



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

Issued by the Department of Transportation
on the 8th day of September, 2008

In the Matter of the

**SMALL COMMUNITY AIR SERVICE
DEVELOPMENT PROGRAM**

DOCKET DOT-OST-2008-0100

under 49 U.S.C. 41743 *et seq.*

ORDER AWARDING GRANTS

Summary

By this order, the Department selects 16 communities in 12 states to receive financial grants under the Small Community Air Service Development Program (Small Community Program) to implement the air service initiatives proposed in their grant applications. The communities and the amount of each award are listed in the Appendix to this Order. Award recipients must execute a grant agreement with the Department before they can begin to spend funds under the grants. Individual agreements must be executed by September 19, 2008, or the Department's offer may be withdrawn.

Background

The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21), P.L. 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), P.L. 108-176,

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

December 12, 2003, amended the program, reauthorized it through FY 2008, and eliminated the “pilot” status of the program. The program currently has \$6.85 million available to award.²

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

1. For 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. Not 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.³
6. An applicant may not receive an additional grant, prior to the completion of its previous grant.⁴

In addition, the law directs the Department to give priority to those communities or consortia of communities⁵ 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; and e) the funds will be used in a timely manner.⁶

² Of the program’s \$10 million appropriation for fiscal year 2008, the Department is retaining \$3.15 million to cover current and future administrative support costs. The Fiscal Year 2009 Senate Appropriations bill for DOT, as approved by the Senate Appropriations Committee, does not include funding for SCASDP, and the Department expects to be under a Continuing Resolution for several more months. As a consequence, we must retain sufficient funds at this time to administer the program into future years without the benefit of additional appropriations. (The Department will continue to incur administrative costs during the next several years until the grants awarded this year, together with others awarded in prior years and still active, fully expire.) Should appropriations legislation be enacted making additional funds available for the Small Community Program, any funds so retained but not needed for program administration purposes will be reallocated for awards in future years.

³ However, as stated in our Request for Proposals (Order 2008-3-8), previous grant recipients were free to submit grant proposals and seek funds for new projects in a different category. For example, although a community which had received a grant for a market study could not apply for a new grant for another market study, it could apply for funding for a revenue guarantee for new air service.

⁴ 49 U.S.C. 41743(c).

⁵ A consortium of communities is defined as a single entity. 49 U.S.C. 41743.

⁶ 49 U.S.C. 41743(c)(5).

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

1. An air carrier to subsidize service to and from an underserved airport for a period not to exceed 3 years;
2. An underserved airport to obtain service to and from the underserved airport; and/or
3. 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

On April 1, 2008, the Department issued a request for proposals (RFP) from communities interested in receiving a grant this year, and requested that such proposals be filed no later than June 6 (Order 2008-3-8). Applicants were required to submit form SF424, a standard federal government application form, in 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 over the previous six years, our RFP clarified various issues relating to the grant application process, including the sources of local funding, the consideration of in-kind contributions, 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 order further emphasized that communities would be expected to meet the financial-contribution commitments that they include in their proposals.

2008 Grant Applications

In response to the RFP, we received 66 grant applications from communities in 32 states. Collectively, these communities sought \$36.3 million in federal assistance to support new and ongoing air service development projects. The large majority of applications were filed by individual communities and a few were filed by consortia of communities. Additionally, a number of applications were from communities now receiving subsidized air service under the Department's EAS program. Most applications were submitted by communities that had filed applications in previous years. As required, all 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. Our review of the applications confirmed that air service issues continue to be of great concern to many small

⁷ 49 U.S.C. 41743(d).

communities. Nearly all of the applicants cited both service deficiencies and high airfares as problems affecting patronage of their air services. Many applicants noted 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, nearby airports.

This year, 10 applications either did not meet the basic criteria for participation outlined above and were determined ineligible for selection, or the application itself was deemed incomplete. Most often, the applicant sought additional funding for the same, or essentially the same, project that was funded in a previous grant. In one instance, the applicant was a subsidized EAS community seeking to start a new service. As we stated in our April 2008 order soliciting grant proposals, such communities are limited to marketing or promotion projects that support existing or newly subsidized air services.⁸ Finally, two applicants either had no government entity as its legal sponsor, as required⁹, or did not comply with requirements to file via Grants.gov.¹⁰

2008 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 16 grant proposals with the objective of entering into grant agreements with the communities/consortia identified in the Appendix to this order. Grant agreements must be executed with the Department before the recipients can begin to spend funds provided under this order. In addition, grant recipients are subject to all grant

⁸ Order 2008-3-8, p. 2.

⁹ Order 2008-3-8, p. 11.

¹⁰ Order 2008-3-8, p. 6.

conditions and assurances required by federal law, regulations and executive orders.¹¹ Funds for these awards will be obligated as of the date that each grant agreement is executed with the selected communities. Accordingly, the Department's grant offers and agreements will be transmitted to the selected communities upon issuance of this order.

The proposals we selected incorporate the purpose of the statute, and provide an expanded opportunity to test a variety of approaches to improving small community air service in all regions of the country. For example:

- Five of the grant awards are made to non-EAS communities experiencing higher-than-average air fares, including Redding, CA; Missoula, MT; State College, PA; Sioux Falls, SD; and Wichita Falls, TX. These communities plan to use their grants to attract new or expanded air services.
- Most of the awards to non-EAS communities include funds for marketing programs to support local air services. Such communities include Bullhead City, AZ; Redding, CA; Bloomington, IL; Springfield, IL; Missoula, MT; State College, PA; Sioux Falls, SD; Midland, TX; and Wichita Falls, TX.
- Three awards go to communities that are seeking to acquire their first air service or to restore service previously lost, including Bullhead City, AZ; Moses Lake, WA; and an intrastate consortium of geographically isolated communities in Aroostook County, ME.
- Two awards go to communities seeking service by a second air carrier. They are Muskegon, MI, and Wichita Falls, TX.
- The award to Dover, DE, will enable the community to conduct a study of its air service needs and potential solutions.
- Two grant awards are targeted at EAS communities: Merced, CA, which will use its marketing grant to support its transition to a new air carrier, and West Yellowstone, MT, which intends to use its marketing grant to increase ridership and reduce or eliminate its reliance on EAS.¹²

All of the selected communities are contributing financial resources to their respective grant projects from other than airport revenues. Many will also provide in-kind contributions to further the goals of their proposed air service initiatives. In addition to the participation and involvement by the communities/consortia in designing the grant projects, the local contributions reflect

¹¹ See http://ostpxweb.dot.gov/aviation/X-50%20Role_files/scasdp/Assurances.pdf for applicable conditions and assurances.

¹² We note that some grant applicants that currently receive subsidized air service under the EAS program sought to use grant funds to secure air service by other carriers to additional destinations. As we stated in our RFP (Order 2008-3-8), we are prepared to entertain applications from EAS-subsidized communities that are directed toward improving use of the EAS being provided. We will not select proposals that would conflict with long-standing EAS policies, including financial support through this program of air services that would compete with the EAS, thus drawing traffic from the already subsidized services and increasing the subsidy requirements for those services.

a commitment that is important to the success of the proposed initiatives. Moreover, all of the communities/consortia have established public/private partnerships to enhance community participation and facilitate access to air services, and nearly all have provided a specific plan and timetable for using their grant funds.

In one instance – Bloomington, IL -- we have reduced the grant-award amount below the amount requested by the community in its proposal. This reduction reflects a narrowing of the proposed project's funding to focus on marketing of new service. We believe that our reduction should not adversely affect Bloomington's air service project. However, since we are changing the terms of the community's grant proposal, our award in this case is conditioned on Bloomington's acceptance of the lower amount.

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). We are designating the Merced Municipal Airport, Merced, California, as an ASDZ. Merced was the only community that applied for the ASDZ designation this year. The designation does not entail any additional financial assistance.

Grant Agreements

Because authorization for the Small Community Program is set to expire on September 30, 2008, a selected community must accept the Department's offer and the terms of its grant agreement by September 19 so that DOT can meet the deadlines for obligating necessary funds. If the community fails to do so, the Department may withdraw the offer.

As noted above, the Department will execute grant agreements with each recipient. In the RFP, 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 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 2008 grant award and execute a new implementing agreement with the Department. Further, if such community is a member of an existing consortia grant, it must also be granted permission to withdraw from the agreement by the grant's legal sponsor as well as the Department.

We also stated in the RFP 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 re-

ipients 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. We designate the Merced Municipal Airport, Merced, California, as an Air Service Development Zone;
3. Grant recipients are subject to all grant conditions and assurances that appear at http://ostpxweb.dot.gov/aviation/X-50%20Role_files/scasdp/Assurances.pdf and specified in FAA Order 5100-38B;
4. Grant recipients must execute a grant agreement with the Department before they can begin to spend funds provided under this order;
5. A copy of this order will be served on the legal sponsor for each of the communities awarded grants.

By:



Michael W. Reynolds
Acting Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available
on the World Wide Web at <http://www.regulations.gov>*

SMALL COMMUNITY AIR SERVICE DEVELOPMENT PROGRAM
2008 GRANT SELECTIONS

COMMUNITY	STATE	GRANT AMOUNT
Bullhead City	AZ	\$500,000
Merced	CA	\$100,000
Redding	CA	\$500,000
Dover	DE	\$135,000
Bloomington **	IL	\$225,000
Springfield	IL	\$750,000
Aroostook County	ME	\$350,000
Muskegon	MI	\$650,000
Missoula	MT	\$485,000
State of Montana (W. Yellowstone)	MT	\$105,000
State College	PA	\$474,000
Sioux Falls	SD	\$500,000
Midland	TX	\$600,000
Wichita Falls	TX	\$500,000
Moses Lake	WA	\$475,000
Huntington	WV	\$500,000
Total		\$6,849,000

** Grant proposal is conditionally selected since the amount awarded is less than the Community requested.