

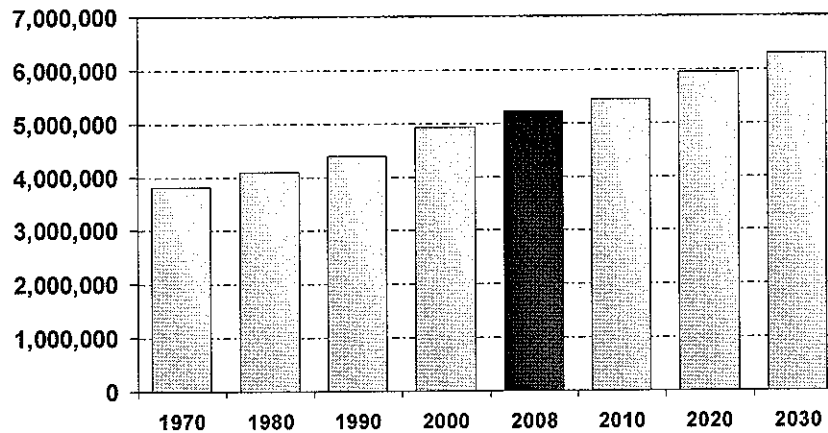
# **Minnesota Demographic Change And State Government Services To 2015 and 2020**

Tom Gillaspay, State Demographer  
Dept of Administration  
December 2009

## **Four Major Demographic Trends**

- **Minnesota is growing**
- **Increasingly urban/suburban with many areas experiencing long run population decline**
- **Increasingly diverse**
- **Minnesota is aging along with the nation**

## By 2020 Minnesota will add about 1/2 Million People and 1/4 Million Households



State Demographer projection revised 2007

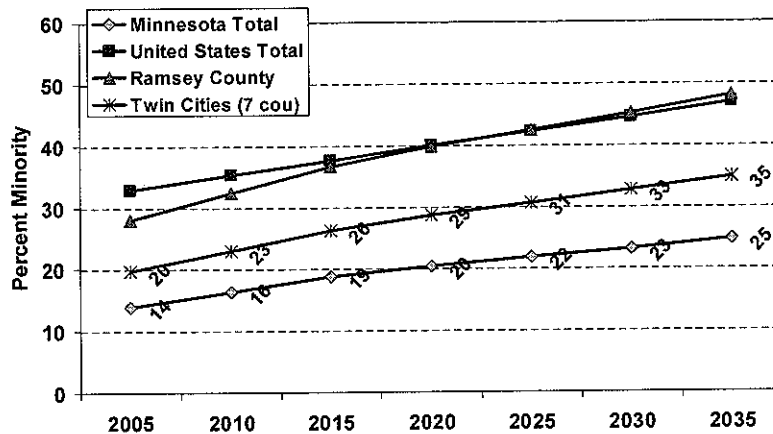
## Rural/Urban--In The Next Ten Years

- The 11 county Twin City metro area will account for 2/3 of population growth.
- About 60% of the state's population lives there now.
- Outward expansion of the metro will likely slow as people seek accessible/lower maintenance locations.
- In the next five years 19 counties are projected to decline in population. 45 have declined this decade.
- The difference between the largest and smallest counties will increase (1.2 million versus 3,100).
- Declining counties are generally older but most growth of 65+ will be in suburban counties.

## Diversity—In The Next Ten Years

- By 2020, Ramsey County will match the national average percent minority
- Minnesota will continue to see increased diversity driven largely by migration/immigration
- Children & young adults will be substantially more diverse than older people
- Increasing proportions of new workers will be migrants & immigrants

## Minnesota Will Grow More Diverse; Remain Less Diverse Than The Nation

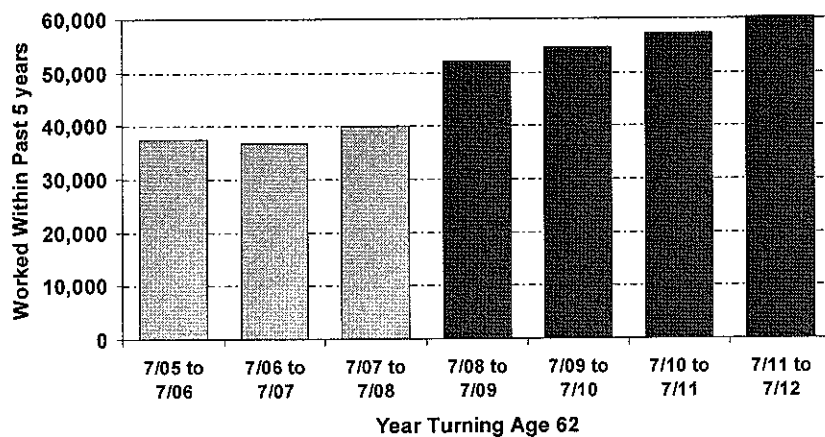


State Demographer & Census Bureau projections

## Aging—In The Next Ten Years

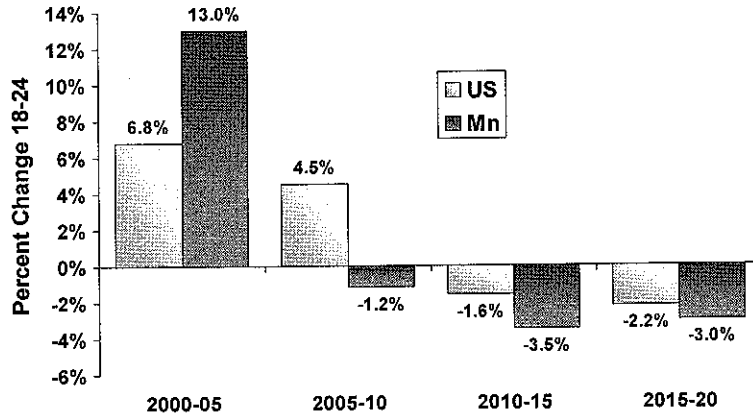
- 2008 to 2011 is a watershed period.
- The first of the “Boom” generation enters entitlement age
- More than half (55%) of population growth will be seniors age 65+
- By 2020, labor force growth will be at record lows
- By 2015 “empty nesters” will outnumber married couples with children
- By 2020 older singles (55+) will be 57% of all singles living alone

### Minnesota Will See a 30 Percent Jump in Workers Turning Age 62 Beginning Now



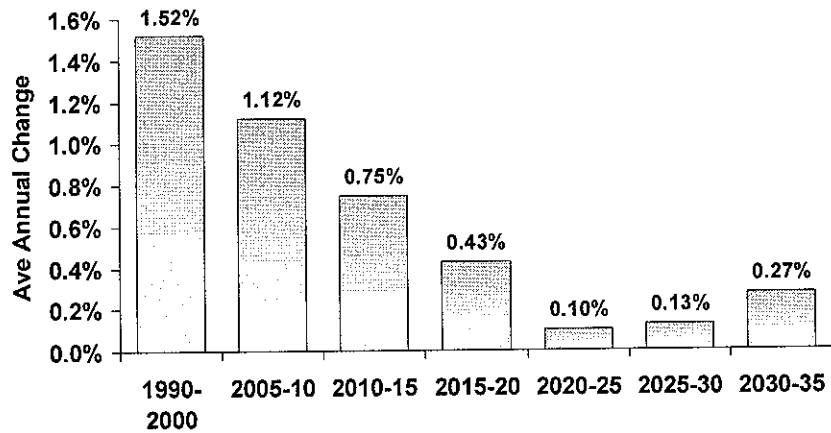
2005 ACS

## Competition For The Future Workforce Will Increase



Census Bureau US Proj, Mn State Demographer revised 2007

## Labor Force Growth Is About To Slow Sharply



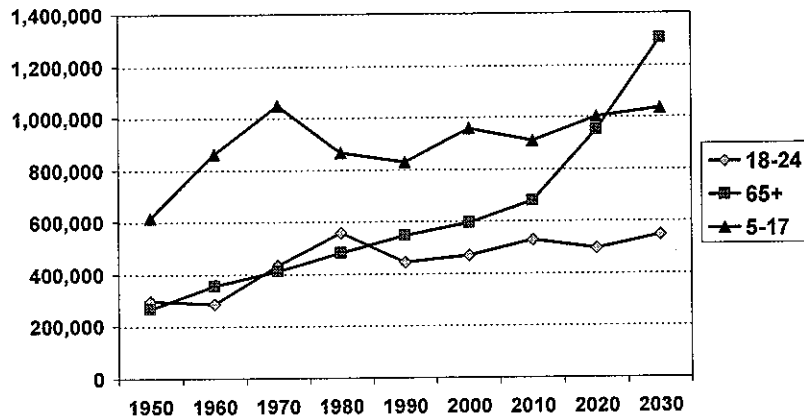
## **The Economic/Demographic Environment Has Changed for as Far as We Can Forecast**

- × Short run economic cycle has merged with long run demographic cycle**
- × We have entered the Age of Entitlement—economic growth in the next 25 years will be slower than in the past 25.**
- × State revenue growth will slow while spending pressures will accelerate**
- × This is a national/global issue**

## **Demand For State Services Will Increase**

- 1. Demand for health and long term care will build progressively. Disability rates will increase**
- 2. K-12 enrollments will begin to grow again due to increases in primary schools**
- 3. Secondary enrollments will decline until about mid decade**
- 4. Free & Reduced Lunch & LEP will continue to increase**
- 5. While job growth will be slow, replacement demand will pick up easing job market conditions.**
- 6. Demographic pressures on higher education will ease, though training for replacements will mitigate this affect.**
- 7. Aging will also affect transportation, parks, prisons, National Guard recruitment, and other state activities**

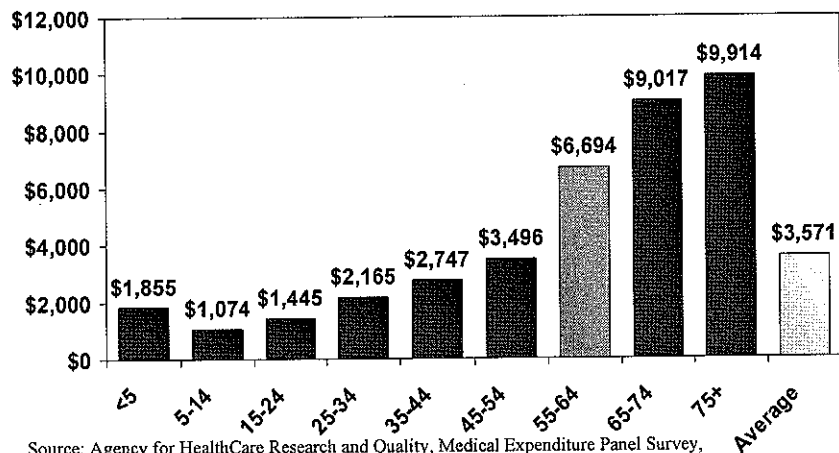
## Budget Pressures Will Change More 65+ Than School Age by 2020



Census counts & State Demographer projection, revised 2007

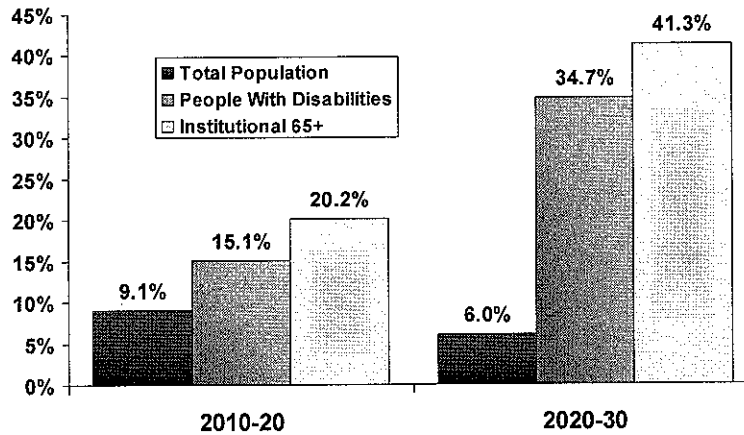
## Health Care Spending Jumps After 55

### U.S. Health Care Spending By Age, 2004



Source: Agency for HealthCare Research and Quality, Medical Expenditure Panel Survey, data for per capita spending by age group in the Midwest. Excludes spending for long-term care institutions.

## Population with Disabilities will Grow at an Increasing Rate



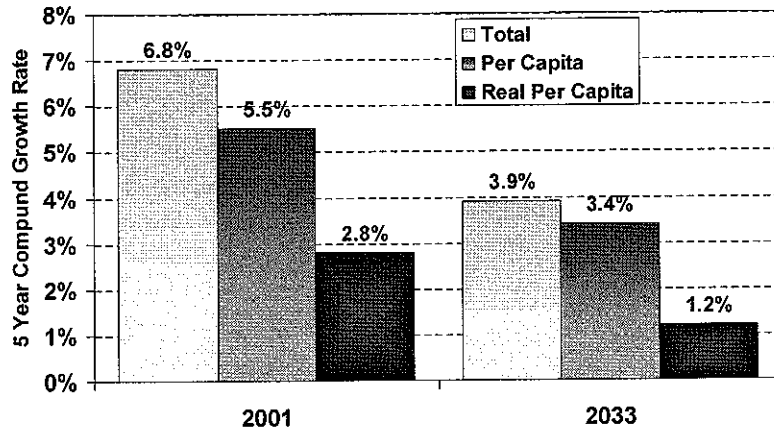
2006 ACS. Assumes disability and institutionalization rates remain at 2006 levels

## State Resources To Provide Services Will Be Limited

- State workforce is aging and retirements will begin to increase
  - ✓ Opportunity for change
  - ✓ Potential challenge in replacing less common skills
- Similar issues for county governments
- Revenue growth will likely slow

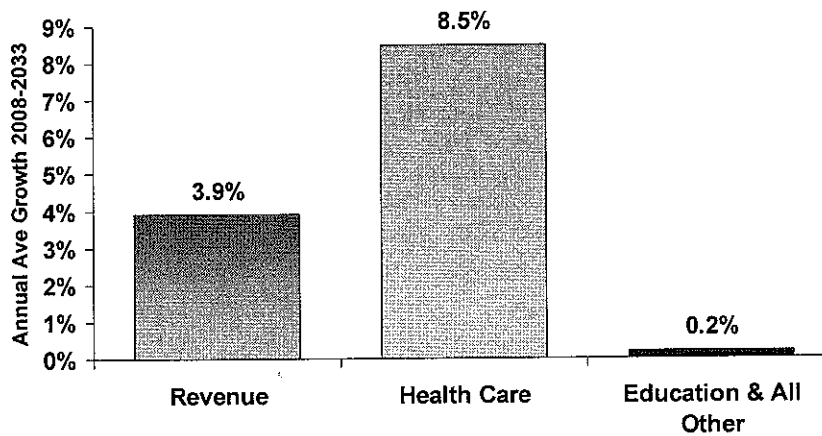


## Next 25 Years--State Revenue Growth Rate Projected To Slow



Budget Trends Commission, 2009

## 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

## **Minnesota Faces a Fiscal Trap Driven By Demographic/Economic Forces**

- Spending pressures will increase driven largely by issues of aging and health.
- State spending will shift its focus from education, infrastructure and higher education to care and support of the aging.
- Revenue growth will slow. Efforts to increase it will be met with resistance.
- Trend growth alone will not be sufficient.
- The issue is a long run, structural one— short run solutions will not solve the problem.

## **The Fiscal Catch-22**

- ➔ If we don't make the necessary public investments in human capital, research and infrastructure, then we won't have the productivity gains needed to provide the resources to make those investments.