



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

Issued by the Department of Transportation
on the 20th day of December,
2002

In the Matter of the

**SMALL COMMUNITY AIR SERVICE
DEVELOPMENT PILOT PROGRAM**

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

DOCKET OST-2002-11590

ORDER REALLOCATING GRANTS

Summary

By this order, the Department awards financial grants to Telluride, Colorado, and Chico, California, to implement the air service initiatives proposed in their respective grant applications. Each grant is subject to the signing by the community of a grant agreement with the Department.

Background

On April 5, 2000, the President signed the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21), P.L. 106-181. Among other things, the statute established a new pilot program, the Small Community Air Service Development Pilot Program (SCASDPP), to be administered by the Department of Transportation, designed to help smaller communities enhance their air service. To fund the program, the statute authorized a funding level of \$20.0 million for fiscal year 2001 and \$27.5 million for each of fiscal years 2002 and 2003. No funds were appropriated for the first year, but in the Department's FY 2002 appropriation bill, P.L. 107-87, Congress appropriated \$20 million for the program, to remain available until expended. The statute directs the Secretary to assist communities in developing projects that will enhance their access to the national air transportation system and to help communities overcome impediments to their current air service.

Specifically, the law authorizes the Secretary to provide financial assistance to as many as 40 communities nationwide at any given time, though no more than four may be from the same state.¹

¹ The statute specifies that a consortium of communities should be considered as a single entity. In addition, use of the funds to provide direct subsidy to an air carrier is limited to a period of no more than three years.

On February 13, 2002, the Department issued Order 2002-2-11 inviting interested communities to file grant proposals by April 22, 2002, in Docket OST-2002-11590. The Department received 180 applications from communities in 47 states in response to its invitation.²

By Order 2002-6-14, the Department made grant awards to 40 communities, including awards to Pasco, Washington, for \$200,000 and Houghton and Pellston, Michigan, for \$120,000. These communities subsequently notified the Department that they would decline those offers.

Reallocation of Grant Awards

The statute provides that the funds for the SCASDPP remain available until expended. In light of this provision, in our grant award order, we stated that we would reallocate any funds that were returned to the Department because a community declined the Department's grant offer or it defaulted under the terms of the grant agreement.³ To ensure that all communities interested in the reallocation process had an opportunity to file applications, by Order 2002-7-1 the Department required that any communities that had not previously filed applications submit such applications no later than July 19.⁴ That order also provided communities that already had applications on file an opportunity to amend those requests by July 19. Given the notifications from Pasco and the Michigan communities, additional funds are now available for reallocation.⁵

Based on the pending applications whose grant requests fall within the total amount of funds available, we have decided to make grant awards to Telluride, Colorado, for \$300,000, and Chico, California, for \$44,000.⁶ Telluride proposes to use its grant award to promote service at the airport to increase ridership, to improve scheduling of existing services at the airport, and to secure service to an additional hub, such as Albuquerque, to facilitate greater access to the community. In addition to the funds sought under the SCASDPP toward this goal, Telluride plans to contribute \$210,000 (\$60,000 from airport funds and \$150,000 from non-airport funds) to the project. Chico seeks a grant to conduct a study to determine the most feasible air service routes and to recruit a second carrier to serve the community. In addition to the grant funds sought, Chico plans to contribute \$30,000 from airport funds toward its proposed project. Both communities have confirmed to the Department that they continue to be interested in pursuing their initiatives and would proceed if awarded grants under this program.

² The City of Macon, Georgia also submitted an application dated May 14, 2002. On May 13, 2002, Jackson, Mississippi, withdrew its proposal.

³ Order 2002-6-14 at 9.

⁴ That order was published in the Federal Register on July 8, 2002. 67 FR 45168.

⁵ In addition to the \$320,000 available from the declined awards to Pasco and Houghton/Pellston, an additional \$14,944 remained available from the original allocations in Order 2002-6-14 and, based on an arithmetic error, the award to Beaumont/Port Arthur, Texas, was reduced from \$510,000 to \$500,000. Thus, a total of \$344,944 is available for allocation.

⁶ Prescott, AZ; Monterey, CA; Palmdale, CA; Stockton, CA; Grand Junction, CO; New Haven, CT; Naples, FL; Columbus, GA; Salmon, ID; Lexington, KY; East Millinocket, ME; Lebanon, NH; Jamestown, NY; Chattanooga, TN; Nacogdoches, TX; Tyler, TX; Vernal, UT; Logan, UT; and Rutland, VT also sought grants that were within the financial parameters of the funds available.

In making our initial grant awards, we stated that our primary goals for this new program were to (a) provide the maximum number of communities permitted under the statute with the opportunity to address their air service/fare issues; (b) make the program available to communities in all regions of the United States; (c) facilitate solutions to as many service and fare issues as possible using a wide range of methods proposed by the applicant communities; and (d) use the available funds to the fullest extent possible. We find that the selection of these communities is consistent with our stated goals.

The awards to Telluride and Chico will ensure that we continue to provide the maximum number of communities possible with the opportunity to address their service/fare issues. Telluride is a very isolated community, hundreds of miles from a large or medium hub⁷. However, it has a strong economic base and serves many travelers seeking to take advantage of the region's recreational facilities. The community has also indicated that its fares are historically higher than other communities, a factor it hopes expanded air service will help address. Chico currently receives air service from one carrier to/from San Francisco, but hopes to improve its air service by adding service by a second carrier to an additional hub or hubs, providing a greater range of service options to travelers. The combination of these grant awards, totaling \$344,000, will also ensure that we continue to make maximum use of the funds available for this program. Both communities will contribute toward their proposed projects and have provided information evidencing demand for the proposed expanded services.

In making these awards, we are mindful that other proposals within the range of funds available offered meritorious features. The large number of applications filed in response to this program demonstrates the substantial desire of many communities to improve their air services and to seek ways to address their air service/fare issues. On balance, however, we believe the awards to Telluride and Chico best serve the overall goals of our initial awards and will provide an important additional opportunity to test different approaches to improving air service at small communities.

It is possible that additional funds may become available if projects authorized in our initial grant order or here do not succeed, or if funds made available for revenue guarantees are not needed because traffic levels exceed expectations. As we have done here, should this occur, we would reallocate the funds to additional communities to the extent possible within the limitations of the funds available and the community limitations of the statute. As all remaining applications, therefore, remain pending, we will not entertain petitions for reconsideration of this order.

Grant Agreements

As we noted in our initial order awarding grants, the grant awards here will become effective upon the execution of the grant agreements between each community and the Department and we will be contacting the communities receiving grants to complete the execution of those agreements. We also stated that we expected communities to establish milestones to monitor the progress of the proposed projects to determine whether modifications are necessary or whether funding should be suspended prior to the end of the funding period if the project is not attaining

⁷ Telluride is over 200 miles from a small, medium, or large hub.

the desired results. We intend to include such milestones in the grant agreements for the awards here as we have for those grants made under our initial grant order. We remind Telluride and Chico that these awards are not final until a formal grant agreement with the Department is executed. Therefore, communities should not proceed with their plans until the grant agreements have been signed. We also remind them that the Federal funds for the approved projects will be disbursed on a reimbursable basis; communities will not be reimbursed for any funds expended prior to the signing of the grant agreement.

ACCORDINGLY,

1. We issue grant awards to Telluride, Colorado, for \$300,000, and to Chico, California, for \$44,000, for the projects proposed in their respective grant applications, subject to the signing of a grant agreement between each community and the Department;
2. We will serve a copy of this order on the legal sponsors for Telluride, CO; Chico, CA; Prescott, AZ; Monterey, CA; Palmdale, CA; Stockton, CA; Grand Junction, CO; New Haven, CT; Naples, FL; Columbus, GA; Salmon, ID; Lexington, KY; East Millinocket, ME; Lebanon, NH; Jamestown, NY; Chattanooga, TN; Nacogdoches, TX; Tyler, TX; Vernal, UT; Logan, UT; and Rutland, VT; and
3. We will not entertain petitions for reconsideration of this order.

By:

READ C. VAN de WATER
Assistant Secretary for Aviation
and International Affairs

(SEAL)

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