

From: [Rep. Louise Stutes](mailto:Rep.Louise.Stutes@akleg.gov)
To: [Steve Handy](mailto:Steve.Handy@akleg.gov)
Subject: FW: Big Game Transporter License & Report Filing Fee Increase
Date: Wednesday, March 23, 2016 9:11:39 AM

From: Sea Hawk Air [mailto:info@seahawkair.com]
Sent: Tuesday, March 22, 2016 1:28 PM
To: Rep. Louise Stutes <Rep.Louise.Stutes@akleg.gov>
Cc: Sen. Gary Stevens <Sen.Gary.Stevens@akleg.gov>; Rep. Kurt Olson <Rep.Kurt.Olson@akleg.gov>; Sen. Mia Costello <Sen.Mia.Costello@akleg.gov>
Subject: Big Game Transporter License & Report Filing Fee Increase

Dear Representative Stutes,

My wife, Jo Murphy, and I own and operate Sea Hawk Air in Kodiak. By statute we and many other air services throughout the state are required to hold a Big Game Transporter License, issued by the Division of Licensing and administered through the Big Game Commercial Services Board system.

In November 2015 the Division increased the fees associated with our licenses and implemented a new fee for filing required reports. In January 2016 we received a filing form from the Division and were startled to learn that our fees have increased 3000% from the previous year for the same level of license and reporting activities - before the fee increase we paid \$325 per year; after the increase the cost to us will be \$9,675.

In an attempt to understand the process and seek a remedy for the impact on our business, I have researched the issue and communicated my concerns to Division Director Janey Hovenden, Operations Manager Sara Chambers, and Licensing Examiner Cindy Hansen. On March 8-10 I attended the BGCS Board meeting in Fairbanks to testify, and have been appointed to its transporter subcommittee.

I have taken responsible steps to resolve what I believe is a problem created by the Division of Licensing, but have not received a resolution yet. Director Hovenden explained that a Legislative audit leaves the Division in the difficult and unpopular position of raising the fees to licensees to balance their budget. That is an acceptable justification for the fee increases of 15% to 500% being assessed on guide licensees in the BGCSB system, but falls far short of a meaningful response to my request for relief from our 3000% rate hike.

I have included my latest letter to Dir. Hovenden to help you understand my concerns. I would be glad to provide more information at your request.

I realize that the state's budget situation is difficult for everyone. Thank you for taking the time to consider this issue.

Sincerely,

Rolan Ruoss

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March 22, 2016

Ms. Janey Hovenden, Director
Alaska Division of Corporations, Business and Professional Licensing

Dear Ms. Hovenden,

On Feb. 17 I emailed you about a problem with the new filing fees for big game transporters. I described its impact our company. Other air taxis I have contacted are impacted in similar ways and share my concerns. I don't know how this transporter activity report filing fee affects all transporters, but in our case, something is very wrong with it.

The new filing fee will skyrocket our transporter license expense to nearly \$10,000 per year, which is 30 times higher than what we previously paid, far beyond what any other licensees in the Big Game Commercial Services system pay. Under the new fee structure, increases on guides will range from 15% to 600%.

In your Feb. 22 email to me you stated "The Board and the Division have taken the difficult steps ... to implement new fees that (will) be borne by those licensees 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". I agree with you that those who create an expense should pay for it, and I appreciate your view that the Division has a duty to protect some classes of licensees from expenses created by others. I doubt that our company, buying one transporter license and filing 185 sheets of paper with the Division, is creating an administrative expense of \$10,000.

BGCSB chairman Kelly Vrem is on the record stating that the cost of enforcing guide regulations is the cause of the accumulated BGCSB deficit. Board member Dave Jones produced an informal budget analysis using materials provided by the Division. His analysis shows that over 90% of the budget is spent administering and enforcing guide licenses, and that transporter license fees already generate more revenue than the administrative cost of those licenses, even without adding additional revenue from the new TAR filing fee. Perhaps the Division with its access to all the facts and figures will refine Mr. Jones findings and conclude that transporters deserve protection from guide-created expenses.

In previous communications with Division staff, I requested suspension of the new TAR filing fee. The response I received from yourself, Sara Chambers, and Cindy Hansen is that I am welcome to participate in the Board process and to offer suggestions to equitably resolve the budget deficit, but that the new fee is already in regulation and any changes to regulation must be done through a public process.

In reviewing the letters we received about this fee increase it appears that the Division of Licensing failed to provide sufficient public notice before implementing the new fee. It is ironic that the Division put the new fee in regulation by a faulty public process and now the Division is telling licensees who are harmed by this new fee that we must go through a full public process to reverse the damage.

In your Aug. 25 letter to licensees announcing the Division's new fee proposal you stated "A breakdown of the proposed fees is enclosed and located on the Board's web page at professionallicense.alaska.gov/BigGameCommercialServicesBoard", and that "contact information (for public comment) is enclosed on the public notice." The "breakdown of proposed fees" and "contact information" for public comment was not included with the letter and it is not available at that web address. Licensees received this notice in the middle of their busy season. We didn't catch the error in August; we only realized it now, 6 months after the public comment period has closed. I checked with other licensees and it appears that nobody else got the full notice and there was no follow-up communication from the Division about the missing information. You could say it was our fault for not reading more carefully, but apparently everyone, including the Division, overlooked the omission and it is only just now being discovered.

The chairman and members of the board are on record expressing their dissatisfaction with the process that put these new fees into regulation, particularly taking issue with the Division's statement that "the Board supported the fee increase in its July meeting", a meeting without a quorum. A guide commented at the Feb. 23 transporter subcommittee meeting, "The fact is, the Division screwed up". I agree.

Beyond the issue of the faulty public notice, there is a structural error in the filing fee that would have been identified in a thorough public process prior to implementation. Due to significant differences in business models between guides and transporters, there is good reason to set the Transporter Activity Report fee lower than the Hunt Report fee. Applying the same \$50 dollar filing fee to guide's Hunt Reports and to transporter's Transporter Activity Reports 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.

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. Transporters are already paying more than their share of the BGCSB operating budget. You suggest passing the TAR filing fee onto our customers - that is not an honest solution, that is bad business.

I have communicated my concerns clearly to the Division multiple times since January. I am willing to participate in the public process to help find a solution. In that spirit, I attended BGCSB Transporter subcommittee meeting Feb. 23, and the Board's March 8-10 meeting in Fairbanks to testify regarding the budget dilemma and to suggest solutions. I have been appointed to the Transporter subcommittee and will be a contributing member.

I invite you to look into the facts, wrestle with it as much as I have, then give an honest

explanation why we, as a transporter, should quietly accept a 3000% increase in our license fees when we were already paying our fair share.

Once again, I request that you act to suspend the new fees until they are subjected to a thorough public process.

Sincerely,

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