



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

Issued by the Department of Transportation  
on the 15th day of September, 2015

In the Matter of the

**SMALL COMMUNITY AIR SERVICE  
DEVELOPMENT PROGRAM**

**DOCKET DOT-OST-2015-0126**

under 49 U.S.C. § 41743 *et seq.*

**ORDER AWARDING GRANTS**

**Summary**

By this Order, the U.S. Department of Transportation (the Department) awards eleven grants under the Small Community Air Service Development Program (Small Community Program) benefitting communities in eleven 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 (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. 108-176 (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 (2012) reauthorized the program. Appropriations are provided for this

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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.

program for award in FY 2015 pursuant to the FY 2015 Consolidated and Further Continuing Appropriations Act, Pub. L. No. 113-235 (2014). The Department has up to \$5.5 million available for the FY 2015 grant awards 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

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<sup>2</sup> However, as stated in our Order Soliciting Small Community Grant Proposals (Order 2015-6-18), previous grant recipients could submit grant proposals and seek funds for new projects. See Order 2015-6-18 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).

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>7</sup>

On June 18, 2015, 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 22, 2015 (Order 2015-6-18). 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.

## **2015 Grant Applications**

In response to the Solicitation Order, the Department received 53 total grant applications from communities in 30 states. Collectively, these communities sought more than \$22 million in Federal assistance to support new and ongoing air service development projects. Of the 53 applications, six applications were from communities with small-hub airports and nine were from communities now receiving subsidized air service under the Department's EAS program. Four of the 53 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, two were found ineligible because the applicant sought additional funding for the same, or essentially the same, project that was funded in a previous grant. One was found ineligible due to missing the stated deadline to submit applications as outlined in the Solicitation Order, and one because the community was larger than a small hub in calendar year 1997.

As in previous years, this year's eligible applications included proposals for a feasibility study, 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 that would help the communities compete for new services and retain current services more critical.

### **2015 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 eleven grant proposals with the objective of entering into grant agreements with the communities 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:

- Ten (10) of the awards are made to communities proposing a revenue guarantee, or a revenue guarantee with 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: Tallahassee, Florida; Salmon, Idaho; Traverse City, Michigan; Great

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

Falls, Montana; Fargo, North Dakota; Redmond, Oregon; Sioux Falls, South Dakota; College Station, Texas; Pasco, Washington; and Riverton, Wyoming.

- One (1) grant will be used by an EAS community, Presque Isle, Maine, to market existing air service.

All of the selected communities are contributing financial resources to their respective grant projects. In addition, all of the selected 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). The Department did not receive any applications requesting ASDZ designation.

### **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.transportation.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 5100.38D and all applicable federal law;

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

<b>Appendix                      Order 2015-9-8</b>			
<b>State</b>	<b>Community</b>	<b>Federal Amount Awarded</b>	<b>Project Description</b>
Florida	Tallahassee	\$750,000	The funding will be used for a revenue guarantee to attract new service between Tallahassee and Houston, TX, targeting United Airlines. The community seeks to address recent decreases in capacity and higher fares, and to provide additional on-line domestic and international connecting opportunities at the Houston hub.
Idaho	Salmon	\$150,000	The funding will be used for a revenue guarantee and marketing support to re-establish scheduled service between Salmon and Boise, ID, targeting Gem Air. The community seeks to address its economic isolation, stating that the nearest scheduled air service is 150 miles away; and that the proposed service would alleviate the long driving distances the community faces to reach this service, which is especially an issue in the winter months.
Maine	Presque Isle	\$250,000	The funding will be used for marketing support of the existing Essential Air Service (EAS) between Presque Isle and Boston, operated by PenAir. The community seeks to establish a marketing effort to alleviate confusion for passengers booking connections through Boston, as PenAir does not currently have code-share or interline agreements with the hub carriers operating at Boston Logan International Airport.
Michigan	Traverse City	\$750,000	The funding will be used for a revenue guarantee and marketing campaign for new service to a hub in the southern United States, targeting Charlotte, NC, Dallas/Ft. Worth, TX, or Houston, TX. In light of its geographic isolation and its desire to meet the needs of its tourism industry for improved connectivity, as well as to address high fares, the community seeks better access to markets in the southern United States through its proposed service.
Montana	Great Falls	\$385,000	The funding will be used for a revenue guarantee to attract new service between Great Falls and Chicago's O'Hare International Airport, targeting United Airlines. The community seeks this service to provide increased capacity at Great Falls and to help prevent circuitous connections for passengers traveling to the Midwest and to the eastern United States, providing material benefits to the community.

<b>Appendix                      Order 2015-9-8</b>			
<b>State</b>	<b>Community</b>	<b>Federal Amount Awarded</b>	<b>Project Description</b>
North Dakota	Fargo	\$500,000	The funding will be used for a revenue guarantee and marketing support to attract new service between Fargo and Seattle, WA, targeting SkyWest Airlines. The community states that in light of recent service cessations, the proposed service would provide the only link between Fargo and the western United States, benefitting the community generally, and specifically local businesses which have headquarters in Seattle.
Oregon	Redmond	\$500,000	The funding will be used for a revenue guarantee and marketing support to attract new service between Redmond and Phoenix's Sky Harbor Airport, targeting American Airlines. The community seeks to provide better access to the southwestern United States, now reachable only by less-convenient, circuitous connecting service. The community states that the service will benefit a broad segment of the traveling public, including its local businesses (including the tourism industry) and educational institutions.
South Dakota	Sioux Falls	\$500,000	The funding will be used for a revenue guarantee to attract new service between Sioux Falls and Seattle, WA, targeting SkyWest Airlines, Alaska Airlines, or Delta Air Lines. The community seeks to address recent and imminent service reductions which it believes will leave it with inadequate westbound services to meet its needs.
Texas	College Station	\$475,000	The funding will be used for a revenue guarantee and marketing support to attract new service between College Station and Atlanta, GA. The community seeks better access to the national air transportation system, with its proposed service providing its only route to a destination outside of Texas. The community states that it has experienced a rising population but decreasing air service, and that the new service would benefit the community as a whole, and especially Texas A&M University, which is located near College Station's airport.
Washington	Pasco	\$750,000	The funding will be used for a revenue guarantee and marketing support to attract new service between Pasco and Los Angeles, CA, targeting SkyWest Airlines. The community seeks to address limited capacity and high fares, and to provide what it views as much-needed connections to and from a major hub for business travelers, benefitting numerous employers in the region.



<b>Appendix                      Order 2015-9-8</b>			
<b>State</b>	<b>Community</b>	<b>Federal Amount Awarded</b>	<b>Project Description</b>
Wyoming	Riverton	\$481,810	The funding will be used for a revenue guarantee to attract new service to a hub airport. The community states that it is extremely isolated, being 240 miles from the nearest hub airport; that current services by its sole air carrier are inadequate to meet its needs; and that the proposed service would benefit local businesses and promote job growth.