

BULLETIN NO 2: AUSTRALIAN GOVERNMENT SPENDING ESTIMATES

Citation: Moore, T. (2005). Bulletin No. 2: Australian government spending estimates. *DPMP Bulletin Series*. Fitzroy: Turning Point Alcohol and Drug Centre.

Rationale

In Australia there is little understanding of the nature and magnitude of government spending on illicit drugs. This is not surprising – relevant spending occurs across all levels of government and across many government sectors, such as health, policing, customs and education. Moreover, much of what is considered drug policy is embedded within programs with broader goals. Despite these limitations, such an exercise is an important step in understanding and evaluating the approaches Australian governments take to limiting the use and abuse of illicit drugs. It provides an opportunity to consider how well rhetorical statements translate into budgetary commitments and to compare Australia's drug policy response mix with other countries. Furthermore, knowing where the largest expenditures lie can help to develop evaluation and research priorities.

Approach

An estimate of the magnitude and mix of Australia's "drug budget" was developed for the financial year 2002-03. Information that is on the public record was used, and then state and federal government officials were consulted to clarify or expand upon the estimates.

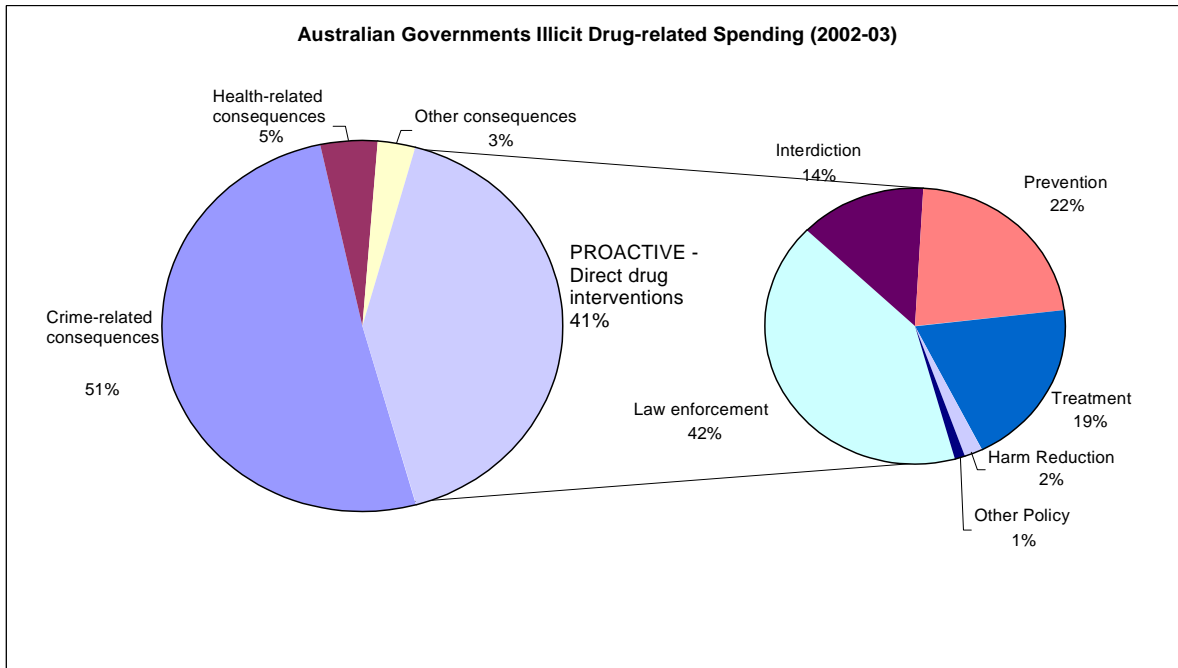
A distinction was made between whether a program is "proactive" or "reactive". Proactive expenditures are categorised as those that address illicit drug use problems directly – they are explicit policy commitments – while reactive expenditures are associated with the consequences of illicit drug use, such as drug-attributable crime and health costs associated with the consequences of illicit drug use. For example, drug treatment is proactive, whereas hospitalisation for overdose is reactive. Arrest for a drug offence is proactive – the crime is defined by the illicit status of the drug - whereas imprisonment for property offence is reactive. Proactive expenditures were classified according to whether they were focused on prevention, treatment, law enforcement, interdiction or harm reduction.

Results

It was estimated that illicit drug-related government spending in 2002-03 totalled \$3.2 billion. Proactive expenditure (that is, direct spending on drug interventions) was \$1.3 billion, and

represents 41% of total spending, while \$1.9 billion is spent by governments on the consequences of illicit drug use.

Figure 1: Australian Governments illicit drug-related spending (Federal and State/Territory governments, 2002-03)



Law enforcement is the most significant proactive expenditure category, accounting for 42% of all expenditure. When it is combined with interdiction expenditure, more than half of what Australian governments spend on proactive drug responses pertains to enforcement-related activity. Prevention (22%) and treatment (19%) account for approximately one-fifth of these expenditures, while harm reduction (2%) and expenditure not elsewhere included (1%) are negligible components.

A summary of proactive expenditure is provided in Table 1. Even when sensitivity analysis is used to deal with the uncertainty associated with some of the individual estimates, the dominance of enforcement-related expenditure and the minimal spending on explicit harm reduction measures remains apparent.

Table 1: All governments' proactive illicit drug expenditure: main estimate and sensitivity analysis (2002-03)

	Expenditure (\$m)		Proportion of total (%)	
	Main	Range	Main	Range (a)
Prevention	295.8	88.1 – 534.3	22%	8% - 27%
Treatment	256.3	204.6 - 279.3	19%	16% - 20%
Law enforcement	553.9	431.9 - 705.2	42%	36% - 47%
Interdiction	181.5	149.2 - 351.8	14%	12% - 16%
Harm reduction	26.3	19.8 - 44.5	2%	2% - 2%
Other	12	11.9 - 22.3	1%	1% - 1%
TOTAL	1,325.8	905.5 - 1937.4	100%	

a The "low" percentage is calculated by dividing the low estimate for each category by that amount plus the sum of the main estimates for the other categories. The high estimate also uses the main estimates of the other categories in the percentage calculation.

Illicit drug-related expenditures were identified separately for federal and state/territory governments. State and territory governments accounted for the majority of the spending (70%, or \$2,632m) while the Federal Government accounted for 30% (\$609 million). Interdiction is the main category of expenditure at the federal level (45%), while state and territory governments spend approximately half of their drug budget on law enforcement. The Federal Government spends a slightly greater proportion on harm reduction than the state and territory governments do, while the reverse is the case for prevention and treatment expenditure. A complete breakdown of spending by level of government is available in the monograph.

Implications

This is the first time such an estimate has been made for Australia and it substantially advances our knowledge about current Australian drug policy.

Through it, we have learnt Australian governments spend a lot of money on illicit drug-related activities (\$3.2 billion), which is significantly more than would be expected from studies on the social costs of drug abuse. We have also found the mix of illicit drug spending in Australia is heavily weighted towards enforcement activities, which suggests that greater policy evaluation in that area is likely to reap the greatest rewards (at least in terms of government savings). It is also useful in understanding the less expensive investments, such as the needle and syringe programs that have given Australia an excellent reputation for harm-reduction policies.

There are benefits associated with the development of the estimate itself. The exercise of trying to separately identify all drug-related expenditure has focussed attention on the policies that are being employed in practice. It has highlighted where there is good policy information

available, and where there are gaps in our understanding of government activity. In addition, we now have a resource that can be used for policy analysis; it has already been used in the cost-effectiveness and the agent-based modelling analyses.

Research team

Tim Moore, Turning Point Alcohol & Drug Centre

Tim Moore developed the estimate with advice and feedback from Associate Professor Alison Ritter, Professor Peter Reuter and Professor Jonathan Caulkins. Professor Margaret Hamilton, with the assistance of the Inter-Governmental Committee on Drugs Secretariat, provided the government agency contacts.