Implications for State Spending of Minnesota's Projected Demographic Trends to 2030

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MINNESOTA TAXPAYERS ASSOCIATION

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Introduction

Background

For some time now at the national level, we have been hearing of an impending fiscal crisis regarding the solvency of the Social Security Trust Fund. For example, as far back as 1983, President Reagan formed a bipartisan commission for making recommendations to extend the solvent life of the Social Security Trust Fund. The Bipartisan Commission on Entitlements and Tax Reform (BCETR), formed by President Clinton in 1993, released an update on the size of the problem in the fall of 1994 which showed that even after the changes made in 1983, the Trust Fund would start to be depleted in the first decade of the next century and be completely bankrupt by 2029. The report expected entitlement spending alone to consume all federal tax revenues by 2037.[1]

Here in Minnesota, there have been several reports warning of fiscal problems caused by coming changes in Minnesota's population and expenditure programs after the turn of the century. Minnesota State Planning's Within Our Means, and Brandl and Weber's An Agenda for Reform urged legislators to make fundamental reforms in state spending. Reforms, they argued, would be needed to avoid imminent state budget deficits and to allow the state to continue meeting its responsibilities without imposing an unreasonable burden on future taxpayers.

Just a few years after these reports, however, both the federal and state budgets are running over with surpluses. Political battles now are being fought over how to dispose of the embarrassment of riches. Were all of these forecasters merely crying "wolf"?

Both the federal and state reports contain numerous policy recommendations designed to address rather quickly what seemed to be a pressing fiscal problem at the time. Most did not foresee the unprecedented economic growth of this decade, which has largely diffused the problems warned about ***in the short term***. A careful look at the ***long term*** population projections, however, shows that the most dramatic demographic changes will not occur until after the year 2020. The federal report did take the long view, but the two Minnesota studies focused on relatively short time horizons, to the year 2005 for Within Our Means and to 2001 for An Agenda for Reform. The tremendously successful economy of this decade has certainly blunted the warnings of fiscal doom in the short run as presented in those two reports.

False Alarm?

But how about the long run? Are those reports' warnings still valid beyond the next decade or two? Are there still demographic trends that could threaten our state's fiscal health in the next 30 years? Our report takes a look beyond the next decade by using existing population projections to the year 2030 and examining the potential impact of current spending programs under certain careful and, we think, justifiable assumptions. Few technical experts are willing to project that far into the future, for obvious reasons. If the short term outlook of the recent reports was so far off the mark, how can the accuracy be improved by pushing out over 30 years into the future?

[1] For our discussion of the BCETR's report, see the September 1994 issue of our "Fiscal Focus" newsletter ("Federal Spending—'Current Trends are not Sustainable'").

That is a fair question, but the number of "baby boomers" is sufficiently large that concerns about the state's future fiscal health cannot be ignored as this largest generation in our state's history ages. Should there be a lurking fiscal problem, however distant, the time lag involved in identifying issues, designing appropriate policy responses, building political support, and implementing policy changes make it advisable at least to make an attempt to quantify the long-term outlook.

Goal of This Report

Our report is not the definitive study on Minnesota's fiscal condition in the year 2030. Rather, we attempt to answer a specific and fairly narrow question:

> ***After adjusting for expected inflation, how heavy will the burden of state government spending be relative to personal income if current population projections are correct and current program costs <u>per client</u> continue to grow at the same rate as they grew in the 1990s?***

In other words, if inflation-adjusted program costs and personal income continue to grow as they have recently, what will happen to state spending with respect to income given the expected population mix? Taking one program as an example: if spending per nursing home client continues to grow as it has in the 1990s, and the same portion of the elderly population as now continue to be institutionalized in the future, is there a fiscal time bomb ahead given the predicted dramatic increases in the number of the elderly?

List of Programs Covered in This Report
(italicized portions are major categories)

1. *K-12 Education (total)*

Health & Human Services

2. Medical Assistance—Basic Health Care for Families & Children
3. Medical Assistance—Basic Health Care for the Aged & Disabled
4. Medical Assistance—Long Term Care Facilities
5. Medical Assistance—Long Term Care Waivers & Home Care
6. General Assistance Medical Care
7. Minnesota Family Investment Program
8. Community Family Investment Program
9. Community Social Services Act Block Grant
10. Continuing Care & Community Support Grants

Higher Education

11. University of Minnesota
12. Higher Education Services Office
13. State Colleges and Universities

Criminal Justice

14. Adult Correctional Institutions
15. District Courts
16. Board of Public Defense
17. Community Services
18. Juvenile Services

19. *Property Tax Aids and Credits*

Basic Methodology

We have tried to answer that same question about future state spending for key state spending programs, shown in the box at the right. The programs were picked because they were the largest in their categories, and we believe they will be the most affected by demographic changes, whether positively or negatively. These 19 programs accounted for about 80% of state government spending in Fiscal Year (FY) 1997.

Using unofficial population projections by age from the State Demographer's Office to the year 2030, we projected per client costs to 2030 using the same rates of growth they experienced from 1990 to 1997. This was done for the first eighteen programs shown. Property tax aids and credits were forecasted simply on a per capita basis, that is, it was assumed that the amount spent per

Minnesotan in this category in 1997 would remain constant through 2030. Personal income and inflation forecasts were also made based on discussions with the Department of Finance.

By combining the effect of (1) current population projections, (2) historic average annual real growth in program costs per client, and (3) personal income forecasts adjusted for inflation, we estimated 2030 state spending as a percent of personal income under FY1997 laws.

How the Report is Organized

The heart of our results are presented in the next section ("Findings"). A summary table showing our results for all 19 spending categories is provided to give the reader a quick look at the total picture. Assumptions which apply uniformly to all 19 programs are presented there, too. A detailed description of various assumptions we used for each spending program, as well as program specific charts, are included in the appendices of this report.

Findings

Assumptions

Our report is based on several underlying assumptions that we applied to calculate projected spending for all of the nineteen programs included. The most basic assumption is that Minnesota law that was in effect for the last year of actual spending data would not change through the year 2030, so that programs remain the same in intent, scope, and structure. Similarly, we assumed that the last year's state, local and federal shares of program revenue and spending would remain the same.

Economic conditions are assumed to be similar to those represented by the average of 1990 to 1997, in that the factors which produced the changes in spending on these programs during that period are forecasted to continue. The 1990-97 period is not necessarily a "typical" one, if there is such a period at all, but it did include an economic downturn in the early part of the decade and a relative boom since.

Methods

With the above assumptions in place, we used several steps to get from each program's last year's actual per capita spending to projected spending in the year 2030:

a) Client Projections—For the eighteen programs with identifiable clients (all but the property tax aids and credits category), data was first collected from the various state agencies on historic spending and numbers of clients. Then for each program, the number of clients was projected into the future by assuming that the ratio of clients to a relevant population group stays constant at the level of the last actual ratio.
b) Program costs per client—These were projected using actual rates of growth over the most representative past several years, adjusted for inflation, in most cases. (See the appendices for each program's "most representative past several years" and why those were selected, and when and why those growth rates weren't used, as in a start-up program like MFIP, for example, with atypical growth history).

c) Total Program Spending—Projected costs per client were multiplied by the client projections to project the total program spending to 2030. Some programs' best available spending data was in aggregate form including federal, state, and local spending (K-12 for example). For those programs, the state share of program spending was extrapolated by applying the percentage of the total spending that was borne by the state for the last actual year (unless otherwise noted), to the total spending (federal, state, and local) for the specific program.

d) State per Capita Spending—To express the state spending on a per capita basis, Minnesota State Planning's Long Term Illustrative Population Projections for Minnesota to the year 2030 (see Table 1 below) were divided into the amount derived from steps a)-c) above.

The results of steps a) through d) and how they were used to project per capita spending can also be expressed in formulas:

Projected Costs per Client

Actual Current Cost Per Client	X	Historic Growth in Cost per Client	=	Estimated Future Cost per Client (b)

Future per Capita Spending

Projected Number of Clients (a)	X	Estimated Future Cost Per Client (b)	=	Projected Future Spending ? (c)	Planning's Population Projections (d)	=	Future per Capita Spending (d)

The eighteen programs for which client information was used plus property tax aids and credits comprised about 80% of the 1997 state budget. The source document for the state budget was the Detailed Fund Balance from the Department of Finance dated December 2, 1997. The remaining 20% of state spending was attributed to "other programs". Because it is not possible to identify clients for this miscellaneous category, the most recent actual amounts were expressed on a per capita basis and projected using Planning's future population estimates, shown in Table 1 below.

Finally, personal income figures were developed after informal discussions with the Department of Finance. These figures were used to alternatively express the burden of state spending as a percentage of personal income. It was agreed to use an average annual real growth rate of 1.25% for personal income for the period 2000 to 2030. The Finance Department's official forecast of personal income growth was used for 1997-2000.

Table 1. Population Projections to 2030 by Age

	Actual				Projected			
	1990	1995	1996	1997	2000	2010	2020	2030
Age								
0-14	995,937	1,016,998	1,008,224	999,450	973,129	890,494	903,175	878,443
% Total	23%	22%	22%	22%	21%	18%	18%	17%
15-64	2,832,228	2,935,143	2,964,882	2,994,622	3,083,840	3,298,801	3,241,306	3,089,470
% Total	65%	65%	65%	65%	66%	68%	64%	60%
65-84	478,099	495,686	496,638	497,590	500,446	559,317	791,888	1,030,759
% Total	11%	11%	11%	11%	11%	12%	16%	20%
85+	68,835	79,772	82,195	84,618	91,886	112,470	118,192	142,580
% Total	2%	2%	2%	2%	2%	2%	2%	3%
Total	4,375,099	4,527,600	4,551,940	4,576,281	4,649,302	4,861,083	5,054,562	5,141,253
65+	546,934	575,458	578,833	582,208	592,332	671,787	910,080	1,173,339
% Total	13%	13%	13%	13%	13%	14%	18%	23%

Source: MN Planning Long Term Illustrative Population Projections for Minnesota, 2/3/98. It should be noted that this chart is illustrative in nature.

Summary Results

Table 2 below shows a total projected cost per capita for the year 2030 that grows much faster than the projected growth in per capita income, resulting in a more than doubling of the percentage of personal income devoted to state government spending, from 7.94% in 1996-97 to slightly more than 17% in 2030.

Table 2. Total Projected Per Capita State Government Spending and Personal Income
Selected Years 1996-97 to 2030
(in 1996-97 dollars)

	1996-97	2000	2010	2020	2030
Total State Spending per Capita	$ 2,158	$ 2,228	$ 2,681	$ 3,888	$ 6,973
Personal Income Per Capita	$27,185	$28,374	$32,267	$36,396	$40,968
Spending as a % of Personal Income	7.94%	7.85%	8.31%	10.68%	17.02%

Projected state spending as a percent of personal income actually drops for the year 2000 before rising modestly by 2010 to 8.31%. Clearly the main increases occur between 2020 and 2030, but even then, not uniformly across all programs considered. Table 3 on the next page presents the projected state per capita spending for each of the 19 programs. A summary of actual and projected program shares of total spending is shown in Table 4 below.

As Table 3 shows, while K-12 education spending per capita has grown an average of 8.06% per year in real terms over the last six years from 1990 to 1996, it is expected to grow at an average rate of only 0.69% per year from 1996-2030. This is due primarily to the fact that K-12 enrollment is expected to peak in the next 5 to 7 years and then begin a period of fairly steady, though not steep, decline. The last actual state spending was $788 per capita and is projected to

increase modestly to $997 by 2030. Table 4 shows that in 1996 K-12 education represented 36.51% of total spending per capita, but by 2030 it would account for only 14.29% of the total per capita state spending under our assumptions.

In contrast, the Medical Assistance-Long Term Care Waivers and Home Care program state spending per capita grew an average of 6.08% per year in real terms over the last six years from 1990-1996. It is projected to grow at an average rate of 12.10% per year from 1997-2030. Spending per capita for that program was $45 in 1997 and is expected to be $1,953 in 2030. Health and human services programs accounted for 19.09% of the total spending per capita in the last actual year and 64.79% of the total spending per capita in 2030. As expected, this portion of the state budget shows the largest increase, due primarily to the large increase in the portion of the population which is elderly.

In the higher education area, state spending per capita is projected almost to double from $233 in 1996 to $453 in 2030. The only program that shows a significant difference from the average annual growth for higher education is Minnesota State Colleges and Universities. From 1990 to 1996 the average annual growth was a -1.96%. It is anticipated to be +3.63% during the 1996-2030 period. Though enrollment is expected to be fairly steady, costs have risen rather quickly in the last several years. Projecting the recent growth rate forward accounts for the sharp rise in costs expected in this area. In spite of this growth, higher education programs decrease as a percentage of total state cost, however. They were 10.80% of total state spending in the last actual year and are projected to be only 6.50% in 2030.

The criminal justice/corrections area does not grow at a startling rate. The increased growth of the programs is ameliorated by a projected decline in inmates. State spending for the community services is the exception. It is projected to increase from $14 per capita in 1996 to $344 in 2030, but is small enough that the overall corrections spending is not dramatically affected.

Property Tax Aids and Credits and “other spending” were held at constant per capita amounts throughout the forecast period, and therefore do not change over the time period 1997-2030.

Table 3. State Spending Per Capita
(Selected Programs)

Program	Most Recent Actual Year	Average Annual Real Growth 1990-Last Actual[1]	State Spending Per Capita by Year: Last Actual	2000	2010	2020	2030	Projected Avg. Annual Growth Rate Per Capita 1996(7)-2030
K-12	1996	**8.06%**	**$ 788**	**$ 776**	**$ 787**	**$ 862**	**$ 997**	**0.69%**
Health and Human Services								
CSSA	1996	-2.42%	$ 12	$ 11	$ 10	$ 8	$ 7	-1.57%
GAMC	1997	4.81%	$ 31	$ 35	$ 51	$ 74	$ 108	3.85%
Minnesota Family Investment Program	1999	-11.76%[2]	$ 27	$ 22	$ 13	$ 8	$ 5	-5.29%
Med. Assistance-Families & Children	1997	0.98%[3]	$ 108	$ 115	$ 136	$ 170	$ 219	2.17%
Medical Assistance-Aged & Disabled Basic Care	1997	7.36%[4]	$ 60	$ 69	$ 115	$ 210	$ 384	5.79%
Medical Assistance- Aged Basic Care	1997	8.36%[3]	$ 23	$ 29	$ 70	$ 204	$ 578	10.26%
Medical Assistance- Disabled Basic Care	1997	7.21%[3]	$ 37	$ 40	$ 49	$ 60	$ 74	2.12%
Medical Assistance- Long Term Care Facilities	1997	9.93%[5]	$ 116	$ 144	$ 303	$ 741	$ 1,791	8.65%
Aged	1997	11.32%[5]	$ 83	$ 110	$ 294	$ 952	$ 2,998	11.48%
Other	1997	6.96%[5]	$ 33	$ 39	$ 67	$ 115	$ 198	5.58%
Medical Assistance- Long Term Care Waivers and Home Care	1997	6.08%[5]	$ 45	$ 63	$ 188	$ 605	$ 1,953	12.10%
Aged	1997	1.70%	$ 5	$ 5	$ 5	$ 6	$ 7	1.02%
Other	1997	6.63%	$ 41	$ 62	$ 251	$ 1,081	$ 4,136	15.01%
Continuing Care And Community Support Grants	1996	6.94%[6]	$ 13	$ 15	$ 23	$ 34	$ 52	4.16%
Subtotal Health and Human Services		N/A	**$ 412**	**$ 474**	**$ 839**	**$ 1,850**	**$ 4,519**	**7.30%**
Higher Education								
Higher Education Services Office	1996	3.47%[7]	$ 25	$ 28	$ 38	$ 47	$ 61	2.70%
University of Minnesota	1996	-1.95%	$ 106	$ 100	$ 81	$ 61	$ 48	-2.30%
Minnesota State Colleges and Universities	1996	-1.96%	$ 102	$ 122	$ 178	$ 241	$ 344	3.63%
Subtotal Higher Education		N/A	**$ 233**	**$ 250**	**$ 297**	**$ 349**	**$ 453**	**1.97%**
Criminal Justice/Corrections								
Adult Correctional Institutions	1996	3.41%	$ 35	$ 35	$ 42	$ 39	$ 36	0.14%
District Courts	1996	-1.27%[8]	$ 13	$ 12	$ 10	$ 9	$ 7	-1.86%
Board of Public Defense	1997	8.02%[5]	$ 9	$ 7	$ 3	$ 1	$ 1	-7.92%
Community Services (DOC Spending Only)	1996	11.01%	$ 14	$ 20	$ 50	$ 124	$ 306	9.49%
Juvenile Services (DOC Spending Only)	1996	4.80%	$ 3	$ 3	$ 3	$ 3	$ 3	-0.14%
Subtotal Criminal Justice/Corrections		N/A	**$ 74**	**$ 77**	**$ 108**	**$ 176**	**$ 353**	**4.71%**
Aids and Credits	1997	-	$ 261	$ 261	$ 261	$ 261	$ 261	0.00%
Other	1997	-	$ 390	$ 390	$ 390	$ 390	$ 390	0.00%
Subtotal Aids, Credits, Other			**$ 651**	**$ 651**	**$ 651**	**$ 651**	**$ 651**	**0.00%**
Total Cost Per Capita			**$ 2,158**	**$ 2,228**	**$ 2,682**	**$ 3,888**	**$ 6,973**	**3.51%**
Personal Income Per Capita	1997	-	**$ 27,185**	**$ 28,374**	**$ 32,267**	**$ 36,396**	**$ 40,968**	**1.25%**
Total Cost per capita as a % of Personal Income Per Capita			**7.94%**	**7.85%**	**8.31%**	**10.68%**	**17.02%**	

1. Average annual rate of growth is based on last actual year, except as noted under asterisks. 2. MFIP—new program, no historical data. 3. Average Annual Growth Rates: 1993-1997; 4. Medical Assistance Aged & Disabled Basic Care divided in two for analysis. 5. Average Annual Growth Rate: 1995-1997. 6. 1992-1996. 7. 1990-2007. 8. 1993-1996;

Table 4. Spending per Client for Last Actual Year and 2030

Programs	Last Actual Year			2030	
	Year	Amount	% of Total	Amount	% of Total
K-12	1996	**$ 788**	**36.51%**	**$ 997**	**14.30%**
Health and Human Services					
CSSA	1996	12	0.56%	7	0.10%
GAMC	1997	31	1.44%	108	1.55%
Minnesota Family Investment Program*	1999	27	1.25%	5	0.07%
Med. Assistance-Families & Children	1997	108	5.00%	219	3.14%
Medical Assistance-Aged & Disabled Basic Care	1997	60	2.78%	384	5.51%
Medical Assistance- Long Term Care Facilities	1997	116	5.37%	1,791	25.68%
Medical Assistance- Long Term Care Waivers & Home Care	1997	45	2.09%	1,953	28.01%
Continuing Care And Community Support Grants	1996	13	0.60%	52	0.75%
Subtotal Health and Human Services		**$ 412**	**19.09%**	**$ 4,519**	**64.81%**
Higher Education					
Higher Education Services Office	1996	25	1.14%	61	0.87%
University of Minnesota	1996	106	4.93%	48	0.69%
Minnesota State Colleges and Universities	1996	102	4.74%	344	4.93%
Subtotal Higher Education		**$ 233**	**10.80%**	**$ 453**	**6.50%**
Criminal Justice/Corrections					
Adult Correctional Institutions	1996	35	1.61%	36	0.52%
District Courts	1996	13	0.62%	7	0.10%
Board of Public Defense	1997	9	0.40%	1	0.01%
Community Services (DOC Spending Only)	1996	14	0.65%	306	4.39%
Juvenile Services (DOC Spending Only)	1996	3	0.14%	3	0.04%
Subtotal Criminal Justice/Corrections		**$ 74**	**3.43%**	**$ 353**	**5.06%**
Aids and Credits	1997	261	12.09%	261	3.74%
Other	1997	390	18.07%	390	5.59%
Subtotal Aids, Credits, Other		**$ 651**	**30.16%**	**$ 651**	**9.34%**
Total Cost Per Capita**		**$ 2,158**		**$ 6,973**	
Personal Income Per Capita		**$ 27,185**		**$ 40,968**	
Total Cost per cap. as a % of Personal Income per cap.		**7.94%**		**17.02%**	

*MFIP—New program, no historical data. **Per client figures not additive, hence total shown is per capita.

What Does This Mean?

While this study's conclusion that the burden of state spending could more than double by the year 2030 is striking, it must always be interpreted in the context of the specific assumptions made. The most important assumption of the report is that program costs per client will grow at the same rate to the year 2030 as they have from roughly 1990 to 1997. We are not saying that program costs per client ***will*** increase by that rate—only that ***if they do***, and population and incomes increase as they are projected to under our assumptions in this report, that state spending per capita will double as a percent of personal income by the year 2030.

Nevertheless, if you do grant the increases in cost-per-client assumptions, the total cost of state programs will rise from 7.94% of personal income per capita in 1996 to 17.02% of personal income per capita by 2030, ***unless something changes***. This significant increase underscores the need for change, so that this report's assumptions do not become reality.

But what might change to avoid this doubling of program costs? There are three main possibilities:

1. Population might increase faster than projected, reducing the per capita costs of government.
2. Personal income might increase faster than projected, providing more income to support the higher costs of government.
3. Policy changes can be enacted to slow the growth in program costs per client (or reduce the number of program clients)

Population and personal income are the two factors over which policy makers have little control. All else constant, population in 2030 would have to be 214% higher than we assumed in order to keep government costs relative to personal income constant. Alternatively, per capita income would have to increase from $27,185 in 1997 to over $87,846 in 2030, compared to an increase to only $40,968 predicted with the historical real growth rates.

Obviously, it will take significant state policy responses to keep the cost of government from rising dramatically by the year 2030. Table 5 compares recent annual rates of growth in program costs with those predicted in this study and those needed to keep the cost of government relative to personal income from rising. For example,

Table 5. Average Annual Real Growth in per Client Program Costs Under Different Scenarios

Program	Recent History	What This Report Projects	Rate of Growth Needed to Keep Burden Constant
K-12	+3.46	+1.32%	+1.03
CSSA	-1.84	-1.53	-.1.82
GAMC	+5.42	+3.84	+3.55
MFIP	-11.75	-5.29	-5.52
MA-Families	+2.62	+2.06	+3.89
MA-Aged/Disabled	+5.41	+4.84	+4.53
MA-LT Care	+8.20	+7.16	+6.85
MA-Waivers/Home	+12.61	+11.38	+11.06
Continuing Care	+6.91	+4.27	+3.95
HESO	+2.94	+2.94	+2.65
U of M	-2.08	-2.08	-2.36
MNSCU	+.54	+3.87	+3.57
Prisons	-.85	-.88	-1.19
District Court	-1.88	-1.88	-1.95
Board of Defense	-7.22	-7.92	-6.88
Comm Services	+11.01	+9.49	+9.19
Juvenile Services	+3.72	+0.59	+.35
Aids/Credits	NA	NA	NA
Other	NA	NA	NA

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Appendix
Details of Population, Client and Expenditure Program Area Assumptions

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Population Projections

Our source for population projections is the Long Term Illustrative Population Projections made by the Minnesota Demographer's Office, part of Minnesota Planning Office of Strategic and Long Range Planning, shown in Appendix Table 1. While not official projections, they are nevertheless the only population projections available for the state out to the year 2030. They are to be considered illustrative in nature and will be revised after the next Census.

Appendix Table 1: Long-term Illustrative Population Projections by Age

Age Category	Avg. Annual Growth Rate 1990-1995	Avg. Annual Growth Rate 1995-2030	Census 1990	Estimate 1995	Projected 2000	2010	2020	2030
0-14	0.42%	-0.42%	995,937	1,016,998	973,129	890,494	903,175	878,443
% of Total			23%	22%	21%	18%	18%	17%
15-64	0.72%	0.15%	2,832,228	2,935,143	3,083,840	3,298,801	3,241,306	3,089,470
% of Total			65%	65%	66%	68%	64%	60%
65-84	0.73%	2.11%	478,099	495,686	500,446	559,317	791,888	1,030,759
% of Total			11%	11%	11%	12%	16%	20%
85+	2.99%	1.67%	68,835	79,772	91,886	112,470	118,192	142,580
% of Total			2%	2%	2%	2%	2%	3%
Total	0.69%	0.36%	4,375,099	4,527,600	4,649,302	4,861,083	5,054,562	5,141,253
65+	1.02%	2.06%	546,934	575,458	592,332	671,787	910,080	1,173,339
% of Total			13%	13%	13%	14%	18%	23%

Source: MN Planning Long Term Illustrative Population Projections for Minnesota, Feb. 3, 1998.

Methodology

Even though the latest available year of population estimates was for 1997, the illustrative projections used 1995 as the base year. Minnesota's population estimates for 1996 and 1997 are already higher than originally projected using 1995 as a base. Rather than trying to adjust the projections, it was decided to use the originally projected average annual growth rate from 1995 to 2030, even though it is likely that the 2000 Census will show a greater population than expected several years ago. Calculations show that changing the base year from 1995 to 1996 or 1997 would change the average annual growth rate only $1/10^{th}$ of 1% (from 0.36% with 1995 as the base year to 0.35% with 1997 as the base year).

Results

Appendix Table 1 shows the Long Term Illustrative Population Projections by age that were used in this report, along with the 1990 Census numbers and selected population estimates for selected intervening years. We have grouped their estimates for selected age categories for ease in

presentation and to mirror roughly key client groups of K-12 education (ages 0-14), human services (primarily 65 and over for the most expensive programs), and the rest of the population (ages 15-64).

The projected average annual rate of growth for Minnesota's total population from 1995 to 2030 is 0.36%. This is lower than the average annual growth rate from 1990 to 1995 of 0.69%. There is a wide variation in projected growth rates for different age categories, however. The number of those 65 and older is expected to grow by 2.06% per year on average from 1995 to 2030. Their share of the population is expected to jump from only 13% in 1995 to 23% in 2030, almost a doubling. The 0-14 age group, on the other hand, shows a small decline in numbers over the time period, and drops in its share of the population, too, from 22% in 1995 to a projected 17% in 2030. The average annual decline in this age group from 1995 to 2030 is expected to be –0.42%. The large middle group aged 15-64 is expected to remain fairly steady, growing slightly in numbers at an average of 0.15% per year, while declining in its share of the population from 65% in 1995 to only 60% in 2030. Even thought the 85 and over age group is expected to be the second fastest growing age group in the population at an expected average annual rate of 1.67%, it will remain a fairly small share of the population, moving up from 2% in 1995 to only 3% in 2030.

Client Projections in General

Appendix Table 2 contains a summary of all client counts and projections used in this report. The methods used to project these client counts are contained in the discussions of each detailed expenditure program below. Briefly in summary, Appendix Table 2 shows that the number of clients is expected to grow for all programs except K-12 education and Juvenile Services. The two programs with the largest projected growth in the number of clients are Medical Assistance Aged and Disabled Basic Care and Adult Correctional Institutions. See the detailed methodologies below for more on client projections.

Appendix Table 2: Projections of Clients for Specific Expenditure Programs, Last Actual Year to 2030								
Programs	Most Recent Year	Average Annual Real Growth 1990 to Last Actual	Last Actual Client No.	Client Projections				Average Annual Rate of Growth 1996(7)-2030
				2000	2010	2020	2030	
K-12	1996	**2.47%**	**827,352**	**855,327**	**774,417**	**752,833**	**756,669**	**-0.26%**
Health and Human Services								
CSSA	1996	0.07%	243,221	248,423	259,739	270,077	274,709	0.36%
GAMC	1997	-4.74%	72,799	73,961	77,330	80,407	81,786	0.35%
Minnesota Family Investment Program	1999	0.48%	270,355	271,459	281,943	293,165	298,193	0.32%
Med. Assistance-Families & Children Basic Care	1997	-0.99%	399,025	405,392	423,858	440,728	448,287	0.35%
Medical Assistance-Aged & Disabled Basic Care**	1997	2.73%	137,391	139,851	151,272	178,950	207,372	0.35%
Medical Assistance- Aged Basic Care	1997	0.06%	59,725	60,946	68,773	93,167	120,118	2.14%
Medical Assistance- Disabled Basic Care	1997	5.05%	77,666	78,905	82,499	85,783	87,254	0.35%
Medical Assistance- Long Term Care Facilities	1997	2.26%	51,309	52,293	57,809	73,547	90,540	1.74%
Aged	1997	1.32%	37,058	37,815	42,672	57,808	74,530	2.14%
Other	1997	0.99%	14,250	14,477	15,137	15,739	16,009	0.35%
Med. Assist.-Long Term Care Waivers & Home Care	1997	-5.30%	43,676	44,429	47,531	54,044	60,381	0.99%
Aged	1997	1.87%	12,745	13,005	14,676	19,881	25,632	2.14%
Other	1997	-7.84%	30,930	31,424	32,855	34,163	34,748	0.35%
Continuing Care And Community Support Grants	1996	0.68%	198,845	203,098	212,349	220,801	224,588	0.36%
Subtotal Health and Human Services		N/A	**1,374,213**	**1,395,775**	**1,465,899**	**1,560,361**	**1,629,404**	**0.52%**
Higher Education								
Higher Education Services Office	1996	-0.45%	273,402	284,597	299,354	288,252	285,729	0.13%
University of Minnesota	1996	1.96%	59,869	62,320	65,552	63,121	62,568	0.13%
Minnesota State Colleges and Universities	1996	-1.84%	149,493	155,614	163,683	157,613	156,233	0.13%
Subtotal Higher Education		N/A	**482,764**	**502,531**	**528,589**	**508,986**	**504,530**	**0.13%**
Criminal Justice/Corrections								
Adult Correctional Institutions	1996	7.70%	4,867	5,688	7,246	7,575	7,779	2.06%
District Courts	1996	-1.42%	1,700,354	1,752,547	1,832,378	1,905,310	1,937,987	0.39%
Board of Public Defense	1997	17.06%	165,504	168,145	175,804	182,801	185,937	0.35%
Community Services (DOC Spending Only)	1996	-0.24%	4,551,940	4,649,300	4,861,083	5,054,563	5,141,251	0.36%
Juvenile Services (DOC Spending Only)	1996	1.71%	300	296	273	270	266	-0.35%
Subtotal Criminal Justice/Corrections		N/A	**6,422,965**	**6,575,976**	**6,876,784**	**7,150,519**	**7,273,220**	**0.38%**
Total Clients		N/A	**9,107,294**	**9,329,609**	**9,645,689**	**9,972,699**	**10,163,823**	**0.33%**

*MFIP- New program so no actual history. **Medical Assistance Aged disabled Basic Care is divided in two for analyses. See each program description below for sources.

K-12 Expenditure Program

The kindergarten through twelfth grade program encompasses all the expenditures made by all the school districts to provide elementary and secondary education programs in Minnesota. This does include pre-kindergarten special education. Funding for K-12 education is provided by the state, local and federal governments. The system is financed through a series of complex formulas, and includes the following major expenditure categories:

Total operating expenditures—Includes all expenditures incurred for the benefit of elementary and secondary education.
Community service—Includes all expenditures for recreation, civic activities, adult education, early childhood education or similar programs which are not conducted primarily for elementary and secondary students, and for noncredit summer school programs.
Capital outlay—Includes all capital expenditures charged to operating funds plus expenditures charged to the district's Capital Expenditure Fund.
Building construction—Includes all expenditures charged to the district's building construction fund. Expenditures are for major capital projects funded by bond proceeds, state capital loans, state facility grants or the down payment of levies.
Debt service—Refers to all expenditures for the repayment of long-term debt including payments of principal and interest on bonds and capital loans.

Methodology

Client definition—Students (clients) are defined as residents attending their home districts, resident students paying tuition and attending another school district, nonpublic school students served via a Shared Time program, nonresident students who transfer in via a Shared Time program, nonresident students who transfer in via one of the attendance options programs, and nonresident tuition students. Excluded are the portions of a student's time spent in a post-secondary institution via the Post Secondary Enrollment Options Program, as well as those resident students who transfer to other districts via one of Attendance Options Programs. It also includes pre-kindergarten students receiving special education services.

Client Projections--The sources for the K-12 expenditure amounts were *School District Profiles* 1989-1990 through 1995-1996 editions and Department of Children Families and Learning enrollment projections. Enrollment for years 1989-90 through 1996 was obtained from the Resident Average Daily Membership section of *School District Profiles*, specifically the column labeled Total (Pre-K through Grade 12). Enrollment for 2000-2030 is from the Department of Children Families and Learning (DCFL).

Total Cost--The total cost for the years 1990 and 1996 is derived from adding total pre-K-12 operating expenditures, (column 29); community service, (column 30); capital outlay, (column 31); building construction, (column 32); debt service, (column 33), with all column numbers from *School District Profiles* years 1989-1990 and 1995-1996. This is a comprehensive figure for all K-12 spending.

Total Cost Projections--As stated before, K-12 is financed by state, local and federal governments. The breakdown by unit of government is found in columns 15-17 of *School District Profiles.* For example, in 1995-1996 the breakdown was as follows: state, 58%, local, 38% and federal 4%. The state share for years 1990 and 1996 is computed by using the revenue percentages (cols. 15-17) in the corresponding *School District Profiles*. The state share for years 2000 through 2030 is derived by applying the average state share for years 1990-1996 (53%) to the total cost.

Results

Appendix Table 2 shows that K-12 enrollment is expected to peak in the year 2000. The 2030 enrollment is projected to be 70,683 students less than the 1996 enrollments. The expected average annual real growth to the state cost per capita for K-12 education is mitigated by the expected decline in enrollment. The state cost per capita increases from $ 788 in 1996 to a projected $ 997 in 2030. The average annual growth for the state cost per capita is expected to be only 0.69%.

Health and Human Services

Common Methodology for Health and Human Services Program Areas

Client Definition—Health and Human Services programs have four kinds of client definitions. They are defined as follows:

1. *Unduplicated annual client*—the term unduplicated refers to one count being assigned to each client for the fiscal year. A client is defined as a person whose problem, condition, or situation is the reason services are being provided.
2. *Unduplicated annual eligible*—the term "unduplicated" refers to one count being assigned to each eligible for the fiscal year. An eligible is defined as a person enrolled in the program for any length of time.
3. *Unduplicated annual recipients*—the term "unduplicated" refers to one count being assigned to each recipient for the fiscal year. A recipient is defined as a person on whose behalf a payment is made.
4. *Duplicated annual recipients*—the term "duplicated" refers to more than one count being assigned to each recipient for the fiscal year. A count is assigned to each recipient for every type of service he/she receives. A recipient is defined as a person on whose behalf a payment is made.

Each program will note which type of client it serves.

Client Projections—The last actual client figures for all of the programs were provided by the Department of Human Services. Population figures for the elderly are derived from the Department of Human Service's Aging Initiative: Project 2030

Total Cost—The sources for the health and human services expenditure programs with the exception of MFIP are drawn from the Department of Finance's History of the Summary of the General Fund Balance. The last actual year for each program is noted on the summary chart.
Total Cost Projections- The state and non-state shares of the annual cost per client are held constant from the last actual fiscal year of reported data for all programs with the exception of MFIP.

Community Social Services Act Block Grant (CSSA)

The Community Social Services Act (CSSA) Block Grant consists of federal Title XX money and state block grant money that is distributed to counties for the provision of community social services. These services, in conjunction with other continuing care services, assist in enabling the elderly, vulnerable, and disabled to live safely and independently. CSSA funding is used by counties to provide protective services for adults and children; substance abuse services; counseling services; foster care services for adults and children; residential treatment services; family planning services; services for people with developmental, emotional, or physical disabilities; and adoption services.

Methodology

*Client definition—u*nduplicated annual clients

Results

From 1996-2030, the client population is projected to grow from 243,211 to 274,709 at a modest 0.36% average annual growth rate. The state share of the cost of the program, in contrast, is projected to decrease from $54.1 million in 1996 to $36.2 million in 2030. Meanwhile, the total annual cost per client is projected to steadily decline by a real average annual growth rate of -1.53%. As a result, the state share of the annual cost per client will decrease from $223 to $132. The state cost per capita is projected to steadily decline by an average annual growth rate of -1.53%, resulting in the state cost per capita decreasing from $12 to $7. If the real average annual growth rate of the cost per client was applied further into the future, it would appear that the Community Social Services Act Block Grant program would cease to exist altogether. However, the demise of the program is extremely unlikely given the fact that the grant program funds a state supervised, county administered system of social services that is mandated under Minnesota's Community Social Services Act statute.

General Assistance Medical Care (GAMC)

General Assistance Medical Care (GAMC) is a wholly state funded program that provides health care services to low income or unemployable Minnesotans who do not qualify for Medical Assistance. Services provided include inpatient and outpatient hospital care, drugs and medical supplies, dental care, eye care, medical transportation, and physician services.

Methodology

Client definition—unduplicated annual eligibles

Results

The number of GAMC clients is projected to steadily rise such that by the year 2030, the number of clients will be 81,786. Projections of the future number of clients, however, need to be cautiously handled. The full advent of Minnesota Care is expected to draw away a number of clients from GAMC. Furthermore, the state is attempting to transition GAMC into Minnesota Care in order to create a unified health care program for uninsured Minnesotans. The state share of the cost of the program is projected to rise from $141.7 million in 1997 to $552.8 million in 2030. The state share of the annual cost per client is projected to increase to $6,760 by the year 2030, growing by an average annual growth rate of 3.84%. Similarly, the state cost per capita is projected to increase by an average annual growth rate of 3.84 %, resulting in a state cost per capita of $108 by the year 2030.

Minnesota Family Investment Program (MFIP)

The Minnesota Family Investment Program (MFIP) is Minnesota's vehicle for the federal Temporary Assistance to Needy Families program (TANF). It is an economic support program that is focused on helping families move away from poverty and toward self sufficiency; reducing long term dependence on welfare and simplifying the welfare system. MFIP consolidates the Aid to Families with Dependent Children (AFDC), Family General Assistance, Food Stamps, and Success Through Reaching Individual Development and Employment (STRIDE) programs into one program. MFIP is funded through a combination of state and federal money.

Methodology

Client definition—unduplicated annual recipients

Total Cost—Fiscal figures for MFIP are drawn from the Department of Human Service's November 1997 Forecasts for FY1998-1999 Biennium Projections for Minnesota Family Self Sufficiency and Medical Programs. The total annual cost per client and the state and non-state shares of the annual cost per client are held constant from the projected fiscal year of 2001 for MFIP.

Results

The number of clients for this program is expected to moderately increase by an average annual growth rate of 0.32%, reaching 293,165 by the year 2030. It is projected that the costs of the program will decline. The state share of the program cost is projected to decrease from $123.6 million in 1999 to $25.4 million in 2030. Similarly, the state share of the annual cost per client will decrease from $457 to $85 and the state cost per capita will decrease from $27 to $18. These decreases represent average annual growth rates for 1999-2030 of -5.29% and -1.28%, respectively. If the average annual growth rates were applied further into the future, it would be expected that MFIP would cease to exist. For the near future, it seems unlikely that MFIP will cease to exist due to the fact that the state has clearly indicated that MFIP will be the cornerstone of its current and future welfare reform efforts.

Medical Assistance (MA)

Medical Assistance (MA) is Minnesota's Medicaid program. It is a state and federally funded program that provides health care services for low income Minnesotans. There are four main activity areas for MA.

1. Basic Health Care for Families and Children

   MA provides funding for basic health care services for AFDC recipients, MFIP recipients, AFDC related parents, and needy children. Services provided include inpatient and outpatient hospital care, drugs and medical supplies, dental care, eye care, medical transportation, and physician services.

Client definition—unduplicated annual eligibles

Results

From 1996 to 2030, the client population is projected to rise from 399,025 to 448,287. The state share of the cost of the program is projected to increase to $568.4 million by 2030. Both the state share of the cost per client and the state cost per capita are projected to grow by an average annual growth rate of roughly 2%. As a result, the state share of the annual cost per client will increase from $647 in 1997 to $1268 in 2030. Similarly, the state cost per capita will increase from $54 in 1997 to $111 in 2030.

2. Basic Health Care for Aged and Disabled

MA provides funding for basic health care services for the elderly, the disabled, and the blind. Services provided include inpatient and outpatient hospital care, drugs and medical supplies, dental care, eye care, medical transportation, and physician services. For the purposes of this study. The Medical Assistance Basic Health Care Program for the Aged and Disabled was divided into the aged and disabled components in order to allow analysis of the aged and disabled clients and associated expenditures separately. The division was done by looking at the ratio of the monthly cost per aged eligible for basic health care to the monthly cost per disabled eligible for basic health care. This ratio was later used to split the total program costs for Basic Health Care for the Aged and Disabled into the aged and disabled portions. The FY1993 and FY1997 proportions of state and non-state spending for the total program were applied to the aged and disabled portions of costs in order to obtain the state and non-state cost figures.

Methodology

Client definition—unduplicated annual eligible

Client projections—projections about the future number of clients were made separately for the aged and the disabled. Projections about the future number of aged clients were made utilizing Minnesota's future total population and future elderly population figures. The rate of aged client participation as a proportion of Minnesota's elderly population was determined for FY1997. The percentages of elderly in Minnesota's future total population for fiscal years 2000, 2010, 2020, and 2030 were determined as well. These rates were applied to Minnesota's projected total population for fiscal years 2000, 2010, 2020, and 2030 in order to obtain projected numbers of aged clients for each of the respective years. Projections about the future number of disabled clients were made utilizing Minnesota's future population figures. The rate of client participation as a proportion of Minnesota's total population was determined for FY1997. This rate was applied to Minnesota's projected total population for fiscal years 2000, 2010, 2020, and 2030 in order to obtain projected numbers of disabled clients for each of the respective years. The projected

numbers of aged and disabled clients were then summed up in order to obtain the projected numbers of total clients.

Cautionary Note

Summing the individual aged and disabled portions of program cost, cost per client, or cost per worker figures for basic health care will not equal the program cost, cost per client, or cost per worker figures for the Medical Assistance Basic Health Care for the Aged and Disabled program. This is because different real annual growth rates were used for the projections for the two groups of clients.

Results

The costs of this program show some significant increases between 1997 and 2030. This is in large part due to the substantial growth of the elderly population between 2020 and 2030. It is projected that the number of clients will be 207,372 in the year 2030. The state share of the program costs will rise from a little over $275 million to in 1997 to nearly $2 billion in 2030. The state share of the annual cost per client is projected to increase by an average annual growth rate of 4.84%, resulting in a state share of the cost per client of $9,522 in the year 2030. The state cost per capita is projected to grow by an average annual growth rate of 5.60%. The state cost per capita will consequently increase from $60 in 1997 to $384 in 2030. When the aged and disabled components of the program are broken apart and individually analyzed, it appears that the all of the costs for the aged will grow at significantly higher rates than for the combined aged and disabled for 1997-2030. This phenomenon is somewhat expected in light of the growth of the elderly population between 2020 and 2030. For example, the state share of the annual cost per client for just aged basic care is projected to grow at an average annual growth rate of 8.35%, resulting in a state share of the cost per client of $24,747 in the year 2030. The state cost per capita for just aged basic care is projected to increase by an average annual growth rate of over 10%. The state cost per capita for just aged basic care will consequently increase to $578 in 2030.

3. Long Term Care Facilities

MA provides funding for residential and institutional care for the elderly and the disabled. The funding covers nursing facilities, intermediate care facilities for the mentally retarded (ICFs/MR), and day training and habilitation services. For the purposes of this study , the Medical Assistance Long Term Care Facilities Program was divided into components between the aged and all other clients (i.e. Disabled, AFDC families and AFDC related families) in order to allow analysis of the aged and all other clients.

Methodology

Client definition—duplicated annual recipients

Client projections—clients were grouped into an aged group and a group that contained all the other clients (i.e., disabled, AFDC families, and AFDC related families). Projections about the future number of aged clients were made utilizing elderly population figures. The rate of aged client participation as a proportion of Minnesota's elderly population was determined for FY1997. The percentages of elderly in Minnesota's future total population for fiscal years 2000, 2010, 2020, and 2030 were determined as well. These rates were applied to Minnesota's projected total population for fiscal years 2000, 2010, 2020, and 2030 in order to obtain projected numbers of aged clients for each of the respective years. Projections about the remaining clients were made utilizing Minnesota's future population figures. The rate of client participation as a proportion of Minnesota's total population was determined for FY1997. This rate was applied to Minnesota's projected total population for fiscal years 2000, 2010, 2020, and 2030 in order to obtain projected numbers of disabled clients for each of the respective years.

Cautionary Note

Summing the individual aged and disabled portions of program cost, cost per client, or cost per capita figures for basic health care will not equal the program cost, cost per client, or cost per capita figures for the Medical Assistance Long Term Care Facilities Program. This is because different real average annual growth rates were used for the projections for the two groups of clients.

Results

Like Medical Assistance Basic Care for the Aged and Disabled, the costs of this program show some significant increases because of the increasing elderly population. The number of clients is projected to increase to 90,541 by the year 2030. 74,530 of those projected clients will be elderly. The state share of the program will increase from $532.6 million in 1997 to $9.2 billion in 2030. The state share of the cost per client is projected to increase by an average annual growth rate of 7.16%. This means that by the year 2030, the state share of the annual cost per client will be $101,678. The state cost per capita is projected to increase to $1,791 by 2030, growing by an average annual rate of 8.64%. When the aged component of the program is separated from the rest of the program and individually analyzed, the cost for long term care facilities for the aged in comparison to the entire long term care facilities program is significantly larger. The state share of the cost per aged client is projected to grow at an average annual growth rate of 9.52% while the state cost per capita is projected to grow at an average annual growth rate of 11.47%. This translates into the state share of the annual cost per aged client increasing from 10,276 in 1997 to 206,809 in 2030. The state cost per capita will increase from $83 in 1997 to $2998 in 2030.

4. Long Term Care Waivers and Home Care

MA provides funding for alternatives to institutional care. Home care offers medically oriented services such as home health services, private duty nursing, and personal care services. Long term care waivers offer both medical and supportive services through five waivers: the Mental Retardation or Relations Conditions (MR/RC) Waiver, the Community Alternative Care (CAC) Waiver, the Community Alternative for Disabled Individuals (CADI) Waiver, the Traumatic Brain Injury (TBI) Waiver, and the Elderly Waiver (EW). For the purposes of this study, the Medical Assistance Long Term Care Waivers and Home Care Program were divided into components between the aged and all other clients (i.e., disabled, AFDC families, and AFDC related families) in order to separate analysis of the aged and all other clients.

Methodology

Client definition—duplicated annual recipients

Client projections—projections about the future number of clients were made utilizing Minnesota's future total population and future elderly population figures. The rate of client participation as a proportion of Minnesota's elderly population was determined for 1997. The percentages of elderly in Minnesota's future total population for fiscal years 2000, 2010, 2020, and 2030 were determined as well. These rates were applied to Minnesota's projected total population for fiscal years 2000, 2010, 2020, and 2030 in order to obtain projected numbers of aged clients for each of the respective years. Projections about the remaining clients were made utilizing Minnesota's future population figures. The rate of client participation as a proportion of Minnesota's total population was determined for FY1997. This rate was applied to Minnesota's projected total population for fiscal years 2000, 2010, 2020, and 2030 in order to obtain projected numbers of clients for each of the respective years.

Cautionary note

Summing the individual aged and other portions of program cost, cost per client, or cost per capita figures for basic health care will not equal the program cost, cost per client, or cost per capita figures for the Medical Assistance Long Term Care Waivers and Home Care Program. This is because different real average annual growth rates were used for projections for the two groups of clients.

Results

From 1997-2030, it is projected that the number of clients will increase from 43,676 to 60,410, growing by an average annual growth rate of 0.99%. The state share of the cost of the program is projected to increase to approximately $10 billion. The state share of the annual cost per client will rise to $166,307 and the state cost per capita will increase to $1,953. These increases represent average annual growth rates for 1997-2030 of 11.38% and 11.71% respectively. To a certain degree, the growth of the Medical Assistance Long Term Care Waivers and Home Care program is not unexpected given the state's attempt

to find alternatives for institutional care in the form of home care and community based care. When the aged are separated from the rest of the clients, their costs are somewhat lower than the costs for the entire client population. The state share of the cost per aged client is projected to grow only to $1,325 by the year 2030, with a state cost per capita of $7. If this actually occurs, it would seem to indicate that the aged would not necessarily be taking advantage of the alternatives to institutional care.

Continuing Care and Community Support Grants

Continuing Care and Community Support Grants address on-going, chronic, or residential care needs and social services. The overall objective of these grants is to enable the elderly, the disabled, and the vulnerable to live safely and independently. This program area consists of grants in the areas of Aging and Adult Services, Consumer Support, Developmental Disabilities Community Support, Mental Health, and Deaf and Hard of Hearing. The grants are funded by a combination of state and federal funds.

Methodology

Client definition—duplicated annual recipients

Results

The number of clients is projected to increase from 198,845 in 1996 to 224,588 by 2030. This represents a modest average annual growth rate of 0.36%. The state share of the cost of the program is projected to rise from $57.4 million in 1996 to $268.5 million in 2030. Both the state share of the annual cost per client and the state cost per capita are projected to increase by an average annual growth rate of roughly 4.27 %. This translates into increases from $289 to $1,196 and from $6 to $27 for the state share of the annual cost per client and the state cost per capita respectively.

Higher Education

Common Methodology for Higher Education Areas

Client projections—higher education client projections for students attending Minnesota Higher Education Institutions until the year 2030 were calculated as follows:

- The first step used the actual enrollment numbers from Minnesota Higher Education Services Office (MNHESO) for 1996 in *The Basic Data Series 1996.* Those numbers were applied to the demographic changes projected in Minnesota Planning Long Term Illustrative Population Projections for Minnesota up to the year 2030.
- Current percentages of enrollment were held constant and applied to population projections, which are divided by age and racial background. For example: a certain percentage of the state's twenty to twenty-four year old population attends a Minnesota higher education institution. That percentage was held constant and applied to the projected population for that age group, generating the number of twenty to twenty-four old Minnesotans who will attend a Minnesota Higher Education (MNHE) Institution. Enrollment percentages were taken from *Basic Data Series 1995, Basic Data Series 1996,* and *Post-Secondary Education Data Book January 1997,* all produced by MNHESO.
- This number is further refined when expected changes in the states racial distribution are factored in. Each racial group's total student population is divided into age groups consistent with MNHE total students. The percentage of students belonging to a racial category within a specific age group is held constant and applied to that racial category's future population. This allows us not only to take into account the changes occurring in the state's population by age, but also by racial and ethnic makeup.
- The total number of MNHE students is then broken into institutions. The percentage of total students attending a certain kind of MNHE institution for the year 1996 is held constant and applied to the student totals obtained for future years. These percentages were obtained from *Post-Secondary Education Data Book January 1997.* Six different kinds of institutions are used: The University of Minnesota, Community and Technical Colleges, State Universities, Private Universities, Private Career Schools, and Private Graduate and Professional Schools. The University of Minnesota is kept as an individual program. Community and Technical Colleges are added to State University totals to determine Minnesota State Colleges and Universities (MNSCU), then all the totals are added for use as the client base for Minnesota Higher Education Services Office (MHESO).

Total Cost—state cost for higher education programs is defined as the amount of funding directly appropriated from the general fund. These numbers are listed in the *History-Summary of General Fund Balance '97* from the Department of Finance. Costs for MHESO are listed in that report as HECB/HESO. Costs for MNSCU are listed as three different programs from 1990-1995; State Universities, Technical Colleges, and Community Colleges. These programs were grouped together as MNSCU after 1995. The University of Minnesota is listed as its own program for all years.

Total cost of these programs is the state cost plus all other expenditures listed by the Department of Finance Executive Budget Officer in the Higher Education proposed budget for biennia 98-99, 96-97, 94-95, and 92-93.

Minnesota Higher Education Services Offices

The Minnesota Higher Education Services Office (MHESO) is directed to review and analyze all phases and aspects of both private and public higher education in Minnesota. In addition, it is to plan for the long-term, including review, evaluation, and approval of priorities for new and existing programs as well as review of budget requests from the state's higher education systems. In addition to making final decisions on new initiatives and recommendations to the systems' on-going programs, MHESO is designated as the administrative agency responsible for need-based financial aid.

Client definition—every Minnesota student who pursues education beyond the secondary level is a member of this client group.

Results

Minnesota Higher Education Services Offices expenditures are projected to be almost two and half times the per capita cost in 2030 as they are today. This is a result of two factors. First, the student population is projected to be at or about the same size as it is today. The average annual growth rate from 1996-2030 is expected to be only .13%. The Higher Education population is mostly driven by the 18-24 year old population, which peaks around 2010 and then returns to current levels. Secondly, the state cost per client for higher education is expected to grow from 1996 to 2030 at a an average annual growth rate of 3.07% The result is that per capita expenditures in Minnesota will be two and half times as much for Higher Education Services in 2030 as at present. That money will be spent on roughly the same amount of students. The recalculation of student grant awards and a restructuring of MHESO is accountable for part of this increase. Most importantly though, the cost of a college or two-year degree has increased each year from 1990-1996

University of Minnesota

The University of Minnesota offers undergraduate, graduate, and professional instruction through the doctoral level, and it is the principal state-supported research institution. Its doctoral programs and its research and extension services set the University of Minnesota apart from the other higher education systems in the state. Four campuses make up the University of Minnesota system: the Twin Cities, Duluth, Morris, and Crookston.

Methodology

Client definition—students seeking any one of the three levels of diplomas offered by the University, and individuals who receive assistance from county extension agents and other University representatives are members of this client group.

Results

The University of Minnesota is an example of a trend different from the rest of higher education in the state. The U of M was one of a few institutions that showed an increase in attendance in each year from 1990-1996. The average annual growth rate for that period was 1.96%. While this happened, the state spent less on each student in 1996 than it did in 1990. The average annual growth rate was -3.20%. If this pattern is assumed to continue, the state's cost of each student attending the U of M will continue to fall to almost a third of its present cost. The state cost per capita would decrease from $106 in 1996 to $48.12 in 2030.

Minnesota State Colleges and Universities (MNSCU)

MNSCU combines all community colleges, technical colleges, and state universities into one system. Students in this system can receive a baccalaureate or master's degree from one of the state universities. Technical colleges provide vocational training and education to prepare students for skilled professions which do not require a baccalaureate degree. Community colleges provide specific two-year training for members of the community.

Methodology

Client definition—all full and part time students enrolled in any of these institutions

Results

Minnesota State Colleges and Universities show the exact opposite spending changes from the University of Minnesota. From 1990-1996 MNSCU had a decrease in enrollment, but more overall spending in 1996 than in 1990. The average annual rate of growth in clients for this time period was -1.84%. While enrollment follows population projections, the increase in spending by the state for each student will almost quadruple by 2030. The increase in spending for each student in MNSCU is almost the exact amount of decreased spending for each student at the U of M. MNSCU has a much larger enrollment than the U of M., which is why these changes do not offset each other and there is still a large increased cost per capita in 2030. The average annual rate of growth for the 1996-2030 period for state cost per capita for MNSCU is 3.63%

Criminal Justice/Corrections

Adult Correctional Facilities

Adult Correctional Facilities in the state of Minnesota are funded by the Department of Corrections. The objective of running these institutions is the preservation of public safety through the control of convicted felons. This is accomplished through criminal confinement and a variety of other programs aimed at preparing offenders for their re-entry into society and the subsequent monitoring of convicted offenders. There are currently seven adult only correctional facilities operated by the state.

Methodology

Client definition—inmates of these seven institutions are members of this client base. The number of clients for a given year is taken as the average daily population for that year.

Client Projections—the Department of Corrections has projected prison population until the year 2007 in *Minnesota Adult Prison Population Projections December 10, 1997.* Their numbers are used for the years available. Prison population projections after 2007 are determined by using the percentage of Minnesota's adult population in state operated correctional facilities in 2007 and applying that percentage to population projections made by Minnesota Planning.

Total Cost—the Department of Corrections has projected costs per diem until the year 2007 in *Minnesota Costs Per Diem December 10, 1997.* For the years 1990-1996, state cost is the amount of funding directly appropriated from the general fund listed in the *History-Summary of General Fund Balance '97.* Total cost is the state cost plus any other expenditures listed by the Department of Finance Executive Budget Office in the Criminal Justice or State Agency proposed budget for biennia 98-99, 96-97, 94-95, and 92-93.

Total Cost Projections—for the years 2000-2007, the per diem cost as determined by the Department of Corrections is used with the number of projected inmates to determine the state cost. Total cost for the years 2000-2007 is determined by using the percentage of state cost to total cost for 1996 and applying it to the projected state costs for 2000-2007.

Using numbers from 1990-2007 (adjusted), we can determine the real average annual growth in the cost per client from 1990-2007. When projecting costs with an average annual rate of growth, this growth is applied each year until 2030 to determine new cost per client figures. These new figures are multiplied by the projected number of clients to give us total and state costs for future years.

Results

The Adult Correctional Facility population is expected to increase until 2030. The average annual rate of growth for that period is expected to be 1.39%. The cost of housing Minnesota's inmates is already large and expected to grow. In 1996 the total cost was $121.7 million. It is expected

to be $237.4 million in 2030. The Department of Corrections (D.O.C.) has projected that while total spending and population are expected to increase, the amount spent on each inmate is going to decline. What this means is that more criminals will be going to prison, and Minnesota will be paying more to house all of them. However, by 2030 we will have a much better ratio of dollars to inmates and the overall effect on the individual will not be great. The average annual growth rate for the state cost per capita from 1996-2030 is expected to be 0.14%. The projections by the D.O.C. are based on current legislation and sentencing guidelines

District Courts

The District Courts are the first step in the state's judicial system. Both private parties and agencies of state and local government may bring civil and criminal disputes before Minnesota's District Courts. In certain circumstances, the state's Court of Appeals and further, the Minnesota Supreme Court, may hear appeals of cases adjudicated initially at this level. Though both criminal and civil cases may be brought before the District Courts, for this study only criminal cases will be used.

Methodology

Client definition—Minnesotans who had a criminal case filed against them make up the client base for this program.

Client projections—actual numbers for district court cases filed were obtained for the years 1993-1996 from the Supreme Court of Minnesota. The total number of criminal court cases filed for 1996 was divided by the population to give a crude percentage of the number of Minnesotans who had a criminal charge filed against them in 1996. This percentage was held constant and used with projected populations for Minnesota to project the number of cases to be filed in future years.

Total Cost—for the years 1993-1996, state cost is the amount of funding directly appropriated from the general fund listed in the *History-Summary of General Fund Balance '97.* Total cost is the state cost plus the county cost obtained from the Minnesota Supreme Court, State Court Administration Office, and any other expenditures listed by the Department of Finance Executive Budget Officer in the Criminal Justice or State Agency proposed budget for biennia 98-99, 96-97, and, 94-95. Because 87% of the total cases filed in 1996 were for criminal charges, 87% of the entire state and total costs are used for this study. Because of the state takeover of many aspects of the District Courts from 1990-1992, 1993 was used as the first base year in this study.

Results

District Courts have experienced an increase in clients from 1993-1996, while their spending actually dropped. The average annual growth rate for clients from 1993-1996 was 1.26%, and negative 0.65% for the state cost. This resulted in a decrease in the amount of money spent on each client. The number of clients for District Courts has remained relatively constant in recent years and is not expected to increase by much out to 2030. The projected average annual rate of

growth is 0.38%. Since the cost per client continues to fall annually, while the client base grows at a gradual pace, by 2030 the amount of state spending and consequently the cost per capita will drop almost in half by 2030.

Board of Public Defense

As a judicial agency, the Minnesota Board of Public Defense acts as the statewide supervisor of the Public Defender's Offices located throughout the state, The seven-member board is composed of four lawyers, one District Court judge, and two individuals appointed by the Governor.

Public Defenders are available to provide criminal defense services for those defendants within the state who are unable to afford private legal services. Additionally, the Board provides financial support to five Public Defense Corporations. These organizations offer legal services to minority clients in the seven county metro area and in northern Minnesota.

Methodology

Client definition—Minnesotans falling below certain income and wealth standards and who are in need of legal defense constitute the clientele of the Board. The number of cases the Public Defense system must handle varies according to a number of factors. For example, as a result of Supreme Court rulings or changes in the state's sentencing guidelines, the number of indigent residents in need of criminal defense services may change. For our study, the number of cases closed by the Board of Public Defense in a year is used as the number of clients.

Client projections—the number of cases closed by the Board of Public Defense for 1997, obtained from the Minnesota State Board of Public Defense, was divided by the total number of cases filed that year to determine the percentage of criminal cases filed that used a public defender. This percentage was held constant and used with the projected number of cases to be filed in District Court to project the number of cases to be closed by the Board of Public Defense.

Total cost—for the years 1995-1997, state cost is the amount of funding directly appropriated from the general fund listed in the *History-Summary of General Fund Balance '97.* Total cost is the state cost plus any other expenditures listed by the Department of Finance Executive Budget Officer in the Criminal Justice or State Agency proposed budget for biennia 98-99, 96-97, and 94-96.

Projections of Total Cost—policy changes and unavailability of data make 1995 the best year to use as an initial base.

Results

The Board of Public Defense experienced a significant decrease in the cost per client from 1995-1997. The state cost per client was $279 in 1995 and $240 in 1997. The average annual growth for that period was -7.22%. This is due to a large increase in clients. The average annual growth in clients during this period was 17.06%. Spending did not increase as rapidly--the average annual growth in total costs was only 7.78%. This combination resulted in a decreasing cost per client. Projecting this negative growth in per client costs, the amount of total spending by 2030 decreases dramatically in spite of an increase in the number of clients. The average annual rate of growth from 1997-2030 would be -7.6% under our assumptions. A decrease in spending coupled with an increase in population dramatically lowers the amount spent per capita. In 1997, the per capita state cost was $9, but under these assumptions, that will decrease to less than a dollar in 2030.

Community Services (Department of Corrections Spending Only)

This program administered by the Department of Corrections includes supervision of offenders on probation, parole, and supervised release; operating special community corrections programs; administering the Community Correction programs; victim services; and inspecting local jails.

Methodology

Client definition—each resident of Minnesota is a client of this corrections program with its objective to provide public safety for every Minnesotan.

Client projections—since Community services are used to create public safety and provide victim services as well as fund programs for probation and work release, the entire state population makes up the client base for this program. For the years 1990-1996, state cost is the amount of funding directly appropriated from the general fund listed in the *History-Summary of General Fund Balance '97.*

Total Cost—total cost is the state cost plus any other expenditures listed by the Department of Finance Executive Budget Officer in the Criminal Justice or State Agency proposed budget for biennia 98-99, 96-97, 94-96, and 92-93. Only costs appropriated by the Minnesota Department of Corrections were used. Local and county revenues used by community services are extremely difficult to locate. The state system, which combines state and local funding to counties and groups of counties at different levels, makes it difficult to locate what money is appropriated to which location and for what purpose. Therefore, no local or county money was added to the total. When projecting costs with a constant cost per client (Minnesota population), the values for 1996 are held constant until the year 2030 and then multiplied by the projected Minnesota population for a given year to determine the total and state costs for that year.

Results

Probation and conditional release are alternatives to prison that have increased dramatically in recent years. Community Services accounts for much more than just these services, yet when funded by the state these programs make up much of the community services spending. These methods of correction are much more affordable than prison, but the increase in their use is projected to cause community service spending to dwarf that spent on prisons by 2030. The projected average annual growth from 1996 to 2030 for state spending is expected to be approximately 10%. The cost per capita is expected to grow from $14.05 in 1996 to $306 in 2030.

Juvenile Services (Department of Corrections Spending Only)

The Juvenile Services program is responsible for the administration of the three juvenile facilities operated by the state as well as programs designed to educate and rehabilitate the state's juvenile offenders.

Methodology

Client definition—those juvenile offenders detained at the state-operated facilities make up the client group for this program. As with the Adult Correctional Facilities, the average daily population for a given year is used as the client base for that year.

Client projections—the average daily population for these three facilities, obtained from the Department of Corrections was totaled for the year 1996 and taken as a percentage of the entire state juvenile population for that year. This percentage was held constant and used with population projections from Minnesota Planning to project the average daily population of these facilities.

Total cost—for Juvenile Services, only costs appropriated by the Minnesota Department of Corrections were used. Local and county spending pays for a large share of the cost of juvenile services in the state of Minnesota. These payments are made in per diems. A per diem is the amount of money a county, local or state government must provide a certain facility to hold a juvenile for one day. Two departments of the state government license over two hundred juvenile facility programs for profit, not for profit, and publicly owned facilities. Each of these facilities determines their own per diem, which may or may not include certain costs. Definitions of each facility and the type of children they hold also make it difficult to determine whether or not a certain facility should even be consider as a part of the criminal justice system. For these reasons, only the three facilities operated by the state; Red Wing, Saux Center, and Thistledow Camp, are used. For the years 1990-1996, state cost is the amount of funding directly appropriated from the general fund listed in the *History-Summary of General Fund Balance '97.* Total cost is the state cost plus any other expenditures listed by the Department of Finance Executive Budget Office in the Criminal Justice or State Agency proposed budget for biennia 98-99, 96-97, 94-96, and 92-93.

Results

Juvenile Services spending is expected to require almost the same funding from Minnesota individuals in 2030 as it does today. This is mostly due to the decrease in the juvenile population. The average annual rate of growth for clients from 1996-2030 is expected to be negative 0.36%. The money spent on each juvenile offender will continue to rise, from $46,683 in 1996 to $56,940 in 2030. The combination of a decrease in offenders due to the population and an increase in population leaves us at the same level of spending per individual in 2030 as it was in 1996. Because of the small sample used, noted in the methodology, these numbers do not show the whole picture. While the level of state spending per individual will likely remain close to constant, the total money spent on juvenile offenders in the future (with local spending included), is expected to increase significantly.

Aids and Credits and All Other

The goal of the local property tax and state aid programs is to control the level of taxes paid by Minnesotans, especially homeowners. These funds are paid directly to local units of government. Most of these dollars can be called general purpose aid since their use is not restricted to specific local spending programs or purposes.

"All Other" is the approximately 20% of the budget we did not examine under specific expenditure programs.

Methodology

The costs for these categories are expressed on a per capita basis, and projections assumed these per capita costs would remain constant throughout the time period.