

EXHIBIT 2  
DATE 3-11-05  
HB 707

House Bill 707  
March 11, 2005  
Presented by Chris Smith  
House Appropriations Committee

Mr. Chairman and committee members, for the record I am Chris Smith, Chief of Staff of Montana Department of Fish, Wildlife & Parks (FWP).

FWP relies on over 300 license agents across Montana to sell licenses to hunters, anglers and trappers. Historically, FWP has paid agents a certain amount for each license transaction they completed. The amount has increased over time, and was raised to \$0.50 per transaction in 1994. During the hearing on FWP's license fee increase bills, one license agent asked the committee to consider increasing license agent commissions at the same time as fees. FWP drafted House Bill 707 in response to the committee's request to explore this issue.

Two of the reasons cited for increasing the commission paid to agents were the alleged low rate of return for the time required for agents to conduct license sales and the phone line costs to connect to the Automated License System (ALS). To assess the rate of return, we randomly sampled license sale data for three license vendors during two time periods: one during a relatively slow day for license sales and one during a high volume sales day. We chose vendors to represent the spectrum of lower, mid and high volume total sales. (See Table 1.)

ALS data reveal that the amount of time necessary to complete a license sale transaction was similar, regardless of the total volume of sales in a year, or whether the transaction was during a slow or peak time. On average, license agents take 3 to 5 minutes to process a license sale. Converted to hourly rates of return, given current commissions for the licenses sold, these agents earned from \$7.00 to \$10.85 per hour selling licenses for FWP.

Although most agents appear to be satisfied with the current commission, and the benefit of attracting additional customers into their business through license sales, some low volume agents have concerns about the cost of the dedicated phone lines required for the ALS. At the low end of the spectrum of sales volume, commissions do not cover the cost of the phone line. This is a legitimate issue that can be addressed in HB 707.

House Bill 707 would make the following changes in how agents are compensated:

The change to 87-2-903(1) allows FWP to provide additional compensation beyond the \$.50/transaction commission to agents, if appropriate, based on circumstances, such as the volume of sales, inconvenience to the agent, quality of customer service, etc. Given the wide range of agent sale volumes (5 – 36,924 transactions), a flat rate adjustment cannot address the diverse situations faced by agents and FWP. Through the rule-making process, FWP can provide additional compensation, over the \$0.50 per transaction, that meets the needs of our various agent types.

The new subsection 2 would allow agents to charge a convenience fee to customers who use debit or credit cards to buy a license. Currently, agents cannot do so and must either refuse to accept this form of payment or accept the loss of the bank processing fee (typically 2 – 3%). Unlike other merchandise, agents cannot increase the mark-up on licenses to compensate for the bank charge.

The change to 87-2-903(3) reflects that agents no longer provide copies of licenses, except those issued off-line when the computer system is down.

The change to 87-2-903(4) corrects a problem with current language. FWP does not charge secondary agents for installation, the charge is for on-going use of ALS hardware.

The change to 97-2-903(5) reflects that all agents comply with the same deadline under the ALS and clarifies the department's authority to define procedures and standards in rule for various license agent types.

The changes in 87-2-903(6) expand the definition of transaction to include such things as collecting the HIP data or the hunter access enhancement fee, or input of drawing applications. This would increase the number of transactions for which any "flat" fee is paid. For example, agents would get an additional \$.50 for each first hunting license sold to a customer each year for collecting the "Hunter Access Enhancement" fee; for every waterfowl license issued, the agent will get an additional \$.50 for collecting the HIP data; etc.

The change to 87-2-903(7) gives FWP flexibility in collecting interest on failed sweeps. Given ALS, it is not necessary to assess interest in all cases.

The effective date is effective July 1, 2005 because FWP will incur additional costs as soon as the new definition of transaction is effective, which should be at the start of the next FY.

The changes in HB 707 will immediately increase the total commission paid to all agents to some extent by amending the definition of "transaction." The bill provides FWP the flexibility to make further changes, depending on circumstances appropriate to vendors across the spectrum of total sales volume.

The House Fish, Wildlife & Parks Committee added is contingency language that links this bill to House Bill 172, the license fee increase bill. Portions of the bill that will make the licensing system more efficient will take effect regardless of the outcome of HB 172, but the changes that will result in increases in agent commissions will only take effect if HB 172 is passed and approved.

Attachment

| VENDOR              | TOTAL ANNUAL<br>TRANSACTIONS | AVERAGE MINUTES PER<br>TRANSITION |                       | AVERAGE<br>COMM. PER<br>HOUR |
|---------------------|------------------------------|-----------------------------------|-----------------------|------------------------------|
|                     |                              | LOW VOL.<br>PERIOD                | HIGH VOLUME<br>PERIOD |                              |
| Forsyth Hardware    | 3,563                        | 5.4                               | 3.14                  | \$8.85                       |
| Capital Sports      | 11,025                       | 4.3                               | 4.3 – 5.5             | \$7.00                       |
| Snappy Sport Center | 23,332                       | 5.11                              | 3.42 – 5.52           | \$10.85                      |

