

Primer for Using Economic Valuation Methodology Guides

This primer will help you understand how to use the economic valuation methodology guides while reporting economic benefits to Sea Grant’s Planning, Implementation, and Evaluation Resources (PIER)¹ database; developing impact statements; or calculating economic impacts or benefits for other outreach efforts. It includes key considerations, an approach for using the guides, and an overview of the guide sections. These methodology guides were developed to help Sea Grant and other coastal engagement programs calculate and characterize the economic impacts or benefits of their program activities. These guides are a tool and do not constitute official guidance from the national office for reporting economic impacts or benefits.

Key Considerations

This section provides more context for the “Key Considerations” side bar found on the first page of each methodology guide.

Essential Role

Sea Grant programs must play an essential role in a project to report an economic impact or benefit as a performance measure in PIER. By “essential,” we mean that 1) stakeholders and partners would describe Sea Grant’s role as critical for a project’s success, and 2) the economic impact or benefit would not have occurred without Sea Grant involvement. In each case, Sea Grant’s involvement should be one of leadership or provision of a service (e.g. planning, financial, personnel, or research accomplishments). When a program has a supporting or non-essential role in a project, the project impacts or benefits should be included in PIER as either an impact or accomplishment statement, but not reported in the economic benefit performance measure.

Use Stories

These methodology guides have been developed to provide defensible methodologies that minimize the level of effort and expertise needed to perform the valuation. However, there are cases where **not everything needs a monetized number** and **sometimes a story is the most effective way to present the value of what you do**. Much of this depends on your audience—if your audience will be skeptical of a methodology or conceptually disagree with putting a value on a certain type of benefit, consider whether they may have a better reaction to hearing about the positive impacts of your work in a narrative form. Within the methodology guides, there is guidance on using “**value chains**” to help you defensibly link your activities to impacts—this will help you tell your story whether it is in narrative form only or includes monetized values. If you feel your audience will not respond well to monetizing your activities, or the economic impacts or benefits are overly burdensome to monetize, report them as an impact or accomplishment statement rather than monetizing. In telling your story, **count what you can count**—maybe you do not put a dollar value on it (e.g., the level of effort to do so is overly burdensome) but try to quantify your impacts in other ways (e.g., acres restored, people reached, hours saved). Finally, be thoughtful about large monetized numbers; when you do monetize your benefits and impacts, **do not seek out or shy away from them**. Larger economic impacts or benefits can be acceptable but should be reviewed with a different set of standards and more rigor, as they will get scrutinized in more detail. While it is important to use defensible methodologies to come up with values for these large numbers, it is just as important to transparently and honestly document your contribution to the value.

1. Sea Grant programs use PIER to submit their impacts, accomplishments, performance measures, and metrics to the National Sea Grant Office (NSGO).



Multipliers

Sea Grant's work often results in cost savings, increased revenues, or job creation. Guidance from the Office of Management and Budget (OMB) for reporting economic benefits and impacts as a performance measure in Sea Grant's PIER database requires that these are reported as direct impacts (or benefits). Input-output tools—such as IMPLAN, REMI, and BEA RIMS II—use multipliers to help us understand the ripple effect of the cost savings, revenues, or jobs (e.g., if you create more fishing jobs, more boats will be purchased, and the fishermen will spend their income throughout the economy). These tools aggregate indirect and induced (ripple effect) impacts with direct impacts; however, you should not include these aggregated impacts in performance measure reporting for economic benefits because these measures are restricted to direct impacts only. This type of modeling, or use of multipliers can be used as a tool for determining the program's overall impact on the regional economy. They can also be used to characterize economic impacts, outside of performance measure requirements, such as in impact and accomplishment statements. For transparency, include the software or program used to derive the values reported.



Understand Economic Impact vs. Economic Benefit

Economic impact and economic benefit are often used interchangeably. Here are some definitions from economic literature to help you understand what we mean when we use this language in the methodology guides and to help you use the language with more accuracy and clarity:

- **Economic impact:** Net change to the economic base of a region. An economic impact either creates or keeps revenue in a given economy that would not exist or leave the region otherwise (e.g., creating jobs, saving an entity money, helping to drive up revenue in a region).
- **Economic benefit:** Net increase in social welfare through market or non-market forces (e.g., enhanced recreation, value of increased knowledge or skills, value associated with improved water quality).



How to Use the Economic Valuation Methodology Guides

Start by using the flow chart in the “Decision Tree” to identify what methodology guide you could use to monetize the economic benefit or impact. Note, a methodology guide is not associated with every type of Sea Grant activity generating an impact or benefit. For those benefits or impacts that do not have a methodology guide, consider using the “General Revenue and Cost Savings” methodology guide and also consider the “Key Considerations” above as resources.

Overview of Methodology Guide Sections

Introduction and Side Bar

The methodology guides begin with a brief introduction to provide an overview of the benefit or impact and a high-level description of the approach used to calculate and value that impact or benefit. Each guide also includes some considerations applicable across all economic impacts or benefits, which are discussed in more detail above in “Key Considerations.”

Examples

Each guide provides several real-life examples (slightly modified) from prior reporting in Sea Grant’s PIER database. These examples are for illustrative purposes only—they provide a feel for the types of economic impacts or benefits that could be reported using the methodology in the guide. Additionally, we use green check marks to show positive aspects of the write-ups and red “X”s for components that could be improved.

Present Your Story as a Value Chain

This section recommends a formula for documenting economic impacts or benefits to ensure the activities are defensibly linked to the Sea Grant activity.² This general approach is intended for reporting economic benefits and impacts as performance measures in Sea Grant’s PIER database and other purposes, but it could also be integrated into the existing 4R framework (Relevance, Response, Results and Recap) for writing impact and accomplishment statements.

2. The value chain provides a framework for programs to characterize economic benefits and impacts for use as a performance measure. The acceptance of a benefit or impact for performance measure reporting is determined by guidance and criteria approved by the National Oceanic and Atmospheric Administration and Office of Management and Budget.



Recommended Methodology and Best Practices

This section provides step-by-step guidance for implementing the valuation methodology with some best practices and points of caution for consideration.

Factors to Consider in Communicating Benefits

This section discusses considerations with regard to attribution (Sea Grant's claim to the value of the benefit), recurring benefits, and very large benefits (or impacts). The table describes how you should consider each of these factors when reporting economic benefits and impacts as performance measures as compared to developing economic impact and accomplishment statements in PIER or other outreach purposes. There are often limitations to what can be reported to PIER as a performance measure (e.g., some economic impacts or benefits can only be reported for one year to tie them to a project's funding) based on OMB requirements. There are fewer restrictions for developing economic benefits and impact statements for outreach, and we provide guidance to ensure you do so in a defensible and transparent way.



Tools for Implementation

This section provides links to key resources and databases that will help you implement the methodology.

These guides are reference tools only and do not constitute formal performance measure or reporting guidance.

Please contact oar.sg.info-admin@noaa.gov with any reporting questions.

