

Policy Paper Brief:

DEMOGRAPHIC HABOOB ON THE HORIZON:

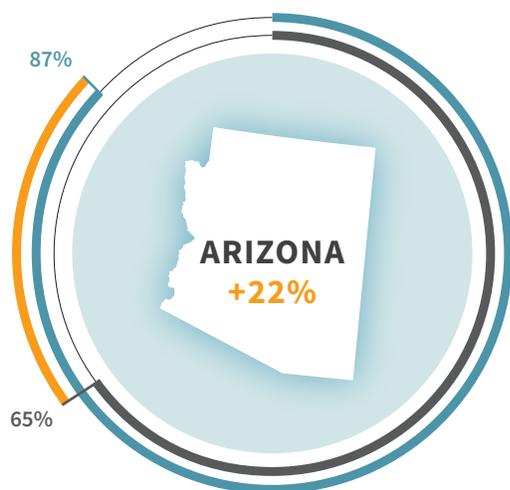
BABY BOOMER RETIREMENT, STUDENT ENROLLMENT GROWTH AND THE FUTURE OF ARIZONA EDUCATION

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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 Arizona, are not prepared to deal with either phenomenon, much less both.

ARIZONIA AGE DEPENDENCY RATIO* (2010 VS 2030)



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

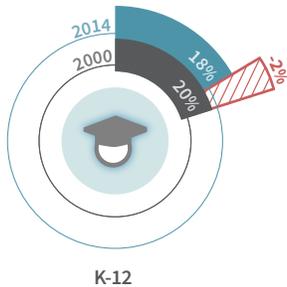
* The age dependency ratio is derived by dividing the combined under 18 and 65-and-over populations by the 18-to-64 population and multiplying by 100.

WARNING: #EDUHABOOB AHEAD

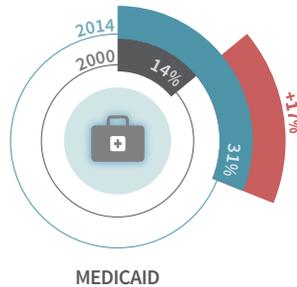
Arid regions, including Arizona, occasionally experience enormous dust storms. Known as haboobs, these storms involve a massive weather front driving huge, low-altitude dust clouds that pour over anything in their path. The approach of a haboob inspires both awe and concern. Arizona is facing an age haboob that will extend past 2030. Demographers and economists agree that age demography has a significant impact on the rate of economic growth. In fact, the relationship between three main age groups—young, elderly and working-age—is used to predict economic growth, or lack thereof. Broadly speaking, when you have low age dependency ratio there are a large number of working-age people supporting a relatively small number of young and elderly people, resulting in an economy that tends to progress quickly. ***Problems arise when you have a high age dependency ratio—many elderly and young people and relatively few working-age people—resulting in slower economic growth and higher demands for health and education spending.***

As you can see in the adjacent figure, ***Arizona's age dependency ratio is predicted to increase 22 percent, to an age dependency ratio of 87 percent, by 2030.*** This increase is based on the Census Bureau's projection that Arizona will see an increase of more than 500,000 5-17 year olds and an elderly population that is predicted to more than double. Between the two, the Census Bureau projects an increase of nearly 2 million youth and elderly residents. Unfortunately, Arizona's working-age population likely won't be able to keep up.

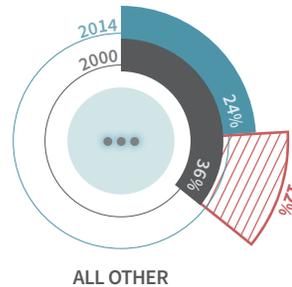
CATEGORIES OF MAJOR CHANGE IN ARIZONA STATE BUDGET FROM 2000 TO 2014



K-12



MEDICAID



ALL OTHER

National Association of State Budget Officers, [State Expenditure Report: Examining Fiscal 2013-2015 State Spending, 2015 and State Expenditure Report, Summer 2001](#)

THE ARIZONA 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 Arizona and the federal government. . In Arizona budget, Medicaid funding increases have eclipsed all other spending trends, crowding out other categories—including education and what the National Association of State Budget Officers calls “All Other” spending. “All Other” includes everything from the state police to parks and recreation. Medicaid has increased from taking up just 14 percent of the state budget in 2000 to 31 percent in 2014. Meanwhile, K-12 and “All Other” spending dipped.

The fact is, education funding has stagnated, and programs many Arizonans care very deeply about have suffered significantly. All while funding for Medicaid continues to rise.

OPPORTUNITIES ABOUND: START PREPARING IMMEDIATELY FOR 2030

In order to secure a brighter future, Arizonans must take action now. *The keys to mapping an alternate route lie in expanding 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 Arizonans of the future who are sitting in today's classrooms must be educated, skilled, efficient and innovative.

CHOICE OPTIONS FOR A CHANGING DEMOGRAPHY

Arizona already leads the nation in school choice, yet the state must do more to cope with the impending enrollment growth and develop students who will graduate ready to solve their state's challenges. Arizona policy leaders should consider:

OPTIMIZING PARENTAL CHOICE

Arizona should continue to pursue policies to help high-quality school operators expand the number of seats they can offer.

EMPOWERMENT SCHOLARSHIP ACCOUNTS

Expand the state's Empowerment Scholarship Account Program to help parents meet the specific needs of their students.

MODERNIZE SCHOOL FINANCE

Improve Arizona's finance system to increase efficiency, transparency and equity in funding so school districts can successfully compete for students and develop successful programs to meet student needs.

Arizona 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. Arizona owes it to its youngest generation, and those yet to come, to do the same.