Appendix BB

Non-Market Valuation Methods

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BB. Non-Market Valuation Methods

BB.1 Non-Market Valuation Methods

This section addresses economic valuation of two categories of non-market resources that are present in the study area and could potentially be affected by the alternatives. These two categories of non-market value are 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..

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.

BB.1.1 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 and/or ability to view scenic landscapes, unique geological features, and wild animals such as GRSG have no "market price," yet have value to people. In some cases people gain value from using these non-market resources, such as photographing ranch houses, old barns and bridges, collecting colorful rocks, driving backcountry roads, and other recreation on public lands; in other cases, protection of some natural resources provides both a use value (e.g., viewing ranch and agricultural land scenery, historic buildings, and wildlife) 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 scenic ranching community, historic mining town, 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.

BB.1.2 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.

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 1994). 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 BB-1** provides a summary of the studies with features most similar to the GRSG species.

As can be seen in **Table BB-1**, 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.

Table BB-1
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.

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 BB-1** 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.

BB.1.3 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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