



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

Issued by the Department of Transportation
on the 12th day of July, 2018

In the Matter of the

**SMALL COMMUNITY AIR SERVICE
DEVELOPMENT PROGRAM**

under 49 U.S.C. § 41743 *et seq.*

DOCKET DOT-OST-2017-0155

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” or “SCASDP”) benefitting communities in 16 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, obligating the funds, 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 Small Community Program was established by the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (Pub. L. No. 106-181), reauthorized by the Vision 100-Century of Aviation Reauthorization Act (Pub. L. No. 108-176), and subsequently reauthorized by the FAA Modernization and Reform Act of 2012 (Pub. L. No. 112-95) (FAA 2012), as amended. Authorization for this program is codified at 49 U.S.C. § 41743.

The Small Community Program is authorized to receive appropriations under 49 U.S.C. § 41743(e)(2), as amended. The FAA Extension, Safety, and Security Act of 2016 (Pub. L. No. 114-190) amended 49 U.S.C. § 41743(e)(2) to authorize the program to receive an additional

\$6 million in appropriations through FY 2017.¹ The Consolidated Appropriations Act, 2017 (Pub. L. No. 115-31) provided the Department \$10 million for FY 2017 grant awards to carry out this program.

When selecting applicants to participate in the Small Community Program, the Department is statutorily required, under 49 U.S.C. § 41743, as amended by Pub. L. No. 114-113, to apply the following eligibility criteria:

1. (a) The airport serving the community or consortium is not larger than a small hub airport, according to FAA hub classifications effective on the date of service of our Order soliciting proposals in this proceeding (Order 2017-10-7), or
(b) As of calendar year 1997, the airport serving the community or consortium was not larger than a small hub airport;
2. The airport has insufficient air carrier service or unreasonably high air fares;
3. The airport presents characteristics, such as geographic diversity or unique circumstances, that demonstrate the need for, and feasibility of, the Small Community Program;
4. An applicant may not receive an additional grant to support the same project;² and
5. An applicant may not receive an additional grant prior to the completion of its previous grant.³

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 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; (e) the funds will be used in a timely manner;⁵ and (f) multiple communities cooperate to submit a regional or multistate application to consolidate air service into one regional airport.⁶

¹ See Pub. L. No. 114-190, section 1102(e).

² However, as stated in our Order Soliciting Small Community Grant Proposals (Order 2017-10-7), previous grant recipients could submit grant proposals and seek funds for new projects. See Order 2017-10-7, p. 5, for a discussion on same projects.

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)(E).

⁶ 49 U.S.C. § 41743(c)(5)(F).

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, including improving air service through marketing and promotion of air service and enhanced utilization of airport facilities.⁷

On October 12, 2017, 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 December 15, 2017 (Order 2017-10-7). The Solicitation Order required each applicant to submit a completed Standard Form 424 and a Summary Information schedule to 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. The Solicitation Order further emphasized that communities would be expected to meet the financial-contribution commitments that they include in their proposals.

FY 2017 Grant Applications

In response to the Solicitation Order, the Department received 53 total grant applications from communities in 36 states. Collectively, these communities sought more than \$31 million in Federal assistance to support new and ongoing air service development projects. Of the 53 applications, nine applications were from communities with small-hub airports. Seven 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, five were found ineligible due to missing the deadline to submit applications as outlined in the Solicitation Order. Two were found ineligible because the applicants did not demonstrate that they represented communities or consortia of communities.

As in previous years, this year's eligible applications included proposals for feasibility studies, new or expanded service initiatives, marketing, and assorted combinations thereof. These applicants provided information on historical and current air service and air fare issues facing

⁷ 49 U.S.C. § 41743(d).

their communities, the economic benefits of air service, proposed initiatives to remedy air service or air fare 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.

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. A number of applicants argued that certain industry changes, including network rationalization and pilot shortages, prompted the need for Federal assistance in order to help the communities compete for new services and retain current services more critical.

FY 2017 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 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.⁸ The Department's grant agreements will be transmitted to the selected communities subsequent to the issuance of this Order.

The proposals we selected meet 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, all of the awards are being made to communities proposing revenue guarantees or marketing, or revenue guarantees with marketing, as a means to attract new service, to support existing service, or to restore lost service.

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

The selected communities are: Fairbanks, AK; Bakersfield, CA; Augusta, GA; Sioux City, IA; Shreveport, LA; Lincoln, NE; Farmington, NM; Elmira, NY; Tulsa, OK; Florence, SC; Rapid City, SD; Brownsville, TX; Roanoke, VA; Wenatchee, WA; La Crosse, WI; and Casper, WY.

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) have 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 (modified as discussed below) 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. Expenditures incurred by third parties are not directly reimbursable to such third parties under this grant program.⁹ 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.

Changes to the Terms and Conditions of Small Community Program Grants

For these FY 2017 grants, we are making several changes designed to facilitate the use of grant funds by the communities selected, and to reduce the regulatory burden on them. These changes are the result of our ongoing experience in administering the Small Community Program, as

⁹ The legal sponsor must have paid all costs associated with eligible invoices, including costs incurred by third parties, prior to seeking reimbursement from the Department.

discussed below, and will be reflected in the grant agreements we enter into with the FY 2017 (and future-year) grant selectees.¹⁰

Duration of Grants

The Department has in past years issued Small Community Program grants for three durations: one year for grants seeking only to perform studies, two years for grants involving marketing, and three years if the grant included a revenue guarantee to an air carrier. We find that longer terms for these grants are warranted, as communities often request an extension in order to achieve the goals they have set in their grant proposals.

Where a community has shown good cause for an extension, because of specific difficulties it has experienced in fulfilling its grant goals in the allotted time period (including, but not limited to, underlying industry factors), we have permitted a one-year extension of its grant, finding that the additional time was consistent with the goals of the SCASDP program and with the public interest.

The repeated requests for grant extensions indicates that the current grant terms are too short, in a significant number of cases, for communities to complete their proposals and to use all or most of the allocated grant funding. Moreover, our current procedures necessitate communities to seek (sometimes more than once) extensions of their grants, an unnecessary burden.

To address this problem, we will make two modifications.

First, for grant agreements issued this year and going forward, we will increase grant durations by one year; thus, two years for grants involving studies, three years for those involving marketing, and four years for those including revenue guarantees.¹¹

Second, we will streamline the process for a community to seek and obtain a first grant extension by allowing it to obtain a self-initiated, automatic one-year extension of its grant if it files with the Department, no later than 60 days prior to the expiration date of its grant agreement, a written request for such extension.¹²

We believe that these measures serve to address the grant-duration issue we have identified, and, as discussed above, that these modifications are necessary to the public interest.

¹⁰ As discussed below, we will also make these changes, to the extent practicable, applicable to holders of prior-year grants.

¹¹ The three-year limitation set forth in section (d)(1) of the SCASDP statute applies only to revenue guarantees. The three-year limitation begins when subsidized service commences.

¹² We are making this automatic first-extension available as well to prior-year Small Community Program grant holders, whose currently-effective grant agreements have not yet reached their initial termination dates.

Reporting Requirements

At present, the grant agreements into which we enter with Small Community Program communities require the communities to file quarterly reports with the Department showing their progress in meeting the milestones of their grant projects.

Experience has shown that these reports are filed more often than necessary for us to monitor the progress of Small Community Program communities' efforts. In our view, switching from a quarterly- to a semi-annual report filing requirement would allow us adequately to track the work done by communities, while, as with the grant duration changes we describe above, reducing the filing burden on the affected communities. Given the public benefits to be achieved with this less-frequent filing schedule, we will make this change in the grant agreements for the FY 2017 and future-year selectees. In addition, we will also make this relief available to all communities bound by currently-effective Small Community Program grant agreements.¹³

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;
4. Each Small Community Program grant holder whose grant agreement has not yet reached its initial termination date may obtain a self-initiated, automatic one-year extension of its grant if it files with the Department (Office of Aviation Analysis, X-55), no later than 60 days prior to the expiration date of its grant agreement, a written request for such extension;
5. We exempt each community holding a currently-effective prior-year Small Community Program grant to relieve it of the provision in section C(4)(a) of its grant agreement that requires it to file reports with the Department on a quarterly basis, if that community instead files the

¹³ Because the quarterly filing requirement is contained in the text of these prior-year grant agreements, and to avoid the need to formally amend those agreements, we will grant these communities, in this order, an exemption from the quarterly filing requirement if they file on the semi-annual dates we are setting.

required reports on a semi-annual basis, on April 15 and October 15 of each year that the grant agreement remains effective; and

6. A copy of this Order will be served on the legal sponsor for each applicant in this proceeding, and on the legal sponsor for each of the communities holding a currently-effective grant awarded in a prior year.

By:

JOEL SZABAT
Deputy Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available
at <http://www.regulations.gov>*

Appendix

Appendix		Order 2018-7-10	
State	Community	Federal Amount Awarded	Project Description
AK	Fairbanks	\$750,000	The funding will be used for a revenue guarantee and marketing for new non-stop service to Los Angeles, CA and/or Phoenix, AZ. The community seeks to replace services formerly operated to/from other markets. The community notes that significant traffic must now come over Anchorage, and that new non-stop service would improve access to important tourism markets.
CA	Bakersfield	\$500,000	The funding will be used for a revenue guarantee and marketing for new non-stop service to Dallas/Ft. Worth, TX, targeting American Airlines. The community states that it is somewhat isolated and has experienced service reductions, and that the proposed service will address these issues. It also notes that the proposed destination is highly attractive to the community's oil and gas industry.
GA	Augusta	800,000	The funding will be used for a revenue guarantee and marketing for new non-stop service to Washington, D.C., either to Ronald Reagan Washington National Airport on American Airlines, or to Washington Dulles International Airport on United Airlines. The community states that this service would provide year-round non-stop service to Augusta from its largest origin and destination market, and would also improve connectivity to the northeast United States and for international routes.
IA	Sioux City	650,000	The funding will be used for a revenue guarantee, marketing, and fee waivers for new non-stop service to Denver, CO, on SkyWest/United Express. The community seeks to improve access to the western United States, which currently requires circuitous routings over Chicago, IL, or Dallas/Ft. Worth, TX. The community has arranged for a large amount of local funding to demonstrate the strong community support for the proposal.
LA	Shreveport	\$300,000	The funding will be used for a marketing program to increase the public's awareness of services available at the Shreveport airport. The community states that incumbent air carriers will increase capacity for the summer months, and without increased marketing the seats might not be sold, and, as a result, the community could face service reductions in the future. The community notes that it has lost several funding sources, including closure of a maintenance facility, that could have been used to finance this marketing.

Appendix		Order 2018-7-10	
State	Community	Federal Amount Awarded	Project Description
NE	Lincoln	\$750,000	The funding will be used for a revenue guarantee and marketing for new non-stop service to Dallas/Ft. Worth International Airport, with American Airlines. The community states that it has carefully analyzed potential new markets and determined that DFW service will best meet its needs. It believes that adding a major hub will reduce fares and improve access to national markets
NM	Farmington	\$850,000	The funding will be used for a revenue guarantee, marketing, and a market study to support new service on SkyWest Airlines to one of its partner air carrier's hubs at Denver, CO (DEN); Salt Lake City, UT (SLC); Phoenix, AZ (PHX); or Los Angeles, CA (LAX). The community notes that it has lost all air service over the past several years, especially impacting businesses in the resource industry. The community states that it has raised substantial state/local funding, indicating support for the project.
NY	Elmira	\$275,000	The funding will be used for a marketing program to support new service on United Airlines to Newark, NJ, as well as existing services provided by Allegiant Airlines and Delta Air Lines. The community states that support of the new Newark hub is critical to its need for an eastern hub, and notes that multiple companies in the area have indicated support for the proposal and contributed local cash to the endeavor.
OK	Tulsa	\$750,000	The funding will be used for a revenue guarantee and marketing for new non-stop service to Seattle, WA, using Alaska Airlines. The community states that its air service has suffered in recent years, resulting in its downgrading to a small hub airport. It states that there is a strong local demand for service to the Pacific Northwest, and that the service will provide attractive connections to points such as Portland, OR and San Francisco, CA.
SC	Florence	\$600,000	The funding will be used for a revenue guarantee and marketing to convert current American Airlines service to Charlotte, NC from Dash-8 turboprop aircraft to regional jets. The community states that American is phasing out its turboprop aircraft, and, absent this grant, the community would lose all access to the national air transportation system. It states that it has worked with American to provide for the continuation of service with the upgraded aircraft.

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State	Community	Federal Amount Awarded	Project Description
SD	Rapid City	\$700,000	The funding will be used for a revenue guarantee, marketing and fee waivers, for new non-stop service to Phoenix Sky Harbor Airport, targeting American Airlines. The community states that high load factors constrain access to western destinations where traffic has been growing. It states that the proposed service will benefit the area's tourism industry, as well as military, government, and educational entities.
TX	Brownsville	250,000	The funding will be used for a marketing program to support one additional daily frequency by United Airlines to Houston, TX. The community states that United has reduced frequencies in the market, resulting in a loss of passengers to other airports. It states that United indicated that it would consider the restoration of the lost frequency contingent on a formal marketing program to support the operation. United filed a letter confirming its position.
VA	Roanoke	\$750,000	The funding will be used for a revenue guarantee, marketing, and fee waivers for new non-stop service to Dallas/Ft. Worth, TX (DFW). The community states that the service will help address high fares and provide new travel options, and notes that its proposal has strong community support, with substantial local cash raised. The community notes that Dallas/Ft. Worth is one of its top unserved markets, and that the service would provide additional access to the west.
WA	Wenatchee	\$750,000	The funding will be used for a revenue guarantee, marketing, and fee waivers for new non-stop service to San Francisco, CA, using SkyWest Airlines. The community states that its only current service is to Seattle, WA, and that the need to connect at Seattle limits Wenatchee's growth potential. The community also states that it has an expanding tech sector, and that the proposed service will thus serve business interests as well as its traditional tourism market.
WI	La Crosse	\$750,000	The funding will be used for a revenue guarantee and marketing for new non-stop service to Detroit, MI; Newark, NJ; New York, NY; or Philadelphia, PA; targeting SkyWest Airlines. The community states that it lost air service to Detroit in 2014, and that capacity in other markets has fallen, resulting in high air fares. It states that the proposed service will provide additional connectivity as well as downward pressure on fares.

Appendix		Order 2018-7-10	
State	Community	Federal Amount Awarded	Project Description
WY	Casper	\$500,000	The funding will be used for a revenue guarantee and marketing for new non-stop service to Phoenix, AZ or another western hub, targeting SkyWest Airlines. The community states that its current service is limited to SkyWest to Salt Lake City, UT and United Express to Denver, CO, and that it lost service to Las Vegas, NV earlier this year. It states that the proposed new service would provide substantial benefits to its travel and tourism industry.