



# Duluth...on the road to prosperity

## Executive Summary

Duluth is on the road to prosperity and a promising future. Duluth has tremendous potential to improve the lives of every community member and every neighborhood. In May 2008, a team of committed community members embarked on a mission to identify and address issues that impact community health, vitality, and sustained prosperity. Though several initiatives were in place, this group would align existing efforts which shared the same goal of harnessing the existing potential of the community to move every person towards sustainable prosperity. The group shared the belief that impacting five key areas in the community would produce positive results for the entire community such as increased business profitability, increased personal financial literacy, an expanded skilled workforce, and improved perceptions of the Duluth community.

The Prosperity Agenda team concentrated on five specific areas, which intrinsically complement each other and developed an index as a measurement tool to track progress:

**Income/Poverty - Housing - Workforce - Education - Business Climate**

## Prosperity Index

### Methodology

The Duluth Prosperity Index is a way of measuring the overall financial health of people in Duluth using a wide variety of measures. This tool was developed with the assistance of the Minnesota Department of Employment and Economic Development.

There are five key elements of the Index:

- **Housing.** 20 points. How much of the population is considered "cost-burdened" by spending more than 30% of their household income on housing. What percentage of single-family homes are owner-occupied?
- **Income and Poverty.** 30 points. What percentage of the population has an income less than 200% of the federal standard for poverty? How close is Duluth's median household income to the state's median household income?
- **Workforce/Quality Jobs.** 20 points. What is the average weekly wage that workers in Duluth earn and how close is it to the state's average weekly wage? What is the percentage of adults in Duluth that are in the workforce?
- **Education.** 10 points. What is the total education level of everyone over 25 in Duluth?
- **Business Climate.** 20 points. How many jobs are there in Duluth?

The elements were chosen because they represent data reflecting larger trends that have an impact on the overall prosperity of residents of Duluth. The index is designed to show progress - or challenges - by using scales that show changes in our underlying economy. There are many more bits of data that are measures of how a community is doing, but these were chosen because they are already collected annually and serve as jumping off points to further analysis.

The index is set at 100 for both Duluth and Minnesota so that trends can be seen over time. Each element will move slightly each year. Some of the measures - a measure of median income and another on the average weekly wage - are designed to measure the difference between the Minnesota number and the Duluth number.

The index features were chosen primarily because they are accepted measures of economic health of a community. Secondly, they were also chosen because they are from reputable data sources, are already collected by government agencies, and fairly represent aspects of the economy in Duluth. The Prosperity Agenda team reviewed selections and made recommendations about the construction of the index, index movement. The data recommendations and development was done by the Regional Labor Analyst for Minnesota's Department of Employment and Economic Development.

The index is set to begin at 100 and fluctuate each year. Most data represents the prior year. American Community Survey data is typically available each September for the prior year. Minnesota DEED annual summary data is usually available in June or July.

### **Dividends**

As we invest and be proactive in each of the five areas, we will be able to realize dividends. With a positive shift in the index, we will see positive impacts in each of the five prosperity agenda items. Current and future investments could yield for Duluth:

- increased business profitability
- Increased equity and income
- Increased educational achievements
- Reduced crime
- Increased tax base
- Strengthened community pride
- Stronger sustainable neighborhoods
- Increased community health and wealth

To make progress towards prosperity, Duluth must patiently make long-term investments in its workforce, businesses, education, and community development.

### **The Prosperity Agenda Team consists of the following leadership:**

Don Ness, Mayor of Duluth  
Keith Hamre, City of Duluth, Manager of Community Development  
Don Hoag, City of Duluth, Manager of Workforce Development  
Tony Cuneo, Duluth City Councilor and Policy Director for the A.H. Zeppa Foundation  
Paula Reed, United Way of Greater Duluth, President  
Angie Miller, Community Action Duluth, Executive Director  
Pam Kramer, Duluth Local Initiatives Support Corporation, Executive Director  
Joe Hill, ISD 70, Assistant Superintendent  
Rob West, Area Partnership for Economic Expansion, Executive Director  
Ken Browall, Duluth News Tribunes, Publisher

*Using the American Community Survey.* The ACS is still the best available data for most of these issues, but it's not perfect, especially in a community like Duluth with a large number of college students. Survey research is entering a particularly challenging time getting effective random responses in the age of cell phones and other distractions. The relatively high fluctuation among some ACS data has led the Census bureau to highlight 3-year and 5-year running averages rather than 1-year data. Still, because this index mixes multiple sources, we are using the 1-year data. Broad trends over several years will have more statistically viability than single year fluctuations, but the multiple sources of data should also add to the statistical value of the index. Although individual pieces of ACS data have margins of error, the combination of data does not allow for a simple margin of error. (For example, individual pieces of data from the ACS's chart on the percentage of income paid for housing has margins of error ranging from +/-0.7% to +/-3.4%.) As with all data like this, long-term trends from multiple data sources are more reliable than any single data point, which is the purpose of the index.

# Income and Poverty

## Percentage of Individuals Living Below 200% of the federal poverty level (20 points)

Using the 200% of the federal poverty level allows a way to count the working poor as well as those in extreme poverty. The federal poverty level, just an income of \$10,400 for a single person, and just \$21,200 for a family of 4 for 2008, are really a market of extreme poverty. Many researchers use the 200% figure as a way to show the working poor as well as the extreme poor. To that end, the American Community Survey in 2006 started provided that data as part of its regular data series.

**Index Movement.** The measure is designed to move 1 point for every 1.5% of change. A doubling of this measure from 20 to 40 points would mean that Duluth has found a way to limit poverty to some of the lowest poverty rates in the country. Doable but difficult. [Data note: Until the American Community Survey started providing this data, many agencies would occasionally make estimates that resulted in some fairly dramatic differences for the same location.]

## Income and Poverty Median Household Income (10 points)

Duluth now trails the state by approximately \$15,000 in median household income. Raising this is one of two measures in absolute dollars to measure prosperity.

**Index Movement.** The measure is designed to move from 10 points to 20 points if the gap between Duluth and Minnesota is eliminated.

# Housing

## Executive Summary

### Cost-Burdened Households

(10 Points)

What is the percentage of households that pay more than 30% of their income to housing?

More and more agencies are using this measure, readily available through the American Community Survey, of measuring the number of families who are spending more than 30% of their annual income on housing, whether they are renting or buying. The Twin Cities Compass project says this measure is important because "People whose housing costs exceed this threshold of affordability are likely to struggle to pay for other basic needs, forcing difficult tradeoff. Individuals and families who are cost-burdened may drop health care coverage, select less expensive child care arrangements, or skip meals to save on costs, which may result in poorer outcomes in other areas of well-being."

**Index movement.** This marker is set up to double if Duluth can get the percentage of Cost-burdened households back to the levels that existed in the 1990s and 2000. For each 1 percent of total households that are cost-burdened, the index moves by 1 point.

### Percentage of Single-Family Homes that are Owner-Occupied in Duluth

(10 points)

This measures the number of single-family homes that are owner-occupied. Home ownership is one of the best ways for an individual or family to build sustainable assets. The focus is on single-family homes in part because Duluth has a shortage of quality multi-unit dwellings available for rent, which has led to the conversion of many single-family homes into rental units. Duluth's population mix, with a large number of college students and professionals who have moved here for potentially short-term jobs, requires that quality rental housing be available for overall prosperity.

**Index Movement.** The measure is designed to move by 1 point for each 1 percent of the single-family homes that are either moved into or out of being owner-occupied. A movement from 10 to 20 would mean that 93.5% of all single-family homes in Duluth are owner-occupied. [Data note: the city of Duluth has changed the way it calculates this data, and revised its estimate of owner-occupied units. Previous estimates had the number at 87%, but it's most recent number is 83.5%.]

# Workforce/Quality Jobs

## **Average Weekly Wage** (10 points)

This measures the average pay for each job. Currently the average job in Duluth pays \$757 a week compared to the state average of \$881.

A rise to 20 points would mean the differential between Duluth and Minnesota is eliminated.

## **Workforce/Quality Jobs** **Percentage of Adults in the Labor Force** (10 points)

A key measure of the availability of good work, and quality support networks for individuals with barriers to employment, is the total percentage of adults in the labor force. This measure is much better than unemployment rates because it also measures the motivations and support for individuals on the border of working. A higher number clearly shows a more prosperous economy for all. Duluth currently lags Minnesota by about 6 percentage points.

Small rises in this number would mean significant progress in both a healthy economy and finding ways to support those with barriers to employment. A rise from 10 to 20 points would mean that Duluth would approximately match the statewide number. This number should not be tied to the Minnesota number because the Minnesota number is expected to decline. Duluth has a much better chance of this number increasing. A rise in 0.5% would result in a 1 point index rise.

# Education

## Total Education of Duluth Residents

(10 points)

Education at every level brings greater individual and community prosperity. This index uses points assigned by calculated the percentage of residents with each level of education achieved as measured by the American Community Survey.

Percentage of residents with less than a high school diploma x 1

Percentage of residents with a high school diploma or GED x 2

Percentage of residents with some college x 3

Percentage of residents with an associate's degree x 4

Percentage of residents with a bachelor's degree x 5

Percentage of residents with an advanced degree x 6

In reality, the number assigned to college degrees would be higher, but this index would also give points to improvements at all levels of education. A study by the Census bureau of 2005 data showed that those without a high school degree earned an average of less than \$20,000 a year compared with \$37,990 per year for an associate's degree and \$54,689 for a bachelor's degree. The numbers are even more dramatic for advanced degrees, with those with a doctor degree earning a median around \$80,000 a year and those with a professional degree, about \$100,000. In Northeastern Minnesota during the recession of 2009, those without a college degree were six times more likely to be laid off than those with a bachelor's degree. In addition to the individual benefit, areas with greater numbers of well-educated workers are likely to have greater general prosperity.

**Index Movement.** For every 10 points the education market changes, the index goes up by 1. Generally, more people in Duluth and across the nation have been getting more education. The number of people in Duluth with a B.A. degree has increased from 22.5% in 1990 to 32.8% in 2008 (Duluth has moderately outpaced the state on this increase since 1990).

# Business

## Total number of employees in Duluth (10 points)

This is a good overall measure of the business climate, the total number of people employed. In the past few years, the city has seen modest but steady growth in private employment that has overshadowed declines in government employment.

The change measure is to add 1 point to the 20-point base for each 600 new employees in the city. A rise to 40 points would mean there is a 20% point rise in total employment.

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