Appendix U
Non-Market Valuation Methods

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This section addresses economic valuation of three categories of non-market resources that are present in the study area and could potentially be affected by the alternatives. These three categories of non-market value are recreation, values of GRSG to households in the intermountain west, and value of the ranching tradition to the ranchers themselves, residents, and visitors to the region. Recreation is included because actions that promote the conservation of GRSG habitat may result in changes in recreation opportunities, such as increasing the amount of habitat for other wildlife species that may be hunted or viewed that depend on public lands, roads open or closed for recreation access, and the quality of the recreation experience.

The economic non-market values described in this appendix are not directly comparable to regional economic indicators commonly used to describe how natural resources on public lands contribute to the regional economic indicators such as output/sales, labor income, and employment. These indicators provide valuable information to the local public as well as to regional government agencies for purposes of public service and infrastructure planning. These impacts or contributions are often referred to as distributional effects as they describe the effects to the region. However, these indicators do not represent net economic value. For example, in economic terms, labor income associated with mineral production would actually be considered a cost to the producer. Similarly, expenditures by a recreation visitor associated with a visit to public lands would be viewed by the recreationist as a cost. One last example would be the total sales generated by the sale of minerals extracted from federally owned minerals: the total sales do not reflect the net economic value since the costs associated with the extraction are not accounted for (including labor income, supplies, and equipment, as well as potentially non-market costs such as those associated with pollution). This section considers the economic value of the non-market outputs, a concept described below.

TOTAL NON-MARKET ECONOMIC VALUE

Many of the multiple uses in the study area are not bought and sold in competitive markets. For instance, many recreational visitors to public lands pay no or low admission fees, and the presence of wild animals such as GRSG have no "market price," yet both have value to people. In some cases people gain value from using these non-market resources, such as recreation on public lands; in other cases, protection of some natural resources provides both a use value (e.g., wildlife viewing) as well as a non-use value (e.g., the value some people hold for knowing that a specific natural resource exists and is protected even if they never intend to "use" or visit it).

Economists call the sum of these two values Total Economic Value. Use values typically can be consumptive use (e.g., hunting) and/or non-consumptive, such as viewing or being present on site (e.g., camping and hiking). In contrast, non-use values occur off-site to people who derive enjoyment from knowing a natural environment, habitat or species exists in its natural state, either for themselves (existence value) and/or future generations (bequest value). Krutilla (1967) documents the conceptual origins of these two elements of non-use value, and Freeman (2003) provides a rigorous theoretical treatment.

Non-use or existence values can potentially be enjoyed by millions if the good or service (e.g., the presence of a specific wild species such as wild salmon or rare bird species) is of widespread interest. Thus, while the non-use value per household may much lower than a value per day received by a visitor, in total, non-use values may be quite large.

RECREATION VALUES

Economists measure the net economic use and non-use values as "Consumer Surplus." At its most basic level, consumer surplus is the maximum amount a person would pay minus the amount they actually have to pay. Consumer surplus, which is also sometimes referred to as "net willingness to pay," is a measure of benefit that has been used by economists and federal agencies for decades (US Water Resources Council 1983; US Environmental Protection Agency 2009, 2010).

For public land recreation, especially on BLM and Forest Service recreation sites, entrance fees are typically very low or non-existent, so the value people place on these public land recreation opportunities is not fully measured simply by the entrance fees they pay. In economic terms, there is not a competitive market or a "market clearing price" for access to public recreation sites. Therefore, there can be a substantial difference between what people pay to visit a recreation site (e.g., entrance fees plus travel costs, including the value of time) and the maximum amount they would pay.

A common non-market valuation method used for recreation is the travel cost method. In this method, economists survey visitors to a recreation site and collect data on their frequency of trips, travel distance and costs incurred to

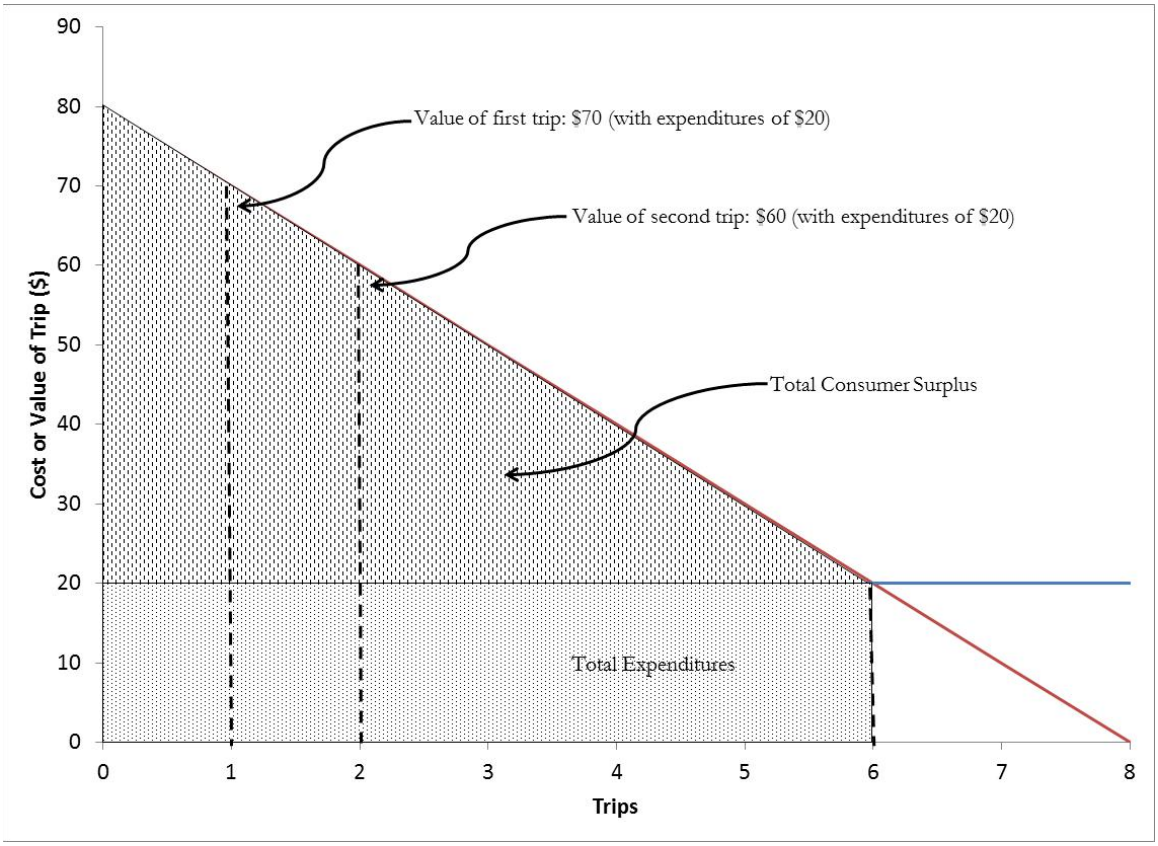
access the site. Because the survey uses information from actual visitors, the travel cost method is a "revealed preference" method of valuation; economists use the travel costs as a proxy to determine the value that people gain from using the site. Variations in the travel cost across visitors, along with their respective number of trips, allow economists to statistically estimate a relationship between travel cost and quantity of trips – an aggregate demand curve for the recreation site, much like a demand curve for goods and services that are sold in competitive markets. This aggregate demand curve will tend to show that individuals with a relatively high travel cost take fewer trips on average, while individuals with a lower cost take more trips on average. From this aggregate demand curve, economists can calculate consumer surplus. Many of the consumer surplus values for recreation in the literature (Loomis 2005) and recently developed by the Forest Service (Bowker et al. 2009) rely upon the travel cost method.

Diagram U-1, Consumer Demand Curve and Consumer Surplus for Recreation Trips, provides an illustration of a demand curve for recreation on a particular site. In **Diagram U-1**, the aggregate demand is shown on an average basis, that is, for an average individual consumer. The downward-sloping diagonal line in **Diagram U-1** represents the relationship between the travel cost and quantity of trips demanded by this average consumer. In the diagram, the value of the first several trips is relatively high ($70 for the first and $60 for the second trip), while the value of the sixth trip is lower ($20 in the diagram). In a travel cost method study, these values are statistically derived from the aggregate demand calculated for the entire population. The downward slope of the demand curve corresponds to declining value associated with each trip, which is typical for most goods and services.[1] It also corresponds to the fact that visitors will take fewer trips to areas with a higher travel cost.

Each visitor receives a net benefit from each trip, which is measured by the difference between what they had to pay and the maximum amount they would pay for each trip. In **Diagram U-1**, Consumer Demand Curve and Consumer Surplus for Recreation Trips, the net benefit for the average visitor is the difference between their actual expenditures of $20 per trip and the maximum amount they would pay for each trip. As shown, the first trip has a net benefit of $50 ($70 of value less $20 in expenditures), the second trip $40 ($60 less $20), and so on until the sixth trip. At the sixth trip the visitor's cost is the same as their benefit, and hence there is no net benefit from further trips. Thus, this gain to the visitor over and above what they spend is their "consumer surplus."

[1] Note that for some types of recreation use, users may gain increased value over a portion of the number of trips; for example, mountain bikers may experience increased enjoyment of subsequent trips to a single location as their trail-specific skills and knowledge increase with repeat visits. Climbers and other users may also experience similar gains over repeat visits. However, even these users will likely hit a point where the marginal value begins to decrease with more trips.

Diagram -1
Consumer Demand Curve and Consumer Surplus for Recreation Trips



Given the large range and diversity of sites in the study area, the BLM and Forest Service did not perform original travel cost method analysis of visitation in the study area. Rather, they relied upon transferring existing recreation values from travel cost method studies such as Bowker et al. (2009) and other recreation values from the existing literature (Loomis 2005; Loomis and Richardson 2007; USFWS 2009) to the recreation activities in the study area, focusing on existing studies in the Rocky Mountain and Great Basin area (Nevada, northeastern California, Utah, Colorado, Wyoming, Idaho, Montana, Arizona, and New Mexico). This approach, known as "Benefit Transfer," is well-developed in academic and policy literature and has been used by federal agencies including the US Environmental Protection Agency (see Griffiths et al. 2012 for a recent listing of economic studies where benefit transfer was used), US Army Corps of Engineers, US Bureau of Reclamation, Forest Service (Forest Service 1991; also see Ervin et al. 2012 for a recent application of benefit transfer to the Mount Hood National Forest), and other agencies. Benefit transfer is widely used in academic applications as well; see Wilson and Hoehn (2006) for a series of journal articles on benefit transfer.

The BLM measures recreation activity in various units, including a "visitor hour," which represents the presence of one or more persons in an area for continuous or simultaneous periods of time aggregating 1 hour (i.e., one person for 1 hour or two persons for 30 minutes each). A "visitor day" as defined by BLM represents 12 visitor hours (BLM 2003). The BLM Recreation Management Information System provides data on recreation visitor days (RVDs); to be compatible with these units, BLM identified non-market values for various recreation activities in units of dollars per RVD. Values from economic literature, based on primary research conducted on various recreation sites, were matched to BLM and Forest Service recreation activity classifications. **Table U-1** provides a listing of the values per day representing the Nevada and Northeast California sub-region.

Table U-1
Consumer Surplus for Recreation Activities

Recreation Activity Category	Consumer Surplus per Visitor Day (2012 dollars)
Backpacking	36.48
Camping	31.73
Cross Country Skiing	36.32
Fishing	42.00
Floatboating/Rafting/Canoeing	82.28
General Recreation	42.96
Hiking	107.16
Hunting	74.50
Motorboating	65.24
Mountain Biking	175.21
Off-Road Vehicle Driving/Off-Highway Vehicle	51.35
Other Recreation	47.69
Picnicking	52.27
Pleasure Driving	71.65
Rock Climbing	61.32
Sightseeing	41.33
Snowmobiling	51.75
Swimming	35.10
Waterskiing	69.23
Wildlife Viewing	50.00

Sources: Rosenberger 2012; Loomis 2005; Loomis and Richardson 2007; Bowker et al., 2009; USFWS 2009.

Consistent with the description above of consumer surplus and the travel cost method, readers should interpret the values in **Table U-1** as the consumer surplus or the amount of value that the average visitor derives from a full day of recreation beyond their actual expenditures. Thus, a typical off-highway vehicle user would pay an average value of $51.35 more than their trip cost to have the opportunity to participate in a typical day of driving off-road vehicles.

Table U-2 shows the total consumer surplus associated with recreation activities on BLM-administered and National Forest System lands for the sub-region, including the BLM Field Offices of Alturas, Black Rock, Caliente, Eagle Lake, Egan, Mount Lewis, Schell, Surprise, Tonopah, Tuscarora, Wells, and Winnemucca, as well as the BLM Carson City District Office and the Humboldt-Toiyabe National Forest. RVDs on BLM lands presented in **Table U-2** are calculated directly from Report 26 from the BLM RMIS (Report 26 provides RVDs based on recorded visitor hours – defined above – and dividing by twelve). For this analysis, BLM used average RVDs per year over the period 2008 to 2012. RVDs on the Humboldt-Toiyabe are calculated from the most recent available data (FY2006) from the USFS National Visitor Use Monitoring (NVUM) report (Forest Service 2013h). RVDs for National Forest lands were calculated based on the total number of site visits, the "main activity" reported by recreators, and the number of hours per day reported engaging in that activity, with the number of RVDs equal to the number of hours divided by 12. Note that conservation measures for GRSG may affect only specific types and fractions of the public lands that contributed to the visitor days used to estimate the surplus values in **Table U-2**.

To estimate impacts on consumer surplus associated with changes in RVDs, BLM economists worked with BLM and Forest Service recreation specialists to project how RVDs for various activities would change under the alternatives. Because both BLM and Forest Service recreation specialists indicated that RVDs would not differ under the alternatives, no differences in consumer surplus are anticipated.

VALUES ASSOCIATED WITH GREATER SAGE-GROUSE POPULATIONS

Economists have long recognized that wildlife species, especially rare, threatened, and endangered species, have economic values beyond just viewing. This is supported by a series of legal decisions and technical analyses. The US Court of Appeals in 1989 first clarified that the US Department of the Interior, in assessing damages in Natural Resource Damage Assessment cases, should include what it termed as "passive use values," that is, existence values provided to non-users of the species, as a compensable value in addition to any use value. These passive use values are also included in Oil Pollution Act damage assessments as well. The term passive values is interchangeable with the term non-use values defined previously. This ruling and subsequent analysis for Natural Resource Damage Assessment and Oil Pollution Act assessments are consistent with well-established economic theory showing that people derive value from passive use or non-use as well as active uses of resources (Krutilla 1967). Economists have devoted a great deal of conceptual and empirical work to refining concepts and developing methods to measure these passive use values.

Table U-2
Total Consumer Surplus for Recreation in Nevada and Northeast California Sub-Region

Recreation Activity	Average RVDs Per Year	Total Consumer Surplus (millions of 2012 dollars)
Backpacking	66,462	$2.4
Big Game Hunting	467,130	$34.8
Camping	1,452,785	$46.1
Cross Country Skiing	30,836	$1.1
Fishing	300,185	$12.6
Floatboating/Rafting/Canoeing	20,957	$1.7
General Recreation	77,147	$3.3
Hiking	328,608	$35.2
Hunting – Other	80,617	$6.0
Motorboating	20,779	$1.4
Mountain Biking	87,968	$15.4
Off Road Vehicle Driving/ Off-Highway Vehicle	794,571	$40.8
Other Recreation	596,216	$28.4
Picnicking	72,319	$3.8
Pleasure Driving	296,405	$21.2
Rock Climbing	15,794	$1.0
Sightseeing	172,691	$7.1
Small Game Hunting	209,783	$15.6
Snowmobiling	34,491	$1.8
Swimming	4,517	$0.2
Waterfowl Hunting	26,738	$2.0
Waterskiing	430	$0.03
Wildlife Viewing	67,411	$3.4
Total	**5,292,980**	**$285.4**

Source: BLM 2012v; Forest Service 2013h; consumer surplus per RVD shown in **Table U-1**, Consumer Surplus for Recreation Activities.

The dominant methods are "stated preference" methods, of which the most prominent is the Contingent Valuation Method. The basic element of this method is to use a survey to construct or simulate a market or referendum for protection or improvement of a natural environment, habitat, or species, and then having the respondent indicate whether or not they would pay for an increment of protection, and if so, how much they would pay. While the method has developed a great deal of sophistication that has increased the validity of the willingness to pay responses, there is admittedly a degree of bias that can result in stated willingness to pay exceeding actual willingness to pay by a factor averaging two to three (Loomis 2011; Murphy et al. 2005; List and Gallet 2001). While not a perfect estimator of willingness to pay, the Contingent Valuation Method provides a useful means for estimating the public's passive use values.

Numerous academic papers and even entire books have been written on the Contingent Valuation Method. Mitchell and Carson (1989) was one of the first, while Alberini and Kahn (2006) is a more recent treatment. To date there have been about 7,500 Contingent Valuation Method studies in over 130 countries (Carson 2011). A number of federal agencies have used or referenced stated preference methods, including the US Bureau of Reclamation, US Environmental Protection Agency, National Park Service, and state agencies such as the California Department of Fish and Game, Idaho Fish and Game, and Montana Fish, Wildlife, and Parks. The USFWS commissioned an original Contingent Valuation Method study of the economic values the public receives from reintroduction of wolves in the areas of Idaho, Montana, and Wyoming, and used those values in an EIS on wolf reintroduction (USFWS 1994b). The US Bureau of Reclamation, National Park Service, and Lower Elwha S'Klallam Tribe commissioned a Contingent Valuation Method study on the value of removal of the Elwha and Glines Canyon Dams (Meyer et al. 1995). The US Bureau of Reclamation also commissioned an original Contingent Valuation Method study on the values of providing stable river flows to benefit riparian vegetation, endangered species, and cultural resources. That study was cited by then-Secretary of the Interior Bruce Babbitt as a factor in selecting the more protective flow regime from Glen Canyon Dam despite it having more foregone hydroelectricity (Babbitt 1996).

The BLM and Forest Service conducted a literature search to demonstrate the potential range of values that could be associated with species that are candidates for listing as threatened or endangered, such as GRSG populations. Analysts first verified there are no existing studies on Total Economic Value or non-use valuation specific to the GRSG. This is not an uncommon occurrence, as there are dozens of rare or potentially threatened species that have not been valued despite the very high policy relevance of the species and the large magnitude of economic value at stake in these policy decisions.

The BLM and Forest Service used three criteria to identify studies that are most applicable to the current analysis: (1) whether the species valuation study was located in the same geographic region as the GRSG habitat; (2) whether the species was listed or not listed as threatened or endangered; and (3) whether the species was hunted or not (implying a mix of use and non-use values).

The primary database of articles was the recent peer-reviewed journal article by Richardson and Loomis (2009), which is a compilation of the economic values of threatened, endangered, and rare species. A literature review was also conducted to determine if there had been any recent studies on GRSG or closely related species. Unfortunately, there is not a perfect match in the literature in terms of geographic region (intermountain) and a species that is both hunted and rare. **Table U-3** provides a summary of the studies with features most similar to the GRSG species.

Table U-3
Existing Estimates of Annual Total Economic Value of Protecting Habitat for Species Similar to GRSG

Region	Species	Listed	Hunted	Annual Value per Household[b]	Change Valued
Four Corners (AZ, CO, NM, UT)	Mexican Spotted Owl	Yes	No	$58.49	Avoid extinction in 15 years in Four Corners region
New England	Wild Turkey	No	Yes	$16.72[a]	Avoid extinction in New England
Texas (also L.A., NYC, Chicago, Atlanta)	Whooping Crane	Yes	No	$43.69[a]	Avoid extinction
Maine	Peregrine Falcon	Yes	No	$32.37 (one time)	Restore self-sustaining population
South Carolina & Rest of US	Red-Cockaded Woodpecker	Yes	No	$14.69	Restore habitat to increase chance of survival to 99%

Sources: Loomis and Ekstrand 1997 (Mexican spotted owl); Stevens et al. 1991 (New England wild turkey); Bowker and Stoll 1988 (whooping crane); Kotchen and Reiling 2000 (peregrine falcon); Reaves et al. 1999 (red-cockaded woodpecker). All of these sources are as cited in Richardson and Loomis (2009).
Notes:

a. Average of estimates from the study.
b. As noted in the text, these stated preference values for household may have a degree of hypothetical bias that could overstate the actual monetary amount households would pay by a factor of two to three.

As can be seen in **Table U-3** there is one study with a geographic region overlapping the sub-region (Mexican spotted owl), and one study on a species that was hunted at the time (wild turkey). At the time of the study, the Mexican spotted owl was a threatened species under the Endangered Species Act, and respondents were told in the survey that it was a threatened species. The whooping crane, red-cockaded woodpecker, and peregrine falcon studies involved an endangered species.

All of these studies used the Contingent Valuation Method in a mail survey. Households were asked whether they would pay a specific dollar amount, with that amount varying across individuals in the sample (i.e., the valuation questions were "closed-ended," although the wild turkey study and red-cockaded woodpecker also used an open-ended valuation question for some respondents). Researchers used the closed-ended valuation questions to generate a statistical valuation function. This valuation function exhibited internal validity: the higher the dollar amount households were asked to pay, the lower the percentage of them that would pay that dollar amount.

With the exception of the peregrine falcon study, which asked respondents to commit to a one-time payment, each survey asked respondents to pay annually

to accomplish the stated goal (typically, preventing the species from going extinct in the region of interest, although this varied by study as the table shows). For the peregrine falcon and red-cockaded woodpecker, households were told that their payment would restore a self-sustaining population (i.e., one that would not go extinct).

The original wild turkey study provided an estimate of three values (in 1990 dollars) that were averaged and then adjusted to 2012 dollars using the Consumer Price Index, resulting in a value of $16.72 per household per year. The same procedure was used to update the 1996 dollar values of the Mexican spotted owl to 2012, resulting in values of $58.49 per household per year. The higher values for the Mexican spotted owl may be due to the large area of habitat (4.6 million acres stated in the survey and shown on a map) that would be protected in the Four Corners area by paying, and the fact the species was not a hunted species. The whooping crane values are fairly large at $43.69 per household per year; this value represents a Total Economic Value, including both use and non-use value, as some of the sample included people who actively "used" the species (as wildlife viewers).

The study values in **Table U-3** demonstrate that many people, or segments of the public, hold substantial value for protecting threatened and endangered species, which may carry over to the GRSG. However, additional studies would be needed to identify values specifically for GRSG protection. Given that protection is a public good available to all households in the intermountain west, the aggregate or intermountain regional value could be substantial.

VALUES ASSOCIATED WITH GRAZING LAND

Public lands managed for livestock grazing provides both market values (e.g., forage for livestock) and non-market values. Many ranchers themselves value the ranching lifestyle in excess of the income generated by the ranching operations. This is evident in some ranch sales transaction data which suggests some ranch properties have sold for more than the market value of the public land forage (Bartlett et al. 2002; Taylor 2006). One of the primary reasons public lands ranchers indicate they own land is for the "tradition, values and culture" rather than primarily for profit (Tanaka et al. 2005). Many public land ranchers work elsewhere part-time and rely on the ranch for only 20 percent of their income (Hanus 2011), relying instead on outside jobs or other savings to support their ranching lifestyle. Land appreciation has also provided increased value and therefore served as an economic resource for ranchers (Tanaka et al. 2005; Torell et al. 2005). As several of these authors note, changes in public land grazing that reduce the profitability of grazing may not directly translate to withdrawal from ranching, due to the fact that economic factors are not necessarily the primary motivation for public land ranching.

Some studies have found non-market values of ranching associated with use values to residents (Mangun et al. 2005) and tourists in the form of open space

and western ranch scenery (Ellingson et al. 2006). However, some others see non-market opportunity costs associated with livestock grazing that may, depending on management methods and other variables, reduce native plant species and forage for wildlife (Todres et al. 2003). The potential exists for other residents or visitors to prefer lifestyles or have lifestyle needs that are not consistent with grazing or ranching lifestyles or landscapes.

Methods available to measure the use values to residents and tourists associated with grazing land include stated preference methods similar to contingent valuation (Ellingson et al. 2006; Mangun et al. 2005). Methods for attempting to isolate any amenity values that ranchers themselves may hold include the hedonic price method. This method uses observed sale prices of ranch land as a function of the characteristics, including both conventional market factors (e.g., size of ranch and quantity of forage) but also amenity values (e.g., scenic views, presence of wildlife species, and on-site fishing or hunting opportunities) that may be provided by the ranch (Torell et al. 2005). The additional value that ranchers pay for the amenity values of the ranch provide some indication of how much they value these amenities. Using the hedonic price method to estimate a "lifestyle value" separate from the market and amenity values has yet to be done in the literature. This may be due to the fact that lifestyle values attributed to living on a ranch or ranching is present on nearly all ranch properties sold. As such, statistically it is difficult to isolate the contribution of ranching lifestyle to differences in ranch property values as ranching lifestyle is a common feature of nearly all ranch properties sold.

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