

# Minnesota Cost of Living Study

2024 Annual Report

As Required by Minn. Stat. § 116J.013(b)

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## Table of Contents

Introduction .....	4
Study Purpose .....	4
Typical Uses of the Cost of Living Data .....	4
Results and Analysis Statewide and by Region .....	5
Minnesota Statewide .....	6
Planning Regions .....	6
Further Analysis and Recommendations .....	6
Median Wage as a Share of the Cost of Living .....	6
Job Vacancy Median Wage Offer as a Share of the Cost of Living .....	7
Impact on Employment Recruitment and Retention .....	8
Impact on Consumer Expenditures .....	8
Impact on Demand for Social Service Subsidies .....	8
Sources .....	8
Appendix A .....	9
Statutory Mandate .....	9
Appendix B .....	9
Cost of Living Study Data Sources .....	9
Appendix C .....	10
Minnesota Planning Regions .....	10
Appendix D .....	10
Release Notes for 2024 .....	10
Housing .....	10
Transportation .....	11
Taxes .....	11

## Introduction

The Cost of Living Study provides an estimate of a Basic Needs (BN) cost of living in Minnesota for individuals and 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 Office (LMI) of the Department of Employment and Economic Development (DEED) is mandated by Minn. Stat. 116J.013(b) to report every February on the 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 Purpose

The purpose of the Cost of Living Study is to estimate a BN cost of living in Minnesota for individuals and families, by county, region, and statewide. BN is defined as the cost of resources necessary for health and safety. The study examines living costs in seven cost categories: food, housing, health care, transportation, childcare, other necessities, and net taxes.

To meet the mandate of a BN 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 BN. For example, a family might buy one apple for their two children and split it in half if that's all they can afford. However, because the family has two children, they need two apples to meet the threshold of health. That is the family's BN.

Rather than tracking the rate of change over time as the Consumer Price Index does, the Cost of Living study considers actual dollar costs. Shoppers do not ask the cashier how many percentage points higher the apple's price is today than the last time they shopped. They ask: How much does the apple cost?

The study results constitute a unique economic indicator that provides critical information on community needs. This information can be used by public and private institutions and individuals. It has unique utility to inform policy.

Cost of Living Data Tool can be found here: [Cost of Living in Minnesota / Minnesota Department of Employment and Economic Development \(mn.gov\)](https://mn.gov/deed/data/data-tools/col/method-col.jsp)

Cost of Living Methodology used in this study can be found here: <https://mn.gov/deed/data/data-tools/col/method-col.jsp>

## Typical Uses of the Cost of Living Data

The Cost of Living Study provides important and useful information for every aspect of employment across the state of Minnesota.

Employers need to set wages that attract and retain skilled workers. The [Cost of Living Tool](https://mn.gov/deed/data/data-tools/col/method-col.jsp) can help gauge whether a wage in a certain county will meet the BN of workers and thus be competitive in the labor market.

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

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

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

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

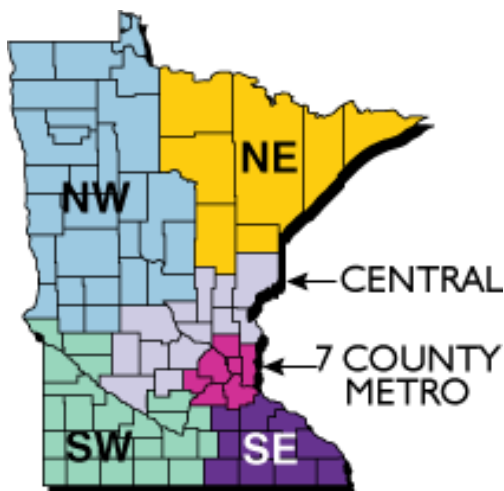
Policy makers and planners also monitor the potential for consumer expenditures that drive future economic growth. Regional wages that meet or exceed the cost of living can signal potential for stronger consumer expenditures and a stronger regional economy.

## Results and Analysis Statewide and by Region

Costs for a Minnesota family of three are shown below, both for the state as a whole as well as for each of Minnesota's six Planning Regions. 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 as an hourly rate. The study also shows monthly costs in each of the seven cost categories that comprise BN.

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 2024 is used in the study. It is compared to the OEWS wage data from first quarter 2024. Median wage offers are from the 2023 Minnesota JVS and are reported at the Planning Region level.



## Minnesota Statewide

**Annual Costs: \$70,308**

**Hourly Rate: \$22.53**

The statewide annual cost to meet the BN for a family of three is \$70,308. Based on an analysis of one adult working full-time and one part-time, for a combined 60 work hours per week, a wage of \$22.53 per hour per worker is necessary to meet the minimum threshold for family health and safety.

The estimated monthly costs are: childcare \$545, food \$964, health care \$556, housing \$1,446, transportation \$1,028, other necessities \$557, and taxes \$763.

Positively, the median wage paid to workers across all occupations in Minnesota is **112% of the cost of living**. However, the median wage offer for job vacancies is **87% of the cost of living**. This analysis shows that more work is necessary to ensure access to jobs that meet BN.

## Planning Regions

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

Planning Regions	Yearly Cost (\$)	Hourly Wage (\$)	Child Care (\$)	Food (\$)	Health Care (\$)	Housing (\$)	Transport (\$)	Other (\$)	Taxes (\$)
Central Minnesota	\$69,036	\$22.13	\$434	\$942	\$552	\$1,381	\$1,170	\$537	\$737
Northeast Minnesota	\$60,840	\$19.50	\$396	\$940	\$530	\$1,116	\$1,030	\$476	\$582
Northwest Minnesota	\$59,916	\$19.20	\$352	\$947	\$532	\$1,018	\$1,132	\$454	\$558
Seven County Metro	\$76,524	\$24.53	\$662	\$979	\$572	\$1,683	\$980	\$616	\$885
Southeast Minnesota	\$62,784	\$20.12	\$477	\$948	\$533	\$1,126	\$1,049	\$480	\$619
Southwest Minnesota	\$56,712	\$18.18	\$325	\$950	\$530	\$1,012	\$972	\$454	\$483
State of Minnesota	\$70,308	\$22.53	\$545	\$964	\$556	\$1,446	\$1,028	\$557	\$763

## Further Analysis and Recommendations

A comparison of the cost of living and typical wages by region demonstrates some of the economic challenges and opportunities that exist 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 hourly wage of existing jobs is \$25.22. This median wage is 12% above the hourly wage necessary for cost of living, \$22.53. This means that a little over half of all working Minnesotans earn more than the family-of-three cost of BN. The average family size in Minnesota is 3.1 persons and the average household size, for family and non-family households combined, is 2.4 persons [5].

If the labor market was 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 BN. However, this is not the case.

According to OEWS, the median wage meets or exceeds the cost of living in all of Minnesota's 6 planning regions. This shows the strength of the Minnesota economy. Given that this is based on the median wage however, as described above, the needs of many Minnesotans are currently not being met by their income.

<b>Planning Region</b>	<b>Percent (Median Wage / Cost of Living)</b>
Central Minnesota	106%
Northeast Minnesota	120%
Northwest Minnesota	119%
Southeast Minnesota	121%
Southwest Minnesota	126%
Seven County Mpls-St Paul, MN	113%
State of Minnesota	112%

### 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 JVS, is only 87% of the state cost of living. The Southwest Minnesota Planning Region reported a median wage offer for vacancies which meets or exceeds the region's cost of living. The rest of Minnesota's planning 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 posted by the employer, rather than the actual wage offered to the new employee. Negotiations over the terms of employment may mean some workers are earning higher wages than those posted. Moreover, where a wage offer range is provided, the low end of that range is selected in data collection. These statistics represent median of the low end of initial wage offers.

<b>Planning Region</b>	<b>Percent (JVS Median wage / Cost of Living)</b>
Central Minnesota	86%
Northeast Minnesota	95%
Northwest Minnesota	93%
Southeast Minnesota	91%
Southwest Minnesota	109%
Seven County Metro	83%

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, community well-being, and local consumer spending.

## Impact on Employment Recruitment and Retention

As noted in previous Cost of Living Studies, 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]

Currently, all of Minnesota's planning regions show median wages exceeding the regional cost of living. This suggests that regions are generally maintaining competitive wage levels for BN, though individual occupations within regions may still face recruitment and retention challenges based on their specific wage offerings.

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, subsequently, slow economic growth.

Ensuring access to jobs that provide sufficient wages to sustain consumer expenditures will result in healthy economic growth. Regions where the median wage is below or equal to the regional cost of living might consider engaging in development strategies to improve wages within the existing mix of occupations, or expand higher-paying occupations. These strategies can help improve employee retention and recruitment in the region.

## 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. Government units face higher costs to meet the BN of residents.

## Sources

1. Cost of Living Study. Labor Market Information, Minnesota Department of Employment and Economic Development. See [mn.gov/deed/data/data-tools/col/](https://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/](https://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/](https://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](#), 2023 estimate. See [DP02: SELECTED SOCIAL ... - Census Bureau Table](#)

## 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 BN cost of living, adjusted for family size;
- (2) a calculation of the BN 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 Planning Regions

Planning Region	Counties
Central Minnesota	Benton, Chisago, Isanti, Kanabec, Kandiyohi, McLeod, Meeker, Mille Lacs, Pine, Renville, Sherburne, Stearns, and Wright
Northeast Minnesota	Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and St. Louis
Northwest Minnesota	Becker, Beltrami, Cass, Clay, Clearwater, Crow Wing, Douglas, Grant, Hubbard, Kittson, Lake of the Woods, Mahnommen, Marshall, Morrison, Norman, Otter Tail, Pennington, Polk, Pope, Red Lake, Roseau, Stevens, Todd, Traverse, Wadena, and Wilkin
Southeast Minnesota	Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona
Southwest Minnesota	Big Stone, Blue Earth, Brown, Chippewa, Cottonwood, Faribault, Jackson, Lac qui Parle, Le Sueur, Lincoln, Lyon, Martin, Murray, Nicollet, Nobles, Pipestone, Redwood, Rock, Sibley, Swift, Waseca, Watonwan, and Yellow Medicine
Seven County Metro	Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties

## Appendix D

### Release Notes for 2024

The Cost of Living estimates are designed to be a metric of BN – 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. While no methodological adjustments were made this year and many of the component categories were stable over the year, there are some specific trends and their impacts on the numbers that are worth noting.

### Housing

The biggest category in household budgets, as estimated by the Cost of Living Study, is housing. The source of data used to calculate housing costs is the Department of Housing and Urban Development's (HUD) Fair Market Rents. Fair Market Rents data are released annually by county, so they are used without any need for geographic adjustments. In the aggregate, housing costs went up by 10.4%. The Seven Count Metro had a cost increase of about 14.6%. When calculating state averages, county values are weighted by population, so the more populous metro has a disproportionate impact. These impacts

were distributed across all family types and scaled for the size of housing. This was the biggest contributor to the year-over-year increases in cost of living.

## Transportation

The cost of aggregate transportation increased about 5%. The transportation calculation brings together inputs from three different data sources to combine fixed and variable costs and calculate them for the amount a given family type will typically travel. The inputs for fixed and variable costs for car ownership and operation declined slightly, which was expected after the significant inflationary increases in fuel and vehicle costs of the previous two years. However, the time spent commuting increased across most counties, resulting in an overall increase in costs.

## Taxes

Compared to 2023, 2024 tax burdens increased slightly for most family compositions. While there are changes to tax policies every year, these increases appear to be more closely tied to the increase in calculated base income resulting from housing and transportation cost than any major policy change. They are moderate and do not impact any family characteristic disproportionately to others.