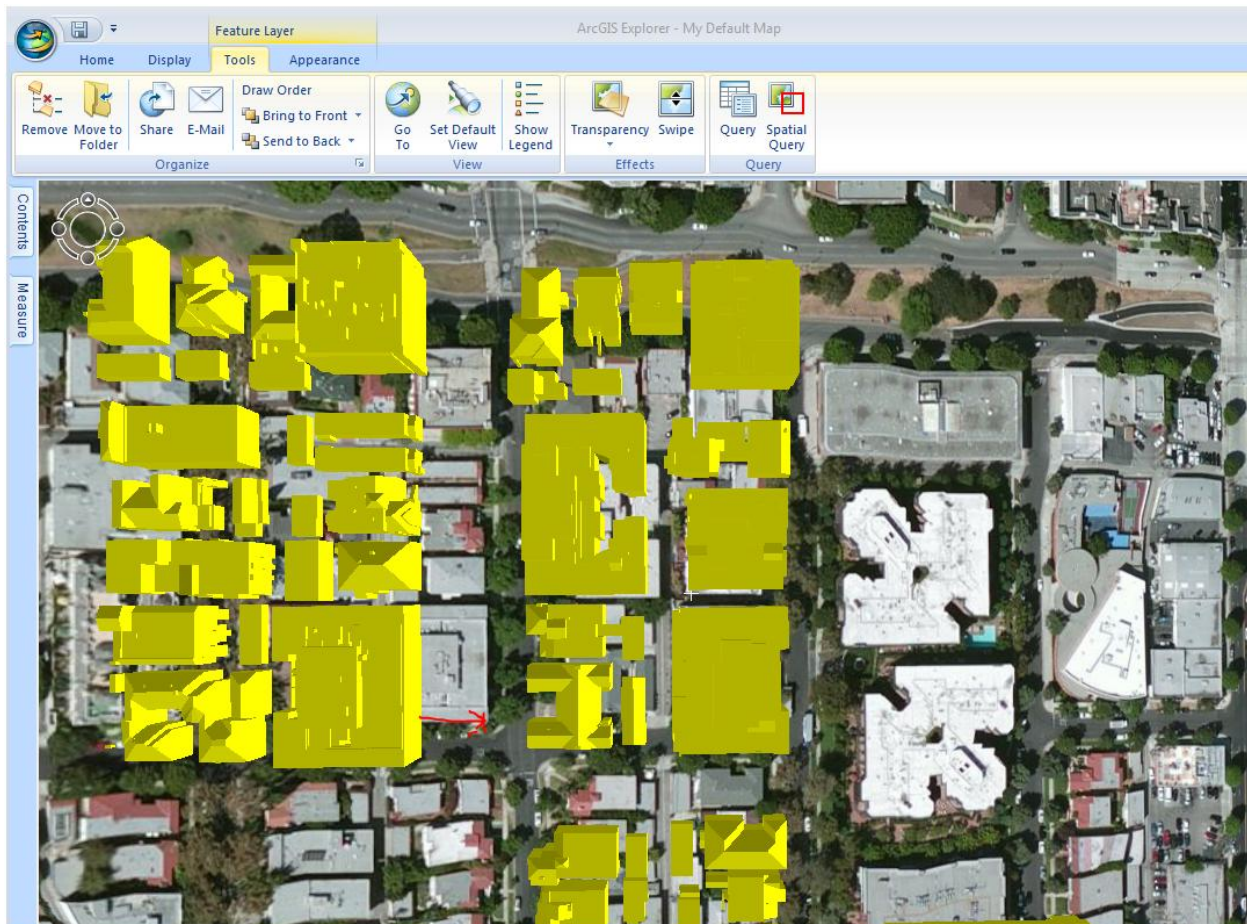Currently in operation, 3D models (scenes) are used in ESRI products and also in Google Earth Enterprise/ Google Earth EC.

With desktop ArcGIS Explorer 1750 we are using, it may be different than yours (saying, 2000).

Within 3D model of ArcGIS Explorer 1750, when the 3D SHP display is tilted, all 3D features should be touched onto the surface without displacement. In fact, for unknown reasons, it demonstrates the significant displacement (in RED below).
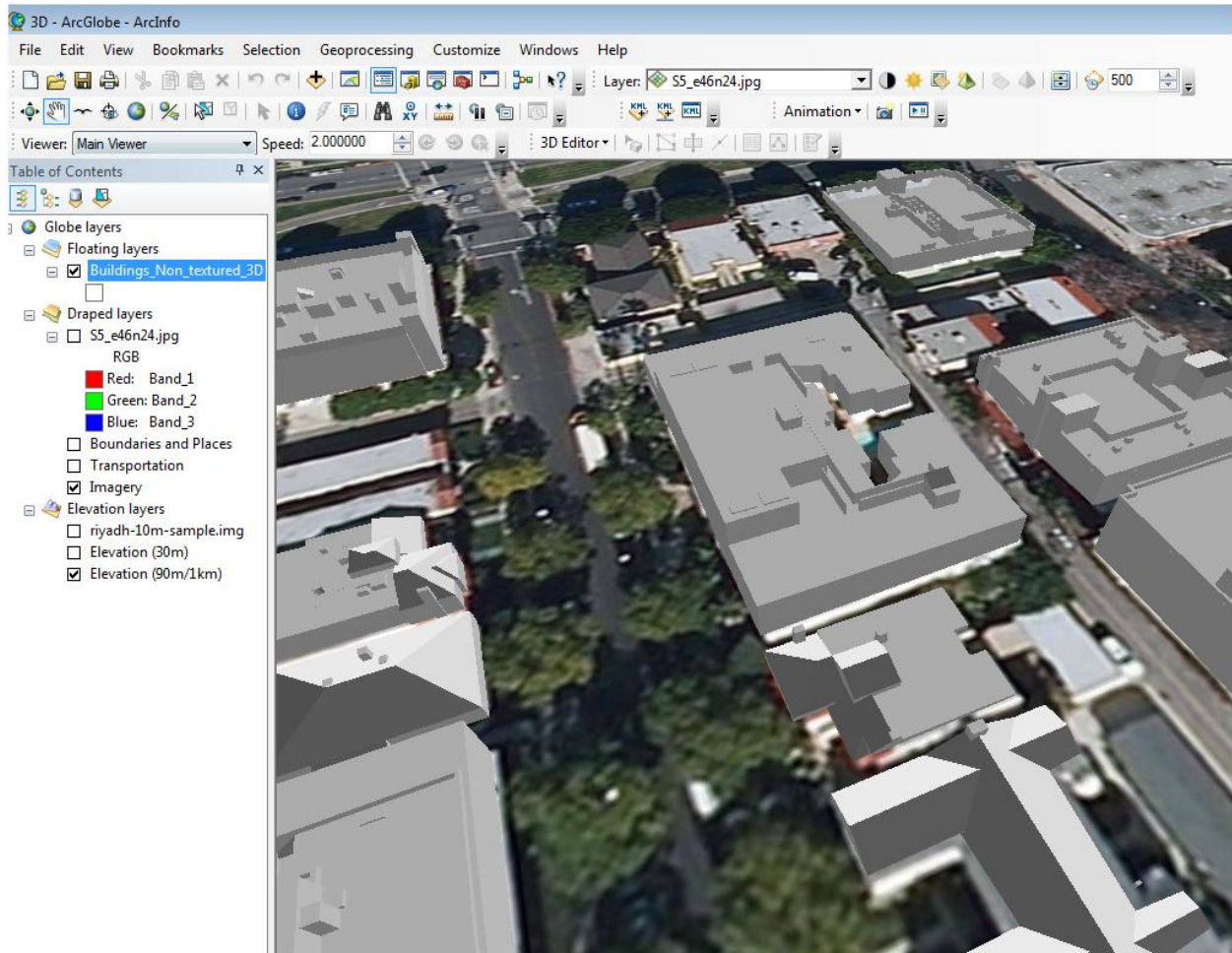
Currently, I guess that there may be two issues within ArcGIS Explorer for 3D display:

1. No proper 'tilted' display (or at least, no good oblique) capability in 3D model;
2. All 3D features display in 3D model does not recognize heights and surface properly;

3D features obliquely displaced within ArcGIS Explorer 3D model

The following snapshot shows correctly with the same 3D feature class within ArcGlobe 10.0 (SP3):

3D correct display tilted in ArcGlobe 10.0 SP3