AERONAUTICS COMMISSION REPORT FOR 2018

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.

- Commission members and terms (all expire on October 30):

  Eric Odenbach, Chairman, Eureka, term expires 2021
  Kassidy Nelson, Elkton, term expires 2019
  Dave Luers, Pierre, term expires 2019
  Christopher Funk, Volga, term expires 2021
  Travis Lantis, Spearfish, term expires 2019
  Rolf Johnson, Mina, term expires 2021
  Bob Huggins, Sioux Falls, term expires 2020

- Staffing of the SD DOT Office of Aeronautics (no vacancies at this time):
  Program Manager and secretary (1/3 each to aeronautics), two engineers, a project technician and a program assistant.

- Number of airports:
  There are currently 71 public use airports in the State (5 commercial services with the remainder being general aviation).

- Number of registered aircraft over last five years and the registration fees collected in the same time period:
  a. Please see Attachment #1. The “Registration Fee” is due yearly based on the size and age of an aircraft. The law pertaining to registration is fairly old with the average registration fee being less than $35, and a relatively large percentage of aircraft registered for $27.50 per year.
  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 aircraft which is set at 3%. The great variation from year to year is caused by the high value of some aircraft. For example, the original registration of just one $20,000,000 jet would provide $800,000 in tax.
  c. The number of registered aircraft in South Dakota has consistently increased since 2014.

- Aviation fuels used in the last five years and the tax received in the same time period is listed below.

State FY	Gallons of Fuel		Taxes Collected		
	AV Gas	Jet Fuel	Fuel Collections	Tax on Aircraft	Total
FY2014	1,128,333	16,218,403	$715,358	$1,019,578	$1,734,936
FY2015	1,194,210	16,410,445	$729,541	$1,259,876	$1,989,417
FY2016	1,079,481	16,445,575	$709,348	$797,770	$1,507,118
FY2017	1,234,960	17,104,189	$763,485	$1,204,234	$1,967,719
FY2018	991,916	17,669,731	$777,680	$1,527,365	$2,305,044

- Federal funds received per the federal fiscal year (October 1st – September 30th) for the past five years is as follows:

  FY2014 - $19,851,042
  FY2015 - $20,432,294
  FY2016 - $38,322,243
  FY2017 - $28,595,493
  FY2018 - $24,143,556

- Please see Attachment #2 for a list of Airport Improvement Program (AIP) projects the State of South Dakota received federal funds for the fiscal year 2018. Shown is a breakdown of costs based on participation. Currently, 90% of eligible costs are federally funded and 5% is funded by the state aeronautics trust fund. The remaining 5% is funded by the airport sponsor. Any costs not eligible for federal or state funds is paid by the airport sponsor.

- The State aeronautics fund derives its revenues from those funds listed above (aircraft registration fees and aircraft fuel taxes) and is used to support airport grants, ongoing aviation related services, and special projects. The funds deposited into the Aeronautics Trust fund is allocated to two distinct uses, one for state aeronautics use and for individual airport sponsor use. The airport sponsor allocations are based on set allocations as established by the Aeronautics Commission and then prorated according to aircraft fuel sold and collected at each eligible airport. Thus, each airport receives funding based on aircraft fuel sales derived from their individual airport and can be used for general aviation purposes.

  The overall Aeronautics Trust Fund balance as of July 1, 2018 was approximately $4.1 million (see Attachment #3). The chart reflects the amount allocated to the airport sponsors (City Allocation) and the remaining funds available to the State for expenditures approved by the Aeronautics Commission.

Most of the state aeronautic funds are expended on projects approved via the airport improvement program (AIP). Eligible projects are processed through the Federal Aviation Administration (FAA) and coordinate through SDDOT and the airport sponsors. The typical project funding is 90/5/5 with FAA providing 90% of the funds and the State and locals sharing equally the remaining 10%.

The chart depicted on Attachment #4 is a forecast of the state portion of the Aeronautics Trust fund account. This projection reflects the account will continue to be depleted as expenditures are greater than revenues. This is a grave concern to the Aeronautics Commission and we will need to make changes very soon to avoid a zero balance. There are a couple of options that can be taken to improve the situation. They are as follows:

1. In 2010, the Legislature transferred $3.5 million from the Aeronautics Trust Fund to help balance the state budget. In 2014, the Legislature returned $500,000 to the fund. The State Legislature could pass legislation to return the remaining $3.0 million to the Aeronautics Trust Fund, this would help the projected short fall on a short-term basis.

2. Increase aviation registration taxes on aircraft, the tax payment on original aircraft purchases, and/or the aviation fuel tax. These taxes are set by law and would need legislation passed to increase the rates. This would be a long-term solution to the issue.

3. Reduce the match rate provided by the State on AIP projects. Currently the rate is 5%. This rate was set eight years ago based on changes to the federal program when they changed the required match rate from 5% to 10%. A reduced State match would mean airport sponsors (local governments) would need to increase the amount of funding they provide for these airport projects. This would be difficult as they currently have insufficient funds to cover the local match and have approached the Aeronautic Commission to increase the State match rate.

The Aeronautics Commission requests the Governor work with the state legislature in the upcoming session to enact legislation for Option 1 listed above. The Aeronautics Commission is also requesting the Governor work with the state legislature during the 2020 legislative session to enact legislation for Option 2 listed above and increase the rates on the respective taxes collected and deposited into the Aeronautics Trust Fund. These changes would provide additional funding, both short term and long term, in helping to keep the trust fund solvent. Without these actions, the Commission will be forced to move on Option 3. This would be a disservice to the aviation industry and hinder the economic vitality of the state and our local governments.

- 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 Certification Inspectors.

- South Dakota Airport Conference:
  SDDOT 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 regulators. The conference is used to educate and discuss issues.

- Additional Projects:
  SDCL Title 50 “Aeronautics” update
  A group of individuals representing various aviation organizations, SD legislature, SDDOT, and the Aeronautics Commission met several times over the past year to discuss and update SDCL Title 50. The proposed changes will refresh the language and bring it in line with federal law and current state procedures, make it less ambiguous and clarify terminology. It is anticipated a bill will be proposed for the upcoming legislative session.

  Powder River Training Complex (PRTC):
  Members of state and aviation organizations from Montana, Wyoming, and North and South Dakota met to discuss the Powder River Military Operations Area (MOA) that includes the geography of northwestern South Dakota. Issues discussed included separation of military and general aviation (GA) traffic, radar coverage and availability of communication and real-time updates of the MOA status to GA pilots. The goal of the organizations is to improve interoperability between military and FAA air traffic control regarding the issuance of Notice to Airmen (NOTAMs) and MOA status text updates for pilots. Funding is needed to deploy radio equipment and automatic dependent surveillance – broadcast (ADS-B) ground stations.

- Aviation Education:
  For the past few years, the Commission has granted funding to the South Dakota Discovery Center, Civil Air Patrol (CAP), and SDSU, to promote aviation to students in middle and high school. In 2018, 1000 USB (flash) drives, with information regarding aviation, flight schools, scholarships, aviation careers, etc., were purchased to be given to middle and high school students at various events. These three organizations have been traveling around South Dakota teaching about aviation, providing students with the opportunity to visually see and experience physical aircraft, and fly SDSU’s mobile flight simulator.

Attachment #1 - Aircraft Registered and Fees Collected

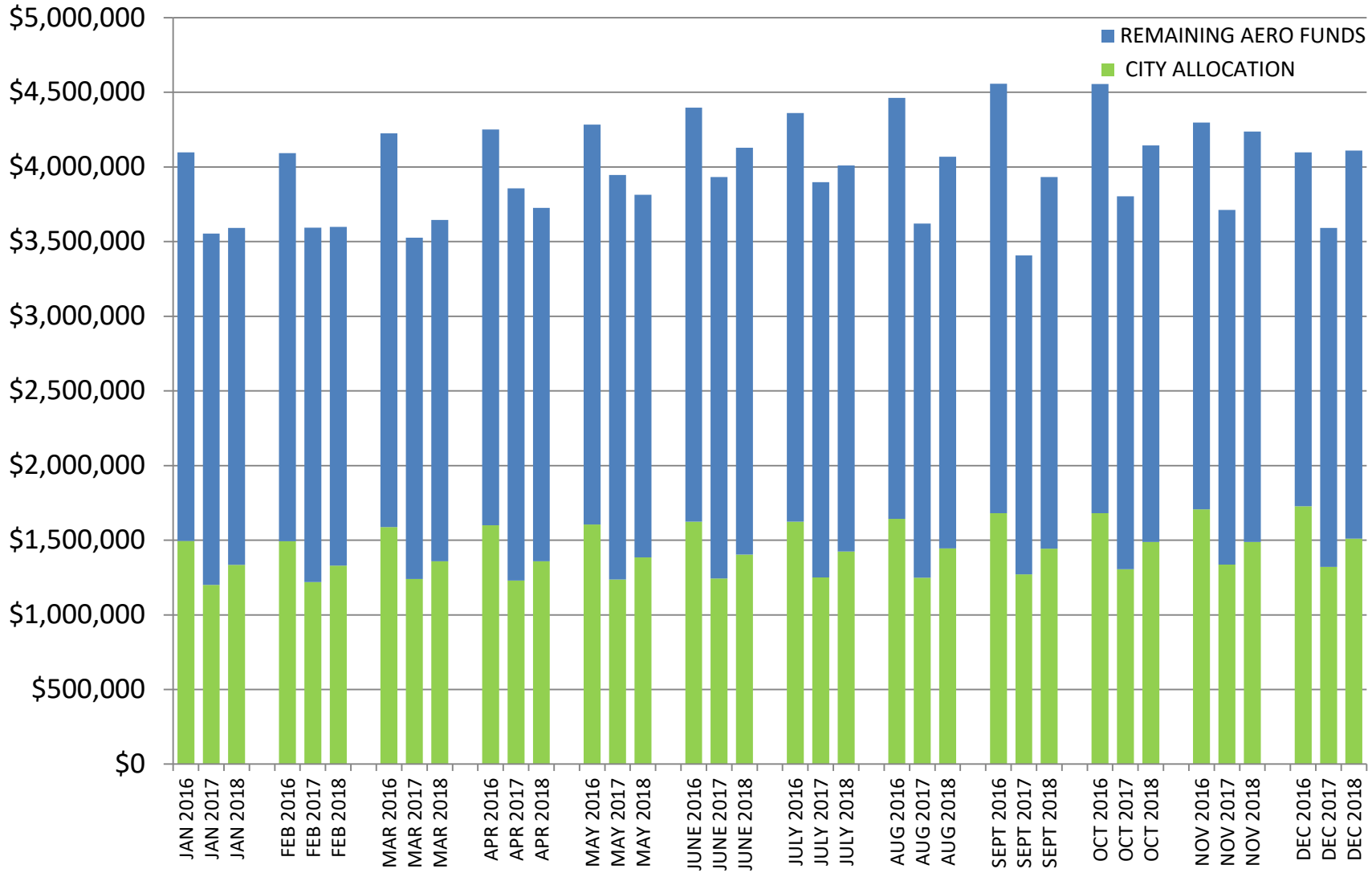
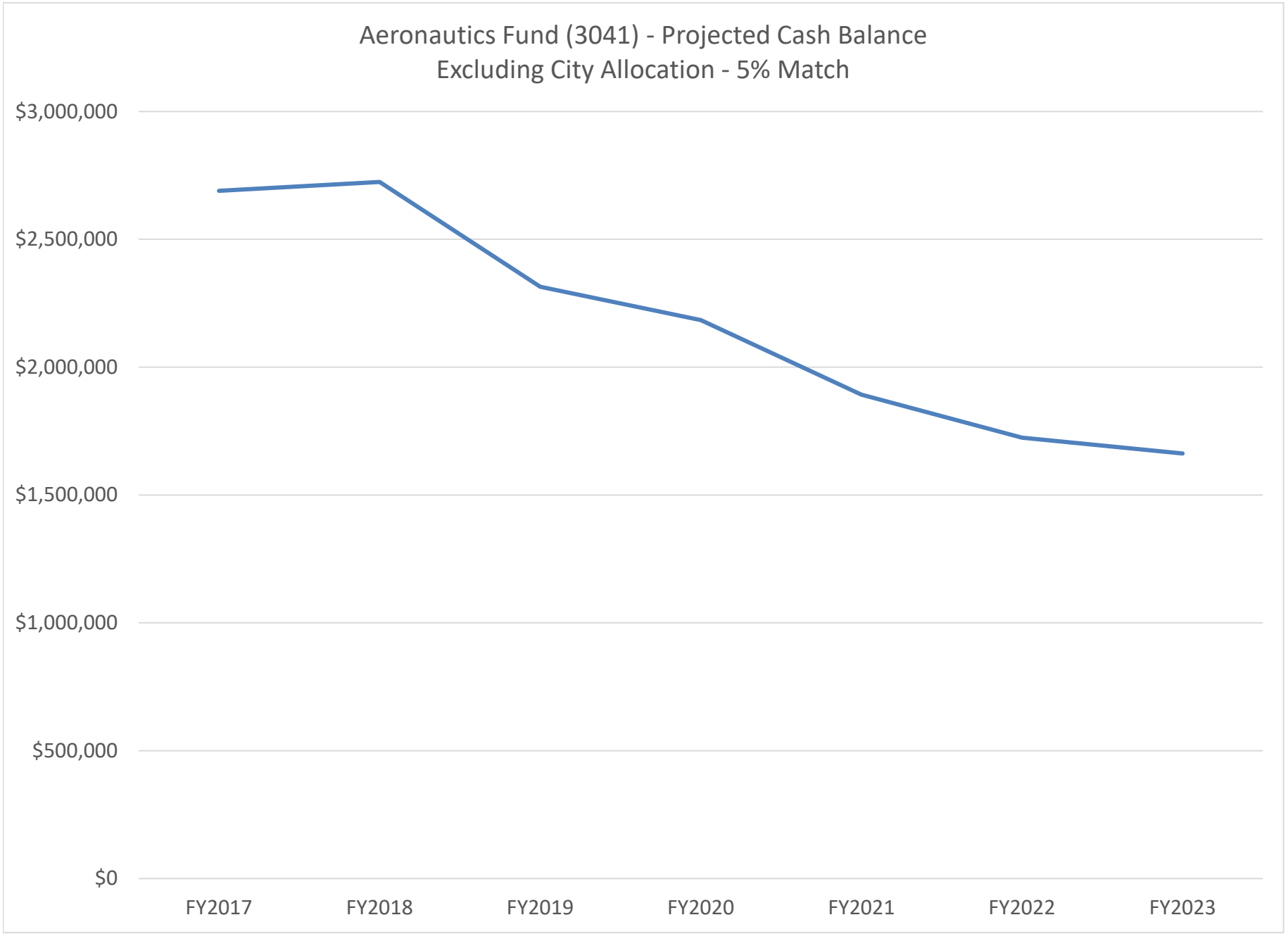
Fee Type	CY2014	CY2015	CY2016	CY2017	CY2018	Total Collected Per Fee Type
Registration Fee	$54,382.00	$52,920.00	$53,090.00	$54,429.00	$53,132.00	$267,953.00
Registration Penalty Fee	$13.00	Repealed in 2014 Session				$13.00
Tax Payment	$897,653.00	$1,203,254.00	$866,765.00	$1,512,204.00	$1,672,326.00	$6,152,202.00
Tax Penalty Payment	$7,624.00	$401.00	$47.00	$14,440.00		$22,512.00
Total Collected Per Year	$959,672.00	$1,256,575.00	$919,902.00	$1,581,073.00	$1,725,458.00	$6,442,680.00

	CY2014	CY2015	CY2016	CY2017	CY2018
Nbr of Aircraft Registrations	1254	1285	1317	1337	1354
Percentage increase each year	9.14%	2.47%	2.49%	1.52%	1.27%

2018 SD AIP Grants

Airport	Project Description	Supplemental-100% Federal Funds	Federal Funds (90%)	State Funds (5%)	Total Federal & State Funds
Aberdeen - 38	passenger boarding bridge		$747,000	$41,500	$830,000
Aberdeen - 39	Master Plan, ALP and approach survey		$468,000	$26,000	$520,000
Bison - 10	Rehab and pave access road and construct new parking area		$189,000	$10,500	$210,000
Brookings - 30	Design of apron reconstruction and geotech exploration		$90,000	$5,000	$100,000
Buffalo/Harding Co - 07	Specs and acquire SRE skid laoder with attachments		$221,731	$12,318	$246,368
Clark County - 12	Design and geotech for 12/30 runway and connector taxiway recon		$99,000	$5,500	$110,000
Custer County - 14	master plan study; eALP; runway 8-26 improvement justification		$324,000	$18,000	$360,000
Desmet - 12	Hangar taxilane expansion and concrete hardstand		$607,500	$33,750	$675,000
Eagle Butte - 10	GA apron reconstruction		$834,000	$46,333	$926,667
Eureka - 09	Install tilt-down beacon bole		$64,800	$3,600	$72,000
Faith - 09	Rehab and pave access road and parking area		$339,300	$18,850	$377,000
Flandreau - 10	Environmental assessment for runway geometry and land acquisition		$99,000	$5,500	$110,000
Gettysburg - 10	Install new fuel system; pavement maintenance		$440,309	$24,462	$489,232
Gregory - 15	Design, geotech, cons insp. Testing & constr of hangar taxilane expans.		$343,800	$19,100	$382,000
Hoven - 10	Design, geotech, adming, testing to reconstruct GA apron		$526,500	$29,250	$585,000
Huron - 36	Repair commercial apron; wildlife study and hazard mitigation plan		$67,500	$3,750	$75,000
Lemmon - 14	Runway 12/30 reconstruction; MIRL, PAPIs, RSA grading, runway edge drains		$3,172,500	$176,250	$3,525,000
Madison - 16	Construct parallel taxiway, runway connector, taxilane and apron connector; storm sewer/culvert; MIRL; material testing		$2,938,978	$163,277	$3,265,531
Mobridge - SUP	Supplemental Appropriation - 100% federal	$4,099,775	$0	$0	$4,099,775
Mobridge - 12	Design/Construction of 12-30 and connector, grade RSA, lighting, turnaround expansion, testing; replace edge lights and PAPIs		$355,460	$19,748	$394,955
Onida - 10	design/construct 6 unit T hangar and taxilane		$675,000	$37,500	$750,000
Philip - 11	rev- producing hangar design; GA apron reconstruction design		$117,000	$6,500	$130,000
Pierre - 39	GA hangar taxilane; ag area taxiway const; design twy B reconst		$1,200,001	$66,667	$1,333,334
Platte - 10	Design/install card/reader for existing fuel; design for hangar/GA terminal		$130,500	$7,250	$145,000
Rapid City - 50	Design/construct replacement baggage claim, escalators, elev & stairs		$620,000	$34,444	$688,889
Rapid City - 51	EA for sanitary sewer for airport		$185,000	$10,278	$205,556
Sioux Falls - 52	replace perimeter fence; remove obstruction; expand west GA apron; design term apron expansion/deicing pad; move ANG blast fence; SRE		$3,007,295	$167,072	$3,341,439
Sisseton - 14	Airport Layout Plan update		$171,000	$9,500	$190,000
Spearfish-BH - 24	EA for runway 5-23 constr & land; wildlife hazard site visit and mgmt plan		$28,000	$1,556	$31,111
Springfield - 007	Replace runway lights		$219,992	$12,222	$244,436
Sturgis - 14	Environmental, design, construct Rev-producing fuel system		$343,666	$19,093	$381,851
Wagner - 13	Design for Revenue producing T-hangars		$31,500	$1,750	$35,000
Watertown - 33	Design terminal apron reconstruction		$99,000	$5,500	$110,000
Wess Sprgs - 10	Design runway 12/30 reconstruction; engineering report		$103,500	$5,750	$115,000
Yankton - 27	Historic mitigation for apron expansion		$108,449	$6,025	$120,499
Yankton - 28	Design apron expansion		$63,000	$3,500	$70,000
SDDOT - 08	Pavement Condition Index Survey		$157,500	$17,500 (at 10%)	$175,000
SDDOT - 09	Aviation system plan		$540,000	$60,000 (at 10%)	$600,000
SDDOT - 24	Statewide pavement maintenance		$315,000	$17,500	$350,000
Totals	**Totals**	**$4,099,775**	**$20,043,781**	**$1,152,293**	**$26,370,643**

AERONAUTICS FUND BALANCE



Attachment #4 - Forecast of Aeronautics Trust Fund