

RANK  
**15**

# ALABAMA

## SUMMARY

On the basis of its fiscal solvency in five separate categories, Alabama ranks 15th among the US states and Puerto Rico for its fiscal health. On a cash basis, Alabama's fiscal condition is strong. The state has between 3.58 to 4.92 times the cash needed to cover short-term liabilities. On a budgetary basis, Alabama's revenues exceed expenses by 2 percent, producing a small surplus of \$96 per capita. On a long-run basis, net assets are 9 percent of total assets, and total liabilities are 20 percent of the state's total assets. Alabama's total debt is \$5.02 billion. When valued as guaranteed to be paid, unfunded pension liabilities amount to \$60.43 billion, and other postemployment benefits (OPEB) total \$11.64 billion. These three long-term liabilities are equal to 42 percent of total state personal income.

## 2014 TOTAL LONG-TERM OBLIGATIONS

### STATE DEBT

	General obligation bonds	Total primary government debt	State personal income	Ratio of debt to state personal income	Total primary debt per capita
Alabama	\$0.68 billion	\$5.02 billion	\$181.91 billion	2.8%	\$1,036
National average	\$6.60 billion	\$13.76 billion	\$288.25 billion	6.0%	\$2,144

### PENSION LIABILITY

	Unfunded pension liability	Funded ratio	Market value of unfunded liability	Market value of funded ratio
Alabama	\$15.20 billion	67%	\$60.43 billion	34%
National average	\$20.46 billion	74%	\$86.85 billion	40%

### OTHER POSTEMPLOYMENT BENEFITS (OPEB)

	Total unfunded OPEB	Funded ratio
Alabama	\$11.64 billion	10%
National average	\$11.14 billion	12%

1. Alaska
2. Nebraska
3. Wyoming
4. North Dakota
5. South Dakota
6. Florida
7. Utah
8. Oklahoma
9. Tennessee
10. Montana
11. Ohio
12. Idaho
13. Nevada
14. Missouri
- 15. Alabama**
16. Texas
17. Indiana
18. South Carolina
19. Virginia
20. New Hampshire
21. North Carolina
22. Colorado
23. Georgia
24. Washington
25. Iowa
26. Minnesota
27. Kansas
28. Arkansas
29. Wisconsin
30. Oregon
31. Arizona
32. Mississippi
33. Louisiana
34. New Mexico
35. Michigan
36. Vermont
37. Rhode Island
38. Delaware
39. Pennsylvania
40. West Virginia
41. Maryland
42. New York
43. Maine
44. California
45. Hawaii
46. Kentucky
47. Illinois
48. New Jersey
49. Massachusetts
50. Connecticut
51. Puerto Rico

## UNDERLYING RATIOS

	Cash ratio	Quick ratio	Current ratio	Operating ratio	Surplus (or deficit) per capita	Net asset ratio	Long-term liability ratio	Long-term liability per capita
Alabama	3.58	4.15	4.92	1.02	\$96	0.09	0.20	\$1,321
National average	2.40	3.18	3.54	1.06	\$448	-0.03	0.47	\$3,069

	Tax-to-income ratio	Revenue-to-income ratio	Expenses-to-income ratio	Pension-to-income ratio	OPEB-to-income ratio	Primary debt-to-income ratio
Alabama	0.04	0.12	0.11	0.33	0.06	0.03
National average	0.06	0.14	0.13	0.31	0.03	0.06

## KEY TERMS

- **Cash solvency** measures whether a state has enough cash to cover its short-term bills, which include accounts payable, vouchers, warrants, and short-term debt. (Alabama ranks 11th.)
- **Budget solvency** measures whether a state can cover its fiscal year spending out of current revenues. Did it run a shortfall during the year? (Alabama ranks 33rd.)
- **Long-run solvency** measures whether a state has a hedge against large long-term liabilities. Are enough assets available to cushion the state from potential shocks or long-term fiscal risks? (Alabama ranks 19th.)
- **Service-level solvency** measures how high taxes, revenues, and spending are when compared to state personal income. Do states have enough “fiscal slack”? If spending commitments demand more revenues, are states in a good position to increase taxes without harming the economy? Is spending high or low relative to the tax base? (Alabama ranks 14th.)
- **Trust fund solvency** measures how much debt a state has. How large are unfunded pension liabilities, OPEB liabilities, and state debt compared to the state personal income? (Alabama ranks 36th.)

For a complete explanation of the methodology used to calculate Alabama’s fiscal health rankings, see Eileen Norcross and Olivia Gonzalez, “Ranking the States by Fiscal Condition,” 2016 ed. (Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, June 2016).