TESTIMONY OF

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BEFORE THE

SENATE APPROPRIATIONS - EDUCATION AND ENVIRONMENT DIVISION

JANUARY 13th, 2025

SENATE BILL 2006

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 Senate Bill 2006 which is the budget bill for the Aeronautics Commission.

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The North Dakota Aeronautics Commission was established by the Legislature in 1947 to represent the state in aviation matters and oversee its aviation programs and regulatory framework. 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 highlights the relevant sections of the North Dakota Century Code that guide our agency's operations. It also outlines key statutory responsibilities, including our mission to support the growth and sustainability of the state's public-use airports.

The Aeronautics Commission plays a pivotal role in supporting aviation activities across the state. This is achieved through communication and collaboration with state and local officials, the Federal Aviation Administration (FAA), congressional offices, and national aviation organizations. The commission administers state aviation laws related to aircraft registration, aircraft dealers, aerial applicators, and the collection of aircraft excise and aviation fuel taxes. These areas also form the primary revenue sources for our special fund, enabling the agency not only to operate but also to provide infrastructure grants that support the maintenance and development of our public-use airports.

The commission has not proposed any fee or tax increases during the current legislative session.

I am also happy to report that the audit for the ND Aeronautics for the biennium ending June 30th, 2023, did not identify any exceptions or defaults.

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Our commission is dedicated to delivering exceptional services through a small, efficient, and highly skilled team. The agency operates under the guidance of a five-member board, appointed by the Governor, which provides strategic oversight and direction.

The Aeronautics Commission currently employs a staff of six, with an authorized budget that supports up to seven full-time equivalent (FTE) positions—unchanged from the previous biennium. Notably, the agency has experienced no staff turnover during this biennium. However, one position remains vacant, with estimated salary savings from this vacancy totaling approximately \$175,000 over the past 18 months.

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To introduce our commissioners:

Dr. Kim Kenville of Grand Forks is currently the Commission Chair, Warren Pietsch of Minot, Kyle Humann, of Mandan, Steve Blazek of Fargo, and Rodney Schaaf of Bowman – 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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The North Dakota Aeronautics Commission fulfills a broad range of responsibilities to support and enhance aviation throughout the state. One of the agency's primary functions is providing airport infrastructure grant funding and airport planning services to the 89 public-use airports across North Dakota.

Each year, aeronautics staff visit at least one-third of the state's public-use airports. These visits foster positive relationships with airport managers, allow the team to better understand local needs and priorities, and facilitate recommendations for safety-enhancing projects. During these inspections, the staff also updates critical airport information, ensuring that pilots have access to the most accurate and up-to-date data when utilizing North Dakota's airport system.

In addition to these services, the commission publishes and updates essential aviation resources, including statewide aviation studies and the state airport directory.

The commission also prioritizes aviation education by offering funding opportunities and collaborating with aviation museums and nonprofit organizations to promote aviation careers in North Dakota.

Furthermore, the commission owns, operates, and maintains two airports: the International Peace Garden Airport and the Garrison Dam Recreational Airport.

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This slide highlights several additional programs and services that the North Dakota Aeronautics Commission provides to the public and the state's aviation community. Collectively, these initiatives align with our mission by promoting aviation careers among youth, supporting airport operations, and enhancing aviation safety across the state.

One standout program is the management of a statewide maintenance contract for 26 Automated Weather Observation Systems (AWOS) installed at airports throughout North Dakota. By leveraging economies of scale, this program significantly reduces maintenance costs for participating airports while ensuring the reliability of certified weather data for pilots, businesses, and medical service providers.

In addition to supporting aviation operations, this weather reporting system benefits the broader public by improving the accuracy of weather forecasting and modeling across the state, contributing to safer and more informed travel for everyone.

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Aviation is a vital industry in North Dakota, serving a wide range of critical functions, including public transportation, air cargo, emergency services, and aerial crop spraying. Our airports play an especially pivotal role as the state seeks to diversify and grow its economy.

A core function of the North Dakota Aeronautics Commission is to provide financial support through infrastructure grants for the state's 89 public-use airports. Of these, 71 have paved runways, while 18 maintain turf surfaces. Additionally, 54 airports are part of the National Plan of Integrated Airport Systems (NPIAS) and are eligible for federal funding. The remaining 35 airports rely exclusively on state and local funding for their operations and survival.

It's also worth noting that North Dakota is home to over 200 private airstrips, which do not receive public improvement funds but contribute to the state's aviation network.

Beyond serving as a safe and efficient means of transporting goods and people, airports are significant economic drivers for their communities. The most recent economic impact study, conducted in 2015, revealed that public-use airports contributed \$1.6 billion annually to the state's economy and supported over 12,200 jobs.

As this study is nearly a decade old, the numbers are expected to have increased significantly since then. A new aviation economic impact study is currently underway, and we look forward to sharing updated results during the next legislative session.

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In addition to successfully managing and sustaining all current programs over the past biennium, the Aeronautics Commission achieved several notable accomplishments.

Over the last two years, we maximized federal funding opportunities and strategically leveraged state investments to address critical airport infrastructure needs statewide. Through federal programs such as the Bipartisan Infrastructure Law and the Airport Improvement Program, North Dakota airports secured \$177 million dollars in federal aid to enhance infrastructure. Complementing this, approximately \$36 million dollars in state airport infrastructure grants supported over 370 airport projects across the state.

A significant milestone was the allocation of \$20 million through the Airport Infrastructure Fund (Operation Prairie Dog) for the first time, which provided essential support for matching federal funds and further improving aviation facilities.

The state's investment in airports continues to deliver substantial returns. Over the past biennium, for every \$1 the state invested in airports, we leveraged approximately \$5 in federal funding from the Federal Aviation Administration. This impressive return on investment underscores the importance of the partnership between state and federal resources and highlights the critical need for sustained funding to address North Dakota's airport infrastructure.

Overall, the infusion of additional state funding has helped close funding gaps, improve safety, and drive economic development throughout the state.

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The Aeronautics Commission also continues to prioritize the future of aviation through strategic investments in education.

Our aviation education initiatives have seen tremendous growth and success during the current biennium, with approximately \$240,000 in aviation education assistance and grant funding being provided throughout the state. One major development also includes the fact that an FAA Workforce Development Grant that was awarded to Wahpeton State College of Science which will enable a new aviation maintenance technology program to begin in Fall of 2024, which will be the only program of its kind in North Dakota.

Additionally, aviation programming at high schools has expanded significantly:

- Seven cities across North Dakota now offer aviation-related courses.
- Distance Education ensures that all high school students, regardless of location, have access to aviation learning opportunities.
- Drone/UAS curriculum is also being added and integrated into these high school programs throughout the state.

To foster further interest and career pathways, annual Career Expos were introduced beginning in 2020, rotating between the Minot Air Museum and Fargo Air Museum. The 2024 event drew in over 250 students eager to explore aviation careers, while over \$17,500 in scholarships was awarded through our partnering organization - the North Dakota Aviation Association.

In addition to educational advancements, the Aeronautics Commission has embraced innovation to better serve the aviation community. In 2023, an updated Online Payment System was developed in collaboration with the Bank of North Dakota, ND ITD, and Paymentus. This system now allows for credit card and E-check payments for all excise tax, registrations, and licensing transactions, ensuring improved efficiency and accessibility for the public.

Finally, we have also kicked off significant Statewide Studies to enhance aviation infrastructure and planning:

- The 2024 Pavement Condition Index Study will assess and guide all pavement maintenance strategies.
- The 2025 Statewide Aviation System Plan & Economic Impact Study will take inventory and analyze our aviation system as well as its economic impact which will help to ensure data-driven decisions for future investments.

These initiatives reflect North Dakota's commitment to growing aviation education, supporting workforce development, and advancing our infrastructure for long-term success.

(Slide 10)

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.

(Slide 11)

This slide shows the number of aircraft that are based and registered within the state of North Dakota. In 2024, we had 2,148 aircraft identified within our state which is maintaining near record levels.

This increase in aircraft counts over the past decade has resulted in historical private investments on our airports in the form of hangars and business operation facilities. Many of our airports throughout the state are currently reporting full hangars with waiting lists of individuals that would like to base their aircraft onsite when a hangar spot eventually becomes available.

Recent inflationary pressures have also 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 based aircraft counts to continue to grow.

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This slide provides a historical 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 training programs throughout the state have been taking on more students to accommodate the growing interest in training pilots to assist with the ongoing national 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 13)

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 that was experienced throughout the state during the oil boom. 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 in fiscal year 2024 we saw a return of over 25 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 currently amounts to approximately \$2 million dollars of revenue annually.

(Slide 14)

Aerial applicators also play a vital role in North Dakota's economic viability and growth by significantly contributing to the agricultural sector and the worldwide food supply. Their work protects crops, enhances yields, and delivers substantial economic benefits.

This graphic illustrates the historical acreage serviced by aerial applicators in North Dakota, which averages an impressive 4 million acres annually. In the 2024 growing season, aerial applicators achieved a remarkable milestone by treating a record-breaking 5.5 million acres of cropland. This surpassed the previous record of 5.2 million acres set in 2015.

Currently, North Dakota is home to 78 licensed manned aerial applicators who operate 183 aircraft and employ 156 highly skilled pilots, ensuring the continued success of this essential industry.

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In 2022, the Aeronautics Commission began issuing licenses to unmanned aerial applicators, marking the start of a new chapter in agricultural aviation. Since then, the growth of this industry has been remarkable.

As shown in this table, the number of licensed unmanned aerial applicators in North Dakota has risen to 21, with precision services now covering nearly 70,000 acres per year. This field is poised for continued expansion in the coming years, reflecting its growing importance in modern agriculture practices.

(Slide 16)

This slide highlights the historical trends in airline passenger enplanements on commercial flights in North Dakota over the past 30 years. For much of this period, the state experienced steady, incremental growth. However, in 2009, the aviation sector underwent a dramatic transformation.

Over the next five years, annual passenger growth surged, driven by rapid economic expansion, particularly in the energy sector. This boom period was followed by a downturn from 2015 to 2017, as a decline in the energy industry impacted the state's aviation market. Growth resumed in 2018 and 2019, positioning North Dakota on the brink of a record-breaking year in 2020. Unfortunately, the COVID-19 pandemic disrupted this momentum, leading to an unprecedented and sharp decline in passenger numbers.

I am excited to report that not only has passenger demand steadily recovered to surpass pre-pandemic levels, but this past year we have been achieving record-breaking boarding numbers that rival the peak of the 2014 oil boom.

Overall, the past decade has been a period of significant fluctuation for North Dakota's aviation sector. Looking ahead, we are optimistic about entering a phase of steady, sustainable growth. We expect that this progress will further enhance air service opportunities across the state which will greatly benefit our the citizens and visitors to our communities.

(Slide 17)

This graphic highlights the current flight routes and destinations available to the general public. North Dakota is connected to the world through six direct flight destinations, including four seasonal routes, and all eight commercial service airports offer jet service options.

Despite the challenges of the COVID-19 pandemic, our airports have weathered the storm remarkably well. Over the past two years, the only direct flight routes we lost were Bismarck's service to Chicago and Williston's service to Minneapolis. However, Williston's Minneapolis route has since been reinstated, and Sun Country has even introduced new seasonal services from Williston to Las Vegas. Additionally, Bismarck recently announced that non-stop service to Chicago with American Airlines will begin again in June, 2024.

Overall, I'm proud to say that air service in North Dakota has never been stronger. As growth continues, we look forward to expanding opportunities for our communities and connecting even more destinations to the state.

(Slide 18)

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 within North Dakota are spokes for that distribution center.

(Slide 19)

This slide highlights the historical landed weight of air cargo into North Dakota over the past decade. Over the past five years, we've consistently seen over 400 million pounds of cargo annually distributed through air shipments. This sustained growth has been driven by the increasing demand for shipping services and the establishment of a major air cargo distribution center in Fargo.

(Slide 20)

One of the main functions of the ND Aeronautics Commission is to assist the local communities in maintaining and developing airport infrastructure in order to maintain and grow those economic indicators that I just covered. Over the next few slides, I would like to briefly cover our recent system analysis of all of our airport pavements as well as some of the major airport projects that have been completed throughout the current biennium. I would also like to provide a perspective of some major projects that are anticipated over the next few years.

(Slide 21)

North Dakota's airports have approximately 60 million square feet of pavement that require ongoing maintenance. These pavements overall represent multi-billions of dollars in investments that have been made over decades. To safeguard these assets, the Aeronautics Commission conducts a pavement study every three years which helps to provide critical information to systematically evaluate and protect these investments.

Each section of an airport's pavement is assessed using a 100-point scale, where 0 indicates the pavement is no longer serviceable, and 100 represents perfect condition. Our pavement management system, which is accessible through our website, provides detailed insights into the condition of each pavement section across the state. This includes deterioration trends, photos, projected future conditions, and a recommended funding plan to ensure maintenance is carried out in the most cost-effective manner.

These efforts have transformed how our state understands and manages its airport pavements and enables data-driven decisions that maximize the impact of available funding resources.

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This slide highlights the typical lifespan of pavements and underscores the importance of being proactive in identifying issues and implementing maintenance solutions before major rehabilitation or reconstruction becomes necessary.

Given the reality that funding has never been sufficient to address all requests within the system, the need to prioritize projects remains a constant challenge.

As a result, one of the highest priorities for state airport grant funds has been to support routine pavement crack sealing and preventative maintenance efforts. These initiatives are essential for extending pavement life and ensuring cost-effective management of our infrastructure.

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Through these efforts, we closely monitor the condition of airport pavements over time to evaluate the effectiveness of our maintenance efforts across the system. This table highlights changes in overall pavement condition since 2009, when the system had an average PCI (Pavement Condition Index) of 76 and encompassed 52.1 million square feet of pavement.

By 2024, the average PCI of the system has increased slightly to 77 and the total pavement in the system has expanded to 60.7 million square feet.

This is a significant achievement and demonstrates North Dakota's success in maintaining our airport pavements while accommodating growth and expansion to meet the needs of our communities. The additional state funding and targeted investment of these resources have been instrumental in achieving these results.

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To provide a breakdown of some of our recent major projects at our commercial service airports -

- Fargo's tremendous growth in passenger numbers has led the airport to now be classified
 as a small hub which prompted work to begin on their \$156 million commercial terminal
 expansion. The work is planned to be completed by late 2026.
- This past Fall, Grand Forks completed the reconstruction and extension of their crosswind runway which will allow air service to continue uninterrupted while the primary runway is planned to be reconstructed over the next three construction seasons.
- Devils Lake completed a major commercial terminal expansion in the Spring of 2024 which has led to record-breaking airline boardings this past year for their airport.
- Jamestown completed work on a major rehabilitation of their primary runway pavements and lighting system.

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- Minot completed a major wildlife hazard removal and drainage project that will enhance safety while also preserving the on-site pavement infrastructure of the airport.
- Bismarck has completed the construction of new snow removal equipment building to house all of its modern equipment and allow for expedient snow removal during winter operations.
- Dickinson completed some significant apron & taxiway rehabilitation work.
- Williston expanded their deicing containment apron which allows multiple aircraft to be deiced at the same time which will prevent major delays in flight departures during winter operations.

(Slide 26)

Multiple high priority projects were also completed for the general aviation airports this last biennium including seven runway rehabilitations and the installation of new automated weather systems in Bottineau and Killdeer.

(Slide 27)

In recent years, airport funding has become increasingly complex due to the federal reaction to COVID-19 pandemic, shifting priorities, fluctuating appropriations, and uncertainty at the federal level.

Although the FAA Reauthorization Act of 2024 extended the agency's authorization through 2028, we are currently operating under a continuing resolution, with FAA funding appropriated through March of 2025. This short-term measure adds uncertainty to the funding landscape for the coming year, but despite these challenges, we must proactively plan for the eventual full appropriation of funds to ensure the continued success and progress of our airport system.

Despite these challenges, there are also opportunities to secure additional federal resources. The Bipartisan Infrastructure Law (BIL) has introduced two critical programs that have and will continue provide significant support for our airport infrastructure. The Airport Terminals Program (ATP) focuses on modernizing and upgrading terminal facilities, offering a valuable opportunity for airports to enhance the passenger experience and increase capacity. The Airport Infrastructure Grant (AIG) program, supports broader improvements to airport facilities, ensuring that they meet the demands of a growing nation. North Dakota airports have already been a major recipient of grant funding through all of these programs, but these resources through the BIL program are set to expire in 2026, making it essential to maximize their use while the funds are still available.

At the state level, North Dakota has created additional avenues for securing sustainable airport funding. If oil revenues are adequate, the state's "Operation Prairie Dog" initiative provides up to \$20 million per biennium that can be allocated to high-priority airport projects which significantly helps to bridge critical funding gaps. Furthermore, the Bank of North Dakota's Infrastructure Loan Program offers flexible financing options for airport projects and provides communities with the ability to access loan funds to ensure the cash flow they need for major initiatives.

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In support of our efforts to maximize federal funding opportunities and to fully understand our airport infrastructure needs, our office annually updates the statewide capital improvement plan for airports. This comprehensive process includes approximately 50 individual airport meetings and multiple discussions with the FAA to review funding priorities and align together on upcoming projects.

Through this process, we have identified an estimated \$1.2 billion in airport infrastructure projects that exist over the next decade across the 54 NPIAS (federal-aid eligible) airports in North Dakota. The majority of these needs are concentrated at our eight commercial service airports.

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As previously mentioned, the aviation industry operates in an exceptionally challenging and unpredictable funding environment. The federal program typically relies on continuous appropriations, and the timing of grant releases can be uncertain. Reliable state and local funding for transportation projects is essential for enabling state and local leaders to plan effectively, develop shovel-ready projects, and maximize federal grant opportunities.

Moreover, ensuring that high-priority projects move forward efficiently throughout all of its different complex stages (as shown on this slide) is crucial to maintaining progress and meeting the evolving needs of the aviation system.

(Slide 30)

As we collaborate with our communities and FAA officials to shape the next phase of development for North Dakota's airports, several high-priority projects have been identified for completion within the upcoming biennium.

To address these critical needs, the Aeronautics Commission has proposed a one-time \$120 million allocation to support three generational airport projects to expand the commercial service terminal in Fargo, reconstruct the primary runway in Grand Forks, and construct a new terminal in Dickinson.

This funding plan has been included in Governor Burgum's budget proposal, and we await further guidance from Governor Armstrong's budget, which is set to be released this Wednesday.

Beyond these generational projects, several other high-priority airport projects for the next biennium have been identified that can be funded through the FAA's and Aeronautics Commission's regular grant programs. These include major rehabilitations of the crosswind runways in Bismarck and Minot, airfield pavement maintenance in Devils Lake, a snow removal equipment building expansion in Jamestown, and new snow removal equipment in Williston.

Additionally, the state has identified multiple critical projects at general aviation airports, including major runway rehabilitations at nine airports, as outlined on this slide.

(Slide 31)

To conclude the presentation, I would like to provide a look at some upcoming biennium strategic initiatives and provide a breakout of the budget bill.

(Slide 32)

Over the next biennium, we will continue to work 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 in order to fully maximize federal funding opportunities.

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 move forward and become finalized within the 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 early 2026. These planning studies are recommended by the FAA to be updated approximately every 10 years, and our last update was completed in 2014. Each of these projects have already received a federal grant at or near a 90% funding level. If you are interested in learning more about these efforts, you can visit the project website at 2025ndsasp.com and subscribe for updates.

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

Additionally, we were excited to announce that our state was selected by the National Association of State Aviation Officials to host the 2026 national conference in Grand Forks. This is an exciting opportunity to present our state to a national audience and is something that hasn't happened in North Dakota since the conference came to Bismarck in 1994. We hope that this event will create an exciting opportunity to showcase VANTIS, Grand Sky, and many of the exciting aerospace initiatives at the University of North Dakota.

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Also In the upcoming biennium, a major rehabilitation project is planned for the International Peace Garden Airport, which is owned and operated by the Aeronautics Commission.

As the owner, it is our responsibility to ensure that the airport is properly maintained. This airport is part of the National Plan of Integrated Airport Systems (NPIAS), making it eligible for federal funding.

It serves as a resource for recreational activities and provides access to the U.S. and Canadian Customs at the border. The \$3.5 million dollar project was initially scheduled for 2024, with funding appropriated during the previous legislative session. However, due to the late allocation of \$2.6 million of federal funding during the 2024 fiscal cycle, the contractor has opted to delay the project until the summer of 2025.

To address this delay, we require a carryover appropriation of these funds into the next biennium. Language supporting this request has been included in Burgum's executive budget recommendations to ensure that this project can move forward.

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This slide provides a graphical representation of the Aeronautics Commission's budget as outlined in Burgum's Executive Budget Recommendations. We are waiting for further guidance from Governor Armstrong when his budget is released this Wednesday.

Revenues

Special Funds: The Commission's special fund revenue primarily comes from special fund dollars generated through aviation fuel taxes, aircraft excise taxes, and registration and licensing fees.

A key component of the budget includes a provision to utilize up to \$20 million from the Airport Infrastructure Fund, contingent upon oil revenue deposits in the next biennium. Additionally, a \$120 million one-time transfer from the Strategic Investment and Improvement Fund is provided within Governor Burgum's executive budget recommendations to support the three generational airport projects in Fargo, Grand Forks, and Dickinson.

General Funds: A \$475,000 general fund appropriation is also dedicated to assist with airport improvement grants in the upcoming biennium.

Federal Funds: The anticipated federal funding allocations expected to be received in the next biennium are expected revenues from our airport inspection contract and the federal grants that we have already received for statewide aeronautical studies.

Expenditures

The Aeronautics Commission's expenditure plan prioritizes maintaining efficient operations and supporting the critical airport projects across North Dakota.

Employee Salaries: The budget allocates funding to sustain staffing levels of up to seven full-time equivalents (FTEs).

Operating Expenses: The budget also proposes achieving a 7% reduction in operating expenses from last biennium while still ensuring sufficient resources for effective operations. Funding is also designated to maintain existing programs and complete ongoing statewide aeronautical studies.

Capital Assets: No new requests are being made within capital assets; however, we are requesting carryover of the funds previously appropriated for the International Peace Garden Airport project.

Grants: The current executive budget recommendations include a \$5 million dollar increase to the base budget for grant expenditures, reflecting higher tax revenues received into the Aeronautics Commission's special fund. This adjustment aligns the base budget with projected revenue levels, enabling the commission to provide additional airport infrastructure grants and better meet the funding needs of the state's aviation system.

This balanced approach ensures the Aeronautics Commission can sustain its operations, advance strategic infrastructure projects throughout the state, and continue delivering significant value to North Dakota's aviation community and the general public.