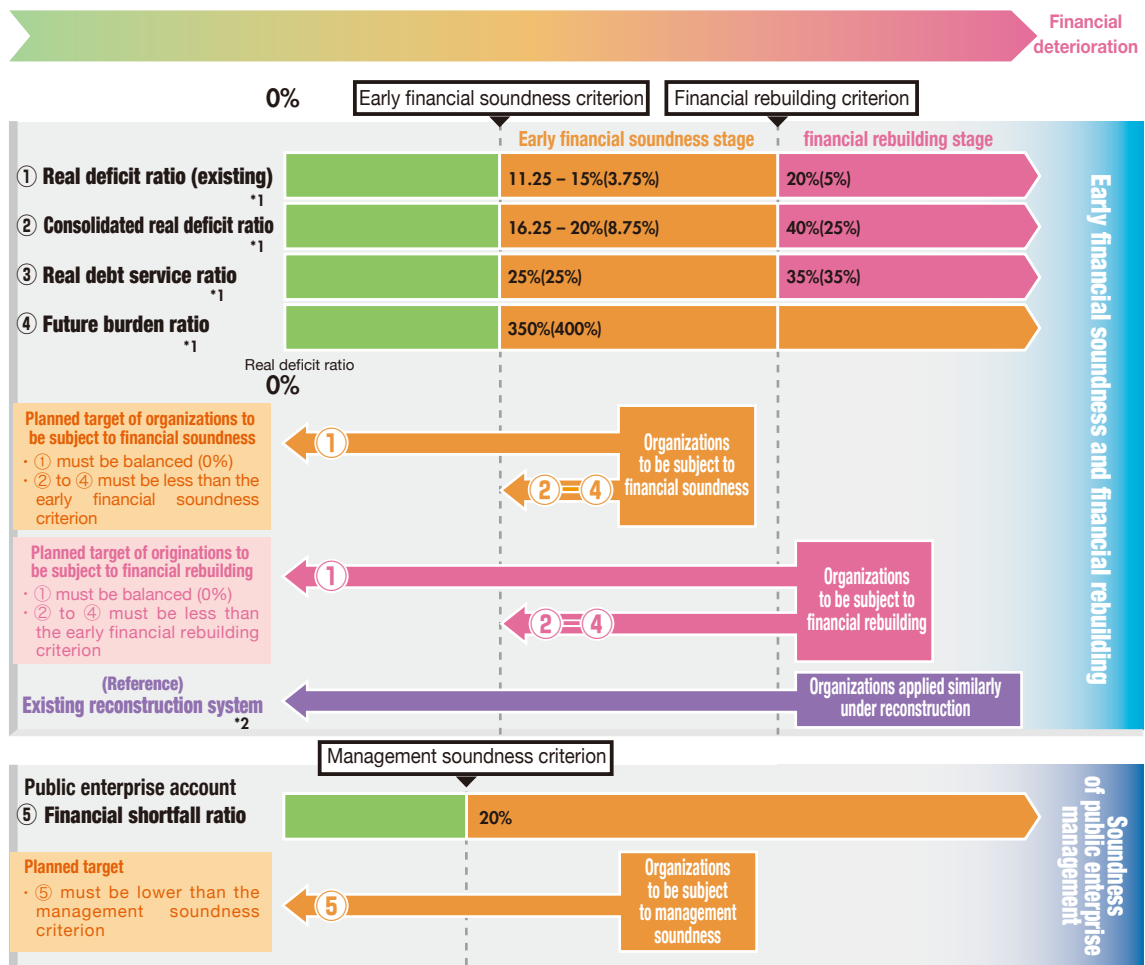
- **Future burden amount: Total amount of A to H**
  - A. Outstanding local government bonds as of end of fiscal year previous to relevant fiscal year of general account, etc.
  - B. Expected amount of expenditure based on debt burden (those pertaining to the expenses of each item under Article 5 of the Local Finance Law)
  - C. Estimated amount of transfer from the general account, etc. to be appropriated to the redemption of principal of local bonds of accounts other than the general account, etc.
  - D. Estimated amount of burden, etc. of the local government concerned to be appropriated for the redemption of principal of local bonds of the associations, etc. of which the local government concerned is a member
  - E. Among the expected amount of retirement allowance to be paid (amount of allowance that will be paid to all employees at the term end), the estimated amount of burden of the general account, etc.
  - F. Among the amount of debts of certain corporations established by the local government and among the amount of debt burden in the case of bearing the debts for such certain corporations, the estimated amount of burden of the general account, etc. giving consideration to the financial and business condition of the such corporations, etc.
  - G. Consolidated real deficit
  - H. Among the amount corresponding to the consolidated real deficit of the associations, etc., the estimated amount of burden of general account, etc.

Amount of appropriable funds: Funds under Article 241 of the Local Autonomy Law that can be appropriated for the amount of redemption, etc. of A to F

$$\text{Financial shortfall ratio} = \frac{\text{Deficit of funds}}{\text{Size of business}}$$

- **Deficit of funds:**
  - Deficit of funds (enterprises regulated by the law) = (current liabilities + outstanding local government bonds issued to be appropriated for revenue resources of expenses other than construction and improvement expenses, etc. - current assets) - resolvable amount of financial shortfall
  - Deficit of funds (enterprises not regulated by the law) = (amount of advanced appropriation + amount of deferred payment + amount of business balance carried forward + outstanding local government bonds issued to be appropriated for revenue resources of expenses other than construction and improvement expenses, etc.) - resolvable amount of financial shortfall
  - \*Resolvable amount of financial shortfall: A fixed amount to be deducted from the deficit of funds when there are circumstances where deficit of funds will arise due to the nature of the project or structurally for a given period of time after the commencement of the project.
  - \*Public enterprises that are engaged in residential land development projects are subject to a special exception concerning the calculation of the current assets pertaining to the assessment of the land, etc.
- **Size of business:**
  - Size of business (enterprises regulated by the law) = amount of operating revenue - amount of consigned construction profit
  - Size of business (enterprises not regulated by the law) = amount of profit corresponding to operating revenue - amount of profit corresponding to consigned construction profit
  - \*Public enterprises adopting the designated administrator system (usage fee system) are subject to a special exception concerning the amount of operating revenue.
  - \*The size of business of public enterprises that are only engaged in residential land development projects shall be the total amount of capital and debts that show the "financial resource scale for business management" (scale of procured funds).

## Image of Early Financial Soundness, Financial Rebuilding, and Soundness of Public Enterprise Management



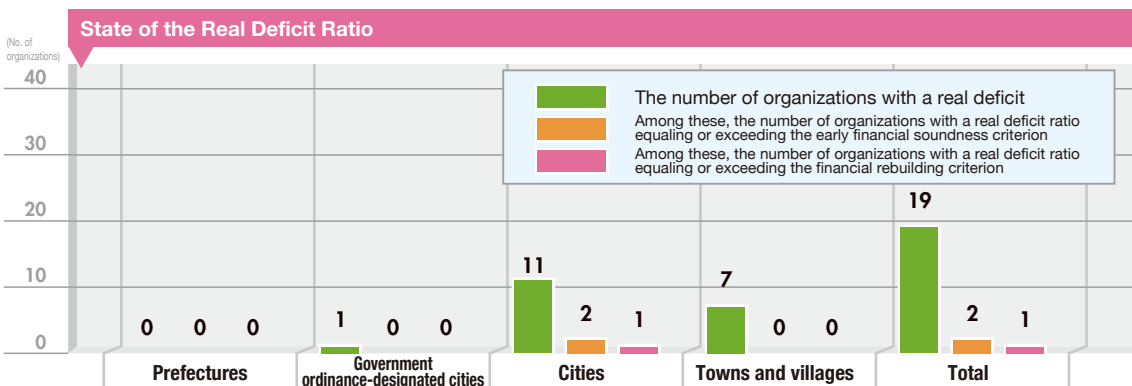
\*1: The figures without parenthesis are the criteria for municipalities; the figures in parenthesis are the criteria for prefectures.

\*2: Under the previous Reconstruction Law, an organization under reconstruction is required to ensure equilibrium of the real balance.

## 2 State of the Ratio for Determining Soundness and the Financial Shortfall Ratio

### 1 Real Deficit Ratio

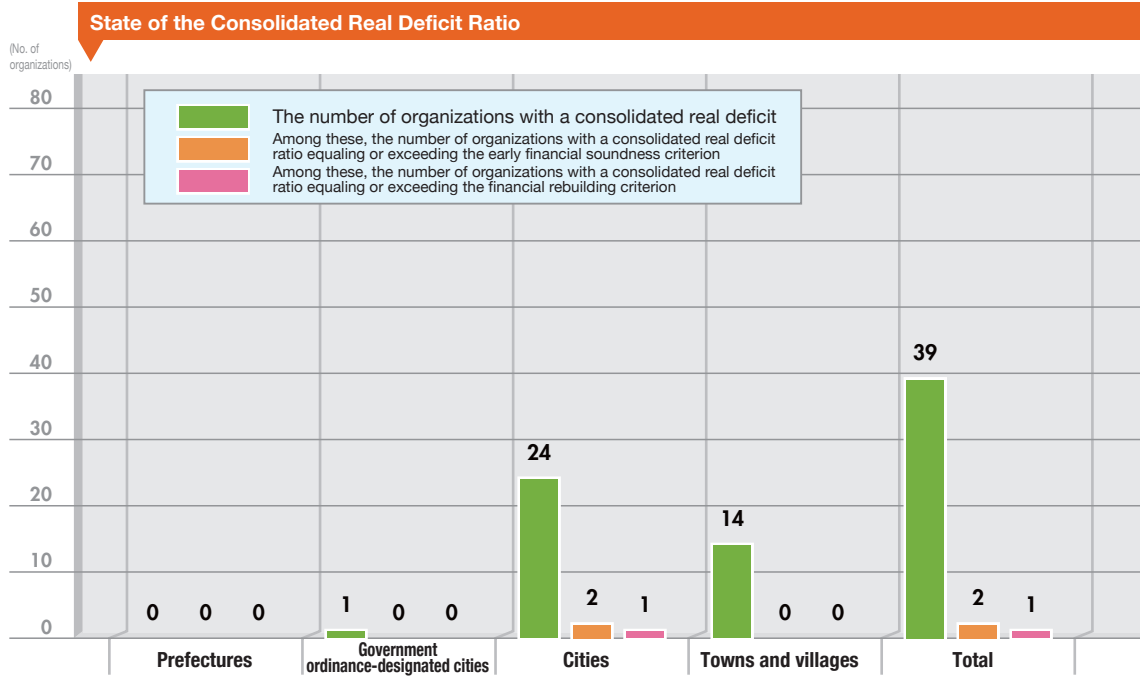
The following table illustrates the state of the real deficit ratio based on fiscal 2008 account settlements. Nineteen organizations come under the category of organizations with a real deficit (i.e. with their real deficit ratio exceeding 0%). Among these, there are two organizations whose real deficit ratio equals or exceeds the early financial soundness criterion. Furthermore, the real deficit ratio of one of the two organizations equals or exceeds the financial rebuilding criterion.



## 2 Consolidated Real Deficit Ratio

The following table illustrates the state of the consolidated real deficit ratio based on fiscal 2008 account settlements.

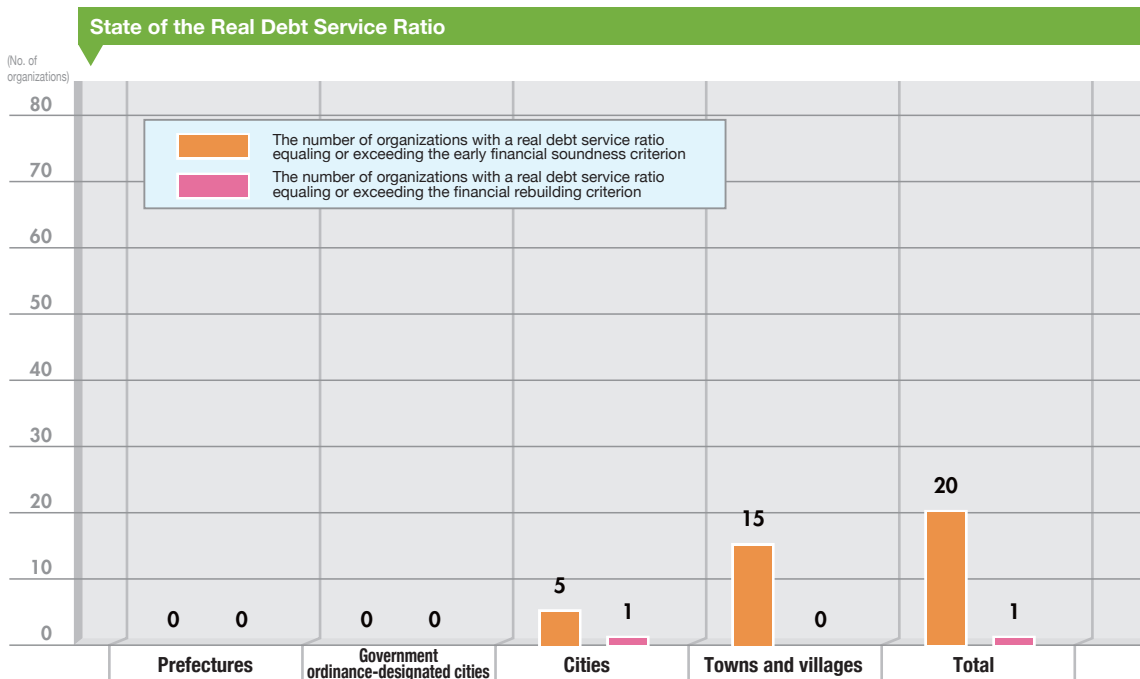
Thirty-nine organizations come under the category of organizations with a consolidated real deficit (i.e. with their consolidated real deficit ratio exceeding 0%). Among these, there are two organizations whose consolidated real deficit ratio equals or exceeds the early financial soundness criterion. Furthermore, the consolidated real deficit ratio of one of the two organizations equals or exceeds the financial rebuilding criterion.



## 3 Real Debt Service Ratio

The following table illustrates the state of the real debt service ratio based on fiscal 2008 account settlements.

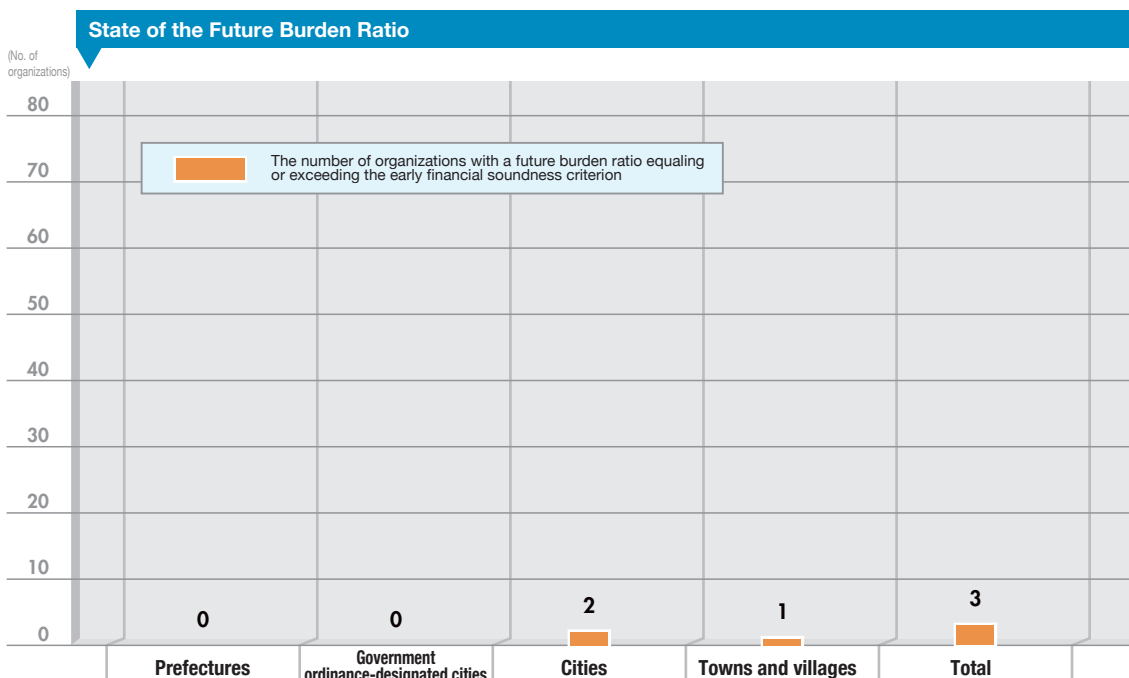
There are 20 organizations whose real debt service ratio equals or exceeds the early financial soundness criterion. Among these, there is one organization whose real debt service ratio equals or exceeds the financial rebuilding criterion.



#### 4 Future Burden Ratio

The following table illustrates the state of the future burden ratio based on fiscal 2008 account settlements.

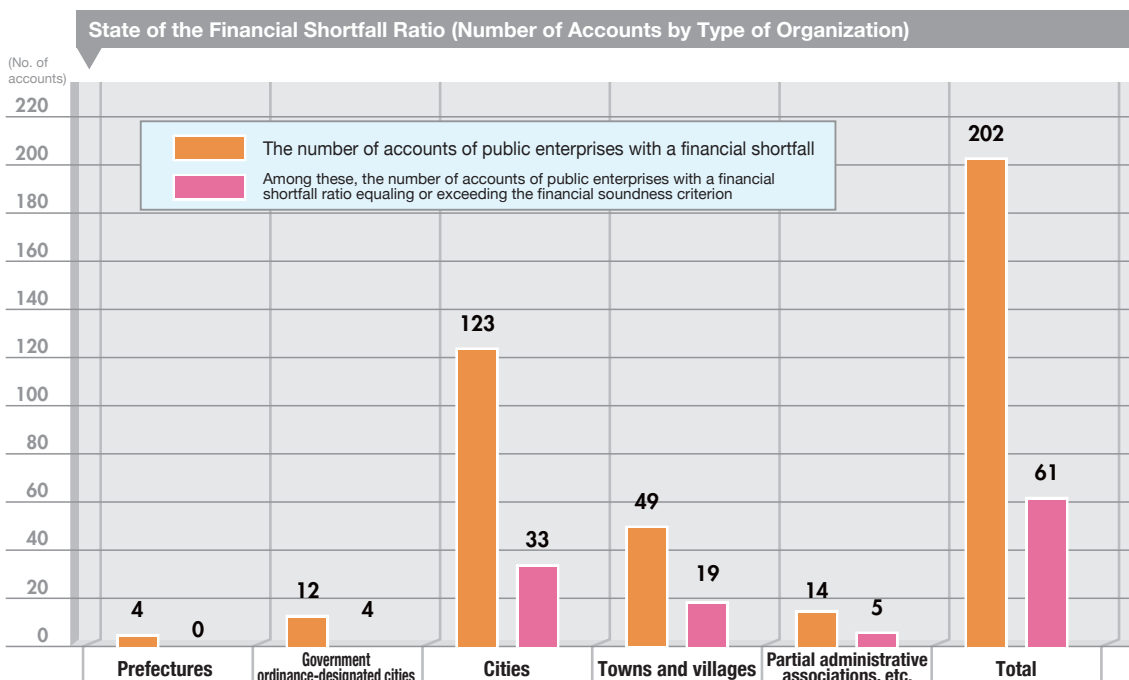
There are three organizations whose future burden ratio equals or exceeds the early financial soundness criterion.



#### 5 Financial Shortfall Ratio

The following table illustrates the state of the financial shortfall ratio based on fiscal 2008 account settlements.

The accounts of 202 public enterprises come under the category of accounts with a financial shortfall (i.e. with their financial shortfall ratio exceeding 0%). Among these, there are 61 accounts whose financial shortfall ratio equals or exceeds the financial soundness criterion.



# Trends and Issues in Local Public Finance

In aim to realize resident-oriented public administration—i.e., the establishment of “local power” where the residents of a certain region are able to makes decisions regarding said region individually—the national government closely reviews its authority and financial resources before delegating them to local governments.

Specifically, based on the principle of subsidiarity—where decentralization reforms are carried out focusing on lower-tier municipal bodies, which are the most accessible form of government to residents, administrative work and projects that cannot be handled by such lower-tier municipal bodies is handled by larger, regional local governments, and administrative work and projects that cannot be handled by those regional local governments is handled by the national government—local power is promoted by delegating authority and financial resources to local governments in accordance with their capacity and size and by such measures as dissolving double administration.

## Promotion of Decentralization Reforms

### 1 Bill regarding the Development of Related Laws for Promoting Regional Power Reform

#### (1) Establishment of the Regional Power Strategic Council (partial amendment to the Act for Establishment of the Cabinet Office)

**Definition of “regional power reform”:** Based on the principles of the Constitution of Japan, these reforms are to ensure that the administrative affairs most accessible to residents shall be widely overseen by local governments in an autonomous and comprehensive manner, and to allow local residents the power to address regional issues using their own judgment and responsibility.

- 1 Affairs** Survey and deliberate on basic reform plans and important matters, promote the implementation of measures in response to important matters
- 2 Council organization** Important council of the Cabinet Office: Up to 15 persons  
**Chair:** Prime Minister  
**Members:** Chief Cabinet Secretary, Minister of Local Power Reform, other ministers designated by the Prime Minister, other experts appointed by the Prime Minister, etc.
- 3 Other**
  - Executed on the day stipulated by Cabinet order (within three months of public distribution)
  - A review is to be conducted within three years following the law’s execution from the perspective of further advancing reforms

#### (2) Revision of obligations and limits (partial amendment to related laws)

Amendments will be collectively made to 41 related laws based on the Decentralization Reform Promotion Plan (approved by the Cabinet on December 15, 2009).

### 2 Bill regarding Venues for Discussion between the National and Local Governments

- 1 Construction /operation**
  - **National-level members:** Chief Cabinet Secretary, Minister of Local Power Reform, Minister of Internal Affairs and Communications, Minister of Finance, other ministers designated by the Prime Minister (the Prime Minister appoints the Chair and acting chair)
  - **Local-level members:** Representatives from the six major local government groups (one person from each) <select Deputy Chair>
  - **Temporary members:** ministers that are not members, local government mayor/governors and prefectural assembly chairmen
  - The Prime Minister can always attend meetings and comment
- 2 Discussion topics**

**Matters considered important from the following list**

  - Matters concerning the division of roles between the national and local governments
  - Matters concerning local administration, local financial administration, regional tax systems, and other matters concerning local governments
  - Items considered to affect local governments from among policies concerning economic and fiscal policy, policies regarding social security, education, and the development of social infrastructure, and matters concerning other national policies
- 3 Summoning the Prime Minister**
  - Prime Minister (The Prime Minister shall be summoned a certain number of times each fiscal year, and can be summoned for special sessions as well.)
  - Members can request that the Prime Minister be summoned
- 4 Sectional meetings**
  - The council can hold sectional meetings to survey and consider special matters
- 5 Reports to the Diet**
  - The Chair shall draft a report that includes an overview of meetings and submit it to the Diet without delay following the conclusion of discussions
- 6 Compliance with meeting results**
  - Members and temporary members must comply with matters that were agreed on within discussions

## Revisions of Obligations and Limits

### Matters Subject to Amendment

The following items are subject to amendment, from among those local administrative affairs that have been made obligatory and given limits via laws and ordinances, and have been deemed to lie outside of the independent decision-making scope according to regulations:

- 1 Criterion for managing the establishment of facilities and public goods
- 2 Approval, permission, and authorization of discussions and agreements
- 3 Drafting, procedures, etc. for plans, etc.

### Collective amendment of related laws

Revise obligations and limits in order to enhance the autonomy of local governments and to increase their independence

### Post Amendment

For example,

- 1 Prescribe criterion using regulations in place of criterion established by the national government in order to exercise local autonomy
- 2 Abolish or weaken the involvement of the national government
- 3 Abolish the drafting duties of plans, etc.

### (Overview of Amendments (example))

- Criterion regarding the equipment and operations at **child welfare facilities** (Child Welfare Act)
  - Maintenance and revenue criterion for public housing (Act on Public Housing)
  - Technical criterion for the structure of roads (however, excluding criterion for design vehicles, etc.) (Road Act)
  - Require the notification of approvals made by prefectural boards of education regarding the abolishment of municipal kindergartens, etc. (School Education Act)
- } Delegate these to local regulations

〔 (National criterion changed to “less rigid criterion”) 〕

## 2 Creating Regional Power and Regional Revitalization

In order to form active local societies and establish local power, at the Ministry of Internal Affairs and Communications, various actors in each region collaborate and work together to utilize local resources to the greatest extent possible and to provide assistance so that those actors can implement a range of efforts that boost the strength of each region.

### 1 Promotion of a “Green Decentralization Reform”

Cooperation and collaborations between local governments, residents, NPOs, etc. on the creation of a framework that allows for utilizing each region’s resources (rich natural environment, reusable clean energy, safe and affluent foodstuffs, historical and cultural heritage, financial resources) to the maximum extent possible, which will lead to transforming the “centrally concentrated social structure where human resources and funds are outfluxed from different regions” to a “**structure of regional sovereignty that boosts the region’s ability to be self-sustainable and produce wealth.**”

#### FY2009 Exploratory Project

- Survey and advanced verification of reusable clean energy resource storage levels in prefectures and municipalities

#### FY2010 Exploratory Project

- Research regarding systematic response to promoting reforms, etc.
- Surveys and research in municipalities that became the first to agree to the reforms and to carry out comprehensive and multifaceted efforts

#### [1] What are “green decentralization reforms”?

- Japan’s various regions face stringent financial restrictions due to falling birth rates, the aging population, and the decline in overall population. Thus, there is a strong need for promoting reforms that will establish regional power, make shifts to low-carbon societies, etc.
- Green decentralization reforms aim to create a framework so that each region can assess and make the most of their forests, villages, and oceans, water and other rich resources that they generate, the food and energy created using those resources, as well as historical and cultural assets. These reforms will then use these frameworks to revitalize regions, rebuild “bonds,” and generate a shift from a “centrally concentrated social structure where human resources and funds are outfluxed from different regions” to a “structure of regional sovereignty that boosts the region’s ability to be self-sustainable and produce wealth”.

#### [2] Local power reforms and green decentralization reforms

- These reforms aim to revise obligations and limits, delegate authority to lower-tier local government, abolish contributions to projects directly overseen by the government, make subsidies into lump-sum grants, abolish the principle of outpost agencies, and create a legal structure for discussions that take place between the national and local governments in order to establish local power. These reforms will dramatically boost the authority and responsibility of local governments.
- In this way, in accordance with making administrative and financial functions into local functions, green decentralization reforms change the lives of residents and the regional economy into a structure where regions can effectively utilize human resources, food, energy, and other resource to the greatest extent possible. This allows for reforming the very trends of persons, goods, money, and energy and creating a social system that boosts the ability of regions to be self-sustainable and generate wealth.

### 2 Promotion of the Greater Independence Settlement Area Concept

**Mutually divide the roles** of the urban functions of “central cities” and the environment, history, culture, food production, etc. functions of “peripheral towns and villages” **and form places for settlement**

- The Outline for Promoting the Greater Independence Settlement Area Concept and assistance measures for independent settlement areas were completed and released nationwide in April 2009.
- As of November 2009, 36 local governments have declared themselves as central cities, agreements have been concluded with 58 local governments (10 regions), and policies have been drafted with two local governments (two regions).

### 3 Assistance for Making Disadvantaged Areas (under-populated, etc.) Independent and Active

Recognizing the fact that “Japan itself has its roots in under-populated areas”, national territory shall be preserved, production functions shall be protected, and **communities that are comfortable to live in shall be rebuilt.**

- Promotion of new depopulation countermeasures
- Secure resources for medical, nursing care, and living
- Rebuild settlements using “settlement assistance personnel”
- Resolve the digital divide



## 3 Administrative and Fiscal Reform

### 1 Intensive Reform Plans

In order to thoroughly promote local administrative reform, the Ministry of Internal Affairs and Communications has compiled “New Guidelines for the Promotion of Administrative Reform in Local Governments” (New Local Administrative Reform Guidelines) and notified local governments of these on March 29, 2005.

As a result, local governments have compiled and disclosed intensive reform plans indicating specific efforts, such as the reorganization and arrangement of administrative work and projects and the promotion of private-sector consignment, to be undertaken in general until fiscal 2009.

### 2 Further Promotion of Administrative and Financial Reform

On August 31, 2006, the Ministry of Internal Affairs and Communications formulated its “Guidelines for the Further Promotion of Administrative Reform in Local Governments” and requested local governments to make positive efforts toward three reforms: the reform of total personnel expenses, reform of public services, and reform of local public accounting. As of April 1, 2009, 45 prefectures, 16 government ordinance-designated cities, and 1,417 municipalities have already reviewed their status in these respects.

#### Reform of total personnel expenses

- A further net reduction in the number of employees has been achieved bearing in mind the net reduction in the number of national public employees
- Promotion of salary reforms (as a reflection of regional private-sector salaries, further rationalizing of salaries)
- Efforts to curb personnel expenditures by third-sector enterprises, etc.

#### Reform of public services

- Implementation of studies in light of project classifications and overall inspection of the need for public services and implementing entities
- Setting of performance indexes related to the maintenance and improvement of public services and numerical targets related to expenditure reductions, etc., in the implementation of marketization tests

#### Reform of local public accounting (local asset and debt management reform)

- Promotion of the compilation of four documents: balance sheets, administrative cost statements, financial balance statements, and net asset fluctuation statements
- Formulation of the direction and specific measures for asset and debt reforms including promotion of the sale of unused assets, the effective utilization of assets, etc.

#### Formulation of Rules for Information Disclosure to Facilitate Comparisons and Appraisal Between Local Governments and the Strengthening of Resident Monitoring

- Enhancement of disclosure systems, including salary information
- Further promotion of financial information disclosure to enable comparisons between organizations
- Disclosure of the implementation process and implementation of the results of marketization tests
- Active appointment of outside personnel as auditors and the utilization of external auditing



### 3 Promotion of Local Public Accounting Reform and Information Disclosure

#### A. Promotion of reform of local public accounting

With respect to the establishment of local public accounting, the Ministry of Internal Affairs and Communications requested local governments to make efforts toward disclosing information that is required for the compilation and formulation of financial documents based on “Guidelines for the Further Promotion of Administrative Reform in Local Governments.” In consideration of the fact of the formulation of the direction and specific measures for asset and debt reform by fiscal 2009 and the enforcement of “Law Relating to the Financial Soundness of Local Governments,” it is important for every local government to conduct certain asset valuation and compile financial documents by fiscal 2009.

Further enhancement of transparency in the financial conditions of local governments through the establishment of local public accounting is expected, and it is, therefore, important to disclose information to residents, etc., in an easy-to-understand manner. Among local governments that have taken the lead in establishing financial documents, some entities have prepared financial documents that concisely indicate the overall financial situation in such an easy-to-understand manner.

#### ● Balance Sheet

- A balance sheet shows the state of assets/properties and the revenue resources for procurement as of the end of the fiscal year.

(Unit: million yen)

Assets	Amount	Liabilities	Amount
1. Non-financial assets	1,083,132	1. Non-current liabilities	469,992
(1) Assets for business	392,821	(1) Local government bonds	430,104
(2) Infrastructure assets	690,311	(2) Borrowing	0
		(3) Retirement allowance reserve	33,963
		(4) Other non-current liabilities	5,925
2. Financial assets	58,508	2. Current liabilities	39,343
(1) Funds	13,251	(1) Payments due	6,547
(2) Receivables	20,101	(2) Reserve for bonuses	1,693
Accounts due	15,407	(3) Local government bonds redeemable in the following fiscal year	30,569
Loans	2,881	(4) Short-term borrowing	165
Other	1,813	(5) Other current liabilities	369
(3) Marketable securities	100		
(4) Investments, etc.	25,056	Liabilities total	509,335
Capital investments	6,210		
Reserve funds/deposits	17,215	<b>Net assets</b>	<b>Amount</b>
Other investments	1,631		
		Net assets total	632,305
Assets total	1,141,640	Liabilities and net assets total	1,141,640

## ● Administrative Cost Statement

- An administrative cost statement shows the amount (cost) of administrative resources spent on administrative services during the year.

(Unit: million yen)

	<b>Amount</b>
<b>Ordinary expenditure</b>	<b>248,872</b>
<b>1. Personnel expenses</b>	<b>41,358</b>
(1) Employee salaries	25,598
(2) Pension expenditures	4,877
(3) Other related expenditures	10,883
<b>2. Property expenses</b>	<b>25,620</b>
(1) Supplies expenditures	5,130
(2) Depreciation expenses	12,174
(3) Maintenance and repair expenses	5,058
(4) Other related expenses	3,258
<b>3. Cost of transfer expenditures</b>	<b>132,366</b>
(1) Transfer expenditures including subsidies	74,200
(2) Social security benefits expenditures	13,602
(3) Other related expenditures	44,564
<b>4. Costs, etc.</b>	<b>49,528</b>
(1) Debt service (interest paid)	11,068
(2) Consignment costs	20,256
(3) Other costs	18,204
<b>Ordinary revenues</b> (Usage fees, handling fees, part of various income sources, etc.)	<b>45,891</b>
<b>Net ordinary administrative costs</b> (Ordinary expenditures—Ordinary revenues)	<b>202,981</b>

## ● Net Asset Fluctuation Statement

• A net asset fluctuation statement shows the fluctuations of net assets calculated as the difference between assets and liabilities during the year.

(Unit: million yen)

	<b>Amount</b>
<b>Net asset balance at the beginning of year</b>	<b>629,857</b>
<b>1. Fluctuations in the accounts regarding properties</b>	<b>△ 12,058</b>
<b>(1) Use of revenue resources</b>	<b>277,719</b>
<b>Net ordinary administrative costs</b>	<b>202,981</b>
<b>Formation of fixed assets</b>	<b>40,673</b>
<b>Formation of long-term financial assets</b>	<b>19,111</b>
<b>Other revenue resources</b>	<b>14,954</b>
<b>(2) Procurement of revenue resources</b>	<b>265,661</b>
<b>Tax revenues</b>	<b>80,435</b>
<b>Transfer income including subsidies</b>	<b>77,813</b>
<b>Contributions</b>	<b>44,825</b>
<b>Other revenue resources</b>	<b>62,588</b>
<b>2. Fluctuations in revenues to be appropriated for the formulation of assets</b>	<b>14,506</b>
<b>(1) Fluctuations in fixed assets</b>	<b>14,332</b>
<b>(2) Fluctuations in long-term financial assets</b>	<b>210</b>
<b>(3) Fluctuations in evaluation/exchange differences</b>	<b>△ 36</b>
<b>3. Fluctuations in other net assets</b>	<b>0</b>
<b>Net asset balance at the end of year</b>	<b>632,305</b>

## ● Financial Balance Statement

• A financial balance statement shows the state of revenue and expenditure classified by the categories of ordinary administrative activities, public investments, and other administrative activities.

(Unit: million yen)

	<b>Amount</b>
<b>1. Ordinary revenues and expenditures</b>	<b>40,470</b>
<b>2. Capital revenues and expenditures</b>	<b>△ 39,279</b>
<b>3. Financial revenues and expenditures</b>	<b>△ 4,323</b>
<b>Fund revenues and expenditures for this term</b>	<b>△ 3,132</b>
<b>Fund balance at the beginning of year</b>	<b>16,383</b>
<b>Fund balance at the end of year</b>	<b>13,251</b>
<b>Basic financial revenues and expenditures</b>	<b>1,191</b>

With respect to the state of the compilation of financial documents, 42 prefectures (89.4%), 17 designated cities (94.4%), and 1,102 municipalities, excluding designated cities, (63.6%) answered “Compiled;” five prefectures (10.6%), one designated city (5.6%), and 473 municipalities excluding designated cities (27.3%) answered “Being compiled;” and 157 municipalities excluding designated cities (9.1%) answered “Not yet compiled” as a result of a survey as of March 31, 2010.

Among the local governments that have compiled financial documents, 83.0% of prefectures, 100.0% of designated cities, and 53.1% of municipalities excluding designated cities have compiled these documents in accordance with the new local public accounting model (either the “reference model” or the “MIC system revised model”).

## State of Compilation of Financial Documents by Local Governments

State of compilation of financial documents pertaining to settlement of FY2008.

(Unit: No. of Organizations, %)

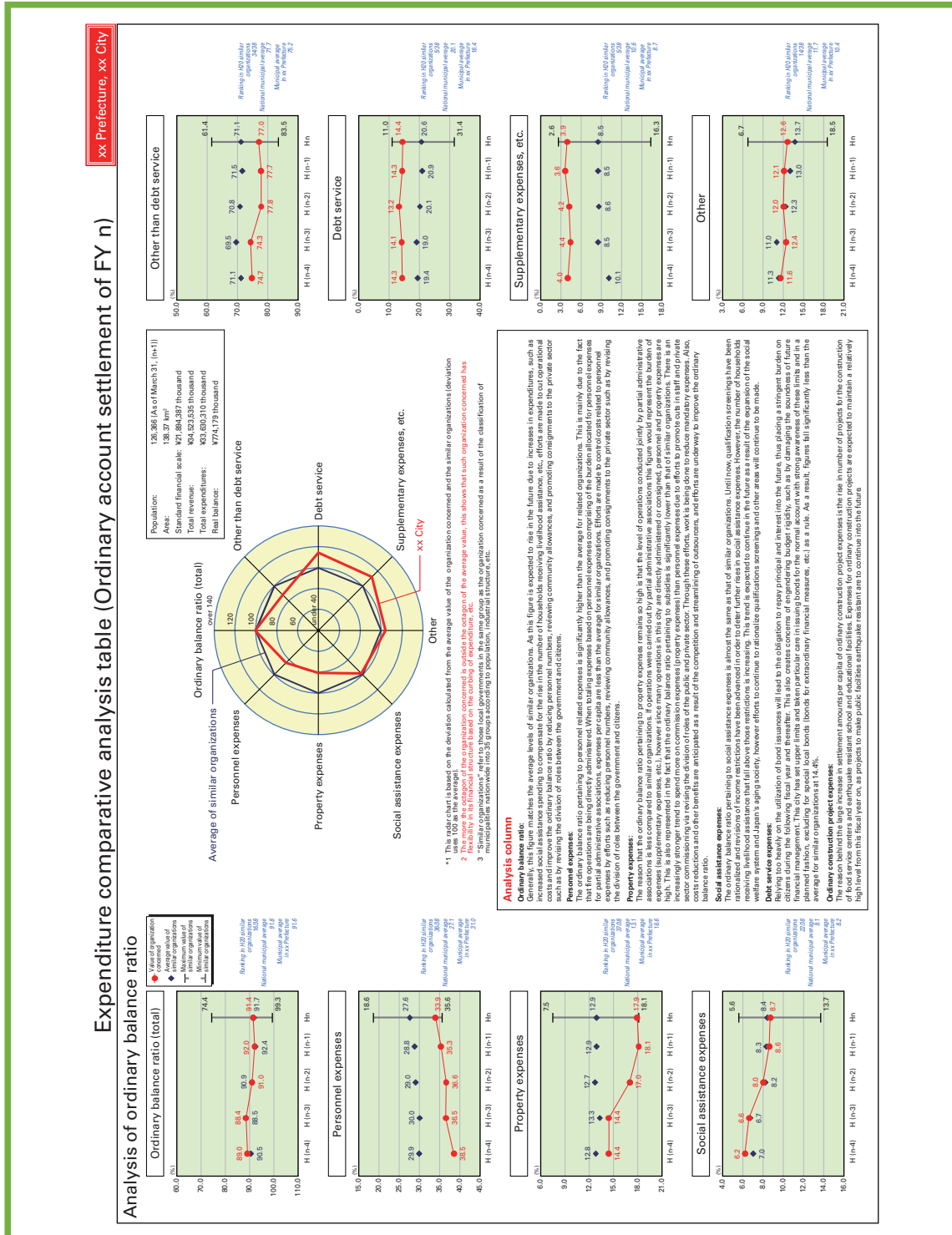
	Prefectures	Municipalities	Designated cities	Municipalities excluding designated cities
<b>Compiled</b>	42 (89.4%)	1,119 (63.9%)	17 (94.4%)	1,102 (63.6%)
Reference model	2 (4.8%)	80 (7.1%)	3 (17.6%)	77 (7.0%)
MIC system revised model	37 (88.1%)	857 (76.6%)	14 (82.4%)	843 (76.5%)
MIC system	1 (2.4%)	166 (14.8%)	0 (--)	166 (15.1%)
Other	2 (4.8%)	16 (1.4%)	0 (--)	16 (1.5%)
<b>Being compiled</b>	5 (10.6%)	474 (27.1%)	1 (5.6%)	473 (27.3%)
Reference model	0 (--)	33 (7.0%)	0 (--)	33 (7.0%)
MIC system revised model	5 (100.0%)	429 (90.5%)	1 (100.0%)	428 (90.5%)
MIC system	0 (--)	11 (2.3%)	0 (--)	11 (2.3%)
Other	0 (--)	1 (0.2%)	0 (--)	1 (0.2%)
<b>Not yet compiled</b>	0 (--)	157 (9.0%)	0 (--)	157 (9.1%)
<b>Total</b>	47 (100.0%)	1,750 (100.0%)	18 (100.0%)	1,732 (100.0%)

## B. Promotion of Information Disclosure

Amid the increasing severity of local public finance, various efforts are being made to fulfill accountability. In order for each local government to promote financial soundness while gaining the understanding and cooperation of residents, etc., the Ministry of Internal Affairs and Communications has compiled “expenditure comparative analysis tables” and “financial comparative analysis tables,” etc. and posted them on its homepage with the aim of disclosing information to residents, etc. in an easy-to-understand manner based on forms that are comparable with those of other local governments. It is expected that the formulation and disclosure of “expenditure comparative analysis tables” for conducting a comparative analysis of expenditures among similar organizations will be utilized for the effective reduction of expenditures.

Website address <http://www.soumu.go.jp/iken/saishutsuhyo/index.html>

## Example of an Expenditure Comparative Analysis Table (Page 1/3)



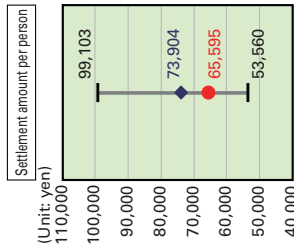
Ranking in 420 similar organizations: 259  
National municipal average: 77.7  
Municipal average: 76.2

Example of an Expenditure Comparative Analysis Table (Page 2/3)

Expenditure comparative analysis table (Ordinary account settlement of FY n)

xx Prefecture, xx City

Analysis of personnel expenses and expenses similar to personnel expenses



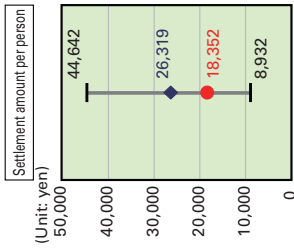
Personnel expenses and expenses similar to personnel expenses

	Settlement amount of organization concerned (thousand yen)	Organization concerned (yen)	Settlement amount per person (Average of similar organizations (yen))	Comparison (%)
Personnel expenses	8,259,395	65,050	70,259	▲ 7.4
Wage (property expenses)	127,638	1,008	3,120	▲ 67.7
Burden of partial administrative associations (supplementary expenses, etc.)	126,463	938	4,307	▲ 76.8
Transfers to public enterprises (governed by law), etc. (supplementary expenses, etc.)	205,938	1,626	854	▲ 100.0
Transfers to public enterprises (not governed by law), etc. (transfers)	19	0	9	▲ 20.7
Employees' personal expenses of business expense payments (investment expenses)	425,351	3,358	2,781	▲ 15.2
▲ Retirement allowance	154,231	1,218	1,437	▲ 13.5
Total	▲ 970,540	▲ 7,682	▲ 8,862	▲ 11.2
	8,308,495	65,595	73,904	

	Municipality	Average of similar organizations	Comparison (difference)
Number of public employees per 1,000 people	6.88	7.35	▲ 0.47
Lagging index	100.7	96.3	▲ 2.4

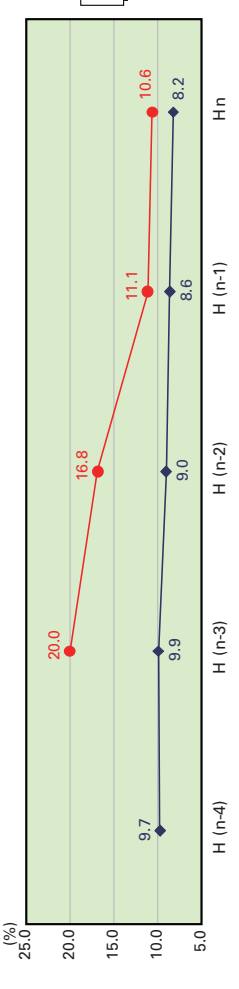
Analysis of debt service and expenses similar to debt service



Debt service and expenses similar to debt service (constituent of real debt service ratio)

	Settlement amount of organization concerned (thousand yen)	Organization concerned (yen)	Settlement amount per person (Average of similar organizations (yen))	Comparison (%)
General revenue resources, etc. appropriated for debt service (excluding the amount corresponding to principal of advanced redemption and bullet local bonds)	1,147,415	9,059	41,406	▲ 78.1
Amount corresponding to annual redemption of principal of bullet local bonds (amount corresponding to annual appropriation), etc.	10,000	79	82	▲ 3.7
Amount transferred which is acknowledged to be the revenue resources allotted to the redemption of public enterprises bonds	1,253,770	9,898	12,922	▲ 23.4
Amount of general revenue resource, etc. appropriated for subsidies or burdens which is acknowledged to be allotted to the local bonds issued by the partial administrative associations, etc.	434,735	3,432	2,179	57.5
Amount of general revenue resources, etc. appropriated for expenses similar to debt service among the expenditures based on debt burden	2,195,719	17,335	2,611	563.9
Temporary loan interest (excluding interest paid for cash borrowings between accounts of the same organization)	742	6	42	▲ 85.7
▲ Annual (included in the standard financial requirements in the calculation of regular local allocation tax as expenses required for the redemption of principal and interest and the quasi-redemption of principal and interest of local bonds)	▲ 2,717,821	▲ 21,457	▲ 32,924	▲ 34.8
Total	2,324,560	18,352	26,319	▲ 30.3

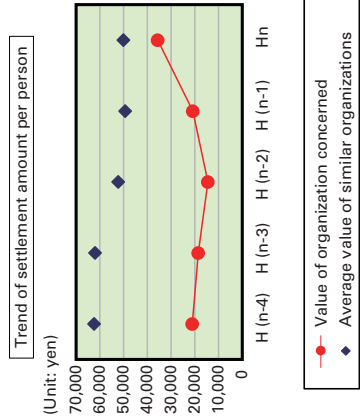
\*Reference: Trends of the real debt service ratio and debt service payment ratio used for permission to issue local bonds



Organizations that dissolved due to merging with other municipalities from April 1, (n+1) or later have been noted with a "-": (this applies hereinafter).

Expenditure comparative analysis table (Ordinary account settlement of FY n)

Analysis of ordinary construction expenses



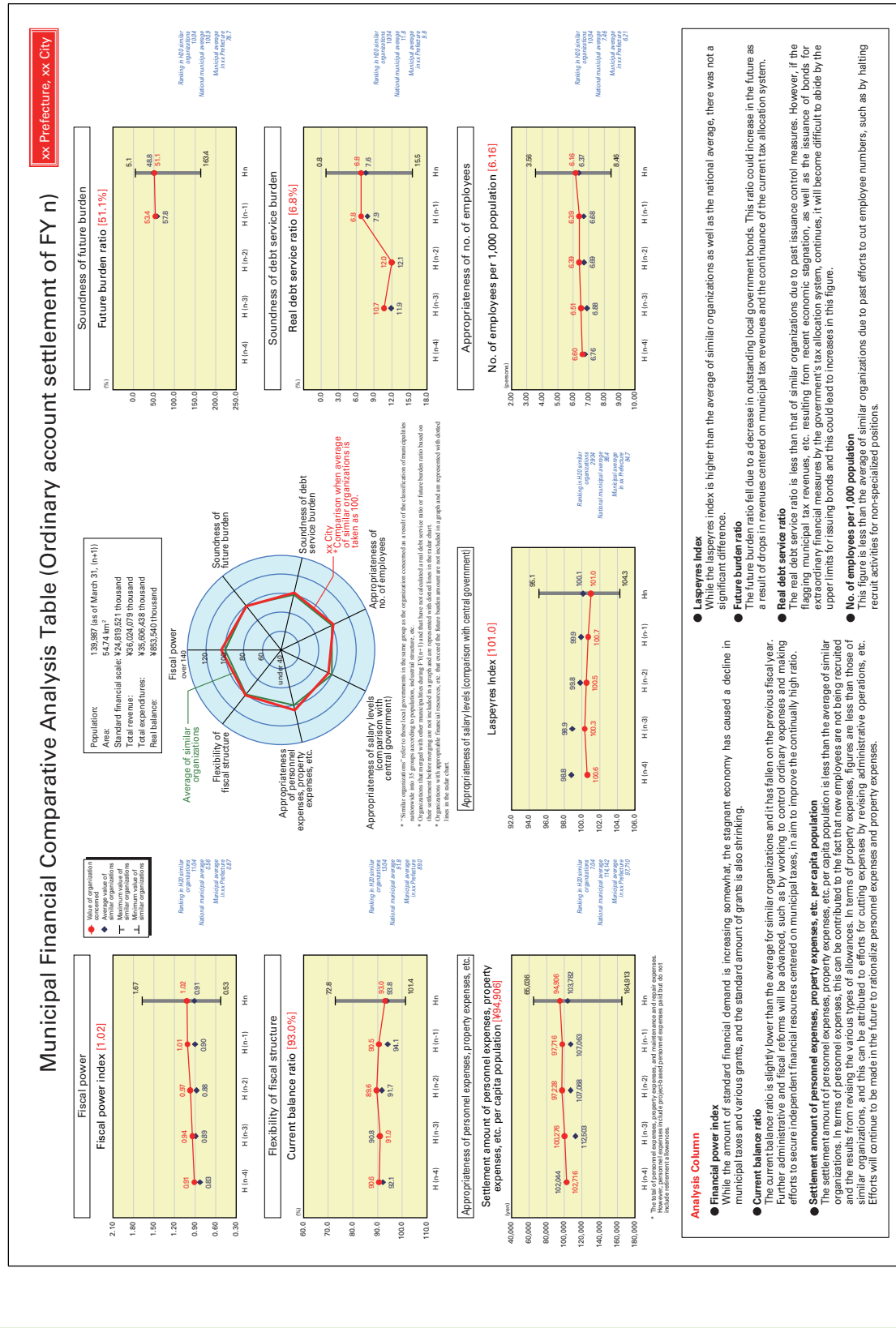
Ordinary construction expenses

	Settlement amount of organization concerned (thousand yen)	Settlement amount per person			(A) / (B)
		Organization concerned (yen)	Increase-decrease rate (%) (A)	Average of similar organizations (yen)	
H (n-4) Unsubsidized expenses	2,594,174	21,065	▲ 23.3	62,449	▲ 29.5
H (n-3) Unsubsidized expenses	2,380,264	19,328	▲ 19.5	41,644	▲ 26.4
H (n-2) Unsubsidized expenses	2,289,621	18,499	▲ 12.2	62,051	▲ 11.6
H (n-1) Unsubsidized expenses	2,088,499	16,874	▲ 12.7	40,532	▲ 10.0
H (n-2) Unsubsidized expenses	1,800,408	14,473	▲ 21.8	52,296	▲ 6.1
H (n-1) Unsubsidized expenses	1,625,044	13,063	▲ 22.6	33,281	▲ 4.7
H (n-1) Unsubsidized expenses	2,610,765	20,794	43.7	49,332	▲ 5.7
Hn Unsubsidized expenses	1,632,747	13,004	▲ 0.5	29,329	▲ 11.9
Hn Unsubsidized expenses	4,515,067	35,646	71.4	50,068	1.5
Average of past 5 years Unsubsidized expenses	3,223,342	25,448	95.7	30,080	2.6
Average of past 5 years Unsubsidized expenses	2,762,007	22,095	11.6	55,239	▲ 2.9
Average of past 5 years Unsubsidized expenses	2,189,979	17,543	8.1	34,973	▲ 4.6

A “financial comparative analysis table” is used for conducting a comparative analysis of the principal financial indicators, etc. among similar organizations and analyzing the efforts, etc. of each organization toward the improvement of the indicators, etc.

Website address <http://www.soumu.go.jp/iken/bunsekihyo.html>

## Example of Financial Comparative Analysis Table







In response to the demand for comprehensive transparency in local public finance information, as a means of disclosing the overall financial conditions of each local government, including the condition of special accounts, such as enterprise accounts, as well as the ordinary account, the management conditions of third-sector enterprises and so on, and the state of financial assistance to them, the Ministry of Internal Affairs and Communications compiles financial condition tables and other materials and posts them on its homepage.

Website address [http://www.soumu.go.jp/iken/zaisei\\_ichiran.html](http://www.soumu.go.jp/iken/zaisei_ichiran.html)

## Example of Table of Financial Conditions, Etc.

### Example of Table of Financial Conditions, Etc. (FY n)

Name of organization XXXX Prefecture	(million yen)			
	Standard financial scale (A)	Normal allocation tax (B)	Ineligible amount of extraordinary financial coordination (regional bonds) (C)	Total (A)+(B)+(C)
	156,718	120,306	22,447	299,471

#### 1. Financial conditions of general account, etc.

Company	Revenue	Expenditure	Formal balance	Real balance	Borrowing from other accounts	Current outstanding local government bonds	Remarks
General account	526,783	522,458	4,324	796	10,795	1,154,758	
Special account for certificates	6,819	6,188	630	0	—	—	
Special account for land acquisition	6	6	0	0	—	—	
Mother-child widow welfare fund special account	143	124	19	0	20	515	
Small and medium-sized enterprise modernization fund special account	13,639	11,405	2,234	0	101	42,794	
Agricultural improvement fund special account	230	23	207	0	1	55	
Forestry improvement fund special account	260	54	206	0	1	—	
Offshore fishing improvement fund special account	96	10	86	0	0	—	
XX district land sectioning special account	600	357	243	0	255	3,065	
Education fund special account	713	305	408	0	13	—	
Debt management special account	147,237	147,237	0	0	94,906	—	
Ordinary account, etc.	696,526	688,170	8,356	796	—	1,201,187	

\*Since figures for "Ordinary account, etc." deduct such amounts as overlapping revenues and expenses from each respective account, there are items that do not amount to equal totals for each account.

#### 2. Financial conditions of public corporation accounts, etc.

Company	Total earnings (revenue)	Total expenses (expenditures)	Net profit and loss (formal balance)	Surplus/deficit (real balance)	Borrowing from other accounts	Outstanding corporate (local) bonds	Amount expected for general account revenues from items to the left	Remarks
Water supply business account	7,536	7,548	△ 12	3,567	62	28,048	1,881	Enterprises governed by law
Electricity business account	1,214	1,084	129	2,652	—	2,132	—	Enterprises governed by law
Central hospital business account	13,752	13,008	744	1,901	419	4,722	2,970	Enterprises governed by law
XX hospital business account	3,088	2,952	136	924	614	3,493	2,511	Enterprises governed by law
Coastal land formation project account	480	464	16	1,082	—	—	—	Enterprises governed by law
Basin sewerage special account	4,074	4,068	6	6	525	10,619	5,097	
Coastal development special account	2,035	2,032	3	3	287	7,097	2,775	
Public horse racing special account	9,728	9,644	84	84	—	—	—	
Public corporations account, etc. total				10,220		56,111	15,234	

Notes: 1. "Enterprises governed by law" means public enterprises to which the Local Public Enterprise Law applies partially or in full.  
2. With respect to special accounts other than those for "enterprises governed by law," the terms of "revenue," "expenditure," and "real balance" are indicated in the columns of "total earnings," "total expenses," and "net profit and loss."  
3. "Surplus/deficit (real balance)" is based on the Local Government Financial Health Act, and deficits are represented with a "△" (triangle).  
4. "Amount expected for general account revenues from items to the left" is the total of all portions calculated in the future burden ratio from outstanding corporate bonds (local bonds).

#### 3. Management conditions of local public corporations and third-sector enterprises, etc. and the state of local government financial assistance

Name	Ordinary profit/loss	Capital or net assets	Investment from organization concerned	Subsidies from organization concerned	Loans from organization concerned	Outstanding debt involving guarantee from the organization concerned	Outstanding debt involving loss compensation from the organization concerned	Expected burden from the general account, etc.	Remarks
XX Development Corporation	75	814	50	311	92	0	1,166	1,050	
XX Exchange Corporation	107	△ 1,513	13	137	0	0	978	880	
XX Industrial Creation Assistance Organization	△ 241	1,799	79	643	37,277	0	714	71	
XX Local Industry Development Center	92	2,627	10	118	242	0	248	173	
XX Agricultural Development Company	8	349	331	347	1,387	0	3,277	983	
XX Forestry Company	△ 12	△ 52	5	284	17,324	0	43,041	38,737	
XX Land Development Company	△ 25	4,337	10	0	0	10,825	0	6,732	
XX Road Company	0	7,815	7,815	0	5,718	8,010	0	—	
XX Housing Supply Company	△ 219	3,228	5	0	800	0	6,302	630	
XX Urban Development Technology Center	221	1,027	10	4	0	0	138	14	
Total for local public companies and third-sector, etc.			8,328	1,843	62,639	18,836	55,864	49,270	

\*Notes: Enterprises that do not compile profit/loss statements enter their increase or decrease of net assets in the current term in the "Ordinary profit/loss" column.

#### 4. State of appropriable funds

Name of fund	FY (n-1) settlement (A)	FY n settlement (B)	Difference (B-A)
Financial procurement fund	8,831	8,824	△ 7
Debt service fund	32,061	28,167	△ 3,894
Other appropriable funds	34,392	31,272	△ 3,120
Total appropriable funds	75,284	68,263	△ 7,021

Notes: \*Appropriable funds" refers to the total amount of cash, savings, national bonds, local bonds, etc. from funds that are appropriate for repaying local bonds, etc. This does not include loans and real estate, etc.

#### 5. Financial indexes


Name of index	FY (n-1) settlement (A)	FY n settlement (B)	Difference (B-A)	Early soundness criterion	Financial rebuilding criterion	Fund deficit ratio (name of public corporation account)	FY (n-1) settlement (A)	FY n settlement (B)	Difference (B-A)
Real deficit ratio	0.25	0.26	0.01	△ 3.75	△ 5.00	Water supply business account	—	—	—
Consolidated real deficit ratio	3.20	3.67	0.47	△ 8.75	△ 25.00	Electricity business account	—	—	—
Real debt service ratio	13.8	14.4	0.60	25.0	35.0	Central hospital business account	—	—	—
Future burden ratio	273.6	270.7	△ 2.90	400.0	—	XX hospital business account	—	—	—
Financial power index	0.45	0.48	0.03	—	—	Coastal land formation project account	—	—	—
Ordinary balance ratio	96.7	96.7	0.00	—	—	Basin sewerage special account	—	—	—
						Coastal development special account	—	—	—

Notes: 1. The real deficit ratio, consolidated real deficit ratio, and the fund shortage ratio are presented in negative figures.  
2. When the real deficit ratio and consolidated real deficit ratio are negative, the deficit ratio is displayed as a positive figure for convenience purposes.  
3. The "ordinary soundness criterion" of the "fund shortage ratio" that corresponds with the early soundness criterion is uniformly -20% excluding publicly run games (publicly run games are 0%).  
4. The early soundness criterion and financial rebuilding criterion are from the FY n settlement.

FY2008 Settlement

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- Illustrated -



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