



# Joint Economic Committee MINNESOTA ECONOMIC SNAPSHOT

Senator Charles E. Schumer, Chairman  
Congresswoman Carolyn B. Maloney, Vice Chair

March 12, 2008

Over the past seven years, the Bush economy has made it more difficult for most Americans to get ahead. Under the current Administration, the basic goals of the American dream – raising a family, owning a home, paying for college, saving for retirement – have become intimidating hurdles for hardworking people. Slow growth in families' wages has been compounded by double-digit cost increases for health care, energy, and college tuition. Democrats are fighting for a new direction in economic policy, aimed at restoring broad-based growth, reducing the high costs of health care and energy, improving retirement security, and increasing prosperity for all Americans.

## **REAL HOUSEHOLD INCOME HAS STAGNATED; JOB CREATION HAS BEEN ABYSMAL**

**Minnesota's Median Household Income Decreased By 6.8 Percent Since 2000.** In Minnesota, real median household income averaged \$56,102 over the 2005-2006 period, compared with \$60,205 over the 1999-2000 period. Despite strong gains in productivity, workers' wages are only marginally higher than they were 25 years ago, and nationally, the inflation-adjusted income of a typical American household fell by \$962, or 2.0 percent, to \$48,201 between 2000 and 2006. [Bureau of the Census, U.S. Department of Commerce, available [here](#). Following Census guidance, this fact sheet compares the two-year average for 1999-2000, the last years of the Clinton administration, to the two-year average for 2005-2006, the most recent two year period for which this data is available, to analyze changes in household income, poverty and health insurance coverage under this Administration. For more information, see the JEC's August 29, 2007 fact sheet on household income, available [here](#). Note: These and all other inflation-adjusted dollar amounts found in this fact sheet are expressed in constant 2006 dollars.]

**Minnesota's Job Growth Under the Current Administration Lags Far Behind Previous Presidents.** The current president is competing with his father for the worst job creation record of any president since Herbert Hoover. Since taking office in January 2001, only 5.6 million jobs have been created, as compared with 21.1 million new jobs created during the Clinton administration at the same point in time. In Minnesota, only 79,100 new jobs have been created since Bush took office—or 940 new jobs per month—as compared with a total of 428,200 new jobs under Clinton—or 5,100 per month. In particular, the manufacturing sector has been hit hard by the economy under the current Administration, with payrolls nationwide declining by 3.3 million jobs between January 2001 and January 2008, and by 54,600 in Minnesota over the same period. [Bureau of Labor Statistics, U.S. Department of Labor, available [here](#).]

## **FAMILIES ARE FEELING THE SQUEEZE OF RISING EXPENSES**

**Rising Energy Costs Lead to Higher Gas and Home Heating Prices for Minnesota Residents.** Rising energy costs are making it more difficult for Minnesota families to stretch their household budgets. In March 2001, the average retail price per gallon of gasoline in Minnesota was \$1.46. The average gas price per gallon is \$3.06 as of March 11, 2008. When adjusted for inflation, this represents an increase of 78 percent. At the same time, this winter is expected to hit Minnesota families hard, as average home heating costs have risen by 14 percent per household from \$956 to \$1,087 in the past year. [Federal Highway Administration, U.S. Department of Transportation, available [here](#); American Automobile Association, available [here](#). Energy Information Administration, U.S. Department of Energy, available [here](#); Bureau of the Census, U.S. Department of Commerce, available [here](#). Home heating costs are calculated using data taken from the Department of Energy data on regional household heating expenditures, broken down by fuel type, and applying this to data on State-specific usage of each fuel type, provided by the Bureau of the Census, to produce a weighted average per household for each State.]

**Health Care Premiums Rose 37.5 Percent in Minnesota Since 2000.** In 2005, the average inflation-adjusted health care premium for family coverage in Minnesota was \$11,200, a 37.5 percent increase from 2000, while the average premium for individual coverage was \$4,060, an increase of 27.9 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 39.7 percent from 2000 to 2005, even as real median household income declined by 2.7 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available [here](#).]

**Minnesota College Tuition Rose 55.3 Percent Since 1999.** Minnesota parents of college age students have also been hard hit under the current Administration, as inflation-adjusted tuition for Minnesota's four-year public colleges increased 55.3 percent between the 1999-2000 and 2005-2006 school years to \$7,137 per year. With that \$2,541 increase over just six years, Minnesota families are finding it more and more difficult to afford to send their children

to college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 1999-2000 and 2005-2006 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 36.3 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* “Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction”. Data for 1999-2000 available [here](#); data for 2005-2006 available [here](#).]

**Child Care Costs For Two-Child Families Averaged \$1,775 Per Month in Minnesota.** Child care continues to be a hefty burden on the budgets of Minnesota parents, with inflation-adjusted monthly care for an infant averaging \$1,015, and monthly care for two children averaging \$1,775. [National Association of Child Care Resource and Referral Agencies, available [here](#).]

## **THE HOUSING CRISIS IS ERODING HOME WEALTH, HURTING THE BROADER ECONOMY**

**The Subprime Mortgage Crisis Is Impacting All Minnesota Homeowners.** Under the Bush administration’s watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. As these adjustable rate mortgages reset to higher rates, the number of families unable to afford their payments and threatened with foreclosure is skyrocketing. In Minnesota, mortgages in delinquency have increased from 16,490 in the fourth quarter of 2006 to 19,830 in the fourth quarter of 2007. According to a recent report published by the Joint Economic Committee (JEC), the number of subprime foreclosures in Minnesota will total 27,870 between third quarter 2007 and the end of 2009. [Mortgage Bankers Association, JEC October 25<sup>th</sup> Subprime Lending Crisis Report, available [here](#).]

**High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth.** The mortgage foreclosure crisis will have severe costs for Minnesota homeowners, not only in direct costs, but in its effect on home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost Minnesota \$1.64 billion over the second half of 2007 through the end of 2009. Nationally, the expected economic costs of forecast foreclosures total nearly \$104 billion. Moreover, these numbers do not include the larger effects that the foreclosure crisis may have on the economy. Home prices, which drove up consumer spending when they rose earlier this decade, are in decline now, and consumers may begin to draw back on spending, negatively impacting GDP growth. [JEC October 25<sup>th</sup> Subprime Lending Crisis Report, available [here](#)]

## **THE ECONOMIC COST OF THE IRAQ WAR IS STAGGERING**

**The Iraq War Will Cost \$36,900 Per Minnesota Household.** According to the JEC’s recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total \$59 billion for Minnesota taxpayers by 2017; the total cost to the country will be an estimated \$2.8 trillion. [JEC November 13<sup>th</sup> Iraq War Cost Report, available [here](#).]

## **POVERTY REMAINS PERSISTENTLY HIGH**

**In Minnesota, 417,000 Residents Were Living in Poverty Over Last Two Years.** In Minnesota, 417,000 residents were living below the poverty line during the 2005-2006 period, an increase of 32.4 percent over the 1999-2000 period. Unfortunately, this problem is not confined to the adult population as 10.6 percent of Minnesota’s children are living below the poverty line. Nationally, 12.3 percent of Americans were living in poverty as of 2006. [Bureau of the Census, U.S. Department of Commerce, available [here](#). See the JEC August 29, 2007 Fact Sheet on Poverty, available [here](#).]

## **THE RANKS OF THE UNINSURED CONTINUE TO GROW**

**Over Last Two Years, 441,000 Minnesota Residents Had No Health Insurance.** A growing number of Minnesota residents are living without health insurance. During the 2005-2006 period, an average of 441,000 Minnesota residents—8.6 percent of the state’s population—had no health insurance; this was 94,000 more than during the 1999-2000 period. Furthermore, 7.1 percent of Minnesota’s children had no health insurance. Across the country, the number of Americans without health insurance totals 47 million, up 8.6 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available [here](#). See the JEC August 29, 2007 Fact Sheet on Health Insurance Coverage, available [here](#).]