

Rolan Rouss Draft Proposal #2

Proposal to amend 12 AAC .02.230. Big Game Commercial Services Board, to reduce the transporter activity report filing fee from \$50 to \$5.

Amend 12 AAC .02.230 Big Game Commercial Services Board, as follows:

(c) The following fees are established for big game transporters:

(4) Transporter activity report filing fee, \$5.

Who is likely to benefit? Transporters who comply with the regulation and participate in reporting big game transporting activity will not be subject to unreasonably high fees to pay the cost of the guide license program. The BGCSB program will retain and attract Part 135 air taxis as licensed transporters.

Who is likely to suffer? Guides who will be assessed higher fees to pay their full share of administering their licenses. Division of Licensing employees who will have to take the heat from dissatisfied guides.

What will happen if nothing is done? Transporters will continue to be unfairly charged to subsidize the guide licensing program. Some Part 135 air taxis who currently hold transporter licenses will elect to leave the BGCSB licensing program by utilizing the air taxi exemption, resulting in reduced BGCSB revenue.

Discussion: The Division of Licensing failed to provide sufficient public notice of this new fee that was enacted Nov. 20, 2016. On Aug 25, 2015, Division director Janey Hovenden mailed a letter of notice to licensees announcing the Division's proposal to increase Big Game Commercial Services license fees. Her letter stated "A breakdown of the proposed fees is enclosed and located on the Board's web page at professionallicense.alaska.gov/BigGameCommercialServicesBoard", and "contact information (for public comment) is enclosed on the public notice." The referenced "breakdown of proposed fees" and "contact information" for public comment was not included with the letter, and the referenced web page did not (and still does not) have any information about the proposed fee increase or instructions for public comment to the proposal. Licensees received this notice in the middle of their busy season and apparently everyone, including Div. of Licensing staff, overlooked the omission in the Aug. 25 notice because there was no follow-up communication from the Division to licensees regarding the missing information and it is only just now (Feb & March 2016) becoming apparent that there was a failure in the public notice process.

Beyond the issue of failure to provide required public notice, there is a structural error in the filing fee that would have been identified if there was a thorough public process prior to implementation. There is good reason to set the Transporter Activity Report fee to a lower rate than the Hunt Report fee. Due to significant differences in business models between guides and transporters, applying the same \$50 dollar filing fee to HRs and to TARs delivers a very uneven result. For example: a guide operation that grosses \$400,000 guiding 30 hunts will file 30 Hunt Reports and pay \$1500 in filing fees, whereas a

transporter that grosses \$400,000 transporting 180 groups of hunters will file 180 Transporter Activity Reports and pay \$9000 in filing fees. There is no reasonable justification for such an unbalanced fee structure.

In an attempt to justify the high fees resulting from the \$50 TAR filing fee, some guides state that a transporter using the state's game resources should pay their "fair share" of managing the resource. The fact is, these license fees are not spent on resource management, the entire BGCSB budget is spent administering guide and transporter licenses, and over 90% of that expense is the administration and enforcement of guide licenses.

BGCSB member Dave Jones has recently done an informal budget analysis using materials provided by the Division at the March 2016 board meeting. His analysis shows that transporter license fees already generate revenue in excess of the administrative cost of transporter licensing and record keeping, even without additional revenue from the new TAR filing fee. At its March meeting the board discussed measures intended to increase transporter license purchases by operators not currently in compliance, which, if successful, will increase the gross revenue and the budget surplus attributable to transporters.

Div. of Licensing staff have made it clear that addressing the budget deficit requires a fee increase. BGCSB board members have stated numerous times that they want everyone to pay their fair share. Transporter license fees are already paying more than their share of the BGCSB operating budget. Transporters accept the increase in license fees as a reasonable part of retiring the budget deficit, but the addition of the \$50 TAR filing fee is excessive and unjustified.

Division of Licensing Director Janey Hovenden stated in a Feb. 22, 2016 email: "The Board and the Division, in partnership, have taken the unpopular and difficult steps to increase licensing fees and implement new fees that would be borne by those licensees who enter into contracts and who create the administrative expenses of the program. This protects the non-contracting licensees from having to pay for maintenance of hunt records and transporter activity fees". Her statement clearly acknowledges the responsibility of those who create an expense to pay for it, and an obligation on the Division to fairly distribute the burden. Ms. Hovenden's desire to protect some classes of the licensees from expenses created by others is appropriate and welcome.

BGCSB chairman Kelly Vrem is on the record stating that the cost of enforcing the guide regulations is the cause of the accumulated deficit. Dave Jones' informal analysis of the budget confirms that the revenue from transporter licenses is greater than the cost of administering them and that excess transporter revenue is already contributing to retiring the deficit. Applying Ms Hovenden's fairness philosophy stated above, the BGCSB should be collecting at least 90% of its operating budget through fees on guides, and the Division should enact policy that ensures that result. Perhaps the Division will examine the BGCSB budget to refine Mr. Jones findings. If the Division confirms Mr. Jones' analysis, then transporters deserve protection from guide-created expenses responsible for the BGCSB deficit. A fair and simple way to accomplish this is to reduce or rescind the \$50 TAR filing fee.