



NEWS RELEASE

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Iowa's Aging Population: A Growing Budget Challenge Report Examines Cost, Revenue Impacts for Iowa

IOWA CITY, Iowa (Dec. 1, 2008) — Health-care and education investments are at risk for Iowa as the state's population becomes proportionately older, researchers said today.

Iowa's aging population can be expected to have a significant impact on state budgets for the next two decades, according to the researchers' report for the Iowa Fiscal Partnership (IFP), a nonpartisan budget analysis initiative. They describe challenges that go beyond the immediate shortfalls expected from the current economic downturn.

"Iowa faces a fiscal future of rising costs and stagnant revenues," said Peter Fisher, research director for the nonpartisan Iowa Policy Project and co-author of the IFP report.

Fisher and Elaine Ditsler found the state faces budget challenges with its graying population — Iowans over age 64 are expected to reach 22 percent of the population by 2030 — due in part to an eroding sales-tax base and anticipated higher costs of health care and education, which together are two-thirds of the state budget. But the future budget challenges are aggravated by past policy choices, particularly increased income-tax breaks favoring seniors and continuing corporate tax giveaways.

"Addressing this mismatch of revenues and demands for services will force a fundamental rethinking of current policies," Fisher said. "Iowa has gotten by with short-term budget fixes that have ignored the long-term effects of state tax policy."

While the share of the Iowa population at K-12 school age is expected to decline slightly, from 17.3 percent in 2007 to 16.4 percent in 2030, K-12 per-pupil costs are expected to continue to rise faster than the general rate of inflation — and higher-education enrollments and costs also are expected to grow.

Likewise, health spending is expected to rise due to higher health-care costs, while the shares of children and adults below age 65 on Medicaid are expected to grow, along with the share of population who are disabled and enrolled in Medicaid. According to the report, Medicaid spending as a share of the state economy is expected to almost double from 2007 to 2030 — from about six-tenths of 1 percent of state GDP to 1.13 percent.

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The report noted that state revenues have declined as a share of the state's economy over the last 15 years, due largely to "aggressive tax cutting in the late 1990s, and continued tax cuts through the recession of 2001 and the subsequent recovery." Sales taxes, meanwhile, do not apply to many services and only on a spotty basis to purchases made over the internet, and corporate taxes have dropped substantially with a vast expansion of tax credits.

"If the revenue picture does not change," Fisher said, "it is inevitable that the state's current priorities of health-care and education investments will be affected."

The full report is available at www.iowafiscal.org/2008docs/081201-aging.pdf.

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