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Appropriations Committee
March 20, 2013

[AGENCY 17]

SENATOR MELLO: Are there any further testifiers here today on behalf of Agency 40, the Nebraska Motor Vehicle Licensing Board? Seeing none, that will close today's hearing on Agency 40 and take us to our next agency hearing, Agency 17, the Nebraska Department of Aeronautics. Good afternoon, Director Mitchell. [AGENCY 40 AGENCY 17]

RONNIE MITCHELL: (Exhibits 2 and 3) Good afternoon, Senator Mello, members of the committee. I'll wait just a moment until everyone gets the handout and testimony. Good afternoon, Chairman Mello and members of the Appropriations Committee. For the record, I am Ronnie Mitchell, R-o-n-n-i-e, Mitchell, M-i-t-c-h-e-l-l, director of the Nebraska Department of Aeronautics. The department supports the Governor's recommendation for the Department of Aeronautics' 2013-2015 biennium budget. Thank you for the review of my agency's budget request. The committee's preliminary recommendation for Programs 026 and 301 would address the needs of my department. I urge the committee to include the department's request and the Governor's recommendation to purchase the 2001 King Air B200 and the funding for avionics equipment and insurance in the committee's final recommendations. On February 13, I had the opportunity to discuss with this committee the 2001 King Air B200 aircraft the department is requesting to purchase from the University Foundation. Following that meeting, Senator Mello raised several questions regarding the proposed purchase, and I will address those questions. What airplane will best fit the needs of the state? Answering this question requires an understanding of the aircraft capability needed to serve effectively as the primary passenger transport aircraft for the state. Any branch of state government or entities within our common treasury, such as the state universities and colleges, may use the state aircraft simply by calling and arranging a flight. The average passenger load is five passengers plus baggage. Destinations are both intra- and interstate. The first handout, handout one, shows the aircraft currently being operated by the department. The state owns two of these aircraft: the Piper

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Cheyenne IIXL, a twin-engine turboprop; and the Piper Navajo twin-engine piston. We lease a King Air B200, a twin-engine turboprop; and we rent a Cessna 182RG, a single-engine piston. The department also arranges for charter aircraft when the Cheyenne and the King Air are unavailable. The King Air B200 is the state's primary passenger aircraft. The Cheyenne IIXL is 31 years old and is adequate for the mission, but increasing maintenance costs and the declining availability of parts require its replacement. For example, a part ordered in November just arrived this past week. Now that is a four-month period during which the Cheyenne was without an autopilot. The Navajo, while effective as a photomapping aircraft, has limited operating capabilities--slower speeds, altitude restrictions, and an unpressurized cabin. Nebraska has 81 public-use airports, some with runways shorter than 4,000-feet long. The King Air B200 can use a minimum runway length of 3,500 feet. This is not an aircraft limitation but a standard set by the department for safety reasons. For flight planning purposes, jet aircraft are typically restricted to runways of at least 5,000 feet; therefore, jets lack the flexibility and capability of meeting intrastate travel needs. Jet aircraft also have higher acquisition and maintenance costs. Single-engine piston aircraft also lack an adequate number of passenger seats to meet the department's typical passenger load. Additionally, the performance characteristics of twin-engine turboprop aircraft, example--the faster speed, a pressurized cabin, their proven reliability, and higher altitudes for better weather avoidance--make those aircraft much better suited to meet the varied travel needs of state government. Therefore, a twin-engine turboprop is the aircraft with the flexibility and capability best suited to meet passenger transportation needs of the state. Other than the Beechcraft King Air line, the only other twin-engine turboprop aircraft in production today is manufactured in Italy and called the Piaggio Avanti II. As of May 2008, only 150 have been produced. The NDA did not consider this aircraft due to higher costs, limited U.S. maintenance facilities, and limited production as compared to the King Air. King Air aircraft have been manufactured since 1964, with over 3,100 aircraft produced. There are facilities in Lincoln, Duncan Aviation and Silverhawk Aviation, and in Omaha, Signature Flight Support, certified to work on King Air aircraft. The closest Beechcraft Service Centers are in Wichita, Kansas, and Des

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Moines, Iowa. The second handout compares the King Air B200 to a new King Air B250, the succeeding model to the B200, and a new King Air C90GTx, a smaller version of the King Air 250. The deficit appropriation request for the 2001 King Air is \$2,164,760; for the King Air 250 it would be \$5,395,000; and for the King Air GTx, \$3,450,600. At five years of ownership, the increase in cost over the 2001 B200 would be approximately \$2,630,740 for the King Air 250, and \$685,840 for the King Air 90GTx. Buying a new King Air 250 aircraft or King Air 90GTx would typically include a warranty of five years on the structure; five years, avionics; five years or 2,500 hours, engines; two years or 1,200 hours on Beechcraft and vendor parts; two years, 400 hours on the interior and paint and flight safety training entitlements for two initial pilot courses. The department would still incur the costs of about \$20,000 annually for inspections and labor. Having determined that the King Air B200, 250, and the C90GTx are the aircraft most capable of meeting the state's needs as the primary passenger aircraft, the next question is, should the state purchase an aircraft or should privately owned aircraft be used through rental, time-share, lease, or other arrangements? The department has studied and experienced aircraft ownership, chartering, renting, and now leasing. The only method of providing state air transportation in which the NDA has not participated is fractional ownership, also known as time-share. Time-share, or fractional ownership, is not a viable option for the state due to its high cost and initial capital outlay or lease payment, a monthly management fee covering the cost of ownership, a base hourly rate for each hour flown, plus a fuel surcharge which can be upwards of \$700 per flight hour. Additionally, the aircraft in these programs are jets, not twin-engine turboprops. Leasing an aircraft provides all the costs of ownership--maintenance, inspections, insurance, hangaring, etcetera--along with a hefty monthly lease payments, typically 1 percent of the value of the aircraft. Leasing a new King Air 250, valued at \$6 million, would entail a monthly lease payment of \$60,000. That would be \$720,000 per year out of the General Fund. Three years of lease payments would equal the purchase price of the King Air B200 4NU. Five years of lease payments on a new C90GTx would exceed the purchase price of the King Air B200 4NU. Leasing only makes sense for a user who would otherwise buy new aircraft every few years. The department has not purchased an

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aircraft since 1986, almost 27 years ago. Similarly, the NDA anticipates not needing to replace 4NU for 20 years. The aircraft rental market in the Lincoln-Omaha area is confined to single-engine piston aircraft. As I mentioned earlier, the department does rent these aircraft when they are appropriate for the flying mission. There are no twin-engine turboprop aircraft for rent in the Lincoln-Omaha area. Additionally, one of the key disadvantages of using rental aircraft is availability. Since the NDA would not have exclusive claim to a rental aircraft, there is no assurance the aircraft would be available when the passengers need to travel. The department intends to sell the Cheyenne and operate with only one aircraft dedicated to passenger transport. Availability is critical to performing the NDA's mission. The final alternative in providing air transportation to state government is chartering. I direct your attention to handout three. This outlines travel cost charged by public companies providing either charter or fractional ownership arrangements, also referred to as time-share, in Lincoln and Omaha, as compared to charges from our department. Costs are based on a typical round-trip flight from Lincoln to Kearney and from Lincoln to Scottsbluff, with ground time at destination of three hours and six and a half hours, respectively. Ground time may be adjusted based on the needs of the requesting agency. Since the majority of our flights originate in Lincoln, the department only looked at Lincoln and Omaha companies, as it is more costly to reposition an airplane from other cities, including Omaha. The aircraft used in this comparison are the least-expensive options available and similar to the 2001 King Air B200 or, if a King Air was not in their fleet, the lowest-cost jet aircraft. Note the cost to the user of the least-expensive charter, Silverhawks King Air C90, is 45 percent higher than using state-owned aircraft. Again, as in rental aircraft, there is no guarantee of availability until the aircraft is booked. Therefore, a trip may have to be booked on a larger, more-expensive aircraft at greater cost to the user. In summary, travel costs by state-owned aircraft are considerably less than charters provided by Silverhawk, UltraAir, and Duncan Aviation. In conclusion, the NDA recommends the state purchase the 2001 King Air B200 4NU from the University of Nebraska Foundation, as it is the most cost-effective way of providing safe, secure, and efficient air transportation services for all branches of Nebraska state government.

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It is a known aircraft which the NDA has flown since new, and the NDA is intimately familiar with its maintenance history. The 2001 King Air B200 4NU is the most suitable aircraft for the NDA's mission and it is available at a competitive price. Thank you. This concludes my testimony on the department's 2013-2015 biennium budget and deficit appropriation request. I will be happy to answer any questions. [AGENCY 17]

SENATOR MELLO: Thank you so much, Director Mitchell. Are there any questions from the committee? Senator Nelson. [AGENCY 17]

SENATOR NELSON: Thank you, Senator Mello. Thank you, Director Green (sic). I'm looking at handout number two, the third one column over, the...a new King Air C90GTx. It's considerably less than the B250. What are the differences? Is that a lower capacity plane or...? [AGENCY 17]

RONNIE MITCHELL: It is a lower capacity aircraft. It's also slower. Its altitude is much lower than the B200 or the B250. And due to its smaller size, it's a less-expensive aircraft. [AGENCY 17]

SENATOR NELSON: So it carries five, pilot and five? [AGENCY 17]

RONNIE MITCHELL: It can carry up to seven total. That's one passenger...or one pilot and six passengers. [AGENCY 17]

SENATOR NELSON: Okay. [AGENCY 17]

RONNIE MITCHELL: But the 250 can carry up to nine,... [AGENCY 17]

SENATOR NELSON: Nine? [AGENCY 17]

RONNIE MITCHELL: ...one pilot and eight passengers. And the B200 can carry also

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one pilot and eight passengers. [AGENCY 17]

SENATOR NELSON: Thank you. [AGENCY 17]

RONNIE MITCHELL: Yes, sir. [AGENCY 17]

SENATOR MELLO: Are there any further questions from the committee? Senator Nordquist. [AGENCY 17]

SENATOR NORDQUIST: Thank you. Thank you, Director. In the purchasing of the plane, I think in your...where we're looking at half the costs of a new B250 to purchase the 4NU, and even much less than half the costs for the C90, but wouldn't we be purchasing an airplane that's about halfway through its useful life? [AGENCY 17]

RONNIE MITCHELL: The aircraft is approximately 11 years old at the moment. You know, when these aircraft were built, and I mentioned this back in February, no one really knew what the life span expectancy on them happened to be. We're estimating that we could get another 20 years of good useful life out of this aircraft and it would still have some resale value at that point. [AGENCY 17]

SENATOR NORDQUIST: Okay. [AGENCY 17]

RONNIE MITCHELL: So, yes, a new aircraft would last longer. [AGENCY 17]

SENATOR NORDQUIST: Uh-huh. [AGENCY 17]

RONNIE MITCHELL: We're anticipating for the price, though, this is the best value that the state has as an option at the moment. [AGENCY 17]

SENATOR NORDQUIST: Including...have you calculated out the...I know you have the

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5-year maintenance costs here but looking out, the 20-year maintenance costs to keep this King Air in the air versus purchasing a new plane? Beyond the five-year, have you done calculations on that as well? [AGENCY 17]

RONNIE MITCHELL: We have looked beyond the five-year point and what we determined was we will have to rebuild the engines on the B200 aircraft. That's probably seven to eight to nine years down the road, depending on how much we fly it. Even rebuilding the engines for, let's say, \$750,000,... [AGENCY 17]

SENATOR NORDQUIST: Uh-huh. [AGENCY 17]

RONNIE MITCHELL: ...we're still below the cost that we would have with a new aircraft. [AGENCY 17]

SENATOR NORDQUIST: Uh-huh. Okay. And then I know you provided us data before about utilization, but roughly how many times a year would we take this plane up? [AGENCY 17]

RONNIE MITCHELL: We're estimating that we would fly it at least 150 hours a year. [AGENCY 17]

SENATOR NORDQUIST: Okay. That would...I meant what would that equate to? I mean... [AGENCY 17]

RONNIE MITCHELL: Well, if you flew to North Platte,... [AGENCY 17]

SENATOR NORDQUIST: Uh-huh. [AGENCY 17]

RONNIE MITCHELL: ...that's about a 40- to 45-minute flight. [AGENCY 17]

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SENATOR NORDQUIST: Okay. [AGENCY 17]

RONNIE MITCHELL: A round trip would be an hour and a half, so that's 100 trips to North Platte. [AGENCY 17]

SENATOR NORDQUIST: Okay. Okay. I was just trying to get a sense. Looking at the calculation on the charters that you gave us, the least-expensive option, if we looked at the Lincoln to Scottsbluff run, it's about an \$1,800 additional cost to charter versus running the state plane. But when you factor in the \$2.1 million up-front investment, it's about 1,100 trips you can do chartering to...in that...within that \$2 million investment we would have to make. So I was just trying to get a sense of how many trips we could pay that additional charter fee... [AGENCY 17]

RONNIE MITCHELL: Sure. [AGENCY 17]

SENATOR NORDQUIST: ...with that. Thank you. [AGENCY 17]

RONNIE MITCHELL: What... [AGENCY 17]

SENATOR NORDQUIST: Oh, go ahead. Oh, yeah, please respond if you... [AGENCY 17]

RONNIE MITCHELL: Well, I was just going to say it's difficult to determine, you know, exactly how many charter trips it would be. Based on what we've been doing the last several years on flying, we're running about 150 to 200 hours per year on the King Air. We've decided to use 150 hours as our example. It could be more; it could be less. It depends upon the needs of the state. [AGENCY 17]

SENATOR NORDQUIST: Okay. Thank you. [AGENCY 17]

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RONNIE MITCHELL: You're welcome. [AGENCY 17]

SENATOR MELLO: Senator Conrad. [AGENCY 17]

SENATOR CONRAD: Thank you, Director, for your...the previous information you've provided on this topic and this follow-up information. As you know, this has been a subject of great deliberation amongst the committee members. And one thing I just didn't hear you address specifically that I'm a bit troubled about after our last conversation is the department seemed fairly adamant that the committee was looking to a potential study about this issue, an independent study, which was a course of action that a colleague of ours, Senator Krist, with considerable expertise had initially suggested in order to ensure that we can take a comprehensive view of all of these different issues and run some numbers on this independently. And I'm guessing but I wanted to give you a chance to respond for the record, since you're here, that basically your...the department's position and the Governor's position is that you've done this research. You feel that that's sufficient. That's why you would not be cooperative in an additional or independent study. Is that fair? If it's not fair, please correct me. [AGENCY 17]

RONNIE MITCHELL: Well, could I give you some background on this? [AGENCY 17]

SENATOR CONRAD: Absolutely. Yes. [AGENCY 17]

RONNIE MITCHELL: And thank you for the question, Senator Conrad. I started flying in 1966. In 1967, I joined the Air Force. I flew long-range reconnaissance missions averaging about 18 hours apiece, well, that's nonstop. I flew over 100 of those during the Cold War, during the Vietnam Conflict. I was the SAC Command pilot for five years, and what that means is we had one KC-135 airplane that we controlled. We were the only ones that flew it. We maintained it. We managed it. We flew the SAC senior staff around the world. I was entrusted with at least 12 general officers every time we flew

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that airplane, including the commander of SAC. Now after 23 years in the Air Force, I retired as a colonel. Shortly thereafter I got a job with United Airlines as a pilot. I've flown all of the world with United Airlines and a variety of aircraft. And now I've been working for the state for ten and a half years as a pilot, three and a half of those years as a director. I have a little over 46 years of aviation experience, a little over 13,000 hours of flying time. Our other two pilots, David Morris and Rob over here, between the two of them, they are at a little over 20,000 hours of flying time. My deputy, Andre Aman, has 25 years of experience with the department. We felt we could do the research. What we've done is spent about 100 hours researching for this testimony today, and we boiled it down into three pages and three handouts for you. I don't think an independent, outside contracting source would come up with any different conclusions, but I am offering you 46 years of experience. So did that answer your question? [AGENCY 17]

SENATOR CONRAD: That's a helpful reminder. Your expertise is unquestioned, as is your passion and service to this state and our country. But I guess what I'm trying to figure out is, number one, if we don't think it would get...if your position is from the department and the Governor's Office, who's asked for this request, if we don't think an independent study would come back with different information, what would be the harm in pursuing that, number one? And the second question would be, if I understand things right, we only buy a plane every 20 or so years. And that there are, indeed, private folks who don't have a dog in this fight, so to speak, other than the cost of conducting this study, which would be minimal in comparison to the cost of the plane, who look at these and conduct these studies every day... [AGENCY 17]

RONNIE MITCHELL: Sure. [AGENCY 17]

SENATOR CONRAD: ...for a variety of entities. So those are the two issues that I'm kind of trying to struggle with as we move forward. And I felt like that the committee was trying to reach consensus and work towards compromise by offering up the study idea,

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and so to have that so quickly dismissed I think is just strange and disappointing and not helpful. [AGENCY 17]

RONNIE MITCHELL: Well, I wasn't dismissing your request, but I felt we could do the study for you, which that's what we have here. If you consider the testimony as part of a study, we have devoted an inordinate amount of time to this and we've done a lot of research. If you bring in an outside consultant to do this type of study, it's probably going to be around \$15,000. I don't know that they could complete it by April 15, which I understand is the time line you have for that type of information. But I was hoping that today I could give you the information you were needing. [AGENCY 17]

SENATOR CONRAD: Very good. Appreciate that. [AGENCY 17]

RONNIE MITCHELL: Certainly. [AGENCY 17]

SENATOR NORDQUIST: I had just one more question. [AGENCY 17]

SENATOR MELLO: Senator Nordquist. [AGENCY 17]

SENATOR NORDQUIST: Are all of the operational costs of the Department of Aeronautics, related to the operations of these planes, ultimately factored in to the estimates that you've provided here? [AGENCY 17]

RONNIE MITCHELL: To the best of our ability, they are. [AGENCY 17]

SENATOR NORDQUIST: Okay. [AGENCY 17]

RONNIE MITCHELL: You'll notice over here on handout one we talk about a charge per mile. That mileage charge does a lot of things. We take that money and, of course, we pay for fuel. [AGENCY 17]

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SENATOR NORDQUIST: Uh-huh. [AGENCY 17]

RONNIE MITCHELL: We take out so much per flying hour for maintenance. We take out so much for parts. We figure in hangar costs, approach chart costs. All of these costs are computed and that's how we come up with the \$5 per mile figure. [AGENCY 17]

SENATOR NORDQUIST: Uh-huh. [AGENCY 17]

RONNIE MITCHELL: Now additionally, the pilot's charges are more than the \$5 a mile. It's \$66 an hour... [AGENCY 17]

SENATOR NORDQUIST: Uh-huh. [AGENCY 17]

RONNIE MITCHELL: ...for each pilot. So, yes, most of the costs are figured into that \$5 an hour,... [AGENCY 17]

SENATOR NORDQUIST: Uh-huh. [AGENCY 17]

RONNIE MITCHELL: ...however, we do have an additional charge for a pilot. [AGENCY 17]

SENATOR NORDQUIST: Okay. Okay. Great. Thank you. [AGENCY 17]

RONNIE MITCHELL: Yes. [AGENCY 17]

SENATOR MELLO: Senator Wightman. [AGENCY 17]

SENATOR WIGHTMAN: Thank you, Mr. Chairman. Thank you for being here. The four

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that you're comparing on handout one, the one has...that we're looking at has a higher passenger, that being an eight-passenger; the others are seven, five, and three. Do you know how often the state uses eight passengers or...? [AGENCY 17]

RONNIE MITCHELL: You know, we probably do have that statistic somewhere. We came up with an average load of five. I do know that quite often we do fill the airplane completely up with passengers and two pilots. Quite a few of the using agencies like two pilots and, again, we have no problem doing that. The airplane is capable and proven that you can fly it with one pilot. But as to tell you how many times the seats are completely full, when Department of Economic Development goes with us, normally all of the passenger seats are filled. The Governor occasionally will have all of the passenger seats filled. I could do a little research and get that information for you. [AGENCY 17]

SENATOR WIGHTMAN: Well,...and thank you for that information. I guess that eight gives you more flexibility, obviously, that if somebody extra wants to go. And there are many times that that probably would serve some purpose for the state. [AGENCY 17]

RONNIE MITCHELL: Exactly. Department of Roads has used us in the past and many times the airplane is completely full. So it depends upon the using agency. Everyone tries to maximize the number of passengers to go on the trip because, in essence, that really does lower the cost per person. So that's how that comes about. [AGENCY 17]

SENATOR WIGHTMAN: But there would be a number of times throughout the year that you would use eight passengers, although you many times could get by with perhaps less than that? Is that a... [AGENCY 17]

RONNIE MITCHELL: Yes, that all depends on the using agency. [AGENCY 17]

SENATOR WIGHTMAN: Right. Okay. Thank you. [AGENCY 17]

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RONNIE MITCHELL: Yes. [AGENCY 17]

SENATOR MELLO: Senator Nelson. [AGENCY 17]

SENATOR NELSON: Thank you. What agencies most use the aircraft? Does Natural Resources, for instance? [AGENCY 17]

RONNIE MITCHELL: Well, I just happen to have some information here on that. [AGENCY 17]

SENATOR NELSON: Okay. [AGENCY 17]

RONNIE MITCHELL: This is effective from 1 July 2011 through June 30, 2012, and Aeronautics used the aircraft for no miles, the King Air. Department of Agriculture flew 906 miles; DAS, 436; Department of Economic Development, 2,885; the Governor, 10,190; Health and Human Services, 256 miles. The University Foundation was flying it then as well, they had 14,035 miles; the university, 5,113 miles; Water and Natural Resources flew it 590 miles. [AGENCY 17]

SENATOR NELSON: What was the third one that you read after...? [AGENCY 17]

RONNIE MITCHELL: That was the director of Economic Development, DED. [AGENCY 17]

SENATOR NELSON: DED. [AGENCY 17]

RONNIE MITCHELL: Yes, sir. [AGENCY 17]

SENATOR NELSON: Thank you. But one other question, Director. Under a chartering

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aircraft, do they provide the pilots or do we use our own? [AGENCY 17]

RONNIE MITCHELL: The pilot charges are computed into the rates charged by the chartering company. That's all of the costs. When you charter that aircraft, you're getting the pilot, they're paying for the fuel. Everything is figured in. [AGENCY 17]

SENATOR NELSON: Okay. [AGENCY 17]

RONNIE MITCHELL: For instance, Silverhawk, if you look at their charge of \$2,924 for the Lincoln-Kearney-Lincoln, Nebraska, trip, \$2,924, that's all the charges. [AGENCY 17]

SENATOR NELSON: Okay. Thank you. [AGENCY 17]

RONNIE MITCHELL: Yes, sir. [AGENCY 17]

SENATOR MELLO: Senator Bolz. [AGENCY 17]

SENATOR BOLZ: Good afternoon. I'm looking at handout two, the comparison of the three aircraft, and there are a few things that, you know, I was kind of looking for and wondering why they weren't included, and perhaps you can help me understand. I thought there might be insurance costs included here, depreciation, the difference in costs of fuels. Can you just explain to me why we've looked at these four categories and not other categories? [AGENCY 17]

RONNIE MITCHELL: Yes. You would consider fuel based on the number of hours that you fly, and if you flew each of the airplane the same number of hours, basically you're going to use very close to the same amount of fuel. We didn't include that on this chart because we were trying to get some basic information to you that indicated at five years how much it's going to cost to fly it, not actually to fly the airplane but to own it. If you

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didn't fly it at all, these are still the costs that you would have. You still have to "annual" the aircraft every year. You still have to upgrade the avionics on the B200. So we did go through that with the \$5-a-mile charge here, and I just didn't want to burden the committee down with all this extra data. I thought a broad view would be better for you.
[AGENCY 17]

SENATOR BOLZ: Well, I appreciate that and... [AGENCY 17]

RONNIE MITCHELL: Sure. [AGENCY 17]

SENATOR BOLZ: ...and I appreciate that as a new member, but I would prefer to be burdened. I'd like to have all of the details. And if you could provide some more information to us, that would be helpful. [AGENCY 17]

RONNIE MITCHELL: Well, let's see, just for you, Senator Bolz, I may have that.
[AGENCY 17]

SENATOR BOLZ: I won't ask you to do that on the microphone. I just...I am a detail person and... [AGENCY 17]

RONNIE MITCHELL: Okay. [AGENCY 17]

SENATOR BOLZ: ...and would like you to show your work. [AGENCY 17]

RONNIE MITCHELL: Okay, I can get that information for you. [AGENCY 17]

SENATOR BOLZ: Thank you. [AGENCY 17]

SENATOR MELLO: Is there any further questions from the committee? I have a couple, Director Mitchell, that maybe you could help me out a little bit. I appreciate the previous

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Executive Session that you came in to the committee to provide some more feedback and some information and data. And if anything, I just heard you read, I know you passed out this sheet here, the aircraft usage from July 1, 2011, to June 25, 2012, for all three of the state's aircraft. I just heard you use some different numbers. If you could provide us with the updated numbers to the end of the fiscal year. I know it was only five days but it sound...the numbers you just read were significantly different, I'd say, in the thousands, almost a couple thousand different miles. That would be helpful. [AGENCY 17]

RONNIE MITCHELL: Sure. [AGENCY 17]

SENATOR MELLO: And so a couple questions I have is based on the data you gave us before. Breaking down the King Air, it appears that the university system, the foundation and the university campuses, equated for 56, roughly, 56.7 percent of the miles on the King Air; the state, with all the other agencies, equated for about 43.3 percent of the mileage of the King Air last fiscal year. The mile breakdown is 19,262, based on this... [AGENCY 17]

RONNIE MITCHELL: Uh-huh. [AGENCY 17]

SENATOR MELLO: ...previous information, 19,000 and change for the... [AGENCY 17]

RONNIE MITCHELL: Right. [AGENCY 17]

SENATOR MELLO: ...university; 14,700 for the state. Something that was asked at our previous engagement was why is the University Foundation...why did they choose to sell the plane in the first place? [AGENCY 17]

RONNIE MITCHELL: Senator Mello, I can't answer for the University Foundation. All I can tell you is I know that they decided to sell the aircraft and not have aircraft

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ownership. [AGENCY 17]

SENATOR MELLO: Uh-huh. [AGENCY 17]

RONNIE MITCHELL: I'm not privy to what their reason was for doing it. [AGENCY 17]

SENATOR MELLO: And I can respect that, Director Mitchell, I can, and that's why I followed up with the university to ask them why they were selling the aircraft. And ultimately the rationale that the foundation decided was they were selling the aircraft because they didn't utilize it enough to see the worthwhile investment. And that raised some concerns in my mind that if they were utilizing the aircraft 56 percent of the time and they were selling the aircraft because they didn't feel they were getting a worthwhile investment return on the aircraft, I naturally raised the question with them then as why should the state purchase this aircraft from you. I didn't get a real answer, let's say, in my conversation. The lone answer I did receive was, well, we would be a client of the state if the state did decide to purchase this aircraft. So...and I kind of tried to take that as a basic foundation of whether or not...what the committee should consider moving forward, and I want to at least give you an open-ended question like that to say if there is a reason, I mean that is something that ultimately I've tried to wrestle with. I think other members have asked questions about as why should the state purchase an aircraft when, looking at the numbers, overwhelming one agency utilizes the aircraft, overwhelmingly. Even if we were to sell the Cheyenne, only one state agency would overwhelmingly use that aircraft. And ultimately, the budget base for that agency is located within your agency and that is something that I think also none of us of the committee members, myself included, being one of the more experienced members, didn't realize that the Governor's Office gets 35,000 miles that's paid for out of the Department of Aeronautics' budget every year, which is something I didn't understand till we asked the question in our previously closed session. [AGENCY 17]

RONNIE MITCHELL: Sure. [AGENCY 17]

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SENATOR MELLO: So I want to give you an opportunity to kind of provide us maybe another perspective of looking at this, because I think the university question is one. And then ultimately, I know you've done a lot of work, and I can appreciate the work that you and your staff did of providing us other research and other data to consider. The second question would be as with that, looking at the data you provided us today, I know I've heard this argument multiple times from multiple entities that any state agency can utilize this aircraft, but really only one or two agencies generally utilize this aircraft. Couldn't still those agencies, utilizing your existing budgetary authority for the miles that you are allowing agencies, at least one agency, to utilize, couldn't you just still consider chartering a plane, knowing that really it's one state agency overwhelmingly more than anyone else who utilizes the state aircraft within your existing budget authority, where we wouldn't have to appropriate any additional money? It's just they would have to live within roughly the 35,000 miles that you have in your budget for an agency. [AGENCY 17]

RONNIE MITCHELL: Well, first let me correct; it isn't 35,000 miles. It's \$35,000. [AGENCY 17]

SENATOR MELLO: Okay. [AGENCY 17]

RONNIE MITCHELL: Second, I'd like to comment briefly on things that I've heard. Now this is secondhand, but it's my understanding that the University Foundation took into consideration return on investment. If you pay \$4.5 million, which I think is what they paid for the airplane in 2001, they're looking at a return on investment as well as utilization of the aircraft. We had a very nice arrangement with the foundation. We gave them \$5 a mile, and earlier it was less than that, for every mile that we flew the aircraft. We did not have to pay for fuel, insurance, hangar, maintenance. The university paid for all of that. So we had just an unbelievable arrangement and that arrangement had been going on for a number of years. But to answer your first question, I think it really looked

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at return on investment. If you have a \$2 million investment, what return are you getting on it? Are you making a profit? Now in our case, we're not looking to make a profit with this airplane. We're attempting to provide transportation for state agencies on a no-profit basis. So we've got this down to the point where I can promise you we're not making a profit. And as far as chartering, you could charter. Of course, here's the problem with chartering, as we mentioned in our handout. The aircraft isn't always available. It might be that the day you need to go check on a forest fire out in western Nebraska there are no aircraft available for you to charter. Or maybe you need to go to Scottsbluff for some meeting and there isn't any aircraft available for charter. Convenience, schedule, those sorts of things are I think absolutely necessary for the Governor, as well as any other agency within the state. So I don't know that that answered your question as well as you would like, but that's about the best I can do for you today. [AGENCY 17]

SENATOR MELLO: I appreciate that, Director Mitchell. And I appreciate the clarification. I apologize, I maybe have mistaken the 35,000 number for miles and not dollars. One last question, and it's just something that...or maybe it's more of a statement and then I can allow you to kind of further a little bit. Senator Krist, when he came in to provide a little feedback to the committee, emphasized in a conversation afterwards that the aviation industry doesn't base charter flights or any of the...I would say any of the general travel based on mileage, per mileage rates, but they do it per hour. They do it based on time. And I notice that all of your information is based on a mileage rate and not so much per hour. And I just raise the question in a sense, is that something that...could you translate some of this data maybe for us... [AGENCY 17]

RONNIE MITCHELL: Sure. [AGENCY 17]

SENATOR MELLO: ...based on a per-hour basis? [AGENCY 17]

RONNIE MITCHELL: Well,... [AGENCY 17]

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SENATOR MELLO: I don't...I'm not...obviously, I'm not a pilot. I have no experience with aviation. It's just something that... [AGENCY 17]

RONNIE MITCHELL: Sure. [AGENCY 17]

SENATOR MELLO: ...after our meeting Senator Krist mentioned of saying that this mileage issue is not really something that really falls in line with the aviation industry itself of how you compare apples to apples. And I was... [AGENCY 17]

RONNIE MITCHELL: I would like to disagree with Senator Krist on that point. First of all, you can do it either way. You can do it by mileage or you can do it per hour. You'll notice that we have an hourly charge for the aircraft or we have a mile charge. As far as I know, and we've done quite a bit of research on this, most of the charter companies want to do it by mile, and this is statute mile, not nautical mile. So I will disagree with Senator Krist's information to you. Yes, charter is done by the mile in the majority of the cases. [AGENCY 17]

SENATOR MELLO: Okay. All right. Thank you, Director Mitchell. [AGENCY 17]

RONNIE MITCHELL: You're welcome. [AGENCY 17]

SENATOR MELLO: Are there any further questions from the committee? Seeing none, thank you. [AGENCY 17]

RONNIE MITCHELL: Thank you for the opportunity. I appreciate your questions and hopefully answered them to your satisfaction. [AGENCY 17]

SENATOR MELLO: Are there any further testifiers here today on behalf of Agency 17, the Nebraska Department of Aeronautics? Feel free to come on up. Good afternoon. [AGENCY 17]

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RAY BENNETT: (Exhibit 3) Good afternoon. Good afternoon, Chairman Mello and members of the Appropriations Committee. My name is, for the record, my name is Ray Bennett, that's R-a-y B-e-n-n-e-t-t, and I am the sales director for Beechcraft based in Omaha, Nebraska. Obviously, the manufacturing facility is based in Wichita, Kansas. But I'm here to support the appropriation of a B200 King Air or a King Air 250 for the Department of Aeronautics. My presentation will be directing off of the handout that's inside your packet, and I apologize for all the information because there's a lot of supporting information on an aircraft of this need. But I'll be doing my presentation off of this one that says King Air 250, with my contact information on the front of it. But just to kind of start out, give you a little bit of background of Beechcraft, Beechcraft has been building aircraft for 80 years for general aviation, business aviation, and military applications. Obviously, these aircraft are supported by Beechcraft's global support network worldwide, either through an authorized service center or by our actual factory stores. Page 3, which is the map that is done in red for good old NU and that, but as you'll see this is a map that shows all the state governments and entities that are using the B200 King Air, the King Air 90, or the King Air 350i. In your packet of information, there is a supporting document. It's an XL spreadsheet that lists all the state governments by state and all the universities that utilize a King Air Series aircraft, for your background information. Just kind of highlight our neighbors to the southeast, the state of Missouri has just bought a...purchased a King Air 250 that you've heard mentioned in the other testimony. And our brethren up to further north, up in North Dakota, are actually going through the same scenario that you're discussing at this table today. They own a B200 King Air. They own a Piper Cheyenne IIXL. The Piper II...Cheyenne IIXL, excuse me, is getting to the point where they can't support the aircraft and it spends half of its time in the hangar and that, so they are going through the appropriations of buying a King Air 250 to replace that aircraft. So, in essence, they'll end up with a B200 King Air and a King Air 250. Direct your attention to page 4 of that presentation, kind of gives you the time line of the King...the B200 or the King Air Series in general. There are over 300...or 3,000-plus units of these that have been

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produced since 1964. And just to point out the B200 King Air that you're making mention of here in the appropriation was actually certified in 1981, where the King Air 250 was certified here in 2011. Page 5 kind of shows the differences that we're talking about when we talk about a B200 King Air versus a King Air 250. Obviously, we've made a lot of improvements to the King Air line to get to the King Air 250. Obviously, we've put a bigger engine on the aircraft. We've made it with the gas chamber of our largest King Air, the King Air 350i, and the gearbox of the Dash 42 that's on the 200 that you're discussing today. In essence, what that gets us is a faster cruise, a faster aircraft, shorter takeoff distances on those short fields. We had mentioned earlier that Department of Aeronautics uses 3,500 as a minimum. In essence, not to brag about it, but that's a cake walk for the King Air 250. And that's...these performance enhancements are done by putting the Ram Air Recovery System in the aircraft, composite propellers rather than the metal propellers that you're used to seeing on an aircraft today. What the composites do is that they...there's no life limit. You just continue to rebuild the prop as opposed to filing it down and it becoming a, you know, something that you sit in your office and look at. Obviously, we've got the state-of-the-art avionics with the GPSs for WAAS approaches. So those airports that are in remote areas that don't have precision approaches, you can use GPS to make it a precision approach with WAAS technology. We also have TCAS, Traffic Collision Avoidance Systems, to avoid other airplanes that are in the traffic pattern. They might not be talking on the radios and that, but we can see them on the displays. Then we also have ground proximity warning systems. If there's a false indication, we can actually see the ground approaching the aircraft in this new technology. We also have XM Weather, very similar to the XM Radio that you carry in your car. That's actually put in the aircraft for weather technology. Then you also have your on-board weather radar with the new technology King Air 250. Page 6 shows the new interior. This is actually a roomier interior than the older generation 200 and it's a lot quieter. You also have a range map here that shows that the range of the two aircraft are the same in that, but the speed is what really breaks this aircraft apart, and that's done on page 8. Kind of threw together some comparisons of the B200 and the 250 on typical range missions

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that you guys operate. But as you can see, the King Air Series is an aircraft of choice by state entities. There's a local grocery store chain by the name of Hy-Vee that just bought a King Air 250 to use as their regional time machine for their regional travel. Now your decision is to appropriate the funds either for a B200 King Air, a King Air 250. As a taxpayer in the state of Nebraska, I encourage you to review the performance attributes of the King Air 250. This aircraft will provide the Department of Aeronautics a platform to grow upon for many years to come, with gross weight increases, Fusion, which is our new touchscreen technology that's coming into the cockpit. On behalf of myself and the 3,000 employees in Wichita, Kansas, we want to thank you for your time and consideration of this product. Thank you. [AGENCY 17]

SENATOR MELLO: Thank you for your testimony, Mr. Bennett. Are there any questions from the committee? Senator Wightman. [AGENCY 17]

SENATOR WIGHTMAN: Thank you. Thank you for being here, Mr. Bennett. I look at your map and it shows all of the states that have King Air aircraft. Do all of them own those King Air aircraft or... [AGENCY 17]

RAY BENNETT: Yes, they do. They own them outright. [AGENCY 17]

SENATOR WIGHTMAN: They're not leasing. They're all...now I see four states in our area of the country or...I'm giving a big amount to our area of the country. Now do they...do you know whether they own other planes and... [AGENCY 17]

RAY BENNETT: When you actually break those down, take Wyoming for an example, the state of Wyoming actually operates two jets that were given, one was given to them and the other one was actually bought. But the universities of Wyoming operate three B200 King Airs. [AGENCY 17]

SENATOR WIGHTMAN: In the state of Wyoming. [AGENCY 17]

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RAY BENNETT: The state of Wyoming, yes. [AGENCY 17]

SENATOR WIGHTMAN: What about Iowa? It's a... [AGENCY 17]

RAY BENNETT: Iowa, they...we're working right now with the state patrol of Iowa to enter them into a C90GTx and/or a B200, 250 Series airplane. [AGENCY 17]

SENATOR WIGHTMAN: Okay. [AGENCY 17]

RAY BENNETT: But those are soon to be redDED out. [AGENCY 17]

SENATOR WIGHTMAN: I noticed that a lot of the...several of the eastern, northeastern states in the nation apparently either don't have airlines...or airplanes or they don't have the ones we're looking at. Is that right or do you know? [AGENCY 17]

RAY BENNETT: That's correct. You know, the ones that are grayed out up there, you know, they do have opportunities to either charter or they're using it through a foundation type configuration, very similar to what the state of Nebraska was doing before. [AGENCY 17]

SENATOR WIGHTMAN: And several of those I see would have smaller populations than the state of Nebraska, all of the north three and I think probably one state in there is Rhode Island so... [AGENCY 17]

RAY BENNETT: Yeah, correct. [AGENCY 17]

SENATOR WIGHTMAN: ...it would appear that four of them have smaller populations than we have by a fairly substantial margin but...thank you. [AGENCY 17]

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RAY BENNETT: Yeah. [AGENCY 17]

SENATOR MELLO: Senator Nelson. [AGENCY 17]

SENATOR NELSON: Thank you, Senator Mello. Thank you, Mr. Bennett, for coming today. It's been very interesting and informational. I could ask you if you'd like the state to buy the King Air B200, but I won't ask you that. On page 5 here you show state-of-the-art avionics. Could some of those new avionics, could they be put on the B200? [AGENCY 17]

RAY BENNETT: Yes. To answer your question, yes, sir, they can be. Obviously, there's expense to doing that. [AGENCY 17]

SENATOR NELSON: Uh-huh. [AGENCY 17]

RAY BENNETT: There's downtime for doing that. You know, when we initially had the conversation of potentially of the new aircraft, you know, it was hit the ground running with this airplane, put it right into service, no downtime, which, you know, we have, you know, set that goal up with a new aircraft. I actually put in here a spec of an aircraft, BY-171, that shows the new avionics that we have. I did get an e-mail right when I walked in here that aircraft has been sold, and that one of the benefits of us being the manufacturer, we can build another one in that, which we would just go right into line. We'd be looking now at BY-173, same purchase price as discussed at \$5.3. It's a \$6 million retail price aircraft. [AGENCY 17]

SENATOR NELSON: All right. Thank you. [AGENCY 17]

SENATOR MELLO: Are there any further questions from the committee? Seeing none, thank you, Mr. Bennett. [AGENCY 17]

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RAY BENNETT: Right. Thank you. [AGENCY 17]

SENATOR MELLO: Are there any further testifiers here today on behalf of Agency 17, the Nebraska Department of Aeronautics? Good afternoon. [AGENCY 17]

ANDY BILLER: Good afternoon, Senator Mello. My name is Andy Biller, spelled A-n-d-y B-i-l-l-e-r. I represent a company called Holstein Aviation. We're in the aircraft sales and services business. I'm here today out of interest and I had some background that I thought might be of some service. I do have a few comments to share that I thought might come into play with your decision. In terms of my background in being here, I've been actively involved in business aviation in Nebraska and aircraft sales since 1984. Over the years, I've been employed by aviation companies in the area, including Elliott Aviation, Raytheon Aircraft Company--the builder of the Beech King Air, and Duncan Aviation. In 1994, I assisted the state of South Dakota with their purchase of their King Air B200, which occurred at a time when they had an aircraft loss and it was an aircraft that would not have been recommended and was aging. In 1998, I assisted the state of North Dakota with the purchase of their aircraft. In that case, they did lease the airplane on a short-term basis. And in listening to Director Mitchell's comments, it was not advantageous from a financial point of view. It was done as a way to facilitate the appropriation and then they later acquired the aircraft. In 2001, I assisted the University of Nebraska Foundation with the purchase of the aircraft that you're discussing today. In the past, I've been involved with several Piper Cheyenne sales, in terms of that marketplace. I'm a licensed pilot and have been involved in both new and used aircraft and King Air sales. Specific to the Piper Cheyenne IIXL, that airplane has been out of production since 1984. It's supported by the Piper Aircraft Company. The age of the aircraft and the fact that it's out of production makes it more difficult to support and parts availability being more difficult. In the end, it affects the mission capability of the airplane, the availability. The state of Nebraska's airplane, Cheyenne, will be due for engine overhaul, I estimate, in about four years, that cost of approximately \$500,000 or more. Being that it will be the third round of overhauls in the life cycle of the airplane,

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little hard to predict. That's approximately 100 percent of the value of the aircraft as it is today. Of the state governments, and I account for about 36 based on FAA data, that operate aircraft, only 1, and as Mr. Bennett indicated, is the state of North Dakota and that aircraft is one they are hoping to replace in the near future. Specific to the King Air B200, based on the FAA registration data that I have, 36 state governments operate 87 aircraft of which 61 are Beech King Airs, that's 74 percent; 33 percent are Beech King Air 200s, or 29 aircraft. I believe it's chosen by state governments in those numbers because of its combination of safety, which was a factor for the state of South Dakota in their decision to buy the airplane, reliability, cost, performance, and utility when you consider the mission needs of the states. According to a price guide source called Vref, the 2001 model King Air that you're considering is at about 44 percent of its original value. Historically speaking, all King Airs are about 40 percent, so it's a very heavily depreciated airplane. The fact that you know this airplane and it's been maintained locally is a plus. Also, I believe that the engines being due on the King Air 200 won't come for another eight to ten years. I heard a few comments with regards to the questions and I'd just like to add briefly one question pertained to the life of the airplane. I will offer an example. I have a client in South Dakota, large regional hospital. They have five King Airs. They've purchased new and used. In the last 24 months, we have assisted them with the purchase of three aircraft, all of 1996 to 2000 range, and with an average of 2,500 hours compared to the 2,100 of this aircraft. And I offer that as an indication that as an experienced airplane owner, they've been able to feel that there's plenty of useful life remaining. That's the conclusion of my testimony. I'm available for questions. [AGENCY 17]

SENATOR MELLO: Thank you for your testimony, Mr. Biller. Are there any questions from the committee? Seeing none, thank you. [AGENCY 17]

ANDY BILLER: All right. Thank you. [AGENCY 17]

SENATOR MELLO: Are there any further testifiers here today on behalf of Agency 17,

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the Nebraska Department of Aeronautics? Seeing none, that will close today's agency hearing on 17 and move us to our last agency hearing of the day, Agency 27, the Nebraska Department of Roads. [AGENCY 17]