



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

Issued by the Department of Transportation  
on the 30th day of September, 2014

In the Matter of the

**SMALL COMMUNITY AIR SERVICE  
DEVELOPMENT PROGRAM**

**DOCKET DOT-OST-2014-0113**

under 49 U.S.C. § 41743 *et seq.*

**ORDER AWARDING GRANTS**

**Summary**

By this Order, the U.S. Department of Transportation (the Department) awards 16 grants under the Small Community Air Service Development Program (Small Community Program) benefitting communities in 14 states to assist with the implementation of the air service initiatives proposed in their grant applications. The communities, the amount of funding awarded to the communities, and brief descriptions of the projects are listed in the Appendix to this Order. Award recipients must affirm their grant awards by entering into grant agreements with the Department. 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, 2000), 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 air fares.<sup>1</sup> 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. The FAA Modernization and Reform Act of 2012, Pub. L. No. 112-95 (February 14, 2012) authorized the program. Appropriations are provided

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

for this program for award in FY 2014 pursuant to the FY14 Omnibus Appropriations Act, Pub. L. 113-76 (Jan. 17, 2014). For the 2014 grant awards, the Department has \$7 million 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. An applicant may not receive an additional grant to support the same project;<sup>2</sup> and
4. An applicant may not receive an additional grant prior to the completion of its previous grant.<sup>3</sup>

The statute further provides that no more than four 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, and 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.

In addition, the law directs the Department to give priority to those communities or consortia of communities<sup>4</sup> 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;<sup>5</sup> and (f) multiple communities cooperate to submit a regional or multistate application to consolidate air service into one regional airport.<sup>6</sup>

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 three 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,

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<sup>2</sup> However, as stated in our Request for Proposals (Order 2014-6-17), previous grant recipients could submit grant proposals and seek funds for new projects. See Order 2014-6-17 for a discussion on same projects.

<sup>3</sup> 49 U.S.C. § 41743(c).

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

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

<sup>6</sup> 49 U.S.C. § 41743(c)(5)(F).

including improving air service through marketing and promotion of air service and enhanced utilization of airport facilities.<sup>7</sup>

On June 30, 2014, the Department issued an Order Soliciting Small Community Grant Proposals (Solicitation Order) from communities interested in receiving grant funding this year, and requested that such proposals be filed no later than July 31, 2014 (Order 2014-6-17). The Solicitation Order required each applicant to submit a completed Standard Form 424 and a Summary Information schedule to [www.grants.gov](http://www.grants.gov). Communities were requested to provide information that would help in the consideration of their grant requests, including details about their existing air services, historical air services, current air 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 the Department's learnings and experience from previous years, the Solicitation Order discussed various issues relating to project types and 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.

## **2014 Grant Applications**

In response to the Solicitation Order, the Department received 52 total grant applications from communities in 27 states. Collectively, these communities sought more than \$24 million in Federal assistance to support new and ongoing air service development projects. Most of the applications were filed by individual communities, with one filed by a consortia of communities. Of the 52 applications, eight applications were from communities with small-hub airports and three were from communities now receiving subsidized air service under the Department's EAS program. Nine of the 52 applications did not meet the basic eligibility 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. Others were found ineligible due to missing the stated deadline to submit applications as outlined in the Solicitation Order.

As in previous years, this year's eligible applications included proposals for feasibility studies, new or expanded service initiatives, service upgrades, and assorted combinations thereof. These 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 cash and/or in-kind contributions from local, state, airport, or private sources to complement their requests for Federal assistance.

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<sup>7</sup> 49 U.S.C. § 41743(d).

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. Many applicants argued that certain industry changes – including network rationalization due to air carrier consolidation, phase-outs of smaller regional jets due to higher operating costs, and a pilot shortage constraining the ability of air carriers to enter new markets – made the need for Federal assistance more critical and would help the communities compete for new services and retain current services.

## **2014 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. Award recipients must enter into grant agreements with the Department before the recipients may seek to be reimbursed expenses 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.<sup>8</sup> 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 brief description of each project and the amount of funding each community requested. As an overview:

- Eleven (11) of the awards are made to communities proposing a 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: Redding, California; Panama City, Florida; Columbus, Georgia; Boise, Idaho; Moline,

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

Illinois; Columbus, Mississippi; Gulfport-Biloxi, Mississippi; Bozeman, Montana; Roswell, New Mexico; Cheyenne, Wyoming, and Sheridan, Wyoming.

- Two (2) grants will be used by EAS communities to market the existing air service. These communities are Watertown, New York and Eau Claire, Wisconsin.
- Three (3) grants will be used to market existing air service at airports in Montgomery, Alabama, Yakima, Washington, and Rapid City, South Dakota.

All 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, (2) provided a specific plan and timetable for using their grant funds in a timely manner, and (3) provided a letter of support from an interested air carrier.

### **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 Federal agencies. 49 U.S.C. 41743(h). A current grant recipient remains active as the Department’s ASDZ designee for the program. As a result, the Department did not solicit applications for selection as an ASDZ designee in FY14.

### **Grant Agreements**

As noted above, the Department will execute grant agreements with each recipient. The Department 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 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. 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 shall be subject to all grant conditions and assurances that will be attached to and incorporated in the grant agreements (also available 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. 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>*

Appendix                      Order 2014-9-22			
State	Community	Federal Amount Awarded	Project Description
Alabama	Montgomery	\$200,000	The funding will be used for a marketing campaign to promote existing air service at Montgomery Regional Airport, an airport with three scheduled nonstop flights. The community believes that the marketing campaign is necessary to strengthen the airport brand and promote awareness in the catchment area, whose residents otherwise have to travel more than two hours for medium or large hub access. This will lead, the community hopes, to increased enplanements and more service opportunities in the future.
California	Redding	\$450,000	The funding will be used for a revenue guarantee for SkyWest Airlines, the sole air service provider at Redding Municipal Airport offering three daily roundtrips to San Francisco International Airport, with the objective of upgrading the existing turboprop aircraft to regional jets. The community is concerned that the industry-wide reduction of smaller turboprop service puts its air service at risk, and is hoping to preserve the service as well as offer its air travelers increased seat capacity.
Florida	Panama City	\$400,000	The funding will be used to provide marketing support for new daily JetBlue Airways service between Northwest Florida Beaches International Airport and John F. Kennedy International Airport. With the new nonstop service to New York, a top unserved O&D market for the catchment area, the community seeks to broaden the air carrier base at the airport and provide downward fare pressure.
Georgia	Columbus	\$750,000	The funding will be used to provide a revenue guarantee and marketing support to attract a second air carrier to Columbus Airport, targeting American Airlines (AA) service to Charlotte Douglas International Airport. The community seeks the new service to bring additional capacity to the airport following the cancellation of AA's service to Dallas-Ft. Worth International Airport and the subsequent loss of 49% of the airport's capacity. The community believes the new service will help reduce fares and benefit local air travelers who would otherwise need to drive about 90 miles to the nearest large hub airport.
Idaho	Boise	\$700,000	The funding will be used to provide a revenue guarantee and marketing support for new service from Boise Airport to an East Coast hub, targeting Delta Air Lines to Hartsfield-Jackson Atlanta International Airport. The community seeks to increase capacity at the airport and address an air service access deficiency to the commercial and high-tech centers on the East Coast, with which the community states it has increasing economic ties.

Appendix Order 2014-9-22			
State	Community	Federal Amount Awarded	Project Description
Illinois	Moline	\$500,000	The funding will be used to provide a revenue guarantee and marketing support for new service from the Quad City International Airport, targeting nonstop service to the Washington, D.C. area. The Quad Cities community, facing declining enplanements and capacity at the airport after AirTran's departure from the market, believes nonstop service to Washington, D.C. will strengthen and increase economic development efforts and help meet consumer demand for connecting opportunities on the East Coast.
Mississippi	Columbus	\$750,000	The funding will be used to recruit new service from the Golden Triangle Regional Airport to a westbound air gateway using revenue guarantees, start-up cost offsets, and marketing, focusing on service to Dallas-Ft. Worth International Airport, Houston George Bush Intercontinental Airport, or Denver International Airport. The community seeks to address the lack of direct westbound access, as all travel to points in the Western U.S. require lengthy backtracking connections over Atlanta.
Mississippi	Gulfport	\$350,000	The funding will be used to provide a revenue guarantee and marketing support for new low-fare service at the Gulfport-Biloxi Regional Airport to Minneapolis-Saint Paul International Airport, targeting Sun Country Airlines. The community seeks to provide lower fares and access to underserved markets with the new service, as well as reduce the decline in traffic at the airport.
Montana	Bozeman	\$750,000	The funding will be used for a revenue guarantee and marketing support to attract new service from Bozeman Yellowstone International Airport (BZN) to Dallas-Ft. Worth International Airport, targeting American Airlines. The community states that high load factors on flights from Salt Lake City and Denver connecting through BZN mean that local passengers have limited seating availability, and the community believes the additional capacity from the new service will stimulate inbound passenger travel and help reduce air fares.
New Mexico	Roswell	\$450,000	The funding will be used for a revenue guarantee and marketing support to acquire nonstop westbound service from the Roswell International Air Center (ROW) to a major connecting hub, targeting service by American Airlines to Phoenix-Sky Harbor International Airport. The community states that, from ROW, Southeast New Mexico air travelers endure circuitous routing to western markets, and thus longer travel times and higher travel costs, to fly local, or they drive significant distances to alternative airports. The community believes the new service will provide additional connecting opportunities at a major hub, as well as add capacity at the airport and address passenger demand for westbound travel.



Appendix                      Order 2014-9-22			
State	Community	Federal Amount Awarded	Project Description
New York	Watertown	\$235,000	The funding will be used for marketing support of the existing Essential Air Service (EAS) at Watertown International Airport, which is one scheduled nonstop flight to Philadelphia International Airport provided by American Airlines. The community seeks to continue the trend of improving load factors and reduce leakage with the marketing support, believing that the community outreach activities will enhance the airport's brand and increase enplanements.
South Dakota	Rapid City	\$325,000	The funding will be used to provide marketing support for the expansion to daily, year-round service of current seasonal, Saturday-only service to Hartsfield-Jackson Atlanta International Airport on Delta Airlines. The community believes the improved air service will increase capacity at the Rapid City Regional Airport and reduce the rate at which the airport's average fare increases, benefiting area air travelers who live 390 miles or more away from major metropolitan areas.
Washington	Yakima	\$290,000	The funding will be used to provide a revenue guarantee and marketing support for new daily service from Yakima Air Terminal-McAllister Field to Portland International Airport (PDX), as well as marketing and traffic studies to increase demand for the existing Alaska Airlines service. The community is geographically isolated, surrounded by mountains that make surface transportation difficult in the winter, and the airport is experiencing reduced scheduled frequencies. The community believes the new service will address passenger demand for service to PDX, and the marketing will help increase enplanements and support the continuation of its existing Alaska Airlines service to Seattle-Tacoma International Airport.
Wisconsin	Eau Claire	\$150,000	The funding will be used for a marketing project to build awareness of the existing EAS service currently provided at Chippewa Valley Regional Airport by SkyWest Airlines to Chicago O'Hare International Airport. The community seeks to retain and increase traffic at the airport, while reducing leakage.
Wyoming	Cheyenne	\$200,000	The funding will be used to provide a revenue guarantee and marketing support for new nonstop air service from Cheyenne Regional Airport to a large hub airport. The community seeks to provide reliable air service for local air travelers in the catchment area of the state capitol. The community believes it is at risk for losing air service, given the rising air fares and reduced frequency and capacity at the airport. With new air service, the community hopes to meet passenger demand for service to a large hub while increasing local utilization of the airport and pressuring air fares downward.

Appendix		Order 2014-9-22	
State	Community	Federal Amount Awarded	Project Description
Wyoming	Sheridan	\$500,000	The funding will be used to provide a revenue guarantee and marketing support for new nonstop air service from Sheridan County Airport to a large hub. The community seeks reliable air service for local air travelers who are more than a six-hour drive to either a large hub or an airport offering substantial low-fare service, and who are enduring fluctuating frequencies with the current service offered at the county airport. The community believes new air service would improve passenger retention at the airport and help reduce air fares.