



## Minnesota Personal Income Trends, 2000 to 2005

Martha McMurry

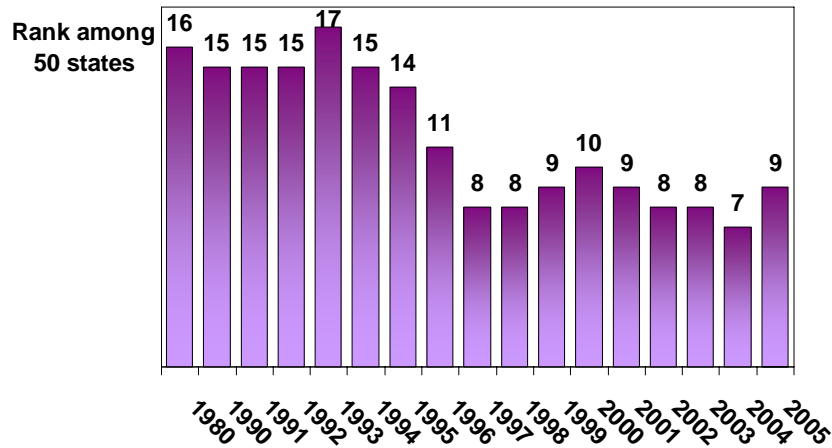
- Minnesota ranked 9<sup>th</sup> in per capita income in 2005.
- Income growth has not been as strong this decade as in the 1990s.
- Transfer payment income has grown faster than earning or assets.
- Interest and rent income have declined.
- Minneapolis-St. Paul ranked 13<sup>th</sup> among metropolitan areas in 2004 per capita income.

### **Minnesota has been in top 10 since the mid-1990s**

In 2005 Minnesota's per capita personal income was \$37,373, 9<sup>th</sup> highest among all states, according to the U.S. Bureau of Economic Analysis. Connecticut ranked first among states on per capita income (\$47,819) while Louisiana (\$24,820) ranked last. The national average was \$34,586. Most of the states with high per capita income are in the northeastern United States; mountain and southeastern states generally have lower incomes.



## Minnesota's per capita income rank improved dramatically from 1994 to 1996

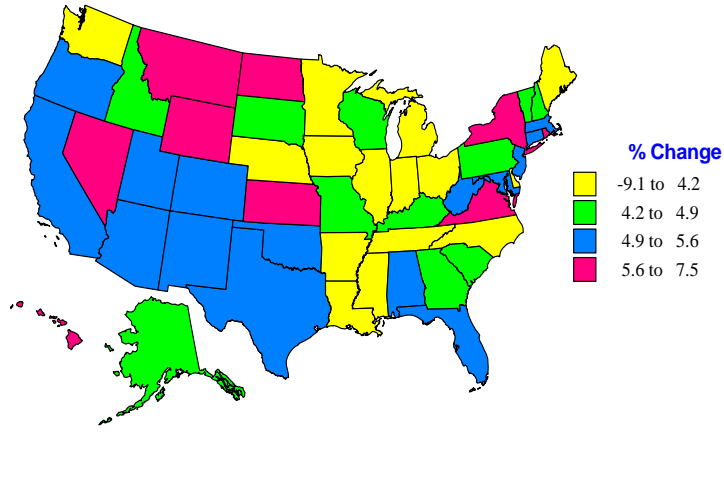


### Recent income growth has lagged

Although Minnesota has retained its high ranking, growth since 2000 has been sluggish compared to last decade. From 2000 to 2005 per capita income growth was the same in Minnesota and the U.S., 17 percent, and for the five-year period Minnesota had the 32<sup>nd</sup> highest rate of gain. Per capita income growth has barely exceeded the inflation rate, 13 percent.

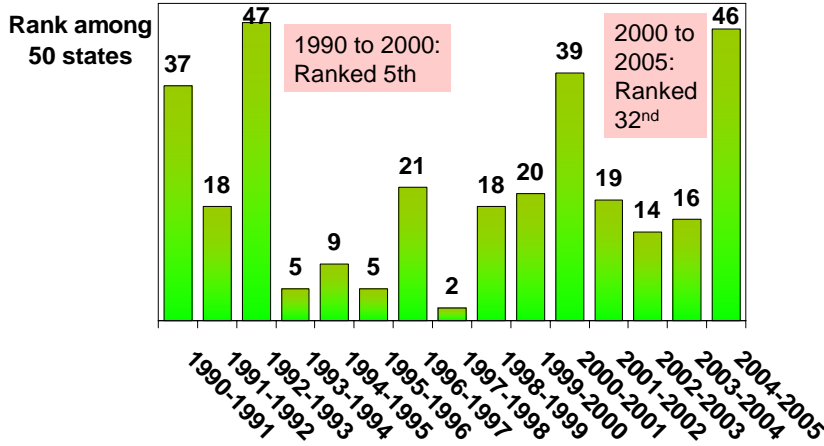
The most recent data provide both positive and negative results. In the most recent full year of data, 2004 to 2005 income gains in Minnesota ranked 46<sup>th</sup> among all states, mainly because of lagging earnings growth. From 2004 to 2005 the District of Columbia posted the highest per capita income growth, 7.5 percent, followed by Wyoming (7.3 percent), North Dakota (6.4 percent) and Montana (6.3 percent). Generally western states did better than eastern states between 2004 and 2005.

Minnesota had 5th lowest income growth from 2004 to 2005  
Bureau of Economic Analysis Per Capita Income



A one-year number is not a good guide to long-term income trends. Even in the generally good years of the 1990s, Minnesota's rank on income growth fluctuated wildly from year to year. During the past 15 years its growth rate has ranked as low as 46<sup>th</sup> and as high as second.

## Minnesota's rank on percent change in income varies greatly by year



U.S. Bureau of Economic Analysis

### Transfer payments grow the most; asset income the least

The Bureau of Economic Analysis divides income into three broad types: earnings; interest, dividends and rent; and transfer payments. Detailed data on per capita income by type is available only through 2004. Between 2000 and 2004 transfer payments grew the most and asset income – interest, dividends and rent – grew the least.

### 2004 per capita personal income by source, U.S. and Minnesota

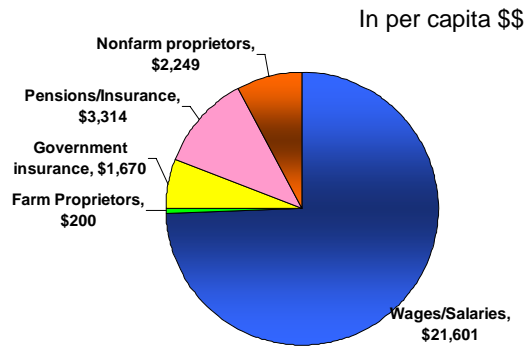
	2004 per capita income		Percent change, 2000 to 2004	
	U.S.	Minnesota	U.S.	Minnesota
Total	\$33,050	\$36,184	10.7	13.0
Earned income	\$22,978	\$25,376	11.8	14.2
Transfer payment income	\$4,863	\$4,484	26.6	30.3
Interest, dividends and rent	\$5,209	\$6,324	-4.3	-0.4

Source: U.S. Bureau of Economic Analysis

Earnings, including wage and salary income and proprietors' income, are the major source of income for Minnesotans. Wage and salary income includes payments made on behalf of employees, such as payments for health insurance, retirement, and government insurance

programs. Proprietors' income is subdivided into farm proprietors' income and nonfarm proprietors' income.

## Sources of earned income, Minnesota, 2004



Bureau of Economic Analysis

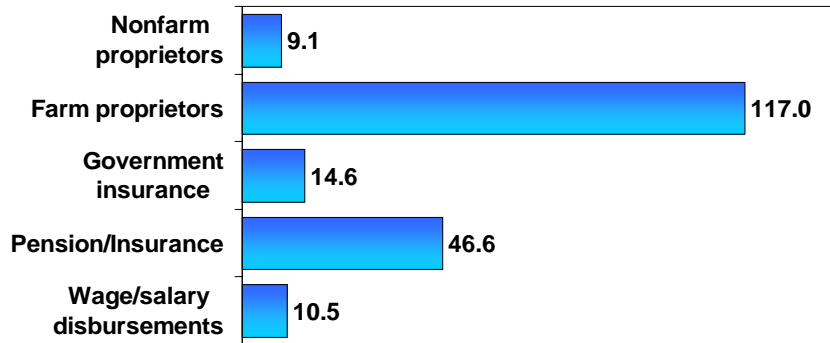
### **Insurance payments grow more than wage and salary disbursements**

In 2004, 70.1 percent of Minnesota's personal income derived from earnings, about the same as the national average. From 2000 to 2004, per capita earnings grew 14.2 percent in Minnesota, above the U.S. average of 11.8 percent. Preliminary 2005 data show substantially slower earnings growth between 2004 and 2005 in Minnesota.

A more detailed analysis of the earnings data is consistent with the belief that take-home pay is not growing as fast as fringe benefits. Per capita wages and salaries disbursements, what people receive in their paychecks, rose 10.5 percent between 2000 and 2004. At the same time, employer contributions to pensions and insurance rose 46.6 percent, in part because of rising health insurance costs. Farm proprietors' income, which fluctuates greatly from year to year, experienced strong growth over a four-year period. In 2004 farm income accounted for less than one percent of all Minnesota earned income.

# Wages and salaries grow less than insurance contributions

Minnesota BEA per capita income, % change, 2000 to 2004

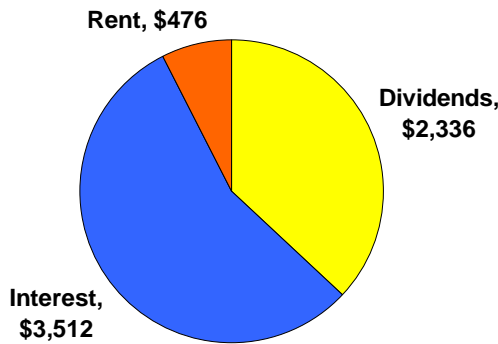


Bureau of Economic Analysis data

## Asset income grows slowly in 2000's

Assets such as income, dividends and rent accounted for 17.4 percent of Minnesota's income in 2004, slightly above the national average of 16.0 percent. This category includes income earned in pension and 401(k) funds. The 2000s have been a poor decade for asset incomes, with per capita figures falling 0.4 percent in Minnesota and 4.3 percent in the U.S. over the first four years of the decade. Per capita interest income was the major culprit, shrinking 10 percent from 2000 to 2004. This poor performance reflects low interest rates. Interest rates paid on savings account and certificates of deposit hovered below 2 percent for most of the early 2000s. Rent income also fared poorly, falling 8 percent this decade. Dividend income provided a sharp contrast, showing a 22 percent gain.

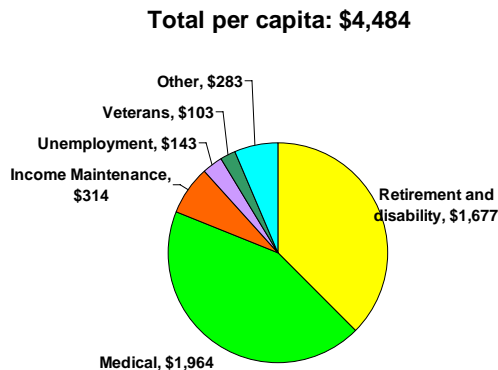
# Minnesota per capita asset income was \$6,324 in 2004



U.S. Bureau of Economic Analysis

Transfer payments accounted for 12.4 percent of Minnesota's income in 2004, below the national average of 14.7. From 2000 to 2004, per capita transfer payments grew 30.3 percent in Minnesota, compared to 26.6 percent nationally. Transfer payments have grown faster than other types of income. Medical payments contributed to this rapid growth, increasing from \$1,283 per capita in 2000 to \$1,964 in 2004.

## Sources of transfer payment income, Minnesota, 2004



Bureau of Economic Analysis

### **Government medical payments grow rapidly**

The major types of transfer payments are Social Security pension and disability payments and government-financed medical payments from Medicaid and Medicare. Income maintenance benefits such as food stamps and public assistance, unemployment benefits and Veterans' benefits are also included.

Many people might not think of Medicare or Medicaid as "personal income," but they are considered to be such by the Bureau of Economic Analysis. Medical payments account for a substantial, and increasing, share of transfer payment income. The value of health insurance received from employers is counted under wages and salaries. Private pension income, in contrast to Social Security income, is not counted as part of personal income.

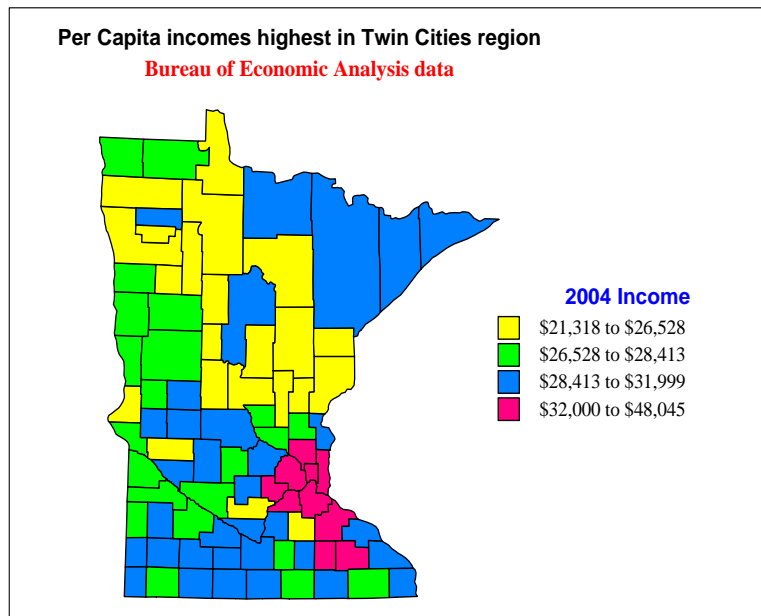
### **Per capita transfer payments by source and percent change, 2000 to 2004 U.S. and Minnesota**

	<b>2004 per capita income</b>		<b>Percent change, 2000 to 2004</b>	
	<b>U.S.</b>	<b>Minnesota</b>	<b>U.S.</b>	<b>Minnesota</b>
Total	\$4,863	\$4,484	26.6	30.3
Government retirement/disability benefits	\$1,763	\$1,677	17.1	18.2
Medical benefits	\$2,074	\$1,964	36.8	48.2
Income maintenance benefits	\$482	\$314	27.5	23.6
Unemployment insurance compensation	\$126	\$143	72.5	78.8
Veterans benefits	\$115	\$103	30.3	33.8
Other	\$303	\$283	8.0	-1.4

Source: U.S. Bureau of Economic Analysis

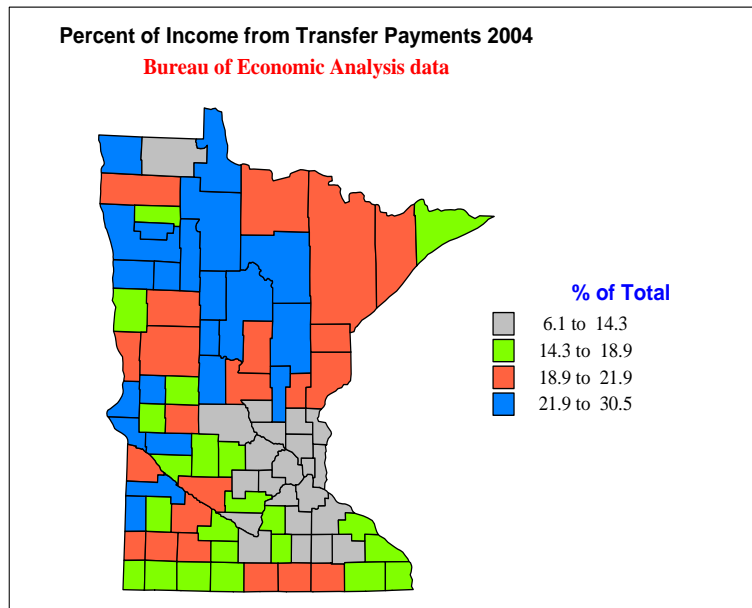
### **County Incomes vary widely**

The Twin Cities and Rochester areas have the highest per capita incomes in Minnesota, while north central counties have the lowest per capita incomes. County per capita income is available only through 2004. Per capita income in Hennepin County (\$48,045) is substantially above the next-highest counties, Carver (\$42,599) and Washington (\$41,351). Mahnomon County has the lowest per capita income, \$21,318, followed by Red Lake (\$21,970) and Clearwater (\$21,988).



Differences in earnings are the main factor separating high- and low-income counties. Per capita earned income in Hennepin County \$34,008, is more than three times that in Mahnommen County, \$10,744. The high income metropolitan counties derive a larger share of their incomes from earnings. In Scott County, 82 percent of total income derives from earnings, compared to only 42 percent in Traverse County and 50 percent in Cass and Mahnommen counties.

Rural counties, especially those in north central Minnesota, are more reliant on transfer payments. Per capita transfer payment income in Big Stone County is \$7,068, compared to only \$2,369 in Scott County. Rural counties have a larger proportion of elderly people who do not work and depend on Social Security and Medicare.



### **Rural counties see higher rate of income growth from 2000 to 2004**

2004 was a good income year for many rural counties in Minnesota. Over a 4-year period the highest growth occurred in Lake County (29.9 percent), followed by Pope (27.5 percent) and Jackson (27.1 percent) counties. Income gains were strong in southwestern Minnesota because of solid gains in farm income. Farm income fluctuates radically from year to year, and 2004 was a favorable year in the southwest.

Income rank in some counties fluctuates enormously from year to year, while in other counties the ranking is very stable. At the high end, Hennepin County has ranked first every year between 1990 and 2004. At the low end, Clearwater County has always been at or near the bottom, with an annual ranking no higher than 80<sup>th</sup> among the 87 counties. In contrast, Kittson, Lake and Lac qui Parle counties provide examples of tremendous variation. Kittson County has ranked as high as eighth (1990) and as low as 76<sup>th</sup> (2001). Lake County popped up into the top 20 in the last four years after much lower rankings in the 1990s. Lac qui Parle County ranked as high as 34<sup>th</sup> (1996) and as low as 82<sup>nd</sup> (1993). Smaller counties, particularly those dependent on agriculture, often witness big up and down income swings.

### Per capita income by county, Minnesota, 2000 to 2004

	2000	2003	2004	2004	2004	2004	Percent change, total	
	Total per capita	Total per capita	Total per capita	Earnings per capita	Assets per capita	Transfer payments per capita	per capita income 2000 to 2004	per capita income 2003 to 2004
Minnesota	32,017	34,256	36,184	25,376	6,324	4,484	13.0	5.6
Aitkin	21,331	23,150	24,215	12,591	4,903	6,721	13.5	4.6
Anoka	30,770	32,680	34,188	26,817	4,057	3,314	11.1	4.6
Becker	24,160	26,524	27,617	16,873	5,231	5,513	14.3	4.1
Beltrami	21,524	24,126	24,926	14,938	4,329	5,659	15.8	3.3
Benton	24,991	26,971	28,371	20,237	4,579	3,555	13.5	5.2
Big Stone	22,328	24,602	28,362	14,524	6,769	7,068	27.0	15.3
Blue Earth	25,910	28,864	30,826	20,098	6,513	4,215	19.0	6.8
Brown	25,597	28,392	30,757	18,330	7,140	5,286	20.2	8.3
Carlton	23,911	25,289	26,262	16,756	3,813	5,693	9.8	3.8
Carver	38,913	40,696	42,599	33,759	6,231	2,610	9.5	4.7
Cass	24,453	27,320	28,673	14,377	7,668	6,628	17.3	5.0
Chippewa	24,695	27,486	29,500	18,099	6,054	5,347	19.5	7.3
Chisago	27,827	28,269	29,416	21,207	4,314	3,894	5.7	4.1
Clay	22,876	26,164	26,976	17,543	4,765	4,668	17.9	3.1
Clearwater	20,837	21,703	21,988	12,751	2,961	6,275	5.5	1.3
Cook	26,651	28,904	30,670	17,439	8,245	4,986	15.1	6.1
Cottonwood	23,248	25,814	28,874	16,778	6,018	6,078	24.2	11.9
Crow Wing	23,527	25,042	26,264	15,752	4,802	5,710	11.6	4.9
Dakota	36,576	38,819	40,788	31,555	6,160	3,074	11.5	5.1
Dodge	26,420	30,235	32,137	23,109	5,354	3,675	21.6	6.3

	2000 Total per capita	2003 Total per capita	2004 Total per capita	2004 Earnings per capita	2004 Assets per capita	2004 Transfer payments per capita	Percent change, total per capita income	
							2000 to 2004	2003 to 2004
Douglas	25,218	27,771	29,526	18,146	6,182	5,198	17.1	6.3
Faribault	23,573	26,355	29,330	17,322	5,908	6,100	24.4	11.3
Fillmore	23,559	25,725	27,887	17,572	5,080	5,235	18.4	8.4
Freeborn	23,968	25,820	27,488	16,956	4,899	5,632	14.7	6.5
Goodhue	27,649	30,129	32,524	22,062	5,970	4,492	17.6	7.9
Grant	24,505	25,044	26,988	14,397	6,223	6,369	10.1	7.8
Hennepin	43,075	45,344	48,045	34,008	9,338	4,698	11.5	6.0
Houston	25,942	28,233	30,088	20,053	5,323	4,711	16.0	6.6
Hubbard	21,188	24,036	25,012	14,587	4,603	5,822	18.0	4.1
Isanti	26,311	27,198	28,400	21,190	3,388	3,821	7.9	4.4
Itasca	22,205	24,138	25,391	14,562	4,721	6,108	14.3	5.2
Jackson	22,761	25,602	28,919	18,476	5,646	4,798	27.1	13.0
Kanabec	21,673	23,075	24,505	15,420	4,265	4,821	13.1	6.2
Kandiyohi	26,777	28,840	30,800	19,428	6,253	5,119	15.0	6.8
Kittson	25,324	30,487	27,731	15,514	6,006	6,211	9.5	-9.0
Koochiching	24,491	27,801	29,661	18,938	4,268	6,454	21.1	6.7
Lac qui Parle	23,584	23,642	27,959	16,573	5,252	6,134	18.6	18.3
Lake	24,288	29,619	31,542	18,502	6,721	6,319	29.9	6.5
Lake of the Woods	19,908	23,217	23,559	12,504	5,550	5,505	18.3	1.5
Le Sueur	27,533	27,816	29,289	19,741	5,179	4,368	6.4	5.3
Lincoln	22,451	24,442	27,657	16,359	5,082	6,216	23.2	13.2
Lyon	25,956	27,845	30,209	19,538	5,743	4,928	16.4	8.5
McLeod	26,676	27,907	29,369	19,780	5,449	4,141	10.1	5.2

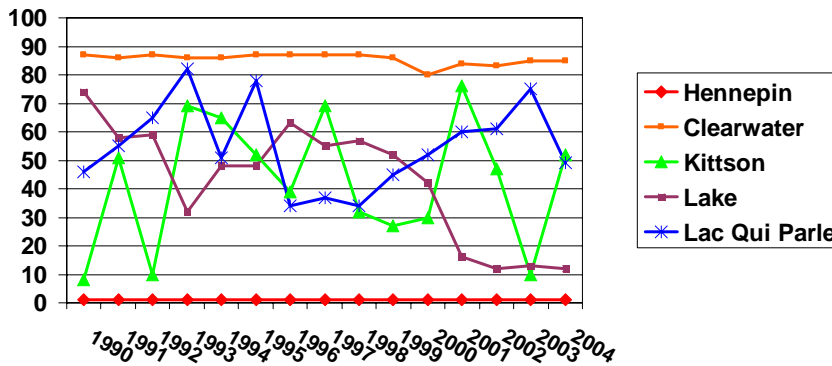
	2000 Total per capita	2003 Total per capita	2004 Total per capita	2004 Earnings per capita	2004 Assets per capita	2004 Transfer payments per capita	Percent change, total per capita income	
							2000 to 2004	2003 to 2004
Mahnomen	19,949	21,914	21,318	10,744	4,075	6,499	6.9	-2.7
Marshall	24,922	29,238	26,019	14,136	6,194	5,689	4.4	-11.0
Martin	26,117	29,061	31,807	19,508	6,292	6,008	21.8	9.4
Meeker	23,274	24,982	26,787	17,634	4,591	4,562	15.1	7.2
Mille Lacs	21,918	22,790	23,761	14,190	3,873	5,698	8.4	4.3
Morrison	21,241	22,869	24,657	15,525	4,054	5,078	16.1	7.8
Mower	25,298	28,091	30,297	18,494	6,039	5,765	19.8	7.9
Murray	23,722	25,523	29,192	17,442	6,167	5,583	23.1	14.4
Nicollet	26,544	28,066	29,561	20,826	5,041	3,694	11.4	5.3
Nobles	23,187	25,760	28,329	18,329	4,933	5,067	22.2	10.0
Norman	24,012	28,191	26,669	14,267	5,889	6,512	11.1	-5.4
Olmsted	32,556	36,739	38,283	27,833	6,289	4,161	17.6	4.2
Otter Tail	22,928	25,331	26,719	15,506	5,626	5,586	16.5	5.5
Pennington	26,317	30,652	31,225	18,938	7,005	5,282	18.6	1.9
Pine	20,757	22,894	24,189	15,179	3,722	5,289	16.5	5.7
Pipestone	23,856	26,252	29,402	18,835	4,897	5,670	23.2	12.0
Polk	23,007	25,918	26,366	16,293	4,229	5,843	14.6	1.7
Pope	23,368	27,984	29,804	17,721	6,369	5,713	27.5	6.5
Ramsey	33,394	36,548	38,885	26,475	6,960	5,450	16.4	6.4
Red Lake	21,941	22,765	21,970	13,201	3,669	5,100	0.1	-3.5
Redwood	23,849	24,879	27,751	16,201	6,124	5,426	16.4	11.5
Renville	23,486	24,721	26,986	15,992	5,688	5,306	14.9	9.2
Rice	23,985	25,451	26,528	18,489	4,301	3,738	10.6	4.2

	2000 Total per capita	2003 Total per capita	2004 Total per capita	2004 Earnings per capita	2004 Assets per capita	2004 Transfer payments per capita	Percent change, total per capita income	
							2000 to 2004	2003 to 2004
Rock	24,574	26,119	28,457	17,962	5,363	5,131	15.8	9.0
Roseau	26,188	29,617	28,413	19,369	4,994	4,050	8.5	-4.1
St. Louis	26,246	29,136	31,032	19,089	5,860	6,083	18.2	6.5
Scott	33,712	33,012	34,225	28,039	3,817	2,369	1.5	3.7
Sherburne	25,590	26,494	27,337	21,242	3,351	2,744	6.8	3.2
Sibley	21,985	23,874	26,255	17,335	4,223	4,696	19.4	10.0
Stearns	25,138	27,255	28,877	20,062	4,947	3,869	14.9	6.0
Steele	27,188	28,573	30,449	21,135	5,241	4,073	12.0	6.6
Stevens	24,697	27,715	29,419	17,453	7,159	4,806	19.1	6.1
Swift	20,163	20,654	22,976	13,299	4,276	5,401	14.0	11.2
Todd	19,619	20,887	22,121	13,634	3,278	5,209	12.8	5.9
Traverse	22,460	23,645	25,925	10,929	8,278	6,718	15.4	9.6
Wabasha	26,145	28,834	30,531	20,695	5,179	4,657	16.8	5.9
Wadena	19,375	22,473	23,856	12,481	4,718	6,657	23.1	6.2
Waseca	23,399	25,140	27,232	18,558	4,377	4,298	16.4	8.3
Washington	36,431	39,261	41,351	31,372	7,055	2,923	13.5	5.3
Watsonwan	22,854	25,471	28,994	19,114	4,644	5,236	26.9	13.8
Wilkin	22,580	25,854	27,332	16,356	5,496	5,480	21.0	5.7
Winona	24,277	26,601	28,478	18,103	5,959	4,417	17.3	7.1
Wright	27,635	28,942	30,553	23,679	3,660	3,214	10.6	5.6
Yellow Medicine	22,871	24,033	27,498	16,194	4,896	6,407	20.2	14.4

Source: U.S. Bureau of Economic Analysis  
Assets includes interest, dividends and rent.

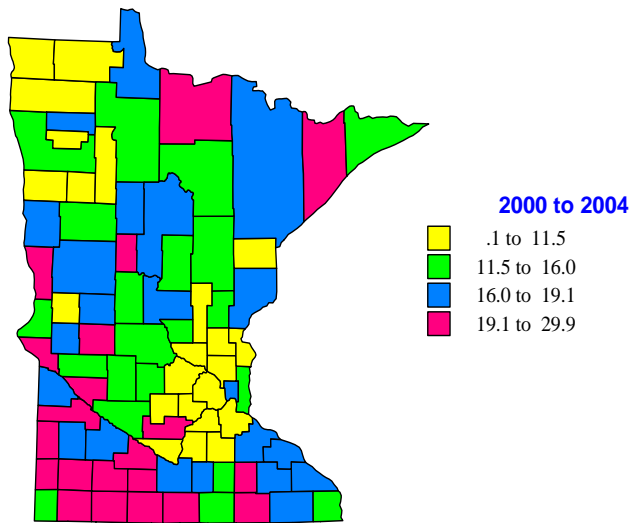
# Some counties have stable income ranks; others fluctuate

Income rank among 87 counties



Twin Cities income growth rate lags in 2000s

Bureau of Economic Analysis data



The smallest income gains occurred in Red Lake, 0.1 percent, and Scott, 1.5 percent. Income growth lagged in the Minneapolis-St. Paul Metropolitan Area, traditionally the major engine of the state's economy. Five of the twelve counties with the slowest income growth are in

the Twin Cities suburbs. Slow earnings growth and declines in asset income were the major factors.

### **Farm Income plays a large role in some counties**

Farming accounts for a small proportion of Minnesota's total income, but is very important in some regions. Because farm income can swing dramatically from year to year, counties that are more dependent on farming tend to show up as among the leaders in income growth or among the greatest losers. Counties that are among the greatest losers one year may be among the greatest gainers the next year.

Using the BEA data to measure dependence on farming can be misleading. A county where farming is a big part of the economy may experience bad weather or low crop prices, resulting in a negative farm income. Generally a high farm income demonstrates dependence on farming, but a low income may mean either that farming is not significant in the local economy or that it was a bad year for farmers.

Overall, per capita farm income in Minnesota in 2004 was \$305, accounting for less than one percent of total income. But in nine counties in southwestern Minnesota, farming accounted for 10 percent or more of all income. Watonwan County had the highest per capita farm income, \$4,312, followed by Lac qui Parle (\$4,228) and Rock (\$3,998) counties.

### **Twin Cities area ranks high among metropolitan areas**

Despite sluggish income growth from 2000 to 2004, the Minneapolis-St. Paul area ranked 13<sup>th</sup> among 360 metropolitan areas with a per capita income of \$40,915 in 2004.

Metropolitan areas are defined by the federal government and may include counties in more than one state; two Wisconsin counties are included in the Twin Cities metropolitan area along with 11 Minnesota counties. Among other metropolitan areas that lie at least partly in Minnesota, Rochester ranked 36<sup>th</sup>, Fargo 110<sup>th</sup>, LaCrosse 161<sup>st</sup>, Duluth 169<sup>th</sup> and St. Cloud 184<sup>th</sup>.

### **Sources**

Estimates of personal income in this report come from the U.S. Bureau of Economic Analysis, U.S. Department of Commerce at:

<http://www.bea.gov/>

These income estimates are part of the National Income and Product Accounts and are derived using a wide variety of administrative records. Personal income estimates are revised each year and data from previous years may be revised slightly in the current release.

2005 state per capita income can be found at:

<http://www.bea.gov/bea/newsrel/SPINewsRelease.htm>

For more information on the personal income methodology, see:

<http://www.bea.gov/bea/regional/articles.cfm?section=methods>

County tables of income and components of income can be found on the State Demographic Center web site at:

<http://www.demography.state.mn.us/resource.html?Id=18667>

Changes in the Consumer Price Index can be found at:

<http://woodrow.mpls.frb.fed.us/research/data/us/calc/>

Barbara Ronningen, "What really is Minnesota's annual income?" Working Paper #5-95, Office of State Demographer, March, 1995. Compares different sources of income data.

<http://www.demography.state.mn.us/resource.html?Id=3531>

Barbara Ronningen, "Recession dampens Minnesota's personal income only slightly." Population Notes, September, 2004.

<http://www.demography.state.mn.us/DownloadFiles/Recession.pdf>

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