



Chesapeake Bay Program
SCIENTIFIC AND TECHNICAL ADVISORY COMMITTEE
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August 16, 2011

RE: Chesapeake Bay TMDL Economic Benefits Study

Nicholas DiPasquale, Director, Chesapeake Bay Program
U.S. Environmental Protection Agency
410 Severn Avenue, Suite 109
Annapolis, MD 21403

cc:

Bob Perciasepe; Jim Edward; Rich Batiuk; Kevin DeBell; David Simpson; Jeff Corbin

Dear Mr. DiPasquale,

At the June 7, 2011 STAC meeting a presentation was made by Kevin DeBell and David Simpson regarding EPA's plans to conduct a cost analysis and a separate benefit analysis related to implementation of the Chesapeake Bay TMDL. In addition to the discussion among STAC's membership during the presentation, STAC's Socio-Economic Workgroup met following the presentation to discuss a response to what is being proposed. As a result of those discussions, STAC felt it was advisable to forward comments concerning the benefits study for consideration as EPA moves forward on this project.

We were pleased to learn that EPA was undertaking a study of the benefits and costs associated with implementation of the on-going Bay TMDL. The results of well-designed economic studies will help inform discussions about the TMDL and ultimately lead toward improved public and private decisions regarding Bay restoration efforts. While we believe a reasonable cost study can be produced in a year or less given the existence of data and other studies, a benefits study is substantially more challenging. We urge EPA to invest sufficient time and resources to undertake a benefits study in a manner that will withstand any rigorous peer review process. We specifically point to the oft-cited report, *Economic Importance of the Chesapeake Bay*, completed by the Maryland Department of Economic and Employment Development in March, 1989, that purported to calculate the total value of the Chesapeake Bay. The 1989 report was never peer-reviewed and contains significant errors. However, this report continues to be cited in several instances by both governmental and non-governmental organizations. No valid conclusions, actions or recommendations can be based on the figures from this report.

Two recent reviews of Chesapeake Bay valuation studies point out the difficulties involved in a benefits study. University of Maryland Professor Ted McConnell provided an overview of Chesapeake Bay valuation studies at the Innovating Policy for Chesapeake Bay Restoration

Conference in Cambridge, Maryland in March, 2011 (<http://extension.psu.edu/aec/webinars-presentations/chesapeake-bay-conference-march-29-2011/Bay%20benefits%20presentation.pptx/view>). Additionally, Resources for the Future recently published a Chesapeake Bay TMDL scoping study (*Cropper, Maureen L. and William Isaac. The Benefits of Achieving the Chesapeake Bay TMDLs: A Scoping Study, July 2011*). Both studies draw similar conclusions: 1) the literature on valuation of Chesapeake Bay restoration is extremely thin, providing a weak foundation on which to build a study of the necessary magnitude and scale; and 2) a large share of Chesapeake Bay value is non-market value such as recreation, thus requiring advanced techniques such as hedonic analyses, random utility models and stated preference approaches. These are data intensive techniques and will need to be performed with great care in order to withstand peer review and provide a solid foundation for Bay management decisions. In addition to the conclusions drawn from these recent studies, we also note that studies that value market goods such as commercial fishing related to Bay restoration are also lacking. These findings indicate that a comprehensive benefits study is a major new undertaking for the Chesapeake Bay scientific community and thus will require a significant investment in time and resources to conduct in a manner that is scientifically viable and interpretable.

Again, we urge EPA to review the two Chesapeake Bay valuation studies cited above and take these into consideration to inform their project. EPA has discussed holding a workshop with economists familiar with Bay valuation to help advise the study. In this regard, we strongly recommend tapping regional and national expertise through a workshop or some other means prior to the design and implementation of the study. Finally, we recognize the difficulties and the importance of properly evaluating TMDL benefits, and we encourage EPA to continue working with STAC to determine ways in which we can contribute to the successful completion of this work.

Sincerely,

Chris Pyke

A handwritten signature in blue ink that reads "Chris Pyke". The signature is written in a cursive, flowing style.

Chair, Chesapeake Bay Program's Scientific and Technical Advisory Committee