

January 22, 2025

Speaker Frank Matus, Director UAS Integration, Thales USA, Inc. & Chair of the North Dakota UAS Council

Reference: Testimony in Support for HB1038 – To provide an appropriation to the Department of Commerce for an uncrewed aerial vehicle replacement program and a state radar data pathfinder program

Testimony:

Mr. Chairman and esteemed members of the Committee, thank you for the opportunity to testify in support of House Bill 1038, which provides critical funding for two key initiatives that will help the State maintain its competitive advantage and address critical national security challenges.

Today I will be providing you with background on the legislation and its importance to the State. Many of you and other legislators not in this room have asked the question, “Why North Dakota?” I represent the State’s industrial partner, Thales USA, on the Vantis Program. I am honored to now represent our broader UAS Industry across this great State as the Chair of the North Dakota UAS Council. I am here to give you several reasons why we can’t afford to miss this opportunity.

I am providing the history of how we got to this point, particularly on the FAA Radar Data Pathfinder Program and the importance of the UAS Replacement Act for our State agencies. House Bill 1038 reinforces the sentiment that the State of North Dakota can be a model for other states when it comes to drone integration into the airspace and protecting our national security. Sections 1 and 2 of this bill are inextricably linked. On one hand, we can’t be trusted with highly secure data with the federal radar data enclave while simultaneously allowing State agencies to risk non compliance with Federal regulations by operating Chinese made drones that have national security vulnerabilities. It’s imperative to address both at the same time and this is a unique opportunity to do just that. Executive Director Woods and Deputy- Executive Director, Roesler, will dive deeper into the particulars of the bills in their testimony shortly.

Section 1 of House Bill 1038 Uncrewed Aerial Vehicle (UAV) Replacement Program (\$15M):

As many of you are aware, drones have become integral tools for various state agencies, serving a wide array of functions from agriculture and infrastructure monitoring to search-and-rescue operations and law enforcement. However, as technology evolves, many of the drones currently owned by the state no longer comply with recent federal security requirements, specifically the National Defense Authorization Act of 2023. Within the act is Countering CCP Drones Act provision. The NDAA requirements were initially introduced in 2020 and an update was made in subsequent legislation to reinforce the vulnerabilities embedded in foreign manufactured drone platforms that made it possible to send imagery and other data to adversaries outside of the US.

NDAA sets strict controls on the technology used by federal agencies across three categories:

- Components
 - Drones must not contain components manufactured or controlled by companies in countries considered a national security risk. These countries include China, Russia, Iran, and North Korea.
- Supply chain
 - NDAA compliance focuses on the drone's supply chain and critical components.
- Security
 - NDAA compliance ensures that drones are free from components that could compromise the security of sensitive data and missions.

The NDAA's Section 848 restricts the Department of Defense (DoD) from purchasing drones that meet the above criteria. As of October 2024, this restriction also applies to private companies that perform contracts for the DoD. NDAA compliance is important for industries and government agencies that handle highly confidential information. Non-compliant drones could leave critical data exposed to malicious entities.

While Federal agencies have been given a one-year stay on widescale replacement of foreign made drones, particularly those manufactured by DJI but have also identified Autel Robotics as another Chinese manufacturer susceptible to vulnerabilities. DJI controls 77 percent of the U.S. domestic drone market and 90 percent of drones used by first responder agencies like police and firefighters. After being introduced to the U.S. market in 2013, DJI quickly dominated the American drone market due to its easy-to-use product features and affordable prices.

Currently, more than 90% of drones owned by North Dakota state agencies are eligible for replacement under this act. These non-compliant drones present significant risks, including data security vulnerabilities, operational disruptions, and the potential loss of federal funding should these drones be used for disaster relief or for operations that are reimbursable through FEMA funding. This bill establishes the necessary replacement framework to implement a centralized program under the oversight of the NPUASTS. This legislation does not create a mandate but allows the NPUASTS an opportunity to engage State agencies on the procurement, onboarding, operations, training and sustainment of the drones.

House Bill 1038 seeks to align the State with the requirements of the Federal government for national security purposes as well as encourage the build-up of US based component manufacturing in support of the UAS and autonomous systems industry.

Other States, like Florida, have attempted “buy back” programs but have fallen short as it initially limited the buyback to law enforcement agencies but has recently been amended and expanded to include law enforcement agencies, fire service providers, ambulance crews, and other first responders. Our State is looking at the problem more holistically across all State agencies that have had programs in place prior to January 1, 2025. This bill ensures that our state agencies are equipped with compliant, capable drones that meet the highest security standards, protecting both state and national interests. This program not only addresses these challenges but also provides agencies with training and operational support to ensure seamless integration of new, secure systems. In Director

Woods testimony, he will talk about several other benefits to the State and participating agencies.

Section 2—State Radar Data Pathfinder Program (\$11M):

Section 2 of House Bill 1038 is seeking \$11 million to execute the Federal Radar Data Pathfinder Program. This is a critical and unique opportunity for the State. One in which we are competing against several other States to participate in this industry changing program. Many of you may be asking why this is important and what does it mean for the State and UAS integration? The simple answer to this is that the State will not have to continue to replicate radar infrastructure that is already in place and being operated and maintained by the Federal government and that savings alone equates to an estimated \$255 million. Deputy Director Roesler will provide additional details on the magnitude and of the opportunity. However, let me start by giving you some context and background for this request.

Early in 2024, the Vantis program was encouraged to discover that FAA and its interagency partners were willing to share radar data to enhance the Vantis services within the State. This agreement between the State of North Dakota and the FAA allows for unfiltered, real-time to be integrated into the Vantis system. At the time of discovery, we had made provisions for “some” of the Vantis appropriations from the current biennium would be sufficient to start the process and integrate the data. Because this had never been attempted with any other State or industry partner previously, both the Federal government and the Vantis team, were made aware of the investment it would take to obtain the data. This was not simply going to a website and getting access or plugging in a connection to the FAA’s technical center in New Jersey, these requirements dictated that the State entities and industry partners had to put in place both cyber protocols and organizational processes that go above and beyond what any had in place currently. This ultimately means setting up a “controlled, unclassified information and sensitive unclassified information” protocols. To further explain that means segmented IT infrastructure, training on how to handle information, reporting in the event of a breach, and producing artifacts to

the federal government and a third party, independent auditor to show compliance to the processes.

Once we discovered the significance of what it meant, we approached Governor Burgum and the administration to discuss the required investment. The briefings subsequently discussed the challenges of what was in front of us and that we needed to make a choice as to whether to continue with the current Vantis deployment plan or focus on the radar data enclave. The Governor instructed the team to do both and that “he would help find us the money.” Collectively, the team spent nearly all of 2024 attempting to find state funding working very closely with then Lt. Governor Miller and former Commerce Commissioner Teigen. Unfortunately, we were not able to find an appropriate way forward.

Thanks to the actions and understanding of many legislators, particularly Representative Nathe, we are afforded a pathway to an appropriation that will allow us to continue the good work and prepare the State to become the exclusive partner to the FAA and interagency partners to integrate and formulate the basis for national policies and regulations on how this data can be used securely and to safeguard UAS operations across the State, and, soon, across the country.

Today we have in place a signed agreement with the FAA to collaborate and integrate the data into Vantis. The Chief Operating Officer of the FAA Air Traffic Organization, Tim Arrel, has told other states to “wait until North Dakota has its system in place before more partners are considered.”

Members of the Committee, it is my assertion that because we as a State are investing in this capability today, it is very unlikely that the FAA will replicate the effort across the other 49 States to do the same thing. We have worked tirelessly to get to this position so that we can export Vantis to other States, like Michigan, and having this capability gives our State and this program a huge competitive advantage. Additionally, this secure integration and maturing of our own cyber and IT infrastructures will allow us to also partner with the Department of Defense to leverage this capability to support programs like Project Ultra in

Grand Forks and support the missions of the 119th Air National Guard in Fargo and the 319th Air National Guard in Grand Forks.

When I spoke to this very committee and many of the same members in 2021 describing Vantis as a “revolutionary program” that will forever change aviation, I stand here again today expressing my belief that having the exclusive partnership will catapult us forward. To make one more illustration on the importance of taking advantage of this opportunity, there are over 149 radar systems deployed around the country today being used for air traffic control purposes and that does not include several hundred more that are used for defense. As I mentioned at the start, to replicate the four North Dakota radars under Vantis appropriations, it would cost the state approximately \$255 million. For \$11 million to evolve our state IT infrastructure and put in place processes and procedures to work with the FAA and interagency partners, we now are well positioned to integrate the additional 145 radars to help deploy Vantis across the country.

Conclusion:

Together, these two programs represent a forward-thinking approach to maintaining and positioning North Dakota to ensure that we do not miss an opportunity of current and future opportunities that we would otherwise not be able to if we are not in compliance. The funding will ensure that our state’s drones are secure, efficient, and ready to meet the challenges of the future. These initiatives will also bolster our state’s safety and security infrastructure, paving the way for innovation in unmanned aviation systems.

I urge you to advance House Bill 1038 to the floor for immediate consideration so that we can continue this great work on behalf of the citizens of North Dakota. This bill is needed to maintain a competitive advantage over other states, but, also demonstrates this legislative body’s commitment to assisting the Federal Government in addressing national security challenges. Thank you for your time and consideration.

Additional Notes:

Florida Law Particulars:

The Florida Department of Law Enforcement (FDLE) released [updated guidance](#) for the [Florida Drone Replacement Program](#) following passage of the FY25 state budget. The program provides grant dollars to local agencies to help transition away from drones not in compliance with state regulations (primarily Chinese-made drones) and towards compliant drones. The guidance reflects three major changes to the program

The program is now open to “law enforcement agencies, fire service providers, ambulance crews, and other first responders.”

1. Previously, it was only open law enforcement agencies
2. Grants to participating agencies will now be awarded based on the replacement cost (ie how much did the new, compliant drones cost) but not to exceed \$25,000 per drone for each non-compliant drone relinquished.

1. If an agency turns in 4 non-compliant drones they would be eligible for up to \$100,000 grant if they can show a replacement cost that high)

2. Previously, grants were based solely on the value of the non-compliant drones being relinquished so a 2022 mavic might have only been valued at \$3,000

3. Law enforcement agencies that received a grant based on “the current value of the non-compliant drone can complete the [“Supplemental Funding Request Form”](#) for an additional award that matches the replacement cost of the previously purchased compliant drones, again not to exceed \$25,000 per drone.

1. If an agency turned in 4 drones last year and received \$20,000 but purchased 4 drones for \$90,000, they are now eligible for an additional award of \$70,000

1. Current understanding is agencies do NOT have to spend these dollars on new drones but they could because they have likely already paid for the 4 drones they previously purchased.

- Funds for the program will remain available through June 30, 2025
- FDLE [issued new FAQ](#) as of 7/8/24.
- Important - if an agency does not have non-compliant drones to turn in, it can not participate in this grant program.
- Agencies can still receive advance funding from FDLE. Updated program rules provide for flexibility beyond the 45 day requirement for invoice/proof of payment
- Quotes are now eligible for inclusion in initial cash advance submission request
- FDLE wants to get ALL the money out the door before July 2025

