

Table 11 summarizes the results for selected tax revenues. Residential property taxes are expected to increase by \$19 per Montana resident, while income taxes are expected to fall by \$42 per Montanan. The total effect is a decline in tax revenues of \$23 per resident.

Table 2. Summary of Selected Tax Revenues.

Dollars per Montana resident			
	2010	2030	Change
Property Taxes	525	544	19
Income Taxes	755	713	-42
Total	1,279	1,255	-23

Table 12 combines the projected changes in revenues and expenditures. The decline in total tax revenues of \$23 is more than offset by reduced expenditures of \$81, so state and local government moves toward a surplus of \$58.

Table 3. Summary of Revenue and Expenditure Projections.

Dollars per Montana resident			
	2010	2030	Change
Tax Revenues	1,279	1,255	-23
Expenditures	1,855	1,774	-81
Net			58

It is worth repeating that these projections hold all factors other than the age distribution constant. Thus, the projections are not forecasts of actual revenues and expenditures, because they will be affected by changes in per capita income, spending per student, health care costs and other factors. What the projections do tell us, however, is that the impacts of more elderly on Medicaid spending and income tax revenues are largely offset by the impacts of fewer young people on education and corrections expenditures, and on residential property tax revenues.

The expenditure projections are undoubtedly extremely conservative, because they do not account for any increased costs. In contrast, the Congressional Budget Office (CBO) reports that Medicaid spending per beneficiary grew 2.2 percent per year faster than income per person during the 1975-2004 period.¹ If these trends continue, Medicaid costs will be more than 50 percent higher than those projected here. In addition, projected costs for Medicaid and Medicare will put severe strains on the Federal budget. One result may be further increases in the share of Medicaid that is paid from state sources.

Future efforts could improve this study in a number of ways. First, Montana data on income taxes and residential property taxes would be better than relying on national data. An inventory could be compiled of other age-related revenues and expenditures. One could incorporate trends in income, consumption and costs. For example, increases in per capita income will increase tax revenues, but they are also likely to increase costs for teachers, health care workers, and others. Cost increases for health care such as those described by the CBO could also be incorporated. Additional regional breakdowns could be performed, especially with regard to school-age populations in different parts of the state. There is some evidence that the U.S. Census Bureau's population projections, which were released in 2005, are already off the mark. Thus, a reassessment of the demographic forecast would be useful. Finally, changes in the age distribution are likely to have many other impacts on the overall economy and government.

¹ Congressional Budget Office, *The Long-Term Budget Outlook*, December, 2007, p. 23.
<http://www.cbo.gov/ftpdocs/88xx/doc8877/12-13-LTBO.pdf>