

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2073

2001 SENATE TRANSPORTATION

SB 2073

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2073

Senate Transportation Committee

☐ Conference Committee

Hearing Dates 1-11-01;1-19-01

Tape Number	Side A	Side B	Meter #
1	x		0.0-17.0
Jan. 19, 2001 1		x	14.0-24.8
Committee Clerk Signature <i>Syette Self</i>			

Minutes: SB 2073 relates to fees charged by the aeronautics commission.

**Gary R. Ness:** (Director of the aeronautics commission) Supports SB 2073. See attached testimony.

**Senator Trenbeath:** Why the big increase from \$25 to \$150?

**Gary Ness:** It's to bring about a reduction of dealerships.

**Senator Espgaard:** How much is the excise tax?

**Gary Ness:** 5% of purchase price or net trade in value. 3% for Ag purposes.

**Senator Stenhejem:** Where is the excise tax deposited?

**Gary Ness:** Into a special fund in the aeronautics committee used for airport construction projects and related things.

**Senator Stenhejem:** It seems like quite a jump in price, is this negotiable?

**Gary Ness:** I think so, I will have to call and find out.

**Senator Stenhejem:** It might be advantageous. Hearing closed.

Page 2  
Senate Transportation Committee  
Bill/Resolution Number 2073  
Hearing Date 1-11-01-;1-19-01

Hearing resumed on 1-19-01.

**Senator Stenehjem:** What are your wishes on the fee?

**Senator O'Connell:** Does \$150 seem reasonable?

**Gary Ness:**(Director of Aeronautics Commission; Supports) I don't see a problem with it.

**Senator Trenbeath:** What do you need to cover expenses?

**Gary Ness:** \$75-\$100. Most would go to cover costs of directories, charts, and pilot info.

**Senator O'Connell:** How many people are we affecting?

**Gary Ness:** 58 dealers. 30 "true" dealers, and 10 active dealers.

Hearing closed on SB 2073.

Senator O'Connell made to accept the amendment. Senator Trenbeath seconded. Roll call vote 5-0-1.

Senator Trenbeath moved a do pass on amended bill #18110.0101. Seconded by Senator O'Connell. Roll call vote 5-0-1. Carrier is Senator Trenbeath.

## FISCAL NOTE

Requested by Legislative Council

01/24/2001

Bill/Resolution No.:

Amendment to: SB 2073

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$6,000		\$6,000
Expenditures				(\$1,700)		(\$1,700)
Appropriations						

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

The amendment to SB - 2073 does not have any affect on the FISCAL NOTE for the introduced bill.

Name:	Gary R. Ness	Agency:	Aeronautics Commission
Phone Number:	328-9655	Date Prepared:	01/24/2001

**FISCAL NOTE**  
 Requested by Legislative Council  
 12/27/2000

**REVISION**

Bill/Resolution No.: SB 2073

Amendment to:

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>				\$6,000		\$6,000
<b>Expenditures</b>				(\$1,700)		(\$1,700)
<b>Appropriations</b>						

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

There are 58 registered aircraft dealers in the state. We believe that this increase of fees will reduce the dealers licensing in the state to a more believable (true) number of 30, these people are in reality the dealerships operating with aircraft sales across the state. The increase is requested due to the fact that at \$25.00 a year that the agency is actually losing money in the processing of the applications.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The agency will have a positive cash flow on the administration of the dealership regulatory

function. From an approx <\$500.00> net loss a biennium to a \$7,200.00 positive revenue position. These funds will be deposited into the *Commission Special Fund* and will be used to bolster the *pilot safety seminars, aviation educational efforts and the charts and directory programs.* There is one other benefit. The staff believes that at least 28 additional aircraft will be applied to the Aircraft Excise Tax collections. There are several dealerships that have one aircraft on the Demo-Tag books, the dealership does not pay Excise Tax on Demo aircraft, thus a loop hole in the NDCC creates a tax free safe haven. A dealership can be established and any aircraft held in inventory will not be taxed until resold. An estimated excise tax, **one time wind-fall**, to the Air Service Grant Fund in the amount of \$100,000.00 could take place when the loopholed aircraft revert off the demo-tag position. These funds in the ASGF are used to help capture FEDERAL dollars, at a \$9 federal to \$1 local bases, for airport improvements at the Air Service Airports across the state.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The expenditures will be less due to the reduced workload on the numbers of excepted *true* dealerships. No FTE changes are required, other agency programs will prosper because more time will be spent on those projects that benefit the industry.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

The effect on appropriations are N/A because this regulatory function does not a specific line item in the budget it is a part of the whole regulatory function of the agency.

<b>Name:</b>	Gary R. Ness	<b>Agency:</b>	Aeronautics Commission #412
<b>Phone Number:</b>	328-9650 / 9655	<b>Date Prepared:</b>	12/27/2000

## FISCAL NOTE

Requested by Legislative Council  
12/21/2000

Bill/Resolution No.: SB 2073

Amendment to:

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>		\$3,000		\$9,000		\$9,000
<b>Expenditures</b>		\$3,500		\$1,800		\$1,800
<b>Appropriations</b>						

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

There are **58** registered aircraft dealers in the state. We believe that this increase of fees will reduce the dealers licensing in the state to a more believable (true) number of **30**, these people are in reality the dealerships operating with aircraft sales across the state. The increase is requested due to the fact that at \$25.00 a year that the agency is actually losing money in the processing of the applications.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues.** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The agency will have a positive cash flow on the administration of the dealership regulatory function. From an approx <\$500.00> net loss a biennium to a \$7,200.00 positive revenue position. These funds will be deposited into the *Commission Special Fund* and will be used to bolster the *pilot safety seminars, aviation educational efforts and the charts and directory programs.* There is one other benefit. The staff believes that at least 28 additional aircraft will be applied to the Aircraft Excise Tax collections. There are several dealerships that have one aircraft on the Demo-Tag books, the dealership does not pay Excise Tax on Demo aircraft, is a loop hole in the NDCC creates a tax free safe haven. A dealership can be established

and any aircraft held in inventory will not be taxed until resold. An estimated excise tax, **one** **me wind-fall**, to the Air Service Grant Fund in the amount of \$100,000.00 could take place when the loopholed aircraft revert off the demo-tag position. These funds in the ASGF are used to help capture FEDERAL dollars, at a \$9 federal to \$1 local bases, for airport improvements at the Air Service Airports across the state.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The expenditures will be less due to the reduced workload on the numbers of excepted true dealerships. No FTE changes are required, other agency programs will prosper because more time will be spent on those projects that benefit the industry.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

The effect on appropriations are N/A because this regulatory function does not a specific line item in the budget it is a part of the whole regulatory function of the agency.

<b>Name:</b>	Gary R. Ness	<b>Agency:</b>	Aeronautics Commission #412
<b>Phone Number:</b>	328-9650 / 9655	<b>Date Prepared:</b>	12/22/2000

PROPOSED AMENDMENTS TO SENATE BILL NO. 2073

Page 2, after line 3, insert:

"An applicant for a license or renewal of a license shall submit to the aeronautics commission an inventory of aircraft held by the applicant along with a separate demonstration flight log of time accumulated for those demonstration flights and aircraft tachometer readings for each aircraft on the date of initial application and on November thirtieth before the yearly renewal time. Information on inventory must be provided to the commission on an approved report form. If an aircraft is held in inventory for more than twelve months and is flown more than thirty-five hours of flight time in any given twelve-month period of time, the commission shall determine if the aircraft is a demonstration aircraft. When the hours flown exceed thirty-five hours in the twelve-month period, the aircraft is presumed not to be a demonstration aircraft and the aircraft excise tax must be remitted to the aeronautics commission under chapter 57-40.5 unless upon satisfactory proof the aeronautics commission determines the aircraft is used exclusively for demonstration purposes."

Renumber accordingly

Date: 1-19-01  
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2073

Senate Transportation Committee

☐ Subcommittee on \_\_\_\_\_  
or  
☐ Conference Committee

Legislative Council Amendment Number 18110.0101

Action Taken Do Pass

Motion Made By O'Connell Seconded By Trenbeath

Senators			Yes	No	Senators			Yes	No
1	Senator Stenehjem, Chairman			X		Senator Bercier 6			X
2	Senator Trenbeath, Vice-Chair			X		Senator O'Connell 5			X
4	Senator Espgaard								
3	Senator Mutch			X					

Total (Yes) 5 No 0

Absent 1

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

Amendment 18110.0101

**Roll Call Vote #:**

1-19  
Date: \_\_\_\_\_  
Roll Call Vote #: 2<sup>nd</sup> Amendment

2073

## Committee

or



18110, 010

### Action Taken

Sat Ram Bhatt

## Seconded

By

ed Gen O'Connell

[illegible]

Total (Yes) 5 No 0

**Absent**

Floor Assignment Sen. Trenbath

**If the vote is on an amendment, briefly indicate intent:**

Armed &  
18110.0101

REPORT OF STANDING COMMITTEE

SB 2073: Transportation Committee (Sen. Stenehjem, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (5 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2073 was placed on the Sixth order on the calendar.

Page 2, after line 3, insert:

"An applicant for a license or renewal of a license shall submit to the aeronautics commission an inventory of aircraft held by the applicant along with a separate demonstration flight log of time accumulated for those demonstration flights and aircraft tachometer readings for each aircraft on the date of initial application and on November thirtieth before the yearly renewal time. Information on inventory must be provided to the commission on an approved report form. If an aircraft is held in inventory for more than twelve months and is flown more than thirty-five hours of flight time in any given twelve-month period of time, the commission shall determine if the aircraft is a demonstration aircraft. When the hours flown exceed thirty-five hours in the twelve-month period, the aircraft is presumed not to be a demonstration aircraft and the aircraft excise tax must be remitted to the aeronautics commission under chapter 57-40.5 unless upon satisfactory proof the aeronautics commission determines the aircraft is used exclusively for demonstration purposes."

Renumber accordingly

2001 HOUSE TRANSPORTATION

SB 2073

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2073

House Transportation Committee

☐ Conference Committee

Hearing Date February 16, 2001

Tape Number	Side A	Side B	Meter #
1	x		45
Committee Clerk Signature <i>Laurie L. Fink</i>			

Minutes: Rep. Weisz - Chairman opened the hearing on SB 2073 as engrossed; A BILL for an Act to amend and reenact sections 2-08-03 and 2-08-04 of the North Dakota Century Code, relating to fees charged by the aeronautics commission.

Gary Ness: I am the Director of the Aeronautics Commission: Mr. Ness filed prepared testimony. A copy of his remarks are attached.

Rep. Jensen: ( 362 ) The second page of your testimony, second paragraph-- you mention the that the language also gives the commission discretion in tax enforcement actions. Would explain?

Gary Ness: Where it says when the hours flown exceed the 35 hours aircraft presumed to have been demonstration -- that is in line 12 ? -- on line 14 unless upon satisfactory proof the aeronautics commission determines the aircraft is exclusively for demonstration purposes.

Rep. Jensen: ( 412 ) That would be the example of what ---

Gary Ness: Because they may , there is one dealer -- that sells Malls and that company says they want the dealer to fly that plane a 100 hours per year to demonstrate it. When he called me and asked me -- I said if we had the discretion to deal with you on that -- would that be all right? He said that would be fine because it is a demo aircraft. That is why that language is put in.

Rep. Weisz - Chairman ( 448 ) If you are going to sell an aircraft -- maybe your are going to lease it and a 35 hours seems an extremely small amount of hours -- typically you would lease for a number of weeks and that is how you would sell it -- with maybe 50 or 100 hours wouldn't be a problem -- do you see a problem here -- with a dealer saying here I need an exclusion because I leased it ---

Gary Ness: I asked our two largest dealers, they handle between 100 and 200 aircraft a year -- I asked and they said that about ¾ quarters of the planes they sell we don't even get them back to North Dakota. One of them said typically 30 hours would do it -- the other said 35 -- we put is on the high side and then put the discretionary in because of the Mall dealer -- I don't think 35 is excessive -- if i fly 150 hours a year --is an awful lot of time in the air -- on just a use basis on a private type situation -- in business you are going to put 2 or 3 hundred hours on - -

Rep. Weisz - Chairman (568 ) on leases your are going put on a lot more hours than you will on a private plane --

Gary Ness: On the lease side or if an air plane is in a lease position and still for sale we have a use tax provision for that dealer -- so what he does is he pays us the tax on that airplane as if it is in use --so if he is going to lease it out you as a pilot to use -- he has provision to be able to use that airplane and he pays us 5% of the wet lease or the dry lease which ever won out. So we don't -- nail the airplane to the ground for him -- there is always a methodology for him to use in the

trade. What we are looking at here is the somebody coming in to a smaller airport -- you have to have a position on an airport to be a dealer -- renting a space on an airport with a telephone -- that gives him the opportunity to take care of that part of the law and then he makes an agreement with a mechanic -- a shade tree mechanic which is his maintenance side -- then he is a dealer -- then he goes and buys a 210 or a 182 -- then he is a dealer and he flies it for 3 or 4 years --and then sells it -- but he is not really shown it as an aircraft -- that is basically what we are trying to look for

Rep. Schmidt: ( 684 ) Mr. Larson -- he didn't oppose this bill ?

Gary Ness: No, -- I sent everybody copies -- the three guys I thought would probably give me the hardest time -- all three said it was about time you changed and strengthened it.

Rep. Thoreson: ( 721 ) Did I understand you to say "shade tree" mechanics in aeronautics ?

Gary Ness: You can have AB license and be a mechanic -- and it is the fellow who works out of a small hanger -- rather than attached to a fixed base operator -- it is just a t-hanger - "shade tree" mechanic.

Rep. Grumbo: ( 761 ) When I look at the increase in fees, what is the cost to your division agency --

Gary Ness: We're looking at between 65 and 75 dollars -- to handle this -- part of the inspection process we put , we have to typically fly out to and look at a new applicant and check over his operation and inventory -- what we attempt to do is to do that as we do business across the state. The commission debated that issue as far as the cost factors for 15 - 20 minutes and they settled on \$150. I did take it to the legislature that way and we did debate it heavily over in the senate .

Rep. Grumbo: ( 835 ) the other thing is - - where does the Ag industry come into the picture here.

Gary Ness: The -- tax on Ag aircraft is 3% -- there is two Ag dealers in the state who handle Ag aircraft and they are typically in a transition -- those aircraft probably sit in inventory 2 to 4 months and generally move pretty quickly.

Gary Ness: Mr. Chairman -- I have a handout for the committee -- I have been before the house transportation but though you should know what the aeronautics commission looked like and part of the package -- is a an executive summary of what we are doing and the construction project -- there is a chart that we produce for the pilots or anybody -- it is your airport directory and gives you an aerial picture --

Rep. Weisz - Chairman ( 969 ) There being no one wish to speak either for or against SB 2073, the hearing is close to receipt of any further testimony on SB 2073.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2073B

House Transportation Committee

☐ Conference Committee

Hearing Date March 1, 2001

Tape Number	Side A	Side B	Meter #
2	x		2,712
Committee Clerk Signature <i>Lawrence B. Zink</i>			

Minutes: Works session - 2:30 PM After opening recall Rep. Weisz - Chairman opened the discussion for action on SB 2073.

Rep. Carlson: I move that amend this bill as follows: on line 10 after than -- change the 35 to 50  
And on line 12 to read 50 hours too.

Rep. Kelsch: I second the motion for the amendments.

On a voice vote the motion carried.

Rep. Kelsch: I move a 'Do Pass as Amended' for SB 2073 .

Rep. Carlson: I second that motion.

On roll call vote - motion carried: 11 yeas 0 nays 3 absent.

Rep. Weisz will carry the bill on the floor.

18110.0201  
Title.0300

Adopted by the Transportation Committee  
March 1, 2001

✓12  
3/1/01

HOUSE AMENDMENTS To engrossed SB 2073

HTRN

3-02-01

Page 2, line 10, replace "thirty-five" with "fifty"

Page 2, line 12, replace "thirty-five" with "fifty"

Renumber accordingly

Date: 3/1/01  
Roll Call Vote #:

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2073

House Transportation Committee

☐ Subcommittee on \_\_\_\_\_  
or  
☐ Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass as Amended

Motion Made By Rep. Kelsch Seconded By Rep. Carlson

Representatives	Yes	No	Representatives	Yes	No
Robin Weisz - Chairman	✓		Howard Grumbo	✓	
Chet Pollert - Vice Chairman	✓		John Mahoney	✓	
Al Carlson	✓		Arlo E. Schmidt	✓	
Mark A. Dosch	✓		Elwood Thorpe	A	
Kathy Hawken	✓				
Roxanne Jensen	A				
RaeAnn G. Kelsch	✓				
Clara Sue Price	A				
Dan Ruby	✓				
Laurel Thoreson	✓				

Total (Yes) 11 No 0

Absent 3

Floor Assignment Rep. Weisz

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)  
March 2, 2001 12:55 p.m.

Module No: HR-36-4698  
Carrier: Weisz  
Insert LC: 18110.0201 Title: .0300

**REPORT OF STANDING COMMITTEE**

SB 2073, as engrossed: Transportation Committee (Rep. Weisz, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). Engrossed SB 2073 was placed on the Sixth order on the calendar.

Page 2, line 10, replace "thirty-five" with "fifty"

Page 2, line 12, replace "thirty-five" with "fifty"

Renumber accordingly

2001 TESTIMONY

SB 2073

**SB - 2073**

**Senate Transportation Committee  
Thursday, Jan. 11, 2001**

**Senator Bob Stenehjem, Chairman  
Senator Tom Trenbeath, Vice Chair**

**Testimony by:**

**Gary R. Ness, Director  
Aeronautics Commission**

**Committee members thank you for the opportunity to present this bill before you this morning.**

**The Aeronautics Commission members debated this issue related to increasing the Dealer Fees long and in depth. The estimated cost for the staff to process the yearly dealer license is in the \$35.00 range. Thus we estimate that with cost accounting we run in the red about \$1,700.00 a biennium. With this increase and the events that may follow the agency should show a positive cash flow of approximately \$6,900.00 for the biennium.**

**There are 58 registered aircraft dealers in the State. We believe that approximately 1/2 of that number are using the dealer program as a SAFE HAVEN for tax purposes.**

**If you have a dealer's license and obtain an aircraft you can put that aircraft into inventory and receive a DEMO-TAG and the Excise Tax is not due until such time as you sell it out of your inventory, in State. The dealership, rightfully so, does not pay the Excise Tax until it leaves its inventory and then the purchaser is responsible for the tax. However, there have been several one aircraft dealerships that have been set up in recent years that have taken advantage of this provision to the NDCC. Thus some private use of those aircraft is TAX-FREE.**

**The increase of the fee to \$150.00 @ year, along with some increased regulatory work on the Commission's part, should bring about a reduction of dealerships by an estimated 28 to 30. This could deliver a one-time windfall of \$100,000.00 to the Aircraft Excise Tax Fund, which is at this time dedicated to air service airport construction projects. This windfall would come from those aircraft that are in the demo-tag haven to be brought to the collection stage for the Excise Tax.**

**On page 2, line 30, an increase from \$15.00 to \$50.00 on Ultralight Dealer's License fee is included. There is not the same problem with this type of aircraft thus the increase to \$50.00 is for administrative cost purposes.**

**As I said in the beginning the five-member Commission board debated this issue long and in depth and they feel that this fee increase is needed and justified.**

**I thank the committee and stand ready for questions.**

SB - 2073  
House Transportation Committee  
February 16, 2001

Testimony by:  
Gary R. Ness, Director  
Aeronautics Commission

Rep. Robln Welsz - Chairman  
Rep. Chet Pollert - Vice-Chair

Committee members thank you the opportunity to present this bill this morning.

The Aeronautics Commissions five member board debated this issue related to increasing the aircraft dealer fees long and in-depth. The estimated cost to the staff to process the yearly dealer license is in the \$35.00 @ range. Thus we estimate that the agency runs in the red about \$1,700.00 a biennium.

With the Senate approved fee increase and the additional regulatory provisions enacted, in the 1<sup>st</sup> Engrossment, the agency should show a positive cash flow of approximately \$6,900.00 for the next biennium. These funds are earmarked to be used for aeronautical charts and airport directory publications.

There are 58 registered aircraft dealers in the State. We believe that approximately 1/2 of that number are using the dealer program as a SAFE HAVEN for tax purposes.

**The explanation to that is as follows:**

If you have a dealers license and purchase an aircraft you can enter that aircraft into your inventory and receive a DEMO-TAG and the Excise Tax is not due until such time as you sell it out of your inventory. The dealership, rightfully so, does not pay the Excise Tax until that aircraft leaves inventory, then the **purchaser** is responsible for the tax at the time of registration with the agency.

However, there have been several one aircraft dealerships that have been set up in recent years that have taken advantage of this provision to the **NDCC**. Thus private use of those aircraft is **Excise Tax free**.

The increase of the fee and the newly formulated regulatory functions, outlined on Page 2; lines 4 thru 15, of the 1<sup>st</sup> Engrossment, should bring about a reduction of dealerships by an estimated 28 to 30. This language also gives the Commission some discretion on tax enforcement actions. The language also makes this section a real aircraft dealer law. This change has been discussed with large, small, active and inactive dealers across the State and we have found support in the field for the provisions set forth in the Engrossed SB-2073.

For informational purposes all dealers in the State were sent copies of the Bill and the Commission's testimony a week before the first hearing on the topic.

The Commission has not received one complaint on this effort as of today.

This action could deliver a one-time windfall of \$100,000.00 to the Aircraft Excise Tax Fund, which is at this time dedicated to air service airport construction projects. This windfall will come from those **Safe-Haven** aircraft that are operating on Demo-Tags. Those aircraft will be brought to the collection stage for the **Excise Tax** with the provisions set forth in the Engrossed Bill.

As a part of this testimony you will find attached an example of the forms the Commission is developing to make this legislation work most effectively for the agency and most important our customer.

On page 3; line 11 and 14, an increase of Ultra light Dealer's License Fee is included. There is not the same problem with this type of aircraft thus the fee increase is for administrative cost purposes.

As I pointed out in the beginning the five-member Commission Board and the Senate debated this issue long and in depth and I ask the House Transportation Committee to support our efforts.

I thank the committee and stand ready for questions.

Robert J. Miller, *Chairman*, Casselton.

Presently a Captain with Northwest Airlines. He is a real estate business owner, manager of the local airport, and active in economic development in the Casselton area. He is a former Air Force pilot and aerial ag applicator. He has been flying 35+ years and has been a member of the Commission since 1985.

Jay B. Lindquist, *Vice Chairman*, Hettinger.

President of Air Dakota Elite, a full service FBO with a strong aerial applicator background. He also has interests in banking, retail and farming. He has been flying for 40+ years and has served on the Commission since 1993.

Cindy K. Schneider-Beck, *Secretary*, Wahpeton.

Currently serving as the Executive Director of the North Dakota Agriculture Aviation Association (NDAAA). Cindy is an educator involved at the state and national level with aviation/aerospace programs. Cindy is active in Tri-State Aviation which is involved in many facets of the aviation industry including parts fabrication, warbird restoration and general mechanical services. She is active in the Wahpeton area business and education community and has served on the Commission since 1997.

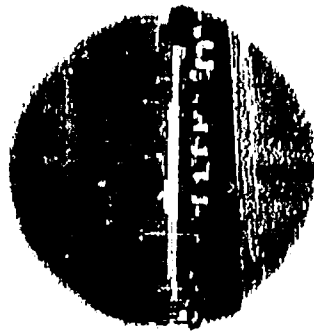
Maurice E. Dume, *Member*, Bismarck.

A practicing lawyer who has since 1980, limit of his practice to serving as board counsel. He is a current multi-engine rated pilot. He started flying at Hettinger in 1982. He served four years as Commander of the North Dakota Wing of the Civil Air Patrol and ten years as Civil Air Patrol's National Legal Officer. He also served as Chairman of Prairie Public Broadcasting. Maurice was appointed to the Commission in 1999.

Dianne L. Herr, *Member*, Turtle Lake.

This U.S. Postmaster is an active private pilot. Vice President of the ND Chapter of the 99th, member of the North Dakota Pilots Association, and FAA. Dianne is very active in community affairs but finds time for flying Eagles and organizing a well-attended fly-in at the local airport. Dume has served on the Commission since 1998.

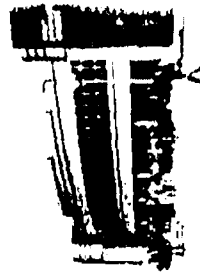
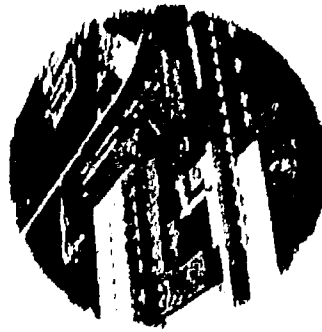
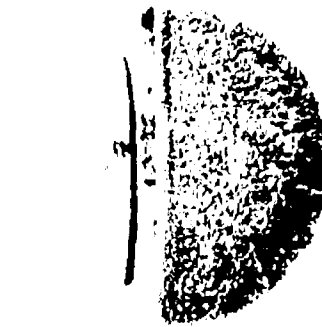
a commission that  
regards aviation safety



NORTH DAKOTA



AERONAUTICS COMMISSION



... a statewide voice for aviation



#### AGENCY VISION:

To encourage an unencumbered business climate and to foster a positive evolution of the industry.

#### AGENCY MISSION:

To provide at the highest priority, economic and technical assistance to insure an orderly and cost effective support system that enables the advancement of the state's aviation system.

#### AGENCY PHILOSOPHY:

The state aviation system is an attractive front door to our state's economic growth. To ensure this growth, the system needs continual enhancement with state-of-the-art technology. With this goal, continued flexibility and responsiveness by the Aeronautics Commission will fulfill the needs of the aviation community. Continued close communication, with the national scene through congressional offices, Federal Aviation Administration and other national aviation associations is necessary. Continuing to consult with the state's aviation community through the North Dakota Aviation Council and its affiliated members is of the utmost importance. These lines of communication will retain and strengthen the positive direction and effort of the Aeronautics Commission into the future.

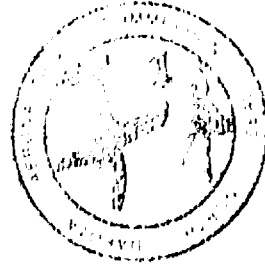
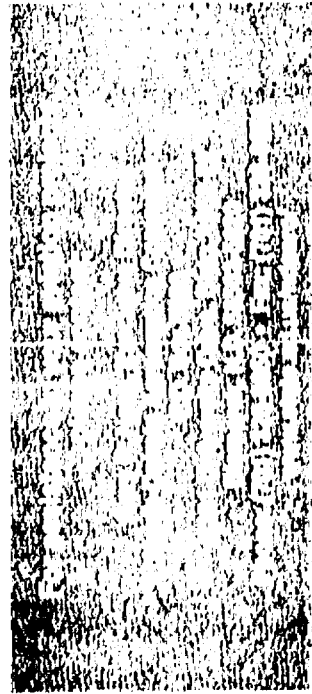
The Aeronautics Commission celebrated its 50th birthday in July 1997. In 1947, the state had 59 municipal airports and 121 grass strips. Today, we have 92 municipal airports and 220+ registered grass strips. The goal set by the agency in the middle 50's was to have a minimum of one hard surfaced airport in every county. There are only ten counties without a paved airport. Out of that, only five counties do not have a public airport facility.

#### COMMISSION ACTIVITIES INCLUDE:

- Promote competitive scheduled air service.
- Continue to provide a computerized satellite weather report to the aviation community.
- Sponsor legislation to provide grants for airport improvement and educational programs.
- Continue partnership with aviation interests within the state through the North Dakota Aviation Council.
- Continue to communicate the state's required services and needs at the federal level.
- Continue the effort of planning to insure the viability of the State Airport System Plan.
- Publish the state airport directory and aeronautical chart to facilitate flight planning and safety.

#### AVIATION FACTS ABOUT NORTH DAKOTA:

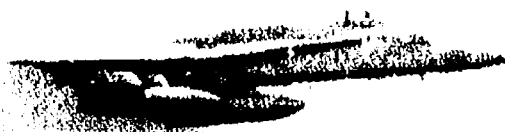
- \$585 million of aviation economic impact occurs annually.
- 8,700 jobs are attributed to aviation activity.
- 1,700 based aircraft, helicopters, and ultralight vehicles.
- 3,000 licensed pilots.
- 92 public-use airports have 57 aviation businesses based on them.
- 200 rural private grass airfields.
- 6 airline services in North Dakota: Northwest, United Express-Great Lakes, United Express-Atlantic Coast, United Express-Air Wisconsin, Northwest Airlink-Mesaba, and Big Sky offering 84 daily flights.
- 197 spray businesses operate in North Dakota utilizing 320 aircraft and helicopters.
- 80,000 tons of air freight are flown annually into North Dakota's commercial airports.



CONTACT AERONAUTICS COMMISSION FOR A COPY

# 2000-2001

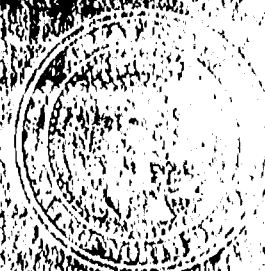
## NORTH DAKOTA AERONAUTICAL CHART



Entering the 21st Century  
North Dakota Aeronautics Commission



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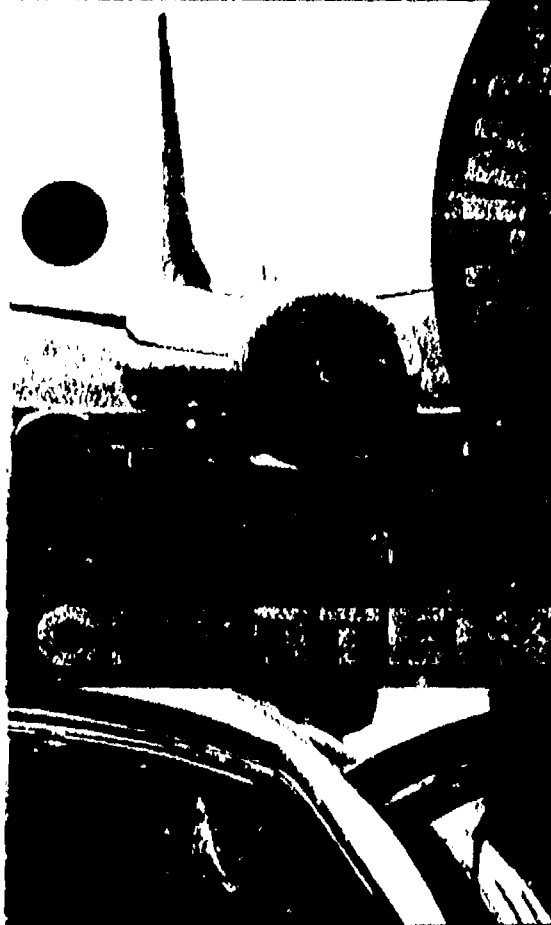
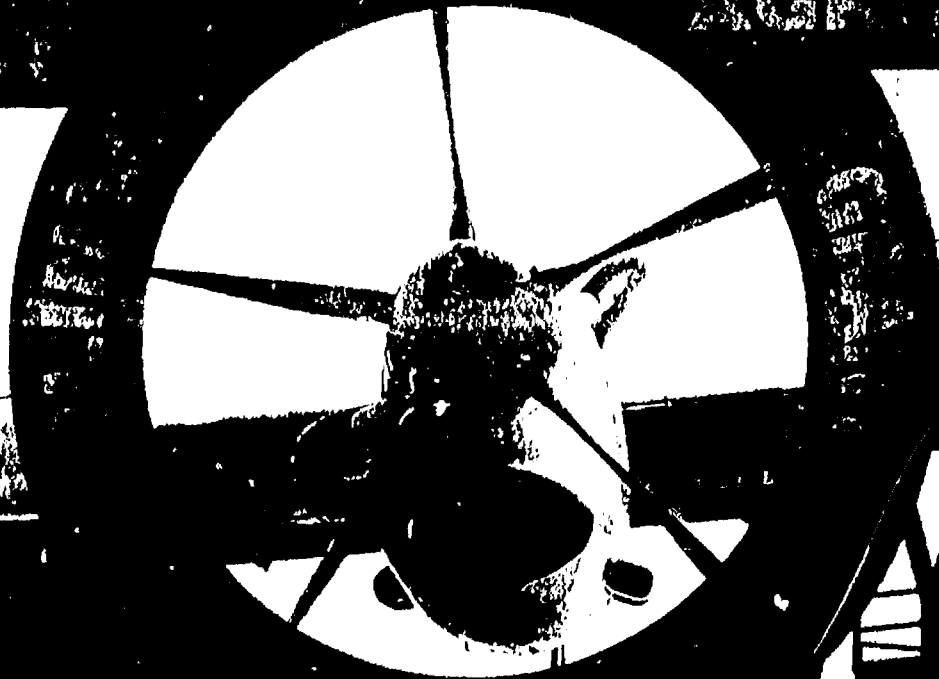


# NORTH DAKOTA AVIATION SYSTEM PLAN



AVIATION  
IMPACT

AGRICULTURE



## EXECUTIVE REPORT



Prepared by  
North Dakota  
Aeronautics Commission  
701-328-0650

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