

Economic Impact Assessment
Amend Subsection (b)(91.1) of Section 7.50, Title 14, CCR
Re: Klamath River Sport Fishing Regulations

The regulatory amendments of subsections of Section 7.50 under consideration will set the 2015 Klamath River Basin salmon sport fishing regulations to conform to Pacific Fishery Management Council (PFMC) Fall Chinook allocation guidelines. The Klamath River Basin is anticipated to be open for sport salmon fishing at levels similar to the 2014 quotas; however the possibility of marine fishery area closures still exists. Ocean closures may in turn result in PFMC recommendations for Klamath River Basin sport salmon fishery closures for the take of adult salmon. Adverse or positive impacts to jobs and businesses will depend on the exact regulations ultimately adopted by PFMC and the Fish and Game Commission (Commission).

The Commission is considering proposed changes to Klamath River Fall Chinook (KRFC) quota management and the management of the Klamath River Basin spit area which is the area within 100 yards of the channel through the sand spit formed at the Klamath River mouth:

1) KRFC QUOTA MANAGEMENT

The proposed regulations range from 100% of last year's Klamath River Basin salmon season to 0% or no salmon fishing on adult Chinook salmon (greater than 22 inches) in 2015. Under all scenarios sport fishing will be allowed for grilse fall-run Chinook salmon (2 year-old salmon 22 inches or less) regardless of PFMC regulations, thus any adverse impacts to businesses would be less severe than under a complete closure of fishing.

The projections evaluated here are as follows: 100% of the 2014 Klamath River Basin catch limit; 50% of the 2014 basin catch limit; and 0% of the 2014 basin catch limit.

A. Effects of the Regulation on the Creation or Elimination of Jobs

Projection 1. 100% of the 2014 catch limit: The Commission does not anticipate any adverse impacts on the creation or elimination of jobs, as the quotas would not increase or decrease effort nor expand or curtail the number of visitors and thus probable visitor expenditures in the fishery's areas.

Based on a 2011 NOAA National Marine Fisheries Service (NMFS) report on In-River Sport Fishing Economics of the Klamath River, under a normal season *non-resident* Klamath River sport salmon anglers contribute about \$2,037,424 (2013\$) in total economic output to California businesses. This revenue supports about 35 jobs in the state.

An assumption of the NMFS report is that increases in expenditures by *resident* anglers associated with expanded fishing opportunities would be accommodated by reduced expenditures on other locally purchased goods and services – with no net change in

local economic activity. For non-resident anglers, however, increases in local expenditures associated with increases in local fishing opportunities would be accomplished by diverting money that they would otherwise spend outside the local area. Thus the economic impact analysis focuses on non-resident angler expenditures, which represent 'new money' whose injection serves to stimulate the local economy.

The NMFS study excluded the Trinity River, the largest tributary to the Klamath. The Trinity River is allocated 33% of the Klamath River Basin fall-run Chinook salmon total allocation. Using the Trinity allocation as a measure of angler effort, and thus impacts on associated businesses that support anglers, the total non-resident angler contribution to the entire Klamath River Basin (including the Trinity River) is estimated to be \$2,709,774 (2013\$) in total economic output. This revenue, again using a 33% increase to account for the Trinity River, provides an estimated total of 47 jobs in the state (assuming that personnel costs also rise with inflation). This is a conservative estimate of total economic impact as it counts only *non-resident* angler expenditures. Non-resident average expenditures are estimated to be \$106.43 (2013\$) per angler day (for lodging, food, gasoline, fishing gear, boat fuel, and guide fees) based on a NMFS sponsored survey. Resident average expenditures per angler day are estimated to be 60% less (markedly reduced lodging, gasoline and food expenditures) which yields an estimate of \$42.60 per angler day. Resident anglers comprise about 36% of Klamath River Basin anglers.

Projection 2. 50% of the 2014 catch limit: The Commission anticipates some impact on the creation or elimination of jobs. A 50% catch reduction will likely reduce visitor spending by slightly less than 50%, given price elasticities of demand for salmon fishing activity of less than one. As the "price" of fishing per unit catch increases the demand for fishing trips declines by a lesser extent, particularly in the short-run. While difficult to predict, job losses associated with a 50% reduction in the catch limit are expected to be less than half of the estimated total jobs supported by angler visits (i.e. fewer than 23 jobs).

Projection 3. 0% of the 2014 catch limit: In the event of fisheries closures in some or all Klamath River Basin areas, the Commission anticipates less than 50% reduction in fishery-related jobs. As mentioned earlier, sport fishing for grilse fall-run Chinook salmon (2-year-old salmon less than 22 inches) will still be allowed, thus lessening any job losses. A closure on the take of adult Chinook salmon was instituted in 2006 and only grilse salmon could be legally harvested that year. The effect of the 2006 closure, as measured by angler days on the Klamath River, resulted in an approximate 50% drop in angler days, compared to the 2000- 2005 average (12,000 angler days vs. 23,300 angler days). Job creation or elimination is assumed to lag in adjustment to changes in consumer demand as is characteristic of the labor market. Thus, the potential impacts of a closure on the take of adult Chinook are estimated to result in the loss of fewer than 23 jobs.

B. Effects of the Regulation on the Creation of New Businesses or the Elimination of Existing Businesses

Projection 1: 100% of the 2014 catch limit: The Commission does not anticipate any impacts on the creation of new business or the elimination of existing businesses, as

the quotas would not increase or decrease effort nor expand or curtail the number of visitors and thus probable visitor expenditures in the fisheries areas.

Projection 2. 50% of the 2014 catch limit: The Commission anticipates a decline in visits to the fishery areas of less than 50%. This may result in some decline in business activity and no business creation for businesses directly related to fishing activities. However, with less effort being expended on fishing, the possibility of substitute activities and the growth of businesses to serve those activities exists.

Projection 3. 0% of the 2014 catch limit: In the event of fisheries closures in some or all Klamath River Basin areas, the Commission anticipates a decline in regional spending and thus reduced revenues to the approximately 30 businesses that serve sport fishing activities. However adverse impacts will be mitigated by the continued opportunity to harvest grilse salmon. Additionally, the long-term intent of the proposed action is to increase sustainability in fishable salmon stocks and, subsequently, the long-term viability of these same small businesses.

C. Effects of the Regulation on the Expansion of Businesses in California

Projection 1. 100% of the 2014 catch limit: The Commission does not anticipate any impacts on the expansion of businesses in California as the quotas would not increase or decrease effort nor expand or curtail the number of visitors and thus probable visitor expenditures in the fisheries areas.

Projection 2. 50% of the 2014 catch limit: The Commission does not anticipate any impacts on the expansion of businesses in California. Decreases in expenditures by *resident* anglers associated with reduced fishing opportunities may be offset by increased expenditures on other locally purchased goods and services – with no net change in local economic activity. For non-resident anglers, however, decreases in local expenditures associated with decreases in local fishing opportunities may result in increases in other expenditures outside the Klamath River Basin area.

Projection 3. 0% of the 2014 catch limit: In the event of fisheries closures in some or all Klamath River Basin areas, the Commission does not anticipate any expansion of businesses in California. Decreases in expenditures by anglers associated with reduced fishing opportunities may be partially offset by increased expenditures on other locally purchased goods and services as visitors substitute salmon fishing with other recreational pursuits.

D. Benefits of the Regulation

Concurrence with Federal Law:

California's sport fishing regulations need to conform to the new Federal regulations to achieve optimum yield in California. The PFMC annually reviews the status of west coast salmon populations. As part of that process, it recommends west coast adult salmon fisheries regulations aimed at meeting biological and fishery allocation goals specified in law or established in the Salmon Fishery Management Plan. These recommendations coordinate west coast management of sport and commercial ocean salmon fisheries off the coasts of Washington, Oregon, and California and California

inland sport salmon fisheries. These recommendations are subsequently implemented as ocean fishing regulations by the NMFS and as sport salmon regulations for state marine and inland waters by the Commission.

Promotion of businesses that rely on Klamath River Basin sport salmon fishing.

Adoption of scientifically-based inland and ocean salmon seasons, size limits, and bag and possession limits provides for the maintenance of sufficient populations of salmon to ensure their continued existence and future salmon sport fishing opportunities, and subsequently the long-term viability of businesses that rely on Klamath River Basin sport fishing. Under a normal season, Klamath River Basin (including the Trinity River) sport salmon anglers contribute about \$2,709,774 (2013\$) in total economic output to the State's business sector. This is based on a 2011 NOAA National Marine Fisheries Service (NMFS) report on In-River Sport Fishing Economics of the Klamath River Basin. This revenue provides for about 47 jobs in the state.

Benefits to the environment: sustainable management of Klamath River Basin salmon resources

Projection 1. 100% catch limit: The Commission anticipates benefits to the environment. It is the policy of this state to encourage the conservation, maintenance, and utilization of the living resources of the ocean and inland waters under the jurisdiction and influence of the state for the benefit of all the citizens of the state. In addition, it is the policy of this state to promote the development of local California fisheries in harmony with federal law respecting fishing and the conservation of the living resources of the ocean and inland waters under the jurisdiction and influence of the state. The objectives of this policy include, but are not limited to, the maintenance of sufficient populations of all species of aquatic organisms to ensure their continued existence and the maintenance of a sufficient resource to support a reasonable sport use. Adoption of scientifically-based Klamath River Basin salmon seasons, size limits, and bag and possession limits provides for the maintenance of sufficient populations of salmon to ensure their continued existence.

Projection 2. The Commission anticipates benefits to the environment similar to as stated in Projection 1.

Projection 3. The Commission anticipates benefits to the environment similar to as stated in Projection 1.

Benefits to the health and welfare of California residents

Projection 1. The Commission anticipates benefits to the health and welfare of California residents through the protection of aquatic and riparian habitats and the fish and wildlife resources that depend upon them. Providing opportunities for a Klamath River Basin sport salmon fishery encourages consumption of a nutritious food. Salmon sport fishing also contributes to increased mental health of its practitioners as fishing is a hobby and form of relaxation for many. Salmon sport fishing also provides opportunities for multi-generational family activities and promotes respect for California's environment by the future stewards of California's natural resources.

Projection 2. The Commission anticipates benefits to the health and welfare of California residents similar to as stated in Projection 1.

Projection 3. The Commission anticipates benefits to the health and welfare of California residents similar to as stated in Projection 1.

Benefits to worker safety

Projection 1. The Commission does not anticipate benefits to worker safety because the proposed regulations will not impact worker conditions.

Projection 2. The Commission does not anticipate benefits to worker safety as stated in Projection 1.

Projection 3. The Commission does not anticipate benefits to worker safety as stated in Projection 1.

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