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## **THE ECONOMICS: The State of Minnesota is relying on a fatally flawed economic impact analysis to support sulfide-ore mining in Northeastern Minnesota**

A review of the 2012 “The economic impact of ferrous and non-ferrous mining on the State of Minnesota and the Arrowhead Region” study by the University of Minnesota, Duluth (UMD Study), documents the low quality and limited scope of the UMD Study.

- A Review of the UMD Study by Evan Hjerpe, Ph.D and Spencer Phillips, Ph.D, dated December 30, 2013, concludes that the UMD Study “falls squarely at the ‘low-quality’ end of the spectrum [of economic impact analyses].”
- The UMD Study contains unreliable and inaccurate estimates of economic impacts.
- The UMD Study inflates benefits of sulfide-ore mining and fails to address “significant, long- and short-term negative environmental, economic and fiscal impacts of non-ferrous mining in Northeastern Minnesota.”
- The UMD Study greatly over-states the tax impacts from existing and proposed mining in Minnesota and understates tax breaks and kick-backs to the mining industry in Minnesota.
  - “[T]he mining industry is afforded minimal taxation by the State of Minnesota” at “*an effective regional tax rate of less than one percent of calculated direct output.*”
  - “With such a miniscule effective tax rate for the mining industry, it seems prudent to question whether current annual taxes can keep up with the public service needs stemming from rapid development, much less provide for future clean-up costs.”
  - “[A] substantial portion of the taxes collected are reinvested back into the mining industry.”
- The UMD Study greatly over-states mining’s portion of State GRP (claiming 5.3% for 2010 instead of actual 0.3%) and under-states contributions from other sectors of Minnesota’s economy.
  - “*This is a major discrepancy and leads to a vast inflation of mining’s importance.*”
  - “The comparisons to the tourism GRP...are also misleading. As they vastly under-represent the industrial sectors that combine to make up the tourism industry.”