

# Rapid Assessment of the Economic Value of Wisconsin's Wetlands

February 9, 2012



## Prepared by:



1211 Tacoma Avenue South Tacoma, WA 98402 (253) 539-4801

Tacoma, WA 98402 F 253 539 5054

/isconsin

Prepared for:

222 S. Hamilton St., Suite 1 Madison, WI 53703 (608) 250-9971 www.wisconsinwetlands.org

#### **Acknowledgments**

This study was commissioned by the Wisconsin Wetlands Association in order to communicate with policy makers and the public about the value of Wisconsin's wetlands.

Earth Economics would like to thank all who supported this project, including the staff, Board and volunteers at the Wisconsin Wetlands Association and the U.S. Fish and Wildlife Service.

Thanks also to our Board of Directors, Joshua Reyneveld, Ingrid Rasch, David Cosman and Joshua Farley for your continued leadership and support of Earth Economics.

Earth Economics project team members for this project included David Batker, Jennifer Harrison-Cox, Noelani Kirschner, Jonathan Kochmer, Rowan Schmidt, Yvonne Snyder, Tedi Dickinson, Zachary Christin and Maya Kocian.

#### **Cover photo**

Milwaukee Metropolitan Sewerage District

©2012 by Earth Economics. Reproduction of this publication for educational or other non-commercial purposes is authorized without prior written permission from the copyright holder provided the source is fully acknowledged. Reproduction of this publication for resale or other commercial purposes is prohibited without prior written permission of the copyright holder.

Wisconsin's Wetlands Page 2 of 16

#### Introduction

Economic sustainability and resiliency both rely upon environmental sustainability and resiliency. The loss of natural infrastructure has real economic costs. Safeguarding the health of a wetland area, like keeping a house in good condition, provides value for everyone who utilizes or benefits from it, directly or indirectly. Unlike houses, levees, roads and other man-made infrastructure, wetlands are largely self-maintaining. Wetlands provide valuable goods and services across vast spans of time, and even well beyond their boundaries. Protecting and restoring Wisconsin's wetlands is critical to improving quality of life and to securing sustainability, public health and safety, and economic progress in the region.

This rapid assessment was commissioned by the Wisconsin Wetlands Association to provide initial baseline economic values for Wisconsin's 5.3 million acres of wetlands. Economic value is assessed using ecosystem service analysis which calculates the dollar value of resources and processes that are supplied by natural ecosystems to the benefit of humankind. Ecosystem services provided by wetlands include flood protection, ground water protection, water quality, recreation and biodiversity.

The dollar estimates in this report are very conservative and reflect baseline values of only 7 of the 22 ecosystem services. Similar in concept to a business or home appraisal, this assessment provides initial answers to questions such as:

- Can the wetlands be considered an economic asset?
- If wetlands are an economic asset, what is the range of probable dollar values in various degraded, restored and high-functioning conditions?
- How do the wetlands impact the local and regional economy?
- What is the opportunity cost to reducing or degrading wetlands and their functions?

## Geography

1121 Tacoma Ave S

Tacoma, WA 98402 F 253 539 5054

T 253 539 4801

The landscape of the 65,503 square miles that now constitute the state of Wisconsin was shaped by glaciers thousands of years ago. Due to the melting process, these glaciers left a large complex of lake basins, wetlands, and extremely fertile plains. One hundred and fifty years ago, more than 10 million acres of wetlands were found in Wisconsin. Today, wetland drainage, filling, levee development, and other human activity have reduced the area of wetlands to roughly 5 million acres, much of which is now degraded. Despite this, the area remains spectacularly beautiful and ecologically diverse.



Figure 1: State of Wisconsin highlighted in yellow.

<sup>&</sup>lt;sup>1</sup> Hagen, C. Reversing the Loss: A Strategy to Protect, Restore and Explore Wisconsin Wetlands, 2008. Accessible at http://dnr.wi.gov/topic/wetlands/documents/ReversingLoss08 gs.pdf.

Approximately 75% of Wisconsin's wetlands are owned and stewarded privately. Figure 2 shows the ownership breakdown.

## The Connection between Wetlands and the Economy

Wetlands house economies through their environmental assets. The natural environment

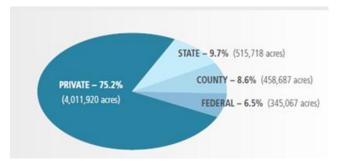


Figure 2: Wisconsin wetland ownership. Source: Hagen, C., 2008.

provides many foundations that human beings need for survival, including breathable air, drinkable water, food for nourishment, and stable atmospheric conditions. These "ecosystem goods and services," are derived from ecosystems and provide essential benefits to humans. Ecosystems perform many functions, but only functions that provide human benefits are considered ecosystem goods or services. Every ecosystem produces a plethora of ecosystem services.

Healthy wetlands enable cities, communities, households and their residents to thrive. However, society has a tendency to under-invest in wetlands and take them for granted. For example, when flood protection provided for free by natural systems is lost, natural flood protection service must be replicated with levees, which can cause flooding in homes and businesses. When drinking water, storm water conveyance, local climate regulation, habitat and other benefits disappear, the economy suffers from both the direct damage and the imposition of expensive tax districts and construction costs that are needed to replace previously existing natural capital.

The economy of Wisconsin cannot be adequately understood without examining the contribution of wetlands and the associated value benefits of ecosystem services to the economy and well-being of people. To improve economic decision-making and better understand the explicit contribution of properly functioning ecosystems to economic activity and output, interest in identifying, describing, and quantifying the value of ecosystem services has grown tremendously over the past 20 years.<sup>2</sup>

#### **Ecosystem Services**

Ecosystem services can be categorized into four major types: regulating services, habitat services, provisioning services and information services (see Table 1). Ecosystem services in each of these categories provide economic value that can be measured in dollar terms. Specific ecosystems services exist within each category, as identified in Table 2.

\_

<sup>&</sup>lt;sup>2</sup> Costanza, R., d'Arge, R., Groot, R.d., Farber, S., Grasso, M., Hannon, B., Naeem, S., Limburg, K., Paruelo, J., O'Neill, R.V., Raskin, R., Sutton, P., Belt, M.v.d., 1997. The value of the world's ecosystem services and natural capital. Nature 387, 253-260; Balmford, A., Bruner, A., Cooper, P., Costanza, R., Farber, S., Green, R.E., Jenkins, M., Jefferiss, P., Jessamy, V., Madden, J., Munro, K., Myers, N., Naeem, S., Paavola, J., Rayment, M., Rosendo, S., Roughgarden, J., Trumper, K., Turner, R.K., 2002. Ecology - Economic reasons for conserving wild nature. Science 297, 950-953.

#### Table 1: Categories of ecosystem services

Regulating services are benefits obtained from the natural control of ecosystem processes. Intact ecosystems can provide regulation of climate, water, soil, flood and storms, and/or keep disease organisms in check.

Habitat services provide refuge and reproduction habitat to wild plants and animals and thereby contribute to the (in situ) conservation of biological and genetic diversity and evolutionary processes.

Provisioning services provide basic goods including food, water and materials. Forests grow trees that can be used for lumber and paper, wild and cultivated crops provide food, and other plants may be used for medicinal purposes. Groundwater provides fresh water for drinking or industrial activities. Lakes and rivers provide fish for food and recreation. Groundwater and lakes provide freshwater for drinking.

Information services provide humans with meaningful interaction with nature. These services include spiritually significant species and natural areas, places for recreation, and educational opportunities through science.

Table 2: List of ecosystem services

| Services            |                                      | Ecosystem<br>Infrastructure and Processes   | Goods and Services (examples)  |  |  |
|---------------------|--------------------------------------|---|--|--|--|
| Regulating Services |                                      | Maintenance of essential ecological   | I processes and life support systems   |  |  |
| 1                   | Gas regulation                       | Role of ecosystems in bio-geochemical cycles  | Provides clean, breathable air, disease prevention, and a habitable planet   |  |  |
| 2                   | Climate regulation                   | Influence of land cover and biological mediated processes on climate                | Maintenance of a favorable climate promotes human health, crop productivity, recreation, and other services          |  |  |
| 3                   | Disturbance<br>prevention            | Influence of ecosystem structure on dampening environmental disturbances            | Prevents and mitigates natural hazards and natural events, generally associated with storms and other severe weather |  |  |
| 4                   | Water regulation                     | Role of land cover in regulating runoff and river discharge                         | Provides natural irrigation, drainage, channel flow regulation, and navigable transportation                         |  |  |
| 5                   | Soil retention                       | Role of vegetation root matrix and soil biota in soil retention                     | Maintains arable land and prevents damage from erosion, and promotes agricultural productivity                       |  |  |
| 6                   | Soil formation                       | Weathering of rock, accumulation of organic matter                                  | Promotes agricultural productivity, and the integrity of natural ecosystems  |  |  |
| 7                   | Nutrient regulation                  | Role of biota in storage and re-cycling of nutrients                                | Promotes health and productive soils, and gas, climate, and water regulations  |  |  |
| 8                   | Water Quality and<br>Waste Treatment | Role of vegetation & biota in removal or breakdown of xenic nutrients and compounds | Pollution control/ detoxification; Filtering of dust particles through canopy services                               |  |  |

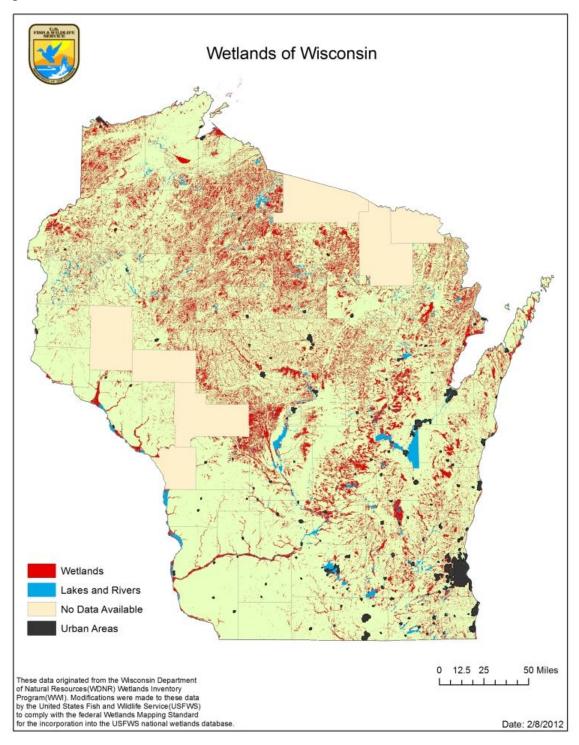
| 9                                       | Pollination                        | Role of biota in movement of floral gametes  | Pollination of wild plant species and harvested crops   |  |  |
|---|------------------------------------|--|---|--|--|
| 10 Biological control  Habitat Services |                                    | Population control through trophic-<br>dynamic relations                           | Provides pest and disease control, reduces crop damage  |  |  |
|   |                                    | Providing habitat (suitable living spa   | ce) for wild plant and animal species   |  |  |
| 11                                      | Habitat and<br>Biodiversity        | Suitable living space for wild plants and animals                                  | Maintenance of biological and genetic diversity (and thus the basis for most other functions)                 |  |  |
| 12                                      | Nursery                            | Suitable reproduction habitat  | Maintenance of commercially and recreationally harvested species  |  |  |
| Provisio                                | oning Services                     | Provision of N   | atural Resources  |  |  |
| 13                                      | Food                               | Conversion of solar energy into edible plants and animals                          | Hunting, gathering of fish, game, fruits, etc.; small scale subsistence farming & aquaculture                 |  |  |
| 14                                      | Water supply                       | Filtering, retention and storage of fresh water (e.g. in groundwater aquifers)     | Provision of water for consumptive or other use, includes both quality & quantity                             |  |  |
| 15                                      | Raw materials                      | Conversion of solar energy into biomass for human construction and other uses      | Building and manufacturing; fuel and energy; fodder and fertilizer  |  |  |
| 16                                      | Genetic resources                  | Genetic material and evolution in wild plants and animals                          | Improve crop resistance to pathogens & pests  |  |  |
| 17                                      | Medicinal resources                | Variety in (bio)chemical substances in, and other medicinal uses of, natural biota | Drugs, pharmaceuticals, chemical models, tools, test and essay organisms                                      |  |  |
| 18                                      | Ornamental resources               | Variety of biota in natural ecosystems with (potential) ornamental use             | Resources for fashion, handicraft, jewelry, pets, worship, decoration & souvenirs                             |  |  |
| Inform                                  | ation Services                     | Providing opportunities for cognitive development                                  |   |  |  |
| 19                                      | Aesthetic information              | Attractive landscape features  | Enjoyment of scenery  |  |  |
| 20                                      | Recreation                         | Variety in landscapes with (potential) recreational uses                           | Travel to natural ecosystems for ecotourism, outdoor sports, etc.   |  |  |
| 21                                      | Cultural and artistic information  | Variety in natural features with cultural and artistic value                       | Use of nature as motive in books, film, painting, folklore, national symbols, architecture, advertising, etc. |  |  |
| 22                                      | Spiritual and historic information | Variety in natural features with spiritual and historic value                      | Use of nature for religious or historic purposes (i.e., heritage value of natural ecosystems and features)    |  |  |
| 23                                      | Science and education              | Variety in nature with scientific and educational value                            | Use of natural systems for school excursions, etc. Use of nature for scientific research                      |  |  |

Based on: de Groot, R.S., Wilson, M.A., Boumans, R.M.J., 2002.

#### Valuation of the Wisconsin Wetlands

To provide a preliminary estimate the value of ecosystem services produced in Wisconsin's wetlands, Earth Economics first identified the ecosystem services present using Geographical Information Systems (GIS) data. The State of Wisconsin contains 5,331,392 acres of wetlands. Each acre of wetlands was assigned a total high and low annual per-acre dollar value for its ecosystem services.

Figure 3: Wisconsin wetlands in relation to urban areas



#### **Valuation Methodology**

Benefit Transfer Methodology (BTM) was used to estimate the approximate value of ecosystem services produced by the wetlands in Wisconsin. BTM is used when it is cost-prohibitive to conduct primary studies on every site in a study area for every vegetation type. BTM is a widely accepted economic methodology in which the estimated economic value of an ecological good or service is determined by examining previous valuation studies of similar goods or services in other comparable locations. The term "transfer" refers to the application of derived values and other information from the original study site to a new but sufficiently similar site, like a house or business "comp." As the "bedrock of practical policy analysis", 4 BTM has gained popularity in the last several decades as decision-makers have sought timely and cost-effective ways to value ecosystem services and natural capital.5

Earth Economics maintains and continually expands a database of published, peer-reviewed ecosystem service valuation studies for use in benefit transfer studies. For example, Doss and Taff (1996) performed a study in Ramsey County Minnesota to examine the relationship between housing prices and wetland proximity. This study was used for the present valuation. The valuation methodologies used to derive the values in the database studies were primarily developed within the disciplines of Environmental and Natural Resource Economics. Table 3 describes the methodologies used in this rapid assessment.



Photo Credit: Steve Eggers

Wisconsin's Wetlands Page 8 of 16

<sup>&</sup>lt;sup>3</sup> Brookshire, D.S., Neill, H.R., 1992. Benefit Transfers: Conceptual and Empirical Issues. Water Resources Research 28, 651-655; Desvousges, W.H., Naughton, M.C., Parsons, G.R., 1992. Benefit transfer: conceptual problems estimating water quality benefits using existing studies. Water Resources Research 28.

<sup>&</sup>lt;sup>4</sup> Desvousges, W.H., Johnson, F.R., Banzhaf, H.S., 1998. Environmental Policy Analysis with Limited Information: Principles and Applications of the Transfer Method. Edward Elgar, Northhampon, MA.

<sup>&</sup>lt;sup>5</sup> Wilson, M., Hoehn, J., 2006. Valuing environmental goods and services using benefit-transfer: state-of-the-art and science. Ecological Economics 60, 335-342.

#### Table 3: Valuation methods used to value ecosystem services

**Avoided Cost** (AC): Services that allow society to avoid costs that would have been incurred in the absence of those services; for example, floodwater regulation provided by wetlands avoids property damages to urban and rural areas.

**Replacement Cost** (RC): Services that can be replaced with man-made systems; ex. nutrient cycling and waste treatment provided by wetlands can be replaced with expensive treatment systems whose replacement cost can be readily estimated.

**Factor Income** (FI): Services that provide for the enhancement of incomes; for example, water quality improvements increase commercial and recreational fisheries catch and the incomes of communities or economies dependent upon fishing retailers.

**Travel Cost** (TC): Service demand may require travel, which has costs that can reflect the implied value of the service; for example, recreation areas can be valued in part by the dollar amount that visitors are willing to pay to travel to it, including the imputed dollar value of their time.

**Hedonic Pricing** (HP): Service demand may be reflected in the prices people will pay for associated goods, for example, housing prices along shorelines generally exceed the prices of inland homes.

**Contingent Valuation** (CV): Service demand may be elicited by posing hypothetical scenarios that involve some valuation of alternatives; for example, when surveyed, people generally state that they are willing to pay for preservation of beaches and shoreline and will name a dollar amount they would be willing to pay per unit of time. **Group Valuation** (GV): This approach is based on principles of deliberative democracy and the assumption that public decision making should result not from the aggregation of separately measured individual preferences but from open public debate.

Adapted from Farber et al., 2006



Photo Credit: Steve Eggers

Table 4 provides a matrix that highlights ecosystem services identified for each land cover type in Wisconsin; those cells that were valued for this assessment are marked with an "X". Due to time constraints, not all ecosystem services that were identified for Wisconsin wetlands are assigned a value. Also, this assessment does not include valuation of non-wetland land cover classes, such as forest, pasture, riparian buffer, etc.

Wisconsin's Wetlands Page 9 of 16

T 253 539 4801

F 253 539 5054

Table 4: Ecosystem services identified and valued for this assessment

| cosystem services identified and valued for | this ass           | essme  | nt         | 1            |         | ı               | 1           |                   |         |
|---|--------------------|--------|------------|--------------|---------|-----------------|-------------|-------------------|---------|
|   | Agricultural Lands | Forest | Grasslands | Lakes/Rivers | Pasture | Riparian Buffer | qn.zs/qn.us | Urban Green Space | Wetland |
| <b>Provisioning Services</b>                |                    |        |            |              |         |                 |             |                   |         |
| Food  |                    |        |            |              |         |                 |             |                   |         |
| Raw Materials                               |                    |        |            |              |         |                 |             |                   |         |
| Genetic Resources                           |                    |        |            |              |         |                 |             |                   |         |
| Medicinal Resources                         |                    |        |            |              |         |                 |             |                   |         |
| Ornamental Resources                        |                    |        |            |              |         |                 |             |                   |         |
| Regulating Services                         |                    |        |            |              |         |                 |             |                   |         |
| Gas Regulation                              |                    |        |            |              |         |                 |             |                   | X       |
| Climate Regulation                          |                    |        |            |              |         |                 |             |                   | Х       |
| Disturbance Prevention                      |                    |        |            |              |         |                 |             |                   | X       |
| Soil Retention                              |                    |        |            |              |         |                 |             |                   |         |
| Water Regulation                            |                    |        |            |              |         |                 |             |                   | X       |
| Water Supply                                |                    |        |            |              |         |                 |             |                   | X       |
| Biological Control                          |                    |        |            |              |         |                 |             |                   |         |
| Waste Treatment                             |                    |        |            |              |         |                 |             |                   | X       |
| Soil Formation                              |                    |        |            |              |         |                 |             |                   |         |
| Nutrient Regulation                         |                    |        |            |              |         |                 |             |                   |         |
| Pollination                                 |                    |        |            |              |         |                 |             |                   |         |
| Habitat Services                            |                    |        |            |              |         |                 |             |                   |         |
| Habitat and Biodiversity                    |                    |        |            |              |         |                 |             |                   | X       |
| Nursery                                     |                    |        |            |              |         |                 |             |                   | X       |
| Information Services                        |                    |        |            |              |         |                 |             |                   |         |
| Aesthetic Information                       |                    |        |            |              |         |                 |             |                   | X       |
| Recreation                                  |                    |        |            |              |         |                 |             |                   | Х       |
| Cultural and Artistic Information           |                    |        |            |              |         |                 |             |                   |         |
| Science and Education                       |                    |        |            |              |         |                 |             |                   |         |
| Spiritual and Historic Information          |                    |        |            |              |         |                 |             |                   |         |

### Key:

|  | Ecosystem service produced by land cover but not valued in this report |  |  |
|--|--|--|--|
| X Ecosystem service produced by land cover and valued in this report |  |  |  |
|  | Ecosystem service not produced by land cover                           |  |  |

#### **Underestimated Value**

A total of 22 ecosystem services were identified in Wisconsin's wetlands. Rapid assessment valuation was possible for 10 services. Table 4 suggests that, because a large number of ecosystem services and land covers have yet to be valued, this rapid assessment valuation provides a significant underestimate of the true value.

#### **Annual Value of Wisconsin Wetlands**

Transferred values were converted to 2010 dollars per acre per year, representing the annual flow of value generated by a single ecosystem service on a single land cover each year. Combining the available ecosystem service values (water regulation, habitat, recreation, etc.) for each wetland type yields a total value for that land cover in dollars per acre per year. Table 5 summarizes the range of ecosystem service values for wetlands in Wisconsin.

Table 5: Value of ecosystem services provided by each wetland sub-type in the State of Wisconsin

| Ecosystem Service          | Low Value<br>(\$/acre/year) | High Value<br>(\$/acre/year) |
|----------------------------|-----------------------------|------------------------------|
| Disturbance Prevention     | 434                         | 7,758                        |
| Waste Treatment            | 13                          | 1,747                        |
| Water Regulation           | 148                         | 6,877                        |
| Water Supply               | 10                          | 4,289                        |
| Gas and Climate Regulation | 5                           | 534                          |
| Aesthetic and Recreation   | 2                           | 4,985                        |
| Habitat and Nursery        | 6                           | 2,242                        |
| Total (\$/acre/year)       | 617                         | 28,432                       |

Table 6 summarizes the annual flow of value provided across all wetlands in Wisconsin. Wisconsin wetlands provide over \$3.3 billion dollars in economic benefits to the state per year.

Table 6: Annual value of ecosystem services provided by wetlands in Wisconsin

| Low Value<br>(\$/acre/year) | High Value<br>(\$/acre/year) | Acreage of Wetlands in Wisconsin | Total Low (\$/year) | Total High (\$/year) |
|-----------------------------|------------------------------|----------------------------------|---------------------|----------------------|
| 617                         | 28,432                       | 5,331,392                        | 3,291,961,752       | 151,580,506,001      |

#### Value Discrepancies

The wide ranges of the estimates for the subset of ecosystems and services available for this study can be attributed to a number of factors including wetland health and ecosystem service function and year of primary study. In general, the more degraded the ecosystem, or the older the source study, the lower the value. A total of 22 ecosystem services were identified in Wisconsin's wetlands. Rapid assessment valuation was possible for 10 services. Table 4 suggests that, because a large number of ecosystem services and land covers have yet to be valued, this rapid assessment valuation provides a significant underestimate of the true value.

#### **Asset Value of Wisconsin's Wetlands**

Like a traditional capital asset, an ecosystem produces a flow of valuable services across time. As long as the natural infrastructure of the wetlands are not degraded or depleted, this flow of value will likely continue into the future. In fact, it will become even more valuable as such natural infrastructure becomes scarcer or degraded elsewhere. This analogy can be extended by calculating the net present value of the future flows of ecosystem services, just as the asset value of a capital asset (such as a bridge or a building) can be calculated as the net present value of its future benefits. This calculation is no more than an economic exercise however, because ecosystems are not generally bought and sold in this manner; the usefulness of this exercise is to demonstrate their long-term economic value.

Calculating the net present value of an asset requires the use of a discount rate. Table 7 shows the net present value of the wetlands calculated using different discount rates. Using a 0% discount rate recognizes the renewable nature of natural capital and that people 100 years from now will enjoy the same level of benefits we enjoy today. In contrast, the federal discount rate for water resource projects in FY2012 is 4%, and lowers the value of the benefits by 4% each year into the future.

Table 7: Asset Value of Wetlands in Wisconsin

| Discount Rate  | Value for State of<br>Wisconsin (low) | Value for State of Wisconsin (high) | Per-Acre Value (low) | Per-Acre Value (high) |
|----------------|---------------------------------------|-------------------------------------|----------------------|-----------------------|
| 0% (100 years) | \$329,196,175,226                     | \$15,158,050,600,129                | \$61,747             | \$2,843,169           |
| 4% (100 years) | \$80,669,519,438                      | \$3,714,480,147,549                 | \$15,131             | \$696,719             |

At the 4% federal discount rate, the asset value of Wisconsin's wetlands is estimated between \$81 billion and \$3.7 trillion, and at a zero discount rate, is estimated between \$329 billion and \$15.2 trillion. Even with the most conservative estimate, this means that each acre of wetland is worth at least \$15,000, if treated as an economic asset.

#### Conclusion

This report provides a preliminary view of the value of Wisconsin's wetlands to the local community and the local, state and federal agencies that are responsible for serving the residents of the beautiful state of Wisconsin. The appraisal valuation of ecosystem services provided by wetlands in Wisconsin quantifies the economic value supplied by nature in the wetlands every year. By protecting against flooding, assuring water supply, buffering climate instability, maintaining critical habitat, providing waste treatment and other benefits, Wisconsin's wetlands provide between \$3.3 billion and \$152 billion in economic value every year to the local, regional and national economy. These wetlands provide tremendous benefits to the public over generations, at little or no cost.

Ecosystem services may also be treated like economic assets, as they provide a stream of benefits over time, similar to bridges, roads or other built infrastructure. Valued as such, a discount rate may be applied to these services, allowing for calculation of the present value (or asset value) of these systems. If treated like an asset with a lifespan of 100 years, the asset value of the Wisconsin's wetlands is between \$81 billion and \$3.7 trillion at a 4% discount rate. Using a 0% discount rate, which recognizes the renewable nature of natural capital and that people 100 years from now will enjoy the same level of benefits, Wisconsin's wetlands have an asset value of between \$329 billion and

\$15.2 trillion. Though a snapshot in time, these appraisal values are defensible underestimates and applicable to decision-making at every jurisdictional level.

The creation of macroeconomic measures in the 1930s, such as measures for the Gross Domestic Product, unemployment and inflation, transformed the United States because these measures enabled better economic decision-making. Built capital was scarce, and economic measures of built capital were essential to building a prosperous 20<sup>th</sup> century economy.

Today, scarcity has shifted from manufactured goods to ecosystem goods and services. To increase their production the value of ecosystems should be correctly measured and included in decisionmaking. Discovering and measuring the value of natural capital in Wisconsin is important, and ecosystem service valuations can aid effective and efficient natural resource management.

While this rapid assessment provides a valuation of ecosystem services provided by Wisconsin's wetlands, it is only a first step in the process of developing policies, measures and indicators that support discussions about the tradeoffs in investments of public and private money that ultimately shape the regional economy for generations to come.

#### Recommended next steps include:

- Protect and Restore Natural Capital. Consider both the conservation and the restoration of these Wisconsin ecosystems as a key investment in the future economy as supported by green infrastructure.
- Apply Ecosystem Service Valuation to Support Funding Investment in Natural Assets. Ecosystem service valuation can provide governments, organizations, and private owners with a way to calculate the rate of return on conservation and restoration investment. Beginning in late 2012, values in this report can be regularly updated and enhanced with information on more ecosystems and ecosystems services using Earth Economics' SERVES (Simple Effect Resource for Valuing Ecosystem Services), a web-based tool that can be accessed from www.eartheconomics.org.
- Adopt an Ecosystem Services Approach to Rural Economic Development. By including sustainable forestry, forest product development, agriculture, and access to quality outdoor recreation in economic development planning, long-term and sustainable jobs can be identified, quantified and secured. Restoration projects can and should be effectively linked to economic advancement, sustainability and long-term job creation.
- Review Institutional Options for Planning and Management of Natural Assets. Ecosystem services can be a guide for improvement by setting a context wherein alternative goals, such as flood control, storm water conveyance, habitat and water quality, can be simultaneously improved, thus avoiding infrastructure conflict. Wisconsin leaders should facilitate discussions about institutional improvements that facilitate the coordination of the leveraging of wetland benefits including the reduction of flood risk, provision of drinking water and water quality, resilience to changes in the climate, and ensuring the livelihood of forest and agricultural landowners. Earth Economics is working in Washington State to develop the first state Watershed Investment District as an example of a new institution to manage natural capital.

Wisconsin's Wetlands Page 13 of 16

Such an institution would be positioned to take advantage in emerging ecosystem service markets to generate funding for investment in Wisconsin's natural capital, while also creating a mechanism for incentive funding for stewardship practices on private land through Payments for Ecosystem Services. Adopting an integrated approach will save money and provide greater economic benefits and higher quality of life for Wisconsin residents.

#### **Full References**

Allen, J., Cunningham, M., Greenwood, A., Rosenthal, L., 1992. The value of California wetlands: an analysis of their economic benefits. Campaign to Save California Wetlands, Oakland, California.

Brouwer, R., Langford, I. H., Bateman, I.J., and Turner, R.K., 1999. A meta-analysis of wetland contingent valuation studies. Regional Environmental Change 11, 47-57.

Cooper, J., and Loomis, J. B. 1991. Economic value of wildlife resources in the San Joaquin Valley: Hunting and viewing values. In Economic and Management of Water and Drainage in Agriculture eds. Diner and Zilberman., Vol. 23. Kluwer Academic Publishers.

Costanza, R., dArge, R., deGroot, R., Farber, S., Grasso, M., Hannon, B., Limburg, K., Naeem, S., Oneill, R.V., Paruelo, J., Raskin, R.G., Sutton, P., vandenBelt. M., 1997. The value of the world's ecosystem services and natural capital. Nature 387, 253-2

Creel, M., Loomis, J., 1992. Recreation value of water to wetlands in the San-Joaquin Valley - linked multinomial logit and count data trip frequency models. Water Resources Research 28, 2597-2606.

DeGroot, R.S., Wilson, M.A., Boumans, R.M.J., 2002. A typology for the classification, description and valuation of ecosystem functions, goods and services.

Dodds, W.K., Wilson, K.C., Rehmeier, R.L., Knight, G.L., Wiggam, S., Falke, J.A., Dalgleish, H.J., Bertrand K.N., 2008. Comparing ecosystem goods and services provided by restored and native lands. BioScience 58, 837-845.

Doss, C. R., Taff, S.J., 1996. The Influence of Wetland Type and Wetland Proximity on Residential Property Values. Journal of Agricultural and Resource Economics 21, 120-129.

Farber, S., Costanza, Childers, D.L., Erickson, J., Gross, K., Grove, M., Hopkinson, C.S., Kahn, J., Pincetl, S., Troy, A., Warren, P., Wilson, M., 2006. Linking Ecology and Economics for Ecosystem Management. Bioscience 56, 121-133.

Hagen, C., 2008. Reversing the loss: A strategy to protect, restore and explore Wisconsin wetlands. Wisconsin Wetland Team, WI, USA. Accessible at http://dnr.wi.gov/topic/wetlands/documents/ReversingLoss08\_gs.pdf.

Hayes, K.M., Tyrrell, T.J., Anderson, G., 1992. Estimating the benefits of water quality improvements in the Upper Narragansett Bay. Marine Resource Economics 7, 75-85.

Kazmierczak, R.F., 2001. Economic linkages between coastal wetlands and habitat/species protection: a review of value estimates reported in the published literature. LSU Agricultural Economics and Agribusiness Staff Paper. http://www.agecon.lsu.edu/facult

Knowler, D.J., MacGregor, B.W., Bradford, M.J., Peterman, R.M., 2003. Valuing freshwater salmon habitat on the west coast of Canada. Journal of Environmental Management 69, 261–273.

Wisconsin's Wetlands Page 14 of 16 Kreutzwiser, R., 1981. The economic significance of the long point marsh, Lake Erie, as a recreational resource. Journal of Great Lakes Resources 7, 105-110.

Lant, C. L., Tobin, G., 1989. The economic value of riparian corridors in cornbelt floodplains: a research framework. Professional Geographer 41, 337-349.

Mahan, B. L. 1997. Valuing urban wetlands: a property pricing approach. Portland, Oregon: U.S. Army Corps of Engineers. Institute for Water Resources.

Mahan, B.L., Polasky, S., Adams, R.M., 2000. Valuing urban wetlands: a property price approach. Land Economics 76, 100-113.

Olewiler, N., 2004. The Value of Natural Capital in Settled Areas of Canada. Ducks Unlimited Canada and the Nature Conservancy of Canada. 36 pp.

Pate, J., Loomis, J., 1997. The effect of distance on willingness to pay values: a case study of wetlands and salmon in California. Ecological Economics 20, 199-207.

Streiner, C., Loomis, J., 1996. Estimating the Benefits of Urban Stream Restoration Using the Hedonic Price Methods Rivers 5(4) 267-78

Thibodeau, F.R., and Ostro, B.D., 1981. An economic analysis of wetland protection. Journal of Environmental Management 12, 19-30.

van Kooten, G.C., Schmitz, A., 1992. Preserving Waterfowl Habitat on the Canadian Prairies: Economic Incentives Versus Moral Suasion. American Journal of Agricultural Economics 74, 79-89.

van Vuuren, W., and Roy, P. 1993. Private and social returns from wetland preservation versus those from wetland conversion to agriculture. Ecological Economics, 8 3; 289-305.

Whitehead, J. C., 1990. Measuring willingness-to-pay for wetlands preservation with the contingent valuation method. Wetlands 10, 187-201.

Whitehead, J. C., Groothuis, P. A., Southwick, R., and Foster-Turley, P. 2009. Measuring the economic benefits of Saginaw Bay coastal marsh with revealed and stated preference methods. Journal of Great Lakes Research, 35 3; 430–437.

Wilson, S.J., 2008. Ontario's wealth, Canada's future: Appreciating the value of the Greenbelt's eco-services. David Suzuki Foundation, Vancouver, Canada. Http://www.davidsuzuki.org/Publications/Ontarios Wealth Canadas Future.asp.

Wilson, S.J., 2010. Natural Capital in BC's Lower Mainland: Valuing the Benefits from Nature.

Woodward, R., and Wui, Y., 2001. The economic value of wetland services: a meta-analysis. Ecological Economics 37, 257-270.

Wisconsin's Wetlands Page 15 of 16

## **Value Transfer Studies Used by Ecosystem Service**

| <b>Ecosystem Service</b>     | Author(s)                         | Low        | High       |
|------------------------------|-----------------------------------|------------|------------|
| Disturbance Regulation       | Allen, J. et al.                  | \$433.78   | \$7,757.92 |
| Waste Treatment              | Pate, J. and Loomis, J.           | \$76.39    | \$344.14   |
|                              | Olewiler, N.                      | \$154.68   | \$434.60   |
|                              | Wilson, S. J.                     | \$12.86    | \$1,747.07 |
| Water Regulation             | Thibodeau, F. R. and Ostro, B. D. | \$6,876.67 | \$6,876.67 |
|                              | Wilson, S. J.                     | \$1,552.65 | \$1,552.65 |
|                              | Woodward, R., and Wui, Y.         | \$148.48   | \$2,914.64 |
| Water Supply                 | Creel, M. and Loomis, J.          | \$533.70   | \$533.70   |
|                              | Lant, C. L. and Tobin, G.         | \$189.14   | \$2,082.37 |
|                              | Pate, J. and Loomis, J.           | \$3,538.95 | \$3,538.95 |
|                              | Dodds, W.K., et al.               | \$1,379.95 | \$1,379.95 |
|                              | Hayes, K. M., et al.              | \$1,915.63 | \$2,977.72 |
|                              | Wilson, S. J.                     | \$704.81   | \$704.81   |
|                              | Brouwer, R., et al.               | \$21.77    | \$53.17    |
|                              | Woodward, R., and Wui, Y.         | \$10.01    | \$4,289.38 |
| Aesthetic and Recreational   | Doss, C. R. and Taff, S. J.       | \$4,118.83 | \$4,984.78 |
|                              | Kreutzwiser, R.                   | \$195.28   | \$195.28   |
|                              | Thibodeau, F. R. and Ostro, B. D. | \$30.95    | \$645.51   |
|                              | Whitehead, J. C.                  | \$1,027.44 | \$2,065.76 |
|                              | Dodds, W.K., et al.               | \$1,689.67 | \$1,689.67 |
|                              | Allen, J. et al.                  | \$111.78   | \$578.92   |
|                              | Hayes, K. M., et al.              | \$1,804.08 | \$3,448.12 |
|                              | Mahan, B.L.                       | \$49.21    | \$49.21    |
|                              | van Vuuren, W. and Roy, P.        | \$853.81   | \$853.81   |
|                              | Wilson, S. J.                     | \$47.36    | \$128.80   |
|                              | Cooper J. and Loomis, J.          | \$327.16   | \$1,284.80 |
|                              | Mahan, B. L., et al.              | \$37.44    | \$37.44    |
|                              | Whitehead, J. C., et al.          | \$237.71   | \$237.71   |
|                              | Woodward, R., and Wui, Y.         | \$1.67     | \$4,641.41 |
| Gas and Climate Regulation   | Dodds, W.K., et al.               | \$123.79   | \$123.79   |
|                              | Wilson, S. J.                     | \$4.85     | \$534.02   |
|                              | Costanza, R., et al.              | \$176.30   | \$176.30   |
| Habitat Refugium and Nursery | Pate, J. and Loomis, J.           | \$99.76    | \$317.15   |
|                              | van Kooten, G. C. and Schmitz, A. | \$5.82     | \$5.82     |
|                              | Dodds, W.K., et al.               | \$179.38   | \$179.38   |
|                              | Knowler, D. J. et al.             | \$10.91    | \$49.99    |
|                              | Wilson, S. J.                     | \$2,241.85 | \$2,241.85 |
|                              | Woodward, R., and Wui, Y.         | \$158.50   | \$510.52   |
|                              | Kazmierczak, R.F.                 | \$273.67   | \$652.95   |
|                              | Streiner, C., Loomis, J.          | \$274.09   | \$274.09   |