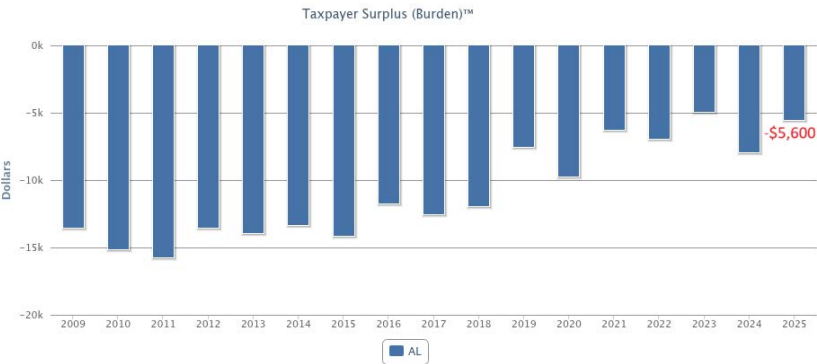


# ALABAMA'S FINANCIAL BREAKDOWN

|                           |               |                     |    |
|---------------------------|---------------|---------------------|----|
| Money Needed to Pay Bills | \$8.2 billion | Ranking (Out of 50) | 34 |
| Taxpayer Burden™          | \$5,600       | Financial Grade     | D  |

In 2025, Alabama's financial situation improved, but it still didn't have enough money to pay all of its bills and needed \$8.2 billion to fill the gap. That means each taxpayer would have to contribute \$5,600 to help pay off the state's debt. As a result, Alabama earned a "D" grade from Truth in Accounting.

Many states saw significant declines in their unfunded pension promises due to favorable returns on pension investments. Alabama, however, saw only a modest decline despite strong investment performance. The Teachers' Retirement System earned a 10.4 percent return, while the Employees' Retirement System earned 10.3 percent. Strong investment gains increased the systems' assets, but nearly all of that improvement was offset by the ever-growing amount of benefits promised to employees and the increasing cost of those benefits over time.



Alabama received approximately \$17.7 billion in federal grants, which represented 32 percent of its revenue. The federal government mandates that entities receiving significant federal funds undergo a Single Audit. These audits are intended to be the taxpayers' first line of defense against potential fraud and abuse. Auditors found problems with emergency planning, reimbursement records, and grant oversight. State agencies did not consistently follow procedures, monitor programs, or document payment and eligibility decisions. These weaknesses increased the risk of improper payments, federal compliance problems, and disruptions to government programs.

The data in this report is derived from Alabama's audited 2025 Annual Comprehensive Financial Report and its retirement systems' reports. To explore prior years or compare financial, demographic, and economic data across other states and cities, visit [Data-Z.org](#).

# ALABAMA'S FINANCIAL FACTS

- FACT #1:**  
Alabama had \$22.6 billion available to pay \$30.8 billion worth of bills.
- FACT #2:**  
The outcome was a \$8.2 billion shortfall, which breaks down to a burden of \$5,600 per taxpayer.
- FACT #3:**  
Alabama received 32 percent of its revenue from federal grants and was required to undergo a Single Audit, which identified potential fraud and abuse.

## THE STATE'S BILLS EXCEEDED ITS ASSETS

|                                               |   |                                      |
|-----------------------------------------------|---|--------------------------------------|
| \$88,205,484,000                              | → | Total Assets                         |
| - \$40,871,292,000                            | → | Minus: Capital Assets                |
| - \$24,720,831,000                            | → | Minus: Restricted Assets             |
| = \$22,613,361,000                            | → | Assets Available to Pay Bills        |
| - \$30,835,717,000                            | → | Minus: Total Bills*                  |
| = \$8,222,356,000                             | → | Money Needed to Pay Bills            |
| / Divide by the estimated number of taxpayers |   |                                      |
| = \$5,600                                     | → | Each Taxpayer's Share of This Burden |

## \*BREAKDOWN OF TOTAL BILLS

|                    |   |                                       |
|--------------------|---|---------------------------------------|
| \$11,173,722,000   | → | Bonds                                 |
| + \$10,175,352,000 | → | Other Liabilities                     |
| - \$8,838,708,000  | → | Minus: Debt Related to Capital Assets |
| + \$8,822,598,000  | → | Unfunded Pension Benefits             |
| + \$9,502,753,000  | → | Unfunded Retiree Health Care Benefits |
| = \$30,835,717,000 | → | Total Bills                           |



**Bottom line:**  
Alabama would need \$5,600 from each of its taxpayers to pay all of its outstanding bills and received a "D" grade for its finances. According to Truth in Accounting's grading scale, any government with a Taxpayer Burden between \$5,000 and \$20,000 is given a "D" grade.