Massachusetts Outmigration Study

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Outmigration Study Goals

1. Analyze net migration trends in Massachusetts and study the central drivers
2. Measure the state’s current and future economic loss
3. Help policymakers stem this problem
1. What are the current and historical net migration trends (population and workforce) in Massachusetts, and should this be of concern?

2. Which states have seen the most inbound migration from Massachusetts?

3. What are the top factors (central drivers) that have contributed to outbound migration?

4. What are the current and potential future economic costs associated with any net outmigration?
Summary

✓ MA competitive advantage to attract, retain and grow its population and workforce is slipping

✓ Outmigration from the Commonwealth is accelerating at an alarming rate

✓ The decision by individuals and families to move from one state to another is multifactorial

✓ States who scored better on key drivers gained residents while those that scored lower, such as Massachusetts, lost population
Summary

✓ Top three factors that have contributed to outmigration include level of income tax, housing and healthcare cost

✓ Increased mobility, choice and remote work are adding to outbound migration

✓ The financial impact in lost adjusted gross income and income tax revenue is in the billions of dollars
The largest age group leaving Massachusetts are retirees

Massachusetts is not seeing a significant drop in population and workforce compared to other states

Workers of all ages are more likely to stay given higher wage opportunities and job choices

High-income households show a lower rate of outmigration than other income groups

Most residents that leave move to warmer climates outside of New England

Low unemployment rates are proof that the state is vibrant and healthy economically

Top 12 Myths
Top 12 Myths

7. Outmigration rates during COVID were an anomaly and will return to lower pre-pandemic numbers.

8. The Baystate’s high quality of healthcare, regardless of cost, is a strength and helps in population retention.

9. Massachusetts will not suffer large workforce losses with the rise of remote work options.

10. Housing cost is the dominant influencer of outmigration in Massachusetts.

11. State tax rates don’t have significant impact on where high-income households choose to live.

12. Future net outmigration won’t materially impact state income tax collection or weaken economic prospects.
Rate of outmigration is rising rapidly, impacting population, size and workforce composition.

Growing exodus of prime age workforce and higher income earners.

Outbound residents are moving mainly to 11 states with over half remaining in New England.

Move-to states ranked significantly better in three drivers; lower income taxes, cost of housing and cost of healthcare.

Net outmigration is costing MA billions of dollars in lost adjusted gross income & tax revenue.
Core Findings

- Since 2013, MA net outmigration has increased 1,100% to over 39,000 people
- The annualized growth rate was 28.8%.
- The Commonwealth lost $4.3 billion in adjusted gross income due to net outmigration and $213.7 million in income tax revenue in the 2020-21 tax year*
- Since 2011, outmigration has cost the Baystate $821 million in lost income tax revenue
- By 2030, net outmigration could top 96,000 people per year

* Based on latest available data
Core Findings

- Compared to the top move-to states, MA scored **strongest** in healthcare quality, economic health and educational quality.
- MA scored **weakest** in level of income tax, housing and healthcare cost.
- Over 70 percent of move-to states also scored better on level of housing burden.
- Of the top states gaining MA residents, only 2 (Connecticut and California) earned lower scores.
- Higher income earners are leaving MA with over half earning 1.3 to over 2.6 time the state average.
Core Findings

- Workforce exodus is broad, spanning the 24 to 64 age brackets
- Largest segment leaving, based on numbers, 26-34 age bracket
- Largest segment leaving, based on adjusted gross income, 55-64 age bracket
- Baystate outbound migration has accelerated since 2013
- Greater remote work options since COVID have also contributed to net outmigration
Core Findings

- 11 states captured the bulk of MA net outmigration
- Top 5 destination states included Florida, New Hampshire, Maine, North Carolina and Texas
- Southern states gained the lions share of earnings transfer as measured in adjusted gross income
- Over half who moved from MA, stayed in New England
- By 2030, net outmigration could cost MA $19.2 billion in adjusted gross income and $961 million in lost income taxes per year
## 11 Top “Move-To” States: Comparative Scores

<table>
<thead>
<tr>
<th>Category</th>
<th>Score Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of income tax, housing and healthcare cost</td>
<td>100</td>
</tr>
<tr>
<td>Housing burden (Proportion of household income allocated to housing cost)</td>
<td>73</td>
</tr>
<tr>
<td>Crime</td>
<td>55</td>
</tr>
<tr>
<td>Property taxes</td>
<td>45</td>
</tr>
<tr>
<td>Quality of education</td>
<td>18</td>
</tr>
<tr>
<td>Economic health</td>
<td>9</td>
</tr>
<tr>
<td>Healthcare quality</td>
<td>0</td>
</tr>
</tbody>
</table>
State net outmigration hit a peak (56,813) during COVID Pandemic. Since 2011, MA has lost $16 billion in AGI and $821 million in tax revenue.

By 2030, the aggregated economic cost (2012-2030) in lost AGI and taxes could exceed $113 billion and $5.7 billion respectively.

In 2030, outmigration could cost MA in lost annual AGI and taxes $19.2 billion and $961 million respectively.

MA lost $4.27 billion in AGI and $213 million in tax revenue due to net outmigration.

At current exit rates, the COVID peak will be surpassed by end of 2027 (63,810).

In 2030, if the rate of outmigration persists, MA will lose over 96,000 residents.
Core Findings

5 Major Trends: In depth
Trend #1

MA rate of outmigration is rising rapidly, impacting population, size and workforce composition
Migration patterns are driven by citizens voting with their feet, a report card on how well a state is doing to meet their needs.

Each year, millions of Americans move from one state to another.

Movement can happen for numerous economic and noneconomic reasons.

Growing costs in a state can make it unattractive to individuals, families and businesses.
As independent sovereigns, states set policies in supporting and meeting the needs of their residents.

When a material increase in net outmigration occurs, it can impact a state’s economic growth prospects, tax receipts and overall economic health.

If a state experiences a significant increase in outmigration, it should determine how best, through policy, to respond.
Since 2013, MA net outmigration has increased 1,100%.

Annualized growth rate of 28.8%.

By 2030, net outmigration could top 96,000 per year.

Massachusetts population growth continues to fall behind the national average.

- In 2023, state population was about 7 million, with an anemic growth rate of .27 percent, half the rate of the national average.

- In 2021 and 2020, state population declined while the US growth rate was positive.

- States like Florida, South Carolina and Texas are growing at 3 times the national average.

- Many move-to states will gain additional congressional seats.
Over the last decade, births are down & deaths are up

Data source: U.S. Bureau of Labor Statistics
Baystate Population Projections are Overstated

Rising outmigration has made existing MA forecasts inaccurate.

Data source: Mass.gov

BU Study - Massachusetts Outmigration April 24, 2024
MA Labor Force Decline Since Peak

Over 95,000 fewer workers than in 2018

2014-2023 MA Civilian Labor Force


Data source: U.S. Bureau of Labor Statistics

Boston University Questrom School of Business

BU Study - Massachusetts Outmigration April 24, 2024
Resident are not leaving because of a lack of jobs!

Data source: U.S. Bureau of Labor Statistics
Covid Shock - Shifted Employee & Employer Mindset

Ushered in a rethink to what constitutes a business workplace & expanded the geographical reach to draw employees.

Covid also triggered the great resignation where millions of workers across the US quit the workforce.

Workforce & businesses now have greater mobility in where they located, how to attract & retain workers.
Remote workers have more options as to where to work, live & play

MA has one of the highest % of remote workers. New Hampshire & Vermont also rank in the top-10

Source: https://www.voanews.com/a/these-us-states-have-the-most-remote-workers-/7359759.html

BU Study - Massachusetts Outmigration April 24, 2024
Remote work options have also triggered a drop in Boston commercial real estate values

Vacancy rates at 18.8%, hit new highs, creating a fiscal fallout
Remote Work - Fiscal Fallout Could Cost $1.4 Billion

Lower Boston occupancy rates & market values could reduce tax receipts by $1.4 billion over the next 5 years*

Source: Massachusetts Division of Local Services, cSPA Calculations
Note: Based on our central estimate of 15 percent decline in commercial real estate values

*https://media.wbur.org/wp/2024/02/BPI-Fiscal_Fallout.pdf
Net outmigration adversely impacts tax revenue

- Outmigration patterns can adversely impact tax revenue collection
- The loss to the Commonwealth in adjusted gross income and income tax revenue are in the billions of dollars
- Tax losses that were not measured in this study include sales, capital gains, property and inheritance tax
Trend #2

Growing exodus of prime age workforce and higher income earners
68% - Broader exodus of prime-age workforce ranging in age from 26 to 54

31% - Are age 26 to 34, the largest category leaving by volume

23% - Are age 35 to 44 and the second largest category leaving

16% - Age 55 to 64 are the third largest category leaving but largest by adjusted gross income

9% - Retirees, age 65 and older, make up a small percentage of net outmigration
Prime Age Workforce - Leaving Baystate

2020 - 2021 MA Outmigration by Age Group

Source: IRS SOI Tax Stats – Migration Data 2020-2021

BU Study - Massachusetts Outmigration April 24, 2024
Massachusetts Exit Demographics – By Age & Salary

2020 - 2021 MA Outmigration by Age and Income Level

- $200,000 or more: 7,559
- $100,000 under $200,000: 13,019
- $75,000 under $100,000: 6,152
- $50,000 under $75,000: 7,734
- $25,000 under $50,000: 7,344
- $10,000 under $25,000: 2,044
- $1 under $10,000: 1,192

Number of Outmigration

Data source: IRS SOI Tax Stats – Migration Data 2020-2021

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Age 26 under 35 – Largest Exit Group by Number

2012-2021 MA Outmigration by Age Group

Largest Categories

26 under 35
35 under 45
55 under 65

Data source of all the following charts in this section: IRS SOI Tax Stats – Migration Data (2012-2021)
Higher Income Earners are Leaving the State

- Over half (52%) of those moving earned 1.3 to over 2.6 times the state average*
- 19% - Earned $200,000 or more (placing them in at least the top 12% of US household incomes)
- 33% - Earned $100,000 to $199,999 (placing them in at least the top 15% of US household incomes)

* Average state income in 2023 was $76,600

* Data source: latest available IRS data (2020-2021) applied
Age 55 under 65 – Largest Exit Group by AGI

2020-2021 MA AGI Outflow by Age and Income Level

Data source: IRS
SOI Tax Stats – Migration Data 2020-2021

BU Study - Massachusetts Outmigration April 24, 2024
Lost income tax due to outbound migration by age brackets
$60.4 Million Tax Loss – 55 under 65 Age Bracket

Data source: IRS SOI Tax Stats – Migration Data (2012-2021)
$46.4 Million Tax Loss – 26 under 35 Age Bracket

2011-2021 Tax Loss by Age Group (26 Under 35)

Data source: IRS SOI Tax Stats – Migration Data (2012-2021)
$32 Million Tax Loss – 35 under 45 Age Bracket

Data source: IRS SOI Tax Stats – Migration Data (2012-2021)
Trend #3

Massachusetts residents are moving mainly to 11 states with over half remaining in New England
Inbound States

- Over the last decade, the Top-5 destinations have remained consistent: Florida, New Hampshire, Maine, North Carolina and Texas
- New Hampshire has risen as one of the top two destination states, competing with Florida
- Maine, Rhode Island and Vermont are gaining Baystate residents
- About 32 percent of workers in New Hampshire and Vermont work remotely
NH & FL are the Dominate Move-to States

2012-2021 MA Outmigration by Top Destinations

Criteria: Included states that were in the top 5 at least once over the past 10 years & those in the top 10 at least once over the past 5 years.

2022 - Over half of outmigration was to other New England states (52%)
Trend #4

Top destination states ranked significantly better in three central drivers
10 Drivers that Contributed to Outbound Migration

- **Economic health**
  Based on employment rate and bond rating of each state

- **Income tax**
  Ranking by state using 2021 Census data

- **Property tax**
  Ranking by state using “Annual Survey of State and Local Government Finances” by the U.S. Census Bureau

- **Housing cost**
  The median listing price for properties as of September 2023

- **Housing burden**
  Based on the proportion of household income allocated to housing costs.

- **Healthcare cost**
  The per capita healthcare based on expenditures

- **Healthcare quality**
  Based on 58 measurements

- **Quality of public education**
  Based on numerous variables

- **Crime rate**
  Rates are the number of reported offenses per 100,000 of the population.

- **Weather**
  The 12-month average temperature
10 central drivers evaluated

Dominant drivers emerged

- Lower income taxes
- Housing cost
- Healthcare cost
MA outmigration drivers: top 3/bottom 3 Rankings

Massachusetts ranked **Strongest**
1) Healthcare quality
2) Economic health
3) Education quality

Massachusetts ranked **Weakest**
1) Housing cost
2) Income tax rates
3) Healthcare costs
10 central drivers were used to score, rank and compare MA to the top 11 move-to states

A scoring system of 1 (weak) to 5 (strong) was applied and ranking assigned

Each driver was scored, given equal weighting (1/10) and an overall score calculated

To assist in identifying themes including similarities, differences, strengths and weaknesses, a color pantone system (blue to red) was used

Once ranking and scores were totaled, an overall competitive advantage score was calculated

The higher the competitive advantage score, the greater that state’s ability over MA in attracting inbound residents
## Competitive Advantage Score – MA vs Move-to States

<table>
<thead>
<tr>
<th>Drivers</th>
<th>MA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Health</td>
<td>4.5</td>
</tr>
<tr>
<td>Property Tax</td>
<td>2.4</td>
</tr>
<tr>
<td>Income Tax</td>
<td>1.2</td>
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<tr>
<td>Healthcare Quality</td>
<td>5</td>
</tr>
<tr>
<td>Healthcare Cost</td>
<td>1.2</td>
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<tr>
<td>Housing Cost</td>
<td>1.1</td>
</tr>
<tr>
<td>Housing Burden</td>
<td>2.3</td>
</tr>
<tr>
<td>Education</td>
<td>4.4</td>
</tr>
<tr>
<td>Weather</td>
<td>2.4</td>
</tr>
<tr>
<td>Crime Rate</td>
<td>3.1</td>
</tr>
<tr>
<td>Overall Score</td>
<td>2.8</td>
</tr>
</tbody>
</table>

All 10 drivers were equally weighed, & the overall score reflects the sum of all factors. Each score was rounded to the nearest 1/10th.
About 32 percent of workers in New Hampshire and Vermont work remotely.

Competitive Advantage Score vs MA

<table>
<thead>
<tr>
<th>State</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida</td>
<td>9.2</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>5.9</td>
</tr>
<tr>
<td>Maine</td>
<td>2.1</td>
</tr>
<tr>
<td>North Carolina</td>
<td>4.7</td>
</tr>
<tr>
<td>Texas</td>
<td>4.4</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>2.7</td>
</tr>
<tr>
<td>South Carolina</td>
<td>6.3</td>
</tr>
<tr>
<td>Connecticut</td>
<td>-0.5</td>
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<td>Georgia</td>
<td>4.7</td>
</tr>
<tr>
<td>Vermont</td>
<td>1.9</td>
</tr>
<tr>
<td>California</td>
<td>-3.9</td>
</tr>
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The higher a state’s overall score, the greater their competitive advantage. A negative score indicates MA retains a competitive advantage.

Each score was rounded to the nearest 1/10th.
### Areas of competitive advantage – move-to states vs MA (7 of 10)

Based on 10 central drivers

<table>
<thead>
<tr>
<th>Central Drivers</th>
<th>Average Advantage</th>
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<tbody>
<tr>
<td>Income Tax</td>
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## Central Drivers Average Advantage

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</table>

### Areas of competitive weakness – move-to states vs MA (3 of 10)

Based on 10 central drivers

"Based on 10 central drivers"
<table>
<thead>
<tr>
<th>Factor</th>
<th>Score</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Tax</td>
<td>2.39</td>
<td>100%</td>
</tr>
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<td>55%</td>
</tr>
<tr>
<td>Property Tax</td>
<td>0.08</td>
<td>45%</td>
</tr>
<tr>
<td>Education</td>
<td>-1.28*</td>
<td>18%</td>
</tr>
<tr>
<td>Economic Health</td>
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<td>9%</td>
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<tr>
<td>Healthcare Quality</td>
<td>-1.87*</td>
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</tr>
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Net outmigration & MA income tax policy

✓ Higher income residents are leaving the state
✓ Using latest available government datasets, more than half of those who left earned 1.3 to over 2.6 times the state average (top 15% or higher of US household incomes)
✓ 2023 was the first year of the 4% Wealth Surtax
✓ Once 2023 datasets are available, they should be closely evaluated to better understand the influence of new tax policy on current and future net migration
Trend #5

Net outmigration is costing MA billions of dollars in lost adjusted gross income & tax revenue
Findings

✓ Individuals and families that move are taking increasingly more adjusted gross income with them

✓ Southern states are gaining the lions share of adjusted gross income

✓ Since 2011, outmigration has cost Massachusetts $821 million in lost income tax revenue

✓ Estimated lost income tax revenue in the 2020-21 tax year totaled $213.7 million
Since 2011, outmigration has cost MA $821 million in lost income tax revenue.

Data source: IRS SOI Tax Stats – Migration Data (2012-2021)
Findings – AGI is also moving out of MA

- In 2021, Massachusetts lost $4.27 billion in adjusted gross income due to net outmigration
- Southern states captured $2.3 billion in AGI (48%)
- New England states captured $1.8 billion in AGI (37%)
- The majority of AGI* was transferred to three states: Florida, New Hampshire and Maine
  1. Florida gained $1.77 billion (42%)
  2. New Hampshire gained $1.12 billion (26%)
  3. Maine gained $393 million (9%)

* based on latest available government data (2021)
2012 - 2021 MA AGI Loss
(In Thousands)

2021 – MA lost $4.27 billion in adjusted gross income due to net outmigration

Data source: IRS SOI Tax Stats – Migration Data (2012-2021)

BU Study - Massachusetts Outmigration April 24, 2024
MA Net Outmigration and AGI loss – (2012-2021)

Data source: IRS SOI Tax Stats – Migration Data (2012-2021)
U.S. Census Bureau, Population Division Release date: December 2023

BU Study - Massachusetts Outmigration April 24, 2024
Adjusted gross income transfer from MA

Florida, New Hampshire & Maine were the biggest beneficiaries

Data source: IRS SOI Tax Stats – Migration Data (2012-2021)
Adjusted gross income transfer by region

MA lost $2.3 billion to Southern States & $1.8 billion to other New England States

Data source: IRS SOI Tax Stats – Migration Data (2012-2021)
Massachusetts Net Outmigration

Future Economic Cost
State net outmigration hit a peak (56,813) during COVID Pandemic. Since 2011, MA has lost $16 billion in AGI and $821 million in tax revenue.

By 2030, the aggregated economic cost (2012-2030) in lost AGI and taxes could exceed $113 billion and $5.7 billion respectively.

In 2030, outmigration could cost MA in lost annual AGI and taxes $19.2 billion and $961 million respectively.

MA lost $4.27 billion in AGI and $213 million in tax revenue due to net outmigration.

At current exit rates, the COVID peak will be surpassed by end of 2027 (63,810).

In 2030, if the rate of outmigration persists, MA will lose over 96,000 residents.
MA net outmigration could top 96,000 residents in 2030.
By 2030 – MA could lose $19.2 billion in AGI per year

Assumption: 10-year compounded annual growth (18.18%) persists

Data source: IRS SOI Tax Stats – Migration Data (2012-2021)
5% tax rate applied. Tax loss = AGI loss * tax rate

By 2030 – MA outmigration could reduce annual income tax collection by $961 million

Data source: IRS SOI Tax Stats – Migration Data (2012-2021)
Appendix
1. **Economic health** – Based on employment rate and bond rating of each state

2. **Income tax** – Ranking by state using 2021 Census data
   Data Source: Tax Foundation Facts and Figures Table 12, State & Local Income Tax Collections per Capita Fiscal Year 2021

3. **Property tax** – Ranking by state using “Annual Survey of State and Local Government Finances” by the U.S. Census Bureau.
   Data Source: Tax Foundation Facts and Figures Table 34, State & Local Property Tax Collections Per Capita, Fiscal Year 2020.

4. **Housing cost** – The median listing price for properties as of September 2023
   Data Source: Realtor.com, Housing Inventory: Median Listing Price, retrieved from FRED, Federal Reserve Bank of St. Louis
10 Central Drivers

5. **Housing burden** – based on the proportion of household income allocated to housing costs. The measurement was divided into numerous categories. For example, a ‘moderate burden’ was defined as housing costs that exceed 30% but less than 50% of household income.

6. **Healthcare cost** – The per capita healthcare cost encompasses expenditures across a variety of services, including personal health care, hospital services, services from physicians and clinicians, other professional services, dental services, home health care, nursing care facilities and continuing care retirement communities, durable medical equipment, and other health, residential, and personal care.

7. **Healthcare quality** - based on 58 measures of health care access, quality, use of services, costs, health disparities, reproductive care and women’s health, and health outcomes. The
   Data Source: David C. Radley et al., The Commonwealth Fund 2023 Scorecard on State Health System Performance: Americans’ Health Declines and Access to Reproductive Care Shrinks, But States Have Options
8. **Quality of public education** – based on numerous variables.
   https://wallethub.com/edu/e/states-with-the-best-schools/5335

9. **Crime rate** – based on the FBI’s Uniform Crime Reporting (UCR) Program, violent crime is composed of four offenses: murder and nonnegligent manslaughter, forcible rape, robbery, and aggravated assault. Violent crimes are defined in the UCR Program as those offenses which involve force or threat of force. Rates are the number of reported offenses per 100,000 of the population.
   Date Source: Reported violent crime rate in the United States in 2022, by state, Statista.

10. **Weather** - The 12-month average temperature
    Data Source: By State Average Temperature, National Centers for Environmental Information, as of Oct 2023