

STATE OF CALIFORNIA
FISH AND GAME COMMISSION
INITIAL STATEMENT OF REASONS FOR REGULATORY ACTION
(Pre-publication of Notice Statement)

Add Section 704
Title 14, California Code of Regulations
Re: Automated License Data System-License Buyer Surcharge

- I. Date of Initial Statement of Reasons: April 13, 2007
- II. Dates and Locations of Scheduled Hearings:
- (a) Notice Hearing: Date: May 4, 2007
Location: San Diego, CA
 - (b) Discussion: Date: June 8, 2007
Location: Truckee, CA
 - (c) Adoption Hearing: Date: July 13, 2007
Location: Bridgeport, CA
- III. Description of Regulatory Action:
- (a) Statement of Specific Purpose of Regulation Change and Factual Basis for Determining that Regulation Change is Reasonably Necessary:

The Legislature and Control Agencies gave the Department of Fish and Game (DFG) approval to purchase and implement the new Automated License Data System (ALDS). The contract for this system, signed on July 12, 2006, requires the outsourced contractor to design, develop, implement and operate the ALDS through December 31, 2013. The DFG is working with the contractor on the system-design phase of this project. This regulation change proposal is the second of several proposals to allow DFG to use the new system.

Pursuant to Section 1050 of the California Fish and Game Code, this regulatory package seeks to implement a license buyer surcharge of three percent for recreational anglers and hunters. The surcharge would be added to recreational licenses, tags, permits, reservations or other entitlements purchased through the ALDS at all sales channels including DFG offices, License Agent locations, the Internet and telephone. For example, the price of a 2007 Resident Hunting License is \$35.50. If purchased under ALDS the customer would pay an additional three percent surcharge of \$1.07 for a total of \$36.57. (Note: The total price of \$36.57 does not include the five percent License Agent handling fee). This surcharge would allow DFG to supplement the monetary obligation of this contract and mitigate the need to further impact the Fish and Game Preservation Fund.

According to the ALDS Project Funding plan, the total cost of the ALDS project from July 1, 2007, through the duration of the contract on December 31, 2013, is \$30.8 Million. DFG will recover \$9.5 Million from staff reductions and expenses eliminated after implementation of the ALDS; \$3.7 Million from the California Department of Child Support Services in reimbursements for participation in the State License Match System (SLMS); and \$2.9 Million of earned interest income and accelerated license sales revenues made possible by the ALDS. In addition, the three percent license buyer surcharge will provide additional revenue of approximately \$16.2 Million.

This funding plan also includes a budget reserve of approximately \$250,000 per year to be utilized for unanticipated costs and system modifications to facilitate ongoing statute or regulatory changes. At the conclusion of the contract, December 31, 2013, DFG will own all ALDS hardware and software rights to operate the system without a contractor.

RESEARCH CONDUCTED ON LICENSE BUYER SURCHARGE

In March 2005, DFG conducted an opinion survey of likely license buyers during the Long Beach Sports Show. Below is a summary of our findings:

- The majority of customers were anglers only. Only 11 percent of customers were big game hunters and 9 percent were waterfowl hunters.
- Approximately 75 percent of customers indicated they support DFG's plan to automate the licensing system.
- Approximately 86 percent of customers indicated their willingness to pay an additional fee per license towards an automated licensing system.

BENEFITS OF THE ALDS

The implementation of the ALDS provides DFG the ability to:

- Increase efficiencies, streamline processes and enhance customer services.
- Increase the accuracy and timely reporting of license sales revenues.
- Meet the increased demand for relevant and scientifically defensible data for resources management purposes.
- Provide online, real time access for all DFG offices and law enforcement dispatch centers.
- Allow participation in multi-State and Agency projects, e.g., Hunter Education and law enforcement compacts.
- Create licensee databases to improve resource management decisions, identify customer opinions and attitudes, develop marketing strategies, and retain or restore hunter and angler participation.
- Meet Federal and State data collection and reporting mandates not currently achieved, e.g., the SLMS
- Offer new and related State and Federal services to a broader range of customers, such as, State Park Day Use Permits, Electronic Federal Duck Stamps and National Forest Adventure Passes.

The ALDS also provides the following benefits to license customers:

- Increases access to license items by making more items available for sale at License Agent locations, the Internet and the telephone.
- Streamlines the license process by eliminating the current manual paper based issuance process making it quicker and easier to buy a license.
- Subsequent year purchases, including duplicate licenses sales, will be faster and easier as customer data will be stored and retrieved instantly eliminating the need for customers to fill out paperwork for every purchase.
- Ensures customers are properly licensed.
- Allows customers to enter drawings and obtain drawing results at License Agent locations and via the Internet.

In addition, the ALDS provides the following benefits to License Agents:

- Reduces the risk of untimely and un-collectible license sales revenues.
- Eliminates cumbersome manual issuance and accounting of license inventory.

- Eliminates the risk of running out of license inventory.
- Increases revenue potential as items now only available at DFG offices, will be available for sale at License Agent locations.

(b) Authority and Reference Sections from Fish and Game Code for Regulation:

Authority: Section(s) 1050, Fish and Game Code.
Reference: Section(s) 1050, Fish and Game Code.

(c) Specific Technology or Equipment Required by Regulatory Change:

None.

(d) Identification of Reports or Documents Supporting Regulation Change:

None.

(e) Public Discussions of Proposed Regulations Prior to Notice Publication:

No public meetings are being held prior to notice publication.

IV. Description of Reasonable Alternatives to Regulatory Action:

(a) Alternatives to Regulation Change:

The approved ALDS funding plan includes a shared cost approach between DFG and license buyers. The DFG share relies on redirected savings due to efficiencies, miscellaneous revenues and Federal reimbursements attributed to DFG's effort to comply with the SLMS. This proposal implements the shared cost approach to license buyers.

Prior to this proposal, DFG unsuccessfully sought additional funding through:

1. Augmentation from the State General Fund;
2. Legislation to require License Agents pay a participation fee; and
3. Policy requiring License Agents to purchase their own ALDS point of sale equipment.

Without implementation of this proposal, DFG will be forced to eliminate or reduce DFG activities or services offered to the public in order to avoid further negative impacts to the Fish and Game Preservation Fund, which is unacceptable to DFG.

(b) No Change Alternative:

If regulations are not amended, DFG will be forced to eliminate or reduce \$16 million of DFG's activities or services offered to the public.

(c) Consideration of Alternatives:

In view of information currently possessed, no reasonable alternative considered would be more effective in carrying out the purposes or would be as effective and less burdensome to affected private persons than the proposed regulation.

V. Mitigation Measures Required by Regulatory Action:

The proposed regulatory action will have no negative impact on the environment; therefore, no mitigation measures are needed.

VI. Impact of Regulatory Action:

The potential for significant statewide adverse economic impacts that might result from the proposed regulatory action has been assessed, and the following initial determinations relative to the required statutory categories have been made:

(a) Significant Statewide Adverse Economic Impact Directly Affecting Businesses, Including the Ability of California Businesses to Compete with Businesses in Other States:

The proposed action will not have a significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

These changes will allow for the automation of the current manual processes involved with the selling/issuing licenses and collection of revenue.

(b) Impact on the Creation or Elimination of Jobs Within the State, the Creation of New Businesses or the Elimination of Existing Businesses, or the Expansion of Businesses in California:

None.

(c) Cost Impacts on a Representative Private Person or Business:

License buyers of recreational items would pay a three percent surcharge on all licenses, tags, permits, reservations or other entitlements purchased through the ALDS at all sales channels including DFG offices, License Agent locations, the Internet and telephone. For example, the price of a 2007 Resident Hunting License is \$35.50. If purchased under ALDS, the customer would pay an additional three percent surcharge of \$1.07 for a total of \$36.57. (Note: The total price of \$36.57 does not include the five percent License Agent handling fee).

(c) Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State:

None.

(d) Nondiscretionary Costs/Savings to Local Agencies:

None.

(e) Programs Mandated on Local Agencies or School Districts:

None.

(g) Costs Imposed on Any Local Agency or School District that is required to be Reimbursed Under Part 7 (commencing with Section 17500) of Division 4:

None.

(h) Effect on Housing Costs:

None.

Informative Digest/Policy Statement Overview

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