

Order 2023-9-18
Served: September 29, 2023



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

Issued by the Department of Transportation
on the 29th day of September, 2023

In the Matter of the

**SMALL COMMUNITY AIR SERVICE
DEVELOPMENT PROGRAM**

DOCKET DOT-OST-2023-0037

under 49 U.S.C. § 41743 *et seq.*

ORDER AWARDING GRANTS

Summary

By this Order, the U.S. Department of Transportation (the Department) awards 20 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 with the Department obligating the funds. Award recipients may not seek to be reimbursed funds under the Small Community Program until grant awards are issued and dually signed.

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), as amended, the Disaster Tax Relief and Airport and Airway Extension Act of 2017 (Pub. L. No. 115-63), and the FAA Reauthorization Act of 2018 (Pub. L. No. 115-254) (FAA 2018). 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). Appropriations are provided for this program for award selection in Fiscal Year (FY) 2022 pursuant to the Consolidated Appropriations Act, 2022 (Pub. L. No. 117-103).

When selecting applicants to participate in the Small Community Program, the Department is statutorily¹ required to apply the following criteria for participation:

1. The airport serving the community or consortium is not larger than a small hub airport, as determined using the Department of Transportation's most recently published classification effective on the date that the community or consortium submits an application;
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 more than once in a 10-year period, except in certain circumstances;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 statute 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 sources other than airport revenues; (c) a public-private partnership has been or will be established to facilitate air carrier service to the public;⁵ (d) improved service will bring the material benefits of scheduled air transportation to a broad section of the traveling public, including business, educational institutions, and other enterprises whose access to the national air transportation system is limited;⁶ (e) the assistance will be used to help restore scheduled passenger air service that has been terminated;⁷ (f) the funds will be used in a timely manner;⁸ and (g) multiple communities cooperate to submit a regional or multistate application to consolidate air service into one regional airport.⁹

The Department is authorized to award grants to communities that seek to provide assistance to:

¹ 49 U.S.C. § 41743(c).

² As provided under 49 U.S.C. § 41743(c)(4)(C), the Department may waive the same project limitation.

³ 49 U.S.C. § 41743(c)(1)-(4).

⁴ A consortium of communities is considered a single entity for purposes of SCASDP. 49 U.S.C. § 41743.

⁵ 49 U.S.C. § 41743(c)(5)(C).

⁶ 49 U.S.C. § 41743(c)(5)(D).

⁷ 49 U.S.C. § 41743(c)(5)(E).

⁸ 49 U.S.C. § 41743(c)(5)(F).

⁹ 49 U.S.C. § 41743(c)(5)(G).

- 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;
- 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.¹⁰

On March 15, 2023, the Department issued Order 2023-3-9 in this Docket, soliciting grant proposals from communities interested in receiving grant funding for FY 2022.

Order 2023-3-9 will be referred to as the “Solicitation Order” in the context of this proceeding.

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. Finally, communities were encouraged to address how their projects would consider Department priorities relating to climate change and environmental justice in their project planning and delivery stages.¹¹

Drawing on the Department’s 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.

Grant Applications

In response to the Solicitation Order, the Department received grant applications from 48 communities in 26 States and one U.S. territory.¹² Collectively, these communities sought more than \$34 million in Federal assistance to support new and ongoing air service development

¹⁰ 49 U.S.C. § 41743(d).

¹¹ For a further discussion of Department priorities of safety, climate change and sustainability, and equity that are relevant to this proceeding, see Order 2023-3-9, p.13 and 17.

¹² Three applicants ((1) the Town of Islip, Long Island MacArthur Airport, NY; (2) the City of Lakeland, FL; and (3) St Joseph County Airport Authority, South Bend, IN) filed Motions under 14 CFR § 302.12 (Rule 12) of the Department’s Regulations requesting confidential treatment of certain documents included in their applications. The Department has granted these Motions, and we have placed copies of our decisions in this Docket.

projects. Three of the 48 applications did not meet the basic eligibility criteria for participation outlined above and were determined ineligible for consideration.

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 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 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. Almost all applicants cited reductions and/or suspensions of service due to the coronavirus pandemic, arguing that this factor, in particular, combined with ongoing industry issues they have been facing, prompted the need for Federal assistance in order to help communities in these unique circumstances.

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 20 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.¹³ The Department's grant agreements will be transmitted to the selected communities subsequent to the issuance of this Order.¹⁴

¹³ See <http://www.transportation.gov/policy/aviation-policy/small-community-rural-air-service/SCASDP> for applicable conditions and assurances.

¹⁴ As in previous years, the Department's staff will, at the request of any non-selected applicant community, conduct a debriefing with representatives of that community to review and provide feedback on its application in

The proposals 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.

The selected communities are: Monterey, CA; Dubuque, IA; Idaho Falls, ID; Peoria, IL; Springfield, IL; South Bend, IN; Ft. Wayne, IN; Monroe, LA; Traverse City, MI; Gulfport/Biloxi, MS; Billings, MT; Fargo, ND; Ithaca, NY; Wilkes-Barre/Scranton, PA; Chattanooga, TN; Tri-Cities (Blountville), TN; Del Rio, TX; Lynchburg, VA; Richmond, VA; and Yakima, WA.

All selected communities are contributing financial resources to their respective grant projects. The local resources 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.¹⁵ Only one SCASDP grant recipient may hold an ASDZ designation at any one time. As we noted in Order 2023-3-9, an FY 2018 SCASDP grant recipient, Grand Junction Regional Airport, Grand Junction, CO, is a current ASDZ designee, and the Department therefore did not solicit a new ASDZ designee in this proceeding.

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 proceeding. Any affected community wishing to avail itself of a debriefing should contact the Associate Director, Brooke Chapman, at Brooke.Chapman@dot.gov.

¹⁵ 49 U.S.C. § 41743(h).

this grant program.¹⁶ 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.

We will issue Small Community Program grants for three different durations: three years for grants involving studies, four years for those involving marketing, and five years for those including revenue guarantees.¹⁷

As we did for the FY 2017, FY 2018, FY 2019, and FY 2021 grants, we will provide for a community to seek and obtain a first grant extension (if it deems such an extension necessary) by allowing it to obtain a self-initiated 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.¹⁸

Reporting Requirements

Unless otherwise noted, each grantee must submit semi-annual reports on the progress made during the previous period in implementing its grant project. In addition, each community will be required to submit a final report on its project to the Department, and 10 percent of the grant funds will not be reimbursed to the community until such a final report is received. Additional information on award administration for selected communities will be provided in their 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

¹⁶ 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.

¹⁷ See Order 2018-7-10, p. 6, Order 2020-2-14, p. 5, Order 2021-7-13, p. 6, and Order 2022-8-5, p. 6. Title 49 U.S.C. § 41743(d)(1) states that the Secretary may issue grants “to provide assistance to an air carrier to subsidize service to and from an underserved airport for a period not to exceed 3 years....” The three-year limitation applies only to the duration of the revenue guarantee itself, beginning when the subsidized service actually commences. Our five-year grant duration recognizes that significant time is often spent by communities in arranging for a revenue guarantee with an air carrier before such service can begin, and it gives additional time for communities and air carriers to complete this preliminary process.

¹⁸ See Order 2018-7-10, p. 6, Order 2020-2-13, p. 6, Order 2021-7-13, p. 7, and Order 2022-8-5, p. 6.

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 award recipient whose grant agreement has not yet reached its initial termination date may obtain a self-initiated 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; and

5. A copy of this Order will be served on the legal sponsor for each applicant in this proceeding.

By:

CAROL A. (ANNIE) PETSONK
Assistant Secretary
for Aviation and International Affairs

(SEAL)

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

Appendix

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State	Community	Federal Amount Awarded	Project Description
CA	Monterey	\$750,000	The funding will be used for a revenue guarantee to initiate and support new service to Chicago, IL. The community states that the service would bolster its economy by enabling travelers on the East Coast one-stop access to Monterey via the Chicago hub, and would complement the community's existing air services. The community will provide significant local funding for the project. Fares in the community are higher than the national average. American Airlines provided a letter of support for the project.
IA	Dubuque	\$1,500,000	The funding will be used for a revenue guarantee and marketing to support new service to a large or medium hub. The community states that it has lost all daily air service (Avelo Airlines conducts limited service to Orlando, FL); and that connectivity to a hub airport is essential for its economy. The community will provide significant local funding for the project, and notes that its airport is implementing several initiatives to address climate change. Dubuque qualified for the air service restoration merit. Fares in the community are higher than the national average. Denver Air Connection provided a letter of support for the project.
ID	Idaho Falls	\$950,000	The funding will be used for a revenue guarantee to initiate and support new service to a Los Angeles, CA area airport. The community states that it has no daily nonstop service to California, its largest market, and that the proposed service would address this shortcoming and exert downward pressure on fares, which are higher than the national average. The community is providing substantial local funding for the project, and Alaska Airlines provided a letter of support.
IL	Peoria	\$500,000	The funding will be used for a revenue guarantee and marketing to initiate and support new daily service to a west-central hub, preferably Denver, CO, Houston, TX, Phoenix, AZ, or Salt Lake City, UT. The community states that it has lost prior west-central hub service to Denver, and that this has adversely affected its economy and its travelers. It states that the service identified in its proposal will alleviate that deficiency. In addition, the airport plans to increase sustainability and reduce its carbon footprint through installation of solar panels and EV parking spaces. Peoria qualified for the air service restoration merit. The community is providing substantial local funding for the project. American Airlines and United Airlines provided letters of support for the project.

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State	Community	Federal Amount Awarded	Project Description
IL	Springfield	\$250,000	The funding will be used for a marketing campaign to support its existing Allegiant Air and American Airlines service. The community states that, over the past decade, scheduled departures from Springfield's airport have declined by more than half, and proposes a marketing program tailored to increase public awareness of its remaining service. The community has assembled a strong public-private partnership which has raised local funding for the project, which will assist in the project's implementation. American Airlines provided a letter of support for the project.
IN	South Bend	\$750,000	The funding will be used for a revenue guarantee and marketing to initiate and support new service between South Bend and the West Coast (Los Angeles or San Francisco, CA), or, in the alternative, Washington, DC. The community states that air service at South Bend has declined and that its proposal will allow direct service to one or more of its top passenger traffic markets. The community is providing substantial local funding for the project, including State funding from the Indiana Economic Development Corp. A confidential airline letter of support was filed with the Department.
IN	Ft. Wayne	\$600,000	The funding will be used for a revenue guarantee and marketing to initiate and support new service to Denver, CO. The community states that it does not currently have service to the western United States, and that its proposal would give it access to a westbound hub destination beyond its current Chicago hub. It notes that the service would provide new connectivity to points on the West Coast, and likely provide downward pressure on airfares. The community is providing very substantial local funding, and United Airlines provided a letter of support for the project.
LA	Monroe	\$500,000	The funding will be used for a revenue guarantee and marketing to initiate and support new service to Charlotte, NC. The community states that it has lost air service in recent years, and that its proposed Charlotte service would bring new capacity, place downward pressure on airfares, and provide connecting opportunities for passengers over the Charlotte hub. Fares in the community are higher than the national average. American Airlines provided a letter of support for the project.

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State	Community	Federal Amount Awarded	Project Description
MI	Traverse City	750,000	The funding will be used for a revenue guarantee and marketing to initiate and support new service to Houston, TX. The community states that it is facing high airfares (fares in the community are substantially higher than the national average) and limited capacity, and that the proposed Houston service will help alleviate these problems. The community states that the service will add another flight option from Traverse City to the southern United States, and would thus apply downward pressure on fares. The community is providing very substantial local funding, and United Airlines provided a letter of support for the project.
MS	Gulfport/Biloxi	\$365,000	The funding will be used for a revenue guarantee and marketing to initiate and support new service to the Washington, DC area. The community states that Hurricane Katrina, the Deepwater Oil spill, and the COVID-19 pandemic have negatively impacted the area's long-term growth, and that the proposed service to Washington, DC will also provide more efficient onward connections. Airfares are slightly higher than the national average. The State of Mississippi is providing substantial funding for the project, with additional funding coming from the community. American Airlines and Breeze Airways provided letters of support for the project.
MT	Billings	\$1,000,000	The funding will be used for a revenue guarantee and marketing to initiate and support new service to Los Angeles, CA, or San Francisco, CA. The community states that it needs additional air service destinations in order to combat its high airfares (fares in the community are higher than the national average), and that its proposal will achieve this goal through increased competition. Billings qualified for the air service restoration merit. The community is providing substantial local funding for the project, and Alaska Airlines has provided a letter of support for the project.
ND	Fargo	\$500,000	The funding will be used for a revenue guarantee and marketing to initiate and support new service to Charlotte, NC, on American Airlines. The community states that the proposed service will significantly increase connectivity to the eastern United States through American's extensive hub network at Charlotte, including operations to points in the East Coast, the Caribbean, and Europe. Airfares are higher than the national average, and the community believes that its proposed operations at Charlotte will provide more competition overall and result in downward pressure on fares. The community is providing substantial local funding for the project, and American Airlines has provided a letter of support for the project.

Appendix Order 2023-9-18			
State	Community	Federal Amount Awarded	Project Description
NY	Ithaca	\$750,000	The funding will be used for a revenue guarantee and marketing to initiate and support new service to a Washington, DC-area airport or a similar southern hub. The community states that its proposed service to Washington, and the additional seat capacity it will bring, will address its need for expanded air service, will complement its existing New York-area service, and will help lower airfares (airfares are higher than the national average). Ithaca qualified for the air service restoration merit. The community is providing substantial local funding for the project, and United Airlines has provided a letter of support for the project.
PA	Wilkes-Barre/Scranton	\$500,000	The funding will be used for a revenue guarantee and marketing to initiate and support new service to Ft. Myers, Orlando, Sarasota, and/or Tampa, FL, on Avelo Airlines. The community states that it lost capacity, which has not been restored, due to the effects of the COVID-19 pandemic; and that it has partnered with surrounding counties and organizations to develop the new service. The proposal will bring an ultra-low-cost carrier (ULCC) to the community and open the nonstop Florida vacation market to its residents. Avelo Airlines has provided a letter of support for the project.
TN	Chattanooga	\$750,000	The funding will be used for a revenue guarantee and marketing to initiate and support new service to Denver, CO (or, in the alternative, if Denver service cannot be implemented), to Houston, TX. The community states that seat capacity and traffic have suffered a recent decline at Chattanooga, and that the addition of service to a western hub such as Denver will capture traffic lost to other communities because of its lack of such a hub. Airfares are higher than the national average, and the community is providing substantial local funding for the project. United Airlines has provided a letter of support for the project.
TN	Tri-Cities (Blountville)	\$900,000	The funding will be used for a revenue guarantee and marketing to initiate and support new service to Chicago, IL. The community states that while it has current air service to the south, it has no network service to the north, notwithstanding significant local demand for such service. The proposed service to Chicago will address this shortfall and provide connectivity beyond Chicago to the northern United States. Tri-Cities qualified for the air service restoration merit. Airfares are above the national average, and the community is providing substantial local funding for the project. American Airlines provided a letter of support for the project.

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State	Community	Federal Amount Awarded	Project Description
TX	Del Rio	\$1,200,000	The funding will be used for a revenue guarantee and marketing to initiate and support new service to the community, which lost all air service earlier this year. The community states that in April of this year it lost its only air service, which was to Dallas/Ft. Worth, TX. It plans to re-initiate service to the same or a similar destination. Del Rio qualified for the air service restoration merit. The community is providing substantial local funding for the project.
VA	Lynchburg	\$600,000	The funding will be used for a revenue guarantee and marketing to initiate and support new service to Chicago, IL, and to support aircraft upguage and an increase in frequencies on its existing service to Charlotte, NC. The community states that the Chicago route will provide it with service to a western hub with extensive connectivity, and that the additional Charlotte frequencies will provide new capacity that the community greatly needs. The community is providing very substantial funding for the project, and American Airlines has provided a letter in support for the project.
VA	Richmond	\$1,000,000	The funding will be used for a revenue guarantee and marketing to initiate and support new service to Seattle, WA. The community states that while it has existing service to the West Coast, it has no service to the Pacific Northwest. It states that Seattle service will also provide needed connectivity to Alaska, Hawaii, and western Canada as well. The community is providing substantial local funding for the project, and Alaska Airlines has provided a letter in support for the project.
WA	Yakima	\$700,000	The funding will be used for a revenue guarantee and marketing to restore a second frequency, and potentially additional frequencies, on its existing service to Seattle, WA, (or, in the alternative, to support service to another hub airport). The community states that its service to Seattle was reduced to once a day in 2022, and that the restoration of the second frequency is crucial to the welfare of its business community and thus its local economy. The community is providing some local funding for the project, and Alaska Airlines has provided a letter in support for the project.