

RANK  
**14**

# ALABAMA

## SUMMARY

On the basis of its solvency in five separate categories, Alabama ranks 14th among the US states for fiscal health. Alabama has between 3.66 and 4.89 times the cash needed to cover short-term obligations. Revenues exceed expenses by 3 percent, with an improving net position of \$142 per capita. In the long run, a net asset ratio of 0.01 indicates that Alabama does not have any assets remaining after debts have been paid. Long-term liabilities are lower than the national average, at 31 percent of total assets, or \$2,118 per capita. Total unfunded pension liabilities that are guaranteed to be paid are \$86.97 billion, or 46 percent of state personal income. OPEB are \$9.48 billion, or 5 percent of state personal income.

## 2016 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
<b>Alabama</b>	<b>\$0.72 billion</b>	<b>\$5.19 billion</b>	<b>\$190.79 billion</b>	<b>2.7%</b>	<b>\$1,068</b>
National average	\$5.85 billion	\$12.65 billion	\$319.33 billion	3.7%	\$1,830

### PENSION LIABILITY

	Unfunded pension liability	Funded ratio	Market value of unfunded liability	Market value of funded ratio
<b>Alabama</b>	<b>\$15.79 billion</b>	<b>68%</b>	<b>\$86.97 billion</b>	<b>28%</b>
National average	\$23.43 billion	73%	\$135.50 billion	32%

### OTHER POSTEMPLOYMENT BENEFITS (OPEB)

	Total unfunded OPEB	Funded ratio
<b>Alabama</b>	<b>\$9.48 billion</b>	<b>13%</b>
National average	\$14.51 billion	14%

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

## UNDERLYING RATIOS

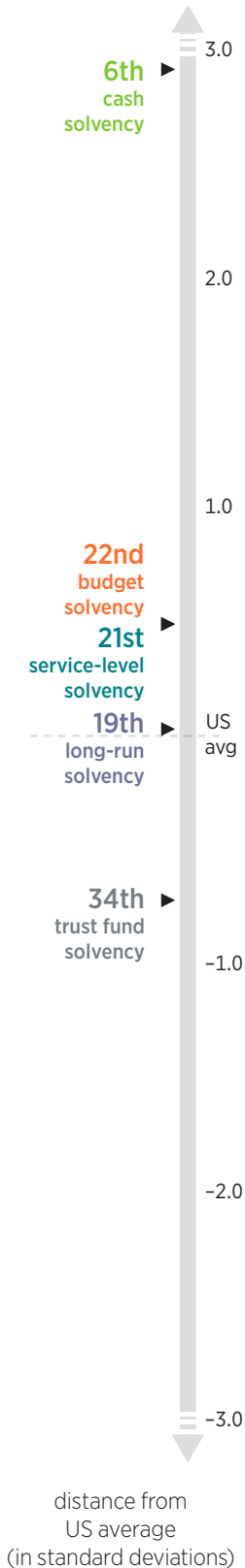
	Cash ratio	Quick ratio	Current ratio	Operating ratio	Surplus (or deficit) per capita	Net asset ratio	Long-term liability ratio	Long-term liability per capita
<b>Alabama</b>	<b>3.66</b>	<b>4.23</b>	<b>4.89</b>	<b>1.03</b>	<b>\$142</b>	<b>0.01</b>	<b>0.31</b>	<b>\$2,118</b>
National average	2.22	2.99	3.22	1.01	-\$72	-0.17	0.63	\$4,387

	Tax-to-income ratio	Revenue-to-income ratio	Expenses-to-income ratio	Pension-to-income ratio	OPEB-to-income ratio
<b>Alabama</b>	<b>0.05</b>	<b>0.12</b>	<b>0.11</b>	<b>0.46</b>	<b>0.05</b>
National average	0.06	0.13	0.13	0.43	0.04

## 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 6th.)
- **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 22nd.)
- **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 21st.)
- **Trust fund solvency** measures how much debt a state has. How large are unfunded pension liabilities and OPEB liabilities compared to the state personal income? (Alabama ranks 34th.)



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, 2018 Edition” (Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, October 2018).