

# The Changing Population in the U.S.

*Baby Boomers, Immigrants and  
Their Effects on State Government*

**Trends** *Alert*  
Critical information for state decision-makers



The Council of  
State Governments

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# The Changing Population in the U.S.

*Baby Boomers, Immigrants and Their  
Effects on State Government*

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## Demographics Shifts

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In nearly all wealthy industrialized nations, the rate of population growth has been in a prolonged slump. The United States is different. After a similar slowdown in the 1970s and 1980s, our fertility and population growth rates have started to rise considerably. In addition to these trends, there are other demographic changes with important consequences for state policymakers:

- Some regions are growing faster than others, but the population is becoming more concentrated in suburban areas in each region.
- The percentage of elderly people in the population is rising.
- The population as a whole is becoming more ethnically and racially diverse.

This *TrendsAlert* will examine each of these demographic changes, with a particular emphasis on regional differences, and discuss the resulting policy implications. As a result of these demographic changes, state officials should look closely at taxes, land use, health care, workforce issues, poverty programs and education as well as the political consequences of these shifting demographics.

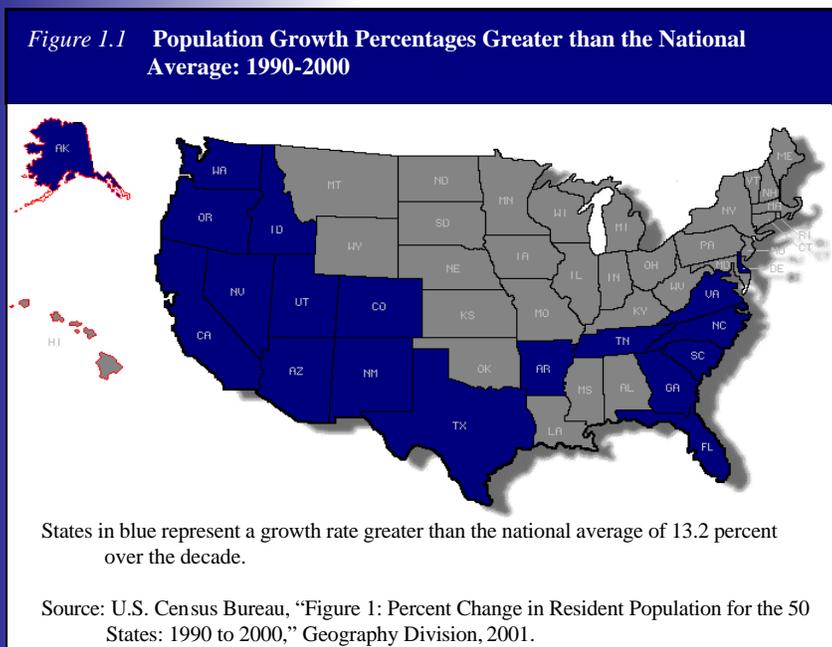
## Our Expanding Population

During the 1990s, the U.S. population grew by 33 million to over 281 million people.<sup>1</sup> Over time, the population has become more evenly distributed among the Northeast, South, Midwest and West. This has been mainly due to high population growth in the West. In terms of population growth:

- The West is expected to continue to lead the nation in population growth, and
- The population in all regions will continue to become more concentrated in metropolitan areas and, more specifically, in suburban areas.

### Regional Trends

The average population growth rate in the U.S. during the 1990s was 13.2 percent. Growth in the West was a result of better-than-average growth by ten of its 13 states during the 1990s, as shown in Figure 1.1. The South's growth, however, can be explained by extraordinary growth in half of its states and moderate growth in the rest. Even though every state in the East and Midwest reported population growth during the last decade, only one state among those two regions – Delaware – reported a growth rate that exceeded the national average.



Trends related to the regional distribution of the U.S. population are expected to continue for at least the next two decades. That is, the South and West will continue to grow more rapidly than the other regions. More specifically, the East is expected to grow at less than one percent, the Midwest at 2.3 percent, the South at 6.3 percent and the West at 14.1 percent.<sup>2</sup>

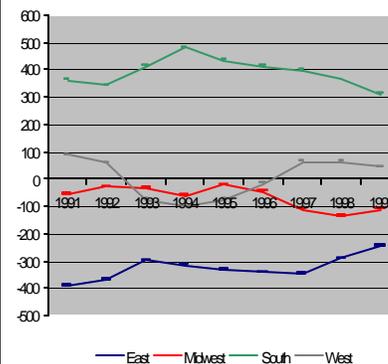
A major factor in the accelerated growth in the South and West is domestic migration, which is the movement of U.S. residents from one state to another.<sup>3</sup> Figure 1.2, which represents total domestic mi-

gration shifts by region for the 1990s, shows consistent positive net migration for only the South. The West gained population from domestic migration in the latter half of the decade, while the East and Midwest lost

population due to domestic migration each year. In fact, the East and Midwest lost more than 460 million residents to the South and West in 1997 alone.<sup>4</sup>

During the 1990s, eight states, all in the South and West, gained more than 400,000 in population resulting from domestic migration. Furthermore, the data suggests that Colorado, Georgia, North Carolina and Tennessee are attracting U.S. residents. On the flip side, seven of the nine states losing population due to domestic migration are in the East and Midwest.<sup>5</sup>

Figure 12 Domestic Migration, by Region, 1991-1999 (in thousands)



Source: Bill Frey, "Latest Population Change and Migration Data Charts for US Geographic Areas," <<http://www.frey-demographer.org/usdata.html>> (19 November 2002).

## A Suburban Nation

According to U.S. Census data, the U.S. population continues to migrate to metropolitan areas.<sup>6</sup> Metropolitan growth accounted for most of the U.S. population growth in the 1990s. In fact, of 195 cities with a population greater than 100,000, nearly three-quarters experienced significant growth in the 1990s.<sup>7</sup> Of the top 50 metropolitan areas in the U.S., 48 experienced significant growth during the last decade. What's more, metropolitan areas continue to house a greater percentage of the overall U.S. population than non-metropolitan areas. The percentage of the population living in metropolitan areas is expected to increase over the next two decades, leaving fewer than 18 percent of the population in non-metropolitan areas by 2020.

Trends at the state level are mirrored at the local level. That is, cities in the West experienced the highest growth rates just as the Western states experienced the highest growth rates over the last decade. Cities of 100,000 or more in the West experienced an average growth rate of 19 percent, which is higher than growth rates in other regions. While cities in the South and Midwest continued to grow at moderate rates, nine and three percent respectively, the average city in the East declined in population.<sup>8</sup> Moreover, of the 276 metropolitan areas recognized by the 1990 Census, 252 experienced growth in the 1990s. Of the 24 areas reporting negative growth, 14 were in the East, six in the Midwest, four in the South and none in the West.<sup>9</sup>

The explanation behind metropolitan growth reveals yet another important fact for state officials. More than 83 percent of the population growth experienced by the top 50 metropolitan areas was due to suburban growth. During the 1990s, core cities lost percentage share of the metropolitan

population in 43 of the top 50 metropolitan areas. This demographic trend is not likely to change in the future, either. In fact, the suburban population, which equals more than 72 percent of the overall metropolitan population, will account for an estimated 76.5 percent in 2020.

While the United States is becoming a more suburban nation, some rural areas are also experiencing a revival. For instance, population is increasing in rural areas of the western mountain states and in rural counties near metropolitan areas. Overall, however, the U.S. population is becoming more and more suburban.

As the U.S. population is growing, the relative size of different age groups is changing as well. These changes are explored in the next section.

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## The Old and Young in America

The U.S. population is rapidly getting older. The elderly population will increase by 80 percent over the next 25 years.<sup>10</sup> While the elderly population (age 65 and older) is projected to more than double to nearly 82 million by 2050, the oldest old population (age 85 and older) is projected to quadruple by 2050.<sup>11</sup> In terms of the age distribution in America, there are three main factors to consider:

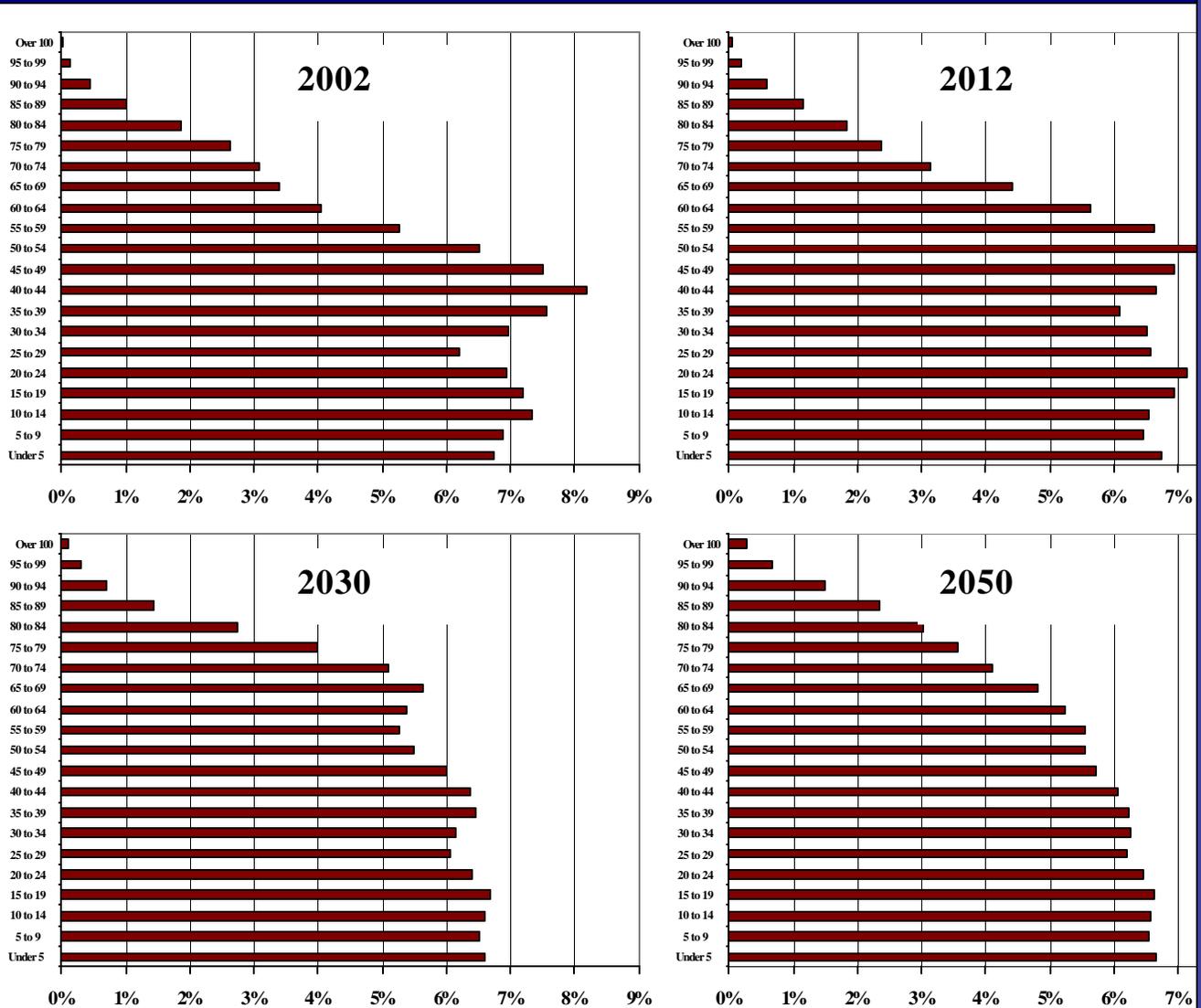
- As baby boomers age, there will be more people retiring and fewer people in the workforce,
- At the same time, however, fertility rates are rising, and
- Aging populations will affect regions differently.

## Economic and Workforce Issues

The oldest baby boomers will be 65 in 2011, and the youngest will be 65 in 2029.<sup>12</sup> An aging population and increasing number of retirees will be hard on all sectors, especially those that are already having trouble attracting younger workers, such as agriculture, education, health care and government.<sup>13</sup>

In the first half of the 20<sup>th</sup> century, the graphs of population distribution by age group resembled half-pyramids, with a large base of younger people supporting a small top layer of older people. Longer life expectancies in the future should change that half-pyramid into a bullet-shape, with fewer people dying in middle age, as shown in Figure 2.1. Over the next 30 years, however, the U.S. population will be fairly unbalanced, with a large older generation and a small working-age generation. The big bulge moving up through the graph over time represents the baby boom generation.

**Figure 2.1 Population Projections, by Age Group: 2002-2050**



Source: U.S. Census Bureau (Population Division, Population Projections Branch), *National Population Projections Summary Files: Total Population by Age, Sex, Race, and Hispanic Origin*, (Washington: U.S. Census Bureau, August 2002), <<http://landview.census.gov/population/www/projections/natsum-T3.html>> (November 2002).

In terms of the aging workforce, the statistic that causes the most concern is known as the dependency ratio. This is the ratio of the dependent population (people over 65 and under 18) to the working age population (everyone else). It represents the amount that American workers must pay to take care of their children and parents. This ratio can be broken down into youth and elderly dependency ratios. While the youth dependency ratio (under 18) is not expected to increase significantly in the future, the future elderly dependency ratio (65 and over) is a cause for concern.

Today's elderly dependency ratio of approximately 20 percent means that every 100 working-age Americans must pay for 20 retirees. The U.S. Census Bureau predicts that the elderly dependency ratio will remain fairly stable until 2012, when it will start to rise as baby boomers begin to retire. The elderly dependency ratio is expected to rise from 21 per 100 in 2012 to 36 per 100 in 2030, when it will level off again. That is, instead of there being nearly five persons of working age for each older person, there will be fewer than three.

Of course, these ratios can be misleading. Many elderly are not dependent at all. Some continue to work well past retirement age, and others have large personal savings. In fact, the elderly population is financially better off now than ever before. Most own their own homes with no mortgage<sup>14</sup> and a median net worth of \$157,600. Since retired elderly do not receive wages and must live on accumulated wealth, this is very important. The picture is not completely rosy, however. Private savings have decreased in recent years despite the fact that baby boomers are in their prime economic years.<sup>15</sup> Poverty is higher among minority elderly, creating a divide between Whites and Non-Whites. Roughly two-thirds of Social Security beneficiaries rely on Social Security for at least half of their income. For one out of every five beneficiaries, Social Security is the only source of income.<sup>16</sup> In addition, even though American elderly are better off than in the past, they also have longer life expectancies. This means that their savings must last them longer.

## The Other Side of the Story—America's Fertility Rates is Rising

America's aging population should be considered within a broader context. Not only is the aging population increasing, but the youth population is growing as well. Between 1990 and 2000, the population of children aged 10 to 14 increased by 20 percent, the population aged five to nine increased by slightly less than 14 percent and the population aged 15 to 19 increased by slightly less than 13 percent.<sup>17</sup>

In most wealthy industrialized nations, population growth rates are steadily shrinking. The total fertility rate (the average number of children that a woman will have in her lifetime) in many European and Asian countries is well below the replacement rate (the total fertility rate that is needed in order for a population to replace itself and keep from shrinking over time) of 2.1 children per woman.<sup>18</sup> America is different. One of the most interesting results from Census 2000 was the unexpected news that U.S. fertility rates are starting to grow again. The United States has a rate of 1.9 by U.N. estimates<sup>19</sup> and 2.1 by the CDC's National Center for Health Statistics.<sup>20</sup>

There are several possible explanations for a rising fertility rate. First, it may be a consequence of the economic boom of 1990s,<sup>21</sup> similar to the optimistic economic situation and consequent baby boom after World War II. Another possible explanation is that many women of the baby boom generation postponed motherhood for several years, lowering birthrates in the 1970s and early 1980s and raising them in the 1990s when these women began to have children. The main source of this growth, however, comes from immigrant groups and minorities. Refer to Figure 2.2. Whites have fertility rates below the replacement rate. Hispanics, on the other hand, are the fastest-growing ethnic group in the United States, with a total fertility rate of 3.1.

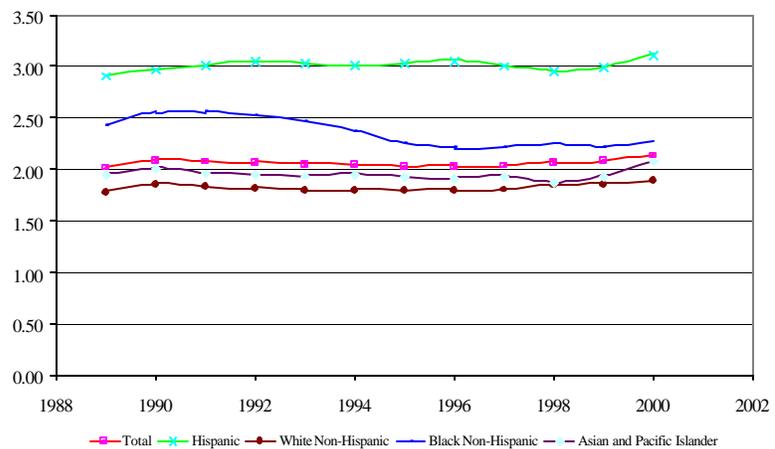
What does this mean for America? First, it means that the age distribution of the American population should stabilize in the not-too-distant future. An increased number of children today will result in a larger working population tomorrow, which will be relatively well prepared to deal with rising social service costs for the elderly.<sup>22</sup> Second, the explosion of pensioners is likely to be a one-time phenomenon. The proportion of elderly in our society will stay fairly high, but it is unlikely to grow much after the baby boom generation matures. Finally, the growing youth population will contribute to a healthy economy<sup>23</sup> that should

not suffer from major labor shortages that could occur in other industrialized nations.

## Regional Trends

While some retirees will no doubt continue to migrate to warmer places, an increasing number of elderly are staying put, a phenomenon known as “aging-in-place.” Many boomers, especially suburban residents content with their local communities, will do the same. Policy-makers who want a good idea of where tomorrow’s elderly will live can start by looking at looking where baby boomers live now. There are two possible trends worth noting.

Figure 2.2 Total Fertility Rates, by Ethnicity: 1989-2000



Source: Center for Disease Control and Prevention, National Center for Health Statistics Division of Vital Statistics, “Births: Final Data for 2002,” *National Vital Statistics Reports*, Vol. 50, No. 5, February 12, 2002 (Center for Disease Control), [http://www.cdc.gov/nchs/data/nvsr/nvsr50/nvsr50\\_05.pdf](http://www.cdc.gov/nchs/data/nvsr/nvsr50/nvsr50_05.pdf) (November 2002).

First, there are differences between metropolitan and non-metropolitan areas. Many suburban and metropolitan areas have worked hard to attract wealthy boomers, who have money to spend in these local economies. These areas will continue to attract younger generations with many of the same amenities that appeal to boomers and should be best prepared to cope with their aging populations. Other regions, typically places with industrial or agricultural economies and less well-off residents, are having trouble attracting or keeping younger residents and may be hit hardest as their populations age-in-place. In short, while some financially well-off elderly may choose to relocate, the vast majority of elderly will want to stay where they are.<sup>24</sup> States can plan for the future by assessing their demographic situations now.

In addition to the differences between metropolitan and non-metropolitan areas, there are differences among the geographic regions in the U.S. The South currently has the largest share of elderly, while the New West and the New South are attracting the fastest growing elderly populations.<sup>25</sup> States in the Midwest and Northeast suffer from “brain drain.” That is, many young people in these regions have gone to the South and West while those who are left will age- in-place.

As America grows and its population ages, it is also becoming increasingly diverse in terms of race and ethnicity. This increasing diversity and regional differences are discussed in the next section.

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## Diversity

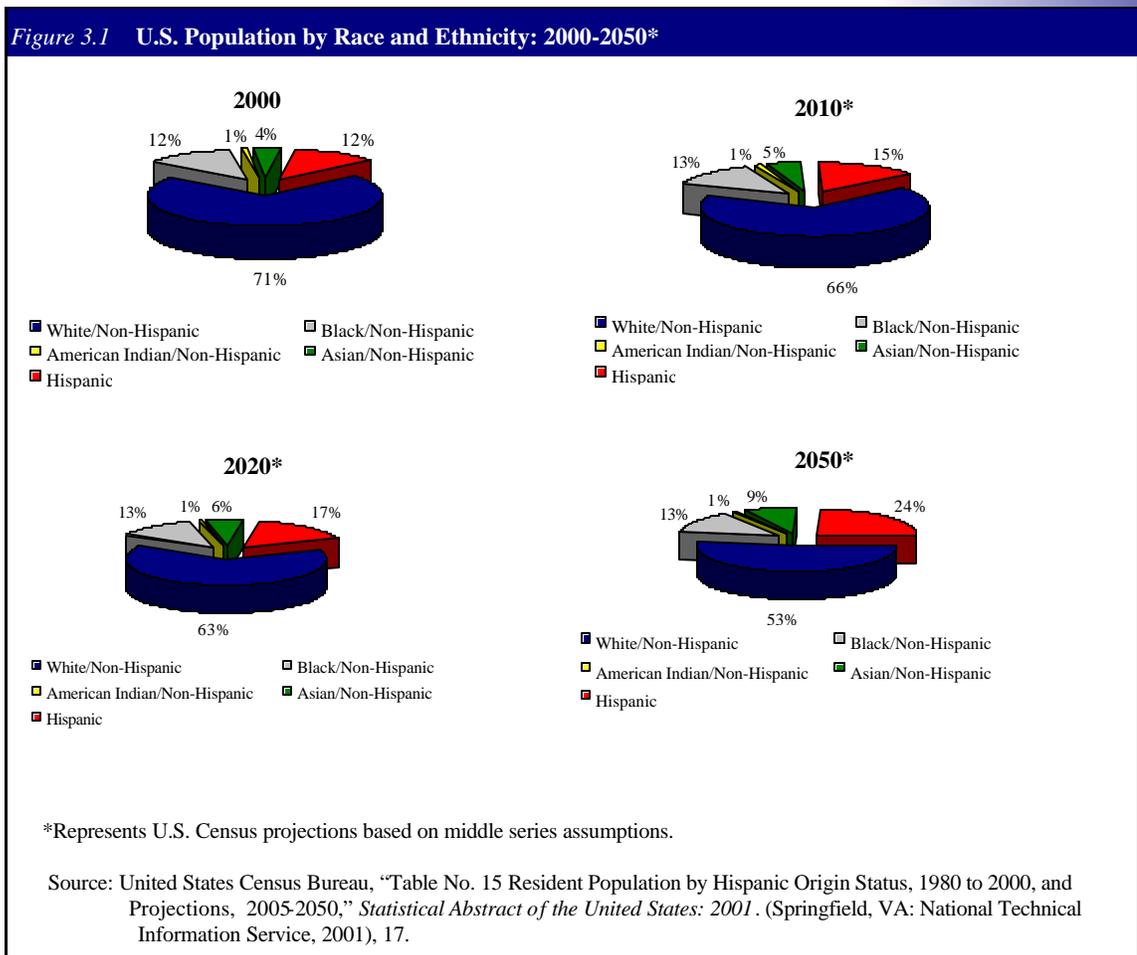
Population growth has been fueled largely by a rising immigrant population. Immigrants, births to immigrants who arrived in the 1990s and births to immigrants who arrived prior to 1990s are responsible for about 59 percent of population growth during the last decade.<sup>26</sup> Because of this, the U. S. population is changing racially and ethnically. These changes will affect the constituency of every state policy-maker and subsequently affect all state policies in the future. In order for state officials to prepare for the future, it is important to understand the following:

- The U.S. population is becoming more diverse; this is largely due to the growth of the Hispanic population.
- Minority populations are growing because of a growing foreign-born population and higher fertility rates.
- Migration patterns for domestic migrants and foreign-born immigrants are different, but foreign immigrants are starting to locate in areas outside of traditional immigrant areas.

## Increasing Diversity

In 1980 the U.S. population was more than 80 percent White, but U.S. Census Bureau figures for 2000 show that the White population now makes up 71 percent of the total. During this 20-year period in which all minority groups grew in total number, the Hispanic population made the greatest gain in terms of percentage of the population. The Hispanic population, which comprised slightly more than six percent of the U.S. population in 1980, nearly doubled its share to 12.5 percent by 2000.<sup>27</sup> More than half of all immigrants are from Latin America, predominantly from Mexico.

While Hispanics made the greatest gains in terms of percentage of the population, other minorities also had high growth rates. In 2000, 12.1 percent of the population identified themselves as Black. This is an increase of 15.6 percent in terms of those who identified themselves only as Black and an increase of 21.5 percent in terms of those who identified themselves as Black or a combination of Black and other races.<sup>28</sup> The Asian population constituted 2.8 percent of the total U.S. population in 2000. This was

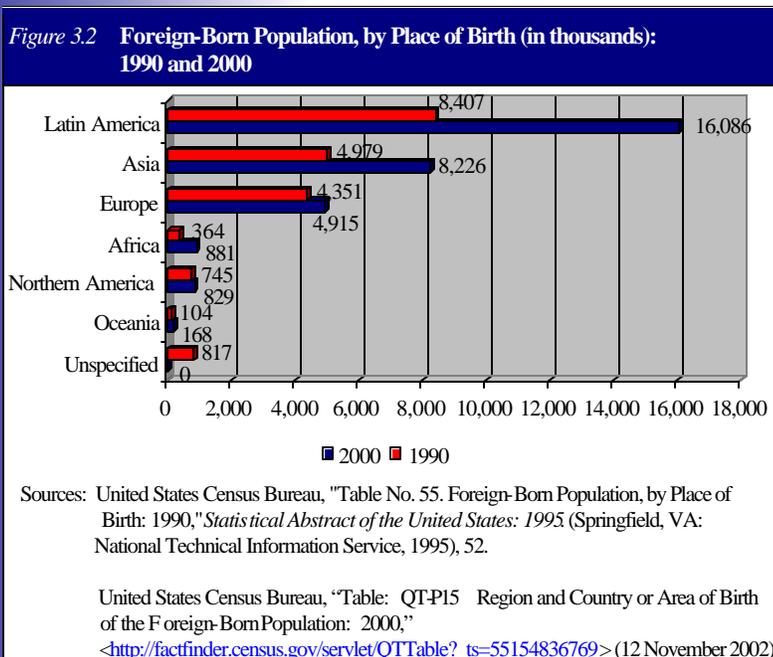


an increase of 48.3 percent from 1990 to 2000 in terms of those who solely identified themselves as Asian and an increase of 72.2 percent in terms of those who identified themselves as Asian or a combination of Asian and other races.<sup>29</sup> These figures are well above the average growth rate of 13.2 percent.

Based on recent projections from the U.S. Census Bureau, this trend of increasing diversity will continue at a similar pace in the future. Figure 3.1 represents the projected population breakdown by ethnicity in 2010, 2020 and 2050. These data do not represent a decrease in the size of the White population; rather they reflect a White population that is growing at a slower rate than other ethnic groups. The minority proportion of the population will increase from 28 percent in 1999 to 47 percent in 2050.<sup>30</sup> By 2050, the White/Non-Hispanic population will account for only slightly more than 50 percent of the U.S. population.

### Foreign-Born Population and Higher Fertility

Prior to Census 2000, respondents could only mark one category for race. In 2000, the racial category, 'Two or more races' was added. Respondents in 2000 could also select between Hispanic and Non-Hispanic origin. The term Hispanic, as used by the U.S. Census Bureau and this report, refers to an ethnic group that contains members of every race.<sup>31</sup> Because the U.S. Census Bureau did not capture information related to Hispanic origin prior to 1980 and because of significantly improved survey methodology since then, it is possible that past estimates were slightly lower than actual numbers.<sup>32</sup> Although improved data gathering can account for some growth, there are two major factors that account for the growth of minority populations in recent decades.

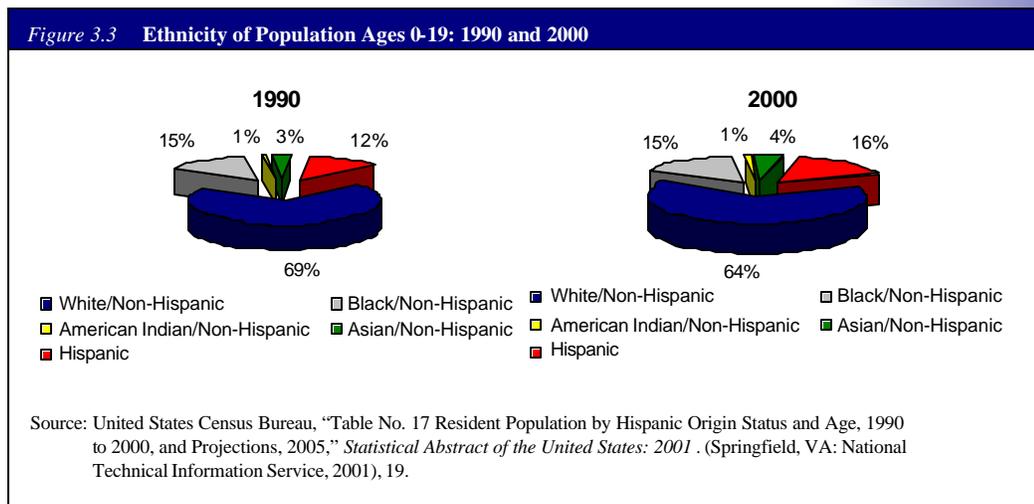


First, the foreign-born population in the U.S. is much larger than in most other countries and is growing rapidly. The U.S. foreign-born population was measured at more than 31 million according to Census 2000, comprising slightly more than 11 percent of the total population. During the last decade, the foreign-born population grew by more than 11 million. This growth can be attributed primarily to migration from two areas — Latin America and Asia.<sup>33</sup> As Figure 3.2 indicates, during the last decade the

foreign-born population from Latin America nearly doubled, while the population from Asia grew substantially as well.

Second, minority groups have higher fertility rates than the White population. Minorities are younger on average than Whites, thus there are more women of childbearing age than for Whites. In addition to having more women of childbearing age, immigrants have a higher fertility rate than natives, mainly due to the high fertility rate of the Hispanic population. Recall from Figure 2.2 that fertility rates for minorities are higher than for Whites. Thus, the increase in fertility for the U.S. population can be attributed to the higher fertility of a growing Hispanic population.

Because of immigration and higher fertility rates among immigrants, increasingly more children in the U.S. are from minority populations. In 1990, nearly 70 percent of all children in the U.S. were White/Non-Hispanic. As Figure 3.3 shows, the percentage dropped to under 65 percent during the last decade. Although all minority populations gained incrementally, the largest change was found in the youth Hispanic population that increased by more than 44 percent over the last decade to constitute 16 percent of the population aged 0-19 in 2000 up from 12 percent in 1990.



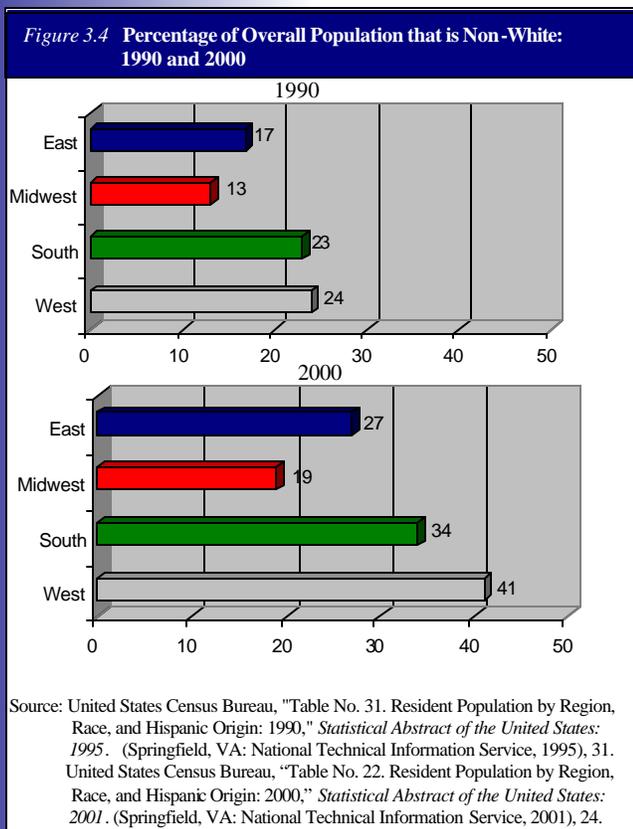
## Regional Trends

Not only is the minority population growing, it is more dispersed regionally than it has been in previous years. In addition, the ethnic makeup of cities, suburbs and rural areas are changing.

The West leads the country with the largest minority population, and the South has the second largest. The West is home to 48 percent of the Hispanic population in the U.S. and 43 percent of the total Asian population. The South is home to almost 55 percent of the Black population in this country.<sup>34</sup>

Natives are moving to the South and West, and so are immigrants. Whereas in the past immigrants located in gateway cities, foreign-born immigrants who came during 1990-2000 and immigrants who came before 1990s who initially settled in gateway communities are now moving to growing areas throughout the country. Growth in the immigrant population was slow in “Big Six” states of California, Texas, New York, Florida, Illinois and New Jersey. However, states that have not been traditional immigration magnets experienced a great deal of immigrant population growth. For instance, in the 1990s, the immigrant population grew almost 100 percent<sup>35</sup> in Arizona, Maryland, Virginia, North Carolina, Georgia, Nevada, Oregon, Colorado, Kansas, Oklahoma, Utah, South Carolina, Iowa, Kentucky, Idaho, Alabama, Arkansas, Nebraska and Mississippi.

Immigrants, like natives, are going where there are more job opportunities. Increasingly, minority populations are not simply concentrated near U.S. borders. In fact, every region has experienced significant growth in its minority population during the last decade. Figure 3.4 shows that growth was extremely high in the West and the South, but there was substantial growth in the minority populations of the East and Midwest as well. The minority population of the Midwest region, which still lags behind the rest of the nation, grew by nearly 50 percent during the last decade.<sup>36</sup>



Not only does immigration affect regional demographics, immigration patterns are changing the racial composition of our cities, suburbs and rural areas as well. Over the past few decades, immigrants have tended to locate in cities. In fact, almost half of the foreign-born population lives in Los Angeles, New York, San Francisco, Miami or Chicago. However, Asian and Hispanic immigrants are starting to settle in suburbs rather than central cities. In 1990, minorities accounted for 19 percent of the suburban population; in 2000, they accounted for 27 percent.<sup>37</sup>

Immigrants have located in rural areas as well. During the 1980s and 1990s, Hispanics migrated to towns and rural areas to pursue jobs in Georgia, Illinois, Iowa, Michigan, New York, Tennessee, Wisconsin and Washington as well as other states.<sup>38</sup> Although concentrated in the Southwest and in central cities, they are beginning to disperse to the suburbs and rural areas in both the Southwest and in other regions.

As the population changes, policy priorities will change. The aging of the population and the growing racial and ethnic diversity will influence tax policy, land use policy, health care, workforce development, poverty programs and education as well as the political landscape in this country. These policy implications are examined next.

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## Policy Implications

The shifting demographics in the United States will affect public policy at the state level. For instance, government spends much more per capita on the over-65 population than any other age group. The effects of an aging population will be particularly acute after 2010 when workforce growth slows and spending on age-related government transfers increases. In addition, the U.S. Census Bureau projects that the foreign-born population will continue to grow steadily over the next few decades, thus changing the demand for government services. These two phenomena combined will affect both the revenue and expenditure streams of state government.

### Taxes

As the population ages, state tax collections will be affected. The older population tends to spend money in non-taxed areas such as health care services. In addition, while many elderly will continue to work, the majority of their income will likely come from sources, such as pensions and Social Security, that are not taxed as heavily as income. This will affect income and occupational tax collections. Also, many states have enacted a Homestead Exemption that exempts elderly property owners from being taxed on a certain amount of their property's assessed value. This exemption could lead to the reduction in property tax collections under certain scenarios.<sup>39</sup>

The large foreign-born population will have a significant impact on state and local budgets in the future. Based on a study of California, the National Academy of Sciences estimates that the average foreign-born household receives \$2,217 more in benefits from state government than it pays in state taxes each year.<sup>40</sup> According to a similar, but broader study, the average immigrant imposes a \$25,000 cost to state and local governments during his or her life.<sup>41</sup> Research shows, however, that second and third generation immigrants are net contributors to state government coffers.<sup>42</sup> In the short term, states with large and growing immigrant populations will face tough fiscal decisions as immigrants have a negative net effect on state budgets.

There may also be intergenerational conflicts among different groups. Older, mostly White voters and younger, immigrant voters may not want the same things from government. For instance, at the local level, younger voters may be willing to pay higher taxes to finance public schools while older citizens may vote against any tax increase. Because of the externalities involved with education, state policy-makers may have to address this issue.

States may have to take a closer look at their tax structures to determine if they meet the needs of citizens and government. One issue which will garner more attention is e-taxation. A National Tax Association study estimated that in 2003, the 45 states that levy sales taxes will lose approximately \$11 billion in revenue from untaxed e-commerce sales.<sup>44</sup> This loss will especially affect budgets in Washington, Tennessee, Florida, Nevada, South Dakota and Texas, since these states depend on sales taxes for more than 50 percent of their revenue. Opponents of Internet taxation claim that it would be virtually impossible for online vendors to comply with the complex, often confusing system of state and local sales and use taxes. Congress has enacted the Internet Tax Moratorium Equity Act (S. 512) to help states simplify their sales and use taxes by authorizing states to enter into an Interstate Sales and Use Tax Compact.<sup>45</sup> Kentucky, South Dakota, Utah and Wyoming have already signed streamlined sales tax legislation into law.

## Land Use

Since land is a finite resource, land use issues will become even hotter topics in the future as the U.S. population continues to grow. Urban sprawl has already become a major issue in some states. For instance, in the 100 largest metro areas in the United States, less than a quarter of residents work within three miles of the central city.<sup>46</sup> Sprawl leads to longer driving distances, increased transportation costs and more air pollution.

States are introducing smart growth policies to combat urban sprawl, preserve the environment and improve the quality of life. Some states are beginning to coordinate state government agencies that affect development. Some are providing economic incentives to encourage smart growth and directing infrastructure money to areas which practice smart growth. Some states are re-examining building codes to facilitate redevelopment of inner cities rather than developing new land. Furthermore, the growing population and land use issues are creating a need for regionalism. In some states, regional governments are in control of transportation, land use planning and economic development issues and encourage tax sharing between cities and suburbs to decrease the need to develop new land.

Maryland has one of the most recognized and most comprehensive smart growth programs in the country. The program has four major components. First, the state has created priority funding areas. Development within these areas is eligible for state funds for infrastructure and other needs while development outside these areas receives no state funding. Second, there is an emphasis on mass transit. Third, development is encouraged in former industrial sites. Fourth, the “Live Near Your Work” program provides financial incentives for people to purchase homes near where they work.

The aging of the population will also encourage smart growth. As baby boomers get older, there will be an increased demand for communities which are more pedestrian-friendly with residential and commercial areas in closer proximity to one another in order to decrease the need for driving.

## Health Care

With a growing number of seniors on the horizon, state policy-makers will undoubtedly focus more attention on health care. More specifically, helping the elderly pay for prescription drugs and dealing with long-term care will be two issues on most policy-maker’s radar screens. There are several health care issues related to the growing immigrant population as well. The lack of health insurance as well as medical and cultural issues related to different immigrant groups will be topics of increasing concern in the future.

On average, an elderly person between the ages of 65 and 74 takes nine prescription drugs per day. States are already taking the initiative in the quest to help seniors obtain costly prescription drugs and have tackled the issue in several ways. There are over 30 pharmaceutical assistance programs in place. Efforts include discounts, subsidies, rebates with manufacturers and purchasing alliances.

Most states with pharmaceutical assistance programs are subsidy programs to Medicaid recipients that pay the difference between the prescription costs and the copayments. Some states have expanded their Medicaid programs, which cover prescription drugs, to reach seniors who would not otherwise have prescription drug coverage. That is, state Medicaid programs help seniors below the poverty line purchase prescription drugs, and 18 states assist seniors who are above the poverty line. States have also created purchasing pools to obtain bulk discounts on prescription drug purchases. For instance, Massachusetts, Texas and Georgia have all created intrastate purchasing pools among their various state agencies. Moreover, some states have created interstate purchasing pools. The Minnesota Multi-State Contracting Alliance for Pharmacy pools prescription drug purchases for over 38 states, and the New England Tri-State Prescription Drug

Purchasing Coalition pools purchases among state agencies in Maine, New Hampshire and Vermont. In addition to expanding Medicaid and creating purchasing pools, some states have instituted copayments, some require the use of generics over brand-name drugs, some require prior authorization of certain drugs and therapies, and some states allow the elderly to take tax credits for a portion of their prescription drug costs.

Arguably the most high-profile plan is Maine's Rx program, a combination of prescription discounts and price controls. Anyone with an annual income above 300 percent of the poverty line who does not have prescription drug coverage is eligible to participate. The state requires drug manufacturers to participate, and the state negotiates rebates as it does with the Medicaid program. The most controversial piece of the program is maximum drug prices imposed on pharmaceutical manufacturers, an issue which is presently being decided in the courts.

In addition to prescription drug coverage, another issue of concern to seniors is long-term care. Unanticipated long-term care may pose a great threat to the retirement security of seniors in the future. States have looked at several long-term care reforms such as expanding home and community-based services, increasing nursing home standards, creating liability insurance pools for nursing homes and facilitating the purchase of long-term care insurance. Several states provide tax credits for people who buy long-term care insurance, and some states have granted tax credits to employers who provide long-term care insurance as part of their benefit packages. In fact, almost half of the states have created incentives for the purchase of long-term care insurance.

Immigrants are less likely to have health insurance and more likely to use emergency rooms than natives. This lack of health insurance is mostly attributable to the fact that many immigrants work in low-skilled jobs that do not provide health care benefits. Therefore, many rely on Medicaid or go without insurance at all. As Medicaid costs continue to spiral upward, this will become an even greater issue. Furthermore, because of the lack of health insurance, poor immigrants have more health problems than natives. For instance, a disproportionate share of Hispanics die from cancer, and Mexican-Americans are more likely than natives to suffer from high blood pressure. As the immigrant population grows, these health issues will gain more attention.

In addition to the lack of health insurance, there are cultural considerations that the medical community needs to take into consideration. People from different parts of the world view disease and illness in different ways. People from different cultures may shy away from certain treatments, and some cultures may prefer homeopathic or nontraditional treatment over mainstream medical treatments. Moreover, health literacy, which is the

ability to read, understand and act on health information,<sup>47</sup> will become an even more important issue. Health literacy is low among poorly educated people and non-English speakers. Immigrants' health depends on their ability to process medical information, so health care professionals need to find ways to communicate more effectively with these groups.

## Workforce Issues

The aging and growing diversity of the population will affect the country's workforce. As the baby boomers retire, there will be worker shortages in several fields, most notably in nursing. In addition, the demand for worker training will increase, both from baby boomers and from immigrants.

Currently, there are worker shortages in education, government and nursing, and very few young people are going into occupations such as farming. These sectors will be hit even harder as baby boomers begin to retire. Some schools and state governments are increasingly adopting flextime policies to allow retirees to return to work and fill these vacancies. The nursing shortage will be particularly hard to deal with as the demand for health care will also increase as the population gets older. The current and impending nursing shortage has been the focus of much state legislation. Some states are making it easier for nurses who are licensed in one state to practice in another state. Some states are trying to prohibit mandatory overtime and mandate nurse-patient ratios. Some states have tried to expand nursing curricula to rural areas, provide scholarships and give other incentives to increase the supply of nurses.

As the workforce ages, the demand for employment training and services will increase. This demand will most likely come from lower-skilled baby boomers and immigrants. Immigrants are more likely to have not completed high school than natives but are also more likely to have graduate degrees. Those without a high school degree outnumber those with graduate degrees, so overall the immigrant population is underskilled. As the U.S. economy becomes more focused on knowledge industries, the need for skilled workers will increase. Therefore, employment training programs must address these low-skilled baby boomers and immigrants and help prepare them for the jobs of the future.

## Poverty Programs and Education

In regions characterized by high foreign-born immigration, poverty rates have significantly increased.<sup>48</sup> The influx of native-born high skilled workers in the new Sunbelt states increases the demand for low-skilled construction, service and retail jobs that are increasingly filled by recent immigrants. For illustration, Nevada had a 97 percent increase in college graduates during the 1990s (largely due to native born migration), and at the

time, a 76 percent growth in adults with less than eight years of education and a 72 percent increase in persons living in poverty.<sup>50</sup>

Because of the low skill levels and consequent low wages of immigrants, their use of welfare programs is between 30 and 50 percent higher than that of natives.<sup>51</sup> Because of this, much attention will focus on poverty programs and social services as well as education, the ultimate anti-poverty program. One policy garnering a lot of attention at the national level is homeownership. Homeownership has several positive benefits, such as residential stability and increased social capital. However, homeownership rates are low among the poor. In order to help the poor buy their own homes, they need help accumulating assets. One innovative way to do this is through Individual Development Accounts (IDAs). Whereas most poverty programs focus on income maintenance, IDAs help people increase their savings. IDAs are interest-earning, nontaxable savings accounts for low-income families that are partially matched with public and private money. Individuals can use this money to finance school or workforce training, to buy a home or to start a business. A principal component of the IDA concept is financial literacy training. Individuals are taught the basics of personal finance so they can better manage their money.

Education provides people with an opportunity to escape poverty. While Asian immigrants have a relatively high educational attainment rate, Hispanic immigrants often are not well educated. This problem needs to be attacked at the primary, secondary and post-secondary levels. There are 2.8 million English Language Learners (ELL) in the U.S. in grades K-12. That number has increased by more than 100 percent since 1990 and is expected to grow. Despite this statistic, only 30 percent of public school teachers instructing ELL students have received proper training, while fewer than ten percent of these teachers have earned a degree in English as a Second Language (ESL) or bilingual education.<sup>52</sup> Addressing this educational need does not come without costs. According to a recent survey, ESL programs in the states cost anywhere between \$100 and \$1,350 per student enrolled in the program.<sup>53</sup> As the foreign-born population rises, states should develop or refine their ESL programs for maximum efficiency. Some states have already acknowledged the importance of ESL programs. For example, realizing the possible future benefit of attracting immigrants into a given state, Gov. Tom Vilsack developed the New Iowans Pilot Project in 2000. The project attempts to create model communities in the state that recruit new workers, especially immigrants, to Iowa and offers the Department of Education as a resource to those communities where English as a Second Language (ESL) is an issue.<sup>54</sup>

In addition to ESL challenges in elementary and secondary schools, the diverse population brings challenges related to post-secondary education as well. According to the Pew Hispanic Center, only 16 percent of Hispanics

aged 18 to 24 who are born to immigrant parents have a bachelor's degree compared to 30 percent of Whites in the same demographic.<sup>55</sup> Furthermore, less than 19 percent of Hispanics aged 18 to 24 are currently enrolled in college versus 43 percent of Whites in the same age group.<sup>56</sup> In short, Hispanics are underrepresented in post-secondary institutions when compared with the overall population. In an effort to expand access to higher education for Hispanic students, several pieces of federal legislation have been introduced. One example is the DREAM Act sponsored by Sen. Orrin Hatch. The Development, Relief and Education for Alien Minors Act, or S. 1291, allows certain immigrants to qualify for in-state tuition, making post-secondary education more affordable for some.<sup>57</sup> States could consider similar measures to help immigrants attend college.

## Politics

The changing demographic landscape will change the political landscape as well. As the U.S. becomes more and more a suburban nation, the political power of rural areas is diminishing. Baby boomers constitute a large and influential voting bloc, and Hispanics will gain in political importance in the years to come.

Metropolitan areas are gaining political power. Total federal transfer of funds to states per capita is \$5,699 for urban areas and \$5,300 for rural areas. This is a \$19 billion disadvantage to rural areas.<sup>58</sup> For urban areas, 48 percent of payments are transfers; for rural areas it is 70 percent. Small communities must compete for Community Development Block Grants, but communities of over 50,000 are entitled to funds. Furthermore, as more people locate in suburbia, legislative districts are being redrawn and have created rural districts that are larger in area, harder to govern and financially less well off.<sup>59</sup>

Senior citizens are active voters. Therefore, they constitute a politically powerful group of people. This power will continue to grow as the percentage of the population who are elderly grows in the next few decades. Policy-makers will take notice of the needs and desires of this group of people, especially in matters that deal with health care.

The Hispanic population constitutes another potentially powerful bloc of voters. From 1980 to 2000, the voting-age population of Hispanics in the U.S. grew by 150 percent.<sup>60</sup> This fast-growing segment of the population will continue to be an increasingly important political player. In addition, Hispanics are gaining seats in state legislative bodies each election year. In fact, as of the 2002 elections Hispanics now hold 59 state senate seats and 159 state house seats across the country.<sup>61</sup> Despite comprising 12 percent of the U.S. population, Hispanics hold fewer than three percent of the state legislative seats. However, this ratio is likely to change in the future as Hispanics become an even larger minority group in this country.

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## Summary

State policy-makers should be aware of the demographic changes that are occurring in this country. The United States continues to grow at a relatively rapid rate for an industrialized nation. The population is increasingly concentrated in metropolitan, or more specifically suburban, areas. Baby boomers will begin to retire in 2011, and the aging of the population has many implications for the economy and public policy. The U.S., which has often been referred to as a melting pot of cultures, is becoming more diverse, mainly due to the large influx of immigrants from Latin America. All these demographic changes combined will have major implications for state policy-makers. Tax revenues will be affected. Changing demographics will impact land use, health care, workforce development, poverty programs and education programs. The political arena will also change as the elderly and immigrants become more influential voting blocs and political candidates. This *TrendsAlert* has outlined the major demographic changes that are taking place in this country and has provided an overview of the policy implications. It is now up to state policy-makers to decide how to react to these changes and what direction public policy will take in the future.

## Notes

<sup>1</sup> United States Census Bureau, “PHC-T-1. Table 4. Difference in Population by Race and Hispanic or Latino Origin, for the United States: 1990 to 2000,” <<http://www.census.gov/population/cen2000/phc-t1/tab04.pdf>> (26 November 2002).

<sup>2</sup> Paul Campbell, “Population Projections: States, 1995-2025,” Current Population Reports, P25-1131, (Washington, DC: U.S. Department of Commerce, 1997).

<sup>3</sup> Residents moving from between states in the same region are not included in the net gains/loss figures.

<sup>4</sup> Bill Frey, “Latest Population Change and Migration Data Charts for US Geographic Areas,” <<http://www.frey-demographer.org/usdata.html>> (19 November 2002).

<sup>5</sup> Unlike regional data, the state-by-state data includes residents moving to another state within the same region.

<sup>6</sup> The general concept of a metropolitan area is that of an area containing a large population nucleus and adjacent communities that have a high degree of integration with that nucleus. Definition from: U.S. Office of Budget and Management, “Final Report and Recommendations From the Metropolitan Area Standards Review Committee to the Office of Management and Budget Concerning Changes to the Standards for Defining Metropolitan Areas,” <<http://www.whitehouse.gov/omb/info/metro2000.pdf>> (19 November 2002). For the purposes of this report, the term ‘city’ refers only to those incorporated locations with more than 100,000 in population.

<sup>7</sup> Edward Glaeser and Jessie Shapiro, *City Growth and the 2000 Census: Which Places Grew, and Why*, (Washington, DC: The Brookings Institution, 2001), 2.

<sup>8</sup> Ibid.

<sup>9</sup> Wendall Cox, “U.S. Metropolitan Area Population: 1990-2000,” <<http://www.demographia.com/db-usmet2000.htm>> (19 November 2002).

<sup>10</sup> William H. Frey and DeVol, *America’s Demography in the New Century: Aging Baby Boomers and New Immigrants as Major Players* (Santa Monica, CA: Milken Institute, 2000), vi.

<sup>11</sup> United States Census Bureau, “(NP-T4) Projections of the Total Resident Population by 5-Year Age Groups, Race, and Hispanic Origin with Special Age Categories: Middle Series, 1999 to 2100,” National Population Projections, <<http://www.census.gov/population/www/projections/natsum-T3.html>> (26 November 2002).

<sup>12</sup> Christine L. Hines, “Elderly Americans,” *Population Bulletin* vol. 56, no. 4 (Washington: Population Reference Bureau, June 2002).

<sup>13</sup> Christine L. Hines, “Elderly Americans,” *Population Bulletin* vol. 56, no. 4 (Washington: Population Reference Bureau, June 2002).

<sup>14</sup> CSG-West, *The Second Half of Life: Redefining Aging in America* (Sacramento: CSG-West, 1998), 6.

<sup>15</sup> Diane Lim Rogers, Eric Toder, and Landon Jones. “The Retirement Project, no. 6, Economic Consequences of an Aging Population” (Washington: The Urban Institute, September 2000).

<sup>16</sup> Social Security Administration, “Fast Facts & Figures About Social Security,” June 2002, [http://www.ssa.gov/statistics/fast\\_facts/2002/index.html](http://www.ssa.gov/statistics/fast_facts/2002/index.html).

<sup>17</sup> United States Census Bureau, “Table No. 12 Resident Population by Age and Sex, 1980 to 1999,” *Statistical Abstract of the United States: 2001*. (Springfield, VA: National Technical Information Service, 2001), 14. and “QT-P1. Age Groups and Sex: 2000,” Census 2000 Summary File 1, <[http://factfinder.census.gov/servlet/QTTable?\\_ts=56367484492](http://factfinder.census.gov/servlet/QTTable?_ts=56367484492)> (26 November 2002).

<sup>18</sup> The replacement rate refers to the total fertility rate that is needed in order for a population to replace itself and keep from *shrinking* over time.

<sup>19</sup> United Nations Statistics Division, “Indicators on Child-Bearing,” *United Nations Statistics Division – Demographic, Social, and Housing Statistics*, 2002, <<http://unstats.un.org/unsd/demographic/social/childbr.htm>> (25 October 2002).

<sup>20</sup> Center for Disease Control National Center for Health Statistics, *National Vital Statistics Report*, Vol. 50, No. 5, February 12, 2002.

<sup>21</sup> “Demography in America and Europe: A Tale of Two Bellies,” *The Economist*, August 22, 2002.

<sup>22</sup> *Ibid.*

<sup>23</sup> *Ibid.*

<sup>24</sup> Christine L. Hines, “Elderly Americans,” *Population Bulletin* vol. 56, no. 4 (Washington: Population Reference Bureau, June 2002).

<sup>25</sup> William H. Frey and Ross C. DeVol. “America’s Demography in the New Century: Aging Baby Boomers and New Immigrants as Major Players, Policy Brief no. 9, March 2000.

<sup>26</sup> Steven A. Camarota, “Immigrants in the United States – 2000: A Snapshot of America’s Foreign-Born Population,” <<http://www.cis.org/articles/2001/back101.html>> (19 November 2002).

<sup>27</sup> United States Census Bureau, “Table No. 15 Resident Population by Hispanic Origin Status, 1980 to 2000, and Projections, 2005-2050,” *Statistical Abstract of the United States: 2001*. (Springfield, VA: National Technical Information Service, 2001).

<sup>28</sup> U.S. Census Bureau Population Division, *Population by Race and Hispanic or Latino Origin for the United States: 1990 and 2000 (PC-T-1)*, April 12, 2001 (U.S. Census Bureau), <<http://www.census.gov/population/cen2000/phc-t1/tab04.pdf>> (November 2002).

<sup>29</sup> *Ibid.*

<sup>30</sup> Martha Farnsworth Riche, “America’s Diversity and Growth: Signposts for the 21<sup>st</sup> Century,” *Population Bulletin*, vol. 55, no. 2, June 2000.

<sup>31</sup> United States Census Bureau, *Statistical Abstract of the United States: 2001*. (Springfield, VA: National Technical Information Service, 2001).

<sup>32</sup> *Ibid.*

<sup>33</sup> United States Census Bureau, “Table: QT-P15 Region and Country or Area of Birth of the Foreign-Born Population: 2000,” <[http://factfinder.census.gov/servlet/QTTable?\\_ts=55154836769](http://factfinder.census.gov/servlet/QTTable?_ts=55154836769)> (12 November 2002).

<sup>34</sup> United States Census Bureau, “Table No. 22. Resident Population by Region, Race, and Hispanic Origin: 2000,” *Statistical Abstract of the United States: 2001*. (Springfield, VA: National Technical Information Service, 2001).

<sup>35</sup> Urban Institute, “Growth of California’s Foreign-Born Population Slows as Immigrants Move to Other States,” <<http://www.urban.org/urlprint.cfm?ID=7224>> (19 November 2002).

<sup>36</sup> United States Census Bureau, “Table No. 31. Resident Population by Region, Race, and Hispanic Origin: 1990,” *Statistical Abstract of the United States: 1995*. (Springfield, VA: National Technical Information Service, 1995), 31. United States Census Bureau, “Table No. 22. Resident Population by Region, Race, and Hispanic Origin: 2000,” *Statistical Abstract of the United States: 2001*. (Springfield, VA: National Technical Information Service, 2001).

<sup>37</sup> William H. Frey, *Melting Pot Suburbs: A Census 2000 Study of Suburban Diversity*. (Washington, DC: Brookings Institution, 2001).

<sup>38</sup> Kevin M. Pollard and William P. O’Hare, “America’s Racial and Ethnic Minorities,” *Population Bulletin*, vol. 54, no. 3, September 1999.

<sup>39</sup> Michael T. Childress, “Aging Population Bodes Revenue Decline, Spending Rise,” Kentucky Long-Term Policy Research Center, <[http://www.kltprc.net/foresight/Chpt\\_50.htm](http://www.kltprc.net/foresight/Chpt_50.htm)> (21 November 2002).

<sup>40</sup> James P. Smith and Barry Edmonston, Editors, *The Immigration Debate: Studies on the Economic, Demographic, and Fiscal Effects of Immigration*, (Washington, DC: National Academy Press, 1998), 156.

<sup>41</sup> The National Immigration Forum, “Immigrants and the Economy,” <<http://www.immigrationforum.org/pubs/articles/economy2001.htm>> (21 November 2002).

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- <sup>46</sup> Trudi L. Matthews and Jenny C. Sewell, *State Officials' Guide to Health Literacy*. Lexington, KY: The Council of State Governments, 2002.
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- <sup>48</sup> National figures for comparison are 37.6% growth in college graduates and -16.6% growth in 8<sup>th</sup> grade or less.
- <sup>49</sup> William H. Frey "Census 2000 Reveals New Native-Born and Foreign-Born Shifts Across U.S." PSC Research Report No. 02-520, Population Studies Center at the Institute for Social Research, University of Michigan, August 2002.
- <sup>50</sup> Steven Camarota. *Immigration in the United States – 2000: a snapshot of America's foreign-born population*. Center for Immigration Studies, www.cis.org
- <sup>51</sup> Education Commission of the States, "Bilingual/ESL Quick Facts," <<http://www.ecs.org/html/IssueSection.asp?issued=16&s=Quick+Facts>> (19 November 2002).
- <sup>52</sup> Education Commission of the States, "A Survey of State ESL Funding Systems," <<http://www.ecs.org>> (19 November 2002).
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- <sup>55</sup> United States Census Bureau, "Tale 270. College Enrollment – Summary by Sex, Race and Hispanic Origin: 1999," *Statistical Abstract of the United States: 2001*. (Springfield, VA: National Technical Information Service, 2001), 169.
- <sup>56</sup> National Council La Raza, "Immigrant Student Legislation," <[http://www.nclr.org/policy/edu/edu\\_policy/Immigrant%20Student%20Legislation%20Overview.pdf](http://www.nclr.org/policy/edu/edu_policy/Immigrant%20Student%20Legislation%20Overview.pdf)> (25 November 2002).
- <sup>57</sup> Southern Legislative Conference, "Agriculture and Rural Development Committee: Chairman's Report from the 2002 Annual Meeting in New Orleans, Louisiana," <http://www.slcatlanta.org/AgRuralDev.htm> (11 October 2002).
- <sup>58</sup> Ibid.
- <sup>59</sup> United States Census Bureau, "Table No. 401. Voting-Age Population Percent Reporting Registered, and Voted: 1980 to 2000," *Statistical Abstract of the United States: 2001*. (Springfield, VA: National Technical Information Service, 2001), 251.
- <sup>60</sup> Arturo Vargas, "Latinos Gain New Ground in Congress and State Houses," *NALEO News*, <[http://www.naleo.org/press\\_releases/Press044.htm](http://www.naleo.org/press_releases/Press044.htm)> (18 November 2002).

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