



**THE NELSON A.
ROCKEFELLER
INSTITUTE
OF GOVERNMENT**

UNIVERSITY AT ALBANY
State University of New York

Changes in the Midwest: Recession, Recovery, and Regional Realignments

Fiscal Leaders' Roundtable

14th Annual Midwestern Legislative Conference

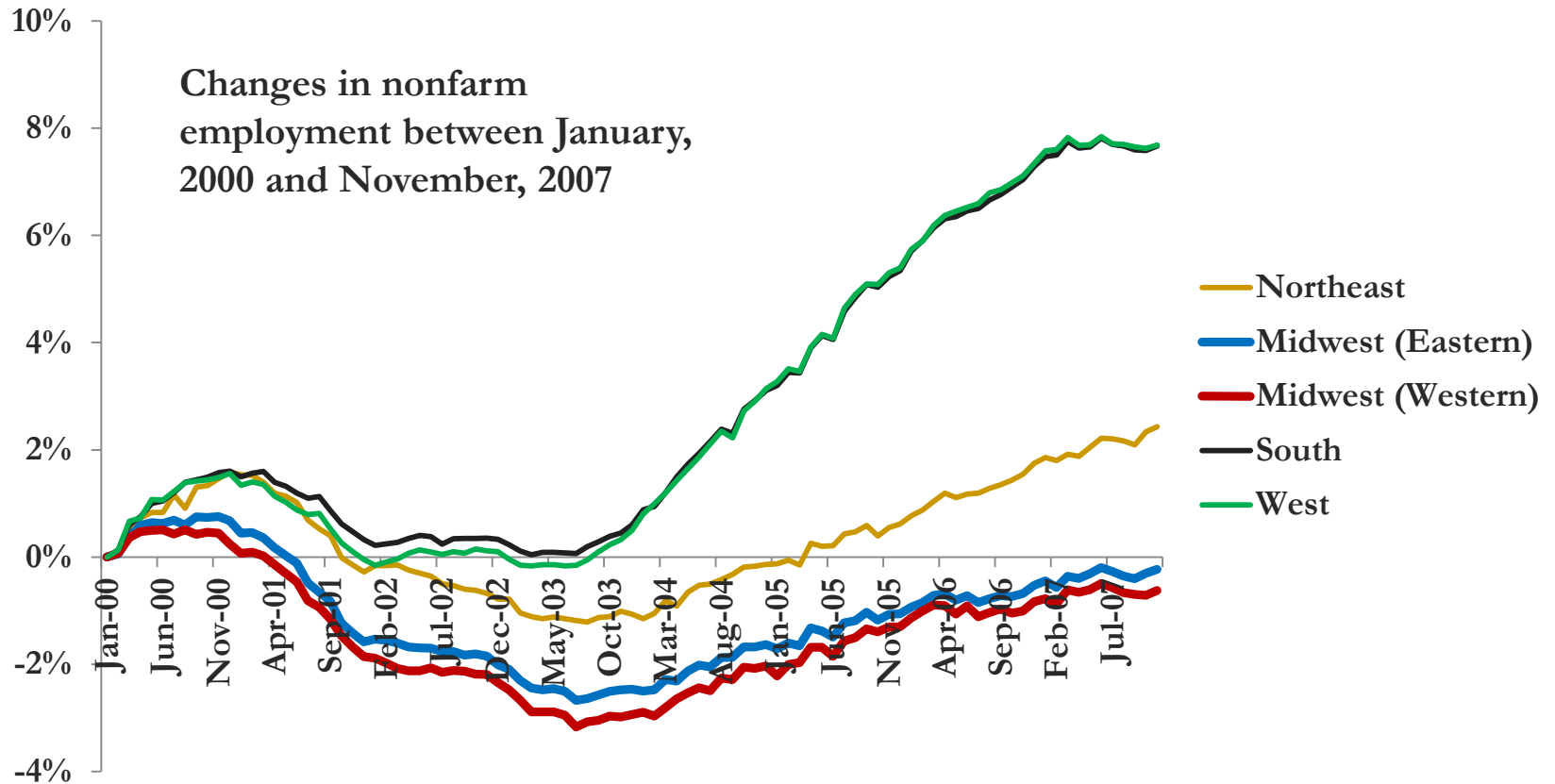
The Council of State Governments

Renaissance Cleveland Hotel
Cleveland, Ohio

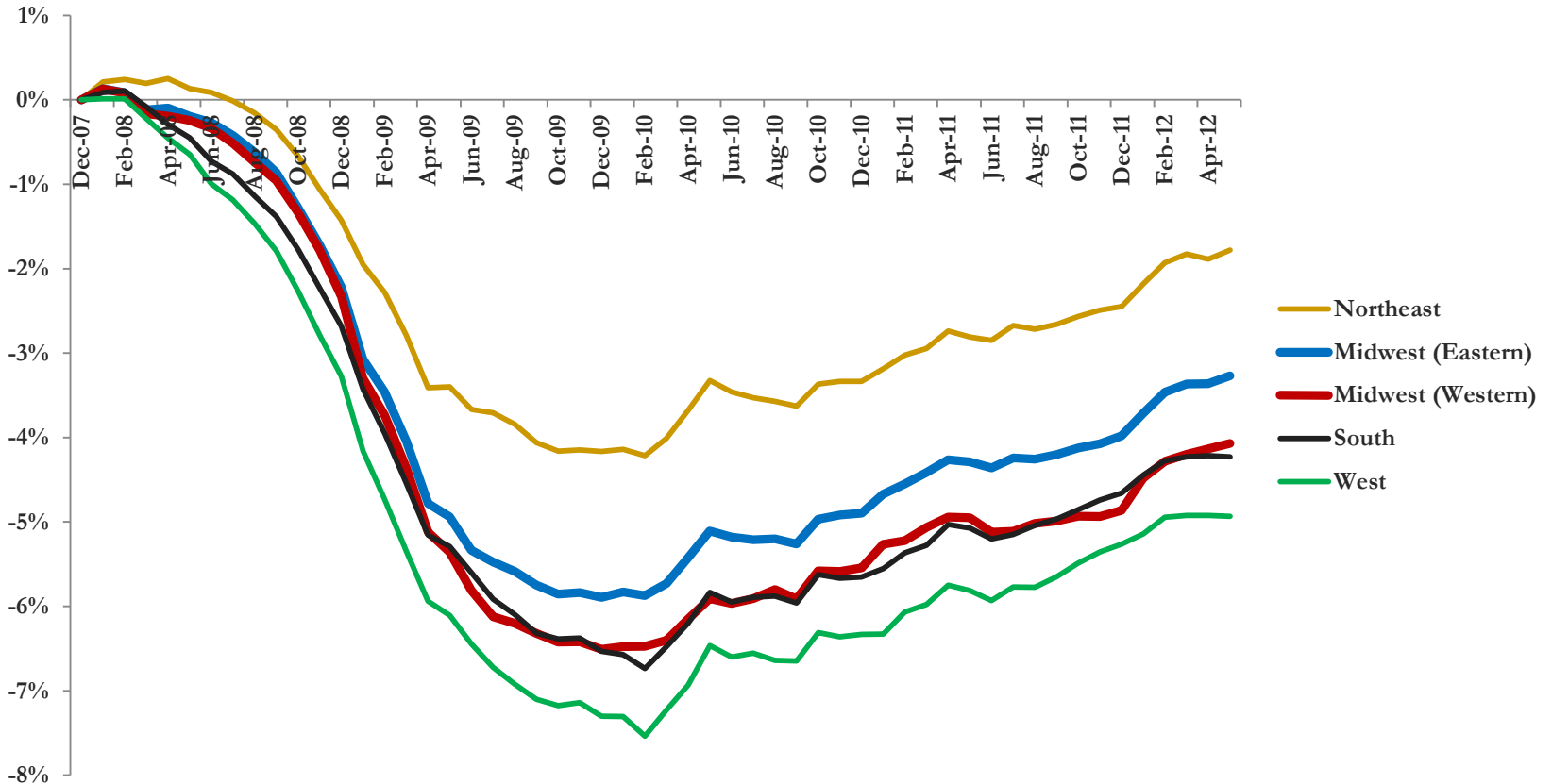
Thomas L. Gais

July 16, 2012

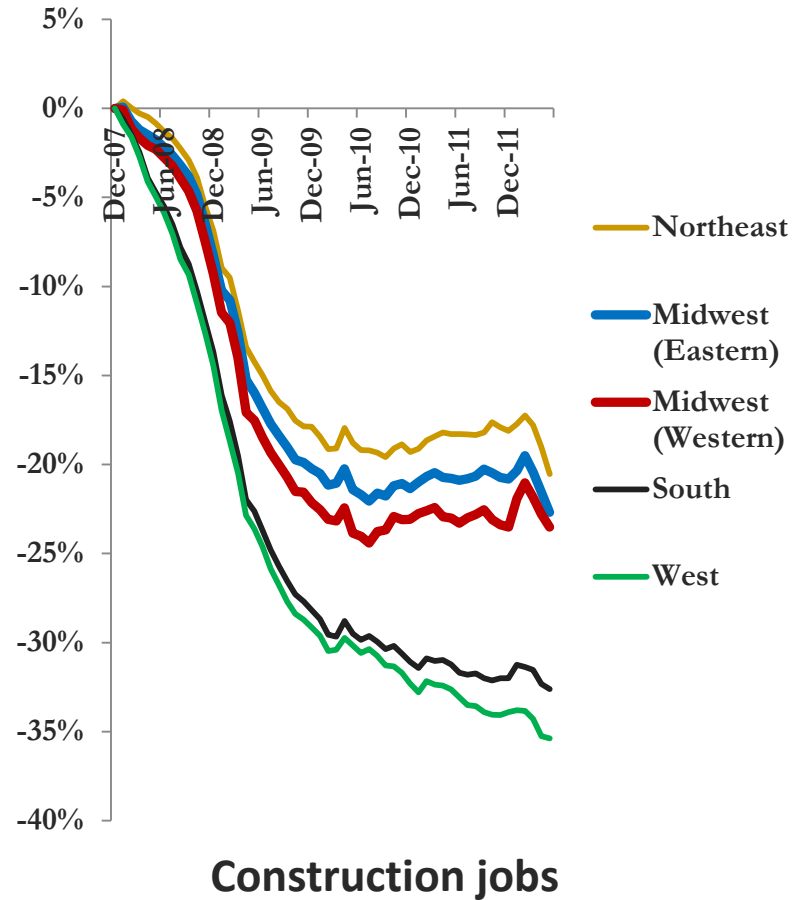
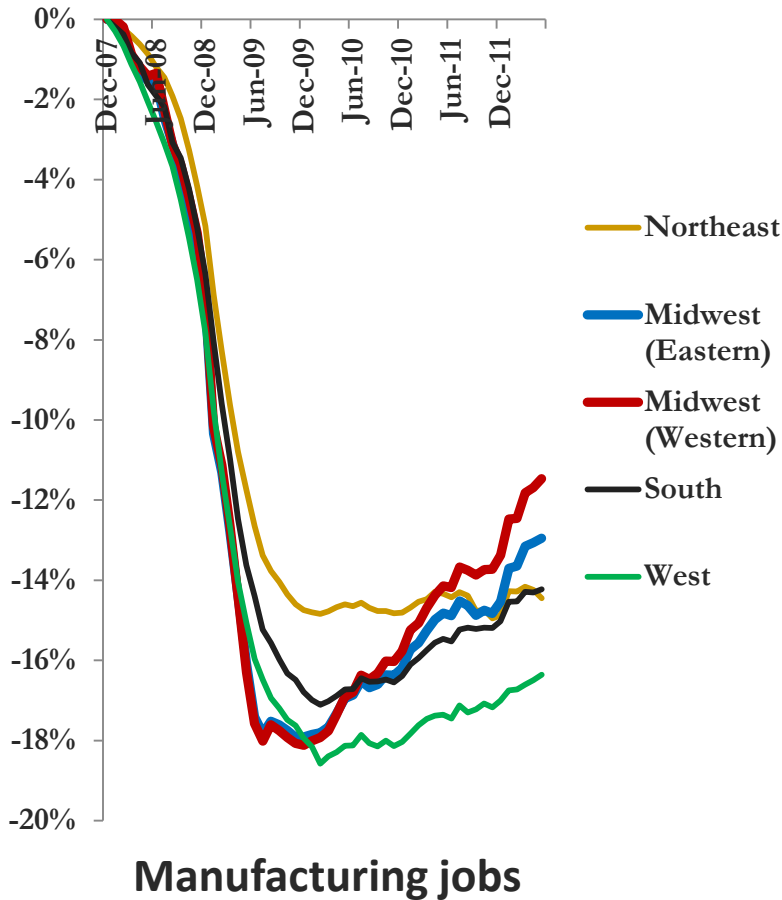
Before the Great Recession: Employment Growth Was Slow in Midwest (and Northeast)



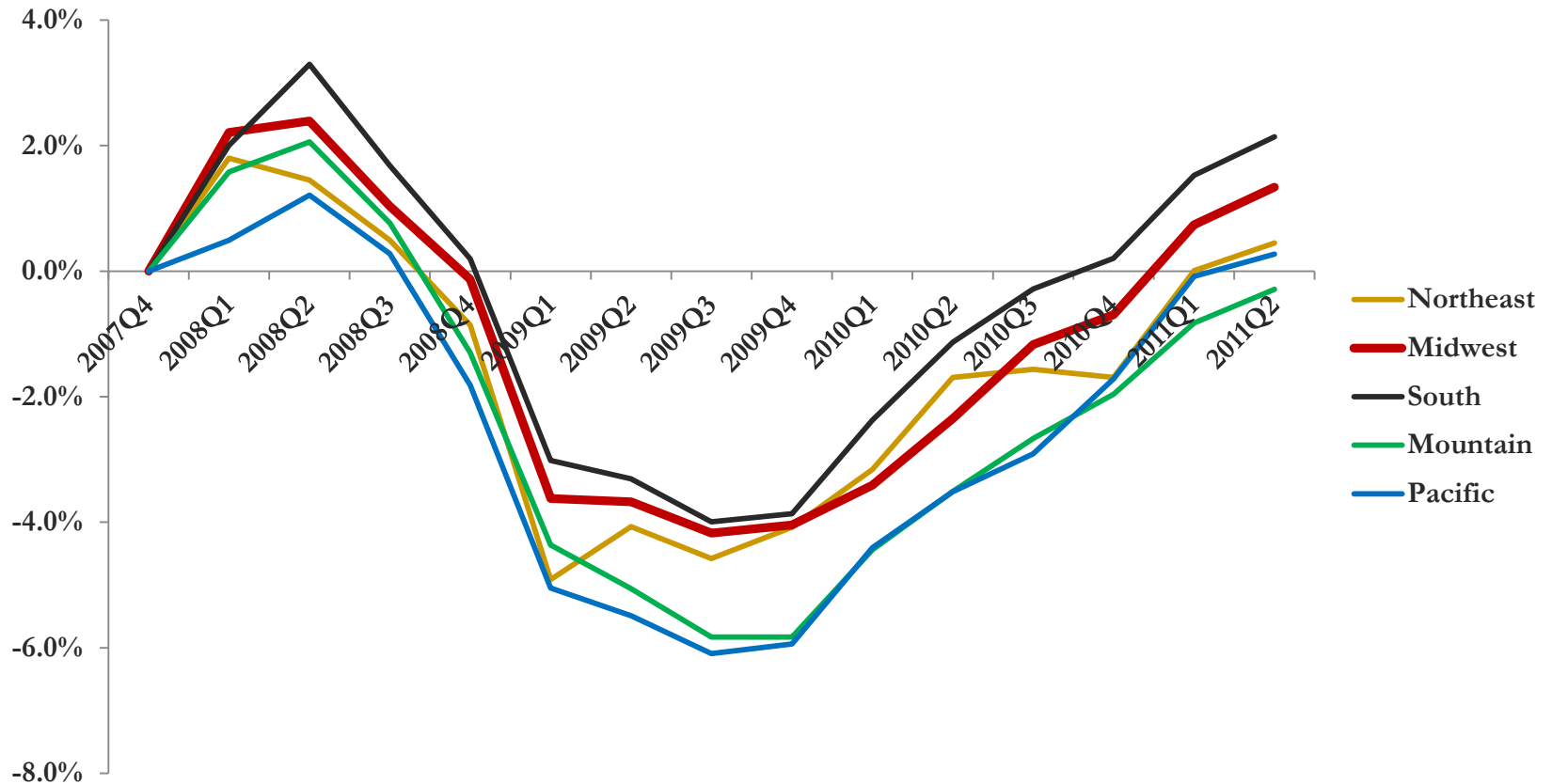
Great Recession's effects on employment have been enormous, but less so in Midwest/Northeast



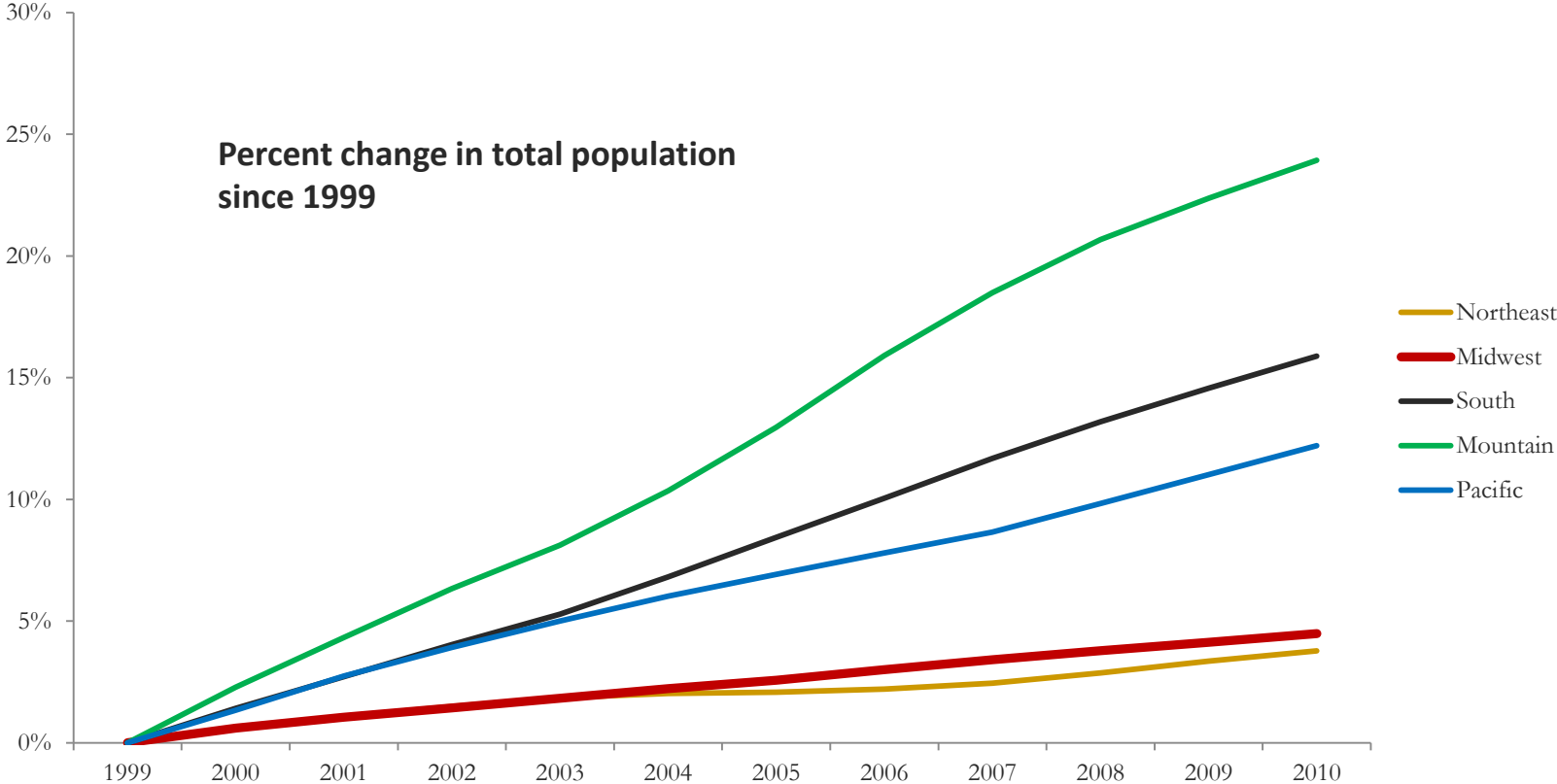
Since 2009, manufacturing jobs have grown in MW/NE; construction jobs have ended their sustained decline



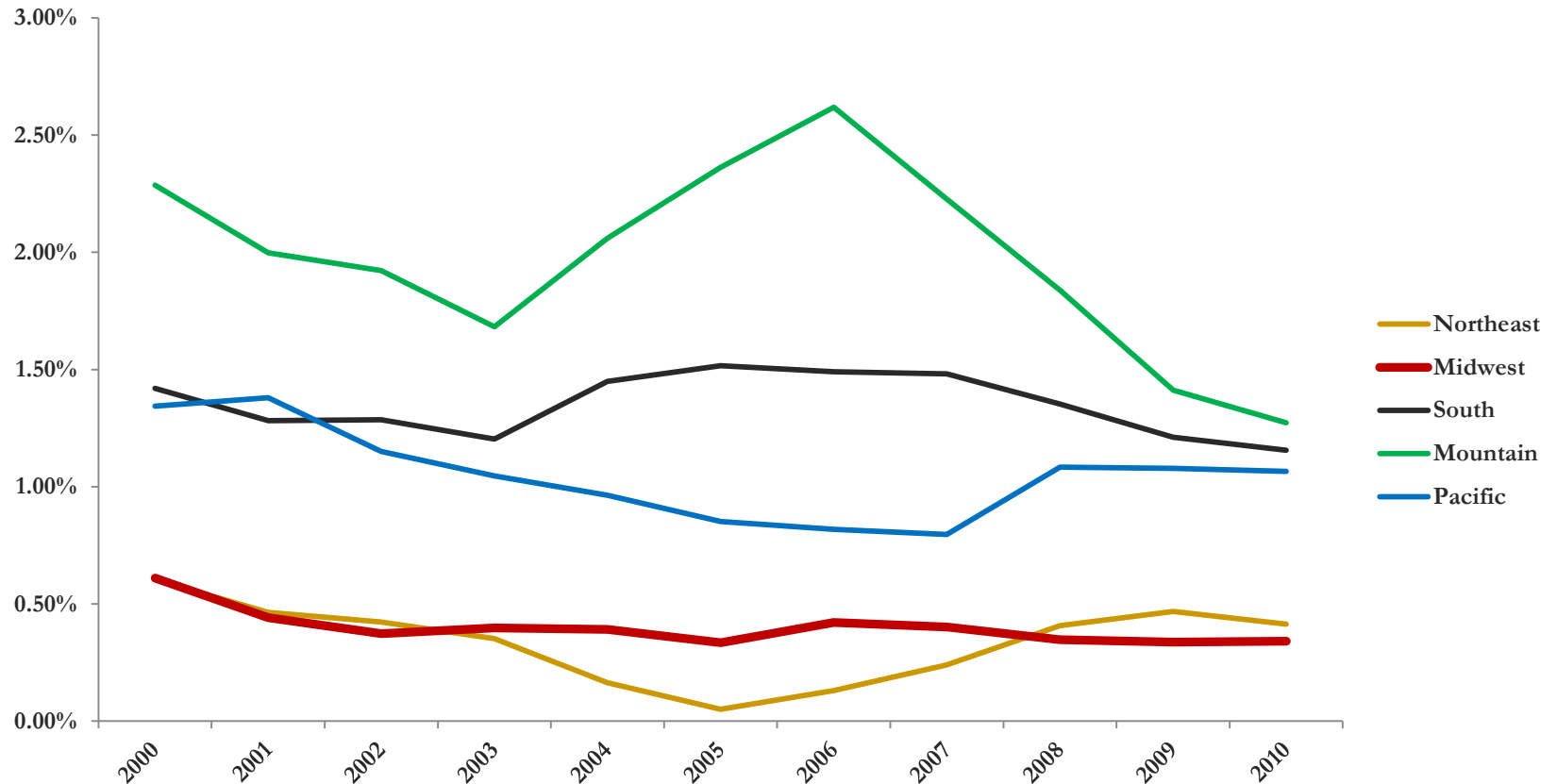
Changes in real personal income after recession: faster growth in Midwest and South



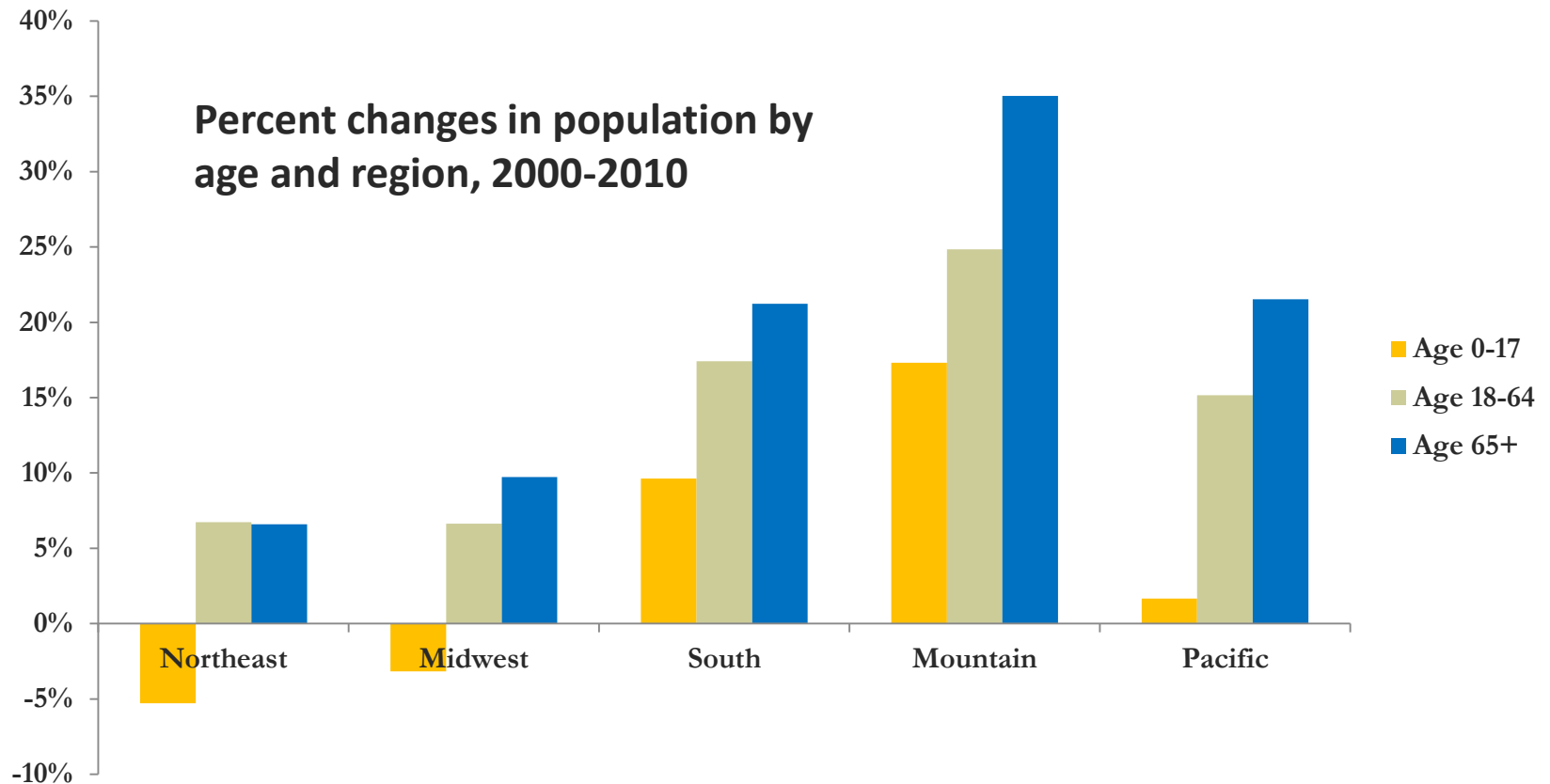
These economic changes have occurred alongside demographic shifts in the U.S.: population movement to Mountain/Southern/Pacific states



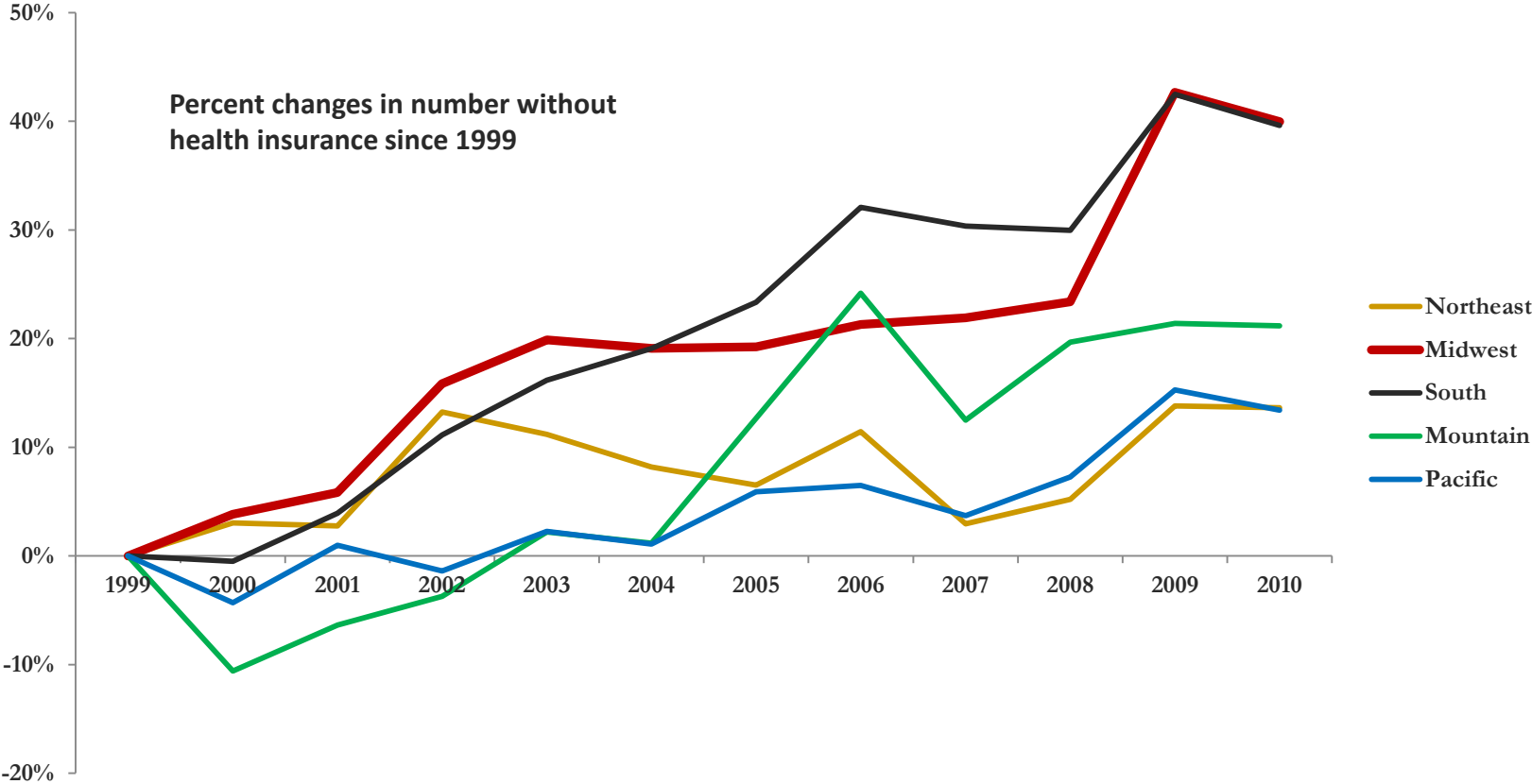
Yet the recession modified regional patterns: year-to-year pct changes in population, by region, 2000-2010



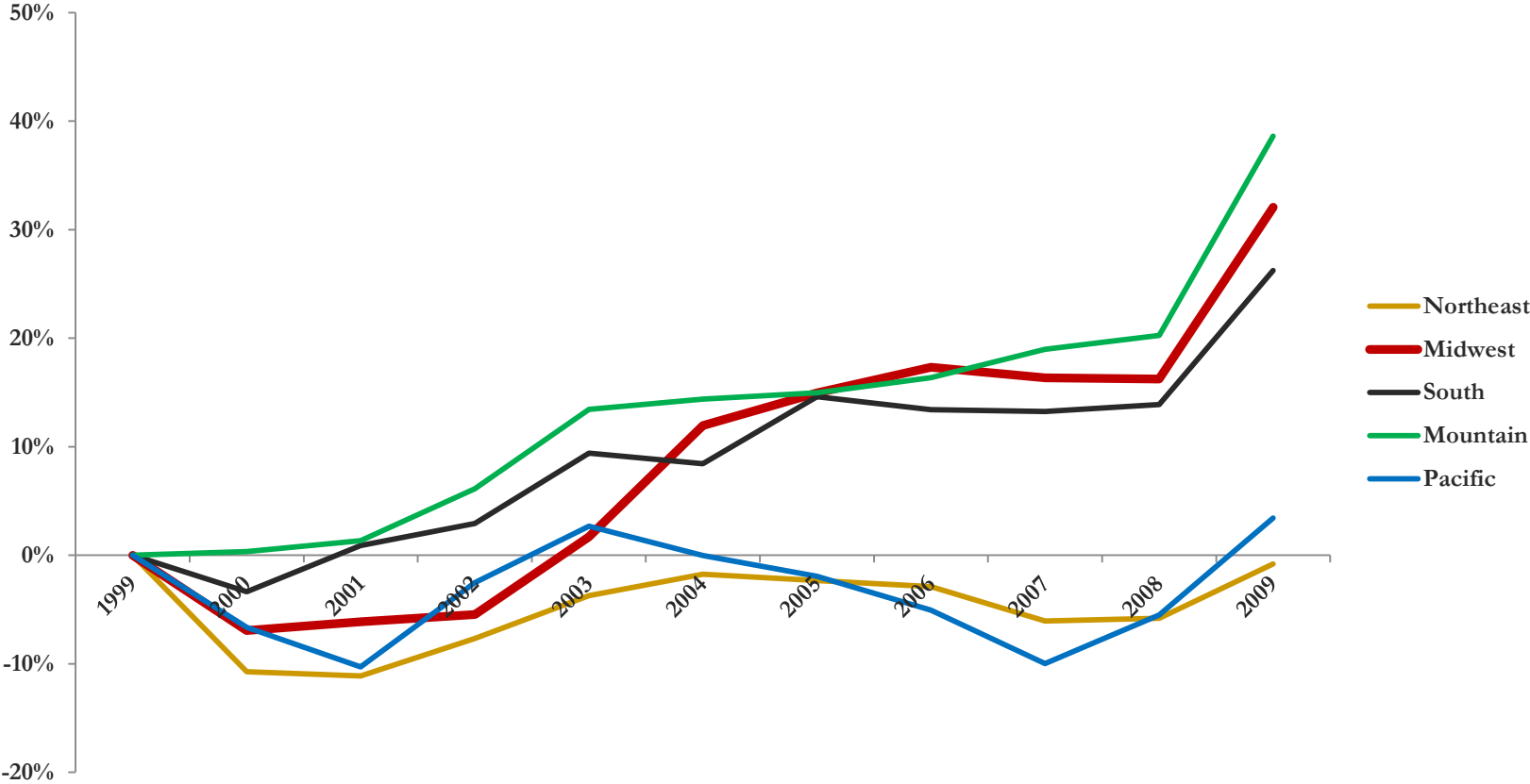
Shifts in age distributions by region suggest population with greater needs for public services: fewer children, more older residents in Midwest



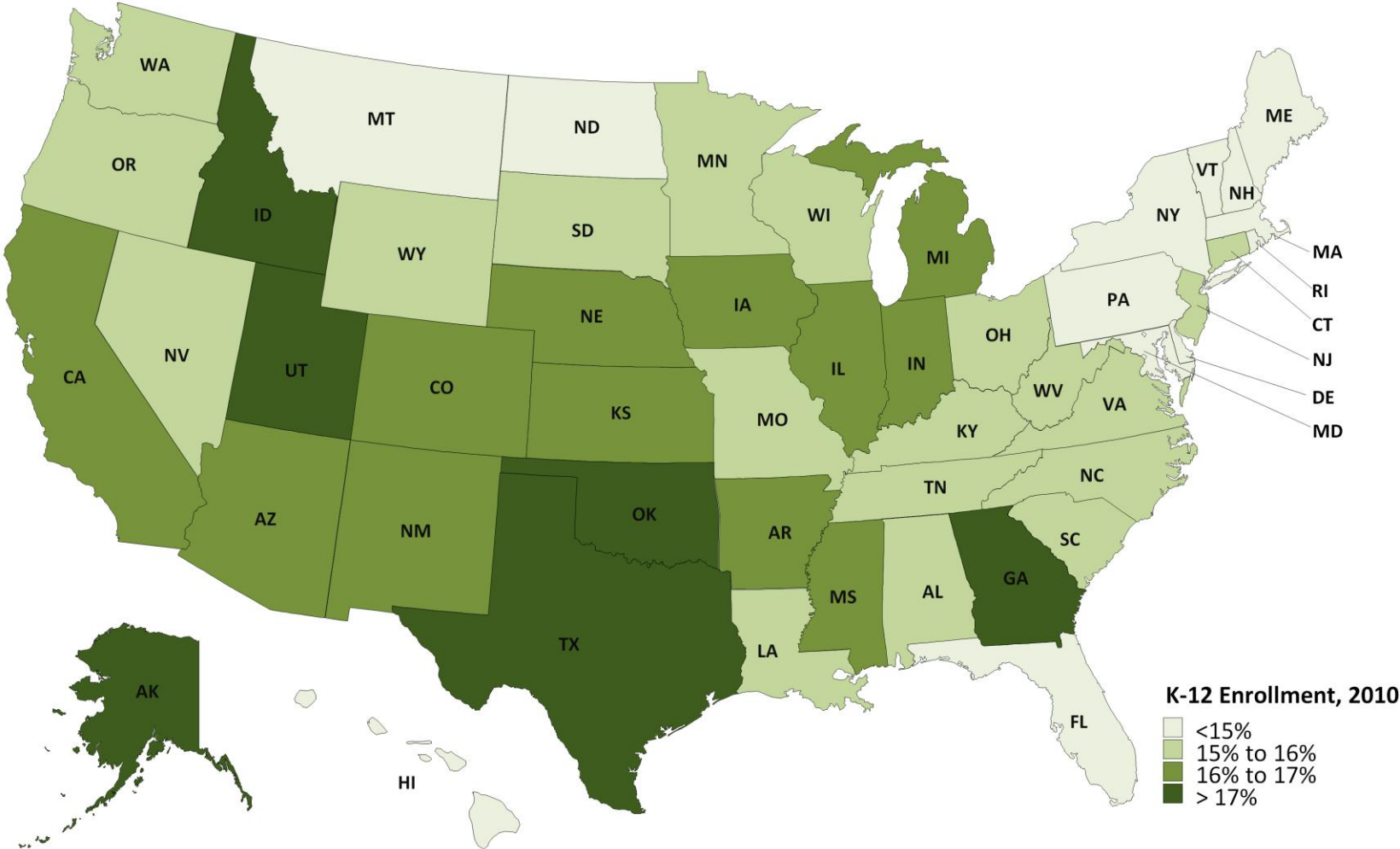
Also, lack of health insurance has been growing faster in Midwest, South, Mountain regions than in the Northeast and Pacific



Midwest also faces growing number of poor children, along with South and Mountain regions: changes in number of children in poor households, 1999-2009



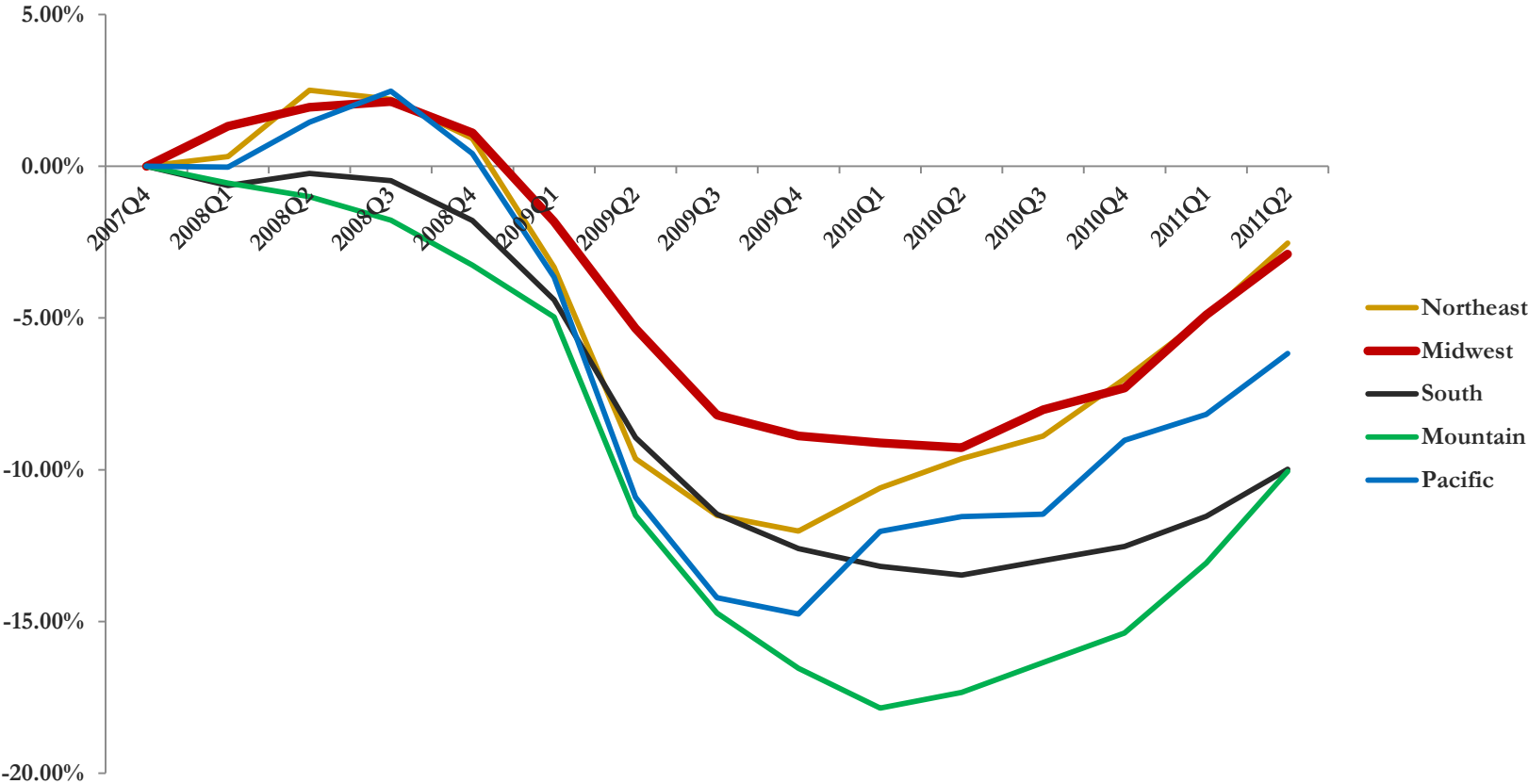
K-12 Enrollment as share of total population is still moderately high in many Midwestern states now



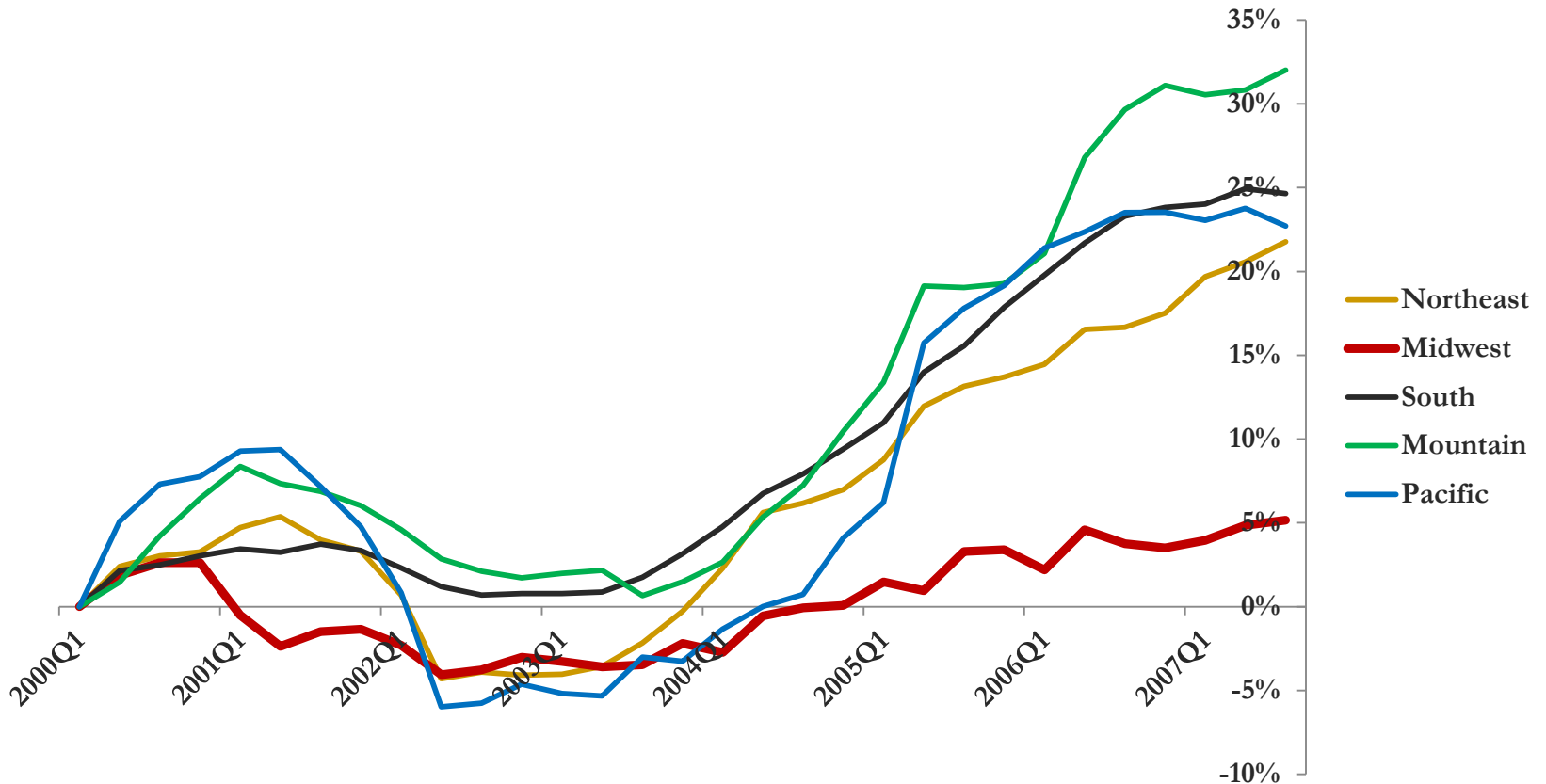
Yet NCES projects slow growth or declines in pupil enrollment in Midwest through 2020

Projected pupil enrollment growth, 2009-2020			
State	% change	State	% change
NY	-5.9%	MI	-5.9%
MA	-4.0%	ND	-0.8%
PA	-2.7%	OH	-0.7%
NH	-2.3%	IN	1.2%
CT	-2.1%	MO	1.5%
RI	-0.6%	IA	1.6%
NJ	0.0%	IL	1.9%
ME	2.8%	WI	4.3%
VT	6.7%	KS	5.4%
Northeast	-3.2%	NE	6.9%
WV	-5.5%	SD	12.1%
MS	-5.0%	MN	13.5%
LA	-3.3%	Midwest	1.6%
AL	-2.8%	HI	4.6%
KY	-1.7%	MT	4.8%
OK	2.6%	UT	9.4%
AR	2.9%	NM	9.8%
SC	4.3%	CA	10.3%
FL	5.8%	OR	11.5%
TN	6.0%	WY	12.5%
VA	8.6%	CO	16.0%
MD	8.6%	WA	17.2%
GA	9.5%	ID	18.2%
DE	11.7%	AK	23.8%
NC	15.5%	AZ	27.4%
TX	20.2%	NV	29.7%
South	9.4%	West	13.7%
Source: Rockefeller Institute analysis of NCES data.			

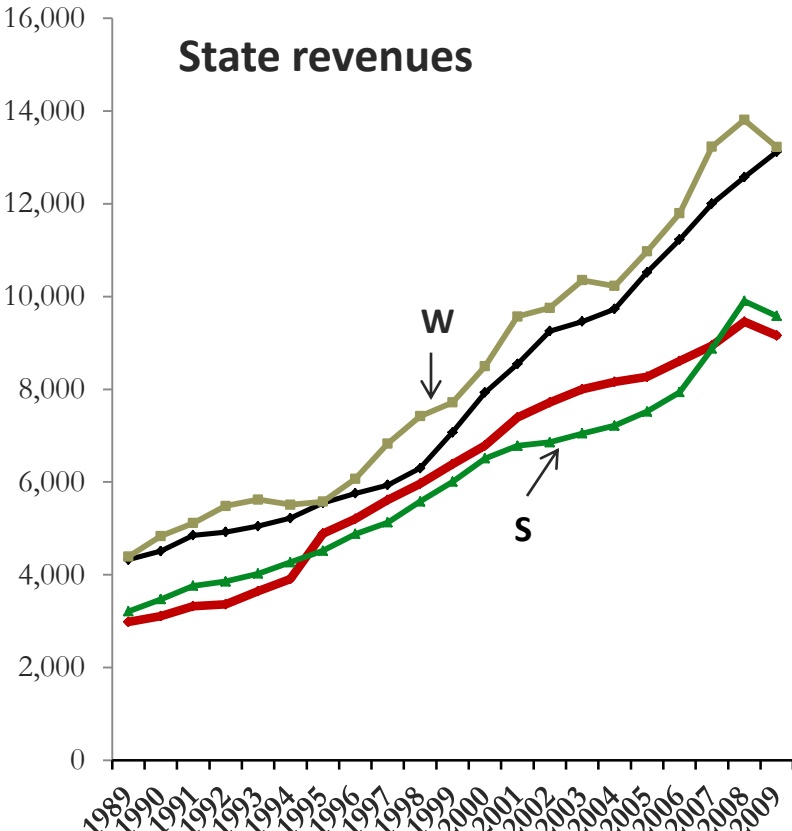
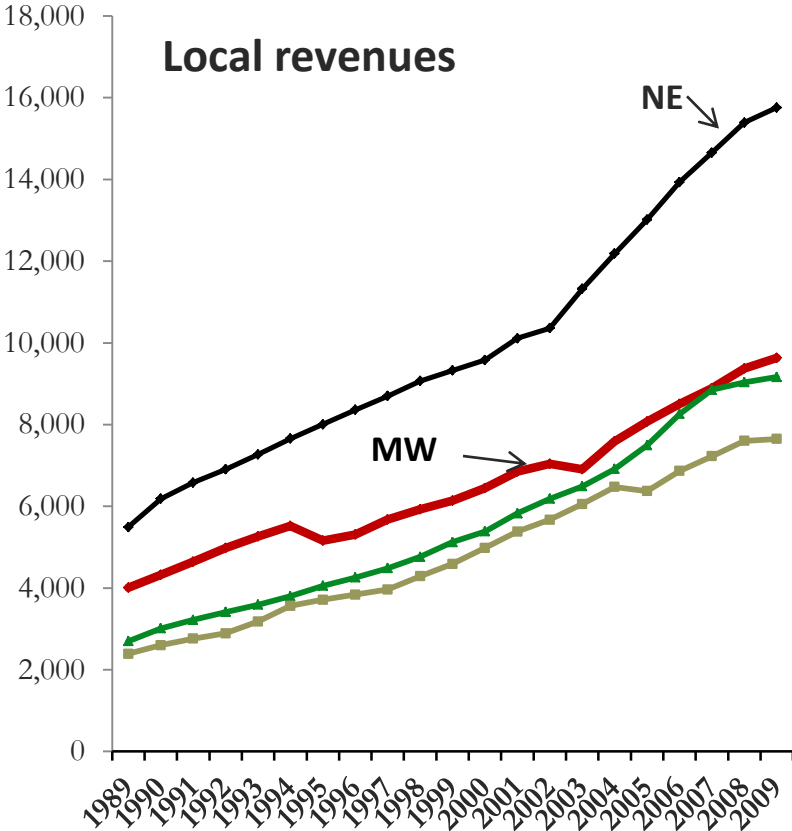
In sum, Midwest has economic opportunities but still many demands for services. Mixed picture on states' ability to pay for services: Midwestern states have seen a decline in state revenues since the beginning of the recession, though not as big as other regions: state revenue changes since 4th Q, 2007



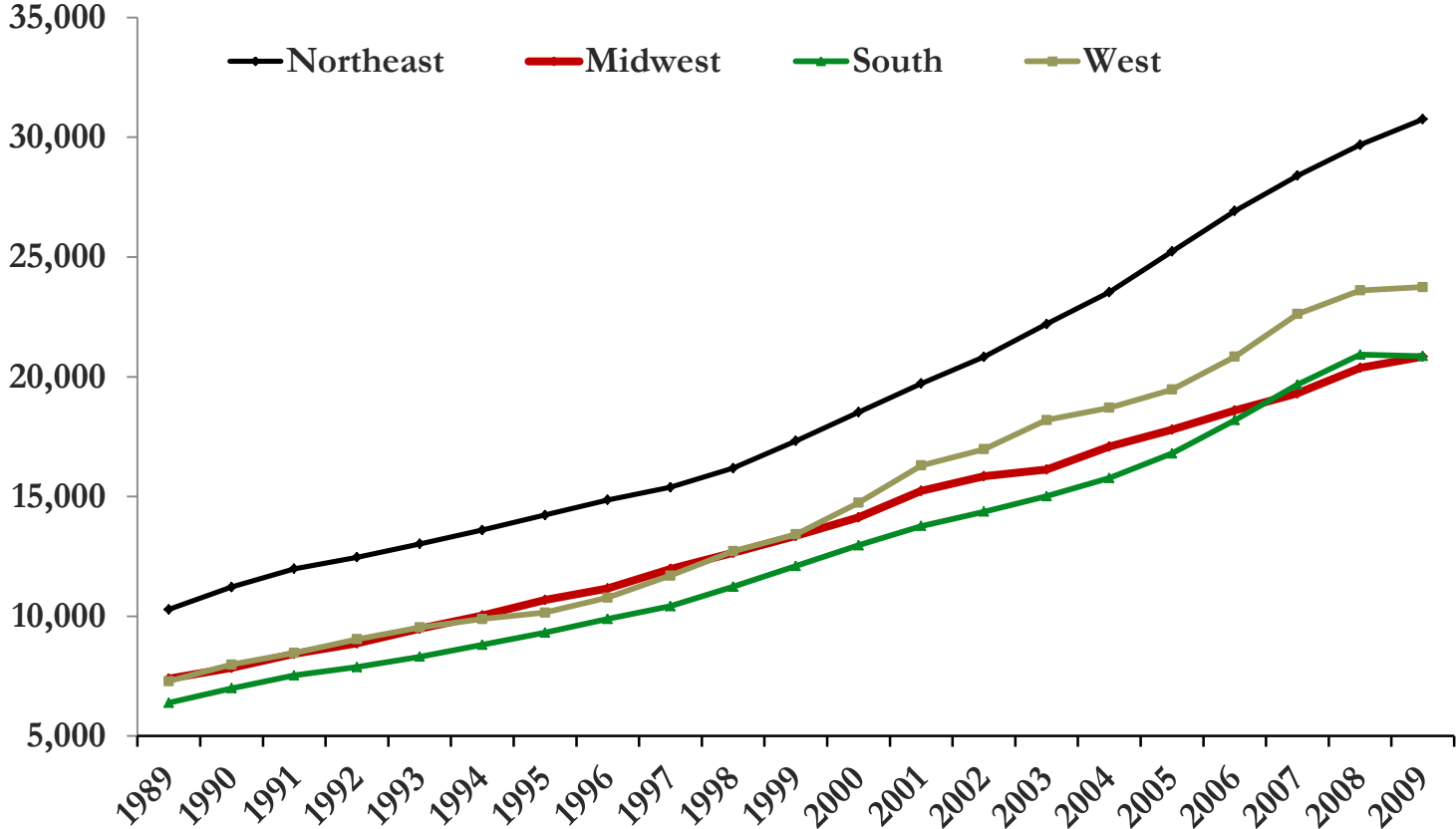
However, in the years before the recession, Midwestern states saw very little growth in revenues



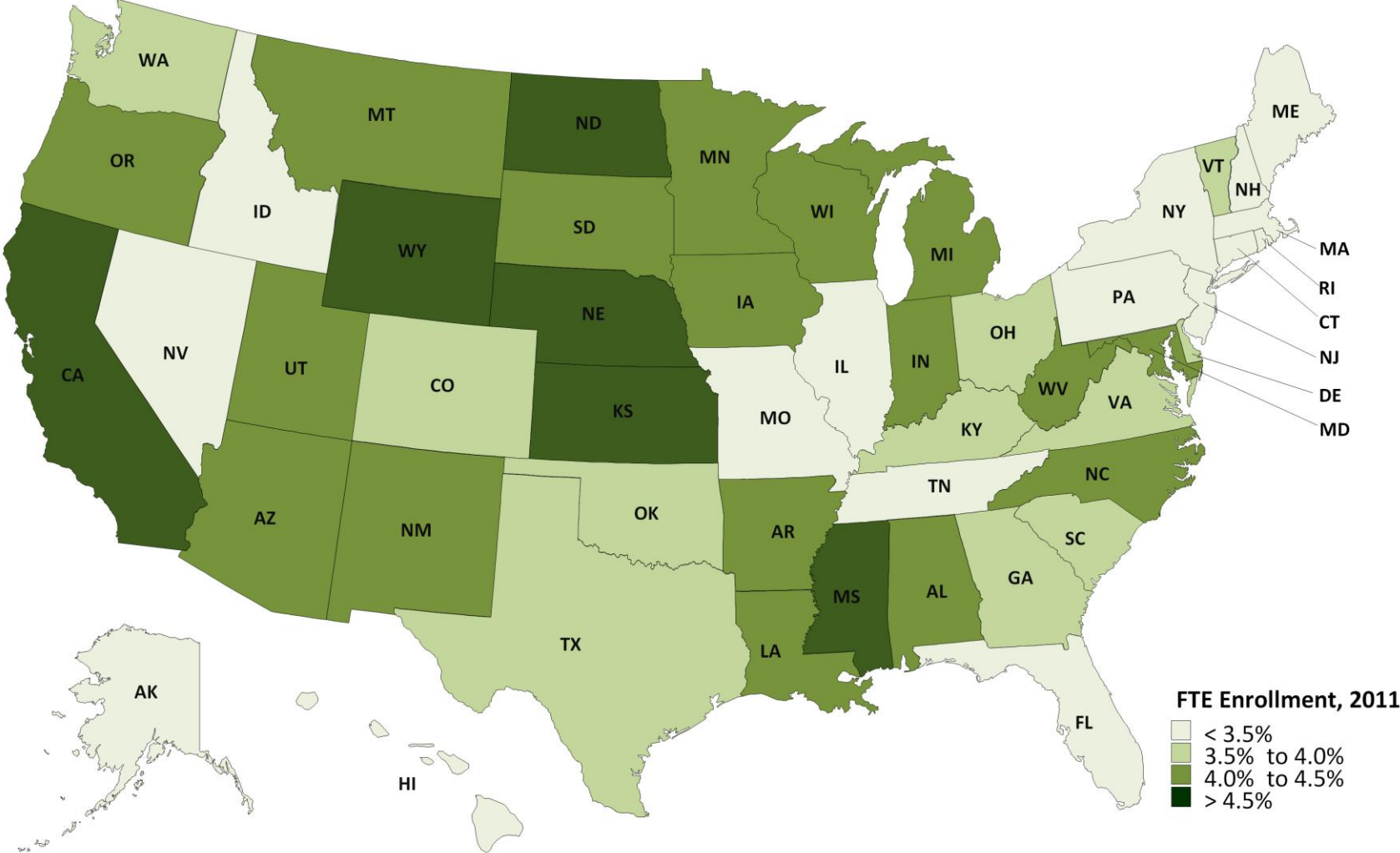
What does this mean for the capacity of MW states to take advantage of early signs of economic growth? Three critical areas for public investment: K-12; higher ed; infrastructure.
State and local school revenues, by region, 1989-2009



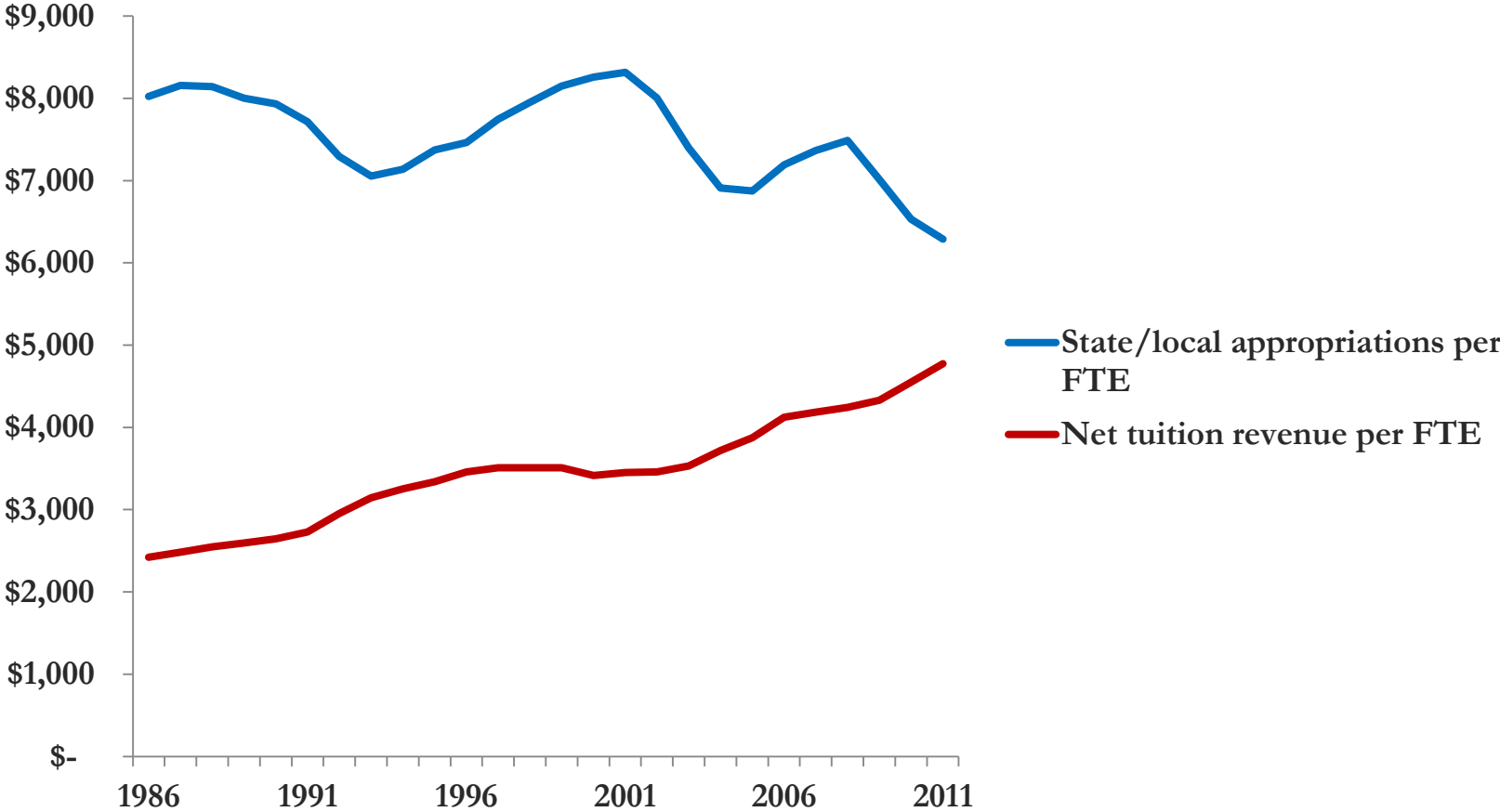
Real, per pupil school (K-12) revenues, by region, 1989-2009: Midwest not doing so well in supporting education and keeping up with other regions.



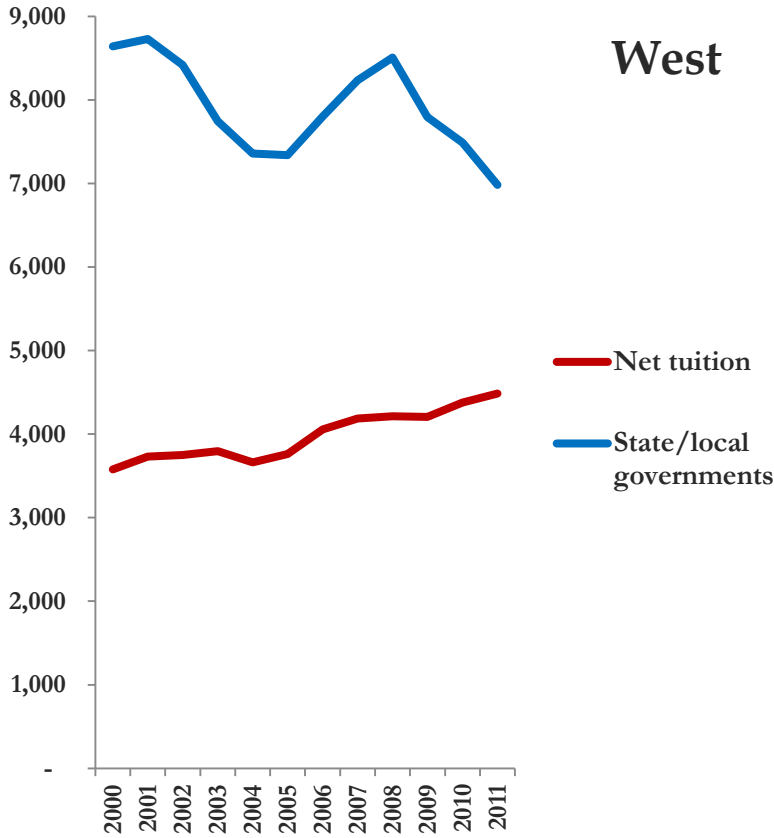
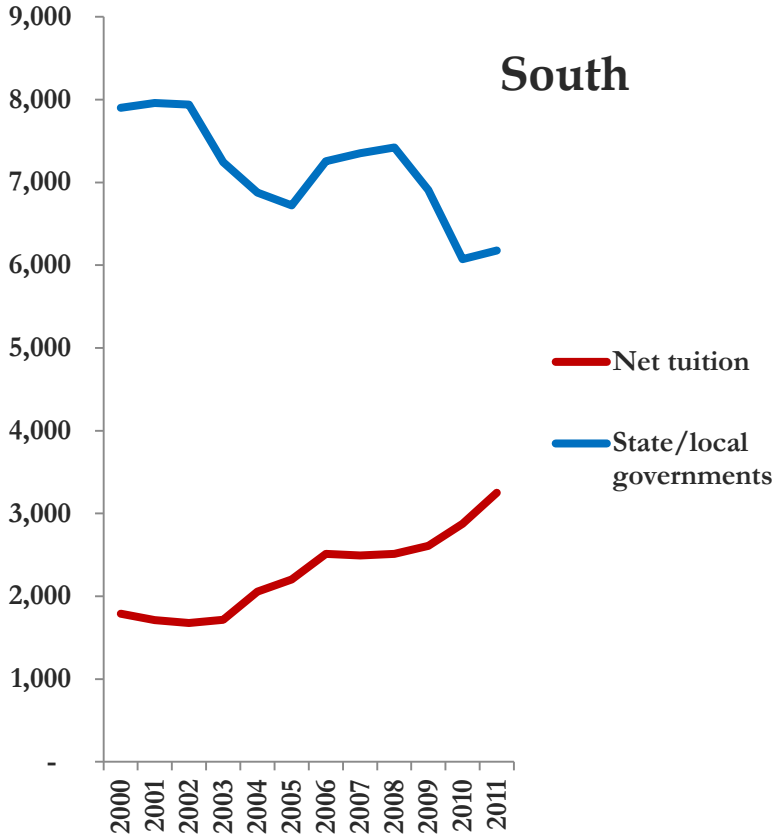
Higher Education FTE Enrollment as Share of Total Population: 2011



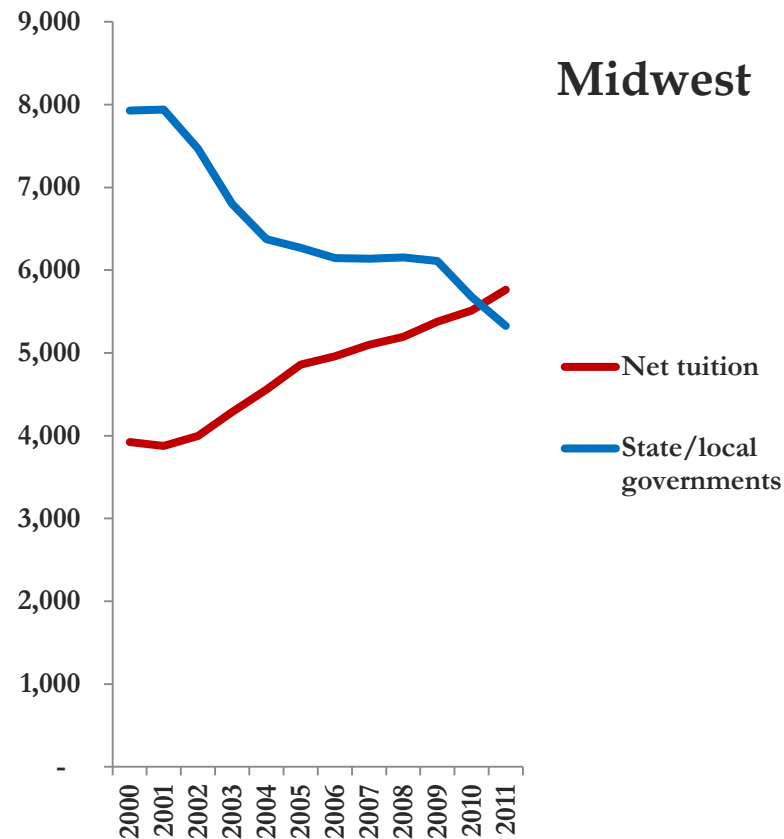
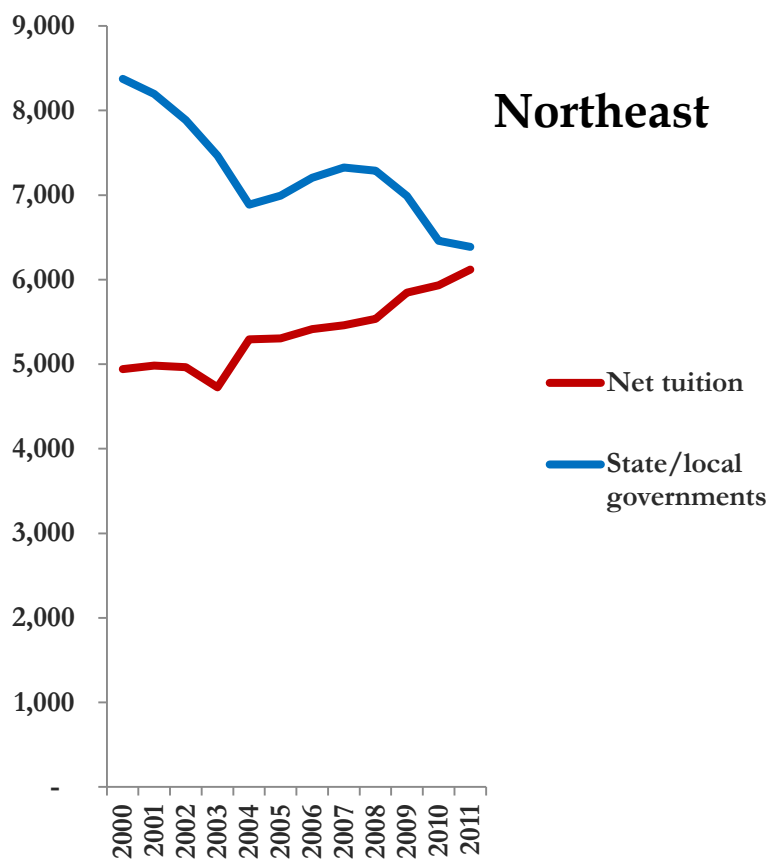
Higher education as “balance wheel” in state budgets: Volatility in state/local appropriations and growth of net tuition



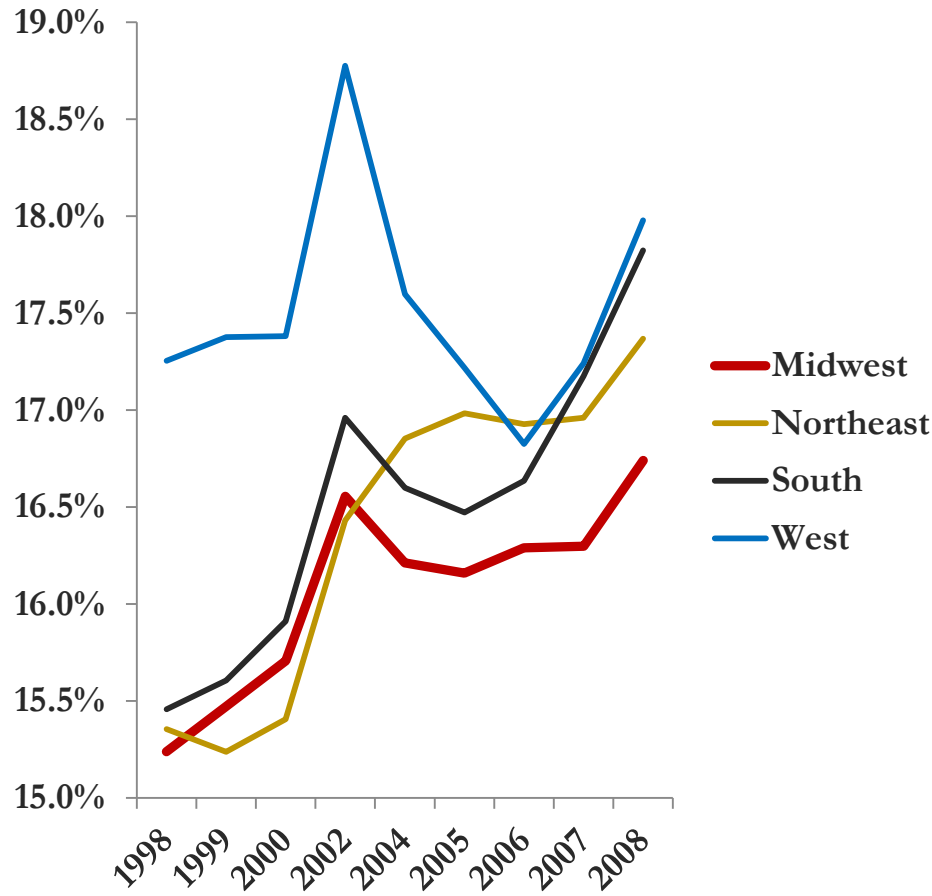
Public universities in South and West still rely heavily on S/L govts – despite trends toward convergence



But public higher education in Northeast & Midwest now splits costs between tuition & SLG appropriations: Midwest has cut dramatically, with costs pushed to students and families.



Changes in state & local infrastructure spending, as proportion of state GDP, 1998-2008: again, less public support in Midwest for public investments



Infrastructure spending includes current operations and capital projects relating to transportation, hospitals, schools; water, sewerage, energy facilities; natural resources; libraries, public buildings; etc.

Source: U.S. Census Bureau.

Conclusions

- 1. Recession has hit all regions hard, but Midwest (along with the Northeast) has had a somewhat more complex experience**
 - 2. After difficult years before the recession, the Midwest and Northeast have seen a faster recovery than most other states—growth of manufacturing jobs since early 2009; end of decline in construction; real personal income**
 - 3. Weak population growth continues in Midwest, especially children; but signs that pop. shifts to Mountain, South, and Pacific states have slowed**
 - 4. Some indicators of need for public services have grown disproportionately in Midwest, including lack of health insurance, number of children in poverty; however, K-12 pupils are expected to decline in near future**
 - 5. To pay for services, Midwest states have seen little growth in state/local revenues in recent years, even before recession.**
 - 6. Public resources going into K-12, higher education, and infrastructure have typically grown at lower levels in Midwest than in other regions in recent years.**
 - 7. Raises questions about whether continued recovery of manufacturing, construction, personal income can be sustained in the future without greater public support for infrastructure, education, higher ed**
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