

Minnesota Council on Foundations

Minnesota's New Normal

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University of Minnesota**

October 28, 2010

Introduction

- **Trends: Demographic, Social & Economic**

 - MN Management and Budget Department

 - MN Budget Trends Study Commission

 - State Economist

 - Wilder Foundation Twin Cities Compass

 - Other

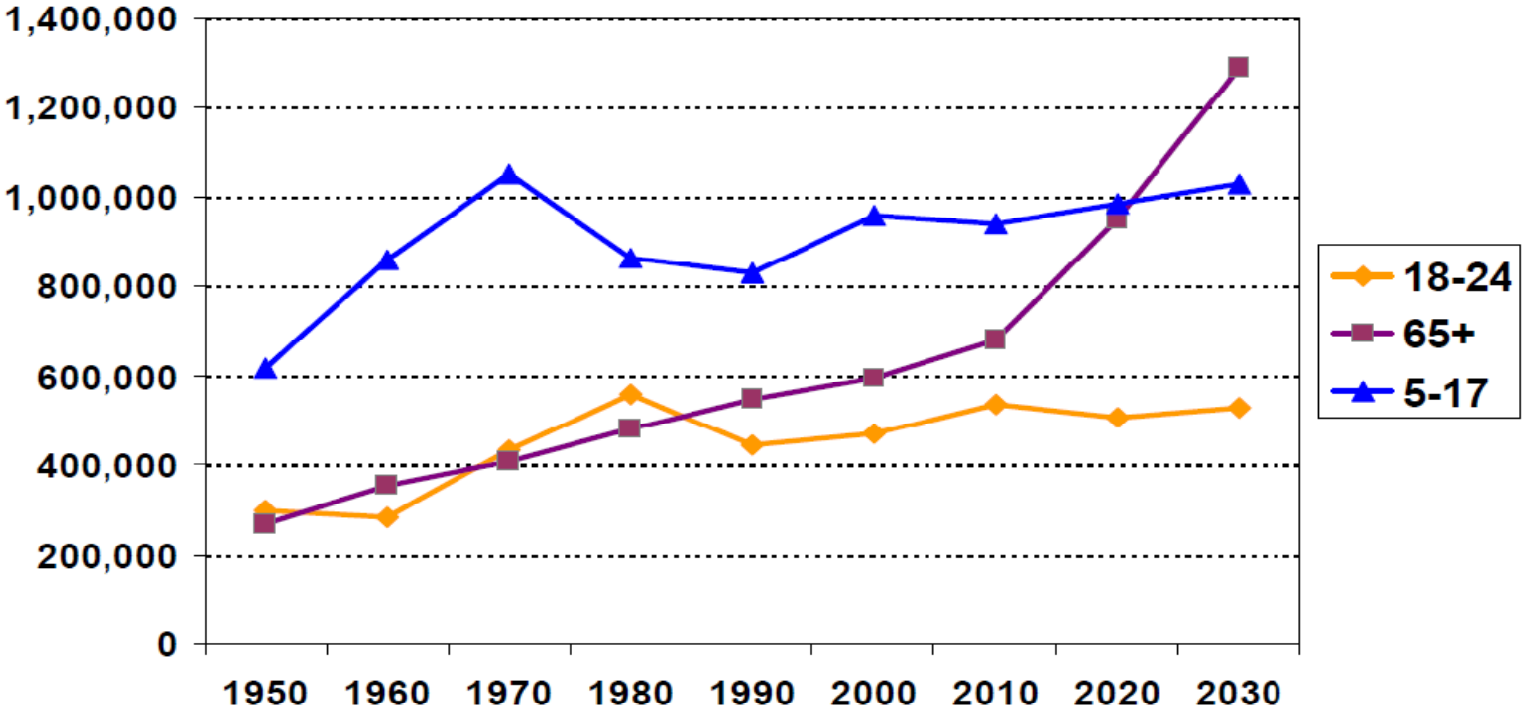
- **Implications**

- **Questions & Comments**

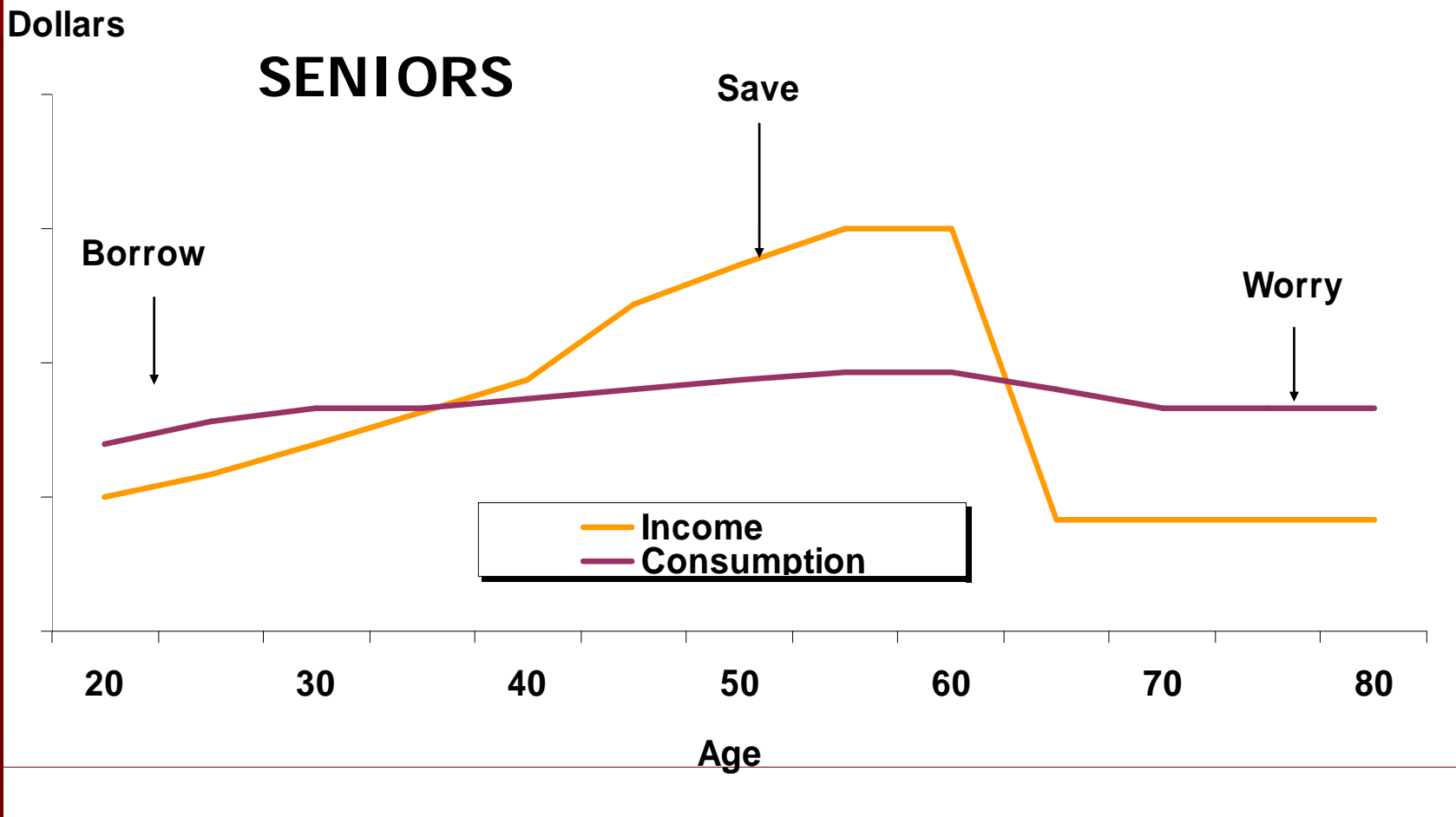
- **Three Questions for Foundations**

Demographic

More 65+ Than School Age By 2020

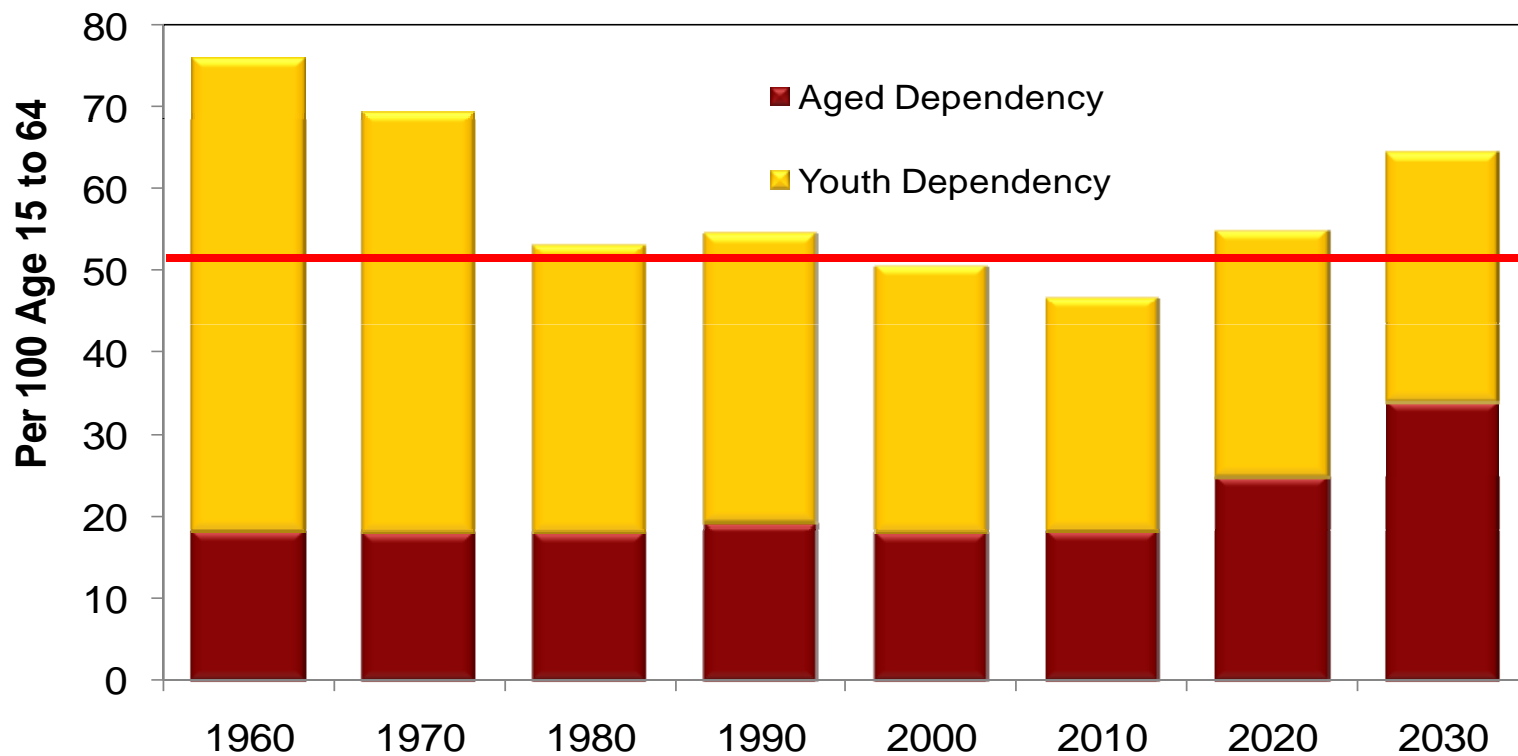


Demographic



Demographic

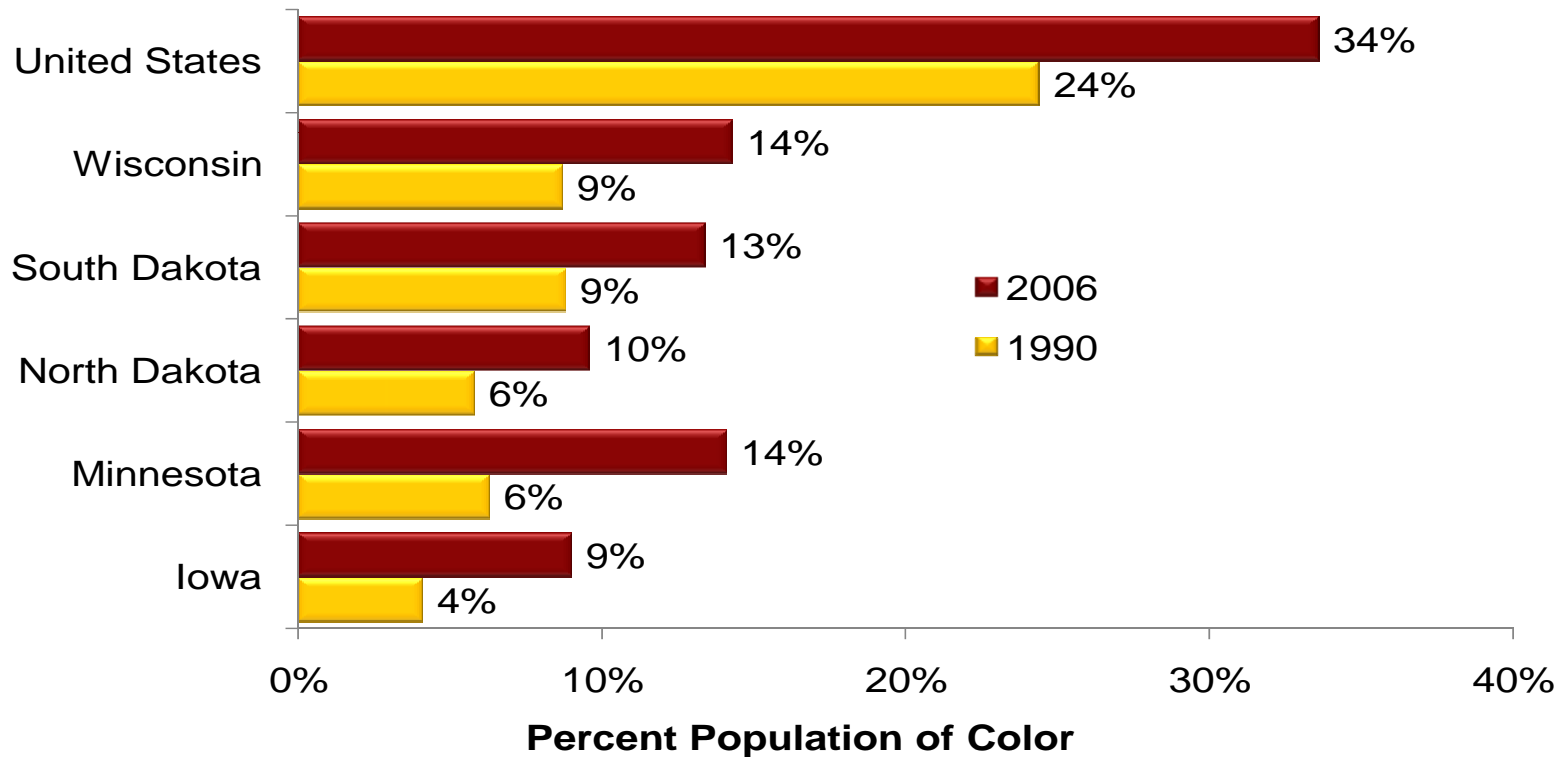
Minnesota's Dependency Ratio is at an Historical Low and is Beginning to Increase Rapidly*



*The dependency ratio is calculated by comparing the number of people between the ages 0-14 and 65 and over to the number of people between the ages of 15-64.

Demographic

Upper Midwest Becoming More Diverse But Still Less Than The Nation

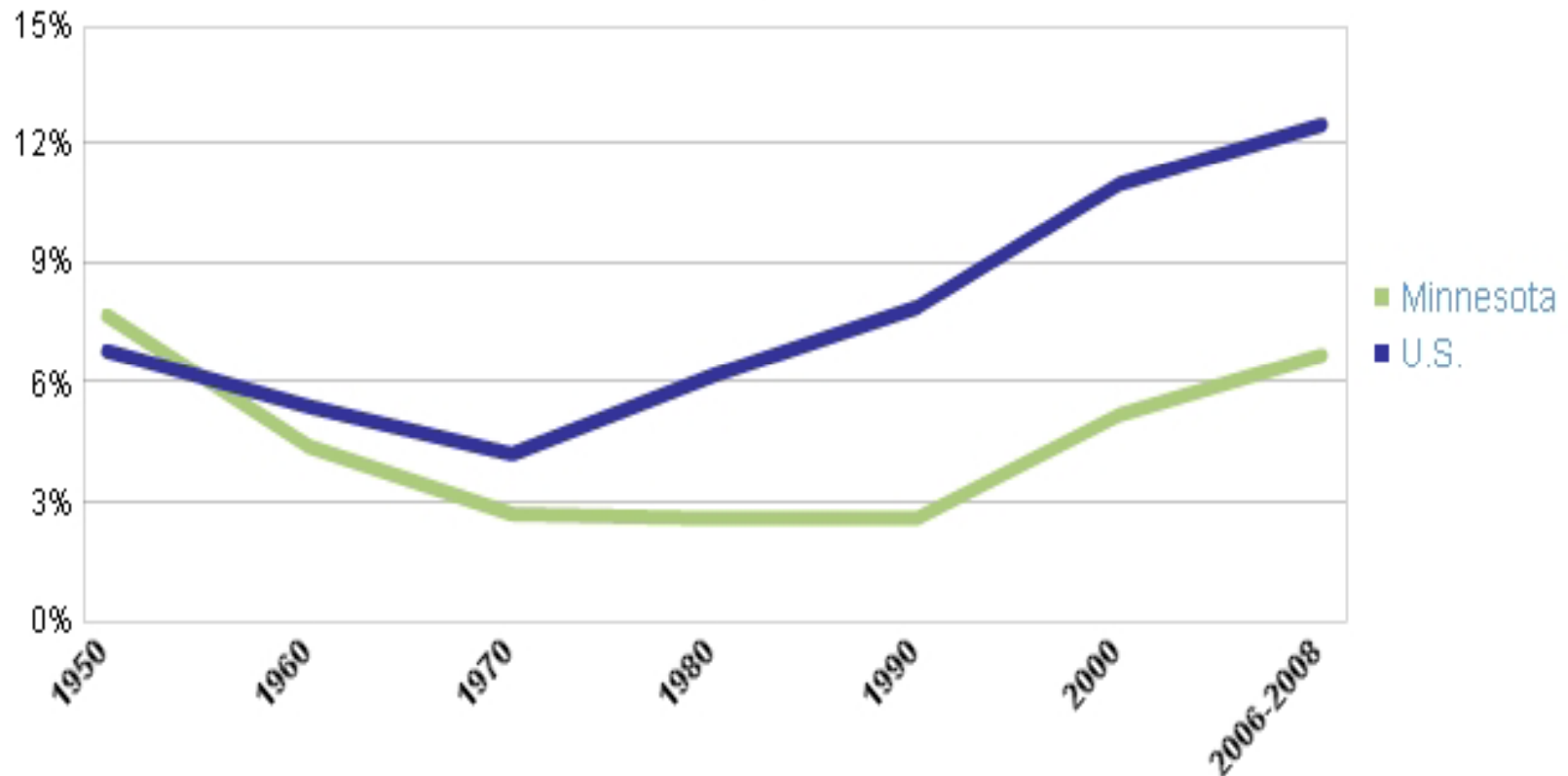


*Note: Population except white alone, not Hispanic, 2006 Census Bureau estimate
Source: Minnesota Demographic Center*

Demographic

Percentage that is foreign born

Minnesota and U.S., 1950-2008



Demographic

Pop quiz Immigration and Education

What percentage
of Minnesota's foreign born population
has a 4-year degree or higher?

- a) 11%
- b) 21%
- c) 31%
- d) 41%

Demographic

Pop quiz

Immigration and education

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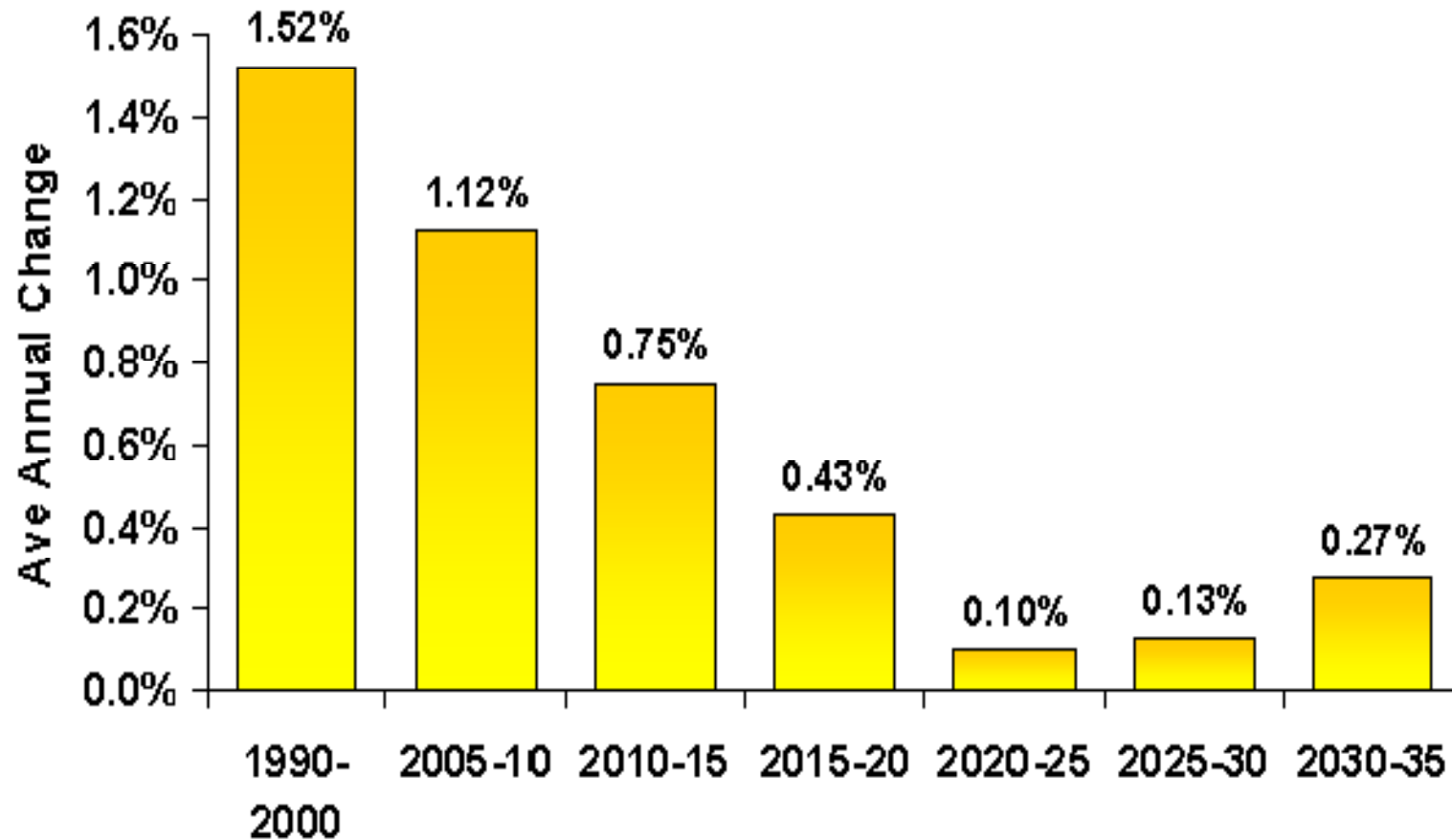
b) 21%

★ c) 31%

d) 41%

Demographic

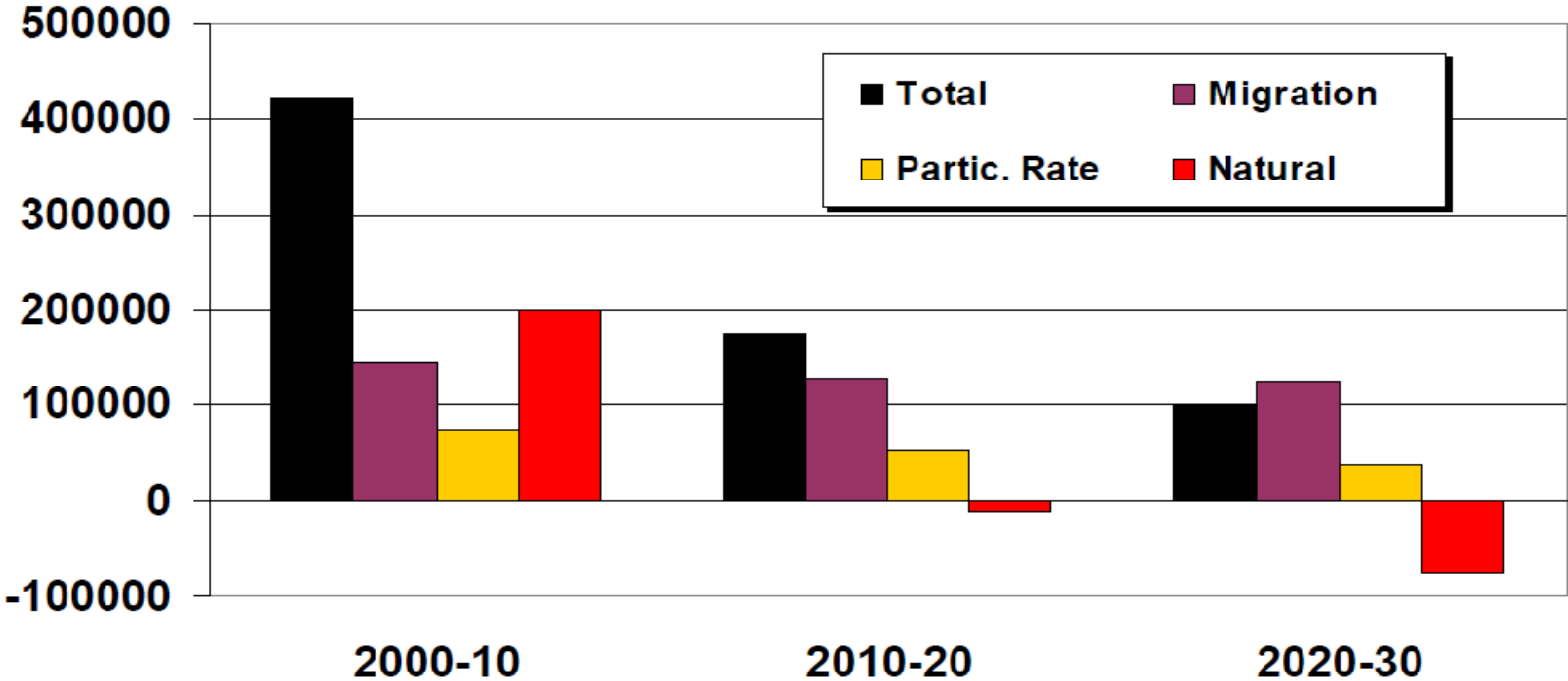
Declining Labor Force Growth



Demographic

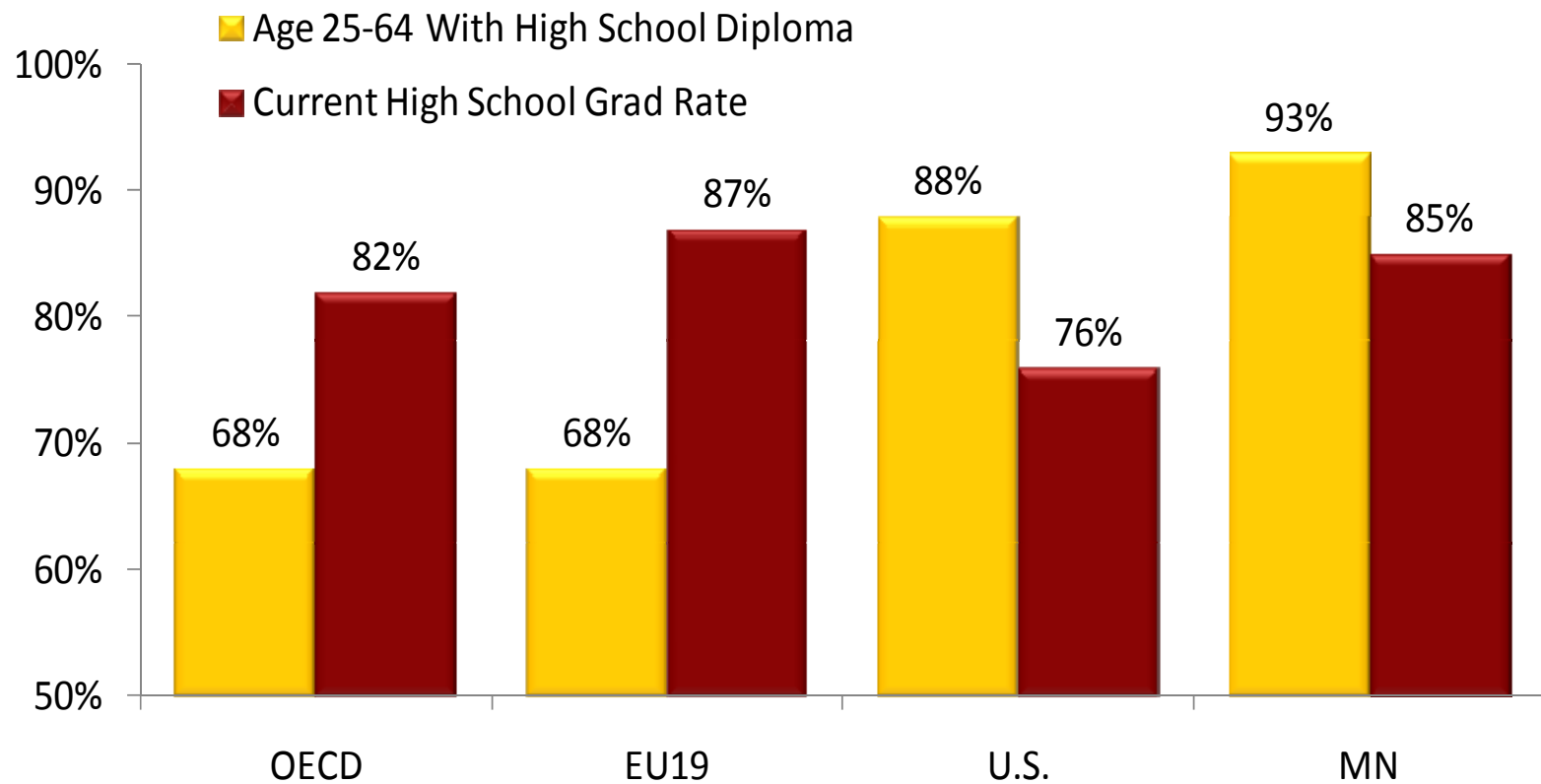
Migration Will Become the Largest Source of New Workers in Minnesota

Net Labor Force Growth



Social

High School Graduation Is Declining In The US & MN While Increasing In Our Competitor Countries



Source: OECD Education At A Glance, 2005

Social

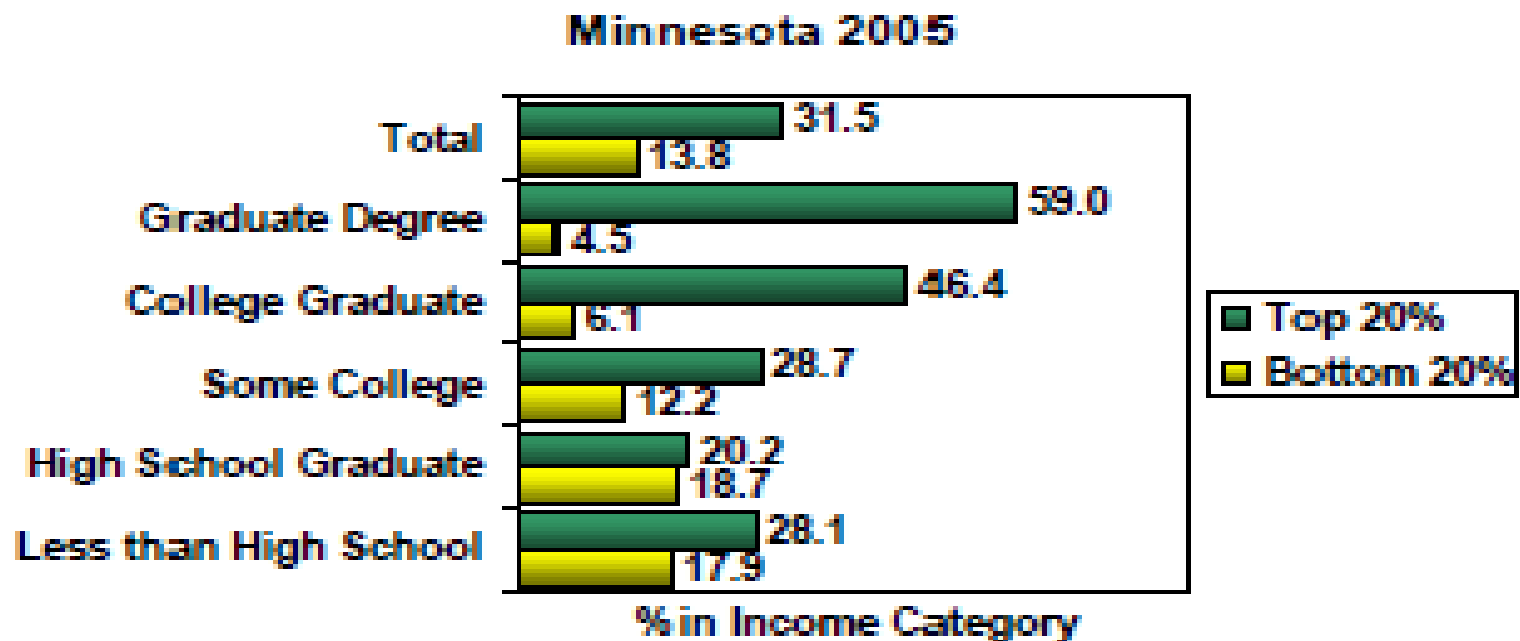
Change in jobs by education level

Education level	2008 Jobs	2018 Jobs	Difference
High school dropouts	185,000	189,000	4,000
High school graduates	759,000	782,000	24,000
Postsecondary	1,987,000	2,139,000	152,000

Source: Georgetown University Center on Education and the Workforce

Social

More educated people are most likely to be in high income households

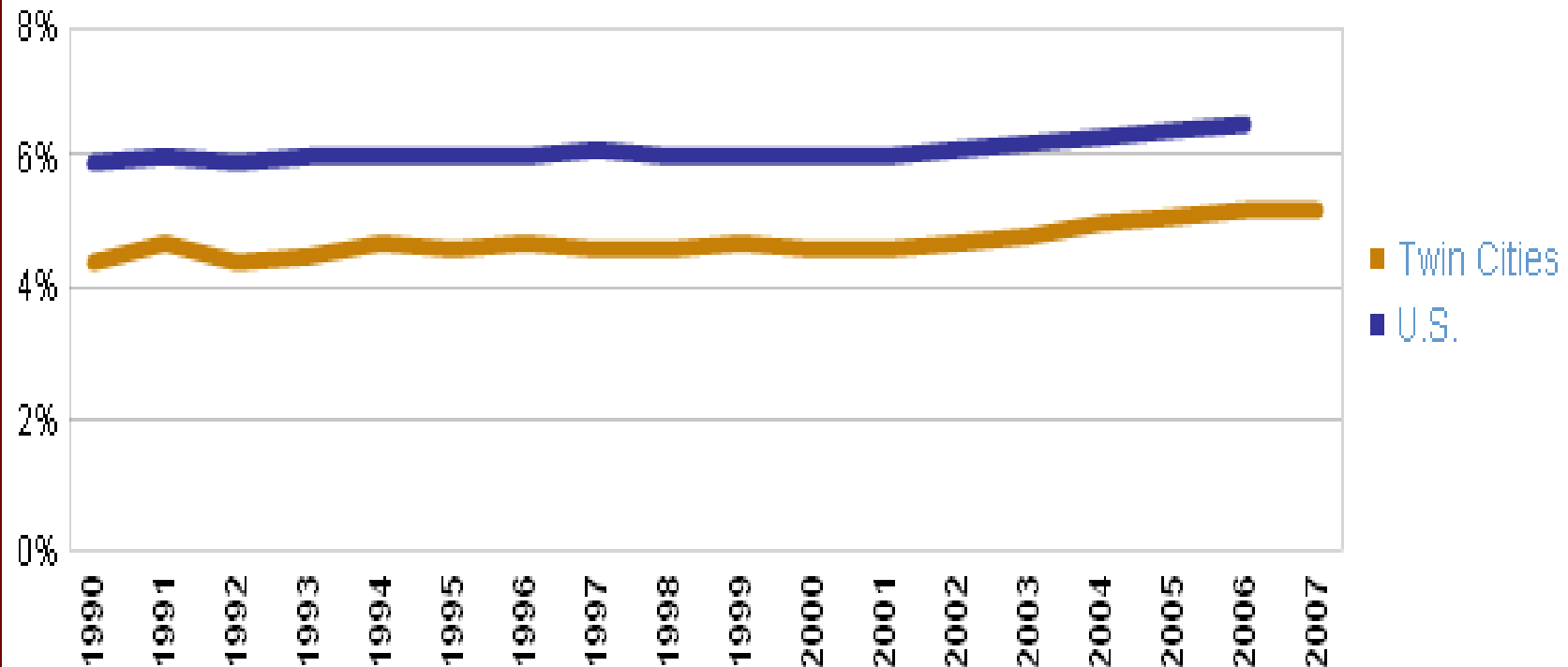


American Community Survey Public Use Microdata Sample. Characteristics of Individuals by household income.

Social

Babies born at low birth weight (single births only)

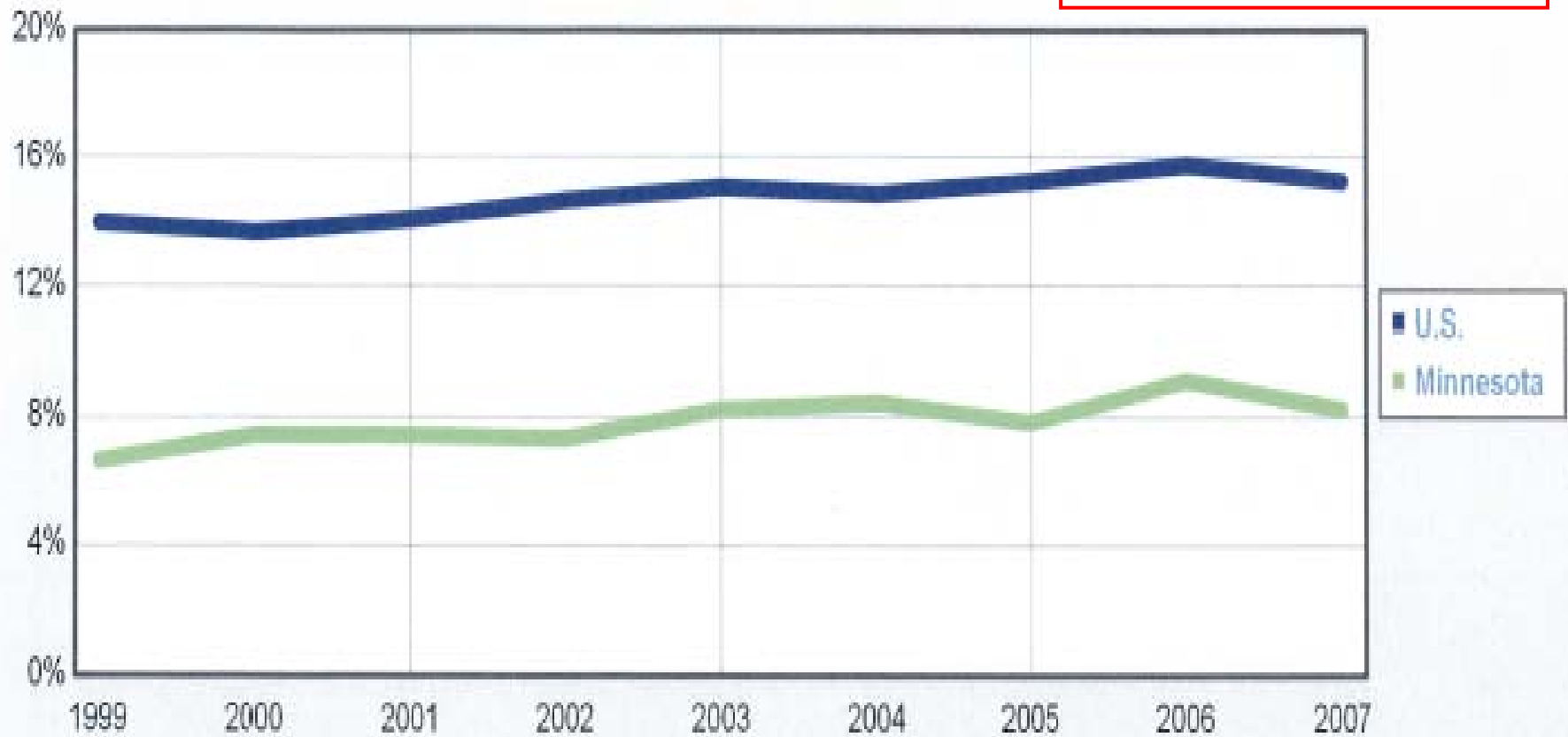
Twin Cities 7-county region and U.S., 1990-2007



Social

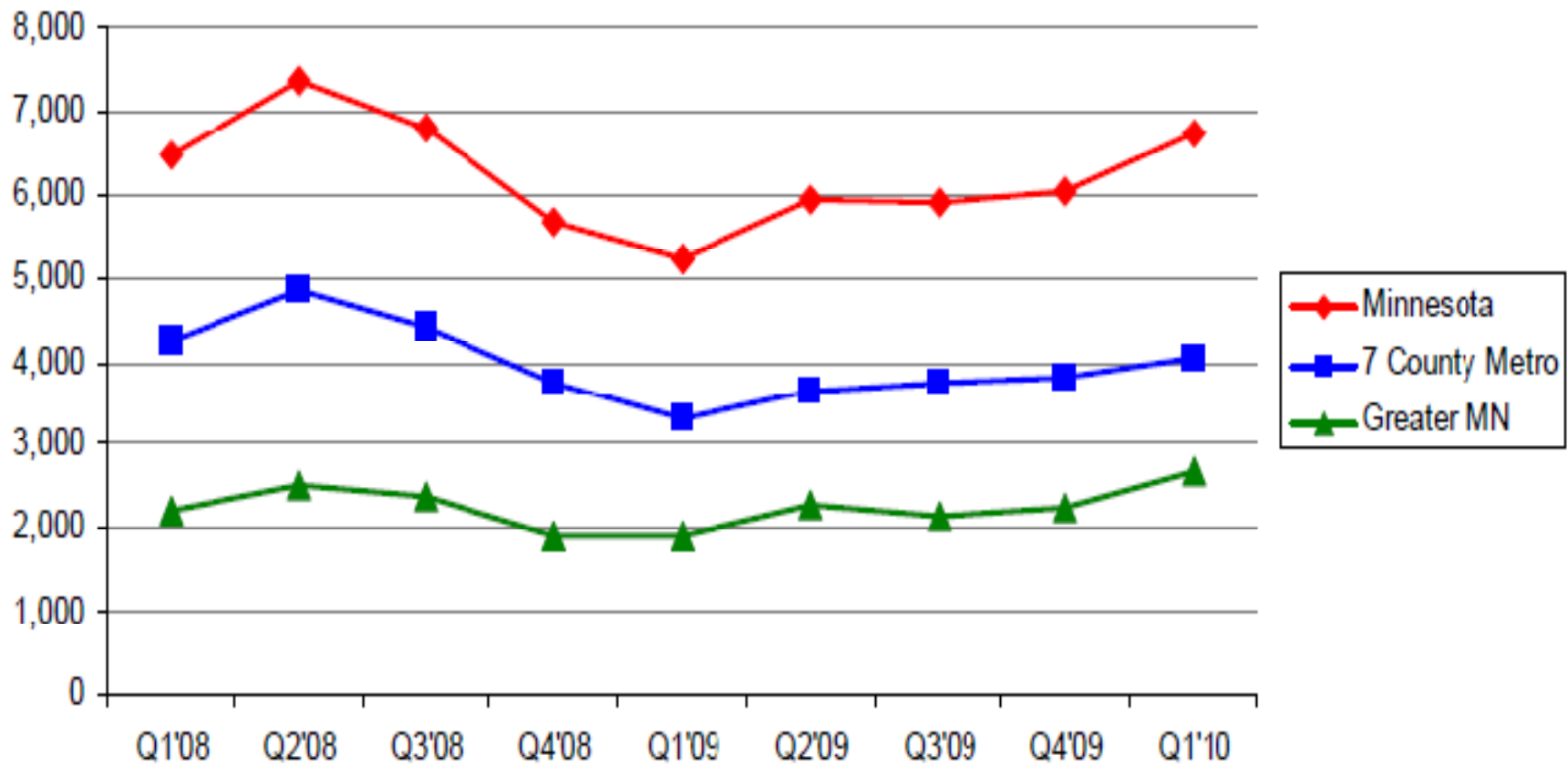
Percent of population uninsured
Minnesota and U.S., 1999-2007

433,000 Minnesotans
without healthcare
insurance.

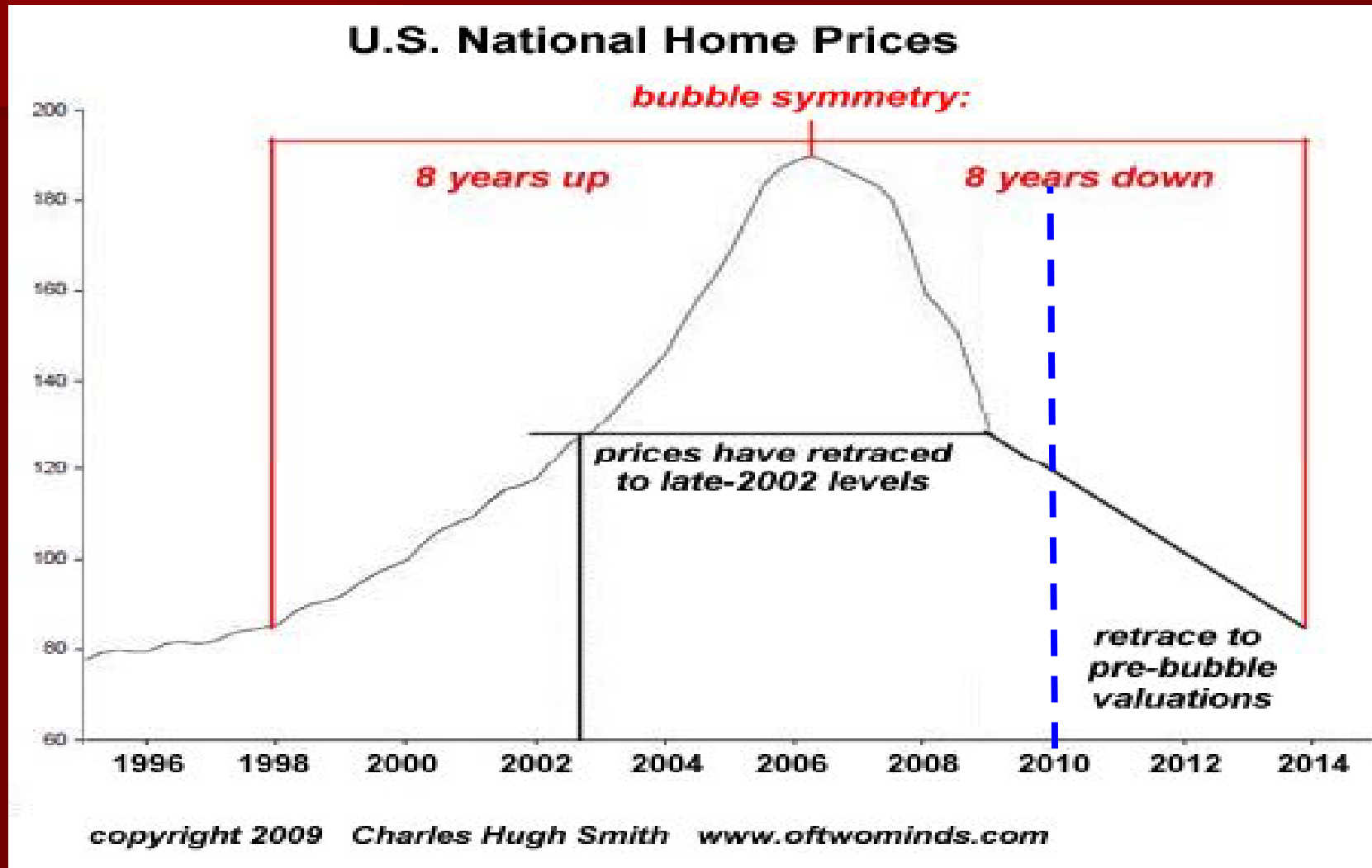


Social

MN Quarterly Foreclosure Trends
(Q1'08 – Q1'10)



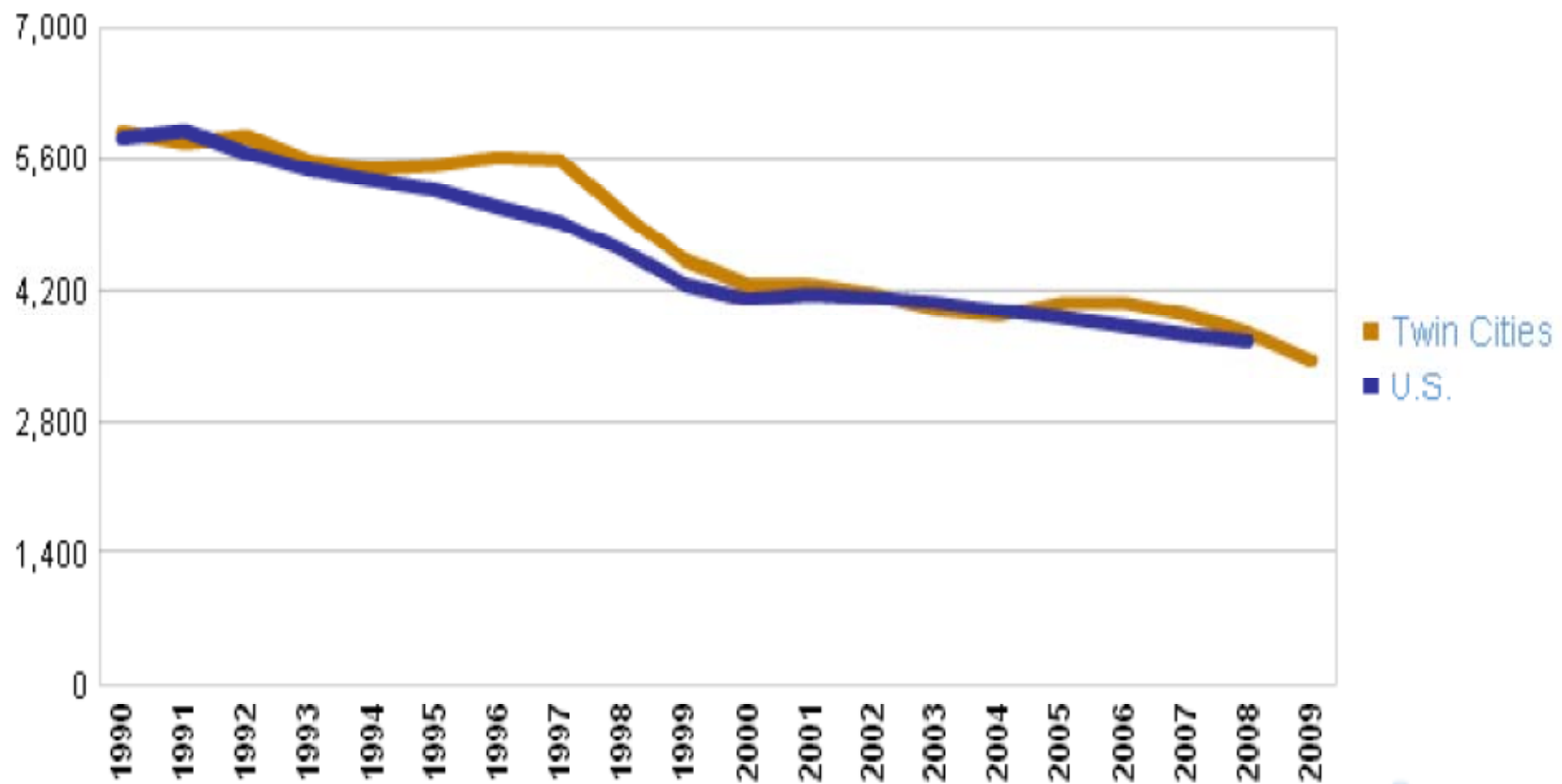
Social



Social

Serious crime rate per 100,000 residents

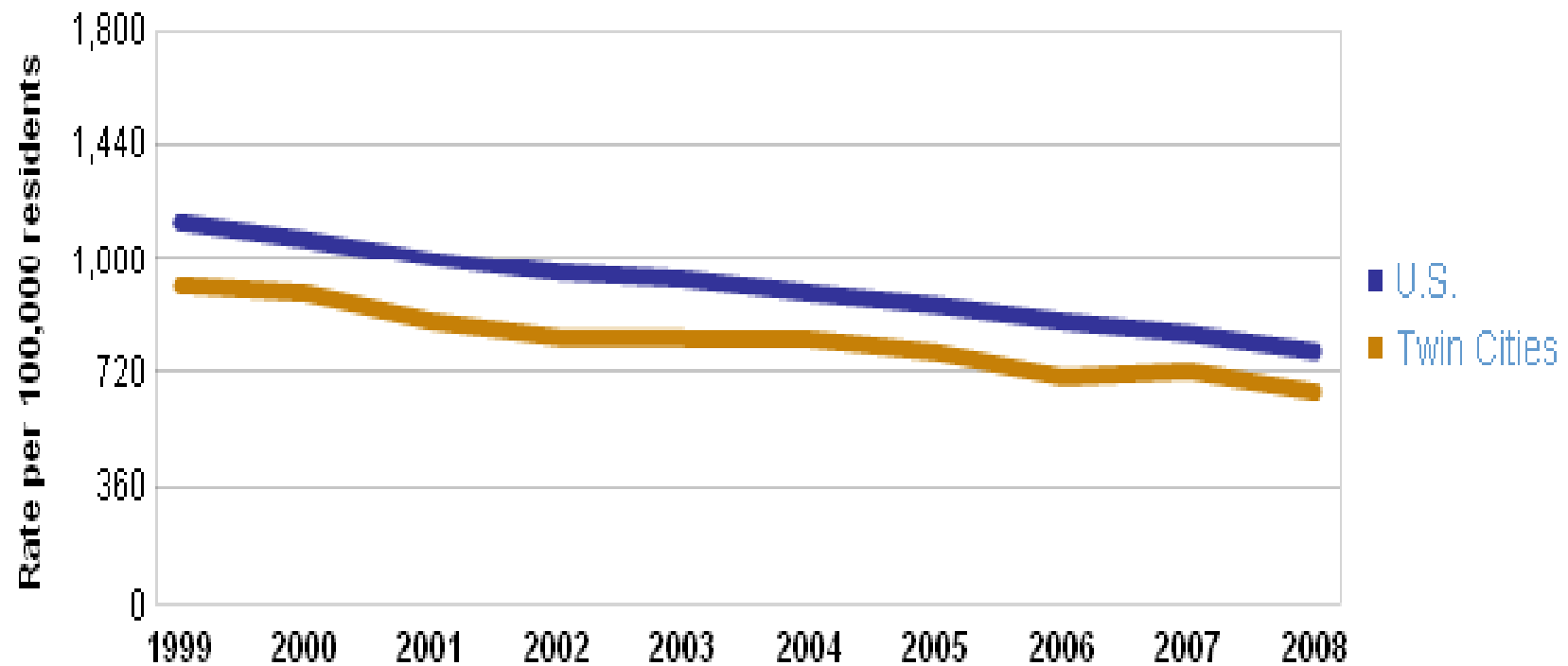
Twin Cities 7-county region and U.S., 1990-2009



Social

Rate of traffic injuries and fatalities per 100,000 residents

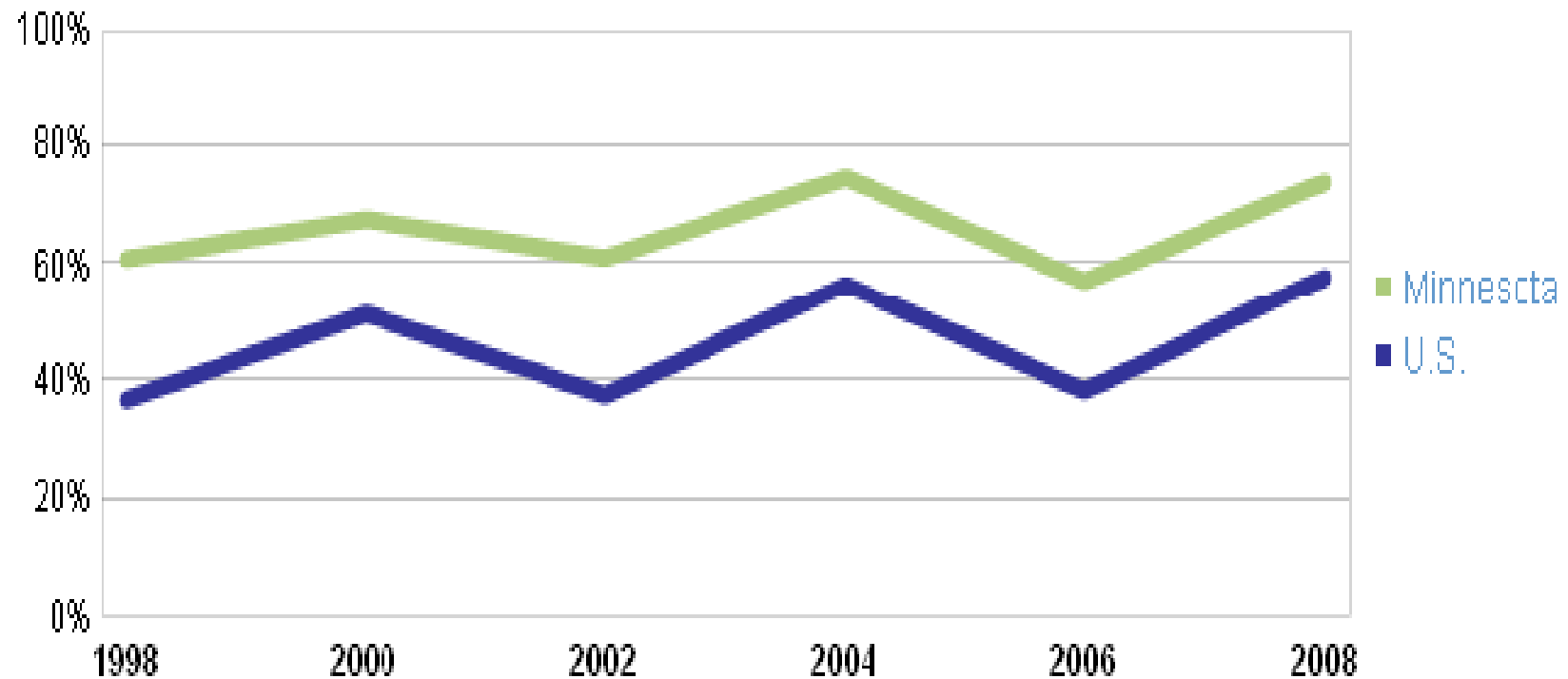
Twin Cities 7-county region and U.S., 1999-2008



Social

Voting-age population that voted

Minnesota and U.S., national election years, 1998-2008



Social

Volunteer Rankings

Top 5 Cities

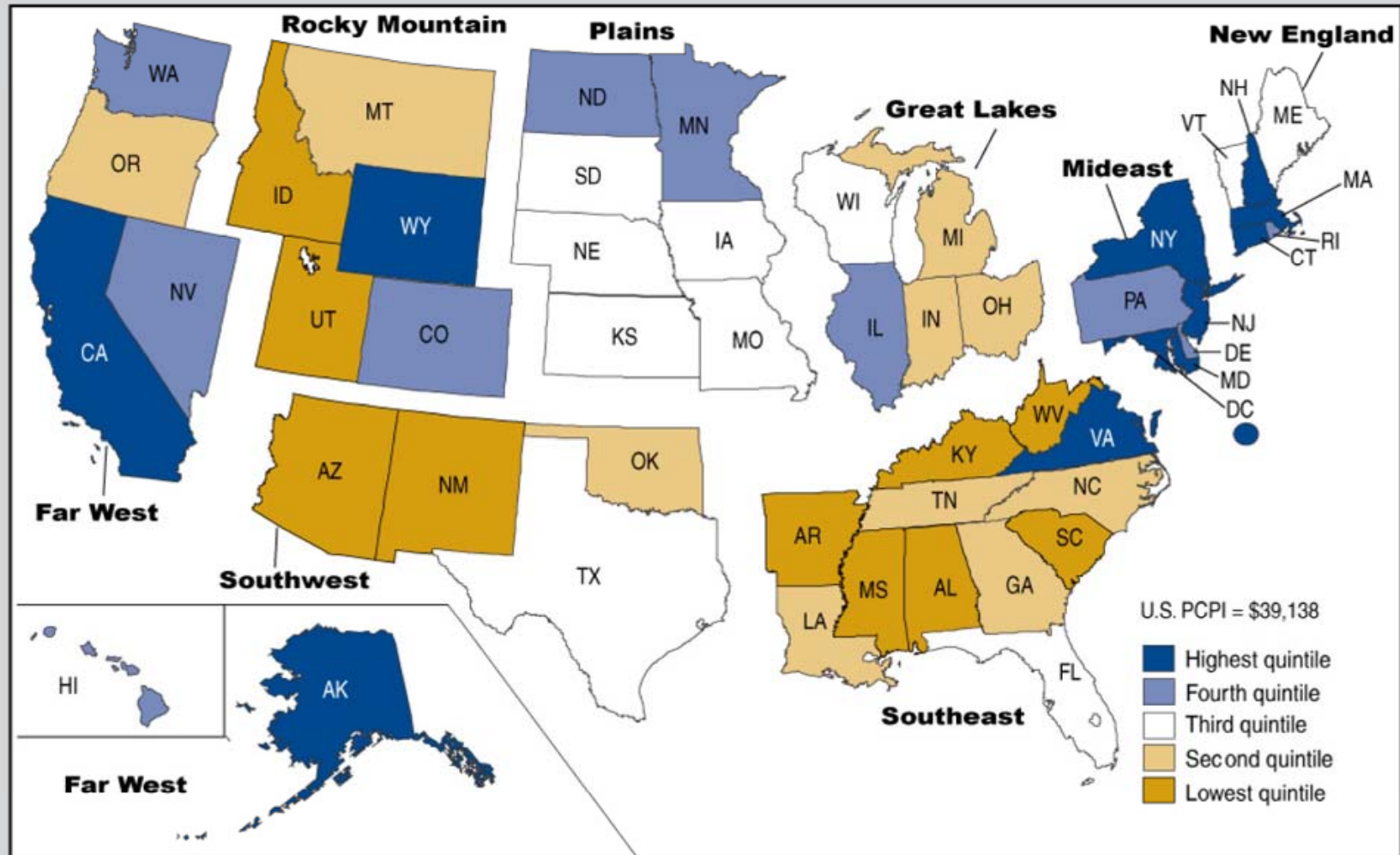
1. Minneapolis-St. Paul
2. Portland, OR
3. Salt Lake City
4. Seattle
5. Oklahoma City

Top 5 States

1. Utah
2. Iowa
3. Minnesota
4. Nebraska
5. Alaska

Economic

Per Capita Personal Income, 2009



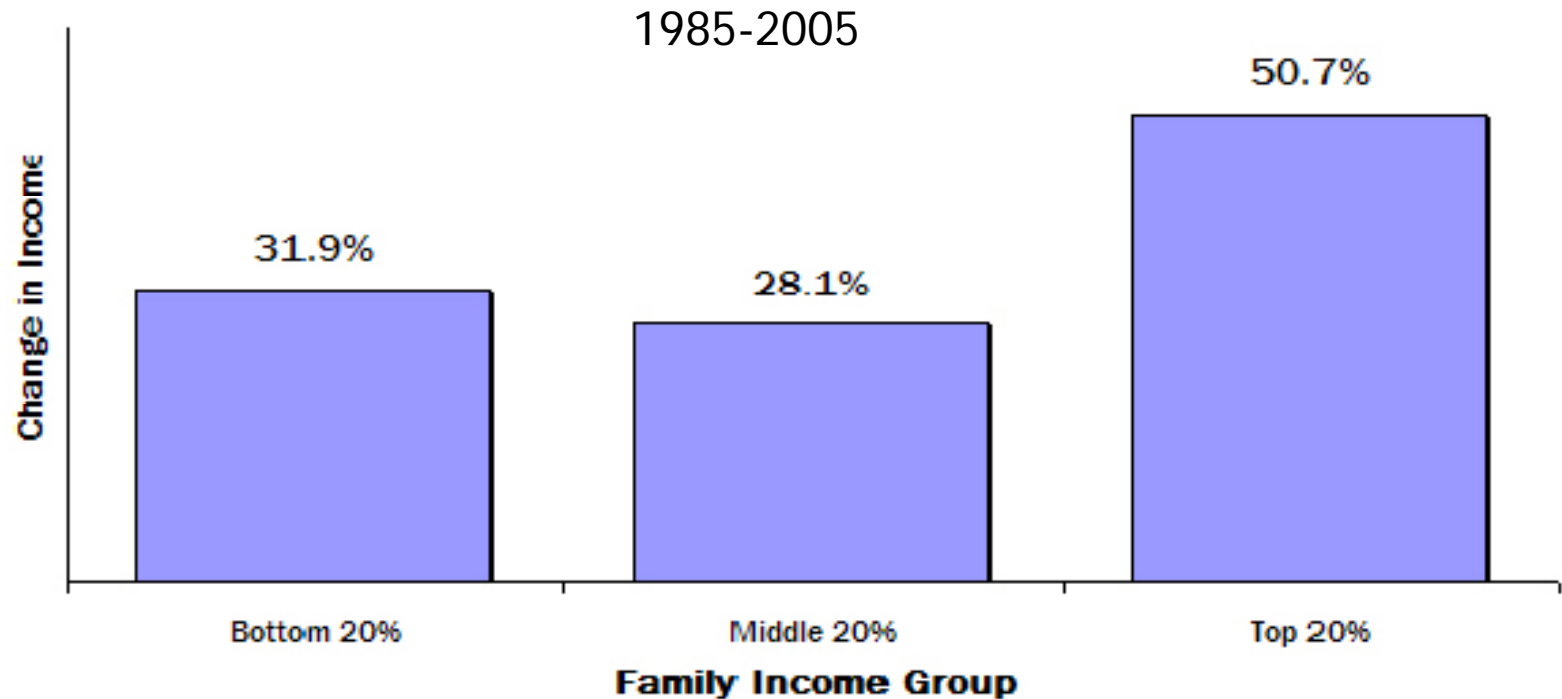
U.S. Bureau of Economic Analysis

Economic

	Per capita personal income \$			Total Personal Income (\$ million)		
	2008	2009	% change	2008	2009	% change
United States	40,166	39,138	-2.6	12,225,589	12,015,535	-1.7
Great Lakes						
Illinois	42,540	41,411	-2.7	546,344	534,638	-2.1
Indiana	34,543	33,725	-2.4	220,670	216,618	-1.8
Michigan	34,953	34,025	-2.7	349,612	339,219	-3.0
Ohio	35,889	35,381	-1.4	413,732	408,395	-1.3
Wisconsin	37,770	36,622	-2.5	212,553	206,220	-2.0
Plains						
Iowa	37,509	36,751	-2.0	112,302	110,541	-1.6
Kansas	38,886	37,916	-2.5	108,779	106,875	-1.7
Minnesota	42,953	41,552	-3.3	224,671	218,823	-2.6
Missouri	36,356	35,676	-1.9	216,547	213,610	-1.4
Nebraska.	39,182	38,081	-2.8	69,821	68,417	-2.0
North Dakota	39,874	39,530	-0.9	25,576	25,570	0.0
South Dakota	38,644	36,935	-4.4	31,091	30,006	-3.5

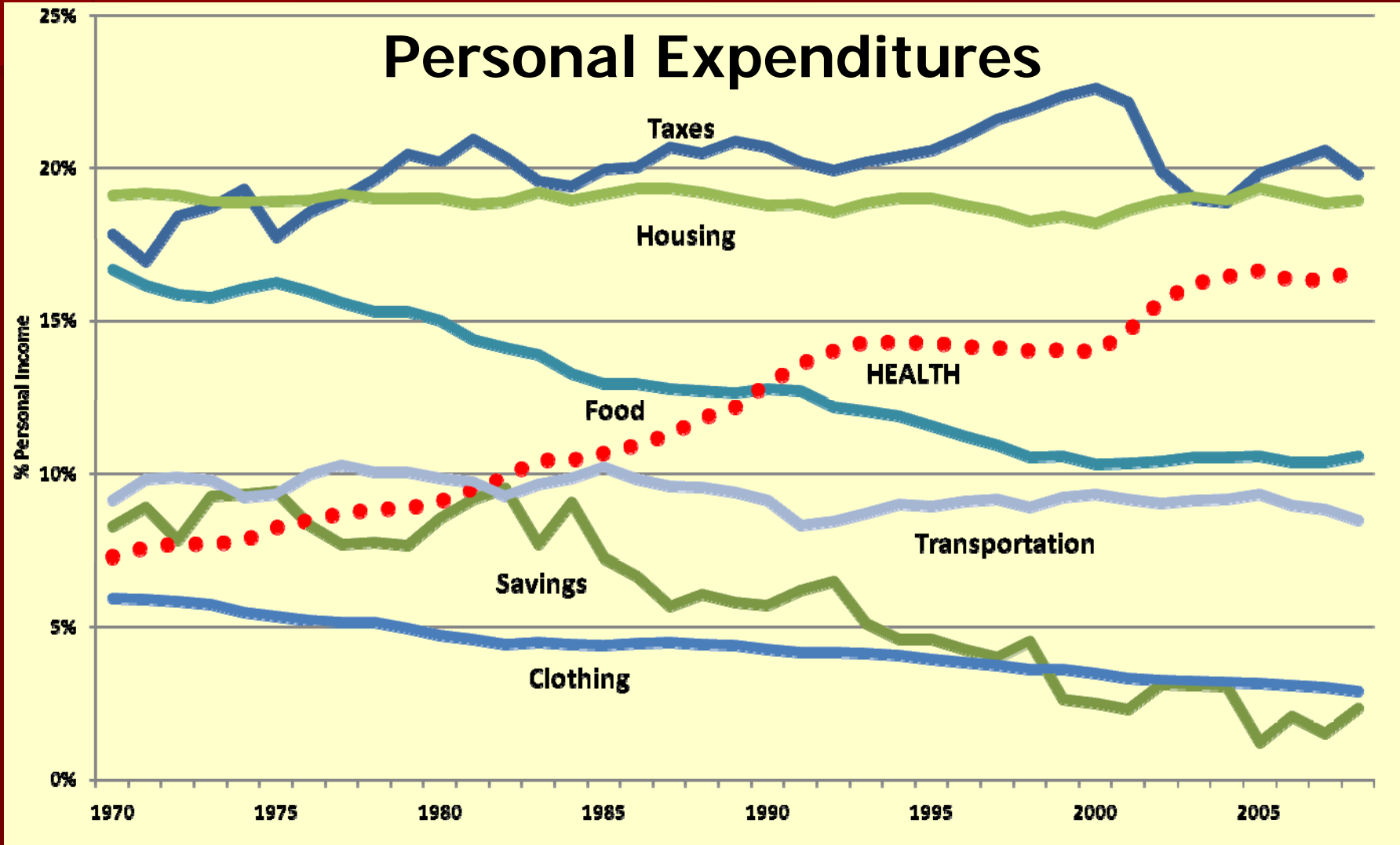
Economic

MINNESOTA: Richest Families Had Greatest Income Gains Over Last Two Decades[^]



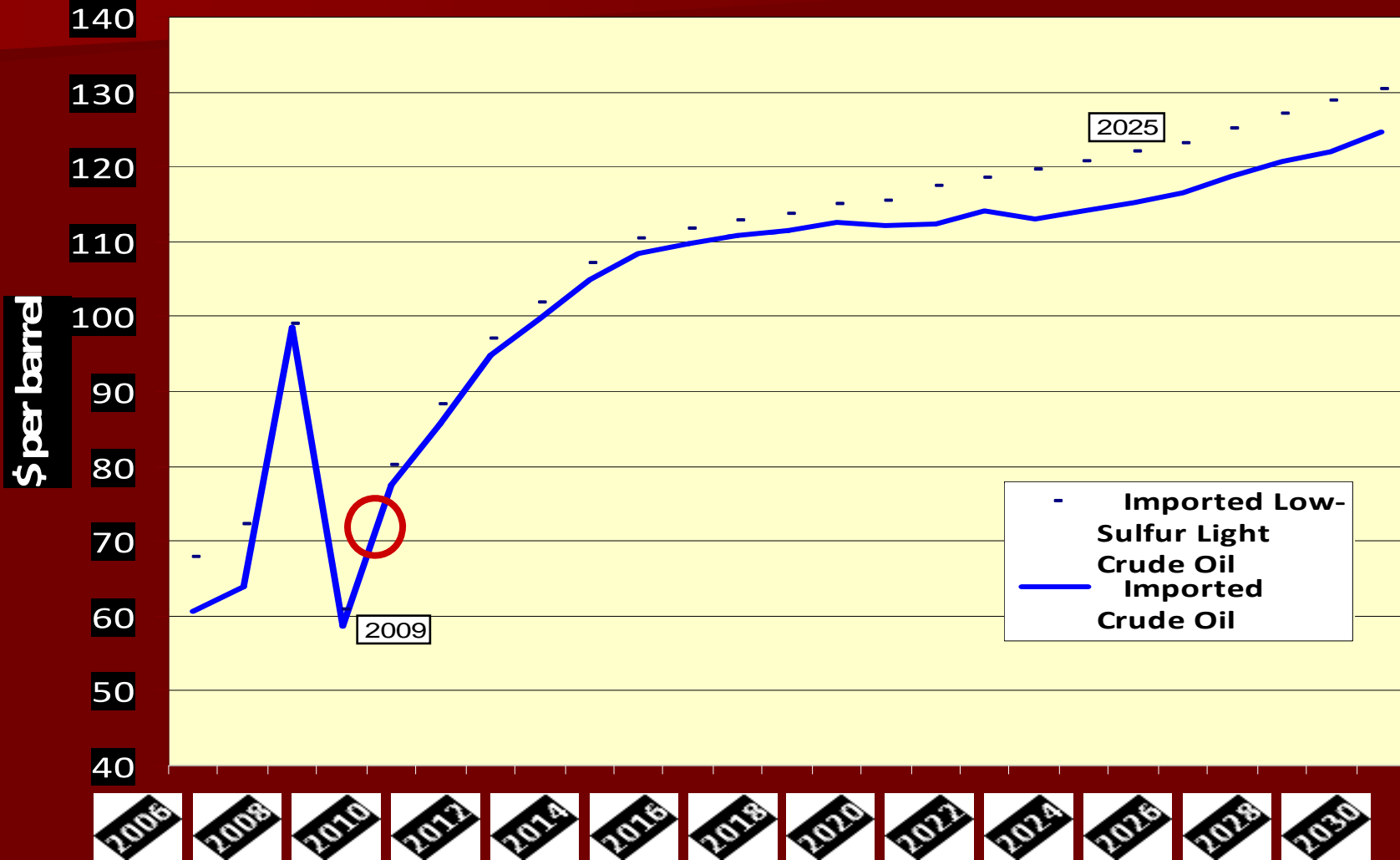
[^]Difference in growth between the top and bottom is not statistically significant at a 90 percent level of confidence

Economic



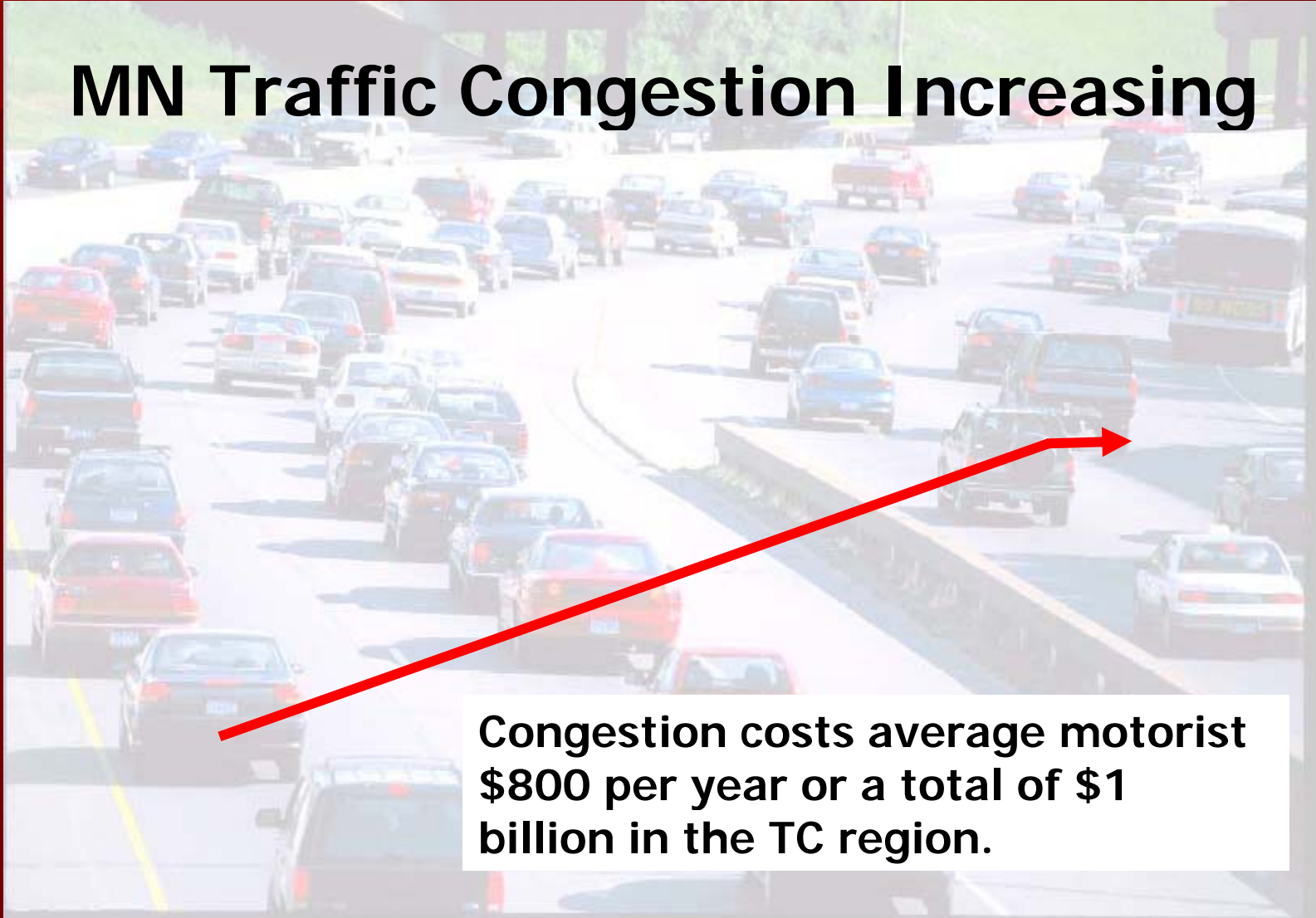
Economic

Crude Oil Prices (2007 dollars per barrel)



Economic

MN Traffic Congestion Increasing



Congestion costs average motorist \$800 per year or a total of \$1 billion in the TC region.

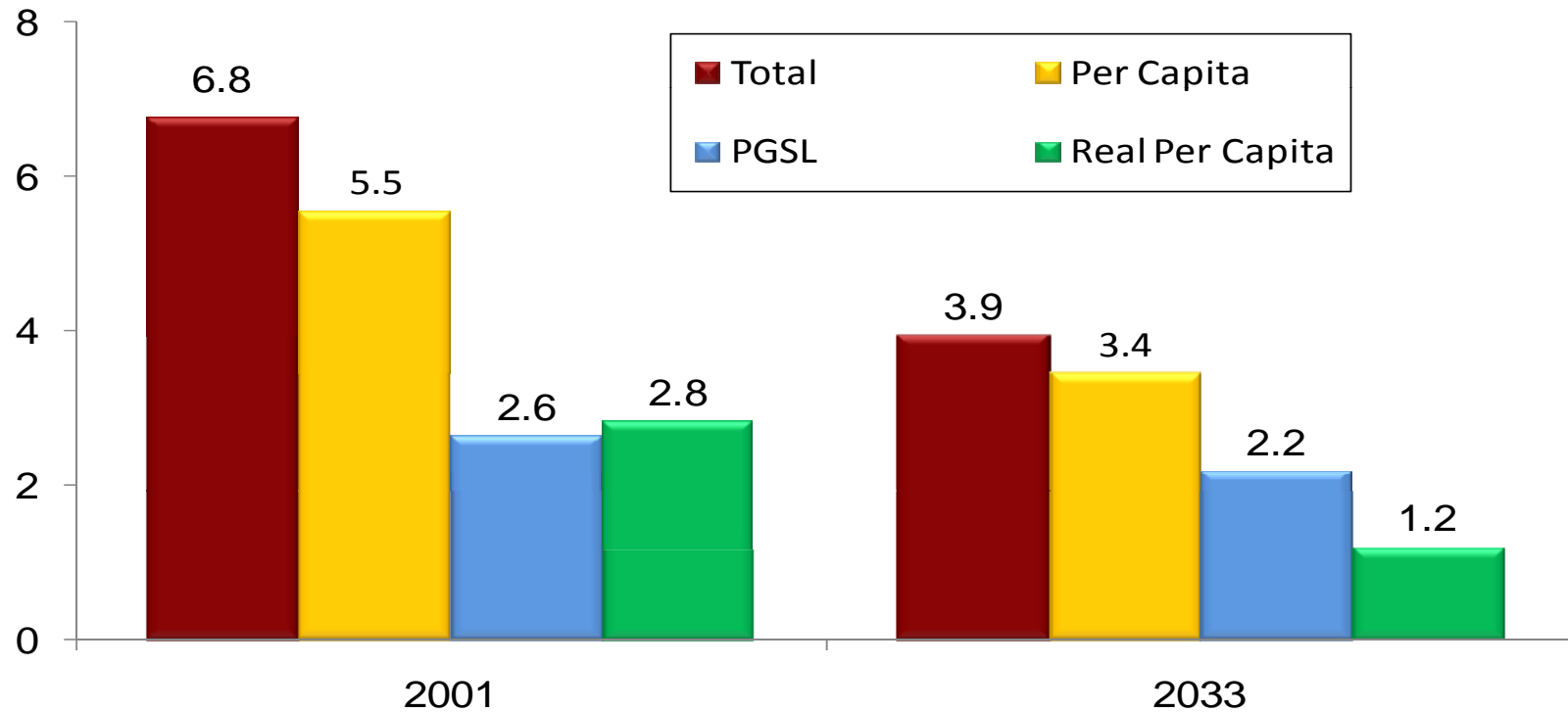
Economic Internet Speed - MN 20th

	200 kbps +	768 kbps +	6 mbps +	10 mbps +
Hawaii	92.5	88.3	*	*
Oklahoma	90.2	84.8	28.0	3.0
Nevada	88.8	83.0	30.4	6.6
Maine	86.0	82.9	57.6	4.0
Florida	86.0	82.2	40.3	8.6
Louisiana	85.3	81.7	*	*
Wisconsin	87.8	81.2	27.8	6.4
Rhode Island	85.5	80.9	*	*
Connecticut	87.9	80.8	37.5	0.0
Illinois	87.9	79.6	31.9	7.5
Oregon	87.3	79.4	39.2	5.3
New York	83.1	79.1	56.4	55.6
Michigan	85.6	78.8	32.6	*
Utah	88.6	78.5	33.2	2.9
Washington	85.7	78.5	40.6	4.8
California	86.2	78.3	19.7	3.9
Texas	86.3	78.1	24.3	5.2
Colorado	87.8	77.5	39.0	1.5
Missouri	85.4	77.4	16.8	5.7
Minnesota	85.9	77.3	31.1	3.9

Economic

5 Year Compound Growth Rates of Minnesota State Revenues: 2001 & 2033

% Growth rate
(5 yr compound)



Source: Analysis from Minnesota Management & Budget (MMB)

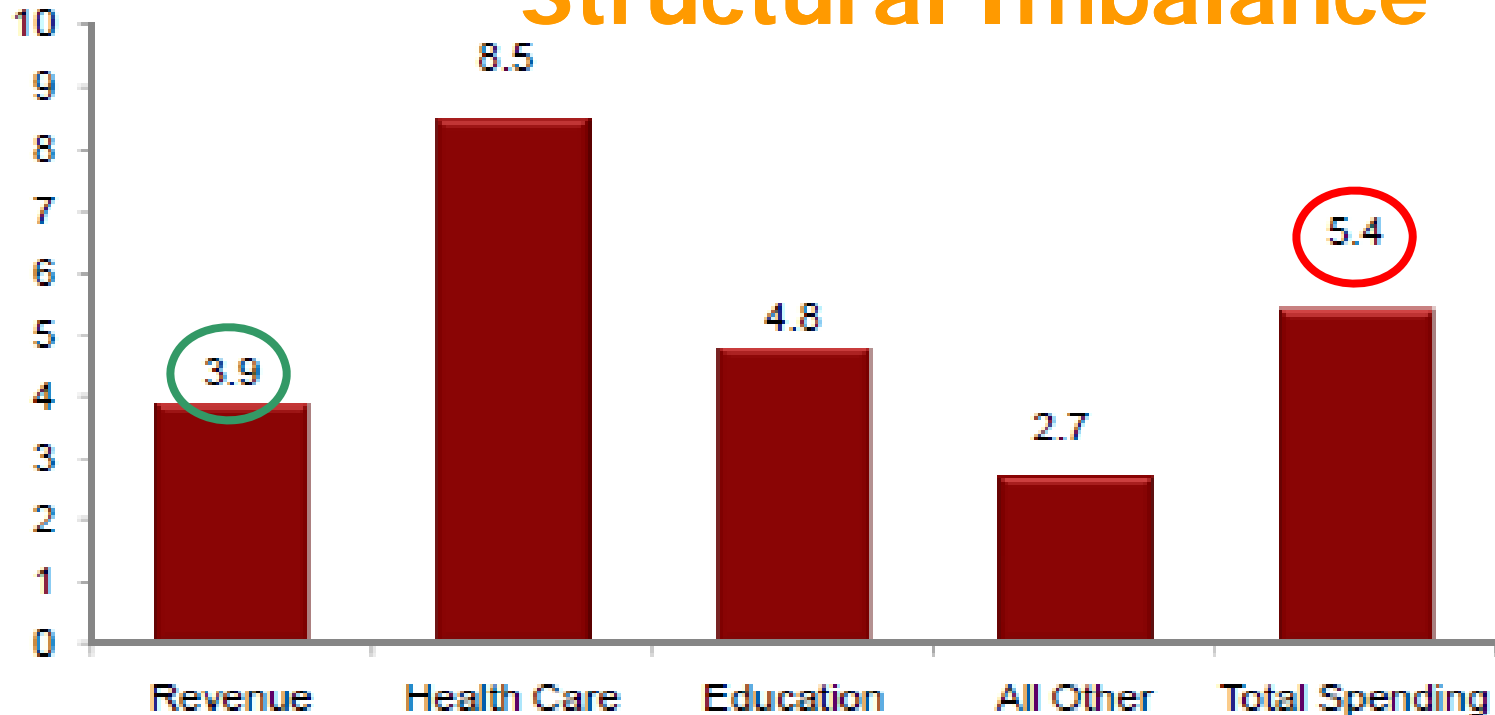
* PGSL is the price deflator for State and Local Government purchases of public goods and services.

Economic

Projected Average Compound Growth Rates of Minnesota State Finances between 2008 and 2033

% Growth rate
(5 yr average compound)

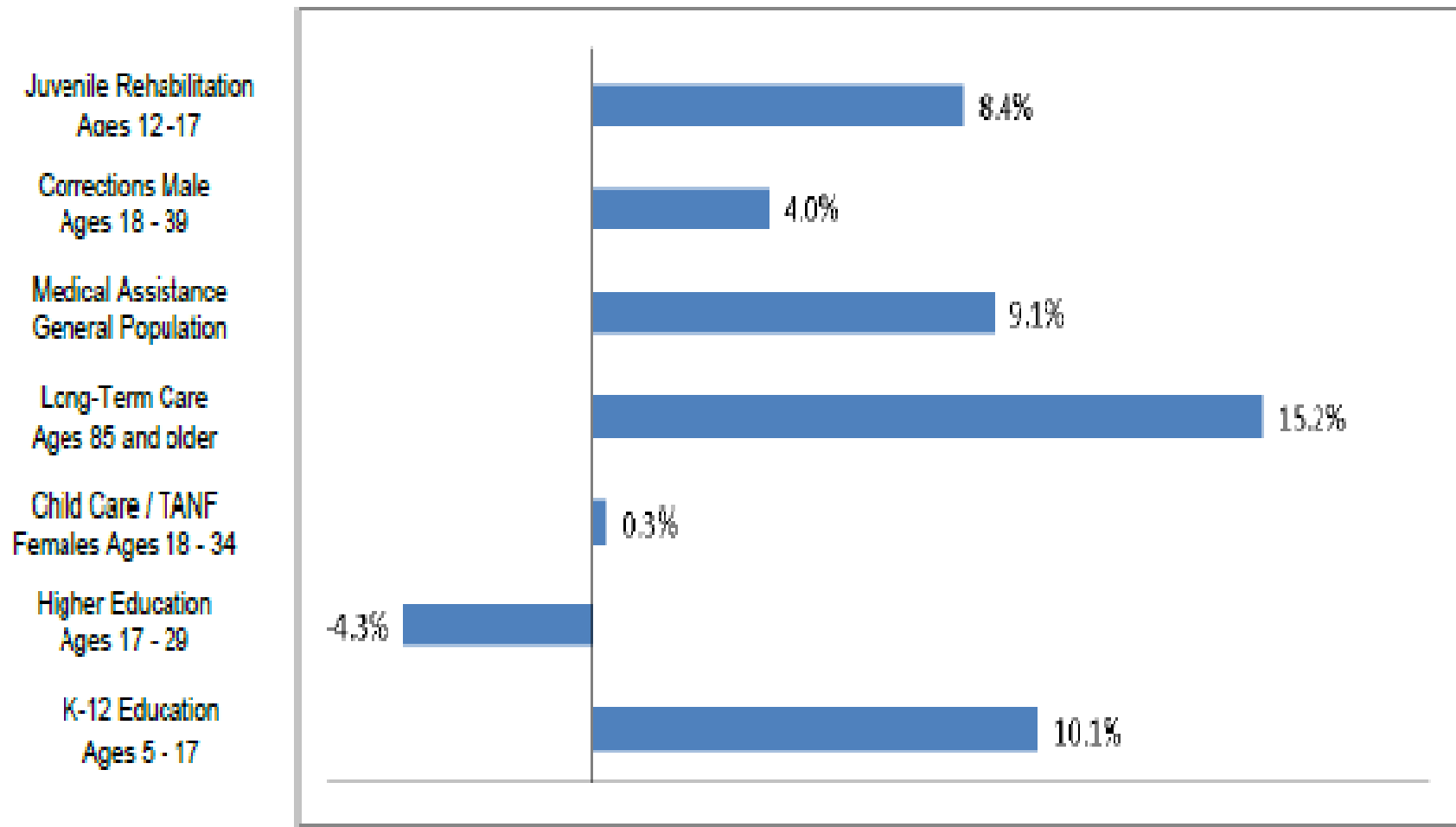
Structural Imbalance



Source: Analysis from Minnesota Management & Budget (MMB)

Economic

Percent Change 2010 - 2020



Future Problem (5-10)

Forecast Structural Deficit	2012-2013 (in billions)
Revenue*	\$33.2
Ongoing Spending*	39.9
<i>Structural Gap</i>	\$(6.7)
One-time Stimulus	0
Budget Gap	\$(6.7)
* Including Inflation & Mild Recovery	(20)%

Former Finance Commissioners Reaction to Deficit

Kiedrowski

Gunyou

Ingison

Wheelock



Implications

A Similar Minnesota in the Future

Highly Educated

Healthy

Clean Environment

Productive Workers

Less Crime

Reduced Traffic Fatalities

High Voter Turnout

Rich Cultural Arts

Supportive Nonprofit Sector

Implications

A Different Minnesota in the Future

Older, More Diverse

Fewer Wage Earners Proportionately

Less Well Educated

More Relative Unemployment

Higher Tuition for College

Less Affordable Health Care

Greater Income Disparity

Less Affordable Housing & Development

More Congestion

Implications

Different Public Finances in the Future

State Revenue-Expenditure Structural
Deficit

More Revenue Volatility

Revenue Growth Less Than the Past

Healthcare Rethinking Required

Property Tax Relief Changes Needed

Funding Source for Local Governments

Need for Growth in Foundation Principal

Foundation Investment Returns 9-2010

Balanced Index	Year To Date	1 Year	3 Years	5 Years	10 Years
	5.3%	9.3%	-1.5%	2.2%	2.3%

Statement on Minnesota's Finances

1. A strategic and sustainable balance of both tax increases and spending decreases that will support ongoing public investment priorities;
2. Creation and maintenance of an appropriate budget reserve; and
3. A strict policy that the state will only spend an amount equal to the current revenues raised in a biennial budget period.


Governor Al Quie


Governor Wendell R. Anderson


Governor Arne Carlson


Speaker Martin Sabo


Speaker Harry Sieben


Speaker Dave Jennings


Speaker Dee Long


Speaker Bob Vanasek


Speaker Phil Carruthers


Majority Leader Roger Moe


Majority Leader Dean Johnson


Majority Leader John Hottinger

Expenditure Redesign

- Strengthening Performance Accountability
- Charges, Results-inducing Incentives, and Targeting
- Deciding vs. Doing
- Funding Consumers
- Collaboration/Sharing/Consolidation
- Prevention
- Community

Minnesota's New Normal

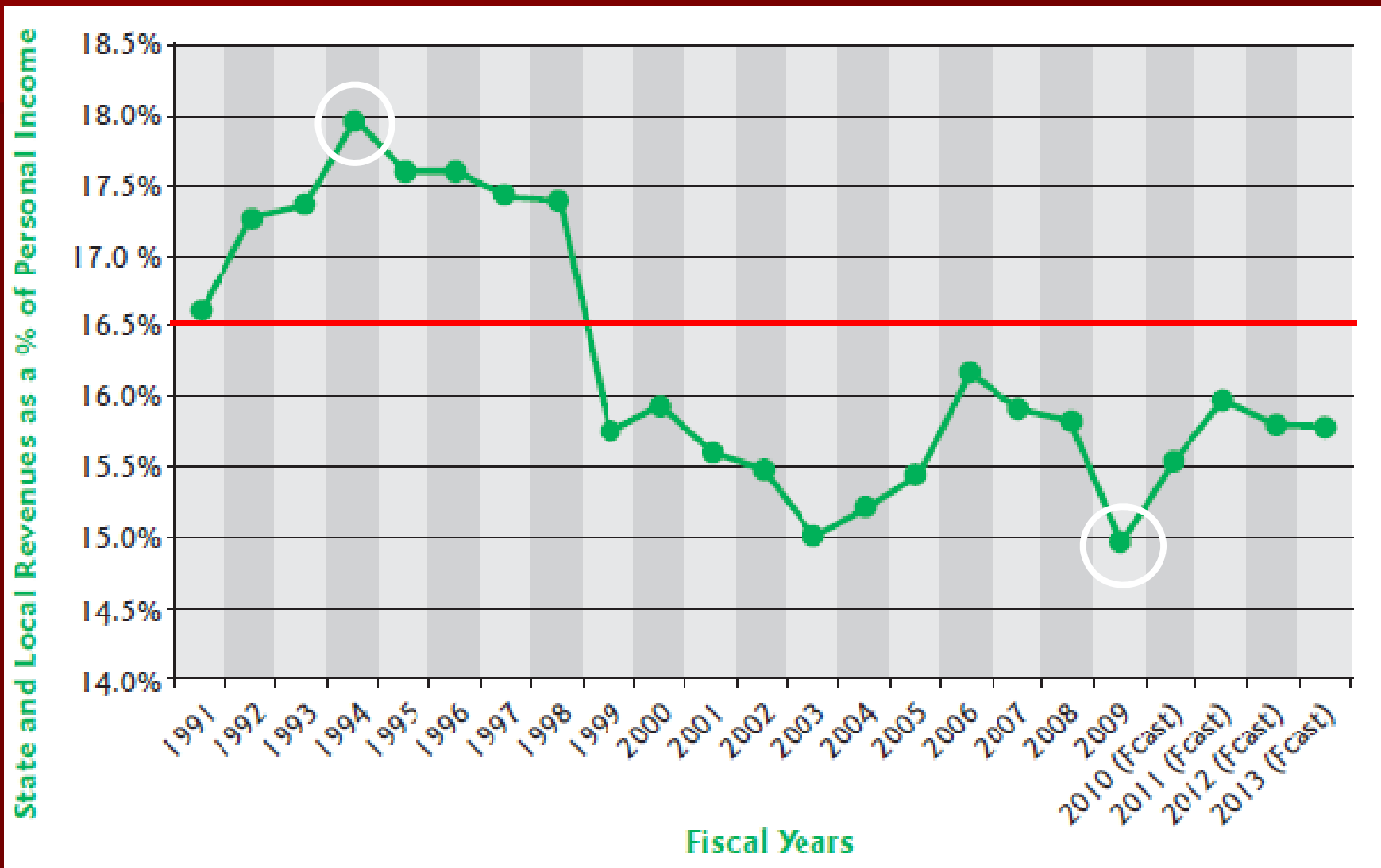
**How will the Minnesota Community
respond to the new normal?**

Questions and/or comments?

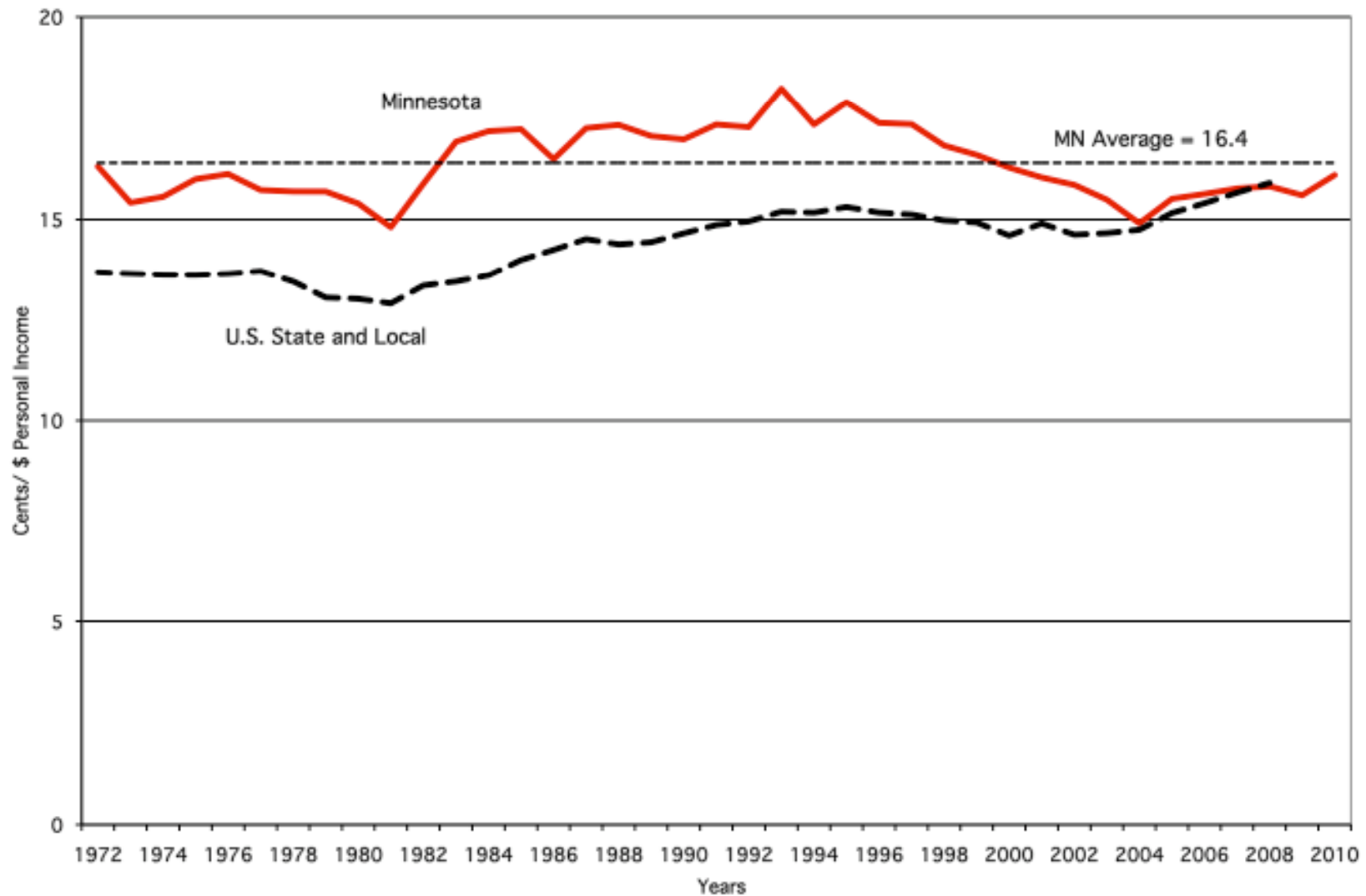
Three Questions

1. Given MN's new normal, what can foundations do to work with government to meet critical community needs?
2. How can foundations effectively stimulate more redesign of public/nonprofit service delivery?
3. Will MN's new normal require your foundation to review its strategies and priorities and respond to the following?
 - * General operating support vs. Program/start up support
 - * Broad vs. narrow focus
 - * Long-term vs. short-term response
 - * Working with multiple stakeholders or on your own

Price of Government

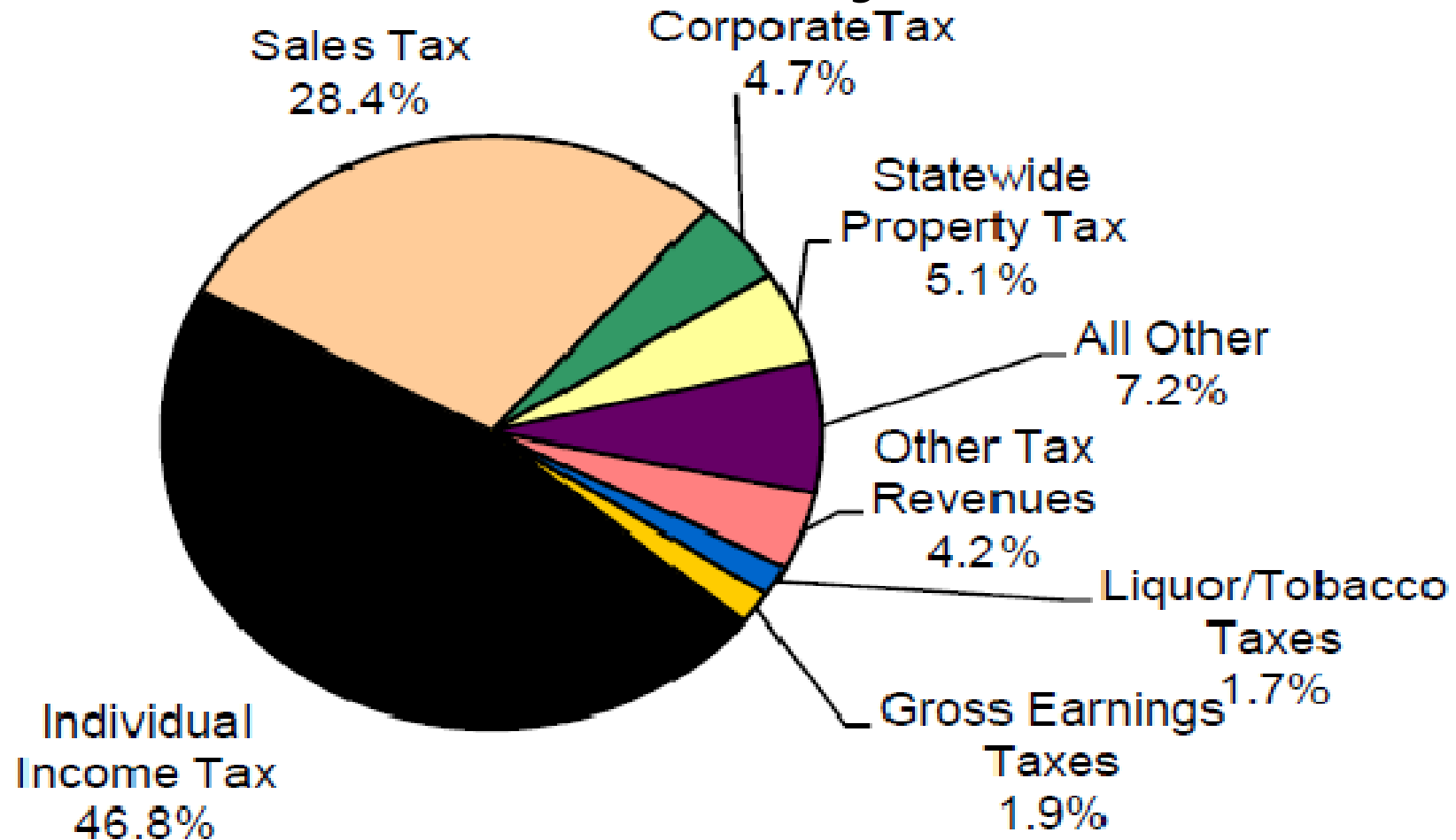


Price of Government



Economics

Which tax would you raise?



Economics

Which Expenditure Would You Cut?

