

The Demographics of County Government Expenditures: Implications For The Future

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PolEcon clients include for-profit firms in the energy, financial service, and legal/lobbying industries, not-for-profit organizations, trade associations, as well as higher education institutions, government, economic development, and human service organizations.

PolEcon services include economic and public policy analysis and forecasting, economic and fiscal impact analysis, labor market analysis, cost/benefit analysis, market analysis, economic development strategy, and survey research. PolEcon's commitment to clients extends beyond preparing insightful reports. We provide tools that allow clients to continually assess the impacts on their issues and projects of changing economic, demographic, and public policy variables. In addition, PolEcon has an outstanding reputation for developing and presenting analyses and issues in high-impact, multi-media format to audiences in business, government, and not-for-profit sectors. Some clients use PolEcon's reports, models, presentations, and other tools to represent their project, issue, proposal, or organization before lawmakers, decision makers, the media, and the public. Others take advantage of our personnel's reputation for producing quality research and accurate projections, analyses and forecasts, and obtain high quality representation (testimony, presentation and advocacy) from PolEcon.

Brian J. Gottlob (bgottlob@poleconresearch.com) is the Principal of PolEcon Research. For 17 years Brian has analyzed economic, demographic, labor market and industry trends for private sector, government and not-for-profit organizations. Brian has completed fiscal and economic studies on range of economic, fiscal, educational and health care issues in states throughout the country, including Virginia, Ohio, New Mexico, New York, Texas, Oregon, Michigan, West Virginia and Illinois. Brian is a Senior Fellow at the Milton and Rose D. Friedman Foundation, he has been an instructor at the Whittemore School of Business and Economics at the University New Hampshire, and has been on the Advisory Board of the New England Economic Project (NEEP). Brian is a member of the National Association of Business Economics. Prior to founding PolEcon, prior was a Vice President for Fiscal and Economic Policy at the Business and Industry Association of NH. During that time, he developed a solid reputation among lawmakers, public officials, and the business community for his ability to produce accurate forecasts and projections of the impacts of changes in tax, regulatory and other public policy actions.

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Partial List of Clients

Androscoggin Valley Economic Recovery Corp.

Belknap County Economic Development Council

Cogentrix Energy Corporation

Calpine Corporation

Calypso Communications

Edison Mission Energy

FMR Corporation

The Josiah Bartlett Center

The Library and Archives of NH's Political Traditions

The Milton & Rose Friedman Foundation (Indianapolis, Indiana)

Mt. Washington Valley Chamber of Commerce

Murphy Public Affairs

Nashua Adult Learning Center

National Campaign for Tobacco Free Kids (Washington, DC)

NH Association of Counties

NH Charitable Foundation

NH Children's Alliance

NH College and University Council

NH Healthy Families Campaign

NH Higher Education Assistance Foundation

NH Land and Community Heritage Investment Program

NH Lodging and Restaurant Association

NH Preservation Alliance

NH Smoke Free Alliance

NH Workforce Opportunity Council

Key Questions From Prior Analysis

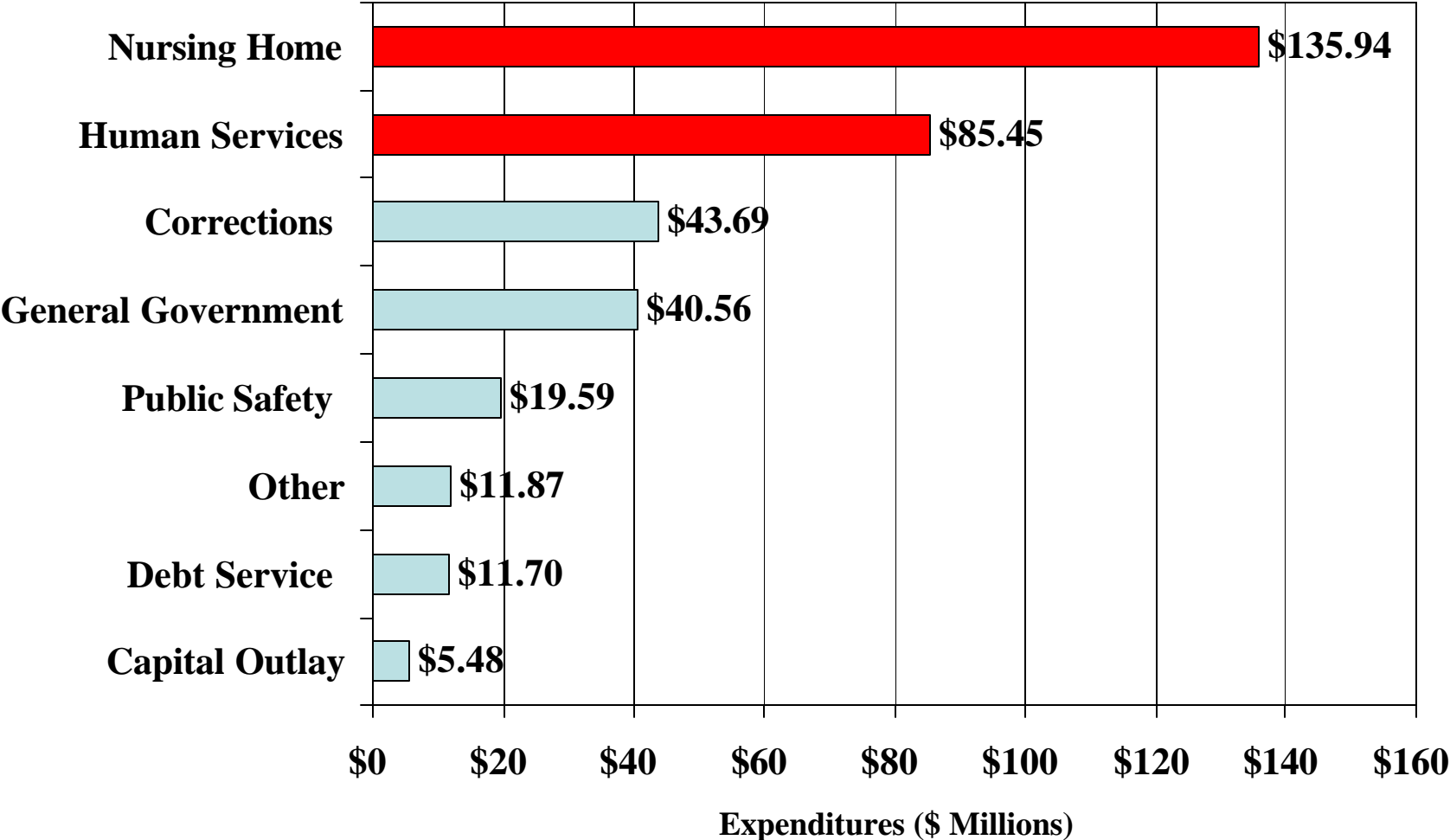
- How will economic and demographic trends affect expenditure and revenue trends in the future?
- What capacity does county government have to adapt to changes in expenditure and revenue pressures.
- Will the current structure and financing of county government services make for the most efficient, equitable, and democratic provision of services into the future.

My Basic Thesis

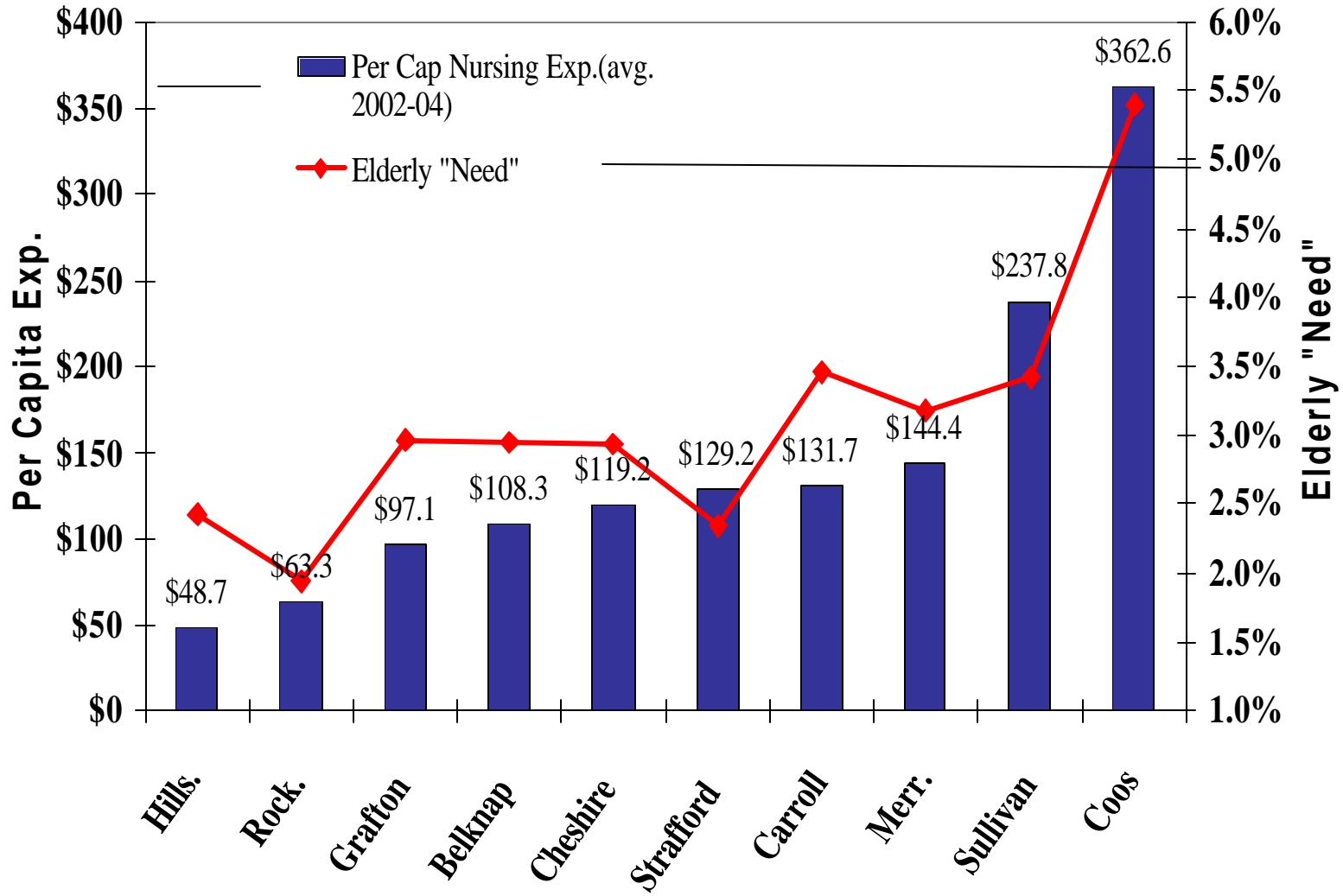
- Services that can respond to local preferences are best supported locally.
- The large majority of county government services are not at all responsive to local preferences and are dictated by state regulations and statutes.
- It would not be desirable to have key county services dictated by local preference.
- The “demand” and costs for county government services, for the most part, are a socioeconomic rather than political phenomenon (political and managerial only “at the margin”).
- Demographic and economic trends will put pressure on the finances of all counties but some are especially at risk.
- Because counties have little or no control over the nature, level, or demand for important services, it makes little sense to support and manage them locally.

Nursing Homes and Human Service Costs Dominate County Expenditures and Along With Corrections, They Are Services “Proscribed” By State Statutes And Regulations

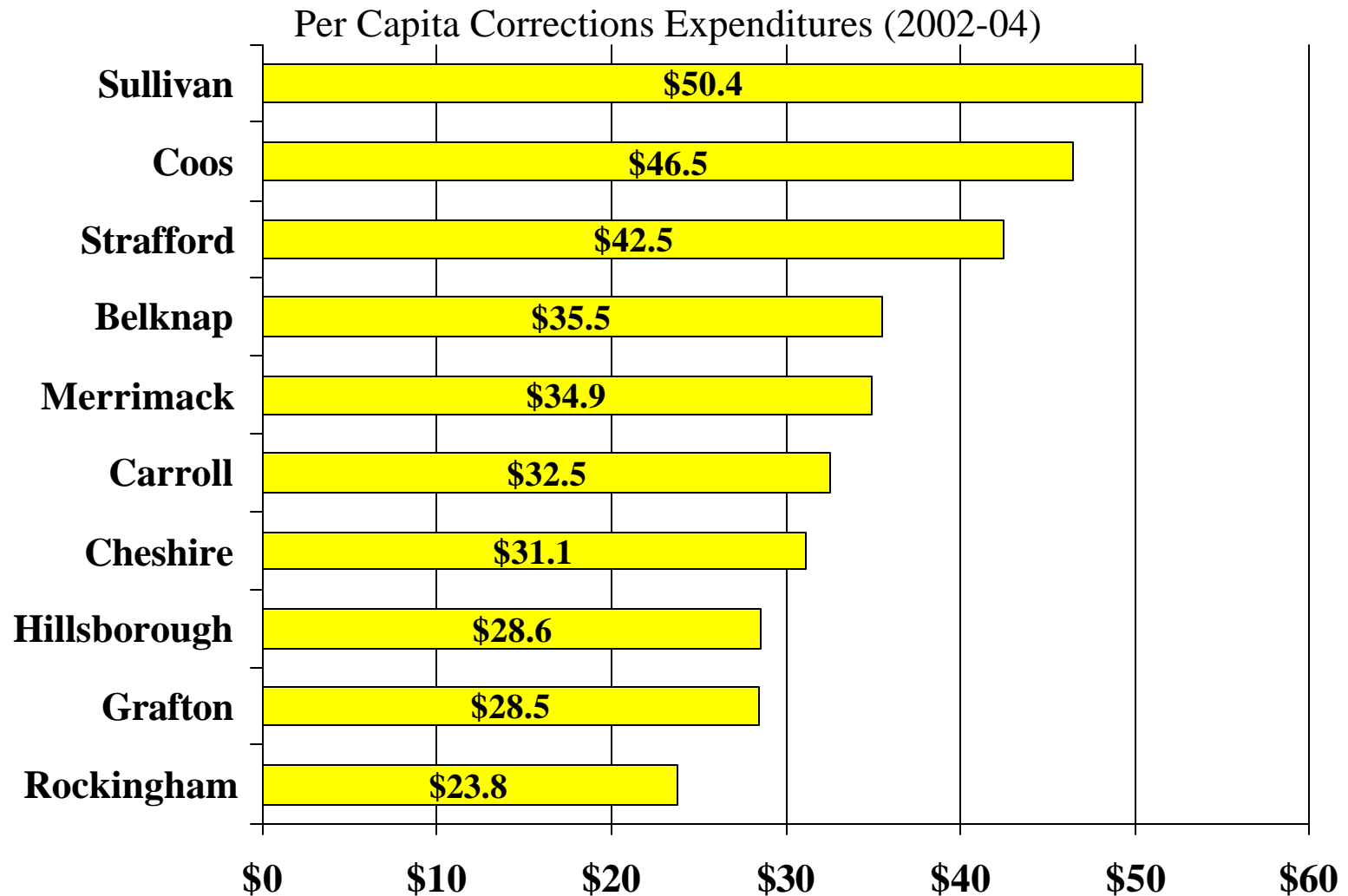
County Expenditures 2004 (\$Millions)



Nursing and Human Services Account Two-Thirds Of County Expenditures And In Some Counties Much More. It Makes Sense to Focus on These Areas In Determining The Appropriate Role For County Government



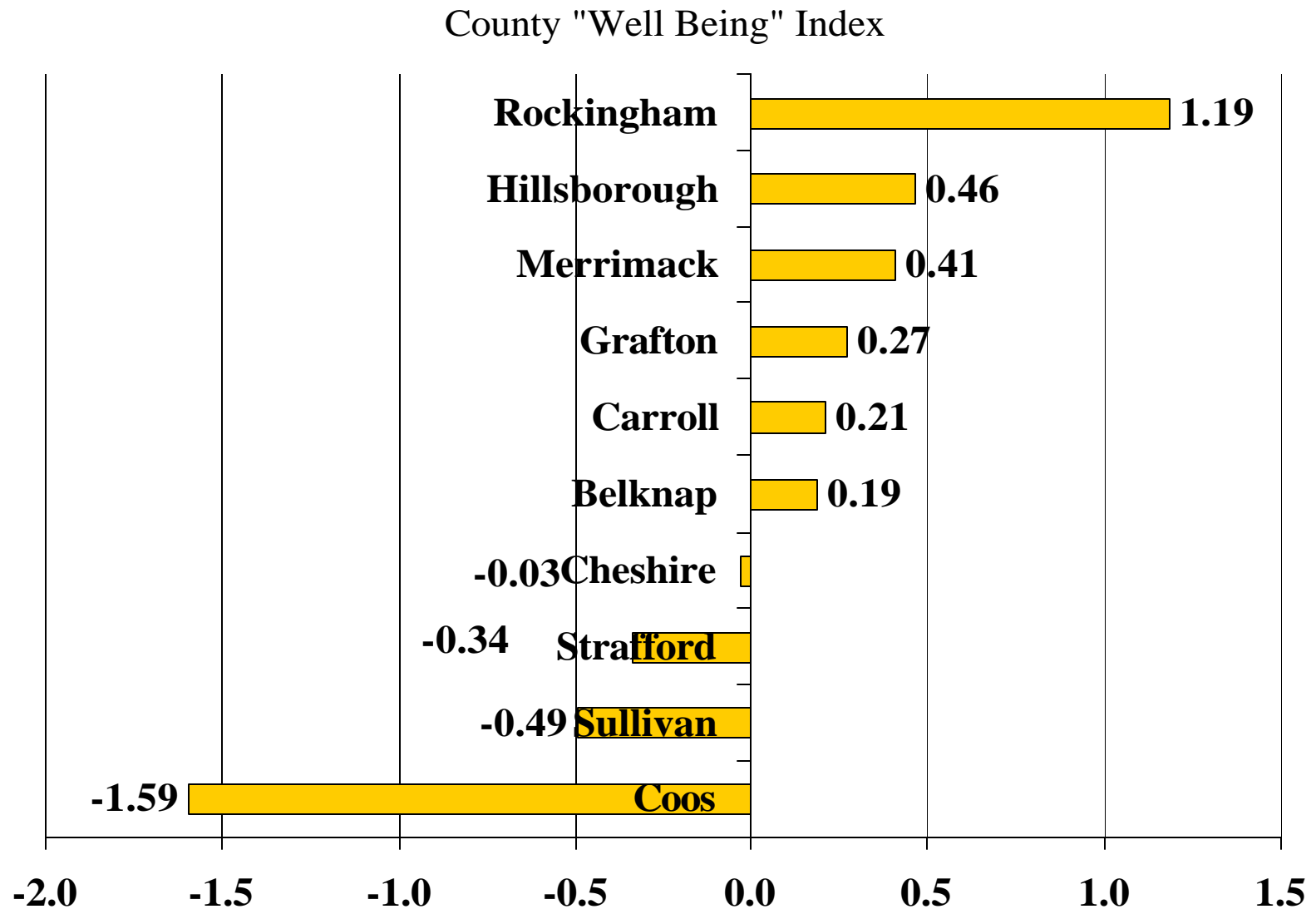
Corrections Expenditures Vary And Follow A Similar Socioeconomic Pattern, But Not As Significantly



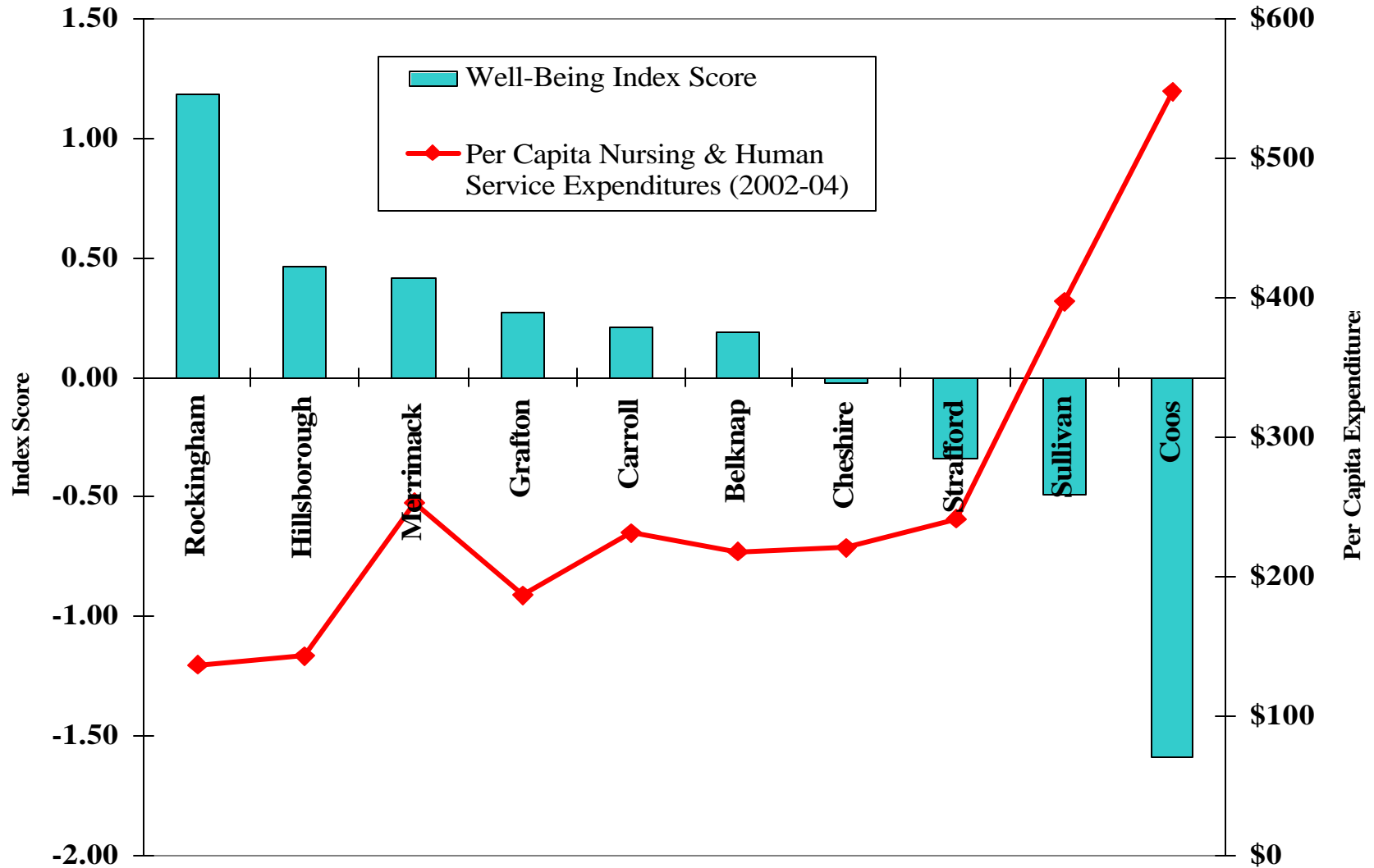
The “County Well-being” Index Is A Measure Of The Social Stresses And Social Resources Of A County

- Unemployment rate
- Poverty rate
- Per capita public assistance expenditures
- % of families with children headed by a female with no spouse present
- A composite measure of child and maternal conditions
- Per capita income
- % age 25+ without a high school diploma
- % with BA or better
- Migration to the county (a good indicator of overall conditions/perceptions and potential to improve them)

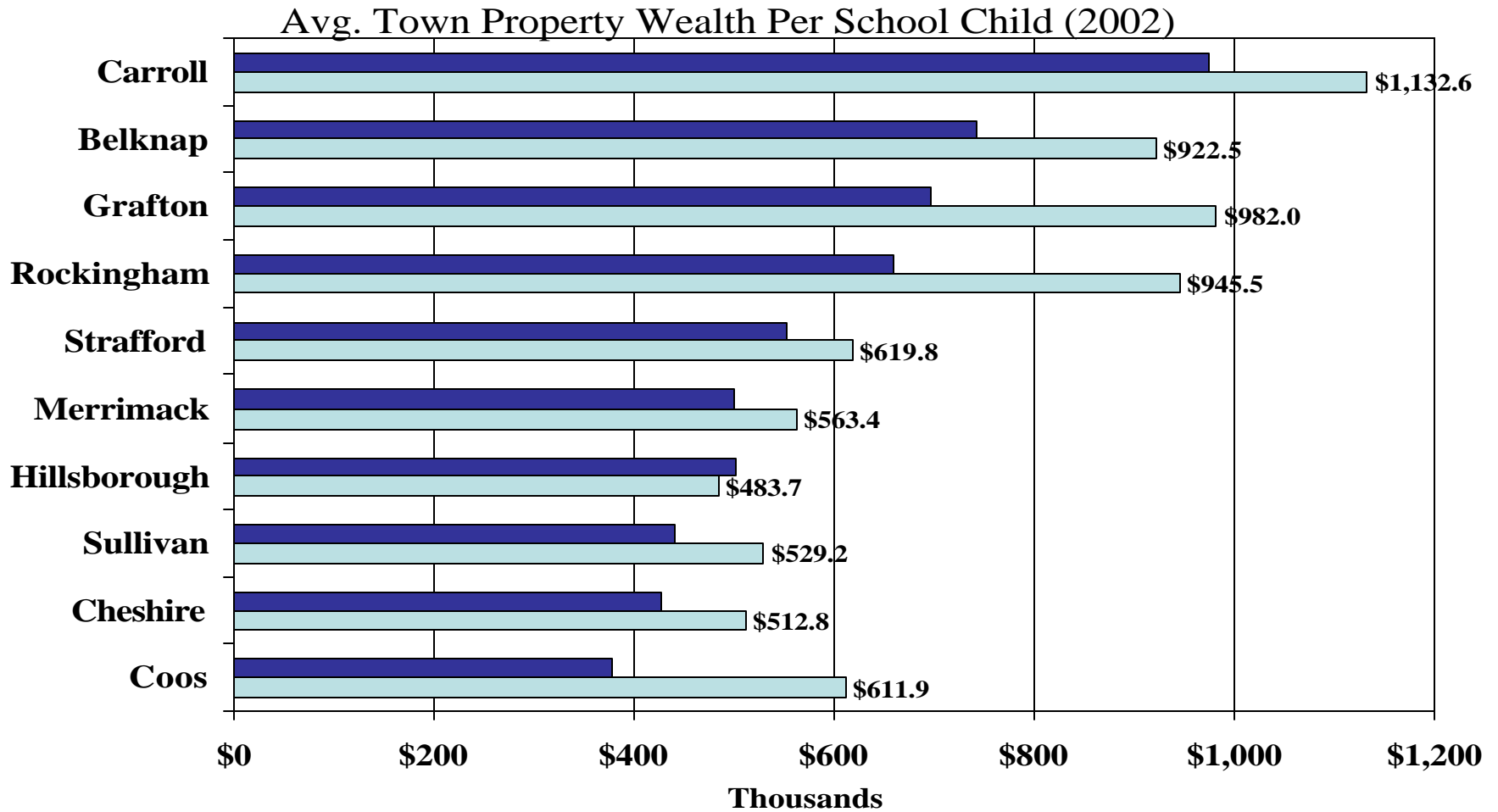
The County “Well-Being” Index is a Measure of Social Pressures and Resources



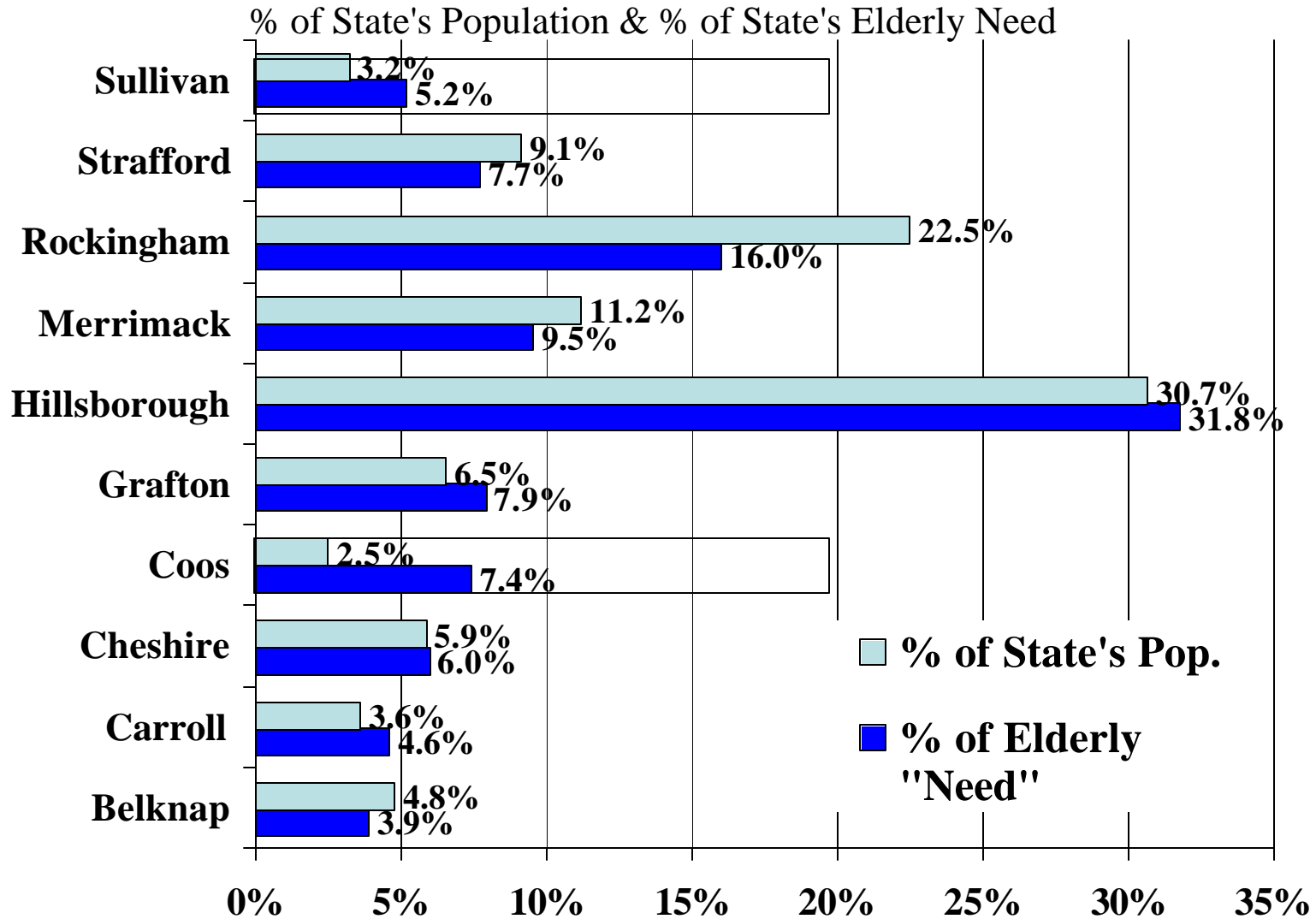
The County “Well-Being” Index is a Good Predictor of County Nursing Home and Human Service Expenditures



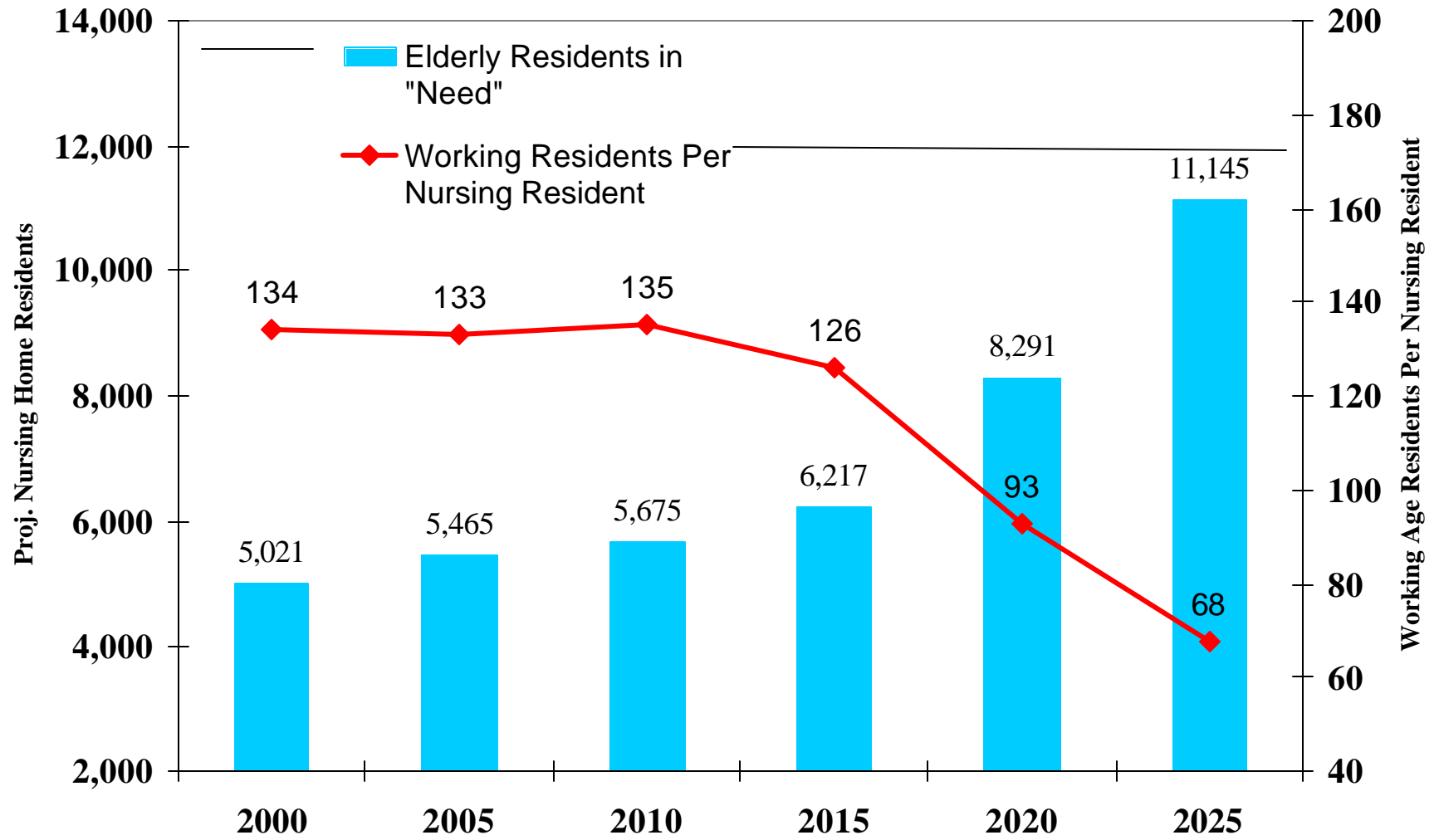
The Percentage Of Elderly Residents In A County, Their Income And Disability Status Is A Good Predictor Of Nursing Home Expenditures.



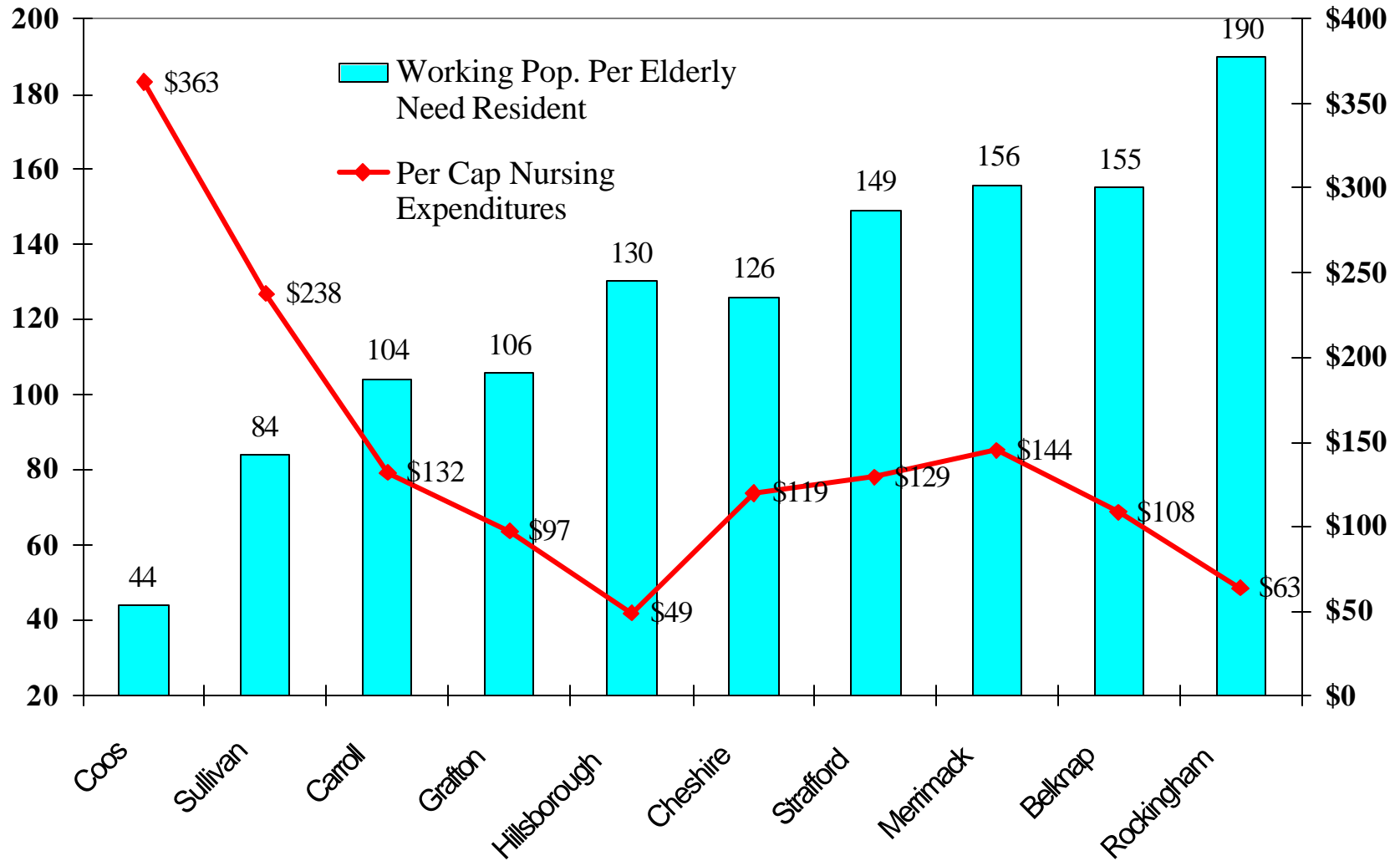
Two Counties Have a High Concentration of Elderly “in Need” (= Pop. 75+ Times % Elderly in Poverty + Percentage Disabled 65+)



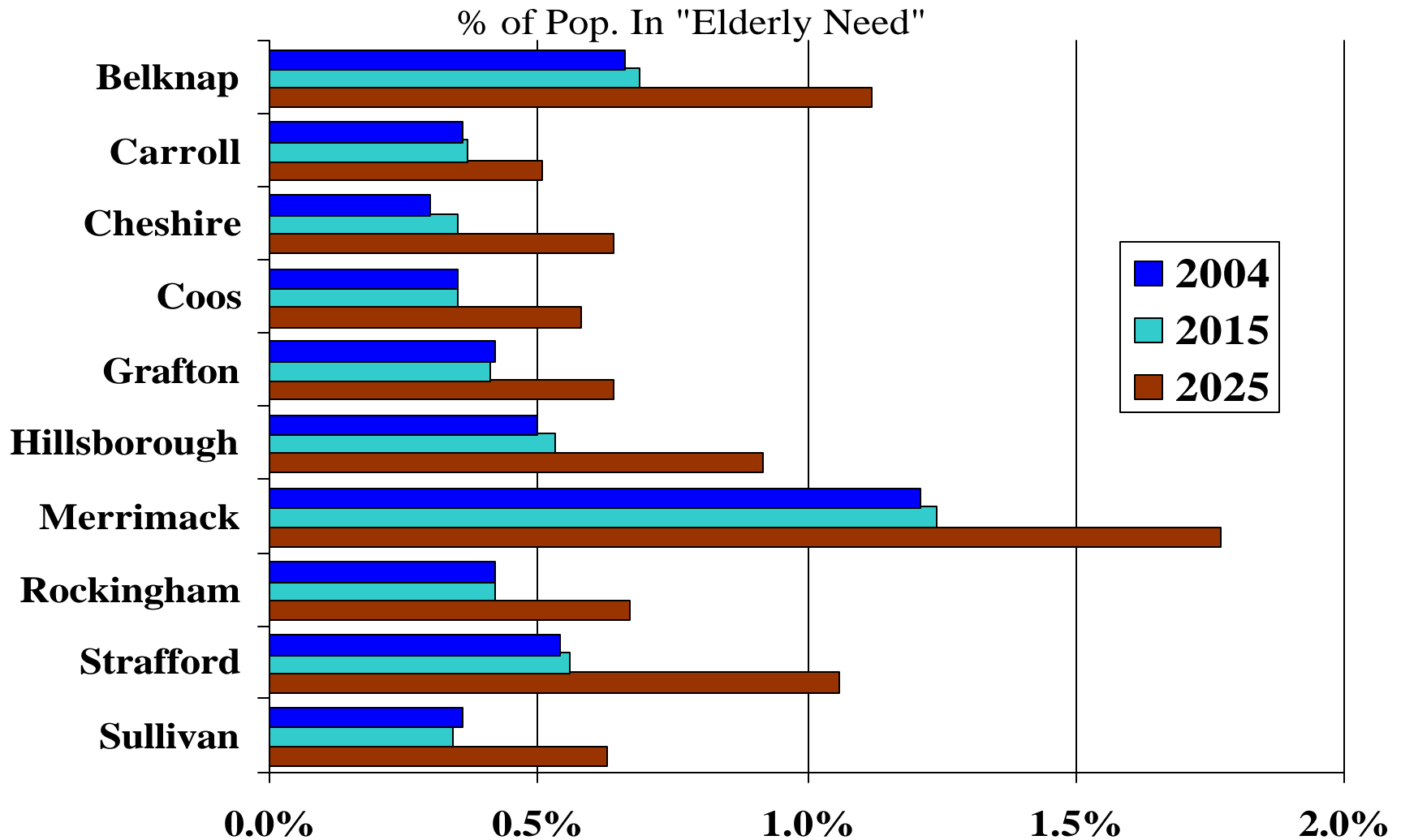
The Number of “Elderly in Need” Remains Relatively Flat For Nearly a Decade



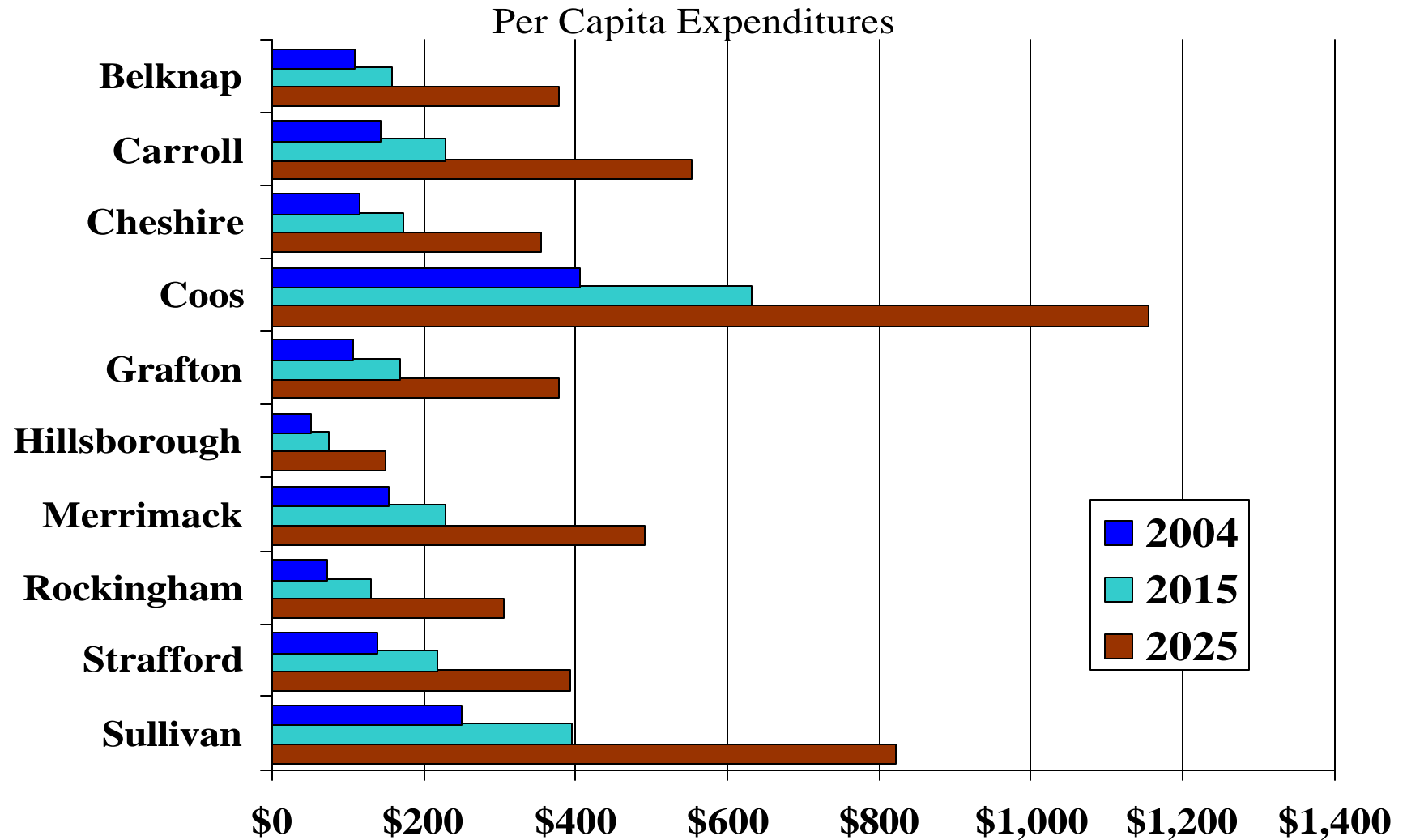
The Number of Working Age Adults in a County for Every Elderly Resident “in Need” is a Good Indicator of Per Capita Nursing Costs and a Guide to Future Per Capita “Elderly Need” Expenditures



Over the Next Decade, the Percentage of the Population in “Elderly Need” Will Change Little. The Fiscal Impacts Will Largely Be Determined by Changes in the Cost and Nature of Services



Based on Pop. Projections, Our Measure of “Elderly Need”, and a Modest 4% Annual Cost of Service Increase, County Per Capita Nursing Expenditures Will Grow by up to 320%

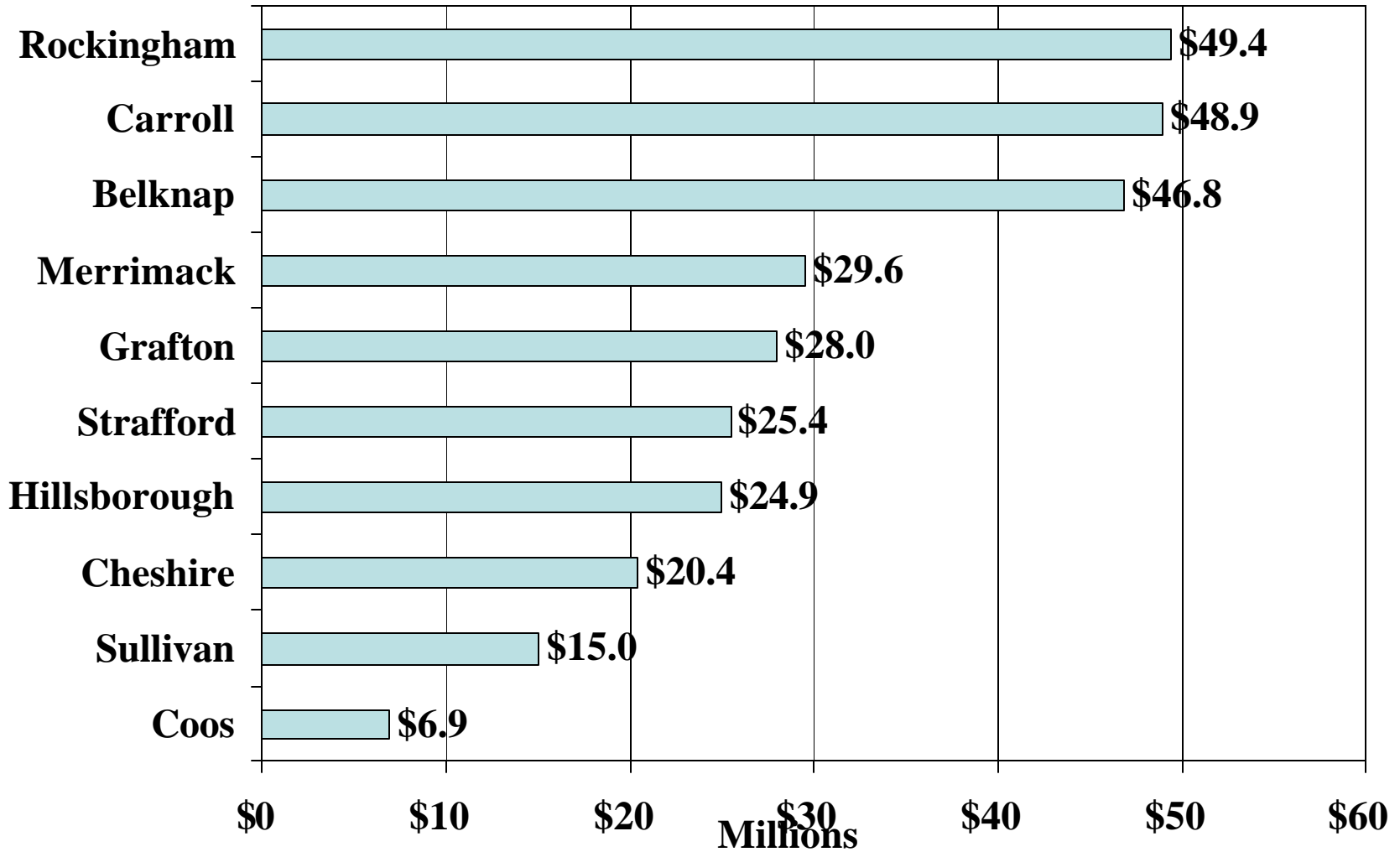


Implications of Elderly Need Projections

- Each level of government will be looking to minimize their “exposure” to increasing cost of elderly in need.
- Cost sharing and reimbursement arrangements will be critical in determining county finances (even more than they are now)
- The larger the share of nursing expenses borne by counties (through cost sharing or reimbursement rates) the more important will be growth in the property tax base of counties to maintain fiscal health
- Some counties are at great risk on both cost sharing and property tax base fronts

If More Elderly and Human Service Cost Fall on Counties, the Large Disparity in Tax Bases Will Play Become More Apparent

Property Wealth Per Elderly Resident in Need (\$Millions)



The Differences in Local Property Tax Resources for Each Child
in School are Small Compared to the Differences in Resources
Per Elderly Resident in Need



Conclusions

- The future services and costs of county government are only “marginally” within the control of county officials and county residents.
- While important county services are expected to be similar throughout the counties, the distribution of demand for those services and the burden they place on county residents is vastly dissimilar.
- Services over which counties have little control and which are not expected to reflect local preferences should be financed and managed at a different level of government.