



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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### **9 VAC 25-260 – Amendment Designating Lake Drummond and segments of Brown Mountain Creek, Laurel Fork, North Fork of the Buffalo River, Pedlar River, Ramseys Draft, and Whitetop Laurel Creek as Exceptional State Waters Department of Environmental Quality**

February 20, 2004

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The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.G of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

### **Summary of the Proposed Regulation**

The General Assembly mandates in §62.1-44.15 of the Code of Virginia that the State Water Control Board establish standards of quality and policies for any state waters consistent with the purpose and general policy of the State Water Control Law. The code also mandates that the State Water Control Board modify, amend, or cancel any such standards or policies and take all appropriate steps to prevent an alteration to water quality contrary to the public interest or contrary to established standards and policies.

The proposed regulation amends the anti-degradation section of the state's water quality standards to designate Lake Drummond and segments of Brown Mountain Creek, Laurel Fork, North Fork of the Buffalo River, Pedlar River, Ramseys Draft, and Whitetop Laurel Creek for

special protection as exceptional state waters. These waters are located in the counties of Amherst, Augusta, Highland, and Washington and the cities of Chesapeake and Suffolk.

### **Estimated Economic Impact**

The proposed regulation designates Lake Drummond and segments of Brown Mountain Creek, Laurel Fork, North Fork of the Buffalo River, Pedlar River, Ramseys Draft, and Whitetop Laurel Creek for special protection as exceptional state waters. An exceptional water quality designation provides extra protection against water quality degradation due to point source discharges. No new or increased point source discharge of sewage, industrial waste, or other pollution are allowed into the water once it has been designated as an exceptional state water. In addition, no new mixing zones are allowed in the designated waters and mixing zones from upstream or tributary waters are not allowed to extend into these designated waters. The designation only makes an exception in the case of temporary, limited impact activities and discharges.

By designating these waters as exceptional state waters, the proposed regulation will prohibit riparian landowners from new or expanded permanent point source discharges. Moreover, by prohibiting new mixing zones in these waters and by restricting mixing zones upstream from expanding into these waters, the proposed change could also affect discharges directly upstream or in tributary waters upstream to the designated water. Under these circumstances, the riparian landowners and affected entities upstream of the designation would have to seek alternatives (such as treating the water to a higher degree or using diffusers to reduce the size of the mixing zone) to discharging into the stream as currently allowed. Thus, the designation of these waters as exceptional state waters could have a negative impact on future economic activity in the area. According to public comments by the Virginia Land Rights Coalition following the publication of the Notice of Intended Regulatory Action, designation of Laurel Fork as an exceptional state water could limit the economic potential of the area, specifically in terms of the extraction of lumber and natural gas. However, the designation is also likely to produce some economic benefits. By designating these waters as exceptional state waters, the proposed change is likely to encourage tourism in the surrounding areas and counties. The designation is likely to increase the number of people coming to the area seeking

recreational outdoor activities such as fishing, camping, hiking, and kayaking. This, in turn, is likely to boost economic activity in the area.

The net impact of the proposed change will depend on whether the negative impact of the proposed change on some types of economic activity will be greater than or less than its positive impact on other types activity. There are no precise estimates available at this time of the net economic impact of the proposed change. According to the Department of Environmental Quality (DEQ), there are only two riparian landowners, the U.S. Forest Service and the U.S. Fish and Wildlife Service. Moreover, there currently are no Virginia Pollution Discharge Elimination System permittees located on these waters or their tributaries. Despite concerns of the Virginia Land Rights Coalition, DEQ does not believe that there is significant natural gas and lumber extraction activities going on currently or planned for the area. Moreover, according to DEQ, timber harvesting will continue to be allowed within areas where there is an exceptional state waters designation. Thus, given the lack of any significant industrial and residential activity in the area and the fact that the land adjacent to these waters is owned by the U.S. Forest Service<sup>1</sup> and the U.S. Fish and Wildlife Service, the negative impact of the proposed change on future economic activity in the area is likely to be limited and quite possibly outweighed by the positive impact on tourism and related economic activity.

## **Businesses and Entities Affected**

By prohibiting new or expanded point source discharges or mixing zones in the designated waters and restricting the size of mixing zones directly upstream or in tributary waters upstream, the proposed regulation will have a negative effect on businesses and entities in the area seeking new or expanded point source discharges into or upstream of the designated waters. These businesses and entities will be required to seek alternatives to discharging as currently allowed. The proposed change is also likely to produce economic benefits for businesses and entities in the tourism industry. By encouraging outdoor recreational activities in the area, the proposed change will benefit these businesses.

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<sup>1</sup> The U.S. Forest Service helped DEQ select Laurel Fork for designation as exceptional state waters and provided comments in support of the nomination of streams on their property.

According to DEQ, there are only two riparian landowners, the U.S. Forest Service and the U.S. Fish and Wildlife Service. Moreover, neither the waters under consideration for designation nor their tributaries currently contain any permitted point source discharges.

### **Localities Particularly Affected**

The proposed regulation will affect the counties of Amherst, Augusta, Highland, and Washington and the cities of Chesapeake and Suffolk in areas surrounding the waters under consideration for designation.

### **Projected Impact on Employment**

The proposed regulation is likely to restrict employment growth in industries that would require discharging into or upstream of the designated waters. However, by encouraging tourism, the proposed change could lead to increased employment in industries related to tourism and outdoor recreation.

### **Effects on the Use and Value of Private Property**

Firms seeking to discharge into the designated waters or upstream to these waters will be required to find alternative ways of discharging sewage, industrial waste, or other types of pollution. This is likely to involve additional expenditures on the part of these firms, raising their cost of operation and lowering their asset value. On the other hand, an increase in the number of people seeking outdoor recreational activities in the area is likely to increase revenues and hence the asset value of firms involved in the tourism industry.