

Minnesota Cost of Living Study

Annual Report 2023

Angelina Nguyen, LMI Director

Amanda Rohrer, LMI Database Administrator

Labor Market Information Office

Minnesota Department of Employment and Economic Development

Cost of Living Data Tool: [Cost of Living in Minnesota / Minnesota Department of Employment and Economic Development \(mn.gov\)](https://www.mn.gov/cost-of-living)

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Introduction

The Cost of Living Study provides an estimate of a basic-needs cost of living in Minnesota for individuals and for various family sizes, by county, region, and statewide. The study examines living costs in seven cost categories: food, housing, health care, transportation, childcare, other necessities, and net taxes. [1]

The Labor Market Information (LMI) office of the Department of Employment and Economic Development (DEED) is mandated by Minnesota Statutes 2013, chapter 116J, section 13 to report every February on the year’s updated Cost of Living Study results and to provide analysis and recommendations to aid in the assessment of employment and economic development planning needs throughout the state.

Study Mission and Purpose

The mission of the Cost of Living Study is to estimate a basic-needs cost of living in Minnesota for individuals and families, by county, region, and statewide. The study examines living costs in seven cost categories: food, housing, health care, transportation, childcare, other necessities, and net taxes.

The Cost of Living represents neither a poverty living nor a middle-class living but rather a simple living that meets basic needs for health and safety.

To meet the mandate of a basic needs living study, the following costs are excluded, even though several may be part of a normal, healthy life: savings, vacations, entertainment, eating out, tobacco, and alcohol.

Rather than describing what families are spending, as the Consumer Expenditure Survey does, the Cost of Living study examines the cost of basic needs. For example, we might buy one apple for our two children and split it in half if that's all we can afford. That's our spending. But our family actually needs two apples. That's our basic need.

And rather than looking at the rate of change over time as the Consumer Price Index does, the Cost of Living looks at dollar costs. As shoppers, we don't ask the cashier how many percentage points higher the apple's price is today than the last time we shopped. We ask: How much does the apple cost?

The study results constitute an additional economic indicator which may be used by public and private institutions and by individuals. Find the methodology at mn.gov/deed/data/data-tools/col/method-col.jsp.

Typical Uses of the Cost of Living Data

Employers want to set wages that attract and retain good workers. The [Cost of Living Tool](#) can help gauge whether a wage in a certain county will pay the bills and keep workers afloat.

Job seekers want to know which kinds of work will cover family costs in their county.

Students, parents and career explorers want to know which educational programs are likely to qualify them for jobs that will support themselves and their families.

Workforce development service providers want to know what wages, if met, are likely to secure a self-supporting career for the client job seeker, thus reducing the need for re-entry into services.

Policy makers and planners want to know if the need for public subsidies is likely to rise or fall. Regional wages that meet or exceed the cost of living can signal reduced need for subsidies.

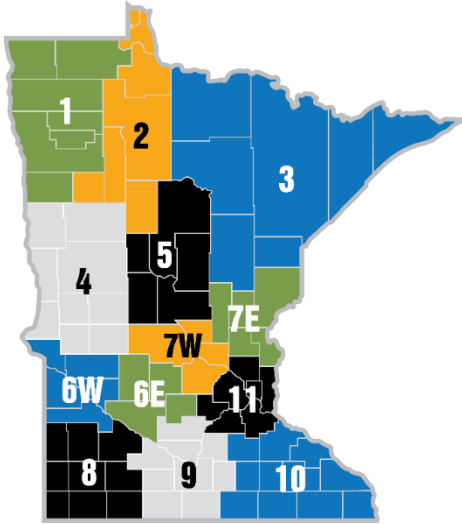
Policy makers and planners also want to monitor the potential for consumer expenditures which can drive future economic growth. Regional wages that meet or exceed the cost of living can signal a potential for stronger consumer expenditures and a stronger regional economy.

Results and Analysis Statewide and by Region

Costs for a Minnesota family of three are shown for the state as a whole and for each of Minnesota's thirteen Economic Development Regions (EDRs). Results for the state and for each region are derived as a population-weighted average of results for the constituent counties. Calculating a weighted average helps correct for any biases in the data that might result from differences between those included in the study sample and the actual population.

The study expresses the cost of living as a yearly sum and an hourly rate, in addition to breaking out monthly costs in each of the seven cost categories.

The hourly wage analysis compares data from the Cost of Living Study with employment data from the [Occupational Employment and Wage Statistics](#) (OEWS) program and job vacancy data from the Minnesota [Job Vacancy Survey](#) (JVS). [2,3] Cost of Living data for 2023 is used here. It is compared to the OEWS wage data from first quarter 2022. Median wage offers are from the fourth quarter 2021 Minnesota Job Vacancy Survey and represent the larger Planning Region in which the EDR falls.



Minnesota Statewide

Annual Costs: \$60,720

Hourly Rate: \$19.46

Looking at the state of Minnesota as a whole, a typical family of two adults and one child, with one adult working full-time and one part-time for a combined 60 work hours per week, need to earn an estimated family income of \$60,720 per year and \$19.46 per hour per worker to maintain a simple living that meets basic needs for health and safety.

The estimated monthly costs are childcare \$574, food \$921, health care \$555, housing \$1,216, transportation \$886, other necessities \$517, and taxes \$391.

The median wage paid to workers across all occupations in Minnesota is 126% of the cost of living, while the median wage offer for job vacancies is 93% of the cost of living.

Economic Development Regions

The following table provides the same information as above for each of Minnesota's Economic Development Regions.

Economic Development Region	Yearly Cost (\$)	Hourly Wage (\$)	Child Care (\$)	Food (\$)	Health Care (\$)	Housing (\$)	Transport (\$)	Other (\$)	Taxes (\$)
1 - Northwest	\$46,368	\$14.86	217	904	525	846	842	423	107
2 - Headwaters	\$52,848	\$16.94	407	908	532	902	979	438	238
3 - Arrowhead	\$50,952	\$16.33	316	898	528	952	901	448	203
4 - West Central	\$48,120	\$15.42	252	907	531	855	909	427	129
5 - North Central	\$50,652	\$16.23	269	900	531	860	1,041	426	194
6E- Southwest Central	\$48,648	\$15.59	265	902	528	850	936	424	149
6W- Upper MN Valley	\$46,308	\$14.84	217	917	525	790	891	413	106
7E- East Central	\$61,632	\$19.75	426	897	555	1,220	1,116	512	410
7W- Central	\$58,320	\$18.69	403	901	556	1,194	961	507	338
8 - Southwest	\$46,284	\$14.83	271	909	526	806	837	415	93
9 - South Central	\$48,216	\$15.45	242	905	529	934	829	445	134
10 - Southeast	\$52,392	\$16.79	341	906	531	997	905	461	225
11 - Twin Cities Metro	\$67,716	\$21.70	780	936	572	1,406	851	567	531
<i>Statewide</i>	<i>\$60,720</i>	<i>\$19.46</i>	<i>574</i>	<i>921</i>	<i>555</i>	<i>1,216</i>	<i>886</i>	<i>517</i>	<i>391</i>

Further Analysis and Recommendations

A comparison of the cost of living and typical wages by region can help us understand some of the economic challenges or opportunities for employment recruitment and retention, minority community wealth-building, consumer expenditures, and social services.

Median Wage as a Share of the Cost of Living

The statewide median wage of existing jobs, \$24.45, is 26% above the cost of living, \$19.46. This means that a little over half of all working Minnesotans earn more than the family-of-three cost of basic needs. The average family size in Minnesota is 3.1 persons and the average household size, for family and non-family households combined, is 2.5 persons [5].

If the labor market were perfectly aligned by family type, so that the half paid more than the median wage were the families larger than three while the half paid less were the families smaller than three, then a median wage equal to the Cost of Living could ensure the economy was meeting most people's basic needs. But this is not the case.

In the real world we look for a median wage that meets or exceeds the cost of living. According to OEWS, the median wage meets or exceeds the cost of living statewide in all of Minnesota's 13 economic development regions.

Economic Development Region	Percent (Median wage / Cost of Living)
EDR 1 Northwest	154%
EDR 2 Headwaters	117%
EDR 3 Arrowhead	141%
EDR 4 West Central	130%
EDR 5 North Central	119%
EDR 6E Southwest Central	125%
EDR 6W Upper Minnesota Valley	132%
EDR 7E East Central	114%
EDR 7W Central is	127%
EDR 8 Southwest	132%
EDR 9 South Central	146%
EDR 10 Southeast	141%
EDR 11 7-County Metro	116%
<i>Statewide</i>	126%

Job Vacancy Median Wage Offer as a Share of the Cost of Living

The statewide median wage offer for job vacancies, according to the Minnesota Job Vacancy Survey, is 93% of the state cost of living. Eight EDRs – EDR 1 Northwest, EDR 4 West Central, EDR 5 North Central, EDR 6E Southwest Central, and EDR 6W Upper Minnesota Valley, EDR 8 Southwest, EDR 9 South Central and EDR 10 Southeast - reported a median wage offer for vacancies which meets or exceeds the region's cost of living. The rest of Minnesota's economic development regions show a median wage offer for vacancies that is lower than the region's cost of living. Note that these are median wage offers before negotiation as posted by the employer, rather than the actual wage offered to the new employee.

Moreover, where a wage offer range is provided, the the low end of that range is selected in data collection. So, these statistics represent median of the low end of initial wage offers.

Economic Development Region	Percent (JVS Median wage / Cost of Living)
EDR 1 Northwest	113%
EDR 2 Headwaters	99%
EDR 3 Arrowhead	96%
EDR 4 West Central	109%
EDR 5 North Central	106%
EDR 6E Southwest Central	111%
EDR 6W Upper Minnesota Valley	109%
EDR 7E East Central	87%
EDR 7W Central	92%
EDR 8 Southwest	110%
EDR 9 South Central	105%
EDR 10 Southeast	104%
EDR 11 7-County Metro	89%

Although median wage offers for vacancies historically track lower than median wages for filled positions for a variety of reasons, a regional median wage offer below the regional cost of living may signal economic challenges for employment recruitment and retention, BIPOC community well-being, and local consumer spending.

Impact on Employment Recruitment and Retention

As noted in previous Cost of Living reports, employers interviewed for DEED’s Hiring Difficulties Surveys, spanning the period of 2013 to 2019, stated that demand-side conditions, including unsatisfactory wages, have contributed to hiring difficulties in the production, industrial engineering, information technology, and nursing occupations.[4] If the same holds true for other occupations, then regions with a median wage or median wage offer below the regional cost of living might choose to engage in development strategies to improve wages within the existing mix of occupations or expand higher-paying occupations in order to improve retention and recruitment in the region.

Currently, five Minnesota economic development regions show median wage offers below the regional cost of living. Those regions with median wages below the cost of living might choose to engage in demand-side development strategies for employee recruitment.

Other supply or demand conditions which might impact recruitment and retention, such as work conditions or skills matching, are beyond the scope of the Cost of Living Study.

Impact on Consumer Expenditures

The Cost of Living Study provides an estimate of the cost of basic necessary expenditures. Incomes below the cost of living may limit basic consumer expenditures and slow economic growth.

In order to sustain consumer expenditures sufficient for healthy economic growth, regions where the median wage is below or equal to the regional cost of living, might engage in development strategies to improve wages within the existing mix of occupations or expand higher-paying occupations.

Impact on Demand for Social Service Subsidies

Persons earning less than the cost of living are more likely to qualify for social services. Workforce development service providers in regions where a smaller share of working people earn the cost of living may have more difficulty placing clients in self-supporting careers and may see more frequent re-entry into services.

Sources

1. Cost of Living Study. Labor Market Information, Minnesota Department of Employment and Economic Development. See mn.gov/deed/data/data-tools/col/.
2. Occupational Employment Wage Statistics. Labor Market Information, Minnesota Department of Employment and Economic Development. 2022. See mn.gov/deed/data/data-tools/oes/.
3. Job Vacancy Survey. Labor Market Information, Minnesota Department of Employment and Economic Development. Fourth Quarter, 2021. See mn.gov/deed/data/data-tools/job-vacancy/.
4. Hiring Difficulties Survey. Labor Market Information, Minnesota Department of Employment and Economic Development. See [Hiring Difficulties in Minnesota / Minnesota Department of Employment and Economic Development \(mn.gov\)](https://mn.gov/deed/data/data-tools/hiring-difficulties/).
5. American Community Survey, Demographic Profile Table [DP02](https://data.census.gov/tables//2020/acs/DP02), 2021 estimate. See [DP02: SELECTED SOCIAL ... - Census Bureau Table](https://data.census.gov/tables//2020/acs/DP02)

Appendix A

Statutory Mandate

Minnesota Statutes 2013, chapter 116J, section 013, mandates that the commissioner of the Department of Employment and Economic Development shall conduct an annual cost-of-living study in Minnesota and report thereon by February 1 of each year.

The statute reads:

- (a) The commissioner shall conduct an annual cost-of-living study in Minnesota. The study shall include:
- (1) a calculation of the statewide basic needs cost of living, adjusted for family size;
 - (2) a calculation of the basic needs cost of living, adjusted for family size, for each county;
 - (3) an analysis of statewide and county cost-of-living data, employment data, and job vacancy data; and

(4) recommendations to aid in the assessment of employment and economic development planning needs throughout the state.

(b) The commissioner shall report on the cost-of-living study and recommendations by February 1 of each year to the governor and to the chairs of the standing committees of the house of representatives and the senate having jurisdiction over employment and economic development issues.

In compliance with 2013 Minnesota Statutes Chapter 3, Section 195, two copies of this report also will be filed with the Legislative Reference Library.

Appendix B

Cost of Living Study Data Sources

Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services
American Automobile Association
Bureau of Labor Statistics, U.S. Department of Labor
Census Bureau, U.S. Department of Commerce
Center for Nutrition Policy and Promotion, U.S. Department of Agriculture
Federal Highway Administration, U.S. Department of Transportation
Labor Market Information, Minnesota Department of Employment and Economic Development
Minnesota Office of the Revisor of Statutes
Child Care Aware of Minnesota, Saint Paul, Minnesota
Council for Community and Economic Research, Arlington, Virginia
National Bureau of Economic Research, Cambridge, Massachusetts
U.S. Department of Housing and Urban Development

Appendix C

Minnesota Economic Development Regions

Region 1—Northwest, includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties.

Region 2—Headwaters, includes Beltrami, Clearwater, Hubbard, Lake of the Woods, and Mahnommen Counties.

Region 3—Northeast, includes Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and St. Louis Counties.

Region 4—West Central, includes Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties.

Region 5—North Central, includes Cass, Crow Wing, Morrison, Todd, and Wadena Counties.

Region 6W—Upper Minnesota Valley, includes Big Stone, Chippewa, Lac Qui Parle, Swift, and Yellow Medicine Counties.

Region 6E—Southwest Central, includes Kandiyohi, McLeod, Meeker, and Renville Counties.

Region 7W—Central, includes Benton, Sherburne, Stearns, and Wright Counties.

Region 7E—East Central, includes Chisago, Isanti, Kanabec, Mille Lacs, and Pine Counties.

Region 8 —Southwest, includes Cottonwood, Jackson, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, and Rock Counties.

Region 9—South Central, includes Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan Counties.

Region 10—Southeast, includes Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona Counties.

Region 11—Twin Cities Metro, includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties.

Appendix D

Release Notes for 2023

The Cost of Living estimates are designed to be a metric of basic needs – what it takes to make ends meet for an individual or family - in Minnesota. Each year the estimates are released for various family compositions and regions, using a variety of inputs from other agencies. The pandemic and current inflationary pressures have had impacts on the cost of living inputs and outputs and have required some adjustments to the methodology.

Childcare

Families face many different circumstances that impact their childcare decisions. Many of these are beyond the scope of this tool. For example, some families make childcare decisions based on location, some are faced with long waitlists or limited availability and take what's available, while others are able to balance work schedules or family supports to avoid or reduce their need for paid childcare. Even those who use childcare services in the way the measure assumes have a choice of in-home and center-based care, which, on average, have significantly different price points. The result is that the price presented in the Cost of Living estimates does not reflect the experiences of all families. However, it is essential to include a childcare cost category for families with children and these estimates are useful for comparing childcare costs between regions.

The Cost of Living methodology assumes that children are in childcare for the number of hours all adults in the household are working, plus daily commute time. In the case of a two-worker household or a single-adult household, full-time childcare is used. In the case of a 1.5 worker household, half-time childcare is used. In previous years the Cost of Living methodology used the hourly rate reported by providers, both in-home and center-based, which was then aggregated to the county level. The problem with this methodology is that not all providers report and hourly rate and in less-populous counties, very few do. The result is volatility in the childcare numbers in some smaller counties.

Having observed this variability for several years running, we have decided to aggregate childcare rates to the Economic Development Region (EDR) level instead of to the county level and make the commute time standard. EDRs are county-based regions that are intended to reflect commute sheds, which increases the sample for each average cost point while still approximately reflecting the area in which a

family may search for childcare. This is a permanent method change that will be used in future calculations.

Taxes

The Cost of Living methodology uses the TAXSIM tax simulator to approximate the tax burden based on the other costs estimated for each household type. Because taxes are filed after the year is complete, the reference year includes tax costs based on the prior year's tax law but the current year's income inputs. The 2022 cost of living estimates (released in February 2023), with a data reference point of July 1, 2022, use 2021 tax law.

In the effort to address the challenges of the pandemic, Congress passed significant federal tax changes for 2020 and 2021. In tax year 2021, the child tax credit was increased from \$2000 to \$3600 for children under five and \$3000 for older children. This was a temporary one-year change for 2021 only. The link below is provided for reference.

Child Tax Credit:

<https://www.irs.gov/credits-deductions/2021-child-tax-credit-and-advance-child-tax-credit-payments-topic-c-calculation-of-the-2021-child-tax-credit#collapseCollapsible1657829345514>

In order to provide cost of living estimates that organizations and individuals can use for longer-term planning purposes, the 2022 methodology removes the one-time increase in the 2021 child tax credit. In this release of the Cost of Living tool, the difference in the one-time child tax credit increase and the usual \$2000 credit (either \$1600 or \$1000 depending on age of children) was removed from the calculation. Even with this adjustment, the Cost of Living estimates show an average (across all household and family types) reduction in tax burden from prior years as a result of other changes in the 2021 tax law including changes to the Earned Income Tax Credit.