

ALABAMA LACKING TRANSPARENCY

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THE FINANCIAL STATE OF ALABAMA

An analysis of the latest available audited financial reports found Alabama has a Taxpayer Burden™ of \$12,600, earning it a "D" grade based on Truth in Accounting's grading scale.

Alabama's elected officials have made repeated financial decisions that have left the state with a debt burden of \$16.5 billion, according to the analysis. That burden equates to \$12,600 for every state taxpayer. Alabama's financial problems stem mostly from unfunded retirement obligations that have accumulated over many years. Of the \$36.2 billion in retirement benefits promised, the state has not funded \$7 billion in pension and \$10.7 billion in retiree health care benefits.

Alabama's financial condition is not only alarming but also misleading as government officials have failed to disclose significant amounts of retirement debt on the state's balance sheet. Furthermore, for the past two years the state has taken about a year and a half to release its annual financial report. Residents and taxpayers have been presented with an unreliable and inaccurate accounting of the state government's finances.

Here's the truth:

34

Rank

\$16.5
billion

Money needed to
pay bills

-\$12,600

Taxpayer
Burden

D

Financial grade

ALABAMA

FINANCIAL BREAKDOWN

FAST FACTS

- + Alabama has \$11.4 billion available in assets to pay \$27.8 billion worth of bills.
- + The outcome is a \$16.5 billion shortfall and a \$12,600 Taxpayer Burden.
- + The state reports most of its pension debt, but continues to hide \$9.3 billion of its retiree health care debt.
- + Alabama's reported net position is inflated by \$1.2 billion, largely because the state defers recognizing losses incurred when the net pension liability increases.

THE STATE'S BILLS EXCEED ITS ASSETS

| | |
|------------------------------------|-------------------|
| Assets | \$55,467,081,000 |
| <i>Minus:</i> Capital assets | -\$31,041,235,000 |
| Restricted assets | -\$13,074,544,000 |
| Assets available to pay bills | \$11,351,302,000 |
| <i>Minus:</i> Bills | -\$27,822,182,000 |
| Money needed to pay bills | -\$16,470,880,000 |
| Each taxpayer's share of this debt | -\$12,600 |

BILLS THE STATE HAS ACCUMULATED

| | |
|-------------------------------------------------|------------------|
| Bonds | \$10,053,411,000 |
| Other liabilities | \$5,549,570,000 |
| <i>Minus:</i> Debt related to capital assets | -\$5,458,037,000 |
| Unfunded pension benefits | \$7,026,982,000 |
| Unfunded retiree health care | \$10,650,256,000 |
| Bills | \$27,822,182,000 |

GRADE: D

Bottom line: Alabama does not have enough money to pay its bills, so it has received a "D" for its finances from Truth in Accounting. A "D" grade is given to states with a Taxpayer Burden between \$5,000 and \$20,000. Because of Alabama's balanced budget requirement, its Taxpayer Burden should be \$0.

Truth in Accounting is committed to educating and empowering citizens with understandable, reliable, and transparent government financial information. To be knowledgeable participants in their government and its budget process, citizens need truthful and transparent financial information.