

April 29, 2010

Governor Arnold Schwarzenegger
State Capitol Building
Sacramento, CA 95814

Dear Governor Schwarzenegger:

The National Air Transportation Association (NATA), the voice of aviation business, is the public policy group representing the interests of aviation businesses before the Congress, federal agencies and state governments. NATA's over 2,000 member companies own, operate and service aircraft and provide for the needs of the traveling public by offering services and products to aircraft operators and others such as fuel sales, aircraft maintenance, parts sales, storage, rental, airline servicing, flight training, Part 135 on-demand air charter, fractional aircraft program management and scheduled commuter operations in smaller aircraft. NATA members are a vital link in the aviation industry providing services to the general public, airlines, general aviation and the military.

As president of NATA, I am writing because of my deep concern over Assembly Bill 48 (AB 48), signed by you late last year, and the regulations being promulgated by the Bureau of Private Post Secondary Education. This legislation and the ensuing regulations are intended to ensure that students pursuing post-secondary education in the State of California are treated fairly and receive a quality education. My concern arises from the fact that AB 48 removes the exemption for FAA-approved pilot schools that was present in previous versions of the authorizing legislation for the bureau. The inclusion of flight training into the Bureau of Private Post Secondary Education imposes a series of requirements, designed for larger classroom-type institutions on the unique and primarily small business-owned flight training industry.

Most of California's flight training providers were unaware of this major shift in regulatory policy until they received letters from the bureau demanding payment of a \$5,000 approval to operate application fee. These providers then began to learn of the many other onerous provisions they would have to meet in order to continue operating their businesses in the state, including submitting audited financial statements, remitting 0.75 percent of their annual revenue to the state and numerous other administrative and recordkeeping requirements.

One of the most burdensome requirements is that these flight training providers must submit audited financial statements demonstrating a 1:1 asset to liabilities ratio. Like most other small businesses, flight training providers do not have the resources or staff time available to submit to annual audits. One NATA member flight training provider recently discovered that the audit process would cost his business \$30,000 and three months a year. Additionally, due to their unique operating environment, many flight training providers may not be able to meet the 1:1 asset to liability requirement. Since flight training facilities are located at airports, they usually do not own their facilities but rather are required to lease the facility from the airport, which is usually owned by the local government. Many

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flight training providers do not own the aircraft that they use for flight training; rather the aircraft are used under a “leaseback agreement” with a private owner. All of these conditions are unique to flight training providers and differentiate them from the schools and colleges the Bureau of Private Post Secondary Education was designed to regulate.

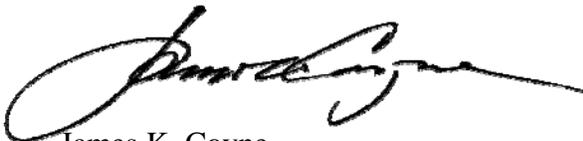
Unlike other technical schools and colleges, FAA-approved flight training providers already submit to extensive regulation. This regulation ensures that students receive quality flight training consistent with FAA regulations, and adds significantly to the cost of doing business. Requiring these training providers to submit to an additional set of regulations from the state will drive the cost of providing flight training out of reach of most small businesses.

As I am sure you are aware, the beautiful weather found in California has lead to the state becoming one of the leading homes for flight training. These facilities employ countless Californians and bring students from around the country and the world. As our nation begins to emerge from recession, the economic benefits flight training providers bring to the state of California will be invaluable. These providers cannot bear the cost of the new regulations that will be imposed as a result of AB 48. They will be forced to leave the state. California cannot afford the cost of imposing unreasonable regulations on such a unique and valuable industry.

I believe that aviation is an American success story. No other nation employs aviation as an economic growth engine as we do. This success story and the benefits it provides must be protected. The Bureau of Private Post Secondary Education is designed to regulate trade schools and colleges, not the small businesses that compose the flight training industry. I ask that you reexamine the inclusion of flight training providers in the Bureau of Post Secondary Education and reinstate the flight training exemption. These providers operate in a substantially different environment and manner than the other entities regulated by the bureau and, therefore, will be unalterably harmed by the application of these regulations.

If I or any of my staff may be of assistance on this issue, please do not hesitate to contact me.

Sincerely,



James K. Coyne
President