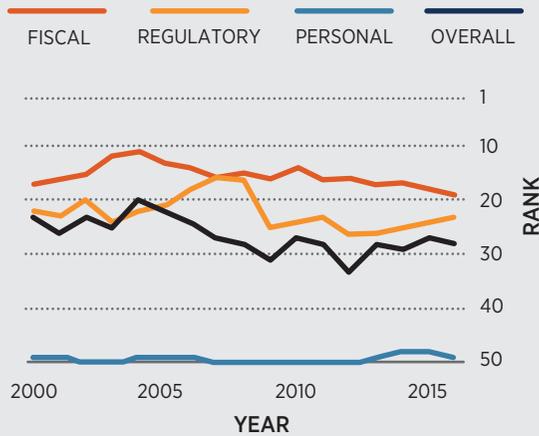


ALABAMA

2016 RANK
28th



POLICY RECOMMENDATIONS

- **Fiscal:** Encourage the privatization of hospitals and utilities to bring government employment down closer to the national average. Private utility monopolies will, however, require careful rate regulation.
- **Regulatory:** Improve the civil liability system by tightening or abolishing punitive damages and abolishing joint and several liability.
- **Personal:** Reduce incarceration rate with thorough sentencing reform, including abolishing mandatory minimums for nonviolent offenses and lowering maximum sentences for marijuana offenses and other victimless crimes.



Population, 2017
4,874,747

Net Migration Rate
2.0%



State Taxes, Percent of Personal Income, FY 2017
5.00%

Local Taxes, Percent of Personal Income, FY 2105
3.05%

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Real Per Capita Personal Income, 2016, in 2009 \$
\$40,689

Real Personal Income Growth, CAGR, 2000-15
2.4%

ANALYSIS

Alabama's overall freedom ranks just 28th in the country. As a socially conservative Deep South state, it is unsurprising that Alabama does much better on economic freedom than on personal freedom. But three of its four neighbors do substantially better on economic freedom (Florida, Tennessee, and Georgia), with only Mississippi doing worse. Alabama's overall freedom level has remained essentially flat since year-end 2014, the end date for our data in the fourth edition, while it has improved a bit since 2000 even in terms of nonfederalized policies.

Alabama has always been one of the lowest-taxed states in the country. Its combined state and local tax collections, excluding motor fuel and severance, were an estimated 8 percent of adjusted personal income in fiscal year 2017. State-level taxes fell quickly in the early stages of the Great Recession and have not increased much since then. Local taxes crept up a bit over the 2000-2008 period but have fallen off since highs reached during the Great Recession. Alabama has a moderate degree of choice in local government. Municipalities are more important than counties, but counties are still important, and municipalities are not numerous enough to give Alabama even one competing jurisdiction per 100 square miles.

Alabama's debt burden is fairly low. However, public employment is high because of publicly owned utilities and hospitals.

On regulatory policy, Alabama does especially well on land-use and labor policy. In fact, it scores first in that area. However, it does well below average on its tort system and certain cronyist policies. Indeed, it ranks 35th in our cronyism index. Local zoning has a light touch, allowing the housing supply to rise elastically with the state's growing population. Alabama enjoys a right-to-work law, no

minimum wage, and liberal workers' compensation mandates. Unfortunately, the state passed an E-Verify mandate on employers in 2011-12 and prevents employers from banning guns in company parking lots. Alabama has made some moves to improve its civil liability system, but it could do further reforms. The standard of evidence for punitive damages remains unreformed. The state has not abolished joint and several liability.

Alabama suffers from too many cronyist regulations on business and occupation entry. Like several other southern states, Alabama has a strong physicians' and dentists' lobby that has prevented nurse practitioners and dental hygienists from practicing independently. The state has a certificate-of-need requirement for hospital construction. Personal automobile and homeowner's insurance rates require the insurance commissioner's prior approval. Alabama has a long-standing anti-price-gouging law that will create real harm if the state is ever struck by a major natural disaster. The state also bans sales below cost of gasoline.

The state is one of the worst in the country on personal freedom, despite benefiting from the Supreme Court's *Obergefell* decision, which had the effect of nullifying Alabama's prohibition on all same-sex partnership contracts.¹¹⁴

Alabama was long below average for conservative states on gun rights, but in 2013-14 it moved to shall-issue on concealed carry, and permit costs are low. Alcohol regulations have gradually loosened over time, but the state still has some of the highest beer and spirits taxes in the country, along with local blue laws. It has above-average wine taxes and a ban on direct wine shipment (despite a 2017 attempt in the state senate to allow it). The state has done nothing to reform its cannabis laws; it is possible to receive life imprisonment for a single marijuana trafficking offense not

114. *Obergefell v. Hodges*, 135 S. Ct. 2584.

involving minors or a school zone. Alabama has a much higher incarceration rate than the national average, even adjusting for its violent and property crime rates. However, its police are actually not very vigorous in pursuit of arrests for victimless crimes. The state continues to suspend driver's licenses for drug offenses not related to driving. Despite substantially reducing its prison collect call

rate in 2015, the state still has one of the highest rates in the country. Alabama does much better than average on tobacco freedom because of low taxes and relatively lenient smoking bans on private property. The state is mediocre on educational freedom but did enact a modest private scholarship tax credit law in 2013-14.