

Order 2013-9-15
Served: September 27, 2013



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 27th day of September, 2013

In the Matter of the

**SMALL COMMUNITY AIR SERVICE
DEVELOPMENT PROGRAM**

under 49 U.S.C. § 41743 *et seq.*

DOCKET DOT-OST-2013-0120

ORDER AWARDING GRANTS

Summary

By this Order, the Department awards 25 grants under the Small Community Air Service Development Program (Small Community Program) benefitting communities in 22 states to assist with the implementation of the air service initiatives proposed in their grant applications. The communities, the amount of funding requested by the communities, and the rationale for each award are listed in the Appendix to this Order. Award recipients must affirm their grant awards by entering into grant agreements with the Department on or before November 15, 2013. Award recipients may not seek to be reimbursed funds under the Small Community Program until they affirm their grant awards.

Background

The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21), Pub. L. No. 106-181 (April 5, 2002), established a new pilot program, to be administered by the Department of Transportation, designed to help smaller communities enhance their air service and address issues related to high airfares.¹ AIR-21 authorized the Small Community Program through FY 2003. Vision 100-Century of Aviation Reauthorization Act (Vision 100), Pub. L. No. 108 (December 12, 2003), amended the program, reauthorized it through FY 2008, and eliminated the “pilot” status of the program. Appropriations are provided for this program for award in FY 2013 pursuant to the FAA Modernization and Reform Act of 2012, Pub. L. No.

¹ See Orders 2002-6-14 and 2003-9-14 for a complete description of the history of the Small Community Program.

112-95 (February 14, 2012). For the 2013 grant awards, the Department has up to \$11.5 million, subject to the availability of funds, to carry out this program.

When selecting applicants to participate in the Small Community Program, the Department is statutorily required to apply the following eligibility criteria:

1. As of calendar year 1997, the airport serving the community was not larger than a small hub airport, and had insufficient air carrier service or had unreasonably high air fares;
2. The airport presents characteristics, such as geographic diversity or unique circumstances that demonstrate the need for, and feasibility of, the Small Community Program;
3. No more than 4 communities or consortia of communities, or a combination thereof, from the same state may be selected to participate in the program in any fiscal year;
4. No more than 40 communities or consortia of communities, or a combination thereof, may be selected to participate in the program in each year for which the funds are appropriated;
5. An applicant may not receive an additional grant to support the same project;² and
6. An applicant may not receive an additional grant prior to the completion of its previous grant.³

In addition, the law directs the Department to give priority to those communities or consortia of communities⁴ where: (a) air fares are higher than the average air fares for all communities; (b) a portion of the cost of the activity contemplated by the community is provided from local, non-airport revenue sources; (c) a public-private partnership has been or will be established to facilitate air carrier service to the public; (d) improved service will bring the material benefits of scheduled air transportation to a broad section of the traveling public, including businesses, educational institutions, and other enterprises whose access to the national air transportation system is limited; (e) the funds will be used in a timely manner;⁵ and (f) multiple communities cooperate to submit a regional or multistate application to consolidate air service into one regional airport.⁶

The Department is authorized to award grants to communities that seek to provide assistance to:

- An air carrier to subsidize service to and from an underserved airport for a period not to exceed 3 years;
- An underserved airport to obtain service to and from the underserved airport; and/or
- An underserved airport to implement such other measures to improve air service both in terms of the cost of such service to consumers and the availability of such service, including improving air service through marketing and promotion of air service and enhanced utilization of airport facilities.⁷

² However, as stated in our Request for Proposals (Order 2013-6-14), previous grant recipients could submit grant proposals and seek funds for new projects. *See Order 2013-6-14* for a discussion on same projects.

³ 49 U.S.C. § 41743(c).

⁴ A consortium of communities is defined as a single entity. 49 U.S.C. § 41743.

⁵ 49 U.S.C. § 41743(c)(5)(E).

⁶ 49 U.S.C. § 41743(c)(5)(F).

⁷ 49 U.S.C. § 41743(d).

On June 24, 2013, the Department issued an Order Soliciting Small Community Grant Proposals (Solicitation Order) from communities interested in receiving a grant this year, and requested that such proposals be filed no later than July 26, 2013 (Order 2013-6-14). The Solicitation Order required each applicant to submit a completed Standard Form 424 and a Summary Information schedule to www.grants.gov. Communities were requested to provide information that would help in consideration of their grant requests, including details about their existing air services, historical services, current service needs and deficiencies, a full description of the community's proposal, plans for implementation, funding requirements, and plans for monitoring the success of the project, including modifying or discontinuing funding if the project is not meeting expectations.

Drawing on our experience from previous years, the Solicitation Order discussed various issues relating to the grant application process, including the sources of local funding, the consideration of in-kind contribution, the use of grant funds, and the eligibility to participate by past grant recipients and communities now receiving subsidized air service under the Essential Air Service (EAS) program. The Solicitation Order further emphasized that communities would be expected to meet the financial-contribution commitments that they include in their proposals.

2013 Grant Applications

In response to the Solicitation Order, we received 59 grant applications from communities in 33 states. Collectively, these communities sought more than \$28 million in federal assistance to support new and ongoing air service development projects. Most of the applications were filed by individual communities, with a few filed by consortia of communities. Of the 59 applications, eight (8) applications were from communities with small-hub airports and five (5) were from communities now receiving subsidized air service under the Department's EAS program. Thirty-three (33) applications were submitted by communities that received grants in previous years. As requested, applicants provided information on historical and current air service and airfare issues facing their communities, the economic benefits of air service, proposed initiatives to remedy air service or airfare problems, and arguments in support of their proposals. Nearly all the communities pledged local contributions – funds collected from local, state, airport, or in-kind sources – to complement their requests for federal assistance.

As in previous years, this year's applications included proposals for feasibility studies, new or expanded service initiatives, service upgrades, and assorted combinations thereof. Many applicants cited both service deficiencies and/or high airfares as problems affecting patronage of their air services, and they stated that passengers often drive to other, more distant airports that have lower fares or offer a wider range of services to more destinations. Despite these "leakage" issues, the communities seeking funds believe that demand for improved service at their local airports can be stimulated with financial assistance.

The large majority of applicants specified the need to attract new and/or additional air services to their communities. Similar to previous years, a majority of applicants also proposed to implement their projects using revenue guarantees or subsidies, together with a variety of marketing and promotional initiatives. A critical component of most proposals was funding to support community-based marketing and promotional initiatives to stimulate demand and

community awareness of local airport services. These efforts are directed at publicizing not only the availability of air services, but also the convenience of using the local airport compared to more congested air service hubs or other larger airports in the region.

This year, several applications either did not meet the basic eligibility or criteria for participation outlined above and were determined ineligible in whole or in part for consideration. Of these applications, most were found ineligible because the applicant sought additional funding for the same, or essentially the same, project that was funded in a previous grant.

2013 Grant Awards

The Small Community Program is unique in that it encourages and affords communities the opportunity to develop their own solutions to their air service problems based on their particular needs and circumstances. By providing communities the opportunity to develop and implement air service projects tailored to their individual needs, the program aims to maximize the potential for success in the communities' endeavors. Since the program's inception, the Department has sought to maximize the number of participating communities, promote geographic diversity of the selections, and support a variety of solutions to the problems identified by applicants in order to provide a wide range of approaches for dealing with the challenges faced by similarly-situated communities.

With these considerations in mind, we are selecting 25 grant proposals with the objective of entering into grant agreements with the communities/consortia identified in the Appendix to this Order. Award recipients must enter into grant agreements with the Department before the recipients may seek to be reimbursed expenses incurred under their Small Community Program projects. In addition, grant recipients are subject to all grant conditions and assurances required by federal law, regulations, and executive orders.⁸ The Department's grant agreements will be transmitted to the selected communities subsequent to the issuance of this Order.

The proposals we selected incorporate the purpose of the statute, and provide opportunities to test a variety of approaches to improving small community air service in many regions of the country. The attached Appendix provides a description of each project, the basis for its selection, and the amount of funding each community requested. As an overview:

- Sixteen (16) of the awards are made to communities proposing revenue guarantee and/or marketing support as means to attract new carriers, restore lost service or capacity, and/or provide air travelers with access to additional markets. These communities are:
Savannah, Georgia; Hailey, Idaho; Bismarck, North Dakota; Del Rio, Texas;
Oxnard/Ventura, California; Gunnison, Colorado; Idaho Falls, Idaho; Fort Wayne,
Indiana; Springfield, Missouri; Wilmington, North Carolina; Stillwater, Oklahoma;
McAllen, Texas; Richmond, Virginia; La Crosse, Wisconsin; Lincoln, Nebraska; and
Charleston, West Virginia.

⁸ See <http://www.dot.gov/policy/aviation-policy/small-community-rural-air-service/SCASDP> for applicable conditions and assurances.

- The award to Worcester, Massachusetts, provides marketing support for the newly-announced service.
- The awards to Lawton, Oklahoma, and Wenatchee, Washington, will provide assistance for marketing campaigns to support existing service and draw more passengers to the communities' airports. Additionally, the award to Klamath Falls, Oregon, is a marketing grant for existing air service as well as a passenger education effort to inform passengers of the airport's name change.
- The award to Wilkes-Barre/Scranton, Pennsylvania, will provide start-up cost offsets and marketing to attract new air service.
- The award to Sanford, Maine, allows the community to conduct a public transportation study to address connection deficiencies to nearby airports.
- Three (3) grant awards at EAS communities – the Mississippi Consortium, Plattsburgh, New York, and the Pelican Consortium in Alaska – will be used to market current EAS service.⁹

Most of the selected communities are contributing financial resources to their respective grant projects. In addition, many communities have pledged in-kind contributions in further support of their air service initiatives. The local contributions reflect a commitment that is important to the potential success of the proposed initiatives. Moreover, nearly all of the communities have (1) established robust public-private partnerships to enhance community participation and facilitate access to air services, and (2) provided a specific plan and timetable for using their grant funds in a timely manner.

Air Service Development Zone

The statute directs the Department to designate an airport in one community awarded a grant under this program as an “Air Service Development Zone” (ASDZ), and to work with the community or consortium on means to attract business to the area surrounding the airport, to develop land-use options for the area, and to provide data, working with the Department of Commerce and other agencies. 49 U.S.C. 41743(h). A current grant recipient—with a grant award period extending into FY2014—remains active as the ASDZ designee. As a result, the Department did not solicit applications for selection as an ASDZ designee.

⁹ We note that grant applicants currently receiving subsidized air service under the EAS Program are precluded from using SCASDP funds to secure air service by other carriers to additional destinations. As we stated in the Solicitation Order (Order 2013-6-14), we entertain applications from EAS-subsidized communities that are directed toward improving use of the EAS being provided. However, we do not select proposals that would conflict with long-standing EAS policies, including financial support through this program of air services that would compete with EAS, thus drawing traffic from the already subsidized services and potentially increasing the subsidy requirements for those services.

Grant Agreements

As noted above, the Department will execute grant agreements with each recipient. In the Solicitation Order, we stated that a community cannot accept a new Small Community Program grant while it is a party to an existing grant under the program, either as an individual community or as a member of a consortium. Accordingly, a community still party to an agreement pursuant to a SCASDP grant awarded in a previous year must terminate its participation in that agreement before it can accept a 2013 grant award and execute a new implementing agreement with the Department.

We also stated in the Solicitation Order that communities must establish milestones to monitor the progress of the proposed projects to determine whether amendments are necessary or whether the grant agreement should be terminated. As we have done in the past, milestones and progress reporting requirements will be included in the grant agreements. Federal funds under this grant program are disbursed on a reimbursable basis, with the communities expending funds for the grant project and then seeking reimbursement. Communities will not be reimbursed for funds expended prior to the date on which the grant agreement is executed. In seeking reimbursements, grant recipients must provide invoices or other evidence of the expenditure, details about the expenditure and how it relates to the grant project, and evidence of payment. In addition, the legal sponsor is required to certify that each invoice is relevant to the authorized grant project and has been paid. Communities will be required to comply fully with the terms of their proposals and the grant agreements.

ACCORDINGLY,

1. We select the communities/consortia listed in the Appendix to receive grant awards under the Small Community Air Service Development Program as described in this Order;
2. Grant recipients are subject to all grant conditions and assurances that appear at <http://www.dot.gov/policy/aviation-policy/small-community-rural-air-service/SCASDP>. In addition, to the extent that the grant agreement permits expenditure of the awarded Small Community Program funds in any manner that would not be permitted for funds received as part of Federal Aviation Administration's Airport Improvement Program (AIP), such permission is strictly limited to the expenditure of the Small Community Program funds awarded under the grant agreement. Nothing in the grant agreement negates the recipient's obligations to fully comply with FAA Order 5100-38C;

3. Each award recipient must affirm this award by entering into a grant agreement with the Department on or before November 15, 2013. Award recipients may not seek to be reimbursed under the Small Community Program until they affirm their grant awards; and
4. A copy of this Order will be served on the legal sponsor for each of the communities awarded grants.

By:

SUSAN L. KURLAND
Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available
at <http://www.regulations.gov>*

2013 SCASDP Funded Project				Appendix
State	Community	Federal Amount Requested	Project Description	Basis for Selection
AK	Pelican Consortium	\$300,000	Market for existing EAS service.	This application aligns with priority and secondary selection criteria. The project aligns with the timely use of funds and public-private partnership priority criteria. The community has a defined timeline and several partners are in place to support the project. The proposed project will increase awareness for the communities, whose access to the national air transportation system is limited. It meets the secondary criterion of location as the communities are geographically isolated and unique, attributes that limit their air service access.
CA	Oxnard/Ventura	\$500,000	Revenue guarantee with marketing to restore air service to one of the airport's top 10 markets. Targeted Las Vegas, Phoenix, or San Francisco Bay Area.	This application aligns with several priority and secondary selection criteria. The project aligns with the local contribution and material benefits priority criteria as the community is contributing 16.7% of local funding, which would help in efforts to restore air service. Many local businesses and universities demonstrated support for the air service project, as did evidence of a growing population. In addition, the project aligns with the secondary criteria as the community has recently completed a study determining its top ten markets and the community has a letter of support from Allegiant.
CO	Gunnison	\$350,000	Revenue guarantee with marketing for summer service to Houston, Dallas, or Phoenix.	This application aligns with several priority and secondary selection criteria. The project aligns with the local contribution priority criterion as the community has a strong match of 50%, and the community has 10 percent higher-than-average air fares. In addition, the project aligns with the secondary criteria as the community has letters of support from United and US Airways.

State	Community	Federal Amount Requested	Project Description	Basis for Selection
GA	Savannah	\$500,000	Revenue guarantee with marketing support for a low-fare carrier. Targeting JetBlue Airways to Boston.	This application aligns with several priority and secondary selection criteria. The project aligns with the higher-than-average air fares and local contribution priority criteria because the fares at the airport are 14 percent higher than the national average, and the community is contributing 42.9% towards the project. In addition, the project aligns with the secondary criteria because there is a very strong public-private partnership that will be important to ensuring the success of the program, and the community received a letter of support from JetBlue.
ID	Hailey	\$500,000	Revenue guarantee with marketing to secure nonstop eastern hub connections. Targeting United Airlines to Denver.	This application aligns with several priority and secondary selection criteria. The project aligns with the local contribution and public-private partnership priority criteria because the community is contributing 24.7% towards the project, and the community has well-established partners in place to help ensure success. In addition, the project aligns with the secondary criteria as the community has a letter of support from United.
ID	Idaho Falls	\$500,000	Revenue guarantee with marketing for air service to Minneapolis/St. Paul.	This application aligns with several priority and secondary selection criteria. The project will provide material benefits under the priority criteria, as the community lacks east-bound air service. In addition, the community is geographically isolated, and the community has a letter of support from Delta Air Lines, both of which align with the secondary criteria.

State	Community	Federal Amount Requested	Project Description	Basis for Selection
IN	Fort Wayne	\$600,000	Revenue guarantee and marketing to support new service to Philadelphia, targeting US Airways.	This application aligns with several priority criteria. The project aligns with the local contribution, material benefits, and timely use of funds priority criteria. The community has a strong funding match of 70.9%, is targeting East Coast air service that would materially benefit businesses, and the community provided a clearly-defined timeline and project plan.
MA	Worcester	\$350,000	Marketing support for new JetBlue service that starts in November 2013.	This application aligns with several priority and secondary selection criteria. The project aligns with the local contribution, public-private partnership, and material benefits priority criteria because the community is contributing 37.5% towards the project, has an established public-private partnership with funding from the State and local governments, and the community currently does not have air service. In addition, the project aligns with the secondary criteria as the community has a letter of support from JetBlue.
ME	Sanford	\$33,180	Study to address public transportation deficiencies to nearby airports.	This application aligns with the material benefits priority selection criterion because the study will allow the community to better understand its transportation challenges and deficiencies in relation to nearby airports.
MO	Springfield	\$450,000	Revenue guarantee with marketing to establish new air service to Charlotte.	This application aligns with several priority and secondary selection criteria. The project aligns with the local contribution and material benefits priority criteria as the community is contributing 15.1% towards the project, and the community received many letters of support from businesses. In addition, the project aligns with the secondary criteria as the community has a letter of support from US Airways.

State	Community	Federal Amount Requested	Project Description	Basis for Selection
MS	Mississippi Consortium	\$120,000	Marketing for existing EAS service on Silver Airways to Atlanta.	This application aligns with several priority selection criteria. The project aligns with the local contribution and higher-than-average air fare priority criteria because the communities are providing 23.1% towards the project and because air fares are 30 percent higher than the national average. In addition, marketing will assist these communities as they all had a carrier change last year.
NC	Wilmington	\$750,000	Revenue guarantee with marketing to restore westbound connections, targeting American Airlines to Chicago O'Hare.	This application aligns with several priority and secondary selection criteria. The project aligns with the local contribution and public-private partnership priority criteria as the community is contributing 18.8% towards the project, and the community demonstrated a strong public-private partnership. In addition, the project aligns with the secondary criterion of participation as the community has broad community support for its proposal.
ND	Bismarck	\$500,000	Revenue guarantee with marketing for service to Dallas/Fort Worth and/or Chicago.	This application aligns with several priority and secondary selection criteria. The project aligns with the higher-than-average air fares, local contribution, and material benefits priority criteria because the fares at the airport are 14 percent higher than the national average and the community is contributing 45.5% local funding towards the project. In addition, the community has experienced population growth as a result of the growth in the energy industry. Therefore, the proposed project would materially benefit the traveling public.

State	Community	Federal Amount Requested	Project Description	Basis for Selection
NE	Lincoln	\$750,000	Revenue guarantee and marketing support for service to Atlanta, targeting Delta.	This application aligns with several priority and secondary criteria. The community has higher-than-average airfares and it has provided financial support for the project, factors that align with the priority selection criteria. In addition, the project aligns with the secondary criteria as Delta provided a letter of support.
NY	Plattsburgh	\$200,000	Marketing for existing EAS service.	This application aligns with several priority criteria. The project aligns with the local contribution and public-private partnership priority criteria because the community is contributing 20% towards the project, and the community has demonstrated a committed public-private partnership.
OK	Lawton	\$195,000	Marketing of existing air service to increase enplanements.	This application aligns with several priority and secondary selection criteria. The project aligns with the local contribution, higher-than-average air fare, and public-private partnership priority criteria because the community is providing 16.2% towards the project, air fares are 20 percent higher than the national average, and the community has demonstrated a strong public-private partnership. In addition, the project aligns with the secondary criterion of participation as the community has broad support for its proposal.
OK	Stillwater	\$447,000	Revenue guarantee for first service to Dallas/Fort Worth.	This application aligns with several priority and secondary selection criteria. The project aligns with the local contribution and public-private partnership priority criteria as the local community and State are contributing 88.3% towards the project to establish air service for the community. In addition, the project aligns with the participation secondary criterion as the community has broad support for its proposal.

State	Community	Federal Amount Requested	Project Description	Basis for Selection
OR	Klamath Falls	\$135,000	General airport marketing to increase enplanements and to inform passengers of airport name change.	This application aligns with several priority and secondary selection criteria. The project aligns with the local contribution and public-private partnership criteria as the community is contributing 12.9% towards the project, and it has established a strong partnership with participation from many public and private entities that have developed a strategic plan. In addition, the project aligns with the secondary criteria of participation and innovation as the community has broad support for its proposal and it developed an innovative marketing campaign.
PA	Wilkes-Barre/Scranton	\$575,000	Start-up cost offsets and marketing to attract new air service.	This application aligns with several priority and secondary criteria. The project aligns with the local contribution and higher-than-average air fare priority criteria because the community is contributing more than 22% towards the project and its airfares are above the national average. The project aligns well with the secondary criteria, as Allegiant, Delta, and US Airways provided letters of support for the project.
TX	Del Rio	\$500,000	Revenue guarantee to restore air service. Targeting American Eagle to Dallas/Fort Worth.	This application aligns with several priority and secondary selection criteria. The local cash contribution of 24.6% would help to restore air service at the community and aligns with the local contribution priority criterion. The community has established a strong public-private partnership with almost 40 members, who committed funding to the local priority contribution. In addition, the project aligns with the secondary criteria as the community has a letter of support from American Airlines, and the community is geographically isolated.

State	Community	Federal Amount Requested	Project Description	Basis for Selection
TX	McAllen	\$750,000	Revenue guarantee with marketing for non-stop service to Denver.	This application aligns with several priority and secondary criteria. The project aligns with the airfares priority selection criterion as its airfares are higher than the national average and one of its targeted carriers is a low-fare carrier. The community is also supporting the project by contributing more than 10% towards the project cost. It aligns with the secondary criteria because the project received a letter of support from Frontier Airlines.
VA	Richmond	\$750,000	Revenue guarantee with marketing to gain westbound air service, targeting Denver and Salt Lake City.	This application aligns with several priority criteria. The project aligns with the material benefits and local contribution priority criteria because the proposed project will serve a geographic area currently lacking westbound air service, and the community is contributing 6.7% towards the project. The application is also supported by a major carrier, aligning with the secondary criteria.
WA	Wenatchee	\$200,000	Marketing program to bolster enplanements on existing Alaska Horizon service to Seattle/Tacoma.	This application aligns with several priority and secondary criteria. The project aligns with the local contribution priority criteria because the community is contributing 20% towards the project. In addition, the project aligns with innovation and location secondary criteria as the community proposes innovative marketing concepts and the community is geographically isolated.

State	Community	Federal Amount Requested	Project Description	Basis for Selection
WI	La Crosse	\$750,000	Revenue guarantee with marketing for service to Dallas/Fort Worth.	This application aligns with several priority and secondary criteria. The project aligns with the local contribution, higher-than-average air fares, and material benefits priority criteria as the community is contributing more than 15% towards the project, and its airfares are 20 percent above the national average. In addition, the community will receive material benefits by adding a new hub destination to a geographic area not represented by its current air service offerings.
WV	Charleston	\$700,000	Revenue guarantee with marketing and/or a start-up cost offset for nonstop air service to Orlando.	This application aligns with several priority and secondary criteria. The project aligns with the local contribution and public-private partnership priority criteria. The community is contributing more than 13% towards the project and has a good public-private partnership. The project aligns with the secondary criteria as Allegiant provided a letter of support.