

# Alabama

## Federal Policies Have Cost Alabama \$2.1 Billion over the Past Four Years

### Federal Policies Affect Alabama Revenue and Spending Levels, 2002-2005

*Cost to  
Alabama*

➤	<i>Federal Tax Changes:</i> Recently enacted federal tax cuts reduce state revenue directly.	\$90 million
➤	<i>Remote Sales:</i> States cannot collect sales taxes on goods & services purchased over the Internet due to federal law and court decisions.	\$814 million
➤	<i>Internet Access:</i> States are generally prohibited from applying tax to Internet access charges.	\$57 million
➤	<i>Unfunded Mandates:</i> Federal government imposes responsibilities on states but provides insufficient funding.	\$1.1 billion
➤	<i>Medicare/Medicaid Dual Eligibles:</i> Increased use of prescription drugs shifts costs of health care for low-income elderly from federal Medicare program to state Medicaid programs.	\$295 million
➤	<i>Federal Fiscal Relief:</i> Congress approved temporary grants in 2003.	(\$266 million)
<b>TOTAL COST</b> (net of fiscal relief), 2002-2005:		<b>\$2.1 billion</b>

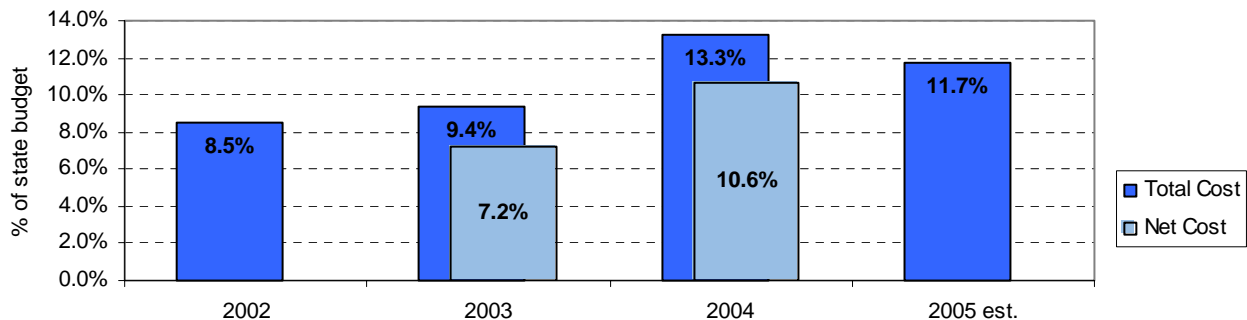
### Federal Policies Have Worsened Alabama's Fiscal Problems

*Ranking among 50  
states plus D.C.*

➤	Total cost as percent of General Fund budget (2002-2005):	<b>10.7%</b>	<b>15<sup>th</sup></b>
➤	Net cost as percent of General Fund budget, including offsetting federal fiscal relief (2002-2005):	<b>9.5%</b>	<b>13<sup>th</sup></b>

Alabama has been affected heavily by federal policy in part because it is the one of the poorest states in the nation. Poor states tend to have greater needs for a variety of government services and less ability to raise their own funds to pay for those services, so they are hit harder by adverse federal policies.

### Net Cost of Federal Policy to Alabama as a Percentage of State General Fund Budget



Source: Center on Budget and Policy Priorities, *Passing Down the Deficit: Federal Policies Contribute to the Severity of the State Fiscal Crisis*, May 12, 2004.