

APPENDIX A

Census 2000: Possible Implications

The U.S. Constitution requires that every ten years the federal government take a census of the nation's population. The census serves a number of purposes. For example, the population figures are used to allocate the 435 seats of the House of Representatives among the 50 states, and information on race and ethnicity is used to assure the Constitutional requirement of one person/one vote. The census also is the basis on which funds for many federal and state programs are distributed, such as to school districts to aid in educating poor children. Each year more than \$100 billion in federal funding is distributed to state and local governments using census information. Census figures are used for planning; for example, new highways are built and fire-protection districts established on the basis of current and projected population. In addition, there are numerous provisions in law that pertain to the population of local jurisdictions; for example, Michigan law provides that only cities having a population of one million or more may levy a local income tax of more than 2 percent.

The primary source of information on demographics in Michigan and the United States is the U.S. Bureau of the Census, which is in charge of the decennial Census of Population. The census is designed to count all people in the nation and collect extensive information on their demographic, economic, housing, and other characteristics. The last census was taken in 1990, and the next will be in 2000. Between one census and the next, the bureau estimates population and other demographic variables, using a sample of the population rather than a full count. The information derived from the interim estimates is not nearly as detailed as that from a full census.

The state demographer projects Michigan's 2000 population at 9,786,000, 5.3 percent above the 1990 figure of 9,295,277.

The demographic changes discussed here have many implications for residents of Michigan, especially for decision-makers in both the public and private sectors. While space limits covering all potential implications, we present those we feel are among the most relevant.

NATIONAL AND STATE REPRESENTATION

Michigan's population is growing considerably more slowly than that of many states, and this affects how many seats the state is entitled to in the U.S. House of Representatives. Between the 1980 and 1990 counts, population in Michigan grew by

slightly more than 0.6 percent, compared to the national rate of 9.8 percent, and the state lost two House seats. From 1990 to 2000, Michigan population is projected to increase 5.3 percent, but national growth is expected to exceed 10 percent, which means some states will have experienced exceptional growth, gaining sufficient people to entitle them to additional representation; since the number of representatives is limited to 435, Michigan likely will lose another seat. Having fewer congressional representatives implies that the state will have less say in federal issues, including the allotment of federal dollars to the states.

At the state level, adoption of the one man/one vote criterion for apportioning seats in legislative bodies means that the power of politics is in the numbers. In Michigan, power has shifted dramatically—from the established cities to the newly developed suburbs. Today, the urban agenda is being represented in the 110-member state House by 17 fewer members than in the late 1960s, and a few more seats will be lost as result of the 2000 census. Exhibit 1 shows the changes in the Michigan House of Representatives since 1960.

EXHIBIT 1. Representation in the Michigan House of Representatives (number of representatives)

	1960s	1970s	1980s	1990s
Cities	46	40	32	29
Suburbs	29	32	36	39
Small towns and rural areas	35	38	42	42

SOURCE: Public Sector Consultants, Inc.

Rather than representing just a central city, some representatives now have a city and surrounding suburbs or townships. This diffuses these legislators' support for urban issues and changes the political makeup of the legislature. Michiganians increasingly are residing in suburbs and beyond, and the agenda for the nation and state now is being set there, and it is much different from the urban focus of the middle half of the century. Michigan's legislative districts will be redrawn to reflect the 2000 census numbers.

EDUCATION

Michigan public-school enrollment—and, thus, the level of state funding and the need for teachers and classrooms—is determined largely by the school-age population. For every pupil, the state provides a foundation grant (\$5,308 in FY 1996–97). Since the new funding system started in FY 1994–95, the amount of the per pupil grant has increased about 3 percent annually; this is less than had been expected, because enrollment has grown faster than estimated. If, as projected, growth of the school-age population begins to slow in about 2000, it will mean a larger increase in the foundation grant (assuming that the increase in

school aid revenue also does not slow) and a reduced need for teachers and classrooms; this will alleviate pressure on school budgets (see Exhibit 2).

- For 2000, Michigan’s school-age population (5–19-year-olds) is projected at 2,181,177, up 6.1 percent from 1990; this growth reflects the “baby boom echo,” which began in 1993 when the babyboomer’s children began to enter school.
- From 2000 to 2005 the school-age population is expected to increase only 0.5 percent.
- From 2005 to 2010 a decline is anticipated: 2.5 percent.
- From 2010 to 2015 the biggest drop is expected: 3.6 percent.
- From 2015 to 2020 the population is projected to stabilize, with only a 0.5 percent dip.

EXHIBIT 2. Michigan School-Age Population, 1990–2020 (projected)



SOURCE: Office of the State Demographer.

The decrease in the size of the school-age group, which will begin to occur in 2005, means that the bulge in the education system is going to be moving on to post-secondary institutions. Over the next decade, enrollment in Michigan public institutions of higher learning is expected to increase nearly 14 percent. (This compares with about a 6-percent enrollment decline in the past five years.) The rise will put upward pressure on state appropriations for higher education.

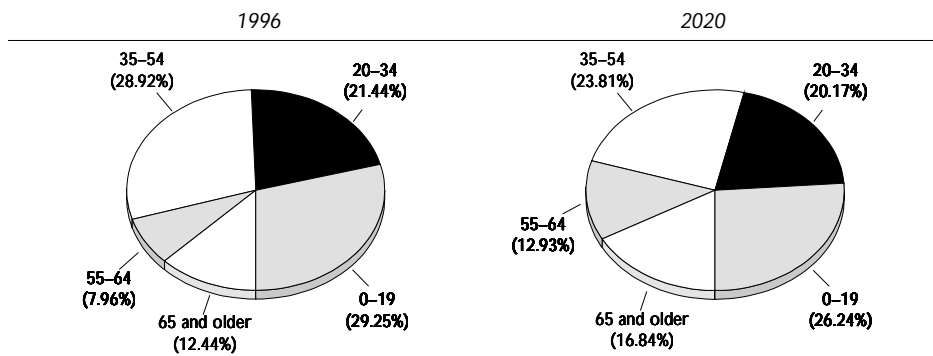
SERVICES TO THE ELDERLY

The Michigan population also is aging.

- In 1990 the median age was 32.5.
- By 1996 the median had increased nearly two years, to 34.2.
- By 2020 the Michigan figure is expected to be 37.9.

Also by 2020 nearly 17 percent of the state's population will be in their retirement years, and almost 13 percent more will be approaching retirement; some of the latter will retire early and add to the retirement boom (see Exhibit 3).

EXHIBIT 3. Michigan Population by Age Group, 1996 and 2020 (projected)



SOURCE: Office of the State Demographer.

The aging of Michigianians and all Americans will have far-reaching implications: Social Security and other entitlement programs will be pressured, the labor force will shrink considerably, the demand for medical and other services will rise, and the ballot box will feel the effect of a growing group that typically is conservative and tends to vote.

CRIME AND CORRECTIONS

One of the fastest growing components of the state budget has been the Department of Corrections, which runs Michigan's prison system. One factor that determines the prison population is the crime rate, which in turn is determined partly by the composition of the population. From 1992 to 1996 the crime index (includes violent and property crimes) for Michigan, as reported by the FBI, fell 17.2 percent: violent crimes declined 6.1 percent, and property crimes fell 12.9 percent. One factor in this decline is a drop in the most crime-prone age group: 15-39.

- From 1990 to 1995 the population of the 15-39 age group declined 3.6 percent.
- From 1995 to 2000 it is projected to decline another 4.1 percent.
- From 2000 to 2005 the decline will continue but slow to 2 percent.

The protracted fall in the population of this age group should begin to slow the need for an increase in prison beds and alleviate pressure on the state budget.

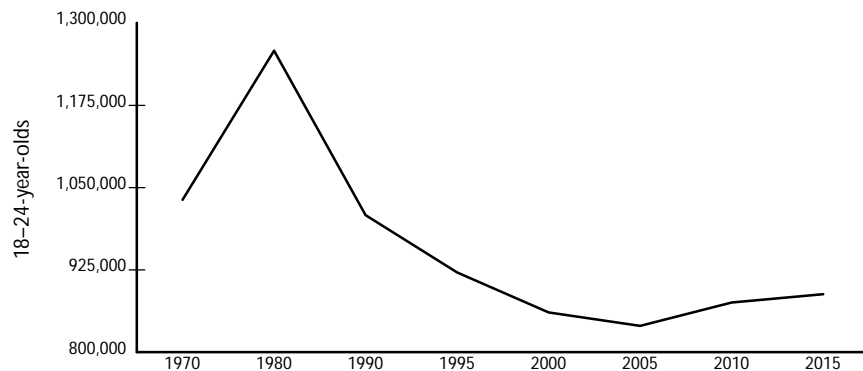
UNEMPLOYMENT

In 1997 the Michigan employment rate was 4.2 percent, the lowest since the current method of estimation was initiated (1970) and well below the U.S. rate of 4.9 percent; in fact, the state rate has been below the U.S. rate since 1993. Prior to that, the last time Michigan's rate was below that of the nation was 1966.

One reason for the low unemployment in Michigan (and nationally) is a drop in the size of the job-entrant group, aged 18–24. As shown in Exhibit 4, the 18–24 age group has been declining sharply in recent years, and a turnaround is not expected until after 2005.

- From 1995 to 2000 the size of the job-entrant age group is projected to decline 6.6 percent.
- From 2000 to 2005 another but smaller drop is expected: 2.4 percent.
- After 2005 the trend is expected to reverse, with a 4.2 percent increase in the job-entrant group by 2010 and another, less dramatic hike (1.5 percent) by 2015.

EXHIBIT 4. Job-Entrant Age Group (18–24), Michigan, 1970–2015 (projected)



SOURCE: Office of the State Demographer.

The size of the job-entrant group is, of course, a reflection of the birth rate roughly two decades earlier; the number of Michigan births in 1977 was 135,000, near the post–World War II low. The modern high in Michigan births was in 1957 (208,000), which was followed by the low, in 1969 (131,000). The decline in the number of births has been sharper in Michigan than nationwide, which explains, in part, the sharper drop in the unemployment rate in Michigan than nationwide.

Michigan's job-entrant group as a share of the existing state labor force (aged 25–64) peaked at 31 percent in 1978 and has declined steadily since, falling to 18 percent in 1996. The good news is that this has served to take pressure off the unemployment rate; the bad news is that it has begun to create labor shortages in many areas of the state.

LOCAL GOVERNMENT

According to a 1995 report prepared by the Legislative Service Bureau, there are 328 sections of law (as of December 31, 1994), encompassing 60 major subject areas, in Michigan statute that classify and grant authority to local governments *based on the unit's population*. These statutes are tied to more than 130 different population figures, which means the 2000 census results could greatly affect the applicability of certain laws:

- 54 are tied to a population figure of one million—some apply to municipalities, some to counties;
- 28 sections pertain to taxation; and
- 52 pertain to economic and industrial development.

Those that could have the most significant fiscal effects are discussed here.

- *Public Act 284 of 1964* This law grants cities having a population of one million or more authority to levy a city income tax of up to 2 percent on corporations, up to 3 percent on resident individuals, and up to 1.5 percent on nonresident individuals. Cities under one million population may levy only up to 2 percent on corporations, up to 2 percent on resident individuals, and, on nonresidents, only up to 50 percent of the levy on residents. This is critical for the City of Detroit. If, as is expected, its population drops below the one-million mark, the city will have to lower its income tax rate; based on 1996 collections, this could reduce city revenue by \$90–100 million. An alternative is to change the law.
- *P.A. 100 of 1990* This statute prohibits cities or villages having population under one million from imposing a city utility-users tax. Again, this is critical to Detroit, which imposes a 5 percent levy on utilities; in FY 1995–96 the tax raised about \$49 million for Detroit.
- *P.A. 51 of 1951* This law distributes state highway funds on population-based formulae.
- *P.A. 180 of 1991, P.A. 263 of 1974, and P.A. 106 of 1985* These statutes pertain to accommodations taxes. The first authorizes counties having a population over 1,500,000 to impose such a levy; the second permits municipalities to do the same if they meet various population criteria; and the third permits a county having a population of under 600,000 but a city of at least 40,000 people to impose a use tax on lodging. In FY 1995–96 the tax raised \$13.4 million.

Population changes found by the 2000 census also will affect state revenue-sharing payments to Michigan counties, cities, villages, and townships, because these payments are based, in part, on population. Since all local units receive revenue sharing, population changes will not affect eligibility, but they will affect the amount a local receives. The financial effects will be small for most local units but could be significant for cities such as Detroit that have had significant population losses since 1990.

ACCURACY

Because so much depends on the numbers, it is important that they be as accurate as possible. Since Thomas Jefferson took the first census we have known that people are missed. In 1940 the Census Bureau began gauging the number not counted; that year over 5 percent of the population were believed to have been missed. Each subsequent census has missed fewer people (for the 1980 count, the estimate was 1.2 percent), until in 1990 the number went up. Even more troubling is that African-Americans are missed at a much higher rate than others, perhaps because they move more frequently and are less likely than others to respond to surveys. In 1990 the discrepancy between number of African-Americans missed and the number of other groups missed was the largest ever. This disproportionate miscount of African-Americans means that the census numbers have an inherent unfairness, which is made worse every time the census numbers are used as the basis for distributing money to state and local governments.

After the 1990 count, the Census Bureau conducted extensive research and consulted with numerous experts; for the 2000 count, newly designed questionnaires are expected to make the census more accurate than ever before. In 1990, 10 million people were missed, and 6 million were counted twice. The bureau expects such errors to be absent from the 2000 census; if so, it will be the fairest yet.

FOR ADDITIONAL INFORMATION

Michigan Information Center
Lewis Cass Building
3205 South Walnut Street
P.O. Box 30026
Lansing, MI 48909
(517) 373-7910
www.state.mi.us/dmb/mic/

U.S. Bureau of the Census
www.census.gov

U.S. Bureau of the Census, Census of Population, 1990. (Washington, D.C.: GPO), 1990.