

Policy Paper Brief:

# RECORD BREAKING HEATWAVE:

## BABY BOOMER RETIREMENT, STUDENT ENROLLMENT GROWTH AND THE FUTURE OF NORTH CAROLINA EDUCATION

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The first baby boomer qualified for federal retirement benefits in 2008. Nationwide, an average of 10,000 baby boomers per day will reach retirement age between now and 2030, when the last one will reach age 65. While many are unsettled about how this will play out at the federal level, they have yet to give a thought to how this will impact state governments, much less their local schools. *The baby boom generation is retiring and, at the same time, sending their grandchildren to school. So we will see more grandparents and more grandchildren, with fewer people in-between. State governments, including North Carolina, are not financially prepared to deal with either phenomenon, much less both.*

## RISING TEMPS FOR NORTH CAROLINIANS

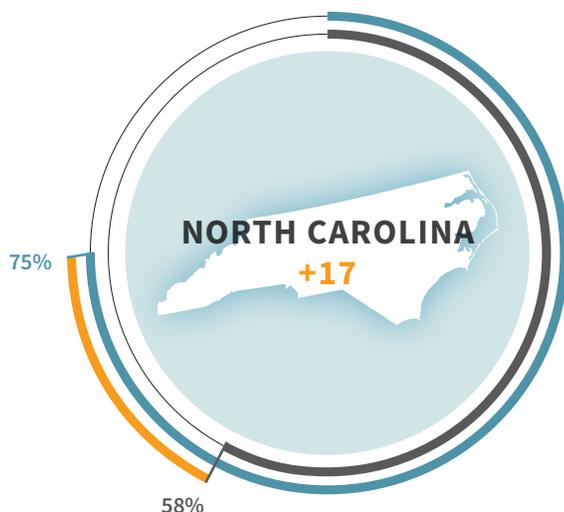
Demographers and economists agree that age demography has a significant impact on the rate of economic growth. Broadly speaking, when you have a large number of working-age people supporting a relatively small number of young and elderly people, your economy tends to progress quickly. *When you have many elderly and young people and relatively few working-age people you have problems—such as slower economic growth and higher demands for health and education spending.*

The figure to the left shows the total age dependency ratio for North Carolina in 2010 and 2030. A total age dependency ratio is simple to calculate. Just take the under 18 population, add the 65 and older population and divide that sum by the number of working-age people (aged 18 to 64). The easiest way to think of this: in 2010 North Carolina had 58 elderly and young people riding in the societal cart for every 100 working age people pushing the cart. *The United States Census Bureau projects an additional 17 people—so 75 in the cart for every 100 pushing—by 2030. Just for the sake of perspective, Florida, a national retirement destination, had an age dependency ratio of 63 in 2010.*

- Between 2010 and 2030, the Census Bureau projects the state's elderly population will more than double, increasing by 1,012,009 people.
- During that same period, the Census Bureau projects an increase of 559,425 children in North Carolina's youth population.

North Carolina faces an increase of more than 1.5 million youth and elderly residents. Unfortunately, the working-age population likely won't keep up.

### NORTH CAROLINA AGE DEPENDENCY RATIO\* (2010 VS 2030)



Author calculation using [U.S. Census Bureau, Population Division, Interim State Population Projections, 2005](#)

\* The age dependency ratio is derived by dividing the combined under 18 and 65-and-over populations by the 18-to-64 population and multiplying by 100.

# THE NORTH CAROLINA BUDGET & UNCLE SAM'S BALANCE SHEET

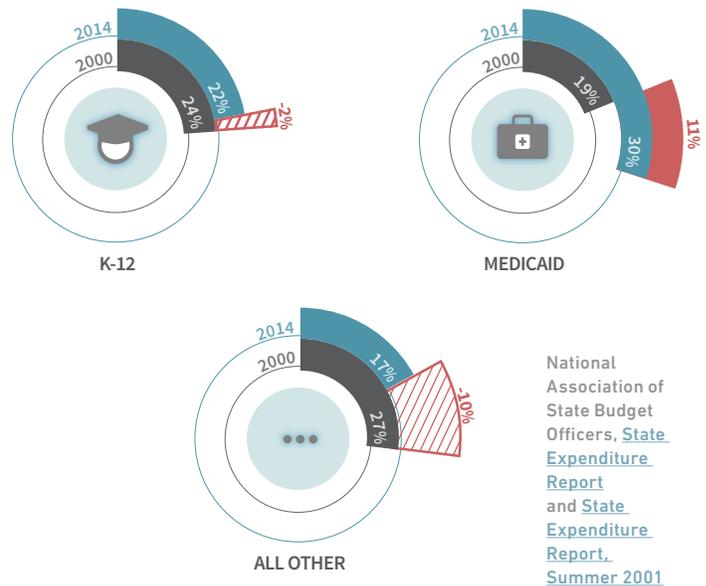
While an aging population will have a variety of impacts on state budgets, the most worrisome comes from the Medicaid program—financed jointly by North Carolina's and the federal government. In North Carolina's budget, Medicaid funding increases have eclipsed all other spending trends. In 2000, Medicaid spending took up 19.4 percent of the state budget; by 2014, it had jumped to 30.4 percent. This increase has crowded out spending for other categories—impacting everything from education and the state police to parks and recreation.

*The fact is, education funding has stagnated; as a result, programs many Carolinians care very deeply about have suffered significantly. All while funding for Medicaid continues to rise.*

## BE A FORCE OF NATURE: INNOVATION NEEDS TO START IMMEDIATELY

In order to secure a brighter future, North Carolina must take action now. *The keys to surviving and thriving through the impending heatwave lie in expanding*

### CATEGORIES OF MAJOR CHANGE IN NORTH CAROLINA STATE BUDGET FROM 2000 TO 2014



*economic growth and improving the bang for the buck in the delivery of vital public services—most critically in health and education.* In education, this innovation needs to start right away. To support both the young and elderly, the working-age North Carolinians of the future who are sitting in today's classrooms must be educated, skilled, efficient and innovative.

## CHOICE OPTIONS FOR A CHANGING DEMOGRAPHY

Public education is a permanent feature of life in North Carolina—guaranteed by the constitution and supported by the public. Enrollment growth, however, means the state can expect plenty of students to go around, and a dire need for innovative approaches. North Carolina's policy leaders should consider:

#### HIGH-PERFORMING CHARTER SCHOOLS

Continue encouraging policies to help high-quality charter schools serve students throughout the state.

#### EDUCATION SAVINGS ACCOUNTS

Put private education within the reach of a larger number of North Carolina parents through Education Savings Accounts.

#### COLLEGE & CAREER READINESS INCENTIVES

Consider awarding school bonuses for the earning of college credit by exam and/or high-demand professional certifications.

*North Carolina faces a challenge that will steadily grow more acute, but the state controls its future. Past generations faced far greater challenges and left behind a better state than the one they found. North Carolina owes it to its youngest generation, and those yet to come, to do the same.*