

FISCAL NOTE
Requested by Legislative Council
01/12/2019

Bill/Resolution No.: HB 1389

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2017-2019 Biennium | | 2019-2021 Biennium | | 2021-2023 Biennium | |
|-----------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | | | | |
| Expenditures | | | \$225,000 | | \$525,000 | |
| Appropriations | | | \$225,000 | | \$525,000 | |

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| | 2017-2019 Biennium | 2019-2021 Biennium | 2021-2023 Biennium |
|-------------------------|--------------------|--------------------|--------------------|
| Counties | | | |
| Cities | | | |
| School Districts | | | |
| Townships | | | |

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1389 creates a new state scholarship for Veteran aeronautic students.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 provides a scholarship to veterans to obtain a bachelor's degree in aeronautics at a state institution of higher education. The award would cover the flight training fee costs not paid for by federal programs. A \$20,000 per student lifetime cap would apply.

Funds would be repaid if the veteran does not: 1. Obtain a bachelor's degree in aeronautics within six years; 2. Maintain employment in manned or unmanned aerial system industry for two years after graduation; or 3. Reside in ND for at least two years after graduation.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Approximately 15 new veteran students are enrolled in the aeronautics programs per year. Each student could receive up to \$5,000 per year for four years. In year 1, 15 students would receive awards. The number of student awards would increase by 15 per year, capping out at 60 awards/year in the program's fourth year of operation. Biennial expenditures would be \$225,000 in 2019-21, \$525,000 in 2021-23 and \$600,000 in 2023-25 and each biennium thereafter.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

This program is not funded in HB1003, the NDUS appropriation bill. UND does not have other available funding sources. For the 2019-21 biennium, a \$225,000 general fund appropriation (ongoing) would be required in the NDUS System Office to administer this state scholarship. For 2021-23, the appropriation would increase to \$525,000. Beginning in 2023-25, the appropriation needs would increase to \$600,000.

Name: Tammy Dolan

Agency: NDUS

Telephone: 328-4116

Date Prepared: 01/18/2019

2019 HOUSE EDUCATION COMMITTEE

HB 1389

2019 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau Room, State Capitol

HB 1389
1/22/2019
31171

- Subcommittee
 Conference Committee

Committee Clerk: Bev Monroe by Marjorie Conley

Explanation or reason for introduction of bill/resolution:

Relating to aeronautics student scholarship for veterans

Minutes:

Attachment 1, 2, 3, 4, 5

Vice Chairman Cynthia Schreiber-Beck : Opened the hearing on HB 1389.

Rep. Matt Eidson: (See Attachment 1) recommend a Do Pass stop 3:25

Vice Chairman- Cynthia Schreiber-Beck: Any questions for the committee?

Rep. Brandy Pyle: What other veteran scholarship program require a three year work in state after they receive the scholarship?

Rep. Eidson: I am not aware of any other program like that. Do you mean broadly or specifically related to aviation?

Rep. Brandy Pyle: Any type of scholarship program.

Rep Eidson: The only other type of scholarship program I am aware is the yellow ribbon scholarship program and to my knowledge requires a certain disability rating and I believe is it 30% higher so that automatically makes it to a lot of veterans can't pursue that route.

Vice Chairman- Cynthia Schreiber-Beck : Additional questions from the committee?

Sen. Marcellais: (5:30 – 6:39)(See Attachment 2)

Vice Chairman- Cynthia Schreiber-Beck: Any questions?

Don Larson, Grand Sky Development Corporation: Introduced Thomas Swoyer

Tom Swoyer, President of Grand Sky Development Company: (See Attachment 3)
(7:00 - 10:00)

Rep. Hoverson: Are there vet students unable to come because of finances?

Tom Swoyer: I am not aware of any that are not coming because I am only aware of who has come. We have in our direct informant, currently students of University of North Dakota aeronautics, the other guard school who are working for us on a part time basis while they also attend classes. One in particular has confided to me that he has incurred over \$60,000 of flight cost and that's not to go through multi engine and certified flight instructor and all the various training programs that are available. So he is going to be a high commodity high value pilot when he comes out and finally graduates.

Rep. Daniel Johnston: I heard that there are 60 veterans in an aeronautics program right now, so your industry can't absorb that many right now? If a vet is not working in the industry, would he have to pay back the \$20,000.

Mr. Swoyer: I don't have any qualms or fear that 60 veteran pilots would get absorbed by the UAS or manned industry. The industry is desperate for pilots.

Vice Chairman- Cynthia Schreiber-Beck: Additional questions?

Rep. Brandy Pyle: What to your knowledge in the private industry are there any loan repayments or type of contracts for a student going through and saying I am going to work for your company for 3 years?

Tom Swoyer: I am not personally familiar with specific programs and these specific companies, but I know that there are programs for continuing education and for people to get masters degrees and more advanced degrees, but what we are talking about is the fundamental bachelor's degree with the pilot certification that we need. Most of those people will not be hired as non-pilots in a pilot role. They need to get the basic certification covered first.

Vice Chairman- Cynthia Schreiber-Beck: Any further questions?

Rep. LaurieBeth Hager: Are there indeed 60 veterans in the aeronautics program? Is that a steadfast number or hypothetical number?

Rep. Eidson: Numbers come from Dick Schultz.

Vice Chairman- Cynthia Schreiber-Beck: Any additional questions? You spoke of a \$70K salary.

Tom Swoyer: \$70K is the starting salary and I have heard as high as \$90K with \$40K signing bonuses for those that are willing to travel overseas. A lot of these pilots will get moved around the country, but they will reside in North Dakota and while they live in North Dakota and have their address in North Dakota.

Dick Schultz, Director of Flight Operations, UND: (17:50-24:25) (See Attachment 4)

Rep. Pat D. Heinert: A lot of the students will not stay in North Dakota, so how would we get the \$20K back.

Dick Schultz: I can't answer that question because my expertise is in the flight training side. My assumption is that something would be obviously be set up and be tracked individually.

Representative Denton Zubke: What is unique about flight training as opposed to another industry such as a doctor or lawyer or something like that? Can you elaborate a little on that?

Dick Schultz: What is unique in this program is that in flight training is that we would cover the difference.

Rep. Dennis Johnson: So this does not pertain to the bill but going the other direction, so you have anyone that comes into the program to learn how to fly helicopters, then want to go into the military?

Mr. Schultz: Yes, we are working right now with the ROTC program. The army has a pilot shortage and the air force has a pilot shortage. They want to reintroduce legislation to cover flight training costs for students going to ROTC and then going into the military.

Rep. Dennis Johnson: I come from the vintage of coming home from Viet Nam and all the guys were finding jobs in the air industry.

Rep. Daniel Johnston: Pilots get \$70K. Are we competitive in our pay or are we below average in terms of our compensation in pay?

Dick Schultz: We are behind and one of the issues is our climate. They will offer \$20K or \$40K as a sign bonus if you stay in North Dakota for 2 years.

Rep. Daniel Johnston: Weather keeps the riff raff away.

Rep. LaurieBeth Hager: Stats on numbers going through the program that actually stay in North Dakota?

Mr. Schultz: I don't have stats in front of me, but with opportunities out there, the majority of them do stay.

Vice Chairman- Cynthia Schreiber-Beck: Continue with testimony in favor, opposition, neutral testimony for HB 1389?

Questions to Tammy Dolan who is in the room.

Tammy Dolan: We need an appropriation for this bill. I have no specific answers.

Vice Chairman- Cynthia Schreiber-Beck: close hearing.

Attachment 5 – Jim Nelson (emailed testimony – did not testify)

2019 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau A Room, State Capitol

HB 1389
1/30/2019
31760

- Subcommittee
 Conference Committee

Committee Clerk Bev Monroe by Marjorie Conley

Explanation or reason for introduction of bill/resolution:

Relating to aeronautics student scholarship for veterans

Minutes:

Chairman Owens: Open Hearing on HB 1389. Very narrow scholarship for veterans.

Rep. Heinert: Made a motion for **Do Not Pass**.

Rep. Zubke: Seconded **Do Not Pass** motion.

Roll Call Vote Yes 10 No 3 Absent 1

Rep. Heinert will be the **Carrier**.

Date: 1-30-19
 Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1389**

House Education _____ Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Rep. P. Heinert Seconded By Rep. D. Zubke

| Representatives | Yes | No | Representatives | Yes | No |
|--------------------------|-----|----|-----------------|-----|----|
| Chairman M. Owens | ✓ | | Rep. Guggisberg | ✓ | ✓ |
| V. Chair. Schreiber-Beck | ✓ | | Rep. Hager | ✓ | |
| Rep. Heinert | ✓ | | | | |
| Rep. Hoverson | A | | | | |
| Rep. D. Johnson | ✓ | | | | |
| Rep. M. Johnson | | ✓ | | | |
| Rep. Johnston | ✓ | | | | |
| Rep. Longmuir | ✓ | | | | |
| Rep. Marschall | | ✓ | | | |
| Rep. Pyle | ✓ | | | | |
| Rep. Strinden | ✓ | | | | |
| Rep. Zubke | ✓ | | | | |
| | | | | | |
| | | | | | |

Total (Yes) 10 No 3

Absent 1

Floor Assignment Rep. P. Heinert

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1389: Education Committee (Rep. Owens, Chairman) recommends **DO NOT PASS** (10 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING). HB 1389 was placed on the Eleventh order on the calendar.

2019 TESTIMONY

HB 1389

HB 1389
1-22-19
#1

Mr. Chairman, members of the committee, my name is Matt Eidson, I represent District 43 in Grand Forks, and I'm here to introduce House Bill 1389.

The applicability of unmanned aerial systems, or drones, is expanding far beyond military utilization to include applications in law enforcement, scientific research, and consumer delivery services. And North Dakota is recognized nationwide as a leader in the industry.

But to remain competitive, we need to maintain our innovative spirit by continuing to create opportunities for those looking for careers in the unmanned aerial systems industry. And as it turns out, the federal VA dropped an opportunity right into our laps some years ago.

When I left the Marine Corps in 2015, I came to the University of North Dakota ready to pursue my degree in unmanned aerial systems. I soon learned that, because other universities had defrauded the VA out of millions of dollars, the GI Bill no longer covered student flight hours in their entirety. I left the program and pursued other goals. But ever since my freshman year at UND, I've wondered how many students had turned away from the degree plan exactly like I had.

If passed, House Bill 1389 would be the first of its kind. The bill would award scholarships to veterans using the GI Bill to obtain their degrees in aviation, covering the remaining flight hours no longer funded by the federal VA. And all we would ask in return is that the student agree to stay in North Dakota and work in the ever-expanding unmanned aerial systems industry, or in other aviation-related fields, for two years.

The beauty of this bill is that we don't have to speculate whether it will work or not; we'll see the bill working within the next two years. For example, if there are 60 veterans currently pursuing degrees in aviation at the University of North Dakota, and half of them take advantage of this scholarship, then that's 30 graduates staying in North Dakota who likely would have left otherwise.

And if a few veterans take advantage of the program, only to decide upon graduation they would prefer to take another job in another state, then they would be required to pay back all the money this scholarship awarded them.

This bill would entice veterans across the globe. If you're about to leave the military, and you have dreams of being a pilot, North Dakota would be the clear and obvious choice. By bringing hard working veterans to our state, helping them earn their degrees, and securing their first job after graduation, North Dakota would set the example for other states to emulate. By doing all of this, we would assert two things: not only do we lead the way in unmanned aerial systems research and real-world application, we also lead the way in taking care of our nation's veterans.

Members of the committee, I thank you for allowing me the chance to speak to you today. And I respectfully request a "DO PASS" recommendation for House Bill 1389. At this time, I would be happy to answer any questions you might have.

Thank you.



Matt Eidson



NORTH DAKOTA SENATE

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360

HB 1389
1-22-19
#2



Senator Richard Marcellais

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COMMITTEES:

Education
Government and Veterans Affairs

Good Morning Chairman Owens and the House Education Committee. For the record, I am Senator Richard Marcellais, representing District 9 Belcourt, and I am here before you this morning to support HB 1389 relating to an aeronautics student scholarship for veterans.

This bill simply provides funding not more than \$20,000 dollars under the aeronautics student scholarship program for veterans.

The veteran would obtain a bachelor's degree in aeronautics at an institution in the control of the state board of higher education in order to qualify for the program.

A veteran who received the funds under subsection 1 shall repay the funds if:

Veteran fails to graduate with a bachelor's degree in aeronautics within six years.

Veteran is not employed in the manned or unmanned aerial system industry for a period of at least two years after graduation or Veteran does not reside in North Dakota for a period of at least two years after graduation.

Thank You very much for the opportunity to appear in support HB 1389. If there any questions I will try and answer them.

Testimony for HB 1389

HB 1389
1-22-19
#3

Good Morning Mr. Chairman and members of the committee.

My name is Thomas Swoyer, Jr. and I am the president of Grand Sky Development Company.

I am here to provide testimony in support of House Bill 1389.

For those that may be unfamiliar, Grand Sky is an unmanned systems airport and flight test center in Grand Forks.

I am here because I emphatically support this bill. At Grand Sky we work with a number of North Dakota based UAS companies as well as defense contractors like Northrop Grumman and General Atomics. All of them...all of us...need pilots.

We need well-trained pilots for a host of different roles from flying large UAS around the state and soon, around the country from Grand Sky and a variety of other roles.

Over the past 4 years, the companies we work with have hired over 160 people with about 20% or more of them being veterans. Veterans bring a specific set of skills, experience and capability that provides great value to our industry.

Many times, veterans bring security clearances, direct experience with the aircraft and systems that we're working with either as ground crew or sensor operators or fueling system specialists. In our experience they want to get their pilot's license and expand their career opportunities.

While I don't have precise statistics, I'm willing to believe that veterans have a higher likelihood of graduating than their civilian peers.

Starting salaries for pilots for large unmanned systems begin around \$70,000 with substantial signing in bonuses and expansive career opportunities. The demand for UAS pilots is so strong that the military is struggling to keep them. Currently, the Air Force offers a \$25,000 signing bonus for every year a pilot agrees to stay in the service up to \$225,000.

This bill requires graduates that receive funds from this program reside in North Dakota for two years. These pilots will be in high demand and companies like ours will quickly put them to work.

I believe this bill represents a very low low cost and very valuable investment in education and advancement for veterans. With a high likelihood of success and course work that is immediately valuable for the growing UAS industry in North Dakota, investing in veterans makes great business sense.

I urge you to support house bill 1389.

Thank you

HB 1389
1-22-19
#4

TESTIMONY OF
DICK SCHULTZ
DIRECTOR OF FLIGHT OPERATIONS, UNIVERSITY OF NORTH DAKOTA
BEFORE THE
HOUSE EDUCATION COMMITTEE
JANUARY 22nd, 2019
HOUSE BILL 1389

Chairman Owens and members of the committee,

My name is Dick Schultz and I am the Director of Flight Operations at the University of North Dakota and I appreciate the opportunity to provide testimony on HB 1389.

The nation is facing an acute pilot shortage that is impacting air service in many areas, especially those in more rural states such as North Dakota and this bill has the opportunity to keep pilots in North Dakota for a period of two years. The biggest barrier to flight training is the costs associated in obtaining ratings and certificates. This well-deserved benefit to our veterans will not only help combat the growing pilot shortage in Unmanned Aircraft Systems (UAS), helicopter and fixed wing training, but also has the opportunity to provide additional support for our veterans to obtain their ratings and certificates.

For a long time the VA recruited and supported veterans by paying for their flight training, but several years ago they made sweeping changes to how individuals would be funded. Many flight organizations and individuals receiving the benefits were taking advantages of loop holes in the system and it was costing the VA a lot of money. Many training organizations as well as public universities no longer offer flight training for individuals with VA Benefits as the new system is very difficult to operate in.

At the University of North Dakota, the VA will only cover the cost of flight training that all students pay, which works out to the cost of what the above average student would pay who complete their training in the minimum amount of time. Listed below are a couple examples at UND of which the VA will cover and what the actual average student will most likely pay for their training.

- Private Pilot Training - VA will Cover: \$9,230 Avg UND student cost: \$13,165
- Multi Engine Training - VA will Cover: \$7,764 Avg UND Student cost: \$10,469

The overall difference for the average student over the Unmanned Aircraft Systems degree is \$16,030, Commercial Aviation – Helicopter is \$15,884 and Commercial Aviation - Airplane is \$17,710. .

UND currently has approximately 60 individuals who are receiving flight benefits through Chapter 33 of the VA. Based on numbers of individuals who would take advantage of this bill, the annual cost may be in the \$300,000 range annually depending on which courses they take and number of individuals enrolled in the program.

HB 1389
1-22-19
#4

Benefits:

- Assisting our veterans in obtaining a degree in a field that is currently desperately looking for qualified individuals both in North Dakota and around the country.
- The program would help and attract our military veterans to stay in North Dakota for two years after graduation. This will help all areas of aviation within the state from UAS companies to Fixed Base Operators (FBO) located at airports around the state.
- Help the pathway program developed between the Customs and Border Protection and University of North Dakota as many of these individuals are veterans.
- With the passage of this bill, North Dakota would be seen as a leader in supporting our nation's veterans as well as helping solve a national crisis.

Jim Nelson
email testimony

HB 1389
1-22-19
#5

HB1389—Aeronautics student scholarships.

This bill is a win, win.

With the growing interest in North Dakota for unmanned aircraft this would enhance this interest by providing a work force for those programs. That's a win.

For our current Guard people in the air guard this is a perfect fit for them to enhance their current training with a Degree and keep them in the state upon separation from the military. That's a win. Win

I would possible bring veterans back to North Dakota who have an interest field of aeronautics. That's a win.

The North Dakota Veterans Legislative Council supports this bill.