Demographic trends and their implications for state and local government

Susan Brower, Minnesota State Demographer
Hamline Critical Conversations September 2013
Topics for today

- Three big demographic trends
- Three big impacts on government
- Your insights and questions
The three big demographic trends

1. Growth patterns within MN have changed
2. Increasing diversity—race, ethnicity, language, religion, and other aspects
3. Aging—aging, aging, aging, aging, aging, aging!
Trend #1
Post-recession growth looks new and different
Population growth rates have converged over the last decade.

Source: U.S. Census Bureau
Trend #2: Increasing Diversity
Minnesota is becoming more diverse, but is not as diverse as the U.S. overall.

Percent Of Color 1960-2010

Source: U.S. Census Bureau
Between 2000 and 2010 most of Minnesota’s growth could be attributed to Populations of Color

350,000 more Minnesota residents in 2010 than in 2000

Source: U.S. Census Bureau
Our foreign-born population is becoming increasingly diverse

Foreign Born by World Region of Birth
Minnesota 1950-2008

Source: mncompass.org
Younger age groups are more diverse than older age groups
Racial gaps in attainment are large and persistent

Source: mncompass.org
Trend #3: Aging—this decade is the age of retirement
Number of additional older adults will increase substantially over the next 20 years.

Change in older adults, age 65+ (Thousands)

Sources: U.S. Census Bureau and Minnesota State Demographic Center
Number of additional older adults will increase substantially over the next 20 years

Change in older adults, age 65+ (Thousands)

Sources: U.S. Census Bureau and Minnesota State Demographic Center
Why are changes so marked now?

Population by age and sex
Minnesota, 2010

85+
80 to 84
75 to 79
70 to 74
65 to 69
60 to 64
55 to 59
50 to 54
45 to 49
40 to 44
35 to 39
30 to 34
25 to 29
20 to 24
15 to 19
10 to 14
5 to 9
Under 5

Source: U.S. Census Bureau
What do baby boomers look like?

Hint: They’re between 48 and 66
The three big impacts for state government

1. Different government services will be in demand
2. Resources may change, especially relative to demand
3. Turnover in state workforce
Impact #1: Demographics will change the demand for government services
General fund expenditures are aligned with residents’ demands

**General Fund Expenditures FY 2012-2013**

- K-12 Education 42%
- Health & Human Services 31%
- All other areas 19%
- Higher Education 8%

**Within Health & Human Services**

- Medical Assistance Expenditures: 25% of GF spending (8.5 billion)
- Medical Assistance Expenditures for the Elderly and Disabled: 16% of GF spending (5.5 billion)
- MA expenditures include basic care, long-term care waivers and long-term institutional care

Sources: Minnesota Management and Budget, February 2013. House Research, Long-Term Care Services for the Elderly, November 2012
Budget pressures will change
More 65+ than school-age by 2020

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<tr>
<th>Year</th>
<th>18-24</th>
<th>65+</th>
<th>5-17</th>
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<tbody>
<tr>
<td>1950</td>
<td>671,188</td>
<td>1,254,770</td>
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U.S. Census Bureau & Minnesota State Demographic Center
Conclusion from 2008: If State Health Care Costs Continue Their Current Trend, State Spending On Other Services Can’t Grow

General Fund Spending Outlook, presentation to the Budget Trends Commission, August 2008, Dybdal, Reitan and Broat
Figure 3-23.
Percent of People Aged 65 and Over With Long-Term Care Needs by Age and Place of Residence: 1995

Source: U.S. Census Bureau

1 Needing assistance with activities of daily living (ADLs) or instrumental activities of daily living (IADLs).

Note: The reference population is derived from a combination of sources. The reference population for these data is the civilian noninstitutionalized population and institutionalized population from the National Medical Expenditure Survey, civilian institutionalized population from the Current Population Survey, and Medicare enrollees aged 65 and older from the National Long Term Care Survey.

Source: Stone, 2000. For full citation, see references at end of chapter.
Plans to Cover the Cost of Long Term Care
Baby boomers in MN, 2010

Source: Transform 2010 Survey, Minnesota Department of Human Services
Impact #2: Demographics will change government resources
Labor force growth is projected to slow

Minnesota Labor Force Growth Rate, 1980-2035

Minnesota State Demographic Center, Revised July 2012
Productivity has grown more in states with greater growth in the educational attainment of their workforce

Relationship between state productivity growth and increase in college attainment from 1979 to 2012

THE FASTEST GROWING OCCUPATIONS REQUIRE HIGH LEVELS OF POSTSECONDARY EDUCATION

Source: Georgetown University Center on Education & The Workforce
Minnesota Faces a Fiscal Trap

1. The issue is a long run, structural one—short run solutions will not solve the problem

2. Trend growth alone will not be sufficient. Fundamental changes are necessary

3. Revenue growth will slow. Efforts to increase it will be met with resistance

4. Spending pressures will increase driven largely by issues of aging and health

5. State spending will shift its focus from education, infrastructure and higher education to care and support of the aging
Minnesotan adults are well-educated, and increasingly so...

- 4 in 10 adults have an AA degree or higher
- 3 in 10 adults have a BA degree or higher
High school graduation is no longer enough to get an economic foothold

Percent of jobs requiring some post-secondary education

1973: 28%
2010-2020: 73%

Source: Georgetown University Center on Education & The Workforce
Incomes have declined over the past decade

Source: mncompass.org
Poverty has increased since 2000

Source: mncompass.org
Impact #3: Demographics will change the state as an organization.
State workforce will transform over next decade

The average 61 year-old state worker has 19 years of service with the state

Average retirement age: 61
Proportion of state workers in “late” career

Selected Executive Agencies

- Administration Dept
  - 55+: 21%
  - 60+: 42%
- Mn Management & Budget
  - 55+: 16%
  - 60+: 39%
- Enterprise Technology Office
  - 55+: 17%
  - 60+: 37%
- Attorney General
  - 55+: 20%
  - 60+: 36%
- Veterans Affairs Dept
  - 55+: 13%
  - 60+: 28%
- Military Affairs Dept
  - 55+: 11%
  - 60+: 27%
- Revenue Dept
  - 55+: 11%
  - 60+: 26%
- State Auditor
  - 55+: 9%
  - 60+: 22%

- All
  - 55+: 14%
  - 60+: 30%
Minnesota is well-positioned for the transitions ahead.

### Percent (age 25+) with a bachelor's degree or higher

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### Babies born at low birth weight (all births including multiples)

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### Real per capita Gross Domestic Product

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### Residents under age 65 without health insurance

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### Median household income

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<th>States (1=best)</th>
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<tr>
<td>1 Maryland</td>
<td>$88,654</td>
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<tr>
<td>2 New Jersey</td>
<td>$87,681</td>
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<tr>
<td>3 Alaska</td>
<td>$64,576</td>
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<tr>
<td>4 Connecticut</td>
<td>$64,032</td>
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<tr>
<td>5 Hawaii</td>
<td>$53,030</td>
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<tr>
<td>6 Massachusetts</td>
<td>$62,072</td>
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<tr>
<td>7 New Hampshire</td>
<td>$51,042</td>
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<td>8 Virginia</td>
<td>$60,674</td>
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<td>9 California</td>
<td>$57,708</td>
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<tr>
<td>10 Delaware</td>
<td>$55,847</td>
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<td>11 Washington</td>
<td>$55,631</td>
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<td>12 Minnesota</td>
<td>$55,459</td>
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Source: Minnesota Compass
Questions?
susanbrower@state.mn.us