



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

Issued by the Department of Transportation
on the 18th day of February 2010

In the Matter of the

**SMALL COMMUNITY AIR SERVICE
DEVELOPMENT PROGRAM**

DOCKET DOT-OST-2009-0149

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

ORDER AWARDING GRANTS

Summary

By this order, the Department selects 19 communities in 18 states and one territory 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 Individual agreements must be executed by **March 8, 2010**, or the Department's offer may be withdrawn.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 \$6.45 million available to award.

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. 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.²
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; and e) the funds will be used in a timely manner.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.⁶

² However, as stated in our Request for Proposals (Order 2009-7-11), 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.

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).

⁶ 49 U.S.C. 41743(d).

On July 10, 2009, 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 August 28 (Order 2009-7-11). Applicants were required to submit Standard Form 424, 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 from previous years, the 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.

2009 Grant Applications

In response to the RFP, we received 84 grant applications from communities in 38 states and territories. Collectively, these communities sought \$39 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, 17 applications were from communities with small-hub airports and nine were from communities now receiving subsidized air service under the Department's EAS program. Forty-six 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 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, several 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.

2009 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 19 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 conditions and assurances required by federal law, regulations and executive orders.⁷ 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:

- Seven of the grant awards are made to non-EAS communities proposing revenue guarantees and marketing support as means to attract new carriers, combat higher-than-average air fares, and/or provide air travelers with access to additional markets. These communities are Huntsville, AL; San Luis Obispo, CA; Rockford, IL; Traverse City, MI; Butte, MT; Binghamton, NY; and Knoxville, TN.
- Two of the awards go to non-EAS communities – Tunica, MS and Bowling Green, KY – that are seeking to acquire new air service or to restore service previously lost.

⁷ See http://ostpxweb.dot.gov/aviation/X-50%20Role_files/scasdp/Assurances.pdf for applicable conditions and assurances.

- Four awards go to non-EAS communities – Shreveport, LA, St. George, UT, Port Angeles, WA, and Appleton, WI -- for marketing programs to promote existing, upgraded or recently acquired air services at their local airports.
- The award to American Samoa will help secure ground-support equipment critical for improving access to the remote Manu’a Islands.
- The award to West Wendover, NV, will enable the community to study the possibilities for developing and implementing a new regional scheduled air service.
- Four grant awards are targeted at EAS communities seeking to promote their existing, recently restored, or newly subsidized air services. The award selectees are Hays, KS; Augusta, ME; Bridgeport/Clarksburg, WV; and the Arkansas consortium.⁸

All of the selected communities are contributing financial resources to their respective grant projects. Fourteen also have pledged in-kind contributions in further support of their air service initiatives. In addition to the participation and involvement by the communities/consortia in designing the grant projects, the local contributions reflect a commitment that is important to the 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.

In two instances – Huntsville, Alabama and Shreveport, Louisiana -- we have reduced the grant-award amount below the amount requested by each community in its proposal. In the case of Huntsville, this reduction reflects a narrowing of the proposed project’s funding to a more reasonable level for obtaining new low-fare service at the airport. In the case of Shreveport, the reduction limits reimbursable expenditures to certain marketing activities in order to avoid duplication of activities that occurred under an earlier grant. We believe that our reductions should not adversely affect either community’s air-service project. However, since we are changing the terms of the grant proposals, our award in both cases is conditioned on the community’s acceptance of the lower amount.

⁸ 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 our RFP (Order 2009-7-11), we are prepared to entertain applications from EAS-subsidized communities that are directed toward improving use of the EAS being provided. However, 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.

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). The ASDZ designation does not entail any additional financial assistance. The Department made no designation this year since no communities selected to receive a grant applied under the ASDZ.

Grant Agreements

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 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 2009 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 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://ostpxweb.dot.gov/aviation/X-50%20Role_files/scasdp/Assurances.pdf and specified in FAA Order 5100-38B;

3. Grant recipients must execute a grant agreement with the Department before they can begin to spend funds provided under this order;
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
on the World Wide Web at <http://www.regulations.gov>*

SMALL COMMUNITY AIR SERVICE DEVELOPMENT PROGRAM
2009 GRANT SELECTIONS

COMMUNITY	STATE	GRANT AMOUNT
Huntsville **	AL	\$1,000,000
Eldorado/Harrison/Jonesboro Consortium	AR	\$150,000
American Samoa	AS	\$169,000
San Luis Obispo	CA	\$500,000
Rockford	IL	\$500,000
Hays	KS	\$216,450
Bowling Green	KY	\$500,000
Shreveport **	LA	\$100,000
Augusta	ME	\$100,000
Traverse City	MI	\$400,000
Tunica	MS	\$500,000
Butte	MT	\$460,000
West Wendover	NV	\$40,000
Binghamton	NY	\$550,000
Knoxville	TN	\$500,000
St. George	UT	\$100,000
Port Angeles	WA	\$360,000
Appleton	WI	\$150,000
Bridgeport/Clarksburg	WV	\$150,000
TOTAL		\$6,445,450

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