

Order: 2011-9-16  
Served: September 27, 2011



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

Issued by the Department of Transportation  
on the 27<sup>th</sup> day of September, 2011

In the Matter of the

**SMALL COMMUNITY AIR SERVICE  
DEVELOPMENT PROGRAM**

**DOCKET DOT-OST-2011-0119**

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

**ORDER AWARDING GRANTS**

**Summary**

By this order, the Department selects 29 communities in 22 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, the amount of each award, and the rationale for the award are listed in the Appendix to this Order. Award recipients must affirm the grant award by signature on the grant agreement with the Department **on or before October 30, 2011**. Grant recipients may not seek to draw down or be reimbursed funds under this award until they affirm the grant award.

**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.<sup>1</sup> AIR-21 authorized the Small Community Program through FY 2003. Vision 100-Century of Aviation Reauthorization Act (Vision 100), P.L. 108-176, December 12, 2003, amended the program to eliminate the “pilot” status of the program, and reauthorized it through FY 2008. The FY 2010 Federal Aviation Administration Extension Act (P.L. 111-69) extends the authorization of appropriations through FY 2011. For FY 2011, the Department was appropriated \$6 million to carry out the Small Community Program.<sup>2</sup> In total,

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

<sup>2</sup> A portion of the funds available for the Small Community Program are being used by the Department to administer the program.

the Department has \$15 million available for grant awards.<sup>3</sup> Subsequently, a series of temporary aviation authorization extensions have extended portions of the authorization for the 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. Not more than 4 communities or consortia of communities<sup>4</sup>, 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;<sup>5</sup>
6. An applicant may not receive an additional grant prior to the completion of its previous grant.<sup>6</sup>

In addition, the law directs the Department to give priority to those communities or consortia of communities 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.<sup>7</sup>

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.<sup>8</sup>

On July 1, 2011, the Department issued a request for proposals (RFP) from communities

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<sup>3</sup> The Department will be adding \$10 million in additional funds that can be reobligated from prior year recoveries.

<sup>4</sup> A consortium of communities is defined as a single entity. 49 U.S.C. 41743.

<sup>5</sup> However, as stated in our Request for Proposals (Order 2010-7-16), previous grant recipients were free to submit grant proposals and seek funds for new projects. Refer to Order 2010-7-16 for a discussion on same projects.

<sup>6</sup> 49 U.S.C. 41743(c).

<sup>7</sup> 49 U.S.C. 41743(c)(5).

<sup>8</sup> 49 U.S.C. 41743(d).

interested in receiving a grant this year, and requested that such proposals be filed no later than August 2 (Order 2011-7-1). 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.

### **2011 Grant Applications**

In response to the RFP, we received 70 grant applications from communities in 34 states. Collectively, these communities sought over \$36 million in federal assistance to support new and ongoing air service development projects. Twelve (12) applications were from communities classified, based on 2010 enplanements, as small-hub airports and five were from communities now receiving subsidized air service under the Department's EAS program. Forty-two (42) applications were submitted by communities that received grants 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 nearby airports.

This year, several applications either did not meet the basic eligibility criteria for participation outlined above and were determined ineligible for consideration, or the application itself was deemed incomplete and was not considered.

### **2011 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, 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 29 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 affirmed with the Department before the recipients can seek to draw down or be reimbursed funds provided under the grant agreements. In addition, grant recipients are subject to all grant conditions and assurances required by federal law, regulations and executive orders.<sup>9</sup> Funds for these awards will be obligated as of the date of grant award by the Department, with subsequent affirmation of the award terms by the selected communities. Accordingly, the Department's grant agreements will be transmitted to the selected communities subsequent to 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:

- 19 of the awards are made to communities proposing revenue guarantees 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 Flagstaff, AZ; Santa Rosa, CA; Evansville, IN; South Bend, IN; Dubuque, IA; Baton Rouge, LA; Kalamazoo, MI; Bozeman, MT; Albany, NY; Fargo, ND; Grand Forks, ND; Toledo, OH; North Bend, OR; Harrisburg, PA; Tri-Cities, TN; San Angelo, TX; Lynchburg, VA; Spokane, WA; and Green Bay, WI.
- Three of the awards will assist communities in acquiring scheduled airline service – Auburn/Lewiston, ME; Pikeville, KY; and St. Cloud, MN.
- The award to Latrobe, PA, will provide assistance for marketing programs to promote future expanded service from an existing carrier.

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<sup>9</sup> See [http://ostpxweb.dot.gov/aviation/X-50%20Role\\_files/scasdp/Assurances.pdf](http://ostpxweb.dot.gov/aviation/X-50%20Role_files/scasdp/Assurances.pdf) for applicable conditions and assurances.

- The award to Loveland, CO, will enable the community to study the possibilities for developing plans for increased air service.
- The award to Pocatello, ID, will enable the community to support a transition to larger, jet aircraft.
- Four grant awards at EAS communities – Crescent City, CA; Escanaba, MI; Manistee, MI; and Shenandoah Valley, VA – will be used for advertising and marketing their current service.<sup>10</sup>

All of the selected communities are contributing financial resources to their respective grant projects. 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.

In six instances – Loveland, CO; Bozeman, MT; Albany, NY; North Bend, OR; Lynchburg, VA; and Spokane, WA – we have reduced the grant award amount below the amount requested by each community in its proposal. We believe that our reductions should not adversely affect any of the community’s air service projects. Accordingly, we are also reducing the local cash contribution match offered by the communities by the same percentage as the reduction in grant award.

### **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), 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 Department did not receive any applications requesting ASDZ designation.

### **Grant Agreements**

As noted above, the Department will execute grant agreements with each recipient. 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

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<sup>10</sup> We note that grant applicants currently receiving subsidized air service under the EAS program are precluded from using Small Community Program funds to secure air service by other carriers to additional destinations. As we stated in our RFP (Order 2011-7-1), 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.

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 they affirm the grant award. 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 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/scasd/Assurances.pdf](http://ostpxweb.dot.gov/aviation/X-50%20Role_files/scasd/Assurances.pdf). In addition, to the extent that this agreement permits expenditure of the awarded Small Community Program funds in any manner that would not be permitted for funds received as part of FAA's Airport Improvement Program (AIP), such permission is strictly limited to the expenditure of the Small Community Program funds awarded under this agreement. Nothing in this agreement negates the recipient's obligations to fully comply with FAA Order 5100-38C;
3. Grant recipients must affirm this grant award by October 30, 2011. Grant recipients may not seek to draw down or be reimbursed funds under this award until they affirm the grant award; 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>*

Small Community Air Service Development Program  
2011 Grant Awards

State	Community	Requested Funding	Federal Funding	Description	Award Rationale
AZ	Flagstaff	\$800,000	<b>\$800,000</b>	Revenue guarantee to add a second carrier.	Selected as a first-time grantee because the community demonstrated the need for a second air carrier to support the diverse economic needs of the community, from regional business to tourism. Proposal addresses the community's insufficient air service and isolation from larger air service hubs, culminating in material benefits to this community.
CA	Crescent City (EAS)	\$200,000	<b>\$200,000</b>	Marketing existing EAS service to San Francisco and Sacramento.	Selected as a first-time grantee because the community demonstrated the need to market their EAS service to San Francisco and Sacramento. Proposal addresses the community's isolation from larger air service and local contribution demonstrates commitment to the project.
CA	Santa Rosa	\$650,000	<b>\$650,000</b>	Revenue guarantee, marketing, travel bank for east bound service on regional jets.	Selected as a second-time grantee because the community demonstrated the need for its first east bound service, eliminating connections through north or south bound airports. Community has shown significant and active participation building on success of prior grant. Local contribution and strong public private partnership provide support for insufficient air service to the East.
CO	Loveland	\$339,000	<b>\$221,500</b>	Study to develop air service plan for commercial service and intermodal issues.	Selected as a first-time grantee because the community demonstrated a unique approach to studying the intermodal, security and commercial air service plans. Funds were reduced to exclude the study on general aviation options as ineligible. This project includes an innovative study proposal with a developed timeline.
ID	Pocatello	\$500,000	<b>\$500,000</b>	Financial assistance to mitigate Delta Connection's transition to regional jets.	Selected as a second-time grantee because the community demonstrated a proactive approach to retaining its regional jet service at the airport. Public private partnership demonstrates this isolated community's commitment to addressing insufficient air service needs.

State	Community	Requested Funding	Federal Funding	Description	Award Rationale
IN	Evansville	\$500,000	<b>\$500,000</b>	Revenue guarantee and start up expenses to attract a Star Alliance carrier.	Selected as a second-time grantee because the community demonstrated the need to obtain a Star Alliance carrier to serve a currently underserved market to increase competition, lower fares, and provide more connection opportunities while reducing leakage at the airport. Developed public private partnership supports the proposal, which could materially benefit this community.
IN	South Bend	\$750,000	<b>\$750,000</b>	Revenue guarantee to attract low-cost service to Denver.	Selected as a second-time grantee because the community demonstrated the need to enhance service and lower costs at the airport by obtaining west bound service on a low cost carrier. Local contribution and public private partnership, as well as air carrier support, indicate community commitment to this proposal.
IA	Dubuque	\$500,000	<b>\$500,000</b>	Revenue guarantee for service to Dallas.	Selected as a second-time grantee because the community demonstrated the need to support non-stop service to Dallas and improve west bound connectivity. Strong local contribution and public private partnership demonstrate commitment to addressing insufficient air service to the West.
KY	Pikeville	\$750,000	<b>\$750,000</b>	Revenue guarantee to establish scheduled air service.	Selected as a second-time grantee because the community demonstrated the need to support its first service at the airport. A very strong local contribution and strong broad based public private partnership support this isolated community's efforts, which could materially benefit this community.
LA	Baton Rouge (Small Hub)	\$340,000	<b>\$340,000</b>	Revenue guarantee for service to Washington, DC airports.	Selected as a first-time grantee because the community demonstrated the need to reduce leakage to New Orleans by obtaining east bound service to Washington. Small hub with higher than average air fares and public-private commitment assist with addressing community's needs.
ME	Auburn/Lewiston	\$600,000	<b>\$600,000</b>	Revenue guarantee and marketing for first scheduled service to Boston.	Selected as a first-time grantee because the community demonstrated the need to obtain its first scheduled service. The 2010 feasibility study supports service to Boston and connections to the East Coast. Proposal addresses the community's insufficient air service and isolation from larger air service hubs.

State	Community	Requested Funding	Federal Funding	Description	Award Rationale
MI	Escanaba (EAS)	\$72,500	<b>\$72,500</b>	Marketing assistance to help with transition to larger aircraft.	Selected as a first-time grantee because the community demonstrated the need to market its new jet service and schedule change. Proposal demonstrates commitment to this isolated community's air service through local contribution and could serve as a working model for other EAS communities faced with air service changes.
MI	Kalamazoo	\$500,000	<b>\$500,000</b>	Revenue guarantee and marketing to attract new service to Dallas or other hub with better south bound connections.	Selected as a second-time grantee because the community demonstrated the need to secure new non-stop service to Dallas, improving connections to the southern U.S. Community has high air fares and is isolated from larger air service hubs.
MI	Manistee (EAS)	\$50,000	<b>\$50,000</b>	Marketing the EAS service.	Selected as a first-time grantee because the community demonstrated the need to market its EAS service. Local contribution and public private partnership demonstrate commitment to the proposal.
MN	St. Cloud	\$750,000	<b>\$750,000</b>	Revenue guarantee for service to Chicago O'Hare.	Selected as a second-time grantee because the community demonstrated the need to obtain scheduled service at the community. Local contribution and public private partnership demonstrate commitment to this proposal.
MT	Bozeman (Small Hub)	\$1,000,000	<b>\$950,000</b>	Revenue guarantee for service to New York.	Selected as a first-time grantee because the community demonstrated the need to obtain summer and winter seasonal service to New York. A very strong local contribution illustrates the public private partnership's commitment to seeking additional service for this community, which is isolated from larger hub service.
ND	Fargo (Small Hub)	\$750,000	<b>\$750,000</b>	Revenue guarantee and marketing for service to Dallas.	Selected as a second-time grantee because the community demonstrated the need to obtain service to Dallas, their third largest origin and destination market. Community is isolated from larger hubs of air service and has insufficient air service to Dallas. Community commitment is demonstrated through timely use of funds and local contribution.

State	Community	Requested Funding	Federal Funding	Description	Award Rationale
ND	Grand Forks	\$300,000	<b>\$300,000</b>	Revenue guarantee and marketing for west bound service.	Selected as a second-time grantee because the community demonstrated the need for west bound service and international connection. Strong local contribution demonstrates public private support and engagement in this isolated community's proposal for additional service, culminating in material benefits to this community.
NY	Albany (Small Hub)	\$1,500,000	<b>\$750,000</b>	Revenue guarantee and marketing to establish new service to Houston.	Selected as a first-time grantee because the community demonstrated the need for service to the south central U.S. Small hub with higher than average air fares and local contribution indicating project commitment.
OH	Toledo	\$750,000	<b>\$750,000</b>	Revenue guarantee and marketing for new service to Denver.	Selected as a second-time grantee because the community demonstrated the need for service to Denver providing the community a second chance at additional service. Local contribution and air carrier support indicate commitment to project.
OR	North Bend	\$600,000	<b>\$550,000</b>	Revenue guarantee and marketing for east bound service.	Selected as a second-time grantee because the community demonstrated the need for east bound service. Air carrier support, local contribution, and strong public private partnership demonstrate commitment from this community, which is isolated from larger hub air service.
PA	Harrisburg (Small Hub)	\$500,000	<b>\$500,000</b>	Revenue guarantee and marketing for low fare west bound service, targeting Denver.	Selected as a second-time grantee because the community demonstrated the need for west bound service. Community was successful with previous grant. Proposal illustrates community's commitment through air carrier support, local contribution, developed public private partnership and timely use of funding.
PA	Latrobe	\$200,000	<b>\$200,000</b>	Marketing assistance to expand Spirit Airlines' service.	Selected as a second-time grantee because the community demonstrated the need for additional air service and showed initiative with attracting its own service to Fort Lauderdale and Myrtle Beach. Community was successful with previous grant. A very strong local contribution, public-private support, and air carrier support demonstrate community commitment.

State	Community	Requested Funding	Federal Funding	Description	Award Rationale
TN	Tri-Cities	\$250,000	<b>\$250,000</b>	Revenue guarantee for service to Dallas.	Selected as a second-time grantee because the community demonstrated the need for service to Dallas. Public private partnership and local contribution demonstrate commitment to proposal.
TX	San Angelo	\$500,000	<b>\$500,000</b>	Revenue guarantee and marketing to add a second carrier.	Selected as a first-time grantee because the community demonstrated the need for a second carrier with a strong public private partnership and support. As an isolated community with insufficient air service, this proposal would offer material benefits to the community.
VA	Lynchburg	\$800,000	<b>\$700,000</b>	Revenue guarantee and marketing for low fare service.	Selected as a third-time grantee because the community demonstrated a unique regional approach to pool two additional larger market areas into one large market to make it more attractive for low fare service. Community was successful with previous grant award. Community is isolated from larger hub air service and demonstrates its commitment to the unique project through a local contribution and a developed public private partnership.
VA	Shenandoah Valley (EAS)	\$150,000	<b>\$150,000</b>	Marketing current EAS service to Washington Dulles.	Selected as a second-time grantee because the community demonstrated the need to reduce leakage at the airport with a well developed and targeted proposal. Community was successful with previous intermodal grant. Strong local contribution demonstrates public private partnership commitment to the project.
WA	Spokane (Small Hub)	\$1,000,000	<b>\$950,000</b>	Revenue guarantee for service to the L.A. Basin.	Selected as a first-time grantee because the community demonstrated the need for air service given a high business demand area in the L.A. Basin. Local contribution indicates public private partnership support for this proposal.
WI	Green Bay	\$500,000	<b>\$500,000</b>	Revenue guarantee and marketing for year-round service to the West.	Selected as a first-time grantee because the community demonstrated the need for year-round western market connectivity. Public private partnership and local contribution indicate commitment to the proposal.
<b>TOTALS</b>		<b>\$16,101,500</b>	<b>\$14,984,000</b>		