Montana's Changing Demographics: 2021 Update

JOSHUA POULETTE

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LFD
MONTANA LEGISLATIVE FISCAL DIVISION
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In January of 2020 LFD published a report on Montana's demographic recent past, present, and near future. This brief document updates the findings of the previous report with more recent data. Due to data lag issues, the data analyzed in this report does not fully incorporate the impacts of COVID-19 on Montana's demographic characteristics. It is possible that COVID-19 accelerated demographic trends that were already occurring in Montana: in-migration from other states, migration to more urban counties, and lower birth rates, but data from the 2020-2021 period will be needed to further assess this possibility.

1. Research Questions

This update addresses two related research questions: **first, what is Montana's demographic position?** Phrased another way, what is Montana's demographic makeup, how did we get here, and where do we expect to be in the future? **Second, what are the implications of Montana's demographic situation for state and local finance?** How can we expect the state's demography to impact public finance in the near future?

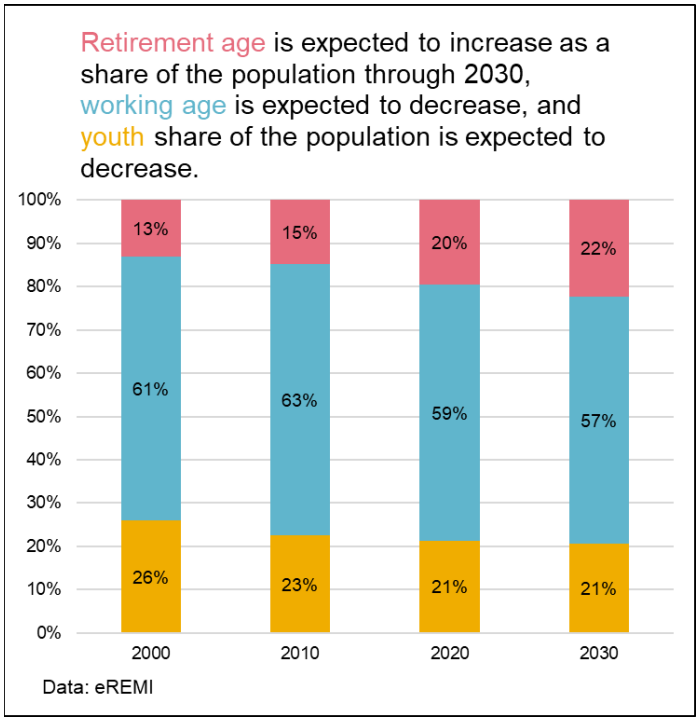
2. Data and Methodology

The primary dataset used for this report is the from the U.S. Census Bureau (Census County Estimates). This dataset is created using the 2010 Census as a baseline and was last updated in July 2021. At the time of this report county-level data from the 2020 Census has not yet been released by the Census Bureau.

This report also uses data from eREMI, which includes the years 1990-2060 (2020-2060 are projections). The eREMI data was obtained from the Montana Department of Commerce Census and Economic Information Center (CEIC.) The eREMI dataset projection was created specifically for Montana in 2021 based on 2019 data and takes regional patterns into account.

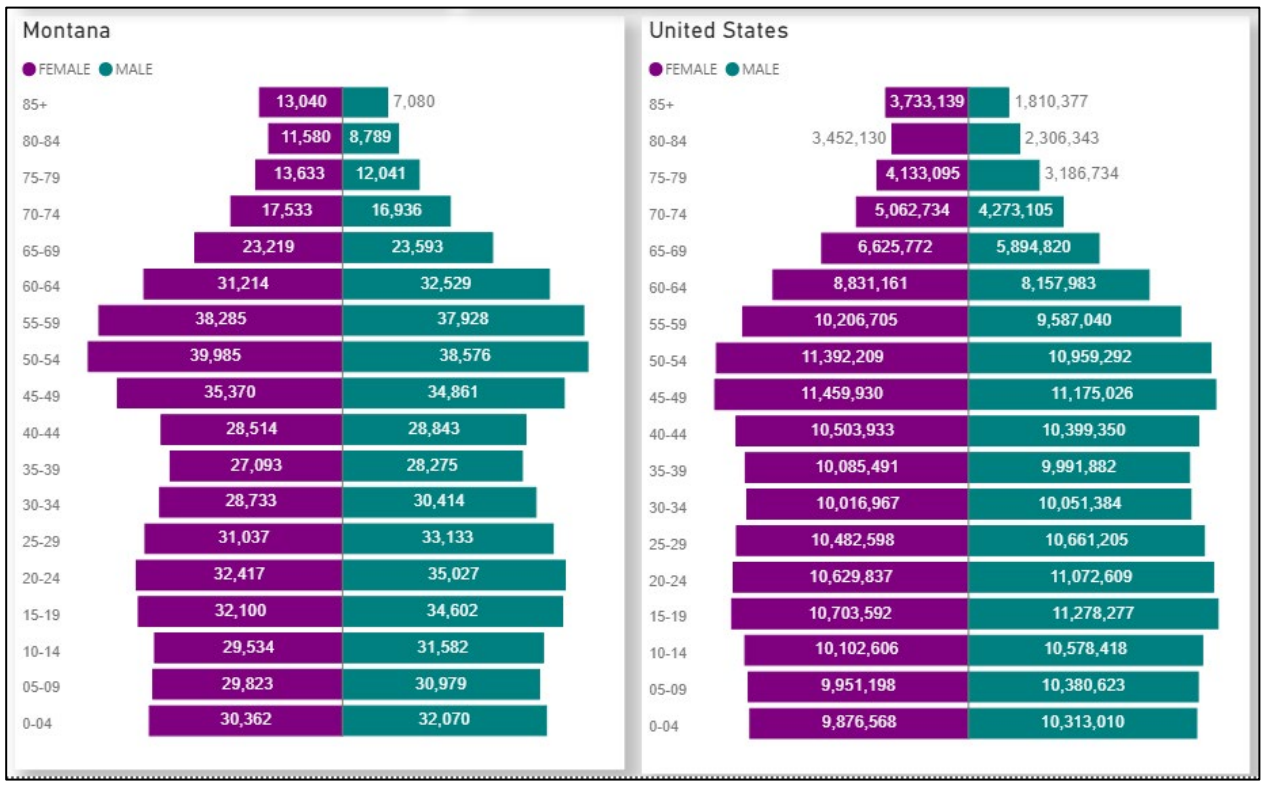
3.1. Findings: Statewide Population Aging

What are Montana's current and projected demographic characteristics? There are several dimensions to the answer to this question but consider first the adjacent graph. This graph shows projected change in major age cohorts in Montana as a percentage of the state population (2000-2030). The proportion of children is expected to remain relatively flat over the next ten years while the working age population proportion is projected to continue shrinking. Finally, the retirement age proportion is projected to continue to grow into 2030. Montana currently has the 6th-highest percentage of population over age 65. The implications of statewide population aging are discussed later in this update.

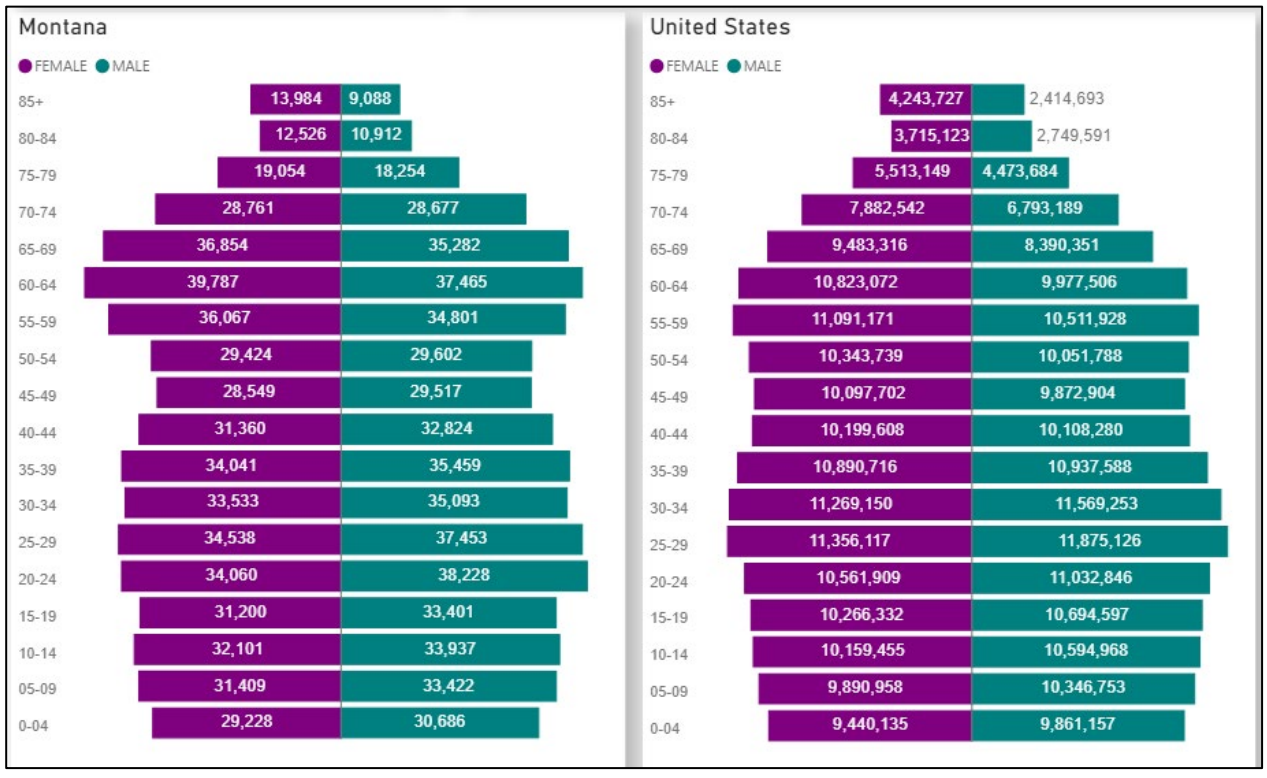


The series of graphs below are population pyramids for Montana and the US for 2010 and 2020.

Montana and US, 2010 (data: Census Bureau)



Montana and US, 2020 (data: Census Bureau)

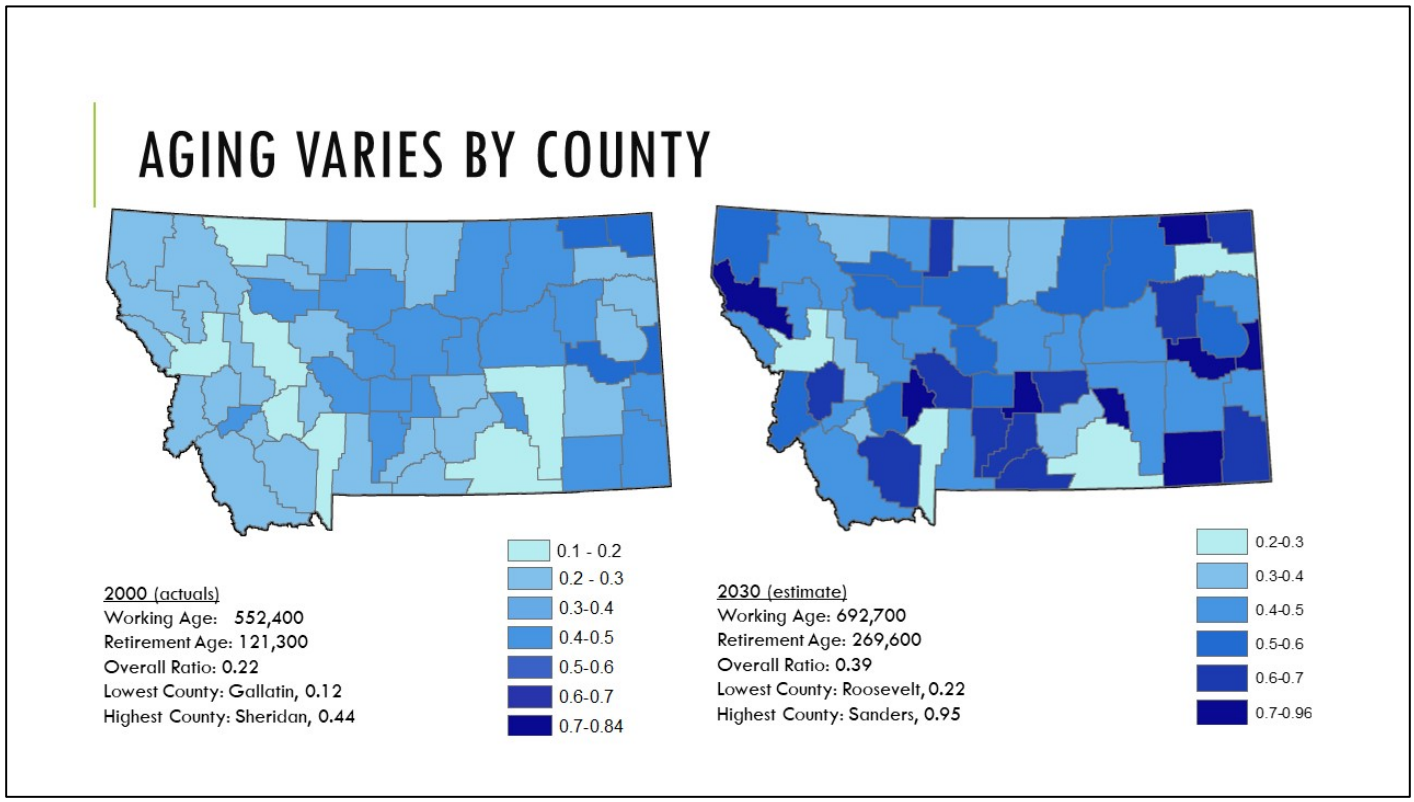


Several takeaways from these population pyramids are apparent. First, the “baby boom” generation is clearly pronounced in both the 2010 and 2020 graphs and can be seen shifting upwards as time proceeds. Second, Montana is clearly older than the United States as a whole in both sample years. Third, the younger working-age

cohorts (those in their 20s, 30s, and 40s) make up relatively more of Montana's population in 2020 as compared to 2010. This suggests in-migration over the 2010-2020 period consisted in large part of younger working-age persons.

3.2. Findings: Aging by County

The maps below illustrate the retirement-age dependency ratio in Montana's counties in 2000 and 2030 (projected). The retirement-age dependency ratio is the ratio of working-age persons to retirement age persons in a given jurisdiction. A retirement-age dependency ratio of 0.3 means that for every 1 worker there is 0.3 of a retirement-age person in the jurisdiction.

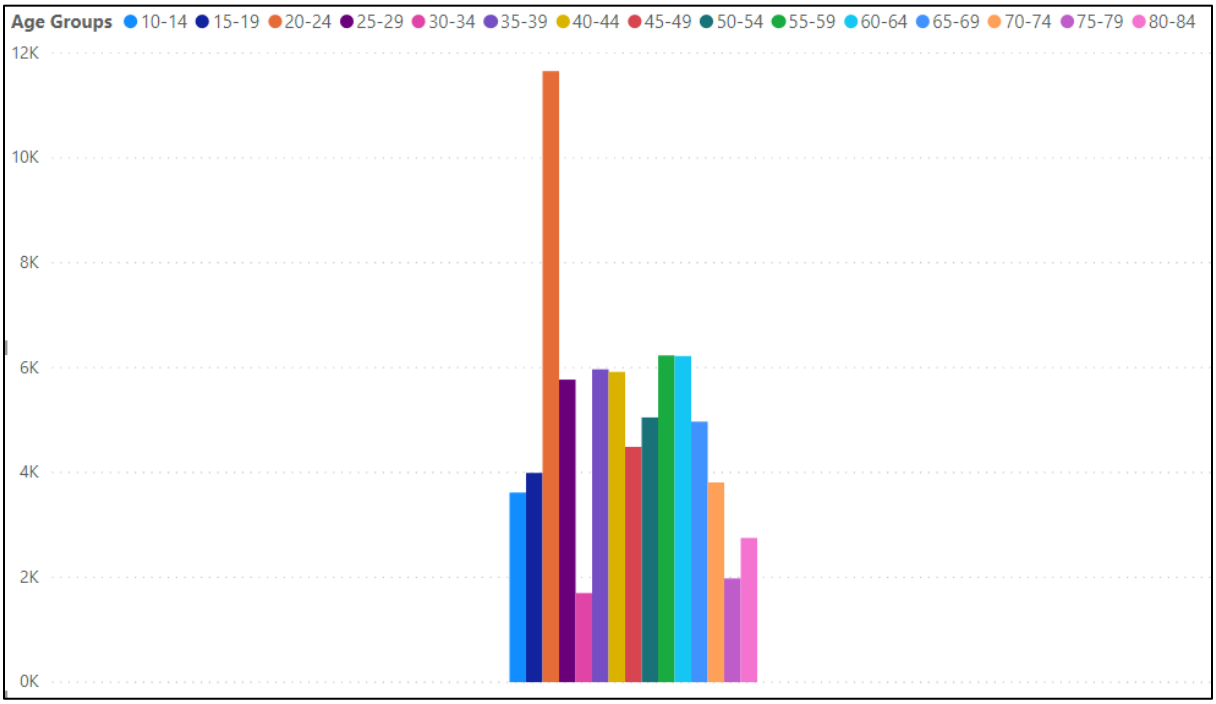


These maps illustrate two main points. First, the retirement-age dependency is projected to increase in every county in the state, and in many cases is projected to increase by a large margin. Second, this increase is not equally distributed across the state: in many cases rural counties are expected to experience a larger increase in retirement-age dependency ratio than counties with large cities. Note that increases in the retirement-age dependency ratio can occur because of more retirement-age persons moving to a jurisdiction or working-age persons leaving a jurisdiction, or both.

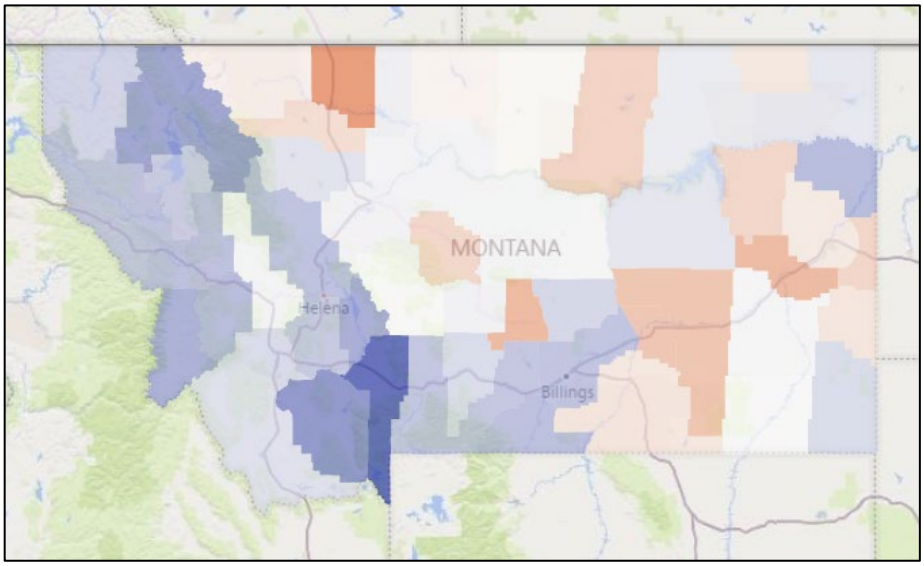
3.3. Findings: Migration Impacts

Along with aging, migration is another population process that will continue to shape Montana's demographic characteristics. The county-level maps discussed above have communicated the impact of residents being more likely to move to certain Montana counties and out of others. The graph below shows statewide net migration by age cohort from 2011 to 2020.

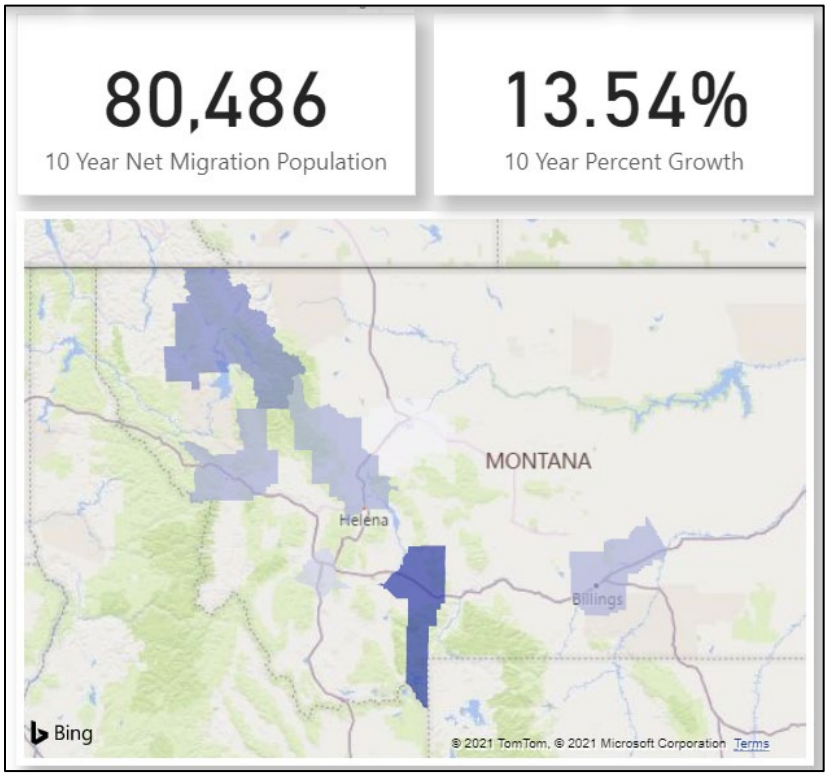
Montana 10 Year Net Migration by Age Cohort



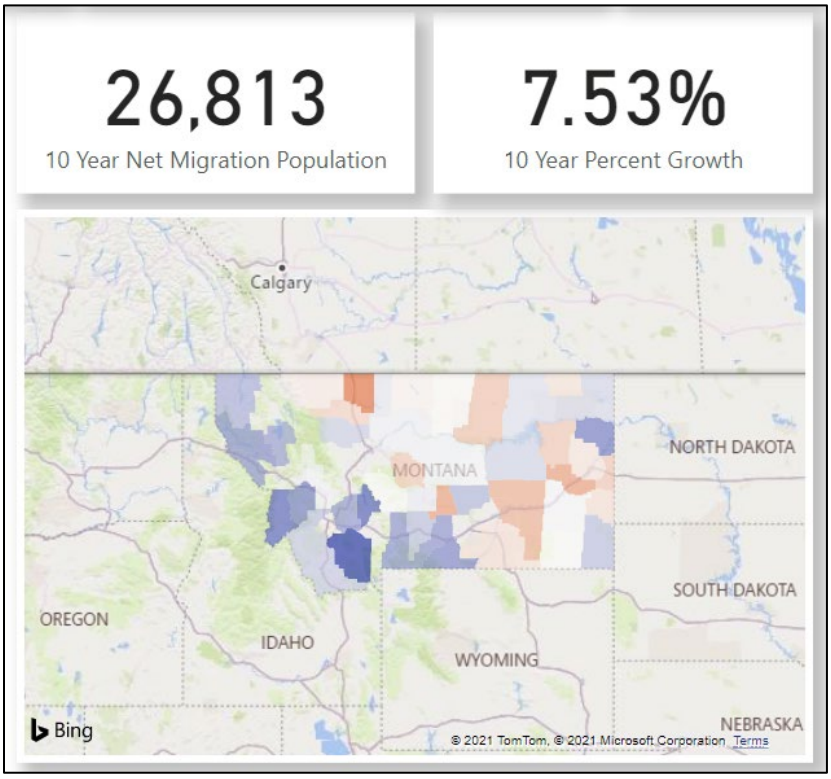
Over the 2011-2020 period Montana had net in migration of about 107,000 persons and 11.3% in all age categories. The largest amount of growth is among the college-aged cohort, many of which left the state before their 30s, partially offsetting the growth in the 30-34 cohort and reducing it well below the growth of other age cohorts. Growth among the "early retirement" cohorts (ages 55-64) is notable. Like aging, migration is not evenly distributed across Montana. Consider first the adjacent image, which shows ten-year migration patterns across all counties. Blue indicates positive growth, white indicates little or no change, and red indicates negative growth. Migration has led to population increases in western Montana and south-central Montana, but the opposite has occurred in parts of central, northern, and eastern Montana.



The next image shows ten-year net migration for the counties with the seven largest cities. Darker shades of blue indicate higher levels of growth. The large majority of the state's population growth over the ten-year period is in these seven counties.



The adjacent image displays the same information for Montana's rural counties. Shades of red indicate negative overall growth over the ten-year period. Net migration by age for the rural counties shows declines in the 15-30 age cohorts and increases in all other age cohorts. Unlike the statewide totals the early 30s age group is the age group of highest increase.



4.1. State Finance Implications: Revenues

The in-migration and population aging dynamics discussed in the previous sections will impact Montana's revenue collections for both state and local governments. In-migration causes property values to increase and may impact the property tax collections of both state and local government.

The relative income of individuals new to Montana and the lower tax rates on older Montanans also will contribute to changes in future income tax collections.

Further study of these impacts would contribute to the ability to model the impacts of in-migration and aging in the future. The analysis of income taxes has begun with an Individual Income Tax report to the August 31st MARA meeting.

4.2. State Finance Implications: Service Demand

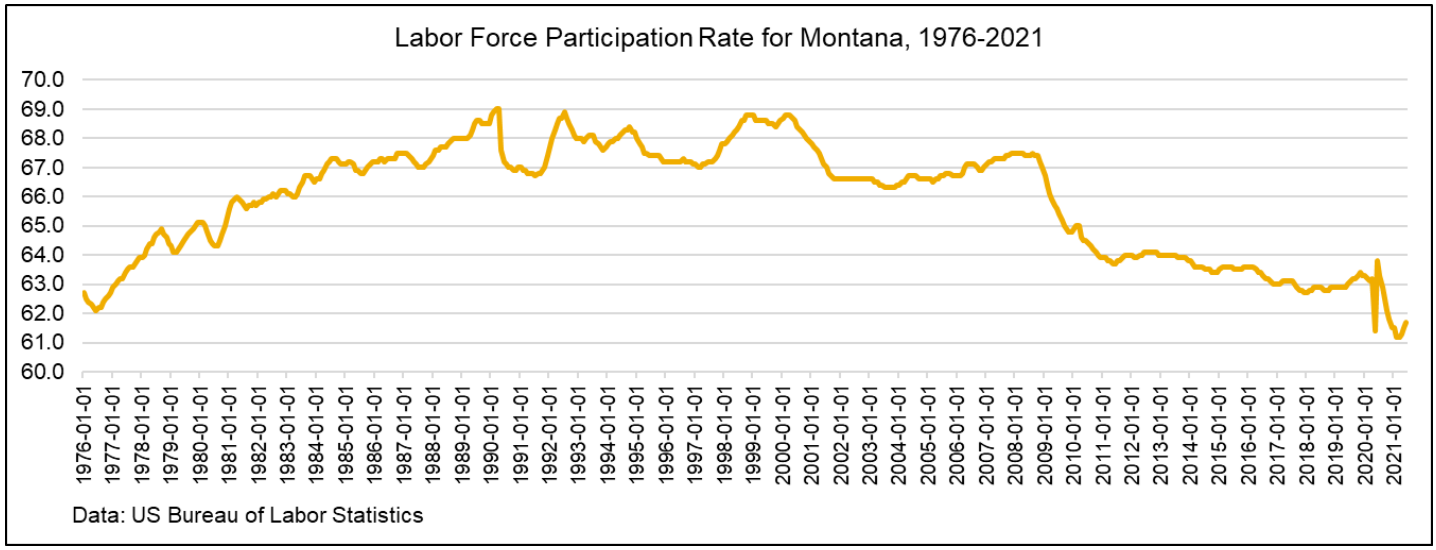
Montana's projected demographic changes may have significant implications for certain types of public services. Continued population aging could be expected to increase demand for retirement-age health services. The state's Medicaid program may see increased enrollment from age 65+ residents as there will be more retirement-age persons in the population, though available evidence suggests retirement-age migrants tend to be wealthier than average residents. Demand for other old-age health services, such as adult protective services and other programs intended to support the elderly could be expected to rise.

In some Montana counties the population of youth has decreased over the last two decades and is expected to continue to decrease; a contributor to population aging as discussed above. This experience is especially significant in certain rural counties. A decrease in youth in a jurisdiction will lower the demand for the provision of K-12 education.

The migration patterns discussed above will likely lead to varied service demand impact across Montana's regions and counties. Increased populations in Montana's counties with large cities and certain southern and western Montana counties may necessitate increased infrastructure provision. Increased numbers of youth in certain counties will demand the additional provision of K-12 education.

4.3. State Finance Implications: Labor Market Impacts

The graph below shows the labor force participation rate (LFPR) for Montana from 1976 to 2021. The state's LFPR has been declining since about 2001, characteristic of a population that is aging. Notably, the LFPR is currently lower than the mid-1970s, when the baby boom was just entering working age and women entered the labor market in greater numbers. The COVID-19 pandemic has had significant impact on the LFPR in a short period of time. LFPR has yet to sustain a recovery from the spike in labor disruption during the early stages of COVID-19.



5. Conclusion

This report discusses the implications of the state's demographic changes for state and local finance. Population changes are important to understand as policymakers consider various potential changes in policy. This update discusses important aspects of demographic change for each age cohort in the state, with an emphasis on the fact that demographic change manifests in different ways across the state – certain counties are projected to grow older faster than other counties.

The projected change in age cohorts presents several takeaways. First, the youth population in the state is expected to continue exhibiting relatively flat growth. This has led to slow growth in demand for the provision of K-12 education relative to other services. Second, the working age population in the state has grown (and will continue to grow) in real numbers but will continue to shrink in proportion as the population of the state continues to age. Third, the state's retirement-age population has grown in real numbers and proportion since 2000 and is expected to continue growing. This may increase the demand for some retirement-age public services.

Migration impacts different regions of the state in very different ways. Urban counties and western and south-central Montana have seen population growth due to migration, while many central, northern, and eastern counties have seen negative growth.

Consideration of demographic trends should be included in the modeling of future cost pressures for state government, local governments, and schools. Additional research and analysis of cost trends and demographic impacts will be needed to better understand the interaction between demographic change and public finance.