



North Fork Smith River Outstanding Resource Waters Fiscal Impact Statement

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Fiscal and Economic Impact

DEQ anticipates that the proposed rules would have a minimal fiscal impact.

At this time, there is no economic activity occurring in this sub-basin that the proposed rules would have a fiscal impact on and they might have a positive impact on businesses relying on income from recreational users of the watershed.

The rules would prohibit new discharges authorized under a National Pollutant Discharge Elimination System permit to the Oregon portion of the North Fork Smith River or its tributaries. At this time, DEQ has assigned no NPDES permits in waters that the rules affect.

As the area is generally inaccessible, has no residential housing and limited road access, the only likely activity in the area that would be covered by an NPDES permit is mining. Suction dredge mining is currently under a moratorium in Oregon until 2021 in much of the watershed and is otherwise limited under management plans by the Rogue River-Siskiyou National Forest. If the moratorium is lifted, under the new rules, DEQ would not assign permit coverage for suction dredge mining in the NF Smith River sub-basin. Thus, it is possible that the proposed rules could impact suction dredge miners who would be covered by the suction dredge permit, but only to a very limited extent because mining is not allowed in Wilderness Areas or on Wild and Scenic Rivers, which cover much of the basin, and much of the additional area is inaccessible. Moreover, it is DEQ's understanding that suction dredge mining is a recreational activity and little fiscal or economic impact would result from its prohibition in this sub-basin.

The rules could impact future surface mining if the mining activity would have the potential to discharge wastewater into the NF Smith River or its tributaries, thus degrading water quality and ecological characteristics and values of these waters. Such discharges would not be allowed under this proposed rule. Due to the current withdrawal on mining activities by the U.S. Forest Service, the ORW designation would not cause fiscal impact in the near term. Moreover, the U.S. Forest Service has determined that the economic benefits from proposed exploratory drilling by the Red Flat Nickel Corporation, would be minor, as such drilling would be short-term and local residents would likely not be hired for the work (Rogue River-Siskiyou National Forest, 2016). In addition, proposed changes to beneficial uses of waters by the Water Resource Department, and proposed federal legislation would also independently limit mining activity. Finally, DEQ's understanding is that there has not yet been a mining proposal submitted to the U.S. Forest Service demonstrating that mining in this area would be economically viable. Thus, the ORW rules are not likely to further impact surface mining beyond these restrictions and limitations.

The proposed rules would not impact grazing activity. The Rogue River-Siskiyou National Forest has some uncertainty as to whether there are any grazing allotments in the sub-basin. If there are, the Forest Service has stated that any applicant for those allotments would need to conduct environmental documentation to claim those allotments. Moreover, they stated that they will likely close any unclaimed allotments during upcoming updates to the Northwest Forest Plan. Even if the grazing allotments were claimed, the Forest Service would require best management practices regardless of the ORW designation, such as exclusion of livestock from waters via fencing and pumping water from streams to water the livestock. Thus, the ORW designation would not change existing practices.

The proposed rules would potentially limit future activity in a 555 acre parcel managed by the Oregon Department of State Lands as part of the Oregon Common School Fund. DSL manages this parcel for timber production. However, DEQ concludes that it is unlikely that this area will be harvested. DSL has no immediate plans for harvesting the area and has put the parcel on a list of potential properties for withdrawal from the School Fund. Moreover, it would be difficult to access the parcel due to restrictions on road building and timber harvest from the area surrounding the parcel. To the extent that the parcel *could* be harvested, DSL has estimated potential value of harvest at approximately \$1.7-2.1 million in current value¹.

The proposed rules would potentially benefit businesses relying on revenue from those recreating in the NF Smith River sub basin by ensuring the waters are protected for continued recreation. DEQ is unable to quantify the impacts to these businesses. One small business participating in the advisory committee expects significant growth in clients for their tours on the NF Smith River over the next five years, from only 15 user-days in 2015 to more than 100 in five years (Lori Turbes, *personal communication*, October 5, 2016). DEQ does not have specific information about the economic benefit of recreation on the NF Smith River exclusively. However, one report noted that the direct economic benefit from recreational fishing tours in the Smith River watershed (Oregon and California portions) in 1996 and 1997 was approximately \$250,000 per year, equivalent to about \$375,000 in current dollars (Waldvogel, 2008). While this covers a greater area than the proposed ORW in Oregon, it only looks at fishing and not other popular activities, such as kayaking and thus total economic benefit from recreation overall is higher. An ODFW report noted that the economic benefit of recreation in all of Curry County in 2008 was approximately \$21 million, or \$23.7 million in current dollars (Dean Runyan Associates, 2009). A portion of that money results from recreation in the NF Smith River.

There are current and future economic benefits to the contributions of this sub-basin to Coho salmon recovery and the commercial and tribal salmon fisheries and to providing clean water for downstream communities.

Statement of Cost of Compliance

The cost of compliance with the rules is negligible, as there is no activity in the area at the current time that would not comply with the rules. There is a potential cost of compliance with the rules in the future if mining or grazing activity was to otherwise occur. The rules could result in minor compliance costs to anyone who claims the unused grazing allotments in the area in order to exclude cattle from entering waters and prevent erosion or trampling of streambanks or wetlands. However, as noted above, DEQ expects that the likelihood of these areas being grazed is minimal. Mining may be prohibited or incur

¹ DEQ assumes that this is gross value. As any harvest would be put to bid by ODF, actual revenue to the school fund likely would be less.

additional expense in order to be able to operate with no discharge permit and no impact on the water quality of the streams or wetlands in the sub basin.

State and federal agencies

DEQ

Direct impacts to DEQ should be minor to negligible, or may result in resource savings. The rules would prohibit any new NPDES discharges to the NF Smith River and tributaries. Thus, DEQ staff would need to spend little time reviewing any permit requests in this area. Because the rule prevents any activity that would degrade water quality and ecological characteristics and values of the NF Smith River, it would potentially reduce or preclude impairment listings, resulting in resource savings to the TMDL program.

U.S. Forest Service

Direct impacts to the Rogue River Siskiyou National Forest would be negligible and may result in resource savings due to reduced applications for activities that could degrade existing water quality and ecological characteristics of the watershed. U.S. Forest Service staff may need to spend a little bit of time amending existing management plans to ensure that activities meet the requirements of ORW designation. This would be a minor effort, as many of these protections likely exist due to other protections in the watershed.

Indirect Impacts

DEQ does not anticipate any indirect impacts to DEQ.

Local governments and other state agencies

Direct Impacts

DEQ does not anticipate any direct impacts to local governments, as there are no towns or cities within the NF Smith River sub basin in Oregon. The proposed rules could impact revenue generating activities from the Department of State Lands, which manages a 550 acre parcel within the watershed for the Oregon Common School Trust. However, DSL currently has no plans to harvest this area and doing so would likely not be feasible due to the inaccessibility of the parcel.

Indirect Impacts

DEQ does not anticipate any major indirect impacts from the rule. The rule may decrease minor economic revenue due to curtailment of activities that would lower water quality. However, many of these activities are already restricted. The rule may also maintain or increase revenues from recreational businesses, offsetting these decreases.

Public

Direct Impacts

DEQ does not expect fiscal or economic impact to the public as a result of this rule. The rule could impact recreational suction dredge mining if the current moratorium is lifted. However, restriction of these activities would have a small economic impact.

Indirect Impacts

DEQ does not anticipate indirect impacts to the public as a result of this rule.

Large businesses - businesses with more than 50 employees

Direct Impacts

DEQ does not anticipate direct impacts to any small businesses currently operating in the area as a result of the rule. The rule would likely prohibit future surface mining activity, which could impact current mining claims by the Red Flat Nickel Corporation. This business is owned primarily by a foreign mining corporation registered in Oregon. It is not clear whether this is a small or large business.

Indirect Impacts

DEQ does not anticipate indirect impacts to large businesses as a result of this rule.

Small businesses – businesses with 50 or fewer employees

Direct Impacts

DEQ does not expect that the proposed rule would impact agricultural businesses. The U.S. Forest Service is unsure if there are open grazing allotments in the watershed, but any allotments that might have exist have not been used in more than 15 years and the U.S. Forest Service has stated they will likely be closed. Even if an entity conducts an analysis under the National Environmental Policy Act and is able to claim grazing rights, the proposed rules would have little to no impact. It is likely that the U.S. Forest Service would require controls to protect water quality irrespective of the proposed rule.

Indirect Impacts

Protection of the NF Smith River may provide indirect benefit to businesses relying on revenue from recreational users of the area, such as rafting companies or companies offering fishing trips or selling fishing gear. DEQ is unable to quantify such impacts with available information. In addition, the rivers and streams within the basin provide support to the population of Coho salmon and contribute to recovery of the species, which will benefit commercial and tribal fishermen.

a. Estimated number of small businesses and types of businesses and industries with small businesses subject to proposed rule.

The proposed rule would not subject any small businesses operating in the area to new requirements. The proposed rule would restrict one foreign-owned business with mining claims in the area from conducting mining activities.

b. Projected reporting, recordkeeping and other administrative activities, including costs of professional services, required for small businesses to comply with the proposed rule.

No additional activities are required to comply with the proposed rules.

c. Projected equipment, supplies, labor and increased administration required for small businesses to comply with the proposed rule.

No additional resources are required for compliance with the proposed rules.

d. Describe how DEQ involved small businesses in developing this proposed rule.

DEQ included two small recreational businesses, an association representing farmers and an association representing mining interests on the North Fork Smith River Advisory Committee. DEQ also included a local landowner and tree farmer, as well as a representative of the Oregon agricultural community at large.

Documents relied on for fiscal and economic impact

Document title	Document location
Rogue River-Siskiyou National Forest. 2016. Environmental Assessment: 2015 Southwestern Oregon Mineral Withdrawal.	Rogue River Assessment
Waldvogel, J. 2008. Southern Oregon/Northern California Salmon and Steelhead Fishing Guides Use and Economic Analysis (1996 – 1997)	Waldvogel
Dean Runyan Associates <i>on behalf of</i> Oregon Department of Fish and Wildlife. 2009. Fishing, Hunting, Wildlife Viewing, and Shellfishing in Oregon, 2008.	Runyan
Lori Turbes. <i>Personal Communication</i> . October 5, 2016	On file at DEQ.

Advisory committee

DEQ appointed an advisory committee.

As ORS 183.33 requires, DEQ will ask for the committee's recommendations on:

- Whether the proposed rules would have a fiscal impact,
- The extent of the impact, and
- Whether the proposed rules would have a significant impact on small businesses and how DEQ can comply with ORS 183.540.

Housing cost

As ORS 183.534 requires, DEQ evaluated whether the proposed rules would have an effect on the development cost of a 6,000-square-foot parcel and construction of a 1,200-square-foot detached, single-family dwelling on that parcel. DEQ determined the proposed rules would have no effect on the development costs because the area affected by the rule is almost entirely U.S. Forest Service land and thus is not available for residential development.