

Economic & Demographic Change In Big 10 States

Tom Stinson, Minnesota State Economist

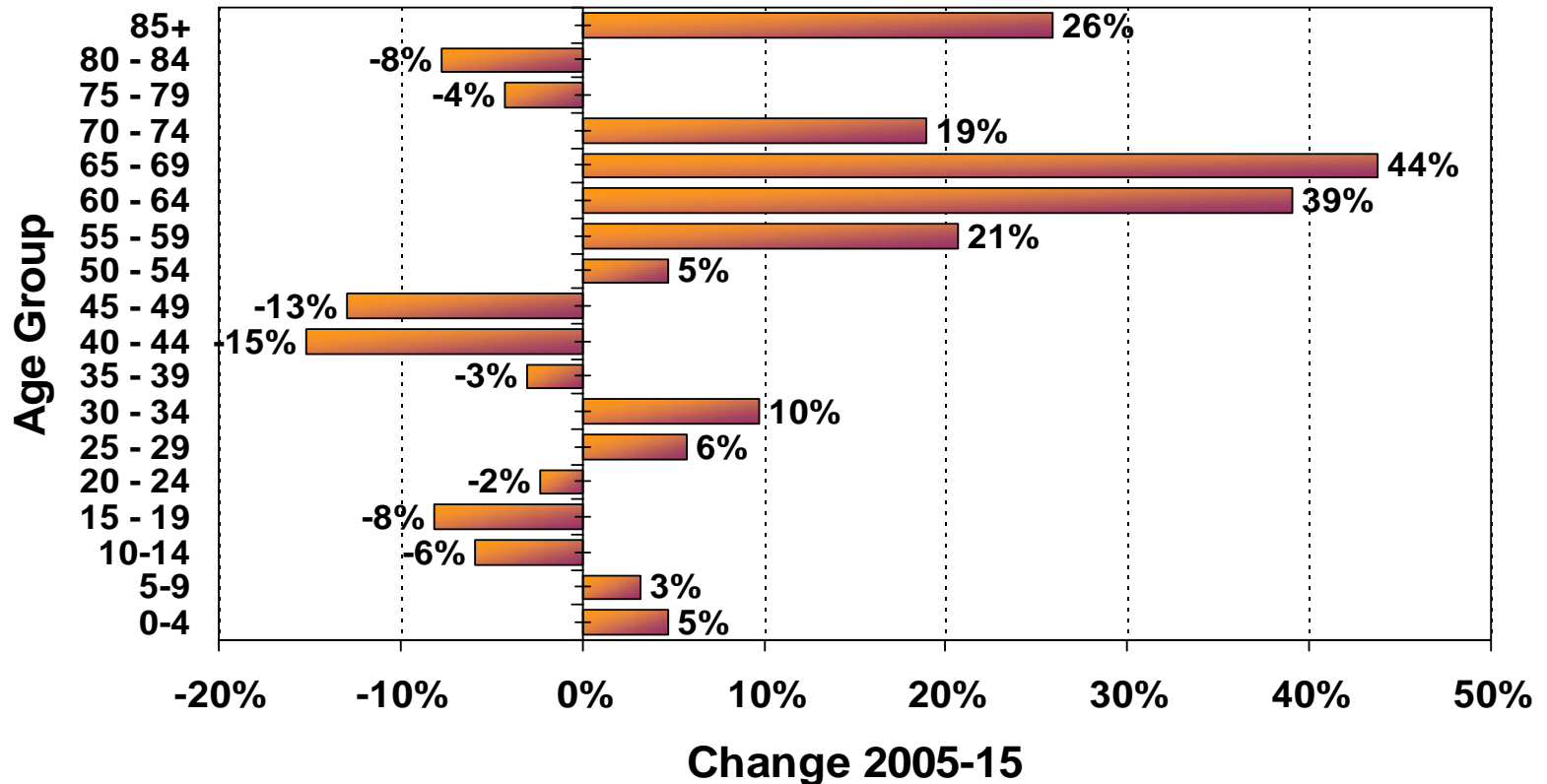
Tom Gillaspay, Minnesota State Demographer

September 2005

Aging Is The Dominant Demographic Trend In Big 10 States And The Nation

- **It is not normal for a society to age**
- **Dramatic changes will be seen in 2008 and 2011 and beyond**
- **By 2020, the number of people 65+ will increase by 34%.**
- **Aging, combined with growth and increased diversity lead to challenges & opportunities not fully anticipated**

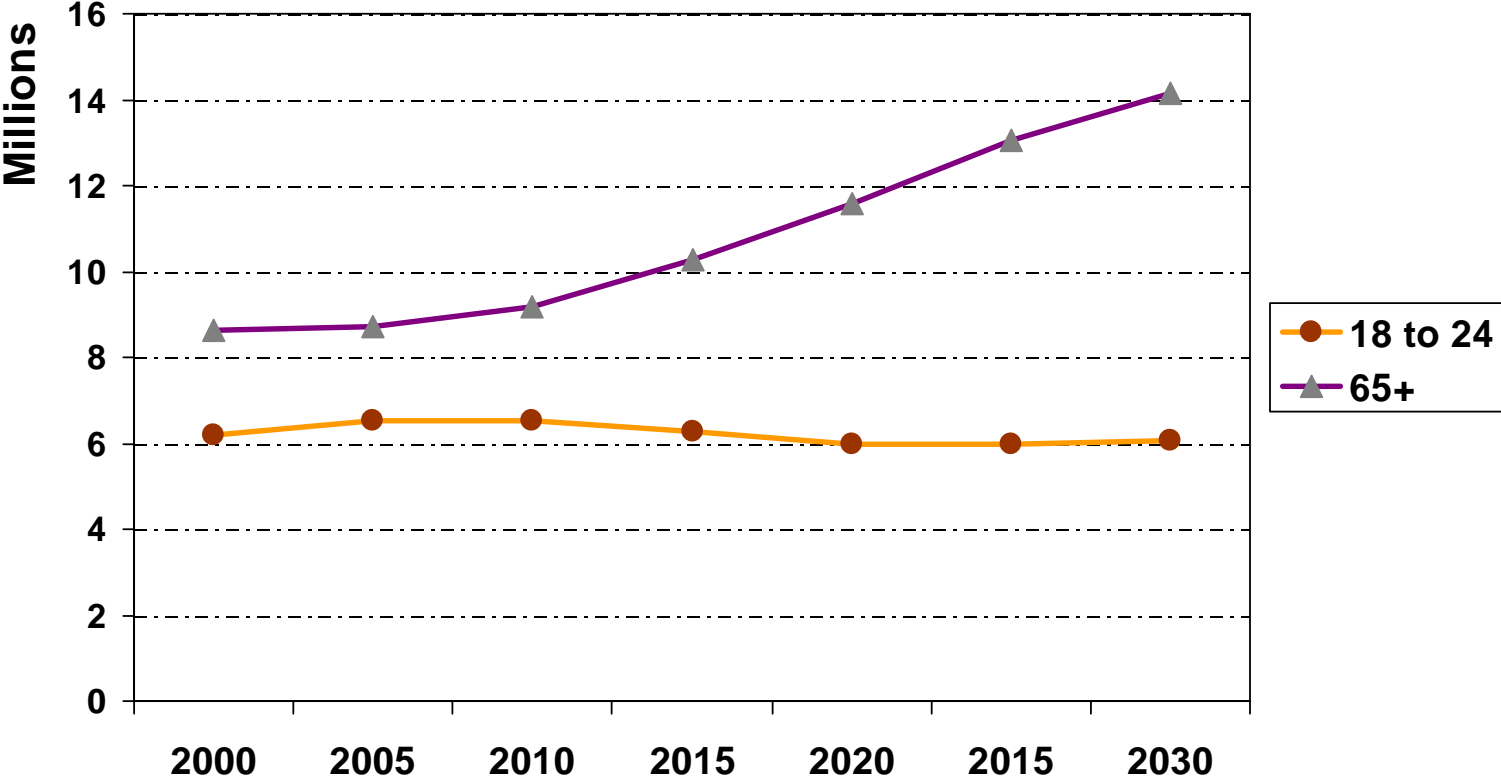
Over The Next 10 Years, Big 10 States Will See Substantial Growth In Retirement Age Population



Census Bureau forecast

In Big 10 States, Number of Senior Citizens Will Rise Sharply Beginning 2011

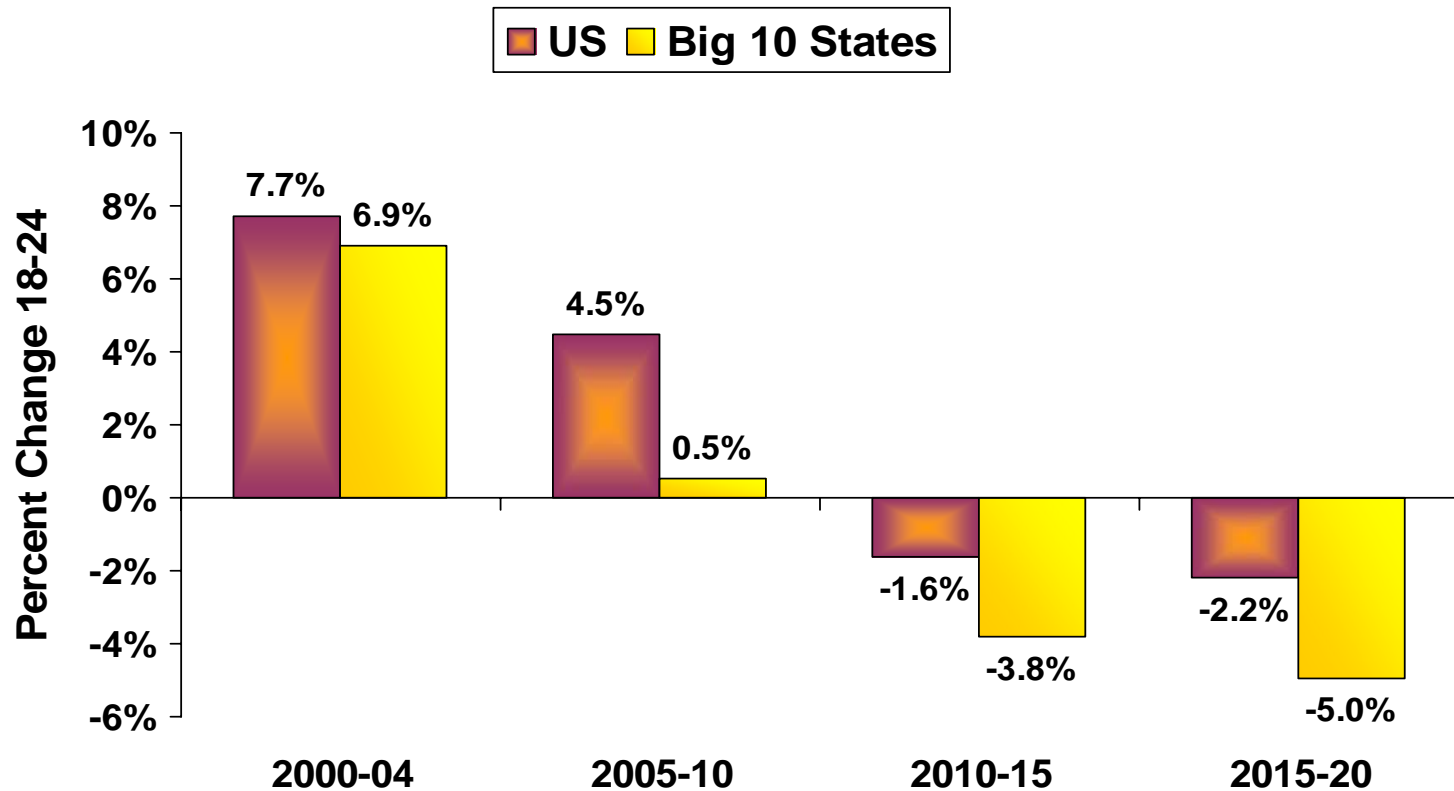
Pass School Age Population By 2020



When Traditional College Age Population Begins To Decline, So Will College Enrollments

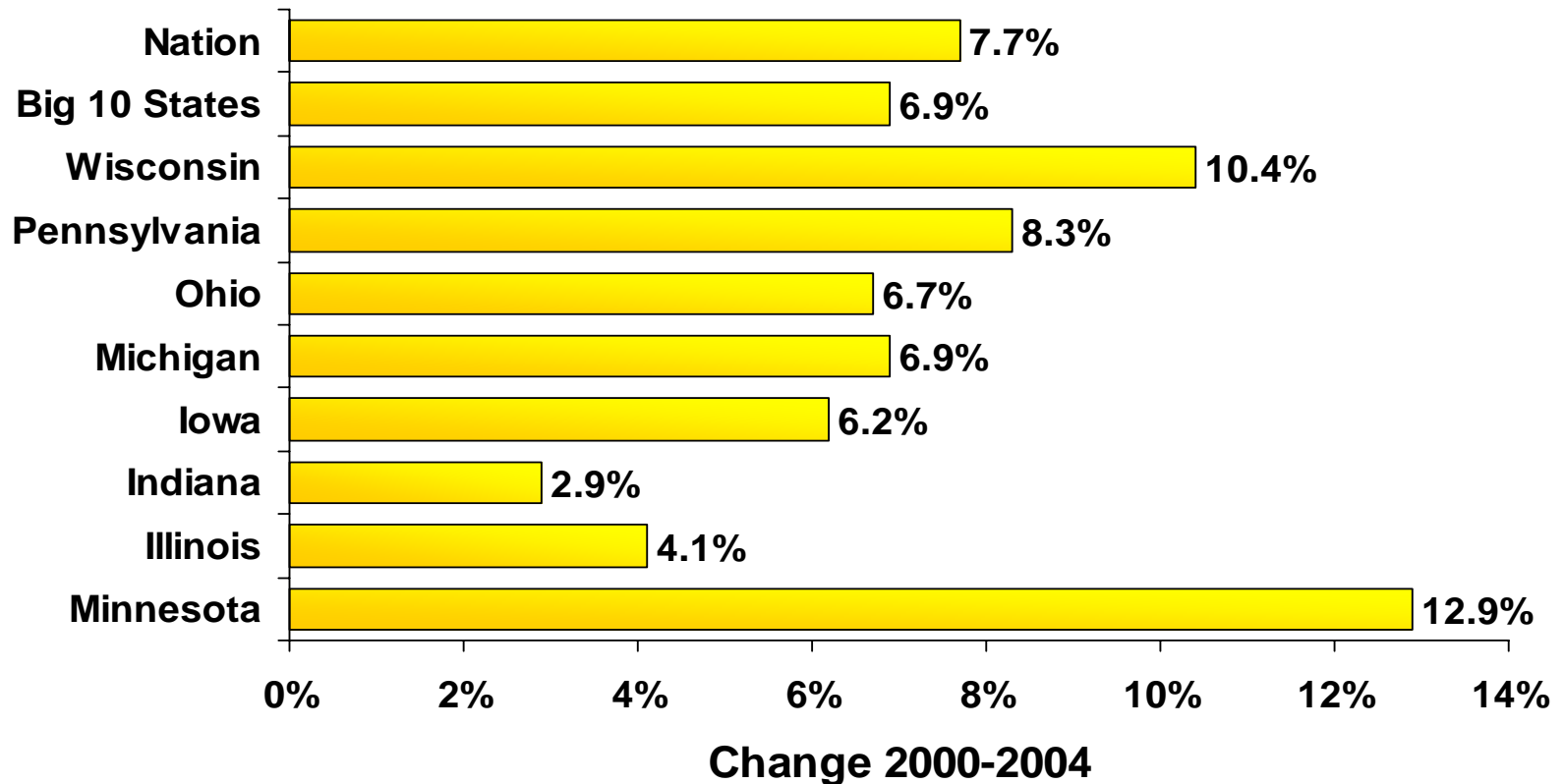
- **Traditional college age population will begin to decline within five years.**
- **Declines in neighboring regions and the nation will intensify competition for students — market share**
- **Higher education will need to turn to non-traditional sources for students — size of the market**

Traditional College Age Population Is Growing Now, But Will Soon Slow, Decline



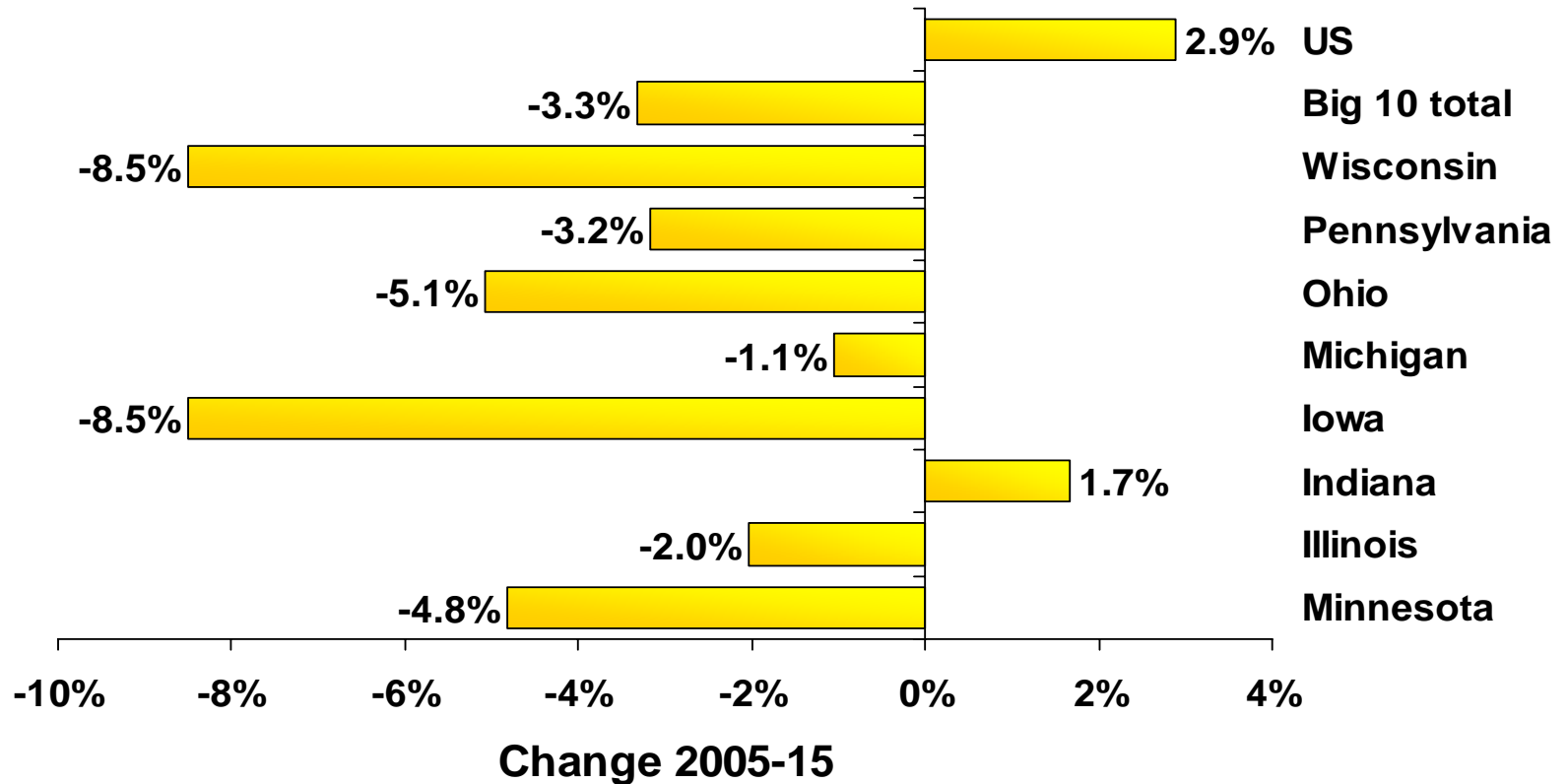
Census Bureau estimate and forecast

The Traditional College Age Population Has Grown This Decade Fueling Enrollment Growth



Census Bureau estimate

Traditional College Age Population Will Decline In Most Big 10 States Over The Next Decade



Census Bureau forecast

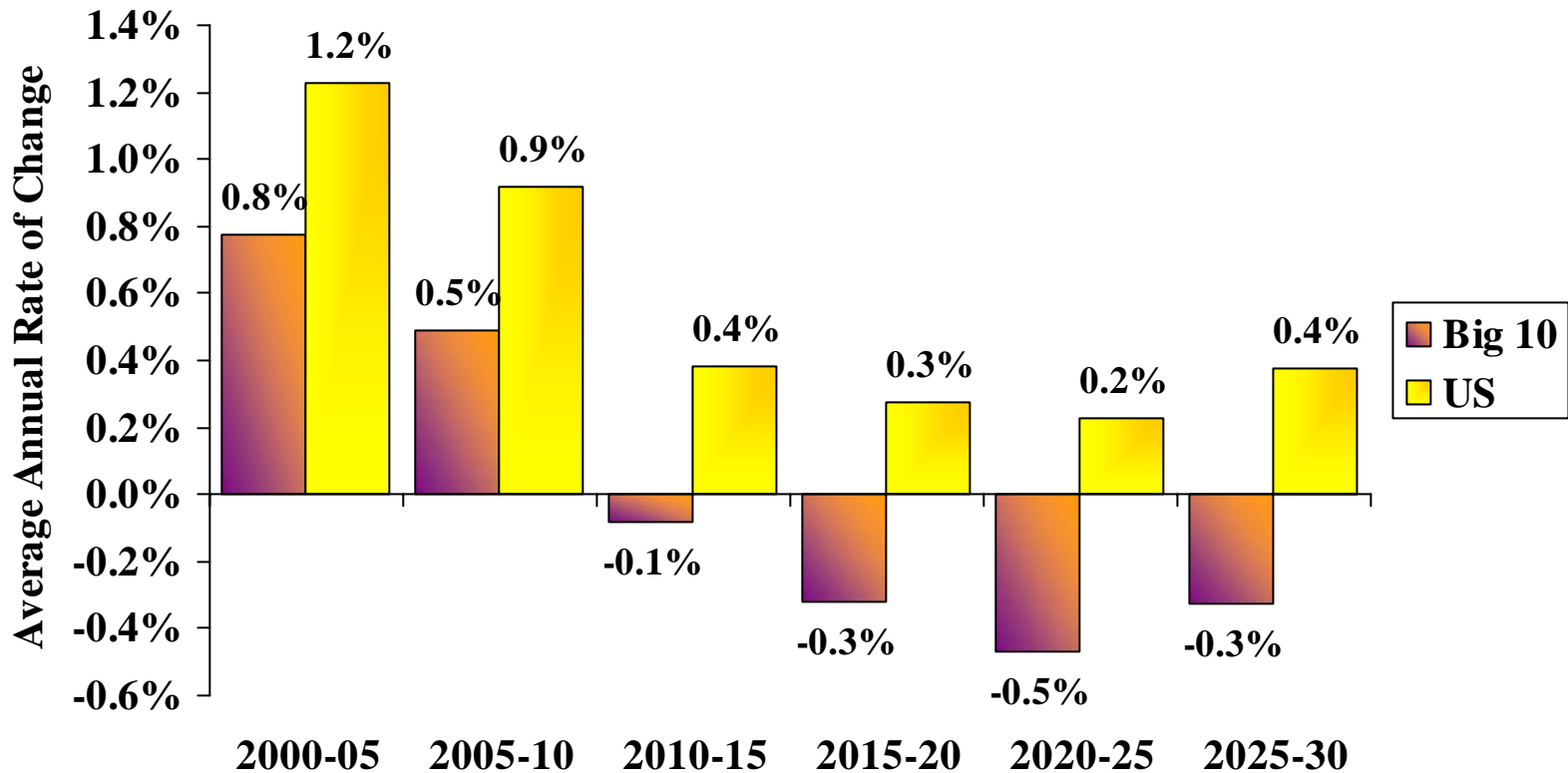
Economic Facts of Life

Standard of Living depends on output per resident

Output = Output per Hour * Hours Worked

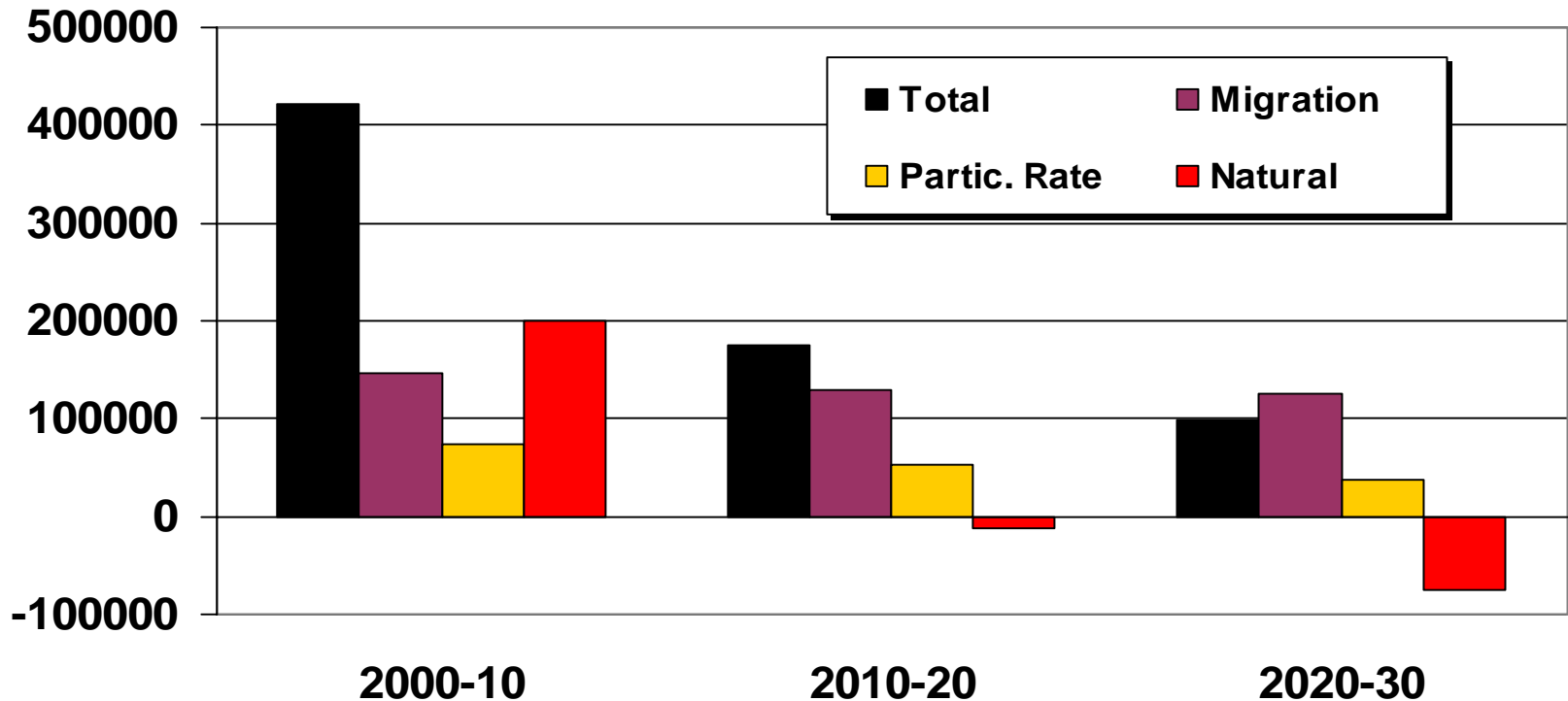
If the ratio of workers to residents declines productivity will need to increase if we are to maintain our current living standard

Prime Working Age Population (16-64) Will Grow More Slowly



Migration Will Become the Largest Source of New Workers in Minnesota

Net Labor Force Growth



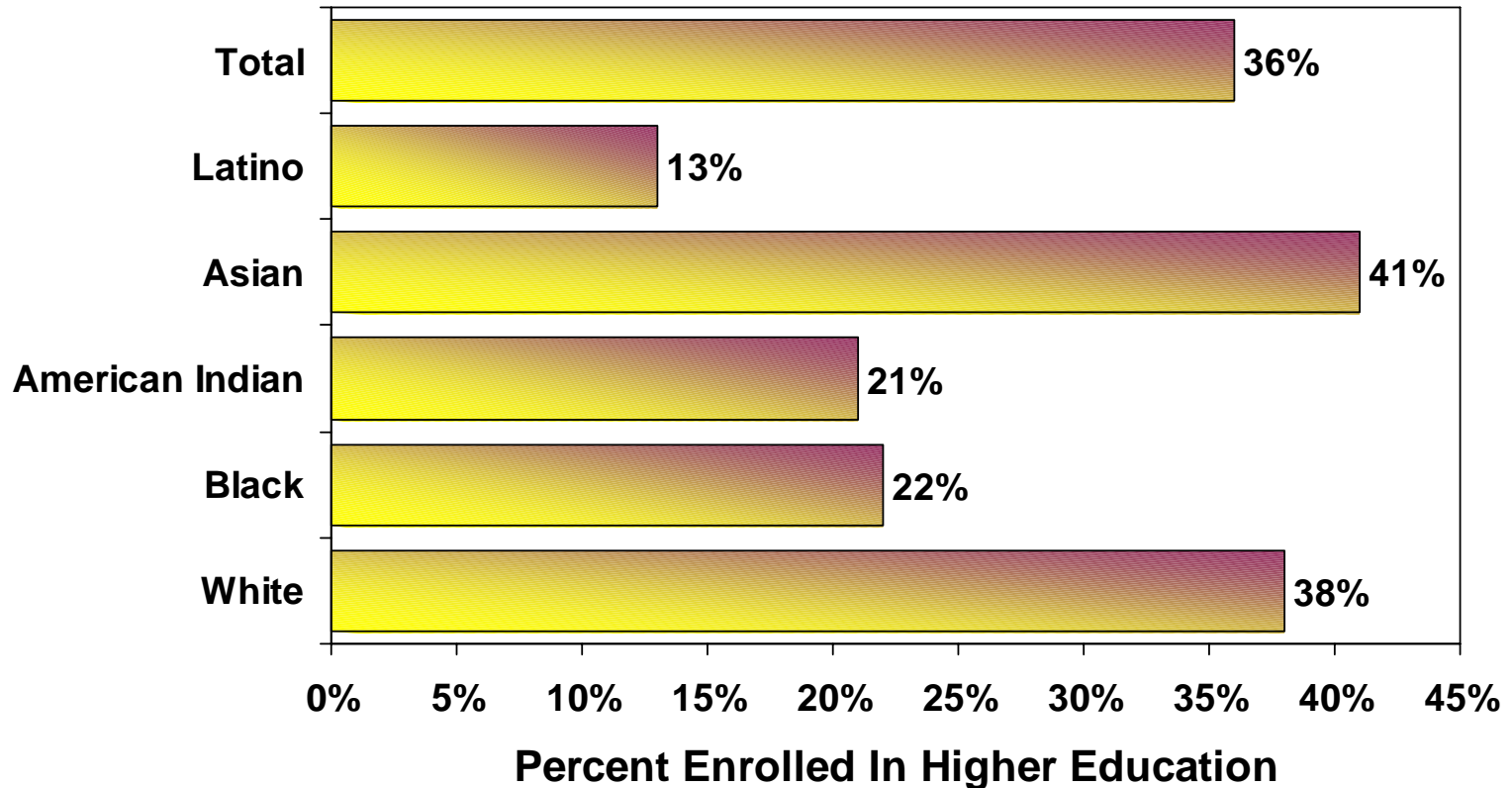
Big 10 States Are Growing More Diverse

- **Range—Big 10 state are less diverse than the nation—20% minority v US 32%**
- **But 92% of growth this decade is minority.**
- **Growing disparity in education and health outcomes**
- **And this is related to age—new, diverse population is younger**

Populations of Color Will Be a Major Potential Source Of New Students

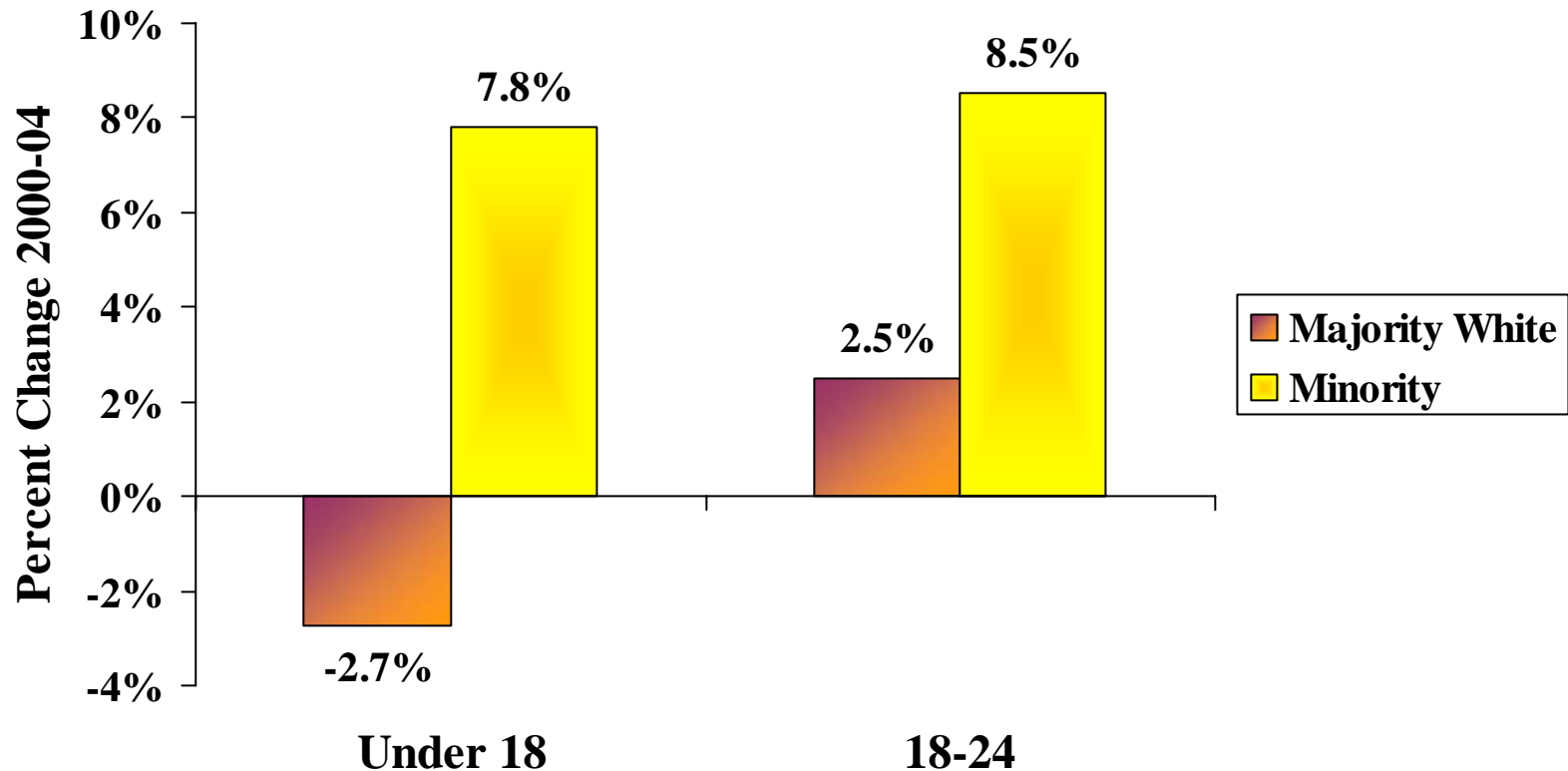
- **K-12 growth in students of color while white majority students are declining**
- **Current higher education participation rates are low**
 - **Achievement gap and dropouts**
 - **Language and culture**
 - **Financially less well off**

Minnesota Percent Of Population 18 To 24 Enrolled In Higher Education



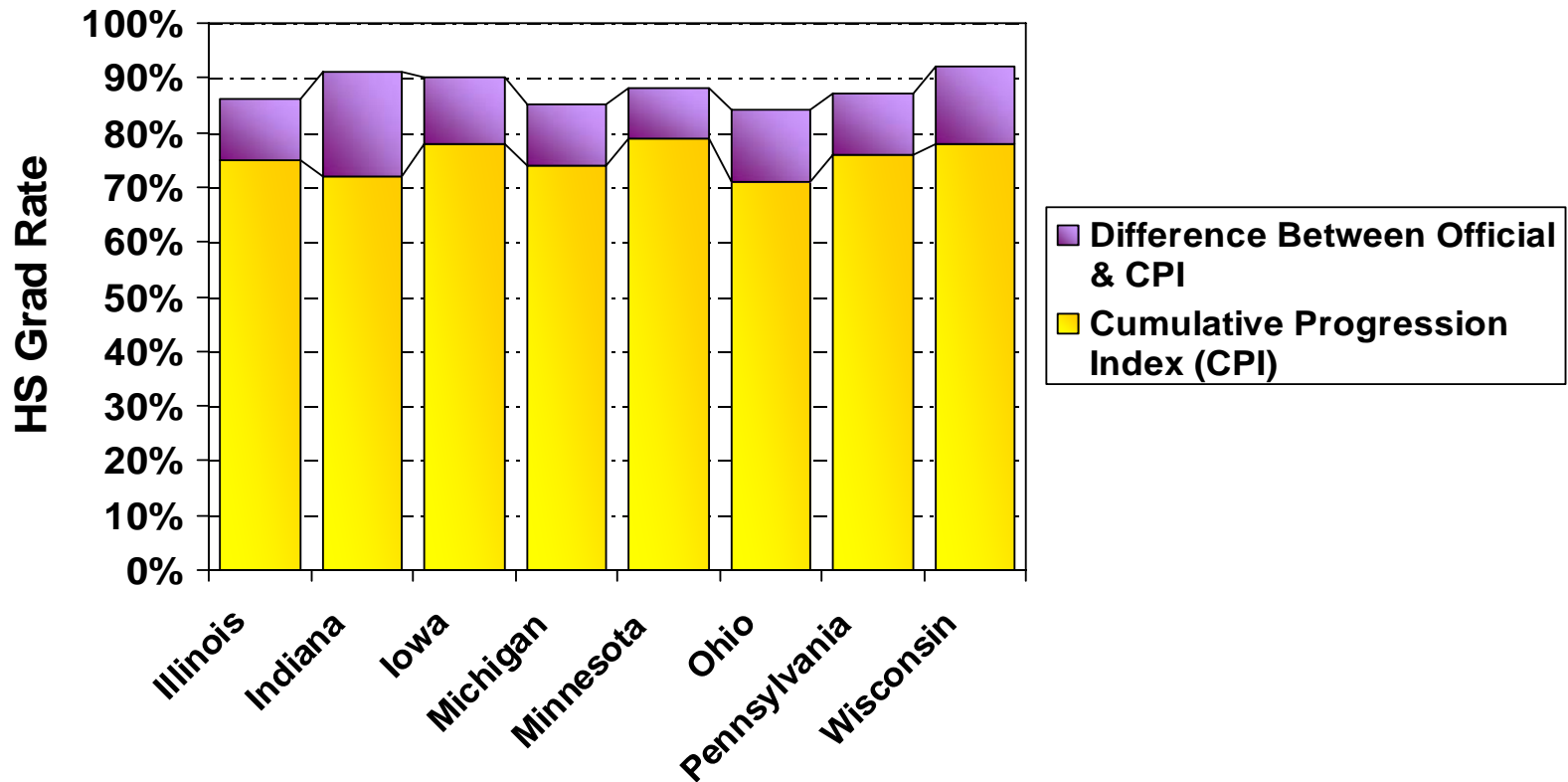
2000 Census PUMS 5%

Nationally, Populations Of Color Are Increasing Much Faster In School Ages



Census Bureau estimate

Official Graduation Rates Overstate Reality Universities Need More Accurate Data To Plan For Enrollments

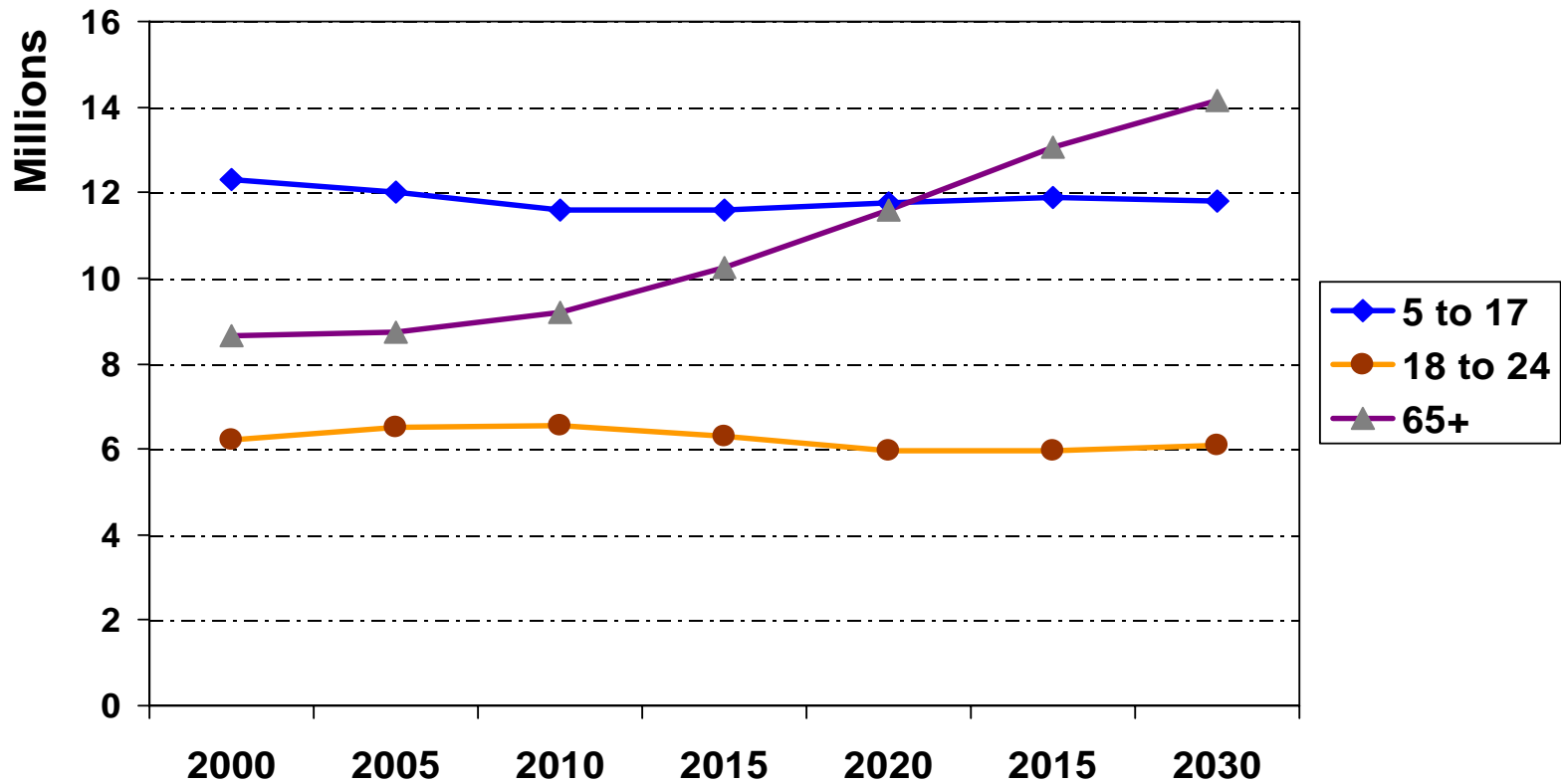


Christopher Swanson, Urban Institute. Differences by race are even larger.

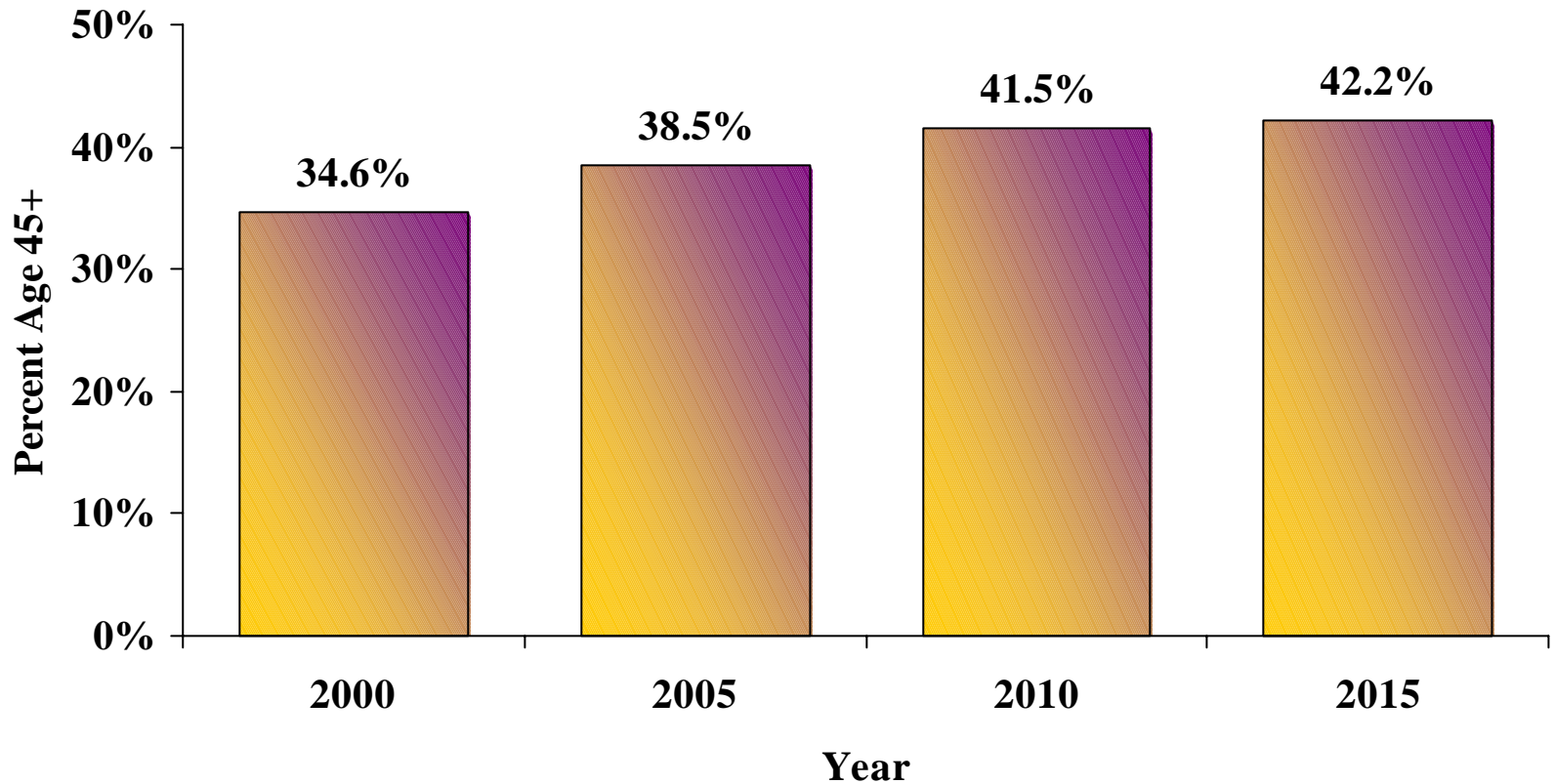
Big 10 State High School Graduation Rates For Children Of Color Are Low

- **Cumulative Progression Index (CPI) rates for black students range from 40% to 51%**
- **CPI rates for Latino students range from 36% to 58%**
- **CPI rates for American Indian students range from 22% to 47%**
- **CPI for all students range from 71% to 79%**

In Big 10 States, More 65+ Than School Age By 2020



Work Force Is Aging—Including Government and Academic



Minnesota State Demographer, Minnesota work force forecast

Aging Of Society Will Impact Private And Public Spending

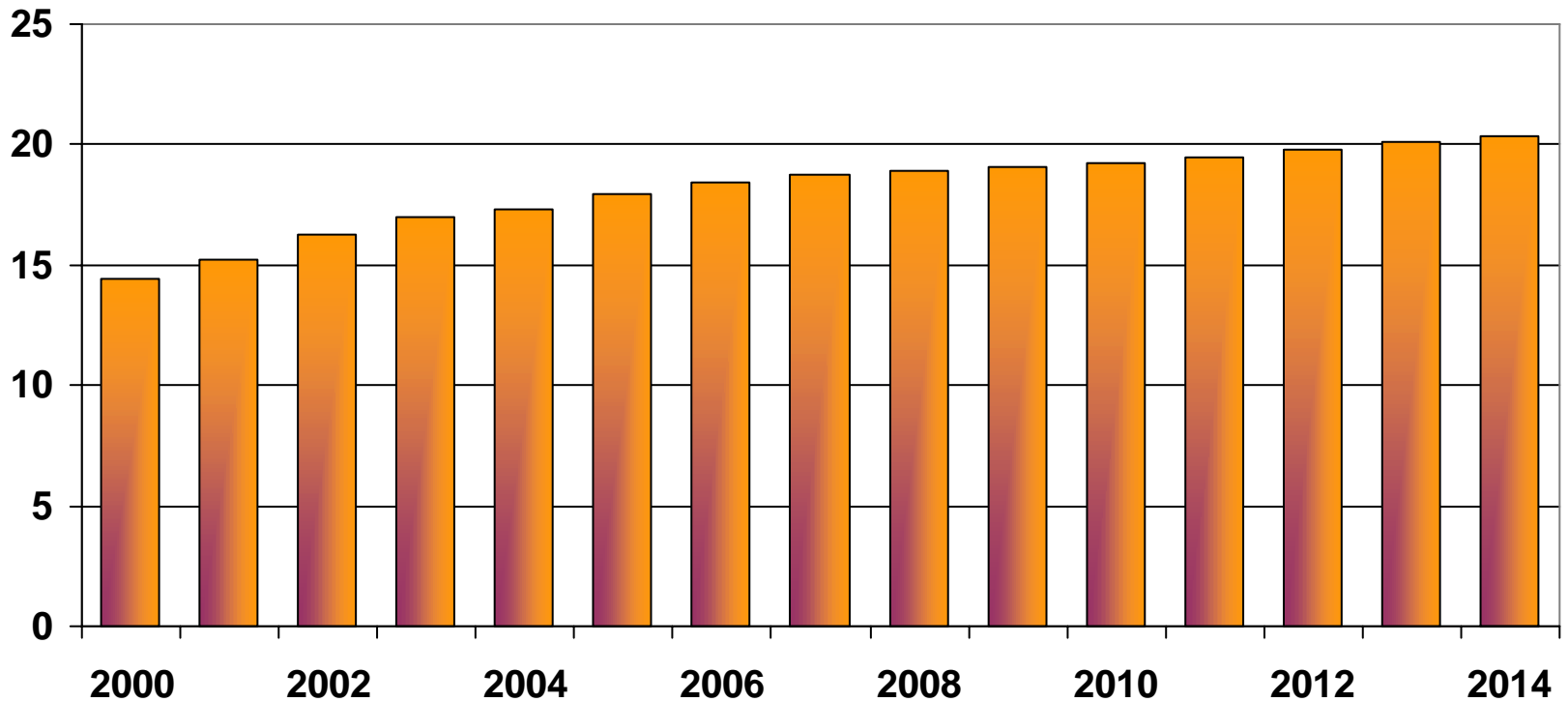
- **Health care costs will increase**
- **Shift in government priorities to issues of aging and health**
- **Older voters often more fiscally conservative**
- **State tax base will be affected as baby boom reaches retirement age**

Health Care Spending And Costs Are A Major Concern For The Future

- **Uses money that could be spent elsewhere**
- **Productivity is a key, but there are limits in providing health care and other services**

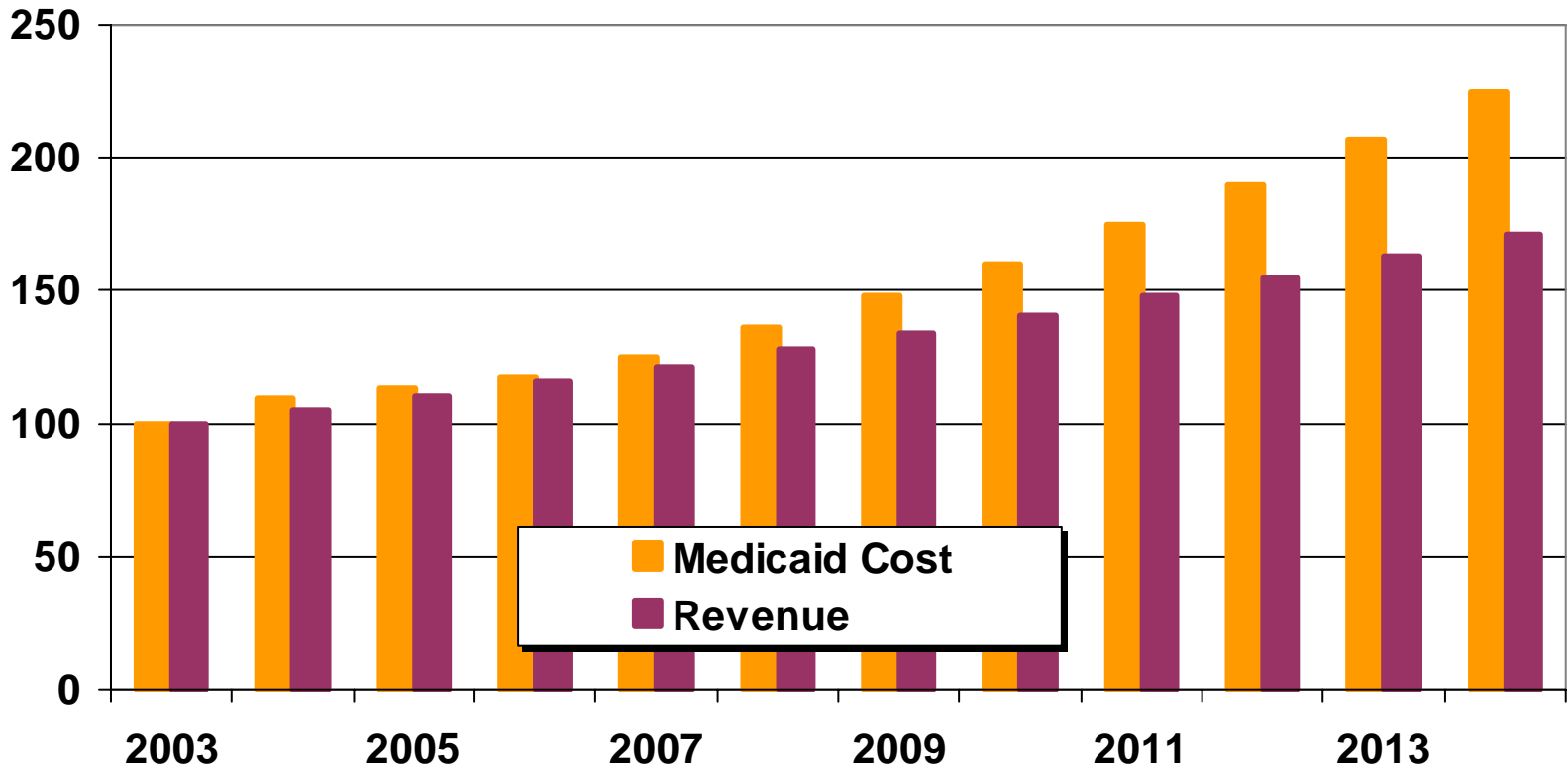
Health Care Expenditures Are Expected to Take an Increasing Share of Personal Income by 2014

Pct of
Personal Income



CBO Expects Medicaid Spending to Double by 2014, State Tax Revenues Will Not Keep Up

Index, 2003 = 100



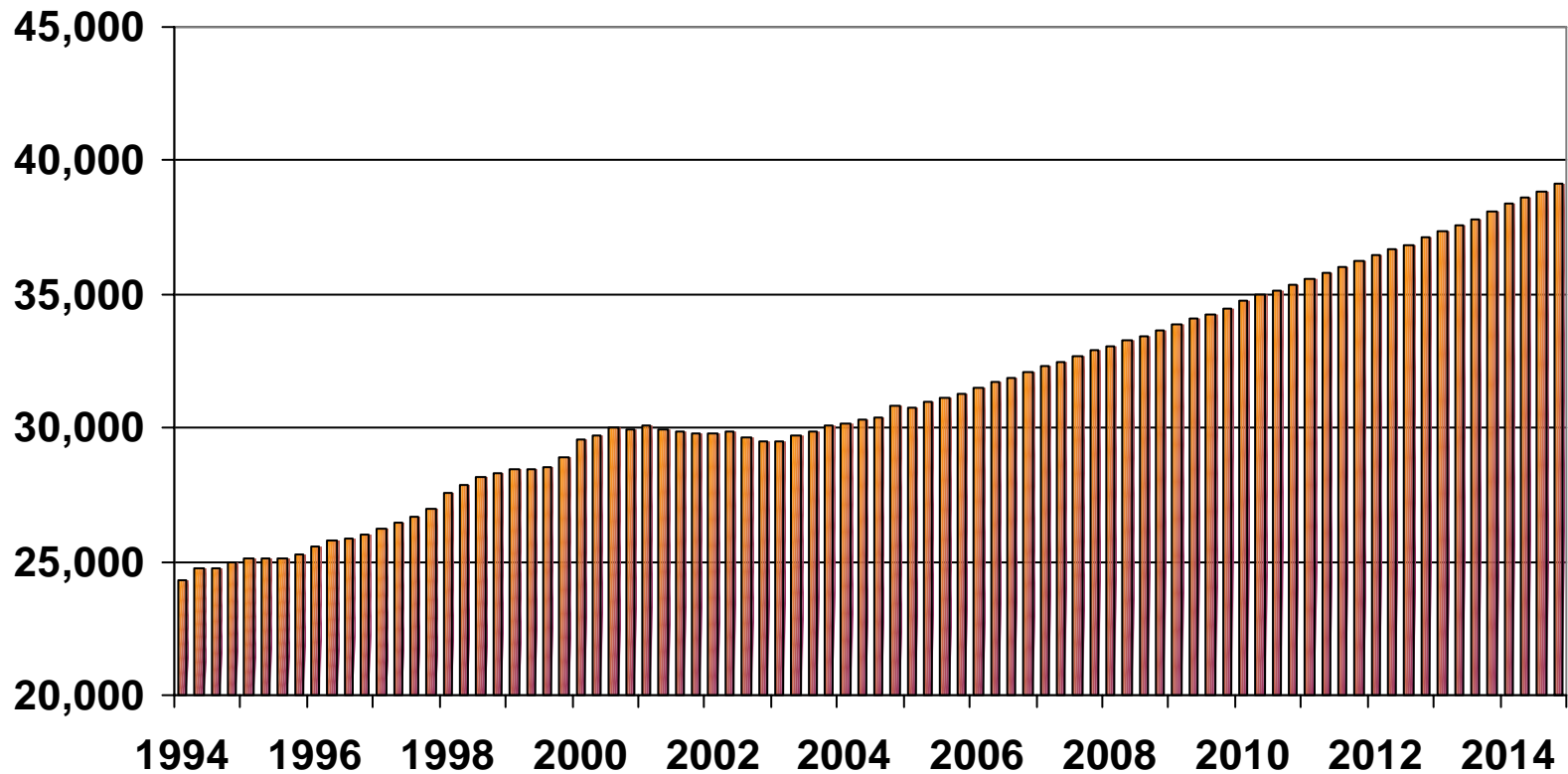
Health Care Cost Increases Could Crowd Out Important Future Investments

- ✘ Private Sector Investment**
- ✘ Public Infrastructure**
- ✘ Education and Training**
- ✘ Retirement Savings**
- ✘ Personal Spending**

Can We Afford All This?

Real Per Capita Personal Income Is Projected to Grow 27 Percent by 2014

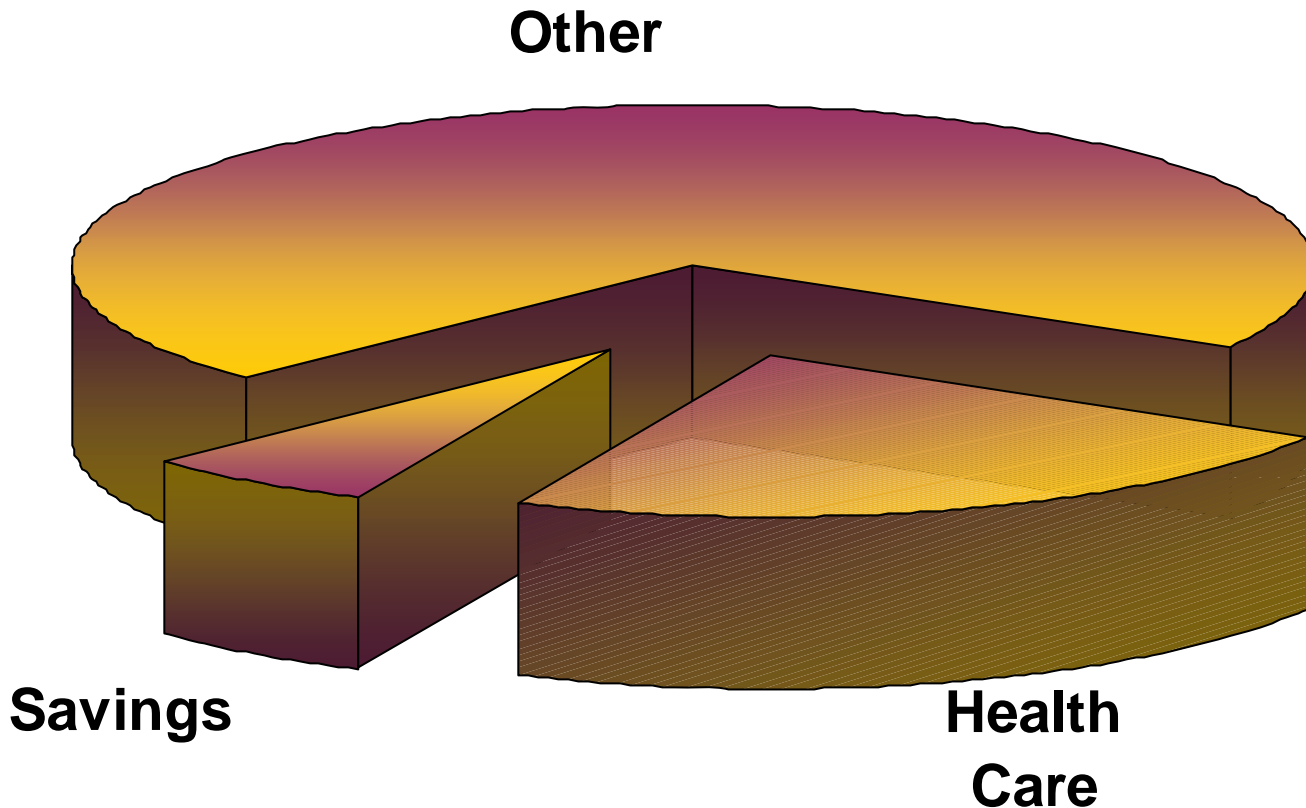
\$ per capita



Midwest Households Will Earn More and Be Wealthier in 2014

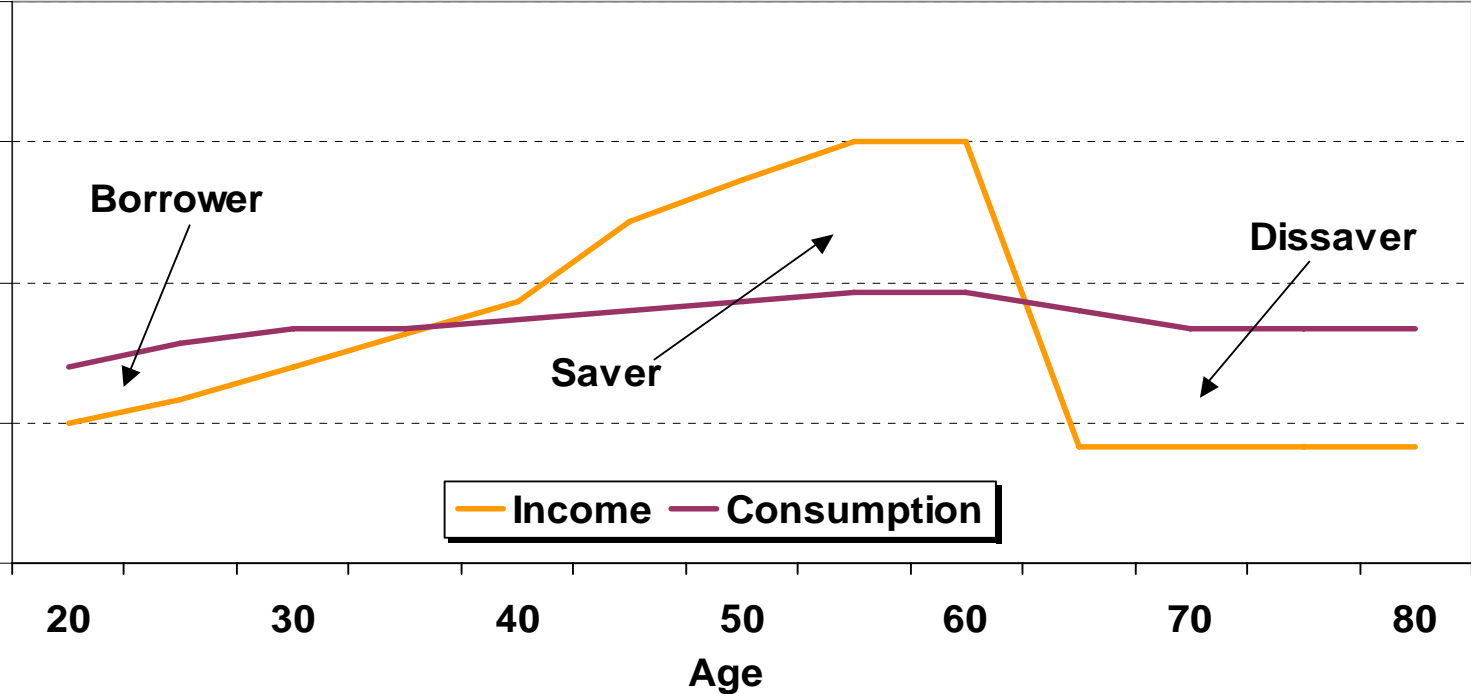
- **Real, per capita disposable income projected to grow to \$34,229 – by \$6,700 -- by 2015.**
- **Household wealth per capita forecast to grow 60+ percent by 2015.**
- **Inflation adjusted for**
- **Medical cost increases already included**
- **Some Midwestern states will do better**

Two-thirds of Additional Real Income Remains After Allowing for Increases in Health Care and Savings



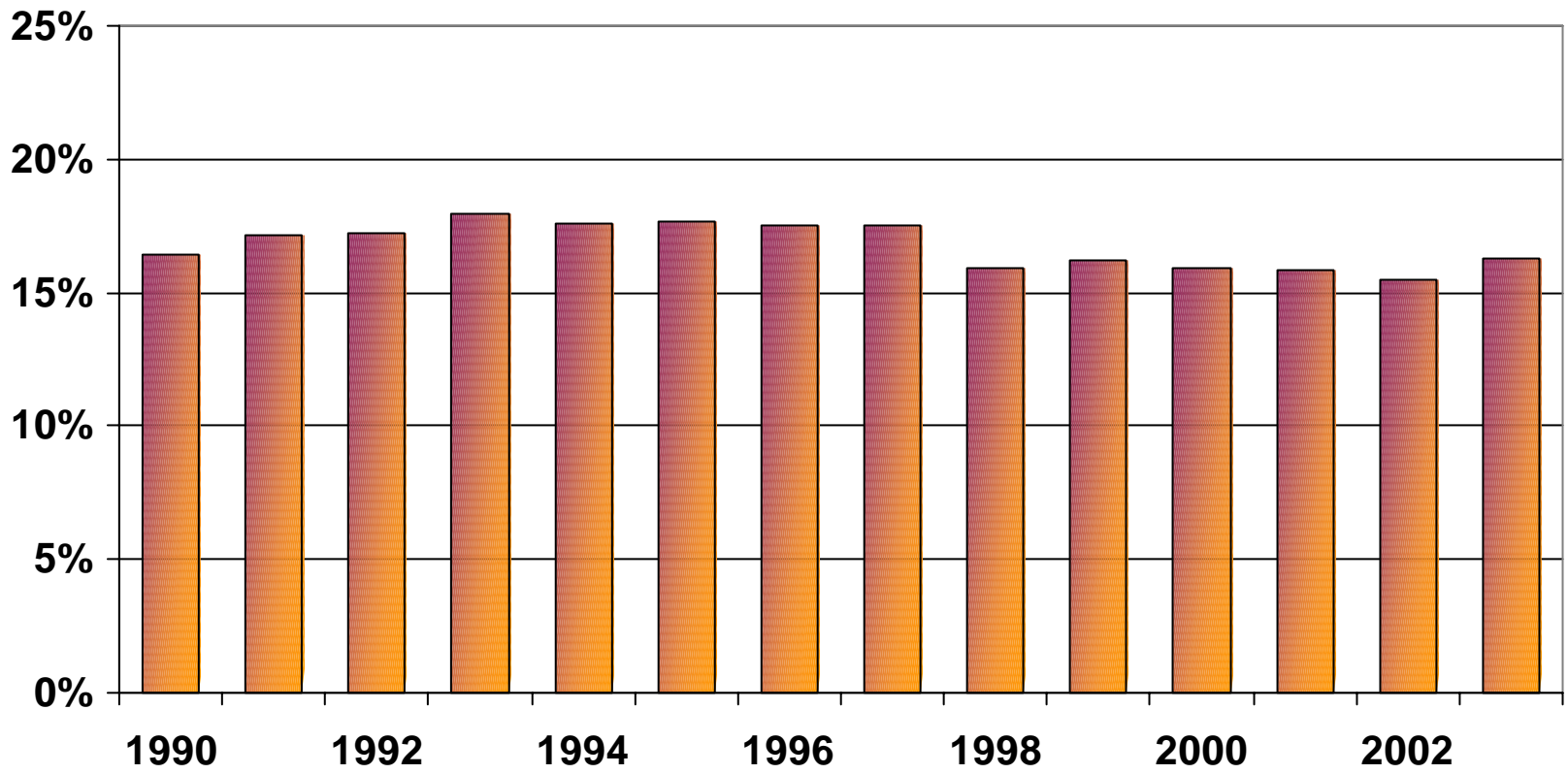
Phases in the Household Life Cycle

Dollars

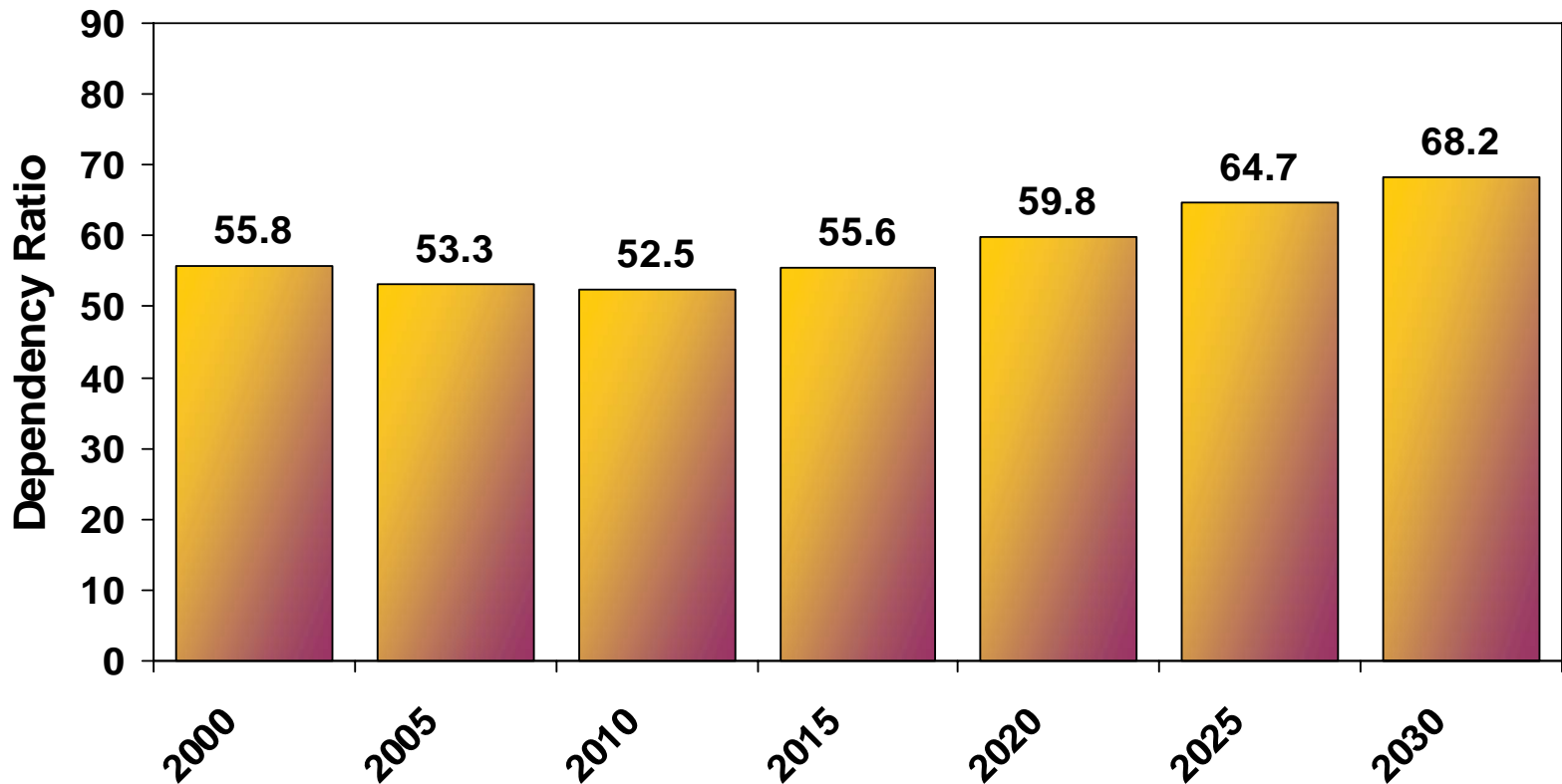


State/Local Government's Share of Minnesota Personal Income Has Declined

Price of Government



Big 10 States' Dependency Ratio Will Begin To Rise In The Teens

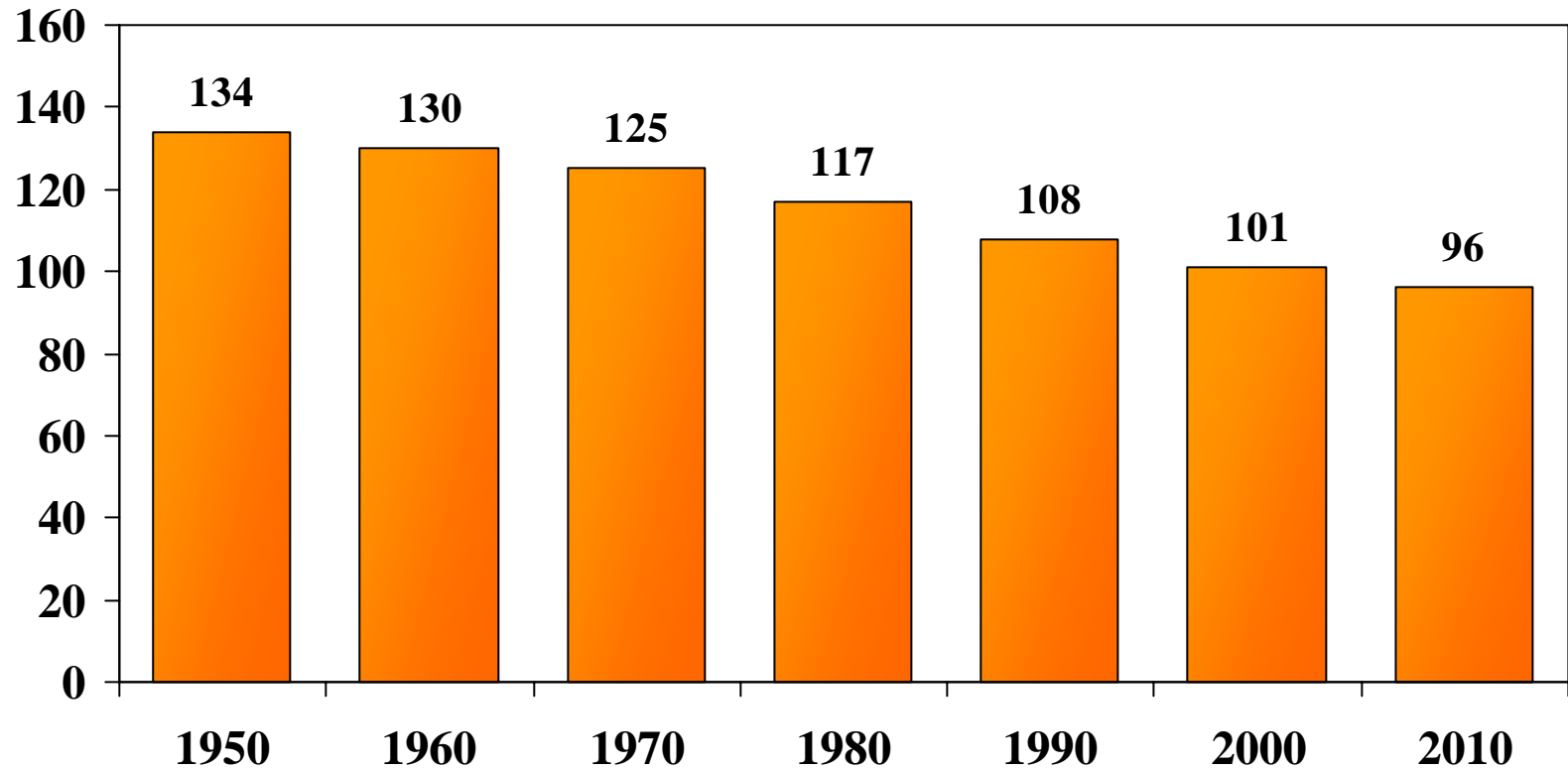


Dependency Ratio= Number of children (0-14) plus number of elderly (65+)
Divided by the population 15 to 64 time 100

State Taxes Paid by a Married Couple Before and After Retirement

<i>Income</i>	Income Tax	Sales Tax	Total	Change	Pct
<hr/>					
<u>Working</u>					
\$35,000	\$1,236	\$782	\$2,018		
\$65,000	\$3,387	\$1,295	\$4,682		
<u>Retired @ 70 %</u>					
\$25,000	\$0	\$559	\$559	-\$1,459	-72%
\$45,000	\$1,091	\$896	\$1,987	-\$2,695	-58%

Congressional Apportionment To Big 10 States Still Declining



Census Bureau, Mn State Demographer forecast

The Aging Society Presents Some Opportunities For Big 10 Universities

- **Higher income households can afford higher tuition**
- **Legacy gifts, endowment giving**
- **Training/retraining of older workers**
- **Re-structuring easier as faculty retire**
- **Retiree learning -- volunteer work**
- **Research to solve the big problems—
Alzheimer's, pain control, heart health**