

MINUTES OF THE MEETING OF
AGENCY 1

DEPARTMENT OF COMMUNITY
AFFAIRS

January 24, 1977
8:00 A.M.
Room 225

The meeting was called to order by Chairman Dorothy Bradley with the following members present: Representative Bradley, Rep. Gunderson, Senator Story and Senator Thomas.

AERONAUTICS -

Dave Lewis, OBPP, opened the meeting with a few remarks. He talked about the current level of operations with inflation plus four modifications. First - \$90,000 a year for general administrative travel. They have \$90,000 in 1978 and \$72,600 in 1979 for the purchase of two new aircraft. There was \$50,000 per year put in for local airport development projects and \$150,000 for airport development grants. There is a bill in the legislature to increase the gas tax from 1 cent to 2 cents. If this isn't granted, there won't be enough money for these grants.

He said they did not get their copy of the request for the Airport Planner until December after the budget had closed. I note Mr. Nichols has received it. We would have included that as a modification to our funds for about \$35,000 a year in federal funds for an Airport Planner.

Curt Nichols, the Fiscal Analyst, then gave his recommendations. He said the fiscal analyst budget is a current level budget brought forth with inflation factors. He stated there were several important differences. He does not recommend the purchase of any new airplanes. The state has enough airplanes now. The department has been charged, under law, to implement a state aircraft pool and bring the airplanes in various departments together under the control of this department. That law has not been implemented. We see that possibly, when it is, the department will have enough planes to meet the needs of the state. They logged a little over 1,000 hours last fiscal year and that makes us think that possibly the demand for aircraft is not that high.

They have operated at a deficit which indicates that they are not charging enough for airplane usage now. It does not seem fair that the purchase of more aircraft should come from the general fund as many users are funded from other sources.

Another item is the operating deficit. The division has a request that is coming through now as a supplemental for \$94,000 for 2 items: \$70,000 for the Governor's travel and \$24,000 for operating deficit.

If this committee were to handle that as a supplemental then the recommendations of the LFA would be reduced by \$94,000 for fiscal year 1978. We recommend that the \$70,000, for travel, be paid for from the general fund. The current law indicates that is allowed and is the general procedure.

\$24,000 due to an operating deficit of the aircraft pool, we feel should be paid for from an aircraft capital replacement account which receives any surplus money generated by the operation of the pool. However, we have a feeling you have no surplus if you have to come in for a deficit. In the future we recommend that the Governor's travel be budgeted in the Governor's office.

On the grants and loans that Mr. Lewis mentioned, if we fund them at the higher level we are looking at a tax increase. Our recommendation is to fund them at a level that would not require a tax increase. If we continue at \$200,000 per year the grants and loans will allow you to operate without a tax increase. It is possible to raise them to \$75,000 without a tax increase or maybe to the \$400,000 level over the next biennium but then you could not continue that level without a tax increase.

Mr. Joseph Calnan from the Office of Legislative Auditor made a few comments. He said they were in the final stages of making an audit. We are making 11 recommendations which will have an effect not only on the aeronautics division but on 4 other agencies operating aircraft in the State of Montana. They recommend centralization of all aircraft in a State aeronautics pool. We recommend not purchasing any more aircraft at this time. Also the Department of Community Affairs, the Highway Department and Department of Institutions collaborate to use more efficient means of travel for state agencies, such as the motor pools. They recommend deferment of purchase or selling of aircraft until a study can be made.

Senator Story remarked that when you formed this agency, everyone in government said what a good idea it was. The Fish and Game disagreed, saying their money came from the Federal Government in recreation funds; National Guard said their money comes from the Military Dept. of the Federal Government; Highway Department said their money comes from the Fed. Gov't, etc. This being the case, shouldn't your department be taken apart again and given more study? Seems you are left with 3 planes. Is there any advantage in taking the National Guard planes and centralizing them? Are we conflicting with federal laws in each of these instances?

Mr. Calnan said the National Guard helicopters are not included in our planes. Second, the Fish & Game, Highway Dept., and Dept. of Natural Resources do have airplanes provided by the Fed. Gov't. As far as federal restrictions on others in the state using the aircraft, we are studying this problem now and don't have the answer yet. We believe that we do have to reimburse them.

Mr. Ferguson of the Aeronautics Division spoke next. He said he did not agree with Mr. Nichols at all. He does agree with Senator Story that until Section 1-1105 is addressed and a decision is made that it is getting the cart before the horse.

Mr. Ferguson feels they need the light all-weather twin airplane. The Beach Queen is 10 years old and has 35 hundred hours on it. It will cost \$35,000 to overhaul the engine and feels there is a great deal of validity in trading this plane at this time. The twin-engine would be a much more economical plane. There is a great demand for this. The auditing committee did not take into consideration that some of the aircraft mentioned is not satisfactory. He totally disagrees that 1 cent a gallon is over taxing. The Aeronautics Department does not need the new planes for itself. We only need the civil defense one. Senate Bill 508 requires we have safe, efficient planes for other state agencies, not for ourselves. We also feel we are charging sufficient fees to cover our costs.

Mr. Ferguson said the Aeronautics earmarked accounts has paid for all of its transportation and has subsidized other state agencies for all of these years up until July 1 of this year. Next, he addressed Mr. Nichols' comment about taking these monies from the surplus. We can not take the money for the capital account legally. We can put money in, but not take it out.

Senator Thomas asked how many aircraft they own. Mr. Ferguson said we have 2 planes. We also have 1 assigned to us, a civil defense plane, used for search and rescue.

Mr. Ferguson said a Planner is a federal requirement, and they receive \$35,400 in federal funds. The salary for a Planner is \$15,000, leaving a surplus from the federal government to help with other costs.

Senator Thomas asked again how many planes do we have in the State of Montana including Fish and Game and all other agencies and why can you not combine them in a pool?

Mr. Ferguson said at the present time, including the rented planes, we are operating 5 airplanes. Fish and Game has 3 super cubs assigned to game wardens throughout the state and they also have 2 helicopters and a cessna 180. Natural Resources has 2 planes, both being used for fires, etc. The Highway Department has 1 plane and Department of Livestock has 1 plane. We can use some of these planes and would accept the responsibility but we can't do any further planning until the whole question is resolved.

Rep. Bradley mentioned that she had a letter from him using the same figures that Mr. Nichols had used. Mr. Ferguson said the figures were true for the 3 planes only, not for the total hours on all planes. That figure would be 1534 hours; 320 chartered for a total of 1854 hours.

Senator Story asked if the federal government participated in search and rescue?

Mr. Ferguson said we are the state coordinator and do it. Federal participates only in search, not looking for downed planes. We don't participate in ground search, that is the sheriff and civil air patrol area.

Senator Story asked if the Aeronautics Board ever got together with the fiscal analyst to compare the price of chartering planes over owning them.

Mr. Ferguson said yes. He said they have a policy now where they charter when ferrying to another part of the state, rather than deadheading back empty. Saves money.

Senator Etchart made a few comments about the concern the plane owners have regarding the direction the revenue of gas tax is taking. It is only the airplane owners who pay this tax. He gave a run down on the history of the aviation operators in Montana.

Mr. Ferguson said the pilots feel the money should be used for safety, etc. instead of for flying other people around the state. Let the general fund pay for these services.

Rep. Bradley said she was concerned about the aviation tax. You propose to double the 1 cent tax. I am not convinced that should be done. Please explain.

Mr. Ferguson said they are proposing that 1/2 cent of the increase go into a revolving airport trust fund to be given back to the community in the loans and grants. We presently have close to 400,000 in requests for our money and have \$110,000 in the account for that. The other 1/2 cent would go to help our education program.

He also said we are down 5 people from our authorized FTE and plan to remain so. We have cut back on our operations. We are doing all of this flying with 1 and 1/2 pilots.

He said they presently own and operate 20 H-markers throughout Montana. Without them, planes could not fly into the small communities. They operate visual guide beacons in the mountains, provide 50 intercom radios, etc. These things would be in serious trouble without funding. He said 55% of their revenue was supplied by Glasgow Air Force Base.

Rep. Bradley asked if one of the original requests was to have the Aviation Education Program funded by general funding. He said yes, but was turned down.

There was more discussion on the taxing of gas, both here and in other states. Mr. Ferguson said they couldn't do much without the tax increase.

There was discussion on West Yellowstone and the work done and still needed there, such as a security addition terminal building.

Representative Bradley asked some more questions on trading in the Beach Queen plane for a smaller one. She also asked him to explain the Airport Planner.

Mr. Ferguson said the federal government feels we need a constant up date of our airport system plan. We felt it necessary to get our system updated, especially because they would fund his salary and fund the entire program. \$35,400 is being paid by the federal government.

Rep. Bradley went back to the trading for another plane. She wondered if part of the cost shouldn't come out of the general fund.

Senator Thomas asked if in 1976 they had any actual general fund money? Mr. Ferguson said they had never had.

Sen. Thomas asked about the \$180,000 asked for in 1978 and the \$162,000 asked for in 1979. What will this be used for?

Mr. Ferguson said \$90,000 will be used for executive use and the rest is to be used to purchase the planes.

Mr. Thomas asked where the charge back money goes? Mr. Ferguson said the reimbursement will go into the airplane revolving account. Senator Thomas then asked if this would be a short time charge. The answer was yes.

Senator Story asked about the education program they provide.

Mr. Ferguson told about their connections with the universities, high schools and elementary schools, mentioned their film library which they want to expand. He said the demand is growing every year for these services. They are very active in Helena, through the schools. There is a great future in Montana in aviation, not just in flying but all phases.

Rep. Bradley mentioned that it was one of the recommendations of the legislative auditor that the purchase wait. Would this cause any great hardship if this purchase was postponed?

Mr. Ferguson said they place validity in the auditors report regarding centralization. However, that would only apply to the one plane. There is no plane now in the state government like we want and we feel that request should be granted. We can sustain for 2 years. However, 2 years from now we will be starting out with a \$800,000 budget with \$1,000 in our account.

Representative Bradley said since we have lost our quorum, we will adjourn.

Adjourned at 9:30 a.m.

Dorothy Bradley
Dorothy Bradley, Chairman

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