

TESTIMONY OF
KYLE C. WANNER
EXECUTIVE DIRECTOR, NORTH DAKOTA AERONAUTICS COMMISSION
BEFORE THE
SENATE APPROPRIATIONS – EDUCATION AND ENVIRONMENT DIVISION
MARCH 13th, 2023
HOUSE BILL 1006

Chairman Sorvaag and members of the committee,

My name is Kyle Wanner and as the Director for the North Dakota Aeronautics Commission, I will be providing testimony today regarding House Bill 1006.

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The Aeronautics Commission was created by the Legislature in 1947 to support the aviation community in North Dakota. The agency's mission is "to serve the public by providing economic and technical assistance for the aviation community while ensuring the cost-effective advancement of aviation in North Dakota."

This slide provides the relevant century code chapters that our agency adheres to and also lists some of the major statutory responsibilities which includes our mission to encourage and provide support to grow and maintain our public-use airports.

We also represent the state and industry in all matters relating to aeronautical activities, and we work to uphold regulatory functions such as the registering of aircraft and the licensing of aerial applicators and aircraft dealers. Our main special fund revenue sources come from aviation aircraft excise taxes and aviation fuel taxes. These revenues provide the ability for our agency to operate but most of all they provide infrastructure grant funding to our public use airports in order to help maintain and to grow our aviation facilities.

As the Director of the agency, I also have the privilege to serve as a member of the Northern Plains Unmanned Aircraft Systems Test Site Authority, the Upper Great Plains Transportation Institute Advisory Board, the North Dakota Atmospheric Resource Board, and the North Dakota Aviation Association. I also serve as the Board Chair for the North Dakota Aviation Hall of Fame.

Lastly, I am happy to report that the audit for the ND Aeronautics for the biennium ending June 30th, 2021, did not identify any exceptions or defaults.

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The North Dakota Aeronautics Commission serves multiple functions. As previously mentioned, one of the main responsibilities includes providing airport infrastructure grant funding as well as airport planning services to the 89 public service airports throughout the state.

The aeronautics staff visits at least 1/3 of the public-use airports in the state annually which is a great opportunity to develop a positive relationship with the airports, learn about their needs and priorities, and make recommendations on safety enhancing projects. The staff also updates critical airport information after each inspection so that pilots have the most up to date information to use as they utilize the North Dakota airport system.

Additionally, the commission updates and provides aviation publications on statewide aviation studies and the state airport directory.

The commission also offers aviation education funding and works with the Aviation Museums and our non-profit aviation organizations to encourage and promote aviation careers in North Dakota.

We also own and operate the International Peace Garden and Garrison Dam Recreational airports.

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This slide provides a listing of many of the other programs and benefits that we offer to the public and the North Dakota aviation community. Overall, these programs enhance our mission by encouraging aviation careers to our youth while also supporting our airports and enhancing safety.

One exceptional program to note is that our office manages a statewide maintenance contract for 24 of our Automated Weather Observation Systems that were installed at airports across the state. This program provides assistance to each of these airports and ensures that we have certified weather for pilots, businesses, and medical service providers as they fly into our airports and throughout our state.

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Our agency strives to provide the best services possible with a small, efficient, and competent staff. The agency is overseen by a Governor appointed board of 5 members who help provide oversight over the agency. They also enable their career experience to be utilized as a resource which helps to provide strategic direction to the staff. The Aeronautics Commission currently has a staff size of 6 and the requested budget current allows up to 7 full time equivalent staff members which is unchanged from the previous biennium.

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To introduce our commissioners:

Kyle Humann, of Mandan is currently the Commission Chairperson. Dr. Kim Kenville of Grand Forks, Warren Pietsch of Minot, Jay B. Lindquist of Hettinger, and Steve Blazek of Fargo – together, comprise the full group. The Aeronautics Commission is geographically represented well, and each member brings a different set of expertise for the agency to utilize as a resource.

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Aviation is an important industry to North Dakota and serves a variety of critical functions from public transportation, air cargo, emergency access, and aerial crop spraying. Our airports become especially critical during a time when our state is looking for ways to diversify and grow the economy. Even during the recent COVID-19 pandemic, our public airports never closed, and they were able to ensure that emergency related personnel and products have been able to efficiently enter and depart our state. Though our airline passenger traffic was significantly impacted by COVID-19, our airports have almost fully recovered to pre-pandemic levels, and they continue to see a record amount of air cargo usage.

Our state currently provides financial support through infrastructure grants for 89 Public-use airports. 71 of those airports maintain paved surfaces and 18 of those airports maintain turf runways. 54 of our airports are eligible to receive federal funding as a part of the National Plan of Integrated Airport Systems or "NPIAS" and 35 of our airports rely solely on state and local funding to survive.

It's also important to mention that there are over 200 small private airstrips that also exist throughout the state that receive no public improvement funds.

Not only is aviation a safe and efficient way to transport goods and people, but when our economy is able to fully function - our airports act as significant economic engines for their communities. This is documented by the last economic impact study which was completed in 2015 and revealed that the public airports in the state provided an annual economic impact of \$1.6 billion dollars to the state's economy while supporting over 12,200 jobs.

Our airports have also played a critical role in our nation's post pandemic recovery, and they will continue to do so as they connect our businesses and citizens to the rest of the world.

(Slide 8)

Our agency has accomplished much over the past biennium. Above and beyond ensuring the continuity of operations and running our current programs, I would like to highlight a few other major accomplishments.

The airport planning section of the agency has had to quickly react to the changing environment at our airports due to impacts that the COVID-19 pandemic originally had on aviation demand. Our staff has been continually working with the FAA, the airport management teams, and their engineers to re-prioritize projects listed on their capital improvement plans. This readjustment of airport development priorities was critical so that we could adapt to the situation while continuing to leverage federal airport infrastructure funds. We also wanted to be flexible and prepared to move projects forward as soon as additional federal or state dollars became available. Now that we have witnessed a full recovery in many areas of aviation, we need to prepare for certain expansionary projects that were previously delayed to now move forward.

A major challenge for our airport planning staff over the past biennium was for us to become familiar with the new federal programs that were being offered to airports through the Coronavirus Aid, Relief, and Economic Security Act (CARES), the Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA), The American Rescue Plan Act (ARPA), and the most recent new program is in the form of the Bipartisan Infrastructure Law (BIL) or (by another name) the Infrastructure and Investment Jobs Act

(IIJA). There is also a Terminal BIL program that is specifically designed to provide additional federal funding for airport terminal work over the next 5 years and we have multiple airports that plan to target this program significantly.

To date, these federal programs altogether have provided an additional \$115 million in aid to North Dakota airports since 2020.

Over the last two years, the ND Aeronautics Commission also allocated a total of \$22 million in state airport infrastructure grants to 270 different airport projects all throughout the state.

During the 2019 legislative session, our agency was provided with a one-time \$20 million-dollar transfer from the Strategic Investment and Improvement Fund (SIIF) to help with major airport projects in Dickinson and Watford City. \$7 million was allocated last biennium and \$13 million was allocated during the current biennium. We expect all of the funds to be expended by June 30th, 2023, which is when the appropriation for the one-time funds will end. It is also estimated that this \$20 million-dollar one-time transfer will have successfully leveraged an estimated \$37 million in additional federal funds.

We also needed to further adapt to the fact that the originally anticipated \$20 million dollar deposit to the Airport Infrastructure Fund (as a result of the past "Operation Prairie Dog" bill) did not arrive at the end of the previous biennium. It is for this reason that the legislators in the 2021 special session provided a \$5 million dollar appropriation from the state's Federal Fiscal Recovery Funds. The full \$5 million has been obligated for airport projects and an estimated \$2 million of those funds have been expended to date. We also anticipate all of these funds to be expended by the end of the current biennium.

Additionally, this past year we established new license requirements for UAS Aerial Applicators to separate them from manned aerial applicators. This lowered the barrier to entry for new businesses as the inherent risk of unmanned operations are significantly less than manned operations. We still wanted to ensure that a process was in place to ensure that operators had an adequate level of experience and qualifications to ensure for safe operations.

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The North Dakota Aeronautics Commission is also proud of our efforts to grow aviation education initiatives throughout the state. Workforce development challenges are well known in the aviation sector, and we have worked hard throughout the years to support efforts to assist in alleviating those concerns within the aviation industry.

This past biennium, we partnered with the North Dakota Aviation Association and University of North Dakota to receive a \$500,000 federal workforce development grant. The goal was to create professional development opportunities for our high school teachers and to promote aviation curriculum within the school systems.

We also support and assisted in the development and growth of aviation related programming at our high schools. We are excited that six different cities throughout the state now provide aviation specific course work and that all high school students have an opportunity to access aviation curriculum through the state's distance education program.

Additionally, we partnered with the North Dakota Aviation Association to develop both one-time and endowed scholarship funds for students trying to pursue a career in aviation. We also assisted the ND Aviation Association and our aviation museums in Fargo and Minot with starting an annual Aviation Career Expo. This event draws over 150 high school students from all over North Dakota who are specifically interested in aviation careers, and we expect this event to continue to grow along with the scholarships that are provided.

Our office is also currently working with the Bank of North Dakota and Payments to develop an online payment system for all transactions that occur with our office. We currently only allow credit card payments to be provided for aircraft registration renewals, however; this new system will allow credit card and e-check payments to be processed for aircraft excise taxes, aerial applicator licenses, and aircraft dealer licenses. We hope that this provides another option and a better experience for aircraft owners and businesses who need to process payments through our office.

Lastly, we also conducted an update to the statewide pavement condition index study which is a large benefit to our airports and helps us to maintain our pavements throughout the state in the most cost beneficial way. More details on this study will be provided later in the presentation.

(Slide 10)

This slide represents all of the airport infrastructure grant funds that has been provided by the State of North Dakota since 2001.

During the 2012 legislative session, we came to the legislature with a new proposal and request. At the time, we had an airport system that was significantly underfunded for decades, and we were struggling with maintaining the current system. Additionally, we were faced with the incredible growth that the Western part of the state was experiencing, and we estimated that an additional \$500 million of newly identified airport projects were needed to accommodate the growing needs of the region.

Increasing local funding for projects is always difficult, the cost of construction was continually increasing, and as always, we were challenged with the short construction season. Additionally, substantial growth and expansion needs were prevalent during the same time that we needed to begin replacing aging airport infrastructure throughout the entire state.

We argued that the state of North Dakota could take on a leadership role and offer additional solutions to assist with the airport infrastructure challenges our state was facing. We also believed that additional federal funds could be leveraged and received with an increase in state investments.

(Slide 11)

This slide represents all of the federal investment for airports that has been received into the state of North Dakota since 2001.

It's important to note that the amount of funds available nationally in the FAA's Airport improvement program (which is depicted in blue within this graphic) has remained at essentially the same level since 2001 at approximately \$3.5 Billion dollars. This means that since 2001, North Dakota's airports have had to compete nationally for the same amount of available federal funds each year. This has been a

challenge as all of the country's airport needs have grown significantly along with rising construction and inflationary costs.

Prior to 2012, our state was averaging approximately \$24 million dollars in grant funds per year being received from the FAA. Since 2012, our annual average of FAA funding being received in-state from the Airport Improvement Program has now more than doubled to an average \$54 million per year. For an "apples-to-apples comparison," this \$54 million per year number does not include the CARES, ARPA, and CRRSAA funding shown in green on the graphic.

It is also important to denote that the main intent of the CARES, ARPA, and CRRSAA funding was not to assist with airport projects, but to help the airports to fund ongoing salaries and operational expenses to help cope with the lower operational revenue being received due to the impacts COVID-19 had on passenger counts.

This success in our ability to leverage additional federal funding throughout the past decade is due to our pro-activeness in:

- Identifying good justifiable projects that receive high priority consideration
- Ensuring that projects are shovel ready and prepared to receive grant funding during the competitive federal fiscal year window and short North Dakota construction season
- Ensuring the availability of state and local funding to match the federal funds

As we continue to maintain and grow our airport infrastructure, federal funding will continue to be a key part of solving the infrastructure funding challenges that our state is currently facing. 54 of our 89 airports are eligible to receive federal dollars. They compete for these funds nationally and may receive up to 90% funding if resources become available. It is very important to understand that federal funding is not guaranteed, that not all projects are eligible to receive federal funding, and that there have been many cases where federal grants have been provided at much less than 90%. It is in these cases, when local and state dollars are needed to fill in the gaps.

Additionally, the recent availability of the new federal programs from the BIL or IIJA program – have created new opportunities to capitalize on additional airport investments where matching funds can be provided. Other states may not have adequate local or state funds to leverage those federal dollars and many airports throughout the country are also unwilling to take on financial risks prior to grant funds being received. As always, I recommend that North Dakota position itself wisely in order to allow its airports to adapt to the current challenges and prepare accordingly for all federal funding opportunities.

Overall, we are hopeful that as we continue to educate and work with the Federal Aviation Administration on the needs within our state, that an adequate level of funding and commitment to assist with our infrastructure challenges will continue.

(Slide 12)

Throughout the past decade, the legislature provided us with an opportunity to investment in North Dakota's airport infrastructure. We requested the ability to utilize additional state infrastructure grant dollars in order to better leverage both local and federal dollars and to increase the overall investment in our airport facilities. Throughout this time, new airports were built in Bowman and Williston. The

Williston project actually became the fastest new commercial service airport to ever be built in the modern era within the United States.

An entirely new Commercial Terminal and parking area was built in Minot. We upgraded and expanded runways at Watford City and multiple other locations. This past Fall, Dickinson completed its new and expanded runway system. New taxiways and aprons were also developed throughout the entire state to accommodate growing private investments in our airport facilities.

Throughout the past decade, we strategically worked to develop almost 50 new individual airport layout plan documents. These planning efforts were critical to provide our airports with updated blueprints to help protect their facilities and plan for future growth. Over this timeframe, we also assisted with major runway rehabilitations at over 37 general aviation airports and 5 commercial service airports. Multiple runways were also extended and strengthened to accommodate larger aircraft. New drainage improvements were installed throughout the state to protect the investments made in our new pavements. We built 18 new pilot lounge and terminal buildings at general aviation airports, upgraded snow removal equipment, and developed new instrument approaches and weather reporting stations throughout the state. All of these improvements have now left us with a safer, more efficient, and stronger aviation system than our state has ever had before.

We asked for the opportunity to provide smart investments with state funds that would hopefully pay dividends back to the citizens of the state in the form of a higher standard of living, increased economic activity, private investment, and federal grant funding. After a decade of being provided with that opportunity, I believe that we have shown that we can deliver.

(Slide 13)

Since North Dakota has taken a pro-active role in identifying, justifying, and providing additional financial assistance on airport projects; the state has received an estimated \$541 million from the federal government for airport projects over the last ten years. In that same time period, the state has invested a total of \$167 million in airport projects. For every \$1 dollar that the state has invested in airport projects over that timeframe; we have received \$3.24 from the federal government which is an incredible return on investment.

Now is not the time to step off the gas, but to allow the Aeronautics Commission to continue to work with the FAA and our community leaders to make smart and strategic investments in our airport system.

(Slide 15)

At this time, I would like to cover some statistical information to bring you up to speed on some of the economic indicators that show the health of the state's aviation industry.

This slide shows the number of aircraft that are based and registered within the state of North Dakota. In 2022, we had 2,163 aircraft identified within our state which is at or close to record levels. This also represents a 32% growth from the aircraft based in the state in 2011.

This increase in aircraft counts has resulted in historical private investments on our airports in the form of hangars and business operation facilities. Recent inflationary pressures, however, have resulted in both the purchase price of new aircraft and the construction cost of new hangars to become a challenge

for the industry. We hope to see those pressures subside in the coming years to allow our aircraft counts to continue to grow.

(Slide 16)

This slide provides a 20 year view of the number of active pilots that live within the state of North Dakota and also helps provide a barometer of the health of our industry. Active pilots are defined as pilots that are licensed and hold a valid medical certificate. Student pilot numbers have grown throughout the last decade as the University of North Dakota and other flight instructors throughout the state have been taking on more students to accommodate the growing interest in training pilots to assist with the current pilot shortage. Additionally, we continue to see growth in the number of remote pilots that live in the state as the unmanned aircraft industry continues to grow.

(Slide 17)

Another key indicator of the health of the aviation industry can be found by reviewing the aviation fuel usage. This graphic provides a look at the taxable aviation fuel sales of both Jet Fuel and 100LL within each state fiscal year.

Aviation fuel purchases surged after 2011 due to the additional economic activity and energy sector development that was experienced throughout the state. The COVID-19 pandemic resulted in a significant drop in usage initially; however, we have now seen a full recovery to pre-pandemic levels and FY 2022 saw approximately 23 million gallons of taxable aviation fuel sold within the state.

The ND Aeronautics Commission receives 8 cents per gallon of taxable aviation fuel sold which amounts to approximately \$1.8 million of revenue annually.

(Slide 18)

Aerial applicators are an active and critical part of our aviation community and provide a large economic impact to the agricultural sector by protecting crops and increasing production.

This graphic shows the historical acreage that was serviced by aerial applicators in North Dakota, which is on average, 3.8 million acres annually. We had a down year in 2021 due to drought conditions, however 2023 was an active and above average year with an estimated 4.2 million acres being sprayed.

We currently have 96 licensed aerial applicators throughout the state that utilize 191 aircraft and 172 different pilots.

(Slide 19)

This slide highlights the historical number of airline passenger enplanements on our commercial service flights in North Dakota over the last 30 years. We experienced steady and slow growth until 2009 when a rollercoaster ride for the aviation sector in North Dakota began.

Our average annual growth of 2% transitioned to an astounding 14% annual average from 2009 to 2014 as the state experienced significant growth to its economy and specifically its energy sectors. When we conducted a state aviation system plan update in 2008; it was forecasted that we wouldn't reach 1

million passengers enplanements for another 25 years or around 2030. In reality, our state broke this milestone only 4 years later in 2012.

After seeing tremendous growth, our state experienced a downturn in the energy sector from 2015 - 2017 and then 2018-2019 brought us into a growth stage once again. We were actually expecting 2020 to be a record-breaking year for passenger numbers when the COVID-19 pandemic arrived and resulted in a significant and historical decline to our airline passenger counts.

Passenger demand has slowly been recovering since March of 2020 and we do expect to eclipse the 1 million passenger mark once again in 2022. A full recovery to pre-pandemic levels and beyond should be possible in 2023 or 2024 but is predicated upon the airlines adding seat capacity to our markets through additional flights or larger aircraft. This has been a challenge for the industry due to workforce challenges and the availability of qualified pilots.

We have definitely been on a roller-coaster ride over the last decade. We are hoping to reach a point of steady and sustainable growth once again which would also lead to improved air service throughout the state.

(Slide 20)

This slide shows a monthly comparison of North Dakota to the national average when looking at the retention and recovery rate of airline passenger numbers. It compares each month since March of 2020 to the 2019 pre-covid passenger levels. As you can see, the blue line which represents North Dakota was consistently higher in the beginning stages of the recovery than the green line which represents the national average. This shows that our state was initially able to recover our passenger numbers faster than the national average.

Last month, we also rose above the pre-pandemic recovery line for the first time and are hopeful that 2023 is the year that the industry achieves a full recovery.

(Slide 21 - 23)

The graphic on this slide shows all of the routes and destinations that are currently available to the general public. Seven different direct flight destinations (three seasonal) are available to connect North Dakota to the rest of the world and all eight commercial service airports provide jet service options.

Our airports have overall weathered the impacts to COVID-19. The only direct flight destinations that we lost during the last two years are direct flights from Bismarck to Chicago and Williston direct to Minneapolis. Williston's Minneapolis route has since been restored and Sun Country also added new seasonal service from Williston to Phoenix and Las Vegas. As the recovery continues, we hope to see additional opportunities for our communities.

One additional challenge to denote is that Dickinson, Jamestown, and Devils Lake continue to operate on the Essential Air Service program which provides a federal subsidy to allow air service operations in rural communities. United Airlines was selected this past Fall in Dickinson to continue air service to Denver for the next two years. This upcoming June; the USDOT will be issuing a Request for Proposal for air service in Jamestown and Devils Lake where SkyWest currently provides service to Denver.

Jamestown and Devils Lake are hopeful that SkyWest will continue to provide service to the communities even though they and other regional airlines are struggling with pilot shortage issues.

(Slide 24)

This graphic shows the current Air Cargo routes that provide service to our citizens and businesses. Fargo has become a major regional hub for FEDEX, and UPS service providers and the other major airports and North Dakota are spokes for that distribution center.

(Slide 25)

This slide showcases the historical landed weight of air cargo into North Dakota over the last decade. We have recently reached a record level of service which is due to the growth in shipping and the major distribution center that has been established in Fargo.

(Slide 27)

Now, I would like to provide an update on the pavement condition index study that we conducted in 2021 and is planned on three-year intervals. All airport pavements within the study, are classified on a 100-point scale with 0 being that the pavement is no longer serviceable and 100 being in perfect condition.

The results of the study can be found on our interactive website. This pavement management system shows the condition of each pavement section at our airports throughout the state, along with deterioration details, photos, projected future conditions, and a recommended funding plan to ensure that the pavements are maintained in the most cost beneficial way. This study has been a revolutionary way for our state to manage its airport pavements and has served us very well.

(Slide 28)

The recent study shows that there exists approximately 60 million square feet of pavement at our airports that need to be maintained. This pavement represents multi-billion dollars of investments that has occurred over decades and the information provided within this study helps to fully understand and systematically protect these investments.

The graphic on this slide shows a summary of the current conditions of all of the airport pavements throughout North Dakota. Approximately 87% of the pavement was identified to be in fair to good condition which leaves 13% or 7.5 million square feet of the pavement in moderate to poor condition. These lower conditions will require a major rehabilitation project in the very near future.

(Slide 29)

This slide is a reminder of the overall lifespan of pavements and why it is critical to be pro-active and identify problems and maintenance solutions before a major rehabilitation or reconstruction is needed.

It is for this reason that one of the highest priorities of state airport grant funds is to provide assistance for routine pavement crack sealing and preventative maintenance projects.

(Slide 30)

The study also revealed that if all pavement maintenance and rehabilitation projects were provided full funding within the next 5 years... it would require an approximate \$251 million investment. The pie chart on this slide also showcases the various types of investments that are currently needed for our airport pavements.

(Slide 31)

Understanding that funding has never been available to fully accommodate all of the requests within the system, we are continually tasked with the prioritization of projects. So how can we know if we have been successful in maintaining our airport system?

Since the PCI Study is conducted every 3 years, we have been able to systematically track our ability to maintain the system over time. This graph shows the changes in the overall pavement condition since 2009 when the system had an average PCI of 76 and 52.1 million square feet of pavement.

In 2021, the overall PCI was determined to be a 77 while at the same time we have grown the amount of pavement in the system to a total of 59.5 million square feet. This is a 14% increase or 7.4 million additional square feet of pavement since 2009.

This is great news as it shows that North Dakota has successfully maintained our airport pavements while also increasing the amount of pavement in the system to accommodate growth and expansion of our communities.

Each of you were also provided with the executive summary from this study and I would encourage you to further look through the information if interested in learning more about the airport pavement program.

(Slide 33)

To provide some additional highlights from this past biennium I will start by discussing some key Infrastructure projects have been completed at our 8 commercial service airports.

- Fargo completed the construction of a major snow removal equipment building expansion which is a critical upgrade to house and maintain all of the equipment the airport needs to keep the airport operational in the winter. The airport also recently finalized a study of its terminal area as it looks to expand the facility in the very near future.
- This past August, Grand Forks closed its airport to all air service for two weeks to accommodate the reconstruction of the intersection between its primary and secondary runway. The University of North Dakota also completed a critical infrastructure upgrade by reconstructing their Bravo apron with funds provided to them by the state in the previous legislative session.

- Devils Lake moved forward on the design work to upgrade their passenger terminal building.
 - Jamestown completed work on a terminal apron reconstruction project.
- (Slide 34)**
- Minot completed the rehabilitation of its general aviation apron and cargo apron areas.
 - Bismarck has continued to work on major infield drainage improvements to protect its pavement surfaces and remove wildlife attractions.
 - Dickinson completed the reconstruction, shift, and extension of its primary runway from 6,400 feet to 7,300 feet. The airport also has a new parallel taxiway and upgraded instrument approach - all of which is a significant upgrade for Southwestern North Dakota.
 - The new airport in Williston opened in the Fall of 2019, completed the construction of its crosswind runway in the Fall of 2020 and is currently working through a master plan update.

(Slide 35)

Multiple high priority projects were also completed for the general aviation airports this last biennium. To mention a few:

- Watford City completed its major overall project. The runway was completely reconstructed and shifted to a new location where it went from a 4400 ft runway to 6550 ft. A new lighting system and parallel taxiway was also installed. The community in the epicenter of the Bakken can now accommodate most large business jets.
- Mohall completed a 500-foot runway extension to bring its runway to 3600 feet.
- Multiple airports also underwent major taxiway and apron construction projects.

(Slide 36)

There are multiple high priority airport projects that have been identified for the next biennium – to mention just a few from our commercial service airports:

- **Bismarck:** Taxiway C Rehabilitation
- **Devils Lake:** Commercial Terminal Improvements
- **Dickinson:** Commercial Terminal Improvements
- **Fargo:** Commercial Terminal Expansion
- **Grand Forks:** Crosswind Runway Reconstruction/Extension and Primary Runway Reconstruction
- **Jamestown:** Primary Runway Rehabilitation
- **Minot:** Storm Water & Drainage Improvements
- **Williston:** Deicing Containment Area Expansion

The state has also identified multiple high priority projects at the general aviation airports that will be a focus this next biennium which includes runway rehabilitations at Crosby, the International Peace Gardens, Lakota, Leeds, New Rockford, and Westhope.

(Slide 37)

This Fall, our office was able to update our statewide capital improvement plan for airports. A simplified version that details each identified airport project has been provided to you within your packet.

This effort is a culmination of the approximately 50 individual airport capital improvement plan meetings that took place over the last few months. Multiple external deliberations also occurred with the FAA to review the entire document and ensure that we are on the same page with them regarding the upcoming projects and funding priorities.

Essentially, just over \$1 Billion in projects have been identified within the upcoming 10-year window for the 54 NPIAS airports in North Dakota. It's important to also note that a vast majority of the project needs exist on our 8 commercial service airports.

We can also currently estimate that an approximate average of \$60 million in federal funds would be received in each year which would leave an estimated \$467 million-dollar total funding gap over the next 10 years. The federal funds will need to be matched and all other project funding that could occur over this time period would need to be provided by state & local funds.

(Slide 38)

One of the significant challenges we have seen throughout the years is the higher overall cost of construction. The NDDOT recently updated their construction cost index and airport projects have followed a very similar trend.

This past year was even more challenging than in the past as the industry experienced an average 26% cost increase from 2021 to 2022. 2023 is currently estimated to see another 7% increase.

Higher project costs are a reality of our situation but an important challenge to be aware of; as we continue to push forward to maintain and grow our infrastructure.

(Slide 40)

Our next biennium goal is to continue to work to support the aviation industry's recovery from the COVID-19 pandemic. We also want to ensure that we are working with our federal partners to fully understand changes to their funding programs, eligibility criteria, and the timing of the release of their funds.

We will also continue to partner with our airports to ensure high priority shovel ready projects are ready to go, as grant funding becomes available. Additionally, we will also continue to support and enhance aviation education and workforce development initiatives.

Within our budget we have also planned for multiple statewide aviation studies to occur within next biennium's window. We are planning an update to the statewide aviation system plan and economic impact of aviation with their anticipated release in 2025. These planning studies are recommended to be updated approximately every 10 years and our last update was completed in 2014. We will also be updating our pavement condition index study in 2024 which is a project that is completed every three years. Each of these projects are anticipated to receive a federal grant at or near a 90% funding level.

We will also continue to work with the Northern Plains UAS Test Site and the VANTIS Beyond Visual Line of Site network. This effort is critical to ensure the safe integration of UAS into the National Airspace System and to further assist in the diversification of our economy.

(Slide 41)

As the owner and operator of the International Peace Garden Airport, the ND Aeronautics Commission is tasked with ensuring that the airport is maintained. It is also a NPIAS airport, is eligible for federal funding, and is utilized for recreation and access to U.S. and Canadian Customs at our border.

We are currently working through the design phase for a major rehabilitation of all airside pavements and are anticipating the construction to occur for the project in the summer of 2024. Project costs are anticipated at \$2.5 million, and a majority of those costs are planned to be covered with federal grant funds.

(Slide 42)

This slide provides a graphical view of the Aeronautics Commission budget as passed by the House.

Revenues

The majority of the anticipated Aeronautics Commission revenue is comprised of special fund dollars which are received from multiple revenue streams such as aviation fuel taxes, aircraft excise taxes, and registration and licensing fees. Our budget also includes an appropriation to utilize up to \$20 million from the Airport Infrastructure fund if the oil revenues are deposited into the account next biennium.

The ND Aeronautics Commission also receives funding from the federal government for conducting airport inspections and in the form of grants that we expect to receive for the statewide aeronautical studies and project at the International Peace Garden Airport.

We are also currently budgeted to receive \$475,000 in general fund allocation for airport improvements in the following biennium.

Expenditures

On the expenditure side, we prioritized our budget to ensure that we can maintain our current staff levels of up to 7 full time equivalents. We want to ensure that operating expenses are also adequate to maintain effective operations while also allowing us with the ability to plan to conduct the statewide aeronautical studies and a rehabilitation the international peace garden airport. These projects are the reason that the increase is being requested in the operating expenses and capital asset areas of the budget.

The airport grants line item is also being requested at a higher \$31.1 million dollar level to allow ND Aeronautics with the ability to utilize additional special fund appropriation for airport infrastructure grant funding throughout the state of North Dakota. This additional request is possible due to higher-than-expected aircraft excise tax revenue over the past biennium as aircraft sales have been higher than anticipated.

(Slide 43)

The aviation industry operates in an incredibly difficult and unpredictable funding environment as the federal program is normally run on a continuous appropriation and the timing of grant releases can be unpredictable. Reliable state and local funding for transportation projects is critical in order for state and local leaders to plan ahead, create shovel ready projects, and to maximize federal grant funding. It is also important to ensure that high priority projects can move forward as efficiently as possible throughout the planning, environmental, design, bidding, and construction stages.

(Slide 44)

The original concept for the Airport Infrastructure Fund was to accommodate this difficult schedule and to provide reliable state funding for critical airport projects.

The "Operation Prairie Dog" proposal that was approved in the 2019 legislative allows \$20 million to be deposited from oil revenues into the Airport Infrastructure Fund during each biennium; however, due to the fact that the bucket is one of the last to fill, it unfortunately did not receive any funds last biennium.

At the beginning of the current biennium, it was also not forecasted to fill once again and so we were unable to anticipate receiving the funds and had to plan accordingly. We were fortunate to eventually see higher than anticipated oil prices and production and the \$20 million has recently been deposited into the account. We have now been planning to begin the allocation of the funds this upcoming Spring.

The unpredictability of the funding to be received each biennium is a challenge and I encourage the legislature to consider sound fiscal policy that ensures that reliable long-term funding mechanisms are in place for infrastructure funding.

One bill to note that has an impact on the Aeronautics Commission budget is SB 2367. This bill proposes to place an additional \$150 million in oil revenue within funds ahead of the "Prarie Dog" buckets. This would negatively impact the reliability and timing of the airport funds which may impact airport projects and the ability to leverage federal funds.

