

Show Us The Money (The Future)

Tom Stinson, State Economist

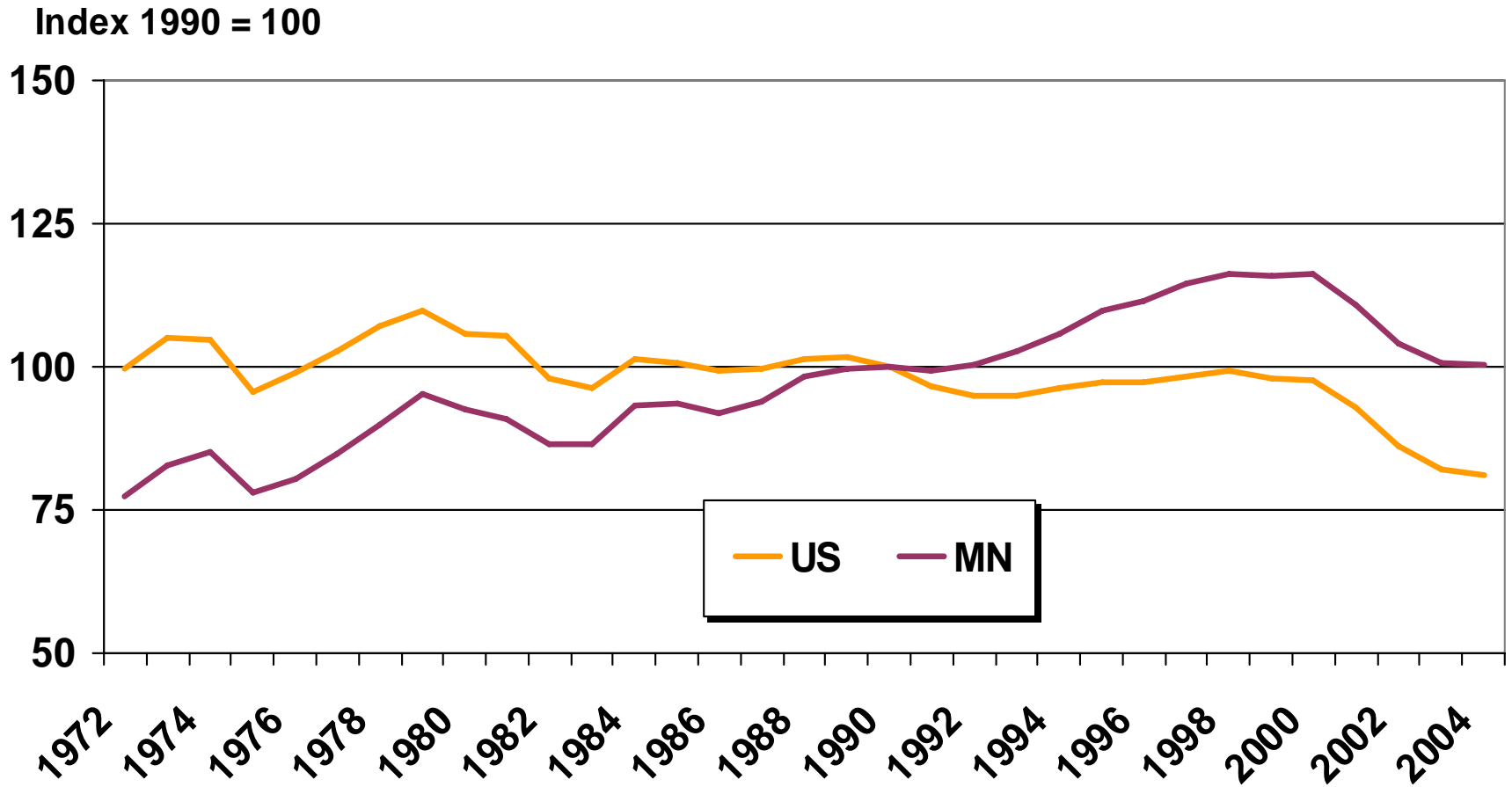
Tom Gillaspay, State Demographer

August 2005

Minnesota Has Been Very Successful, (Especially For A Cold Weather State at the End of the Road)

- **Our economic growth rate has exceeded the national average**
- **Our population growth rate leads the frost belt**
- **We rank with the leaders on many social and economic indicators**
- **Education has been a key contributor to the state's success**

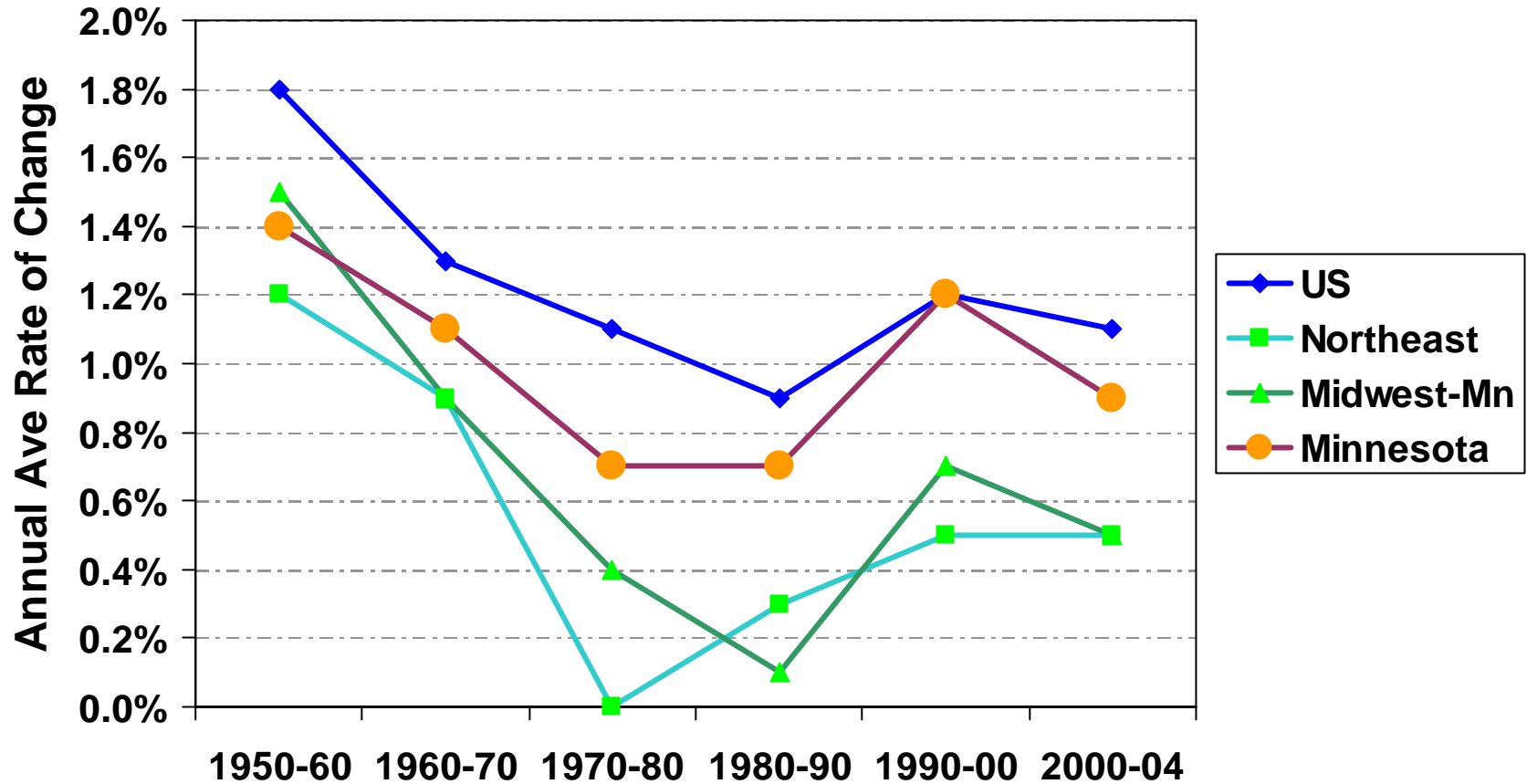
Minnesota's Manufacturing Employment Grew -- Until 2000



Minnesota's Per Capita Personal Income Exceeds the U.S. Average by 9 Percent

- **Minnesota ranked 8th in personal income per capita in 2004 - - - In 1960 Minnesota ranked 25th**
- **Personal income per capita grew at an average annual rate of 6.8 percent between 1960 and 2003**
- **Since 1960 per capita personal income has grown faster in Minnesota than in any state outside the Southeast**

Minnesota Has Grown Fast, For A Frost Belt State



Minnesota Ranks Highly In Many Social/Economic Indicators

- 4th lowest poverty rate
- 3rd percent of 16-64 employed
- 1st percent with health insurance
- 1st home ownership
- 8th median family income
- 10th in personal income per capita in 2004 - 25th in 1960
- 11th Per capita disposable income
- 4th percent of children in married couple families
- 2nd percent with at least high school diploma
- 1st United Health Foundation ranking of state healthiness
- 3rd Kids Count 2005

Selected indicators for 2004

Minnesota's Current Success Is Due to Decisions Made 50+ Years Ago

- **Private sector and public sector decisions established the foundation for growth in Minnesota's economy**
- **Dealing with challenges brought by the baby boom was a key to our success**
- **Wise investments were made**

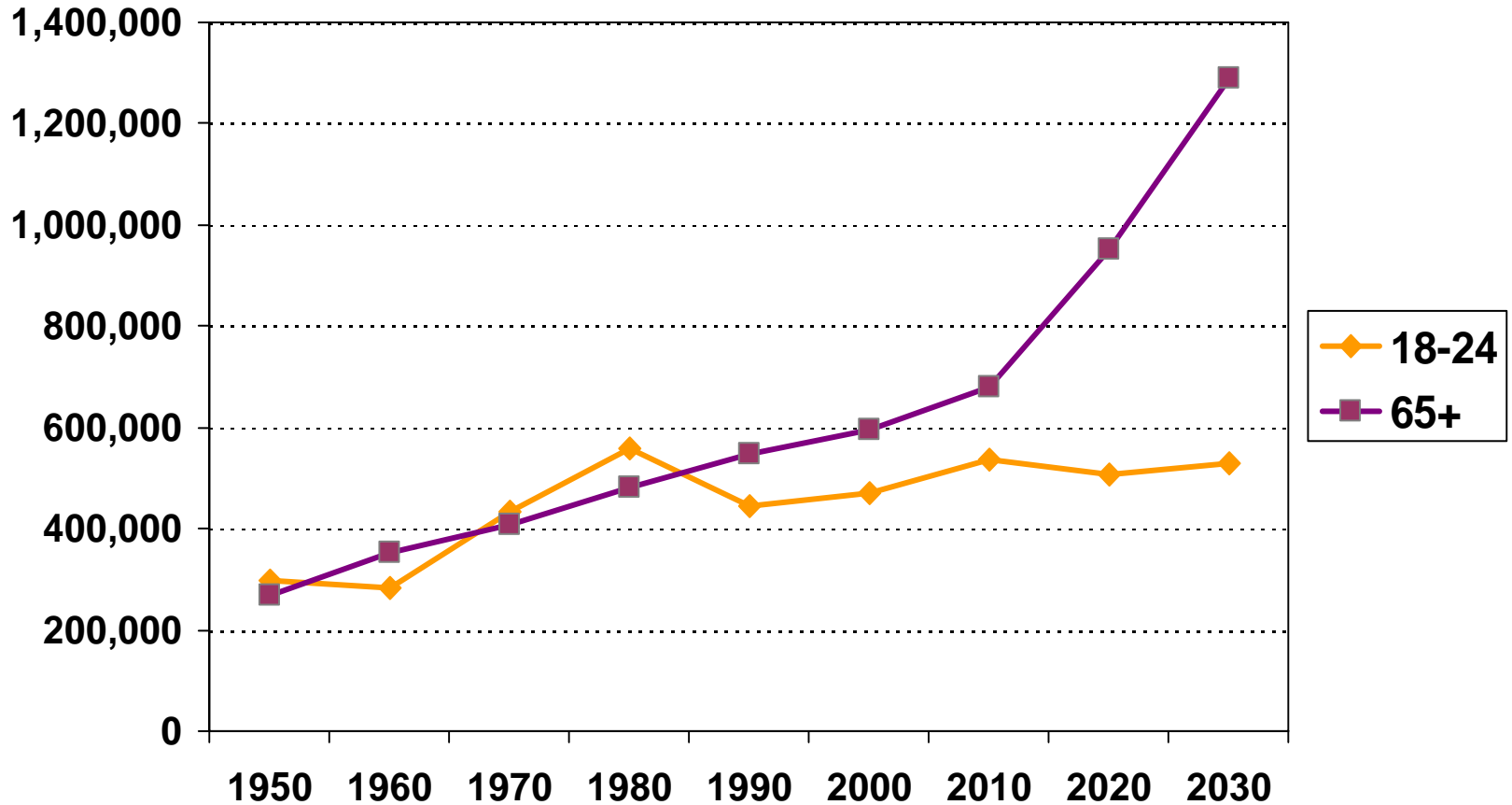
Can we afford the future?

**Can we afford to not
afford the future?**

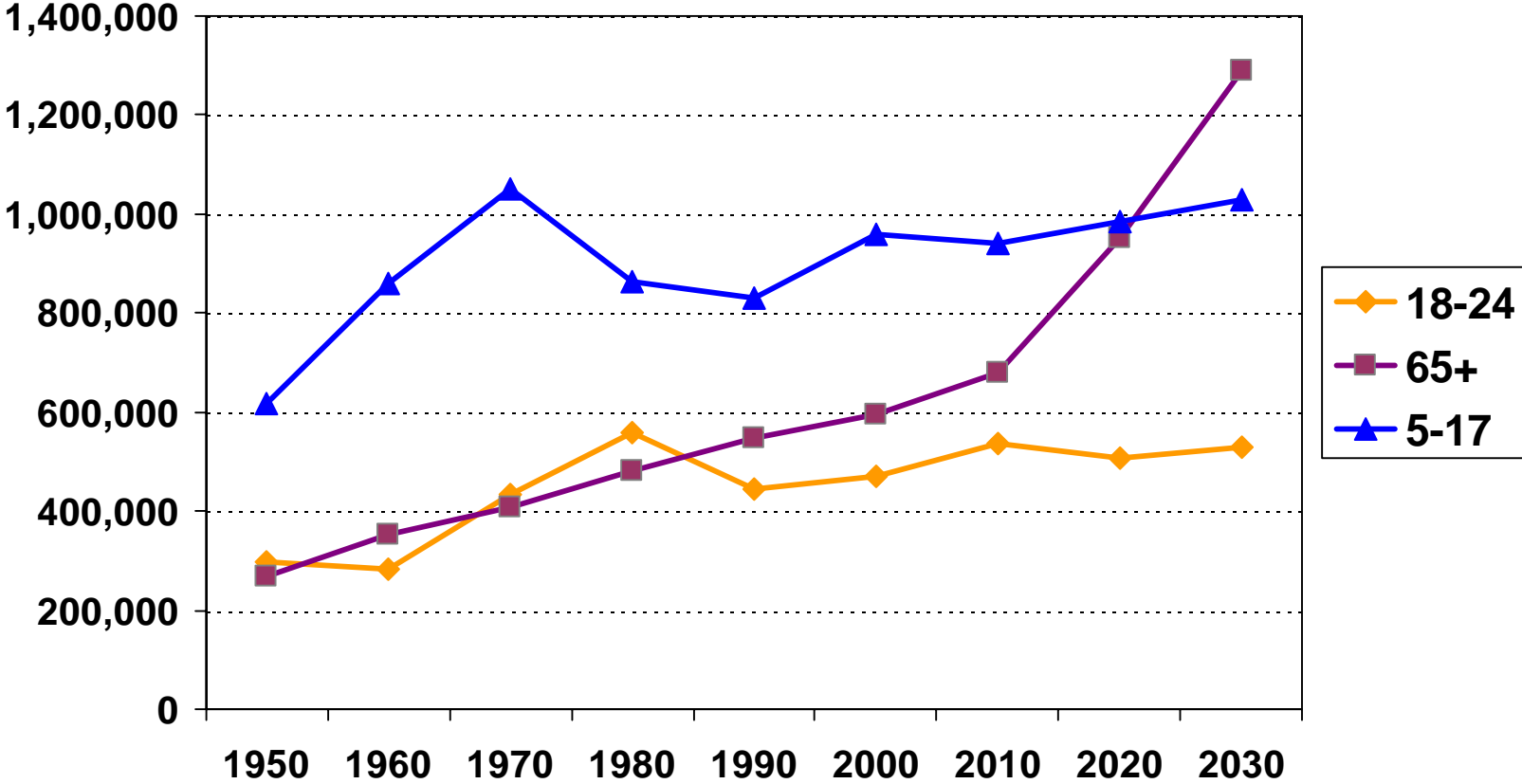
Aging Is The Dominant Demographic Trend In Minnesota And The Nation

- It is not normal for a society to age**
- Dramatic changes will be seen in 2008 and 2011 and beyond**
- By 2020, the number of Minnesotans 65+ will increase by 53%. By 2030 it will double**
- Aging, combined with growth and increased diversity will lead to challenges and opportunities not fully anticipated**

Minnesota's Boom Generation Begins Turning 65 in 2011

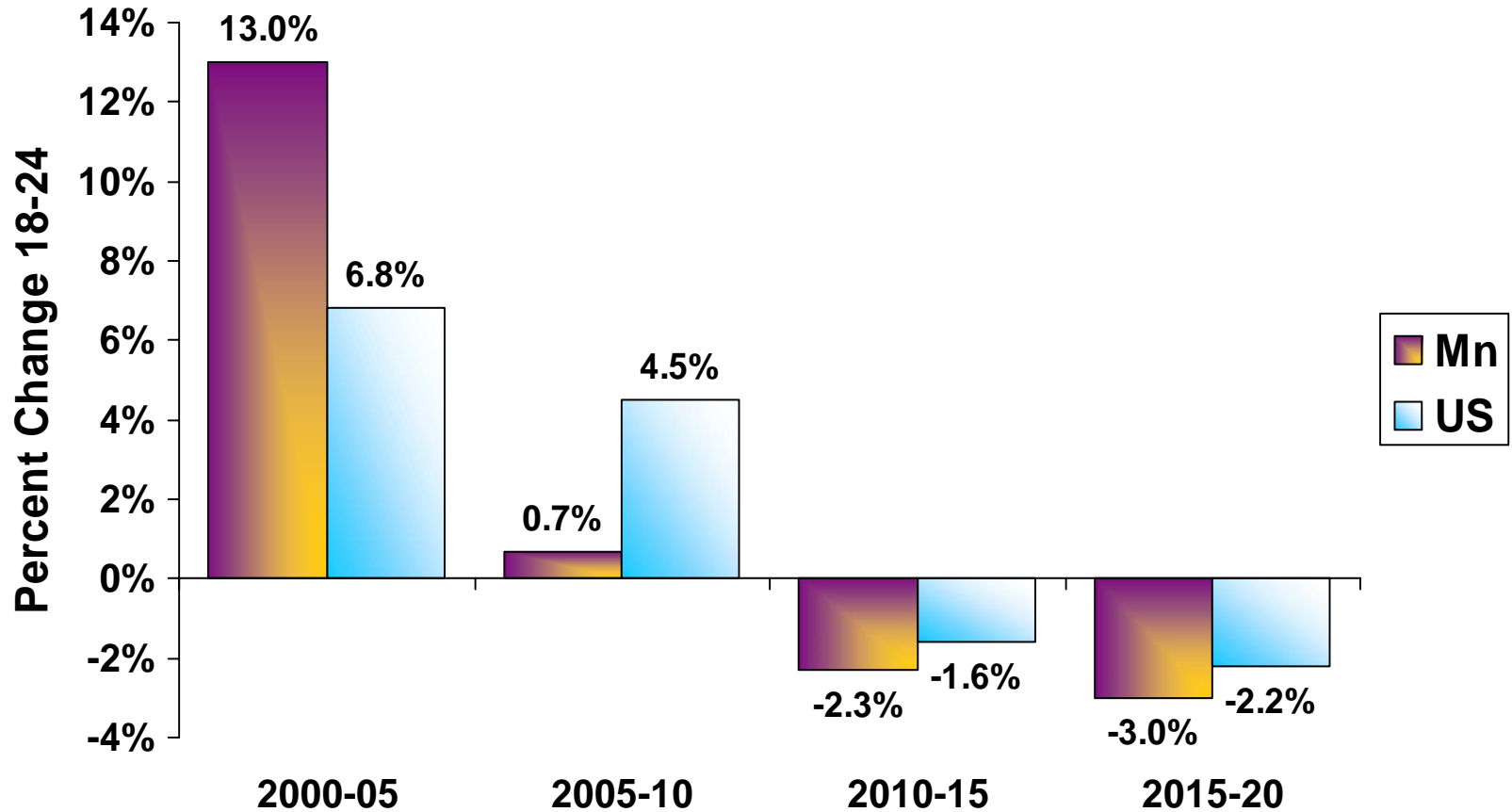


More 65+ Than School Age By 2020



Census counts & State Demographer projection

Competition For The Future Workforce Will Increase



Census Bureau US Proj, Mn State Demographer Mn Proj

Spending priorities will change

Minnesota is Growing More Diverse

- **Minnesota is one of the least diverse states in the nation—13% minority v US 32%**
- **Over half of total population growth this decade is minority.**
- **Growing disparity in education and health outcomes**
- **And this is related to age—new, diverse population is younger**

Economic Facts of Life

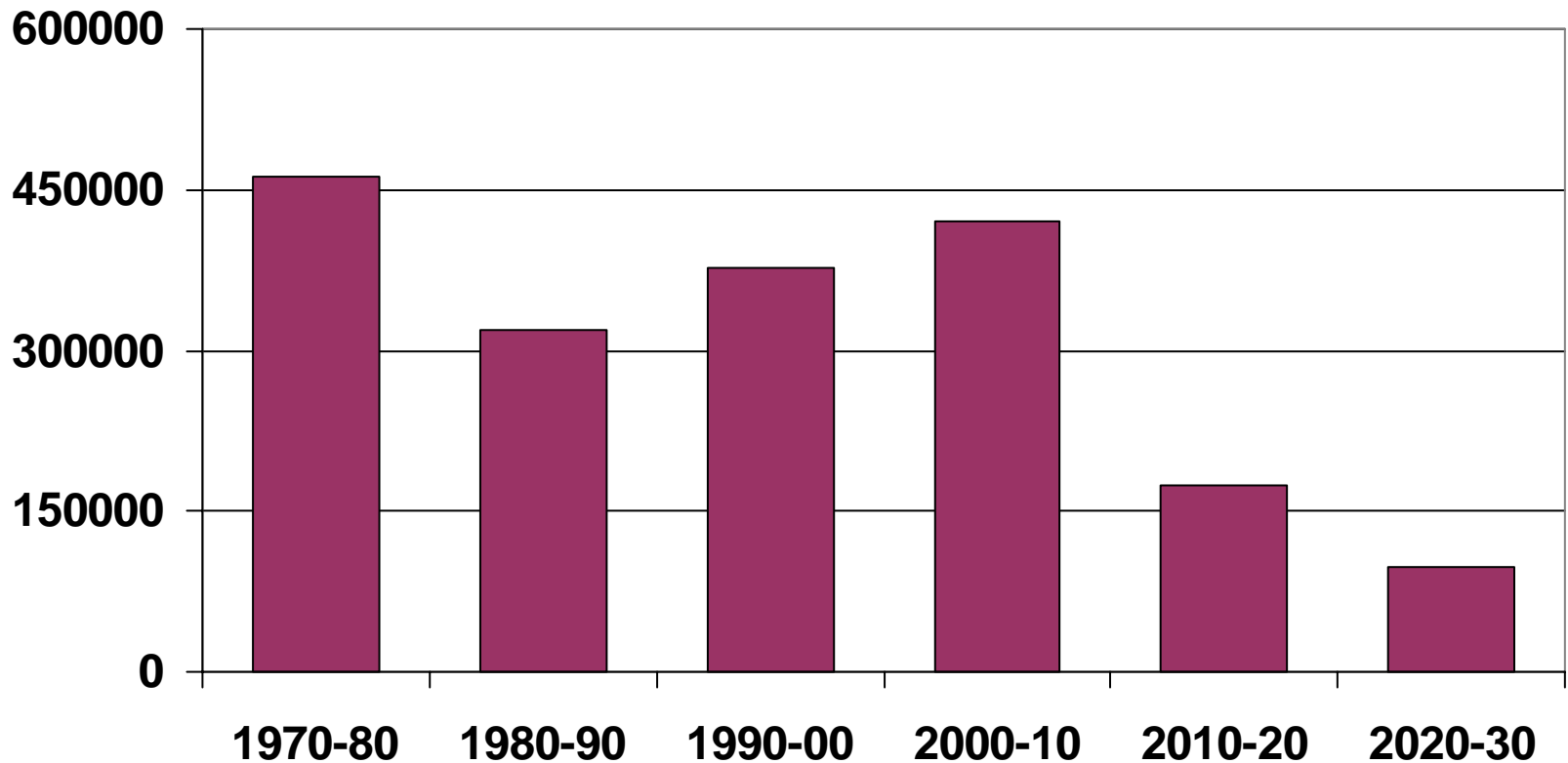
Standard of Living depends on output per resident

Output = Output per Hour * Hours Worked

If the ratio of workers to residents declines productivity will need to increase if we are to maintain our current living standard

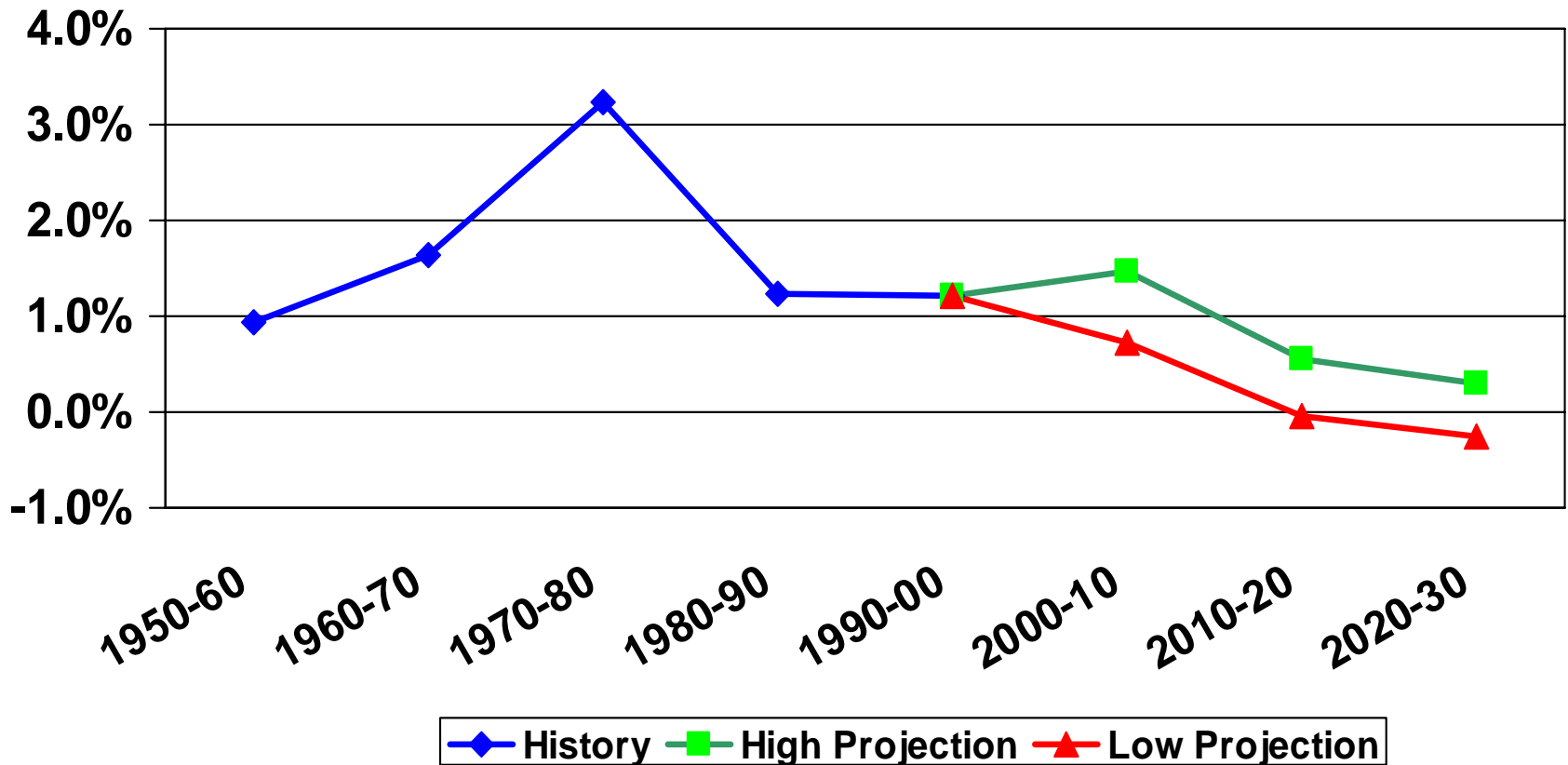
Minnesota Labor Force Expected to Grow by 421,000 by 2010 -- But Only 175,00 between 2010 and 2020

Net Labor Force Growth



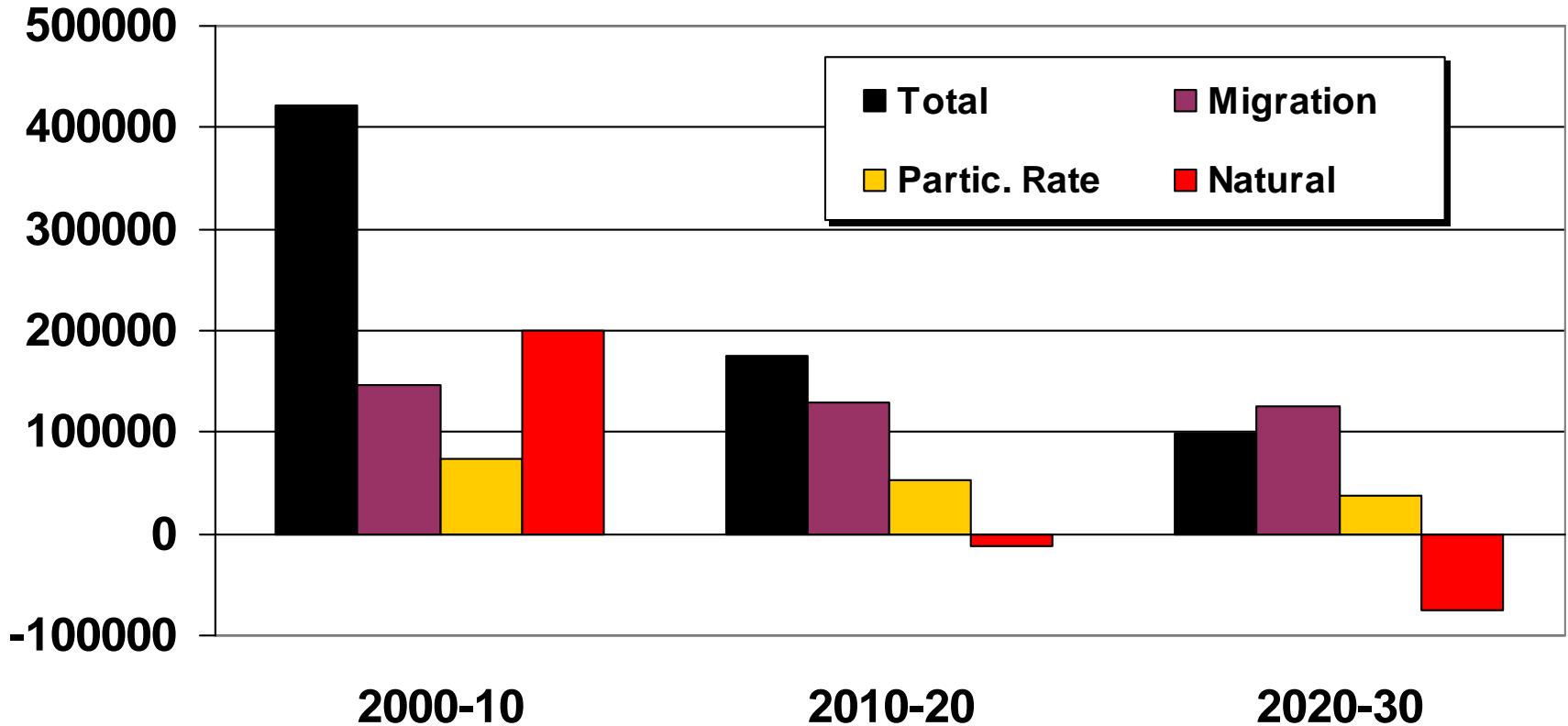
Uncertainty!

Labor Force Projections Depend On Migration And Retirement Decisions



Migration Will Become the Largest Source of New Workers in Minnesota

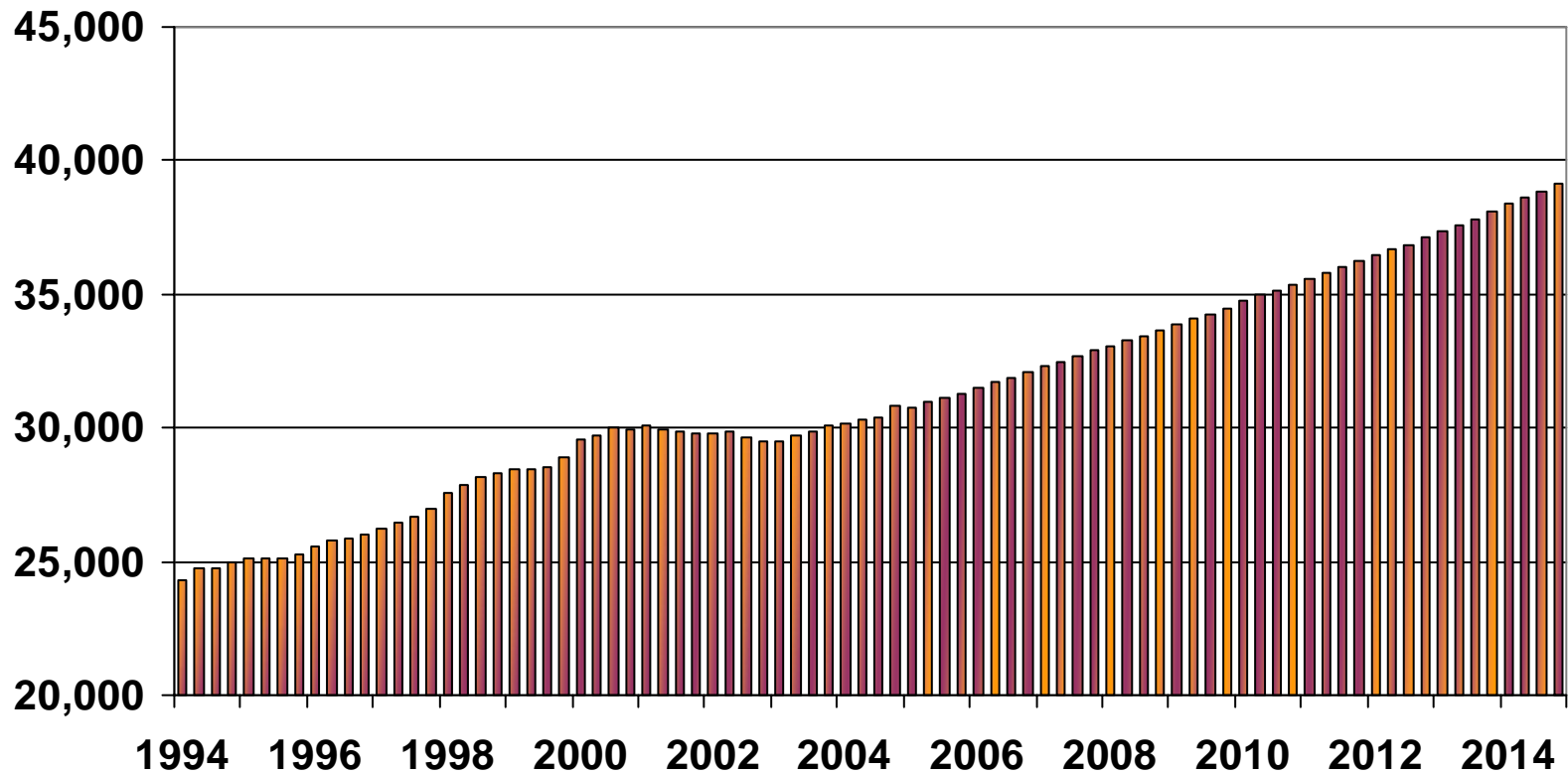
Net Labor Force Growth



Minnesota's Economy Will Grow

Real Per Capita Personal Income Is Projected to Grow 27 Percent by 2014

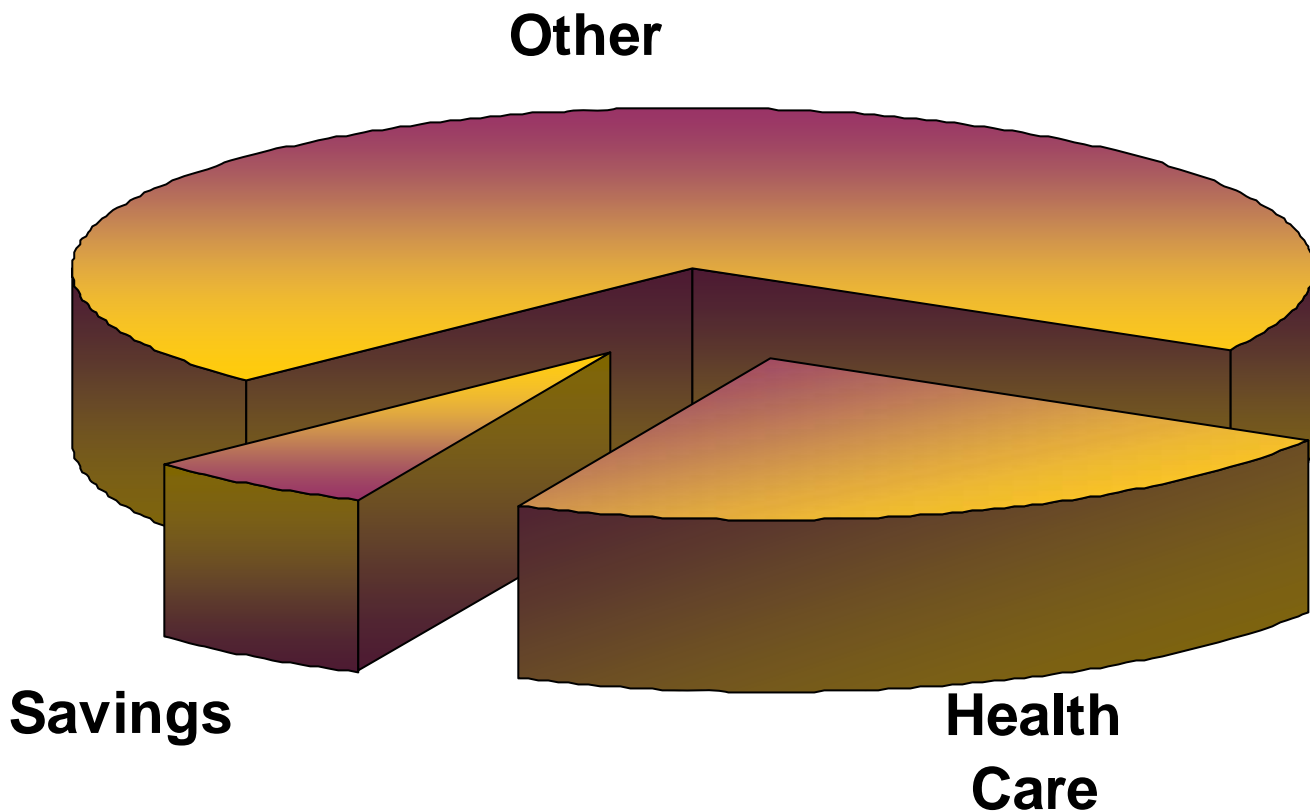
\$ per capita



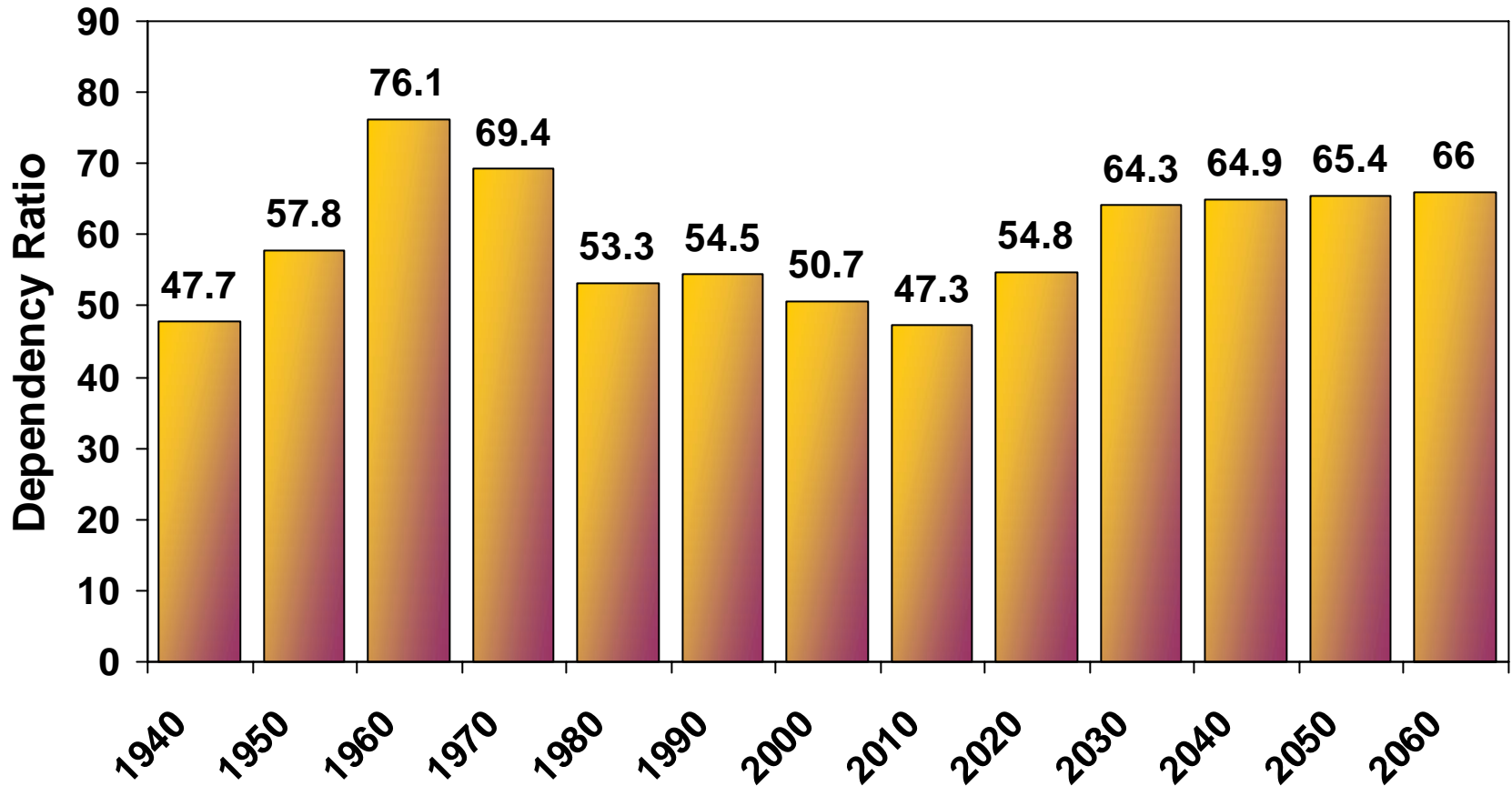
Minnesota Households Will Earn More and Be Wealthier in 2014

- **Real, per capita disposable income projected to grow to \$33,884 – by \$6,700 -- by 2014.**
- **Household wealth per capita forecast to grow 60+ percent by 2014.**
- **Inflation adjusted for**
- **Medical cost increases already included**
- **Minnesota could do better**

Two-thirds of Additional Real Income Remains After Allowing for Increases in Health Care and Savings



Minnesota's Dependency Ratio Will Begin To Rise In The Teens—Still Lower Than 1960s Level



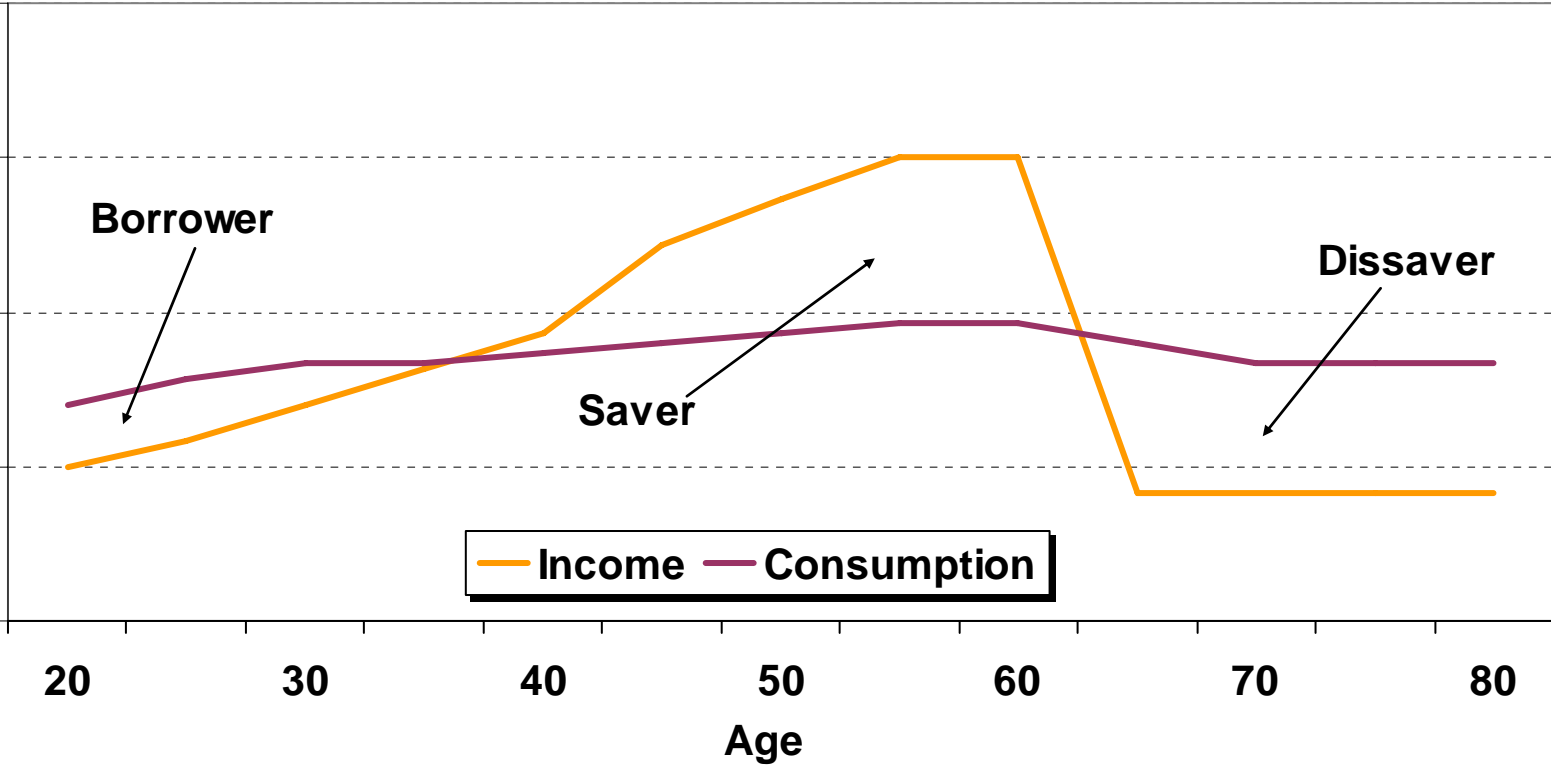
Dependency Ratio= Number of children (0-14) plus number of elderly (65+)
Divided by the population 15 to 64 time 100

Aging Of Society Will Impact Private and Public Spending

- **Health care costs will increase**
- **Shift in government priorities to issues of aging and health**
- **Older voters often more fiscally conservative**
- **State tax base will be affected as baby boom reaches retirement age**

Phases in the Household Life Cycle

Dollars



State Taxes Paid by a Married Couple Before and After Retirement

<i>Income</i>	Income Tax	Sales Tax	Total	Change	Pct
<hr/>					
<u>Working</u>					
\$35,000	\$1,236	\$782	\$2,018		
\$65,000	\$3,387	\$1,295	\$4,682		
<u>Retired @ 70 %</u>					
\$25,000	\$0	\$559	\$559	-\$1,459	-72%
\$45,000	\$1,091	\$896	\$1,987	-\$2,695	-58%

Summary

- **Minnesota has been very successful**
- **We are in a period of rapid and critical change.**
- **What we do today will shape our future for the next quarter century.**
- **Slower labor force growth heightens importance of productivity growth**

Can we afford the future?

YES

**But, what future will we
choose to afford?**

**How will Minnesotans 50
years from now view our
generation's stewardship?**