Demographic Changes and the State Budget

Presentation to the Legislative Commission on Planning and Fiscal Policy

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March 4, 2013

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Major demographic changes that will impact the budget

- The aging population will place **new pressures on the state budget**, especially in the areas of health and long-term care
- The retirement of the baby boomers will reduce **labor force growth** and potentially economic growth.
- Our **growing diversity** requires attention, especially when there will be fewer workers relative to each retiree
- Our state's **economic competiveness** is a function of the quality of workforce
- Minnesota's **water resources** will become an increasingly important asset for our state's population growth and economic competitiveness

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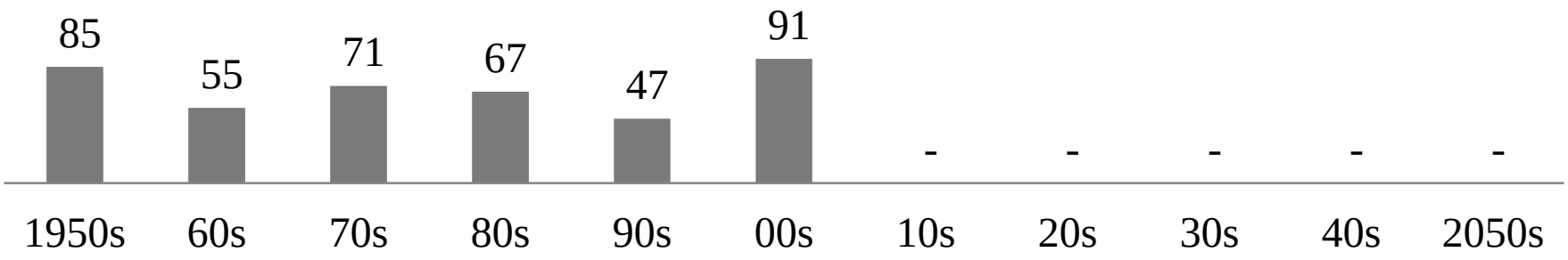
Number of additional older adults will increase substantially in next 20 years

Change in older adults, age 65+ (Thousands)



Sources: U.S. Census Bureau and Minnesota State Demographic Center

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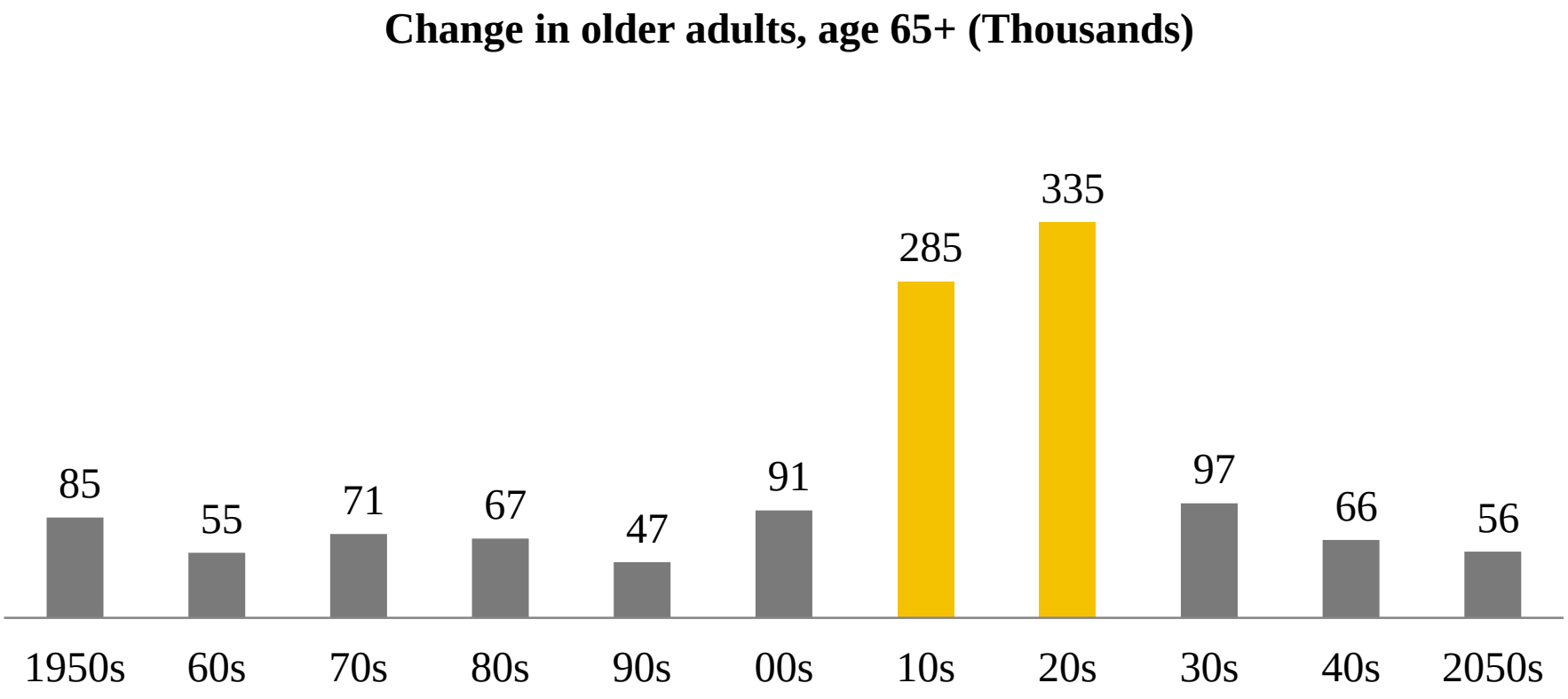
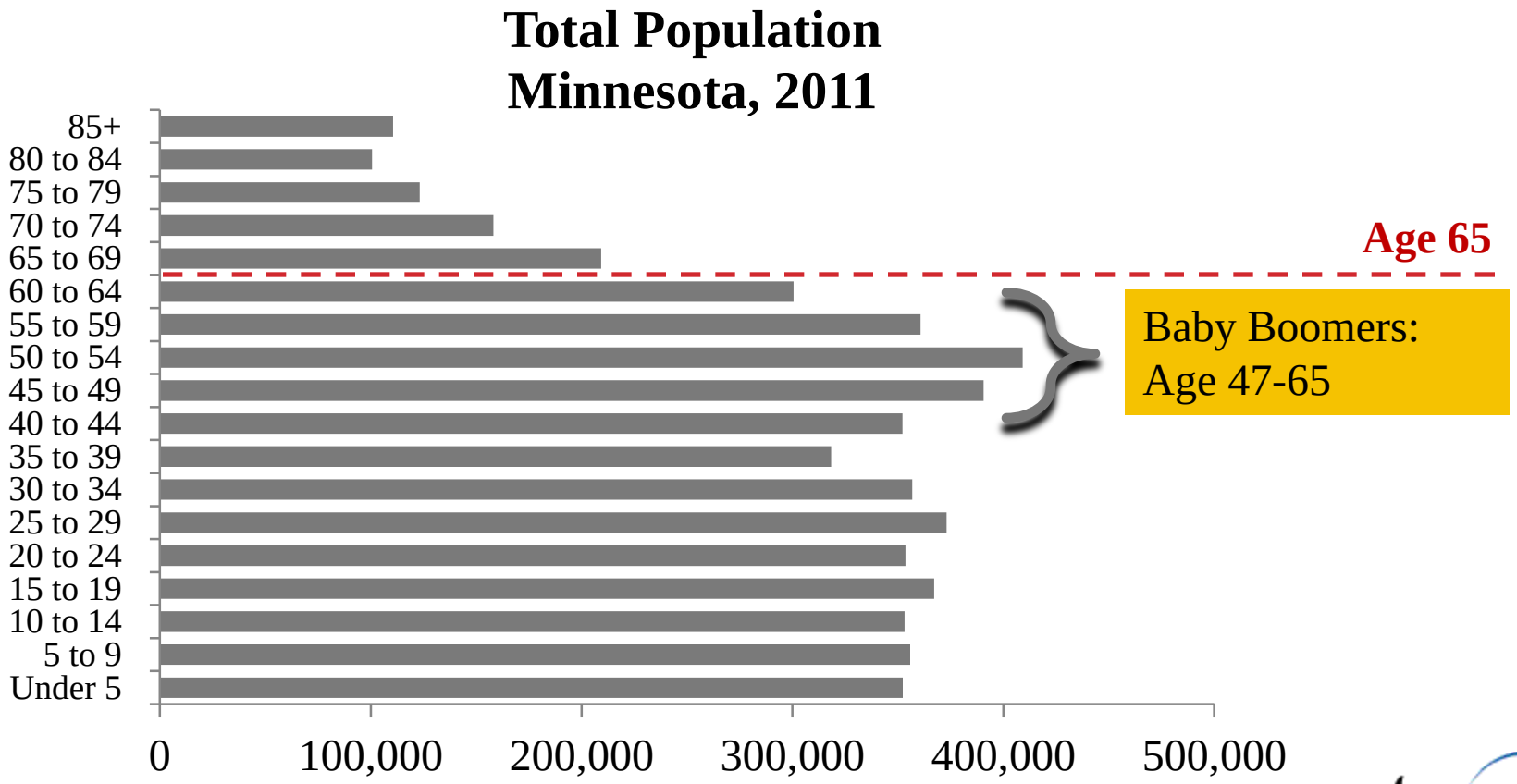
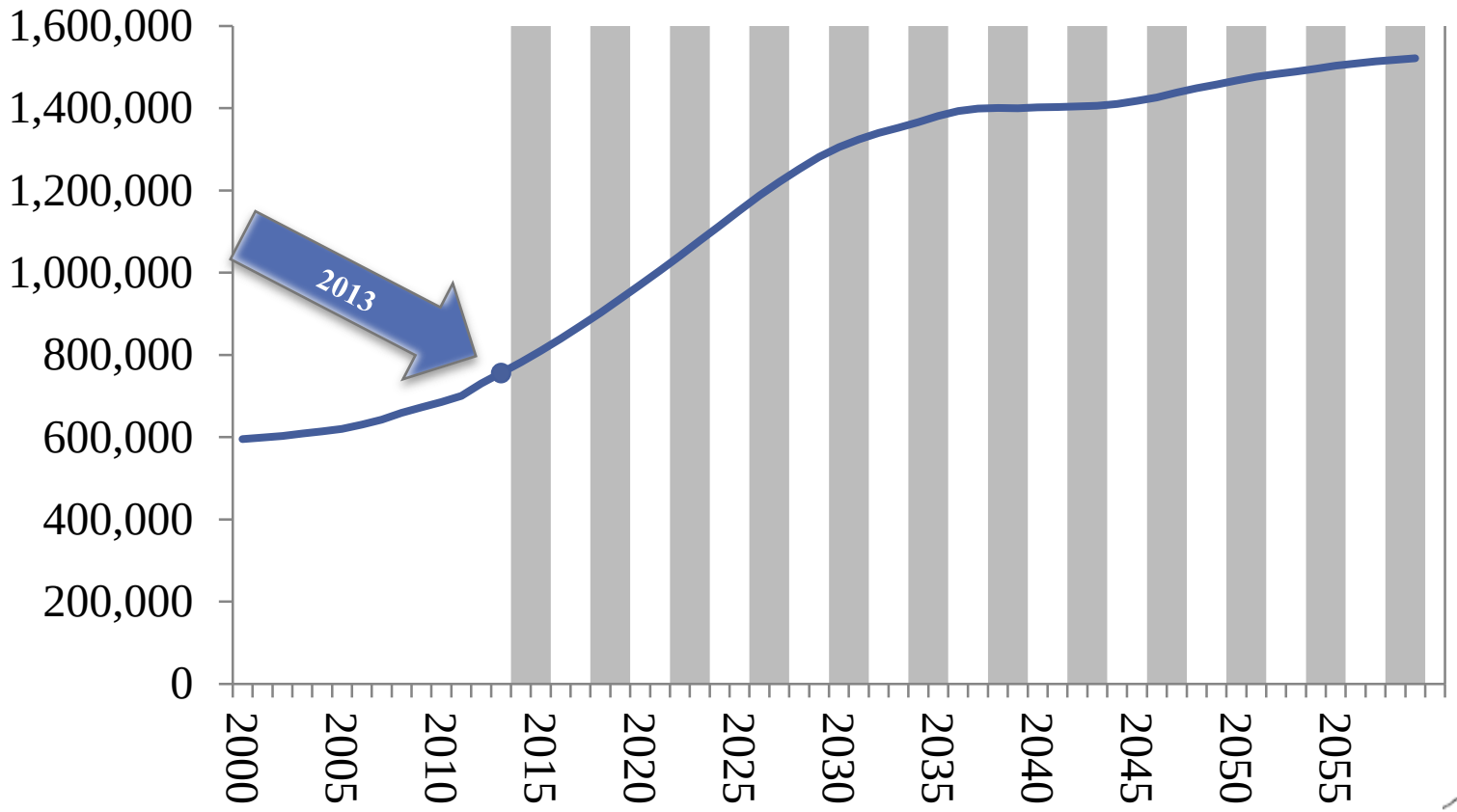


Sources: U.S. Census Bureau and Minnesota State Demographic Center

A portrait of Minnesota, by age, 2011



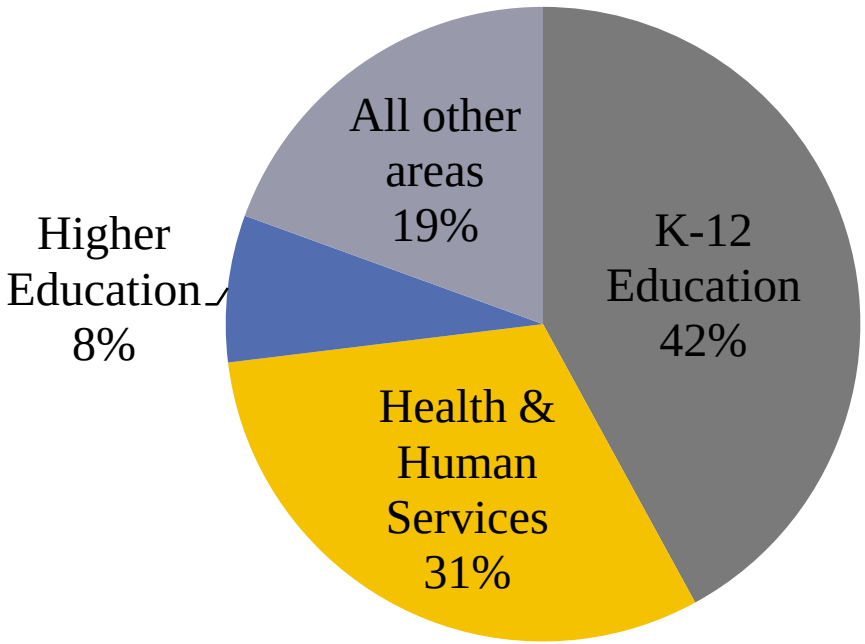
MN's total 65+ population overlaid on future biennia



Source: Minnesota State Demographic Center Projections, Revised Jan 2013

Increasingly our demographics will change the demand for services

General Fund Expenditures
FY 2012-2013

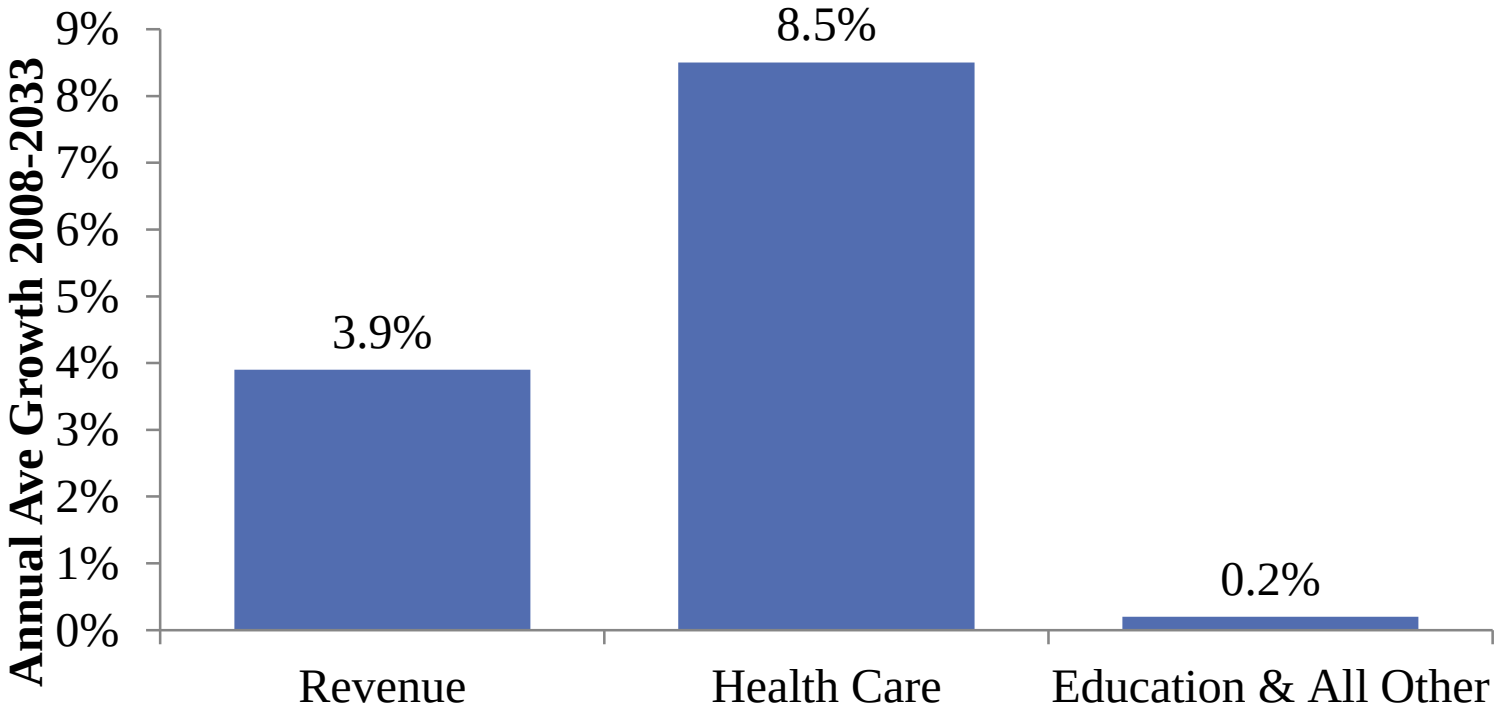


Within Health & Human Services

- 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

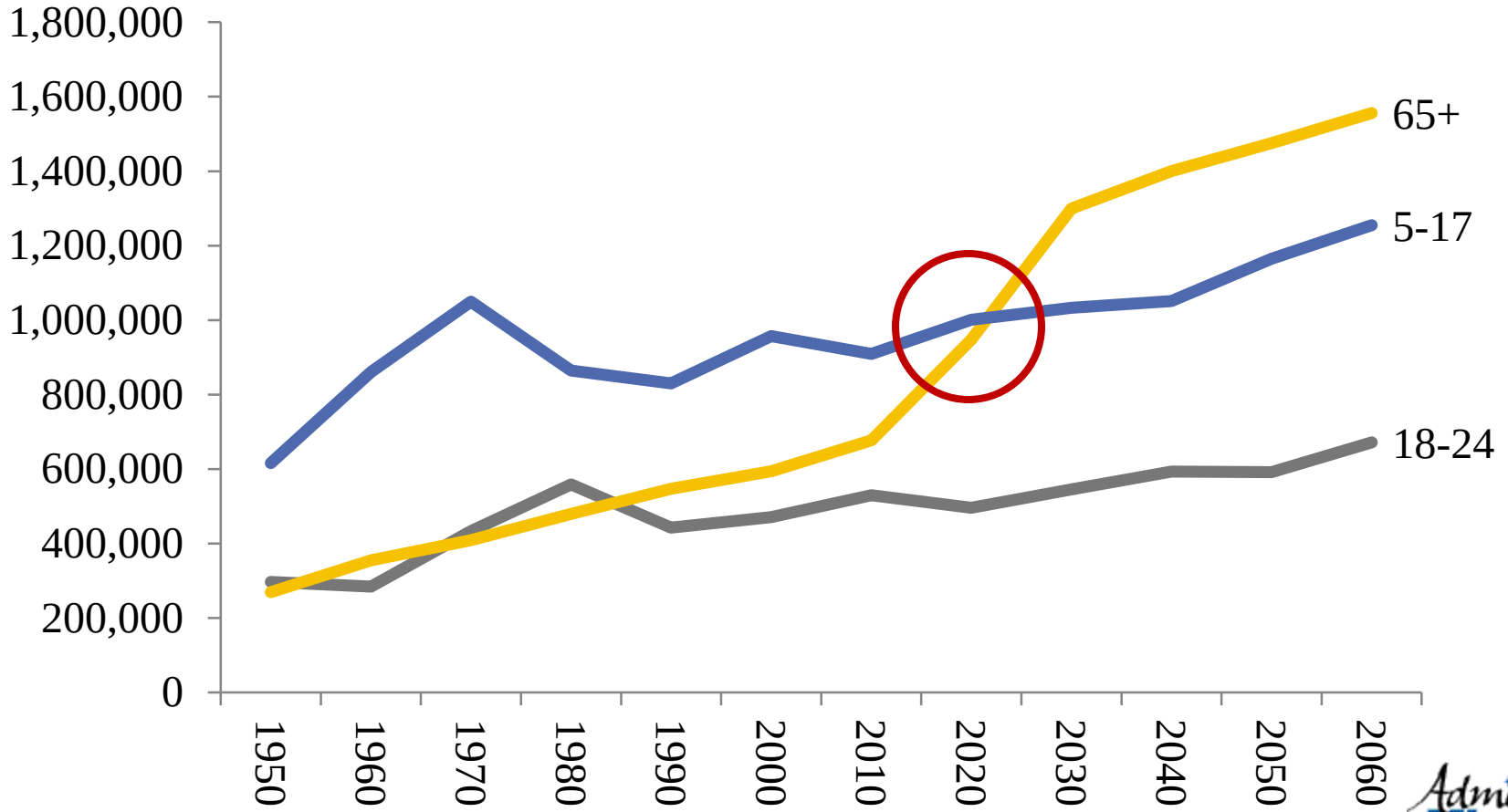
Sources: Minnesota Management and Budget, February 2013. House Research, Long-Term Care Services for the Elderly, November 2012

Conclusion from 2008: If State Health Care Costs Continue Their Current Trend, State Spending On Other Services Can't Grow

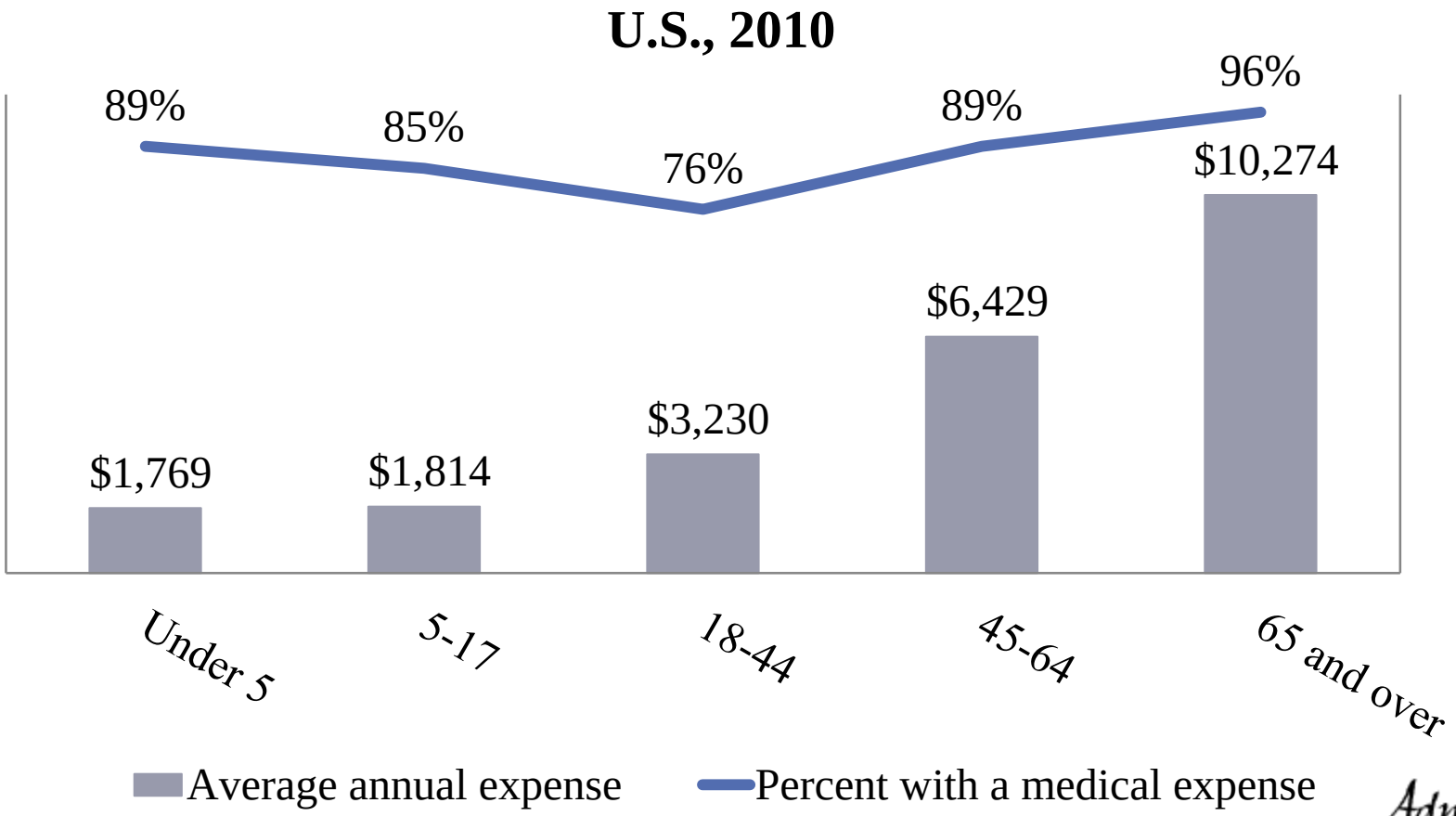


General Fund Spending Outlook, presentation to the Budget Trends Commission, August 2008, Dybdal, Reitan and Broat

For the first time in MN history: More 65+ than school-age by 2020

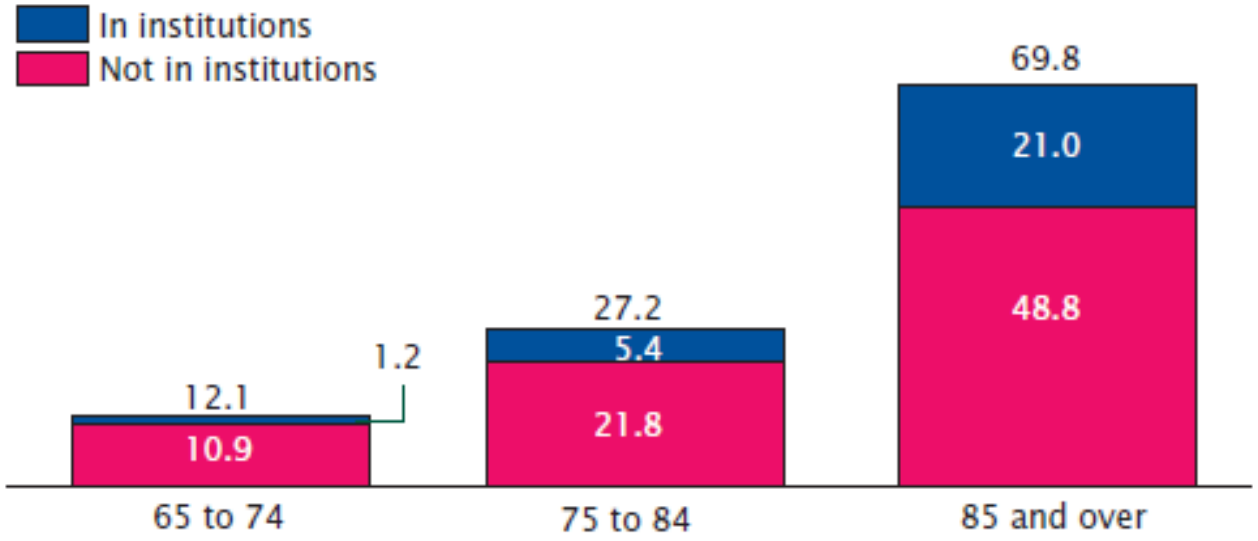


Medical expenses rise considerably after age 65



Source: Medical Expenditure Panel Survey, 2010

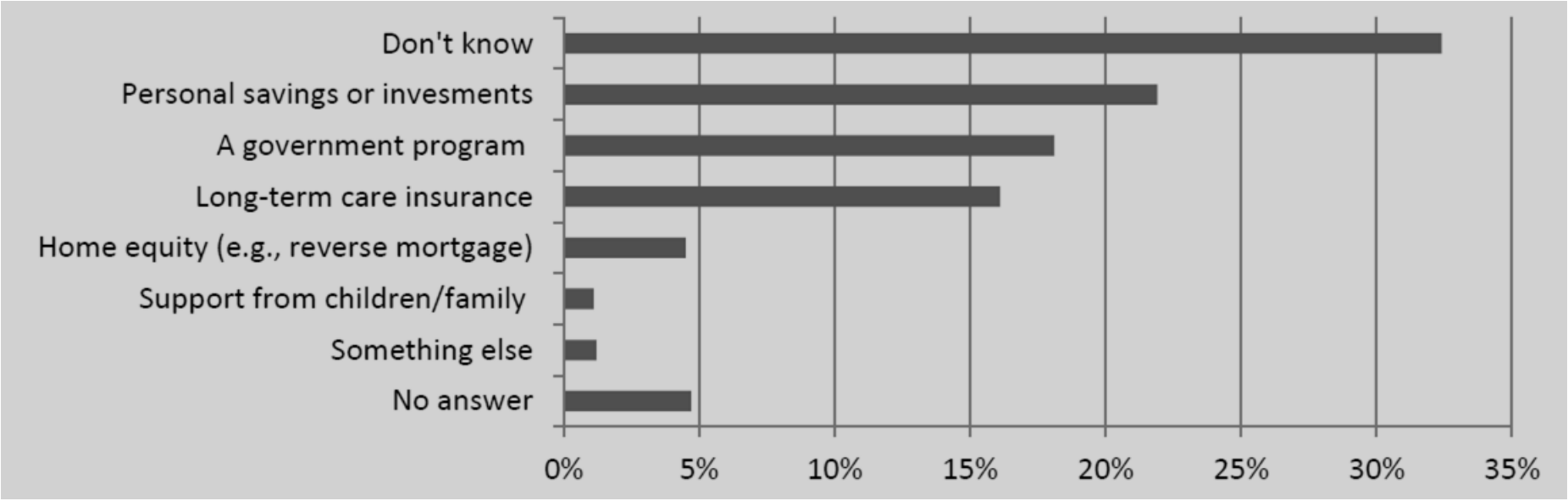
Need for long-term care is substantial after age 85



Source: Stone, 2000

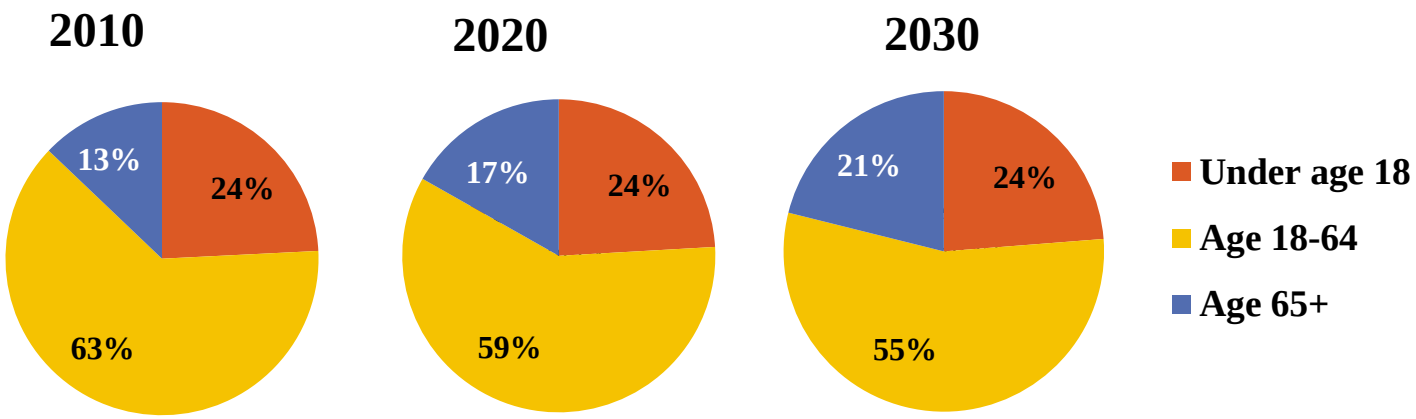
A large share of baby boomers don't know how they will cover the cost of their own long-term care

Plans to pay for long-term care
Minnesota Baby Boomers, 2010



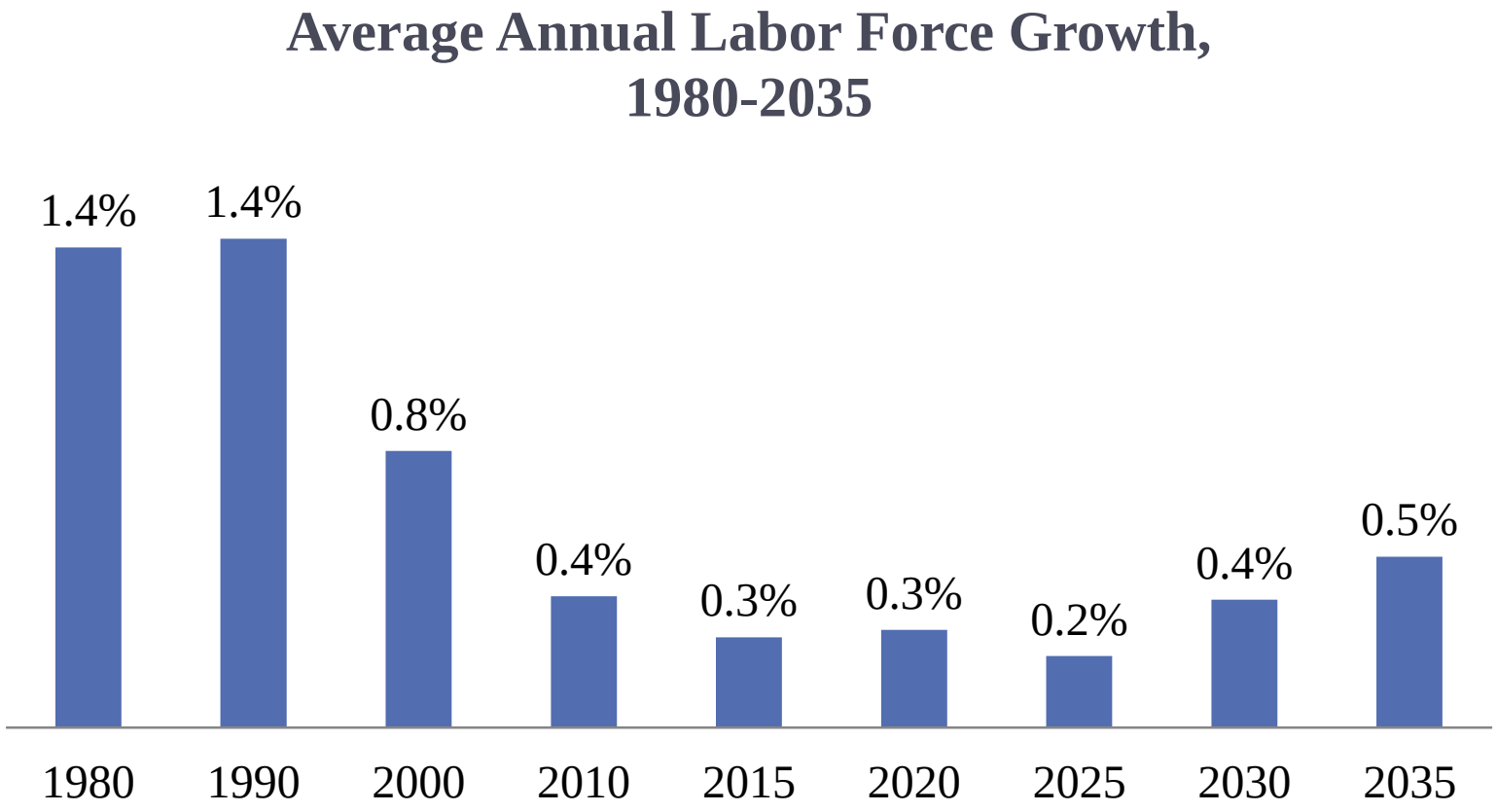
Source: Transform 2010 Survey, Minnesota Department of Human Services

As share of older adults grow, working-age shrinks and under 18 group is unchanged



Source: MN State Demographic Center projections

MN's labor force growth is projected to slow



Source: MN State Demographic Center projections

Recap: Budget implications of aging

- Age brings rising health care costs & long term care needs
- Anticipated enrollment and spending pressures in public programs serving older adults, specifically 3 areas of Medical Assistance (MA):
  - Basic Care (as a supplement to Medicare)
  - Elderly Waiver
  - Nursing Facilities
- Potential reduction in income tax collections
- Slower labor force growth could mean slower growth in GDP

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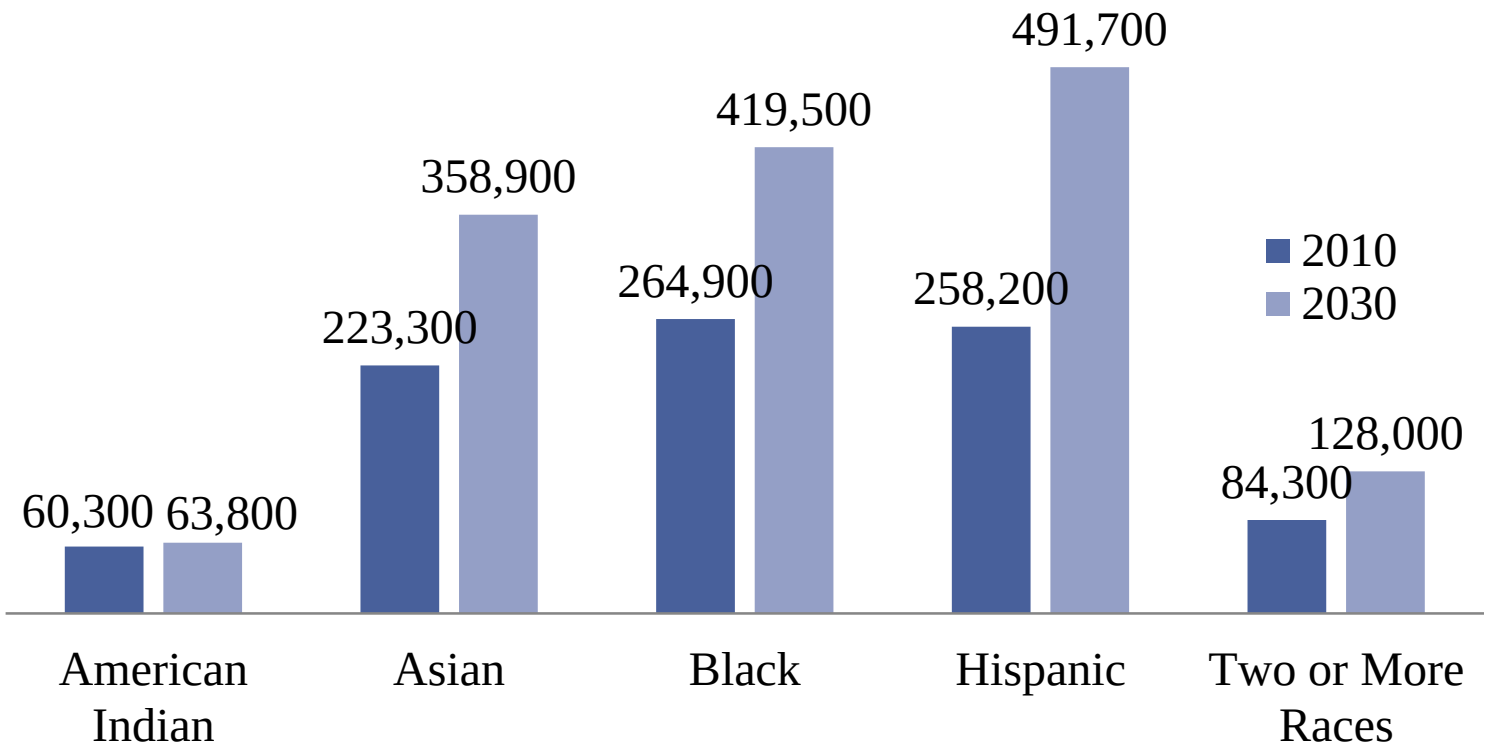
MN: Largest growth among Asian, Black and Hispanic groups by 2030

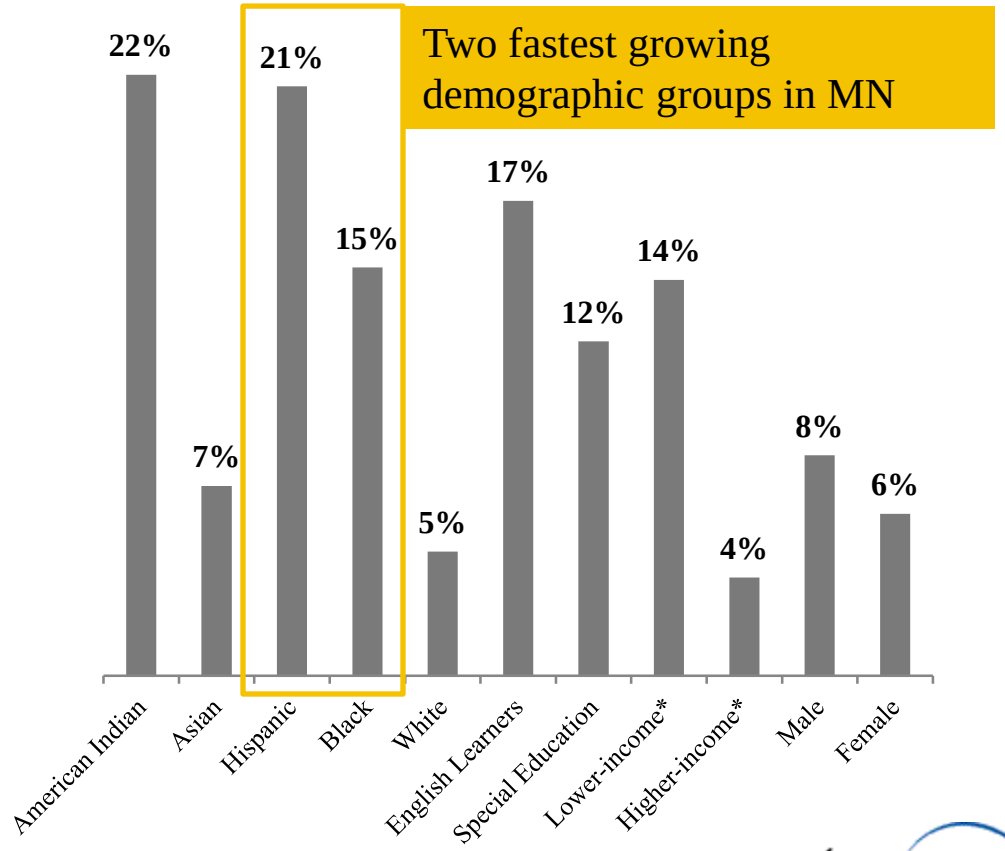


Source: Minnesota State Demographic Center

Poor outcomes after 6 years of high school for many students of color

Percent of students who dropped out after 6 years of high school, by subgroup

Minnesota, 2011



Source: MN Department of Education

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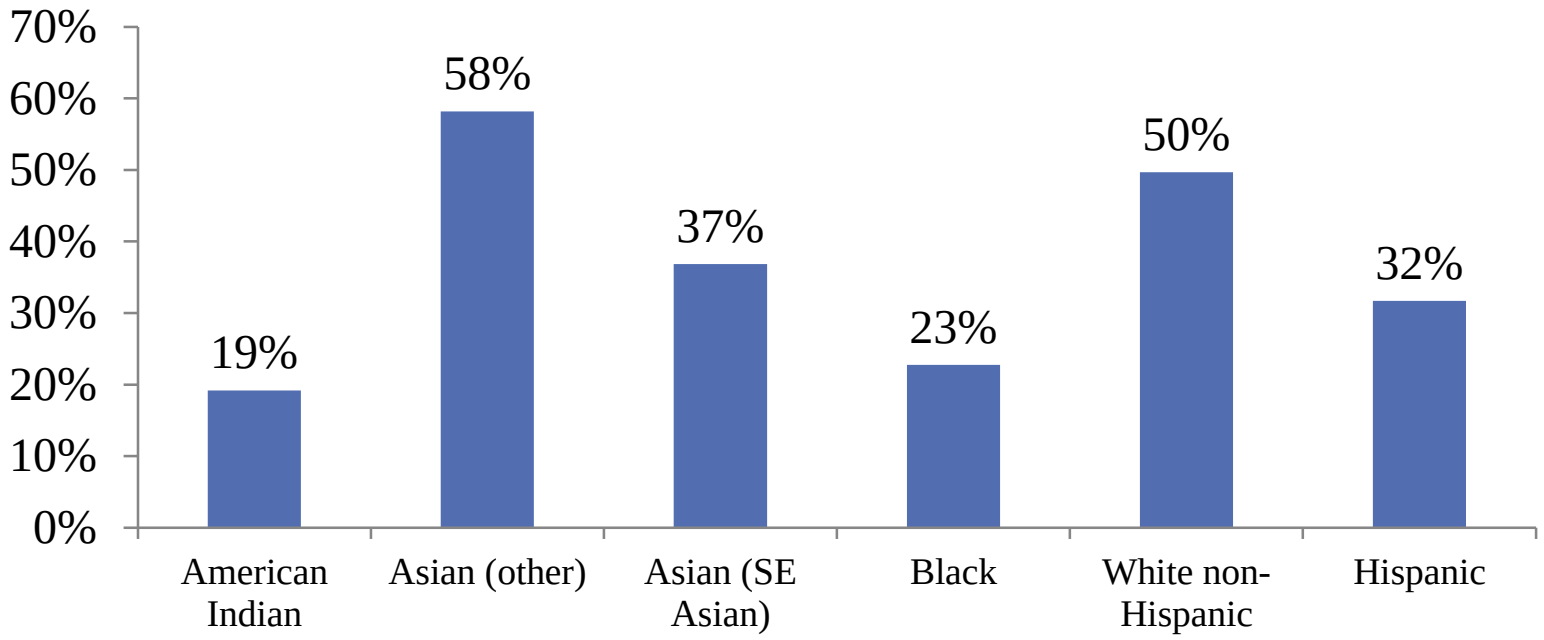
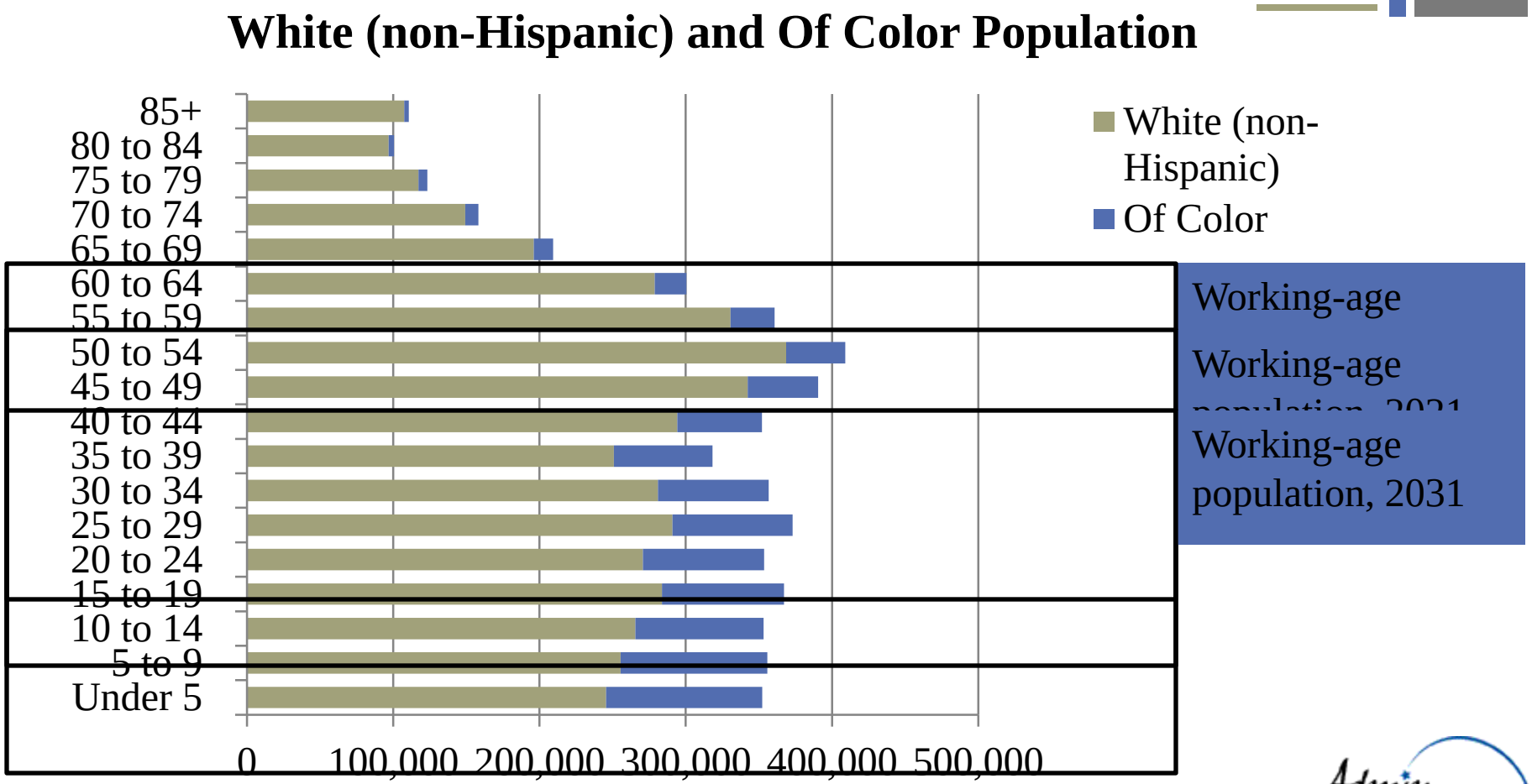
Wide disparities in educational attainment exist among MN-born

MN-born young adults (age 25-39) with an AA degree or higher by race/ethnicity



Source: Tabulated by MN State Demographic Center from the Integrated Public Use Microdata Series

A portrait of Minnesota, by age and race, 2011



Source: 2011 Population Estimates, U.S. Census Bureau.

Recap: Implications of changing workforce and diverse populations

- Fewer school-age children relative to older adults will mean **pressures to shift resources from younger to older**, but these children will soon become our workforce
- Fewer workers relative to older adults puts a **premium on highly educated and skilled workers** — to fuel continued economic growth and to pay for needed public services
- **Poor educational outcomes** for our fastest-growing populations of color jeopardize our economic competitiveness and quality of life for all ages

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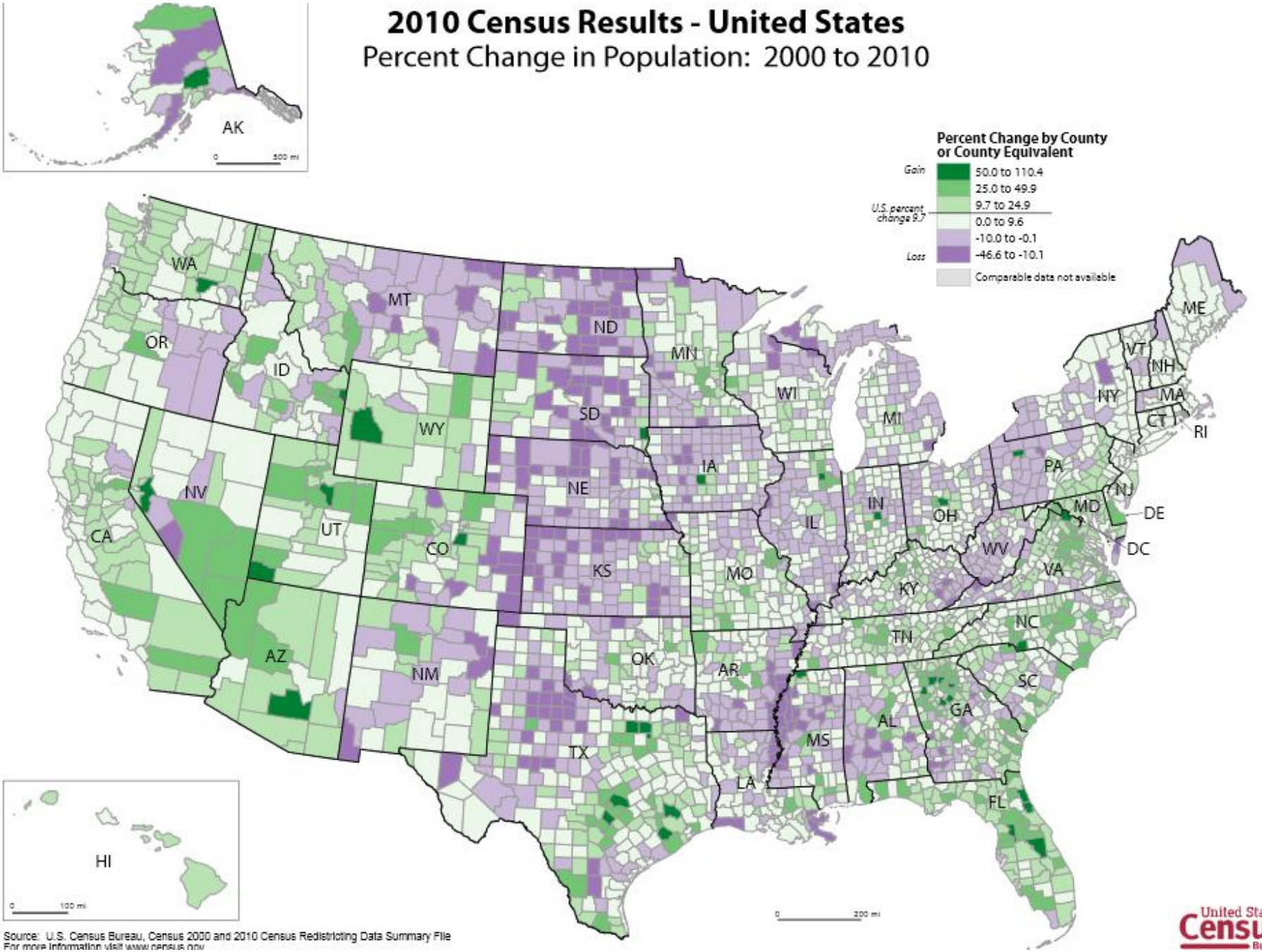
Water resources and demographic, economic growth

- Water resources are essential for just about every economic activity.
- The **fastest growing areas** of the U.S. are also those areas where ground **water storage has declined** most markedly
- Minnesota has an **opportunity** to gain relative to other areas in the U.S. through the stewardship of its water resources

2010 Census Results - United States

Percent Change in Population: 2000 to 2010

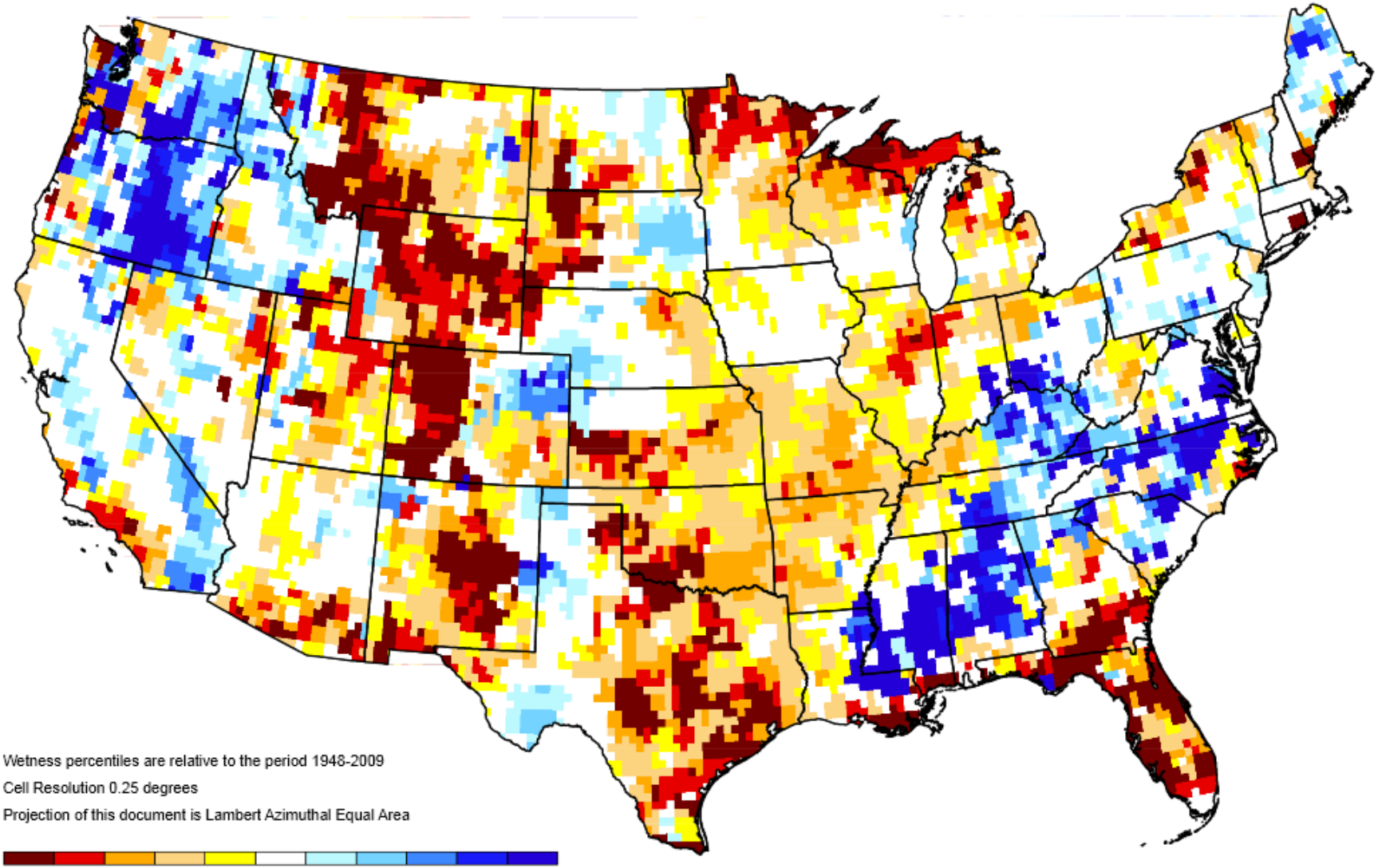


Source: U.S. Census Bureau, Census 2000 and 2010 Census Redistricting Data Summary File
For more information visit www.census.gov

United States Census Bureau

GRACE-based Ground Water Storage

February 25, 2013



Wetness percentiles are relative to the period 1948-2009

Cell Resolution 0.25 degrees

Projection of this document is Lambert Azimuthal Equal Area

2 5 10 20 30 70 80 90 95 98

Wetness Percentile

http://drought.unl.edu/MonitoringTools/NASAGRACEDataAssimilation.aspx

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