

Abstract

***Economics for Lasting Progress Project***

The purpose of the Economics for Lasting Progress project is to find ways to improve the economic signals contained in state policy and to identify new measures of economic progress which reflect social and environmental goals. The Economics for Lasting Progress project examines the economic signals contained in the following state policies and identifies ways to improve these signals for a healthier Minnesota:

- |                   |                            |                    |
|-------------------|----------------------------|--------------------|
| Property tax      | Air emissions              | Home heating fuels |
| Forest management | Economic aid to businesses | Gas tax            |

The project also evaluates current measures of progress and proposes a new measure, the Minnesota progress indicator, based upon 42 environmental, economic and social factors.

The project's principal conclusion is that Minnesota laws and policies often send mixed economic signals. Further, Minnesota can best support lasting prosperity if state policy reflects clear goals, policy incentives are aligned with the goals, and progress is monitored with respect to the goals. Specific conclusions include the following:

- Government spending for affordable housing is more than neutralized by the property tax and tax code treatment of housing. Without addressing such economic distortions, housing affordability will likely be a chronic urban problem regardless of the amount of money state and local governments devote to the issue. An alternative approach to the property tax, called site-value taxation, would support home ownership without penalizing other types of housing.
- Efforts to aid Minnesota businesses ignore the environmental performance of potential aid recipients. About 10 percent of companies receiving economic aid had violated state environmental regulations. A few had widespread violations.
- The state's air emissions fee system puts small polluters at a disadvantage over big ones, and sometimes leads to increased fees on businesses that reduce their emissions. In addition, the general public grants the average air permit holder a pollution subsidy of over \$100,000 each year by the policy choice to not incorporate the environmental costs of pollution into permit fees.
- Taxpayers, homeowners and the environment would be better off if the state focused its dollars on helping homeowners install energy conservation measures, rather than subsidizing their home heating bills each winter.
- Certification of forests as being sustainably managed could be part of a sound economic development strategy for Minnesota's forested counties.
- The state could consider increasing transportation system revenues with a combination of fees and taxes that account for environmental damage and increase transportation options including transit and alternatively fueled vehicles.
- Traditional economic measures give an incomplete picture of how well Minnesota is doing, and a new more comprehensive indicator is needed, which recognizes that the health of the economy, our communities and the environment are all linked.

To address these findings, the study recommends that the state:

- Focus first on removing mixed signals in existing policies before funding any new programs or initiatives.
- Re-evaluate incentive programs so that incentives contribute to achieving the goal of a healthy, sustainable economy.
- Adopt a new tool, the Minnesota progress indicator, to measure progress toward a healthy economy.
- Develop a new approach to evaluate economic development grants and loans by checking to make sure that money spent to aid businesses also benefits the environment and communities.

The project report, *Smart Signals: Economics for Lasting Progress*, is posted on the Minnesota Planning and Sustainable Development Initiative web sites at [www.mnplan.state.mn.us](http://www.mnplan.state.mn.us). Staff have given presentations at various conferences. The project has received significant coverage in the press. The report is being used in development of the smart growth and tax reform components of the Governor's Big Plan.

**Date of Report:** July 1, 1999  
**Date of work program approval:** June 22, 1997  
**Project Completion Date:** June 30, 1999

**LCMR Final Work Program Update Report**

**I. Project Title: Economics for Lasting Progress**

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**Total Biennial Project Budget:**

<b>\$ LCMR</b>	<b>\$250,000.00</b>	<b>\$ Match</b>	<b>N/A</b>
<b>\$LCMR</b>		<b>\$ Match</b>	
<b>Amount</b>		<b>Amount</b>	
<b>Spent:</b>	<b>\$250,000.00</b>	<b>Spent:</b>	<b>N/A</b>
<b>\$ LCMR</b>		<b>\$ Match</b>	
<b>Balance</b>	<b>\$0.0</b>	<b>Balance:</b>	<b>N/A</b>

**A. Legal Citation:** ML 1997, Chap. 216, Sec. 15, Subd. 12 (g)

Appropriation Language: This appropriation is from the future resource fund to the director of the office of strategic and long range planning for an assessment of how economic indicators and policies reward or discourage pollution, employment, and sustainable resource use in Minnesota.

**B. Status of Match Requirement:**

**II. Project Summary and Results:** The purpose of the *Economics for Lasting Progress* project is to determine if our current measures of economic activity provide accurate and sufficient information for decision-makers to support policies that promote the long term prosperity in Minnesota. The *Economics for Lasting Progress* project is based on the premise that our collective prosperity consists of no less than the economic, environmental and community systems of a place. To create only environmental health, or only a vigorous economy, at the expense of all other concerns cannot yield a healthy community. Toward this end, the project will investigate the Genuine Progress Indicator as an alternative to the Gross Domestic Product (GDP) and Gross State Product (GSP) and develop a Minnesota-specific GPI for use by Minnesota policy makers and citizens.

Minnesota, like other states, engages in a wide range of activities to stimulate economic activity in its communities. Periods of economic decline, joblessness and losses in specific sectors created broad support for policies that promote a favorable, competitive

climate for businesses. Each year federal, state and local governments spend millions of dollars to directly and indirectly support Minnesota's businesses and communities. In recent years, concern about international competition, rising environmental costs and changes in Minnesota's communities have increased competition for public funds. This project will investigate the major fiscal instruments used in Minnesota to promote economic well-being. The project will evaluate selected policies and programs using the principles outlined in the Governor's draft strategic plan, *Challenges for a Sustainable Minnesota* and the principles of sustainable development adopted by the Governor's Round Table on Sustainable Development.

**II. Project Summary: N/A**

December 31, 1997 Update: During this period, project staff were selected and hired into the unclassified service on July 1, 1997. Project staff include:

Jonathan Hubschman, Project Team Leader  
 Suzanne Lamb Steinhauer, Planner, Senior  
 Jay Stroebel, Research Analyst, Intermediate

June 30, 1998 Update: No additional staff were added during this period.

March 5, 1999 Update: Three new staff were added and one lost during the last nine months. Jonathan Hubschman left in mid September. After a period of outreach and recruitment, and consideration of the desirability of contracting versus hiring staff to fulfill project requirements, the advantage of internal staffing became clear. The project was fortunate to be able to hire Mark Haveman and Bette Iwanski as full time researchers and Francis Owusu as a half time analyst. The new staff were hired effective the first week in December.

Final Project Update: No additional staff were added during this period.

**IV. Outline of Project Results:**

**Result 1: Development of a Genuine Progress Indicator for Minnesota**

<b>LCMR Budget</b>	<b>\$150,000</b>	<b>Balance:</b>	<b>\$0.0</b>
<b>Match:</b>	<b>N/A</b>	<b>Match Balance:</b>	<b>N/A</b>

**Completion Date: June 30, 1999**

**A. Literature Review**

<b>LCMR Budget:</b>	<b>\$10,000</b>	<b>Balance:</b>	<b>\$0.0</b>
<b>Match:</b>	<b>N/A</b>	<b>Match Balance:</b>	<b>N/A</b>

**Completion Date: December 1997**

Throughout the 20th century policy indicators, economic and otherwise, have been the subject of considerable research, development and debate. The development and

implementation of the Gross National Product (GNP) in the early 20th century met with both praise and skepticism in the United States. During the post-W.W.II period, GNP rapidly became the primary measure of national economies. Since 1995, a broad based debate has arisen within both national and international communities about economic measures. By many accounts, GNP is poor measure of economic health, and an even poorer measure of prosperity or the well-being of a nation or community. This phase of ***Economics for Lasting Progress*** project will glean the major arguments, findings and proposals from the literature to ensure that subsequent phases of the project are informed by a broad base of understanding and current information.

The ***Economics for Lasting Progress*** project will review the literature on policy indicators, with emphasis on their value, limits and implications as inputs in decision making. The review will include research on indicators currently in use in Minnesota and other states to assess economic, environmental and community well-being.

**Progress to Date:**

December 31, 1997: Project staff initiated a review of the literature on indicators and performance measures. Staff efforts in this area are on-going in 1998. To date, the literature review has focused on the following topics: a general background on indicators, uses and variety of existing local, state and national indicators; development and methodological issues in indicators (e.g., aggregated versus non-aggregated indicators, physical versus monetized indicators, etc.); examination of specific state and national indicators and their methodologies (i.e. measure of economic welfare, index of sustainable economic welfare, and others), and a review of the major issues surrounding indicators, including potential misuses of indicators, integration of policy measures, satellite accounts, and indicator exposure.

Completion of this phase is anticipated in early 1998.

June 30, 1998 Update: The literature review was completed in early 1998. A draft chapter of the literature review was compiled by staff. The results of the literature review will be included in the project report.

March 5, 1999 Update: Additional literature review, with an emphasis on information available through Internet sites, was conducted as part of the search for indicators useful in developing the Minnesota Progress Indicator.

Final Project Update: The literature review was updated with the purpose of including it in white paper on Minnesota Progress Indicator, that will accompany the final project report.

**B. Investigation of Gross State Product (GSP) and other Minnesota Measures**

<b>LCMR Budget</b>	<b>\$45,000</b>	<b>Balance:</b>	<b>\$0.0</b>
<b>Match:</b>	<b>N/A</b>	<b>Match Balance:</b>	<b>N/A</b>

**Completion Date: September 30, 1998**

Gross State Product (GSP) is used by many states as an indicator of economic performance. The second phase of the ***Economics for Lasting Progress*** project will investigate the utility of this and other measures for policy makers at the state level. This phase will focus on Minnesota and the measures employed by state agencies to advise policy makers. In addition, this phase of the project will poll state and provincial governments outside of Minnesota to determine what measures other than GSP are in

use. Throughout this process *Economics for Lasting Progress* project staff will meet with policy makers, analysts, interested parties and academic experts to develop a summary of advantages and disadvantages to economic measures currently in use.

During this process, these same groups will be asked to comment on the advantages and disadvantages of applying the Genuine Progress Indicator in Minnesota. The responses of these groups will provide valuable information on the perceived strengths and weaknesses of a Minnesota-specific GPI measure.

**Progress to date:**

December 31, 1997: Project staff initiated a review of the GSP and other measures. Staff efforts included gathering information on Minnesota's Gross State Product, specifically its methodology and historical trend, and developing an inventory of other state-level measures of progress. In addition, first steps have been taken in assembling an advisory group for this phase of the project.

Project staff anticipate this phase will be completed within budget and within the schedule outlined in this work program.

June 30, 1998 Update: Staff completed a review of current state measures. A draft of the staff review was prepared. The results of this phase of the project will be included in the project report.

March 5, 1999 Update: Presentations and conversations were initiated to discuss the use of a Minnesota Progress Indicator as a measure of well-being.

Final Project Update: Final review of current state measures was completed for inclusion in the final report.

**C. Assessment of the Genuine Progress Indicator GPI**

<b>LCMR Budget:</b>	<b>\$ 45,000</b>	<b>Balance:</b>	<b>\$ 0.0</b>
<b>Match:</b>	<b>N/A</b>	<b>Match Balance:</b>	<b>N/A</b>

**Completion Date: May 30, 1999**

The Genuine Progress Indicator (GPI) will provide a summary measure, or "indicator," of the economic, environmental and social conditions in Minnesota. As such, the GPI stands squarely in the economic and policy traditions of the United States. The GPI has received considerable attention since it was first published in the Atlantic Monthly magazine in October of 1995. This phase of the project will focus on a critical assessment of the GPI and its value as a tool to support the long term prosperity of Minnesota.

The assessment of the GPI will proceed in two steps. First, critiques of the GPI will be assembled and summarized. Second, discussions with the creators of the GPI will provide a means to clearly understand their methodological choices and their interpretations of the most recent iteration of the national GPI.

**Progress to date:**

December 31, 1997: A review of the Genuine Progress Indicator is currently underway. Discussions have been initiated with Redefining Progress concerning the methodology behind the GPI. Review of the GPI will continue in 1998.

June 30, 1998: Staff completed an assessment of the strengths and weakness of the GPI. Evaluations of the GPI by outside experts were reviewed and compiled by staff. Further, staff completed a detailed assessment of the GPI and its constituent measures. A draft of the staff assessment was completed. The assessment will be included in the project report.

March 5, 1999 Update: The paper, *Describing a Healthy Economy*, was reviewed and revised to better serve as the basis for determining key outcomes and the related indicators that would be most appropriate for inclusion in a new Minnesota Progress Indicator. Extensive surveys of possible indicators were conducted and 209 candidate indicators were identified. We are now in the process of internally winnowing these down prior to seeking advice from interested parties.

Final Project Update: Internal review and editorial work on *Describing a Healthy Economy* were completed and included in the final project report. Based on *Minnesota Milestones*, and *Investing in Minnesota's Future*, a report of the Governor's Round Table on Sustainable Development, *Describing a healthy Minnesota* identified five goal statements and 22 outcome statements as the vision of a healthy economy.

#### **D. Public Participation**

<b>LCMR Budget</b>	<b>\$5,000</b>	<b>Balance:</b>	<b>\$0.0</b>
<b>Match:</b>	<b>N/A</b>	<b>Match Balance:</b>	<b>N/A</b>
<b>Completion Date:</b>	<b>May 30, 1998</b>		

This phase of the project invites participation and input from a broad range of Minnesota citizens, business and communities. This task may include focus group discussions throughout Minnesota, resources permitting. The purpose of these discussions will be to identify and discuss the key concerns of Minnesota residents, businesses and communities. The results of these focus groups will inform the development of a Minnesota-specific GPI.

Collaboration is a key concept in sustainable development and the *Minnesota Sustainable Development Initiative*. The Minnesota Round Table on Sustainable Development, a broad-based citizens committee advises the Governor, Legislature and Board on all aspects of the state's sustainable development efforts. Given the project's importance to the Initiative and its wide-ranging focus, the Round Table is the appropriate forum to guide the project and advise the Environmental Quality Board on it. Therefore, a committee of the Round Table will serve as the project's advisory committee on behalf of the Board. Outreach efforts will include focus groups to gain broader involvement of interested and affected citizens in the project's assessments.

#### **Progress to date:**

December 31, 1997: Project staff have identified the advisory group's role in the project and possible names of people to be included in the group. The advisory group will be convened in 1998.

June 30, 1998: Project staff will solicit public input during the development of a Minnesota-specific measure of economic progress. A public input process is still anticipated during 1998.

March 5, 1999: Public input has been delayed until a proposed indicator on which comments can be focused is constructed.

Final Project 1999: Release of the final project report and its posting on Minnesota Planning's web page is expected to generate significant public comment and input to discussions about the indicator's future use.

#### **E. Contract with Redefining Progress**

<b>LCMR Budget:</b>	<b>up to \$40,000</b>	<b>Balance:</b>	<b>\$ 0 (funds transferred to overall project staffing)</b>
<b>Match:</b>	<b>N/A</b>	<b>Match Balance:</b>	<b>N/A</b>

**Completion Date: June 30, 1999**

The *Economics for Lasting Progress* project will contract with **Redefining Progress** to develop a Minnesota-specific Genuine Progress Indicator. The budgeted amount for these services is an amount up to \$40,000. Redefining Progress will be asked to complete the following tasks:

- Application of the current GPI to Minnesota for the period 1970 to the most current year for which data are available.
- Presentation of the GPI alongside the GSP and National GDP for the same period.
- Proposal of a Minnesota specific GPI based on guidance received from project staff, focus groups and the Round Table.
- Revisions of proposed measures as directed by project staff based on comments from a project review panel.
- Delivery of a final product in both hard copy and electronic to project staff.
- Completion of a final report and presentation summarizing the activities, findings and products of the contract.
- Two years of staff support for the Minnesota-GPI

#### **Progress to date:**

December 31, 1997: Project staff initiated negotiations with Redefining Progress concerning a potential contract for service. Staff discussed potential work products and costs in 1997. Consultant efforts will begin in 1998.

June 30, 1998: Because of staff changes at Redefining Progress, project staff deferred initiating a contract for professional services in early 1998. Recent discussions with Redefining Progress have defined opportunities for a substantially improved set of measures. The development of new measures by Redefining Progress is not consistent

with the original work program schedule. Project staff have completed the following to ensure the timely completion of this phase of the project:

- A Minnesota run of the GPI. Input and consultation with Redefining Progress staff aided in the completion of this phase of the project.
- Collection of official GSP and GDP figures for Minnesota to use as a basis of comparison with the Minnesota run of the GPI.
- A draft set of outcomes to guide the development of a Minnesota based measure(s) of economic progress.
- Discussions with Redefining Progress staff regarding the development of state-based measures of economic progress. Project staff will continue to collaborate with Redefining Progress. Minnesota will have an opportunity to help shape new measures developed by Redefining Progress.

Staff will undertake the remaining items listed under this phase of the work program. Project resources will be reallocated from Acquisitions, Equipment, and Other to ensure adequate staff resources for this task.

March 5, 1999: No further consideration of a contract with Redefining Progress is expected at this time.

Final Project 1999: Using the 5 goals and 14 of the outcome statements from *Describing a healthy economy*, a set of 42 economic, environmental and community measures were developed for the Minnesota Progress Indicator. A discussion of the Minnesota Progress Indicator is included in the final project report under the title *Measuring what counts for a healthy economy*. Staff from several state agencies reviewed this report. In addition, a detailed white paper has been prepared documenting all the efforts in developing the Minnesota Progress Indicator. This paper will be posted on the new sustainable development web site at Minnesota Planning.

**Result 2: Evaluate major tax, fee, grant and loan programs**

<b>LCMR Budget</b>	<b>\$100,000</b>	<b>Balance:</b>	<b>\$0.0</b>
<b>Match:</b>	<b>N/A</b>	<b>Match Balance:</b>	<b>N/A</b>

**Completion Date: June 30, 1999**

**A. Context within Project: Medical** benefits for the aged, environmental clean-up to prevent water contamination and rising transportation costs are increasingly common debates in Minnesota's communities. Yet, at their roots, advocates for each of particular interests have the same goals in mind--to ensure the well-being of a part of Minnesota that they see as essential to the whole.

This phase of the project will examine Minnesota's major public financial incentive programs by: (1) inventorying their number and purpose, (2) assessing their criteria for project selection and evaluation, and (3) determining if these programs work at cross

purposes, and (4) providing information and recommendations on means by which these programs can be configured using the concepts developed for the Minnesota Genuine Progress Indicator to yield the greatest public benefit for every public dollar spent.

## B. Revenues

<b>LCMR Budget</b>	<b>\$50,000</b>	<b>Balance:</b>	<b>\$0.0</b>
<b>Match:</b>	<b>N/A</b>	<b>Match Balance:</b>	<b>N/A</b>

**Completion Date: June 30, 1999**

The project will examine selected revenue generation instruments currently in place. The study will be limited to state authorized revenue raising activities currently in Minnesota Statutes. In addition, the project will make every effort to compile a list of Federal taxes, fees, etc. as they pertain to this phase of the project. A summary of revenue collection instruments will be compiled and included in the final project report.

The major sources of revenue will be examined in terms their economic, environmental and community impacts. Throughout this analysis, the project will identify the target population of the revenue instrument and determine what incentives or disincentives the instrument creates. Project analyses will include findings and recommendations for aligning revenue collection instruments with Minnesota's long term economic, environmental and community goals.

### **Progress to date:**

December 31, 1997: Project staff are developing a summary of major revenue collection instruments. A draft summary will be completed for advisory group consideration in 1998. A summary of the literature in revenue analysis and of drafting criteria for sustainable revenue policies are in progress.

June 30, 1998: Project staff identified major revenue sources and compiled a background document. These revenues sources were evaluated for further study using criteria developed by project staff. A set of project proposals was drafted. Research has been initiated on selected revenues including the Motor Fuels Excise Tax, Home Heating Fuels Tax, Air Permit Fees and the Sales Tax. Draft reports will be developed during the balance of 1998 and early 1999.

Project staff also developed a working definition of a healthy Minnesota. The purpose of this document is to provide a consistent set of policy goals from which to draw evaluation criteria. A draft document is currently in use by project staff. A final version of this document will be included in the final project report.

March 5, 1999: Research has continued on Air Permit Fees and the Motor Vehicle Fuels Excise Tax, and was initiated on the Property Tax system. Research relating to the Sales Tax has focused on the home heating fuels sales tax exemption and certified forest product sales tax incentive options. Both are described under "C." below. A draft paper has been completed on the Air Permit Fees assessment. The Motor Vehicle Fuels Excise Tax assessment is looking at the equity and environmental effects of how Minnesota funds its highway system. The property tax system assessment is in progress. It is examining the feasibility of a new system based on a site-value, two-tiered approach in which land and building values are separated in the assessment process, and the land component significantly increased in relative weight. The literature suggests that this

approach reduces land speculation in developing areas and leads to more efficient uses of land.

Final Project 1999: Final reports have been completed on Minnesota's air permit fees, motor vehicle fuels excise tax, property tax and home heating fuels sales tax exemption. The reports were reviewed by experts outside of Minnesota Planning and are scheduled for release as part of *Smart Signals: Economics for Lasting Progress*. In addition to these published reports, there is also a detailed paper on the property tax project that will be made available as white paper.

### C. Financial Incentives

<b>LCMR Budget</b>	<b>\$50,000</b>	<b>Balance:</b>	<b>\$0.0</b>
<b>Match:</b>	<b>N/A</b>	<b>Match Balance:</b>	<b>N/A</b>

**Completion Date: June 30, 1999**

This phase of the project will inventory the selected tax expenditures, grant programs, loan programs, aids to communities and businesses. This inventory will form the basis for analyzing the criteria by which public dollars are disbursed through these policies and programs. The goal of the analysis will be to determine the degree to which programs currently implement the goals outlined in the *Challenges for a Sustainable Minnesota*. Specifically, the analysis will attempt to identify areas in which current incentive programs work at cross purposes.

Throughout the analysis of financial incentives the *Economics for Lasting Progress* project will develop a summary of criteria for receiving public dollars. These will then be compared and summarized in the final report to the LCMR to provide information and recommendations on how Minnesota might better align economic incentives with the goal of economic, environmental and community well-being.

#### **Progress to date:**

December 31, 1997: Project staff have initiated a review of major state incentive programs and are drafting summaries of these programs in preparation for advisory group discussions 1998 (see attached). Research to date has concentrated on tax expenditures. In addition to program summaries, staff is also developing criteria for selecting programs for analysis, and for analysis of those programs according to sustainable development principles.

June 30, 1998: Project staff compiled summary information on selected tax expenditures, fees and grant programs. Much of the financial data needed to complete a comprehensive survey of state incentives is not available in usable form. However, project proposals on selected incentives have been developed. Staff have initiated research on selected public incentives including the Sales Tax Exemption on Home Heating Fuels. These initial studies will be completed before September 1998. Further research reports will be undertaken in 1998 and early 1999.

March 5, 1999: A draft report has been completed on the Sales Tax Exemption on Home Heating Fuels. It assesses when the money involved with the exemption would be better directed toward long-term energy efficiency investments. A draft report also is available on the costs and benefits of certifying wood products and the desirability of economic incentives to promote the new industry. A new broad-based assessment of how

Minnesota's economic development incentives may be linked with environmental quality effects or track records has also been initiated. This evaluation, in concert with the other studies, is expected to provide the basis for recommending a sustainable framework for approaching use of incentives to attract and keep appropriate businesses in Minnesota.

Final Project 1999: Final reports have been completed on sales tax exemption on home heating fuels, certified forest product sales tax incentive options and the connection between corporate subsidies and environmental citizenship. The reports were reviewed by experts outside of Minnesota Planning and have been released as part of *Smart Signals: Economics for Lasting Progress*.

**V. Dissemination:**

The network of cooperators and advisors developed throughout the project will become the base for disseminating project results through presentations, publications, workshops, a users manual and a final report highlighting findings of the project.

**VI: Context:**

**A. Significance:**

By ensuring that government rewards sustainable behavior, *Economics for Lasting Progress* is an essential element in the *Minnesota Sustainable Development Initiative*, complementing efforts to establish a policy and planning framework for Minnesota's communities, economies and environment. While many academic and non-profit institutions and local, state and federal governments have begun to show interest in evaluating the effects of policy on sustainable development, we know of none that has committed to the kind of direct and comprehensive analysis of indicators and state economic incentives that the *Economics for Lasting Progress* project represents.

**B. Time:** Please see attached.

**C. Budget Context:**

	July 1995-1997 Prior expenditures on this project	July 1997-1999 Proposed expenditures for this project*	July 1999-2001 Future expenditures on this project
<b>1. LCMR</b>	\$ -0-	\$250,000	\$ -0-
<b>2. Other</b>			
State	\$ 10,000	\$ 50,000	\$ 10,000
<b>3. Non State</b>			
Cash	\$ -0-	\$ -0-	\$ -0-
<b>Total:</b>	<b>\$ 10,000</b>	<b>\$300,000</b>	<b>\$ -0-</b>

\*In addition, \$10,000 in staff time was devoted to the development of this project proposal and to the preparation of research materials prior to the project. The project anticipates a soft match of \$50,000 in pro-bono citizen, staff and expert input over the course of the project.

**Budget:**

**(Original) Budget**

	<b>Expenditures</b>	<b>Budget</b>	<b>Balance</b>
<b>Personnel:</b>	\$ 186,000	\$186,000	\$ 0
<b>Equipment:</b>	\$ 6,000	\$ 6,000	\$ 0
<b>Acquisition:</b>	\$ 40,000	\$ 40,000	\$ 0
<b>Development:</b>	N/A	N/A	N/A
<b>Other:</b>	\$ 18,000	\$ 18,000	\$ 0
<b>Total:</b>	\$ 250,000	\$250,000	\$ 0

**Revised Budget:**

	<b>Expenditures</b>	<b>Budget</b>	<b>Balance</b>
<b>Personnel:</b>	\$ 237,000	\$237,000	\$ 0
<b>Equipment:</b>	\$ 1,000	\$ 1,000	\$ 0
<b>Acquisition:</b>	\$ 7,000	\$ 7,000	\$ 0
<b>Development:</b>	N/A	N/A	N/A
<b>Other:</b>	\$ 5,000	\$ 5,000	\$ 0
<b>Total:</b>	\$ 250,000	\$250,000	\$ 0

**VII. Cooperation:**

Prof. Alfred Marcus, Director of the Carlson School of Management's Strategic Management Research Center and Clifford Cobb and Alan AtKisson of **Redefining Progress**, San Francisco, CA, will assist with the research called for in **Economics for Lasting Progress** in cooperation with the program manager and project staff.

**VIII. Location: N/A**

**IX. Reporting Requirements:**

Semiannual six-month work program update reports will be submitted not later than January 1, 1998, July 1, 1998 and January 1, 1999 and final report by June 30, 1999.

**X. For Research Projects: N/A**