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Appropriations Committee  
January 30, 2018

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[LB674]

The Committee on Appropriations met at 1:30 p.m. on Tuesday, January 30, 2018, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB674. Senators present: John Stinner, Chairperson; Kate Bolz, Vice Chairperson; Rob Clements; Robert Hilkemann; John Kuehn; Mike McDonnell; Dan Watermeier; and Anna Wishart. Senators absent: Tony Vargas.

SENATOR STINNER: (Recorder malfunction)...time, I do have a quorum up here. And we will have senators coming in and probably leaving, but there are some that have bills that they'll be in here later. But I want to welcome everybody to the Appropriations Committee hearing. My name is John Stinner. I'm from Gering and represent the 48th Legislative District. I serve as Chairman of this committee. I'd like to start off by having members do self-introductions, starting with Senator Clements.

SENATOR CLEMENTS: Senator Rob Clements. I live in Elmwood. I serve Cass, parts of Sarpy, and Otoe County, District 2.

SENATOR McDONNELL: Mike McDonnell, LD5, south Omaha.

SENATOR HILKEMANN: Robert Hilkemann, District 4, west Omaha.

SENATOR STINNER: John Stinner, District 48, all of Scotts Bluff County.

SENATOR WISHART: Anna Wishart, District 27, west Lincoln.

SENATOR STINNER: Assisting the committee today is Jenni Svehla, our committee clerk.

SENATOR KUEHN: John Kuehn, District 38.

SENATOR STINNER: Thank you. At each entrance you'll find green testifier sheets. If you are planning to testify today, please fill out a green sign-in sheet and hand it to the committee clerk when you come up to testify. If you will not be testifying at the microphone but want to go on the record as having a position on a bill being heard today, there are white sign-in sheets at each entrance where you may leave your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record at the end of today's hearings. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please silence or turn off

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your cell phones. Move to the reserve chairs when you are ready to testify. Order of testimony is the introducer, proponents, opponents, neutral, and then closing. When we hear testimony regarding agencies we will first hear from a representative of the agency. We will then hear testimony from anyone who wishes to speak on the agency's budget request. When you come up, please spell your first and last names for the record before you testify. Be concise. It is my request that you limit your testimony to five minutes. Written materials will be distributed to committee members as exhibits only while testimony is being offered. Hand them to the page for distribution to the committee and staff when you come up to testify. We need 12 copies. If you have written testimony but do not have 12 copies, please raise your hand so the page can make copies for you. With that, we will begin today's hearing with Senator Krist, LB...I'm sorry, LB674. [LB674]

SENATOR KRIST: Good afternoon, Senator Stinner and members of the Appropriations Committee. For the record, my name is Bob Krist, B-o-b K-r-i-s-t. I represent the 10th Legislative District in northwest Omaha, along with north-central portions of Douglas County, which includes the city of Bennington. I appear before you today in introduction and support of LB674. LB674 relates to the intent of the Legislature to restore appropriations in the amount of \$80,400 for fiscal year '18-19 to the Division of Aeronautics in the Department of Transportation for use and direction by the division to fund the activities of the Nebraska Wing of the Civil Air Patrol. The amount of \$80,400 is the combined total of last year's budget reduction elimination of existing funding that was going to CAP for years, plus funding the activity for Nebraska Wing, the wing this year. I'm going to refer to you...first of all, let me say this. My request to Bill Drafters was a deficit appropriation, which you can do without a bill. My intent of the bill was to bring to you what I think is an injustice in terms of who you heard from or didn't hear from last year when you eliminated this money from the appropriations process, strictly a matter of allowing people who didn't have an opportunity to talk to you about how important CAP is and the funding level, to have that opportunity this year so you could work through the process. And I've worked with fiscal analyst Mr. Michael Lovelace and I appreciate your concerns and your pointing out different issues. I'll refer you to the fiscal note, would be the fourth, I'm sorry, yeah, the third paragraph down: The department has indicated that the passage of LB674 would jeopardize the receipt of \$29.5 million of federal funds in '18-19 that are projected to be passed through the department to local airports' improvement projects. Although I don't understand that, because other states are using this same act to fund their Civil Air Patrol, I've talked to four of them yet in the last couple days and I talked to the FAA about the inference, but let's not argue about that. Let's not argue about using the act. Let's talk about it in terms of deficit appropriations, again which you can do in Appropriations and I understand that. So let's just take that off the table completely. It's a matter of restoring critical funds to an organization that provide a critical resource for this state. The technical note in the next paragraph down: LB674 states the intent to appropriate but is not valid appropriation. So we've taken care of that process as well. I am going to step aside and let the people who feel very passionately about Civil Air

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Patrol come forward but not without a few of my own examples. I know that the Adjutant General of the state of Nebraska, when I was the active duty adviser to the United States Air Force Guard here in Nebraska, came to us on many occasions and asked for particular support and it was the Civil Air Patrol that came forward and provided that support as an extension of the NEMA process, Emergency Management. I know that that same request was in process in providing more services to the Adjutant General in terms of search and rescue, which is part of his tasking. I worked extensively with the Civil Air Patrol when I flew helicopters and I can tell you that they are professional. But I'm telling you one more thing that Civil Air Patrol does and the reason why this is an important tool in our state. They bring along aviation students into a world of caring about what it means to be a civil aviator and it is an education process that most of us would not be where we are today without that introduction into civil aviation and search and rescue by the Civil Air Patrol. I think it's an important education portion of our state. I think it's an important resource to the state. And I would invite any of you, Senator Hilkemann and I have been in the air many times, not at the same time, but am in the air many times knowing that if anything ever happened we would have the support that we would need. So if you intend to go flying and crash, do not call the Civil Air Patrol because you've cut their funding. That would be my message (laughter) and I think that's all I'm going to say until closing. So thank you very much, Senator Stinner. I stand for any questions. [LB674]

SENATOR STINNER: Thank you. Any questions? [LB674]

SENATOR HILKEMANN: Senator, why is the AOPA against this? [LB674]

SENATOR KRIST: If they're here to talk to you, I guess they can talk to you. I understand some concerns are that we are taking money away from the investment in civil airports. Senator Hilkemann, I would remind you and I think this is just putting it on the record because you know, at one point not too many years ago we were giving \$2.5 to \$3 million to civil airports out of General Funds and out of the state funds. That act that funds us from the...is from the federal government. Last year, the last few years we've been less than \$250 in terms of...\$250,000 in terms of that funding level. They may have an objection that we're taking money away from giving money to airports. They may have an objection because they think that this is new appropriations for the state and a new way of taking care of this educational resource that we have and the resource that we do have. I will let them fend for themselves. But I think that in reality, as a deficit appropriation and not touching the act eliminates some of their concern, and making sure that in public testimony we make it very clear this is not new for the state of Nebraska. This has been a continuing tradition in funding a viable program. [LB674]

SENATOR HILKEMANN: Thank you. [LB674]

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SENATOR STINNER: Any additional questions? Seeing none, thank you. [LB674]

SENATOR KRIST: Thank you. And I'd like to stay around for closing if I could. [LB674]

SENATOR STINNER: Yes. Any additional proponents? Good afternoon. [LB674]

DARRELL NELSON: Good afternoon. My name is Darrell Nelson, D-a-r-r-e-l-l N-e-l-s-o-n. I am the commander of the Nebraska Wing of the Civil Air Patrol and it's my honor to represent the more than 500 volunteer members of the Nebraska Wing in supporting LB674. The Civil Air Patrol was formed on December 1, 1941. The organization served with distinction during World War II and has continued to serve the nation in each of the 50 states during the past 76 years as an auxiliary of the U.S. Air Force. And in fact, we are now part of the total force as designated by the Secretary of the Air Force. The missions of the Civil Air Patrol are emergency services, which consists of search and rescue of downed aircraft, missing persons searches, and disaster relief activities. A cadet program that focuses on leadership, citizenship, physical fitness, and character development, and an aerospace education program that seeks to improve the knowledge of aviation and space science among students and the general public are also parts of our mission. Within the cadet program, the Civil Air Patrol is addressing the need for commercial pilots by offering orientation rides to cadets in Air Force ROTC, Junior Air Force ROTC, as well as the Civil Air Patrol. We also offer flight academies for powered aircraft and gliders, advanced flight academies, and low-cost flight instruction from volunteer instructor pilots. Many cadets are also active in the national CyberPatriot competitions to develop skills that minimize computer hacking. The Nebraska Wing has volunteer members in 16 squadrons located throughout Nebraska with wing headquarters at Camp Ashland. We have six Cessna aircraft and 17 vehicles strategically located within the state to respond to the needs of state agencies, local officials, and federal agencies such as FEMA, the Air Force Rescue Coordination Center, and the FAA. Our aircraft and ground teams have direction finding equipment that allows us to locate downed aircraft whose emergency locator transmitters are emitting signals. During 2016, we located two crashed aircraft in Nebraska. Fortunately, no downed aircraft searches were required during 2017; however, our team silenced two emergency locator transmitters that were inadvertently transmitting a signal that was picked up by the FAA. In addition, the Nebraska Wing has an extensive communications system based on HF and VHF radios and has a number of VHF repeaters located throughout the state. Our equipment accesses the statewide radio system and can serve as a backup communication system for state agencies and local sheriffs in the event of a disaster. The Nebraska Wing has worked closely with NEMA on disaster relief efforts, including tornadoes and the 2011 flooding on the Platte and Missouri Rivers. For example, during the summer of 2011, CAP aircraft flew every other day from Gavins Point Dam to the Kansas border, taking aerial photos. In total more than...our aircrews took more than 10,000 aerial photographs of critical infrastructure and flooding damage for use by the incident command agencies. During the past three years, our squadrons have flown fire patrol

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sorties on Pine Ridge in north-central Nebraska in support of local emergency management agencies, NEMA, the Nebraska Forest Service. We are currently working with the Nebraska Air National Guard on real-time imaging of disaster sites. Our units have also supported disaster mobilization exercises carried out by the Nebraska National Guard and has provided aerial surveillance of deer populations for the Game and Parks Commission. The Nebraska Wing has provided support to general aviation in the state by marshaling aircraft and ensuring that attendees are safe during statewide fly-ins. We've also assisted the Offutt Air Force Base and the Guardians of Freedom air show in Lincoln, so we...and have supported a number of local community events, including Wreaths Across America. For more than a decade the Nebraska Legislature provided modest funding to the Civil Air Patrol to support our programs directed at protecting Nebraskans and developing our youth. This funding was derived from cash funds in the former Department of Aeronautics. We used these funds to support our cadet and aerospace programs, as well as provide infrastructure support for wing resources. The Nebraska Wing has a history of efficient use of funding provided to the organization. For some reason, no funding was provided to the Civil Air Patrol for fiscal year starting July 1, 2017. This represented a major problem for the wing in carrying out our state and federal operational mandates. In addition, we incurred significant expenses during September 2017 in moving our headquarters back into Camp Ashland following the massive flooding of the post in May 2015. Although the aircraft, vehicles, and radios are provided by CAP National Headquarters, we are responsible for ensuring that these resources are properly maintained and mission ready. For example, the Nebraska Wing must pay hangar rent for aircraft, pay utilities for our headquarters at Camp Ashland, and provide administrative support for our squadrons. Adoption of LB674 would restore funding to the Nebraska Wing and this funding would allow us to continue to assist the Division of Aeronautics in meeting one of their statutory mandates to enhance general aviation in Nebraska. Thank you. [LB674]

SENATOR STINNER: Thank you. Questions? Senator Wishart. [LB674]

SENATOR WISHART: Thank you so much for being here today. Can you speak, if possible, a little more to the pilot shortage that we're seeing nationally and what the Civil Air Patrol is doing to help relieve that? [LB674]

DARRELL NELSON: Yes, there is presumed to be a significant pilot shortage that will come up in the next decade. And we're getting our cadets, as well as the Air Force ROTC folks' cadets, much more interested in aviation as a career, and we're providing the means for them to obtain a private pilot's license through the Civil Air Patrol program. So the cadets could even go on and get additional ratings through our program. [LB674]

SENATOR WISHART: Thank you. [LB674]

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SENATOR STINNER: Thank you. Additional questions? Senator Hilkemann. [LB674]

SENATOR HILKEMANN: If I understand this, what we're doing is just restoring money that has been used there previously. [LB674]

DARRELL NELSON: That is correct. [LB674]

SENATOR STINNER: Okay. Additional questions? Thank you. [LB674]

DARRELL NELSON: Thank you. [LB674]

SENATOR STINNER: Any additional proponents? Good afternoon. [LB674]

THOMAS PFLUG: (Exhibit 2) Good afternoon. My name is Tom Pflug. First name is spelled T-o-m, last name P-f-l-u-g. I'm the assistant director of operations for Nebraska Wing Civil Air Patrol, having just recently served as the director of operations for the Nebraska Wing. I'm here to provide you with a snapshot of recent Nebraska Wing CAP operations that have been conducted in support of state, county, and local authorities. In 2011, as Colonel Nelson alluded, Missouri River and Platte River flooding was significant. And I can tell you personally, I was on my way to Columbus for a family reunion when I got a phone call saying we have issues along the Missouri River, can you launch an airplane. Within 60 minutes we had an airplane above the flooding site near Hamburg, Iowa, where the initial breach of the levees occurred. During the course of the summer we flew sorties from Gavins Point to the Kansas-Nebraska border, providing imaging for use by FEMA, NEMA, the Corps of Engineers, and other agencies to be used in damage assessment and mitigation. We also provided early assessment photos of anticipated flooding along both the North and South Platte Rivers. In 2014 we conducted missing persons searches in Holt and Antelope County at the request of the Holt and Antelope County Sheriff. Ten sorties were flown providing aerial and ground search and communications coordination and support of the Holt and Antelope County Sheriff. I might mention as well that we got the call for that and within 90 minutes we were overhead looking for the missing people who were...who the sheriff was asking us to find. In 2015 we provided environmental support in Wayne County and also along the Platte River. We flew one sortie in support of the Nebraska Department of Environmental Quality, assessing compost sites in Wayne County. We flew four sorties providing aerial observation for members of the Papio-Missouri River NRD, assessing ice jams along the Platte River from Columbus to Plattsmouth. In 2016 we provided search and rescue support. We had two ground sorties that located a missing airplane in Wayne County, and I might add that the cadets who participated in that search and rescue mission were critical in locating that aircraft. It had gone unspotted by local emergency management agencies. Our cadets found it. We also provided 11 aerial sorties and located a missing airplane in Box Butte

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County, supporting Alliance EMS and the Nebraska State Patrol. We flew six fire spotting sorties along...across the Pine Ridge in support of NEMA and local firefighting authorities. In 2017 we flew 14 fire spotting sorties across the Pine Ridge, the Sandhills, and Cherry County, supporting NEMA and local firefighting authorities along with the single engine air transports that fly, that extinguish the fires up there. We flew two sorties surveying low-level obstacles in the O'Neill MOA, Military Operations Area, in support of the Air Guard. We have ongoing support roles. Colonel Nelson mentioned using what's called a DAART system, and it's an acronym that stands for Depot Maintenance Operations Planning System Awareness Assessment Response Tool. I call it DAART because I don't know what all those other words mean. But we provide...it provides opportunities for us to provide live video feed directly to NEMA and the joint operations center at NEMA headquarters. We're working with the Guard on that, in that process. We're also working to enhance statewide communications installing an ongoing...operating on an ongoing fashion VHF, HF, and HF-ALE radios across the state, and those nets are active throughout the course of the year. We are also programming Civil Air Patrol radios to access the statewide radio network when it is essential for us to be able to coordinate with local law enforcement or emergency management agencies in the course of fire spotting or other activities. As far as funding goes, I guess I can just speak as an individual CAP member. The running joke in Civil Air Patrol is that CAP stands for "Come And Pay," and, frankly, we do a lot of that. In fact, right now, due to the lack of state funding, Civil Air Patrol members are paying for the hangar rent for the airplanes that we have throughout the state of Nebraska. We're asked to do a lot and to pay for the storage of the airplanes seems a little bit over the top. We also...we pay for our uniforms. We're paying for our own training right now. We're paying for the fuel, the aircraft use that goes into that. CAP members are unpaid volunteer professionals and we devote countless hours and a lot of money to serving the state of Nebraska. We hope that we can have your support. [LB674]

SENATOR STINNER: Thank you. Questions? I have a question. The \$40,000 goes to support these types of endeavors. What happens if you end up going up over budget? I mean \$40,000 doesn't seem like a whole lot of money to do all this work, so...? [LB674]

THOMAS PFLUG: Well, frankly, it's not. And if we go over budget we can go to the...I mean I'll kind of defer to Colonel Nelson on that, but my understanding is if we get to the point where we're running out of money, the U.S. Air Force provides funding for many of these. But we're flying in support of local and community agencies. So when Cherry County or when Antelope County called and said, hey, we got a missing person search up here, the U.S. Air Force actually provided the funding for us to fly that, but we were flying in support of those local agencies at their request. Our mandate says that we cannot...we have to...we can't fly in support of these agencies unless there is no state money available, state resources have been used up, or state assets are not accessible. At that point then we're allowed to come in and provide support and we

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do that through the chain of command. Generally speaking, that comes down from NEMA. [LB674]

SENATOR STINNER: Okay. Thank you. [LB674]

THOMAS PFLUG: May I add one quick... [LB674]

SENATOR STINNER: Yes. [LB674]

THOMAS PFLUG: One question that was asked with regard to the cadets and the pilot shortage and that sort of thing, I might also mention that Civil Air Patrol in Nebraska has recently established a squadron, a cadet squadron, within Burke High School where there is an Aviation Academy ongoing that we're building. And the intent of that Aviation Academy is to attract and train and induce young people in that age group to become involved (inaudible), not just as pilots but throughout the aviation spectrum. [LB674]

SENATOR STINNER: Thank you. Additional questions? Seeing none, thank you. Any additional proponents? Are there any opponents? [LB674]

KYLE SCHNEWEIS: Good afternoon. [LB674]

SENATOR STINNER: Afternoon. [LB674]

KYLE SCHNEWEIS: (Exhibit 3) Chairman Stinner, members of the Appropriations Committee, I'm Kyle Schneweis, K-y-l-e S-c-h-n-e-w-e-i-s, the director of the Nebraska Department of Transportation. And I am appearing today in opposition of LB674. Really, we have two issues: one is technical and one is more philosophical. As I understand, LB674 would provide for a one-time transfer of amounts credited to the Aeronautics Cash Fund to the Civil Air Patrol. And this would constitute an unlawful diversion of aviation fuel taxes under federal law and would put the state of Nebraska out of compliance with Federal Aviation Administration's revenue use policy. And we have had conversations with the FAA in Washington, D.C., to confirm that and we were told that if we're tying the funds to the aviation fuel tax that is where that revenue use policy is...comes into play. As you know, we receive about \$30 million in fiscal year '18 for...from the Federal Aviation Administration and those funds are used to go to local airports for improvement projects. They also go directly to Nebraska's commercial airport, such as Omaha Eppley. The second piece we have is more philosophical. And as you know, our budget request last year did not include a funding request for assistance for the CAP and the appropriation enacted did not include such funding. And it comes down to there are many needs across the airport...airports

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across our state, as many of you know, and we were able to do just \$300,000 in grants this last year. And many of these projects, we're talking about large rehab projects for runways. We're using federal funding for the bulk of it but oftentimes it's 90/10 and that 10 percent local match is very, very difficult on a million-dollar project. And so we're using state funds to help support some of those local communities to maintain safe and well-maintained runways, and that has been our priority. That's what we feel is the priority of the department and that's why we didn't request the funding last year. And so when we're looking at limited resources and lots and lots of needs, we're trying to set our priorities and that's where our priorities lie. So, Senator, with that, I'd be happy to answer any questions that you have. [LB674]

SENATOR STINNER: Okay. Questions? Senator Kuehn. [LB674]

SENATOR KUEHN: So I appreciate the setting of priorities and the 90/10 match and all that, but we're talking \$40,000... [LB674]

KYLE SCHNEWEIS: Sure. [LB674]

SENATOR KUEHN: ...a year for a very important program, not only in terms of investment in current capacity but also investment in a future ongoing capacity. So is it...is your assertion today that there's not a couch cushion in DOT or a program which is not using its full appropriation that cannot be found to provide \$40,000 a year? [LB674]

KYLE SCHNEWEIS: Sure. Well, a couple of things come to mind. Although we have merged to a DOT, the funding for aviation expenses or projects and programs, and the funding for other programs traditionally under Department of Roads are separate by statute. And so we are keeping those funding streams separate and those programs separate. So when we're looking at this, it's coming out of the aviation piece. I don't intend to communicate that we don't find their mission very, very noble at all. I think that when we look at the priorities of the Division of Aeronautics we're focusing on the airports themselves. It's \$40,000. That would be 15 percent of the funding that we were able to give to our 70 airports last year, which is not insignificant at only \$300,000 in grants. And so, you know, I know we've been funding this at the state level for a long time. And as I understand it, 20 years ago it was a General Fund appropriation. There was a budget crunch, much like we're in today, and then it was borne onto the Department of...at the Department of Aeronautics and then here we are today. So that's a little bit of history for you. [LB674]

SENATOR KUEHN: I guess I would maybe encourage you, and I'm sure we'll have a dialogue as a committee, to maybe, since you are one department and we all understand program areas and how the money is appropriated, but this might be an appropriate time to look at other

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program areas where you might be able to do a transfer or a...to this particular one. But we'll have that discussion when (inaudible). [LB674]

KYLE SCHNEWEIS: Senator, I'd be happy to do that and one of the conversations I'll have to have is with our legal representation in terms of what we can do. [LB674]

SENATOR KUEHN: You bet. Thank you. [LB674]

SENATOR STINNER: Okay. Questions? Senator Hilkemann. [LB674]

SENATOR HILKEMANN: This is not a question directly about this bill but you're talking about needing the funding for runway improvements and so forth across the state. Overall, what is the...what is the ranking or the quality of the runways in Nebraska? [LB674]

KYLE SCHNEWEIS: Well, that's a good question, Senator. I think it's been a long time since we've done a statewide needs assessment, and so one of the things that we're going to do soon, and my hope is that next year we'll kick it off, is an assessment of what those needs are. You'll recall in December when we met to talk about DOT needs in general, we talked about a \$500 million need across the aviation industry or all the airports across the state. That number is pretty outdated. As I understand, it's been 15 or 20 years since we did that study. So my hope is we'll do another one soon. We'll engage all the communities in terms of what do we need in terms of improvements, and I'll have a better hope at answering your question after that study is completed. [LB674]

SENATOR HILKEMANN: It's my understanding that a lot of this, the funding, goes to some of these very small airports that... [LB674]

KYLE SCHNEWEIS: Uh-huh. [LB674]

SENATOR HILKEMANN: ...that really it's questionable whether they can support themselves. Is that true? [LB674]

KYLE SCHNEWEIS: Well, so there are about 70 airports in Nebraska and I've been to, I swear I've been to, about half of them in the last year as we merged. And I met a lot of folks that are really doing good work at the airports. And it's very impressive the amount of commitment at that level in terms of volunteering and helping manage the airports. It's a labor of love for many people. And many times the folks that are managing the airport are...do have a challenge with their local communities in terms of getting the financial support they need, and that's something

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that when we look at the few dollars we have at the state level, that we try to support and supplant that. I know more about airports than I knew a year ago but I still get some stuff way wrong, which is why I have my friends from the Division of Aeronautics here. But I've been told in the past the...so the 90/10 that we have, the 10 percent match, it used to be 90 percent federal...or 95 percent federal, 2.5 percent state, and 2.5 percent local. And then over time the federal rules changed to make it 90/10, and over time the state's share has gotten lower and lower until now it's all borne by the locals. So it has changed. [LB674]

SENATOR HILKEMANN: Again, this isn't directly on this bill but now that we've got you here, are there airports that we probably should no longer be supporting? [LB674]

KYLE SCHNEWEIS: I'm not prepared to answer that, Senator. [LB674]

SENATOR HILKEMANN: Okay. [LB674]

KYLE SCHNEWEIS: And not any that I have visited. You know, one of the things that we are doing this year is an economic impact study to understand how these airports support the communities, support economic growth, support healthcare, and support the community as a whole. And every airport that I've been to you can see that firsthand. Many of them are growing. They're trying to house more aircraft. They have more demand than they have hangars. And so it's...I think it's often an underrecognized service that we have in terms of these small airports, but having had the opportunity to go visit many of them, I can tell you they are important to their communities. [LB674]

SENATOR STINNER: Senator Wishart. [LB674]

SENATOR WISHART: Thank you so much for being here today. I know you stated the \$500 million statewide needs is an old number, but since that's the number we have, just wanted to clarify, that's total. We anticipate that we would have 10 percent of that spent locally and the rest would be federal dollars? [LB674]

KYLE SCHNEWEIS: So for every project that comes, that we do, it's 90 percent federal, 10 percent. And I don't...I don't mean to indicate that the funding that we have is intended to address all the needs there, so...and I know that's not what you were saying. But I think if you wanted to say the \$500 million was the amount of projects that we were trying to accomplish, then I would say, yes, 90/10. [LB674]

SENATOR WISHART: 90/10. [LB674]

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KYLE SCHNEWEIS: Yeah. [LB674]

SENATOR WISHART: Yeah. So just then to make sure this is in the record, we're leaving potentially federal dollars on the table if we're not able to meet it with the 10 percent state match...or local match. [LB674]

KYLE SCHNEWEIS: I think that's true. I'm going to try to answer it and then turn around and see if Ronnie is looking at me weird. (Laughter) So I do not believe that as a state in Nebraska we have yet to leave federal funding on the table. We work hard to make sure we can match projects. I know there are communities who are unable to meet their match and so their projects are deferred and sometimes have not been accomplished. But we aren't leaving federal money on the table. [LB674]

SENATOR WISHART: Okay. [LB674]

SENATOR STINNER: Additional questions? I do want to make the observation in the fiscal note, "The department has indicated that they would reallocate funding from the increase in airport improvement aid to pay for the increase in Civil Air Patrol aid. In this scenario the bill would represent no change in expenditures." So they must have talked to somebody in your department to get the idea that there is money that could be moved around to accommodate this. [LB674]

KYLE SCHNEWEIS: That's the technical issue I think that I was referring to in the beginning, is that as I understand it the way the bill is written today we have a technical concern with getting crosswise with FAA. [LB674]

SENATOR STINNER: Okay. [LB674]

KYLE SCHNEWEIS: So if we're on the same page. Ronnie? [LB674]

RONNIE MITCHELL: Yes. [LB674]

KYLE SCHNEWEIS: Come on up here and whisper in my ear, Ronnie. [LB674]

RONNIE MITCHELL: Okay. The problem that we have... [LB674]

SENATOR STINNER: Would you...would you please spell your name? [LB674]

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RONNIE MITCHELL: I'm sorry. I'm Ronnie Mitchell, R-o-n-n-i-e, Mitchell, M-i-t-c-h-e-l-l. I'm the director of the Division of Aeronautics and I've been in that position a little over eight years. The problem that we have is this 10 percent match creates difficulty for a small community. If they have a project that runs, let's say, \$300,000, they've got to come up with \$30,000. Gordon might have a little problem coming up with that amount. Right now they've got a great airport. We don't want to see our airport system degraded by slowing down projects. And if we don't have state funds to assist them and they don't have local funds, these projects are then delayed. And as they are delayed, the quality of the pavement, the airport, the safety issues all come into play. So that's where our funding issue lies right now. The surrounding states in the Central Region--Missouri, Kansas, and also Iowa--they take money from the General Fund and give to the airports. We've never received any General Fund money for the support of airports in this state. Now think about that. The Central Region in Kansas City, which we fall under, they talk about Nebraska because we submit so little funds for support of our airports. All of the extra revenue that we have at the end of the year is given to our airports as a grant in October. This past year we were able to give a little over \$300,000. That's the most we've been able to do in quite some time. Forty thousand two hundred dollars is a lot of money from us. I would like to give you a little history. Several years ago the allotment for the Civil Air Patrol was \$25,200. Three years ago the Appropriations Committee decided to up that to \$40,200. Civil Air Patrol asked for \$110,000. Then last year we were able to get it out of our budget and we're using that money to support our airports. People, these airports are important. If you don't have airports you don't have a system of transportation that every other state would like to have. So that's what I'd like to say. I'm open to any questions and apologize for interrupting. [LB674]

KYLE SCHNEWEIS: Thank you, Ronnie. Did we get your question answered, Senator Stinner? [LB674]

SENATOR STINNER: What's that? [LB674]

KYLE SCHNEWEIS: Did we get your question answered? [LB674]

SENATOR STINNER: I believe you did. [LB674]

KYLE SCHNEWEIS: Okay. [LB674]

SENATOR STINNER: All you're telling me is you have a laundry list of airports and deferred maintenance and things that need to be done, and how big is that list? [LB674]

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RONNIE MITCHELL: We have looked at the list and, Andre (phonetic), if I'm not mistaken, we've got about 25 or 30 airports that have projects that will be delayed because they just can't meet their 10 percent federal match. Senator Hilkemann, you asked are there airports we should not be supporting. My answer to that is we should be supporting all of our airports. We have a great system of airports in the state, 79 land-based airports, 1 seaplane-based, and those airports are critical. If you don't have an airport with a good runway and some sort of weather operating system, you can't get emergency rescue in. You can't get emergency hospital services. They have certain criteria if they're going to come into these airports. You have freighters that bring freight into this country. One of the interesting things, we have seven of our airports that use Essential Air Service, and that's a very critical item for this state because it allows people in the rural areas to get connections to a major hub. The Regional Airline Association estimated the value of that was about \$300 million a year to Nebraska. If you don't have a good airport, they're not going to come. So airports are important. [LB674]

SENATOR STINNER: Thank you. Additional questions? Seeing none, thank you. [LB674]

KYLE SCHNEWEIS: Thank you. [LB674]

SENATOR STINNER: Any additional opponents? Good afternoon. [LB674]

JON LARGE: Afternoon. My name is Jon, J-o-n, Large, L-a-r-g-e. Senators, I'm the president of the Nebraska Association of Airport Officials, a group representing the interests of the owners and operators of Nebraska's 80 public-use airports, providing the ground-based infrastructure, the runways, the taxiways, the aprons, the lighting systems, and the hangars that support our \$3.9 billion aviation industry in the state. While as an organization we certainly support the mission of the Civil Air Patrol and their role as first responders in the search for missing and downed aircraft, I'm here to testify today in opposition, as presented, to LB674 and its proposal to appropriate funds from the Division of Aeronautics for use by the Civil Air Patrol. We oppose this as introduced for two reasons. First, in a time of very limited funds for all of us, just providing locally for the ongoing operation and maintenance of our state's airports can be a challenging proposition. And as tight as operating budgets are, the additional budgeting for and saving of funds for necessary capital improvements can be nearly impossible. Without capital funding support in the forms of both state and federal grants, capital improvements at our state's airports could not be accomplished and both the quality and the safety of our system of airports would be diminished. In Nebraska, state aid funding for airport capital improvements comes directly from excess operating revenues of the division, including funds from the Aircraft Fuel Tax Fund. For the last five years those excess funds, and so the funds available for airport capital improvements, have averaged only \$191,000 a year. To take \$80,000 from the Aircraft Fuel Tax Fund would only further reduce the excess operating revenues of the division and would

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constitute over 40 percent of the average available funds for airports--a significant hit to an already minimal funding source. If we relate this \$80,000 to last October's Nebraska Aeronautics Commission allocation of state funds, at an average funding level of \$38,000 per project, two of the eight funded projects, or 25 percent, would not have received funding at all and would have been delayed or deferred until another funding cycle when they would again need to compete for very limited funds. While we support their mission, we must oppose the appropriation of much needed capital improvement funds and their diversion to the Civil Air Patrol. Second, in our opinion, this appropriation from the Aircraft Fuel Tax Fund represents a clear case of revenue diversion and places the federal funds the state receives from the FAA at jeopardy. Since 1982, and clarified in 2014, the FAA has clearly stated their policy that revenues from state and local government taxes on aviation fuel will be used for certain aviation-related purposes. These include airport capital and operating costs, and state aviation programs. To use aviation fuel tax funds for other purposes would be contrary to the FAA's longstanding policy and would place the state in violation of assurances it has made to the FAA as conditions of past grant agreements. Any violation of grant assurances certainly places future grants at risk. And given the nature of the state's channeling act in which federal funds must flow through the division, could place the state's entire federal airport improvement program of over \$29 million at risk. In our opinion, the risk is too great. In closing, with the negative impact this bill would have on already limited state aid funds for airport capital improvement and the risk it has for the state's entire federal program, the Nebraska Association of Airport Officials must oppose this bill as it has been introduced. If we could offer a solution, until 15 to 20 years ago the Civil Air Patrol was supported by General Fund dollars flowing through the division and directly back out to the Patrol. Given the potential negative impacts we see as a result of this bill, we would encourage some reconsideration of that former funding method. Senators, that is the end of my testimony. If I can answer any questions I'd be glad to try and do so. [LB674]

SENATOR STINNER: Question? Senator Wishart. [LB674]

SENATOR WISHART: Jon, thank you so much... [LB674]

JON LARGE: Yes, ma'am. [LB674]

SENATOR WISHART: ...for being here. Good to see you. [LB674]

JON LARGE: Thank you. [LB674]

SENATOR WISHART: So I had mentioned to Kyle, and again we're getting updated numbers on just how much money we have in terms of needs... [LB674]

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JON LARGE: Uh-huh. [LB674]

SENATOR WISHART: ...of the airports... [LB674]

JON LARGE: Yes. [LB674]

SENATOR WISHART: ...across the state. And he had said we're not leaving federal dollars on the table. [LB674]

JON LARGE: Right. [LB674]

SENATOR WISHART: But just to get your thought, walking through this, as we continue to delay projects because we can't come up with that local match, you know, it is still competitive in terms of federal dollars. These are grants that come to states. [LB674]

JON LARGE: Yes. Uh-huh. [LB674]

SENATOR WISHART: So as we continue to delay those projects, that means potentially in the future we may not get those, that federal grant to move forward on those projects. [LB674]

JON LARGE: Yes. There is some potential for that. I would give the...I would give the division a tremendous amount of credit for the creative ways in which they can package and redistribute funding at many of our smaller airports there. They are entitled to a nonprimary entitlement of approximately \$450,000 a year. If any of you have looked at construction costs in the state, you don't do a whole lot for \$450,000. And the department is very good at accumulating those nonprimary entitlements, packaging them into larger pieces so that we have the opportunity to do larger projects maybe at a smaller number of airports. And I think with those kind of creative methods we've been able to forestall turning federal funds back to the government. [LB674]

SENATOR WISHART: Okay. And then can you speak a little bit more to the public safety repercussions of aging infrastructure at airports? [LB674]

JON LARGE: Well, sure. Just like with your house, you need to do regular maintenance, and every once in a while you need to do a rehabilitation in order to keep your home in an appropriate condition. And it isn't any different for an airport. In fact, it may be a bit worse. That is infrastructure that lays out there in the weather every day and is certainly treated poorly by the weather conditions in the state. The department has done a great job of maintaining the runways

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in the state. I think we have a relatively high PCI number, pavement condition index number, for our runways. But a runway does not an airport make. We have taxiways. We have aprons. We have lighting systems that are all very, very old. I think our system of airports--and Ronnie and Andre (phonetic), the folks from the division, may correct me--we kind of had a heyday of capital improvement for airports in the fifties and sixties and early seventies, and so much of that infrastructure today is approaching 40 and 50 years old. Normally, when I design airports, at the Lincoln Airport I'm designing nominally for a 20-year life. So if we have infrastructure that is 40 and 50 years old or older and we've designed for 20-year nominal life cycles, all of that pavement, those lighting systems, in many cases those hangar buildings are at the end of their useful life and minor rehabilitations are not going to be enough. We really need to be looking at reconstructions at some of those pavement facilities. [LB674]

SENATOR WISHART: Thanks, Jon. [LB674]

SENATOR STINNER: Any additional questions? Senator Hilkemann. [LB674]

SENATOR HILKEMANN: How many airports do we have in the state of Nebraska? [LB674]

JON LARGE: We have, my understanding is, we have 79 land-based public-use airports and 1...we have 1 seaport on. [LB674]

SENATOR HILKEMANN: Okay. How does this compare with Kansas or South Dakota? [LB674]

JON LARGE: That is a great, great question. I would...and I hate to give an answer. I would be glad to do some research on that for me, if you would like. [LB674]

SENATOR HILKEMANN: Yeah, I just thought about that while I... [LB674]

JON LARGE: Sure. [LB674]

SENATOR HILKEMANN: ...was sitting here, how we compare... [LB674]

JON LARGE: Uh-huh. [LB674]

SENATOR HILKEMANN: ...with the other surrounding states for the number of airports. [LB674]

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JON LARGE: Yes. [LB674]

SENATOR STINNER: Any additional questions? I have a couple. And how many state-owned airfields do we have? Is it three, if I remember right? [LB674]

JON LARGE: We have three. We have a state-owned airfield in Scribner, one in Fairmont, and one in Harvard, Nebraska. [LB674]

SENATOR STINNER: Okay. And I'm just looking at the Aeronautics Cash Fund and we have numerous places we derive revenue. Aviation fuel tax is something that... [LB674]

JON LARGE: Uh-huh. [LB674]

SENATOR STINNER: ...we've talked about. State aircraft pool; trust fund income; state airfield operation rental; federal funds, which is the biggest part of it and it varies, runs up and down; loan repayments; navigational aids; and other. And these are fairly sizable numbers. We also have the lowest monthly ending cash balance of \$6.4 million, at least at 2016-2017. Surely you can find some way of carving out \$40,000 out of that whole mix without jeopardizing all of the funding that you need. Wouldn't that...is that possible? And maybe you're not the person I should have asked. I should have probably asked... [LB674]

JON LARGE: Yeah, I fear that I'm not the person to be answering the question. [LB674]

SENATOR STINNER: Okay. Okay. Additional questions? Seeing none, thank you. [LB674]

JON LARGE: Thank you. [LB674]

SENATOR STINNER: Ronnie, do you want to come back here? I need to ask a couple of questions. [LB674]

RONNIE MITCHELL: Sure. [LB674]

SENATOR STINNER: I'd like you to be on the mike, and if you could identify yourself again. [LB674]

RONNIE MITCHELL: My name is Ronnie Mitchell, R-o-n-n-i-e, Mitchell, M-i-t-c-h-e-l-l, director of the Division of Aeronautics for the state. [LB674]

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SENATOR STINNER: Now thank you for being here. And I just had started down through this cash fund and am trying to recall things from memory and trying to match it up with what I'm hearing today. Let's just talk about aviation fuel tax. That was in '16-17, which is just what we ended. We brought in \$1,551,000, in round numbers. Is that trust fund, does it have to go someplace? Is it what you get your federal dollars from? Or tell me how, tell me how this all works. [LB674]

RONNIE MITCHELL: Okay. Fuel tax revenue is approximately 40 to 45 percent of our total revenue. The rest of the revenue comes from other things, such as whenever we fly people in the state airplane we get reimbursed for that. We do it on a breakeven basis so we're really not making any money, but that comes back into the pot as you see it there. Additionally, there are some other areas that we get money from. The state airfields are huge generators of federal funds for this state. Each...and Jon mentioned \$450,000. That's over a three-year period that a general aviation airport can accumulate their funds. They get \$150,000 each year if they're in the NPIAS, the national integrated plan for airports. Seventy-three of our airports qualify for federal funds. So they can accumulate that \$150,000 for three years and at the end of three years they can do that project. Maybe it's a, let's say, it's a million-dollar project. Well, they've got \$450,000. That would probably build a six-place hangar. Hangars have gotten very expensive but they can get a federal grant for that for 90 percent. That \$450,000, of course, goes a long way toward helping them do that, but that isn't part of their 10 percent federal match. That federal match has to come from the local entity itself. So we keep an operating amount in our budget of approximately six months of expenses. We're a very frugal agency and you'll see that's probably where that \$4 million is that you're looking at. So when you get into the depth and details of all of the money, approximately 70 percent of our funding is restricted funding, which falls under the compliance with the FAA. Did that answer your question, sir? [LB674]

SENATOR STINNER: Seventy percent is restricted because of the...because of federal government regulations in how you derive your revenue. [LB674]

RONNIE MITCHELL: That's correct. [LB674]

SENATOR STINNER: Give me some feedback on this loan repayments. Obviously, loan repayments were \$338,000, \$424,000, then \$778,000. Does that mean that you're loaning money out, for what purpose? [LB674]

RONNIE MITCHELL: We have three funds where we loan money to airports to build a hangar or maybe a fuel system, and that's an interest-free loan. They pay it back over a period of several years. And usually that money is loaned at, I believe it's, 60 percent of the cost of the project. So it's a revolving fund. And we continue to give that money to airports as a loan, no interest, and

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they pay it back and it gets back into the revolving fund. Our commission then disburses that money during their commission meetings as a loan, and it is repaid. [LB674]

SENATOR STINNER: Okay. [LB674]

RONNIE MITCHELL: So those are really good programs for our airports. [LB674]

SENATOR STINNER: And I did hear you say that there is free funds or unencumbered funds that can be utilized in different ways? [LB674]

RONNIE MITCHELL: Yes, that's correct. [LB674]

SENATOR STINNER: Okay. Any additional questions? Senator Clements. [LB674]

SENATOR CLEMENTS: Thank you, Mr. Chairman. Thank you, Mr. Mitchell. [LB674]

RONNIE MITCHELL: Yes, sir. [LB674]

SENATOR CLEMENTS: I was curious to find out after last session the Department of Aeronautics was merged with the Department of Roads and I was wondering how the merger has gone, if there's any major changes or if the merger is working well. [LB674]

RONNIE MITCHELL: Well, thank you for that question. We started on this process back in 2016 and as a result of that we've had, oh, I'm going to say a little over 75 meetings where we have sat down with the former Department of Roads and we've discussed all of the little intricacies of our department being melded in. And as a result of those meetings, even though they were a little burdensome at times and they did take time, our move into a DOT has been seamless. It has actually gone very well. We have a very good working relationship with the former Department of Roads, which is now DOT main. And to be honest, we have found some savings. The reason we were able to give \$304,000 in October to the airports, \$100,000 of that came directly from the savings of combining into an NDOT. Now my e-mail account, that's gone up quite a bit and some phone calls, but other than that it's been working out very well. [LB674]

SENATOR CLEMENTS: Thank you. [LB674]

RONNIE MITCHELL: Yes, sir. [LB674]

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SENATOR STINNER: Senator Bolz. [LB674]

SENATOR BOLZ: Could you repeat that amount of savings for me, please? [LB674]

RONNIE MITCHELL: The amount of what? [LB674]

SENATOR BOLZ: The savings, the number that you just articulated. Can you repeat that for me? [LB674]

RONNIE MITCHELL: The amount that we gave out in October to the airports, the \$304,000, approximately \$100,000 of that was the result of forming the NDOT. Our funds are cash funds. We're a cash-funded agency. We've only gotten General Fund money twice that I'm aware of, both of those were for buying an airplane. So the rest of the money is strictly cash funds. As a result of that, the legislation requires our department and our funds to be completely separate from the remainder of the DOT, so we are still managing our budget internally and we're still managing our funds. Does that answer your question? [LB674]

SENATOR BOLZ: So as a result of the merger, the amount in efficiency savings was \$304,000? [LB674]

RONNIE MITCHELL: \$100,000. [LB674]

SENATOR BOLZ: \$104,000? [LB674]

RONNIE MITCHELL: Yes. [LB674]

SENATOR BOLZ: And none of that could be applied to the Civil Air Patrol? [LB674]

RONNIE MITCHELL: Well, let me ask you this. Would you rather give money to the Civil Air Patrol or would you rather keep your system of airports in good condition? [LB674]

SENATOR BOLZ: Well, I guess that's the decision for my side of the table. But I guess to reiterate Senator Kuehn's question, you know, finding alternatives and ways to make sure that we are achieving multiple priorities... [LB674]

RONNIE MITCHELL: Right. [LB674]

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SENATOR BOLZ: ...I think is a good strategy and a win-win for all of us. Thank you. [LB674]

RONNIE MITCHELL: Yes. Thank you. [LB674]

SENATOR STINNER: Senator Hilkemann. [LB674]

SENATOR HILKEMANN: I want to pick up on something you mentioned. You talked about the tax on fuel. [LB674]

RONNIE MITCHELL: Yes. [LB674]

SENATOR HILKEMANN: And then you said the federal...how much does each airport get from the federal? [LB674]

RONNIE MITCHELL: Each general aviation airport that's in the NPIAS, there's 73 of them in Nebraska, are eligible for federal grant money and as a result they get \$150,000 each year from the federal grant. That money must be used on some sort of project to improve the airport. They're able to bank that money for three years. At the end of three years, if they don't have a project, they either lose that \$450,000 or let me explain what we've been doing here in Nebraska. We've been consolidating all of that money. If an airport doesn't have a project but yet they have \$450,000, we have consolidated that into a bank, so to speak, so that if an airport has a project and they need federal funds, which they are not able to get for some reason, we can allot that money to them to do a project. I think a very good example of that is Alma down south of Holdrege. As a result of that, we combine money from 11 different airports for Alma so they could build a new 3,500-foot concrete runway and that was a significant improvement. They had a turf runway prior to that. And as a result, the economic opportunity has just blossomed down there. They're able to get aircraft coming in that would bring people to the hospital or take them to a major hospital. Tourism has blossomed through the aviation department. So it's a big economic development tool for Alma and they are just absolutely thrilled to death. So that's what we've been doing in Nebraska with this money that's given to the general aviation airports, \$150,000 a year. And if they're not able to use it in a project, we can get permission from the FAA to reallocate it to another airport that does have a project. So we're actually multiplying the opportunities that are available. [LB674]

SENATOR HILKEMANN: So you're saying that every airport, regardless of size. It's not dependent upon...Eppley in Omaha gets \$150,000 just as Alma gets \$150,000. [LB674]

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RONNIE MITCHELL: The Eppley, Lincoln are a little different story and, to be honest, I can't speak specifically to them, but I'm sure Jon could explain that to you. Most of their grant money comes around the 50 to 60 percent and then the local entity has to come up with the remainder. The general aviation airports do get that \$150,000 if they are in the NPIAS. Remember, there are only 73 of our airports that are in the NPIAS. [LB674]

SENATOR HILKEMANN: Okay. [LB674]

SENATOR STINNER: Additional questions? Seeing none, thank you for coming back to testify and giving us that information. [LB674]

RONNIE MITCHELL: Absolutely. My pleasure. Okay. [LB674]

SENATOR STINNER: (Exhibit 4) So thank you. Any additional opponents? I do have one letter from the Aircraft Owners and Pilots Association as an opponent of LB674. Is there anybody in the neutral capacity? Seeing none, Senator Krist. [LB674]

SENATOR KRIST: Well, I'm happy to have afforded the agency (laughter) a opportunity to come up and defend their budget, but I feel like it's a scene out of the Wizard of Oz, don't pay any attention to the man behind the curtain, because what we're talking about here is CAP and CAP funding. And I think in my opening statement I was very clear, and our conversation off the mike, this is not about taking money out of a fund that some may perceive would be hampering or putting that fund in jeopardy. It's about funding the CAP at an appropriate level. I chose the \$80,400 because it's double the \$40,200. I think what you heard here is that those volunteers, instructors, and students are actually taking money out of their own pocket to hangar their airplanes. I think that's an injustice all the way around and I think that's a sad state of affairs. I had a hangar at Millard adjacent to where the CAP hangar was at Millard and I paid \$160 a month to store my 150 in that hangar, so \$160 a month times the number of hangars, minimum, times the number of airplanes in hangars that the CAP would have to house. So I think we're riding on the backs of, again, the volunteers and the nonprofits to try to balance our budget. I'm asking for a deficit appropriation. I think it should be relatively not easy but it should be a concern of yours to put a deficit appropriation in place. And those of us who have been associated with airports around the state know that the airports around the state do need priority. But the last two administrations have asked for no money, no money to help out with these projects. We've not raised the fuel tax in this state in almost two decades reasonably substantially. Okay. Why don't we talk about the revenue that we need to keep our airports on line? I'll make a comment as long as the agency has come up and talked about it. We are losing or we are in jeopardy of losing Essential Air, and that is going to be extremely important in Scottsbluff, extremely important in Grand Island, extremely important in Kearney where we

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promised during the development stage in the ten years that I've been here that there would be Essential Air traffic or Essential Air Service to get individuals in and out of those places where they have built businesses, some in the IT community in Kearney and others. So is the question here can we find the money to support CAP because it is a viable organization, or are we having a discussion about the lack of management or the lack of funding that is able to manage our airports across the state? And I would ask you to (inaudible) that conversation. Ronnie Mitchell and I are old friends. We flew the same airplane at different times, in the same wing. I respect what he's done in the eight years that he's been here. But you know what? I know who he works for. The last two people have not come in and asked for any money to support our airports. That's a discussion for a different day. It's not a discussion for today. He said it was nothing personal, it was political. Well, folks, the CAP, the life of aviation, and the advancement of aviation is very personal to me and it's not political either. Thank you. [LB674]

SENATOR STINNER: Thank you, Senator Krist. Any questions? Seeing none, thank you very much. [LB674]

SENATOR KRIST: Thank you. [LB674]

SENATOR STINNER: That concludes our hearing on LB674. [LB674]