

# Appendix 1: State Spending and Revenue Profiles

## Alabama

From 2002 to 2008, Alabama's spending increased the most in the parks and recreation (117%), hospitals (62%), corrections (58%), and education (56%) categories. The increase in corrections spending was the fifth-highest in the nation in terms of percentage. The spending categories that saw the least growth were welfare (+11%), highways (+9%), and health (-3%). The state's overall general spending increase of 37% put it in the middle of the states, ranking 22<sup>nd</sup> highest.

Alabama's total revenue growth of 23% ranked 46<sup>th</sup> for the period. Corporate income taxes were the fastest growing tax revenue category, increasing 63%, although that was less than the growth of the vast majority of states (ranking 41<sup>st</sup> highest). By contrast, the 52% increase in personal income tax revenue ranked 19<sup>th</sup>-highest in the nation.

<i>Spending</i> (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Corrections	331,476	48	525,281	43	+5	58%	5
Education	6,811,434	15	10,658,472	8	+7	56%	7
Government Administration	415,209	44	576,755	38	+6	39%	23
Health	718,443	24	699,309	31	-7	-3%	44
Highways	1,255,800	36	1,373,098	36	0	9%	33
Hospitals	1,118,262	4	1,808,175	3	+1	62%	17
Interest on Debt	241,867	43	328,836	45	-2	36%	27
Natural Resources	230,519	34	309,369	32	+2	34%	17
Parks and Recreation	23,155	48	50,268	43	+5	117%	7
Police Protection	128,801	37	182,955	33	+4	42%	17
Public Welfare	4,110,058	27	4,582,199	44	-17	11%	50
Salaries and Wages	3,115,437	21	4,194,385	19	+2	35%	21
Direct Expenditures	12,064,764	29	15,449,791	31	-2	28%	42
General Expenditures	16,160,326	32	22,170,605	31	+1	37%	22
Total Expenditures	17,996,418	33	24,892,739	33	0	38%	22

<b>Taxes</b> (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Personal Income Tax <sup>1</sup>	2,030,694	37	3,077,553	37	0	52%	19
General Sales Tax <sup>2</sup>	1,748,235	43	2,287,288	43	0	31%	26
Corporate Income Tax <sup>3</sup>	322,636	21	524,808	37	-16	63%	41
Total Taxes	6,509,765	47	9,070,530	42	+5	39%	35
Total Revenue	14,942,192	39	18,353,637	48	-9	23%	46

<sup>1</sup> Personal income tax per capita rankings are out of 43 since seven states do not collect personal income taxes.

<sup>2</sup> General sales tax per capita rankings are out of 45 since five states do not collect general sales taxes.

<sup>3</sup> Corporate income tax per capita rankings are out of 46 since four states do not collect corporate income taxes.

**Comparison to Baseline Growth**

One sound rule of thumb is that government expenditures should not increase more than the combined increase in population and inflation growth. This allows the government to maintain service levels and accommodate increased costs due to an expanding population and rises in the cost of living. For the 2002–2008 period, the Consumer Price Index, used to measure inflation, increased approximately 20% and Alabama’s population increased by 3%. This yields a “baseline” growth of 23% for the period. The figure below compares the difference in Alabama’s expenditures and revenue for the period to this baseline for 15 spending and five revenue categories.

