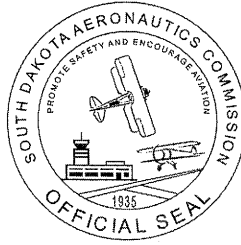


STATE OF SOUTH DAKOTA
AERONAUTICS COMMISSION

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PIERRE, SD 57501



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December 30, 2014

The Honorable Dennis Daugaard
Governor of South Dakota
Office of the Governor
500 E. Capitol
Pierre, SD 57501

Dear Governor Daugaard:

State law requires the Aeronautics Commission to prepare a yearly report to the Governor. Enclosed is a report of the Aeronautics Commission proceedings for 2014. If you have any questions, please feel free to contact the Aeronautics Commission at the South Dakota Department of Transportation, 700 E. Broadway Ave, Pierre, South Dakota, 57501. Thank you.

Sincerely,

Vernon C. "Skip" VanDerhule
Chairman

Enclosure

AERONAUTICS COMMISSION REPORT FOR 2014

50-2-4. Report to Governor. On or before the thirty-first day of December, in each year, the commission shall make, to the Governor, a full report of its proceedings for the year ending the thirtieth day of June preceding and may submit with the report any recommendations pertaining to the commission's affairs as seem to the commission to be desirable.

1. Commission members and terms (all expire on October 30)

Skip VanDerhule, Chairman, Yankton, term expires 2017
 Eric Odenbach, Vice-Chairman, Eureka, term expires 2015
 Richard Pearson, Brandon, term expires 2016
 Christopher Funk, Volga, term expires 2015
 Travis Lantis, Spearfish, term expires 2016
 Chad Hatch, Sioux Falls, term expires 2015
 Arnie Hauge, Sioux Falls, term expires 2016

2. Staffing of South Dakota Department of Transportation Office of Aeronautics

An engineering manager and secretary each code 1/3 one third of their time to aeronautics. There are also full time positions for two engineers, a project technician, and a program assistant. There are no vacancies at this time.

3. Number of airports

There are 71 public airports currently in the State (6 commercial services with the remainder being general aviation). Four airports have closed in recent years (North Sioux City, Dupree, McIntosh, and Harrold).

4. Number of registered aircraft, registration fees, and the original registration (sales) tax.

- a. The “registration fee” is due yearly based on the size and age of an aircraft. The average aircraft registration is less than \$38, with more than 17% of the aircraft registered for \$12.50 per year.

Fee Type	Collected in CY2009	Collected in CY2010	Collected in CY2011	Collected in CY2012	Collected in CY2013	Collected in CY2014	Projection for CY2015
Registration Fee	\$41,808.00	\$47,122.00	\$47,716.00	\$48,814.00	\$51,581.00	\$54,277.00	\$50,000.00
Registration Penalty Fee			\$16.00		\$98.00	\$13.00	\$0.00
Tax Payment	\$725,587.00	\$1,015,190.00	\$439,869.00	\$1,050,444.00	\$1,559,727.00	\$891,134.00	\$950,000.00
Tax Penalty Payment		\$486,151.00	\$43.00		\$10,711.00	\$7,624.00	\$9,000.00
Total Collected	\$767,395.00	\$1,548,463.00	\$487,644.00	\$1,099,258.00	\$1,622,117.00	\$953,048.00	\$1,009,000.00

Number of Aircraft Registered	
CY2009	1297
CY2010	1321
CY2011	1376
CY2012	1386
CY2013	1411
CY2014	1431
Projection for CY2015	1450

- b. The “Tax Payment” is an original registration tax based on the purchase price of the aircraft. This is 4% on all aircraft except agriculture related which is 3%. The great variation from year to year is caused by the high value of some aircraft. The original registration of just one \$20,000,000 dollar jet would provide \$800,000 in tax.
 - c. The number of registered aircraft has increased slightly in the last five years.
5. Gallons of aviation fuel used in the last five years and the tax received in the same time period.

	Av Gas	Jet Fuel	Total	Collections
FY2010	1,266,792	12,625,034	13,891,826	\$1,087,709
FY2011	1,314,542	15,682,589	16,997,131	\$2,361,547
FY2012	1,144,570	16,620,410	17,764,980	\$1,542,629
FY2013	1,171,553	16,607,131	17,778,684	\$2,368,391
FY2014	1,016,967	14,924,629	15,941,596	\$1,734,936

“Av Gas” is 100 low lead fuel used in piston aircraft. Over the years, the use of 100LL has been decreasing, and jet fuel usage has been increasing. The “collections” vary mostly because of timing.

6. Federal funds received in the last six years.
- a. Federal funds received for the Airport Improvement program since 2009
 - FY2009-\$42,536,537
 - FY2010-\$38,406,473
 - FY2011-\$38,518,358
 - FY2012-\$26,704,910
 - FY2013-\$31,812,519
 - b. Federal funding issues. The required State/local match to federal funds changed in 2012 from 5% to 10%. The commission changed the State portion from 3% to 5% in 2013, which leaves 5% for local match. The extra match is causing hardships to both the Aeronautics Fund and to the local sponsors.

7. A list of projects for 2014 is attached which provides an example of the Airport Improvement Program (AIP).
8. Airport inspections. Each non-commercial airport is inspected by DOT each year, with further compliance inspections conducted as needed. The commercial service airports are inspected by the FAA.
9. Aeronautics Trust Fund

The ending cash balance of the aeronautics trust fund in FY 2013 was \$4,723,000. The total State revenue to the fund in FY 2014 was \$2,385,000, and the ending cash balance was \$3,783,000. The largest expense to the fund is the match requirement on federal money for the Airport Improvement Program.

10. Legislation.
 - a. Title 50 on aviation was updated in the 2014 legislature with a major re-write.
 - b. For 2015, two issues are being discussed by airport sponsors, airport managers, and their engineering consultants. One is the 25 year limit in aviation law for leasing airport property. A longer lease is needed for companies to qualify for some loans. The other is a 30 day limit in law to contract following bid opening. There has been a problem when dealing with federal grants, and a longer time period is needed. Both of these may be brought forward by the South Dakota Municipal League in the 2015 legislative session.
 - c. Other legislative issues for the future. "Fees" were not addressed in the Title 50 re-write in 2014. The two main sources of revenue to the Aeronautics Trust Fund in South Dakota are tax on aviation fuel and original registration (sales) tax on aircraft. The challenge is to produce adequate revenue for the Aeronautics Fund yet stay competitive with other states. There is an issue with the original registration tax for large jets which are leased. Many states are attempting to deal with this problem. Although the cost to register aircraft in South Dakota is low, and because of the relatively small number of aircraft, even doubling the fees would produce only \$50,000 additional revenue.
11. Status of airport directory and aeronautical chart.
 - a. Periodically (generally bi-annually) the Commission has authorized the development and publication of two pilot resources; the Airport Directory and the South Dakota Aeronautical Chart. These will both be completed early in CY 2015.
 - b. The Department of Transportation sponsors a yearly "Airport's Conference" usually in the spring to bring together airport managers, airport sponsors which is usually a municipality, engineering consultants which represent the sponsors in construction projects, and the regulators. The conference is used to educate and discuss issues.

12. Issues

a. UAV's.

The Unmanned Aerial Vehicles (UAV's) industry is rapidly growing. The FAA is slow to develop regulation and the industry is impatient. Some of the issues with UAV's: privacy concerns when used by law enforcement and by private entities; the safe and responsible use of UAV's to keep the skies safe for aviation; and the use of UAV's for criminal activity. Some states are adopting their own laws for these concerns plus provisions for civil action when UAV's are used improperly.

b. Super AWOS.

Through the Aeronautics Trust Fund, the State has purchased and placed 29 remote weather reporting stations in South Dakota. These reporting stations use equipment called Super AWOS. The FAA will not recertify this equipment which causes problems with using the information by some pilots in some situations. There is a battle between the FAA and the company producing the Super AWOS. Senator Thune is involved in attempting to persuade the FAA to recertify the equipment.

c. Re-organization of the FAA offices.

The FAA has recently completed a reorganization of their field offices. In the past, South and North Dakota were combined to form one area district office (ADO) with the office located in Bismarck. Now, Minnesota has been added to this area and the main office was moved to Minneapolis (Dakota-Minnesota ADO). There were concerns South Dakota would lose its identity and funding for the airport improvement program. There is still a branch office in Bismarck with more FAA employees than before. There has been no change working with the FAA or the funding.

d. Permitting of towers and other tall structures.

One function of the Commission is to permit towers and other tall structures. SDCL 50-9-1 was amended in 2014 to include the following language.

Any person or organization, who intends to construct or alter a structure that exceeds two hundred feet above ground level and that is outside the zones described in this section and who has obtained a Federal Aviation Administration determination of no hazard, may provide that determination to the commission prior to the start of construction in lieu of the application and permit required by this chapter.

Although FAA action preempts the State, the FAA has no enforcement authority over tower construction. With the State's enforcement authority, the commission works with the FAA for the safe construction of towers. No notifications have been received per this amended law to date.

2014 SD Airport Project Grants

Airport	Project Description	Total Funds
Aberdeen	construct wetland filling/ hazard mitigation, storm sewer improvements	\$5,140,000
Bison	Fuel system with card reader	\$245,000
Clark County	SRE building and GA terminal	\$430,000
Edgemont	Construct runway edge lighting, PAPI, windcone with vault and controls	\$350,000
Eureka	rehab runway, taxiway and apron, shape RSA, raise runway lights	\$864,000
Eureka	ALP update and narrative	\$80,000
Faulkton	construct GA terminal/SRE building	\$320,000
Gettysburg	Pave parking lot, rehab access road, lighted windcone, SRE broom/plow attachment	\$200,664
Gregory	apron expansion; relocate fuel system	\$40,000
Highmore	EA for phase 2 taxiway construction	\$65,000
Hot Springs	update master plan and ALP; design partial parallel	\$244,000
Hoven	Design runway, taxiway, apron reconstruct, perimeter fence	\$110,000
Huron	Fill wetland and restore	\$1,024,369
Madison	Wildlife Hazard Management Plan	\$27,779
McLaughlin	EA for runway protection zones and departure surface	\$61,000
Miller	Reconst runway 15/33, turnaround, taxiway. PAPI flight check	\$3,000,000
Murdo	Construct 600' extension to 14; turnaround; MIRL; 18B approach survey	\$727,778
Parkston	Update Airport Layout Plan/Master Plan	\$85,000
Philip	pavement rehab of 12-30, Apron, Taxiway, turnarounds	\$261,111
Pierre	Rehab runways, taxiways and apron; SRE; design apron recon	\$1,021,111
Pine Ridge	Design expansion of GA apron	\$54,444
Platte	Design for rehab of 14/32 and connector taxiway	\$120,000
Rapid City	Complete master plan update	\$174,009
Rapid City	RWY 5-23 threshold lighting upgrade; complete MP update; old term demo; apron expansion enviro, design; SRE purchase	\$559,979
Redfield	design wetland mit, 17/35 with turnarounds, MIRL, PAPI, obliterate 13/31	\$260,000
SDDOT	Pavement Maintenance, including rejuvenators, and Marking at Multiple Generations	\$881,112
SDDOT	purchase of SRE tractor and attachments for Mitchell	\$132,268
Sioux Falls	rehab twy a, perimeter rd, rwy 3-21 apch pavement; SRE purchase	\$3,036,263
Sisseton	Reimburse for 838 SY of eligible apron reconstruction	\$37,778
Spearfish	Update ALP/Master plan, approach surveys	\$277,778
Vermillion	Prepare ALP with narrative report	\$100,000
Wagner	construct wildlife fence; reimburse remarking rwy numbers	\$340,000
Wall	SRE equipment reimbursement	\$152,791
Watertown	ARFF truck, WHA and WHMP	\$609,000
Webster	Design reconstruction of 12/30, apron, exit taxiway	\$110,000
Wess. Springs	Install runway underdrains	\$100,511
Winner	Design and construct hangar area expansion; relocate ASOS	\$725,000
Yankton	Design GA apron expansion & hangar relocation	\$88,973
Total 2014 Projects		\$22,056,718